

September 14, 2018

RE: Heron Lake Update

Hello Everyone:

What a busy last couple of months! Between the tours, site restoration work, and preparations for the future sections, I realized that we hadn't posted an update for a while. Given the larger than normal number of updates to cover and questions that we have been receiving, I wanted to change the format slightly for this update. Most of the exhibits shown in this summary are available at our website.



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Overall Progress?

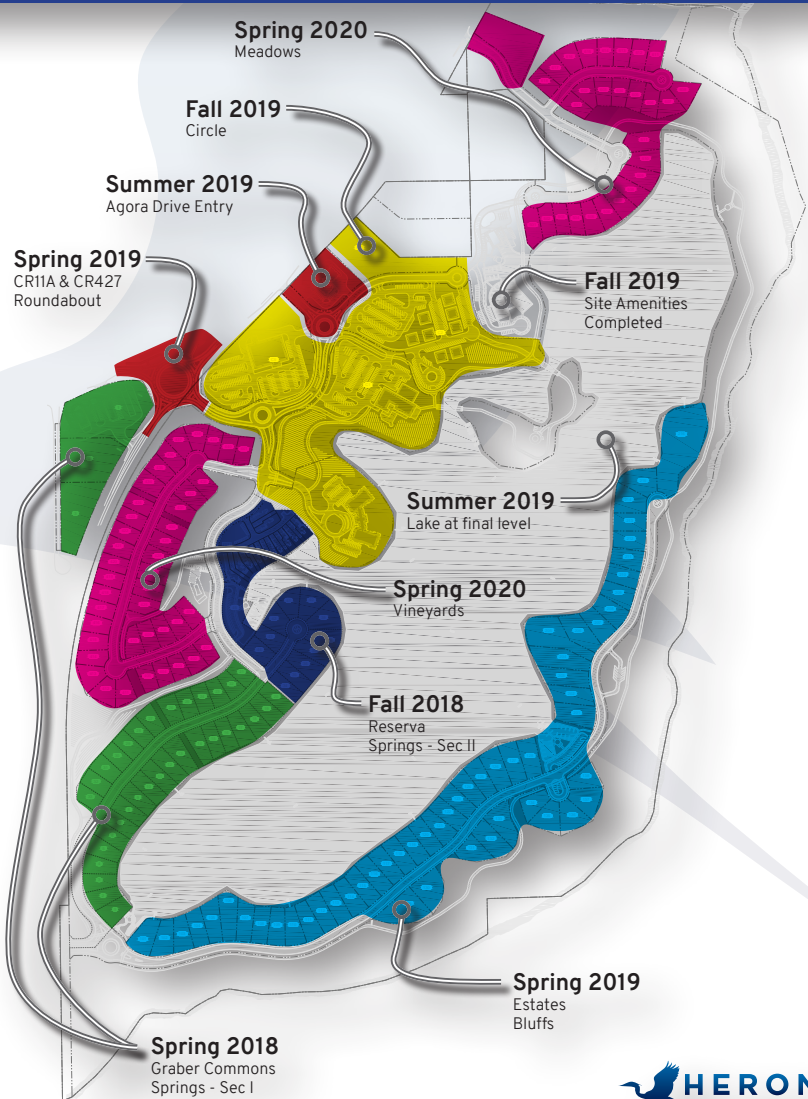
The Heron Lake project continues to move forward on our three year plan. This timeline commenced February 2017, and while we have had some delays in utility placement, our schedule had contingency planning in place. The utility hiccups this spring and summer were related to the installation of electricity and natural gas, which were just recently finalized on-site. That delayed a number of house starts but we are ready to proceed with all lots within the Springs now. Our next immediate phases are the Reserva townhouses, by Timberlin, and finishing out the Springs.

Future Sections - Phases?

This is a question that we receive quite often. By filing development plans for the remainder of the Springs and Reserva, the Estates and Bluffs will then be available by Spring 2019. With the delays in utility installation this year, late fall house starts in those areas are unlikely.

The TIF money contribution for the roundabout was approved and that construction will start this spring. This stays in line with our three year plan, as shown in the exhibit. The Circle commercial region will follow after the completion of the roundabout.

HERON LAKE Project Phases Lot Availability



NOTE: Three year project cycle commenced Feb 2017

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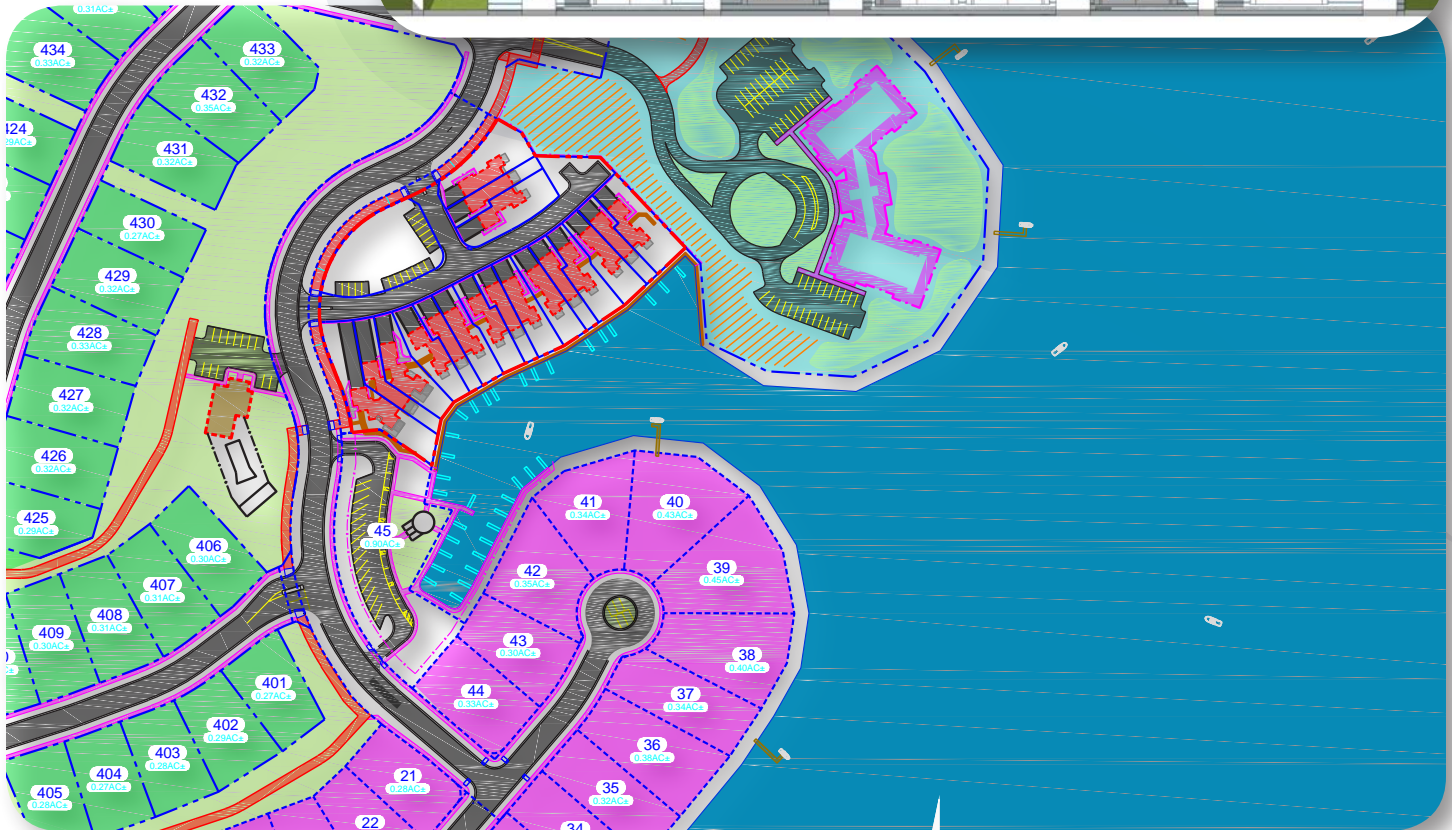
The Reserva townhouses

Timberlin Homes is building the townhouses within the Reserva. Those units will have a coastal appearance and can have a customized interior layout determined by the client. The three plex units will have an appearance similar to the sample image to the left. The actual lakefront rendering of the three plex unit is below. The Reserva is true lakefront lots with a dedicated private slip and two car garage. These units will have occupancy by next summer.



TIMBERLIN
HOMES

BARCLAY J. ALLEN



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Sitewide activities.

In addition to the typical activities on site, we have been busy with site cleanup. Our recyclable materials, such as concrete and asphalt have been processed for use both on-site and for other regional projects. Winding down the gravel operation is quite exciting!

Many have noticed the additional clearing and extraction preparation activities around the marinas and other locations on-site. These areas provide processed gravel that we use on-site and also for surrounding projects. These are the final areas of restoration for the site and we are very excited to be starting on them in the upcoming weeks. We have also cleared another mile of the trail route along Cedar Creek. It will be spectacular walking and biking scenery!



Concrete crushing



Cedar Creek trail route



Shoreline prep clearing

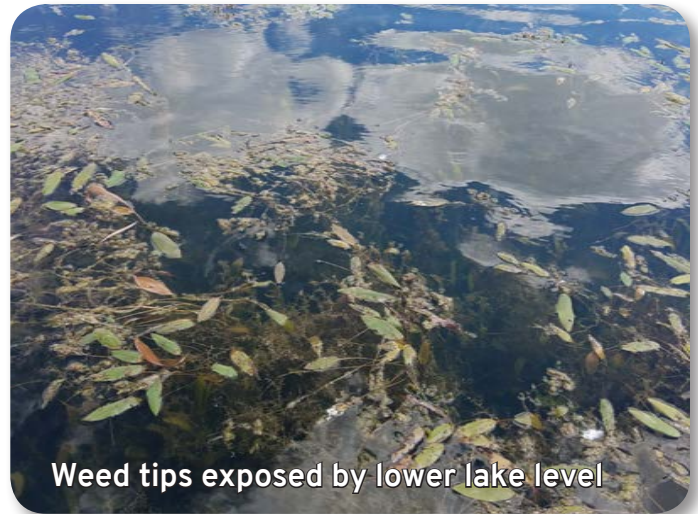


North basin prep clearing

Lake weed harvesting.

Lake health is a common question that we receive. Most people notice the patches in a couple places on the lake. Those patches are usually over 1/4 of a mile away and the assumption is that the lake has mold or scum problem. Our lake has a high turnover of water and is exceptionally clear. We do not have the traditional scum or mold problems faced by natural lakes with much higher silt and organic contents.

Most of the vegetation that everyone can observe from the shoreline is a result of both our lowering the lake for shoreline work, and the clarity of the water. See the image to the right. This is a typical patch of weeds that are observable from the shore. Our lake weeds grow from deeper depths than typical due to the clarity of the water.

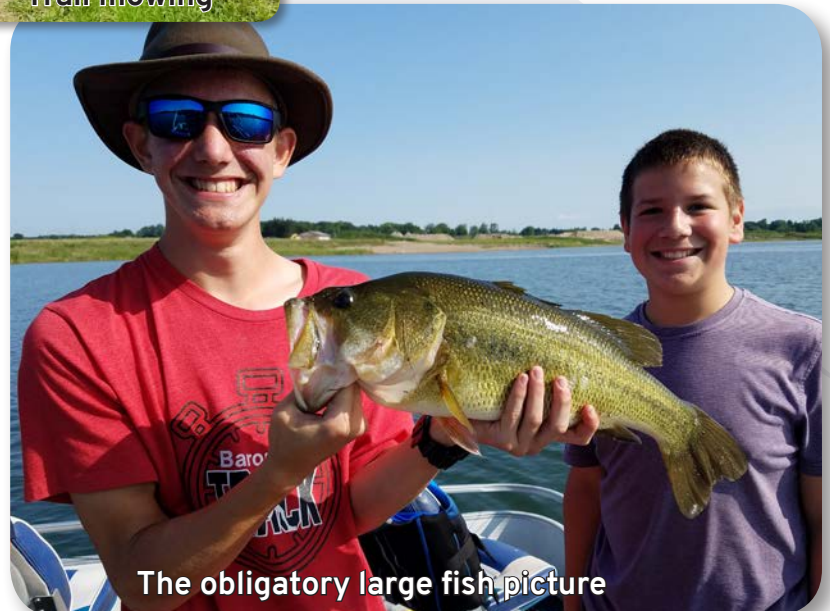


For long term maintenance those weeds will be harvested mechanically, as is done in states with much higher concentrations of lakes, such as Wisconsin and Minnesota. As this will be performed each year we tried out a different piece of equipment for this year's harvest. The results were less than our expectations so we will be trying a more traditional harvesting technique next year when the lake is returned to its final level. Ultimately the lake will be maintained with both mechanical harvesting and limited herbicide usage.

Our short term maintenance techniques also demonstrate some

of the maintenance methods that we will be employing. As we continue to expand and maintain the trail location routes around the site (over 4 miles of trail now!), we develop the best techniques and equipment. The site is large and while we will maintain a large portion for parkspace (over 65 acres), the trail corridor and other features will be manicured and quite beautiful.

We have had the pleasure of taking a number of people who have reserved lots out on the lake fishing. No one has gone away without sore arms yet. And we thank those that continue to help us enforce the no outside fishing policy! The beauty of the lake and what it holds, continues to attract a lot number of trespassers.



Lot availability.

As most are aware, we have been offering a discount on future lots to those interested in securing a lot during our development phases. This has been met with great interest and we have secured reservations on a large percentage of our future lots. In the exhibit to the right, all of the lots in blue have been reserved, either to builders or mostly individuals.

We recognize that most people would prefer to wait until the project is almost complete, even if it means a higher price. That is a testament to how unique Heron is, that there are no comparable projects in our regional area. We will continue to take steps to ensure this project is a huge success both 1 year from now and 20 years from now.

We thank those that have committed and provided critical feedback on planning and project goals. To those that prefer to wait, we have given tours to over 300 of you and retained over 200 on our mailing list. We look forward to meeting your stringent needs and lifestyle goals. Thank you for taking the time to investigate and hear about the Heron Lake project!

What is the Heron Property Management (HPM) company? Why don't you have an HOA?

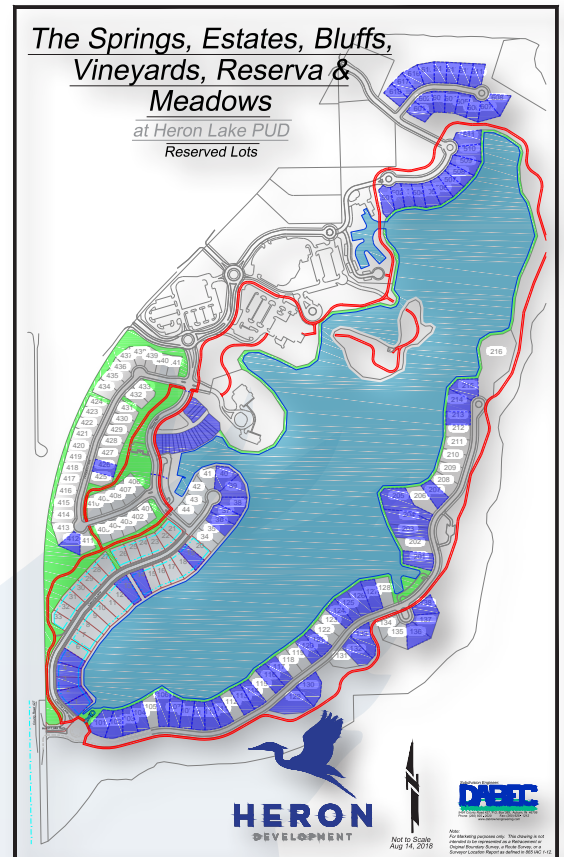
The lake and all site-wide amenities will be owned and maintained by HPM. The lakefront lots owners will not be responsible for maintaining the shoreline. This management company will essentially replace the HOA. To maintain the private lake status the lake cannot be owned by an HOA and we have concerns about long term maintenance and response of a traditional HOA. New construction and improvements will be overseen by HPM in the role of an Architectural Control Committee (ACC). This ACC will also review and approve all proposed builders for the site. HPM and the ACC will consist of professionals that specialize in this type of construction and development and will be the best method to ensure that the site maintains the vision and value for residents and operators.

There are additional services that HPM will offer to residents and businesses at Heron Lake which are non-typical to our regional area. The maintenance activities will be funded through fees assessed to each owner and business in Heron Lake. The use of additional services will be at the sole discretion of each owner.

What I can do on Heron Lake?

Heron Lake is an all sports motorized lake. The activities on the lake will be governed by HPM. The Lake Use Rules document provides a detailed list of allowable activities and guidelines. The enforcement of these rules will be at the discretion of HPM. Heron Lake is an all sports lake and all appropriate activities will be encouraged.

Fishing will be encouraged for the residents and rules governing this use will be enforced by HPM. Fish populations and overall health of the lake will be the responsibility of HPM. Outside consultants will be used to ensure excellent wildlife opportunities on the lake. The lake currently has a wide spectrum of fish species and planning includes the introduction of additional species for lake health.





Sample wall section with dock
Dock courtesy of Dry Dock Marine Center

Why does the lake have three marinas?

The marinas allow for non-lakefront lots to have nearby access to the lake through marina slip rental. There are roughly 75 non-lakefront lots within the Heron Lake PUD. The marinas can be simply viewed as inland docks. While all lake front lots could place a dock, they may also rent a slip at their

nearest marina to minimize maintenance and allow for better use of their beach space. The Wilson Marina (north end) will be the sole boat launching facility on the lake for exclusive use of the residents and operators. HPM will also provide boat storage, servicing, and refueling at this location through partners such as Dry Dock Marine Center. Other additional marina services may also include cleaning, on-demand delivery/pick-up, and seasonal maintenance of watercraft at all marinas and docks.



Can I get Villas services anywhere on the site? I do not want to live within the Villas-only areas.

Yes, HPM can provide Villa-style services at any location of the site, including the marinas. We recognize that many people do not want the hassle of lawn and building maintenance. Those families and individuals would rather invest their time into enjoying the site or other pursuits.

Please don't forget about the site and lake tours, we would love to let you experience the site and see the change that is occurring on a daily basis!

Thank you all for your interest in our project, it has been long time in the making and the short term delays can be quite frustrating but we are focused on the long term goals that truly make Heron Lake unique.

My best regards,

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