

Smoke Signals

FEBRUARY 16, 2016 | News and views from Big Canoe and around North Georgia | SPECIAL DIGITAL EDITION

Financial aspects of the POA property purchase

BY CHUCK PALMER

The Big Canoe property owners have a rare opportunity to purchase key parcels of land and buildings from the developer. The POA board has negotiated to purchase 51 parcels of land and three buildings for \$9.4M.

Because of the unique business climate with interests rates so low, we can do this transaction and restructure our current debt by continuing the current monthly \$25 for a home and \$16.20 per lot special assessment as a regular assessment.

Let me try and summarize the financial aspects of the deal. There are lots of numbers to consider so bear with me. You may have to read this twice.

The POA is in great financial shape at this time. We have \$9M in cash consisting of \$2.2M in the Capital Reserve fund, \$2.6M in the Debt Reduction Reserve fund and \$4.2M in operating cash. Another \$419K will be added to the Capital Reserve fund this year and another \$532K will be added to the Debt Reduction fund. This is the last year that the special assessment of \$25 for a home/\$16.20 for a lot will be contributing to these two funds.

Currently the POA has two outstanding 7 percent loans, both with balloon payments. The Fitness Center loan is due this year and the balloon payment of \$1.4M will be paid from our Debt Reduction Reserve fund. The clubhouse loan balance today is \$4.7M and has a \$4.0M balloon payment due in 2018. At that time we will have \$1.6M in the Debt Reduction Reserve fund designated to help pay down this debt. That leaves \$2.4M to either be refinanced or paid down from other cash or assessments.

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Chuck Palmer answers a financial question at the Saturday, Feb. 13 presentation by the POA's Finance Committee. A capacity crowd attended the session at the clubhouse.

PHOTO BY ROBERT SMITH

DNR talks to Smoke Signals about the future of High Gap



A beautiful view of the Feb. 10 snowfall over High Gap and the adjacent Dawson National Forest from the deck of Brad Herren's home on Red Fox Drive in High Gap. The house is at a 2,000 foot elevation. PHOTO BY BRAD HERREN

BY MEGAN JACQUES

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Since the proposal of purchasing Big Canoe Company's holdings within Big Canoe, there has been talk that High Gap, 350 acres of mountainous terrain, could be sold to Dawson Forest Wildlife Management Area (WMA).

Dawson Forest is comprised of over 25,000 acres. Ten thousand acres are owned by the Atlanta Airport Committee, known as the "City of Atlanta Tract." The other 15,000 acres are owned by the state and divided into four tracts.

The Wildcat Creek Tract of Dawson Forest, comprised of over 5,000 acres, is adjacent to High Gap.

"We haven't heard anything or been a part of any negotiation in buying High Gap," said Ken Riddleberger, regional supervisor for the Georgia Department of Natural Resources (DNR).

Riddleberger explained that in order to be considered by the DNR, certain criteria must be met.

"That would be based on if it improves our access, simplifies our boundaries, and has other kinds of natural features that are of importance to us," Riddleberger said.

"Since it is already bordering Dawson Forest, I know they would at least look at it."

Riddleberger said any offers to buy land would go through the real estate office of the DNR.

■ HIGH GAP | Page 3

Ballots for developer land purchase vote due Feb. 26

Property owners to decide on 730-acre land deal

BY BARBARA SCHNEIDER

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After four town hall meetings, a detailed financial presentation and countless emails, phone calls, Facebook comments and questions to asktheboard@bigcanoepoa.org, it all comes down to a simple yes or no.

Now it's up to Big Canoe property owners to approve or disapprove the POA board's proposal to purchase 730 acres of developer-owned land inside Big Canoe for \$9.4 million.

The ballots, mailed to all property owners on Feb. 3, are due back on Feb. 26 and the POA board is immersed in its annual planning session set for Feb. 16, 17 and 18 to review its mission, vision and values for updates and possible changes; review its Balanced Scorecard

Strategy Map for any needed changes and prioritize its preliminary list of POA board action items for 2016. The next regular February board meeting is set for Wed., Feb. 24.

Finance Committee presents

The POA's Finance Committee, on Sat. Feb. 13, provided an in depth view of proposed financing for the land purchase under consideration and answered questions—most from former Finance Committee members—for more than an hour. *Editor's Note: For in depth coverage of the questions see "POA Finance Committee Presentation" by David Howe and Carl Deane on page 8; for a summary of the Finance Committee's presentation see "Financial aspects of the POA property purchase," by Chuck Palmer on page 1 of this special edition.*

Attendees received a detailed 21-page report prepared

by The Norton Agency focusing on valuations for different parcels included in the purchase along with listings and sales comparables. Norton's report placed an estimated value of \$11,161,414 on the total 730-acre package.

The board is in negotiations with Wells Fargo for the financing for the land purchase and refinancing a portion of the clubhouse loan.

Less than a month ago

The Big Canoe POA board, at its regular Jan. 20 meeting, announced its intention to purchase Big Canoe Company's remaining holdings inside the 6,600-acre Big Canoe community located on the west side of Steve Tate Highway. The proposed purchase does not include the 1,400-acre property known as Potts Mountain, located on the east side of Steve Tate Highway.

■ LAND PURCHASE | Page 2



A view across Lake Sconti shows a parcel of land designated for high density development that is part of the land the POA wants to buy from the developer. PHOTO BY ROBERT SMITH



Smoke Signals

News & Views From Big Canoe

A publication for Big Canoe and surrounding communities.

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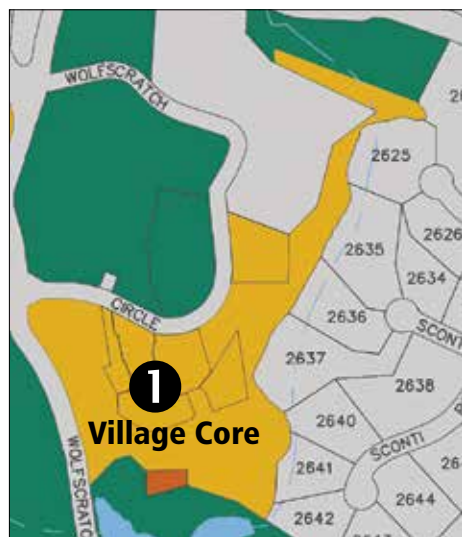
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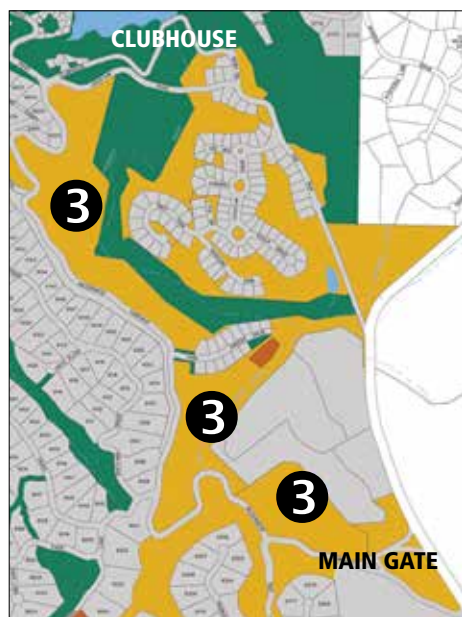
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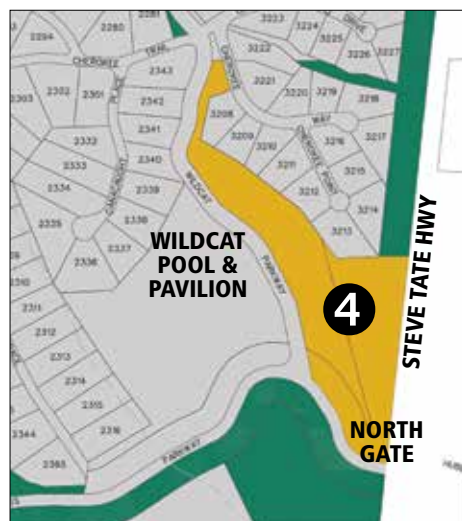
1 • The Village Core, 8.1 acres - includes the Big Canoe Realty Building, the Chimneys, and the former home of the Wild Onion Grille Restaurant.



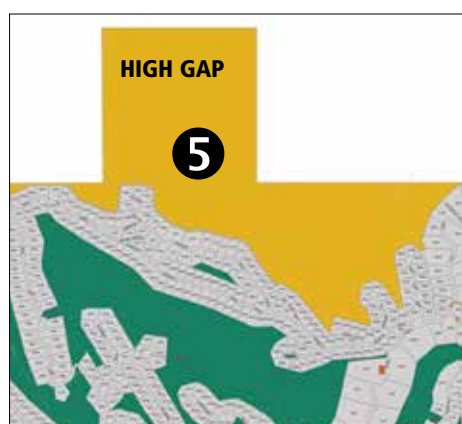
2 • Sconti Point, 8.2 acres - the land to the right of Lake Sconti as one looks from the Clubhouse is designated 'as high density.'



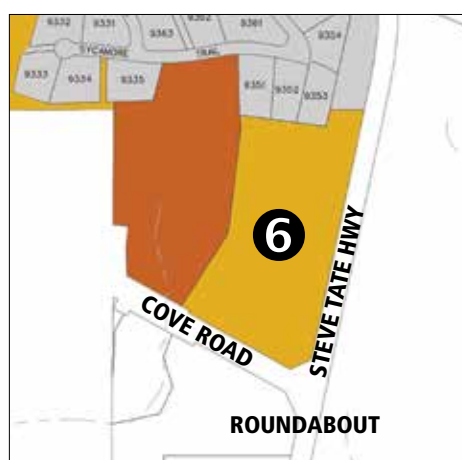
3 • Main Gate to Clubhouse, 119 acres - Land on the north and east side of Wilderness Parkway and east of Wolf Scratch Drive starting at the Main Gate and extending to the Clubhouse entrance much of which is designated 'high density.'



4 • North Gate, 13.48 acres - Land near the North Gate between Wildcat Parkway and Steve Tate Highway, designated 'commercial.'



5 • High Gap, 350 acres - Mountainous land in the High Gap Area occupying the northwest corner of Big Canoe.



6 • Roundabout, 14.4 acres - Land on the Northwest Corner of the Roundabout at Cove Road and Steve Tate Highway, designated 'commercial.'

Land purchase

■ continued from page 1

The purchase agreement includes 51 parcels of land comprising approximately 730 acres inside the Big Canoe community for a purchase price of \$9.4 million. While many of the parcels are small and scattered across Big Canoe, several are significant for their size and/or development designation as commercial or high density.

These parcels include:

1. The Village Core, including the Big Canoe Realty Building, the Chimneys, and the former home of the Wild Onion Grille ≈ 8.1 acres
2. Sconti Point, the land to the right of Lake Sconti looking from the clubhouse designated "high density" ≈ 8.2 acres
3. Land on the north and east side of

Wilderness Parkway and east of Wolf Scratch Drive starting at the Main Gate and extending to the Clubhouse entrance, much of which is designated "high density," ≈ 119 acres

4. Land near the North Gate designated "commercial" ≈ 13.48 acres
5. Mountainous land in the High Gap Area ≈ 350 acres
6. Land on the Northwest Corner of the Steve Tate Hwy. roundabout designated commercial ≈ 14.4 acres

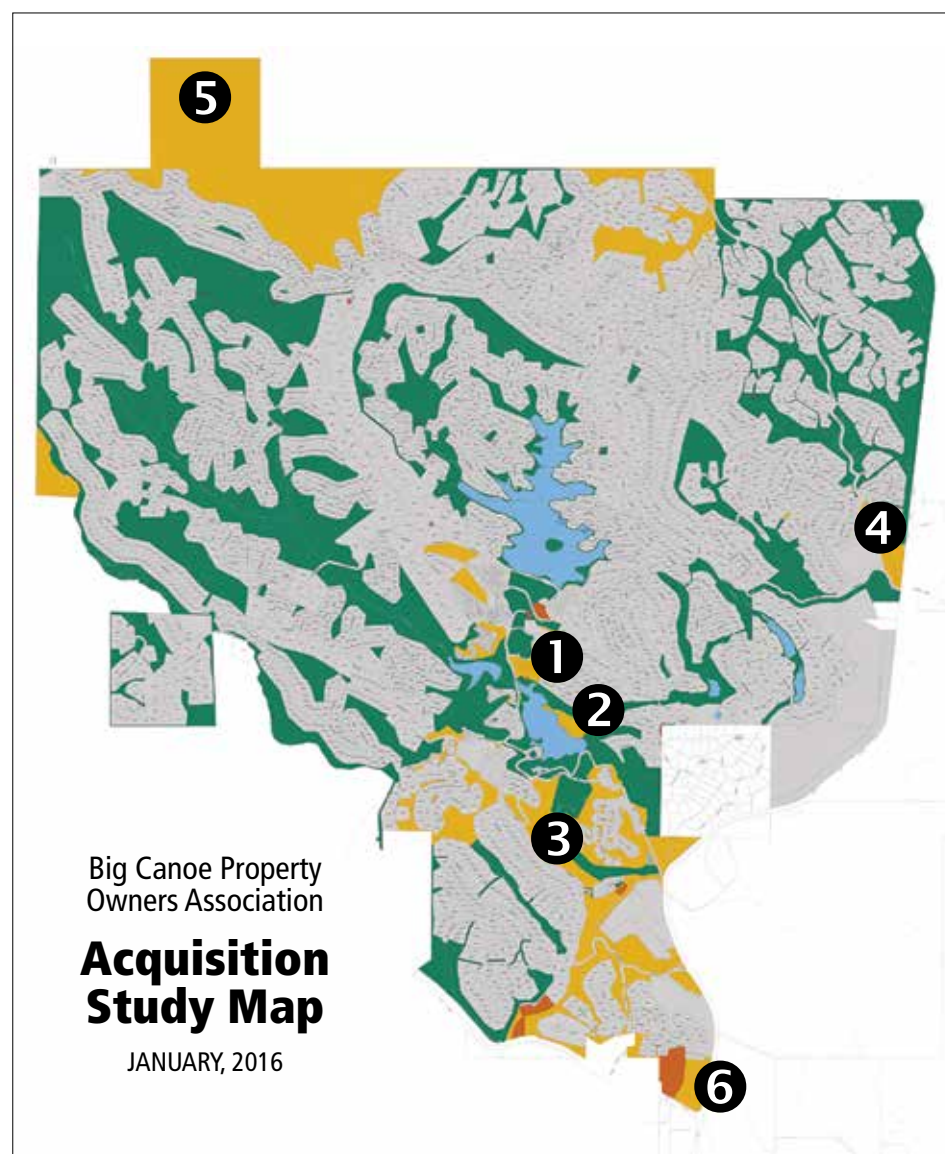
Due diligence process

On behalf of the property owners, on Jan. 12, the POA directors signed a Purchase-Sale Agreement (PSA) with Big Canoe Company for the \$9.4 million purchase. The Purchase-Sale agreement calls for a 60-day "due diligence" period which ends March 12; during this 60-day period, the POA can cancel the agreement without penalty. The PSA allows for two 30-day extensions of the due diligence period.

Big Canoe POA purchase overview

The Board of Directors of the Big Canoe Property Owners Association announced January 20 that it had entered into a purchase-sale agreement with the Big Canoe Company to purchase all of the company's undeveloped property in what is known as Mother Canoe or Big Canoe West (west of Steve Tate Highway and north of Cove Road).

This purchase includes 51 parcels of land comprising approximately 730 acres. Six of these parcels are of significant size and highlighted below.



Big Canoe Property
Owners Association

Acquisition Study Map

JANUARY, 2016

"As reporters, we hoped to add value to the discussion by gathering information that might answer some questions or at least promote a better understanding of the process."

To our readers ...

On Thursday, Jan. 28, several members of the *Smoke Signals* staff attended the first of four town hall meetings focused on the POA board's proposed land purchase. During that first session there were several residents concerned about the purchase of Big Canoe Company's holdings who asked probing questions.

One property owner, apparently frustrated by the Feb. 26 due date for ballots, ended his comments to the audience by saying, "We don't have time to get our views out. The ballots are due before the next issue of *Smoke Signals* comes out."

He was right—and that bothered us. It is our goal—and we believe, our duty—to serve the entire community in an objective and balanced manner regardless of the issue.

Between the two town hall sessions on Thursday, we (*Smoke Signals* staff) planned our first special digital edition for Tuesday, Feb. 16. We picked that date in order to cover one of the most important aspects of the proposed purchase: financing and other financial information to be presented at the Feb. 13 Community Coffee.

Our first step was to develop ground rules for this special edition.

- *Smoke Signals* isn't taking a position on either side of the proposed purchase. As a newspaper, it is our strict editorial policy to maintain neutrality on this issue but to give fair voice to those with opinions both for and against.

- We agreed to accept statements, articles and letters to the editor from both sides but all content had to be civil and informative. We want to provide a forum for discussion without feeding dissent in the community.

- And, we knew we had to keep the coverage of both positions as equal as possible, even down to the word count.

While attending the four town hall sessions, certain issues predominated: the price of the property, the financing, High Gap, the Big Canoe brand, the covenants, and property tax on the proposed land to be acquired.

As reporters, we hoped to add value to the discussion by gathering information that might answer some questions or at least promote a better understanding of the process.

With 350 High Gap acres in mind, Megan Jacques interviewed real estate officials at the Georgia Department of Natural Resources and Mountain Conservation Trust to learn more about land purchase policy.

Since there were questions about the value of land proposed for purchase, Barbara Schneider interviewed several appraisers to find out how they determine value.

Wayne Tidwell met with Roy Dobbs, Pickens County tax assessor, to discuss how the county determines property taxes.

We also asked subject matter experts to help explain some of the policies and agreements regarding the community's covenants, Big Canoe Company's branding and loan financing.

We hope you will find this special edition useful and informative.

High Gap

■ *continued from page 1*

DNR Chief of Real Estate Steve Friedman said there has been no mention to him of selling High Gap to the state.

"We are always willing to talk," said Friedman.

"The first question would be, is there even any interest? We don't know anything about the property, so there would be many questions involved such as is it a fair price? Does it even make sense?"

The state has purchased numerous tracts the past couple years that have added to the acreage of land preserved and protected by the state.

In 2015, The Nature Conservancy

and the Georgia DNR announced the protection of a 3,986-acre tract known as Altama along Georgia's Altamaha River, in Glynn County near interstate 95.

In 2013, 1,050 acres, known as the Howell Tract, were added to the Sheffield Wildlife Management Area in Paulding County.

The DNR's Wildlife Resources Division also added more than 1,390 acres, made up of three tracts of land, to the Oconee Wildlife Management Area in Greene and Hancock counties in 2013.

When asked if grants could be an option if the state were to buy High Gap, Friedman said that was definitely an option.

"We could certainly seek some grants. There is no guarantee, but we can try to compete for some of them."

In order to determine the value of High Gap, Big Canoe POA will most likely have to order an appraisal. The Mountain Conservation Trust of Georgia (MCTGA), an accredited land trust dedicated to the permanent conservation of the natural resources and scenic beauty of the North Georgia foothills and mountains, said the only way MCTGA comes to a decision on the value of land is through an appraisal.

Executive Director of Mountain Conservation Trust George Kimberly said, "Any time the Mountain Conservation Trust needs to determine the value of a piece of land, we do an appraisal. We would commission a certified, qualified appraiser, and perhaps even more than one, to determine the value."

Kimberly said that it would be hard

to place the value on the land just because it is in a certain region because every property varies in its quality and characteristics.

"Every property is unique and so to really arrive at a good opinion about value, you have to look at the specific property and then try to compare that to other properties' whose value has already been determined," Kimberly said.

Currently, Dawson Forest WMA does allow hunting and fishing, and if High Gap were to be integrated into Dawson Forest there are concerns that restrictions on the land, such as no hunting, could be removed.

"Typically, the state would not accept any property with any restrictions," said Riddleberger.

Financial

■ *continued from page 1*

By structuring a combination loan of \$10.5M to purchase the land and refinance the clubhouse loan at less than 3.3 percent, the POA can service this new debt by continuing the \$25-home/\$16.20-lot assessment.

How do we do this?

Our current cash position is nearly \$9M. We expect to generate another \$4.2M of cash in 2016. And without the land purchase we would use \$6.5M this year leaving a year-end cash balance of \$6.7M. The plan is to pay off the Fitness Center loan, start the new fire station and complete the other planned capital projects. Because this is a peak year of Capital Expenditures (\$4.7M), the POA planned to use \$1.5M of the Capital Reserve funds for capital expenditures this year. We would replenish the reserve fund in 2017-2019.

With the opportunity to purchase the Big Canoe property for \$9.4M by using \$1.4M in cash and borrowing \$8M for 10 years we would reduce our cash to \$4.7M at the end of 2016. Of this \$4.7M, \$1.1M would be Capital Reserve funds, \$1.7M would be in Debt Reduction Reserve funds and the remaining \$1.9M would be operating cash.

This still leaves us with a \$4M balloon payment due in 2018 for the Clubhouse loan. The Debt Reduction Reserve fund would provide \$1.7M so we may be required to refinance up to \$2.3M at 2018 interest rates. Who knows what interest rates will be in 2018?

To take advantage of the low 3.29 percent interest rate, the board feels it is best to refinance the Clubhouse loan now and combine it with the land purchase loan. There is a penalty to prepay the Clubhouse loan, \$560K, but that expense would be offset by the lower interest expense on the new loan. Adding \$2.5M to refinance the Clubhouse note to the \$8M property loan gives us a \$10.5M fixed rate loan with no balloon payment. The loan is paid up in 10 years. Continuation of the \$25-home/\$16.20-lot assessment generates over \$950,000 per year and with the

savings from paying off our current loans we can service the new debt.

Because we are such a financially sound community, the bank will also provide us with a low interest rate line of credit up to \$3M to be used if needed. Also, on the \$10.5M loan, the bank has offered a low declining prepayment penalty for the first five years and no prepayment penalty after five years.

Your Finance Committee has been working extra hard with Jayne Hagan, POA director of finance and our board to determine the best financial solution to make all this happen. Looking at many cash flow scenarios projected out 10 years, they are satisfied this deal can be done as proposed. Thanks much to the committee's efforts.

In summary, because the POA is in such great shape, we have the financial ability to purchase the land, take control of the property on the west side of Steve Tate Highway, continue our capital improvement projects and get out of the 7 percent loans. And we can do it by continuing the \$25-home/\$16.20-lot assessments with no increase to the property owners.

Chuck Palmer is a past POA board treasurer and president, past Long Term Finance Committee chairman, and current Finance Committee member.

"The trademark is part of a full marketing program which was refocused and more productive last year than ever before in the company's history."

Statement about the Big Canoe trademark

BY ANITA MICHELE

COO, Big Canoe Company, LLC

Big Canoe Company is selling land and the village buildings in this proposed deal. Big Canoe Company will continue to operate Big Canoe Realty, Big Canoe Building Group and Potts Mountain. The Big Canoe trademark will continue to be owned and protected by Big Canoe Company. The POA has the right to use the trademark through a no-charge license agreement with Big Canoe Company.

The trademark is part of a full marketing program which was refocused and more productive last year than ever before in the company's history. Last year we created a digital library of over 5,000 stunning, high-resolution images of the community; as humans process images 60,000 times faster than text, these incredible images of Big Canoe were the cornerstone of our new marketing campaign. These images were used to create Big Canoe's totally new website, billboards, social media, eblasts, and ads.

To widen our appeal, we invested in a new trademark - Canoe Life and unveiled a new Discovery Package in concert with the POA in which two company homes were devoted to hosting interested future property owners.

Covenants, by-laws, rules and regulations, policy & procedures ... and how it all relates to Big Canoe

Editor's note: While attending the four town hall meetings, Smoke Signals staff realized there were many questions about the covenants and how they impacted and/or limited what POA board members and property owners could do. To better understand how they work we asked Sandi Smalley, who was heavily involved in the latest covenant update, to provide some background for our readers.

BY SANDI SMALLEY

POA President

You have probably never used the term "Planned Development Governed by a Mandatory Membership Association."

In fact after reading the last sentence you are probably saying "What?"

But that is exactly the description of Big Canoe. In a planned development, the developer purchases a bare plot of land and subdivides it into neighborhood, then includes amenities, a gated entry and utility access areas. He then files a master plan with the local government. This master plan has its own set of covenants, conditions and restrictions. This is commonly called CC&Rs and what we here in Big Canoe call "The Covenants".

These Covenants govern the entire property. They provide the who, what, when, where and why of Big Canoe.

Another term that can be used for Big Canoe is "A Common Interest Community". As a COC we are governed by a set of documents. I will attempt to cover a very dry subject as quickly as I can but with enough information to help you understand the documents that make us what we are.

Our Covenants like most covenants were written by the developer and because of that they tend to favor the developer. They establish his rights, the make up of the Board, voting rules and how and if the covenants can be modified along with other regulations. It may not seem fair to you but it makes sense.

The developer was the one who invested his money to create Big Canoe and continues to invest money in creating new neighborhoods along with advertising and marketing.

There have been many amendments to the original covenants that were created in 1975 by Tom Cousins but the most significant was in 2006 when the developer gave up his majority vote on the POA board, became one developer representative out of a 7-member board

and transferred some of his originally retained rights to the Property Owners Association (POA)

What is the POA? The POA is basically a corporation of which every property owner is a member but the POA's responsibility is to govern and maintain the property. It is a miniature government.

The common areas within Big Canoe and the amenities are owned by the POA and because you are a member/property owner you have access to these common areas and amenities.

that govern the community conduct. It is here that you will find rules regarding pets, commercial vehicles, use of common areas, contractors and nuisance. All of the nitty gritty details that will affect your day to day life in Big Canoe.

Also included in the rules and regulations are the Architectural Guidelines. These are very specific on how a home should look, what architectural details are required, what color of paint is required, what plantings are approved. They may seem very onerous but they are in place to insure that your neighbor does not build a house that does not fit within the character of Big Canoe.

All of these documents reside on the Big Canoe POA web site, www.bigcanoeboa.org and are available to all property owners. What these documents do for the property owners is insure that there is consistency in what the board and general manager do in the day-to-day running of Big Canoe and that rules, regulations, policies and procedures are consistent.

Having never lived in a Common Interest Community with Covenants, I was completely blindsided by the fact that my home was not my castle and I could not do whatever I wanted with my piece of Big Canoe. Truthfully, I initially bristled at all of the rules, etc. and felt that they were confining my enjoyment of my new home. "I paid for this house, and I paid for this land and someone else is going to tell me that I can't put up a rock wall near the street? How can that be?" Well, it didn't take me long to get in trouble with the AECC with the aforesaid rock wall! But once I went into the Leadership Big Canoe class and read the documents I began to understand that these were created for the greater good of the community.

We are a community that is over 40 years old. I think we look and act pretty good for a 40-year old community. That is because your board and general manager are very aware of the governing documents and are amending them, changing them or adding to them to insure that they are current and support the board's and property owner's requirement. The rules and regulations were completely redone in 2014 and the policy and procedure document in 2015.

We are very lucky to live in this amazing place and a large contributing factor to making Big Canoe great is our documents.



Sandi Smalley, POA President

Under the covenants we have the bylaws. The bylaws provide the how: the specific corporate rules that must be followed by the POA in governing the community. The bylaws lay out the various meetings that must be held (such as the annual meeting), owner voting requirements, the number of directors and officers, how to fill vacancies, terms of directors and all other issues related to corporate governance.

Next we have policies and procedures. This is where we define a policy and how that policy will be implemented. Examples of policies are how the POA will communicate with the property owners, board conduct, charitable donations, etc. Basically, what we can and cannot do.

Finally we have the rules and regulations. These are the specific rules



Tax implications of the proposed land purchase

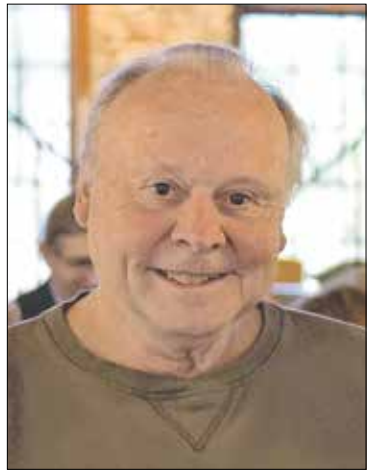
Both Dawson and Pickens County tax undeveloped land in their respective counties. But there appears to be little change in future taxation of property in Big Canoe as a result of the proposed 730-acre purchase.

"All property except conservation is taxed regardless of developed or undeveloped," Mike Berg, Dawson Commission chairman, told *Smoke Signals*.

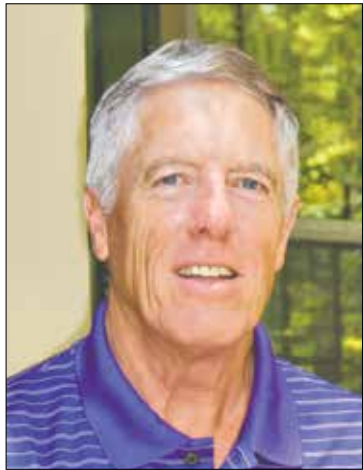
Undeveloped property is typically in the lowest tax category.

Roy Dobbs, 22-year tax assessor for Pickens County said he would have to see the deeds of the proposed properties if the purchase is made to determine any real estate tax effects. If property is designated for no future development, it will be taxed as any other county property that is just "growing trees."

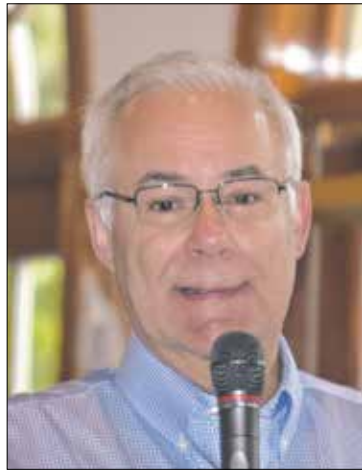
Any change in the Big Canoe's current land use plan would have to be reviewed by the counties.



Bob Crouch



Dave Harper



Dan Griggs



Dick Scharf



Roger Klask

Letters To The Editor

Let's seize this unique opportunity

TO THE EDITOR:

The property owners of Big Canoe have a once-in-a-lifetime opportunity. The developer has chosen to sell his interest in Big Canoe.

The last time the developer changed was over 30 years ago and given the maturity of our development, there will likely never be another developer change. We need to get it right now.

To protect the property owner interests, the POA board has negotiated a Purchase Sale Agreement for undeveloped land in Big Canoe West. All of this is happening when we can obtain a 3.29 percent loan to finance the purchase and eliminate the two existing 6.9 percent loans.

A look back

Over a decade ago the developer agreed to cede governance of Big Canoe to the property owners. As now, many voices were raised in opposition. Objections included the board didn't get enough concessions and that we were not prepared to govern ourselves.

Cooler heads prevailed and the measure passed. Looking back, it is difficult to imagine that there was any opposition to what has been a great deal for the property owners.

I was on the first board after self-governance and for six years thereafter and have been impressed by the quality of individuals that property owners elected over the years. They were then and are now dedicated, conscientious, thoughtful, diligent and caring individuals willing to spend countless hours to govern in the best interests of the property owners of Big Canoe.

I have no doubt that we will continue to elect individuals well qualified to maintain the character of Big Canoe. I much prefer our friends and neighbors who are elected to the board making the decisions rather than a developer.

A lost opportunity

Twenty-five years ago the POA had the opportunity to obtain the water utility. That was declined. Lost opportunity. We look back from 2016 and say how could that have happened? Let's not lose another wonderful opportunity.

Today's board has the authority to negotiate the Purchase Sale Agreement as a *fait accompli* without a property owner vote. They have done the responsible thing and chosen to communicate extensively and ask for a vote to approve the deal. As I hear criticism over transparency I wonder what is the alternative? To vote no is to allow a developer to develop the property without our input.

Is the deal perfect? Maybe, maybe not. Is it the right thing to do for the current and future property owners of Big Canoe? ABSOLUTELY.

I have no doubt that the board negotiated long and hard and came up with the best possible package. Negotiations are a give and take. No side gets 100 percent of what they want. This board did get many very important concessions. The cost was reduced from the \$12.5M original asking price to \$9.4M, the 100 units of the 4,750 cap that the POA will control could be very valuable and the developer ceding two rights is also important.

Ten years from now the property owners will be amazed that there was ever any controversy over this purchase.

Bob Crouch
Red Fox Drive

Concerns regarding POA's proposed property purchase

TO THE EDITOR:

I have an observation and recommendation to share about the proposed land purchase.

First, while travelling the community and listening to questions and comments from property owners, it's apparent that there is much acceptance and support for the proposal.

It's very appealing to hear that we will "control the future of Big Canoe" through this action. However, it's also clear that we would benefit from a better understanding of the current or any future developer's role in the use of this land.



Town hall meetings held at the Big Canoe Chapel drew large crowds for each session.

PHOTO BY ROBERT SMITH

To be clear, I'm not a lawyer, but have a basic understanding of covenants as the rules governing the use of real property. In our case, both the developer and the property owners have rights and restrictions about what they can and cannot do regarding that property.

The thinking of some in our community appears to range from, "We will control our own destiny" to "the developer will have no involvement or authority regarding our newly acquired property".

To the contrary, as I understand the terms of the agreement, the developer has only ceded two of the 35 explicit retained rights of the 2005 covenant amendment (see www.bigcanoepoa.org, "Governance").

They are "the right to decide materials, locations, etc. of buildings, and the right to determine the need for commercial space."

If correct, this would mean that the retained 33 rights will still have significant impact on our ability to "control our destiny." A few examples are: Architectural control over Class "C" property; annexation of then contiguous properties; developing additional lands...; the right of first refusal, the right to use POA data for marketing purposes... etc. These are significant powers that could be executed by the current developer—or sold to a new developer.

Of course, anyone can conjecture as to what the future might bring. But given these retained powers by the developer, it can be envisioned that the proposed purchase could:

1. Lead to a future annexation of property adjacent to what is being purchased (e.g. High Gap), then designating that land for commercial or high density residential. This could negate the stated purpose of protecting against future adverse development.

2. Lead to the inability to re-sell purchased property to an intended buyer.

3. Decrease the value of our purchased commercial land in the village if proposed POA usage is not approved by the developer.

4. Continue to subject this proposal and any future voting regarding covenants or other matters to the significant voting power of the developer (currently about 75 votes).

5. Improve the marketability of developer-owned remaining lots due to the reduced available supply of buildable land.

My recommendation is that there should be a thorough, open disclosure that these rights are being retained and what their significance is to the community. If more time is needed to have this discussion (or any other significant discussion affecting this deal), then consider withdrawing this offer. In its place, negotiate a right of first refusal with the developer to temporarily replace the current purchase offer. It's important that we be well advised regarding the pros and cons of such a significant action as this proposed purchase.

Dave Harper
Indigo Bunting Trail

Why I oppose the proposed land purchase

TO THE EDITOR:

This is a request for all Big Canoe property owners to objectively prepare for voting on the land purchase proposal. Please vote with a careful and deliberate thought process and not emotionally as

this is a forever decision that affects a lot of folks in very different ways.

The scope of this proposal is well outside the normal activity of a property owner's association. The POA should not tie up significant assets with no foreseeable use or exit strategy. Nor should the POA attempt, on its own, to become a developer.

If it did view future development (or sale) as an exit strategy, then that plan and its associated financial impact should be made a part of this proposal.

The increase in POA monthly dues of \$25.00 (per dwelling) and \$16.20 (per lot only) per month is not just limited to the new debt service period of approximately 10 years. The property owner gets absolutely nothing in return for the increase of \$300.00 per year (or \$194.40 for lot-only owners). The extra dues will never be returned to you at any point in time.

Not to be morbid in any way but how many of you even plan to be here, one way or another, in 10 years?

I view this proposal as selfish on the part of its backers. It does not take into consideration that a number of property owners have suffered a significant loss of value as a result of real estate market economics (although no fault of the POA). Some property owners have fewer resources available due to a variety of economic reasons and, thus, will be negatively affected by this dues increase proposal.

As I understand it, maintaining the "character of Big Canoe" is felt to be at risk. The POA is pushing this point at you: a new developer might not be so interested in maintaining the character of Big Canoe as past ones.

But more to the POA's point, the parcels known as Sconti Point (north side of Sconti Lake bordering a portion of the golf course) and the land on the north side of Wilderness Parkway from the Main Gate to Twin Creeks, if developed, would decrease the beauty of those respective areas. Both of these areas are designated as "high-density housing" opportunities. This is a point that I personally take no issue with at all; of course, housing in those areas would diminish the natural beauty.

However, "the sky is not falling." As noted below, a developer is not going to build undesirable housing on land that is valued as excessively high as these locations and at this negotiated price. The \$9.4 million dollar purchase price is astronomically excessive given that the POA has no plans to develop.

Numerous parcels have zero or limited opportunity for development. One example is the 350-acre High Gap parcel.

Numerous other parcels would, most likely, be ceded to the POA at the conclusion of the developer's property sales, i.e., the Main Gate and North Gate areas. So, why are we buying them now (and, at a developed land price)?

The acquisition of 730 acres for \$9.4 million averages out to \$12,877 per acre. The number of acres that are truly available for development is probably not more than 127.2, which is the acreage on Sconti Point and along Wilderness Parkway on the drive in from the Main Gate, makes the development potential of Sconti Point and the main entrance drive less financially feasible.

Due to the fact that Sconti Point is on the lake and the golf course, this land parcel would command a much greater allocation of the purchase price than would the parcel along the front entrance drive.

In fact, the developer offered Sconti Point to the POA four years ago at a price of \$4.8 million dollars.

The starting value of a housing unit (even high density) for land cost alone in these two locations requires a not-so-cheap housing unit to make the total economics work out, meaning one wouldn't build a \$100,000 housing unit on a Sconti Point with a \$200,000 lot cost (and that's before design, engineering, road construction and utility installation is included).

The current developer has been trying to sell Big Canoe Company (the development company) for two plus years now, probably longer, with no apparent success.

Regarding the point of diminishing the "character of Big Canoe," I am simply not in agreement that new housing construction at Sconti Point and along the main entrance drive would be all that detrimental. The simple practicality of this position does not allow me to support a \$9.4-million-dollar waste of private dollars.

The POA has been both praised and criticized during the short time since the announcement to the present.

Praise: Forward-thinking by the POA to protect Big Canoe's character (by some). With the full power and authority to enter into this agreement without bringing it to a property owner's vote, the POA allowed for such. And, as part of this overall structuring of this deal, \$6.2 million of 7 percent financing will be converted to an approximate 3.3 percent rate.

Criticism (summed up as quite an overall lack of transparency): Rushed period of consideration for property owner vote to be concluded by February 26, 2016.

I urge anyone taking the time to read the above to carefully consider the points raised and make an objective decision. Plus, I hope that you will consider what is in the collective best interest of all of the property owners of Big Canoe and not just a few. If you think about the POA's proposal as insuring against the risk of an eyesore, isn't the premium quite high?

Dan Griggs
Blackwell Creek

A reminder from the August town hall

TO THE EDITOR:

At the mid-year town hall meeting of the Property Owners Association in August of 2015, the following question was posed to the assemblage: "How many of you do not want the board to pursue actions to preserve the character of Big Canoe by protecting at a minimum four critical pieces of property?"

The four pieces of property were Sconti Point, the two entrances to the community and the Wolfscratch Village core. NOT ONE PERSON IN ATTENDANCE DISAGREED. Subsequent to that meeting articles were posted in both the *Smoke Signals* and Inside the Gates keeping the community as abreast of the progress as was legally permitted. And, the board began a protracted negotiation with the current developer team.

Despite the sudden, current uproar and the flurry of email traffic to the contrary, the central core of the decision before the community is the following: "Do we want to determine the future look and feel of Big Canoe (West) or do we want to accept the risk of having a developer dictate all the future shots"? It is as simple as that!

My hope is that all Big Canoeers will focus on the core issue and not get distracted by the noisy and sometimes irrelevant discussions. I believe most of us are well intentioned when we enter the public domain. But, the task at hand is to decide if we want control or not; and, vote accordingly.

Dick Scharf
Woodpecker Way

Trust issue is very important

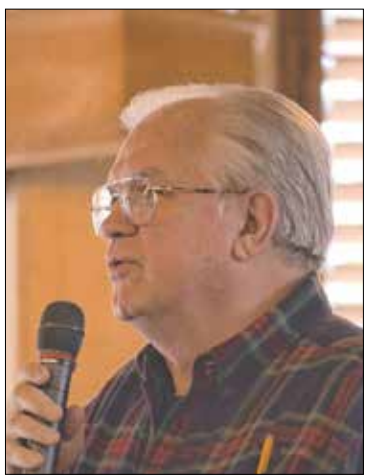
TO THE EDITOR:

Please consider how this proposed purchase will affect the property owners of Big Canoe. What used to be a rather cohesive community may now become divided over this issue with potential long term effect.

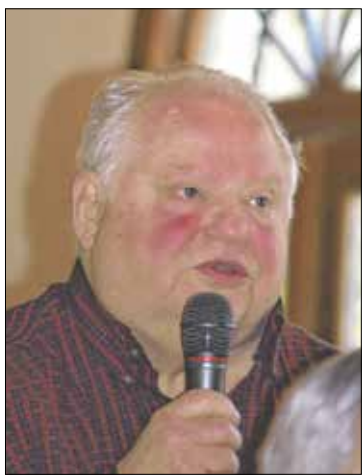
■ continued on next page



John Rasmussen



Lee Arthurs



Bruce Toups



Steve Wilson



Katharine Armentrout

Letters To The Editor

■ *continued from previous page*

There are some people who want to make this purchase at any cost, which consists of several land lots, multi-acre parcels, and commercial properties.

A purchase of this magnitude and diversity adds a lot of complexity, responsibility and obligation to how this and future POA boards can be trusted to make appropriate and wise decisions as it pertains to the management and use of these properties.

For me, the trust issue is very important. The POA boards have had and continue to have great powers to do most anything that they decide to do. Their past performances have been reasonable with the noted exception of the clubhouse, initially projected at a cost of \$6,000,000, but ending up costing \$10,000,000+ and producing annual losses of approximately \$500,000 since inception.

Most homeowners have their houses inspected and have performed due diligence to make sure that everything is up to their expectations and that they don't run into any surprises. They look at their home as an investment and they spend money on upgrades and maintenance designed to increase the value of their property.

This proposal will not increase the value of your property in Big Canoe. Try to explain to a prospective buyer why they should pay a higher price for your home because we made this proposed purchase.

Conversely, if we spend \$10 million on high speed access, you would have a far better argument for a higher price and a better chance of selling your home.

We as a community of owners do not have nearly enough information about this proposed deal. Some of these issues are being brought up to the POA board. Some have been answered, some have not. When it comes to the future usage of some of the parcels, it becomes a free for all. Some of the POA board members have mentioned condominiums, hotels, multi-family development, commercial, acreage placed in trusts, community center, and selling off lots and parcels. When we talk about the future, we as a community need and deserve a lot more specificity than has been verbalized thus far.

The POA board has three options. First, let the vote take place as scheduled. Second, walk away before the \$100,000 earnest money becomes non-refundable. Third, delay the vote for 60 days to give more accurate information to the community.

As I get older, I don't tolerate pressure as well as I used to and I try very hard to protect and preserve my assets, which includes my property in Big Canoe. Furthermore, my trust in people making decisions on my behalf is not what it used to be.

I encourage each of you to contemplate, evaluate and decide what is best for you and your loved ones.

To what extent do you want other people to make decisions on your behalf? I strongly urge everyone to vote.

John Rasmussen
McElroy Mountain Drive

It's worth the extra cost to protect our community

TO THE EDITOR:

Big Canoe Friends and Neighbors – A few skeptical property owners have come forth who believe that \$9.4 million is too much to pay for the proposed land purchase by our POA. While we are in no way personally agreeing with this being the case, let's assume, for the sake of discussion, that the land and buildings are worth half that amount - \$4.7 million - an approximation of the value that some of the more skeptical naysayers are suggesting may be the case.

In other words, we should then evaluate whether the additional \$4.7 million being paid is justified by protecting ourselves from undesirable development actions that could negatively impact the beauty and ambiance of our Big Canoe community.

In simple terms, this additional cost to each of us would be half of the amount the POA is proposing be rolled into our monthly dues (\$25 for a house, \$16 for a lot) that would not otherwise be the case if we did not make this purchase. Stated another way, is it worth to each of us \$12.50 (house) or \$8.00 (lot) per month (42 or 27 cents per day) for ten years to enable us to protect



CARTOON BY BOB GLOVER

the beauty and ambiance of Big Canoe in perpetuity?

For us this answer is a resounding YES. Please think about this perspective when you vote. The ballots should be arriving in our mail boxes very soon.

Lee and Kaaren Arthurs
Swallow Point

Why I am voting no on the land purchase

TO THE EDITOR:

As COO of a private family's real estate firm for 15 years before retiring and as a real estate broker, starting in the business in 1969, I have taken part in approximately 1,300 transactions, some were small and others as big as twice the size of this one.

As a beginner in the business, I learned two important lessons from the patriarch of the private family business: First, you make your best deal when you are willing to walk away. Second, when making an agreement there are two considerations, price and terms. If you get your price, (i.e. one the seller is willing to sell for), then the buyer, gets to set the terms or vice versa. There is no evidence that the board got either. An example is extremely short due diligence period during the winter when the smallest number of owners are in residence.

In my experience, virtually all commercial deals no longer go directly to contract. Instead, a letter of intent is used to finalize all the items before a contract is presented and signed. What are the issues that are impacted immediately by this deal?

- We are taking on unnecessary debt, first and foremost.
- We are told that we are no longer treating dam repair and maintenance the same in our reserves.
- If our revenue streams are pledged and a new project is needed, such as a new community center, expansion of the indoor tennis courts or whatever, will we be tapping the new \$3.5 million "Line of Credit"?
- Without this deal would we still need the LOC?

In the intermediate term, we will lose any growth that might have been sensibly developed by the developer or a successor. In the village we are told that we will redevelop the buildings. Once Big Canoe Realty is finished with Choctaw and the Bluffs, the firm will be gone.

We have been told that the Wild Onion building will be rented until then. Has the Board determined the new use for that building? Any new tenant will require building renovations, the cost of which will be part of the lease negotiations, which we likely will pay for one in part or in total. In addition, there will be a leasing commission to be paid.

Finally, when it is time to redevelop that whole area, a large additional debt will be needed.

Without the growth generated by a developer, how will we have the sufficient number of customers necessary to make

the new tenant's businesses viable and profitable? We do not have a critical mass necessary for more commercial development and, it appears, the stated aim of the proponents of this is to keep it that way.

Once Big Canoe Realty is finished the Big Canoe community will lose the benefit of institutional advertising and marketing. It is my understanding that Big Canoe Company is spending over \$750,000 per year on advertising. Most of this is to promote Big Canoe itself. What will we do to replace this money and function?

How will we drive traffic into Big Canoe to facilitate home sales? While things seem to be improving somewhat, many homeowners are still underwater on their investment and with no growth, getting out of Big Canoe will remain a problem for owners.

If we were still developing homes at some of the locations, it would help everyone's property values. Having more million and near million dollar and other high value homes is a good thing for Big Canoe and our community's revenue stream.

Limiting development and therefore growth, presents a serious economic problem for the future. By pushing the developer out ahead of a normal timetable, this deal makes us responsible for the many things he participates in, particularly marketing and advertising.

Instead of having many additional homes paying to contribute to supporting our lifestyle, it likely will be necessary to resort to methods such as special fees on the sale of a home or much larger initiation fees for the amenities or special assessments.

Thank you for taking the time to read this. Please give this very important issue some more thought. I ask you to carefully consider the implications of your vote.

Bruce Toups
Disharoon Drive

A quantum leap to ensure, secure our destiny

TO THE EDITOR:

I have read with great interest comments by those who are strongly opposed to our community purchasing [the remaining holdings of] Big Canoe [Company] for 9.4 million dollars.

I have been on the POA board for 60 days now. I have watched the other members of the board agonize over this purchase. I have had a front row seat while watching them painstakingly negotiate with the seller(s).

Yes, most of you think about the seller as Big Canoe Company. [Bill Byrne's] partner is Greenwood. Most of you think that Big Canoe Company is on hard times. I have never seen the firm's balance sheets. I do know that Greenwood is an equal partner and there is no suggestion that they are interested in a fire sale.

This board has gained concessions critically necessary to take a quantum leap

forward to ensure and secure our destiny and the beauty of our community.

Some fault the board for not disclosing the purchase sale agreement before Jan. 12, 2016. The simple fact is that we were under a strict non-disclosure agreement. We came out with the information the moment we were allowed.

The board is being accused of rushing this. Yet we announced on several occasions over the last six months that efforts were being made to secure the property. (That's all that could be said with a non-disclosure agreement).

The board asked for 120 days of due diligence. The seller wanted 30 days. It was agreed at 60 days with two 30 day extensions. However, our earnest money goes hard after 60 days.

We are doing inspections of buildings with a phase-one environmental work up on all relevant property, and phase two inspections on the areas where necessary. Any inspections conducted that will require remedial repairs to bring buildings etc. to code and in reasonable condition will result in further demands (negotiations) requiring the seller to pay those costs.

We are buying 51 parcels of land strung across the entirety of "Mother Canoe". An actual appraisal is not possible. There is not another Big Canoe (with our beauty, amenities, public safety and individual residential investments topping over one billion dollars) from which to extract comps.

An evaluation can and has been done by one of the largest commercial firms north of Atlanta. The firm has a stellar reputation and is not going to put a lifetime into developing that reputation only to make a few bucks in this transaction. I am sure evaluations can come in below the evaluation that's before us. Likewise, there are evaluations that could exceed it.

Let's look at our "crown jewel" Scont Point. One property owner talks about 22-24 pad sites. He then does his calculations and comes up with an unlikely cost to develop and sell each unit. What he fails to tell you is that with our height restriction of approximately 42 feet, those 22 pad sites can easily hold 50-55 condos at three stories high. I am sure that was an oversight.

By the way, the sewer is already at the clubhouse and it is of ample size to host the available dwellings. It only has to go across number one fairway on the Creek Golf Course. Oh yes, the road has already been platted to run next to the home on Creek number two and will run behind that tee box.

Of course, as part of our due diligence we need to ensure that our tax exempt status is not in jeopardy. Even a country lawyer from Kansas knows some things.

Now let's talk about valuations. Does anybody dispute that Scont point is worth \$3.5 million? I doubt it since most folks who are against this purchase suggest we are only getting the developer's "scraps."

I hope I can safely assume that Scont point is not a scrap, even in their eyes. Yet most are saying we should buy but not for more than \$4-5 million. Therefore, it would stand to reason that the most ardent opponent of this transaction would agree to a \$3.5 million value of Scont point. We then put it into some sort of conservancy or land trust. (Perhaps selling our trust credits to another entity for \$3 million or more—just a thought.)

In any event, this board, while acutely aware of future boards, must protect Scont point in perpetuity.

High Gap is prime for purchase by some entity like Dawson Forest [Wildlife Management Area, currently managed by the Georgia Dept. of Natural Resources (DNR) and comprising more than 25,000 acres of diverse terrain]. In a recent acquisition the DNR paid over \$5,000 an acre.

Taking into consideration our need to develop a buffer or green belt for our property owners, we could possibly sell—at some time in the future—our High Gap property for \$1.3-1.5 million.

So now we are at \$5 million. Does anybody dispute that the village core with its land, location and buildings is worth \$1.5 million?

Now the property out by the roundabout. What is 14 acres worth in that location? I will let the cynics plug in this number as well as the value on the commercial property up by the North Gate.

What about the property from the Main

■ *continued on page 6*

Letters To The Editor

■ continued from page 5

Gate to the clubhouse—119+/- acres. Some of it highly developable; some not so much.

Remember we are getting the rights to develop 100 lots. Those we don't use can serve as bargaining chips with a developer who wants to include more homes at Potts Mountain but would otherwise be limited to 920 without exceeding our total density cap of 4,750.

Now let's say that only 60 of those undeveloped lots we choose to use are of high quality for building. Is \$30,000 a lot too high for homes of \$300,000+/-? No!

Now perhaps we can do the math. All of a sudden our scraps have quite a value. However, it would be unbelievably arrogant for any one person or board, for that matter, to suggest that we know what's best for our community or how best to utilize our purchase—except for Sconti Point. That's why a task force of prominent community leaders and yes, even from the opponents of this purchase, should be formed to gather information in terms of suggestions, opinions and thoughts from all property owners through meetings and town hall forums.

Let's talk about taxes. The developer is currently paying taxes on the Village core and over a thousand units, paying about \$50,000 to Pickens County.

We are buying approximately 370 +/- acres in Pickens County. Dawson County doesn't tax undeveloped land so there will be no taxes on the 350 acres in High Gap, located in Dawson County. We will receive more than \$110,000 a year in rent from the Village core. The math does add up.

Folks, I am a retired lawyer who loves our community. I have volunteered my time over and over again to serve each of you. I am now on your POA board, elected by you, and dedicated to do my best. Every member of the board has worked hard to give you this opportunity.

Please don't let a few dictate what's best for us and our community. I am not and will not enter into a debate. These are simply the thoughts of someone trying to be of service to all of us.

Steve Wilson
Hunters Trace



POA board members answered property owners question and listened to their comments even after the town hall meetings were over. Pictured below (with backs to the camera) are Sandi Smalley, POA board president, and (standing) Jim Farinholt, POA board vice president. PHOTO BY ROBERT SMITH

Purchase will ensure Big Canoe's beauty is protected

TO THE EDITOR:

We drove through the main gate of Big Canoe over Labor Day weekend of 2006 and knew right away that we had found a community that reflected our love of God's creation and had dedicated itself to preservation of that creation. The POA is now taking a major step to ensure the long term future of that creation by negotiating the purchase of the developer's real estate in Big Canoe. We have an opportunity NOW to secure the future of this community by buying this land and controlling its future.

With this purchase we will be able to protect that long beautiful drive from the Main Gate to Twin Creeks from development. We will be able to prevent some developer from putting in high-density condos on Sconti Point. And we will be able to control the development of the Village core, so that it continues to

reflect the residential nature of Big Canoe.

In many ways, I look at this purchase not as a real estate deal but, as one friend put it, as the protection and preservation of Big Canoe as the beautiful, unspoiled community that it is.

For those who are concerned that we might have negotiated a better deal, let's remember that important wise advice: Don't let the perfect be the enemy of the good; or don't be pennywise and pound foolish. This is a very good deal for us. Additionally we need to remember that our board's calculation was based not only on the monetary property value of the individual pieces of property but also on the value of preserving the intangible, but very real, nature of Big Canoe's unspoiled beauty. The POA Board has our best interests, and their own individual best interests, at heart in this transaction. This group of six fellow property owners is composed of men and women of accomplishment in various disciplines and they have dedicated a great deal of effort and energy to doing the best possible job for all of us in this negotiation. We should

all be grateful for their willingness to serve and for their vision in pursuing this objective.

So, as one who loves Big Canoe deeply, I ask you to please vote "YES" on your property owner's ballot.

Katharine J. Armentrout
Bluestern Drive

A one-time opportunity with definite benefits

TO THE EDITOR:

"From a high level view, it is obvious that this purchase is probably a one-time opportunity with some definite benefits. It removes a significant uncertainty associated with the change of developers. I am no longer in touch with the financial details of the Big Canoe POA but if Chuck Palmer says that the numbers being presented are accurate, then I am satisfied that property owners have the necessary financial information to make a decision. If I were still a Big Canoe property owner, I would probably be voting in favor of the purchase. Big Canoe is still a good value financially and a great place to live."

Roger Klask
114 Mountain Laurel Ct.
Canton, GA 30114

We need to control environmental aesthetics in Big Canoe

TO THE EDITOR:

To my fellow property owners, As we decide on the purchase agreement with the Big Canoe Company for lands on the west side of Steve Tate, I offer you my insights in your decision process.

Thirty eight years ago when I joined Disney, I read an article in a journal of anthropology describing the entry to Walt Disney World and the intent of that roadway. I will paraphrase:

"When you exit US 192 and travel on World Drive to the Magic Kingdom, you do not see power poles, overpasses, buildings only a well landscaped and maintained boulevard. This is your preparation to leave the other world with its problems and begin the fantasy that is the Magic Kingdom."

This concept of leaving the problems of the other world behind was followed every day in what we designed and built at Walt Disney World. The experience that you first engaged on World Drive was to continue until you departed Walt Disney World.

Unfortunately, today after the Disney family lost control, the desire for increased profits has reduced the brief but real fantasy of Walt Disney World.

In 1995, when Jenny and I first visited Big Canoe to see what had been described by others, our entry through the Main Gate, over the covered bridge, through the woods, along Lake Sconti and on to Wolfscratch Village was an experience similar to the entry to the Magic Kingdom. Big Canoe is a fantasy of a different sort, more natural than man made. After a later tour of Big Canoe, we bought a lot with the idea that we would retire here. It is that first drive into Big Canoe that seduced us.

My past experience in design and construction of large developments in the United States and abroad have given me an appreciation of the environments we live in.

My time on the Architectural and Environmental Committee and as chairman of the Sconti Clubhouse Building Committee reinforced the understanding that the property owners of Big Canoe wished to maintain the environmental aesthetics that we have. The discussions of how to save the hemlock in the parking lot to the west of the clubhouse come to mind. And not to be forgotten was the town hall meeting where the "Bar with a View" was the outcry. Sconti Point was part of that view. Of note, the clubhouse was oriented to make the most of the view of Lake Sconti.

Given the current uncertainties related to the sale of Big Canoe Company, the only way that we, the property owners, can control the environmental aesthetics that we enjoy today, is to agree to the Purchase Agreement and its associated costs. The environmental aesthetics of Big Canoe as we know it today impacts our lives in a positive way every day. Each and every part of Big Canoe is a part. As Tom Cousins said, "Don't mess it up."

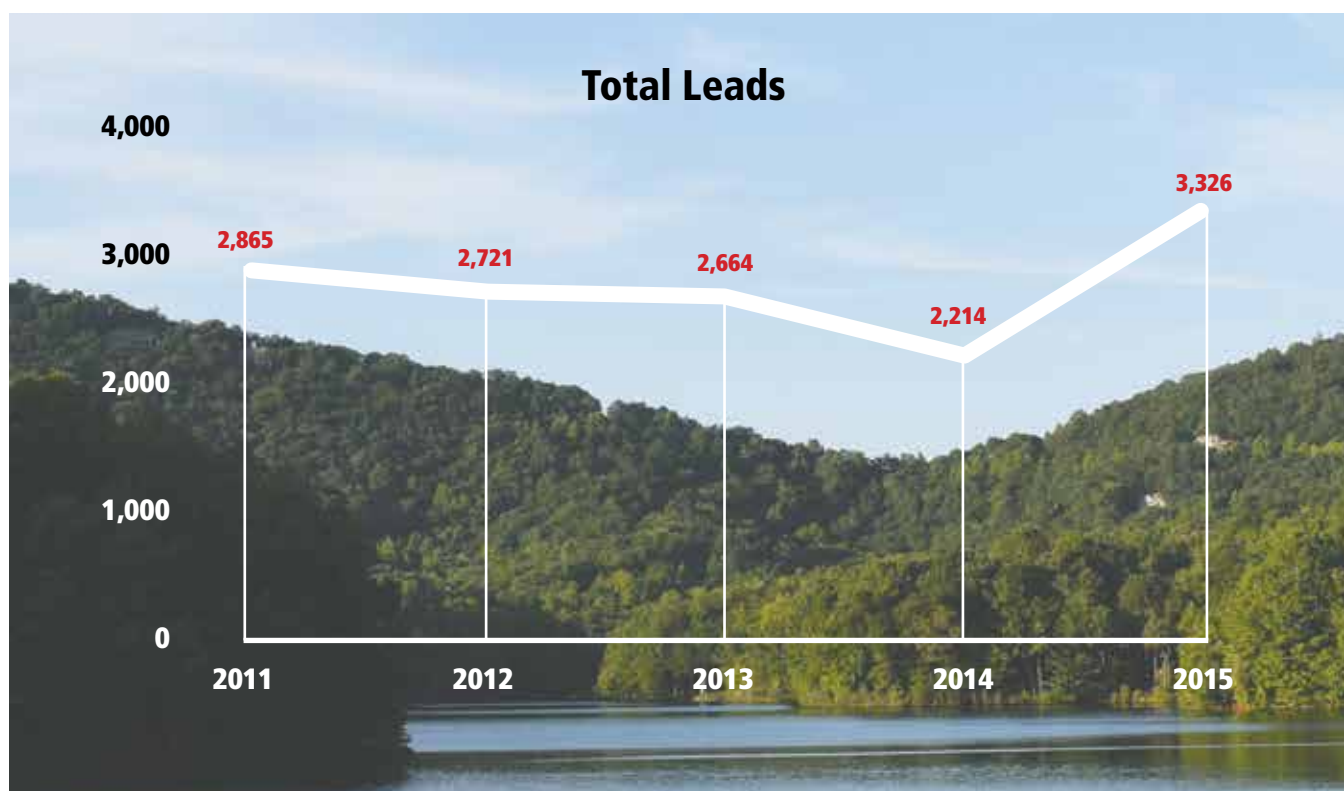
As it appears that the cost is less than one percent of the average cost of a house in Big Canoe, it is very possible that a developer negative impact could be much more than one percent.

We can speculate on what a future developer might or might not do, but why not take the destiny of Big Canoe in our own hands.

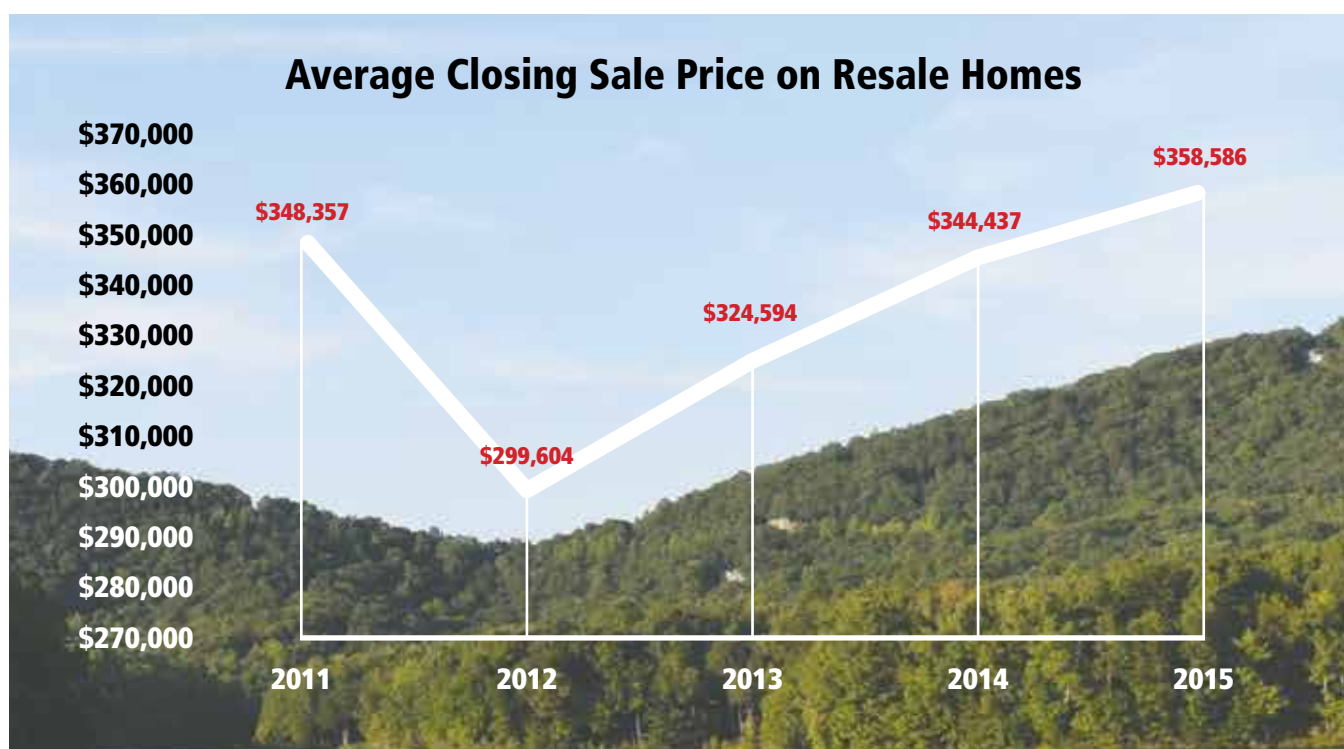
I strongly recommend that you vote to approve the Purchase Agreement.

Miller Andress
Cherokee Way

Rising Sales in Big Canoe®



In 2015, we saw the first increase in sales leads after 4 consecutive years of decline. Total leads in 2015 were 3,326. We haven't seen this much public interest in Big Canoe since 2009.



The average closing sales price on resale shelters has consecutively increased since 2012. In 2015, the average closing sales price on resale shelters was \$358,586.

Questions from four town hall meetings added to Q&A

The POA board compiled and summarized questions and answers from the four town hall meetings that were provided to the community on Saturday, Feb. 6. The answers—updated with new information as it became available—may differ somewhat from answers provided at the town hall meetings. The entire Frequently Asked Questions (FAQs) document is available at https://bigcanoepoa.org/getmedia/c703b713-00cf-4841-af4f-76b7960d77d0/Property_Purchase_-_Q_A_2016_02_06.aspx

ADDITIONAL Q & A – FROM THE FOUR TOWN HALL MEETINGS

■ Why are we pledging our amenities for this loan? The amenities have been used as collateral for all of our loans in the past. They are the collateral for our current loans on the fitness center and the clubhouse. Nothing is different about the new loan. They are commonly used as collateral for loans at communities. We are in excellent financial shape and that is why the banks were so readily willing to loan us money for a very low rate.

■ Will the acquisition of this land affect our IRS 501(c)(4) status? We have consulted with John Knoblesdorf our non-profit tax attorney and he has told us that this would not affect our non-profit status.

■ Why are Sconti Point and the acreage coming in the Main Gate designated “High Density”? The developer has identified these properties as ones that have access to sewer and therefore can be developed as high density.

■ How would someone gain access to Sconti Point for development? There is a platted road bordering I30 Sconti Run that would go through the woods and go behind the tee box on Creek #2. It would not touch the fairway.



Ken Rice, Hyacinth Hill

■ How do we know if there are any environmental problems with either the buildings in the Village Core or the buried gas tanks behind the old Wild Onion building? We have hired a professional engineering firm out of Gainesville, GA to do an engineering study on the buildings and an environmental assessment of all the land that we are acquiring.

■ How much is the POA spending on informing the property owners about this acquisition? Currently the only expenditures are the cost of printing the pamphlet, mailing the ballots, paying the Accounting Firm to count the ballots. We have not paid anything for the displays and buttons which were donated at no cost to the POA.



Bob Smith, Summit Drive

■ How much did the ad in Smoke Signals cost? We did not put an ad in Smoke Signals. At no cost each month the POA President is allocated space for a letter to the community.

■ Why were the property owners not asked to vote on this purchase before the Purchase Sales Agreement



Property owners gather early in the Big Canoe Chapel on Saturday, Jan. 30 waiting for the third town hall meeting to begin. PHOTO BY ROBERT SMITH

(PSA) was signed? The PSA had to be agreed to by the buyer and seller in order to lock-in the details necessary for follow-on property owner consideration and vote.

■ By signing the PSA, does that mean this is a done deal? No. If the property owners vote No then we walk away.

■ If we do not acquire this property, can the developer sell off the pieces individually? Yes.

■ What additional expenses will we have to pay to maintain the additional acreage? Currently all of the undeveloped land that is bordering roads is being maintained by the POA. The Developer does not own any roads within Big Canoe West.



Mark Kaplan, Strawberry Way

■ Will there be a loss of assessments from Big Canoe Company once we acquire this property? Yes, the Big Canoe Company will no longer pay approximately \$43,000 per year. The income from the two renters in the Village Core should cover this amount as well as property taxes, insurance, and maintenance.

■ Will taking out the loan on this acquisition hinder our ability to take on any planned Capital Budget items? The current planning for the investment for high-speed internet access is for the total amount property owners pay to be no more than the fees they now pay service providers. If the Big Canoe Utility Co. becomes available and the POA decides to purchase it, any loan payments would probably be made out of monthly utility fees. Based on the 10-year cash flow and capital need projection, we will not have to cancel or defer any capital projects. The current feedback from the banks is that we are not compromising the future financial health of the Association with this purchase. The POA is not approaching its debt limit.

■ Will the residents of Potts Mountain have access to our Amenities? The 920 units remaining from the 4750 unit cap established in 2005 will have



Chuck Dressler, Red Fox Drive

access to our amenities. They will also be paying the same assessments that are being paid by property owners in Big Canoe West. Any development over the 920 will not have property owner access.

■ What plans does the BCC have to market Big Canoe after the acquisition? Last year, the Big Canoe Company spent approximately \$850,000 in marketing expenses and hired a marketing firm and a marketing manager. They have indicated that they will be making a comparable investment in marketing this year.

■ Will Talk of the Town in the Chimneys be a competitor of the Clubhouse? Talk of the Town has been doing special events at the chimneys for years and will continue to offer another venue for special events. Many times an event booked at the Chimneys results in additional revenue for the Clubhouse especially in the case of rehearsal dinners being booked at the Clubhouse in advance of weddings.

■ How much will it cost us to manage the Chimneys and Talk of the Town? Talk of the Town currently books and manages all of their events. BCR only managed the calendar. They are planning to continue managing their own events.



Paul Goldstein, Gadalutsee Pass

■ When will the need for \$25 per house or \$16.50 per lot assessment go away? When the debt is paid off, currently scheduled for 10 years.

■ Why is there not a long term plan for developing this property? Because we are not planning on developing this land. We are going to create a Long Range Land Use Task Force that will be chartered to look at the best use of the property along with any future requirements Big Canoe may have. They will also be looking at which parcels would best benefit Big Canoe by being placed in a Conservation Trust. All of this will be done with property owner input.

■ Why not pay off existing debt before assuming the risk of additional debt in a new venture? We are paying off our existing debt. The Fitness Center loan will be paid off this June and the remaining balance on the Clubhouse loan will be rolled into the new loan. The current Clubhouse loan was a balloon note at a rate of 7% and even with the special assessments we currently have in place, we would have had to refinance over \$1,000,000 from the remaining balance when the note came due in 2017. We are now rolling over the balance into the new loan at an estimated fixed rate of 3.29% for 10 years with no prepayment penalty after 5 years. Because of the much lower interest rate the \$25 per home or \$16.50 per lot will cover the loan payments.



Wayne Huey, Valley View Drive

■ Can you provide a simple summary break down on how the 730+ acres and the three buildings were valued such that the \$9.4 million is a justifiable purchase price?

- 50 raw units at Sconti Point – \$50,000 per unit = \$2,500,000
- 20,145 sq. ft. of commercial buildings and land at Village Core- \$80 per sq. ft. = \$1,611,600
- 14.43 Commercial Acres at Cove Rd. & Steve Tate Hwy- \$35,000 per acre = \$505,050
- 332+/- Acres at “High Gap” - \$5,000 per Acre = \$1,660,000
- 376+/- Acres of Raw Acreage - \$5,000 per Acre = \$1,880,000
- 100 Raw Units transferred to the POA - \$30,000 per unit = \$3,000,000
- TOTAL VALUE = \$11,156,650 (Well above the \$9.4 million purchase price)

POA Finance Committee Presentation

Financing for the proposed land acquisition from the Big Canoe Company

BY DAVID HOWE

The Saturday, Feb. 13 Finance Committee presentation at the clubhouse covered the financial details of the proposed land acquisition by the POA. The committee's purpose was to explain where the monies, including borrowed funds, would come from and how the borrowed funds would be repaid.

The meeting was well attended and the property owners had a chance to ask questions of the committee.

The committee chair, Regis Falinski, presented the financial status of the POA and the process they followed to determine the viability of purchasing the land at the proposed price. Non-financial questions about the transaction were reserved for a POA board Q&A following the finance presentation.

The Finance Committee was tasked with determining the combination of cash on hand, borrowed funds and projected cash flows that will fund the transaction, service the debt, support monthly operations, maintain working capital with a financial safety cushion and minimize total interest cost to the POA. This was done in the context of current financial obligations, which include 2016 capital expenditures of \$4.680 million, payoff of the Fitness Center loan of \$1.5 million in August 2016, and payoff of the clubhouse loan in August 2018 (current balance \$4.7 million at an interest rate of 6.99 percent).

Four banks were included in the loan search: Wells Fargo, BB&T, Bank of America, and Community Bank of Pickens County. Wells Fargo was selected. They currently hold the clubhouse loan and are familiar with the uniqueness of Big Canoe.

The loan package negotiated with Wells Fargo bank is for a loan of \$10.5 million at an interest rate of 3.29 percent, which will provide the bulk of the cash required to complete the land acquisition. The existing Debt Reduction reserve will be used to pay off the Fitness Center loan, with the remainder of the reserve applied to reduce the balance on the clubhouse loan. The remainder of the clubhouse loan will be refinanced as part of the new loan at the lower rate. Additionally, the bank would make available a \$3.0 million revolving line of credit to fund emergencies, non-budgeted capital expenditures and temporary shortfalls

of operating cash below a balance of \$1.0 million.

A continuation of the special monthly assessments of the \$25 (expiring in January 2017 and thereafter permanently added to the regular monthly assessment) will generate approximately \$950,000 annually and cover roughly 77 percent of the annual debt service of \$1.23 million (level annual payments on borrowing of \$10.5 million at 3.29 percent for 10 years). The debt service remainder (\$283,000 annually) will come from general

assessments. Nine-year projections including these transactions show that the POA will generate a net positive cash flow before replenishment of the Capital Reserve. Finance Committee members answered a number of question from the audience:



Regis Falinski, chair of the Finance Committee leads discussion about the proposed land purchase financing and its impact on Big Canoe. PHOTO BY ROBERT SMITH

Wells Fargo will take a security interest in the amenities as collateral; their interest is in their revenue-generating capacity. This is the established pattern for Big Canoe debt financing. The issue is being discussed; with its appraisal, the bank may add a formal lien on the acquired parcels as part of the collateral package.

■ Is a multi-generational facility in any of the current capital plans?

No

■ What happens if revenue projections that support the proposed loan fall short?

There is flexibility built into the cash flow forecast. The forecasts are based on conservative assumptions, but if a shortfall materializes that is greater than anticipated, the timing of capital expenditures offers the greatest opportunity for adjustment.

■ Will there be any balloon payments on the new loan?

No. The new loan is a 10-year level payment self-liquidating loan. After five years, the POA has the option of making prepayments without penalty.

■ Is the bank setting release prices on parcels if the POA chooses to sell any before the loan is fully repaid?

This has not been discussed, but in all likelihood, proceeds from any sale of land tied to this loan will be applied directly to the loan balance.

■ Why do we need a \$3.0 million line of credit?

Generally, a revolving line of credit represents a financial cushion. For example, the bank requires that the POA maintain a minimum operating cash balance of \$1 million. The timing of day-to-day receipts and disbursements can result in temporary operating cash balances of less than \$1 million. A revolving line of credit may be used in the short term to maintain the required balance and would be repaid when cash flows re-balance. It may also be used for emergencies or for non-budgeted capital expenditures.

At the conclusion of the Finance Committee presentation, the audience was reminded that the due diligence period has not been completed, and that certain aspects of the transaction (appraisals and negotiated prices, environmental studies, inspection reports) remain to be considered by the POA. The vote by property owners due February 26 is for approval or disapproval of the proposal as it is currently conceived, including the proposed financial structure presented. The POA, as the representative governing body and based on an affirmative property owner vote, will make the final call based on all factors arising in the due diligence period.

Carl Deane contributed to this article.

■ Why a ten-year term?

In the Finance Committee analysis, 10 years works out to be the optimal term for the debt service on \$10.5 million at 3.29 percent that can comfortably be supported by projected POA cash flows. A shorter term would put strain on projected cash flows. Extending the term would lower the payment but result in higher total interest costs. And, the board targeted a term that would accommodate the \$25 per month continuation of the assessment.

■ What is the potential impact of the internet service "fix" for Big Canoe on projected capital expenditures?

Not enough is known yet about the potential capital demand that may be imposed on the POA to implement a proposed solution. A Request for Information is being prepared for prospective providers to lay out optional solutions.

■ The special assessment for the Capital Reserve ends in January 2017. What happens to the balance of the Capital Reserve?

The Capital Reserve will be used as needed to supplement the annual capital expenditures budget each year. The fund will be replenished to board-mandated levels through transfers from operations each year.

■ Why isn't the loan being defined as a mortgage?

Strictly speaking, mortgages are collateralized by underlying property.

A look at the appraisal process

BY BARBARA SCHNEIDER
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The POA board's Jan. 20 announcement of its Purchase-Sale Agreement (PSA) with Big Canoe Company quickly elicited questions from the community about the sale price and value, specifically: Is the 730 acres of land involved worth \$9.4 million?

There's no way *Smoke Signals* will even attempt to answer that question. Instead, we interviewed (by phone) several North Georgia appraisers—including a national expert in valuation of unique properties—to learn more about the appraisal process. Each appraiser was asked: How do you determine value?

"Only a licensed appraiser can use the word VALUE," explained D. Scott Murphy, owner/manager of D. S. Murphy & Associates and former chairman of the Georgia Real Estate Appraiser's board.

"Real estate agents have to be very careful not to tell someone the 'value' of their home or property—agents are only allowed to suggest a list price or suggest a purchase price. Agents may take steps similar to that of an appraiser but they are not allowed to state what the value would be.

"When you get down to it, it's really semantics but they are licensed to sell real estate not value it. Their job is to estimate a price that would attract buyers and then allow the market to determine the value. Actually, appraisers don't even determine market value, we [appraisers] interpret market value. Buyers and sellers determine market value."

Appraising land is complicated

The Fifth Edition of "The Dictionary of Real Estate Appraisal" by the Appraisal Institute defines highest and best use as: "The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible and that results in the highest value."

The highest and best use analysis

is critical to proper valuation of a property, said Murphy, an SRA designated appraiser and nationally recognized authority on mortgage fraud prevention, diminished value and valuation of unique properties. He's been appraising real estate since 1983. His company's geographic coverage includes metropolitan areas in Georgia, North Carolina, Florida, California and Tennessee.

"Highest and best use," he said, "is determined by the four tests: financially feasible, legally permissible, physically possible and maximum productivity. "The appraiser is not influenced by the current use or a buyer's intended use. Of course the current use may play into it as it impacts the four tests but we put blinders on," he said.

As an example, *Smoke Signals* asked Murphy to apply highest and best use principle to 14 acres of undeveloped lakefront property currently designated for 20-26 condos but, if purchased by the POA, would be used for greenspace.

"Assuming the 20-26 condos are legally permissible—I would also guess they are financially feasible, physically possible and would be the maximum productivity [for that parcel]—that would be the highest and best use," he replied.

"So the POA would have to theoretically pay a premium for that piece because any other buyer would develop those lots as condos. If the question is: Should the POA have to pay for that land at a condo value or a green space value—the answer is condo value," said Murphy. "Now, unless the POA did something that would preclude future development as condos, the land would still be valued at the condo rate even though they are using it as green space. It's a great question because if they built a recreation center in the middle of the land, which would preclude future development as condos, then the value would decrease to the use as a recreation center."

Appraising land is far more complicated than appraising the typical

improved property," he writes in "Valuing Vacant Land." (Georgia Real Estate Appraisers Board newsletter Jan. 2016).

"Once the highest and best use is determined it must pass tests: Is the proposed use physically possible? Is the proposed land use change financially feasible? Does it make sense from a dollar and cents standpoint? Which use will yield the higher profit?"

As with all valuations, geographical competency is very important. The appraiser must have a firm grasp of the trends in the market and the motives of typical buyers and sellers, he said. With the proper highest and best use determined the appraiser can move on to preparing the valuation.

"With a community as large and complex as Big Canoe," says Murphy, "you can't do a simple per acre cost." If he were doing the appraisal, he would break down the various segments—high density, commercial, regular lots, ten acre lots, etc.—and find comparables for each of those segments that represented their highest and best use.

"You can't compare gated to non-gated communities and you must ensure to only compare to communities with the same level of superior amenities," he said. "This all makes appraising vacant land a very big challenge."

Preparing the valuation

Mell Leggett, CEO of Leggett & Leggett, a broker and Certified General Appraiser, has been appraising commercial and residential property across North Georgia since 1994.

Asked how he approaches an appraisal, he said, "I look at the cash flow basis. How long would it take to sell the property? How would an investor look at the property? It all comes down to: What is the highest and best use of the property? What is market value? What would typical buyers pay?"

That's the difference, he said, "between how a property is currently being used and what its full potential—highest and best use—may be."

Market value is driven by what market participants do, he said. A market value appraisal is based on future potential. What would an investor or a developer do?

"If land is zoned agricultural or for conservancy use, that's different. Its potential uses are limited. You can sell three acres close to infrastructure a lot easier than 1,400 undeveloped acres."

There are local factors that need to be considered, he said. "In the mountains, price depends on location and view. Bent Tree and Big Canoe have views of the most southern part of the Appalachian range and are located in close proximity to Atlanta. That adds value."

What's comparable?

"Trying to find comparable sales is always the best method, said Jasper appraiser Chuck Payne, president of Payne Appraisal Services, covering four North Georgia counties.

"But, Big Canoe is so large and unique that I don't think you could find anything like it in Georgia," he said. "Most likely, an appraiser would have to do a national—I don't know if there's even anything in the southeast—search to find something comparable."

Asked how he determines value, Taylor Atkinson, appraisal manager with the Benchmark Group, an appraisal firm doing business since 1989, replied, "We look at tax records, size of lots, comparables that were sold recently and include highs and lows to bracket. In this case, we would look at land sales in Big Canoe over the past three years. It all comes down to the highest and best use of the land."

Big Canoe's amenities—the golf course, lakes, pool, clubhouse—influence the value." He says there are value formulas that affect properties in gated communities and those with amenities. But, he adds, property is only worth what someone will pay for it. "On something that big [730 acres] I would contract with three or four appraisers and average out their appraisals."