

Reference Material - Questions and Answers

- **Where did this proposal/offer come from?** - *This offer/proposal was created in response to many discussions over the past year and independent interviews/surveys/workshops including current members and residents. **The RCPOA survey results done last year were shared and used as a reference point.** We formulated a business ‘value in exchange for value’ solution and proposal for the RCPOA members to consider and vote.*
- **I live in Rock Creek 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 community 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 and lays the foundation for a vibrant club. **Our intended broad outcome for the club is to deliver a great golf experience and a modern inviting clubhouse and grounds designed to provide multiple options for residents as a social center for Rock Creek.** We encourage you to canvas local realtors and solicit their expertise and input on the impact the golf club and course has on residential communities and property values.*
- **What am I getting for the dues increase?** – *There are 3 components of value. **The primary and most significant component is property value protection/enhancement through a deed restriction provided by us to ensure the golf club will remain a golf club.** The second component of value is a **revitalized clubhouse** serving as an amenity that ‘**serves the many**’ by providing **convenience and multiple options for dining, socializing, and golfing.** The last component of value are the **associated benefits, discounts, and prioritizations** that others outside of the RCPOA residents will have to pay full retail value in the form of a Social Membership (\$150 per month + \$250 initiation fee per family, \$100 per month for an individual). **[NOTE: The RCPOA cover letter contains incorrect information on dues]** For RCPOA residents, simply engaging with the club and taking advantage of available discounts provided can offset the increase in dues.*
- **Has the owner put money into the club?** – *Yes. Funding to date is over \$1.5M to replace the cart fleet, course maintenance equipment, breezeway HVAC, hurricane damage, and other projects. We have paid consultants and architects to prepare the preliminary plans and renderings. We will 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 at the club.***
- **Why don’t the owners just do the transformation program on their own without the communities being involved?** – *Industry data indicates that large investments in clubhouse infrastructure generally result in a negative or low return on investment.*
- **How much will the renovation cost?** - *The project was estimated late last year. We were provided 3 options of renovation. Basic, Basic+, and Basic++. The estimated lease payment will be about \$13K per month. We believe we can secure financing against that cash flow stream close to \$1.5M. That is*

Reference Material - Questions and Answers

roughly the price tag on the **Basic+ option**. Presented at the informational sessions is the preliminary scope. Of course, all of this is subject to successful underwriting of the project. We have been working with financing resources throughout this process to help them understand how this would work and how they would secure their loan. We will not know the final cost on the financing until the underwriting process is approved and complete. **[Note: This is contrary to what was presented in the RCPOA cover letter where specific numbers were presented as “facts”]**

- **Will there be phasing?** Yes. We are trying to organize the scope of the project and phasing to work from the “inside out.” A significant cost of the project will be establishing a new bar and casual social area where the pro shop is today and some of the other “wall busting” work that needs to be done. Not as visible and noticeable will be a lot of basic infrastructure that needs to be addressed given the existing poor condition of the clubhouse (e.g., HVAC, ovens, fryers, coolers, ceiling, etc.). There will also be work on the outside of the building to ‘open up’ what appears to have been the main entrance at one time and improve customer traffic flow. Any major outside transformation will be addressed after a successful Phase I.
- **What happens if the communities choose not to support this proposal/offer?** - Should the RCPOA residents not vote in favor of this proposal, then 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. **This continues to leave the deed to the property unrestricted, and the cloud of uncertainty related to the long-term future of the golf club when the club goes up for sale in the future.**
- **There is a rumor that Golfco has secret plans for the club should the proposal not pass?** - That strikes us as amusing. Over the past year we have received several proposals and ideas on how we can use the property. One individual suggested we use part of the course as a racing course for drones. Another suggested we convert the driving range into an ATV park. **We are in the golf business and want to stay focused on the golf business.** So as “interesting” as those ideas may be, we are not pursuing projects that would detract from our mission to provide a great golf and social experience for the community. We do have a couple of proposals that we are evaluating that we cannot currently discuss because we are under a non-disclosure agreement. Maybe that is the source of all the ‘conspiracy’ theories!!!
- **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 little financial incentive to invest capital into the clubhouse and grounds. The social 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 like Rock Creek**, capital investment is prioritized toward golf operations because that is where profitability resides. The high financial risk of deploying money into unpredictable social amenities like food and beverage operations is a deterrent.

Reference Material - Questions and Answers

- **What happens if Golfco decides to sell the property?** – *With an approved proposal, Golfco will place a deed restriction on the property securing its use as a golf club and ensuring it would go to another golf operator. The lease agreement would pass to the new owner and the land would remain restricted as a golf club and protecting property values. Whether Golfco is the owner or not in the future, without an approved proposal, when it comes time to sell, it would go to the highest bidder. **That could include non-golf entities like developers or other organizations looking for large tracts of land.***
- **What happens if there are cost overruns with the renovation project?** – *It will be our responsibility to manage the scope and budget of the renovation. Once the scope is locked, if there are any, changes will have to be dealt with. If there are overruns related to the original scope, those will be the responsibility of Golfco. Should the RCPOA request scope changes that impact the cost of the project, we would expect them to provide funding for those changes. If we make changes to the scope, we would be responsible for the cost of the changes.*
- **What are the other features RC residents will receive? What are the benefits?** – *Beyond the qualitative exclusive benefits Rock Creek residents will enjoy in attaining social member status, residents will receive discounts on non-sale items 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. For Rock Creek residents, there will be no initiation fees or monthly club dues during the lease period and simple periodic engagement with the club and using the discounts provided will provide the opportunity to offset the \$1 per day dues increase.*
- **How do I get my \$30 back by just using the club?** – *Assuming the blended rate for discounts across the various offerings is 15%, 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 could be zero.***
- **When will the renovation start and complete?** – *That is to be determined with the next phase of approvals, bank underwriting, and detailed design for the project. We are targeting 2022.*
- **What happens if the club is failing, or another crisis endangers the club business?** – *With acceptance of this proposal, the probabilities are significantly reduced or close to zero that the club would ever fail or close. We believe that with all the improvements that we have made to the golf course together with the proposed renovations associated with the clubhouse, that **the golf club will be a relevant and demanded amenity in the market.** If the club were to fail, the community is protected through the deed restriction such that the next owner would have to honor the deed restriction and preserve the golf club as a golf club.*

Reference Material - Questions and Answers

- **Some people think this proposal is a bad idea and the club should be able to operate without a deal with the community. Some think there will be an unjustified ‘windfall’ going to the owners.** – every community has a contingent of residents who feel that way. We feel this is an unfortunate point of view. The upcoming vote is the opportunity to provide clarity on what the majority the resident’s desire. No matter the outcome of the vote, we are supportive.

*On the topic of windfall. **The community has many multiples of financial property value to lose relative to any financial benefits Golfco would ever receive should the club close or be repurposed.** If the average price point for a home in RC is \$500K, the total community value is approximately \$220M. If the club failed, closed, or repurposed, on the conservative side, there would be approximately \$45-50M in lost property value in the community. The math indicates at the home level, the loss could be \$100K or greater. It would take a golf operator **hundreds of years** to generate enough profit to equating to that kind of loss experienced across the community. With this proposal, we hope to benefit from increased interest in our golf department where our profit-making capabilities reside. We do not expect to make any meaningful profits in our F&B department.*

- **We still do not understand why the RCPOA residents should be involved with a renovation of the clubhouse. It is the owner’s business. They should do it themselves.** In general, we agree with this point of view. It is our responsibility to manage our assets accordingly. **However, there is a key distinction in this case.** The RCPOA survey results expressed significant concern about the club and interest in exploring ways to address the issues. The answer to the ‘why the community should “help” the owner question is **more about the community than it is about us.**

With this proposal we are not seeking “business assistance” as some like to characterize it. We are providing a business solution where ‘value is being exchanged for value’ for what the community expressed as a need. We are giving up our unrestricted deed and the financial security associated with being able to sell the club to a broader market of potential buyers in exchange to provide property value security enabled by a deed restriction, a modernized clubhouse, and other associated economic benefits for engagement at the club. This is a ‘win’ for the community by investing in its own future in a way a typical golf operator is unlikely to do and getting something in return that provides long term security for the community.

- **How will the arrangement be governed? How do we ensure funding is going to what we desire? How does the governance over funding work?** – **Nearly 100% of the funding** in the form of a lease payment will be going toward one purpose...pay the debt to finance the renovation by the end of the lease term. Given that is the case, we do not believe there is a need for a formal complex governance structure. However, if that is something important to the RCPOA Board, we are happy to entertain a form of governance that meets mutual needs. For any overage between the lease and debt payments, we would **work with the RCPOA Board** to allocate the funding. We are **advocating (not ‘proposing’ as indicated in the RCPOA Board letter)** that is be reserved for emergencies or utilized as incentives/rewards for the staff to deliver quality service. However, at the end of the day, **it will be a**

Reference Material - Questions and Answers

joint and mutual decision on how that money would be allocated. Based on early preliminary estimates, the amount of overage could be \$10-\$15K year. Not much. Inflation will significantly deteriorate the value of this funding as well over time. For example, if you use the 'Big Mac' index as an inflation indicator, the cost of a Big Mac in 2000 was about \$2.29. By 2020 it was \$4.95. So, the same money you spent in 2000 would only buy you about a half a Big Mac in 2020. Depending on the final financial details, the club would consider a matching funds program to augment the use any overage funds.

- **How will the funding be collected?** – given the RCPOA has a structure to collect community dues, for the sake of practicality and avoiding duplicity, we assume we will leverage the existing process. **[Note: The RCPOA Board cover letter indicates that is a “fact” that association costs will go up because of this proposal. We find that difficult to understand as the only thing that is changing is the amount collected...not the number of homes. To us, that sounds more like a hypothesis or hyperbole than a fact]**
- **What happens if there are delinquencies? Does the RCPOA owe that money?** – for the same reasons above, the RCPOA already has a process in place to deal with non-payment and delinquencies.
- **What is the total of the funding collected at the proposed \$30 per household?** – The total would be about \$158K/year. This is the cash flow that would be used as a 15-year lease payment for the clubhouse renovation to secure the financing of the total project. The club would be the responsible party on the financing including any associated **personal guarantees lenders will require. No RCPOA Board or members would provide a guarantee for the financing.** If the club fails, the RCPOA and its members would not be liable on the loan. That remains with Golfco.
- **Overall, this proposal sounds a little like an insurance policy to me and that the requested support is like an insurance premium.** – that is a fair way to look at it. That is the way we see it. The annual \$1/day 'premium' is a low-cost expenditure/investment in exchange for the proposed property value protection, renovated clubhouse, and other associated financial incentives and benefits.
- **I don't think there is enough value coming back with the benefits associated with the Social Membership.** – That is an individual decision. However, we continue to highlight that **the most significant component of value** that we can provide is **the deed restriction** that will preserve the golf club as a golf club and **protect your property values.** From our perspective **this is what residents should be focusing on** to drive their decision making. The other components of value are ancillary and 'nice to haves' as they provide means to get additional intangible enjoyment from the investment in a renovated clubhouse including membership status, and a tangible way to recoup their investment by simply using the club facilities with household spend that is used in other places in Fairhope.
- **We see the Board voted this down in May from their letter. Why did they do that? Why is it now coming to a community vote?** – We worked with a subset of RCPOA Board members for many months

Reference Material - Questions and Answers

crafting a framework very similar to this final proposal. We were not in the room nor asked to present to the full RCPOA Board. We were just told it was voted down in May. As a result, we held a Town Hall in June to communicate and provide our proposal to a broader audience including existing members, residents, and other customers of the club. It appears as an outcome of the June meeting that the RCPOA Board decided to take our proposal to the RPOA community for a vote. We support the RCPOA Board's decision to bring a decision with such far reaching impacts to the community to the residents. We feel it is important for the 'many' to decide the fate of the proposal, and not the 'few.'

- **We have heard rumors that Golfco is trying to intimidate and threaten the community into taking this proposal?** - *We believe this to be a good example of someone taking information we have provided out of context and spinning it in a way that we are portrayed as a big bad threatening bully. The truth is that we are trying to help make sure RCPOA residents know and understand what is at stake with **the golf property being unrestricted land**. The last place we want to be is in a situation when it is time for us to sell and the best offer that we get is from a non-golf entity. **Because of fiduciary duty to shareholders, we are obligated to sell to the highest bidder**. The negative consequences of not living up to that responsibility are substantial. **So even if we wanted to say 'no' to such an offer, we cannot**. Personally, we would feel awful because we view the community as our neighbor and partner. That is something we would prefer to avoid because we know what the negative impacts will be.*
- **Why is this so important to Golfco?** - *We see a tremendous opportunity to do something with the community that will help make it so much more than what it is today. Personally, my passion as a business professional has been to implement transformational change in ways that really make a difference and an impact. I spent 35 years transforming major companies in the financial services industry and being part of incredible projects changing how the industry works. In retirement from Corporate America, my passion still burns to help others get more out of what they have. What we are doing with Golfco is simply that. We find struggling golf clubs and try to find a way to breathe life into them in such a way that their surrounding community is better off tomorrow than they are today. We hope to run a reasonably profitable business protecting our investors/shareholders and the community.*
- **What about other amenities?** - *We see from the RCPOA Board cover letter under the "facts" section that the RCPOA infers it might have to assess additional dues necessary to do the other amenities (pickle ball, tennis courts, playground, etc.) if the members vote to proceed with this proposal. We are presenting a proposal to address issues highlighted by the residents. We think a renovated clubhouse will have a lot more value to the community than other types of amenities. At the end of the day, prospective homebuyers are looking for a complete package of amenities. At this point in time we cannot address the other interest, but we wonder if anyone on the RCPOA Board ever considered how we might participate, partner, and accelerate ways to help provide other amenities that others are interested. We feel a better model is for the POA and Golfco to collaborate more so that more can be accomplished. The interests and intents of the RCPOA Board are currently not clear to us.*

Reference Material - Questions and Answers

- **In the RCPOA Board cover letter it talks about disrupting benefits. What is that all about? –** *We are not sure. Once the deed restriction is in place and protects the golf club as a golf club, we do not see how the proposal's most valuable feature will be disrupted. That would be impossible. So that is confusing. As it relates to the clubhouse itself, there is not much 'benefit' in its current condition, so the renovation process is a necessary process to create the long term benefits the clubhouse will provide to the community as a social center. As it relates to the economic incentives associated with our Social Membership program, there will be likely be some disruption because of construction. If it is that significant to the residents, we can just extend providing those benefits at the end of the lease for the time social membership benefits were 'disrupted' to renovate the clubhouse. That seems like a pretty simple solution.*
- **What is this discussion with the City Council and rezoning all about in the RCPOA cover letter? -** *We expect the Board is trying to measure the risk of another non-golf entity acquiring the golf club and beginning the process to repurpose the club to something other than a golf club. That is a good step to take to better assess the risk. We don't know anything about that other than what we see in the industry where this has taken place and the associated impacts. We (or the next operator) will be gone after a sale. The sale would happen before anything becomes general knowledge. It will be left up to the community and local governments to sort it out with the new owner. That is potentially an expensive and culturally difficult process for communities. We have seen that the value proposition for redevelopment proposals is to significantly expand the tax revenue base for local governments. The property taxes on a golf club relative to residential developments are very small. Transforming a golf property would unlock significant and vast sums of new property tax revenue for local governments. That economic realization could certainly influence government officials obligated to look out for the greater taxpayer base than just a single neighborhood. We are aware of situations where non-golf entities have been successful and others where they were not. We encourage everyone to do their own research. There is no simple answer. We still believe the best answer for Rock Creek to avoid this risk is to spend \$1/day to ensure no one needs to find out what will happen.*