

October 11, 2021

**Potential Golf Course Complex Purchase
Review - Bulletin # 4**

**Progress Being Made for Resort HOA Purchase Review of Golf
Course Complex (GCC)**

Have you voted yet?

Meetings - October 5 & 6, 2021 – At the Clubhouse the Board presented information on the status of our review to purchase the GCC with overflow crowds.

All of The Board's briefing materials for residents during these meetings are available on the Essex and TownSq websites.

A sizable number of residents have stepped forward at this point and discussed personal loans to the HOA (repaid with interest over periods of time). The total amounts of these loan offers give us confidence that we could potentially fund the purchase outright. A yes vote means you are authorizing the Board to enter into negotiations with the developer / Centurion American for a possible purchase of the GCC and for the Board to review all of the due diligence items being discussed in these Bulletins and make a decision to purchase or to not purchase.

This includes the developer agreeing to the necessary changes to our HOA Association By-laws to support the autonomy of GCC management and operations and allow our HOA Association to manage it independently.

VOTING DEADLINE is October 13th for online & October 14th / 15th at 5:00PM for paper ballots

Information for voting online and for voting with paper ballots is available at the Essex website. A yes vote means you consenting to proceed with authorizing the HOA Board to purchase the Golf Course Complex, if they determine such a purchase is feasible. A no vote means you are not authorizing the HOA Board to negotiate a purchase of the Golf Course Complex from the developer. There will not be an additional vote to affirm or decline an offer of purchase if one is made.

Updates on the status of the Board's due diligence review of the GCC purchase

1. Updated annual financials from Centurion American reflecting GCC business operations have been received and we can confirm steady increases in customer activity and profitability over the last three years.
2. We have received a report detailing existing GCC debts and the entities who are owed. These are not sizable amounts and mostly cover equipment. These debts will be resolved prior to any offer to purchase.
3. We have received confirmation from CA that, in the event of the HOA's purchase of the GCC, the \$60 monthly social membership dues portion of each homeowner's quarterly assessment

currently being assigned through Centurion American to support the golf course/clubhouse complex, will be changed to provide for the HOA's and GCC's direct receipt of the social membership assessments. The purchase agreement and the Association Bi-Laws are being reviewed for necessary changes to reflect this. (In 2020 the annual amount of social membership dues collected by Centurion American from lot owner quarterly assessments to support the Golf Course/Clubhouse totaled \$327,960).

4. We realize that a Commercial loan may have to be an essential part of any purchase. The Board will continue discussions with several of local banks regarding commercial real estate loans. Most of the banks we spoke with addressed potential loan amounts around 65% of the appraised price or the sales price, whichever is less. We will continue to pursue this option.

5. We have selected a local company that specializes in golf courses to appraise the GCC. The Board has sent them initial financial information for the golf course and they have started the appraisal process.

5. The developer's company, Centurion American indicated last Thursday that an Environmental study should be forthcoming this week for the GCC. We must have confirmation that the Environmental reports are satisfactory.

6. We have now received an October 2021 property boundary survey of the GCC showing 156.1 acres and all related assets such as the course itself, clubhouse, pools, exercise facility, playground, maintenance barn, parking lots, golf cart storage area, etc. and it is being reviewed. If a purchase offer is made this will be part of the legal agreement.

7. HOA Board has verified through a title search company that the Golf Course Complex property deed does not have land use covenants restricting usage. Thus a purchaser could potentially repurpose the property for other uses. There were no deed restrictions that required it be a Golf Course. That can be corrected if the HOA purchases it as we would be, as owners, able to restrict use of the property with the approval of the Army Corps of Engineers.

Based on the information the Board has in hand we recommend a yes vote that gives the HOA Board the authorization to enter into negotiations with the Developer to purchase the GCC.

If the election results in approval to move forward with a purchase review and negotiations, we will continue to give homeowners updates on new information throughout the process.

Remember for your vote to count it must be made and not voting counts as a no vote.

Your Resident HOA Board of Directors, Bonnie Aleksandrowicz, Donnie Davis, David Miller, David Stockton, and Our Subcommittee; Larry Lawson and Dave Jordan

The Following Pages Contain Many of the Questions Submitted by Residents During The Clubhouse Meetings on October 5th & 6th and Answers by The Resident HOA Board.

October 11, 2021

Homeowner Questions Regarding Purchase of Our Golf Course Complex GCC And HOA Board Responses:

1. What is the Golf Course Complex (GCC)?

The Golf Course Complex consists of a golf course covering 157 acres with a cart barn and maintenance building, a Clubhouse, Swimming pools, Exercise Facility, and Children's Playground, etc.

2. Can a nonprofit HOA own a for profit golf course?

The Board thinks the Golf Course Complex (GCC) needs to be an LLC (Limited Liability Corp.) and we have an attorney currently evaluating any issues for a non-profit HOA owning a for profit LLC. We will keep residents posted on this issue.

3. What is a first right of refusal?

The board has agreed to a letter of intent providing The Resort the first right of refusal. That is the community has a right to make offers for the property that must be considered before any other bidders. This only applies if the voting October 10 to 15 provides a 51% majority giving the board the opportunity to 1) further consider and potentially negotiate a firm purchase agreement or 2) decline to negotiate a purchase agreement if any of the due diligence factors prove to be unacceptable.

4. What is the Net Operating income for the golf course?

During resident meetings at the Clubhouse On October 5th and 6th, one of the Board's subcommittee members who used to manage The Resort's Golf Course and who has reviewed the financials for the last several years, indicates that the GCC has operated profitably.

5. What are the current deed restrictions on the golf course?

The Board has requested September 26th that a title company research this to see if deed or other land use restrictions are present in the title to the 157 acres comprising the GCC. If there are not restrictions within the deed then a purchaser has many options on usage.

6. Can you please provide examples of other HOAs that own and maintain a golf course?

We have found a number of HOA's that own golf courses situated within their boundaries. If the Vote is positive October 10th to 14th / 15th allowing the Board to further pursue a purchase and

secure research covering best practices in Community Golf Course management.

7. What are your short and long term plans after the purchase of the golf course?

Our short term goals are focused on securing a 51% or more lot owner approval from the voting conducted from October 10th to 14th / 15th. This will give the Board the authorization to move forward and negotiate a purchase of the GCC. If we do not get approval during this vote we cannot move forward with negotiating a possible purchase. If the vote is positive, during the last half of October we will be completing the many due diligence activities currently in process such as the environmental study, existing GCC debts, an appraisal, completion of an ongoing review of commercial and private loan sources to fund the purchase and initial GCC operating expenses, an updated survey for the GCC and a number of additional activities. Then and only then would a purchase decision be made. If we are successful in negotiating a purchase, then we have a number of options to consider for how the GCC will be managed.

8. What do we know about the other potential buyer?

We are told by Centurion American, the developer's company that a buyer has expressed interest in purchasing the GCC. We also have reliable sources within the golfing industry who indicate that Centurion American has a potential buyer for the GCC.

9. Will the Declarant retain control of the golf course after purchase?

No. The Residents through their Board of Directors will have control. Our attorney will be changing our HOA Association By-laws to exclude the developer from retaining any ownership or control of the GCC.

10. Will you provide a "master schedule" on when decisions are made to include dates?

Please see the answer to question 7 above. We will continue to publish Bulletins frequently during the entire process. These Bulletins are available on both the Essex and the TownSq websites and through a direct email from Essex. We find many residents have not registered their email address with Essex – doing so will insure you get frequently updated information. (we know some are hesitant to give out their email address but it's easy to create another email address and use that one for these email updates).

11. How will you determine what is a feasible and reasonable purchase price?

We have retained an appraisal service that specializes in Golf Courses. They should have results reported to us in late October.

12. Has the Declarant offered to end his Class B membership? Will the board request him to end his Class B membership as a condition of the purchase?

We are not sure when the Developer will end his control of our HOA Association. (See question 9 above)

13. Can the board put together a committee to canvas the association for votes?

A number of resident groups have volunteered to do just that. Email

davidandnita@gmail.com if you want to volunteer.

14. What's the business plan for opening day, 2 years and 5 years from now?

The business plan for 2 to 5 years from now will depend upon who residents have elected to their Board of Directors.

15. Will the board put up signage to remind homeowners of the vote?

The Board is arranging to put signs up at the entrances.

16. Are there any mineral rights associated with the golf course? Will those rights be transferred with the purchase?

Mineral rights will be set forth within the proposed purchase agreement.

17. Can the golf course be run by professional golf course companies, i.e. Four Seasons?

That is certainly something that is being discussed by the Board of Directors and will be considered with appropriate input from resident groups when and if the purchase becomes reality.

18. Will Larry Lawson retain oversight over the golf course?

Larry has been invaluable in guiding the Board through the process of confirming that the Golf Course has been profitable and the Board considers his counsel on Golf Course management and operations to be crucial in determining the best options for the future of the course. First however we need the community to vote YES in the upcoming election to authorize the Board to enter into negotiations with Centurion American for purchasing the golf course assuming all of the due diligence we are currently working on are positive and if the financing options work out.

19. Can we separate the golf course water source from the lake?

The course uses lake water but the cost is high. The Board is reviewing having a well on the property to cut operational expenses.

20. Will all debts and liens on the property be cleared before purchase?

Yes. The Board asked Centurion American for details on all debt / liens several weeks ago and expect to get this information shortly.

21. Has the board considered remodeling the clubhouse after purchase?

Yes, but first we have to have 51% of our homeowners vote yes to approve authorizing the Board to negotiate purchasing the golf course assuming there are no surprises with the pending due diligence items we have in work, and if we can make the financing options work.

22. Will the Declarant representatives have the final say over the elected board members on the purchase of the golf course?

No. During the time the Board was first approached in August, 2021 regarding a potential purchase to today, no representative of the developer or Centurion American has attempted to interfere, advise, contact, or consult with the Resident Board of Directors. This includes the fifth Board member, Ron Corcoran with Essex who the developer placed on the Board in the past.

23. Will the Declarant have the right to vote in the purchase of the golf course?

No. The Developer owns Class "B" lots which are not allowed to be voted.

24. As a condition can the board request the current amenities be part of the sale, so the homeowners can hire our own contractors to complete the amenities as we want them?

Great question. The sale encompasses all 157 acres of the Golf Course Complex which includes the course and driving range, the clubhouse, the swimming pools, the exercise facility, children's playground, etc.

25. Can we complete the gate and add a wrought iron fence instead of the wooden fencing past the eagle narrows entrance?

The Board has previously discussed that this should be something we do in the future both from a security and esthetic standpoint.

26. Can we add deed restrictions that the golf course always remain a golf course?

Yes. If the purchase is made, we can establish land use covenants to specifically define what can and what can't be done with the property.

27. What is the ability of the HOA to do a per lot additional assessment?

While the HOA has the ability to approve additional assessments, the Board has received a sizeable number of offers from residents interested in extending interest bearing loans to fund the purchase. We also have had lengthy discussions with several Banks regarding commercial real estate loans. The Board believes at this point the HOA will be able to generate the necessary funds to cover a purchase without additional assessments.

28. Where will the money come from to buy the Golf Course?

(See the answer to question # 27)

29. Do we have liability insurance for the golf course?

Yes.

30. Can delinquent homeowners vote anyway?

Yes, homeowners who are delinquent with assessments can vote in HOA Association elections per Texas state law.