

May 21, 2017

TO: White Bluff Property Owners
FROM: Your Board of Directors
RE: President's Remarks

The following is the transcript from the POA Board President's opening remarks.

President's Remarks
WBPOA Annual Meeting
05/20/2017

It's been quite a year!

One year ago the POA Board closed the chapter on purchasing White Bluff amenities from Double Diamond. After well over two years of negotiations, initiated by Mike Ward, an agreement was reached and all parties consented to a verbal agreement. A contract was drawn up, and Mike Ward subsequently refused to fulfill his verbal commitment and did not sign the contract.

The Maintenance and Use Agreement, which obligated the POA to maintain the golf courses and was signed in 1990, had expired on 12/31/2015 leaving the Board in limbo. We sought temporary direction by mutually agreeing to extend the Maintenance and Use Agreement for six months, but when Double Diamond refused an additional extension we had no recourse but to seek guidance from the courts.

Last year's Annual Meeting marked the beginning of twelve months of contentiousness, jump-started by the developer withholding the registration of his proxies. This defiant act caused us to be approximately 100 votes short of having a quorum, the result of which was we were unable to hold an election to fill three Director positions.

I am pleased to declare that this year we do indeed have a quorum, firmly established by the attendance of property owners at today's meeting and the granting of proxies by property owners to the POA Board. This, you, our property owners, have done totally independent of being dependent on the developer to hold our association meeting. Your Board thanks you!

In a brief, informal address to property owners twelve months ago, Mike Ward made two promises. First, he promised to shut down the golf courses if the Board did not capitulate to his demands. Second, he promised that within a few days he was going to present a new and better plan for the future of White Bluff. A few days turned into months and thankfully he also deferred fulfilling his promise to shut down the courses.

As we all waited for the Grand Plan, your Board started turning the pages in the first chapter of the book entitled, Re-Creating The White Bluff Dream. We had a vision for what White Bluff should be and that was the White Bluff Dream we all bought into. We also had a vision of the steps that would take us down the path toward our stated objectives.

The first step began as soon as the purchase contract was returned to us unsigned by Mike Ward. No longer would this Board let anyone or any entity control the future of 6,000 property owners. We need control of our own destiny, and it began with controlling our own finances. We have an annual budget of almost \$6,000,000, and for 26 years Double Diamond served as our management company, collecting POA maintenance fees, holding our money and disbursing our money. This had to change, and change it did.

We began the tedious process of finding a professional management company to take over what Double Diamond had been doing for 26 years. Early on we made the decision to include our property owners in the process and held an open meeting in which vendors made presentations and answered questions from not only the Board but also you. This interchange gave us a better feel for the direction we were taking, and a Request for Proposal was prepared by Secretary Jim Fletcher. The RFP detailed specifically what we were looking for and specifically what functions we wanted a management company to perform for us.

The RFP was sent out to pre-selected companies, the answers analyzed, and two finalists were selected for presentations to the Board in an Open Meeting of property owners. The Board was unanimous in its selection of FirstService Residential.

While all of this was going on in wresting control of our money and our future away from Double Diamond, we had other issues with which to contend. We knew that for us to move ahead with our plan for re-creating The White Bluff Dream we had to seek guidance and confirmation from the court on specific issues.

We needed guidance on the issue of our obligation to maintain the golf courses. We needed the constraints imposed by the unilaterally dictated 6th Amendment to be removed and struck down. And, we needed the court to tell the developer it was time for him to give us our freedom to control our own destiny, make our own rules and control our own future. So, on behalf of our property owners we filed a lawsuit in Hill County District Court.

On December 2, 2016 Double Diamond was informed that the POA had contracted with FirstService Residential to take over the management functions of the association. A formal request was made by the POA and FSR asking that Double Diamond turn over the property owner database, property owner billing information and all POA funds to FSR. On December 2nd Double Diamond withdrew \$1,150,000 from the POA bank account without authorization and deposited the POA funds into a Double Diamond account. Double Diamond contended that the

POA funds were needed to collateralize a purported indebtedness to Double Diamond.

The POA instructed our attorney to immediately file an amendment to the Hill County lawsuit asking the court to force Double Diamond to comply with our requests. The judge ruled in our favor, and Double Diamond eventually complied with turning over property owner database information and billing information to FSR. The \$1,150,000 was eventually placed in a segregated account, until which time the ownership of the disputed sum of money could be determined by the court.

Then, the Grand Plan was revealed in a massive and professionally constructed campaign by the national public relations and advertising firm, The Richards Group. Mike Ward proposed to the property owners that White Bluff become a country club. He would transfer White Bluff assets into the newly formed country club, and all property owners would be forced to be members. Because of the incomplete nature of numerous details, the POA Board initially took a neutral position while we sought additional information.

Mike Ward's efforts on selling this concept were to promise a reduction in fees to lot owners and a doubling of fees to homeowners. While the impact of this on our property owners was yet to be determined, we were very concerned about a lack of details and unanswered questions.

It became readily apparent that the overriding concern of the Board as well as innumerable property owners was Mike Ward's insistence on maintaining absolute control of our community for a stated 12-year period. We felt this to be totally unacceptable. Our position was, is and always will be that property owners should control their own destiny and not be dictated to by any one person or any entity controlled by that person.

In February Mike Ward tried to call a special meeting of property owners in order to oust the present Board and pass his country club proposal. We immediately filed for a Temporary Restraining Order in Hill County District Court noting that Mr. Ward's attempt was in violation of our governing documents. The POA prevailed, and the TRO was granted, effectively keeping the hastily called meeting from happening.

Then the War of Words ensued with Double Diamond seeking property owner support in the form of proxies and the POA Board seeking similar support of its position of independence from Double Diamond and Mike Ward.

Mike Ward again tried to call a special meeting of property owners in April. He submitted proxies to the Secretary of the association, Jim Fletcher, that he contended met the 20% requirement dictated by the By-Laws. It was ascertained that there were a large number of proxies that were invalid under Texas law, and he not only did not have sufficient, valid proxies to request a meeting but also was not

in accordance with other provisions of the governing documents. The meeting was not held.

Fast forward to April 12th. A hearing was held in Hill County District Court, and the judge issued a Summary Judgment in favor of the POA. This ruling confirmed the three things the POA had requested of the court. The ruling said that the POA was not obligated to maintain the golf courses. It struck down the 6th Amendment unilaterally dictated by Mike Ward, and it removed Mike Ward as Declarant for White Bluff Resort. For the first time in over 26 years we were finally in control of our own destiny, free to make our own rules and chart a totally independent course.

May 8th was the next date of note. Proxies had to be submitted to either FSR or the Secretary of the association, Jim Fletcher, by 5:00 PM. Five different entities submitted proxies for verification. Jim Fletcher and his team began the arduous task of validating proxies, categorizing, recording and tabulating over 4,000 submitted proxies. As of Wednesday, May 17th these were copied and submitted to the CPA firm, Timothy, DeVolt and Company for insertion into their election database. Board member and Nominating Committee Chairman, Terry Newman, will give you more detail on the election process.

And finally, your Board and Double Diamond representatives, including the developer, Mike Ward met for mediation in Dallas on May 15th. At the end of mediation a Mediation Proposal was submitted to both parties. As of today your Board is still sorting through the myriad of details associated with this proposal. Our position at this time is to wait until a new Board is seated for further analysis of the details and an ultimate decision.

And, somewhere in the midst of all of this, Double Diamond Utilities filed for a 45% rate increase on water and sewage. Vice President John Bass and his incredible committee never blinked and took on this challenge. Because of their efforts and your monetary support, the rate increase at this point has been rolled back to its previous level with full refunds to DDU customers.

It's been quite a year as you can tell. I would be amiss if I did not publicly thank your existing Board members for their incredible efforts in meeting the innumerable challenges, making decisions for the welfare of all property owners, and spending untold hours on charting a course that will take our beloved community to the next step in realizing the White Bluff Dream. I would like to acknowledge each of them at this time-

John Bass- Vice President and Chairman of Proxy Procurement
Jim Fletcher- Secretary and Proxy Validation Team Leader
Terry Newman- Board Member and Nominating Committee Chairman

The last two Board members I want to single out for a couple of reasons. First, they will be retiring from their Board positions after this meeting. Second, each of them

served unwaveringly protecting your interests and were invaluable in their wisdom, input, honesty, resolve and time commitments. Please join me in thanking Wayne Findley and Ron Roberts for their service.

Before I ask VP John Bass to make a few remarks, I want to deliver a message to you, our property owners, and to Double Diamond and specifically our developer, Mike Ward. This has been a tough year for us all. We've had our differences and conflicts, but it is the sincere hope of this Board and I, as President, that we can put the past behind us and join hands in a unified effort to work together in an atmosphere of cooperation and resolve to let our property owners control their own destiny and work together to re-create the White Bluff Dream. It will indeed take a village.

This past week our village responded as a community that genuinely cares about its future. Prayers were lifted by hundreds of you and your neighbors, prayers for strength, guidance, resolve and God's hands on the process of healing. Prayers for the future and a unified community, free to chart its own course.

The good news is that with the hard work and vision of a new Board, the involvement of all property owners and the expertise of FirstService Residential, and God's unending grace we can get this done- together!