



*Chestnut Ridge Country Club*

— est. 1957 —

January 9, 2012

Dear Members,

As you know, by notice dated January 6, 2012, the Board announced that a Special Meeting of the Members would be held at the Club at 7 p.m on January 18<sup>th</sup>. The main topic at the meeting will be the sale of the Club's property to CR Golf Club, LLC. The principal terms of the proposed sale were approved by the Board at its January 4<sup>th</sup> meeting and were attached to the January 6<sup>th</sup> notice. The terms are also attached to this letter.

**The purpose of this letter is to provide background information to the Members with respect to the proposed transaction so that each Member may fully and fairly consider its merits.**

In the past two years, the Board of Directors has taken numerous measures to address the challenges facing the Club, and anyone who has been on the Board or in attendance at Member meetings during this period is aware of those measures. Ultimately, the cost of operating, combined with debt service due each month to Wells Fargo on the mortgage, significantly exceeded the revenues derived from membership dues, guest fees and the food and beverage operation. The Club discontinued the monthly payments to Wells Fargo in March 2011, engaged Billy Casper to assist in operations and membership recruitment and attempted to raise funds from members to address the shortfalls. Additionally, at various times over the course of the last year, the Club, directly and through various members, approached Wells Fargo to purchase the mortgage at a significant discount and to otherwise reduce the debt service to a manageable level. Wells Fargo consistently declined these overtures. On November 20, 2011, the Club ceased operations.

In early December, CR Financial, LLC purchased the mortgage from Wells Fargo and now has all the rights that Wells Fargo had as a lender, including the right to move immediately to foreclose on the property. The amount due on the mortgage, including interest, penalties and other costs, is approximately \$6,500,000.

CR Financial is an entity owned, in part, by Armando Cignarale. It is our understanding that Mr. Cignarale has been a principal of Cignal Corporation and has been involved in real estate development in Maryland and elsewhere and has also been involved in golf course development and ownership as well. While CR Financial has the right to foreclose on the Club's property and become the owner, in which

case it is extremely likely, if not certain, that the Club would receive no benefit. Mr. Cignarale has offered to engage in a voluntary transfer for which CR Golf Club would, in general terms, pay to the Club at closing the current accounts payable of the Club (in the approximate amount of \$132,000) and \$500,000 cash. CR Golf Club would assume all golf equipment leases on which the Club is liable and would also be responsible for the recordation and transfer taxes on the transaction, as well as property taxes (including a potential special tax recapture arising from the property tax benefit realized over the last ten years as a country club). The Club would also keep the cash it currently has, as well as all of its accounts receivable. The Club would be responsible for paying its own costs and fees incurred in the transaction and for the expenses of winding the corporation down after the closing.

Mr. Cignarale has indicated to the Board that the intention of CR Golf Club is to, at this time, operate an upscale daily fee golf course. According to Mr. Cignarale, the details as to actual fees per round and whether or not there will be any types of memberships available have not been determined. It is our understanding that the duration of the golf course operation by CR Golf Club following closing will depend on various factors, such as the success of the golf course operation, zoning issues and the future development opportunities with respect to the property.

The Board and its Officers believe that this proposal is a proposal that the Membership should seriously and favorably consider. This proposal would allow the Club to fulfill its obligations to its remaining creditors and allow the Members to receive some consideration for their ownership shares. That is, the proceeds of the sale will be used to pay the debts of the Club, and any residual amount of the purchase price would be distributed to the Members in accordance with their respective ownership shares, as provided in the Club's bylaws.

While we cannot calculate with absolute certainty the precise amount of funds that will be available for distribution to Members until all outstanding funds due to the Club are collected and the costs of winding up are paid, we estimate the distribution to Members will be in the range of \$425,000 to \$450,000. If the Members do not vote in favor of this proposal, however, the property, including the buildings and golf course, will continue to be vacant and unprotected, the Club's cash will be completely depleted and the property will be put through a judicial foreclosure proceeding, with no benefit resulting to the Club or the Members from that process. The property would, in effect, then be turned over to CR Financial without any payments being made to the Club.

Upon the completion of these transactions, including the distributions to Members, the Club would be dissolved.

The Board of Directors and Officers, as well as many of our Members, have worked hard over the years to continue the Club, and the current Members, in particular, have been loyal and diligent and have stayed the course through the challenging times. We all wish the final result were different, but at this time we believe that acceptance of this proposal is the most orderly way, and the way that is in the best interests of the Members, to conclude.

Please do your best to attend the meeting on January 18<sup>th</sup>. Attendance of 50 members is required for a quorum at the Special Meeting, and acceptance of the proposed transaction will require the favorable vote of a majority of the voting members.

We look forward to seeing you at the meeting on January 18, 2012 at 7:00 pm at the Club.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Herb Weiner".

Herbert R. Weiner, President

## EXHIBIT A

1. Purchaser will purchase the Club's real property located at 11700 Falls Road, Lutherville, Maryland, including all land, buildings and improvements on the land; the Club's interest in any and all easements, rights, privileges, air and mineral rights and other rights, tenements, hereditaments and appurtenances in any way belonging or appertaining to or otherwise inuring to the benefits of the land or improvements; all fixtures relating to the land or improvements; and the right to use the name "Chestnut Ridge Golf Club".
2. Purchaser will pay \$500,000 at Closing.
3. Purchaser will pay current accounts payable of the Club, approximately \$130,000.
4. Purchaser will pay all taxes, including all real estate taxes (past-due and accrued), all transfer and recordation taxes with respect to the transaction (to include the indemnity deed of trust (IDOT) taxes) and any potential real property Roll Back Taxes (in the amount of \$700,000).
5. Purchaser will assume all equipment leases of the Club.
6. Purchaser will obtain a release of the Club from the Wells Fargo Bank, N.A. debt, which has been assigned by Wells Fargo to CR Financial, LLC.
7. Purchaser will obtain and pay for a survey and title insurance to insure good, marketable and insurable fee simple title to the property of the Club.
8. Within the Agreement, the Club has disclosed possible issues with respect to the pond on the Club's property.
9. Closing is contingent upon obtaining the approval of the Club's Members.