

GOLDEN LAKES

Community Development District

313 Campus Street, Celebration, FL 34747, 407-566-1935
210 North University Drive, Suite 702, Coral Springs, FL 33071, 954-753-5841

January 6, 2017

Residents and Property Owners

RE: Acquisition of the Club at Eaglebrooke

Dear Residents and Owners:

The Board of Supervisors (Board) of the Golden Lakes Community Development District (CDD or District) would like to thank those of you who have taken the time to correspond with the District regarding the potential purchase of the Club at Eaglebrooke (Club). We received some very good questions and are doing our best to address them all during the due diligence process.

A few weeks ago, you should have received a letter from the District discussing some of the details of the proposed purchase. Along with that letter was a second page which was a ballot for you to voice your opinion on the purchase to the District. If for some reason you did not receive a ballot or if you over looked or misplaced it, **PLEASE** email the District at admin@goldenlakescdd.org to receive a copy. Please include the full name and address as shown on the Polk County Property Appraiser's records in your email so we can make sure you receive the correct ballot. **PLEASE RETURN YOUR BALLOT TO THE DISTRICT NO LATER THAN 5:00 P.M. ON JANUARY 9, 2017, via email or fax back to the District.** We will NOT have a mechanism for collecting or recording ballots at either the HOA meeting on the January 10 or the CDD meeting on January 12. Please do not plan on bringing the ballots to either of those meetings.

Where are we in the process? The District negotiated a limited extension to the due diligence period to allow us to complete an appraisal of the property, an audit of the current books, complete the site survey and complete an Environmental II study of some of the grounds which ends January 15, 2017.

Has the club been appraised? YES! We just received the appraisal, and by the time you read this FAQ, it should be posted on the CDD website. The club appraised for **\$2,800,000 AS IS** (meaning in its current condition without any repairs). Our actual purchase price (as is) is \$2,500,000 PLUS the payoff of the equipment loan of \$165,000 which totals **\$2,665,000.00**

The contracted sales price is \$2,500,000. Why is the proposed bond issue for much more? To complete the purchase, we need to accomplish and, of course, pay for several things. Think of some of them on a much smaller scale as typical closing costs you would incur when purchasing a home. There are other items we are including to make sure if the Club is purchased, the necessary updates and repairs are made and that we have sufficient working capital to operate the club. A brief summary of those costs is listed below.

Sales Price.....	\$2,500,000.00
Repairs & Enhancements to the Club.....	\$ 435,000.00
Working Capital.....	\$ 300,000.00
Professional Fees (appraisals, underwriting and other costs)	\$ 200,000.00
Payoff of note on course maintenance equipment.....	\$ 165,000.00
Reserve fund and capitalized interest to 11/1/17.....	\$ 469,377.50
Underwriter's Discount on Bond sale	\$ 83,100.00
Rounding.....	<u>\$ 2,522.50</u>
	\$4,155,000.00

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I have heard there are some loans outstanding and/or other items owed by the Club. Will the CDD accept those liabilities? The ONLY liabilities the CDD would be assuming are (1) the loan on the golf course maintenance equipment which is currently a monthly payment included in the operating statement of the Club; because of the nature of the loan, the CDD cannot assume it, and therefore, we would be paying that off at closing; and (2) the lease on the golf carts. Again, this is a monthly payment already carried on the Club's balance sheet.

Any other outstanding debts owned by the Club (i.e., back taxes, notes payable, or other forms of indebtedness) would be the responsibility of the seller and paid off at closing.

But why purchase the Club? When Board learned of the McDonald family's desire to sell the Club, we felt it only made good sense for us to evaluate a purchase. Some of the possible advantages to the members of the CDD are the following:

- As a purely defensive move to protect the value of the residential units within the development. Although difficult, it might be possible for a third party to buy the Club and develop the land into condos or apartments. **Even worse, a third party could buy the Club/course and let the Club and grounds deteriorate.**
- Since the Club and the CDD would be under the same entity, one possible benefit would be closer scrutiny of who comes in the front gates to the Club.
- Residents have expressed for years a desire to see more services added to the Club.
 - Add additional tennis courts for tournament play
 - Better maintenance of the pool area
 - Add a halfway house and/or health club on the vacant property on the corner by the chipping green

I am a Club lot owner; how does my 2/3rd vote for the HOA apply to the purchase of the clubhouse? It does not apply. There is no relation between the 2/3 vote on HOA matters and the CDD. They are separate entities with separate governing documents and procedures.

What role does the HOA have in the purchase? None, for the same reason mentioned above.

If the CDD purchases the clubhouse/golf course, will they be able to change the deed restrictions in the community? No. Again, the HOA and the CDD are separate entities with separate governing documents and procedures.

What gives the Golden Lakes CDD the authority to purchase the Club? The CDD was created as a special district under the authority of Chapter 190, Florida Statutes. At the creation of the CDD, the District was granted the authority to include recreation facilities within its area of operations.

Do we know what the assessment for the Club purchase would be? Not exactly as we do not have all the numbers in yet. Preliminarily, we expect the assessment to be in the \$400 to \$600 per property range per year.

How will the yearly assessments be collected? The assessment will appear on your annual tax bill.

If the purchase happens, when would the assessment appear on my tax bill? The additional assessment for the purchase would not make it on your tax bill until the fall of 2017.

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What will happen if the yearly assessments are not paid? The Polk County taxing authority will treat any unpaid amount as an unpaid tax assessment, and their collection procedures will be followed.

How will the purchase be financed? Through the sale of tax free municipal bonds. As a special district, we can offer these bonds for sale similar to the way a city or county government does. This is a very similar process which was used to finance the original infrastructure (roads, street lights and other common areas of the development) when the development was built.

What would I get as a property owner for the Club assessment if the purchase were to happen? This has not been finalized, but at the very minimum, our intent would be to structure the assessment so that each member of the District gets access to the Club, charging privileges, member rates on food, drinks, merchandise, golf, etc. One idea that has been floated around is to make each member of the District a social member, and with that, in addition to the items mentioned above, include access to the pool and tennis courts.

If the CDD buys the Club, will the Club and grounds become common area? NO. The Club management will adopt rules and guidelines for the use of the Club and course premises. Most likely these rules will be very like the ones currently in place.

Will the residents get a discount on golf and on rental of Club facilities? While nothing has been finalized as we would want the new Club management to establish rates and fees, the CDD recognizes the contribution the property owners will be providing to the Club, and it would seem only fair to offer discounts.

Would my assessments go up if I do not golf, eat at the restaurant, or play tennis? If you are referring the CDD assessment on your tax bill, then YES. We do not have the final number but expect it to be between \$400 to \$600 annually starting with the taxes due in late 2017. This is to cover the acquisition cost of the Club facilities.

Who will manage the Club? We basically have two options: hire a PGA professional manager or hire a management company. In either case, the Club **WILL NOT** be managed by the five- (5) member CDD Board. The CDD Board will solicit management ideas from the NGF and other sources.

What is the difference between hiring a management company vs. a golf professional manager to run the facilities? Typically, a management company takes a percentage of the total revenue as its fee whether the Club breaks even, makes or loses money. Or they lease the Club for a set fee. In preliminary discussions with at least one management company, the structure of these management deals has changed, and while we had all but eliminated the management company as an idea, we will be taking a closer look at this type of management **IF** the purchase happens.

Has the CDD began interviewing for this role? Since there has been no final decision to purchase the Club, we have not begun the formal interview process, although we have received interest from a couple of management companies as well as a couple of individuals interested in being hired as a manager.

Will the residents have a say in what management company is hired? The CDD is always interested in hearing from members of the District on all matters.

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Will there be an agenda item added to the CDD monthly meeting agenda that focuses on the golf course status? First, there is not a monthly CDD meeting. We typically meet four to six times a year. The frequency may increase if the purchase happens. And if the purchase happens, there will be a report at each CDD meeting on the course/Club status.

Will the CDD meetings continue to be at 10:00 a.m.? Some meetings will continue to be at 10:00 a.m., but we will move at least half of them to an evening meeting at the request of the residents.

Will there be an opportunity for the community to voice concerns, share ideas, and participate on committees that support the golf course and Club? Has the CDD formed a committee yet to work with the manager? If not, how do they plan to create that committee? Who will be chosen and how? YES! We do anticipate creating some type of Club advisory board made up of golf members, social members, and the public at large to advise the CDD of the wants and desires of the membership as well as the general public. Again, this is all preliminary, and no final decisions have been made.

IF the purchase happens, the District will solicit the members of the District to submit letters/emails indicating their interest to serve on an advisory committee to the CDD/Club. The five- (5) member Board of Supervisors will choose the committee members, and the committee would report to the CDD Board. While this has not been finalized, we have discussed the makeup of the committee as follows:

- 1 member from the men's golf association
- 1 member from the lady's golf association
- 1 member who is a social member
- 1 member whose primary interest is in tennis and or swimming
- 1 property owner within the District who is **NOT** a member of the Club
- 2 individuals who do not live within the District who may or may not be members

Can I prepay my portion of the tax assessment? If so, how much of a saving will I have? Will that be transferable if I sold my home? The assessment is anticipated to be in 30 annual installments but can be prepaid with certain notice requirements. The savings will be determined by the interest rate on the assessment. Any transferability will be determined between buyer and seller in a transaction.

Why will every home pay the same amount for the purchase of the golf course? The current assessment plan has that feature. The Board will make a final determination of that at the January 12 meeting.

Will a social membership be included in my annual tax assessment, and if so, what will that membership provide? This has yet to be determined, but it is an idea the District is considering.

How many members does the Club need to be sustainable, to become private? It's hard to pin a number down as far as number of members. The better metrics are rounds of golf played and total revenue. We would need a consistent revenue of about \$3,250,000 to \$3,750,000 and between 30,000 and 35,000 rounds of golf played a year. Members currently account for approximately 1/3 of the total rounds played per year.

What has the CDD done so far to be prepared for the purchase in regard to programs and facilities management? We have had several studies done to attempt to identify deficiencies that need immediate

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correction as well as upgrades that should occur immediately to the physical plant. The financial audit will tell us the condition of the bookkeeping procedures and give us an idea of how much change, if any, will be needed there. We also have an agreement in principle to allow us to bring in our manager 30 to 45 days PRIOR to the final closing to facilitate a smooth transition and begin to implement changes that he/she deems necessary.

I have heard there is some damage to the steel supports at the cart barn. How is that being addressed? The current owner was unaware of the deterioration of the steel. One of the building inspections the District initiated identified the deficiency. We have an agreement with the seller for them to fix this at their cost OR for the District to receive a credit at closing for this work if it is not completed by closing.

Has the CDD received ideas from the community of what they want, or has the CDD conducted a survey asking the residents of what they would like? We have begun to prepare a survey. But since a final decision to purchase the Club has not been made, the survey has not been sent out.

What is the time line for the rest of the process?

January 9, 2017 – Final due diligence items due to the District

January 12, 2017 – CDD workshop and meeting to review all due diligence, public hearing and vote

January 15, 2017 – Due diligence period closes

Assuming the vote is to complete the sale...

January 20, 2017 – Hearing to validate the assessment bonds

January 16, 2017 – send solicitations for Club management professional and management companies

January 23, 2017 – send out survey to CDD members and non-CDD members of the Club

February 3, 2017 – surveys due back

February 1 through 17, 2017 – interview management candidates

March 1, 2017 – manager starts

March 31, 2017 – actual closing date on purchase

How do I stay informed? Please visit the CDD website for updates, www.GoldenLakesCDD.org. As we move through the process, any special meeting dates will be posted there along with all minutes of past meetings.

Sincerely,



Rich Weaver
Chairman