Addendum Q&A – Other Questions June 15 Town Hall

- **How will the arrangement be governed? How do we ensure funding is going to what we desire? –** *we proposed an Advisory Committee concept consisting of diverse representation including POA President, a golf member, a social member, and a GolfcoPartner representative. The committee would be chaired by the GM of the club. Each member representing the community(s) will have one vote. GolfcoPartners will have an equal number of votes as to the total community votes. For example, if there are 3 representatives from the community on the committee, that is 3 votes for the community and GolfcoPartners would be allocated 3 votes (total of 6 votes across the members). The GM chair is a non-voting role. Ties mean a rejection or 'no' in the course of decision making. There will be an annual planning process and meeting to review, prioritize, and decide on how the following year funding would be utilized at the club. A simple majority required to finalize decisions on the annual plan. Quarterly meetings will be conducted to review and discuss project status and make course corrections if necessary. Should there be unutilized funds, they will carry forward as a reserve for unexpected projects/expenditures.*

  Clarification **- This is a little different than what I communicated in the meeting on June 15. Apologies for that…I had forgotten we shifted our position during negotiations. I indicated in the meeting that GolfcoPartners would have the deciding vote as a protection measure to prevent funding of projects that might detract value from the club based on our experience and knowledge. We compromised that position as part of discussions with the RCPOA Board. As you can see from above the approach will be a simple majority.**

- **How does the governance over funding work? –** *we proposed a separate bank account where community funds would be deposited. Expenditures from the account are governed by the projects or other expenditures approved by the Advisory Committee. Part of the quarterly review process is to get status and to make adjustments as necessary. We have no desire to mix this funding in with our regular operating account used for club operations.*

- **How will the funding be collected? –** *given the POAs have a structure to collect community dues, for sake of practicality and avoiding duplicity, we believe the existing process the communities have in place to collect funding should be utilized.*

- **What happens if there are delinquencies? Do the POAs owe that money? –** *for the same reasons above, the POAs already have a process in place to deal with non-payment and delinquencies. We would not expect the POA to pay us for accounts that are delinquent until they resolve the collection process on their own and then remit when the funds are collected.*

- **What is the total of the funding collected at the proposed $30 per household? –** *If all 3 communities participate in the agreement and based on our understanding of the number of households, the total would be about $267K per year (Rock Creek $158K, ERC $63K, SF $45K). This is the amount that would be used to secure the financing of the total project – construction through permanent financing. There still needs to be more discussion and negotiation of terms with the bank, but it will need to secure its lending/funding for the project and this commitment from the POA(s) would serve that purpose. GolfcoPartners would be the responsible party on the loan.*

  Clarification **- This is a little different than what I communicated in the meeting on June 15. Apologies for that…I had forgotten to factor in the ERC and SF components in the math in my head and conveyed a number lower than what it should have been.**

- **I am a little unclear about this gift card concept that you brought up in the meeting. How will that work? –** *we would still need to work out the operational details (our challenge), but conceptually each resident would get a "gift card" that would be loaded at the beginning of each month with a $30 dollar credit funded by agreement with the communities. The resident would use the "gift card" as a payment option for goods/services purchased at the club. Unused balances at the end of the month would expire. The objective and purpose of this approach is to provide a way for residents to get their $30 back provided by their POA contribution and to create resident engagement at the club.*

- **Is this different than the "social membership" concept you discussed at the meeting –** *yes. This was our original idea to create a mechanism to provide a way to rebate the $30/month social due contribution and create resident engagement at the club. We were quite confused when people were saying that this was a "mandatory/compulsory" membership. The intent was to implement a tactic to simply reward residents for engagement at the club…not make social memberships compulsory. We do not care which program the residents choose to use or come up with a different approach. Our requirement is to create a mechanism to incent residents to direct some of their household spend at the club so that we are enabled to cover the costs increased cash demands including debt service, insurance, property taxes, repair & maintenance, utilities, etc., as a result of the renovations and other projects the Advisory Committee would determine.*

- ***Why is resident engagement so important? I am not sure I fully understand. -*** *without sufficient engagement of the residents we run the risk of having an operationally expensive renovated asset to support that does not get enough community engagement resulting in a financially struggling club with magnificent clubhouses that no one uses (a common issue we see in the industry). Without some sort of reason to compel residents to engage with the club, the risk is too high for us to invest capital in a clubhouse if the community does not sufficiently support it. We are safer keeping our exit strategy options and leaving the clubhouse in its current state and address issues as they come up.*

- **Explain again why this needs to be in perpetuity. I figured once the renovation was complete, we could step away and Golfco could proceed on its merry way. Golfco would have a nice substantial asset on its balance sheet as a source of value. –** *there are a couple of important reasons and considerations. 1) even though Golfco will have a substantial asset on its books upon completion of the renovation, the real value of the company is a sale of the golf club which will be based on a multiple of the revenue and/or cash flow of the business. In a sale of the business, assets like the clubhouse are almost irrelevant. They are generally evaluated to measure deferred maintenance which factors into forming the bid based on the impact to operating cash flow after the sale. We have seen several clubs where there was a 'magnificent clubhouse,' but the* *business was heavily bleeding cash because the community did not support the business. In those cases, smart buyers would view the "magnificent" clubhouse as a detraction of value, 2) we have enough industry experience to know that communities will eventually get 'bored' with their club and take their spends elsewhere. If the community commitment ends at some point, it is likely that this would happen and leave Golfco with a high cost to sustain an asset that we did not really need to have in the first place. The Rock Creek communities have already seen this movie!!! Our behavior would revert to what Honours and the previous owners did, and eventually your restored clubhouse would devolve as your existing clubhouse did over the past decades. It is a better business case for us from a risk perspective to just leave it as it is and repair as we need to avoid that risk in the future, 3) with community support in place in perpetuity, we can formally commit to keep the club as a golf club, provide the means to ensure the club remains fresh/relevant, and provide an important safety net to the community for property values, 4) when it is time for Golfco to move on, you will want to continue to have this safety net/protection in place for the community for the next owner*

We originally proposed a 10-15 year time period for the initial agreement such that we could get the loan paid off with automatic 5-year extensions where we could update key terms to ensure a win/win scenario exists for the communities and Goflco.

- **I don't understand all this talk about a 'deed restriction' and a formal commitment to keep Rock Creek a golf club. How could it be anything else? -** *we are not realtors. However, we get frequently approached from developers and other parties expressing interest in our properties for purposes other than golf…including some recent unsolicited inquires. We know and recognize from recent case studies in the industry that developers and other large corporate entities are looking for large tracks of land. Struggling or other golf properties are ideal targets. These organizations have large budgets to execute processes to lobby/politic, file new site plans, and rezone parcels based on their desires. In some cases, they are successful, in other cases not. Successful or not, in every case there is a significant costly legal and emotional battle to reach an outcome. This comes at an enormous tangible and intangible cost to communities. When an offer comes that is acceptable to the owner/operator, the transaction is closed quickly, and title transferred to the new owner. The original* *operator moves on with their lives and leaves the battle to be fought between the community and new owner.*

We are not lawyers. However, we are fully committed to providing some form of assurance that if this agreement can be accomplished and when it comes time for us to sell, that the only buyer we will seek is another golf operator. We will leave that to the lawyers to sort out such that both Golfco and the communities are protected. Without an agreement in place, we are obligated by our fiduciary responsibility to shareholders to seek the highest bidder. That means a broader pool of potential buyers for the club including developers or other non-golf operators. Our sincere hope is that another golf operator provides the best bid, but there is no certainty that would happen. The least risky path for the communities to work out a deal with Golfco where they can get their assurances the golf course will remain, they have a quality facility to use, and property values are protected.

- **This sounds a little like an insurance policy to me and that the requested support is like an insurance premium. –** *we are not insurance experts, but that is a fair way to look at this proposed agreement. That is the way we see it. The annual $360 'premium' is good cost value relative to the property value protection it affords.*

- **If that is true, then why are we having all this discussion about social memberships or gift card/credit programs? It feels like we are spending a lot of time and energy on something small as compared to the big picture of protecting property values. Is this a large obstacle to overcome? –** *we certainly feel that way. A $360 commitment per year is 1/3 of 1% of a potential property loss of $100K. This component of the discussions is creating complexities, obstacles, and taking up a lot of time and energy relative to the significant property value protections the communities are looking to secure through our commitment. The purpose and objective of these discussions was to create a mechanism to provide value back to the residents and create engagement at the clubhouse. If this component is getting in the way of the communities getting the property value assurances it desires, then perhaps it gets dropped as a consideration and simplifies the value to what the communities really want. It is certainly something that can be discussed and negotiated.*

- **This seems like a no brainer to me. Why are we wasting all this time and energy over $360 and get this to a community vote? –** *as we understand it, this is up to your POA Boards to work through the details of accomplishing the objective once a vote to proceed is achieved. We are sure there are complexities and obstacles to work through, but we are sure the world has solved infinitely more complex legal and business issues than this. From our perspective the value to the communities is significant and should provide the motivation and incentive to work through the obstacles. Overall, we feel it is important for 'democracy' to work for the many and let the community express its desire to proceed or not. Obstacles can generally be overcome if everyone wants to get it done.*

- **I do not like the aesthetics of the renderings that were presented. Is what we saw final? –** *The renderings we have prepared are indicative and illustrative to illustrate the gap of what exists today and what might come in the future. We wanted to highlight our commitment to provide something significant and impactful for the communities and generate some energy and excitement. Once the communities determine whether this proposal is for them and an agreement established, the final designs would incorporate more input from the communities in terms of aesthetic theme. What we think is more relevant at this stage to consider are the structural changes and new concepts we intend to introduce such as a new more encompassing bar, revamped dining area, grab n' go, lounge/social area, outdoor dining, etc. We will distribute the floor plan renderings/recommendations that we did not get to review in the June 15 meeting for residents to review.*