

ADDISON RESERVE

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INCENTIVE PROGRAM FOR HOME RENOVATION

This document sets forth the terms and conditions under which certain persons and entities found qualified by the Board of Directors (the “Board”) of the Addison Reserve Country Club & Association (the “ARCCA”) (each such person or entity, a “Qualified Builder”) may be eligible to participate in the Addison Reserve Incentive Program for Home Renovation (the “Program”). A Qualified Builder would receive, on the subsequent sale of a home purchased by a Qualified Builder within the Addison Reserve community, a percentage refund of the Membership Contribution in excess of the 50% refund that would typically be paid to any Member who purchases a home after January 1, 2019, and later sells it. This document implements Section 9.4.d(iv) of the ARCCA By-Laws, as amended by the Membership on December 30, 2019.

The Program is intended to incentivize Qualified Builders to renovate and sell homes quickly in the Addison Reserve community. The Program thus would become more costly to the Qualified Builder the longer that a home is held by the Builder without a sale to a third party.

1. **Qualified Builder** – In order for a person or entity to be considered a Qualified Builder for purposes of the Program, such person or entity must apply to the Board for such status and must demonstrate to the satisfaction of the Board that such person or entity has (or the primary owners or principals of the entity have):
 - a. Either (i) had reasonable experience in home building, home renovation, or related construction or renovation activities; or (ii) made contractual or similar arrangements to secure the services of persons with such experience;
 - b. Access to financial resources sufficient to complete the home renovation project as proposed (the “Proposed Project”);
 - c. Plans (which may be preliminary or in outline form) relating to the Proposed Project and the anticipated timing of completion of the Proposed Project; and
 - d. Such additional information as the Board may require (including, but not limited to, evidence of liability insurance covering the Proposed Project and naming the ARCCA and the affected Village as additional insureds, or plans to obtain such insurance upon purchase of the home in the Community that is to be renovated (the “Home”)).

2. Application; Timing and Scope of Board Decision

- a. A person or entity seeking to be found to be a Qualified Builder should present to the Board his, her or its application for such status (the "Application"), accompanied by an Administrative Fee of \$3000. The Administrative Fee shall be refunded if the Application is denied; if the Application is accepted, the Administrative Fee shall be nonrefundable.
- b. The Application should be submitted in sufficient time to allow for Board consideration of, and action on, the Application prior to the purchase of the Home. The Board will consider an application for Qualified Builder status after purchase of a Home only in unusual or extraordinary circumstances.
- c. The Board's decision as to whether a person/entity is a Qualified Builder will be specific to the particular Home proposed to be renovated and shall not be applicable to any future homes in the Community that the same person/entity might purchase (each such future home will be the subject of separate Qualified Builder application).

3. Consideration to be Paid at Closing – A Qualified Builder shall provide to the ARCCA, on the date of closing of the Builder's purchase of the Home (the "Builder's Closing Date"):

- a. (i) An executed note (the "Builder's Note") obligating the Qualified Builder to pay to the ARCCA 100% of the then-current Membership Contribution for similarly situated Members (currently, \$100,000 for Golf Members, \$55,000 for Sports Members); or
(ii) the appropriate Membership Contribution in full; and
- b. An agreement to pay on a deferred basis (the "Deferred Payment Agreement") all dues, fees, assessments, minimums and other charges associated with all Common Areas (including the Recreational Facilities) (collectively, "Deferred Charges") imposed on similarly situated Sports Members by the ARCCA (regardless of whether the Home is associated with a Sports or Golf Membership).

4. Obligations and Rights of the Qualified Builder

- a. The Qualified Builder shall not be required to pay any ARCCA initiation fee or similar charge upon purchase of the Home.
- b. The Qualified Builder shall be obligated to comply with all rules, regulations, and policies of the ARCCA and of the Village in which the Home is located, including (but not limited to) those relating to architectural and construction matters and the requirements of the Architectural Review Committee.
- c. The Qualified Builder shall not occupy the Home or allow occupancy of the Home by others, including tenants, except in extraordinary situations (such as a severe economic recession making it difficult to sell homes in the Community), as determined in advance of any occupancy on a case-by-case basis by the Board.

5. Terms of the Builder's Note

- a. The Builder's Note shall be for a term of five years from the Builder's Closing Date, except that the Note shall be due and payable in its entirety on the date of the Builder's subsequent sale of the Home to a third party (the "Subsequent Sale Closing Date"), if such date is earlier than the end of the five-year term.
- b. Interest shall accrue on the unpaid principal balance of the Builder's Note at a fixed rate determined as of the date on which the Builder's Note is executed. The rate shall be the same interest rate charged to Members who choose to finance a portion of their Membership Contribution. Accrued interest shall be payable on each Principal Payment Date (as defined below).
- c. Payments of principal shall be due in an amount equal to 10% of the initial principal balance on each of the 1st, 2nd, 3rd and 4th one-year anniversaries of the Builder's Closing Date, with a final payment of 60% of the principal balance due on the 5th anniversary (each such anniversary, a "Principal Payment Date") (i.e., 100% of the Builder's Note principal would have been repaid by the end of five years from the Builder's Closing Date).
- d. Any failure by the Qualified Builder timely to pay principal and interest when due shall cause immediate acceleration of the Builder's Note, making the full principal amount of the Builder's Note, plus unpaid interest, immediately due and payable. Interest on the amount due shall, after any default, accrue at the highest default rate of interest allowed under Florida law. If amounts remain unpaid when due, the ARCCA may exercise its right to place a lien on the Home.

6. Terms of the Deferred Payment Agreement

- a. The Deferred Charges will be due, and the Deferred Payment Agreement will terminate, on the Subsequent Sale Closing Date or on the 5th anniversary of the Builder's Closing Date, whichever occurs first.
- b. Interest shall accrue on the unpaid Deferred Charges at a fixed rate determined as of the date on which the Builder's Note is executed. The rate shall be the same interest rate charged to Members who choose to finance a portion of their Membership Contribution. Accrued interest shall be payable on the due date for the Deferred Charges, as set forth in the previous paragraph.
- c. In consideration for the deferral of Deferred Charges, the Qualified Builder will agree that, during the period of the Builder's ownership of the Home, the Builder will not use the ARCCA's Recreational Facilities and will not vote in any ARCCA elections.
- d. Any failure by the Qualified Builder timely to pay the Deferred Charges, and interest on such Deferred Charges when due, shall cause immediate acceleration of all obligations of the Builder to the ARCCA, including the Builder's Note, and shall cause interest to be charged on the unpaid Deferred Charges (and on any unpaid interest thereon) at the highest default rate of interest allowed under Florida law. If amounts under the Deferred Payment Agreement remain unpaid when due, the ARCCA may exercise its right to place a lien on the Home.

7. **Refund of the Membership Contribution** – The Qualified Builder will receive a refund of the Membership Contribution based on the number of months from the Builder's Closing Date to the Subsequent Sale Closing Date:

Months from Builder's Closing Date to Subsequent Sale Closing Date

Percentage of Membership Contribution to Be Refunded

< 12 100

<18 95

< 24 90

< 30 85

< 36 80

< 42 75

< 48 70

< 54 65

< 60 60

<66 55

66 or more 50

To the extent that the Qualified Builder owes principal and/or interest on the Builder's Note, or owes any amounts under the Deferred Payment Agreement, any refund of the Membership Contribution will be applied first to the reduction of such principal, interest, and/or amounts, and second, to any amounts otherwise due to the ARCCA or any Village. Any amount of the refund above the amounts specified in the preceding sentence will be promptly paid to the Qualified Builder.

8. **Obligations to Village** – Nothing about the Program is intended to or will affect the Qualified Builder's obligation to the Village in which the Home is located. The Builder shall owe to the Village all amounts charged by the Village during the period of the Builder's ownership of the Home, including any initiation or similar fees charged by the Village upon the Builder's purchase of the Home.

EXAMPLE

By way of example, if a Qualified Builder were to sell a Home with a Golf Membership in the 14th month after the Builder's Closing Date, the Builder would be owed a refund of \$95,000 (95% of \$100,000). If the Builder had executed a Builder's Note in the amount of \$100,000 when the Builder purchased the Home, the Builder would have paid by the 14th month a total of \$10,000 in principal on the Builder's Note (on the 12-month anniversary of the Closing Date). The \$95,000 refund would be applied to reduce to zero the remaining \$90,000 principal balance on the Builder's Note, leaving a balance of \$5000.

This remaining \$5000 of the Qualified Builder's refund would be applied to additional amounts owed by the Builder to the ARCCA. The Builder would still owe interest on the Builder's Note (interest would have accrued from the date of the last principal and interest payment, at the end of the 12th month). The Builder would also owe the amount of the Deferred Charges (approximately \$41,000 for 14 months, at the current Sports Member all-in cost for recurring charges of approximately \$35,000 per fiscal year), plus accrued interest on the Deferred Charges.