

March 6, 2018

TO: White Bluff Property Owners

FROM: Your Board of Directors

Leonard Critcher, President

John Bass, Vice President

Jim Fletcher, Secretary

Jeff Williams, Treasurer

Jay Elder

Mike Ellis

Joe Manders

Roy Miller

Marshall Snyder

RE: Town Hall Meeting

**White Bluff POA Town Hall Meeting
Saturday, March 3, 2018
White Bluff Chapel**

Introductory Remarks

Welcome! Your Board is pleased to host this Town Hall Meeting and look forward to a healthy and constructive interchange of information and ideas. In order to make this meeting more productive for everyone, there are a few procedures we will follow.

We asked for property owners to send us questions you wish to be addressed. These questions were used to determine a list of issues. We will address these issues one at a time and ask that your comments and/or questions be limited to the issue being addressed. Because of the number of attendees as well as the number of Issues, you will be limited to 4 minutes in commenting on an issue and/or asking questions about an issue. There is a microphone, which should be used so that all can hear what is said. You should identify yourself and provide your address.

As each issue is brought up for discussion, I will preface the discussion with pertinent information regarding the issue. In some cases, this information may address answers to questions that otherwise would have been raised. In some cases, this information will bring everyone

up to date on the background associated with the issue and the current status.

There may be questions that the Board cannot answer. All unanswered questions will be recorded and answered in a follow-up email blast. There may be questions posed that cannot be answered for a variety of reasons. The reasons will be given.

POA General Manager Duane Dauphin has arranged to have the meeting recorded. The recorded meeting will be posted on the POA website so that non-attendees can listen to what is said today.

Acquisition of Amenities

Property owners should be fully aware that this Board is committed to resolution of the current situation inclusive of acquiring the amenities that are owned by Double Diamond and presently closed. You should also be aware that there is a finite limitation on the amount of money that can be paid by the association for the amenities. Acquisition of the amenities brings very tangible opportunities, but also an additional price tag. The deplorable condition of the amenities dictates an additional, sizeable expenditure that must be factored in to any attempt for acquisition. Said another way, acquisition involves the cost of acquisition and the cost of refurbishing what you buy.

On this past Thursday, members of your Board met in a mediation effort with Double Diamond in the law offices of our attorneys, Riddle and Williams. It was not court ordered and was not binding. It was a voluntary attempt by the Board to bring resolution.

In a mediation, the parties are physically separated, and the mediator goes from one group to the other trying to negotiate to a settlement. All parties in the mediation signed a confidentiality agreement to not disclose any element of what was discussed or offered. The mediation began in the morning and terminated at approximately 7 PM with no agreement reached. I do want to emphatically stress that your Board made every effort to get this unpalatable situation resolved and offered

Double Diamond a more than fair price for the amenities along with a commitment to refurbish the amenities. Mike Ward did not accept the offer. We have left our final offer open for a period of 7 days and hope that Mike Ward will reconsider his decision, accept the offer and let our community begin the process of recovery.

In the interim, we will continue our efforts in getting the financial records that have yet to be produced. Our attorney, Chad Robinson, has filed a 4th Contempt of Court pleading in Hill County District Court citing Double Diamond's repeated refusal to comply with the Court's order to produce our records along with other discovery items.

Questions and Comments from Property Owners

What are the contemplated cash requirements to manage the additional amenities? *This cannot be ascertained until after which time we obtain the amenities, assess their condition and decide on a plan for management as well as the order of opening. We have several options available to us.*

Opening of Amenities

As was said earlier, there are things the Board can control, and there are things the Board cannot control. If there is one thing that the vast, vast majority of property owners agree on is that we all want the amenities open. For the sake of introductory comments, I will break down the amenities into four categories: (1) the golf courses, (2) the dining facilities, (3) lodging facilities, and (4) everything else.

The Golf Courses

No one wants the golf courses open as much as this Board; however, so long as we do not own the courses or have some specific arrangement agreed to by the plaintiffs in the Walkinshaw case, it is the position of this Board that we will not spend POA maintenance fees on maintaining the golf courses. It might be helpful to go back through some history.

The POA and Double Diamond entered into a 25 year Use & Maintenance Agreement in 1990. This agreement obligated the POA to

maintain the golf courses, and it expired on 12/31/2015. The POA went to Hill County District Court and asked the Court if we were obligated to maintain the courses. The Court said, no.

We also are well aware that the judge in the Walkinshaw case has issued a Summary Judgment, which basically upholds the arguments made by the plaintiffs in that case. Those arguments said that it was improper for the POA to use maintenance fees to maintain the courses.

So, here we sit with a ruling that says we are not obligated to maintain the courses and another ruling that upholds the argument that doing so is improper. Your Board makes decisions after careful consideration of numerous factors affecting the issue being addressed. In the case of golf course maintenance, it is our position that we will not do so until we either own the courses or have some agreement that is acceptable to the plaintiffs in the Walkinshaw case. We feel that doing otherwise would open the POA to additional litigation and the individual Board members to litigation, keeping in mind that our By-Laws stipulate that if the individual Board members were to be sued, it is the POA that defends them and foots the bill.

Some have contended that their interpretation of the By-Laws would allow us to use maintenance fees to maintain the courses. Some have contended that amendments to the By-Laws would do likewise. We, as a Board, have presented these arguments to our legal counsel, and they have said that the Board's position is the correct position. Your Board deals with facts, not with how we wish things to be. The fact is that we do not have an obligation to maintain the courses and it has been ruled that it would be improper to do so. I, for one, will not risk the assets of this association or my personal assets to make a decision that is contrary to that.

Dining Facilities

Double Diamond owns the Trophy Grill and the Lighthouse Restaurant, and chose to close these facilities. Were we to obtain ownership of them, we would seek guidance from the professional staff at FirstService Residential as to how best to re-open them. We are totally aware that the Trophy Grill was used extensively by property owners, both golfers and non-golfers. We are also aware that the Lighthouse

Restaurant was not only a popular weekend dining facility, but a social gathering place for our community.

Any decisions we make with regards to these facilities will be done after a careful study, an assessment of physical condition and equipment, and how the needs of property owners could best be met. Again, FSR has been there and done that, and will assist in guiding us if we get to go down that path.

Lodging Facilities

The same is true for WB lodging facilities. We do not own them and were never involved in their rental or more importantly their maintenance. It is obvious that the hotel is in disrepair and to a lesser degree the rental condominiums. Were we to obtain these facilities, we will need to make an assessment of the physical condition of them and map out a plan for refurbishing.

It is important that we make one thing absolutely clear. The Board feels these facilities are vitally important to have available to property owners who do not own homes at WB. We want our property owners to have clean, accessible and economical facilities available so they may experience all our property has to offer. We have already begun a preliminary study of this.

Other Facilities

We would hope that Double Diamond will re-open Land Sales and begin an aggressive program of selling its inventory of lots. We will support Double Diamond's efforts in every way possible and strive to make the amenities as appealing as possible and know that our property owners will be positive ambassadors when encountering persons visiting our community. Every lot sold will create a new member of our community and our association, and will strengthen what we will be able to accomplish in the future.

The **Conference Center** has considerable deferred maintenance and needs refurbishing. It could serve as a Community Center until which time we can initiate construction of a new Community Center on land we purchased for this purpose.

Similarly, the **Fitness Center** needs total updating, both equipment and the physical structure itself.

Imaginative thinking and a concrete plan should enable us to open the **Spa** as well as having a viable and functioning **Marina Store**.

The **Marina** should offer not just slips, but also cleaning services and other amenities like rentals for visiting property owners so they can come to White Bluff and enjoy our beautiful lake.

Lastly, the **Administration Building** needs to be re-opened as the epicenter for all things WB. We would be able to move our POA offices into this building, have it serve all property owners and visitors, and be structured in a way that enhances what we are all about.

All of these items are contingent upon our acquisition of the amenities. Please rest assured your Board is planning for this contingency and have the input from many property owners on the directions we will take.

Questions and Comments from Property Owners

Where are the lots we purchased on White Bluff Drive for a community center? *As you are coming on White Bluff Drive and cross the covered bridge and you get to the top of the hill, they are on your right. They total 8+ acres.*

Appraisal of Amenities

The POA contacted recommended professional appraisers who specialize in appraising communities like White Bluff. The Board decided to contract with Cushman and Wakefield out of Houston for the appraisal of amenities.

Phase One of the appraisal was a valuation of all White Bluff amenities the POA is considering acquiring. These included the two golf courses, pro shops, cart barns, Trophy Grill, Lighthouse Restaurant, marina store, the marina, conference center, hotel, condos, Rustic Pool, Golf Drive Mail Center, burn pit and other DD properties to be defined. The condition of

the amenities was considered as well as anticipating the POA receiving the same cash flow the amenities previously generated as well as the previous expenses associated with generating that cash flow.

The lodging facilities were valued at \$1,200,000. All of the hospitality facilities were valued at \$1,200,000. The total valuation was determined to be \$2,400,000. It should be noted that the appraised value was determined in December, 2017 prior to the greens freezing.

Questions and Comments from Property Owners

Does the appraisal include revenue from golf rounds? *The appraisal included all financials given by Double Diamond.*

Litigation

Walkinshaw Case

This on-going lawsuit is also sometimes referred to as the Dallas case. This case was filed in 2011 by the Rose Law Firm on behalf of approximately 1,100 plaintiffs, all of whom were White Bluff property owners. The defendants in the lawsuit are Double Diamond, several Double Diamond executives, four former POA Board members and the POA.

The lawsuit has three elements to it. The Plaintiffs challenged the Food & Beverage Credit program asserting that there were many property owners who could not utilize the credits because of geographical distance from the resort. The suit also alleges deceptive and high pressure sales tactics on behalf of Double Diamond, and the third is that it was improper to use POA maintenance fees to maintain the golf courses.

Property owners should be aware that the POA is required by our governing documents to pay the costs associated with defending the association and/or Directors acting in their capacity on the POA Board. Initially, the POA and Double Diamond shared the same counsel. The decision was subsequently made to use separate counsel.

Judge Slaughter handed down an initial ruling of Summary Judgment in favor of the plaintiffs. There was no disgorgement, which means monetary awards. It is important to understand that a Summary Judgment means that the judge basically agreed with the plaintiffs' contentions about the case, more specifically that it was "improper" for the golf courses to be maintained with POA maintenance fees.

This case has bounced around, down to Hidalgo County where it was thrown out because of an improper venue. It landed back in Dallas County, and Judge Slaughter heard arguments from both the plaintiffs and the defendants. She has yet to make another ruling.

The POA was approached by the Rose Law Firm to negotiate an agreement whereby the POA would join the lawsuit against Double Diamond in exchange for dropping the suit against the POA and the four former Board Directors. After many hours of negotiations spread over several meetings, an agreement was reached and signed by the Board President. The signed agreement was forwarded to The Rose Law Firm, who did not sign it.

The Board has signed a confidentiality agreement that prohibits us from divulging the elements of the agreement.

As of this date, The Rose Law Firm has requested that the POA reopen discussions, which we have agreed to do.

Hill County District Court

The original lawsuit brought by the POA against Double Diamond had three issues:

1. The POA asked the court to rule on whether the POA was **obligated** to maintain the golf courses.
2. The POA asked the court to declare the 6th Amendment (and, by inference the 7th Amendment) null and void.
3. The POA asked the court to declare that Mike Ward was no longer Declarant for White Bluff.

The court ruled that the POA was not obligated to maintain the golf courses, struck down the 6th Amendment and ruled that Mike Ward was no longer Declarant.

Along the way the court was asked to address several other items including:

- Requiring Double Diamond to release our database and billing information.
- Requiring Double Diamond to turn over POA funds to FSR.
- Requiring Double Diamond to place \$1.125M of POA funds into a disputed account.
- Requiring the release of the \$1.125M to the POA.
- Requiring Double Diamond to respond to several discovery items including POA financial records.
- Requiring the POA to turn over un-redacted proxies from the May, 2017 election of Directors to Double Diamond.
- Asking the Court to declare the May election null and void.

The court has ruled in favor of the POA in every instance, and Double Diamond has been held in contempt of court three times.

As of 01/31/2018, approximately 76 boxes of records being held at Iron Mountain Storage were provided to the POA. These boxes were delivered to the offices of Double Diamond's attorneys. An attorney and a paralegal from the POA law firm, Riddle & Williams, and WB resident, CPA Lou Storm went thru the boxes and categorized the contents. This initial assessment took one and a half days. It was determined that Double Diamond did not provide the financial records ordered by the Court, and a filing in Hill County for a 4th Contempt of Court was done this week.

Questions and Comments from Property Owners

Why has the Board not preserved the option of maintaining the golf courses? *The question was not understood.*

Will maintenance fees be reduced? *This is addressed in a following issue.*

Is the failure of Double Diamond to provide promised golf rounds a breach of contract? *That is a legal question that should be addressed to an attorney, but from a layman's viewpoint it does appear so.*

Due to the failure of Double Diamond to turn over POA records, is Mike Ward still in contempt of court? *At this point he is in contempt of court three times.*

Given where we are, where do we go from here with litigation? *We will continue with our efforts to gain access to our financial records and leave open other options depending on what transpires with the records.*

Is there another avenue to reopening the golf courses other than acquisition? *None that is acceptable to the Board at this time.*

Is it possible for the POA to own the amenities even if MW will not sell them? *It is possible but is a lengthy legal process.*

2018 Budget and Financial Matters

The Board approved the 2018 WBPOA Budget with no increase in maintenance fees. There are two notable items in the budget, which is posted on the POA website.

The first is the expenditure of approximately \$2M to replace and improve White Bluff Drive and Golf Drive. We will discuss roads as a separate issue, but want to point out that this expenditure was budgeted without any increase in maintenance fees or an assessment.

The second item is that the Board budgeted for golf course maintenance in 2018. The Board also budgeted for ancillary costs associated with possible acquisition of WB amenities. If an acquisition is not attained, the amounts budgeted will be placed into a Reserve Fund for future use.

It should also be pointed out that the budget process is an open process, conducted in an open meeting of the POA. Each line item is not only discussed, but is included in what is posted on the website. As in all, in POA Board meetings property owners are given an opportunity to

address the Board on agenda issues like budgeting as well as ask the Board questions.

There were specific questions posed regarding the Budget. I will ask POA Treasurer Jeff Williams to address those questions. Jeff will also address revisions made to the 2018 Budget.

A number of you have asked why the 2017 quarterly financials, along with the 2018 Budget for the WBPOA, were removed from the website recently. Also, you have rightfully questioned why 2017 year end numbers have not been published as we near the end of February.

As you know First Service Residential, our management company, took over management at the end of the first quarter, 2017. In constructing our financials, they relied on information received from Double Diamond in establishing the new books and records. Some of you (and us) had questioned a significant increase in revenues projected on the 9/30/17 statements that were reviewed in October and were the basis of our 2018 budget projections. We also questioned the more than \$4 million Accounts Receivable balance that were shown as of 9/30, and that were again, taken from the information received by Double Diamond. We were assured at that time that FSR had confidence in their numbers, but that as we got a better sense of actual collections in the last half of the year, they would relook at both of these significant items.

As actual receipts for the last half of 2017 were tallied, it became clear that FSR had misinterpreted Q1-2017 revenue information from Double Diamond. Since late January, FSR has been working to go back to the beginning of their engagement to restate our monthly financials, and based on that, to provide us with a revised budget. We expect that work to be completed this week. The new financials will show total revenues similar to prior years, and will include a significant charge against 2017 earnings to write off uncollectible accounts receivable (a significant portion of which should have been done in 2016).

Once the new financials have been reviewed, they will be made available to all property owners. We will present a revised 2018 at the next Board Meeting.

Although we, our new audit firm, and the Courts have repeatedly instructed Double Diamond to provide us the information to complete the 2016 audit for WBPOA, to date we have not received the information needed. Once received, we will complete the 2016 and 2017 audits as expeditiously as possible.

Your property owners association is in sound financial condition and maintains a healthy cash position. Your Board is working to provide you with the best information possible, as quickly as possible.

Questions and Comments from Property Owners

What percent of maintenance fees billed in 2017 were collected? What percent has been collected through the first quarter of 2018?
Approximately 70-75%.

How are electric bills divided up in White Bluff (for amenities)? *The POA has had HILCO separate meters as to whose are the POA's and whose are DD's.*

Reduction of Maintenance Fees

There are two separate issues to address regarding a reduction of maintenance fees. The first is a reduction in fees for property owners who own lots. The second is why fees were not reduced after the closure of the golf courses.

Presently, homeowners pay \$300 per year more for maintenance fees than those who own lots. Said another way, property owners who own lots pay maintenance fees that are 78% of what homeowners pay. The Board had planned on addressing the issue of reducing maintenance fees for property owners who own lots as a part of the budgeting process for 2018. Quite frankly, we simply could not do so because we did not have sufficient accurate data and records to make any kind of meaningful and realistic assessment. That having been said, depending on what happens between now and when the 2019 budgeting process begins we will have this consideration on the table for discussion.

Some property owners have been quite vocal about believing that maintenance fees should have been reduced after Double Diamond closed the amenities. A reduction would have been virtually impossible. The timing of the closures was well into the second half billing cycle.

Some property owners have been quite vocal about believing that maintenance fees should have been reduced after Double Diamond eliminated all comp golf rounds. Again, logistically this was simply not possible. Billings are prepared and sent out in advance of the cycle for which they are due.

Some property owners have been quite vocal about believing that maintenance fees should have been reduced when the POA ceased paying for maintaining the golf courses. The Board did not and does not think this would be financially prudent or reasonable. We did not and we do not know at what point we will start incurring the expense of maintaining the courses. That is the reason we budgeted for maintenance this year.

A budget should be understood as a blueprint for operational expenses. The POA anticipates the receipt of \$X of fees, and we anticipate the use of those fees for specific items. Some budgeted items will actually cost more than anticipated; some will cost less. But the last thing any business, be it for profit or non-profit, is going to do is refund revenue for a budgeted expense just because the actual expense incurred was less than anticipated. When the Board prepared the 2018 budget, we discussed the previous year's situation involving the maintenance issue. If we knew with absolute certainty that we would not be maintaining the golf courses at any time during 2018, then we would have given consideration to a reduction of maintenance fees for 2018. But, we didn't and we don't.

Questions and Comments from Property Owners

What percentage of maintenance fees are withheld by the Court (in the Walkinshaw Case) for maintenance of golf courses? 38%

Why are Highlands residents paying additional maintenance fees? *The additional maintenance fees are for the Highlands POA.*

Is it correct that a homeowner who owns a lot does not have to pay maintenance fees for the lot? *No.*

POA Plans for 2018 and Beyond

There is a myriad of issues facing the Board. Some of these issues we can control, and some we cannot.

The Board can control what it owns and the property it has responsibility to maintain, like the common areas. The Board has laid out a specific plan to refurbish properties it owns beginning with The Lone Star Room located adjacent to the Cascade Pool. We chose to begin with this property for two reasons. First, it desperately needed maintenance from several respects. Second, it has become the de facto social gathering place for property owners. The air conditioning and heating units have been replaced. The room itself will get all new, energy efficient windows, larger front exposure window openings, repair and re-texturing of the walls and ceilings, installation of new flooring, new exterior light fixtures and a remake of internal décor. The interior of the entry, the room itself and both bathrooms have been painted. You probably have also noted that the exterior of the building is no longer the pea green color that has dominated buildings throughout WB. The iron fence around the Cascade Pool has been meticulously repaired and painted, and the rose bushes around the pool area have been removed and replaced with safer, new landscaping. Next you will see all of the arbors given a fresh, new look.

Once this project has been completed, the Board will assess the remainder of the properties it owns and determine which will be addressed next. We have chosen this path because of the possibility of acquisition of WB amenities. If we were to finalize any acquisition of assets, we need the flexibility of altering our schedule of refurbishing to take into account every amenity we would then control.

Most everyone is aware that the condition of our roads was addressed in a professional engineering study done last year. Roads will be discussed as a separate issue, but is brought up here because we plan on

completely replacing White Bluff Drive and Golf Drive beginning this spring.

There are many other items we plan on initiating this year, most of which will be covered as we discuss other issues. However, it is vitally important for us to look to our future beyond just 2018. It is for that reason that a Long Term Planning Committee was established under the leadership of Marshall Snyder. You have received an email from Marshall giving you an update on the committee's activities and how its vision for WB is unfolding. As we move on to comments and questions about the POA plans for 2018 and beyond, I'm sure Marshall will be willing to field any questions you may have as will the Board.

Questions and Comments from Property Owners

Can we get a written or on-line directory for White Bluff? *An on-line directory will be available soon.*

Proxy Procurement, Electronic Proxies & Voting

The Board has actively solicited proxies from property owners and will continue to do so. A few property owners have suggested that this solicitation of proxies is somehow an attempt to keep property owners from voting on issues presented to them or for candidates in an election. Nothing could be further from the truth. Your Board has never sought to restrict in any way a property owner's right to cast a vote and more specifically cast those votes in person. But, let's deal with some realities regarding proxies.

First, in order to conduct a meeting of property owners we need a quorum. Our By-Laws specify that a minimum of 25% of all property owners must either be present at a meeting or represented by proxy. The real number is in excess of 1,500. We have over 6,000 property owners, the vast majority of whom will not physically attend a meeting. A proxy is the only way for us to get the numbers we need to hold an official meeting. Why is this important?

If we don't have an official meeting, we cannot elect Directors to fill open positions. Every year three Director positions open up. Two years ago we did not have sufficient proxies and attendees to have an official meeting, and the three positions up for election were not filled. For twelve months the Board operated with six members instead of nine. This year the terms of the President, Leonard Critcher, the Secretary, Jim Fletcher, and Board member Joe Manders are up. If there is no official meeting, these three are off the Board with no replacements. Last year under the leadership of VP John Bass we procured sufficient proxies to have a quorum independent of the developer's registered lots. We simply will not leave this to chance. We will continue in our efforts to assure a quorum.

Some have suggested procuring proxies only for a quorum and not giving the Board a proxy that allows the Board to vote on behalf of the property owner. This would never work for several reasons. It would be totally possible to go that route, have an official meeting and have Mike Ward backed Double Diamond candidates elected back to the Board. We start out with about a 600-vote deficit because of the lots Mike Ward owns. As we all know, he is actively soliciting proxies with expensive mailings and through some property owners sympathetic to him and his actions. Again, we have to face reality, and the reality is we must not only have sufficient proxies for a quorum, but also sufficient votes to keep the Board independent of Double Diamond.

We also have to anticipate other needs for voting proxies. At this point, Mike Ward has had his declarancy rights taken away by the Court. If we wish to chart our on future, we will need to establish the POA as Declarant, and this requires approval from 67% of the property owners. That equates to approximately 4,500 votes. Having the POA be able to make its own rules and change some of the previously declared rules will be huge for us all in determining our own destiny. One additional contingency your Board must prepare for is the possible need for property owner approval of assets acquisition. Acquisition can take many forms, and one may require a 67% approval from our property owners.

One last item before we open this issue up to questions and comments - electronic proxies and electronic voting. Your Board has been diligently

addressing both of these for some time. It's simply not as easy as flipping a switch. There are a number of hurdles that must be addressed to make certain that proxies are valid as are votes cast electronically. We are very much in favor of securing proxies electronically as well as making it possible for property owners to vote electronically for Directors in the upcoming election. Once again, all of the "T's" must be crossed and "I's" dotted so that any results challenged by Double Diamond, as they did in the last election, will hold up to legal scrutiny. We definitely anticipate that this means of casting votes and granting proxies will be available very soon.

Questions and Comments from Property Owners

If neither Double Diamond nor the POA are the Declarant for White Bluff, what does this mean? *It means nothing can be changed from the status quo. A new Declarant (the POA Board) can be established with a 67% approval from all property owners.*

Is it legal, as stated in the bylaws, that a non-property owner can serve on the POA Board of Directors? *Yes.*

Water and Sewage Rate Increases

Most everyone is aware that Double Diamond Utilities applied to the Public Utilities Commission for an approximately 45% rate increase for water and sewage. A committee of volunteers stepped up and formed the White Bluff Rate Payers Group. This committee asked for donations to pay for the legal expenses and water expert expenses to fight this rate increase. The Board agreed to match property owner donations under specific guidelines established by the Board. Each of the matching amounts was pre-approved by the Board unanimously.

All property owners should also be aware that the voluntary donations given to the Rate Payers Group **did** come exclusively from homeowners, and they amounted to thousands of dollars. All property owners should also be aware that this proposed rate increase is not just an issue faced by homeowners.

All potable water at White Bluff comes from Double Diamond Utilities, and much of the potable water used at White Bluff is used for POA owned and/or maintained properties. Thus, any rate increase would affect us all, not just those with homes. We are also aware that many property owners who do not presently have a home here may someday, and they will want water and sewage rates to be as low as possible. Lastly, one of the elements of marketability of lots is the rate charged for water and sewage. Lower rates mean greater marketability.

I'm going to turn this over to VP John Bass for additional comments and an update, and he will then open up this issue for comments and questions.

Questions and Comments from Property Owners

Is there a contingency if Double Diamond fails with this utility? *The state would step in and designate an entity to run the utility.*

Why don't we bypass Double Diamond's pumps to access the water the POA purchases from the Brazos River Authority for use on the common areas? *Too expensive.*

Roads

The POA owns and is responsible for maintaining 62 miles of roads in WB. Anyone traveling on these roads knows they are in desperate need of repair and replacement. Your Board contracted for a professional engineering study to determine what needed to be done, how replacement should be done, and what the approximate cost will be. This study was completed and presented to the Board by the Roads Committee, chaired by POA Past President Milt Bergman.

Work will begin this spring on completely replacing and upgrading White Bluff Drive and Golf Drive. Once this has been done the Board will assess the order in which replacement of other roads will be done. We are fully aware that there are needs all over our property, and they cannot all be done at the same time. White Bluff Drive and Golf Drive are the most traveled roads and those visitors experience when coming to White Bluff. There were many reasons we chose to kick off this long-

term project this way, but one of them was to tangibly increase property values for all property owners. We have been able to initiate Phase One without any increase in maintenance fees or any assessment. Because of the uncertainty of assets acquisition at this time, we have to be prepared to address that which we own now along with what we may acquire and how best to chart a course that will bring maximum value and maximum increase in property values on the most feasible financial basis.

We have asked Milt Bergman to be available to answer questions.

Questions and Comments from Property Owners

Will potholes continue to be repaired? *Yes*

Who inspects the substructure of the Covered Bridge? *Maintenance.*

Class Action Lawsuit

After Mike Ward decided to eliminate comp golf rounds, the Board immediately sought guidance from our attorneys as to whether the POA could file a class action lawsuit against Double Diamond on behalf of property owners. The answer was "no." The contract for comp golf rounds was between Double Diamond and individual property owners. The POA was not a party to this contract.

Last fall the Board was approached by attorneys, who were contemplating filing such a suit. Individual members of the Board along with other property owners provided the attorneys with information, and it appeared that the attorneys were prepared to file suit at the end of 2017. That has not happened, and there has been no response to communication with them since then.

Questions and Comments from Property Owners

No questions or comments were offered by property owners.

Other Double Diamond Developments

Double Diamond presently advertises the following resorts:

Eagle Rock- Pennsylvania

Rock Creek- Lake Texoma

The Retreat- Cleburne

The Cliffs at Possum Kingdom

Lost Lake- Catskills in NY

Lost Lake is in the process of being developed. Rock Creek and The Retreat are basically run as private clubs somewhat like Mike Ward proposed a year ago for White Bluff. The Cliffs, Eagle Rock and White Bluff are the oldest developments, and are all operated pretty much the same. All three are also experiencing the same situation and problems.

Your Board created what we call the Mega Board in order that other developments could be assisted in their efforts of gaining independence from Double Diamond and chart their own course. Your Board is in constant contact with other property owner groups and is assisting them in their efforts with our experiences and help. Likewise these property owner groups have given the WBPOA valuable information.

Questions and Comments from Property Owners

No questions or comments were offered by property owners.

Mail Fraud Investigation

The Board has absolutely no knowledge of any federal, state or local investigation involving Double Diamond, the WBPOA, or any past or present Directors. Were the Board to be contacted by federal, state or local authorities for any reason, we would be happy to cooperate fully as we have absolutely nothing to hide.

Questions and Comments from Property Owners

No questions or comments were offered by property owners.

Property Values

As was said earlier, there are things the Board can control and things we cannot. We are actively and methodically addressing those things we do control that will enhance the property values for all property owners. The renovation of the Lone Star Room and Cascade Pool is almost complete, and we will proceed from POA-owned property to property, assess what is needed and budget accordingly. We sincerely wish that this list included all of amenities as we all know that a thriving and renovated resort would benefit us all in numerous ways.

Questions and Comments from Property Owners

No questions or comments were offered by property owners.

Potpourri

Questions and Comments from Property Owners

We have a problem with wildlife management and poaching in White Bluff. A break in the perimeter is being used as a trail for people to enter White Bluff, possibly for poaching wildlife.

Overnight visitors with no visitor pass on the dashboards of their vehicles have been spotted on numerous occasions in White Bluff. *Security should be contacted.*

A sun screen is needed at the Ash Pool to shield the morning sun from water aerobics participants.

Would the U.S. Army Corps of Engineers permit the POA to install a burn pit somewhere on Corps property adjacent to White Bluff? *Probably not.*

A property owner applauded the Board of Directors for their long-term perspective. This person encouraged the Board not to yield to pressure and enter into a bad deal with Double Diamond.