

**HIGHLANDS PROPERTY OWNERS' ASSOCIATION, INC.**  
**SPECIAL MEETING OF BOARD OF DIRECTORS**  
**DECEMBER 8, 2022**

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 Thursday, December 8, 2022. 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 3:06 pm. Mr. Mayer introduced the other directors of the Association in attendance, being Tommy Edgar, Vice President and Michael Pollard, Secretary-Treasurer. Mr. Mayer then acknowledged that all three Directors of the Association were attending the meeting in person and declared that a quorum existed.

The first order of business was to approve the Association's 2023 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 \$50,000 based on an analysis of property owner account activity and using current maintenance fee assessment rates. Operating expenses for 2023 are estimated to total \$44,400 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 surplus of \$5,600 in 2023. In addition, the Association must make an installment note payment of \$9,713 in April 2023 in accordance with the terms of an unsecured promissory note payable to Double Diamond, Inc. After the April 2023 payment, the Association will have five annual payments remaining totaling \$48,564, of which \$42,052 is principal and \$6,512 is interest. Mr. Pollard recommended that the Board approve the 2023 operating expense budget of \$44,400, as proposed. After discussion, a motion was made, seconded and unanimously approved to set the 2023 operating expenses budget at \$44,400.

The second order of business was to consider the granting of service contracts for grounds and pool maintenance. Mr. Mayer explained that, at the request of White Bluff POA ("WBPOA"), the current arrangement under which WBPOA provides grounds maintenance to the Association will be terminated as soon as possible. Mr. Mayer has requested competing bids, but one of the bids has not been delivered. He also explained that the Association's agreement with WBPOA for pool maintenance is expected to be renewed, but the terms have not been established. The Board decided to table any action of service contracts at this time other than agreeing to subscribing to an email blast service at a cost of less than \$500 per year.

At this time, Mr. Mayer opened the floor for questions from property owners in attendance. No matters requiring action by the Board were brought to its attention.

The Special Meeting was adjourned at 3:33 pm.

**Highlands Property Owners Association, Inc.  
Annual Operating Budget Proposal for 2023  
As Compared to 2021 Actual, 2022 Budget and 2022 Estimated**

	<b>2023 Board Approved</b>	<b>2022 Estimated</b>	<b>2022 Budget</b>	<b>2021 Actual</b>	
<b>Income</b>					
Maintenance fees	\$ 50,000	\$ 50,000	\$ 50,000	\$ 48,000	Note 1
<b>Expenses</b>					
Electricity	6,000	6,000	4,500	4,200	
Water/Sewer	8,000	10,000	7,000	(5,600)	
Telephone/Data	1,000	1,000	1,000	1,200	
Insurance	2,400	2,400	2,400	2,200	
R&M - Grounds	13,000	7,000	9,000	8,200	Note 2
R&M - Pool/Pavillion	7,000	6,000	9,000	7,000	Note 2
R&M - Entry	1,000	500	1,300	1,400	Note 2
Management and Accounting Fees	6,000	5,000	5,800	7,100	
Legal and Collections	-	1,000	1,000	1,000	
<b>Total Expenses</b>	<b>44,400</b>	<b>38,900</b>	<b>41,000</b>	<b>26,700</b>	
<b>Operating Cash Flow (Deficit)</b>	<b>\$ 5,600</b>	<b>\$ 11,100</b>	<b>\$ 9,000</b>	<b>\$ 21,300</b>	
<b>Supplemental Information:</b>					
Cash committed for annual debt service to DDI (due May 1)	\$ 9,713	\$ 9,713	\$ 9,713	\$ 9,713	Note 3
Cash committed for major repairs to pool/pavilion	\$ -	\$ -	\$ -	\$ -	

**2023 Budget Notes:**

- Budgeted annual maintenance fees collected from property owners is based on a Board analysis of current Property Owner accounts.
- Budgeted repairs and maintenance costs for grounds, pool/pavilion and front gate are based on interim estimates made by the board pending final agreement with potential service contractors.
- 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.