

Founder, Premier Member, and Other Interested Parties Update

The Board appreciates your patience over the last few weeks as the plans and agreements have been worked out with the MUD, current ownership, and lawyers. Many hours of discussions and negotiations have taken place. We want to take this opportunity to update everyone as to the status.

To begin with an overview, in the first presentation almost two months ago to you, our members, the board laid out the Club's vision:

"To have the Club at Pecan Grove be the highest quality golf and tennis community club in Fort Bend County. The Club will focus on a quality golf course, tennis/pickleball courts, pool facilities, and our Clubhouse will be the focal point for social events and dinner in the area."

Your board feels that we are well on our way to meeting this high standard, though we have not arrived at this point in the way we initially planned. Even though our fundraising was solid, we did not reach a level that would have allowed us to buy the club with limited debt. As you read this update, keep in mind, if we borrow even \$3 million at current rates, the monthly interest costs would equal the monthly dues of 40 full members at \$500 each, and that does not even include having to repay this debt in the future. The plan to partner with the MUD, although it has some drawbacks, we believe it will allow our NEW Club at Pecan Grove to be as successful as possible and to start renovations immediately. The current status of the plan is:

- The Pecan Grove Municipal Utility District (MUD) has agreed to purchase and has entered into a letter of intent for the real property assets of Pecan Grove from CBIGG. The MUD will put earnest money down on the transaction within 15 days, per the LOI.
- The Club at Pecan Grove (CPG) has negotiated with CBIGG to purchase all the non-property assets, such as inventory, membership rolls, furniture and fixtures, carts, and golf course equipment. In addition, The Club will be able to use the CBIGG liquor license for the Club while we obtain our own liquor license from the State of Texas.
- The MUD will retain and operate the pool, tennis courts and fitness center. They plan significant improvements to all three. The MUD will add pickleball courts.
- The MUD will lease the golf course and clubhouse to CPG for \$5,000 per year for a primary term of 25 years with three 25-year renewal options upon the same terms and conditions. The renewal terms will be totally at CPG's option, unless we default, so of course we would exercise these options. The lease allows CPG to operate a 27-hole golf course and fantastic clubhouse with no oversight from the MUD; they do not want a Board seat, to be involved in selecting staff, restaurant operators, nor approve our plans or operate the club. MUD's legal firm is drafting the lease document, but overall terms have been agreed to.

- The MUD will provide “gray water” to irrigate the course and fill the ponds at a reduced cost to cease the drawing down of well water to be environmentally friendly.
- CPG will pay \$150,000 for the tangible and intangible personal property (equipment, furnishings, inventories, etc.) and for the assumption of membership agreements. The Board will put down earnest money on this transaction.
- We have negotiated this agreement with CBIGG to provide CPG with the option to purchase the property if the MUD does not close on their proposed transaction. This was done to make sure we preserve our options.
- The MUD and CPG purchases will close simultaneously and that is expected in about 90 days to provide for proper due diligence and preparation of financial models to present to you, our members. The formal lease will be signed at the same time.
- Although the MUD will manage the pool, tennis courts and fitness center, our members will have access to those facilities on the same basis as the residents of the MUD. CPG will pay the nominal cost of access to those facilities for ALL our members, whether you live inside or outside the MUD. Further, the MUD has agreed to make provisions for tennis league play on the courts, as well as to provide pickle-ball courts at the MUD’s cost, as previously noted.
- It should be noted that the homeowners in the MUD and residents of the Bellevue apartment complex will have access to CPG. However, the apartment complex has its own pool and fitness center, so that usage may be minimal. Also, the MUD wants to make arrangements with CPG to provide food service to people at the pool, enhancing our revenues.
- The MUD will provide security patrols to the pool and tennis areas from the FB Sheriff’s office, just as they do Pecan Grove Park on Pitts and Memorial Park. Also, CPG will engage course marshals to restrict access.
- MUD residents will have access to the golf course by paying a daily fee (expected to be \$70-90) but will be limited to making tee times no more than three days in advance. Thus, CPG members will receive priority access to tee times since they will be able to reserve times 6 to 8 days in advance based on their membership tier. People outside the MUD wanting to play our golf course will have to pay significantly higher fees, such as \$150 or \$200 once the course is refurbished. These fees would bring in additional revenue to the club and effectively generate income when the course would otherwise be vacant.
- Equity members will continue to receive the benefits agreed to such as \$100 a month off dues, reduced cart fees, and discounts at all Clubhouse facilities from non-member pricing. These will include discounts from food menu pricing and purchases at the pro shop,
- Only CPG members will be allowed to participate in member organizations and events like MGA, WGA, and SMGA, as well as Par 3, member-guests tournaments, member parties, and special events. Members will also be allowed to make preferential reservations for events at the club prior to MUD and other local people interested in coming.

- We have met with two golf club management companies. We are continuing to evaluate these options and are seeking advice from other industry experts.
- The financial model will include some assumptions for bringing back the lucrative business of renting the clubhouse for weddings, prom dinners, Quinceaneras, etc.

Although this revised transaction differs from our initial plan, it substantially improves its economics. With the MUD's purchasing of the land/buildings, we will be able to immediately move forward with desperately needed capital improvements to the golf course and clubhouse. Those improvements include, but are not limited to, a new irrigation system, renovated greens and tee boxes, new and renovated course restrooms, new furnishings and decorations for the clubhouse, new golf course and kitchen equipment, etc. The Board is actively talking to contractors for all these items and making plans to present the business to the Members in approximately 50 days.

Now let us get to the numbers/finances. With a partnership with the MUD, CPG will be in a great financial position to build the club we all want. We have prepared the following analysis to show CPG's financial position with and without the MUD as well as our original estimates. This analysis shows that with the MUD involvement, our Club will immediately get a new irrigation system for 27 holes, have 27 newly resurfaced and planted greens and tees, repair golf course restrooms, and update the clubhouse and still have money in the bank! No waiting for cash resources.

PRELIMINARY ESTIMATED CASH FLOW OF TRANSACTION				
Sources		<u>Original Plan</u>	<u>No MUD</u>	<u>With MUD</u>
	Premier members	3,125,000	3,125,000	3,125,000
	Founding members	1,250,000	500,000	500,000
Uses				
	Purchase of Club	-3,780,000	-3,780,000	
	Estimated Closing Costs and Fees	-50,000	-50,000	-25,000
	Purchase non-property club assets			-150,000
Initial Capital				
Improvements	18 Greens and Tees	-1,200,000	-750,000	-750,000*
	Irrigation repair - base/minimum	-750,000	-2,000,000	-2,000,000*
	Course restrooms	-50,000	-50,000	-50,000
	Tennis/Pickleball upgrades	-75,000	-75,000	
	Upgrade to Country Club	-150,000	-250,000	-250,000
	Repairs to pool area	-115,000	-115,000	
	Result of Transaction	(1,795,000)	(3,445,000)	400,000
		BANK DEBT		SURPLUS

*Amounts based on written, firm bids from Rain Bird and a top installer/course repair company for all 27 holes.

Accordingly, the Board believes that the transaction is now on a firm financial footing and will result in the successful restoration of the club that we would all like to have with limited financial pressure. Our dues will be able to go to maintaining our Club, versus paying bank debt.

The Board also wants to communicate that we have evaluated other plans to buy the club, but we believe partnering with the MUD is the superior plan. A plan that has been discussed around the club is for an investor group to be formed and then establish an LLC (Limited Liability Corporation) that would have general partners and limited partners. The general partners would oversee the rebuilding of the club and in return get income or carried interest in the LLC for their work. LPs could give their views, but the project is run by the GP's. When this option was presented to some on the Board, the general partners would want around 20% of the CPG. We do not find this acceptable. Finally, the LLC concept would also borrow money for the purchase/rebuild of the club, putting financial pressure on the LLC.

Importantly, we want to hold a meeting of our 120+ Founding and Equity members and other interested parties this coming Tuesday evening at the clubhouse. This meeting will start at 6:00 PM after the MUD's meeting. As you have likely heard, there is a PG MUD meeting with the community at the golf clubhouse Tuesday at 3:30 in the afternoon. At this meeting, unlike the last one, the MUD will present its case for buying the club and be able to answer questions from MUD residents. We hope you can attend this to show your support for the MUD and then take a short break and have our meeting.

As noted from the very beginning, we want to have a **member-controlled club**, and we believe the MUD/CPG plan set forth above provides the best option to accomplish this goal. This plan is a perfect example of the current widely used business practice of public-private partnerships. We ask that questions be directed to Info@theClubatPecanGrove.com, and we will consolidate questions and either answer them online or at the meeting Tuesday.