

# Ranch House Coalition – Core Action Team Report

## April 25<sup>th</sup> through May 25, 2010

### Letter of Intent:

The letter of intent was crafted by coalition members under the direction and guidance of Rick Rosensweig, commercial real estate broker with Sound Investments. Rick presented the letter to Seth Williams on April 28<sup>th</sup>. Copy of LOI attached.

The lease purchase offer was for a 3.84 acre parcel containing the Ranch House Restaurant, the garage building, a single family resident building, the pro-shop and office and golfer bathroom building. The lease purchase term was for a 5 year lease at \$3,000 per month with three 5 year optional renewal terms with a 15% increase per term. Payment of all taxes, insurance and maintenance by the coalition (triple net - NNN) was included. The pro-shop, office and golf bathroom buildings would be available to the golf course owner at a lease back at \$1.00 per year. All restoration and maintenance of the restaurant would be the responsibility of the lessee.

The offer to purchase price was \$450,000, which could be exercised anytime within the initial 5 year lease period. Other terms and conditions were included in the offer to protect the interests of both the seller and buyer.

The offer targeted June 1, 2010 for the commencement of a lease agreement with a 90 day construction period for the renovations – valued at around \$200,000. Rents would be payable at the end of the construction period and upon issuance of an occupancy permit by Yavapai County.

The letter of intent allowed for a 7 day response time. Seth contacted Kala on the 7<sup>th</sup> day, Wednesday May 5<sup>th</sup>, requesting additional time to review the offer with his partners, scheduled to meet the following Monday May 10<sup>th</sup>. Seth was contacted on Tuesday May 11<sup>th</sup>, at which time he requested a meeting to review the content of the LOI which was set for Friday May 14<sup>th</sup>. Seth requested that Rick Rosensweig not be included in preliminary negotiations.

### Meeting with Seth Williams

Bob Bruno and Kala Pearson met with Seth Williams on May 14<sup>th</sup> to discuss the Letter of Intent.

Seth initially came across as if he had not read the materials sent previously explaining the coalition concept and stated he had only briefly reviewed the letter of intent. His statement contradicted previous conversations requesting time to review with partners and his request that copies be available for review at the meeting.

The meeting lasted the better part of two hours, mostly spent reviewing the Coalition's overall proposal. Seth introduced possibilities of teaming up with other 'investors' and 'interested parties' that had approached him on buying the golf course property. He indicated that he had been approached by persons that had no interest in the restaurant but wanted the golf course. We responded that the Coalition would be interested in exploring these possibilities but mainly were interested in the lease purchase of the restaurant parcel. When pressed to identify who these "investors and interested parties" were, no names were forthcoming.

He informed us that the golf course and restaurant parcels were currently in escrow. He stated that he had not been in contact with this new buyer for over a couple of weeks. However, they still had two weeks before their due diligence period expires. Again, he did not give any indication who "They" were, only that it was not the same group as in October 2009 (Beaver Creek Redevelopment – James Spear). Seth further stated that this new group was interested in both the golf course and restaurant and were in the process of getting their investors "with hard money" together. He mentioned something about, 'a guy from Tahiti that had just sold his business,' and had accompanied the potential buyer to advice on the restaurant. - ???- He said they had made a substantial down-payment to open escrow. No \$ numbers were discussed. **It was agreed that it would be good for him to arrange a meeting of this potential buyer and the Coalition to explore any common interests in a partnership.**

We mentioned the Coalition's concern for the **Yavapai County's hearing on the Abandonment of the Final Plat for the project known as Beaver Creek Villas 137 condominiums and 50 room hotel**. Seth did not seem too worried about this as he felt that it would not affect him since almost all the lots were now owned by third party developers Joel Gilgoff, Carol & Rodger Redenbaugh and Legend Holdings. Lots owned by Legend holdings are currently involved in a foreclosure action. Seth's original attitude may have been his poker face, but he did speak more in depth about it when he realized that we were aware of the third party owners involved and their relationship with his partner Rob.

Seth requested more time to review our proposal and hear back from the potential buyers. When asked to pin down a date, he suggested mid June. We advised that was unacceptable and we needed to have some direction no later than June 1<sup>st</sup>. He said he was leaving for Mexico on Monday (May 17<sup>th</sup>) for a week and would work on getting us together when he returns. History shows that Seth is capable of leading around these "potential buyers" for another 3 to 6 months like he has his previously failed deals.

### **Website**

A website was established for the coalition explaining the project and featuring a sign up form for volunteers and a membership pledge form. The site address is [www.RanchHouseCoalition.com](http://www.RanchHouseCoalition.com)

### **Incorporation**

The Beaver Creek Community Development Corporation Articles of Incorporation was filed and approved by the Arizona Corporation Commission as of April 27<sup>th</sup> as an Arizona not for profit – non tax exempt company.

Publication in 3 consecutive issues of the local newspaper (Bugle) must be completed by June 27<sup>th</sup>. The cost will be about \$250. Filing as a 501(c) 3 Tax Exempt Non-Profit needs to be explored and initiated.

### **Officers:**

Temporary officers were appointed at the April 20<sup>th</sup> meeting of the Core Action Team and interim BC-CDC board of directors. Appointed with unanimous consent was Kala Pearson – President; Walter Miller, CPA – Treasurer; Janet Aniol – Secretary.

### **Banking:**

A basic checking account was opened at April 30<sup>th</sup> at National Bank of Arizona – Rimrock Branch. There are 3 signers on the account: Walter Miller, CPA – Treasurer; Janet Aniol – Secretary; Kala Pearson – President.

A PayPal Account was set up for acceptance of PayPal and credit card payment of pledged memberships. A link is available on the Ranch House Coalition website.

### **Pledges & Volunteer sign up**

Over 75 pledges and volunteer sign up sheets were received within the first 10 days of establishing the Coalition website.

Approximately \$25,000 was pledged within this initial period. New members are instructed to hold payment on pledges until after an agreement is reached between the owners and the Coalition. Acceptable forms of payment are by check or credit card, bank card or Pay Pal.

Preliminary outreach was through a CV Bugle article (attached), presentations given at community organization meetings including Kiwanis, BC Regional Council, LMPOA, BC Adult Center, LM Women Civic Club; and word of mouth discussions.

Volunteer sign up was for all areas of renovation labor & materials; cleaning, maintenance and repair, fundraising and membership recruitment; marketing; legal documents and research; writing and public relations; volunteer relation, admin services.

### **Golf Course Maintenance Status**

Seth Williams arranged to cut the weeds on the golf course and turn on the irrigation around the week of May 10<sup>th</sup>. Some weed cutting has been done. The watering is very minor and covers only a small portion of the golf course.

Discussions with previous golf course owners, previous maintenance staff, and golf pros revealed an approximate cost of between \$250,000 to \$350,000 to reseed and restore the greens and return the course to a playable condition. An additional \$140,000 would be needed for new irrigation pumps and equipment. It was suggested that a volunteer – not for profit effort could cut these estimates in half.

The CC&Rs for Villas at Beaver Creek include provisions for the payment of \$50.00 per month per lot from each lot owner (excluding BC Land and Water LLC) towards the maintenance of the golf course in general and maintenance of the Association's wastewater blanket easement on the golf course property covering leach field wastewater facilities located on golf course tracts. It also provides for a board of directors for the homeowners association, making decisions on all aspects of the Villas at BC in which Seth and Rob are the current board members.

With the estimated amount needed to restore the golf course, best guess estimates of current value is determined to be around \$750,000. A commercial appraisal for the golf course is recommended for any potential buyer.

### **Water Rights**

There are 2,622 acre feet of surface water rights attached to the golf course property for irrigation, domestic, and agriculture uses. (Claim No. 36-29341) The claim was established prior to June 12, 1919. The water source being claimed is Beaver Creek, a tributary to the Verde River watershed.

Approximately 900 acre feet per year is said to be used for the golf course. Seth often mentions that the value of the water rights equate to \$2 million. From discussions with area water companies, this estimate far exceeds current market value and probably closer to \$200,000 than \$2 million. Additionally, the costs involved in using this water source as potable water could run in the millions of dollars, making it an unattractive asset for local water companies.

Additional consideration must be given to future costs for defending its status and rights in possible SRP adjudication.

A coalition volunteer has agreed to research the water rights status and sale impact should the coalition proceed with the purchase of the golf course.