

WHITE BLUFF PROPERTY OWNERS ASSOCIATION MEETING
WEDNESDAY, MAY 21, 2008 6:30 P.M.
MINUTES

Mike Ward – Director and President of the White Bluff Property Owners Association – called the meeting to order at 6:30 p.m. He welcomed everyone to the annual meeting. He stated that since White Bluff Property Owners Association is a Texas non-profit association, 25% of eligible voters must be represented in order to hold the annual meeting. The required number of votes is 1,523 and we have 1,783 represented either in person or by proxy. Mike stated the meeting will consist of the following:

1. Committee Reports.
2. Reporting the financial condition of the White Bluff Property Owners Association.
3. Election of Board of Directors.
4. General comments and questions.

Mike then introduced the remaining White Bluff Board of Directors:

Fred Curran
George Collins
Larry Groppe (not in attendance)
Randy Gracy
Clark Willingham

Mike then asked George Collins to speak.

George introduced the following committee members:

ACC – Nancy Behrens
Greens – Danny Morrow and Bill Torman
Protective Services – Bill McKee and Rob Tennison
General Maintenance – Milt Bergman and Britt Schiftnr
Community Services – Dottie Redding and Betty Fritz

George then reported on the ACC construction activity report which shows building permits issued, homes completed and various other information. A report is attached as part of the minutes.

Mike then asked Fred Molsen to speak on a couple of issues.

1. Sirens

Fred stated that the development sirens are installed and operational. The sirens are under the control of the White Bluff Fire Department and they can be remotely triggered. Fred stated that a test of the system will happen two weeks from today at 1:00 p.m. and that a monthly test will happen every month at the same time. Additionally, Fred stated that Bob Kruse of the

White Bluff Fire Department was preparing procedures on whom/how sirens will be activated.

2. Storm Damage

Fred stated that contracted crews were hired to help clean up the storm damage and that they were working closely with general and golf course maintenance crews to finish. Fred stated that about 60% to 70% of the clean up work had been completed. Fred also stated that he did authorize the burn pit to be opened unmanned for 10 days to help burn the rubble from the storm. Fred wanted to make sure to the association owners that the development was working closely with Double Diamonds legal department with regards to any insurance issues.

Mike then asked Bob Kruse to speak with regards to the White Bluff Fire Department.

Bob recognized members affiliated with the fire department. He then stated that we currently have 18 firefighters that responded to 57 calls and have completed 880 hours of training in the last year.

Before moving onto Randy Gracy's report Mike wanted to speak to a few issues.

1. POA suing an association member with regards to unpaid F&B credits – Mike stated that the POA board feels strongly that the credits are needed to help the hospitality operations due to the amount of money the operation has lost in recent years and that the credits are a benefit to the owners. Mike did acknowledge that the POA did lose a suit at the JP court in Hill County with regards to the unpaid F&B credits but that the POA was appealing this decision.
2. NRPI - Mike stated that NRPI was struggling selling the lots that they have acquired and was not sure what the future held for NRPI. Mike did say that NRPI at this point is current on their maintenance fees.

Mike then asked Randy Gracy to speak with regards to construction projects at White Bluff.

1. Marina – An impact study was done to expand the cove to accommodate 250 more slips. In order to expand the cove the cove will have to be dredged to get the water at an optimum level to handle the slips. Randy was hoping to have all the necessary permits within the next 90-120 days.
2. Hotel – Randy stated that the construction of the hotel is on hold at this time. Currently, Randy stated that when construction does begin the plans are to erect a 32 room hotel on the land that the previous hotel occupied.
3. Widening of 933 – TXDOT has scheduled the widening for 2009. Before the widening can be done, Randy said that we need to re-route the drainage at the front entry. Randy said that this work will begin next week. Everything that

TXDOT asked from Randy was prepared and sent to TXDOT around a year ago. The hold up has come from TXDOT.

Q: Who is paying for the construction of the hotel?

A: Mike stated that Double Diamond will bear the burden of constructing the hotel and would not be a POA issue.

Q: Will the hotel be included under the hospitality operations?

A: Yes

Q: Can we use the F&B credits at the hotel?

A: Yes

Q: What is the projected cost of the hotel?

A: Well over 3.0 million.

Mike introduced Fred Curran – Senior Vice President and member of the Board of Directors who reviewed the Financial Statements. Huselton, Morgan and Maulsby, Certified Public Accountants based in Dallas audited the financial statements with a “clean opinion”- stating the financial statements present fairly the financial position of the POA. Copies of the audited financial statements will be available at the administration office and also available on the website. Please see the Audit Report for more information.

Fred answered the following questions:

Q: Where does the rental for I/O's appear?

A: The rental of the I/O's is a hospitality operation and would not appear on the POA financials.

Q: What about amenity rentals?

A: Amenity rentals are part of the POA and would be included in the financials.

Q: What expenses does the POA pay on the golf course?

A: POA pays for the maintenance of the golf course.

Q: What salaries does the POA pay for with regards to the golf course?

A: POA pays for the golf course superintendent and his crew.

Q: Who gets credit for the golf revenue?

A: The golf revenue is considered a hospitality operation.

Mike then wanted to make a comment regarding the golf courses. Mike stated that one of the reasons the maintenance fees were raised last year was to help raise the quality of the golf courses. Mike believes the fees did just that and wanted to thank Danny Holt and his crew for their hard work on improving the golf courses. This was met with a round of applause.

Election of Board of Directors.

Mike stated that he and Fred Curran were to be voted on as Board of Directors. Mike stated that he and Fred have worked hard and feel they have done a good job and should be re-elected.

Mike made a motion to elect him and Fred Curran as board of directors.

Motion was passed.

Question and Comments

Q: Like to see a decrease in the F&B credit?

A: Mike stated that you can use the credits at a lot of different venues at the development.

Q: The F&B credit is really for the people that live here?

A: No, it is for all property owners.

A property owner wanted to talk about the lawsuit that the POA lost at the JP court last month. Mike stated that this case will continue because the POA is appealing this decision.

Q: Why can't property owners get a break for the increases in camper fees?

A: Fred Molsen stated that they saw what the cost to run each unit in utilities and looking at the competitive pricing from surrounding areas set the fee at \$20 per day. The fee charged helps offset the expenses the POA is incurring because the POA is the one who pays for the utilities. Fred also stated that if anyone wanted to see the competitive pricing that was used that they can come by the administration office to review.

A property owner started a discussion that up until 2006 Double Diamond made \$50,000 per year contribution for POA operations when at that time the payment was suspended and in its place Double Diamond agreed to fund certain capital improvements within the development which was in excess of a 1.0 million. For these improvements the POA agreed to do the F&B credits for ten years. Due to this the POA will have lost \$500,000 over the ten years. In the end the property owner wanted the POA board to negotiate with Double Diamond to reinstate the \$50,000 per year contribution.

Mike stated that he thought the \$50,000 was for profit sharing which a profit has never been attained in the hospitality area and that in 2007 the hospitality operation lost in the neighborhood of \$300,000. Additionally, it takes in total about 3.5 million to run all operations at White Bluff. Mike felt that due to this the payment probably could not be restored.

Q: What can we do with the delinquent houses that are not finished?

A: George Collins stated that 8 houses fall under this category and due to the sub-prime problem these houses were never finished and therefore do not have certificate of occupancy. George stated that of the eight mentioned that 3 houses are under contract to be purchased. With the remaining houses we are trying to get exactly what needs to be done to finish these houses so they can be sold and completed by the new buyer.

Q: Can the POA seize unfinished houses?

A: George stated that the POA has a right to collect unpaid fines on unfinished houses but the POA would be in a secondary lien position with the primary lender (the bank).

Q: Is this the only audit firm to perform the White Bluff POA audit?

A: Fred Curran stated that is correct.

With this an association member made a motion to adopt a new audit firm. Mike stated that the POA would study this issue and takes some bids from some new audit firms. However this does not mean the association would change auditors.

Q: Will the POA benefit from any oil and gas royalties?

A: Mike stated the land has not been leased and has not received any oil and gas proceeds. Mike also stated that he has not received any offers to lease the land. Additionally, Mike stated that he would let the property owners know if anyone wanted to lease the land and perform any future drilling. Mike said if this were to happen he would protect the interest of the property owner and make sure it was a good situation for everyone involved.

Q: Since NRPI owns over 1,000 lots are they paying maintenance fees?

A: Yes, but not on all of the lots they own.

At this time the following motion was made from the floor.

That the White Bluff POA board conduct voting procedures described in Texas Property Code Section 211 whereby the association members can amend the subdivision covenants by a 2/3 vote of the association members and that no one else may amend the covenants.

George Collins suggested that this motion be tabled so that the board can further study Section 211 of the property code. George also stated that this issue will be reflected in the minutes and that the minutes will be reviewed at the next board meeting.

There being no further business, the meeting was adjourned at 7:40 p.m.

A handwritten signature in black ink, appearing to read "Kevin Shea", written over a horizontal line.

Kevin Shea
Acting Secretary

**POA Annual Meeting
Construction Activity Report
May 21, 2008**

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Building Permits Issued	29	20	15
Homes Completed During Period	39	19	18
Town Homes Completed During Period	4	0	0
Homes Under construction-Report Date	23	24	21
Total Number of Residences	545	564	582
Total Square Footage Permitted	116,430	84,646	61,596
A/C Square Footage Permitted	81,915	57,219	40,382
Construction Cost	\$7,785,440	\$6,328,000	\$4,433,700
A/C Construction Cost Per Foot	\$95	\$111	\$110
Average Size-Total Footage Permitted	4,015	4,232	4,106