

HIGHLANDS PROPERTY OWNERS' ASSOCIATION, INC.
SPECIAL MEETING OF BOARD OF DIRECTORS
DECEMBER 5, 2020

A Special Meeting of the Board of Directors of the Highlands Property Owners' Association, Inc. (the "Association") was held outdoors at the Highlands Pavilion, White Bluff Resort on Lake Whitney, on Saturday, December 5, 2020. 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.

Gerry Mayer, President and Director of the Association, called the meeting to order at 2:03 pm and began by acknowledging the other Board members in attendance, Tommy Edgar and Michael Pollard, and declared that a quorum existed.

The first order of business was to approve the Association's 2021 Operating Budget (copy attached to these minutes). Mr. Mayer called on Mr. Pollard to summarize the key estimates and assumptions used in the preparation of this budget. Mr. Pollard stated that maintenance fee income is estimated to be \$41,000 based on an analysis of property owner account activity and using current maintenance fee assessment rates. Operating expenses for 2021 are estimated to total \$43,000 based on an analysis of historical expenses, as adjusted for any changes known or expected to be realized. Mr. Pollard noted that, based on these estimates, the Association will likely incur an operating cash flow deficit of \$2,000 in 2021. In addition, the Association must make an installment note payment of \$9,713 in May, 2021 in accordance with the terms of an unsecured promissory note payable to Double Diamond, Inc. Together, the operating cash flow deficit and the note payment will result in a reduction in the Association's cash reserves aggregating approximately \$13,000. Mr. Pollard recommended that the Board approve the 2021 operating expense budget of \$43,000, as proposed. After discussion, a motion was made, seconded and unanimously approved to set the 2021 operating expenses budget at \$43,000.

The next order of business was to review an analysis prepared to forecast collections of maintenance fee income for 2021, and further to consider increasing the current maintenance fee assessment rates to a level required to meet our 2021 operating and financial obligations. At the Association's Annual Meeting of Property Owners held on September 26, 2020, the Board (i) provided details of its analysis of projected collections in 2021 by classifying member accounts as paying or defaulting, and then applying the current assessment rates to arrive at estimated collections of ~\$41,000 and (ii) expressed concern that this level of collections is not sufficient to allow the Association to meet its debt service obligations at current assessment rates.

The Board then reviewed an updated analysis of forecasted collections, a copy of which is attached to these minutes, showing that collections could increase by ~\$13,000 if the maintenance fee assessment for a single lot was increased ~30% from \$230 per year to \$300 per year (and proportionally adjusted for the multi-lot discounts). Since the last increase in maintenance fee assessments occurred in 2007, the Board determined that a 30% increase was not unreasonable given 13 year period of zero increases.

The Board also discussed the alternative of levying a special assessment designed to raise ~\$65,000 and use the proceeds to fully repay the note to Double Diamond. In this case, the maintenance fee assessment could be held at or only slightly higher than the current assessment rate. After discussion, the Board reached a

consensus to table any consideration of a special assessment to prepay the Double Diamond note since the combination of a special assessment and the ongoing maintenance fee assessment may be excessive at this time. The Board expressed cautious optimism that many of the lots currently held by multi-lot owners or defaulting members of the Association may, over time, become paying lots and may generate additional cash flow that can then be used to accelerate repayment of the note in the future. After further discussion, a motion was made, seconded and unanimously approved, to increase the assessment rates for maintenance fees effective January 1, 2021, as follows:

Rate Classification	Current Annual Rate Per Lot	Annual Rate Per Lot Effective 01/01/2021
1 Lot	\$ 230.00	\$ 300.00
2 Lots	\$ 172.50	\$ 225.00
3 Lots	\$ 134.00	\$ 175.00
4 Lots	\$ 108.00	\$ 141.00
5 Lots	\$ 89.00	\$ 116.00
Each additional lot is \$2 per year		

The Special Meeting was adjourned at 2:40 pm.

Highlands Property Owners Association, Inc.

Highlands Property Owner,

Notice to all Property Owners, there will be an Open Board Meeting on December 5, 2020 starting at 2:00PM and will be held at the Highlands Pavilion.

Board Meeting Agenda

Call to Order
Confirm Quorum
Approval of 2021 Budget
Maintenance Fee Assessment

Attendees will be required to wear facemasks and adhere to Social Distancing

Please plan to attend.

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

Tommy Edgar
Vice President
42100 Crooked Stick Drive
tomedgar45@gmail.com

Michael Pollard
Secretary-Treasurer
42089 Crooked Stick Drive
Mlpollard76692@outlook.com

Regards,

Gerry Mayer

Highlands Property Owners Association, Inc.
Annual Operating Budget Proposal for 2021
As Compared to 2019 Actual, 2020 Budget and 2020 Estimated

	2021 Proposed	2020 Estimated	2020 Budget	2019 Actual	
Income					
Maintenance fees	\$ 41,000	\$ 48,000	\$ 47,000	\$ 47,885	Note 1
Expenses					
Electricity	4,000	4,000	4,400	5,415	
Water/Sewer	9,000	8,500	10,000	8,626	
Telephone	1,400	1,000	1,400	1,161	
Insurance	2,200	2,200	2,200	1,109	
R&M - Grounds	9,000	7,000	10,185	12,118	Note 2
R&M - Pool/Pavillion	9,000	6,000	9,700	9,124	Note 2
R&M - Entry	1,000	2,500	1,000	1,510	Note 2
Mangement and Accounting Fees	5,400	5,100	5,000	6,050	Note 3
Legal and Collections	2,000	4,000	-	750	
Total Expenses	43,000	40,300	43,885	45,863	
Operating Cash Flow (Deficit)	\$ (2,000)	\$ 7,700	\$ 3,115	\$ 2,022	
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 for major repairs to pool/pavilion	\$ -	\$ -	\$ -	\$ 18,400	

2021 Budget Notes:

1. Budgeted annual maintenance fees collected from property owners is based on a Board analysis of current Property Owner accounts.
2. Budgeted maintenance costs for 2021 are based primarily on fixed fee arrangements with WBPOA, plus provisions for direct R&M.
3. Budgeted management and accounting fees are based on fixed fees and estimated incremental expenses per a financial services agreement with PMGNT (Associa).
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.

Highlands POA
Forecast of Collections for 2021

No. of Lots	Rate Classification	Current		Assumed Rate Increase	
		Annual Rate	Estimated Collections	Annual Rate	Estimated Collections
149	1 Lot	\$ 230.00	\$ 34,270.00	\$ 300.00	\$ 44,700.00
28	2 Lots	\$ 172.50	\$ 4,830.00	\$ 225.00	\$ 6,300.00
12	3 Lots	\$ 134.00	\$ 1,608.00	\$ 175.00	\$ 2,100.00
4	4 Lots	\$ 108.00	\$ 432.00	\$ 141.00	\$ 564.00
0	5 Lots	\$ 89.00	\$ -	\$ 116.00	\$ -
49	DDI/Flatiron	Variable	\$ 533.00	Variable	\$ 668.00
41	No Pay	\$ -	\$ -	\$ -	\$ -
0	WISD	\$ -	\$ -	\$ -	\$ -
1	WBPOA	\$ -	\$ -	\$ -	\$ -
8	HPOA	\$ -	\$ -	\$ -	\$ -
292			\$ 41,673.00		\$ 54,332.00
				Increase of	\$ 12,659.00