

QUESTIONS & ANSWERS (paraphrased)

Mike Collins provided this additional information which wasn't contained in the presentation slides.

- 1) Immediately prior to the Wednesday presentation session Mike was able to negotiate better terms than the 3.99% which were represented in the presentation slides. He stated the current preferred terms have decreased to 3.75% as updated in the presentations on Thursday.
- 2) He emphasized that negotiations are on-going & will continue until such time as we have obtained the best deal for the community.
- 3) He stated that when the ballot is mailed it will include the preferred lender's terms and exact description of POA assets to be pledged, but negotiations may continue toward an even better interest rate. The assets to be pledged will not change from what is published with the ballot.

Q: Donna Craig: Will there be additional presentations in April?

A Yes

Q: Dave Borden: Are our individual properties being involved in any part of the collateral for the loan? And will the lender be able to force the POA to increase dues or assessments?

A: Individual owners' properties are not involved in the collateral and we don't anticipate encountering the lender needing to foreclose on anything. Our long range strategic "cash flow" plan is based on very conservative assumptions and shows that the POA will be able to meet the loan obligations in addition to maintaining all our facilities and paying the usual operational expenses.

Q Larry Schreiber: Can you explain the term "pledged assets"? Is it our personal properties, the accounts receivable, annual dues and assessments or the physical building as collateral?

A The various lenders have had different requirements for "pledged assets". The current preferred lender requires pledging of the building as collateral while others wanted A/R and dues pledged. The final requirement will be explicitly defined on the ballot attachment.

Q John Carroll: Is the golf course to be part of the collateral for the loan?

A No. The golf course is not owned by the POA. The POA cannot pledge assets of other owners be they individuals such as yourselves, or other companies such as LFCCI.

Q Annette Smith: Have you looked into using other collateral other than the pool house if lenders require additional secondary assets other than the community center building?

A We don't believe they will require additional assets, but even if they do the chances of the POA defaulting on this loan is extremely slim and would happen only if everyone stopped paying their annual dues assessments.

Q Annette Smith: What will the future dues rate be?

A The last of the planned dues increases (that being 5%) will go into effect on July 1, 2015. Then no more annual dues assessment increases are planned for at least 5 years.

Q Annette Smith: Would future dues rates go down?

A It's presently not in the long range strategic cash flow plan, but if future Boards determine that to be feasible and still cover all necessary expenses and obligations, they could make the decision to lower the dues.

Q Chuck Gregory: What is the commitment time from the lenders?

A Generally 30 days, but they've been open to extending the expiration date to the end of our voting period.

Q Rich Modrowski & Al Liland: Are we going to first make payments using the community center assessment monies already collected before drawing from the loan?

A Yes. Doing so reduces the time we pay interest, thus reducing the amount of interest we'll pay.

Q Barbara Taraksa: Would there still be a balance on the loan after the 10-year fixed time period?

A Yes, while the loan will be amortized at the 20-year rate to keep monthly payments manageable, after the 10 years at the fixed rate the remaining balance would have to be refinanced.

Q Larry Schreiber: When would the loan start?

A Initially, during the construction there will be an interest only construction loan from which periodic draws will come, based on periodic progress reports from the contractor and authorized by the lender. Once the Certificate of Occupancy is obtained the loan will convert to a mortgage type permanent loan. The specifics of the loan term and assets pledged will be included with the ballot mailing which is scheduled to be mailed between March 25 and March 28.

Q Tom Edwards: After 10 years will we be required to re-vote to renew the loan?

A No. A subsequent vote would only be necessary if the assets pledged as collateral change.

Q Lynne Borden: Who will oversee the construction process?

A Ken Church, a Board Director, will be the POA's projects manager, but the architect and the bank will also be involved in oversight of the projects. Plus we're sure many owners will also be watching.

Q Al Liland: Will the contractor be required to sign off on all "value engineered" changes?

A Yes

Q Al Liland: Who will approve any change orders?

A The Board will be the entity to provide final approval for any change orders.

Q Bill Schmidt: How much money has been spent to date on the project?

A Approximately \$140,000.

Q Mike Whitwam: What will be the tax value once the building is completed?

A We don't believe the county can establish tax assessment values on unbuilt buildings but we're assuming they will use the cost of the building as their basis.

Q Tony Regnier: Will there be insurance coverage while the construction project is in process?

A General Contractors routinely carry "Builders Risk" insurance for work-in-progress projects. This is generally paid for by the General Contractor, but we will make sure this is covered in the contract with the General Contractor before signing.

Q David Mills: Be sure that the Certificate of Occupancy says we can use the building.

A We will do so.

Q Al Liland: Will we be required to write multiple checks to the general contractor and his subs?
A No, The general contractor will submit draw requests to the lender based on stages of the work progress. The lender will verify the work as being completed and issue the draw checks to the general contractor. The general contractor is responsible for paying his sub-contractors.

Q David Woods: Does the performance bond also include a “payment bond”, which means that there are assurances that the general contractor pays his sub-contractors.
A Lenders typically require general contractors to sign criminally enforceable Lien Waivers before draws are made. We’re confident these requirements and protections will all be spelled out in their final loan terms, but we will be sure to assure they are included.

Q David Woods: I understand the standard draw process for construction loans, but ask if there will be some retainage percentage held back from draw payments?
A It is our understanding this is a general practice of the lender and the bank will, no doubt, have such policies specified for us to follow.

Q Al Liland: After completion, will the General Contractor warranty the work? And for how long?
A Typically the warranty period is 1 year, but the exact period will be a part of the final contract with the General Contractor.

Q Rich Modrowski: Why did 5 contractors not bid?
A Some already had projects scheduled during our time frame and for others the project was either too big or too small for them.

Q Chuck Salayi & Al Liland: Is there a penalty clause in the contract with the General Contractor?
A We did not include a penalty clause for late completion because the trade-off is they would then want compensation for completion ahead of schedule, or a “Reward clause”. We feel our vetting process, plus the performance bond is adequate coverage. Additionally, we would not want the contractor to cut corners to get the job done quickly in order to collect a premium in the form of a “Reward clause”.

Q Rich Modrowski: Why are we having the contractor do the landscaping instead of our present landscaping contractor?
A Although it was part of their bid, it is also one of those areas where we might be able to save some money by getting proposals from other landscapers as part of a value engineering and cost reduction efforts.

Q David Woods: Is \$50,000 contingency enough?
A We believe so. However, there are also options available such as indicated in Rich Modrowski’s question immediately preceding.

Q David Woods: Even though the solar option was deleted, do you think it would be wise to stub the plumbing in for possible future solar?
A We did not believe the water heating solar option to be viable and plumbing for such is not included in the plans.

Q Mike Whitwam: If the “pool house” has renovations planned, will it include matching the exterior to that of the new building?

A That is something that’s being considered, should adequate funds be available.

Q Joe Parnell: What are we going to do about parking during construction?

A The contractor is aware that we still need access to the pool, and the existing POA Clubhouse so provisions will be made. We’re just not sure right now what the exact plans will be.

Q Al Liland: Is fire a fire protection system part of the “Security” that is outside the General Contractors contract or part of the construction contract?

A It is included in the construction contract. The Security component referenced refers to a camera and card swipe system for access to amenities such as the clubhouse, pool and hopefully even the trash and boat storage and dock areas.

Q Mike Whitwam: Will the card swipe system for new security include use at the front gate?

A We would like the new camera’s and card swipe system to include not only the new building, but also the pool and pool house, trash and boat storage and dock areas.

Q Ed Klosowski: Is the driving range going to still be involved in the new septic installation?

A Yes

Q Ed Klosowski: Is the pool building going to be affected with the septic system installation?

A No

Q Tom Edwards: What is the impact of the new septic installation going to be on the trees?

A Although we don’t at this time know all the details, the impact should be minimal. We are committed to saving all the trees as possible.

Q Patti Ayling: When will the shovels start breaking ground?

A After the voting period is completed at the end of April the first in the sequence of events is installation of the septic system, a move to the temporary pro shop and offices, and demolition of the existing building. So it might be nearer September before you start to see the actual work on the new building begin.

Q Ray Compton: Would it be possible to salvage some of the “slates of tabby” from the present building exterior at the time of demolition?

A We will try to work that out with the General Contractor.

Q Ed Klosowski: Are the final drawings available?

A There is a draft of the plans available in the lobby of the pro shop. These, however, do not contain the “value added engineering” done in meetings with the general contractors. For instance, the plans in the lobby indicate a metal roof and, because of costs, that option was deleted. There are a few other such changes, but the overall footprint and room layout remains the same. To get the final drawings will require hiring the architect to develop “as built” plans.

Q Ed Klosowski: Who is paying for the temporary pro shop?

A At the time the POA purchased the land (and present pro shop building) the LFCC was granted 10 years rent abatement. That 10-year period started then and, since as landlords the POA is obligated

to provide tenant facilities, the agreement was to split the rental costs of the temporary facility between the POA and LFCC.

Q Donna Craig: Will the POA be leasing the pro shop and kitchen to the LFCC?

A Yes, the LFCC was granted a 10 year rent abatement for the pro shop and grill space from the time the land was purchased. After that 10-year period the rental rate will be determined based on an appraisal of fair market value with annual inflationary adjustments.

Q Ron Dziedzina: How will utility costs for the building be divided between the POA and LFCC?

A There will be separate meters for utilities and other costs pro-rated according to square footage ratios.

Q Dave Borden: Who will be making the policies for use of the new facility, the LFCC or POA?

A The POA

Q: Larry Schreiber: Who will be the restaurant vendor?

A The space for the pro shop and restaurant are leased to LFCC and the food vendor is a sub-tenant. Everyone is in agreement that the facility needs to be upscale from the present. It will then be up to the community residents to support the restaurant vendor.

Q Cheryl Washburn: Do we need to start making calls to owners, especially lot owners, as we did with the amendment ballot?

A Once ballots go out, yes, we do plan to once again make calls as before.

Q Doug Wilburn: Will ballots being "postmarked" by the due date be accepted?

A The instructions printed on the ballots are that ballots must be RECEIVED by 5:00 on the deadline date.

Q Lou Matos: If 2 people are on property owners' deeds, do both owners (such as husband and wife) need to sign and date the ballot?

A No, only one owners signature and date is needed.

Q Dianne Hoffman: We know the post office isn't always dependable for quick delivery. What if a mailed ballot doesn't arrive in time?

A Ballots received after 5:00 on the deadline date will not be counted. The mail is received at the office each day by 5:00. The best plan would be to vote early to assure your ballot arrives well before the deadline or, especially for residents, hand-deliver them to Janette's office. If you are a part-time resident, or plan to be away during the voting period, please contact Janette to make prior arrangements for her to deliver your ballot to you. Ballot envelopes will not be opened before to the public counting so there should be no reason to wait to the last minute to return your vote.

Mike Newland: I have no question, but just want to congratulate the POA Board on the "near-completion" of a very fine project.

