

Minutes of the Special Called Meeting of the White Bluff POA Board of Directors

Location: Lone Star Room - White Bluff Resort, Lake Whitney, Texas

Date: June 15, 2018

Time: 9:00 AM

1. Call to Order

The meeting was called to order at 9:00 AM by Leonard Critcher, President of the Board of Directors. A quorum was confirmed with all nine board members present.

2. Adjournment into Executive Session

The meeting was adjourned to executive session to discuss confidential litigation issues.

3. Reconvene to Open Session

The Board reconvened to open session at 9:20 AM. All nine board members were present.

4. Summary of Executive Session - Leonard Critcher

Board President Critcher summarized the closed session, which focused on a couple of minor issues in the purchase agreement for assets from Double Diamond, Inc.

5. Open Forum

a. Discussion of Agenda Items

Property owners in attendance were given an opportunity to discuss agenda items. Lou Storm announced a "happy hour" was planned for 5:30 to 7:00 PM (or possibly later) that evening in the Lone Star Room.

b. Questions for the Board

- Some property owners posed questions about the purchase agreement for resort assets. President Critcher asked them to reserve those questions for the discussion on the purchase agreement to be held later in the meeting.

6. Agenda/Discussion Items

a. Seating of the new Board members

President Critcher opened the floor for nominations for Board officer positions. Nominations were accepted from Board members for the Treasurer, Secretary, Vice-President, and President.

b. Election of Officers

The following Board members were nominated for officer positions and elected by unanimous voice votes.

Jeff Williams - Treasurer

Jim Fletcher - Secretary

John Bass - Vice-President

Leonard Critcher - President

c. Ratification of ACC Variance

Linza and Olga Jones appealed to the Board of Directors for a variance to rebuild their garage that was severely damaged by fire to the overall height to which it was originally constructed. The Board voted unanimously to grant the variance.

d. Ratification of Legal Documents

President Critcher introduced the agenda item regarding the three legal documents needed to consummate the purchase of the amenities from Double Diamond, Inc. These three documents include an APA (purchase agreement), IOA (interim operating agreement), and CSA (comprehensive settlement agreement). Marshall Snyder moved and Roy Snyder. The motion passed on a unanimous voice vote.

e. Roads Report - Milt Bergman

Three quality bids on Phase 1 of the roads project were received, and all three met specifications. Phase 1 will include the resurfacing of all of White Bluff Drive and Golf Drive. Total bid prices ranged from \$1.7 million to \$2 million, which are below the \$2.2 million estimate prepared by the POA's engineering consultant. The Roads Committee recommended North American Paving for the contract. Hill County Precinct 1 will accept the 50,000 cubic yards of construction debris. North American Paving indicated a 30 day start date following the contract award.

Jeff Williams moved and Jim Fletcher seconded a motion to table the award of the roads contract up to 90 days to provide time needed to assess costs for amenities renovation. The motion passed unanimously.

f. Board Discussion of Amenities Acquisition Status

President Critcher provided the following explanation regarding the amenities acquisition.

Last Friday Double Diamond forwarded signed copies of the following three agreements:

- Asset Purchase Agreement- APA
- Interim Operating Agreement- IOA
- Comprehensive Settlement Agreement- CSA

The signatures on all agreements were those of Double Diamond President, Mike Ward.

The Board discussed the various agreements with POA counsel Chad Robinson. There had been a few resolved issues that had not been a part of the documents previously provided to each Board member for review. These were reviewed in detail, and all Board members were comfortable with the way the resolution was incorporated into the agreements.

It was decided that all Board members would review the documents one additional time over the weekend. The POA's acquisition attorney, Randy Addison and the POA's association attorney,

Chad Robinson would also review the documents to make certain that the final drafts coincided with what had previously been agreed to.

The Board agreed to wait until I had received a communication from each attorney verifying that all agreed-to issues and provisions were properly expressed in the three documents. Once I had received verification I was to email each Board member and ask for approving or disapproving my signing the documents on behalf of the POA.

Over the weekend I found that in one of the documents a provision had been added. This provision was totally unacceptable and had never been discussed. I informed attorney Chad Robinson to tell Double Diamond of this fact and that the POA would not accept the provision.

This issue was ultimately resolved on Wednesday. Double Diamond effectively struck the added provision and altered the remaining language to our mutual agreement.

The Board approved the final documents and directed me to sign all three of the documents on behalf of the POA. This I did on Wednesday in the offices of our attorney, Chad Robinson. These documents were the APA, the IOA, and the CSA. The CSA will go into effect five days after closing.

In anticipation of both parties coming to an agreement on all items, I called a Special Board Meeting for this morning so that the Board could formally ratify the agreements and our property owners could be apprised of the salient details of the amenities acquisition. This has been a long journey, and we are now closer to realizing what we all want.

Now that the agreements have been signed we start the Due Diligence Period. During the following few weeks we will be verifying ancillary documents, deeds, outside agreements and a variety of other items all related to making certain that what we think we are buying is actually what we will be buying.

The Due Diligence Period is set at 45 days unless extended by mutual agreement. We hope this goes smoothly so we can implement the plans for bringing back the physical amenities we all miss.

Your Board has already done an assessment of the physical condition of each property we will be acquiring. Double Diamond gave us permission to inspect each property, make notes and take pictures. This cooperation is what we anticipate will carry forward as we all move on to the future. The Board spent almost 4 hours in this inspection/assessment process.

That's where we are today. We have anticipated tomorrow, and you will receive some details about what will start happening immediately. But first I would like to give you a review of our agreement.

The POA will be acquiring the following amenities:

Both golf courses

Both Pro Shops

Both cart barns and maintenance facilities
The lease for the golf carts
Any furnishings remaining in the pro shops and other golf facilities
The Trophy Grill and all furnishings and equipment
The Lighthouse Restaurant and all furnishings and equipment
The Conference Center
The Spa
The Fitness Center
The Hotel
The 4 Bluff Point Condos
The Rustic Pool
The 3 log cabins
The Rustic Pavilion
The pavilion at the Old Course
The grill at the Old Course
All furnishings at the 19th Hole at the Old Course
All remaining chemicals
All golf maintenance equipment on site at WB or that, which was taken to other DD facilities
The Administration Building
The Golf Drive Mail Center
The Marina Store
The Marina
The lease with the Corps of Engineers for the Marina
The pro-rata share of slip rentals for the current year
The baseball field
The Laundry Center at the Trailwood Condos
The Playground
Various storage facilities
Burn Pit

The agreed-to purchase price for the amenities is \$4,800,000. At this point Double Diamond is financing the purchase. The POA is free to pre-pay any balance due at any time with no pre-payment penalty. The POA will be making an initial down payment of \$1,250,000 and financing the balance of \$3,550,000. Property owners should recall that Double Diamond had laid claim to \$1,125,000, citing an indebtedness from the POA to Double Diamond. Whether there was actually an indebtedness may never be known, but the simple fact is that we received \$1,125,000 free and clear, and this approximate amount is being used for the bulk of the down payment.

The POA will be paying interest of 5% on the note. We will be paying interest only for the first two years. The payments of interest and principle beginning in the third year will be based on a twenty-year amortization. There is a balloon payment due at the end of ten years; however, we fully anticipate we will have either paid off the entire amount of indebtedness by then or we have moved the note to an outside lender. The note can only be called by Double Diamond in the event of non-payment of interest, principle, taxes and insurance. Said another way, foreclosure can only occur if we do not make the monetary payments as agreed to.

The purchase price is higher than the appraisal we received earlier this year. However, it is reflective of a compromise between the appraisal we received and a Double Diamond appraisal. The Board has felt from the beginning of the negotiations that we were going to have to pay a premium for the amenities so we could all get on with our lives. That figure was approximately \$3,000,000. It should be noted while we were negotiating in the first voluntary mediation we calculated that the present value of the structured transaction was slightly less than \$3,000,000. Another way to look at the purchase price is from an individual property owner viewpoint. We have approximately 6,500 property owners. This TOTAL purchase price amount equals \$740 per property owner. Whereas we have no intention of assessing all property owners \$740 to get the amenities free and clear, it is important to note that the benefits to each property owner far, far exceed \$740. In fact, I would bet that if you took a poll and asked property owners if they would be willing to pay \$740 to get this behind us, acquire all the amenities, control our own future and end the lawsuits there would be a resounding, YES.

Where do we go from here? Well, thanks to Lou Storm's storm troopers we already have a head start. Mow Day was a huge success, and even non-golfer POA Vice President, John Bass got out on his mower and mowed #16 on the Old Course!

Our first priority is the golf courses. Three assessments have been made under the direction of Jay Elder. Of paramount importance is getting water to the tee boxes and fairways to preserve what we have. In the Interim Operating Agreement we are given the right to hit the ground running, and we are already heading toward second with our eyes on home plate. Marshall Snyder will give you an update later on what has been done and what will be done with respect to the courses.

It will be natural for some armchair quarterbacks to second guess certain aspects of this agreement. That's only natural. But as you look at what I detailed previously remember that there were literally dozens and dozens of items that these men had to consider as we reached a final agreement to acquire what will be our future.

Here are the three documents we had to review, negotiate and agree to- all 300 pages. Contrary to some of the overly simplified buzz on Nextdoor and not an insignificant number of emails, this process was much more complex than agreeing to a price and signing some papers. Your Board spent countless hours, sent and received literally thousands of emails, participated in numerous conference calls, met in mediation several times, and spent many a morning or afternoon in work sessions. Gentlemen, I thank you for your diligence and especially thank you for making certain that the agreements we formulated will have a positive effect on future Boards but especially future Whit Bluff generations.

It has often been said that any negotiated settlement is a good settlement if both parties walk away thinking they got the short end. This is a good deal for the POA and our community inclusive of our wonderful lot owners who will once again be able to enjoy the dream we all bought into. After the balance of the discussion by the Board has been completed, I will open the floor up for Q&A now that you have information previously not presented to you.

But before we move on I want to stress that the future is not dependent on this Board. It is dependent on you. It is dependent on you for many reasons. This project will take talent, involvement and resolve. We all have something we can contribute, and your doing so is an absolute necessity.

I will be creating a Business Development Advisory Committee composed primarily of property owners with a strong business background, executive experience and a business vision for the future. This committee will not conflict with the Long Term Planning Committee, whose charge is to create a vision for what White Bluff should become. The Business Development Advisory Committee will be charged with analyzing each potential profit center within the amenities and determining viable alternatives to maximize the monetary potential of each profit center. If there are property owners who meet the qualifications above and are interested in being considered to serve on this vital committee, please contact me directly. There will be innumerable other opportunities of absolute necessity for property owners to be involved. Please send the Board your areas of interest and background for helping.

I will now call on Road Committee Chairman, Milt Bergman, for a report.

Milt Bergman reported that three quality bids on Phase 1 of the roads project were received, and all three met specifications. Phase 1 will include the resurfacing of all of White Bluff Drive and Golf Drive. Total bid prices ranged from \$1.7 million to \$2 million, which are below the \$2.2 million estimate prepared by the POA's engineering consultant. The Roads Committee recommended North American Paving for the contract. Hill County Precinct 1 will accept the 50,000 cubic yards of construction debris. North American Paving indicated a 30 day start date following the contract award.

Jeff Williams moved and Jim Fletcher seconded a motion to table the award of the roads contract up to 90 days to provide time needed to assess costs for amenities renovation. The motion passed unanimously.

Jay Elder provided an update on the golf courses. Three professional golf companies assessed the condition of the two courses and provided recommendations. Based on these assessments, the cost for rebuilding the greens and bunkers on both courses will cost between \$1.5 and \$1.9 million. This will include rebuilding the drainage, which is collapsing underneath some of the greens and bunkers. Mr. Elder emphasized that a decision regarding the quality of the courses must be made prior to commencing the refurbishment of the courses. He also said he and the Greens Committee are exploring options for saving money and keeping costs down for refurbishment including the use of WBPOA golf maintenance equipment and personnel.

Duane Dauphin, White Bluff General Manager, reported that FSR (FirstService Residential) is checking on a mechanic and contract golf course superintendent.

Marshall Snyder explained the two stage water system that serves the North Lake, South Lake, ponds, and golf courses. He is coordinating with FSR to refurbish the main lake pumps and the ponds pumps to begin getting water to the amenities.

John Bass reported the Texas Public Utilities Commission identified an issue regarding "customer contributions" to the utilities infrastructure at a hearing held on May 25th. PUC staff was tasked with determining how much, if any, of the infrastructure costs was included in the sale price of each lot. If customers (lot buyers) contributed to the infrastructure costs, utility rates may be further reduced from those decided in the PUC's prior hearing. New rates should be set in July and announced by August 1st. Customers will receive rebates on their bills based on the new rates back to either March 1st or April 1st.

This is a momentous occasion for White Bluff. Many property owners have chosen to not fulfill their commitments in paying their maintenance fees. That must cease. I say simply to all property owners that you wanted to control your future, we have assured that. You wanted the amenities under our control and ownership, we have assured that. You want a first class facility, we will assure that. However, it will require money, money to not only meet our on-going obligations, but also to refurbish what will soon be our properties.

This Board has taken a massive step and our efforts need to be supported monetarily as well as with tangible involvement.

I will now open the floor to questions.

Property owners asked numerous questions regarding the acquisition and refurbishment of the amenities, which were addressed by individual board members assigned to coordinate specific activities related to each question.

7. Adjourn

The meeting was adjourned at 11:00 AM by Leonard Critcher, President.