

February 2, 2021 meeting with Triumph in reference to LW golf course

Resident Questions (by category):

General:

1. If the HOA Board lifts/modifies the deed restriction on the golf course, there is a definite economic advantage to Triumph. I stand to have an economic loss of property value of my residence, loss of peace, privacy and beauty of my backyard during the 5-10 years or so it will take to dig the retention pond and for it to grow into a natural wetland. My tax dollars will be used through the bond to purchase the land from Triumph at a higher price than the current valuation.
 - a. Is there any consideration being given to account for my economic and physical loss? This is something that you will need to take up with HCFCD. **Triumph is losing 1/3 of its business and not profiting from the transaction other than, potentially, ending up with an 18-hole functional golf course that does not flood after being closed for 6 – 9 months for restoration.**
 - b. If you do not get permission from the HOA to lift the deed restriction, will you continue to operate the golf course “as is” or would you sell the property to another real estate holding company? If we are unable to conclude a transaction with HCFCD, Triumph will be forced to make a business decision as to the future of Longwood. **First, we are not requesting to “Lift” the Deed. We are requesting to amend the existing Deed. Secondly, as we firmly believe the best course of action for all parties involved is the flood mitigation project, we have not determined a course of action should that effort fail. Triumph can guarantee you that we will not continue business as is.**
2. Why do you want the option written into the new deed for the land to be either a golf course or residential development? You have stated the land is worthless and all flood plain, so how could/should it be classified for residential development? **Please see the January 20 presentation posted on our website for complete details. In summary, an Amendment to the Deed Restriction provides justification for HCFCD to pay the cost (Cure) to restore 18-holes. Without the Amendment, the cost is not justified.**
3. After HCFCD does flood mitigation, will the land then be able to be developed for residential housing? It has been stated that HCFCD will have to re-draw the Flood Plain and Floodway maps. **It may change the amount of potentially developable land, but it does not change the purpose of amending the Deed. With the guarantees provided by Triumph, it is in our financial best interest to have an 18-hole function golf course. These beforementioned guarantees are fully described in our January 20 Presentation.**
4. Is there any price control over what Harris Co. pays for the land? **No. It is 100% subject to their appraisal. The numbers we utilize for our January Presentation are estimates as stated on the presentation. HCFCD will establish the price.**
5. Is there any guarantee that the land would only go to Harris Co.?
 - a. If they back out, would it get sold to a third party? **Please see the January 20 Presentation for complete detail on the guarantees Triumph is willing to provide LVHOA.**
6. Once the land is sold, is there a contractual obligation and/or a guarantee to maintain it? **No. We have mentioned Triumph would be willing to enter into a Maintenance Agreement, but to date, no agreement have been discussed. This is also covered in the January 20 Presentation. As we have the equipment and manpower, we are willing to undertake a Maintenance Agreement**
7. Please clarify why the “right of first refusal” is needed and if there is a time period where the land would have no deed restriction on it all? Would this be during the negotiations between Triumph & HCFCD?
 - a. In the Jan 21 meeting you mentioned that would take 90-120 days?
 - b. What is the process/timing of when the “amendment & release” you are suggesting would be placed back on the property? **This is explained in detail in the January 20 Presentation. If after your review you still have any questions or require further clarifications, Triumph will be happy to address these in person.**

8. HCFC states that it will be 3-5 years “pre-construction” to obtain permits and prepare for this project.
- When would Triumph start construction for the new 18 hole GC? **Triumph would start in the Spring of 2022.**
 - Would Triumph sign a contract to maintain & regularly mow the abandoned land until the HCFC starts construction? 3-5 years **See: Question #6 above.**

How long would this proposed project take to complete?

Every flood damage reduction project is unique, and even if an agreement between Triumph Golf and the Flood Control District is reached there will be several more steps we need to complete before moving forward.

The lifecycle of an individual project typically starts with a feasibility study and / or preliminary engineering. As the project is more fully developed, any environmental clearances must be obtained. We also acquire any needed right-of-way and relocate utility lines, if needed. The final three stages are design, construction, and operation & maintenance. We estimate it would take anywhere from three to five years to move through the pre-construction steps.

More information about project stages is available here:

<https://www.hcfcd.org/Resilience/2018-Bond-Program/Project-Lifecycle>

9. Was LW golf course profitable in 2020? If it as profitable, is that primarily due to there being no recent major flooding events or are there other causes for the golf club showing profitability in recent years? **Longwood Golf Course was “operationally” profitable in 2020, but it did not produce adequate cash to service our annual financial obligations (interest). The 2 main reasons we were operationally profitable in 2020 was weather and the positive impact to rounds from Covid-19**
10. Has there been a decline in golf at LWGC in recent years? Has that changed with COVID? **See: Question #9**
11. Does your long-range business plan take into account closing of other local golf courses and population growth in Cy-Fair potentially increasing your business? **We do a “Competitive Market Analysis” every year during Business Planning and consider everything beforementioned, plus in-depth private event pricing, public pricing, dues, CPI impact and date changes for major holidays. So, simply state...YES...we consider all economic factor in both our annual and 5-year forecast.**

Questions for the future of LWGC

The Longwood golf webpage states an intention to make the course semi-private, and raise rates to maintain a high end golf course.

1. What benefits would Longwood residents be entitled to, if any, compared to other club members who don't live in the subdivision? **Yes. As I mentioned on the “Meeting of 37,” with the new restored club, we hope to implement a new concept and we plan to have a restructured membership. Longwood residents will have a beneficial opportunity which may include pricing and priority**
2. Would the “37 homeowners“ who paid a premium to live on the golf course and will lose it if the detention plan goes forward be entitled to additional benefits from Triumph beyond stakeholders listed in question #1? **It is not something we have contemplated to date.**

Ideas for consideration:

- 1) Could you remove 9 holes along the creek and sell that to the Flood district? This would give you the ability to only have to maintain an 18 hole golf course, the flood district would get the land that they want and would maintain property values for those along the golf course. **Structurally and financially, it does not work**

- 2) If the deed has to be lifted, can it be a condition to give the houses along the course a sliver sale of the land adjacent to their homes? (90ft?) This would allow the homeowners to negotiate directly with the Flood district which could help to minimize the loss of property value and we could maintain that land during the planning and construction. **We have repeatedly said that we will work with the LVHOA and HCFCD for easements, buffers, landscaping and/or burns. The LVHOA can negotiate directly or Triumph would be happy to assist.**
- 3) Can we preserve all 27 holes and the Longwood community would be financially involved in some way? For example, every homeowner could join the golf club as a social member. **We presented the exact concept in 2016 to the LVHOA Board in a public meeting. We were told NO and furthermore, during that meeting, we were requested to donate a portion of our property to flood mitigation. Obviously, Longwood could stay 27-hole with the right financial support from the community and every resident becoming a Social Member could possibly work. As I understand it, it is outside the scope of the Board to approve.**

Specific Questions regarding Jan 21st presentation slides:

- 1) Has Triumph and/or HCFCD performed any studies or assessments that provide quantitative findings of the changes in property value, safety/security and environmental impact (reduction of trees, wildlife, etc) that would occur to the properties that border the acreage east of Longwood Trace that Triumph desires to sell? **Triumph has not done any definitive studies**
 - a) If not, would Triumph be willing to fund such a study and share the results with the LVHOA Board and impacted property owners prior to the requested modification of Deed Restrictions? **As I have consistently stated, Triumph is losing 1/3 of our business with the purposed flood mitigation project. This is a question for HCFCD. Triumph has already funded almost \$200,000 in studies, appraisal, analysis & legal fees directly related to the loss of our business. Any non-golf course damages caused by the project should be addressed directly with HCFCD.**
- 2) Triumph provided an estimated valuation of acreage at \$51,470/acre in their presentation. The presentation states in BOLD font **“Triumph is NOT directly profiting apart from reducing debt to a serviceable level for an 18-hole facility”**. This statement appears VERY misleading, if not, inaccurate. By Triumph’s estimates, the remaining 169 acres would carry forward with a new appraised land value of ~\$8.7MM (\$51,470/acre x 169 acres). An increase of \$6,078,797 (\$8,701,868 - \$2,623,071) over Triumph’s current estimated value. In addition, the future property would include “Additional Golf Course Improvements” and “Clubhouse Improvements” aimed at achieving a goal of providing a “High-end, 18-hole Golf Course”. At an estimated cost by Triumph of approximately \$6.5MM, these improvements would certainly also increase the value of the LV Golf Club. **Unfortunately, debt is a reality of business. The money we could potentially receive for the sale of 82 acres for loss of 1/3 of our business will be required to paydown a corresponding portion of debt. As clearly listed in our January 20 Presentation, any surplus proceeds from the sale of 82 acres would be prioritized as listed. Also, it does not matter what the ultimate value of the land is after the Amendment to the Deed Restriction as long as it is greater than the cost to restore 18-holes (estimated @ \$6.4 M). The maximum we can receive for restoration is the actual cost to restore...not 1 penny more**
 - a) Bottom line, with 1) the capital obtained from HCFCD, 2) zero to little capital investment required from Triumph and 3) the potential loss in property value and uncertainty in the future safety/security and other outcomes for all of the Longwood Village property owners negatively impacted, Triumph is positioned to SIGNIFICANTLY PROFIT. **Triumph is not significant profiting for the sale of our private property.** I would suggest you review the January 20 Presentation or schedule a time to meet with us directly because we have spent almost \$3 M in flood damage repairs, paid the shortage on our interest payments and now have almost \$10 M in a non-performing asset due to flooding. I fail to see our

significant profit. I do see 106 home that need flood mitigation, 300 projected homes requiring flood mitigation during our next ATLAS 14 event and 3100 area homes that need flood mitigation. Respectfully, I do not follow your math.

- b) Please clarify Triumph's position and statement that they would not be directly profiting (particularly if the golf club is Positioned to Sell, which is one of six core services that Triumph offers according to triumphgolf.com). You should revisit our website. Positioning a club for sale is a service we offer under-performing clubs. We invest in these clubs, apply our resources, and maximize the EBITDA making the club "sellable." Also, Under the Development tab, it clearly defines golf course development. No one place on our website does it mention "WE DO REAL ESTATE." We are a golf company. Our intent not to sell Longwood Golf Course as real estate has been addressed in every presentation as have the guarantees to protect the community against selling as real estate.
 - c) Does Triumph agree that the value of the future LV Golf Club property would increase should the Deed Restrictions be modified and Triumph be permitted to move forward with the sale of 82 acres and the improvements to the Golf Club they desire? If not, please clarify why. Increasing the value of the property is exactly what this is all about. The value of the property has to increase in order to justify potential restoration cost for 18-holes from HCFCD. If the value does not increase and HCFCD moves forward with their project, there will not be a golf course. Triumph will not put another \$6.4 M in the course, nor would any golf company. The only chance to retain 18-holes of the golf course is Amending the Deed Restriction creating a higher value for the remaining acreage justifying restoration costs from HCFCD. This has been explained in every presentation we have made: (1) Do you want Flood Mitigation, and (2) Do you want the golf course to continue.
 - d) Would Triumph be willing to amend and clarify their future statements regarding potential profits and increases in the LV Golf Club property value that would result should their desired amendment of the LV Deed Restrictions be agreed by the LVHOA. This has been done on every presentation. See: January 20 Presentation and Question "C" above.
 - e) What compensation is Triumph willing to commit to the LV property owners whose property value is negatively impacted while the land value alone of the golf course property is positioned to increase by a factor of 3.3? This is a question for HCFCD. See Question # 1
- 3) Regarding "What are the consequences if the Deed is not amended?" slide provided in the presentation - Bullet #2 "If HCFCD decides to continue with the project at the lower appraised value, the potential exists for the golf course to go away due to lack of funds to rebuild/restore the golf course." What commitment is Triumph willing to make today regarding the funds received from HCFCD (assuming it's below the estimated \$6.464MM required to restore the golf course)? Triumph will have to make business decision including the possible scope of work aligning with the lower amount of funds received and if there is adequate funds for the 82 acres to paydown 1/3 of our debt. We have not made that decision as we have expert opinions that the valuation will align with our 2 hurdles: adequate to justify restoration, and adequate to paydown a corresponding amount of debt.
- a) Will all of the HCFCD funds be invested in the golf course regardless of the total amount received from HCFCD? SAs clearly described in the January 20 Presentation, 100% of the restoration proceeds will be escrowed with the HOA and solely used to restore the golf course. The payment for the 82 acres will paydown debt and anything left will be used as described in the January 20 Presentation.
 - b) Will Triumph be committing any capital of their own to improve the remaining 18 holes and the Golf 09uoyighfcvClub or does Triumph intend to rely solely/primarily on funds received from HCFCD to improve the Golf Course and Club. Yes. As the "Cure" proceeds we will receive will only address certain golf course items and nothing to do with the clubhouse, it will require additional capital for other

golf course upgrades and clubhouse upgrades. We have a priority list but have not quantified the additional investment as it depends on the price paid for the 82 acres and total Cure proceeds received.

- 4) Regarding “What are the consequences if the Deed is not amended?” slide provided in the presentation - Bullet #2 and #3 state “potential exists for the golf course to go away” and “Triumph would have to assess our ability to keep the golf course open”. These statements do not agree with Slide titled “Understanding the Two Distinct Opportunities:”, which states “The continuance of the golf course is 100% contingent on an Amendment to the Deed Restriction”. I do not see any contradiction. If the Deed is not amended and / or the combined proceeds to be received from HCFCD is not sufficient to pay down a matching portion of our dept and restore the golf course, Triumph will be forced to make a business decision in relation to the future of the golf course. Triumph will not independently bear this expense, nor would any golf course operator, without flood mitigation and proceeds it represents. Additionally, if the combined proceed offered by HCFCD does not meet our in combined requirements, we will be forced to make a business decision. So, while flood mitigation can happen with or without the golf course surviving, the golf course has no chance without an Amendment to the Deed Restriction justifying the Cure proceed to restore the golf course.
 - a) Which statement(s) are correct? Is the continuation of the golf course 100% contingent on the DR modification or is there a potential that needs to be further assessed? See above and January 20 Presentation

- 5) Would Triumph support a decision to include representation by “The 37” or LVHOA Board in all future discussions, meetings and communications with HCFCD regarding the Frontier Project, LW Deed Restrictions, etc. Triumph is willing to work with whomever to the benefit of the community and golf course. however, this is not a decision that Triumph can make. Per the LVHOA attorney, amending the Deed Restriction fall directly under the responsibility of the Board and is not something that would require resident vote. Since we have been told the Board has the authority and the responsibility to make this decision, it would be up to the Board to include any groups as advisors or placed on any committees. Again, as Triumph feels we are stronger united and can potentially negotiate more, we are 100% comfortable with the inclusion of any individual or group focused on the best interest of the community.

Many of the FACTS have been confused or misrepresented on Social Media. The facts are available on the Presentations and Q&A on the Longwood Golf Course website. I would urge interested individuals to review this information. Both HCFCD and Triumph are available to clarify or discuss any issue per the request of any Longwood resident.

Per request during our meeting on Feb. 2:

Atlas 14 is an ongoing study used to analyze historical rainfall data in order to update statistical hypothetical rainfall events in Texas. In certain circumstances, the statistical events are used to analyze waterways and help design stormwater infrastructure. Based on historical data, Atlas 14 will assign probabilities to rainfall volumes to estimate the likelihood of a rainfall event, like a 100-year storm, occurring in any given year. Since the statistical data for storms in Texas has not been updated in many years, this may cause significant changes in some regions’ projected rainfall volumes.

Commissioned by the National Oceanic and Atmospheric Administration (NOAA) and implemented by the Hydrometeorological Design Studies Center (HDSC) with the Office of Water Prediction (OWP), Atlas 14 has been completed across the majority of the United States and is currently being updated for Texas. This update will be published as the Atlas 14, Volume 11, Version 2.