

Buyer _____ Buyer _____
THE COLONY AND GOLF COURSE HISTORY
(AS OF MARCH, 2022)

- 1989 - 2004 Development begins by Crowell – single-family homes and 11 golf course (GC) holes. Ryland adds 7 GC holes and more single-family homes. Mastercraft adds single-family homes. A few model homes are built by another builder. The Colony includes a total of 1,586 single-family homes.
- 2003 Disputes and litigation develop between Ryland and Crowell over the ownership of the GC. Discussions begin between Crowell/Ryland and the HOA for the purchase the GC. The HOA offers to buy the 11 holes from Crowell and Ryland offers to give their 7 holes to the Colony at no cost. Residents agree on a \$1600 special assessment to purchase the GC. The HOA is in the process of amending the CC&Rs when a group of residents (The Agul Group) file 3 lawsuits – one against Ryland over construction defects, one against the HOA to stop the purchase of the GC and another one against Ryland specifically to stop the sale of the GC to The Colony. Ryland then backs out on the offer to give the 7 holes to the Colony at no cost. The HOA returns the special assessment monies to residents and the lawsuit against the HOA is dismissed by the court. No attorney fees were paid by the HOA to the Agul Group or any other party. During this time, Ryland becomes sole owner of the GC.
- 2005 Ryland sells the GC to Pacific Golf/Valley Golf (George Pappas).
- 2007 Pacific Golf/Valley Golf sells the GC to Majestic Management (The Huangs). Pappas has Majestic sign the Performance Deed of Trust (PDT) for his own protection and subsequently sells the PDT to The Colony for \$3,000.00. The PDT requires the owner to maintain the GC, slopes and fingers and pay gate fees to the Colony.
- 2009 Majestic turns off water to fingers and slopes, and stops paying gate fees to HOA.
- 2012 The HOA objects to the lack of maintenance of the GC. The HOA purchases the PDT from Pappas and records an Assignment of the PDT. Majestic responds by filing a lawsuit against the HOA alleging that the HOA was impacting their ability to generate revenue. The HOA files a cross-complaint to enforce the PDT.
- 2015 The Court rules on Majestic’s lawsuit. All of Majestic’s claims are denied and the HOA prevails on all of its claims, including the claim that it has the right to enforce the PDT. As part of the judgment entered against Majestic, the court orders Majestic to comply with the maintenance standards for the GC that are secured by the PDT and gives Majestic one year to fully comply.
- 2016 After post-trial motions and denials by the court to reverse its ruling, the Court enters judgment in favor of the HOA and awards \$542,299.00 to the HOA for attorney fees, and \$42K for unpaid gate fees. The Huangs appeal the court’s judgment.
- 2018 The court of appeals upholds the judgment in favor of the HOA. The Huangs petition the Supreme Court and the Supreme Court denies their request. The judgment is upheld in its entirety.
- Early 2019 The Huangs pay the judgment plus interest (\$750,000) to the HOA. Approximately half of this amount is required to be reimbursed to the insurance company for their attorney fees; the \$42K for gate fees is reimbursed to the HOA Operating Fund; and the balance is deposited into a separate account (the GC settlement fund) to allow the HOA to pay for ongoing GC-related attorney fees and costs. Majestic has failed to obey the judgment. The condition of the GC has significantly deteriorated. The HOA files a motion to enforce the judgment against Majestic and asks the court to order the foreclosure of the GC.

- 2019 At the August 30, 2019 hearing on the HOA's motion to enforce the Judgment, the judge considers foreclosure, but gives the Huangs 90 days to comply with the judgment. Immediately after the hearing, the Huangs record a \$3.4 million trust deed against the GC in favor of Tso Jen Chu. The HOA is unaware of this \$3.4 million trust deed until a third party who was negotiating with Majestic to buy the GC is informed of the trust deed, who then informs the HOA. Because of this trust deed, the HOA is forced to change its strategy in its motion to enforce the judgment and asks the court to appoint a receiver over the GC to preserve the GC while the HOA litigates the issue of the \$3.4 million trust deed with Majestic and Chu.
- 2020 January 14, 2020 the HOA files a lawsuit to void the Huang's alleged \$3.4 million trust deed as a fraudulent conveyance
- 2020 March 12, 2020 - Due to Majestic's complete lack of compliance with the judgment and PDT, the Court appoints a Receiver to manage GC operations and financials, in lieu of foreclosure. The Receiver is required to submit monthly reports to the court. Almost immediately, all GCs are closed by the state due to Covid-19 restrictions.
- 2020 May 2020 – California lifts Covid-19 restrictions and allows GCs to re-open. We see a dramatic spike in golf rounds, and improvement in GC maintenance.
- 2021 Summer and Fall of 2021 – An unseasonably hot summer results in GC deterioration and reduced revenue due to a drop in people coming to the GC to play golf. The Receiver also reports a breakdown in the equipment used for GC maintenance. In December, revenue is further reduced due to an unusually (and lengthy) rainy period.
- 2022 January 2022 - due to the circumstances in the summer and fall of 2021, the Receiver communicates to the HOA attorney that they cannot operate the GC past January 20, 2022 and will be reporting to the court, the plan to close the GC. The HOA discusses options so that the GC will not be closed until the court has been able to rule on the fraudulent conveyance of \$3.4 million trust deed. The HOA decides to purchase up to 1000 rounds per month (at \$20,000 a month) for up to 3 months to keep the GC open. The rounds would be purchased on a monthly basis after reviewing financials with the receiver. This option allows for the time needed to receive the court decision, and to allow for better weather to bring in more golf rounds and revenue. In February, we see an increase in golf rounds. As of March, only 2 months [\$40,000] of rounds have been purchased.
- 2022 March 18, 2022, HOA attorneys appeared in Riverside Superior Court, Department S-302, for the trial call in the \$3.4 million fraudulent conveyance case. Due to a backlog of all trial departments, the court continued the trial call to Friday, March 25, at 8:30 a.m. when the future trial date will be discussed.
- 2022 April 13, 2022 – A continued hearing on the motion to enforce the judgment is scheduled. At that hearing, the court will consider (1) Majestic's request that the receiver be removed and the GC returned to Majestic, and (2) the HOA's request that the receiver remain in place and court order the foreclosure of the GC pursuant to the PDT.