

HIGHLANDS PROPERTY OWNERS' ASSOCIATION, INC.
ANNUAL MEETING OF MEMBERS
MAY 21, 2022

An Annual Meeting of the Property Owners ("Members") of the Highlands Property Owners' Association, Inc. (the "Association") was held outdoors at the Highlands Pavilion, White Bluff Resort on Lake Whitney, on Saturday, May 21, 2022 at 2:00 pm. Members of Association were properly notified of this meeting and were invited to attend. The Agenda for this meeting is attached to these minutes.

Gerry Mayer, President and Director of the Association, called the meeting to order at 2:00 pm and began by welcoming all Members in attendance and introducing Board members Tommy Edgar and Michael Pollard.

Mr. Edgar reported that valid proxies for 74 lots had been submitted prior to the meeting, representing 26% of all voting lots in the Highlands, and stated that the Association's Bylaws require 25% to establish a quorum. Mr. Mayer declared that a quorum existed.

Mr. Mayer reported that each of the three incumbent directors has agreed to serve for an additional 2-year term. Mr. Mayer asked if there were any nominations from those in attendance. Hearing none, a motion was made by Mr. Pollard to elect Gerry Mayer, Tommy Edgar and Michael Pollard for an additional 2-year term as directors of the Association. After being seconded by Mr. Edgar, the motion was submitted to the vote of the Members present or represented by proxy. As a result, Messrs. Mayer, Edgar and Pollard were duly elected.

Mr. Mayer then provided a report on the operations of the Association, including:

- Replacement of two pool pumps since the last meeting;
- Improvements to Highlands entrance with addition of low-voltage lighting and seasonal color;
- Addition of lighted arm gates for safety; and
- Minor road repairs.

Addressing future repair needs, Mr. Mayer noted that it will be necessary to replace the coping around the swimming pool in the next year or two.

Mr. Mayer then led a discussion of the status of delinquent property owner accounts. There are currently 59 property owners with delinquent accounts totaling \$91,712. Some of these delinquent accounts owe as much as \$3,000 to \$4,000 in unpaid assessments and fees. Collection efforts are ongoing.

Mr. Mayer also noted that the Board was exploring the possibility of switching its financial management service provider from Associa to the Castle Group.

Mr. Mayer then called on Mr. Pollard to report on the financial condition of the Association and discuss the 2022 Operating Budget. Mr. Pollard presented the financial reports of the Association prepared by Associa for the year ended December 31, 2021, consisting of a comparative Balance Sheet (December 31 and November 30, 2021) and an Income Statement for the month and year ended December 31, 2021. Mr. Pollard also distributed a copy of the Operating Budget of the Association for the calendar year 2022 (as approved in an open Board meeting held on December 2, 2021). Copies of these reports are attached to these minutes.

Following is a summary of the key financial matters discussed:

- **Overview:** The Association's current financial condition is stable. Our cash position improved significantly during 2021 with a year-end cash balance of ~\$45,000, up ~\$19,000 from 2020. As of the date of this meeting, our cash balance is ~\$71,000, net of the Double Diamond note payment that was due on May 1, 2022. We are cautiously optimistic that Flatiron, an investor that currently owns ~50 lots in the Highlands, will soon begin a marketing effort that could transition many of those lots into our single-lot assessment category, adding \$300 per lot per year in additional cash flow.
- **Cash Flow from Operations:** Cash flow from operations, excluding debt service, totaled ~\$29,000. Collections totaled ~\$55,000, and expenses, net of changes in working capital, totaled ~\$26,000. Debt service to DDI is ~\$10,000. Mr. Pollard noted that cash flow from operations in 2021 was higher than normal due to (1) the collection of ~\$5,000 in older delinquent accounts in connection with lot sales, and (2) lower expenses mostly due to mandated water refunds and lower repairs and maintenance costs.
- **Assessment Collections:** Adding to Mr. Mayer's earlier remarks, we collected ~\$50,000 of the ~\$65,000 of billed assessments in 2021, resulting in an as-billed collection rate of ~77%. Through April 2022, we have collected ~\$45,000, which is about 69%, so we have some work to do to get to the 2021 collection rate. The Board believes that some of the slowdown is caused by property owners' frustration with Associa's billing practices. There are probably 20 accounts that owe \$200 to \$300, adding up to ~\$7,000. Some of these accounts are new, and some were current at the end of 2021. The Board plans to make personal contacts to as many of these owners as possible to encourage them to pay.

Mr. Mayer then led a question/answer time open to all Members in attendance.

The meeting was adjourned at 2:30 pm.