

HIGHLANDS PROPERTY OWNERS' ASSOCIATION, INC.
SPECIAL MEETING OF BOARD OF DIRECTORS
DECEMBER 20, 2025

A Special Meeting of the Board of Directors of the Highlands Property Owners' Association, Inc. (the "Association") was held at 42089 Crooked Stick Dr, Whitney, Texas, on Saturday, December 20, 2025. Members of the Association were properly notified of the meeting and were invited to attend. The Notice and Agenda for this meeting is attached to these minutes. Directors in attendance were Gerry Mayer, Brad Branstetter, and Michael Pollard.

President Gerry Mayer called the meeting to order at 1 pm.

Secretary-Treasurer Michael Pollard declared that a quorum existed. Mr. Mayer then opened the floor to any comments from Members in attendance.

The first order of business was to discuss renovating the swimming pool. Michael Pollard reported that the pool needed significant repair, including:

- Pieces of the stone coping around the edge of the pool are flaking off, getting into the pool's filtration system, and causing sharp edges on its surface;
- Gaps in the old and brittle mastic are allowing water to seep under the coping, contributing to further deterioration;
- Water-level tiles are coming loose, an indication that water is seeping behind the tiles and possibly the pool plaster.

The Board acknowledged that the Association's primary responsibility is to provide its Members with exclusive access to a high-quality swimming pool in the Highlands. This amenity alone creates special demand for Highlands homes and lots and contributes to maintaining high property values for all Members.

After discussion, the Board concluded that the Association should move forward with a complete renovation of the pool, including coping/mastic, water-level tiles, plaster, and cool deck. Based on the quotes, the Board estimated the total cost would be approximately \$55,000, including a 10% contingency.

Before the Board discussed funding options for the pool renovation, Mr. Pollard presented a report of the current financial condition of the Association. As of October 31, 2025, the Association had \$69,000 in cash deposits, of which \$24,000 is dedicated to Capital Reserves, .

Mr. Pollard then presented a preliminary annual operating budget for 2026. Operating expenses are expected to total approximately \$50,000. At 2025 assessment rates, estimated

maintenance fees from Members would generate only \$50,000 of revenue, resulting in break-even net cash flow. Mr. Pollard reminded the Board that the Association has an annual debt service requirement of \$9,713. Any proposed budget should provide at least \$10,000 of cash flow to cover this debt obligation.

To adequately fund the pool renovation in 2026, the Board must either:

- Authorize a one-time special assessment to raise \$55,000 (approximately \$300 per lot). This option would allow the Association to keep the annual assessment rate the same as 2025 for a year or two by using cash on hand to fund remaining debt service; or
- Authorize a 33% increase in the 2026 assessment and utilize almost all of the Association's available operating cash, together with the \$24,000 of Capital Reserve cash, to fund the pool renovation. The proposed increase in 2026 assessments would result in estimated total maintenance fees of \$68,000 and net cash flow of \$18,000 for the year.

Although a special assessment would maintain a much higher level of financial liquidity than the alternative option, the Board concluded that a special assessment could be more burdensome for some of its Members than a smaller rate increase.

Accordingly, motions for the following resolutions were made, seconded, and unanimously approved by the Board:

- Adopt the attached Operating Budget for 2026 (total expenses - \$50,000, excluding debt service).
- Increase annual assessment rates by 33% as shown in the following table:

Rate Classification	Annual Rate Per Lot Effective 1/1/2026
1 Lot	\$400
2 Lots	\$300
3 Lots	\$233
4 Lots	\$188
5 Lots	\$155
Fees for 6 or more lots - \$0	

- Authorize transferring \$30,000 to the Association's Capital Reserve account effective December 31, 2025.

Mr. Mayer and Mr. Pollard provided details of the quote from Sundown Custom Pools to renovate the Highlands swimming pool beginning early 2026. A motion was made, seconded, and unanimously approved to enter into a contract with Sundown Custom Pools based on a

quote of \$48,990. This expenditure will be funded out of the Association's Capital Reserve. It was noted that this quote does not include any leveling of the deck area that may be required to even out the surface prior to applying the cool deck. It was also noted that fencing and pool furniture will need to be replaced in the next two to three years, making it important to dedicate future cash flow surplus to begin restoring the Capital Reserve account once the pool renovation has been funded.

The Board then discussed the need to engage a debt collection agency to assist with collection of delinquent accounts. Following discussion, a motion was made, seconded, and unanimously approved, to engage Debt Co LLC (a Missouri Limited Liability Company) as the Association's exclusive agent to collect delinquent accounts. The terms of the engagement are to be substantially the same as those offered to White Bluff POA. The fee is expected to be 25% of all collected funds.

Mr. Mayer then opened the floor for questions from Members in attendance. No matters requiring action by the Board were brought to its attention during this time.

The Special Meeting was adjourned at 1:40 pm.

Highlands Property Owners Association, Inc.

Notice of Meeting

Special Called Meeting of the Highlands POA Board of Directors

Invitees: Members of Highlands POA

Location: 42089 Crooked Stick Dr, Whitney, Texas

Date: Saturday, December 20, 2025

Time: 1:00 pm

Agenda

1. Welcome	Gerry Mayer
2. Call to Order	Gerry Mayer
3. Declaration of Quorum	Michael Pollard
4. Comments from Property Owners	Gerry Mayer
5. Discuss Proposed Pool Remodel	Gerry Mayer
6. Financial Report	Michael Pollard
7. Approval of 2026 Operating Budget	Michael Pollard
8. Approval of 2026 Assessment Rates	Michael Pollard
9. Authorize Increase in Capital Reserves	Michael Pollard
10. Engagement of Contractor for Pool Remodel	Gerry Mayer
11. Engagement of Debt Co as Collection Agent	Gerry Mayer
12. Questions/Answers	Gerry Mayer
13. Adjournment	Gerry Mayer

Current members of the Board:

Gerry Mayer
President
42056 Crooked Stick Dr
gm@mayeradvertising.com

Brad Branstetter
Vice President
42003 Crooked Stick Dr
brad.branstetter@icloud.com

Michael Pollard
Secretary-Treasurer
42089 Crooked Stick Dr
mlpollard76692@outlook.com

Highlands Property Owners Association, Inc.

Annual Operating Budget for 2026

**As Compared to 2025 Estimated, 2025 Budget and 2024 Actual
(Approved by Board of Directors on December 20, 2025)**

	2026 Budget	2025 Estimated	2025 Budget	2024 Actual	
Income					
Maintenance fees	\$ 68,000	\$ 54,000	\$ 55,000	\$ 78,609	^(a) Note 1
Expenses					
Electricity	6,000	6,000	6,000	5,387	
Water/Sewer	9,000	9,000	6,000	1,628	
Telephone/Data	1,000	1,000	1,000	897	
Insurance	7,000	7,000	6,000	6,264	
R&M - Grounds	9,000	13,000	9,000	7,400	Note 2
R&M - Pool/Pavillion	8,000	8,000	8,000	7,977	Note 2
R&M - Entry	1,000	-	1,000	-	
Management and Accounting Fees	8,000	8,000	8,000	3,796	Note 3
Legal and Collections	1,000	-	1,000	5,890	
Total Expenses	50,000	52,000	46,000	39,239	
Operating Cash Flow (Deficit)	\$ 18,000	\$ 2,000	\$ 9,000	\$ 39,370	
Supplemental Information:					
Cash committed for annual debt service to DDI (due May 1)	\$ 9,713	\$ 9,713	\$ 9,713	\$ 9,713	Note 4
Cash committed to capital reserve	\$ 30,000				

2026 Budget Notes:

1. Budgeted annual maintenance fees collected from property owners is based on an analysis of historical payments.
2. Budgeted repairs and maintenance costs for grounds and pool/pavilion are based on current terms with existing service providers.
3. Budgeted management and accounting fees based on higher Castle rate of \$500/month, plus office supplies and postage.
4. At the annual meeting of the Association's property owners held on April 26, 2018, the directorship of the Association changed from a board controlled by Double Diamond, Inc. ("DDI") to an independent board comprised solely of the Association's property owners. In connection with this change of control, the Association issued an unsecured promissory note to DDI in the principal amount of \$75,000, bearing interest at 5% and payable in 10 equal annual installments of \$9,712.84 beginning May 1, 2019. The promissory note was issued in full settlement of all then-existing obligations to DDI and its affiliates, whether known or unknown, including approximately \$87,000 of recorded indebtedness to DDI and its affiliates as of the date of the change of control.
5. Proposed increase in capital reserves for future major repairs/replacements, including coping around the pool edge, equipment, and furniture (up to ~\$30K).