

WHITE BLUFF PROPERTY OWNERS ASSOCIATION
ANNUAL MEETING

10:00 A.M.
May 15, 2010

INTRODUCTION

Before the official start of the White Bluff Property Owners Association annual meeting George Collins made the following statements.

1. George wanted to welcome all members to the 2010 annual meeting and thanked everyone for coming.
2. George stated that he was a director concluding his third year and first full year as the President of the Association. He went on to say that he has lived at White Bluff since September 2001 and was proud to call White Bluff his home.
3. If you are a property owner but not a resident of White Bluff, we offer you a special welcome. As a resident of White Bluff, I feel blessed to be surrounded by wonderful people we call neighbors. I believe that the majority of people that have chosen White Bluff as their home would agree.
4. However this is not to imply that we don't have our challenges and opportunities for improvement.
5. Due to the active campaign for proxy votes that has taken place over the last few months, this year's meeting could display a wide range of emotions. George wanted to tell everyone that he would do his best to keep the meeting orderly and professional.

George then introduced the Board of Directors – Mike Ward, Fred Curran, Randy Gracy, Larry Groppe, and Clark Willingham. George made the announcement that Randy Gracy would not accept a nomination today as a director for a 3 year term. George thanked Randy for his 20 year service to the White Bluff Board of Directors.

George introduced the following special guests to the meeting:

1. Milt Bergman – Chairman of the Advisory Committee
2. Fred Molsen – WB General Manager
3. Bob Harris – Representing the WB Volunteer Fire Department
4. Keith Moreland – Chairman of the Greens Committee
5. Andrew Freundlich and David Ferriera – Representing the accounting firm of Weaver and Tidwell, the Association's independent auditors.

Other special guest includes:

1. Jeff Schmidt – In-house counsel for Double Diamond and the Association
2. Stack Bowers – VP of Hospitality for Double Diamond
3. Kevin Shea – VP of Accounting for Double Diamond and acting Secretary for today's meeting.

DETERMINATION OF A QUORUM

George stated that Article 11 of the Bylaws requires 25% of its members to be present or represented by proxy for the meeting to be considered an official Annual Meeting of the White Bluff Property Owners Association. The total number of eligible members is 5,524, 25% of that number is 1,381, and we have 2,765 votes represented by members present or proxy. Therefore, this meeting will be considered an official meeting.

OLD BUSINESS

At this point George wanted to address the following items that were discussed at the 2009 Association meeting.

1. Re-schedule the annual meeting - It was agreed to move the annual meeting from a Wednesday night to Saturday morning with the hopes of increasing attendance. George stated that from the looks of today's attendance this move has been successful.
2. Selection of new auditors - During the past year an Audit Selection Committee was formed to select new Association auditors. Through the efforts of this committee the Accounting firm of Weaver and Tidwell was engaged to conduct the 2009 audit. Also accomplished was converting the Association books to accrual accounting. George wanted to acknowledge and thank the following committee members: Tom Reedy (Chair), Mike Pollard, Clark Willingham, Fred Curran and Kevin Shea. George also stated that Weaver and Tidwell will verify today's elections to the Board. George also asked the Audit Selection Committee to help review the books of the White Bluff Club Corporation. The audit committee declined to perform this review but instead the accounting firm of Huselton, Morgan & Maulsby was engaged by Double Diamond to perform this function. This audit has been concluded and the results can be seen on the web site.
3. Adult pool – Also accomplished in the last year was converting one of the resort pools to an adult only pool.
4. Extending Food and Beverage credits – During 2010 the Board formed a committee to review all aspects of the F&B program. Milt Bergman agreed to Chair this committee. George stated that Milt will address this issue later in today's meeting. George also wanted to recognize and thank the remaining committee members: Stack Bowers, Fred Molsen, Clark Willingham, Larry Groppe, and members at large Susan Johnston and Mike Edgar.
5. Dues owed by NRPI – The lots NRPI purchased from individuals were subject to the normal maintenance fee structure. Lots purchased from Double Diamond were subject to the multi-lot discount. During March 2010, Double Diamond purchased from Capital Source/NRPI 236 lots with outstanding maintenance fees of \$168,000. Double Diamond has subsequently paid the outstanding fees on these lots. Double Diamond also has received an option to purchase an additional 348 lots that would be subject to the multi-lot

discount. George stated that since Double Diamond is receiving the multi-lot discount on the lots purchased from NRPI that it is in the best interest of the Association to help Double Diamond sell these lots so that they would be subject to the normal maintenance fees.

NEW BUSINESS

George stated that the Board held nine meetings during the past 12 months. Regular meetings are scheduled for the third Monday of January, April, July and October. George stated that the Board has been more active in the management of the affairs of the Association during the last 12 month. Minutes of the meetings are available at the administration office and on the web site.

Election of Directors:

George stated that the membership will elect two directors today.

At this time an Association member asked for a Point of Order:

The member stated that Article 3 Section 3 of the Bylaws state that the membership rights can be suspended by the Board during the time that an assessment is not paid. The Association member challenged the announced disqualification of proxies held by Daniel Saturn and request that these proxies be counted today. Additionally, by board resolution dated May 5, 2000, a proxy must be filed 10 days before the annual meeting. More than 545 proxies held by Mike Ward were dated May 10th or after and therefore challenged whether these proxies should be included in today's vote.

George acknowledged the above challenges and stated it would be part of the minutes.

At this point a motion was made to grant all proxies that have been disqualified be granted a right to vote.

The motion was seconded.

At this point George explained to the Association members the process that was used to certify proxies. George stated that a letter was mailed saying that proxies had to be presented 5 days before the annual meeting. The reason for this was to have adequate time to certify the proxies as valid. George went on to say the there was an old corporate resolution dated in 2000 that any member holding 3 proxies or less would not need to submit those proxies by the deadline. It was recommended to the Board by the attorneys that since these proxies were not submitted by the deadline and could not be certified that these proxies be declared ineligible.

So the motion above will allow all proxies whether certified or not be allowed to vote.

Q: Since Daniel Saturn is delinquent on his association dues does that disqualify all of his proxies?

A: George stated that it would not because Daniel Saturn presented his proxies before the deadline and those proxies were reviewed and certified. George also stated that if an Association member that gave Daniel Saturn their proxy was delinquent in their dues by more than \$50 then their proxy was set aside. The delinquent rules were consistently applied to all proxies.

Q: Who determines what is delinquent?

A: George stated that the Board determined the \$50 threshold for delinquency. The Board only used a monetary threshold and did not take into account the reason why an Association member was delinquent.

After a few more minutes of discussion, George stated that based on advice from the Association legal counsel that the above motion would change the by-laws of the Association and due to this George did not allow the members to vote on this motion.

At this point Fred Curran started the Board of Directors election process.

Fred stated that we will be electing two Board members today. Fred stated that these directors will be elected to 3-yr terms.

Fred asked for Nomination from the floor for Director A.

George Collins was nominated and George accepted the nomination.
Milt Bergman was nominated but Milt declined the nomination.

A motion was made to elect George Collins to the Board of Directors. This motion was seconded. After discussion, the Association members passed this motion.

Fred asked for nominations from the floor for Director B.

Milt Bergman was nominated and Milt accepted the nomination.

A motion was made to elect Milt Bergman to the Board of Directors. This motion was seconded. After discussion, the Association members present passed this motion.

At this time a motion was made to remove Mike Ward and Fred Curran from the Association's Board of Directors.

Motion was seconded.

At this point George stated that to remove a director would take a 2/3 votes rather than a simple majority.

Q: When did the higher standard to remove a director change from simple majority?

A: George stated that a special Board of Directors meeting was held last Monday to discuss the new bridge on #12 at the old course. In that meeting the by-laws were changed to remove a director requires a 2/3 vote from simple majority. The Board was advised that they could take this action by the Association in-house counsel. George stated that since we have staggered director terms he did not believe that the removal of the entire board by simple majority vote was in the best interest of the Association and that an action of this nature should require a 2/3 vote. George stated that he voted in favor of the amendment to help protect the Association. Also changed in that meeting was that any future by-law changes would require a 2/3 votes and not simple majority.

At this time the members voted on the motion. Ballots were accumulated and the results will be announced later in the meeting.

During the counting of the ballots George wanted to move into Committee reports.

George asked Milt Bergman to come forward and give a report on his committee's review of the Food and Beverage program.

Milt said that they considered 18 different changes to the program. The committee tried to come up with changes that would create the most value to Association members. With that in mind the committee settled on the following:

1. Keep the amounts the same. Two \$100 payments for \$250 credit. Also included is that at January 1 you would be entitled to all the \$250 credit.
2. Change the name of the program to WB Resort Credit Program – this means that the credits can be used at any WB outlet. EX. – Credit could be used to pay for camping fees. The only item the credit cannot be used for is paying association dues.
3. Comp golf rounds – Starting on January 1 and July 1 you would be allocated 18 rounds on each date for golf comp rounds which expire December 31. Originally you were allocated 3 comp rounds per month which expired at month end.

Milt stated that these above changes will make the program more flexible. Milt also stated that the committee will still look into ways of improving the program in the coming months.

Milt also heads the Advisory committee and at this time gave the report. Milt stated that the Advisory committee acts as the liaison between the committees stated below and the Board of Directors. The Advisory committee brings suggestions and/or recommendations from the committees to the Board for their consideration.

Milt stated that there are five committees at WB. They are as follows:

1. Community Service – handles social activities.
2. Architectural Control Committee (ACC) – handles residence construction.
3. Greens – handles overall maintenance of the golf courses.
4. Protective Services – handles safety issues
5. General maintenance and Roads – handles overall maintenance of the resort and road repair. This committee has begun surveying the roads that may potentially need repair. There are over 60 miles of roads at WB. The annual budget for roads is roughly \$250,000 for 2010.

Keith Moreland came forward to talk about the Greens Committee.

Keith stated that in 2009 the Greens Committee started discussion to replace the old course greens. The committee discussed several options and decided on replacing the greens with Mini Verde grass. The change was recommended to the Board and in December 2009 the Board approved the switch to Mini Verde greens. The overall costs of this project will be \$200,000 with the Association paying half and Double Diamond paying the other half.

Bill Allen came forward to talk about the Protective Service Committee.

Bill stated that roughly 27,000 vehicles came thru the front gate in 2009 with over 50,000 people. Also the road widening of the highway at the entrance was complete. Additionally, better security/monitoring have been established at all pools. Due to this increased security problems at the pools have been reduced.

Bob Harris came forward to talk about the Volunteer Fire Department. Bob talked about the following:

1. Responded to 100 calls in 2009
2. Currently have 17 fire fighters. The department is always looking for volunteers. You do not need any prior experience in becoming a fire fighter. Every volunteer will receive the necessary training.
3. Fundraiser – This year's fundraiser will be in September 2010 and tickets are on sale for \$35.
4. Our normal business meeting is the 2nd Monday of each month.

George then gave the ACC report. Georges report is included with these minutes. George did want to remind everyone that if you are planning to build a house to please

get building packets from the POA office at the administration building. This will allow your project to be properly permitted.

At this time George talked about the letter he sent out dated January, 2010, in which he stated that the Board had adopted a policy of balanced budgets for this and all future years. In addition to the normal operation of WB, we intend to retire all previous debts, continue to improve assets and build a reserve to accommodate future needs. Additionally, a Financial Management Committee was formed to recommend the adoption of certain policies and procedures necessary to accomplish this objective. Larry Groppe has agreed to Chair this committee and Larry was asked to come forward and briefly give a report.

Larry said that this committee is not being formed for a long period of time but instead will be formed for only 90-120 days to help formulate policy and procedures. Larry also stated that they will try to establish triggers that will help the Board identify a potential negative financial impact that would require the Board's immediate attention. Larry stated that the committee is in the start-up phase at this time.

Fred Molsen was asked to come forward for a brief update on WB.

Fred stated that the resort is in great shape. Some of the new projects that will be coming are as follows:

1. WB marina – The marina was enlarged to accommodate 106 slips. The marina was deepened and dredged to add greater depth. Currently, Double Diamond is in discussion with the BRA regarding the amount of water being released from the marina area so that we do not encounter the problem we had last year when the lake level was down to 525 ft. above sea level.
2. Cell tower - AT&T has identified a site to erect a 250' cell tower with 4G service. The tower probably will be completed by the middle of 2011.

At this time George asked Andrew Freundlich with the accounting firm of Weaver and Tidwell to present the audited financial statements of the Association. Andrew made the following opening remarks:

1. Had no issues getting the requested documents to perform the audit.
2. Was engaged in October 2009.
3. Have never been engaged in any other audits or engagements involving Double Diamond and their affiliates.
4. Provided a clean opinion or a unqualified opinion on the financial statements
5. Did not run into any unusual transactions
6. Had no disagreements with Double Diamond management.
7. Management changed how doubtful accounts were estimated in 2009.

Some questions Andrew was asked.

Q: The audit report states that there are shared management and operational functions with other companies. Is this common?

A: It is not uncommon to have a centralized cash management system in place when multiple entities are involved. In fact a system like this is more streamlined and efficient.

Q: Did you verify that the Association still qualifies as a not-for profit status?

A: This was not part of the audit scope. Our firm has not been engaged to prepare the tax return. I am not aware of any issues relating to whether there is a problem with regards to qualifying as a not-for-profit.

Q: Would it be possible to expand the affiliated note payable disclosure to show all entities the Association owes?

A: This is a good point and that can be accomplished on next year's audit.

At this point a discussion was started on how the Association's money is handled and whether the Association has a checkbook. Fred answered this concern by saying the Association has their own cash account. The Association dues are deposited into this account but the Association expenses are paid through an affiliate company which causes the affiliate intercompany accounts payable balance that appears on the balance sheet. Fred further stated that the Association periodically will settle these intercompany accounts payable accounts on a post transaction basis.

Q: Since our current ratio is a negative 1.8 million (current assets 200,000 less current liabilities 2.0 million) is the Association in trouble financially?

A: This is an issue the newly formed Financial Management Committee will have to address and report on at a later date.

Q: Are there any contingent liabilities for legal fees or future legal settlements on the Association books?

A: No accruals have been made for any future legal fees or legal settlements on the Association books. The only item reflected in the books is about \$120,000 in legal fees that were expensed in 2009.

Q: Why is the Association being charged for legal fees with regard to the lawsuit relating to the Food and Beverage credit program when the Food and Beverage fee is not considered an Association asset?

A: Andrew stated that he thought a sharing arrangement was struck between the association and Double Diamond with regards to the legal fees incurred and that these parties would have to explain the methodology on the allocation of legal fees.

At this time George announced the results to the earlier motion of removing Mike Ward and Fred Curran as directors.

George stated that the results are as follows:

For removal - 1,209
Against removal – 1,614

Motion to remove Mike Ward and Fred Curran as directors failed. The results of the voting were verified by the accounting firm of Weaver and Tidwell.

At this point the following motion was made.

To require the Board to tell the members about any changes in the by-laws or any other Association governing documents and that it will not take effect until 30 days after the membership has been notified of the change.

The motion was seconded.

An Association member then asked that the motion be modified to the following. Modifications of governing documents not take effect until the membership has voted on the change.

George stated that he thought this modification would remove the power of the board to make revisions to governing documents.

At this point the Association member that made the original motion accepted the modified motion.

The modified motion was seconded.

George stated that this motion would need a 2/3 votes to pass. George then asked for a motion to be made to table this motion until next year's meeting so that further consultation can be done on how to better communicate by-law changes and changes to other governing documents of the Association.

The motion to table was made and seconded. After discussion the motion to table passed.

At this point the following motion was made.

That a second association meeting be held between September 15 and October 15 each year.

George asked for a modification to the motion to make the second meeting more informal and bill it as a town hall meeting.

This modification to the original motion was accepted.

The modified motion was seconded and after discussion the motion passed.

At this time George wanted to make the following announcement with regards to the greens renovation project. George stated that the Association plans to capitalize the cost of the greens renovation at an approximate cost of \$100,000 (\$200,000 total) and that the Association will acquire a secured interest in the old course relative to their cost of the greens renovation/present appraisal value of the old course. The Association's secured interest will be diminished as the greens are depreciated over their useful life. An agreement between the Association and Double Diamond will be executed setting forth this understanding.

At this time an Association member asked the Board to come up with more convenient procedures in dealing with proxy certification.

George stated that the Board will take this under advisement in the coming year.

There being no further business a motion was made to adjourn.

This motion was seconded and was passed.

The meeting was adjourned at 12:54 p.m.

Kevin Shea, Acting Secretary