

**Wade Hampton
Water and Roadwork Project
Questions & Answers**

Q: Why is this project necessary?

A: The project consists of two principal elements: (1) replacement of water system lateral lines with associated road patching and (2) road resurfacing.

Lateral lines provide the connection between our main water lines and the water boxes at or near the property line of every lot. Last summer, we experienced multiple community-wide water outages caused by deteriorated lateral lines. With no wish to endure such outages at increasing frequency and severity and with no possibility of adequately repairing the existing lines, the only option was to completely replace them. After completing certain preparatory work on culverts and valves and replacing the lines, it will be equally important to patch damaged areas of the roads.

The POA board considers the second element of road resurfacing to be less essential than the lateral line replacement, but nevertheless highly desirable. The plan contemplates completely resurfacing all roads within Wade Hampton. However, the extent of this work might be limited if unanticipated costs or revenue shortfalls exhaust the project's 20% contingency before all road resurfacing can be completed.

Q: Why wasn't the problem identified and funded sooner?

A: The severity of the lateral line problem became apparent during the 2022 season. Although we were still gathering cost estimates, our January mailing advised Members to expect a substantial assessment in 2023 and 2024. By early-April, we had reliable bids and estimates. On April 12th, we mailed the assessment package to Members.

An earlier episode involving a spike in leaks left us believing that the problem had been addressed. Small occasional leaks are a normal occurrence in water systems. However, several years ago, we experienced a spike in leaks that our engineers attributed to design flaws in the main line leading from a primary well to the main storage tank near Sassafras Road. The flaws caused excessive pressure fluctuations that we remedied by adding a parallel main line. The leak rate declined to normal levels; the problem apparently solved. We now know that it was not.

The erroneous conclusion that the problem had been resolved was shattered last summer. A lightning strike caused catastrophic damage to the monitoring and control equipment that manages the main storage tank and its supporting wells. The tank nearly emptied and the

pressure throughout the lateral line system dropped. When we recharged the system, we experienced numerous significant leaks. Excavations during our emergency repairs revealed systemic weakness of our 30+ year old lateral lines. It became clear that attempting to resolve the issue through continued repair would not only result in significant ongoing system disruption but also would be a total waste of money. The lateral lines were the problem. And they needed to be replaced.

Q: Was any consideration given to financing the project with a multi-year term loan?

A: Yes, the POA board discussed and decided against the use of debt financing for this project.

The POA is not averse to the diligent use of debt and intends to use a combination of capital reserves and multi-year debt to finance the planned upgrade of the community's wastewater treatment plant. Our engineers identified the need for a \$600,000 to \$800,000 upgrade to this plant several years ago. It has been included in the POA's long range capital plan ever since. The bulk of this multi-year project is likely to fall in 2025.

The POA has established a \$1.5 million revolving line of credit with United Community Bank to manage cash flows while addressing the water and road system work project.

Q: Is the 20% contingency sufficient to cover unanticipated costs?

A: The project and its assessment-based financing are subject to two types of contingencies – costs that exceed budget and assessment shortfalls.

Cost contingencies. Here, contingencies are provided to deal with unanticipated costs that arise during a multi-month capital project – especially one addressing issues that are concealed beneath the ground. The POA board is comfortable that 20% is sufficient to cover this type of contingency for both the lateral line replacement and all, or substantially all, of the subsequent community-wide road resurfacing.

Assessment shortfalls. The projected assessment collections are subject to three contingencies. Two arise with respect to the 89% of the project being financed by the assessment on POA lot owners. First, the available project dollars may be less than planned if a significant number of Members elect to earn a 5% discount by paying in full by June 15th. However, in this instance, the lost revenue will be offset by reduced interest on the line of credit. Second, if more than the budgeted number of five owners of currently nonrestricted Unbuildable lots elect to restrict the use of their lots permanently and irrevocably, there will be no assessment revenue for those lots. However, in this instance, there will be a corresponding reduction in project costs because their lateral lines and water boxes will not be replaced.

Given these contingency offsets, the POA board does not believe that these two outcomes will have a material adverse effect on the adequacy of the 20% contingency.

With respect to the 11% of the project financing attributable to WHGC, we understand that the Club board will address this matter at its June 2023 meeting.

Q: How are regular annual assessments set and what costs do they cover?

A: The POA sets regular annual assessments to cover that year's operating expenses (including gate security; maintenance of the water, wastewater systems and roads; management of third-party contractors, and landscaping, etc.), routine capital improvements and upgrades, and additions to the POA's capital reserves. The amount set for each individual lot depends on how it is classified -- Built, Buildable but Unbuilt, and Unbuildable.

Q: Why is this assessment the same for every lot, regardless of its classification?

A: The POA board has determined that any lot that is or can be developed and has access to the community's water and wastewater system will benefit equally from access to the replaced lateral line system and roadworks. The only exceptions will be for lots that are permanently and irrevocably restricted against any form of development or improvement and any access to the community's water and wastewater treatment systems. Lots subject to such restrictions are exempt from this assessment. See below for additional information regarding restricted lots.

Q: What are the requirements for an exemption from this assessment?

A: To qualify for an exemption from this assessment, a lot must be restricted either by deed or a recorded contract against any form of development or improvement and against any access to the community's water and wastewater systems. Effectively, the only remaining potential economic value of such restricted lots would be as a Wade Hampton Golf Club "get in" or Membership lot. The restriction must be permanent, irrevocable, and recorded in the County's land records by June 30, 2023. The legal, recording, and other costs associated with putting such restrictions in place are the responsibility of the lot owner(s). Kim Coward of the firm Coward, Hicks & Siler, PA is available to assist lot owners wishing to restrict a lot by recorded contract or to determine whether or not an existing deed restriction meets the requirements for an exemption from this assessment. The contact information for Coward, Hicks & Siler is 828-743-2401 or Kcoward@cashierslaw.com. Kim's judgement on the adequacy of the restriction for the purpose of this assessment waiver will be final.

Q: Is there a deadline for subjecting a lot to a deed or contractual restriction?

A: Yes, the irrevocable deed or contractual restriction must be recorded with the County by June 30, 2023.

Q: Will deed or contractually restricted lots also be exempt from regular annual assessments?

A: No, deed and similarly restricted lots are not new to the community. Several lots, most of which are classified as Unbuildable, are currently subject to irrevocable deed and other restrictions. These lots, whether or not they are deed or contractually restricted, have been and will continue to be subject to regular annual assessments. The amount of all regular annual assessments is set annually by the POA board. In recent years, the assessment for Unbuildable lots, whether or not they are deed or contractually restricted, has been set at 25% of the amount set for lots with a home or other significant structure.

Q: How long will the project take?

A: We began culvert replacement and main line water control valve work earlier this year, in February 2023. We expect all of the water system and road work to be completed by the spring of 2025. See below for more information regarding the project's three principal phases.

Q: What kind of disruptions should we expect?

A: The project will be disruptive. The initial disruptions will arise from lateral line replacement and road patches on Chimney Top Trail and its tributary roads. We expect this to be underway in May 2023 and to continue through the winter of 2023–2024. The disruption will take two primary forms: planned, isolated day-time water outages, and road closures. The water outages will be significantly less drastic than last year because we have already installed 90+ valves that will enable our contractors to isolate the areas being addressed with replaced lateral lines. These outages will be limited to the hours of 9am to 6pm on Mondays through Fridays. The POA office will notify homeowners in advance. If all goes according to plan, the work will continue every weekday without interruption.

After our contractors have completed the Chimney Top lateral line replacement and road patching, they will move to Cherokee Trace and its tributary roads and repeat the process. Again, if all goes according to plan, this phase of the project will last from the winter of 2023–2024 to the fall of 2024.

The final phase of the project is planned to begin in the spring of 2025, after the road patches have had time to settle. It will involve resurfacing of roads throughout the community, starting simultaneously at the far reaches of both Chimney Top and Cherokee Trace and their tributaries. Our contractors estimate that this complete resurfacing will take 8 to 10 weeks depending on the time of year and the amount of residential traffic in the community.

Q: Will work take place during golf tournaments and other community events?

A: Our contractors will work every week from 9am on Monday until 6pm on Friday. The POA office will work with them to make every reasonable effort to minimize disruption of golf tournaments and others community events.

Q: Is the Club subject to the assessment?

A: The Wade Hampton Golf Club and the Wade Hampton POA enjoy a long and mutually supportive relationship based, in part, on the provisions of the March 1991 Warranty Deed that separated the Wade Hampton Golf Club, Inc. from the POA’s corporate predecessor, The Wade Hampton Company. The Warranty Deed obligates the POA to make its assets and services available to the Club and obligates the Club to pay for their use based on the cost of operation, maintenance, upkeep, repair, and replacement. Amounts due from the Club are based on actual costs and are set by mutual agreement of the two boards.

As a result of this arrangement, the Club and its members enjoy the benefits of our water system, wastewater system, roads, gate security, restrictive provisions that limit homeowner actions that might affect the golf course or its playability, fire and local law enforcement relationships, common area horticultural plantings and maintenance, and management of the services offered by certain third-party providers. In addition, the POA reduces the Club’s annual operating costs by classifying a significant number of Club properties as “common area” which exempts those properties from property-specific annual assessments.

In turn, the Club supports the POA in two important ways. It manages and maintains one of the nation’s premier golf courses as a centerpiece of the community. And, it covers a portion of POA costs by providing 11% of annual assessment income. The Club’s annual assessments cover operating expenses, routine capital improvements and upgrades, and additions to the

POA's capital reserves. By mutual agreement, the rate of increase in the Club's annual assessment is identical to that set for a POA Member's Built lot.

Regarding the special assessment, the POA board provided Club management with advance notice within days of determining the project costs. Because of time required to prepare the formal information package, this notice was approximately two weeks before the POA could mail notice to the general membership. We understand that the Club board plans to address this matter at its June 2023 meeting.

Q: In selecting contractors, did we receive competitive bids?

A: As set forth below, we had more success in attracting competitive bids for the road work than for the lateral line replacement.

Lateral line work. The POA reached out to several regional companies to discuss the lateral line replacement work, but there was little interest in a multi-year project in the mountains. At the same time, the POA engaged civil engineer Buddy Melton of Civil Design Concepts to plan, design and oversee the water line replacement phase of the project. He has decades of experience with the NC Department of Environmental Quality and has intimate knowledge regarding the Wade Hampton water system. His firm has worked on numerous projects with Environmental, Inc, the Sylva-based, fully licensed, and certified water and wastewater systems operator that already oversees our systems. Buddy recommended and we engaged Environmental for the lateral line work. We anticipate that Environmental will continue as our systems operator following the project. We expect their direct involvement in the construction of our new valve system and replaced lateral lines will provide valuable benefits going forward.

Road work. We obtained bids from two local area grading and paving companies to repair and replace damaged culverts and to patch existing roads impacted by the installation of new valves and replacement of lateral lines. We selected Bryson Grading and Paving for this work. We will rebid the road resurfacing work closer to the expected start date.

Q: Do large capital assessments require a membership vote?

A: No, under both our Wade Hampton Declaration of Restricted Covenants (Article VII, Section E) and North Carolina law covering pre-1999 communities (Assessments for common expenses) (G.S. 47F-3-115), special or other assessments approved by a POA board do not require a Membership vote.

Q: If there is a surplus, will it be returned pro-rata to the Members who paid the assessment?

A: Yes.

Q: Who is responsible for the assessment on a lot being sold or transferred?

A: Generally, prior to the sale or transfer of a lot, the POA receives and responds to a written request regarding any current or pending POA assessments. Responsibility for paying the assessment is a matter of negotiation between buyer and seller and is settled at closing of the sale or transfer.