



The Boca Royale Transition Story

Part I

January 2022

INTRODUCTION

The Transition Committee has been diligently investigating the potential acquisition of “The Club” on behalf of Boca Royale residents. Significant work has been performed and data shared with the Community via Newsletters and our Boca Royale Transition Website. The purpose of this communique is to consolidate and summarize the information the Transition Committee has accumulated thus far, and to outline next steps.

We call this summary “The Story - Part I”. It is organized in these subject areas:

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HISTORY OF BOCA ROYALE AND THE NEAL PROPOSAL

- 1965 F. Ryker Clark begins to build a 9-hole golf course, called Englewood Golf Course, which opened in 1966.
- 1967 Mr. Clark dies suddenly and Maurice Colding, long time Clark employee and golf course superintendent completes the second nine holes with the support of Ryker's widow.
- 1972 Colding's health deteriorates and Mrs. Clark sells golf course and surrounding property to George Thompson, a local developer, with the proviso that the golf course survive and be managed by the Thompson Group.
- 1976 Golf course architects Ron Garl and Steve Smyers redesign the course. Renovations including an irrigation system commenced under the supervision of Andrew Thompson. The Thompson Group successfully builds homes for many years.
- 2005 George Thompson dies and his three children inherit the property. Time seems to demonstrate that they possess neither the vision nor inclination to continue developing Boca Royale.
- 2008 A recession takes its toll on the Thompson organization. Residents take charge of the Club for the next four years. Dubbed "The Boca Five" (Don DeSantis, David Dunkin, John Towers, Sue Comeaux and Harold Hans), these members managed and financially supported The Club for the next several years.

- 2009 For the next three years a “New Boca Five” (Dan Schull, Ralph Touch, Don DeSantis, David Duncan and Chip Baldwin) took over investing significant energy and personal resources to assure the survival of Boca Royale. Many residents support their efforts.
- 2011 A deal with D. R. Horton, a Florida home builder, falls through at the last minute. Their plan was to eliminate the clubhouse and golf course and build condominiums. Discussions were also conducted with Pulte who planned to bulldoze the golf course and build houses. Searching for a developer who would keep the recreational facilities in place, the Thompsons are referred to Pat Neal, by an individual at D. R. Horton.
- 2012 After the Boca Community votes to support the sale by agreeing to paying proposed Social Membership fees, the Thompson Family contracts with Neal Communities to sell land for further housing development. Their agreement includes leasing and managing “The Club” with options to purchase Club assets in future years.
- 2020 In December, Pat Neal exercises his option to purchase Boca Royale from the Thompson Family.
- 2021 In April, Pat Neal formally notifies Boca Royale residents of his desire to sell the Club to them. While he expressed that his intent is to continue to build homes in Boca Royale, he has no desire to own or manage its social and recreational facilities. The Club Advisory Board (CAB) invites residents to apply for positions on a new committee being formed to assess this opportunity. Candidates apply, are vetted, and the Committee is established. Ultimately identified as the Transition Committee, their first meeting is held in May. Their work commences and continues.

WHY SHOULD HOMEOWNERS CONSIDER PURCHASING BOCA ROYALE, AND WHY NOW?

First and foremost, the offer has been formally made now, so a decision needs to be reached.

There are four primary advantages to pursuing a purchase NOW:

1. Ownership would allow us to control the future of The Club.
2. The cost to individual homeowners would be reduced significantly as Neal has offered to cover the bond obligations for all future homes he plans to build in both Boca Royale proper and Boca East. This would reduce our individual payments anywhere from 40-50%.
3. Completing this transaction in the current low interest rate market will save additional monies.
4. The presence of a Clubhouse and recreational facilities, including the golf course, enhance our property values.

UNDERSCORING ALL THESE ADVANTAGES IS THE CONCEPT OF PRESERVING THE CLUB WHICH SUPPORTS THE LIFE STYLE OF BOCA ROYALE - THE ENVIRONMENT THAT ORIGINALLY ATTRACTED US ALL TO MOVE HERE, THE “MODE” OF LIVING THAT WE HAVE COME TO ENJOY, AND THE FRIENDSHIPS THAT WE CHERISH.

EXPLANATION OF A RECREATION DISTRICT AND ITS BENEFITS

A recreation district (“RD”) is a unit of local government, established by county or city ordinance, pursuant to Chapter 418, Florida Statutes. An RD is formed only when a majority of the registered voters in the RD area want one, in order to purchase the recreational facilities (i.e. golf courses, tennis/pickleball/fitness facilities) in their community. An RD can be formed by voters through (a) petitioning their county to form the RD or (b) by voting in a referendum for an RD.

Advantages of an RD

Residents, through their elected supervisors, can control the recreational facilities that are at the heart of their communities.

Residents can protect their property values (which are directly affected by their recreational facilities) and their community’s lifestyle.

RD’s can acquire, renovate, expand, operate, and maintain recreational facilities in a very economical fashion. Because they are non-profits, all excess funds must be reinvested into their communities.

RD financing is the most cost-effective method to acquire, renovate, and expand recreational facilities. It can issue 30-year tax free low interest municipal bonds, with repayment tied to individual homes.

RDs require (by law) quality governance procedures including: an election for a Board of Supervisors to manage the RD; bonds approved by referendum validated by a Florida County; all meetings must be open with agendas and minutes publicized; and, financials must be audited, publicized and placed on a Website.

FINANCING ALTERNATIVES AND RECREATION DISTRICT CONSIDERATIONS

Bank financing is more expensive and restrictive. Repayment terms are shorter and interest rates higher. Collateral, probably in the form of a mortgage on individual homes, might be required.

Groups of residents could form an LLC to purchase The Club, but the terms would be more expensive, and the governance features of an RD would not apply.

RD Approval Process

To create a RD, Florida statutes require a simple majority of registered Sarasota County voters who are Boca Royale homeowners to support the RD via a petition.

Inclusion of Homes Yet to Be Built in Boca Royale and Boca East in the RD

Pat Neal informed the Community of his plans to purchase and develop land adjacent to Boca Royale. He referred to this property as Boca East, indicating he planned to include it in the Boca Royale community.

Pat Neal expressed that if the current residents supported an RD, he would be willing to make all bond payments for homes he plans to build in Boca Royale proper and Boca East from the beginning of the required bond referendum payments until which time as those homes are sold and the obligation can be transferred to the new homeowner. This would result in a savings of approximately 40-50% for current Boca Royale homeowners.

Pat Neal has committed that he would waive his voting rights for the election of the Board of Supervisors and the bond referendum to purchase the Club.

WHAT DUE DILIGENCE HAS BEEN CONDUCTED AND WHAT REMAINS?

The Goals of our due diligence are to assess:

- The fair market value of “The Club”.
- The condition of all facilities considered part of “The Club” purchase including the Clubhouse, fitness center, racquets facilities and related structures.
- The condition of the Golf Course.
- The age and life expectancy of critical components, and the cost of repairing or replacing required items.

Consultants have been engaged to conduct the above assessments. They are listed below and their backgrounds can be found on our Boca Royale Transition Website.

Mark Barnebey, Attorney, Blalock, Walters, P.A.

Hank Fishkind, Ph.D., Director, PFM (Economic and Real Estate Consulting)

Jim McLaughlin, President, True Club Solutions, Division of Troon (Golf Course Management)

Roger Smith, Architect, Owner BBS Architects (Boca Resident, donating his time)

Bryce Swanson, Senior Designer, Rees Jones, Inc. (Golf Course Design)

Todd Wilson, Engineering Consultant, Wilson & Girgenti LLC

We are currently reviewing preliminary results provided by these professionals.

CONSULTANT COSTS

Neal agreed to pay for consultants with the understanding that if the bond referendum is passed, the RD will repay him from the bond issuance proceeds. If the bond referendum is not approved, Neal will not seek reimbursement for consultant costs.

The table below outlines that consulting service costs through January 12, 2022 have aggregated to \$100,983. We are hopeful to stay within our \$200,000 budget.

Outside Support	Bills Paid	Additional Projected
Legal Support (Blalock, Walters)	\$26,920	\$34,000
Recreation District (Fishkind)	\$51,000	\$41,000
Mold Issue Review and Remediation Plan (AQM)	\$4,095	\$0
Website Support (Metrocode)	\$7,400	\$2,000
Liability Insurance (Cincinnati)	\$2,078	\$0
Golf Course Due Diligence (Rees Jones)	\$2,000	\$0
Financial Review (TCS – Division of Troon)	\$5,000	\$0
Engineering Assessment (Wilson Gergenti)	\$2,500	\$7,350
Irrigation Assessment (A.S. Altum)	\$0	\$5,500
Total	\$100,993	\$89,850

BOCA ROYALE FINANCIAL PERFORMANCE

The financial viability of “The Club” is critical as we consider the potential purchase. An independent assessment of both historical and pro forma data was deemed necessary to reach this conclusion.

Historical Financial Performance of Boca Royale

The following chart includes information shared by Boca Royale Management with the CAB, who in turn shared it with the Community during their Annual Meetings.

Year	Profit / Loss	Lease Payment	Real Profit / Loss
2014	(\$169,558)	\$288,000	\$118,442
2015	(\$150,034)	\$288,000	\$137,966
2016	(\$19,636)	\$288,000	\$268,364
2017	(\$178,708)	\$288,000	\$109,292
2018	(\$187,578)	\$288,000	\$100,422
2019	(\$379,884)	\$288,000	(\$91,884)
2020	\$3,162	\$288,000	\$291,162
Total	(\$1,082,236)	\$2,016,000	\$933,764

Please note that The Club showed a net profit six of the past seven years if Boca Royale’s payment to Neal Communities to cover lease payment for the facilities and golf course is backed out.

A forensic analysis of historical Boca financials is being conducted as part of our Due Diligence Process by our independent consultants. They have also been engaged to work with us on future pro forma financial projections, taking into consideration the performance results of the new initiatives put into place by Buena Vista, the firm hired by Neal last year to manage Boca Royale Golf and Country Club.

WHAT HAPPENS IF WE DON'T PURCHASE BOCA ROYALE FROM NEAL?

If residents choose not to purchase Boca Royale from Neal Communities, next steps will be their exclusive prerogative. In Pat Neal's letter of January 2021 to the Community, he indicated his options would include developing the property, or selling it to another buyer. Buyer categories would most likely include:

Another developer who could do with Boca recreation facilities what they wanted.
It is possible that they would remove the recreational facilities and develop the land for housing.

A company that would maintain and manage The Club as a "for profit" entity. Likely that social dues would be paid to them, which they would have the ability to increase as they deem necessary or desirable to maintain their targeted profit.

NEXT STEPS TO FINALIZE TRANSITION COMMITTEE RECOMMENDATIONS

The Transition Committee is currently ensconced in critical Due Diligence activities:

Review and analyze all evaluations provided by various independent experts to determine current value and necessary improvements for all Club Facilities.

Review with contracted experts all details of what Neal Community plans for property improvements to understand implications and impacts on future activities.

Cost out opportunities for property improvements and enhancement activities.

Based on above conclusions, meet with Neal Communities to establish a target Not to Exceed (NTE) Agreement in Principle as to a potential purchase price.

Create a proposal for a Long Range (more than one year) Capital Plan for improvements and enhancements to “The Club”.

Based on NTE and Long-Range Capital Plan Proposal, determine what the total cost of “The Transition” would be for individual homeowners.

CLOSING COMMENTS

There will ultimately be further chapters to "The Story", which will include our final recommendations, and estimated cost per household if we were to purchase The Club. We realize everyone is anxious for this information, but our process cannot be rushed.

We are currently reviewing preliminary assessments provided by our independent experts. These appraisals are not complete. Many are still missing vital information, like the total cost of correcting deficiencies. Moreover, we have yet to receive notification from Neal Communities as to which of these deficiencies will be addressed as part of their renovation project, and how they will be corrected. Without this data, it would be impossible for us to accurately make representations to the Community.

Furthermore, until Pat Neal purchases the property he refers to as Boca East, and Sarasota County finalizes road and accessway plans for that area, a petition or referendum for a Recreation District cannot occur.

Given the current situation, we cannot provide a target completion date for this final planning phase since it is dependent on Neal Communities and the County. Late summer would likely be the earliest possible timing.

We will continue communicating with the Community as new information surfaces, and welcome your questions, which can be directed through the "Contact Us" section of our Website.