

TO: White Bluff Property Owners
FROM: Your Board of Directors
Leonard Critcher, President
RE: General Manager's Report to the Board

The following is a detailed summary of the information given to the WBPOA Board in Executive Session at the special called meeting held on 06/20/2016.

Organizational Chart

All White Bluff employees are employed by Double Diamond and report to Fred Molsen, General Manager. Utilities, Land Sales, Local Accountant are dotted lines. All the rest are direct.

Fred Molsen, General Manager, reports to Stack Bowers, Vice President of Hospitality- Double Diamond.

Division of WB Employees

WB employees fall into one of two groupings. The POA is financially obligated for 61 WB employees who provide POA functions including the following:

- WBPOA Administrator
- Security (note- DD pays 10% of Security costs)
- General Maintenance
- Golf Course Maintenance
- Roads

Double Diamond is financially obligated for 63 WB employees who provide Hospitality functions including the following:

- Hotel
- Lighthouse Restaurant
- Trophy Grill
- Spa
- Golf Courses Operations- staff (exclusive of maintenance)
- Marina Attendant through a labor transfer.

Double Diamond also has full financial obligation for the following:

- Utilities
- Land Sales
- Local accounting at WB

Cost Sharing of Employees

The financial obligation for the following employees is shared by the POA and DD. The percentage of financial obligation is that for which the POA is responsible.

- General Manager- 50%
- Building Maintenance- 40%
- Office Manager for A/P- 45%
- Human Resources- 50%
- Local Accounting- 40%

Employee Fringe Benefits

The following benefits are provided to employees and the associated costs are paid for by the POA:

- Employer portion of health insurance
- 401(k) match
- Vacation & PTO
- Education & Dues
- Employee golf
- Superintendent Vehicle, fuel & insurance
- Cell phone allowances- Danny Holt, Security Chief & Asst. Chief, Maintenance
- Foreman- James Tamborello
- Performance Bonus for General Manager
- Christmas Bonuses

Double Diamond Management Fees

The POA pays DD approximately \$54,000 per year to perform the administrative services associated with the following:

- Handling all payroll & benefits
- Mailing out semi-annual billings
- Collecting all POA maintenance fees
- Corporate oversight of golf course maintenance and operations

Golf Rounds

In calendar year 2015 the breakdown of golf rounds played on both The Old Course and The New Course was:

Property owners & PO guests	20,636	79%
Resort guests & DD invitees	3,025	12%
Employees	1,968	7%
Comped*	272	2%

YTD for 2016 breakdown is as follows:

Property owners & PO guests	9,188	73%
Resort guests & DD invitees	2,257	18%
Employees	84	7%
Comped*	127	2%

Comped rounds are granted by the POA to members of the Board of Directors, members of the ACC, the Fire Chief, and the White Bluff Minister.

Golf Course Equipment Owned Partially by POA

Drill & Fill Aerifier- 50% WBPOA, 25% each The Retreat & The Cliffs

Chipper #1- 25% each WBPOA, WB Land Sales, The Retreat POA, The Retreat Land Sales

Chipper #2- 50% to WBPOA and 50% WB Land Sales

Checks & Balances for Payments of Accounts Payable

Before payment of an A/P is made the expense must have the approval of the appropriate department head, the General Manager as well as corporate and accounting approval.

All checks require two independent signatures.

All vendors are verified.

Part of the annual audit process includes a specific assessment of A/P.

Property Owned by the POA

Property owners can obtain a list of POA owned property through Hill County Appraisal District or a copy may be obtained through WB Administration.

It was noted by the Board during the report that the following properties were not on the Certified Appraisal Role as being owned by the POA:

The Rustic Pool

The Golf Drive post office

The Administration Building

The roads

A request was forwarded to Double Diamond on 06/21/2016 asking that these properties be immediately conveyed to the POA.

POA Funded Employees Performing Duties for DD or DD Owned Property

The POA pays for the maintenance of both golf courses, both of which are owned by Double Diamond.

POA compensated employees do hospitality landscaping and mowing on the following properties:

Lighthouse Restaurant

Trophy Grill

Condos

Land Sales

Utilities

Fitness Center

Marina Market

Old Course & New Course pro shop areas

The POA is reimbursed by Double Diamond using the following formula:

Employee Hourly Rate + Burden (18%) + 25%

POA compensated employees clear lots that Land Sales is trying to sell. DD compensates the POA \$200 per lot cleared by POA compensated employees. It should be noted that the POA received an additional \$36,000 in 2015 over and above the actual costs of providing POA compensated employees to clear lots.

POA Owned Equipment

If POA owned equipment is used to maintain any property not owned by the POA, the POA is paid by the following formula:

Employee Hourly Rate + Burden (18%) + 25%

All POA owned equipment is inventoried and updated annually for insurance.

Written logs are kept for the maintenance on all equipment.

Replacement of Greens on Both Courses

The New Course Greens & Covers

An agreement between the POA and White Bluff Golf, Inc. (WBG) was signed on 04/16/2012 specifying that the POA and WBG would share equally in the cost of replacing the greens on the New Course. The total expense was \$257,832, of which the POA paid \$128,916. The POA received a subordinated security interest in The New Course. This interest declines annually as the property is depreciated. When the property is fully depreciated, the POA no longer has a security interest in The New Course.

The Old Course Greens & Covers

The same basic agreement was signed between the POA and WBG on 08/05/2010. The provisions were basically the same as above; however, the total cost was \$211,230, of which \$105,615 was paid by the POA.

Yield on POA Liquid Assets

Any interest/yield on POA liquid assets is received by the POA.

If you have questions that are not addressed in the above summary report, please email them to leonard@critcher.com. Emailed questions will be compiled and presented to General Manager, Fred Molsen, at the next regularly scheduled Board of Director's Meeting. Mr. Molsen has agreed to answer both the emailed questions as well as those asked of him at the meeting during Open Forum. We know that the more you are aware of the structure of our operations, the greater the appreciation we will all have of what a special place White Bluff is.

The next regularly scheduled POA Board Meeting is July 18, 2016