

June 10, 2021

Residents Of The Greater Rock Creek Communities –

I write this note to you with the hopes that together, Golfco and the Rock Creek communities, can achieve something unique and special for the overall community that we share. Something that will **permanently** stabilize and enhance your property values into the future as well as provide the community with a vastly improved clubhouse/social center amenity where residents can create and share experiences for a lifetime.

We know what is possible. Our team has lived and worked in club-based communities for most of their lives. We know the sense of community including the positive and memorable impacts of what it means to be part of a club...lasting invaluable memories created with family, friends, and business associates as well as being part of something special and exclusive.

We see an opportunity to explore with you a revitalization of the Rock Creek Golf Club from what it is today **into something special**...a community center that is the focal point of the neighborhoods. A place that offers a range of opportunities for residents to enjoy...a destination for people to come, engage, and create experiences...more than just a place to play a round of golf.

We would like to see this for the golf club and communities. But there is a lot of work needed to accomplish this vision. The business of the Rock Creek Golf Club is improving, but there is still a long road to complete before the turnaround is complete. In addition, our basic turnaround program does not include **transformational change** of the clubhouse and grounds. To achieve that, additional community support is needed. We are confident we can advance what exists today into something benefitting all the residents of the communities of Rock Creek. If done correctly, the Rock Creek Golf Club will become a shining example of how a partnership between private business ownership and engaged communities can provide residents a club social amenity they can be proud of, protects/enhances property values, and sustains into the future. **We strongly believe that the long-term health and vibrancy of the Rock Creek communities and the Rock Creek Golf Club is mutually dependent.**

We view the joint success of the Rock Creek Golf Club and the local RC communities as a 3-legged stool. With any 3-legged stool, all the legs need

to be strong for the stool to be on a solid foundation and not tip over. With Rock Creek Golf Club, we believe there are 3 components necessary to transform. The first pillar is a great golf course in terms of appearance and playability. The second pillar is a modern diverse clubhouse and grounds that appeal to more than just golfers. The third pillar is strong community support and engagement. With all 3 legs soundly in place, we are confident the club can live up to its potential and positively impact the overall community.

The first leg is well underway with the purchase of new golf carts, course maintenance equipment, POS improvements, enhanced F&B offerings, etc. We have received a lot of feedback that course conditions have improved significantly. We hope to continue to make improvements over the coming years.

The second leg is the clubhouse and grounds. We hired a professional firm with impeccable golf and hospitality industry credentials to provide a plan to transform the clubhouse and grounds and overcome its current dilapidated state. We required that their solution incorporate features that would appeal to the greater Rock Creek communities beyond golf. The proposed plan integrates solutions for modern dining, meeting rooms, retail, "grab n' go" dining, separate bar area, outside dining/relaxation, and indoor golf simulation/video gaming.

The last leg of the transformation is support and engagement of the RC communities. Since we took over operations, support from the communities has been encouraging. But to achieve a larger transformation vision, more is needed. Based on discussions with community representatives, interviews, survey results, and workshops with residents and current club members, we have prepared a proposal for consideration by the local RC community residents that elicits direct financial support. In exchange for the requested financial support, the communities in Rock Creek will secure **three basic components of value:**

- Golfco's promise to deliver for you on the transformation vision for the club and our commitment to preserve Rock Creek Golf Club (RCGC) as a golf club
- Social Memberships with associated benefits for communities of Rock Creek, and
- Property value protection/enhancement.

The requested support will be a permanent addition to your annual contributions to your POA equating to ***about \$1 per day per household.***

If this is something of interest to you, we ask that you engage with your POA Board representatives and express your support for this proposal and encourage a community vote aligned with the bylaws for the community. Should you wish to review the preliminary plans and renderings that we have had prepared, please visit our website to review materials. We would encourage residents to engage with us through our GM, Steve Harris, Scott Schneider, our COO, or with me directly. We are excited about what this potentially means for your community and look forward to working with you and providing a new clubhouse experience for all residents to enjoy.

Very Truly Yours,

Patrick O. Schneider  
Managing Partner,  
GolfcoPartners, LLC

## Questions and Answers –

- **Where did this proposal/offer come from?** - *This proposal was created in response to many discussions over the past year and independent interviews/surveys/workshops including current members and residents. As part of this process, two key themes emerged from the discussions: (1) a desire on the part of the community to mitigate the future risk of the golf club closing or being sold to non-golf developers, and (2) a visually improved golf course and a significantly upgraded clubhouse and grounds to function as a **social center for residents whose primary focus is not golf.***
- **I live in local communities and do not play golf or have an interest in golf. Why should I support this proposal?** - *A strong and vibrant club with social and other amenities is a win for the communities and provides protection for property values for the homeowners. Indirectly it preserves jobs and the tax base for the greater Fairhope community. Implementing this proposal will significantly improve the social amenities of the club for residents of the local communities and lays the foundation for a vibrant club. The intended outcome will be an aesthetically pleasing golf course and a modern inviting clubhouse and grounds designed to be a social center. **We encourage you to canvas local realtors and solicit their expertise and input on what an improved golf club can mean for property values and conversely what poor conditions or closure of the golf club might mean.***
- **Why does this commitment have to be permanent? Why can't I just help for a little bit and then go back to normal once things improve?** – *Depreciation & obsolescence of assets and changing/evolving tastes are **real impacts** in the club business. Based on industry experience, it is inevitable that after this transformation that additional changes, improvements, enhancements, demographic changes, unplanned catastrophes, and new amenities will be desired. Continuous improvement and continuity of community engagement is needed to **sustain value in the community.** Otherwise, it is possible you will see a repeat of what happened with the Rock Creek Golf Club under previous ownership and raise the risk of club closure or redevelopment.*

- **What am I getting for the financial commitment?** – There are 3 primary components of value. The first is a community amenity that **serves the many** by providing convenience and multiple options for dining, socializing, and golfing. The second component of value is a social membership and the associated benefits, discounts, and prioritizations that others outside of the Rock Creek communities will have to **pay full retail value**. For residents, their support contribution will be **fully offset** through simply engaging with the club and taking advantage of available discounts provided. The third value component is property value protection/enhancement through a revitalized club which will sustain into the future through the commitment to leave RCGC as a golf club.
- **Are the owners putting money into the club?** – Yes. Funding to date is over \$1.5M to replace the cart fleet, course maintenance equipment, and other projects. We have paid consultants preparing the plans. We will also continue to fund business losses of the club during the turnaround process. Additionally, our normal annual business planning provides that we reserve and commit a percentage of operating profits before owner shareholder distributions toward capital improvement projects of the club. We recognize that to sustain and grow the club, we need to invest in the club. **This is very different from the previous ownership.**
- **Why don't the owners just do the transformation program on their own without the communities being involved?** – That is unlikely. Reason 1. Industry data indicates that large investments in clubhouse infrastructure generally result in a negative return on investment. Communities that do not sufficiently support their club are not vested in their club, and as a result clubs flounder and risk failure. This is a key driver of why there are over 200 clubs closing per year for the past 10+ years. Reason 2. We do not have access for the type of capital required to revamp the clubhouse and grounds. Normal club operations under the best of conditions will not provide enough capital to fund the transformation.
- **What happens if the communities choose not to support this proposal/offer?** - Should the communities decide that this is not for them, that is OK with us. We will just proceed with our original turnaround business plan which will primarily focus capital spends on

*the golf course. As it relates to the Clubhouse & Grounds, should there be any funding available, the improvements will be incremental and cosmetic (e.g. paint, carpet, ceiling repair, furniture, etc.). We believe it will be several years before the turnaround would provide any significant funding to implement improvements to the clubhouse and grounds.*

- **I still do not understand why Golfco would not invest more in the clubhouse and grounds. It seems to me they could make a lot of money doing that.** – *There is no financial incentive to invest capital into the clubhouse and grounds. The social business amenities in the golf club industry are generally a break-even or a loss leader. There tends to be too many 'slow' nights to support a profitable social business in the club industry. As a result, **in most non-private clubs**, capital investment is prioritized toward golf operations because of the high financial risk of deploying money into unpredictable food and beverage operations.*
- **What happens if Golfco decides to sell the property? – With support in place,** *Golfco will formally commit to sell to another golf operator and the course will carry on with the same guarantees and protections that were in place with Golfco. **Without support in place**, Golfco has a fiduciary duty to its shareholders to obtain the highest value for the club. This means the pool of potential buyers expands beyond golf operators.*
- **How much am I going to have to contribute? – \$360 per year or \$30 per month...about \$1 per day per household.**
- **What is the Social Membership? What are the benefits? –** *Beyond the qualitative benefits of being part of a club, the social member package would include discounts for use in the restaurant/pro shop, participation in an exclusive wine purchase program, automatic inclusion in special club social events, discounts for private room reservations, and limited golf playing privileges at a discount to prevailing rates. The projected retail dues for customers outside the communities of Rock Creek will be \$150/month plus an initiation fee. For residents of the communities of Rock Creek, **simple periodic engagement with the club and using the discounts provided will offset the \$1 per day financial support provided to the club.***

- **How do I get my \$30 back by just using the club?** – *If the blended rate for discounts across the various offerings is 15%, then if someone spends \$200 per month at the club, they will experience \$30 in savings. Should residents simply redirect some of their eating out or other retail purchase expenditures to the club instead of other restaurants/stores in town, the net impact to the family budget will be zero. Residents will be supporting their amenity and have a convenient comfortable modern destination they can be proud of that enhances the community and protects property values.*
- **What happens if the club is failing or another crisis endangers the club business?** – *(1) **With support in place**, the probabilities are reduced significantly or zero that the club would ever fail or close. Given our commitment to keep Rock Creek as a golf club, a sale to a new owner would be another golf operator or potentially one or more of the Rock Creek communities. (2) **Without support in place**, the club could be sold to another golf operator, taken back by the lender and sold, or sold on the open market to a non-golf operator. Another possible scenario is the club could be closed and the land held as speculative investment. In all scenarios **without support in place**, there would be a decline in the property values in the communities. Industry data for closed courses indicates golf course lots would fall 30-40% and non-golf course lots would fall 20-30%. For a \$500K home that could be \$100K - \$200K reduction in home value.*
- **Some people think supporting the golf club is a bad idea and the club should be able to operate without commitment from the communities. Some think there will be an unjustified windfall going to Golfco.** – *every community has a contingent of residents who feel that way. We think it is an unfortunate point of view. The community has many multiples of financial value to lose relative to any financial benefits Golfco would ever receive...for the proposed cost of \$1 per day per household of which 100% is recapturable. There are plenty of case studies in the industry of clubs closing due to insufficient community engagement. Our motivation is to achieve financial risk mitigation, to do something special for the community, and to provide property value protection for the residents. We are OK if the communities choose not to proceed. **However, we think it is important for the residents to express their choice through their own democratic process.***