MINUTES OF MEETING
ARLINGTON RIDGE
COMMUNITY DEVELOPMENT DISTRICT

The recessed meeting of May 9, 2018 of the Board of Supervisors of the Arlington Ridge Community Development District was reconvened on Tuesday, May 22, 2018 at 2:00 p.m., at Fairfax Hall, 4475 Arlington Ridge Boulevard, Leesburg, Florida.

Present and constituting a quorum were:

Dominic A. Setaro, Jr.	Chairman
Sharon S. Brown	Vice Chairperson
Ronald Worrich	Assistant Secretary
Gloria Faylor	Assistant Secretary
Thomas Michenzi	Assistant Secretary

Also present were:

George Flint	District Manager
Lindsay Whelan	District Counsel
Tricia Adams	Interim General Manager
Arthur Erickson	Florida Leisure Communities
Richard Singer	National Golf Foundation
Residents	

FIRST ORDER OF BUSINESS **Roll Call**

Mr. Flint called the meeting to order at 2:02 p.m. and a quorum was established.

- **Introductions: Board and Staff**

Mr. Flint: I am George Flint and the District Manager for the CDD.

Mr. Setaro: I am Dom Setaro. I have been a resident since 2006 and a Board Member for over five-and-a-half years.

Ms. Brown: I am Sharon Brown. I've been a resident since 2006 and a Board Member for five-and-a-half years.

Mr. Michenzi: I'm Tom Michenzi. I have been a resident since 2014 and a Board Member for approximately a year-and-a-half.

Mr. Worrich: Ron Worrich. I have been a resident since 2014 and a Board Member for a year-and-a-half.

Ms. Faylor: I am Gloria Faylor. I have been a resident since 2012 and on the Board for three-and-a-half years.

Ms. Whelan: I am Lindsay Whelan from Hopping, Green & Sams. I serve as District Counsel.

Mr. Setaro: Thank you for coming out today. I think it's great to have so many people here to listen to the presentation from the National Golf Foundation (NGF), who we hired months ago to perform a Feasibility Study on the purchase of the golf course.

SECOND ORDER OF BUSINESS **Public Comment Period**

Mr. Setaro: We are going to move this item to after the presentation, so residents can ask questions. Our rules allow each person to ask a question one time for three minutes. I'm sure that there are going to be a number of people, so I ask that you adhere to that. We will then discuss any other business, if we have any before we adjourn.

THIRD ORDER OF BUSINESS **Presentation from National Golf Foundation**

Mr. Flint: With us today is Mr. Richard Singer with the NGF. Richard and one of his associates have been the key folks involved in preparing this report and performing the site visits. Richard is going to provide an overview of the report.

Mr. Singer: Thank you all for having me. I'm Richard Singer from the NGF. My Senior Associate, Barry Frank, who assisted me with this project, was not able to be here with me today, so I will handle this presentation and answer any questions. The NGF was retained by the CDD to review the CDD's consideration of acquiring the Arlington Ridge Golf Club (ARGC). I can tell you that this is certainly something that's very common. I see a lot of this in my consulting practice and it's certainly a growing trend. It's been proven that it's a strong way to preserve this asset to manage your community. The NGF is a leading Golf Consulting Firm. We perform business related consulting for golf courses and country clubs all over the county. We are headquartered in Jupiter, Florida, which is not too far from here. I have been with NGF for 29 years, going back to the 1980's. I study golf and golf markets, all over the country. I know all of you know Arlington Ridge very well, because you live here. My job is to go all over the country, specifically Florida and other communities, to look at these possibilities, and provide some insight information for you, to help you make the right decision for your community. I can tell you from my experience, that golf is a tough business. You really need to look at what's been going on in these last seven years, to understand how difficult the golf business can be, when you consider all of the rain that you've received and the potential economic impact on a golf facility business, but it's not all doom and gloom. There are certain positives, especially for this acquisition. This is a growing area, in Leesburg and north of Orlando. We have seen a lot of correlation between successful golf courses in retirement oriented communities and areas. That is typically where golf tends to thrive, and is certainly a strong positive in this case. My team and I, completed a written report and delivered it to the District. I believe that a copy was made available to others. I will spend a few minutes and go over a couple of key pieces related to that report, and then answer questions from the Board and the community, as best as I can. I will start by saying that the subject facility itself, the ARGC, has a package of amenities that are very marketable. The design features and Club amenities, correlate the success in golf, but there are some unique aspects that would have to be worked out, so there would be a shared control of some of the pieces, which I think is important to understand. It also makes the CDD the most logical buyer for this asset. We did observe some things related to the condition of the golf course, which we documented for you in the report, but again there are a lot of things that you can't control that may be impacting that. You were experiencing a drought, when we performed our first inspection of the golf course, and now you have had 70 days in a row of rain, so it could go either way. The facility is good enough to generate a top line revenue from all of its sources of $1.15 million in 2017, which is higher than the industry standard for an 18-hole public golf course like this. We know that standard includes food and beverages. Not only is Arlington Ridge exceeding the standard, but its exceeding the standard without food and beverage revenue in its financial equation. The total expenses to operate the facility, are also very much within the standards. The basis of this operation, in terms of revenue and expenses, seems to be generally fitting, within the expected standards for golf facilities of this type. As part of our review, we identified some capital improvements that we thought would be appropriate, and recommended bringing it to its maximum condition, and its maximum ability to support play and achieve the revenue projections that NGF has made as far as this report. Some of these relate to drainage issues in a couple of locations, especially Holes #15 and 16, tee box improvements that we identified for you, landscape improvements and other upgrades here and there. All in all, in the last three to four weeks that I've done this and the acquisitions, this is a relatively low figure. Typically, these figures are much higher. Its reflective of the fact that it's a relatively new golf facility. All of its components are well within its expected useful life. We still have a number of years remaining on an expected useful life, and as a result, you are not anticipating a large investment that's going to be required to bring it up to its maximum competitive position. This one is operating at the level, at what I would call "*close to breaking even*", meaning that the revenues and expenses are relatively close to each other. There was a small profit earned in 2017. As mentioned before, even though you are operating close to break even, there were some years when you had a small loss and other years when you had a nice operating profit. In looking at the feasibility of acquiring the golf course, I would like to share the concept that the CDD would be entering the golf business by making this acquisition. That's the issue before you. Golf can be a tough business and there are things that you can control, and things you can't control. You can control the quality of the golf, the condition of the facilities and how it's being maintained, but you can't control the weather, the economy, the price of gasoline, and all of these things can have an impact on your golf facility. We tried to help identify that for you. We identified the importance of doing anything and everything we can to try to invite more people to play golf and participate at your golf course, after the acquisition. I think that would really help you, to invite people from outside the gate, people who don't live inside Arlington Ridge, to come in and use this golf course on a regular basis, to provide the revenue support that you need. Ultimately, there are 1,046 residential units within Arlington Ridge. That's a very strong number to support an 18-hole golf course and it should serve you very well going forward. We also identified some of the surrounding area, which is fairly strong. I know that there's a lot of golf inside of The Villages, but there's also a large population there. Certainly, there are indications. The pro shop and the existing golf operation had indicated to NGF, that you are already generating a strong level of activity from residents of The Villages, which are growing and adding new units. I think that there is a certain potential to that, to enhance your property. Contrary to the popular belief of some of the articles that you are reviewed in, I can tell you as someone who works with and studies golf courses regularly, golf is not dying. Golf plateaued a little, but all golf is local and not every golf course is created equal. As I mentioned before, the places where I'm seeing golf really thrive, tend to be in communities with high retiring type populations. While golf is struggling in some cities in the northeast and some of the other places close to these media markets, such as in the sunbelt and in the south, and Florida in particular, golf is thriving. Some of the items that are beyond your control, we identified for you in this report. In this market, you have some competition and there is downward pressure on green fees, which I think could ultimately impact your revenues, but I think with a strong rounds performance and strong activity, you certainly can make up for that. I think it's certainly something that can be overcome. You have one of the newest golf courses in this market, and I'm finding a lot as I go all around the county, what I often refer to as "*The shiny new penny.*" The newest and nicest golf course tends to perform the best in a lot of these markets, and I don't see any reason to assume that is different here. As part of our review for the District's projections for the future of the Arlington Ridge golf course, should it be acquired by the CDD, we identified that this facility is fully capable of generating revenue in the $1.3 million to $1.6 million range within five years, given the growth of the area, if new units were added to Arlington Ridge. We thought that this was a reasonable and fair estimate for revenues. We identified that the way golf courses are valued, tends to relate more to revenue than anything else. We are basically operating a golf market environment where one time earnings or one time gross income, is a standard for the golf course's value, and based on that, the expected or sustained value for a property like the Arlington Ridge Golf Course, assuming that it is to remain a golf course, would be around $1 million to $1.25 million. The trailing historical revenue may be as high as $1.4 million or $1.5 million, or even as s high as $1.6 million, considering the future projections, which are less reliable to the market and tends to focus more on tending and historic revenues. We did provide a recommendation to the District, that if the facility could be acquired in the range of $1 million to $1.25 million, for all of the costs involved, it would make sense for the District to retain control over this asset. We also identified some optional upgrades for you, that could total as much as $295,000. I think you can find that some of those may be required in order to meet some of the projections made by NGF. We operate under the assumption that you would complete these improvements. We also suggested that the CDD employ professionally trained golf management and not try to manage the golf course yourself. I certainly see a lot of horror stories related to that, in my experience. Golf courses that tend have success, are the ones that employ professionally trained golf management, either through some form of formal golf management contract, which we assumed in our estimates here, or perhaps a CDD employee or some type of professional Golf Manager, which is also a possibility for you. Currently, we estimate that 15% of your current residents are active in golf. If you increase that to just 20%, all of the revenue projections that we made, have certainly come to reality. I think that was important for you to note and is not unreasonable. When I was working back in the 1980s or 1990s, the developers of this type of project, always assumes somewhere in the 50% range for golf participation. In reality, we see it fall more to 20% or 25%, so 15% is somewhat low. If it increased to just 20%, I think you would find that it would be a very strong performance for the facility. In summary, this golf course is in good physical condition. You don't have any urgent condition critical capital investment items that we often see, such as an irrigation system that is failing, or other major systems that you need to run a golf course that we would call "*mission critical.*" I think those are all in good working order for you. It's a good time to make that kind of an acquisition and I think that sticking to the wanted investment concept, and keeping this investment closer to $1 million or $1.25, keeping in mind that the revenue generated for the golf course, is probably not going to be sufficient to retire any large debt service that you might have to add on to the expenses, which we did not assume in these projections. That can be an area where you might find that it really did fall apart or be problematic for you. We appreciate your confidence in NGF and our consultant services. We hope that the information provided here is useful to you and your community, in making this decision. It's an important decision. With that, I'm happy to answer any other questions.

Mr. Setaro: Thank you Richard. Are there any questions or comments from the Board Members regarding this report, before we open it up to the public?

Ms. Brown: Not regarding the report, but I'm hoping that Lindsay knows the answer to this question. If and when we acquire the golf course, can we change our Liquor License, so that the restaurant and the golf course can flow back and forth?

Ms. Whelan: I would assume so, but that's something you have to look into in a little bit more detail. I can do some research and get back to you.

Mr. Setaro: I want to thank Richard and his staff for doing an excellent job, even though there are some items in the report that may or may not come to fruition, as you said. Just so the residents know, we have not purchased the golf course. The next step is for us to continue to negotiate, so that the Board can make a decision, if we can agree to something that's equitable for all parties. If there are no other questions from the Board, we will take questions from the residents.

- **Public Comment Period**

Mr. Setaro: Please come to the microphone and state your name and lot number.

A Resident: Who did you speak to, as far as the maintenance requirements? Did you speak to the young lady in charge of golf course maintenance? Did you physically look at the driving range? How did you arrive at your decision?

Mr. Singer: My team and I did an extensive review, especially on the facility. We hired Kevin Downing, who is a Superintendent and Agronomist, as part of our team. He spent the day here a couple of months ago with the young lady who is doing the maintenance. Barry and I on one visit and Mr. Downing, separately, on another visit, inspected all of the equipment and looked at all of the infrastructure. We did a very thorough inspection of the property.

Mr. Setaro: Just so that everyone is aware, there was a provision in our agreement that allowed for us to have NGF go in and do this particular study. They brought in their own Agronomist. We thought it was necessary at a certain point.

Mr. Michalec: Ronald Michalec, Lot 97. As I looked through this report, some of the items that you listed, I'm not sure why they were included. My only thought is that we put some numbers in there for negotiating the price of the golf course. Would that be somewhat correct?

Ms. Brown: I don't know what numbers he is talking about.

Mr. Michalec: For example, you want to put stone on the cart path of Hole #16, where we have that nice water lot there. I don't think that's going to do. A lot of things need to be done. We need to get water flowing away, because as soon as we get more houses there, we are going to get more and more water and Hole #16 is going to be a good size watering hole. Why weren't Holes #16 and #5 completed by the owner? Did we do a complete check on the irrigation system? What I'm eluding to, is #14 on the right side. The reason that the rough area is as bad as it is, is because we have no water there. How many more areas do we have like that? Sometimes they are playable and sometimes it's not. The basic problem is that we have no irrigation. The other side of the coin is that the equipment goes to Down To Earth at the conclusion of their contract in 2021. We have to replace all of the equipment if we don't use them. Who is going to take over that burden?

Mr. Setaro: I will let Richard respond.

Mr. Singer: I think a lot of those things are all issues that you will have to address. The golf course is a living, breathing and evolving asset and is always going to have issues that you are going to have to address. That's part of the challenge of being a golf course owner and operator. We tried to make the best estimate that we could to bring the facility up to what we perceive as its maximum condition, in light of some costs. We identified a couple of other options for you, for example, with Hole #16, but they were much more expensive, than a simple type of cart path, which you could consider. I think that it would provide a nice touch for it, but over time, you may find that there's more to it. With an irrigation system, there are always going to be spots that are not going to have complete coverage, but spots will have good coverage. Certainly, we want the greens and fairways to have the maximum coverage. If some areas need to be left out, from time-to-time, we can do a hole here and there, such as a little spot in the rough, which may be impacted by the climate, weather and drought. The last question regarding the maintenance equipment, we assumed in our report that it would be your burden to take on the equipment. Now, it has been pointed out and we also noted in the report that, at present, the maintenance company that the owner retained to maintain the golf course, owns this maintenance equipment. That's not uncommon in the industry, so it is conceivable that you could retain another entity to come in and replace Down To Earth in the future that would bring their own equipment. We assumed, however, that one way the another, you are going to pay for it. Either the new Maintenance Agreement will be a little more expensive than the one you have now, or you will have to retain your own equipment. Either way, that's something that ultimately the burden is going to fall on the District and we have not seen that.

Mr. Michalec: No, but I think you need to revisit Hole #16, because with all of the water coming off of the streets into that area, it's not going to help the golf course at all.

Mr. Singer: It's a complex engineering problem that I think is a little bit beyond the pay grade.

Mr. Michalec: Its beyond my pay grade, as far as if you need someone going there and say, "*We are going to need to do this.*"

Mr. Singer: You may find that there are other ways to address it that are not as expensive as some of the things that are under consideration. We tried to give you an option that we thought was manageable and fell in a good budget that was realistic for the District, rather than spending more to fix that problem, then you spent on the entire golf course.

Mr. Michalec: I've been living in the community for almost 12 years. The rough on #14 slowly eroded to the condition that it is today and it's just getting worse, so we need to do something about it. Do we have an estimate on what we need to do?

Mr. Singer: Well, it's certainly something that didn't stand out to our Agronomist and it wasn't high on our priority list. It's something that, as you become owners, if it's important to you and your community, you will have to address it. You may find that it's going to require significant change to the irrigation system and the number of lines that you have, and you will have to go into the ground and put irrigation in, that could get very expensive.

Mr. Michalec: I just don't like surprises. If it's going to be this, then so be it.

Mr. Singer: The surprises are the more hidden things, such as the under surfacing and the irrigation system as it is currently functioning, which appeared to us and our Agronomist who did the inspection, that it was in good working order and did not have any issues. Now, if its designed for land that is not covering a certain area of golf course that you would like to see it cover, I think that's a different issue. That's something, if the actual experience that its creating for you is not sufficient, I think ultimately, that's something you will have to do.

Mr. Michalec: In part of your report, you were talking about the aesthetic look of the golf course and all of the frills that create customers. If I was playing this golf course on a regular basis, I would see the deteriorations. If we recognize a problem, let's address it. That's all I'm saying. If we are planning to purchase the golf course, we have to look at it and see what needs to be done, because otherwise, it's going to stay the same or get worse. There's no other way. How many other sections within the golf course has that problem?

Mr. Setaro: I don't mean to interrupt, but your three minutes are up. If you read the report, they recommended that we increase the maintenance number. This is just their recommendation. It will definitely have to be addressed as we go along.

Mr. Michalec: I understand. I'm sorry to take up your time.

Mr. Decker: My name is Mike Decker, Lot 344. I want to complement you on preparing a fairly comprehensive report. I was quite impressed with the amount of information that you were able to put together, in the short time that you did. I have some items for clarification. In your report, you mentioned that the golf course comprises of 122 to 150 acres. I did an analysis of the deeds and the actual property, owned by the golf course, and found that only 103 acres are actually owned by the golf course. Its notable too, that the CDD owns a significant amount of golf course property. As an example, Hole #3 is owned by the ARGC, but the CDD owns 7.5 acres of that hole. On Hole #2, the CDD owns 12.74 acres and the ARGC owns 3.48 acres. The only question that I had, relates to the use of the golf course. Is the golf course property specifically restricted to golf or can it be used to convert it for some other purpose?

Mr. Singer: In terms of the acreage and cross usage, we certainly identified that entire concept of being key in this acquisition. One of the reasons why we saw the CDD as the logical acquirer of the golf course, and why we identified that it could be problematic for some other entity to acquire this golf course, is because you have various shared uses of property. The parking lot, Clubhouse, as well as various parcels, would have to be identified clearly and made a part of the acquisition. It is our understanding that there can be no other use for it, other than the play of golf or passive open space. I'm not sure and I will defer to others to answer that.

Ms. Brown: Legal?

Ms. Whelan: We can look at it, but it's not something that we looked into for the purpose of this meeting.

Mr. Michalec: Thank you for your time.

Mr. Setaro: Is there anyone else?

Mr. Tomkin: Alan Tomkin, Lot 332. I have two or three comments. The most important one to me, is your overall evaluation, using the gross revenue multiplier. I've been a banker for 38 years and did acquisitions for 20 years. I find the gross revenue multiplier, the most invalid tool. Any investor wants the income approach or using a capitulation rate. Being generous, with a 10% cap rate, this golf course is worth about $500,000, based on the revenue that this golf course produces. My other comment was that I don't see any reason why we are in a hurry if Florida Leisure Communities (FLC) wants to run it until 2021. I don't see why a decision has to be made immediately or in the next year-and-a-half. Being a banker, if the CDD came to me to borrow money, based on $1.1 million, you wouldn't get very far, because I base it on income. Any astute investor would base it on income, not a gross revenue multiplier. That was my comment.

Mr. Singer: That's a very good point, and it definitely brings up a point that is a real challenge in the golf industry. Because of a lot of golf courses are operating in the red, the industry moved towards the gross revenue multiplier, which is a less common method. While the golf course generated $50,000 last year, it had worse performance in previous years and three years of trailing income. It certainly did not look like there was any positive value and that's why we used the gross revenue multiplier.

Mr. Stuvicus: Larry Stuvicus, Lot 167. I had some comments, more than questions. Let me apologize ahead of time to the 15% of the residents who use the golf course. My wife and I have lived here for a year-and-a-half and we are very happy to be here. Arlington Ridge is a beautiful community and we hope that it will always remain so. We also hope that the CDD and the HOA always maintain and even increase all residents' property values. We do not have a golf course or nature area lot, but if we did, we would expect our investment to be preserved. It may be that the golf course is the best possible use of the land, but since we are forced to consider the acquisition of the land by the CDD or another entity, I think we owe it to ourselves to at least consider alternative uses for the land that would preserve all resident's property values and standard of living. I believe that anyone who invested in the golf course, did so to get a beautiful landscaped area behind their home, as did the residents who purchased the lot adjacent to nature areas, but I doubt that anyone who purchased a golf course lot, did so for the express purpose of occasionally watching people play golf. It may be possible to convert the golf course into a landscape park and nature areas, bike or walking paths or any other use that the community would deem appropriate and still maintain the desirable qualities of all resident's lots. Since the golf course is mainly turf, it might be possible to convert some of the land with ground cover and other plantings to improve the beauty of the community. We would obviously not need all of the support facilities, equipment, salaries and planning future expenses related to a golf course. The value of the golf course is questionable at best. I believe that for every resident who feels that the golf course is an asset, we can probably identify at least as many people who think that it's a liability. As there are many golf courses nearby, no one will have any trouble finding golf courses to play on; however, since FLC communicated their intent to sell the golf course, I think we owe it to ourselves to consider all alternatives that would preserve everyone's property values. Thanks!

Ms. Brown: I'm going to make a comment as a resident, not as a Board Member. I purchased my home in 2005 and bought in a golf course community, and I expect to have a golf course in the community that I bought into. Otherwise, I would've gone someplace else and bought someplace else that didn't have a golf course. So, if this community doesn't have a golf course, I'm putting my house up for sale.

Mr. Hilton: James Hilton, Lot 368. You said that you studied purchases over many years. I'm fairly sure that some of these gated communities or non-gated communities, decided not to purchase the golf course. What are the ramifications of that?

Mr. Singer: That's a good question, but it's hard to answer that. In many cases, the golf course ends up being sold to some type of entity who manages it properly and everything goes well for the community. There have been other cases that were horror stories, where it doesn't turn out that well and the golf course closes. Then you are looking out on a former golf course. I think the only way to answer that is to say that it changes the risk profile for the entire situation for you, because you have to deal with some other third-party entity that's going to run this golf course for you and your community, and you are at their mercy, as to their economic status and whether or not they are committed to keeping it and preserving the golf course for you. There are a lot of different answers to that. Thank you.

Mr. Hilton: When we are talking about the value of the golf course, there is a lot of real estate out there, and I would think that the value of the land would be a good asset, even though it's a business.

Ms. Brown: I thought that too.

Mr. McGuire: Doug McGuire, Lot 497. Thank you very much for doing the study. My question is probably more for the Board, being one of the 15%, who moved here to play golf. We love the golf course. There are a lot of rumors floating around on what the cost effect is going to be on individual resident's. Are you aware of any process to inform the residents and public as to what an individual cost could be, to put an end to the speculation?

Mr. Setaro: I can address that. The next step is for us to start formal negotiations. The Committee has not put any numbers to anything. I know that I said this at previous meetings, but I had people stop me and one person was in tears, saying that we are going to get a huge assessment. The bottom line is that I don't think this Board would ever bring that back to the residents. I can't answer for them, but I can tell you, as part of the negotiating team, that wouldn't happen. Whether we get to that or not, we don't know. He may come back a month from now and say, "*Sorry, they don't want to sell it to us for that price,*" but if we can, and I expect FLC to work with us as we have with them, then there are a number of different financial scenarios that you can go through to limit the impact on the residents. We are not at that point yet, but I can tell you that it's not thousands of dollars. If we have successful negotiations, I would be pleasantly surprised. I'm not going to give you a number, but some people have already done the math in their own mind. Jim?

Mr. Richardson: Jim Richardson, Lot 550. I know that a lot of numbers have been thrown around. I dealt with a lot of financing and I'm just going to give you my perspective to show you what the best outcome would be as residents. Assuming that there are 1,041 lots here, if we use his evaluation and we said, "*Okay how much is it going to cost each property owner,*" it's going to be about $1,000. If we take that $1,000, and let's say that we get a 20-year bond, obviously there is going to be some interest, but that $1,000 is going to be spread out over a 20-year period of time. You can get a rough idea of what it's going to cost each property owner, if you take $1,000, divided over 20 years, to see what your investment is going to be. We have some people sitting in this room right now that moved here from another community that lost their golf course. If you want to know what the impact on your property value is going to be, it's a whole lot more than $1,000.

Mr. Gleeson: Tim Gleeson, Lot 317. Mike did a great job of looking at the amount of land that we have, between the golf course and the CDD. In the report, you talk a lot about an agreement that we have to share property. If ABC came in to buy the golf course, is that agreement transferrable and they just get to use our land?

Mr. Singer: I'm not certain about the answer to that. I indicated that's something you have to review. Certainly, any potential acquirer of it, in their own due diligence, would certainly make that a high priority.

Mr. Setaro: I don't know if they are transferrable or not, but Lindsay might know.

Mr. Flint: We are researching that.

Ms. Whelan: We are not at that point yet.

Mr. Setaro: Just for the audiences' benefit, we have shared agreements as it relates to our water system. We also have one relating to parking. The golf course has an easement through our property to get to the golf course. There are a lot of different agreements that have been identified in the report, that make it difficult for someone to purchase it. It's also something that's important to us. As a simple example, we explored extrapolating from the water some years ago, and that was an expensive proposition for us to do. With a new owner, we may have to do that. There are pluses and minuses.

Mr. Gleeson: If it's not transferrable, it makes it worse. The other thing would be an income stream without the income coming into the restaurant from the golf course. Could we afford a golf course without an income stream from golf?

Mr. Setaro: The projections, I believe, do not include the income stream.

Mr. Gleeson: I'm saying for our restaurant that we have now, is that the first to go? I just moved here from Palisades, and started looking at homes, the day they closed their golf course. We lost our restaurant three years prior to closing, because the owner closed it during the summer and we couldn't support our restaurant. My fear is, if we don't have a golf course and have a nature trail, is that the first domino of many to fall?

Mr. Setaro: Anything could happen.

Mr. Gleeson: We talked a little about what could happen. We are sort of in a unique area here, in that we have a very clear crystal ball. Fifteen miles south of here in Clermont, was Palisades, but it no longer exists. I took a tour of the facility two months ago, with a friend of mine, who is a golfer. Do you have any idea of what under two years will do to land that is not being used? Go 15 miles south and drive around the parking lot. The building looks like it has been abandoned for 20 years. Look around and you can see plenty of the fairways. Some of our greens are now under water and several wall greens are now gone. It's very clear and a stunning visual of where we will be. Thank you. I bought here to be in a golf course community and I don't want to move again.

Ms. Brown: Me either.

Ms. Round: Patricia Round. My husband Tim and I moved here five months ago. We moved here to play golf. I spent the last 20 years at Arrow Estates in Apopka, Florida. They closed their golf course, which had 27 holes, and had it re-zoned from recreation to a Planned Unit Development (PUD). Now they are building townhomes and multi-family on the closed golf course. When you give up ownership and control of this golf course, you will get an aggressive developer in Central Florida who sees the value of building homes and multi-family, in a housing shortage market, in a State that is growing by 10,000 people a month; 1,000 into Central Florida alone. This golf course would become a PUD of multi-family homes, not a nature trail. Sweetwater Country Club was also re-zoned, and they now have townhomes on that beautiful golf course. Sabal Point, in the northwest corner of Orange County, closed about 10 years ago and they now have townhomes. Rock Springs Ridge Golf Club in north Apopka, which is near Wekiwa State Park, closed and they now have townhomes on the golf course. Nobody sold to another golf course owner and continued the golf course. It was intended for multi-family development, which will occur here as well. If we have our CDD give up control of the ownership and they re-zone it for a PUD, we are going to be sitting in the same place that I have been living the nightmare for the last five years, in Orange County and Lake County. This will become a land grab by developers and will become multi-family. There will be no golf course.

Ms. Brown: FLC couldn't sell it.

Mr. Ryan: Mike Ryan, Camerons Run. I'm sorry, but I'm going to disagree with all of you. I did not buy into a golf course community. I bought into a resort community. It has all of the facilities that any resort has. Part of this is a golf course, with three swimming pools, a spa and weight room. This is not just a golf course community. Now for those of you who know me very well, I have never been in the weight room and I seldom take any classes, but I'm willing to support those, because we have residents in here who utilize those facilities. Everybody in here benefits from some facilities, but not all of them. That's what we have to keep in mind. We have been very fortunate. We went through a bankruptcy and were able to keep everything open. We are very fortunate to have a great partner coming in. I say "*partner,*" in FLC. As a Board Member, they were great to work with, but this is a package deal. It's a major decision what we are discussing here today, but I would like everybody to keep in mind, that this is a total community, with not just a golf course, not just tennis, but everything. Thank you.

Mr. Royes: Paul Royes. I appreciate the study. My only point is, in conjunction with what a few other people have said, I'm not a golfer, but I appreciate the amenity and the view from living on the golf course. I just want to make sure that we don't overpay, and that we negotiate from a point of strength, because I don't know how many other alternatives there are. I just want to make sure that we don't get into a situation where, for whatever reason, we start losing money, and then have to raise the fees. If the fees go up, so does the salability of our property. I'm just hoping that the Board does a very good job negotiating the fees and the price of this golf course.

Mr. Setaro: Is there anyone else? Hearing none, at this time, I think Lindsay had a recommendation for us.

Ms. Whelan: At this point, we are not looking to make a final decision today. The purpose of today's continued meeting, was to hear the presentation of the NGF Report, and to allow the Board and residents to provide feedback and ask questions. At this point, we are looking for some direction from the Board, as to whether you are comfortable directing staff and your Chairman to continue negotiations. Secondarily, we would like to make sure that Bond Counsel is looped in, if the Board is comfortable continuing these discussions, just to make sure that we are doing everything that's under tax law, which is outside the scope of our presentation. You retained Bond

Counsel when we initially issued bonds in 2006, so we would like to have direction to loop that in and engage them in the discussions, to make sure that any discussions that we are doing, are within the Federal Tax Laws.

Ms. Faylor: Do you need a motion?

Ms. Whelan: I just need direction, to make sure that the Board is on the same page, which is allowing your Chairman and Staff to continue these discussions, understanding that no decision is going to be made, until we come back at another Board meeting.

Ms. Brown: My opinion is that it would be stupid not to continue negotiations. That's my opinion, and the rest of the Board can say their opinion. I also agree to loop Bond Counsel in, along with our Chairman, if that's what you feel we should do.

Ms. Faylor: Richard, you specifically mentioned the 16th Fairway in your report. I would like that to be part of negotiations, in terms of the price to repair it.

Ms. Brown: That can be part of the negotiations. Does the rest of the Board want to move forward?

Mr. Michenzi: I wish to move forward.

Mr. Worrich: I wish to move forward.

Ms. Brown: Yes.

Ms. Faylor: Yes.

Mr. Setaro: So everyone is in favor.

FOURTH ORDER OF BUSINESS **Other Business**

Mr. Setaro: Is there any other business? Hearing none,

FIFTH ORDER OF BUSINESS **Supervisor Requests and Audience Comments**

Mr. Setaro: I want to thank Richard for the excellent report and taking everyone's questions today.

SIXTH ORDER OF BUSINESS **Adjournment**

On MOTION by Ms. Brown, seconded by Ms. Faylor, with all in favor, the continued meeting was adjourned.

Secretary/Assistant Secretary

Chairman/Vice Chairman