

**Lake Ashton**  
**Community Development District**  
**and**

**Lake Ashton II**  
**Community Development District**  
**Joint Meeting Agenda**

Seat 3: Mike Costello – C	
Seat 5: Borden Deane – VC	
Seat 1: Bob Ference – AS	
Seat 4: Murray Zacharia – AS	
Seat 2: Robert Plummer – AS	

Seat 4: Doug Robertson – C	
Seat 1: James Mecsecs – VC	
Seat 2: Stanley Williams – AS	
Seat 5: Carla Wright – AS	
Seat 3: Bob Zelazny – AS	

**Friday**  
**July 19, 2019**  
**9:00 a.m.**

**Lake Ashton II Health & Fitness Center**  
**6052 Pebble Beach Boulevard**  
**Winter Haven, FL 33884**

1. Roll Call and Pledge of Allegiance
2. Approval of Meeting Agenda
3. Public Comments on Specific Items on the Agenda (*speakers will fill out a card and submit it to the District Manager prior to beginning of the meeting. Individuals providing speaker cards will also have an opportunity to speak prior to Board action*)
4. Approval of the Minutes from the Joint Meeting held on May 24, 2019
5. Status Update from District Staff
6. Report and Presentation from Hampton Golf
7. Supervisors Requests and General Public Comments
8. Adjournment or Continuation

**MINUTES OF MEETING  
LAKE ASHTON  
COMMUNITY DEVELOPMENT DISTRICT  
AND  
LAKE ASHTON II  
COMMUNITY DEVELOPMENT DISTRICT**

A joint meeting of the Board of Supervisors of the Lake Ashton Community Development District and Lake Ashton II Community Development District was held on May 24, 2019 at 10:30 a.m. at the Lake Ashton Clubhouse Ballroom, 4141 Ashton Club Drive, Lake Wales, Florida.

Present and constituting a quorum:

Mike Costello  
Borden Deane  
Bob Ference  
Murray Zacharia  
Bob Plummer

Lake Ashton CDD Chairman  
Lake Ashton CDD Vice Chairman  
Lake Ashton CDD Assistant Secretary  
Lake Ashton CDD Assistant Secretary  
Lake Ashton CDD Assistant Secretary

Doug Robertson  
James Mecsecs  
Stanley Williams  
Carla Wright  
Bob Zelazny

Lake Ashton II CDD Chairman  
Lake Ashton II CDD Vice Chairman  
Lake Ashton II CDD Assistant Secretary  
Lake Ashton II CDD Assistant Secretary  
Lake Ashton II CDD Assistant Secretary

Also present:

Jillian Burns  
Jan Carpenter  
Andrew d'Adesky  
Sarah Sandy  
Jason Merritt  
Alan Rayl  
Christine Wells  
Mary Bosman  
Numerous residents

District Manager  
Lake Ashton CDD District Counsel  
Lake Ashton CDD District Counsel  
Lake Ashton II CDD District Counsel  
Lake Ashton II CDD District Counsel  
Lake Ashton II CDD District Engineer  
Lake Ashton CDD Community Director  
Lake Ashton II CDD Community Director

***Please note that due to a lot of background noise and conversations portions of the meeting cannot be transcribed verbatim where the recording is inaudible.***

**FIRST ORDER OF BUSINESS**

**Roll Call and Pledge of Allegiance**

Ms. Burns called the roll, established the quorum, and the pledge of allegiance was recited.

**SECOND ORDER OF BUSINESS**

**Approval of Meeting Agenda**

Ms. Burns: Okay. Next is Approval of Meeting Agenda. If anybody has any additions, now would be the time to include them. If not, we would be looking for a motion to approve it from each District. Is there a motion?

Mr. Zelazny: Jillian, I just want to talk about the amenities policy.

Ms. Burns: Okay. We will add that after the purchase and sale agreement. Anybody have anything else? Then do we have a motion from Lake Ashton CDD?

On MOTION by Mr. Deane seconded by Mr. Ference with all in favor the meeting agenda was approved by the Lake Ashton CDD Board as-amended.

Ms. Burns: Do we have a motion to approve the agenda from Lake Ashton II CDD?

On MOTION by Mr. Mecsecs seconded by Mr. Williams with all in favor the meeting agenda was approved by the Lake Ashton II CDD Board as-amended.

**THIRD ORDER OF BUSINESS**

**Public Comments on Specific Items on the Agenda** *(speakers will fill out a card and submit it to the District Manager prior to beginning of the meeting. Individuals providing speaker cards will also have an opportunity to speak prior to Board action)*

Ms. Burns: That brings us to the public comments section. I have one from Mr. Tom Scali. Come on up, Tom.

Mr. Scali: Due diligence, I suggest that you include the following: all electrical wiring blueprints to the pro shop, Eagle's Nest, the golf course, including the sprinkler system pumps and golf course bathrooms, as well as the plumbing blueprints to the pro shop, Eagle's Nest, and golf course, especially aggregate locations of all sprinkler system pipes, pumps, sprinkler head locations, drainage pipes, and golf course bathrooms. If there are any french drains, and I don't know if there are, but we should get a map of all of those locations, as well as inspection reports for the pro shop, Eagle's Nest, and the elevator. In my opinion, that elevator needs to be replaced by the seller. We should not be responsible for that. That elevator never works. Installation dates of all pumps associated with the sprinklers and projected life, maintenance reports of all drainage pipes for the last few years. By the East golf course, Hole #15, flood control pipes are covered with vines that could easily clog the system. That is all pure maintenance.

Placement of the cart paths and replacement of cart paths on the East course, Hole #15, there is only a dirt path where the old cart path had to be removed because of flood control issues. The East course's ponds are in poor shape. Soil erosion is significant and some cart paths are in imminent danger. Some sprinkler heads are currently in ponds with serious soil erosion. Many access ramps to ponds on the East course and some on the West course are damaged or destroyed. Engineering assessments of the wooden bridge structures for stability. These structures are nearly twenty years old. What is the life expectancy of the support structures that extend into the ponds' overflow areas? Are the golf course bathrooms connected to a sanitary system? Overgrowth of weeds in the ponds, causing impacts of flood controls are also very unsightly. All of this will impact the CDDs unless corrected by the seller before closing. I just strongly recommend that you guys address this before and require the documents necessary so we can go forward and know what the heck we got into. Thank you.

Mr. Costello: I have another request to speak here for Mr. John Castelli.

Mr. Castelli: I want to address spending money we don't have. The CDDs in the past have always made sure that we have reserves. The West started this mess. What happened to the 50/50 we gave up to 60/40? You gave away \$200,000 of our money to help pay the West, since they owe \$400,000. That seems to me not to be in the best interest for the East. The East has amenities that are a lot more money than what they have to put out for maintenance in the West. Don't rush into this nightmare. The developer had a buyer who ran away from this because he knows something that you guys don't know. If I was a CEO of this kind of contract, I would fire every one of you. So, with this being said, I would like you to rethink what you are going to do. We compromise and we compromise and we get nothing in return. We don't have enough golfers to buy two eighteen hole golf courses, so I would like you to reconsider what you are going to do. You are like little kids who can't wait until Christmas wanting to open up your gifts. If you would just wait, he will wind up giving you this golf course because no one will ever buy it. It is not that great of a golf course, so please reconsider, please wait, and in four years when he has sold all of the houses, he will give it to us if you would just be patient. Please, rethink what you are going to do. Thank you.

Ms. Burns: That is all the comments sheets, right? Okay, then we can move on.

**FOURTH ORDER OF BUSINESS**

**Approval of the Minutes from the Joint Meeting held on April 5, 2019**

Ms. Burns: That brings us to Item #4, Approval of the Minutes from the Joint Meeting held on April 5, 2019. We had a couple changes from counsel that we have incorporated. I don't know if you want to read them into the record because they were minor in nature, just a couple small items so we would just be looking for a motion to approve as-amended unless anybody has any additional changes?

Ms. Sandy: They were minor.

Ms. Burns: No additional changes? Then do we have a motion to approve the minutes as-amended from, the Lake Ashton CDD Board?

On MOTION by Mr. Deane seconded by Mr. Plummer with all in favor the minutes from the joint meeting held April 5, 2019 were approved by the Lake Ashton CDD Board as-amended.

On MOTION by Mr. Mecsecs seconded by Ms. Wright with all in favor the minutes from the joint meeting held April 5, 2019 were approved by the Lake Ashton II CDD Board as-amended.

**FIFTH ORDER OF BUSINESS**

**Consideration of Purchase and Sale Agreement**

Ms. Burns: And the reason we are all here today is Item #5, Consideration of Purchase and Sale Agreement. The Lake Ashton II CDD Board met prior to this meeting to go over and review this, and Lake Ashton CDD chose to review this with counsel outside of a meeting individually. Jan, do you want to go ahead and start, and then we will take turns with staff?

Ms. Carpenter: Sure. Everyone got what is a substantially final agreement. It is in pretty much final form. There are several issues, which we will go through with the Board that will need to be finalized. My Board has all looked at it. I think any questions have been answered. There may be one or two that Board members have. Lake Ashton II CDD had a meeting, and I will let Sarah address that and go through the specific questions. But just one word, the seller and his attorney may be in the audience. They told us they would be here, so if you have any questions about negotiations or business points, we may not talk with you about it in public because we may not want that to be out in the public record. So, if we do tell you we are not going to answer that, it is not

because we don't want to talk to you, but it is because we think it is something we think that should be talked with each individual in private or not something that should be discussed at a public meeting. I guess I will now let Sarah introduce her issues, and then each of the Boards, if anyone has questions, they want to address to the group, I think that might be a good way to handle it. Sarah, is that okay?

Ms. Sandy: Sure. Certainly. Like Jan said, the agreement that was presented in the agenda package is in substantially final form. There are a few additional items to work out, which the Lake Ashton II CDD Board discussed just prior to this, and I can briefly run through them if you would like. One of the items is finalizing the maintenance shed exhibit that will show the area over which the Districts will have a lease over. Another item is conforming some of the terms and blanks tied to the interlocal agreement, which are the terms the Boards agreed to at the previous joint meeting in terms of the 50/50 split on the repayment of the debt. One of the last items that is still outstanding and the Boards should consider is the identified closing date. At this point and time, in terms of the calendar year where we are at, combined with the number of days that we have for an inspection period, that puts us past a closing of October 1<sup>st</sup> at this point. So, one item that I think is currently up for consideration is whether or not we can instead give a date certain for a closing date, tie it to the end of the inspection period. I think something like fifteen days after the close of the inspection period or a notice of defects would make sense. Those are the main items we are still working through, and we are not necessarily asking the Boards to approve those changes at this point and time. I think the action that is before the Boards is either to delegate authority to a specific Board member to approve those final changes to the documents as they are finalized over the next coming weeks, contingent upon also finalizing the language in the interlocal agreement to reflect the Board's direction at the last joint meeting, and finalize both of those agreements together because we believe they are documents that are tied and must be finalized at the same time, or to have those documents once finalized, brought back to the Boards at a joint meeting in the future for final approval.

Ms. Carpenter: I see a couple quizzical looks. Just to explain a little bit more, the interlocal was approved, but as we negotiated the letter of intent and purchase and sale agreement, some terms have changed, so there are some changes in that agreement

that are necessary to make sure the agreement between the two CDDs works, given how we are paying a little bit differently on the notes and some of the other differences. We have looked at some changes, but we aren't to the point where we are able to say here are all of the changes, we need to make sure the interlocal matches all of the duties and responsibilities under the purchase and sale agreement and ownership. As Sarah said, there are a couple ways to handle it. We can approve the purchase and sale agreement and delegate authority to finish those last couple items, which we think we are pretty close on, and also delegate authority to approve the interlocal agreement with those changes, or we can have the Boards meet again with the absolute final documents.

Mr. Robertson: There is no clarity required on the intent for these two agreements, it is just getting the language right between the two sides. There is no issue on the intent at all in any of this, it is just getting the right legal documentation that says this is what we want to do.

Ms. Carpenter: That is correct. The business terms the Boards have agreed on in the purchase and sale agreement, we just need to make sure the interlocal matches that because if you recall, there were changes to the way the payment of the debt was going to be held by each CDD and the difference of the notes, and that is not reflected in the interlocal because at the time that was approved, we did not have that issue.

Mr. Ference: Before we can do that, don't we have to have the realization that the inspection that we are expecting and make sure all of the issues, especially those that have been brought forward, have been investigated and we know that the due diligence is what it is and we are buying what we think we are buying and not something else?

Ms. Carpenter: Exactly. The purchase and sale agreement contemplates a fairly long inspection period for us to do all of that.

Mr. Ference: Fifteen days is a long period?

Ms. Carpenter: No. What she was talking about was that we had had a hard date to close by the end of the fiscal year, but given that we may need longer than ninety or one hundred twenty days to do that, we thought that maybe it should be fifteen or thirty days at the end of the inspection period to close so we can get the entire time we need under the inspection period and then close, even if it takes a little bit longer than the end of the fiscal year.

Mr. Ference: When are we going to get the inspections?

Ms. Carpenter: As soon as we have a purchase and sale agreement and interlocal approved. We have a long list of due diligence, several pages of what we need to do. We have proposals for two of the folks, and that would be if we approve the purchase and sale agreement, the next thing would be for the Boards to talk about how we approve those contracts to hire the ADA inspector, the surveyor, etc.

Mr. Zacharia: So that comes afterwards?

Ms. Carpenter: Yes. What we need to approve is the agreements before we can do the due diligence.

Mr. Zacharia: Is that standard?

Ms. Carpenter: Yes. This is a very standard contract from that perspective, a standard real estate purchase contract.

Mr. Robertson: I wouldn't buy my house unless I had an inspection first.

Ms. Carpenter: Exactly, and when you buy the house, you sign a contract and it gives you thirty days to do your inspection, get your mortgage, same idea, just a longer period and ability to do more.

Mr. Zacharia: Thank you for clearing that up.

Ms. Carpenter: No problem at all.

Ms. Burns: I don't know if any Board members have any specific questions about the purchase and sale agreement that they want to address? Does anybody have any specific questions? I know everybody has had a chance to review this over the last week and have asked a lot of their questions to counsel already, but if anybody has anything else to ask, feel free to do so now.

Mr. Deane: My only question was in the due diligence where all of several items were eliminated.

Ms. Sandy: Are you referring to the line items that say intentionally deleted in the list? Jason Merritt from our office is with us on the phone. He drafted the agreement. I don't have the comparison in front me, but maybe he can address that?

Mr. Merritt: I can address that, Sarah. In conversations with counsel for the seller, there were several items, which you correctly noted were removed from the original list of due diligence deliverables that have been requested of the seller and those generally

fall into two categories. The first category were items and documents that the seller's counsel has affirmatively represented do not exist and therefore based upon that representation, the agreement was to go ahead and not require items that don't need to be listed. The other item that was deleted was in reference to prior title reports, and because of the nature of the conveyance history with respect to the golf course, and frankly the number of documents that are already being produced, and finally the fact that we are obtaining a new current version of a title commitment, which will be the basis for our title review and which if there is a successful closing will be the basis for a golf insurance policy, we agreed that it wasn't necessary to provide frankly a lot of obsolete documentation that would increase our review time and frankly not add very much to the process. So, instead the agreement was that new title insurance being provided would serve instead of the historical title documentation. Again, largely the changes were to recognize that we are either going to have new items provided or removing items that are not applicable to this situation.

Ms. Carpenter: And I will add that this is the due diligence that the seller is providing. We have a separate due diligence list that is multiple pages and includes the acquisition due diligence that we will also be doing. It is not stuff the seller is providing, so there is additional due diligence that will be done that isn't reflected in the contract.

Mr. Zacharia: The letter of intent and other legal documents made a reference to something called an operating deficit agreement. Is that in this current document? I went through the thirty-something pages a couple times, but I didn't see it, though it is very possible I may have missed it.

Ms. Carpenter: It is huge, I know. We drafted it and it was reviewed many times. I know that it is in there.

Mr. Mecsecs: Page 16, Paragraph 13.

Mr. Zacharia: Okay, thank you. Also, on the list of due diligence materials, I know Mr. Scali gave several recommendations on clarification and addition of items, and I would also like to suggest that we ensure that we look at that. Item #17, membership list, maybe it is already there under something else, but I would be interested in knowing not just a list of the members, which is simply a list of names maybe, but to me it would be more important to know the level of membership of which I think there are eight total. If

you are Canadian you get one membership. If you are older than eighty, you get a different membership. If you aren't here full-time, there is a seasonal one. There are all different kinds of memberships and pricing for each of those levels of membership.

Ms. Carpenter: That is a reasonable ask and we can add that to one of the items that could potentially be delegated to a Board member to finalize.

Mr. d'Adesky: And you brought up comments earlier, and a lot of comments were mentioned by Mr. Scali, as well, those are included generally. For example, we include blueprints, construction plans, as-builts, which includes things like that, as well as golf course maintenance records. That is broad, but it includes a lot of things, including any maintenance records.

Mr. Robertson: We can't do our due diligence properly without knowing what our values are going to be. They have to define how many members are in each category so they can show us the future cash flow revenue and income streams.

Mr. Zacharia: They have to provide that, I recognize that, but when we say membership list, I can see someone just giving the list of the names.

Ms. Carpenter: That is a good clarification and I think it is something we should add to the list of items we need to further refine.

Ms. Burns: Any other questions from the Board members?

Mr. Costello: Actually, Mr. Scali made a good statement about the elevator, and quite honestly, I was upstairs the other day and they were working on it. Whether they got it working or not, I don't know, but they replaced their seven-foot balcony a couple years ago. Whether it was done permit or not, I don't know, but some of the work on it has been noted that it is a little bit less than what we would want it to be, so I would hope that we would pass that along to whoever does the inspection on that building.

Ms. Carpenter: Yes, and that is part of why we want to get as much paperwork as we can, but we also will have a building inspection and ADA inspection to make sure the elevator, porches, and things adequately and safely meet ADA requirements.

Ms. Burns: Unless there are any other questions, I believe there was a request briefly to go through the assessment process? Bob?

Mr. Zelazny: I was talking to Jillian before about how we are going to get to the budget for the next year because we have to get it done before a certain date in the year

and we are going to have an increase in the assessments and everything. Jillian explained to me that there is a paragraph in there that talks about how we will do it without putting an assessment in the announcement. What did you call it?

Ms. Burns: Direct bill. We would direct bill instead of collecting on the roll.

Ms. Sandy: The interlocal speaks to how the budgeting process will work, including the initial year. It provides that, I believe it is sixty days prior to closing, the initial budgeting process will start in terms of preparing a proposed budget, finalizing that budget, and starting an assessment process based on those projected revenues and expenses that are in that budget. What Jill was referring to, because of the timeline, we will not likely be able to collect the assessment for that initial year budget if there are going to be assessments on the roll, so instead the collection method is what is called directly collected. That is where the District directly sends you an invoice, each owner will receive an invoice, and those amounts are directly paid to the District instead of going through the property appraiser and tax collector.

Ms. Carpenter: And just for information, that may take some work on GMS's back because I don't believe this District has ever sent a direct bill, and if they have it has been many years, so folks are used to having everything paid on the tax roll and would instead receive a bill from GMS for the additional amounts that would be necessary for the first year. This will be explained in the letter, but it is something we have to put out during the meetings to make sure everyone understands that it will be a one-time thing, and in the future, it would be added to the tax bill.

Ms. Sandy: Logistically speaking, it will look similar to how the budgeting and assessment would work for any other year in terms of we would have to set an assessment hearing, send out notices to all of the residents, hold that assessment hearing, and then levy an actual assessment, which is then, as we discussed, directly collected through that invoice. Are there any additional questions on that process?

Mr. Williams: This budget process is sixty days before the closing?

Ms. Sandy: For the initial year, the budgeting process has to start at least sixty days prior to the closing, the idea being at that point and time, we would have enough due diligence to have an idea on the projected revenues and expenses.

Mr. Williams: But it would be within the original forty-five day due diligence period?

Mr. d'Adesky: It would be a more limited due diligence period then.

Ms. Sandy: The open inspection period is forty-five days, and the limited inspection period is ninety days, so I think it would probably fall within the latter.

Ms. Carpenter: Within the ninety days we would have some due diligence.

Mr. Williams: But what I am hearing is we will not know what the budget will look like within the forty-five day period?

Ms. Sandy: We will have a report from the golf consultants with their recommended budget, and their information and analysis on the financials that have been provided through the due diligence process. So, we will have an idea of what is being provided to us, but what we won't have is the District's adopted budget for moving forward.

Mr. Williams: And how that will be paid.

Ms. Burns: The interlocal provides how it is required to be paid.

Ms. Carpenter: I think from a timing perspective, the forty-five days is when the Boards will come back and look at the numbers, and say yes, we can make this work, and as part of looking at the numbers, GMS will figure out what the assessments will be and you can say this is the operating costs and what we need to collect, and you can make that decision on the operations. If that all works, we go forward with the other additional due diligence and set the public hearing for imposing assessments, and if something happened during that ninety days, we just wouldn't send out the bills. It will take that long to send out the public notices and do the hearing.

Ms. Sandy: It is also getting the information, processing it, and also not moving forward too quickly before we know if the transaction is going to go through. I think we are trying to prepare for that in anticipation of the closing date, and at sixty days out, we should hopefully know better whether or not this will indeed be moving forward.

Mr. Williams: But if the budget we prepare within that sixty days creates a problem, that doesn't negate going forward with the contract, right?

Ms. Burns: Correct.

Mr. Zacharia: I am going to guess that there is someone besides me in the room that has the following question, what is this direct assessment that we are talking about sending a bill to sixteen hundred-something assessable lots?

Ms. Sandy: Under the interlocal, the initial budget is funded and based on projected revenues and projected expenses, and if those projected expenses exceed the revenues, then both Districts on a per lot basis must levy a golf deficit assessment, meaning whatever that's deficient between the projected expenses and projected revenues, then both Districts must levy an assessment in order to fund the anticipated operations of the golf course.

Mr. Zacharia: There are a lot of people who we have heard from in the past year or so that have said time and time again I don't want to pay to run the golf course that I don't play golf on, and we have had members of our respective Boards say time and time again that is not going to happen and it will breakeven at best, everything is hunky-dory. Now we are talking about spending time and energy with a piece of paper that says please pay this amount because we estimate we are going to have a deficit for running the golf course of a million dollars so that works out to so many dollars and cents per household.

Ms. Carpenter: Let me give a quick explanation. I think that is a good question because I think that this has gone on so long that some of the early discussions have kind of been forgotten. Obviously when you hear about money, everybody gets nervous. The way the contract is structured, there is a period of forty-five days called the open inspection period. The District previously approved that the Boards hire a golf consultant to go through the numbers and come back and say to the Boards, this is what the revenues are expected to be, this is what the expenses are expected to be, and present to the Boards within that forty-five days whether there is going to be a shortfall or whether the golf course can pay for itself. That forty-five day period, it is anticipated that the Boards are going to meet again during that period, and if for some reason there is a huge shortfall and things are wrong, the Boards can make a decision to terminate the contract or not. There will be a professional looking at all of those numbers and reporting back to the Boards during the time that you can cancel the contract for any reason within the forty-five days. That would be the time period where the Boards would look at the numbers and decide if it is appropriate to levy assessments on each homeowner for the first year, or not, or look at how the income is expected to go on over the years. That is the way the process is set to work and that would be how the Boards would look at the budgeted numbers and then make a decision to go forward with the contract, and if there is a

shortfall, whether for a year or two or whatever the time period is that they need to levy any assessments to cover any shortfalls.

Ms. Sandy: And one question that we just had is if the Districts choose to fund that initial year out of reserves instead of levying an assessment, and I believe under the interlocal that would be a permissible way of funding that deficit amount.

Ms. Carpenter: That could be something in the budget process since the Districts are in the midst of the budget process to maybe put a line item on reserves or put that in the budget process so that the public is aware that is an option that may be considered.

Mr. Zelazny: Jan, just one thing. We talked about operating deficiencies in the operation of the golf club. The assessment that we are talking about is for the purchase of the golf course and the payment of the bonds. What we are trying to do is trying to figure out how we can collect that revenue. Now while we are saying this, because of the due diligence period, we cannot do the normal budgeting process for the year 2020 to collect the money to purchase the golf course the first year. So, what we are talking about is using the direct assessment that won't show up on your tax bill. In the subsequent three years of the purchase of the property and the golf course, that will be included in your assessment. We are not talking about money necessarily to run the golf club. We are talking primarily money to purchase the golf course tract and pay down the bonds.

Ms. Sandy: For the initial year, that initial assessment will be specifically for the operations and maintenance because it is based on projected revenues and expenses.

Mr. Zelazny: There is a major disconnect because in that regard, we are not doing a budget that necessarily covers the golf course. There are two different segments at this point. There is the golf course tract, which is the property and amenities, which is shared by everyone, and then there is the golf club, which is operated by the membership. There has always been a distinct separation. The residents are being assessed to purchase the golf course tract.

Ms. Sandy: No. How the interlocal is laid out is that there will be a budget that is put together for the operations and maintenance of the golf course.

Mr. Zelazny: Yes. There will be a budget to operate the golf course.

Ms. Sandy: Correct, and it will be funded based on revenues the golf course brings in, as well as if needed based on projections, assessments that both Districts will get.

Mr. Zelazny: In the purchase and sale agreement is a commitment by the seller that he will cover our operational losses for three years on a loan. The assessment we are asking for from the residents of Lake Ashton is for the purchase of the golf course tract and the maintenance of the golf course tract, less the golf club. The golf club will be self-sustained.

Ms. Sandy: A couple points on that. The \$300,000 that you are mentioning that could be loaned to the Districts in order to cover operations is just that, it is a loan that would have to be repaid every year. So those are not costs that are being covered for the District, and that is only if the Boards chose to take out monies on that loan. Also, the budgeting process and how that works is not different based on the club versus the lands and how you are saying the membership fees pay one portion versus assessments paying a different portion.

Mr. Zelazny: The residents are purchasing the golf course tract and are paying for the golf course tract, which are joint use amenities. That is what we are assessing the community to pay for and maintain.

Ms. Sandy: The golf course in general is being jointly acquired by both Boards. The land within the respective Districts will be owned by each District, but there will be joint rights to all of the golf course by all.

Mr. Zelazny: I understand that totally.

Ms. Sandy: But I think you are making a differentiation based on membership fees paying for one portion versus resident fees paying assessments.

Mr. Zelazny: That has been the discussion for the last "X" amount of months. The golf club will have to be self-sustaining or we will close the golf course.

Ms. Sandy: I can't speak to each of the individual Board members understanding, but I can speak to how the interlocal is written, and that is not how it is addressed or how it will work under the interlocal going forward.

Mr. Williams: The other thing, just the statement you just made that it will be paid for by the membership or we will close the golf course, you just can't make that statement because that would have to come to the Boards and other Board members may not do that. They may want to assess the residents to keep it open. So, you really can't say you are going to close the golf course.

Mr. Zelazny: Okay, that might have been premature, but in all of our previous discussions, at every meeting we have indicated that if the golf course does not sustain itself, we will take certain measures, either close them, or whatever, but we will not put the golf club as a burden to the residents. That is what we have committed to. Now the assessments and what we agreed to in the interlocal is how we are going to pay for the general amenities and how we are going to share that cost.

Mr. Williams: Even if we agree that we will not burden the residents with that, five years down the line, we all may not be on this Board and the next Board doesn't have to live up to that agreement.

Mr. Costello: Someone made a statement before that we should have waited three years to see what happened, but we are here now, and whoever the next Board is, they are going to have to make the decision as to how they are going to do it.

Mr. Zelazny: Sarah, I don't know if the issue is just the income stream that we are talking about, but the money that we are going to collect from residents, and I don't know what is different, but the residents are going to purchase the land, the golf course tract. That is what they are paying for.

Ms. Sandy: How it is structured under the purchase and sale agreement and under the interlocal is not necessarily how it is working. I think what has been discussed in past meetings is that the hope that the revenues could self-sustain the golf course, but we have not seen the financials so we can't make any representations on that, and that is kind of the initial part of this purchase and sale process, getting the information and looking at it and evaluating whether in fact the Boards want to move forward.

Mr. Zelazny: Correct. The golf course will be self-sustained to support the golf club. It is not intended to purchase all of the amenities.

Ms. Sandy: How the interlocal is drafted based on the Boards' direction at the past meeting, generally there are three portions: the purchase price, the debt or bond payoff, and then the actual operations. The direction we were given at the last meeting, which is the revenues would be used to pay the operations first and foremost, and then would hopefully be used if there were additional profits to pay to refund the debt payoff and purchase price, but the revenues in the budget are from the golf membership, the revenues the golf course brings in, and the assessments that the Boards are levying.

Mr. Zelazny: Correct. There are no issues with that.

Ms. Sandy: But there are not dedicated revenue streams to different portions of the golf course.

Mr. Zelazny: We should not expect residents to pay any portion of maintaining the golf club. That has been discussed ad nauseum at these meetings. Everybody has to share in the general amenities because they are general use amenities, which are the ponds, the bridges, and the greenspace. That is shared. Everybody enjoys it and shares it equally, which is the assessment. Now if the golf club is profitable, those additional revenues can then go to offset the purchase, bonds, and operations and maintenance of the general amenities portion, but that is the way it has always been discussed. It has never been discussed that the golf membership pays for everything.

Mr. Zacharia: Bob and I don't often agree, but I agree with him wholeheartedly on this. There is a major disconnect in interpretations of this assessment and going forward. I will find it very, very hard to move forward, backwards, sideways, or in any direction without knowing whether the words in these assorted documents will allow us to assess sixteen hundred-something units for the operating deficit of running the golf club. Whatever the answer to that is will help me decide where I am going with my one vote. I agree with Bob that profits or losses of operating the golf club where the people play golf should not be something that is on the backs of every homeowner in Lake Ashton.

Ms. Carpenter: What it says now is it explains the process, and that the Boards can levy assessments and would have to levy assessments to cover all of the payments under the contract. The way the contract is structured, the Boards have forty-five days to look at the numbers, to see how it is running, and to understand if the golf club can pay for itself, meaning can the golf operations pay for the golf operations because everybody recognized that each CDD would pay for its own share of maintaining the ponds and things everyone is enjoying. So that forty-five days is what the numbers will come in, when the Boards will look, the golf course consultant will assist, and we will look to see can the golf course membership sustain all of the costs. If the Board makes a decision at that point, if it does, yes, then the only assessment on the residents the first year will be to maintain the assets and physical ponds, etc., that need to be maintained, and then that will be part of the normal budget every year just like you maintain the various buildings

and all of the other ponds. However, the way the documents are written, if there may be a loss for a year, then the Boards would vote on going forward or not and how that would be paid for.

Mr. Zelazny: Again, I will just say to the residents who are here, if after the due diligence phase is done, and we have done all of our assessments, if we can't make money or breakeven on the golf course, that is the time the Boards should vote to walk away from a bad deal.

Ms. Sandy: Are there additional questions or comments by other Board members seeking to clarify anything regarding the interlocal and how it operates?

Ms. Burns: At the meeting before this, the Lake Ashton II Board had said they were comfortable delegating the authority to their Chairman to sign off on a final form of the purchase and sale agreement and interlocal agreement. I don't know if now would be an appropriate time for the Lake Ashton CDD Board to discuss that, as well? Are you comfortable designating one Board member to sign off on the final form of the agreements? If so, the intent would be that those two members would be delegated to sign off on the final form of both agreements.

Mr. Costello: Can we do that at this meeting?

Ms. Burns: Yes.

Mr. d'Adesky: We would recommend that.

Ms. Burns: And with the understanding that if counsel for either District thought that there were substantive changes to the documents, then they would have to come back to the joint Boards.

Mr. Zacharia: I would move for our Chairman, Mike Costello be designated as the Lake Ashton CDD representative to move this forward.

Ms. Carpenter: And maybe to make the motion more clear that the Board approves the substantially final form and delegates Mike to finish executing them, subject to counsel and staff recommendations.

Mr. d'Adesky: For both the interlocal and purchase and sale agreement.

Ms. Carpenter: Yes, for the interlocal agreement and the purchase and sale agreement because they run side-by-side. Is that your motion?

Mr. Zacharia: I accept your clarification.

Ms. Carpenter: Thank you.

Mr. Deane: Second.

Ms. Burns: We have a motion from Murray. A second from Borden. Any discussion from the Board? All in favor?

On MOTION by Mr. Zacharia seconded by Mr. Deane with all in favor the Lake Ashton CDD Board approved the purchase and sale agreement and interlocal agreement in substantially final form; and the Chairman was delegated authority to execute the documents once finalized; subject to finalization and sign-off by counsel and staff.

Ms. Burns: And does the Lake Ashton II CDD Board want to make a similar motion? I know we had that discussion at the Lake Ashton II meeting earlier, but it was kind of subject to both Boards agreeing so I think it would be appropriate to have a similar motion designating Doug for Lake Ashton II.

Ms. Burns: Stan, were you opposed?

Mr. Williams: The same as it was before.

Ms. Burns: Okay. Just want to make sure we get that for the record.

On MOTION by Ms. Wright seconded by Mr. Mecsics with Ms. Wright, Mr. Mecsics, Mr. Robertson, and Mr. Zelazny voting aye and Mr. Williams voting nay, Lake Ashton II CDD Board approved the purchase and sale agreement and interlocal agreement in substantially final form; and the Chairman was delegated authority to execute the documents once finalized; subject to finalization and sign-off by counsel and staff; passing 4-1.

Mr. Williams: Just to clarify, I am just kind of concerned around the purchase and sale agreement and I would like to have more review of the interlocal agreement before it is signed by one person so that is why I voted it no.

Ms. Carpenter: For Lake Ashton CDD, once we get the changes to the interlocal, we are fine with sending it to the Board members and they can call Andrew or me to discuss the changes. It is not going to be approving something you have never seen before. We would like everybody to have an opportunity to look, and again, if there is a problem, we may want to hold this meeting open for a week so we can come back if there is an issue to get it done.

Ms. Burns: I think realistically, it was two and a half weeks until we could find another quorum that would work, but it might make sense to continue just in case.

Ms. Carpenter: It would make sense to hold it open in the event there is something someone sees that they just can't live with. We don't expect that because the changes really match the contract, but we want to make sure you are all totally comfortable with what changes there are. Now that it looks like we will be close to having a purchase and sale agreement, the next thing is jumping in quickly to the due diligence because the minute the agreement is signed by both parties, our forty-five days starts to run. We have gotten proposals for surveys and for the golf consultant, and I think that has already been delegated authority to have that, but it would make sense since these costs are all under bidding requirements, the ones we have seen so far, to delegate to the Board members the authority to enter into the most responsible and cost effective agreements for the various due diligence things if we don't have time to have a meeting to have those approved. That would be for things like building inspections, ADA compliance, environmental, if we need a turf person, etc. There are a number of things that will take some lead time and we will have to get some proposals, so it would make sense to delegate authority to someone or to a number of people if you have people with different specialties that would like to approve the different types of due diligence contracts.

Mr. Deane: I will help with the due diligence if the Board agrees.

Mr. Costello: I will nominate Borden then.

On MOTION by Mr. Costello seconded by Mr. Ference with all in favor Mr. Deane was delegated authority for the Lake Ashton CDD Board to approve the due diligence contracts.

Ms. Burns: And do we have a nomination from Lake Ashton II?

On MOTION by Ms. Wright seconded by Mr. Robertson with all in favor Mr. Mecsecs was delegated authority for the Lake Ashton II CDD Board to approve the due diligence contracts.

Ms. Carpenter: I have one more thing. Since the forty-five day due diligence period is very short, and how time goes by quickly and we need to notice, we probably should have a meeting set around the thirtieth day after the contract is signed, so that way we can have the meeting set and if it needs to be continued we can, but that is going

to take some time for the Boards to look at the numbers and make these decisions, and if necessary have assessments because we will have to have assessments for the operations and maintenance and those kinds of things. If that is okay with the Boards, I would recommend that. It will need to be scheduled as close as GMS can get a quorum to that so we don't miss that forty-fifth day and have time to move around if needed.

Ms. Burns: I think we can just take that as staff direction.

Ms. Carpenter: That is fine, but I do want everybody to be aware that there will be some time where we may have a meeting set that we open and maybe have to move it to another day, but we don't want to set it for the fortieth day and find out we can't get a quorum or something happens because once we sign this, we are tied to it. No vacations for anyone all summer.

Ms. Burns: I have had a couple of Board members email me the dates they are going to be out-of-town ahead of time. That is helpful so if you have a vacation scheduled, if you could maybe email me those dates now and we will try to line up with the understanding we are going to do the absolute best we can do to get everybody there, but it may not be possible. You are always able to participate and vote by phone as long as we have a quorum. We are going to do our best with the understanding that because of the fact that we are really looking at a few days that week, there may not be an opportunity for everybody to be there based on the time of the contract is signed, but we are going to do our best to try to find a time that works for everybody. Anything else on Item #5, the purchase and sale agreement? If not, we can move on.

## **SIXTH ORDER OF BUSINESS**

### **Amenities Policy**

Ms. Burns: Bob added the amenities policy item to the agenda.

Mr. Zelazny: Yes. Before I start on that, I would like to ask Andrew where are we on legal review on the amenities policy that was approved two months ago?

Mr. d'Adesky: We have gone through it and made some consistencies. We had to make sure some of the references are the same. We have cleaned it up and made some of the terms consistent. We just have to kick it back to Sarah, have her review it, and obviously add what you are proposing to add here. Some of the terms will have to conform so they reference both Districts.

Mr. Zelazny: I am not proposing that we make those changes today to the document. What I did hand out was a recommended change to the amenities policies from some residents providing input so you can review it and at the next meeting, if there are any comments to add to it or not, we can do it at that time. I would like to finalize these by the next meeting. Let me give the Lake Ashton CDD Board members a little background. At our last meeting we had a discussion because a number of residents were concerned about a situation at the pet park where their club ran an election of officers to change how things are done with that group. It was determined through the lawyers and CDD manager that we as a Board have no control over clubs and what they do, etc., but buried down in the amenities policy is the definition of a club that is made by the CDD. Now that is because clubs receive some type of benefit in pricing and scheduling versus individuals, so there were some concerns on how the election was handled and club was being run. We don't have any control of that. The residents would like to have these items looked at how to define what a club is, so that is what I am asking you to do, look at the residents' input and see if that would better clarify what a club is to use our facilities. That is really what I would like us to do.

Mr. Costello: At one point I think I asked if we could more-or-less charter or do something like that where they register a club and I believe I was told that we can't do it.

Mr. d'Adesky: We will take a look at the limits of the permissibility. Obviously, as Supervisor Zelazny said, there are limits, but also on the same token, on the other hand we are giving them a discount, so we need to make sure they meet the criteria to qualify.

Mr. Costello: It is not even a matter of discounts, I think it is more of a matter of where people from the outside are using the amenities and clubs and people inside can't.

Mr. Zelazny: There are a number of issues like that. I think we just need to better define what a club is. We don't want to micromanage the club or anything like that, but there should be some parameters. Any club does actually have a voice in the CDD because you represent a number of people, programs, etc. Anyway, I would just appreciate everybody looking at it and if you have any comments let us know, and if you are ready legally at the next meeting, we can move forward right away and finalize it.

Mr. d'Adesky: Certainly, Supervisor Zelazny, but at the same time, if this Board is concerned about bringing it back at the same meeting where we might be speaking about

golf course issues at length, we are more than happy to put it on the same agenda if that is the directive from the Boards, but it will be a long meeting.

Mr. Zelazny: I think it should be on the agenda because it will be very easy. We will either accept the changes or we won't, and we can finalize them and move forward. It shouldn't take more than five minutes to discuss, but if the meeting runs too long, we can wait until the next meeting.

## **SEVENTH ORDER OF BUSINESS**

### **Supervisor Requests and General Public Comments**

Ms. Burns: Do any of the Supervisors have anything? If not, we will turn it over for general audience comments and I will ask you to stick to your three minutes. If anybody has any comments, you can start a line.

Mr. David Price: I guess once we sign the contract that we have forty-five days for due diligence. Does anybody have any idea what the cost of that due diligence is? Have we gotten any quotes, which we know are probably going to come up?

Mr. Zelazny: We have two contractors we are paying to do that.

Mr. Price: Then I guess my question was if you know what that cost is going to be, could we possibly know that?

Mr. Zelazny: It has been announced at every meeting.

Ms. Sandy: For the general golf consultant, which is just one consultant of the various due diligence items to occur, there are two consultants who have been engaged. One, the amount is \$10,000 for their contract, and the second is \$3,500. So, it is a total of \$13,500.

Mr. Price: That is for the golf consultants, not the total for the due diligence, right?

Ms. Sandy: Specifically speaking of the golf course consultants.

Mr. Price: So, we really don't have any idea of what the total cost is or even a guesstimate of what additional costs will be?

Mr. d'Adesky: Sir, can you ask all of your questions and go through your comments? Each individual has three minutes to speak so if you ask all of your questions, we will respond to them.

Mr. Costello: Is that all you that wanted to know, what the due diligence is going to cost us?

Mr. Price: Yes.

Ms. Burns: Okay, then if you are done with your comments, you can feel free to sit down and the Boards can address any questions at the end or you can address them right now. What we don't do is the back-and-forth, so you have an additional fifty-four seconds if you have any other questions or comments.

Mr. Price: That was my question, can we know what the cost is going to be for all of this due diligence? Is it going to be a quarter million? Twenty bucks? The total amount? Can we know that, please?

Ms. Carpenter: Before the next person begins, during the due diligence period we are obviously going to have someone approving contracts. We will put together a list of contracts and I will submit to the Boards what the costs are, and what the various portions are. Again, if something happens and the Boards need to meet to discuss it, they can, but that information is going to be out there and the survey, proposals, etc., I am guessing will be around \$60,000 to \$70,000 for title and insurance. It will probably be somewhere in the \$200,000 range, that would not be unrealistic. Hopefully it will come in less, but again, some of that will occur during the first period so if we terminate things, we would not incur additional costs. We have to get proposals for some of them still, and that list will be kept by GMS, so everyone will be aware of what the costs are.

Mr. John Velebir: I am having a hard time following this because when it started out eighteen months or so ago, we talked about the golf course for an amount of \$234,000 and then it went to \$477,000, but then we have this concept today that has come up today that somehow you are separating the golf course land from golf course operations, which you are calling the golf club. Now without the land, I don't understand how you have a golf club. You are saying you do not want to assess people for golf club operations, but if you don't have the land, what is it? It sounds like you are talking about all this land as an amenity, which anyone can use. If you transfer all of the expenses on to the residents, the golf club will always have a cash flow. I just don't like the structure of this thing. I don't see how you can separate the golf club from the golf course operations. What we are really buying here is the assets of a money-losing business. We need to offset that. What the Boards have decided is they want to own and operate the golf club. It is a business. I think it is ingenuous to start separating pieces of it and say because you have residents

walking on the path, they now have to maintain ten miles of golf cart paths. And same thing with residents being able to see the ponds or fairways so now they have to maintain it. It is not going to be a joint amenity, in spite of what you are saying. I guarantee you that if I want to have a picnic on the joint fairway that is not going to fly, and all the sudden security or police are going to come out there to remove me. You are not really pulling the wool over people's eyes. We see what is going on and know there are going to be assessments. This is the first time assessments have come up. All along I have been hearing don't worry, the golf course guys are going to pay for the whole thing. Just be honest with us and tell us the truth that you are going to be operating a business. Fine, we can deal with whatever comes up, but just be truthful about it.

Mr. Joseph Volpe: I am reading the contract and the deficit funding of the golf course operations. I am sure that will be taken care of in the due diligence period of which the seller is agreeing to basically loan or finance the operations of the golf course, so possibly that assessment that I am assuming the attorney mentioned may not even need to be set. I guess as a precaution you mentioned that? I don't know if it is true or not? I am only assuming it, but reading in the contract, there is actually going to be an agreement between the seller and the buyer for the deficit operation of the golf course.

Mr. Deane: For three years, but it is a loan and you have to pay it back when you collect your dues starting the next year. So, if you are \$300,000 in the hole this year, when you start next year, you are \$300,000 plus any additional deficit, unless we can turn the operation around.

Mr. Zelazny: There will be an assessment for the purchase of the golf course tract. There will be one. Understand that, everyone. There will be an assessment the first year to pay for the golf course. That is not for the operations of the golf club. There will be an assessment to purchase the golf course tract, though.

Mr. Volpe: I was speaking of the deficit operation that the residents who don't golf shouldn't have to pay.

Ms. Sandy: I just want to clarify that both Boards will have to determine how to find funds to pay that purchase price. That could very likely be through an assessment.

Mr. Zelazny: Okay, then I will rephrase that. Each side is going to have to come up with money to pay for that. However, each side pays for it is separate. You can do it

out of your budget, you can do a higher assessment, lower assessment, etc., but come every year you will have your portion of the bill, which is what your total bill is for the golf course, and how you pay for it, you pay for it.

Mr. Al Cooney: It just seems to me that you know it is a losing battle, not making any money, and we are going to spend a lot of money right now to find out that it is not making any money. I was all for buying the land and it being ours, but it just seems like there was no mention before about us being assessed for anything. It was more like, we have the money, we can buy it, and it is not going to cost you anything, but different Board members are saying all the sudden it is going to cost us money. You don't even know how much money or how much it is going to cost to figure out what is wrong with the place or not wrong with it. Some of the folks here keep saying maybe we should hold off. You are going to spend a lot of money to say we should hold off. That is all I have to say.

Ms. Carol Corley: I just wanted to say I have always supported buying the golf course because I think it is important to own the land, but I do not personally feel that residents should be assessed anything for the operation of the golf club, and I also feel that residents who are assessed to buy the land should have equal rights to use the land, even if they don't play golf. If I want to take my dog out for a ride on the golf cart path, I should be able to do that. That is what I think we are all looking at.

Ms. Burns: Anyone else? Then I think that is all of the public comments. Staff kind of coordinated some dates to continue the meeting until, and we are looking at Monday, June 10<sup>th</sup> after Monday Morning Coffee. I know we have some vacations scheduled, so I don't know if that works for everybody? If we need it. That would be the meeting if anybody had any objections or issues come up with the purchase and sale agreement. Essentially the hope is that we have designated the authority to the Chair for each District and that meeting will not be needed, but this is our in case an issue comes up meeting. It is really just a placeholder.

Mr. d'Adesky: But we do need to know that at least three of you can be here from each CDD so we have a quorum.

Ms. Burns: I am seeing most of you nodding, so looks like we will have a quorum that day if need be.

**EIGHTH ORDER OF BUSINESS**

**Adjournment**

There not being any further business to discuss,

On MOTION by Mr. Costello seconded by Mr. Deane with all in favor the meeting was recessed to reconvene on Monday, June 10, 2019 at 10:30 a.m. at the Lake Ashton Clubhouse Ballroom, 4141 Ashton Club Drive, Lake Wales, Florida.

On MOTION by Mr. Mecsics seconded by Mr. Zelazny with all in favor the meeting was recessed to reconvene on Monday, June 10, 2019 at 10:30 a.m. at the Lake Ashton Clubhouse Ballroom, 4141 Ashton Club Drive, Lake Wales, Florida.

**Lake Ashton CDD**

**Lake Ashton II CDD**

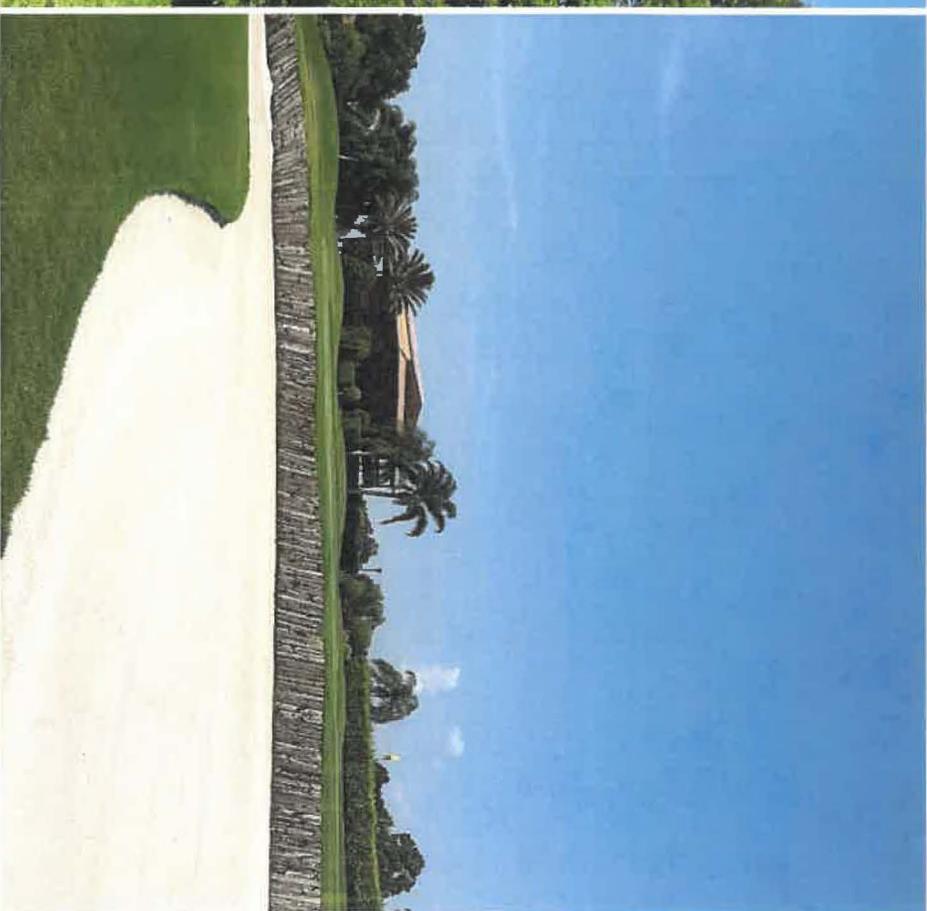
\_\_\_\_\_  
Assistant Secretary/Secretary

\_\_\_\_\_  
Assistant Secretary/Secretary

\_\_\_\_\_  
Chairman/ Vice Chairman

\_\_\_\_\_  
Chairman/ Vice Chairman

# DISCOVERY SESSION REPORT



## Lake Ashton Golf Club

*Winter Haven, Florida*

36-Hole Championship Golf Course

\$477,000.00

**HamptonGolf**  
www.hampton.golf

- Cover Letter.....pg.3
- Discovery Session Advisors..... pg.4
- Property Overview Summary.....pg. 6
  - Dpt. Vitals: Golf Course & Clubhouse.....pg.7
  - Community & Golf Course Map.....pg. 8
  - East Course Scorecard.....pg. 9
  - West Course Score Card.....pg.10
  - Dpt. Vitals: Golf Course Maintenance.....pg. 11
  - Dpt. Vitals: Practice Facilities & Turf.....pg. 12
- Operating Plan Summary.....pg. 14
  - Turf Care.....pg. 16
  - Golf Course Maintenance.....pg. 17
  - Golf Carts.....pg. 19
  - Practice Facilities.....pg. 20
  - Pro Shop & Golf Operations.....pg. 21
  - The Eagle’s Nest.....pg. 22
  - Capital Improvements.....pg. 23
  - Capital Improvement Schedule.....pg. 28
  - Staffing.....pg. 29
- Marketing Strategies Summary.....pg. 31
  - Golf & Lifestyle Programming.....pg. 32
  - Sales Strategies & Training.....pg. 33
  - Online & Digital Marketing.....pg. 36
- Demographic Analysis..... pg. 37
- Operating Budget:.....pg. 39
- Competitive Properties.....pg. 42



Hopping Green & Sams, P.A.  
Attn: Ms. Sarah Sandy  
119 South Monroe Street  
Tallahassee, Florida 32301

RE: Discovery Session Report – Lake Ashton Golf Club

Dear Ms. Sandy:

On behalf of Hampton Golf, Inc. (“**Hampton Golf**”), thank you for selecting us to perform a Discovery Session of Lake Ashton Golf Club (the “**Club**”) on behalf of Lake Ashton Community Development District and Lake Ashton II Community Development District (collectively, the “**Districts**”). This Discovery Session Report (this “**Report**”) is based on our experience in golf course operation and management, and our recent visit and property tour on June 26 and June 27, 2019. Our on-site visit included a tour of the golf course and clubhouse, and meetings with senior golf/food & beverage staff and Mr. Jim Lee, the Club’s current manager.

During our Discovery Session, we performed an independent and informed assessment of the Club’s golf operations, marketing/membership initiatives, advertising programs, food & beverage operations, capital improvement needs, and turf care program. Accordingly, this Report includes:

- (i) an estimated operational budget for the Club’s first fiscal year and for the Club’s subsequent five fiscal years, both of which reflect all projected revenue, expenses and anticipated capital contribution requirements for the operation of the Club, including assumptions pertaining to membership growth and other related revenue opportunities;
- (ii) an Operating Plan outlining our observations and recommendations for each department at the Club;
- (iii) a preliminary Capital Improvement Plan and corresponding schedule for the operation of the Club; and
- (iv) a comprehensive market analysis concerning the Club’s competitive landscape and golfer demographics.

We greatly appreciate the opportunity to have conducted a Discovery Session for the Club. We hope this Report meets the Districts’ expectations and imparts a clear understanding of the Club’s operations and its potential based on our professional opinion. Please feel free to contact our authorized representative handling this matter, Mrs. Kamli Howard, by phone at (904) 862-6295 or by e-mail at [khoward@hampton.golf](mailto:khoward@hampton.golf), with any questions you or the Districts may have about this Report.

Sincerely,



MG Orender, *President*

**Hampton Golf, Inc.**  
7845 Baymeadows Way, Jacksonville, FL 32256  
Tel: 904.564.9129 | [www.hampton.golf](http://www.hampton.golf)

**Discovery Session**  
**ADVISORS**

**Kamli Howard, Esq.**  
General Counsel  
Tel: 904.862.6295  
[khoward@hampton.golf](mailto:khoward@hampton.golf)

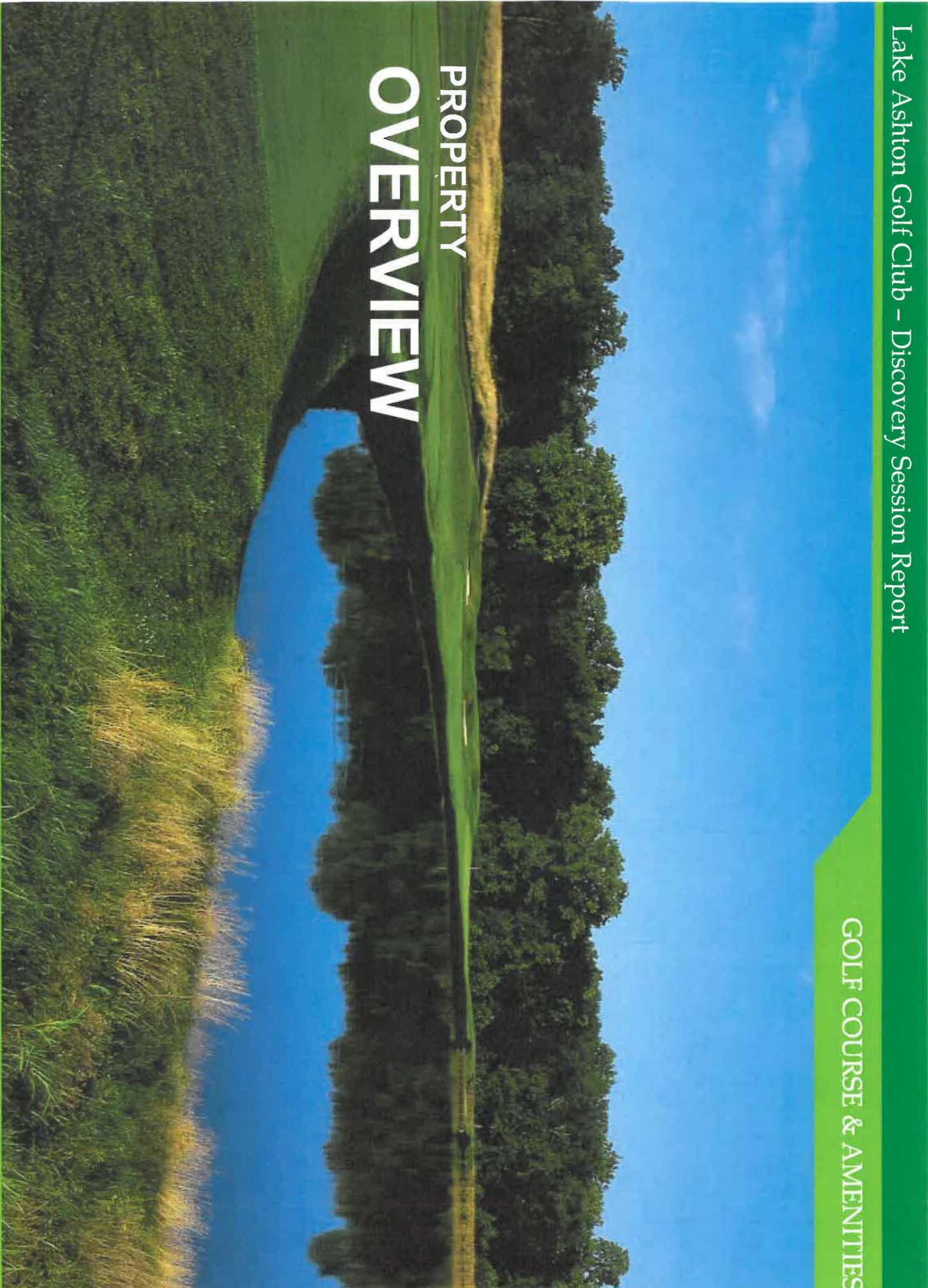
**Justin Kuehn**  
Vice President of Marketing & Sales  
Tel: 904.862.6299  
[jkuehn@hampton.golf](mailto:jkuehn@hampton.golf)

**Matt Payne**  
General Manager  
Tel: 352.307.2362  
[mpayne@hampton.golf](mailto:mpayne@hampton.golf)



**Jim Knierim**  
Regional Manager  
Tel: 352.277.5000 ext. 3805  
[jknierim@hampton.golf](mailto:jknierim@hampton.golf)





PROPERTY  
OVERVIEW

### Summary

Lake Ashton Golf Club (the “Club”) consists of 36-holes of regulation-length golf, designed by Larry Maxwell & Mark Schreiber. The golf courses encompass 160 +/- acres of Bermuda grass and tif-dwarf greens. The 18-hole “East Course” features 6,306 yards of golf from the longest tees for a par of 71. The 18-hole “West Course” features 5,704 yards of golf from the longest tees for a par of 70. Both golf courses are narrow and feature exceptional views of the surrounding lakes.

The golf courses are maintained in good playing condition by IGM and offer additional course amenities: a turf driving range and two practice putting greens. The 3,804 square foot golf clubhouse features an office, three bathrooms, a large golf pro shop and a small restaurant and bar called the “Eagle’s Nest,” which offers guests both indoor and outdoor seating with capacity for up to 154 guests (combined). The Maintenance Facility includes two buildings and a separate secure chemical storage area. The Maintenance Facility is not included in the sale; however, the Districts may lease the Maintenance Facility from the Sellers for \$10.00 per year, plus real estate taxes and other related expenses. The maintenance equipment is owned and included in the sale, along with the golf carts that are also owned.

The Club is located in Winter Haven, Florida, off US-27, just forty-five minutes from US Interstate 4, the primary highway route connecting Tampa to Orlando making the Club readily accessible to destination golfers from central & west-coast Florida. The Club is firmly positioned in the path of development and is the nearest full-service golf course facility to thousands of new homes and residents. This ideal location within an established 55+ community consists of more than 1,000 existing homes with another 190 homes planned. The total approved projected buildout is 1,650 homes.



### HIGHLIGHTS

- Listing Price: \$477,000
- 36-Holes of Championship Golf – Designed by Larry Maxwell & Mark Schreiber
- East Course built in 2001
- West Course built in 2006
- Acreage: 160 +/-
- Maintenance Equipment & Golf Carts are Owned
- Significant Upside Available by Re-positioning courses as a Community Amenity.
- 190 Developable Lots within the Lake Ashton Community
- Planned build-out: 1,650 homes.
- 2018 Gross Revenue: \$1,914,714
- 2018 Rounds: 36,555



### Department Vitals

#### GOLF COURSE SPECIFICATIONS

Year Built:	East Course: 2001 / West Course: 2006
Course Architect:	Larry Maxwell & Mark Schreiber
Renovations:	Bridges replaced in 2016 & new driving range nets installed in 2017
# Holes Existing:	36
# Holes Future:	0
Total Acres:	160 +/-
Total Maintainable Acres:	160
West Coast Yardage (Back Tees):	5,704
East Course Yardage (Back Tees):	6,306
Greens Acreage:	East Course: 3 / West Course: 2.5
USGA Rating (Back Tees):	East Course: 70.1 / West Course: 67.5
Golf Membership Season:	Oct. 1 <sup>st</sup> – Sept. 31
Greens Fees (Peak season)	\$45
Cart Fees (Peak season   High-Low):	Included
Trail Fees (Annual):	N/A

#### CLUBHOUSE | PRO SHOP

Year Built:	2017
Square Footage:	3,804 (pro shop: 1,902 / Eagle's Nest: 1,902)
Construction Type:	Wood Frame
Facility Description:	Large golf pro-shop, three bathrooms (2 downstairs & 1 upstairs), Eagle's Nest Restaurant with full-service bar, indoor & outdoor seating.
Eagle's Nest Capacity:	154 (indoor: 80 / outdoor: 74)
Separate Meeting Rooms (Y/N):	N
# Meeting Rooms:	0
Capacity of Each Meeting Room:	N/A
Full Liquor License (Y/N):	Y
Locker Rooms (Y/N):	N
Prior Year # Members (2018):	311
POSSystem:	Club Prophet Systems
Accounting System:	N/A
Payroll System:	ADP
Pro Shop Inventory (Full/Ltd/None):	Club Prophet Systems



Community & Golf Course Map



East Course Scorecard

 <b>LAKE ASHTON</b> East Course											TEE MARKERS Women		USGA Course Rating	USGA Slope Rating	TEE MARKERS Men		USGA (C) Rating	USGA (M) Rating						
Blue - 4468 Yds	66.8	115	Black - 5996 Yds	70.1	125																			
Blue/Green - 4062 Yds	64.4	110	Black/Gold - 5631 Yds	68.1	122																			
Green - 3722 Yds	62.1	110	Gold - 5450 Yds	67.4	118																			
			White - 4813 Yds	64.2	107																			
			Blue - 4468 Yds	63.0	105																			
HOLE	1	2	3	4	5	6	7	8	9	OUT	10	11	12	13	14	15	16	17	18	IN	TOT	HCP	NET	
BLACK	404	215	380	501	340	345	286	178	342	2991	I	355	388	610	108	314	364	142	360	3005	5996			
BLACK/GOLD	404	176	362	477	340	273	286	166	342	2826	N	355	329	511	108	314	322	364	142	360	2805	5631		
GOLD	391	176	362	477	290	273	268	166	301	2704	I	335	329	511	108	284	322	355	142	360	2746	5450		
WHITE	331	159	321	421	290	257	200	92	278	2349	T	317	298	400	108	255	316	283	142	345	2464	4813		
BLUE	330	146	315	389	231	250	195	92	270	2218	I	278	274	400	105	198	284	270	130	311	2250	4468		
BLUE/GREEN	279	146	250	372	190	250	195	87	270	2039	A	200	200	376	105	198	284	270	130	260	2023	4062		
GREEN	279	138	250	372	190	150	175	87	162	1803	L	200	200	376	73	178	250	263	119	260	1919	3722		
MEN'S HDCP	1	13	3	5	7	15	17	9	11		S	12	6	8	18	16	10	4	14	2				
WHITE HDCP	3	9	1	5	7	13	15	17	11			4	6	8	18	16	12	10	14	2				
PAR	4	3	4	5	4	4	4	3	4	35		4	4	5	3	4	4	4	3	4	35	70		
LADIES' HDCP	1	17	3	5	7	11	13	15	9			4	2	8	16	18	10	12	14	6				
DATE:	SCORER:										ATTEST:													

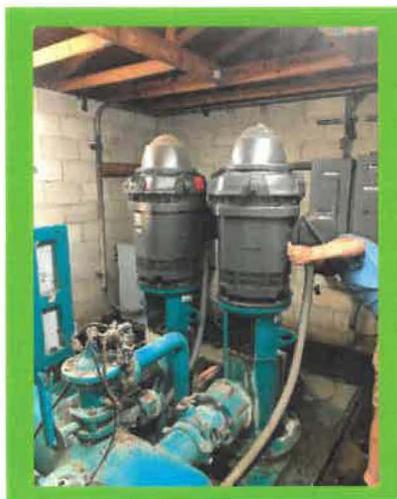
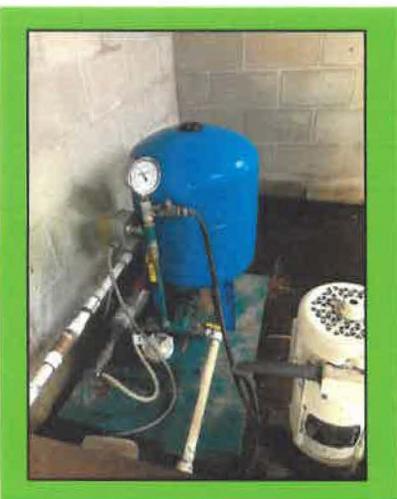
West Course Scorecard

 <b>LAKE ASHTON</b> West Course											TEE MARKERS Women		USGA Course Rating	USGA Slope Rating	TEE MARKERS Men		USGA(IC) Rating	USGA (S) Rating						
		Blue - 4302 Yds	65.2	111	Black - 5704 Yds	67.5	124																	
		Blue/Green - 3962 Yds	63.2	106	Black/Gold - 5306 Yds	65.7	114																	
		Green - 3832 Yds	62.1	104	Gold - 5118 Yds	64.9	112																	
					White - 4605	63.2	104																	
					Blue - 4302 Yds	61.6	99																	
HOLE	1	2	3	4	5	6	7	8	9	OUT	10	11	12	13	14	15	16	17	18	IN	TOT	HCP	NET	
BLACK	284	382	182	340	500	326	122	375	370	2881	I	296	474	106	323	205	328	308	368	415	2823	5704		
BLACK/GOLD	284	330	132	287	500	326	122	360	325	2666	N	296	474	106	323	175	280	308	340	338	2640	5306		
GOLD	270	330	132	287	440	310	119	360	325	2573	L	285	427	94	310	175	280	296	340	338	2545	5118		
WHITE	220	313	132	252	350	300	119	313	300	2299	T	273	387	94	310	140	237	283	280	302	2306	4605		
BLUE	198	283	97	224	350	295	98	313	270	2128	I	243	380	81	280	140	230	270	267	283	2174	4302		
BLUE/GREEN	198	214	97	190	304	295	98	242	220	1858	A	243	327	81	280	140	230	270	257	276	2104	3962		
GREEN	176	214	93	190	304	286	65	242	220	1790	L	232	327	73	263	123	230	261	257	276	2042	3832		
MEN'S HDCP	13	5	15	7	3	11	17	1	9		S	12	4	18	8	14	10	16	6	2				
WHITE HDCP	13	3	15	9	5	7	17	1	11			12	2	18	6	10	14	16	8	4				
PAR	4	4	3	4	5	4	3	4	4	35		4	5	3	4	3	4	4	4	4	35	70		
LADIES' HDCP	15	3	15	11	7	5	17	1	9			14	6	18	4	16	8	12	10	2				
DATE:	SCORER:										ATTEST:													

### Department Vitals

#### IRRIGATION | WATER SUPPLY | MAINTENANCE

# Pumps:	4 (two per course)
Year Installed:	East Course: 2001 / West Course: 2006
Total Gallons:	under 500
Water Supplier:	None
Water Source (reclaimed, run-off, well):	Lakes
Permit Expiration:	Permit not required
Other Restrictions on Water Use:	None
Known Environmental Issues:	None
Maint. Facility Construction Type:	Concrete Block
Maint. Equip. Owned/Leased (Expiration):	Owned
Lease Type (Operating/Capital):	N/A
Gasoline Storage Above/Below Ground:	Above
Underground Fuel Storage Now/Past (Y/N):	None
Separate Chemical Storage (Y/N):	Y
Washdown Separator (Y/N):	Y
Cart Path Composition:	Concrete
Indoor Equipment Storage (Y/N):	Y



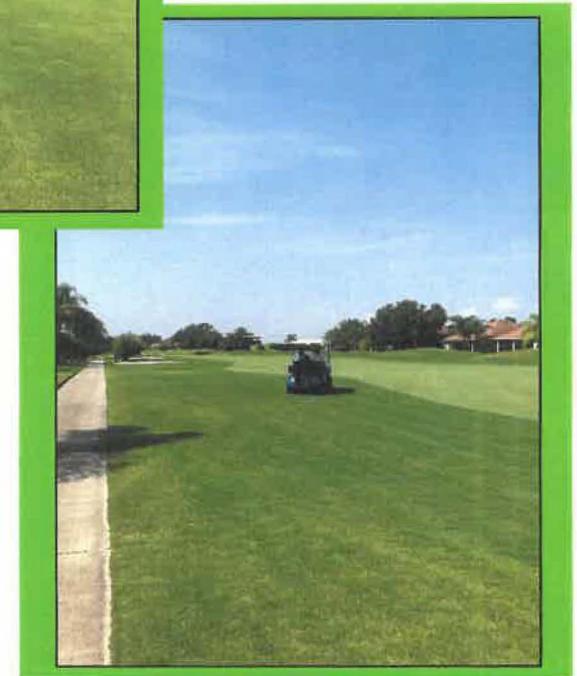
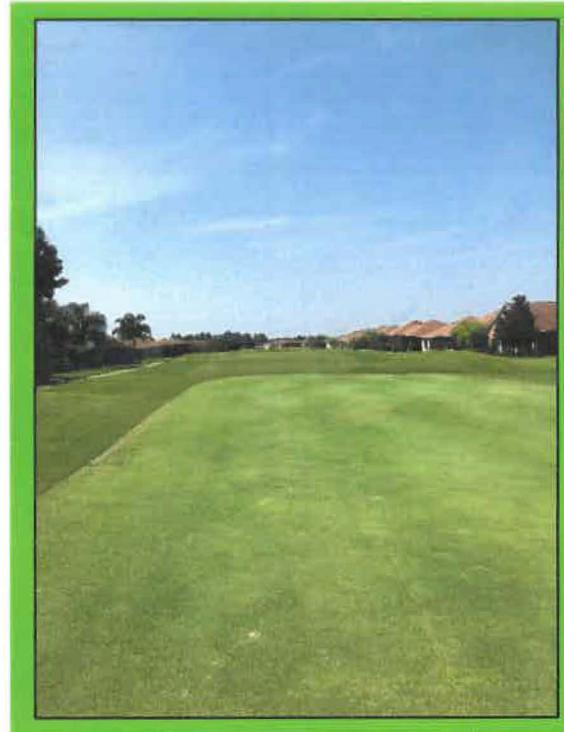
## Department Vitals

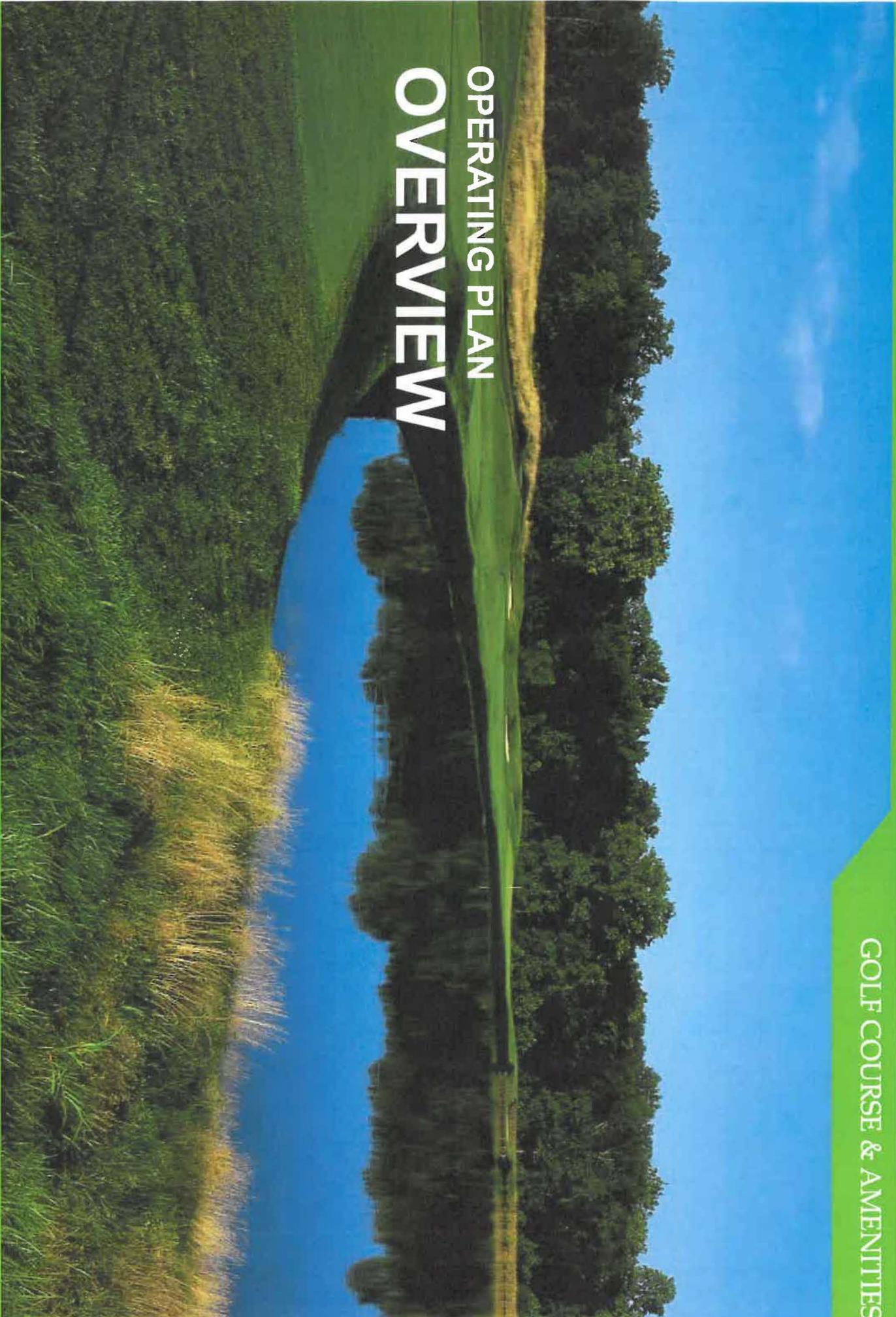
### PRACTICE FACILITIES | GOLF CARTS

PGA Professionals Instruction (Y/N):	Lessons with Head Golf Pro
Separate Teaching Pro Area (Y/N):	N
Driving Range 1 or 2 Sided:	1
Hitting Stations Front/Back:	N/A
Chipping Area (Y/N):	Y
Practice Bunker (Y/N):	Y
# Putting Greens:	2
# of Carts:	15
Carts Owned or Leased (Expiration):	Owned
Type:	EZ-GO

### TURF GRASS

Green Composition:	Tif-Dwarf
Fairway Composition:	Bermuda 419
Tee Box Composition:	Bermuda 419
Rough Composition:	Bermuda 419
Over Seed During Year (Y/N)   Type:	No overseeding is completed





OPERATING PLAN  
**OVERVIEW**

### Summary

This page provides an “at-a-glance” summarization of the main findings and overall recommendations for the Districts’ operation of the Club that are further detailed in this Report.

In Hampton Golf’s professional opinion, the Club has the potential to reach the Districts’ goal of breaking-even and eventually becoming a profitable golf asset. To achieve this, several changes need to be made to the Club’s operational structure. The Club currently lacks consistent oversight from management and common procedures to adequately maintain and operate the Club. To maintain a prominent presence in the golf industry, golf clubs must adapt to the rapid changes and constantly incorporate innovative techniques, technologies and strategies into golf management. Such practices will provide success to the overall operation by identifying potential areas for improvement and thus lead to more effective management.

As you will see in this Report, the Club incurs excessive labor expenses in Golf Operations and Food & Beverage. In addition, not having a General Manager or similar position consistently overseeing the day-to-day operations of the Club has resulted in deferred maintenance, lack of attention to detail, and inconsistency in the customer’s experience which ultimately harms any effort made to attract new members and special events to the Club. While the Club does not provide much golf programming and marketing, members have expressed their enjoyment of the camaraderie and social aspect of the Club, which is very promising. We suggest that the Districts continue to nurture the current membership with improved experience, programming and value as further discussed in the Marketing Strategies section of this Report. One of the most important aspects of any golf club is marketing and the current operator does not do much of it, especially to Lake Ashton Community residents. Effective marketing initiatives to residents within the Lake Ashton Community and surrounding area will establish new golf memberships, retain current golfers and attract potential golfers.

In addition, the condition of each golf course is what will drive golfers to come to the Club and play, so maintaining the golf courses in excellent condition is important. The golf courses have been maintained in good playing condition by IGM and Hampton Golf believes the Districts will still need an experienced turf care service provider to handle the Club’s golf course maintenance practices; however, Hampton Golf recommends that the Districts terminate the Club’s month-to-month contract with IGM and hire a full-service professional golf management company instead, which will result in substantial savings to the Districts’ bottom line. Not only will the golf courses continue to be maintained in its current condition or better, a full-service professional golf management company will provide the following benefits to the Districts: (i) employee liability will not be the Districts’ responsibility; (ii) all Club employees (golf, F&B & golf course maintenance) will be employed by the management company as opposed to different employers, which can cause issues in training and quality assurance; (iii) operational procedures and programs to keep the Club in line with industry standards; (iv) employee training and administration (e.g., job descriptions, payroll, etc.); (v) consistent managerial oversight; (vi) operational manuals development; (vii) vendor relationships that can reduce the Club’s COGS; (viii) lifestyles and programming initiatives that have proven to be successful at other golf facilities; (ix) marketing services, data collection, website and social media management; and (x) financial oversight and reporting.

In sum, a full-service professional golf management company is the best solution for the Districts to overcome some of the operational challenges we identified in this Report in order to achieve the goal of improving the Club’s profitability and customer experience.

## Hampton Golf's Property Observation Program

At Hampton Golf, we understand the importance of providing the highest standards of excellence at all of our golf facilities, especially in regards to property conditions as it directly affects the guests' overall experience.

Accordingly, during our on-site visit at the Club, we performed our Property Observation Program ("POP"), which involves a detailed evaluation of the Club's operations and condition, from the parking lot and clubhouse through the golf course and maintenance facility. The following pages of this Report provide a summary review of the Club's current physical condition and any deficiencies we observed in its operations based on our POP findings and research.

We do recommend that the Districts implement a program similar to POP to ensure all facilities and buildings at the Club are maintained in a manner consistent with other Community amenities and in a good state of repair, free from hazardous conditions and deterioration. The Club currently does not have such a program in place, which has resulted in deferred maintenance of the golf clubhouse facility and driving range.



### Parking Lot

1. Is this area safe (trip hazards, slip hazards, fire hazards, etc.)?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	Comments:
2. Is the lighting appropriate for the area? Are all lighting units/fixtures functioning?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	Comments:
3. Is this area clear of foul odors?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	Comments:
4. Is this area clear of debris and trash?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	Comments:
5. Are the trash receptacles clean and emptied at an appropriate level (1/2 full or less)?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	Comments:
6. Is the dumpster free from adjacent or overflow trash?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	Comments:
7. Are the directionals and signage: (i) clear [i.e. where to go, what to do]; (ii) accurate; (iii) clean; (iv) in good condition; (v) and well-painted?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	Comments:
8. Is the landscape kept?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	Comments:
9. Are the stripes clear and well-painted?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	Comments:
10. Overall condition of the parking lot:	Excellent Very Good Good Satisfactory Poor	Comments:

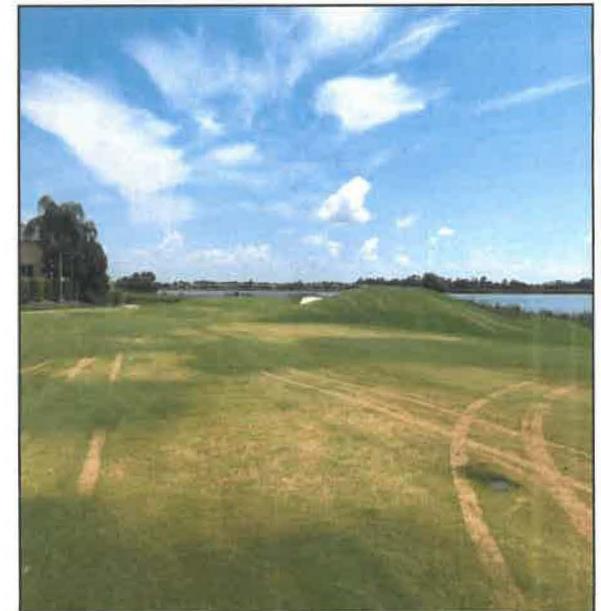
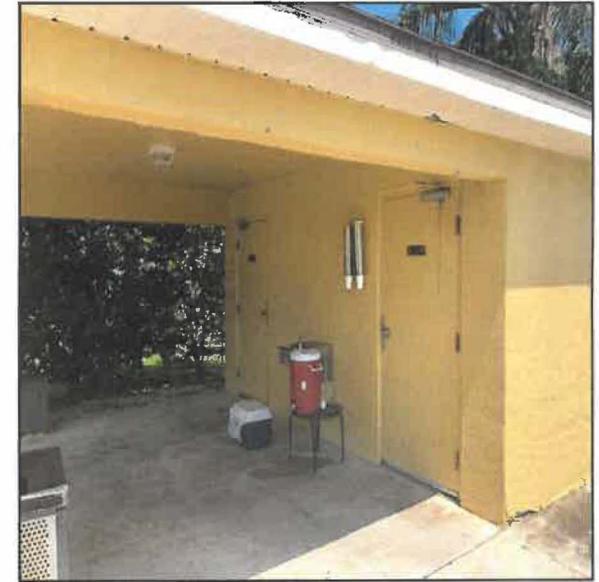
Page 5 of 35

### Turf Care

The golf courses appeared to be in generally good condition for this time of year and is benefitting from the expertise of IGM. For example:

- Both golf courses appeared free of weeds in all play areas.
- The on-course restrooms were clean and fully-stocked.
- The cart paths, hole signs and tee markers were in very good shape as well.
- Most of the cart paths were well-maintained; some were in need of edging (see picture below).
- Most bunkers had a well-defined edge, while others were in need of edging (see picture below).
- A couple of fairways had hot spots (see bottom right picture); possible irrigation issue; however, the irrigation looked healthy and did not appear to have any leaks. Thus, the hot spots were likely due to the time of year and heat (it was 98° F when the picture was taken). In addition, the Superintendent was on vacation during the week of our on-site visit, which likely had something to do with the minor turf condition issues we observed.

We noted no obvious urgent problems that would need to be addressed immediately to prevent the loss of revenue; however, the Districts should consider renovating the greens on the golf courses to improve playability and the golfer experience. As further detailed on pg. 23 of this Report, the current tif-dwarf greens are mutating and an ultra dwarf replacement would be a recommended upgrade. While the current putting surfaces were in good shape, the roll is not as consistent as it would be with new ultra dwarf greens.



## Golf Course Maintenance

### Maintenance Facility

The Maintenance Facility is conveniently located between the East and West golf courses with access located between Hole 16 on the East Course and Dunmore Drive. The Maintenance Facility is a metal building with pole barn equipment storage and provides a separate chemical storage area. The Maintenance Facility is not included in the sale; however, the Districts may lease the Maintenance Facility from the Sellers for \$10.00 per year, plus real estate taxes and other related expenses. During our on-site visit, we noticed that the nets positioned along Hole 16 of the East Course had been removed with only the poles remaining. This presents a potential safety issue given that there is no net to protect staff and equipment from arrant golf shots off Hole 16. Further analysis of Hole 16's tee position and fairway shots in relation to the location of the Maintenance Facility is necessary to determine whether new nets should be installed.

### Golf Course Irrigation

There are two irrigation pumps per golf course that appeared healthy and no leaks were observed. Since the golf courses use under 500 gallons per year and source water from the surrounding lakes, a water use permit is not required. Per IGM, the Club has never exceeded water usage on an annual basis.



## Golf Course Maintenance

### Maintenance Equipment

The golf course maintenance equipment is owned and housed inside the Maintenance Facility. The equipment is staged in conjunction to its function on the property.



### Golf Carts

In 2017, 12 new EZ-Go golf carts were purchased. 3 golf carts from the old fleet were kept for staff use, which have been refurbished. All of the golf carts appeared to be functioning, in good shape and well-maintained. During our on-site visit, we noticed that some of the golf carts were not properly staged/stocked (i.e., missing a towel and/or pencil), which indicates a lack of attention to detail. Minor issues like this can be avoided by implementing check-lists for team members to perform prior to opening, closing and mid-day shift change (as applicable).

Golf carts are stored in a separate facility adjacent to the golf clubhouse. During our visit, we noticed several cords hanging down in the cart storage facility. We recommend that the Districts have the cords hung to prevent the charger being pulled down and damaged.

Since the majority of Lake Ashton Community residents own a golf cart and buyers of new construction homes within the Community receive a complimentary golf cart with their home purchase, the Club only needs a small fleet of golf carts to accommodate members and their guests; however, the Club loses out on a significant opportunity to generate revenue from outside golf tournaments and outings due its small golf cart fleet.



### Practice Facilities

The Practice Facilities include a one-sided turf driving range and two putting greens, which are sufficient for a golf facility of this size and nature. A new net was installed along the driving range in 2017, but it does not seem high enough to prevent golf balls from clearing into the adjacent wetlands (see top right picture).

While the putting greens appeared to be in great shape, the driving range was unprofessionally maintained as indicated in the picture below. For example, the driving range tees were disorganized, garbage cans were overflowing both days we were on-site, and the grass around the hitting stations needed to be maintained. Attention to detail is paramount in the golf club industry, especially given that the Club's driving range is part of the Eagle's Nest view and is the first golf amenity seen by customers. Some golfers could be deterred from playing the golf course simply based on the conditions and staging of the driving range. Issues like this can easily be avoided through implementing a routine facility condition assessment program similar to POP and daily operations check-lists for staff to complete after clocking-in, during shift-change and before clocking-out. We also recommend using putting green flag sticks to replace some of the cup holes on the practice greens.

In addition, we believe the Club could successfully generate new revenue by implementing innovative driving-range related programs at the Club; provided that the maintenance and staging of the driving range improves as outlined above. The Districts should focus the business practice at the Club's driving range on attracting patrons who visit the facility for reasons other than golf.



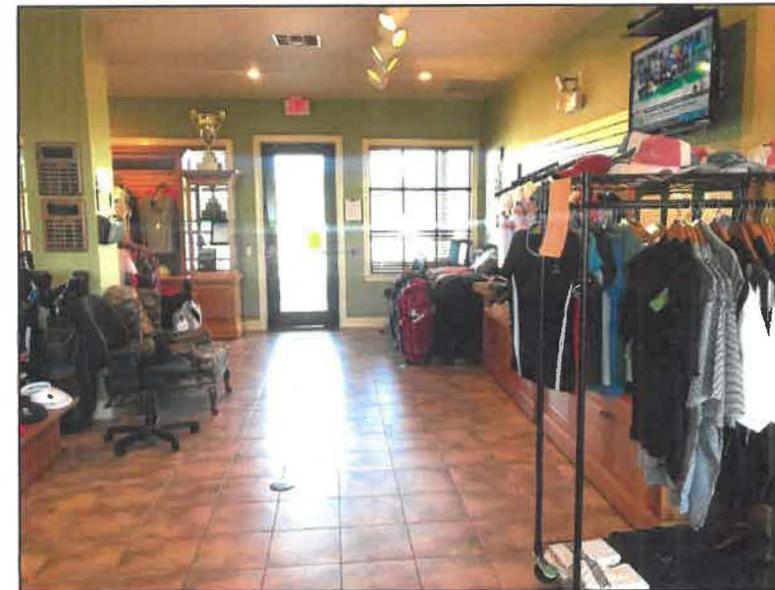
## Pro Shop & Golf Operations

Based on our on-site visit and research, the Club must improve golf programs while decreasing department expenses. Expenses and labor associated with the Golf Operations department are more than 20% higher than clubs in the Hampton Golf portfolio with similar rounds and operational structure. We suggest reducing the labor percentage by a minimum of 15%. To do so, the Club must fuse responsibilities, reduce commissions paid for high margin products, and consistently monitor labor versus revenue by hour and by day.

The Club must also adopt an online booking solution for tee times, bill paying, etc. Currently, members and guests must call the Pro Shop for tee times or to sign up for an event. Online tee time reservations increase by more than 10% per year. By not adopting a digital booking solution, the Club will continue to experience increased labor percentages in the Golf Operations department due to the need to have a Team Member ready at the phone.

Furthermore, we recommend that the Districts capitalize on selling convenience items to the customers of the Club as opposed to its current merchandising structure. In this day in age, there is no need for a golf facility to compete with big box retailers or suffer the cost of carrying inventory of hard goods. Thus, the Club should limit its Pro Shop inventory to an almost “convenience items” only practice. Of course there are exceptions, but for the most part, there is no reason for the Districts to incur the cost associated with carrying expensive inventory items. The Club can increase sales of “convenience items” by customizing said items and imploring the customers to purchase said items in support of the Districts’ asset. *For example, by reducing the SKUs from 200 to 50 and private labeling some items (e.g., gloves), Blue Sky Golf Club experienced increased sales and much better margins in the sale of golf shop merchandise.* To still be able to provide customers the opportunity to purchase golf clubs from the Club, the Districts can utilize its relationships with vendors to host “demo days” at the Club.

## OPERATING PLAN



### Eagle’s Nest at Lake Ashton Golf Club

The Eagle’s Nest is a small food establishment with a full bar located on the second floor of the golf clubhouse. The Eagle’s Nest offers indoor seating for 80 people and outdoor seating on the wrap-around, covered porch for 74 people. The Eagle’s Nest features 360° views of the surrounding lakes, practice facilities and several golf course holes. The menus are prepared by the Club’s F&B vendor, Sysco, and changed every six months. The Eagle’s Nest does not have a full kitchen; rather, all food items are prepared behind the bar which limits the Club’s menu offerings.

In light of this arrangement, we found the F&B Department’s labor and cost of goods sold (“COGS”) to be excessive. Currently, the Club employs 5 cooks and 10 servers. We recommend that the Districts reevaluate the number of cooks and servers it employs at the Eagle’s Nest once the Districts have determined whether to keep the Eagle’s Nest operations in its current structure or renovate the restaurant to include a full-service kitchen as further discussed on pg. 25 of this Report. If the Districts chose to continue operating the Eagle’s Nest as-is, then a reduction in F&B staff is recommended to reduce unnecessary labor expenses.

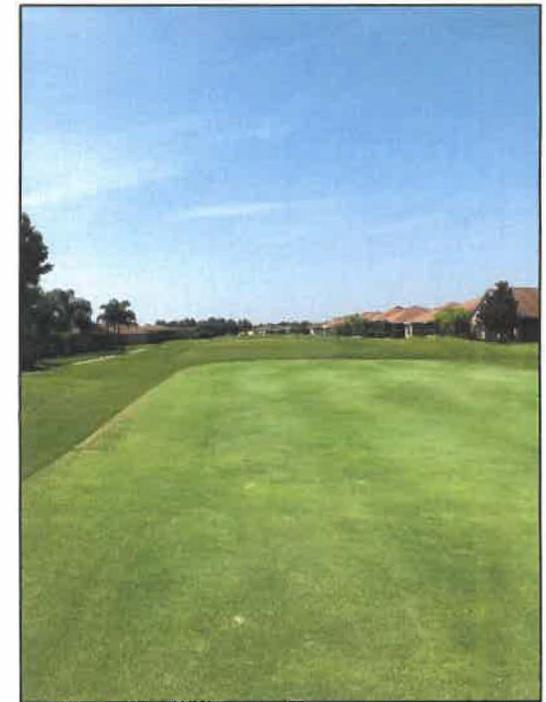
In addition, it is unclear why the F&B Department’s COGS are so high (currently 60.5% for food & 48.7 for alcohol) in light of Sysco’s involvement with menu development & inventory purchasing. It is likely due to waste; however, the current operator does not track spoilage so we were unable to provide a clear assessment of the F&B Department COGS. We recommend that the Districts reduce the COGS to at least 41% for food and 34% for alcohol.



### Capital Improvements: Golf Course

In light of the new driving range nets and bridges, we did not find any critical, high priority capital needs on the Club's golf courses and practice facilities. Rather, we identified several longer-term capital improvements for the Districts to consider:

- Replace netting around Maintenance Facility.
  - As a condition precedent to this improvement, an assessment of the tee and fairway shot positioning on East Course Hole 16 should be completed to determine the necessity of the nets.
  - If it is unlikely arrant golf shots will damage equipment or injure maintenance staff, then the nets should not be a priority.
- The maintenance equipment is currently in good operating condition, but will need to be updated in the future due to the age of the equipment.
  - We recommend allotting \$150,000 per year to update the maintenance equipment until all such equipment has been replaced.
  - Alternatively, the Districts can consider a lease package that includes an option to purchase the leased equipment.
- Renovate the greens on both golf courses.
  - The golf courses' tif-dwarf greens are starting to mutate and need to be renovated to ultra dwarf.
  - The Districts should renovate the greens on one golf course per year to minimize disturbance.
  - We recommend tif-eagle greens because there are no shade issues on the golf courses (tif-eagle loves sunshine) and the longevity of tif-eagle grass. In addition, tif-eagle is a premier playing surface and will improve the golfing experience as a result.



## Capital Improvements: Golf Clubhouse

The roof of the golf clubhouse was replaced following Hurricane Irma in 2017. In 2018, the HVAC unit and walk-in cooler were also replaced. Thus, we identified only a few capital improvement needs at the golf clubhouse as further detailed below. Some items are of higher priority (e.g., signage & deferred maintenance), while other items are not necessarily critical, but relate more to aesthetics and being consistent with maintaining a higher-end image for the Club, such as renovating the Eagle’s Nest bathroom.

- There is no signage in the Pro Shop or by the stairwells (inside & outside) that directs patrons to the Eagle’s Nest upstairs. The only way a customer would know that there was a food and beverage establishment upstairs is if they asked or otherwise heard about it from someone else. Thus, we recommend that the Districts install appropriate directional signage for the Eagle’s Nest at all points of entry and at the outside & inside stairwells leading up to the Eagle’s Nest.
- The Eagle’s Nest bathroom (upstairs) is outdated and does not accommodate the restaurant’s capacity (154 total).
- Deferred Maintenance Items:
  - Cobwebs and dirt in exterior window sills.
  - Lots of cob webs and wasp/carpenter bee nests around exterior.
  - Broken tile near front entryway (potential trip hazard).
  - Building is in need of pressure washing, especially the dormer.
  - Dusty ceiling fans.
  - Ceiling around air vents need cleaning.
  - F&B storage was disorganized.
  - Bathrooms were untidy.



### Capital Improvements Cont'd

The Districts may also want to consider renovating the Eagle's Nest to elevate aesthetics and allow a more robust food & beverage offering by constructing a full-service kitchen, which would result in an increase of revenue and member satisfaction. At minimum, the Districts should renovate the upstairs bathroom serving the Eagle's Nest to sufficiently accommodate dining capacity (clogging & overflow is a concern) and to give it a fresh, new look. Please note that the complete renovation of the Eagle's Nest is not included in the capital improvement schedule set forth on pg. 28 of this Report, since it is not critical to the Club's continued operations.

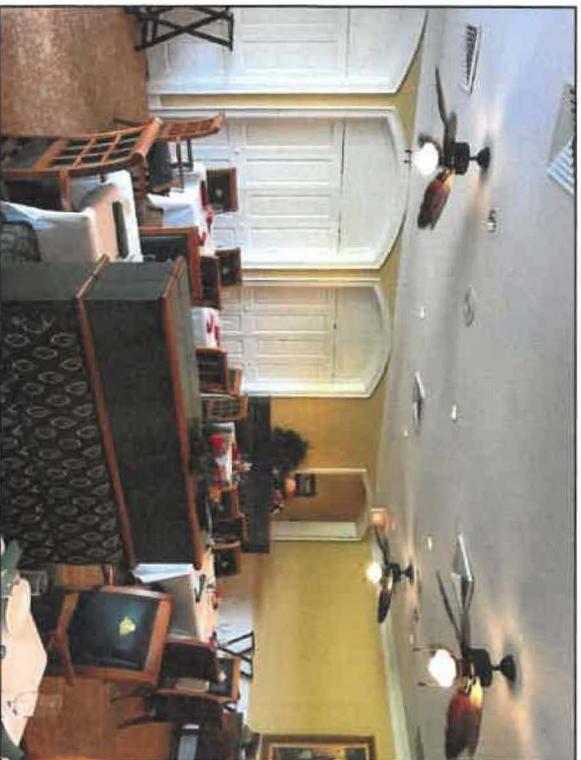
Throughout our experience in the golf club management industry, we have seen how basic aesthetic improvements (e.g., new wallpaper or flooring) and complete renovations (e.g., transforming a golf shop into a bar) can result in a significant increase in food & beverage sales for a golf facility. *For example, the renovation of Blue Sky Golf Club improved food and beverage sales by 76% and Eagle Harbor Golf Club by 200%.*

We believe that the Club can experience the same type of success. If an appropriate and well-thought out plan is prepared, the renovation project will not be hard to execute. Hampton Golf suggests that a casual dining experience is created with American-style meals provided throughout the day, similar to a "grill" atmosphere. Moreover, the Club already has a liquor license and full bar operation, which is one less task the Districts will have to complete.

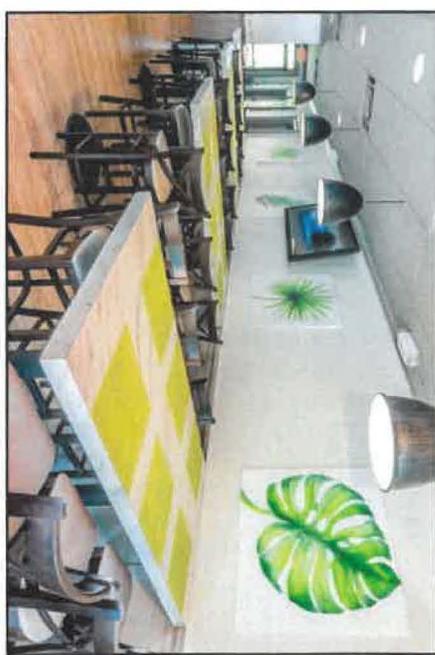
The following pages comprise of before and after pictures of two recent renovation projects completed by Hampton Golf to serve as an example of successful renovation projects at golf facilities similar to the Club.



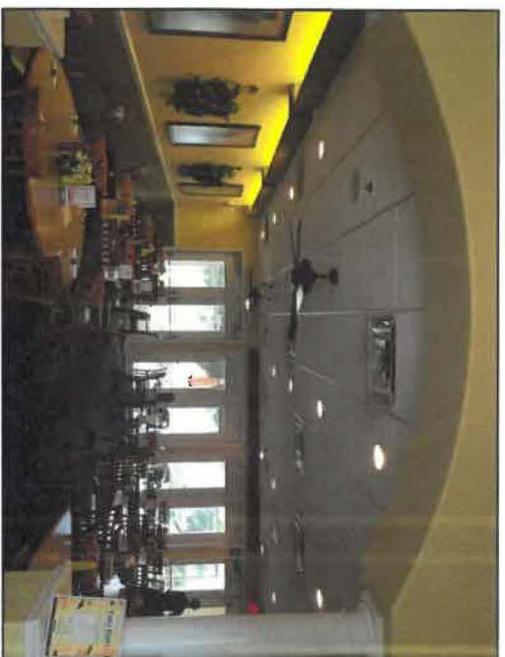
Before:



After:



**Before:**



**OPERATING PLAN**

**After:**



## Capital Improvement Schedule

Below is a list of the capital improvements and projects Hampton Golf identified in this Report with corresponding costs.

### Lake Ashton Golf Club Capital Forecast

Beginning Capital Fund Balance	-	-	-	-
Description	FY 2020	FY 2021	FY 2022	FY 2023
<b>PRO SHOP</b>				
POS Computer		\$ 1,500		
Admin Computer	1,500			
Digatal tee time booking solution				
<b>Total Assets Pro Shop</b>	<b>1,500</b>	<b>1,500</b>	<b>-</b>	<b>-</b>
<b>GOLF MAINTENANCE</b>				
Equipment replacement	150,000	150,000	150,000	150,000
Safety netting	55,000			
<b>Total Assets Golf Course Maintenance</b>	<b>205,000</b>	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>
<b>FOOD &amp; BEVERAGE</b>				
Eagle Nest Renovation		120,000		
POS Computer	1,500			
<b>Total Assets Food &amp; Beverage</b>	<b>1,500</b>	<b>120,000</b>	<b>-</b>	<b>-</b>
<b>Golf Course</b>				
Greens renovation East			500,000	
Greens renovation West				500,000
<b>Total Assets Administration</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>500,000</b>
<b>CLUBHOUSE OPERATIONS</b>				
Directional Signage	2,000			
<b>Total Assets Clubhouse</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Requested Capital Maintenance</b>	<b>210,000</b>	<b>271,500</b>	<b>650,000</b>	<b>650,000</b>
<b>Beginning Capital Fund Balance</b>	<b>(210,000)</b>	<b>(271,500)</b>	<b>(650,000)</b>	<b>(650,000)</b>

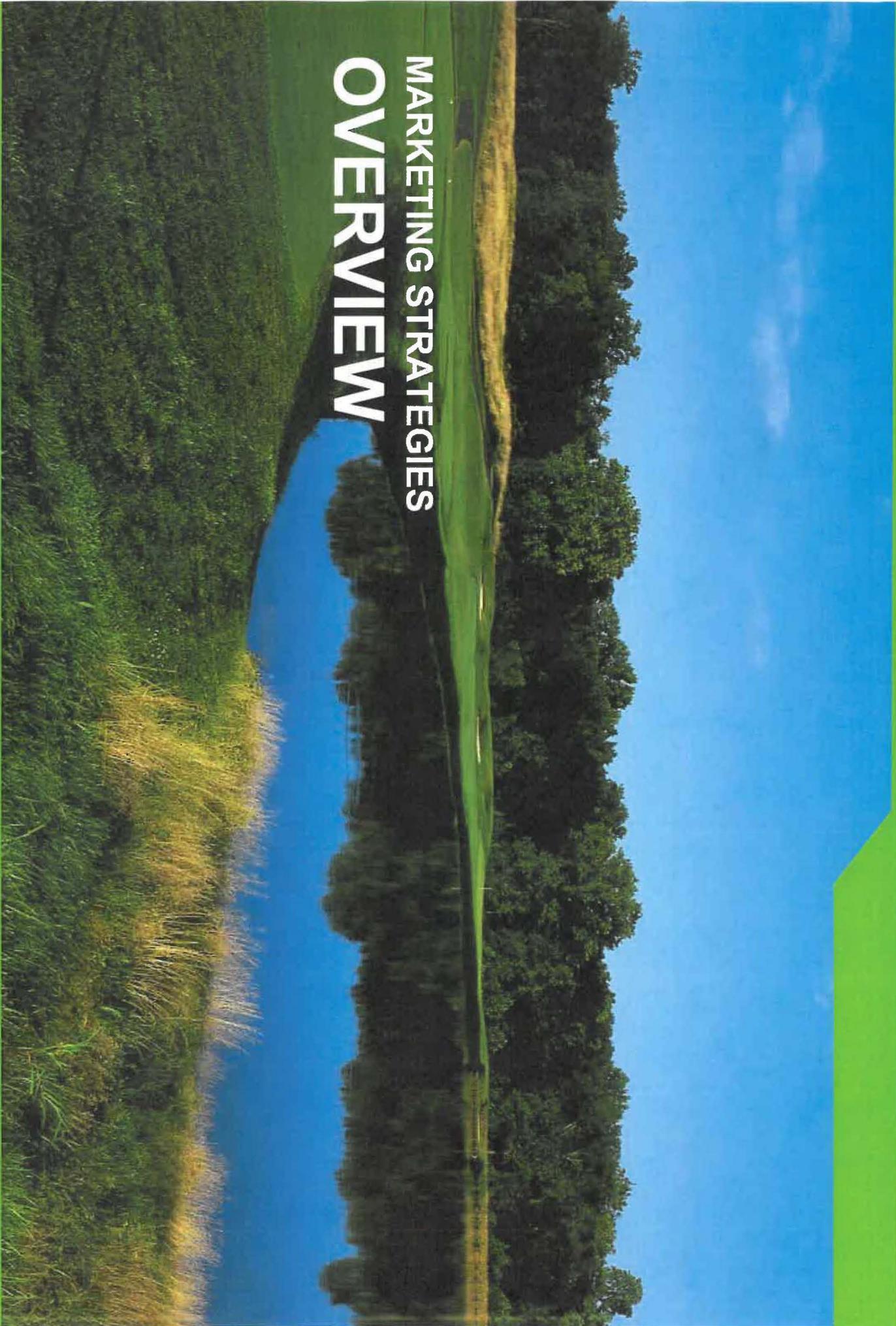
## Staffing

Having a customer-focused and competent staff is at the heart of any business because the staff handles daily customer interaction and maintains the property. At the Club, there are multiple issues related to staffing. In addition to the Club's excessive labor expenses for Golf Operations and F&B as aforementioned, there are no job descriptions and no operational manuals. Not providing adequate job descriptions leads to employees who are uncertain as to what their responsibilities are and thus do not carry out tasks that are imperative to the daily operation of the Club. Moreover, not having operational manuals results in employees not having the proper tools to complete their respective job duties in a safe and efficient manner. The Districts should draft job descriptions for every position along with corresponding operational manuals. Once these two items are completed, we suggest that performance reviews be conducted at least on an annual basis. This practice will keep employees on track and should cause them to strive to become better. Performance reviews will also provide constructive criticism to employees in accomplishing their respective job duties.

In addition, staffing needs to be more appropriately balanced between the various departments (e.g. the Pro Shop and the Golf Course). For example, there is no ranger on the golf courses, which can lead to a pace of play issue. Pace of play is a critical element that can tip the balance between a guest's expectations and their actual experience on the course. In this specific instance, if there are pace of play issues, we recommend developing a staffing matrix that optimizes the number of rounds through increased pace of play.

It is important that there is management presence at the Club. We are aware that there is not an actual "General Manager" at the Club. Rather, the Club is operated by Mr. Jim Lee (one of the Sellers), who has several community-related responsibilities and is not able to be as visible at the Club throughout the day. We therefore recommend that a "Club Operations Manager" or a "Director of Golf" position is created. The employee in this position will take lead at the Club and participate in daily operations, paying close attention to the customer experience. We also suggest that this individual hold weekly department head meetings with a prepared agenda to work through operational improvements with each employee so that he/she is aware of all Club relations.

Overall, we suggest a revamping of the staff schedule, which can lead to a more accurate budget. In re-working the staff schedule, look to prior years to ascertain what the trends are and start adjustments based on those trends. Also, the most important factor related to staff is training. Train employees to understand their job duties, train department heads to understand financials and train the Club Operations Manager or Director of Golf to guide the Club to success.



# MARKETING STRATEGIES OVERVIEW

# Marketing/Sales Observations Summary

## Strengths

- Club reputation and quality of golf course
- Market position and competitive landscape
- Current membership and demonstrated passion for the success of the club
- Opportunity for membership growth
- Opportunity for improved member and guest experience
- Positioned for positive revenue development
- Opportunity for improved efficiencies with administrative roles
- Opportunity to fuse responsibilities in departments thus reducing labor expense

## Weaknesses

- Club programming requires improvement
- Detailed financial reporting is poorly performed
- Team member training and customer service quality can develop/improve
- Membership and member prospecting marketing efforts require revision and organization
- Fuse responsibilities and develop detailed job descriptions for each Team Member
- Deferred maintenance and cleanliness (physical structures)
- Membership sales efforts are non-existent
- Club website and online tee time reservations are non-existent



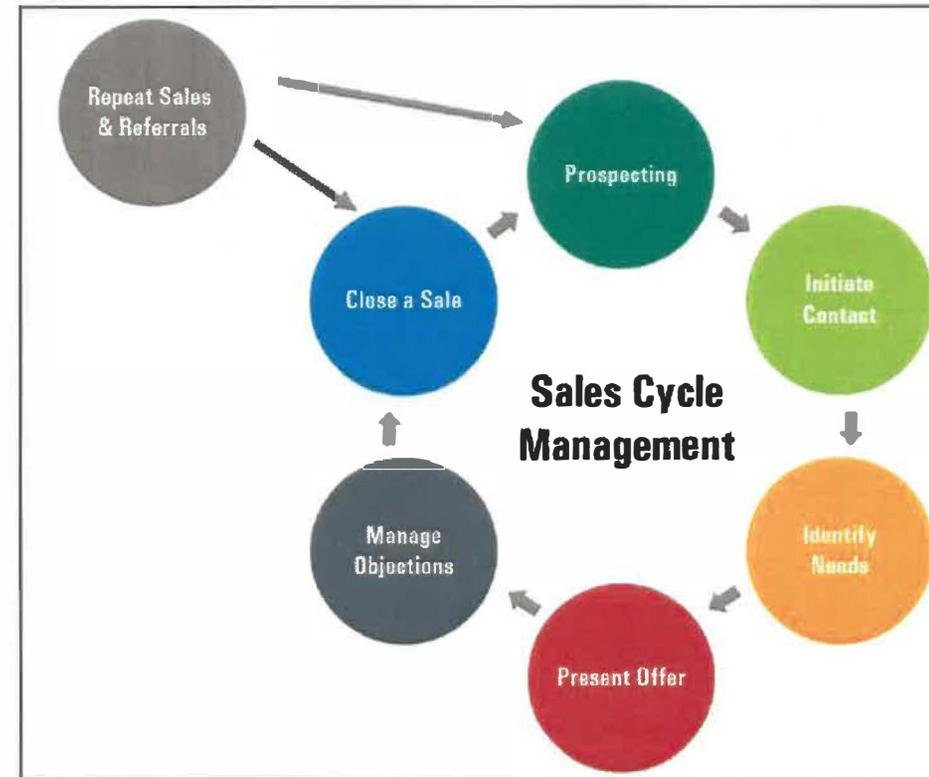
## Sales Strategy and Training

A sales force is built on the capabilities of its managers. Unfortunately, there are very few companies in the club management industry that have made sales training and continuing education a focus. Hampton Golf believes that without an unwavering approach to sales training and execution, a club can easily slip into sales mediocrity and miss significant revenue opportunities.

Therefore, it is important that the Club invest in continuous sales training for Department Heads and those tasked with sales execution. The Club must constantly track, analyze and report on the following:

- Number of inquiries;
- Source of inquiry;
- Initial response;
- Follow-up responses and procedures;
- Outbound sales actions;
- Strategies for outbound sales actions;
- Data collection;
- And much more!

Front-line supervisors (Department Heads and General Managers) play a key role in influencing the performance of the salespeople they manage and motivate. In fact, these managers are more important in driving sales results than anyone else in the company. Sales training for front-line managers, which teaches them best practices, sales forecasting metrics, data collection, and one-on-one coaching, are essential.

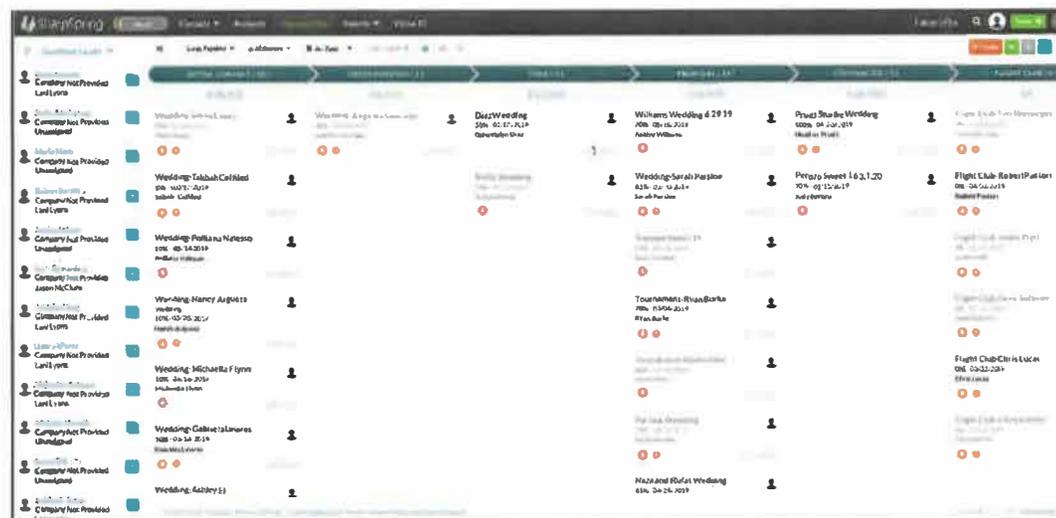


### Sales Strategy and Training

#### Customer Relations Management (CRM)

Customer data is a crucial part of any business' success, and the golf industry is no different. However, collecting and organizing actionable customer data is a full-time job, but an important part of the sales cycle. That's why the Club must invest in a CRM system that will take sales strategies to the next level. The benefits of a CRM are vast but as a general overview, will provide the following benefits to the Club:

1. **Improved Informational Organization**
  - Every interaction with each customer is identified, documented and recorded.
2. **Improved Customer Service**
  - With all customer data and communications housed in one place, any Team Member can ascertain a customer's needs and follow-up accordingly (e.g. send a membership application if necessary or a detailed description of banquet/event offerings).
3. **Enhanced Communications**
  - With improved customer service comes enhanced communications.
4. **Task Automation**
  - While the sales cycle consists of six steps, there are many smaller tasks that must be completed and can fall through the cracks. A CRM automates various tasks with ease of use, thus eliminating missed opportunities.

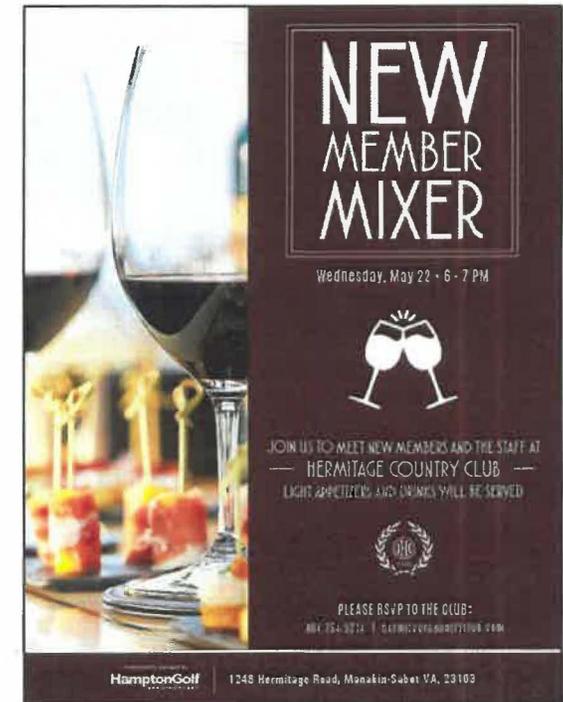


## Sales Strategy and Training

Hampton Golf understands that one of the Club's main desires is to attract and secure new Members, while maintaining current membership levels.

In our experience, we have created invitational and/or trial membership campaigns (with corresponding collateral, as shown below) to drive membership sales. For such memberships, the first step is to make initial contact with prospective Members and provide them the opportunity to experience all of the great privileges the Club has to offer. We will distribute (1) an invitational membership based on our geographic and economic analysis and (2) a trial membership offering to friends and family of established Members (with a referral bonus incentive, if the Board so desires).

Hampton Golf believes that once individuals experience the Club, Member conversion will take place naturally. However, the process does not stop there. Too often, a Club secures new Members and but don't properly introduce them to the Club and other Members. The Club should conduct tours to get new Members acclimated with the Club and also host new Member events to "break the ice" with other Members.



### Online and Digital Marketing

#### Club Website

A new, state of the art website that will support the Club and associated activities is necessary. The site should feature information about the Club, weather, directions, Club calendars, data collection portals, and be capable of booking on-line reservations and generating event proposal leads.

Initiatives should be focused on driving web traffic to the Club’s website. Web traffic should be monitored consistently to ensure pages are delivering content needed and expected by visitors.

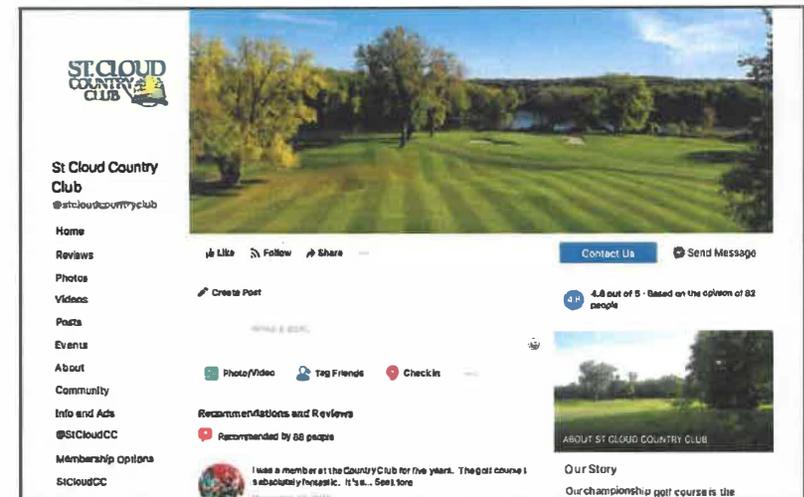
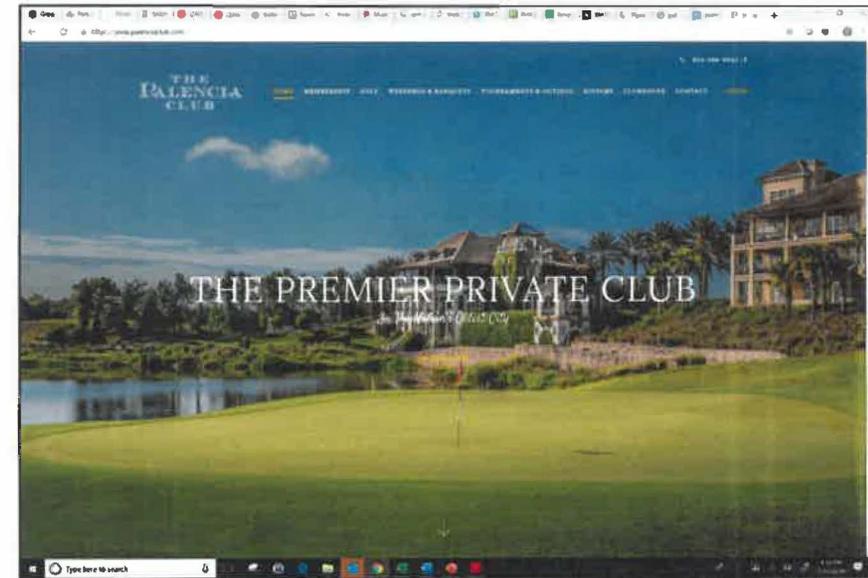
#### Search Engine Optimization

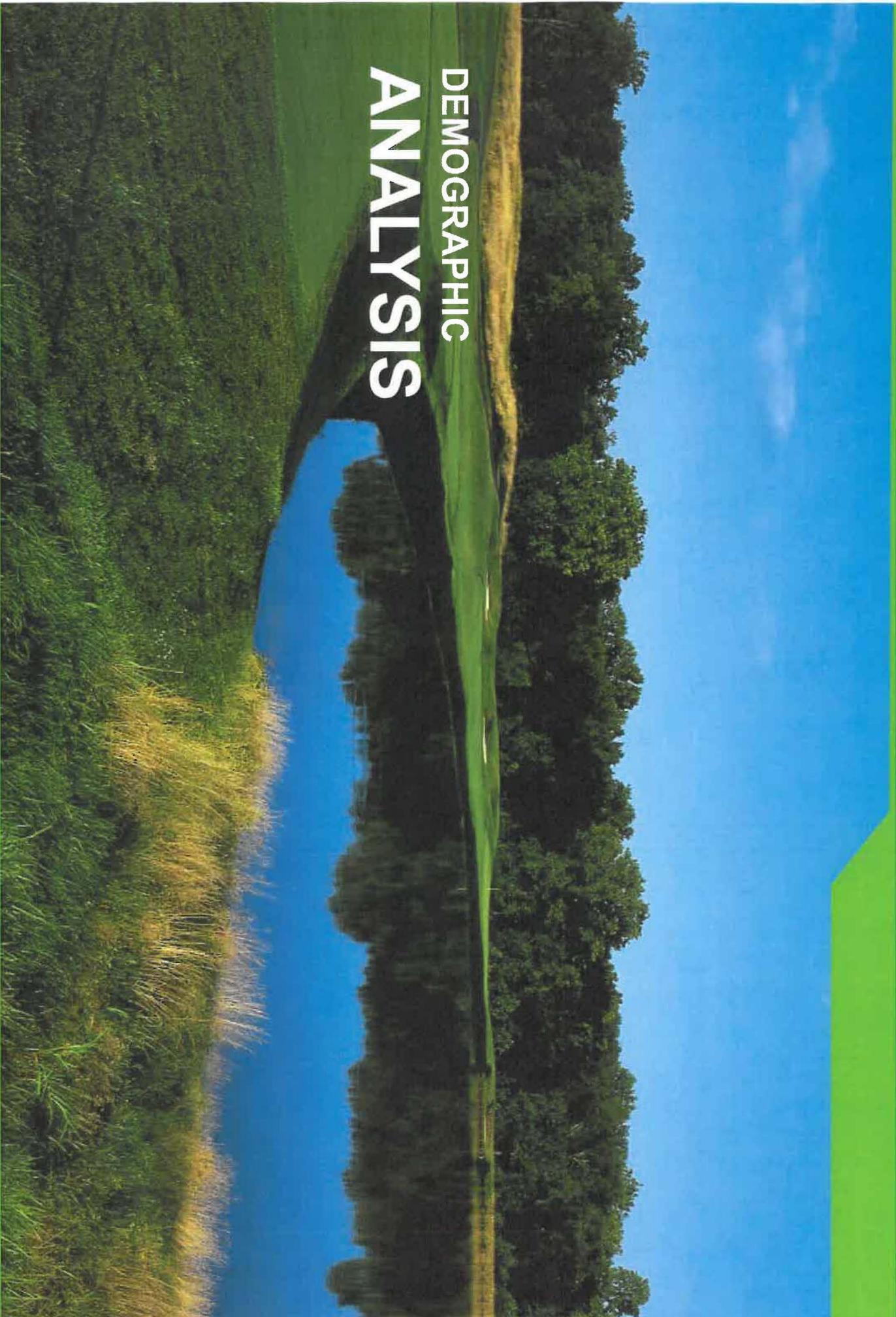
A third-party Search Engine Optimization agency should be employed to improve the website’s reach and organic listings on all major search engines. This SEO company should create campaigns based on continual analysis of the website, a comparison of competitor websites and industry and keyword research. Having websites displayed in top positions on search engines for targeted keywords helps the Club reach prospective customers/members.

#### Social Media

It can be said that social media is about increasing and maintaining goodwill in your business. The Club should develop a strategy that keeps members and guests well connected on all social media platforms. Some of the focuses should be the sharing of event photos, recent news, current specials and new services offered at the Club.

All of these things help generate goodwill and form bonds with the Club’s customers. Usage of new mobile applications and other social media platforms should be a strategic focus throughout the year. Customer habits change rapidly along with how they choose their purchases. The Club should work ahead of the competitive set making certain that the Club is positioned properly on all new and current social media platforms.

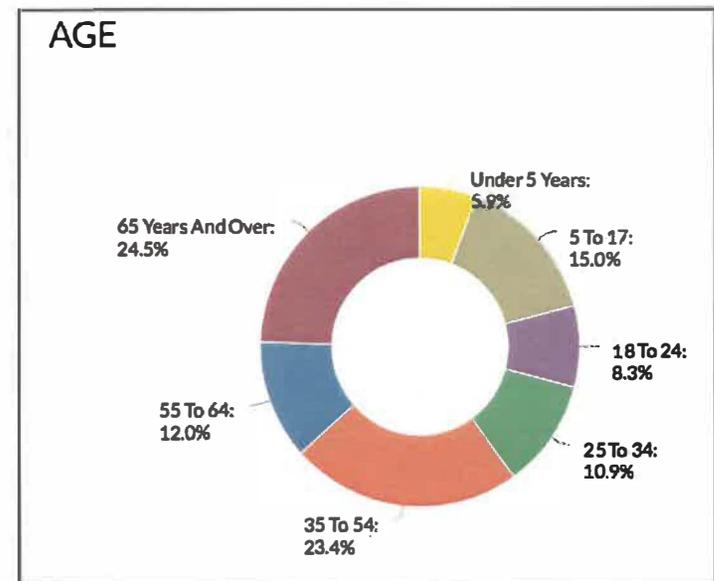
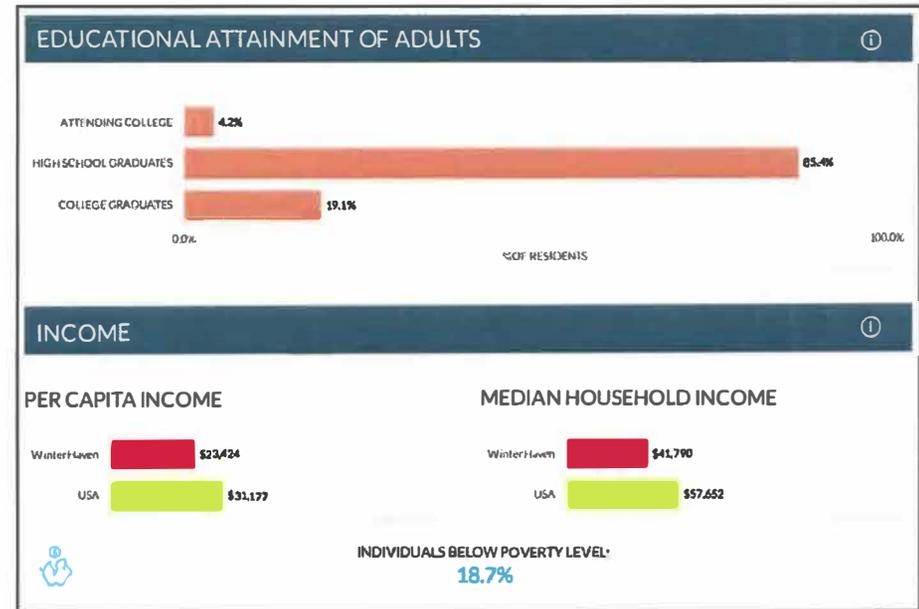
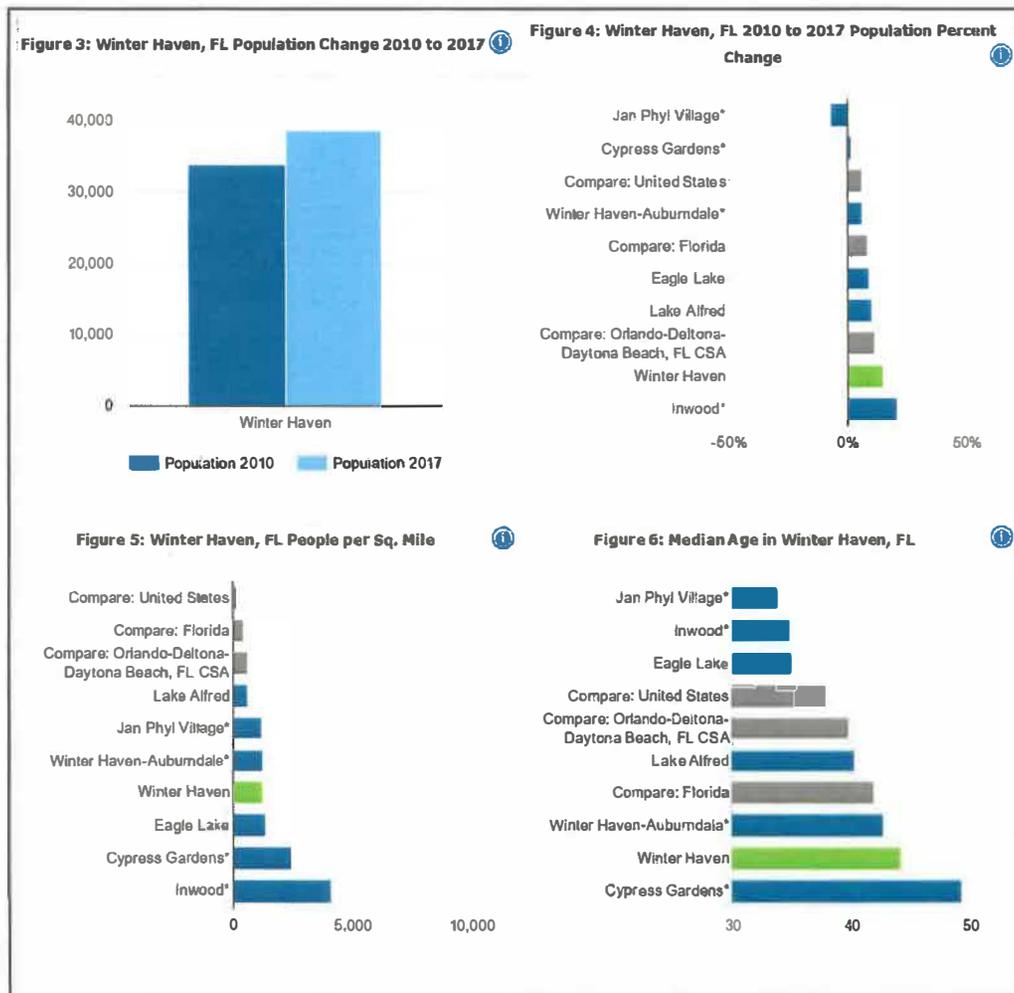


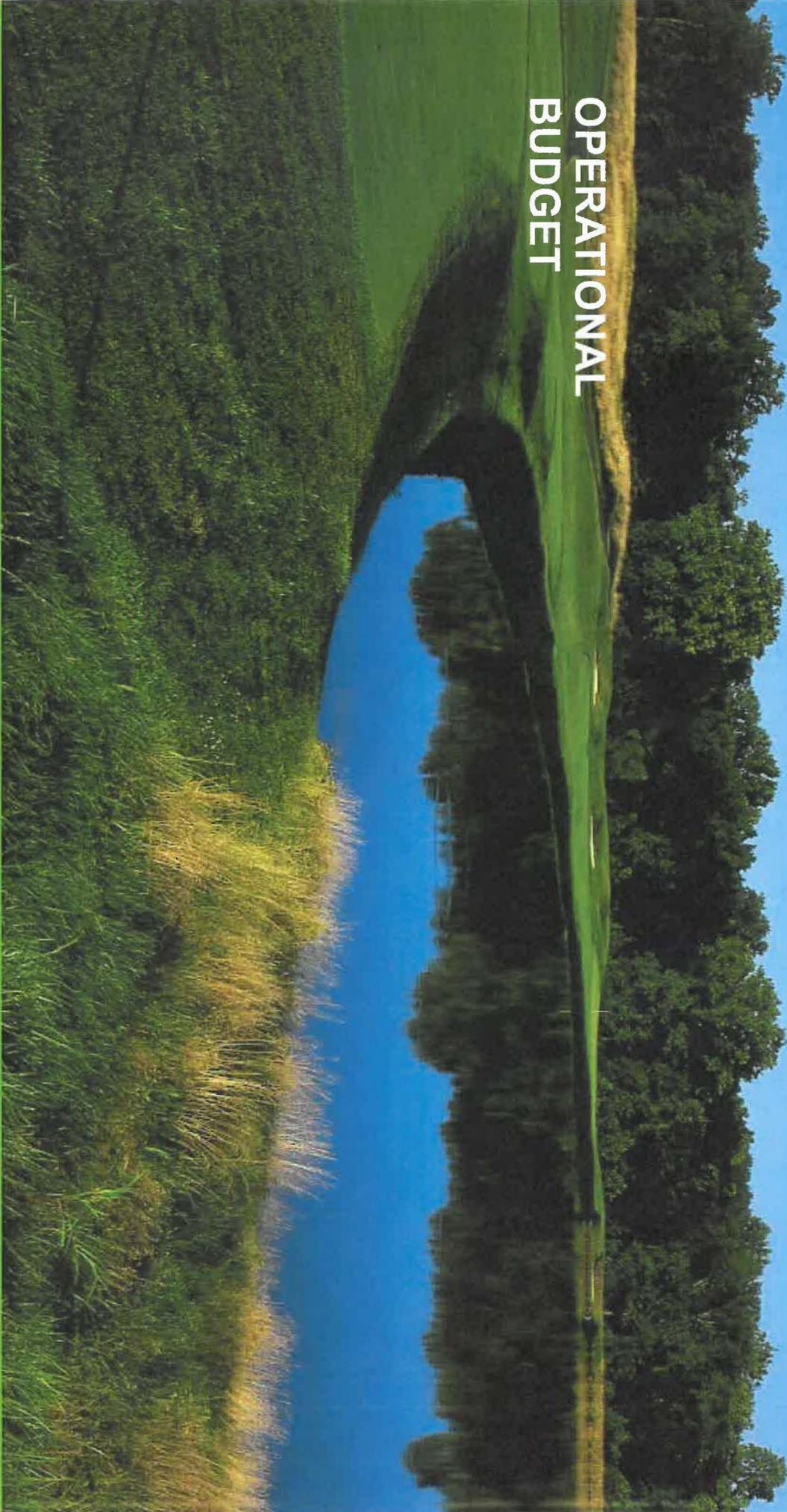


# DEMOGRAPHIC ANALYSIS

### Summary of Demographics

The Greater Winter Haven Area continues to realize consistent population growth. Keeping in pace with surrounding communities/cities, Winter Haven is expected to stay on a consistent growth pattern for the next ten years.





OPERATIONAL  
BUDGET

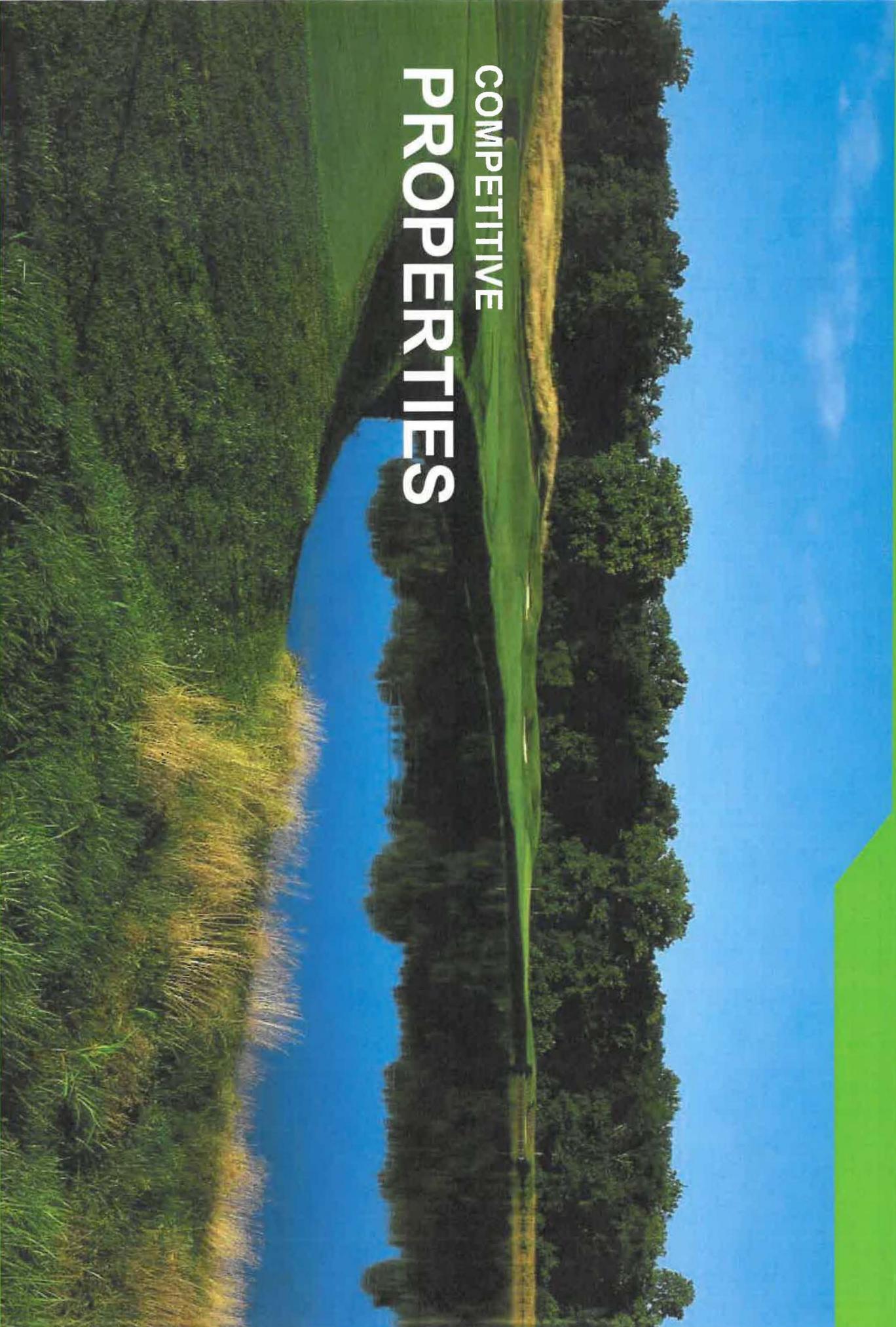
## Operational Budget Overview

A proposed operating budget for the Club's first fiscal year and subsequent five fiscal years (the "Budget") is set forth on the next page. Before reviewing the Budget, we would like to highlight the following assumptions that are reflected in the Budget:

- The Club's current operator did not provide a 2019 operating budget, so we had to use 2018 financials to create the Budget.
- Rounds increase along with revenue.
- Increase in membership sales through the remaining home sales and converting the Club's prior "complimentary memberships" to full dues-paying memberships.
- Guest rounds increase with improved marketing efforts and promotional offerings to members.
- Allow public access by releasing 3 tee times per day to the public during non-peak months (May – September), keeping rate integrity in mind.
- Reduction in F&B COGS each year to position the Club more in line with industry standards.
- F&B labor needs to be more in line with industry standards and the scale of the Club's current operational structure at 35% of revenue as opposed to PY of 48%.
- We have suggested that a General Manager/Director of Golf position be created to help reduce Golf Operations labor and ensure accountability throughout the Club's departments.
- The budget reflects removal of IGM, to reduce operational expenses.

### Operational Budget

Revenue	2017	2018	2019	2020	2021	2022	2023
Golf Revenue:	\$46,806	\$47,700	\$48,654	\$51,087	\$52,108	\$53,151	\$53,682.11
Membership Revenue:	1,365,505	\$1,401,835	\$1,436,881	\$1,494,356	\$1,539,187	\$1,569,971	\$1,601,369.94
Merchandise Revenue:	\$123,146	\$140,595	\$142,001	\$147,681	\$149,158	\$150,649	\$152,155.87
Food & Beverage Revenue:	\$287,358	\$314,424	\$320,712	\$333,541	\$346,883	\$350,351	\$353,854.96
Other Revenue:	5,207	10160	10680	\$11,107	\$11,218.27	\$11,442.64	\$11,557.06
<b>Total Revenue</b>	<b>\$1,828,022</b>	<b>\$1,914,714</b>	<b>\$1,958,928</b>	<b>\$2,037,772</b>	<b>\$2,098,554</b>	<b>\$2,135,565</b>	<b>\$2,172,620</b>
<b>Cost of Sales</b>	<b>COGS %</b>						
COGS - Merchandise	\$132,041 107%	\$102,343 73%	\$112,000 78.87%	\$105,000 71.10%	\$105,500 70.73%	\$107,000 71.03%	108100 71%
COGS - Food & Beverage	\$158,185 55%	\$175,080 56%	\$178,000 55.50%	\$165,000 49.47%	\$164,000 47.28%	\$165,500 47.24%	166200 47%
<b>Total Cost of Sales</b>	<b>\$290,226</b>	<b>\$277,423</b>	<b>\$290,000</b>	<b>\$270,000</b>	<b>\$269,500</b>	<b>\$272,500</b>	<b>\$274,300</b>
<b>Gross Profit</b>	<b>\$1,537,796</b>	<b>\$1,637,291</b>	<b>\$1,668,928</b>	<b>\$1,767,772</b>	<b>\$1,829,054</b>	<b>\$1,863,065</b>	<b>\$1,898,320</b>
<b>Labor</b>							
Course Maintenance	\$309,253	\$300,696	\$295,000	\$349,000	\$352,490	\$359,540	\$366,730.60
Golf	\$115,325	\$124,859	\$128,605	\$88,000	\$88,880	\$90,658	\$92,470.75
F&B	\$152,748	\$159,671	\$164,461	\$132,000	\$133,320	\$135,986	\$138,706.13
G&A	\$0	\$0	\$0	\$70,000	\$70,700	\$72,114	\$73,556.28
<b>Total Labor Expense</b>	<b>\$577,326</b>	<b>\$585,226</b>	<b>\$588,066</b>	<b>\$639,000</b>	<b>\$645,390</b>	<b>\$658,298</b>	<b>\$671,464</b>
<b>Operating Expenses</b>							
Course Maintenance	\$1,350,737	\$1,272,039	\$1,297,480	\$1,100,000	\$1,050,000	\$1,060,500	\$1,071,105.00
Golf	\$80,508	\$97,271	\$99,216	\$100,209	\$102,213	\$103,235	\$104,267.23
F&B	\$59,970	\$40,275	\$41,081	\$41,902	\$42,740	\$43,168	\$43,599.23
<b>Total Operating Expenses</b>	<b>\$1,491,215</b>	<b>\$1,409,585</b>	<b>\$1,437,777</b>	<b>\$1,242,111</b>	<b>\$1,194,953</b>	<b>\$1,206,902</b>	<b>\$1,218,971</b>
<b>Net Operating Income</b>							
<b>Net Cash Flow Before Debt Service</b>	<b>(\$530,745)</b>	<b>(\$357,520)</b>	<b>(\$356,914)</b>	<b>(\$113,339)</b>	<b>(\$11,289)</b>	<b>(\$2,136)</b>	<b>\$7,885</b>
<b>Key Statistics</b>							
Total Rounds		36,555	37,376	38,186	38,950	38,296	38,396
Member Rounds		36166	36,889	37,258	37,631	37,668	37706
Public / Guest Rounds		389	486	559	570	627	690
Golf Revenue Per Guest Round		\$ 39.65	\$ 39.75	\$ 40.47	\$ 40.85	\$ 42.38	\$ 43.10
Pro Shop Sales		\$3.85	\$3.80	\$3.87	\$3.83	\$3.93	\$3.96
Food & Beverage Sales		\$8.60	\$8.58	\$8.73	\$8.91	\$9.15	\$9.22
Total Avg Revenue Per Round		\$52.10	\$52.13	\$53.07	\$53.59	\$55.47	\$56.28



COMPETITIVE  
PROPERTIES

### Competitive Course Summary

Lake Ashton is positioned as a private golf club, in a premium residential community. The improving reputation of this Club attracts local and regional golfers interested in an inclusive community. Lake Ashton competes for residents and members most closely with Country Club of Winter Haven, Lake Wales Country Club, Southern Dunes.

Lake Ashton is uniquely positioned in the market offering 36 holes of well manicured golf without significant overcrowding of the courses during in-season.

**Competitive Course Summary**

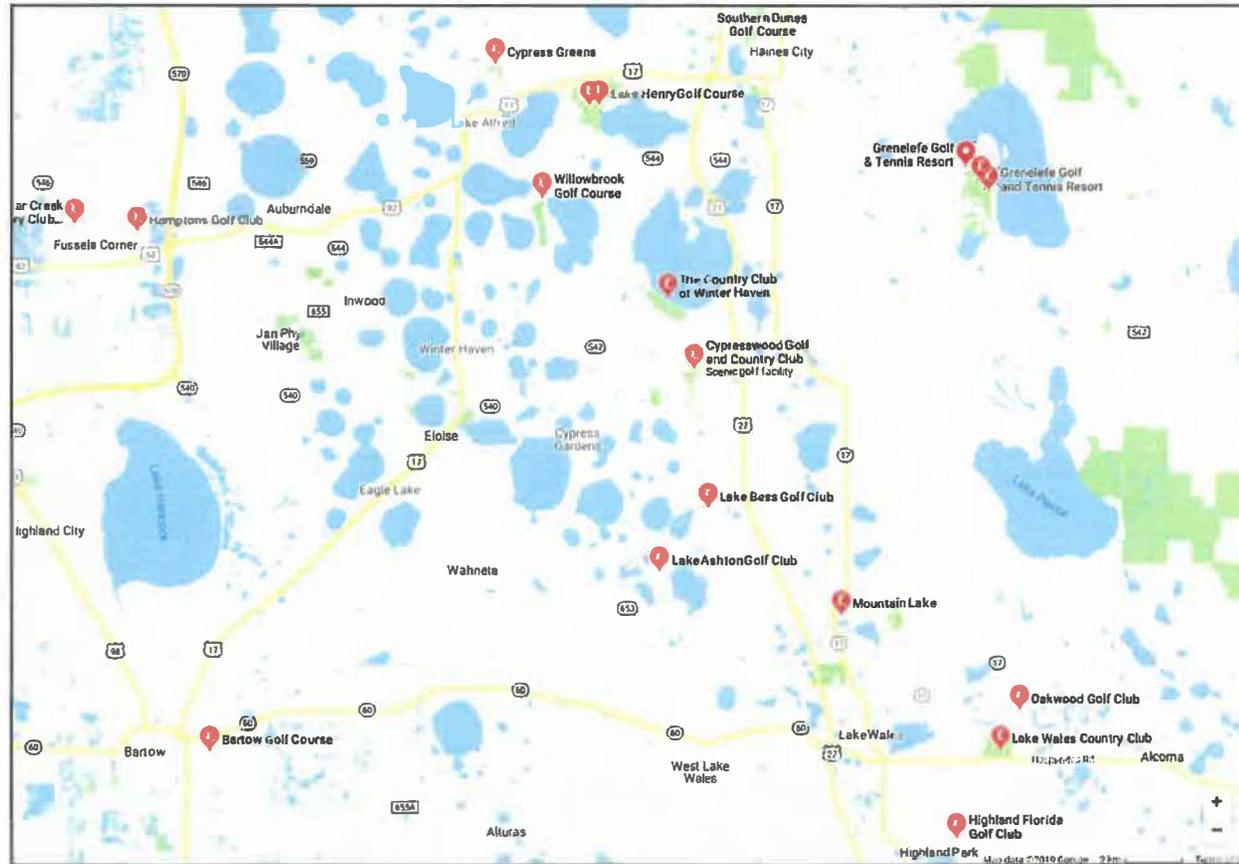
*There are approximately 12 total like golf facilities in the region.*

**Nearest Private Courses**

- 1 Mountain Lake
- 2 Lake Wales Country Club
- 3 Winter Haven

**Nearest Public Courses**

- 1 Highland Golf
- 2 Oakwood Golf
- 3 Cypress Wood
- 4 Southern Dunes
- 5 Lake Bess

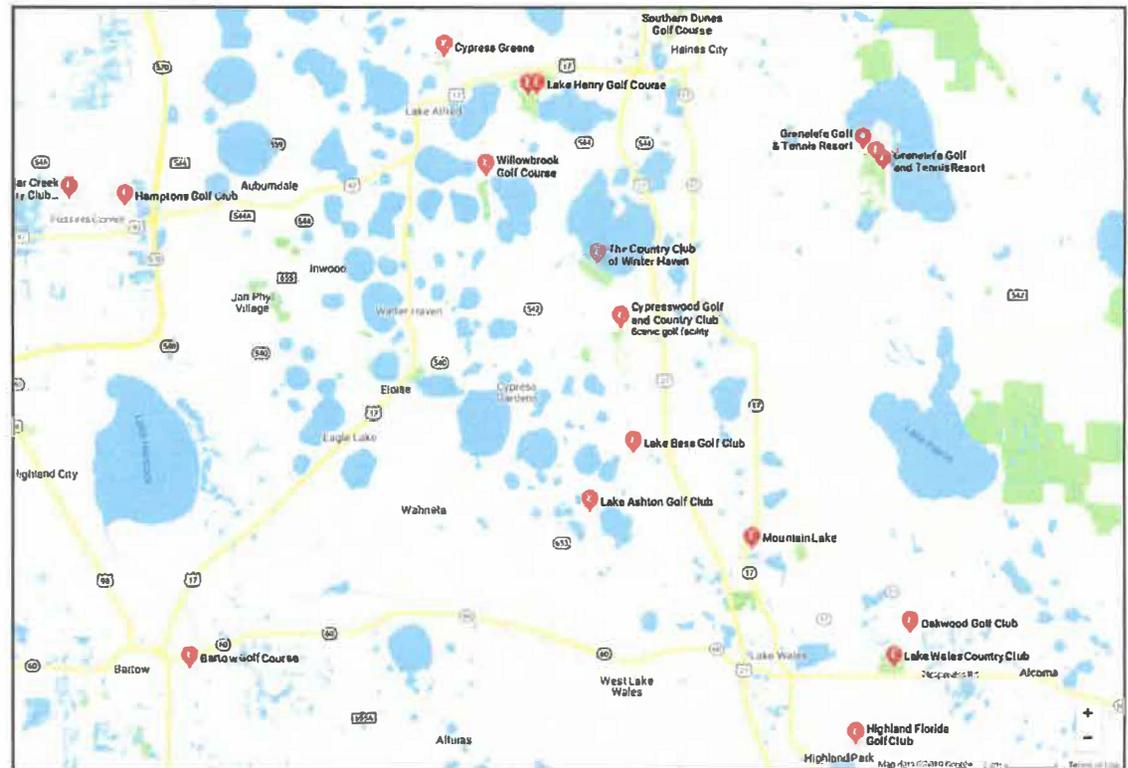


## Competitive Course Summary

Below is a survey of golf courses competing with Lake Ashton. Company the below information with the following:

### Lake Ashton Golf Club

- Private
- 2019 Annual Family Dues: \$5,350
- No daily fee price. Greens fees are \$45 (peak season)
- Annual dues includes the annual cart plan



### Competitive Course Survey

Club Name	Private/Public	Family Annual Dues	Daily Fee Price	Notes	Comments
Lake Wales CC	Semi-Private	\$ 5,150.00	35-75 per player	Annual Dues includes Cart	Most like Lake Ashton
CC of Winter Haven	Private	\$ 5,400.00	n/a	Cart fees of \$22 per player	Similar to Lake Ashton
Mountain Lake	Private	\$ 8,000.00	n/a	Exclusive National Membership	Not comparable