

President's Remarks
WBPOA Annual Meeting
05/19/2018

I began last year's meeting with the statement, "It's been quite a year!" And I repeat it once again but will add one word, "It has **indeed** been quite a year!"

If we thought last year's happenings like dealing with two illegally called meetings, a vague and heavily funded country club proposal, a massive proxy procurement campaign, an unsigned amenities acquisition agreement and changing management companies was quite a year, someone should have told me, "Leonard, but you ain't seen nothing yet!"

Before I re-cap the past year and get into what most everyone here wants to hear about, it is only fitting that I make some introductions of the people who stood together and gave unselfishly and untiringly to meet the challenges faced over the past twelve months.

I smile to myself when I hear from some property owners that the Board needs a "breath of fresh air" and an "influx of fresh ideas." Twelve months ago this Board did NOT receive an infusion of "fresh air". It got a **gale force wind** with the addition of six new Board members bringing new ideas, strong voices, an incredible array of experience and experiences, rational thought processes, methodical approaches to meeting challenges, and a steadfast resolve to do what was right for ALL property owners.

I ask that each Board member stand when I call your name.

Jay Elder has served on the Board for one year and is presently POA Secretary.

Jeff Williams has served on the Board for one year and is presently POA Treasurer.

Mike Ellis has served on the Board for one year and serves on the POA Litigation Committee and Liaison for Rules Compliance.

Roy Miller has served on the Board for one year and has directed our efforts in creating an inventory of just what the POA owns and the condition of our assets.

Marshall Snyder has served on the Board for one year and served on the Rate Payers committee that led the fight against the proposed 45% rate increase for water and sewage. He also heads up the newly created Long Term Planning Committee.

Joe Manders has served on the Board for less than a year having been appointed to fill the unexpired term of Terry Newman. Joe's legal background and expertise have been invaluable to the Board.

That's six Board members who all hit the ground running last May and promptly became integral pieces in the incredibly complex operations of the Property Owners Association. Gentlemen, I thank you for your service and wish I could award each of you the POA Medal of Honor for your unwavering efforts.

I now ask Jim Fletcher to stand. Jim has served on the Board for two years and as POA Secretary oversaw last year's massive effort of proxy verification. It should be noted that his thoroughness and attention to detail allowed the POA to successfully defend two Double Diamond attempts to have last year's election overturned in court.

And lastly, I ask John Bass to stand. John is the Board's senior citizen having now completed his fourth year on the Board and fourth year as the POA Vice President. He also led the charge in the water sewage rate case and has been my rock during the last two years as I served as your President.

Please give these men a round of applause and show them your appreciation for the countless hours they have given for this association.

Lastly, I want to introduce our lead association attorney, Chad Robinson with the law firm Riddle & Williams. Yes, this is the guy who is 14 for 14 in Hill County District Court.

Before moving on to what you really want to hear, let's make this official. Secretary Jay Elder, do we have a quorum?

I declare this Annual Meeting of the White Bluff Property Owners to be an official meeting of the association.

The last twelve months have been like an ongoing soap opera with some very bad scriptwriters. I have often called the seemingly never-ending saga, "As White Bluff Turns." The first plot development was when Double Diamond refused to fulfill their commitment to pay for one-half of the Independence Day fireworks show. The plot thickened when the POA said, that's OK we'll pay the entire cost only to hear that we could not use Double Diamond leased corps land to shoot the fireworks from. What did this community do? Within 2 weeks we found some new scriptwriters who orchestrated an Independence Day Street Dance Celebration complete with a nine-piece band, food trucks and activities for young and old alike. The theme for the night was We Are Family! And indeed we were and indeed we are!

This was proven yet again when the Christmas Season came around and the POA decorations were locked up. Property owners and our POA staff jumped right in, procured new decorations and lit up White Bluff like it had never been before.

We went through more litigation than I can count, but this Board would not back down on doing what was right for our property owners. As I said earlier we are 14 for 14, and Double Diamond has been held in contempt of court three times for failure to give us what is rightfully ours, and we will not stop until OUR records are in OUR hands and YOU can see what Double Diamond did with YOUR money.

Unfortunately, litigation is sometimes the only recourse when all rational efforts at resolution is exhausted. Twelve months ago we were dealing with having to get out a manual maintenance fee billing because Double Diamond would not give us valid billing information. We were dealing with not having our financial records so we could make educated decisions about our finances. We were dealing with not having an accurate property owner database. And, we were dealing

with having over \$1,000,000 of YOUR money removed from our bank account without authorization of any kind from the POA.

That was twelve months ago. Today FSR has managed to create an automated billing system that is effectively sending out maintenance fee notices. Today we have a system in place with real people who really care address the relatively few glitches that crop us from time to time. Today we are still dealing with not having received all of the financial information we requested and also ordered by the court. It is for this reason that you will note that for the second year in a row you will not be provided with an audited annual financial report. You can't audit something you don't have. Today we have established an accurate database of property owners who receive a constant flow of communications from the Board and various committees. Today we have an incredible website with virtually every aspect of the POA's business fully posted and available for all to see. Today, and for the first time ever, we know precisely what we own and the condition of our assets. And, today we are in possession of YOUR \$1,125,000.

It was not easy to accomplish all of this, but the perseverance of this Board, the support and active involvement of our property owners, and the dedicated involvement of our POA staff has made it possible.

I wanted to detail the above so that you are aware of the monumental accomplishments we have had. But in the midst of these accomplishments comes the reality of what we are facing in regards to the amenities at White Bluff. I literally want to cry every time I drive alongside the 16th fairway and see what has been done to our golf courses. I cringe with disbelief every time I pass by the Lighthouse Restaurant or the Conference Center or the shuttered and locked hotel or any of the other facilities that are visibly suffering from a total lack of maintenance. And, I get angry when I look at the greens, for which the POA paid half the cost, and know that our efforts to cover and protect the greens from the ravages of freezing weather were unilaterally destroyed by the developer dictating that they be removed.

You are aware that the Board has been actively seeking to acquire the White Bluff amenities. You are also aware that just prior to last year's meeting we went through a court-ordered mediation in which a

mediator's proposal was made to both the Board and Double Diamond. The Board has not previously disclosed the proposal because we were instructed by the mediator not to do so. However, it is apparent from numerous sources as well as the always factual Nextdoor posts that this information was leaked.

The mediator proposed a purchase price of \$5,925,000. It is important to know that contrary to rumors and posts from people in the know that Double Diamond never accepted this proposal. It is also important to know that the Board did not accept this proposal. Our non-acceptance came for two reasons. We thought the price was too high and because we had not been given our financial records we could not possibly commit to something of that magnitude without knowing the financial implications of such a decision.

This court-mandated mediation was not our first attempt to seek resolution. I want to remind all of our property owners that we had reached an agreement with DD almost three years ago for acquisition, had the agreement drawn up for signature, and Double Diamond refused to sign it. I also want to remind our property owners that we made a written offer to DD to lease/purchase the golf courses well before they were unilaterally closed by DD so that property owners could continue to enjoy the courses and their integrity preserved. DD never responded to our offer.

Fast forward ahead. After a succession of POA court victories, three contempt of court rulings, fines and awarded attorneys fees in excess of \$80,000 and looming litigation of great magnitude, Double Diamond requested we sit down and negotiate a settlement. The Board was more than willing and agreed to a meeting in the offices of the law firm, Riddle & Williams. We were to be represented by Chad Robinson, one of the nation's leading POA association attorneys, and Randy Addison of Addison Law, one of the nation's top specialty firms in golf course and resort amenities acquisitions.

Two days before the scheduled meeting, Double Diamond notified our attorneys that they did not want to meet face-to-face across a conference table but wanted to hire a mediator. Even though we had

positively anticipated having the opportunity to discuss acquisition issues openly and directly with Double Diamond, we acquiesced and agreed to mediation. It did not go well as there was no movement from Double Diamond on virtually all of the salient points under discussion. At 5:00 we made a final and totally reasonable offer, which was subsequently rejected.

Please allow me to digress for an explanation of the negotiating process in situations of this complexity. The process involves so much more than determining what assets are to be acquired, the price to be paid, and the terms of any financing agreement. There are literally dozens and dozens of interrelated issues that have far-reaching implications for our association, our property owners and future generations. The actual negotiations are done between the attorneys with direction from the two parties involved. The Board has a Litigation Committee composed of John Bass, Jim Fletcher, Mike Ellis and me. We were charged with making the day-to-day decisions on what was acceptable, what could be acceptable with modifications and what was not acceptable. As the process unfolded the entire Board would be brought in to address major items and direction. This is a very fluid process with things changing sometimes by the day if not by the hour.

I applaud those who would wish to contribute their negotiation skills, but something of this magnitude and with all of the ramifications is just not like negotiating the price of yard service or what you'll pay for used equipment. It takes skilled attorneys being driven by concerned and informed Board members who understand the intricacies of the effect their decisions will have on those who elected them.

In the days that followed the aborted mediation, discussions began again. The result of these discussions was what is known as a binding Mediated Settlement Agreement. This agreement was signed by me and Double Diamond on March 17th. The terms of the binding Mediated Settlement Agreement are confidential, so we cannot disclose the specific terms. However, the binding Mediated Settlement Agreement contained all essential terms necessary to resolve the Hill County litigation, as well as for the POA to purchase amenities, including both golf courses, from Double Diamond.

The binding Mediated Settlement Agreement provided for entry of additional agreements to effectuate the terms of the agreement and a closing date where the amenities would be conveyed to the POA.

Unfortunately, Double Diamond has refused to abide by the terms of the binding Mediated Settlement Agreement. They have persistently insisted on the POA agreeing to **new** terms that are not part of the binding Mediated Settlement Agreement, they have refused to abide by terms to which it agreed in the binding Mediated Settlement Agreement, and DD has refused to sign off on standard terms in the Purchase and Sales Agreement.

It seemed like each discussion we had with DD, they would raise new terms and backtrack on terms that were completed.

Notwithstanding the foregoing, the POA continued discussions with DD and entertained agreeing to some of DD's new demands in hopes of getting a deal done for all the lot owners and the homeowners. The POA entertained agreeing to provide:

A significantly more beneficial financing structure that would benefit DD, including a cash up front down payment of \$1,125,000 and reducing the repayment period in half.

In the event of a foreclosure and DD taking back ownership of the amenities, agreeing to pay for golf course maintenance for up to three years.

The POA even attended a third round of mediation in the hopes of resolving these matters. Unfortunately, most of the day was spent discussing a new term raised by DD after the binding Mediated Settlement Agreement was executed and which was not part of that agreement.

After the third round of mediation, discussions continued. The Board and legal counsel diligently worked to resolve this matter but there seemed to be little to no sense of urgency on the part of DD, despite clearly defined deadlines in the binding Mediated Settlement Agreement. It is the Board's and legal counsel's view that DD was a constantly moving target through the entire process and it is difficult to

close on the agreement in that situation. As much as the Board wanted to close on the agreement, at the end of the day the Board was not comfortable closing with the new terms on which DD insisted and could never get DD to stop raising new issues.

We believe the binding Mediated Settlement Agreement is a binding, enforceable agreement and we intend to pursue enforcement of it- so this is not over. It is just unfortunate that DD is again making the POA incur the expense of a legal action instead of amicably working matters out for the good of our property owners.

That's where we are. We remain committed to resolution but on terms that are definable, rational and to the benefit of all property owners. We will continue to be receptive to discussing resolution but also know that we must continue with our efforts on things we can control.

Double Diamond has been noticed that as a property owner in White Bluff it is held to the same standard as any other property owner when it comes to maintaining the property they own. There is a procedure that FSR follows in this regard, and DD has already received correspondence that they must maintain their properties inclusive of the golf courses and physical properties. There is a careful procedure that is in place, and if DD does not mow and water the courses, the POA will perform this function, bill DD for these services, and if DD does not pay for these services a lien will be filed with potential foreclosure on the properties.

The Lone Star Room at the Cascade Pool has been completely renovated with all new windows, added window trim, flooring, texturing, décor, painted inside and out and new landscaping around the building complex and pool. New AC/Heating units have also been installed. You have also probably noticed that the fencing around the pools we own has been repaired and painted and the arbors are being stained. Contracts will soon be let for needed refurbishing of the pool house facilities and the mail centers we own.

I also want to announce that the Board will be addressing a reduction of maintenance fees for lot owners at our next Board meeting. In advance of this meeting and this reduction, lot owners will be asked for input for

the Board to consider. Presently lot owners' maintenance fees are 77% of what homeowners pay, and we wish to make sure that this differential is equitable. This poses the question of why we have not considered this before now. The answer is simple. The Board simply did not have financial records at our disposal to make an educated decision on any reduction. Even though DD has yet to provide the requested and court-mandated information, we now feel we are in a position to properly do this. FSR has been on board for a little over a year, and we feel we now have adequate information to go forward with this consideration.

Our charge is to do what is best for all property owners. This we have done, this we are doing, and this we will continue to do. You should understand that your frustrations are our frustrations. To a person we are totally committed to our fiduciary responsibility and will not waiver from that. We thank you for your input. We thank you for your support. We welcome constructive criticism. And, we hope beyond all else that we can work together to accomplish our mutual objectives of peace, tranquility, enjoyment of what God has given us and the preservation of that for future generations.