

## **Chinquapin Buy-Out Agreement**

### **Frequently Asked Questions from the Community**

- 1. Why did the board sign the agreements?** *Because after months of investigation & consideration, we felt it was in our best interest to preserve the community and protect our property values and complete our goal of gaining control of the entire community.*
- 2. What's it mean if the vote doesn't pass?** *The trading post will be sold, there will be houses built next to the outpost, and we suspect the maintenance facility will be sold as well. We would need to figure out another place for our equipment storage and/or will have to do a turn key maintenance contract with an external company. We investigated that avenue early in the process and our initial bids were over twice our current budget. Finally, the Tee Pee Village and Shop area will not transfer and we will continue to have the loan liability for the equipment. Fortunately, many other assets and greenspace have already been transferred. Those will be retained.*
- 3. Why is the number \$3.4M?** *That was Mark's initial asking price for the three properties. We took the approach to negotiate additional items of value to be included in the deal through the developers agreement that he originally planned to keep and/or sell. Our initial thought prior to appraisal was that the trading post and land next to Outpost would actually be able to be sold easily for his asking price. The maintenance shop area we were less sure about. In the end, we think this is our best deal.*
- 4. What are the taxes on the property?** *As an HOA, we are "not for profit" and are tax exempt so no property taxes are owed. We must and have already submitted the tax exemption applications to Jackson County on almost 20 parcels for 2026. Prior to transfer, the property was owned by Chinquapin LLC and the property tax was paid by the developer.*
- 5. How will the properties transfer at the closing?** *There will be a typical real estate closing on the purchased properties and a quick claim deed transfer on the other property transferred at no cost. Mark has already*

*transferred a majority of the property listed in the developer agreement to the HOA.*

- 6. Is the Master Development Agreement being adhered to by Mark - specifically the green space?** *We investigated that avenue and question first by meeting with the county and reviewing the historical documents as the community changed developers. The county had actually allowed the Carltons, prior to Waterfront, to include the conservancy in meeting the green space requirements even though we think incorrectly. The county therefore was not an avenue for recourse. Mark believes he has absolutely complied with the Green space requirements. Mark actually believes he has exceeded the requirements. The county provides no option for pushback for us on Mark. There was one parcel that he sold that we considered greenspace. It was sold to an adjoining landowner and also property owner in Chinquapin. It will remain green space so we decided not to challenge it. **We think there could be an issue, but are not confident, is it our best course of action to pursue this legally?***

*According to North Carolina law, legal recourse is not a strong course of action. The Declarant can legally make changes throughout the development process. We had legal help in answering these questions all along the way( see formal legal opinion). After investigating, we chose to negotiate to achieve our key objectives.*

- 7. It seems we should have been more aggressive legally to protect our interest. Could we have not filed a legal claim to contest what should be green space or common areas either by marketing, use or upkeep?** *We evaluated a more aggressive approach by seeking legal opinion informally and also by formal engagement early in the process. That opinion letter is in the documents. We investigated various suggested avenues for claim of property. We could not find enough evidence to present a solid legal argument on a number of avenues and the law was not in our favor. The legal opinion was clear. The property owned by Chinquapin LLC in question was clearly theirs to sell or do as they pleased. We made the judgement that a confrontational approach would potentially lead to more damage to the community and less ability to attain our goals. While seeking legal recourse might allow discovery and identifying areas where we could recover money, it would be very costly*

*and take a long time. If we were successful, we would likely only gain monetary compensation but not the property we were desiring to retain. In addition, the negative PR impact on the community would be felt in decreased property values, difficulty in selling property and a long term reputational hit that would take years to recover.*

8. **The premium that is over the appraised value for the assets - how was it determined?** *The price was what was Mark's asking price for the 3 properties. It was what he thinks they are worth. He actually didn't offer the land next to the Outpost initially, but we negotiated with him to agree to sell it to us rather than develop it. The appraisals were not available until later in the process. We had already negotiated significant properties to transfer at no cost and the appraisals allowed us to negotiate the last few parcels included in the deal.*
  
9. **Since the Fed has recently cut rates, can the loan interest rate be adjusted accordingly?** *Our bank is First Citizens Banks and Trust. We chose them because they have an entire division that specializes in HOAs and their flexibility. The loan request is at committee and the interest rate will not lock until 5 days before closing. The rate is quoted at the 10 yr treasury + 2% so we expect we may see a slight improvement in the final rate before closing.*
  
10. **What does the Board believe the costs of the property taxes, repairs and maintenance and any other expenses related to the additional properties are? Will this add more to our annual dues and how much?** *Properties acquired or owned by the HOA as common space will be exempt from paying property taxes since we are a not for profit designated entity. We have already filed the forms on current deeded property for 2026 exemption. A reserve study will be done in 2026. It will show us what funds we need to have on hand to cover repairs and replacement for things like roofs, roads, water, amenities. Our inspection review shows that there are no significant deferred maintenance items needing immediate attention. We currently have approximately \$900,000 in our reserve account that was transferred to us in September so we have a pretty solid financial picture. We do not anticipate any additional dues needed. However, since we have yet to manage the neighborhood, some*

*of this is unknown but we have worked hard to do a solid budget for 2026 by digging into past expenses and feel confident we are in good shape.*

- 11. How can we complete the transfer of the community before we are assured our water system is complete and functional?** *The developer is legally and contractually obligated to complete the water system, even if after the final transfer. The new valve has been installed and we should very soon have two functioning pumps and two functioning water tanks. The last item is the radio and controller system that will operate and control the pumps and monitor tank water levels. These will hopefully be installed very soon. The engineer who designed the system will provide a final sign off on the completed system before it transfers. Mark will assure that the work is complete and pay for the work needed even if several months after completion of the transfer.*
- 12. I'm questioning the one-size-fits-all Special Assessment. Why is a ~\$600K property considered for Special Assessment purposes to be equal in value to an improved property worth 5-6 times more?** *Our covenants state that annual assessments as well as special assessments should be applied equally per lot. We did not specifically discuss a different allocation method for this reason. If the membership would want us to address that, then we will have to figure out the specifics of a different allocation method and the process of approval to change how assessments are defined and allocated among owners. This would involve a covenant change and would require a  $\frac{2}{3}$  majority vote of owners. This new method would then apply for future assessments.*
- 13. Why are we agreeing to manage the rentals for the discos or wilderness cabins if they are being sold? Isn't this just more HOA expense?** *We didn't think we could handle additional purchase of these properties and we were concerned about significant rental traffic, particularly for the Discos for short term rentals. In addition, we currently have a significant amount of rental from current Chinquapin owners for extra guests. We chose to negotiate and Mark agreed to place significant deed restrictions on the properties. He is selling to Chinquapin owners and their rental is restricted to Chinquapin owners and their guests. The agreement provides a revenue split to cover the cost of administration. If*

*rentals are all internal, we do not think they will be burdensome on staff and it will allow us to have control over their use.*

**14. I am glad we are getting the Fish Shack. What are our plans for it?**

*We aren't sure yet, but will engage the trail committee and owners in this discussion. We think its best use long term may be a Nature Center and Hikers Retreat for use by all owners. It has a bathroom and the adjoining land could be a great addition to our amenities.*

**15. I am concerned about Packs Creek development without our ability to control what is built there. Why is the developer allowed to build without going through ARC or HOA?**

*Developers who relinquish their declarant rights to HOAs typically retain developer rights for the remaining undeveloped parcels, meaning that they can operate without HOA permission as long it is within the Covenants, Development agreement and ARC guideline and standards. Mark assures us that we will be proud of the additional homes. **Can he expand what is being developed?** No, unless it is stated in the Developer agreement, additional property, subdivision or other changes would require our consent.*

**16. If we are doing a special assessment, why do we also need a dues increase?**

*Mark announced the dues increase at our annual meeting, before we knew what we would be purchasing or the final costs. He originally was going to raise the yearly assessment dues to \$4500 but he agreed to do a smaller increase to cover inflation and give us some cushion against unknown maintenance expenses. We told him we preferred to let the owners make any final decision related to any property purchases rather than the board. As we have carefully developed our budget, we determined we would be able to absorb some of the purchase debt service through our operating budget and still contribute to our reserve.*

**17. Are we assuming liabilities that we need to account for?**

*Our attorney has done exhaustive deed searches and other due diligence. We think we have identified all liabilities. For instance, the retention pond off New Settlers Way at the second Double Knob Gate and some property on the other side of the road has an environmental restriction and has*

*required signage related to the environmental hazard from an old gun range. The gun range pre-dates Chinquapin. Additionally, we have found no significant other liabilities. We also checked the maintenance facility as part of our due diligence and the Phase 2 study was good. There may be, however, some unresolved right of way and easement items that we will get fixed over time.*

18. **How can the Wilderness Cabins not be considered part of the community amenities and be sold? The Carltons built them and we stayed there before we built our home and they were advertised as amenities?** *We evaluated that and the legal opinion is that they are within the rights of Chinquapin LLC property despite those facts. There were improvements done which the HOA did not pay for. We could find no evidence that tied specific upkeep costs being paid by HOA dues, nor were utilities in the HOA name. When the Carltons sold the development, there were no protections or deed restrictions placed on specific amenities or property. It was all deeded to Chinquapin LLC. However, we were able to get the waterfalls and Fish Shack transferred and trail easements and access surveyed and recorded, in addition to deed restrictions on the Wilderness Cabins.*
19. **When we OK the buyout, will each member have the option of how they want to pay, or will we be voting on which option we must all follow?** *The vote is for the overall action on the recommendation for a buy-out agreement. The option to pay is up to each owner who may choose the one-time payment or to include it in your annual dues.*
20. **After reading the documents about what is being transferred, there was no mention of the Tulip Pond Area at the end of the Outpost Trail. Is this considered part of the Development agreement?** *It is not in the Development agreement because it was actually in the first step when Mark transferred the Outpost and it's surrounding greenspace to the community.*
21. **Does Payment Option 1 include not having any type of ongoing loan at all? I would prefer not to pay any interest. Also, are owners that own lots actively paying HOA and is there a worry if we do**

**Option 1 that we would get greater or new delinquencies from either lot or existing home owners?** *Option 1 and 2 are for individual lot owners. Option 1 involves not paying any interest while Option 2 involves paying interest by the individual owners on their special assessment. For instance, if an owner chooses Option 2 for the entire 15 years of the loan, the amount of interest paid would be \$3,524, making the total cost to the lot owner \$10,191 rather than \$6,667 as a one-time payment of the assessment. For some owners this may still be preferable to the one-time payment. We worked with the bank to offer the various payment options so lot owners could pay over time but also pass on the assessment if they sold their lot. We were also concerned about an increase in delinquencies if we required the one-time payment.*

22. **If we don't pay up front, the interest will consume any additional value we negotiated. Is this a good deal for the HOA?** *We wanted to try to make the special assessment easier on the owners so we calculated how much we could internally finance. We agree that if the HOA pays interest for the full 15 years it will cost almost \$600,000 in interest payments. We negotiated a no pre-payment penalty from the bank and so once a year we can reduce the principle and the HOA or owners can pay on the principle or pay it off. We, as an HOA, intend to pay it off early. We just weren't confident enough because this will be our first year operating the community so there are many unknowns. We are confident however we can retire the debt much sooner than 15 years. We also believe that having all the assets as part of Chinquapin will enhance our property values over time.*

23. **What is our current delinquency rate and is it a problem?** *Our current delinquency rate is 3.4% which the bank considers very good. Collection efforts have been inconsistent in the past, so we expect that to improve as we get systems and communication in place. Currently there are only 6 lots seriously delinquent.*

24. **Will the developer, Mark Adkins, be at the Town Halls and is he voting in the special assessment?** *No, Mark will not be present at the Town Halls. Because of his conflict of interest, he did not participate or vote at the Board meetings on the agreement or the special assessment. In*

*addition, he will not be voting on any of his lots in this special assessment vote.*

25. **What happens if we buy these properties - particularly the Trading Post and Maintenance facility - and we decide we don't need them? It seems getting a turnkey contract for service would be better. Do we really need an office? Could it be somewhere else on property?** *We initially got some quotes for maintenance services but the costs were almost 2x what we are currently paying. We haven't had time to investigate further or get more competitive bids. In addition, we already own the equipment which Mark moved to the HOA and there is a loan still active on it. If we decide we don't need one or the other of these properties, we can later sell them and retire debt or apply the funds to another use (reserves or new project). To do so will require an ownership vote.*

Questions added from our Townhalls:

26. **All of these questions pertain to Packs Creek:**  
**Does Mark have to adhere to the ARC guidelines or not? Are these the same thing, or different?** The agreement is that all structures have to abide by our guidelines but he doesn't have to go through a review process. We will monitor the build. He doesn't have to pay the fees which is a normal way developers work. From the agreement with the county, the number of lots was around 28. Mark's first effort was to sell large lots (8-12 acres) but Mark had a hard time making it successful. The new developer agreement is for 14 lots. That is all that will be allowed.  
**Specifically, where is PCL - 6 located?** It is the last lot in the PC area, at the very end of the road.  
**Is the Developer bearing the entire burden of the cost for the roads, utilities, etc. on the Packs Creek development?** Yes.  
**How many lots have been sold in the Packs Creek development?** 4 lots are sold. Lots 1, 4, 5, 5a, and 6 remain with Mark.  
**Is it possible to reduce it back to the original number of 7 lots?** It cannot be reduced back to 7.  
**Also, Zachary Moretz indicates (in his Dec 3, 2025 memo) that the developer reserves "the right to change the plans for the development from time to time". Does this allow Mark flexibility to change what's currently being proposed as 14 lots**

**ranging in size from 1 - 4.2 acres?** He cannot further subdivide the lots.  
**What are the home designs?** There will be 2 spec homes to kick start the 14 lots. Most will be design build by home owners. In total there will be 19 dues paying lots (5 are still the standalone larger lots).

27. **Regarding the Tulip Pond area at the end of Outpost Drive: My understanding from the FAQ is that this common area has already been transferred to the HOA. Is this correct?** Yes.
28. **The FAQ indicates that the special assessment will be a flat rate for all members, regardless of lot size or home value, which makes sense given shared access to community amenities. I've heard some general discussion about potentially limiting access to certain areas (such as Double Knob) and was wondering if you could share whether any access restrictions are being considered.** No - it hasn't been discussed and we're not in favor of it. Our covenants permit us to do the assessment across all lots equally so we have to stick to that unless we decide to change the covenants in the future which would have to go to an owner vote.
29. **What part of the budget will come out of the loan and what about the reserve funds?** None will come out of the reserve funds. We'll pay the loan out of the operating budget. The reserve will be used for capital allocations. We'll be doing a reserve study in 2026 to help us understand what is needed. There is not any known deferred maintenance that we need to take care of right away.
30. **Is there a term limit on the deed restrictions to the Wilderness Cabins and Discos?** No. There's no term limit.
31. **Where is the additional greenspace on the pyramid?** It's not just greenspace, it's also roads and right of ways as well as general areas. We also discovered early on that the county allowed the conservancy as greenspace. We didn't have a lot of pressure to comply to the greenspace. Over 200 acres are a combination of greenspace, roads, common space. At the end of the day, we have a unique community with over 900 acres of conservancy and greenspace.

32. **Is the loan variable?** It's an ARM - it's fixed for 10 years and then adjustable on the last 5. It's a 2.1 interest rate. Our hope is that it will be paid off early.
33. **What are the plans for the 900K reserve funds?** It will be used for capital allocation over time. We should be able to calculate how much we to put in each year after we do the reserve study in 2026. We suspect we may need more in the reserves but we'll know more after the study. Our budget is also putting another 150K per year into the reserve fund.
34. **Will the HOA dues be raised for 2026?** Mark announced these at the annual meeting in September. He proposed going to 4500 but we talked him out of that so that it's a 10% increase to 3850. We'll monitor the 2026 budget to see where we are. The appendix on our site also shows a comparison to other communities in our area for dues - we pay less than many.
35. **Option 2 for payment, is it at a higher interest rate?** No, it is not. It's calculated from using the bank rate amortization and the number of lots. We will lock in the rate at the time of closing - it may be a little less. We're quoting 6.1% which is 2 points above the treasury - with the fed lowering interest rates , it may be lower
36. **Are the bridges structurally sound and what's the status of the New Settlers bridge.** The bridges are structurally sound and we're getting quotes on redecking. We have a 3-year plan to complete them done in that time period. We have this in the budget.
37. **How many lots remain to be sold?** 14 in Pack Creek, E1, D33, PCL6, Horse Stable - 18 lots total.
38. **Gated Operations Buildings - what are they and do we get them?** This is the area by the dumpsters. It was negotiated as part of the buy-out as one of the final things in the deal. It's important because it will give us future flexibility to potentially use it as a place to store our maintenance equipment v. where the facility is today. Over time, it may become a more effective place for us. Then could we sell the maintenance facility because

it is off of Breedlove and not within the gates of our community. It gives us an opportunity to investigate in the future.

39. **Does the Board Member who is working on Pack's Creek have to disclose their personal interest and recuse himself in the interest of the community?** Yes, all board members signed an ethics and disclosure policy - a Conflict of Interest sheet as one of the first steps that we took when the board was formed. Mark has recused himself from any of the discussions, he's not been on the townhalls, and he will not vote on the special assessment.
40. **If you choose Option 2 on payments, how will it impact new property sales?** We don't think it will impact the special assessment for lot owners, what it will do is potentially allow us to pay the loan off earlier as some of these lots become dues paying.
41. **Will the bridges that are damaged or down be repaired?** We are looking at it and will prioritize based on need and safety.
42. **Cell tower, any update?** It is being discussed between the Carlton's and attorneys. There are no glaring problems. They are waiting to sign until it is closer to construction. It will look like an old fire tower and will be located by the original water tank. Verizon has signed up to lease it when it's up. EMS services will also use it.
43. **Does the increase in dues include insurance on the properties?**  
Yes
44. **Do we need to close before a full capital study is done?** Would that impact the \$3.4M with Mark? We do not need to. We already planned it in 2026 and the bank will ask for it to be completed in the first year.
45. **For lot owners in arrears, are they subject to the special assessment?** Yes. We will get stricter and have a better process about dues payments in the year ahead. We have about 3.4% of delinquency which the banks actually consider as really good. We are charging interest on delinquent accounts. Lot owners who are late on paying dues will be

able to participate in voting - there's a lot of legal steps we have to take before we'd be able to remove that right. We're not there yet in our process.

46. **Do the discos and wilderness cabins need to be rented if sold?** No, they could be used by the owner for personal use. The owner doesn't have to put it in the rental pool. We've learned that about 75% of the rentals are to Chinquapin people - we are just trying to stay away from short term rentals that would be a for a night or two.
47. **Are there any other major expenses on the table that may cause significant dues increases or additional special assessments in the future?** We don't have anything in the horizon that we see as a major problem. A special assessment is a really high bar - it's a vote of the entire neighborhood and it's not something that we intend to have happen because of a problem. That said, maybe there is something in the future that all the community wants to add and that would become an ongoing discussion in the neighborhood. It would not happen unless a majority of all neighbors wanted it which is a very high bar. Additionally, any dues increase that is more than 10% requires a vote by all owners. We feel strongly that we have really dug into the budget to understand our historical spend and we believe we are in good shape going forward.
48. **How much of the detail do we know about the budget?** We know the general buckets and see the amounts. But, it's important to know that we won't understand the details until we've been running this operation for a year or even a little more. The accounting practices of a developer, such as Mark, are very high level. There are general categories and big numbers. We feel confident in what we've learned at a high level but we really need to run this for a year or two before we have a high confidence level. We feel good but it's a big transition.
49. **Mark suggested that the dues increase was to cover cost of living increase at the annual meeting, and to keep the status quo to reflect inflation. But the plan for the assessment also includes our dues, so how do we reconcile that - it doesn't seem like it can be both?** The good news is that when we dug into the budget and looked at expenses,

developer fees, etc. that were one-time and would go away, we were able to see that we actually had enough and some room to do debt service to take part of that assessment away. We could have had lower dues and then passed all of the special assessment onto the owners. But, we choose to fund a little bit of the special assessment and pass less onto owners.

50. **How will the Wilderness cabins and Discovery cabins be put up for sale? Are they already sold?** We've heard that 3 of the 5 Discos have commitments. Mark shared that he thought he'd have all 5 sold by the end of the month. We don't know what he is asking.
  
51. **When are the annual dues and special assessment payment due from the lot owners?** Hopefully we will get it all out in January and we'll probably give a little leeway on the grace period. We're still working with IPM, our management company, on logistics.