

ANNUAL BOARD MEETING  
Saturday, June 20, 2009

**(In the absence of the Secretary, Betty Blakeney will take the minutes of this meeting.)**

Meeting was called to order by President Mario Feola at 9:00 A.M. Attending were Mario Feola, Jim Hunt, Don Crosby, Donald Kraemer, Bert Schnadelbach, Gerald Ward, General Manager John Enxing and Comptroller Pam Tomasovsky. Absent were Nicole Boisdore', Gordon Walker, Durell Pellegrin, Stewart Nutting and John Yarbrough.

Mario thanked the members for appearing on a Saturday morning. This is a meeting of the members, a Membership Meeting; it is required by the Bylaws. You will receive reports, there is an agenda published along with the financials that you can pick up in the back. We are required by the Bylaws to have 15% of the membership, either in person or by proxy, to open the Membership Meeting, and we also have to have a quorum of the Board, a simple majority. We do have a quorum of the membership and we do have a quorum present. The meeting is officially open.

The **Pledge of Allegiance** was led by Vice President Jim Hunt.

#### **Reading of the Minutes**

Don Kraemer made a motion to dismiss the reading of the minutes. Second by Don Crosby. Unanimous vote to dismiss the reading of the minutes.

#### **General Manager's Report by John Enxing.**

##### **1. Golf Course Superintendent**

- Jimmy Shannon started November 19, 2008.
- Tree pruning and stump removing on both courses. Creating a greens complex by mowing down the rough around the greens to offer players more types of shots (putting, bump and run, or flop shot).
- Jimmy attending GCSAA in New Orleans for Continuing Education and trade show Feb 2nd thru 6<sup>th</sup>. Received his annual certifications and both he and I looked at new golf course equipment for mowing greens and fairways.
- Short range plan is to place smooth cord grass around the 18<sup>th</sup> hole pond and keep clean.
- Signage to be placed out for ordering food and beverage on the turn. Place on #8 on both Cardinal and Pine. This will enhance keeping up the pace on play.
- Coming into the spring and summer months, aerating and spraying chemical and fertilizing.

##### **1. Golf Pro Shop**

- POA Players Pass for Diamondhead POA members implemented and having nice sales results (25 cards).
- Color tags to identify non-member play throughout the day for Rangers to identify.

##### **2. Country Club**

- Repainted the no parking zones at country club in front of fire plugs and around the west wing.
- New hours of operations posted at the country club and on our new website
- Saturday nights will begin fine dining starting in April. To assure seating reservations encouraged with limited menu.

- Thursday is family night starting April 2, 2009. Kids under 6 eat free. 6-12 eat at \$6.95. Kids make cupcakes, call the country club.
- New menus coming out
- Chef's corner and menu posted on the website for recipes and take out ordering

### 3. Facilities

- Boat ramp refinished and open for business
- Old 19<sup>th</sup> hole renovation finished and lease begins March 1, 2009
- Pier House Restaurant is under construction
- Thanks to Harold Preble and committee for planting a buffer zone of trees along I-10 corridor to help reduce interstate noise
- Beginning to do normal landscaping procedures

### 4. General Manager

- Website will be on line April 1<sup>st</sup>. Members will be able to log in with their POA number and name as printed on the card.
- To back the covenants, rules and regulations. It is paramount that we maintain a happy and safe environment. Security is helps maintain order through patrolling and responding to member calls.
- Red Top program is in effect. If there is a complaint, please fill out the form completely with responding information, preferably an email address.
- First two months have been very successful; however, with all the changing in the economy, me and my staff are maintaining a watchful eye on the budget.

### **Financial Report by Comptroller Pam Tomasovsky.**

#### **In accordance with the bylaws, the following report is made on behalf of the Treasurer and constitutes the Treasurer's annual statement of the financial condition of the Corporation.**

Due to positive results 4<sup>th</sup> quarter of 2008 and a strong showing of annual dues, the POA entered 2009 on sound financial footing, having paid off the line of credit with Hancock Bank and reestablished the emergency contingency fund. The positive trend has continued into 2009. For the five months ending May 31, 2009, POA had an operating profit before depreciation of \$631,089 (\$42,097 below budget) and a net income after depreciation of \$365,742 (\$31,269 below budget). Gross profit (revenue, less cost of goods sold) was under budget by \$113,968 and operating expenses were under budget by \$71,871 at the end of the five month period. We are beginning to see an upward swing in revenue in our restaurant and golf facilities; in fact, we are pacing to meet the revenue budget for the month of June. The POA has completed eight consecutive months with positive net income results and is gaining ground meeting our year-to-date bottom line budget expectations.

In order to maximize interest earnings, we have placed some of our reserve funds in CD's and Money Market accounts. The CD's have a 1x escape clause which allows us to maintain liquidity. We are earning approximately \$2,800/month from these investments and have advanced our FDIC coverage from \$250K to \$1M.

The level of delinquent accounts has escalated to an unacceptable level. At the end of May, 467 members had past due (over 90 days) balances totaling \$627,626, which was 59.9% of our total accounts receivable aging balance of \$1,047,889. It is interesting to note that 168 members held 87% (\$548,736) of the overall past due balance over 90 days. In addition to working closely with our legal counsel to make headway with these accounts, we are waging an aggressively campaign to improve our in-house collection efforts in order to minimize the negative impact on our cash flow. After all, the \$627,626 in delinquencies should be working for the POA either by way of improvements or interest income. Please be reminded that delinquent accounts become liens against the property and are forwarded to our legal counsel for collection at which time 25% legal fees are added to accounts.

The audit firm of Culumber, Fletcher, Harvey & Associates completed the annual audit of our financial records and issued an unqualified opinion with regard to the POA financial statements for the year ending December 31, 2008. An unqualified opinion indicates that it is the firm's opinion that our financial statements are presented fairly, in all material respects, and are in conformity with accounting principals generally accepted in the United States.

In order to tighten up potential weaknesses, we are in the process of implementing control procedures over petty cash, fixed assets and inventory. The Board approved policies for petty cash and fixed asset management during the May board meeting. Control procedures for golf shop inventory have been drafted and are pending Board approval.

The 2010 budget calendar has been released by the Board Treasurer. Work will commence in early July with a target completion date of October 15, 2009.

### **President's Report by Mario Feola.**

I would like to highlight a few items that should be of interest. One of the things we discussed very early last year was getting the Covenants renewed. As you know, 2020 with various dates is the expiration of the Covenants. That is the protective restrictive covenants for your property. Without Covenants, anything goes, you can put trailers in your driveway, boats it would be free for all. We can't have that; the banks to loan money will look at the value of your home, of the community and the restrictive covenants. The Covenants really improve the quality and value of your investment here. So with all that said, I have been reporting in the past that there are about 17 covenants, we all think of 'The Covenants' 1 and I have read 17. Working with the Attorneys we have on this, we are finding over 30 different covenants in Diamondhead. Now some of this are short, and they all have a common base, but there are that many of them. There is a plan in process and when it is finalized, you will get a full report on that in about 30 days. Lloyd Ramirez is spearheading that as a volunteer, he will brief the Board on it, after that we will know where we are going with the covenant renewal.

Use of the Country Club, golf courses and other amenities, I think you can sense by now that the success of an amenity like the golf course or the Country Club where there are large dollars requires a large volume of input dollars. The golf courses are about half utilized and the Country Club is probably close to that level too. So without the revenue, the expenses pretty well remain the same, and it affects your profit. The big question, John has done a lot of it, the Board has assisted him, and we are trying to bring in outside business. Yes, they will pay more than you, especially on the golf course. That's critical to get the sales in here and improve your financial picture.

The Pier House as you have heard over and over, and read in the paper, is probably going to open; should open the beginning of September. The Pier House is leased by the Silver Slipper; we own that, it is your amenity, not the Silver Slippers. They simply pay rent, there is no gaming allowed on it, there is no ties to gaming. But, it is an exciting venture, it is the first time that we will have a facility like that, that's going to pay positive in rent. I encourage you to have a look at it, the signs are going up, I checked it this morning, plumbing is roughed in, air conditioning is roughed in, wiring is almost finished, they will insulate and start closing the interior walls, hopefully next week. We are very excited, that's a big thing for Diamondhead and it is going to be memorable.

My last item is to be in the upcoming issue of the Diamondhead Newspaper. We are going to run a contest; the interior of the Pier House has a bar that is shaped like the bow of a boat. It's going to be very nice, get up on it have a drink, eat some of the appetizers. As you know, every boat should have a name. So we are going to run a contest offering several dinners at the Pier House, the form will be in the paper, submit a name as many times as you would like, the Board will vote on it. They will paint the name, they will let you know and you will get several free dinners at the Pier House.

Pam has mentioned that we are starting the budget process very soon. It is mandated that we give you a report on the budget by the middle of October that will be done.

In conclusion, I want to thank everybody for coming out today. I did a quick count and there are about two dozen of us here. Out of 4500 lot owners that is not very much. But it is important and I'm very glad you are here. Thank you.

Just a quick comment, if you have questions, put them in writing, we will have paper at the back table, put your name on it, and possibly an e-mail address. We will get the answer to you very quickly, probably by the end of next week.

Someone that is very honest, please stand up, don't all jump up at once. We need an honest person, there is a boy scout. There we go, boy in back came up and the Boy Scout, each drew a name. The boy in the back drew the number 5657 which was the Boy Scout's, Wesley Newton. The Boy Scout drew the number 5661 which was Mr. Ben Ruffin. Each received a \$20.00 gift certificate to the Country Club.

Jim Hunt, Vice President just reminded me that we are trying to get some photographs of the old Yacht Club, to make some memorabilia, possibly to make copies of it and put in frames at the Pier House restaurant. If any one has any old newspaper items, photos you can come up here and someone will give to Jim Hunt.

Motion to adjourn by Bert Schnadelbach, second by Don Crosby, Vote unanimous.  
Meeting adjourned at 9:50 A.M.

Respectfully Submitted,

Betty Blakeney