

1. Currently owned by 18 Paradise, LLC a company owned by Morrison Chenn (a Chinese man who lives in Vancouver, BC)
2. The current managements want to purchase the golf course from 18 Paradise to get the ownership back to local control.
  - a. Dick Vanden Berg, Mick O'Bryan, Josh Williams, Ben Vanden Berg, Rick Gallegos
  - b. They can purchase the property for \$3 million
  - c. They need an additional \$0.5 million for improvements
3. Facility Information:
  - a. The main building is now condoized into three entities
    - i. Steakhouse 9
    - ii. Fitness Club
    - iii. Golf pro shop
  - b. The golf course is the stormwater facility for the surrounding community so it cannot be developed unless there is mitigation somewhere.
4. The Nooksack tribe is interested in the facility
  - a. They would be financed by the Seminole Nation that a trust fund available for purchasing lands for tribes
  - b. They would put a Hotel on the Badger, west of the first hole
  - c. There is discussion as to whether the tribe can make the property "trust land"
  - d. There is concern that the tribe would want gaming on the property.
    - i. If this were done, it is thought they would locate the gaming in the current Steakhouse 9 building.
5. Financing:
  - a. The golf course has lost money the past few years
  - b. They now pay Mr. Chang \$13,000 per month for the course
  - c. They receive ~\$225,000 in maintenance fees from the houses and businesses in Homestead
    - i. The current assessment is \$36 per month. They have just over 600 entities that they can collect from.
    - ii. This is not a Home Owner's Association (HOA). Homestead collects the funds without representation from a homeowner's group.
    - iii. The original contract allows for 5% per year escalators on the fee.
    - iv. The plan is to raise the fee to \$93 per month. This would generate an additional \$440,000 per year
6. They are asking for a \$3.5 million loan
  - a. Peoples Bank with the SBA is considering the loan. They would require 15% down or \$525,000
    - i. The principals in the new proposed company do not have any cash to bring to the table.
  - b. They are working with a second bank on financing
  - c. They are requesting \$ loan from the City for \$3.5 million.
  - d. They put together a business plan that did not cash flow.
  - e. They want to make their problem our problem.



**HOMESTEAD FARMS**  
— **GOLF CLUB** —

***Business Plan 2020***

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HOMESTEAD FARMS  
— GOLF CLUB —

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# **Homestead Farms Golf Club**

## **Mission Statement**

*It is the mission of Homestead Farms Golf Club to serve unconditionally, involve all ages and skill levels, while growing together.*

## **Core Values**

*The core values of Homestead include commitment, community, integrity, and high-quality service.*

## **Vision Statement**

*It is the vision of Homestead to be the top, most affordable public golf facility in the Pacific Northwest.*

## **Facility Profile**

*Located in the Northwest corner of Washington State, Homestead Farms GC is a privately owned, 18-hole public facility that offers a full-scale practice facility, including 20 range stalls and an expansive short game practice area. Additional amenities include a newly leased fleet of 50 golf carts, a full service snack bar and indoor practice facility. Homestead has avoided operating at a loss, but the current owners feel that under the right management the facility could be more profitable. They know the golf course has obvious strengths and that rounds could be increased significantly with corresponding increases in both green fee and merchandise revenues (as well as food and beverage net income). The facility has a year-round playing season and is open daily, including holidays. The course is well designed and challenging, although the fairways and greens have deteriorated in recent years due to lack of resources. Over the last three years, the course has averaged 20,000 rounds of play per year. With an average green fee of \$27.00 per round.*

## **Community Context**

*Homestead Farms Golf Club is located in a private community surrounded by approximately 600 homes. Residents in each of the 600 homes pay a monthly maintenance fee for Homestead management to maintain all grounds within the surrounding common area spaces. In addition, the golf course is located within the city of Lynden, which has roughly 16,000 residents within the city limits. Residing within 45 minutes there are a collection of major cities which collectively house over 2 million residents.*



## **Customer Base**

*The customer base is predominantly male, ages 40-70, with limited participation by women or juniors. Typically Homestead customers come from the middle-income bracket, due to reasonable green fees and cart fees, as well as the availability of tee times. However, higher income customers do occasionally frequent the course, or spend time at the practice facility.*

## **Golf Shop Background**

*Historically, the golf shop at Homestead offers a limited but growing range of hard and soft goods for Men and Women. Soft goods have not sold as well as hard goods due to poor buying plans and minimal inventory controls. Tournament fees have remained fairly steady averaging \$42.50 per player across all yearly tournaments. Overall, in order to keep the inventory circulating, management relies on frequent markdowns and discount programs. Retail markets in the area are increasingly competitive, and the shop has found itself as the "emergency" last stop for golfers who tend to only buy when they are already at the facility and need items in order to play that day. Shoppers do not seek out the shop for high ticket items and merchandise that can be found elsewhere. With the hiring of new management roles and the refocus of attention on the facility, the staff members feel it is important to rethink the existing forecast and set more specific goals in 2020. Management staff feels that with the right focus and tools, the shop could become an important stop for the facility's golf customers and grow rapidly.*

## **Future Goals**

*Our overall vision to improve the facilities in 2020 includes the following goals. Each goal has been defined with specific objectives to arriving at our 2020 goals that are detailed by department.*

**➤ Goal: Maintain and Improve Common Area Spaces (Maintenance Staff)**  
**(Total Area Under Homesteads Responsibility = 32 Acres)**

- *Objective: Repair / Improve Community Parks.*
- *Objective: Repair / Improve Community sidewalks & fencing. (2 miles total)*
- *Objective: Repair / Improve Community Walking Trails. (1 mile total)*
- *Objective: Clear / Maintain Community Drainage.*
- *Objective: Trim / Repair / Maintain Common Area Trees. (Roughly 2,000 Trees)*
- *Objective: Repair / Maintain Community Street Lights. (Roughly 500 Lights)*

**➤ Goal: Implement a Nationally Recognized First Tee Chapter at Homestead**

- *Objective: Implement First Tee Board of Directors.*
- *Objective: Set Roles and Responsibilities for each member of the Section.*
- *Objective: Incorporate Swinomish Golf Links to Chapter Organization.*
- *Objective: Set Coaches meeting to Implement Clinic Events at each facility.*



- Objective: Implement / Manage Marketing Techniques.
- Objective: Implement First Tee Clinic Events.
- Objective Continue w/ adjustments in Marketing and Clinic series specifics.

➤ **Goal: Implement a Revenue source for Unused 7 Acre Parcel**  
**(Undeveloped Value = \$3.5 Million) (390 Ft of Badger (HWY 546) Frontage)**

- Objective: Consult with Dick Vandenberg for property revenue potential.

➤ **Goal: Strive to Improve the Course Conditions (Maintenance Staff)**

- Objective: Provide our customers with consistent greens and playing conditions.
- Objective: Improve bunker drainage and overall consistency.
- Objective: Manage overall water usage to maintain tournament like conditions throughout the season.
- Objective: Improve Golf Course Signage.
- Objective: Improve cart paths around facility.

➤ **Goal: Enhance our Customer Service Program**

- Objective: Conduct a spring staff meeting focused on S(smile).O(offer).A(anticipate).R(respond).ing Service program.
- Objective: Provide ongoing training to new hires.
- Objective: Improve our hiring process to include additional background checks to pre-qualify for employment.
- Objective: Offer monthly staff awards for employees going above and beyond.

➤ **Goal: Continue to Manage the Experience of our Customers**

- Objective: Manage pace of play to a maximum of 4 hrs 30 mins for 18 holes.
- Objective: Enhance our training of starter and ranger staff to continue to keep track of 'turn times' and interaction with customers.
- Objective: Rangers and starters to better utilize our Hole timing matrix which shows where groups should be 'time wise' related to how many holes they have completed.
- Objective: Continue to make sure groups start at appropriate times and stay consistent to the 10 minute intervals.
- Objective: Add a sign to the 'turn area' reminding players of the importance of keeping their turn times to a minimum of 5 minutes.



➤ **Goal: Grow our Golf Academy / Player Development Programs**

- *Objective: Offer more options for intermediate level instruction for Adults.*
- *Objective: Game Improvement Clinics for couples.*
- *Objective: Enhance our club fitting clinics to help generate additional sales in the golf shop.*
- *Objective: Offer a play with the pro opportunity throughout the summer months.*
- *Objective: Improve indoor hitting room software.*

➤ **Goal: Grow our Junior Golf Academy / Player Development Programs**

- *Objective: Start a new junior player development program.*
- *Objective: Additional afterschool clinics; intramural programs.*

➤ **Goal: Enhance the Experience & Overall Tournament Operations/League play**

- *Objective: Continue to offer theme based tournaments throughout the year.*
- *Objective: League survey to capture players input as to find ways to improve our formats, pace of play and overall performance.*
- *Objective: Hosting local events such as local junior, and First Tee Events.*
- *Objective: Offer tournament packages to local businesses and individuals.*
- *Objective: Improve the marketing, promotion and registration of events by updating the website and continuing to improve social media presence.*

➤ **Goal: Initiate and Manage a Long Term Capital Plan for Facility Growth**

- *Objective: Install a new maintenance facility.*
- *Objective: Improve and maintain community sidewalks, trees, parks, drainage, etc.*
- *Objective: Continuing bunker renovations to enhance experience.*
- *Objective: Adopt a tree plan to meet the design and landscaping of the course.*
- *Objective: Continue to update equipment as needed.*

## **Management Group Overview**

### **(Roles and Responsibilities)**

#### **Mick O'Bryan - Superintendent of Grounds**

- *Time with company - 27 years (30 Total Years in the Industry)*
- *Golf Course Superintendent - 25 years*

#### **Josh Williams - General Manager**

- *Time with company - 3 years (22 total years in the industry)*

#### **Ben Vandenberg - Head Golf Professional**

- *Time with the company - 2 years (5 Total Years in the Industry)*
  - *Implement / Manage corporate memberships to local businesses*
  - *Implement / Manage Player Development Programs*
  - *Implement / Manage Individual and Group Lesson*
  - *Manage the ordering of Pro Shop Hard and Soft Goods*
  - *Manage Indoor Hitting Room and contacts with Hard/Soft Good Suppliers*
  - *Calculate yearly Golf Membership rates and Daily play green fees*
  - *Co-Manage Golf Course Improvements*
  - *Co-Manage Daily Golf Operations and Seasonal Staff*

#### **Rick Gallegos - Property Manager**

- *Time with the company - 25 years*
- *Golf Course Superintendent - 2 years*
  - *Community contact for maintenance improvements*
  - *Manage Golf Course Daily maintenance procedures*
  - *Manage Golf Course Improvements*

#### **Dick Vandenberg - Infrastructure Consultant**



# Homestead Farms Golf Club

# 2020 Budget

INCOME	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>Operating Income</b>													
Green Fees	2,000	7,500	17,000	22,000	48,000	62,000	75,000	78,000	50,000	17,000	4,500	1,500	384,500
Cart Fees	650	1,000	4,000	5,200	13,000	16,500	19,000	22,500	14,300	5,500	1,000	550	103,200
Merchandise	1,700	2,400	6,800	9,000	9,000	11,200	12,600	10,400	9,500	2,300	1,600	3,200	77,200
Handicap Fees	250	300	250	200	200	120	100	-	-	-	-	-	1,420
Membership Cards	25,000	7,000	16,000	13,500	12,500	5,000	3,500	-	-	-	-	-	82,500
Range Fees	400	600	2,200	2,600	4,500	5,400	5,600	4,900	2,800	1,350	450	300	31,100
Rental Clubs	-	-	-	105	135	200	300	250	160	100	-	-	1,250
F&B	100	450	1,750	2,400	6,300	8,300	10,200	10,000	5,500	1,600	350	100	47,050
Lessons/Clinics	-	-	-	-	-	400	500	460	-	-	-	-	1,300
Maintenance Fees	53,816	53,816	53,816	53,816	53,816	53,816	53,816	53,816	53,816	53,816	53,816	53,816	645,792
MISC	-	-	-	400	700	1,400	2,000	500	-	-	-	-	5,000
<b>Total Operating Income</b>	<b>83,916</b>	<b>73,086</b>	<b>101,516</b>	<b>107,021</b>	<b>148,151</b>	<b>164,336</b>	<b>182,616</b>	<b>180,766</b>	<b>136,076</b>	<b>81,666</b>	<b>61,716</b>	<b>59,466</b>	<b>1,380,312</b>

<b>Cost of Good Sold</b>													
COGS - Merchandise	(1,445)	(2,040)	(5,525)	(5,780)	(7,650)	(9,520)	(10,710)	(8,840)	(8,075)	(1,955)	(1,360)	(2,720)	(65,620)
COGS - F&B	(51)	(230)	(893)	(1,224)	(3,213)	(4,233)	(5,202)	(5,100)	(2,805)	(816)	(179)	(51)	(23,996)
<b>Total Cost of Good Sold</b>	<b>(1,496)</b>	<b>(2,270)</b>	<b>(6,418)</b>	<b>(7,004)</b>	<b>(10,863)</b>	<b>(13,753)</b>	<b>(15,912)</b>	<b>(13,940)</b>	<b>(10,880)</b>	<b>(2,771)</b>	<b>(1,539)</b>	<b>(2,771)</b>	<b>(89,616)</b>

<b>Total INCOME</b>	<b>82,420</b>	<b>70,797</b>	<b>95,099</b>	<b>100,017</b>	<b>137,288</b>	<b>150,583</b>	<b>166,704</b>	<b>166,826</b>	<b>125,196</b>	<b>78,895</b>	<b>60,177</b>	<b>56,695</b>	<b>1,290,695</b>
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EXPENSES	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>Operating Expenses</b>													
400-20 Bedding Plants					7,000								7,000
410-20 Chemicals				1,000	1,200	1,500	800	500					5,000
415-10 Course Accessories			300	500	700	600	500	450					3,050
420-20 Fertilizer		650	1,200	2,200	2,400	3,200	3,200	3,900	1,200				17,950
425-20 Fungicides					500	1,200	800	700	700	500			3,700
430-10 Gas/Oil	600	850	1,650	2,600	3,700	4,100	3,400	3,300	1,800	850	500	300	23,650
435-20 Laundry/Uniforms	100	125	175	250	275	275	275	275	250	220	150	125	2,495
440-10 Office Supplies	50	50	100	100	250	250	150	50	50	90	200	50	1,390
445-10 Printing/Reproduction	150	200	250	350	350	450	550	500	100	50	900	200	4,050
455-10 Range Equipment				500	1,500	1,000	500						3,500
465-20 Safety Equipment					50		50						100
470-20 Sand/Topdress				880	880	880	880	880					4,400
475-20 Seed/Trees													-
480-20 Shop Supplies	200	250	300	350	350	350	350	350	300	250	250	200	3,500
485-20 Small Tools	250	450	600	775	950	1,075	1,150	1,050	550	425	375	250	2,225
495-10 Supplies					500	500	1,000	1,800	1,200				7,900
500-10 Tournament Expense													4,600
510-10 Computer Services	50	50	2,100	50	50	50	50	50	50	50	50	50	2,650
515-10 Contract Labor	1,000	1,000	1,500	2,000	2,500	2,000	1,500	1,000	1,000	750	750	1,000	16,000
520-10 Handicap Expense		720		600		500		200					2,020
525-20 Repair & Maint - Equipment	350	750	1,200	2,400	4,700	4,400	4,100	3,500	2,800	1,200	650	200	26,250
530-20 Repair & Maint - Building	100	100	200	400	675	675	675	675	400	200			4,000
535-20 Repair & Maint - Irrigation			1,500	1,700	2,100	1,800	1,500	850	650	400			10,500
540-20 Repair & Maint - Other													-
555-20 Equipment Lease	6,461	6,461	6,461	8,415	6,461	6,461	6,461	6,461	6,461	6,461	6,461	6,461	79,488
560-10 Equipment Rental	750	750	750	750	750	750	750	750	750	750	750	750	9,000
565-10 Utilities - Electric	2,300	2,200	2,150	2,000	1,950	3,400	4,100	3,600	4,200	2,100	2,300	2,450	32,750
570-10 Utilities - Phone/Internet	800	800	800	800	800	800	800	800	800	800	800	800	9,600
575-10 Utilities - Water	775	775	775	775	775	775	775	775	775	775	775	775	9,300
580-10 Utilities - Trash/Recycling	200	200	200	250	275	350	380	380	350	275	200	200	3,290

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585-10 Marketing	100	100	300	200	100	100	100	100	100	100	100	100	100	100	100	250	250	2,000
710-10 Business Development	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	600
715-10 Promotions			200	200	200	200	200	200	200	200	200	200	200	200	200			1,000
720-10 Trade Shows		1,100																1,100
740-20 Auto Expense																		-
745-10 Bank Charges	85	90	100	120	130	135	130	130	130	130	130	130	130	130	130	90	85	1,285
750-10 Credit Card Fees	400	500	1,200	1,900	1,850	2,400	2,500	2,500	2,500	1,900	1,400	1,400	1,400	1,400	500	500	400	16,550
755-10 Dues & Subscriptions																		-
760-10 Education & Training																		100
765-10 Employee Relations			50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	450
767-10 Insurance Expense			1,400	1,400	850	850	850	850	850	850	850	850	850	850	850	850	850	7,900
768-10 Interest & Fees																		-
775-10 O/S - Accounting	500	1,000	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	7,200
780-10 O/S - Legal	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	6,000
790-10 Consulting	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
800-10 Payroll Processing Fees	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59	1,100
805-10 Medical Insurance	4,697	4,697	4,697	4,697	4,697	4,697	4,697	4,697	4,697	4,697	4,697	4,697	4,697	4,697	4,697	4,697	4,697	56,364
810-10 Postage/Shipping			50	100	125	150	150	150	150	100	100	100	100	100	100	150	150	1,175
830-10 Taxes/Licenses/Fees			90	150	150	100	100	100	100	50	50	50	50	50	50	50	50	740
850-10 Guaranteed Payments	11,303	7,535	7,535	7,535	7,535	11,303	7,535	7,535	7,535	7,535	7,535	7,535	7,535	7,535	7,535	7,535	7,535	97,955
900-10 Travel - Air																		-
910-10 Travel - Auto																		-
920-10 Travel - Hotel																		-
925-10 Travel - Meals & Entertainment																		-
930-10 Travel - Other																		-
940-10 Management Fees	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	156,000
960-10 Taxes - State - Current	29,856	20,749	28,385	38,748	50,144	59,548	62,449	62,449	62,449	52,245	38,233	38,233	38,233	38,233	23,818	10,193	513,991	
970-10 Gross Payroll	3,403	2,366	3,237	4,418	5,718	6,790	7,120	7,120	7,120	5,957	4,360	4,360	4,360	4,360	2,716	2,303	59,742	
980-10 Payroll Tax																		-
990-10 Tax Penalties - Payroll																		-
000-10 Tax Penalties - Excise																		-
<b>Total Operating Expenses</b>	<b>79,989</b>	<b>70,287</b>	<b>85,579</b>	<b>129,229</b>	<b>136,176</b>	<b>182,090</b>	<b>134,646</b>	<b>114,500</b>	<b>89,690</b>	<b>71,076</b>	<b>55,533</b>	<b>1,254,580</b>	<b>1,254,580</b>	<b>1,254,580</b>	<b>1,254,580</b>	<b>1,254,580</b>	<b>1,254,580</b>	<b>1,254,580</b>

**Total EXPENSES** 79,989 70,287 85,579 105,786 129,229 136,176 182,090 134,646 114,500 89,690 71,076 55,533 1,254,580

**NET INCOME** 2,431 510 9,520 (5,769) 8,059 14,407 (15,386) 32,180 10,696 (10,795) (10,899) 1,162 36,116

## Homestead Proposal

June 25, 2020

**Problem:** A group is instigating a legal challenge to Homestead's ability to charge fees to its membership. Moa Hua Chen, the owner of Homestead appears to be willing to let the golf course go to waste. The managers of the golf course (MJ Management) could be sued by Mr. Chen and they are currently being sued by a homeowner's group.

**One possible solution:** Have a new homeowners group buy Homestead. Mr. Chen is willing to sell for \$3.5 million. This price may be negotiable due to current market conditions.

**Potential outcome of new ownership:**

- Currently Homestead is collecting about \$650,000 from the home and business owners in the original homestead community. If we assume a few purchase prices, interest rates and payment periods, the follow chart can be generated:

Purchase Price	Interest rate	Amortization Period	Monthly Payment	Annual Total	Annual Fees Collected	Money available for maintenance
3,500,000	5.0%	10	37,123	445,475	650,000	204,525
3,500,000	4.0%	15	25,889	310,669	650,000	339,331
3,500,000	3.0%	20	19,411	232,931	650,000	417,069
3,000,000	5.0%	10	31,820	381,836	650,000	268,164
3,000,000	4.0%	15	22,191	266,288	650,000	383,712
3,000,000	3.0%	20	16,638	199,655	650,000	450,345
2,500,000	5.0%	10	26,516	318,197	650,000	331,803
2,500,000	4.0%	15	18,492	221,906	650,000	428,094
2,500,000	3.0%	20	13,865	166,379	650,000	483,621

- It should be noted that MJ has been collecting the \$93 fee for a few months. If all 612 pay, this is about \$55,000 per month. There must be a cash reserve somewhere at this point.
- MJ Management (Mic O'Bryan and Josh Williams) also pays between \$7,000-10,000 per month to 18 Paradise, LLP (holding entity for the golf course) for the use of the golf course.
- Likely a group of homeowners could band together and fund a large portion of this purchase price and loan the money to the broader group. Many would like a 4% return for the 10-year period.
  - Other methods of funding are available with traditional banking and help from the Small Business Development Corporation (SBDC).
- Purchasing the property has some benefits:
  - Local ownership and local control.

- The homeowners would control property and eliminate ownership by a perceived hostile buyer (entities like casinos are interested in property like this and the broader community would see this as a poor option).
    - All green spaces would be under the control of the homeowners.
    - The homeowners could negotiate with the City of Lynden and possibly get some streets and other privately held public infrastructure into the City's hand.
  - Regardless of the purchase price, interest rate and payout period, the project would cash flow nicely for the new owner group. At a minimum, there is \$200,000 annually coming in to take care of all the green spaces.
- Now, the homeowners can do a few things:
  - Create a homeowner's association that requires voting on dues.
    - Currently, Homestead has the right to add a certain percentage to the fee each year without feedback from the homeowners.
    - The due structure could change from the current model of the same for everyone.
      - A new graduated schedule could be developed where homes on the course pay one fee, homes not on the course pay a lower fee. Or, Condos and apartments could have another fee schedule. All of the fees would have to add up to be enough money to pay the monthly payments and pay for all the green space maintenance work required.
  - The group can decide which projects it wants to tackle with the excess funds.
    - It should be noted that the golf course may require a subsidy to remain solvent. For the homeowners to maintain value in their home, it is likely imperative that the golf course be maintained.
  - The homeowners could sell the golf course to another group. This would get the homeowners out of the golf business.
    - If this approach is taken, there will likely be need for the golf course to charge the homeowners a fee to keep the golf course in pristine condition.
  - The homeowners could sell some of the open land in the development. This would generate some cash and either shorten the payback period or help pay for some capital-intensive project.
  - If the ownership group chooses the most aggressive payback period of 10 year, then in 2030 the group could lower fees as the course would be paid for.

**Action Items:**

- Create a Homestead Homeowner's Association
  - The exist law team should be able to do this if instructed.
  - This needs to be in place to have an entity that can purchase the property.
- Have a general meeting with as many of the homeowners as possible.
  - Education is key to making this plan palatable.
  - The more buy-in you get from the beginning, the better.
- Time is of essence:
  - The Federal lawsuit will soon, if not already being incurring legal costs.
  - Mr. Chen is a willing seller. An offer must be made and negotiations must begin.