

FINANCE COMMITTEE MEETING MINUTES

July 16, 2019

An informal meeting was held prior to the official meeting. In attendance were all 6 members of the Board of Directors. LSLCA's long standing attorney, Anthony Soukenik, was also in attendance. He was there to inform the Board and the Finance Committee about the terms of the lease with Lake Forest CC, and to offer his advice about how to respond to their request to extend the lease past its 50 year term. The lease for LSLCA's 145 acres was signed in 1984 and is currently in its 35th year. The rent is \$1 per year. One additional 10 year option is available which would extend the lease term to 2034 (15 more years from now). General Manager Heather Malone explained that Lake Forest had told her that the Bank is reluctant to give them any more loans unless they had more than 15 years remaining on their lease. Last year Lake Forest CC presented for discussion to the LSLCA a Lease Extension Agreement which provided for a 30 year initial term with two 10 year terms thereafter. That would result in a lease that would be in effect until 2069, for a total of 85 years. They proposed that the rent would remain at \$1 per year, but they offered some additional benefits to CA members. In order to evaluate this proposal, the LSLCA requested copies of Lake Forest's financial statements for 3 years, and their Business Plan for the future. Audited Financials for 2016 and 2017 showed substantial losses which equated to 23.5% of total revenue in 2016, and 11.3% in 2017. Unaudited statements for 2018 showed a slight gain in 2018 (1% of total revenue) and a note payable – loan liability of \$1,176,885. Their Business Plan has not yet been provided.

Attorney Soukenik advised that we should insist on seeing a copy of their Business Plan as well as a copy of their current note and any collateral documents associated with their bank loan. He pointed out that the December 2014 appraisal by Lauer at \$1,530,000 did not value LSLCA's 145 acres, but only Lake Forest's owned 5 acres (including the clubhouse) and their leasehold interest in the golf course as a going concern. He suggested we should listen only to Lake Forest's proposal and respond later after we have more information.

At this point 8 representatives from Lake Forest CC entered the meeting, including their President and General Manager. They spoke about hoping to maintain the long term cordial relationship Lake Forest has had with the LSLCA. Many of their members are CA members. The Bank has told them that if they wish to refinance they need a lease term of at least 20 years. They do not have final plans now to seek further loans, but they did not rule that out. They have implemented special assessments on their members in the past. A private Country Club needs to make consistent infrastructure improvements in order to compete for members. Their current loan may be due in August 2019. Their membership numbers have recovered since a low point in November 2017. They have very dedicated members, and they hope to continue as a private entity. They have not approached the City for help, but we suggested it and they said they would consider that. They did not offer any specific new proposals but said they would consider some of the things we asked about that would benefit CA members.

Mr. Soukenik suggested they provide us with a short Fact Sheet outlining exactly what their proposals were. He also suggested that they provide us with a Confidentiality Agreement for us to review and sign so that they could then provide us with their Business Plan and loan and collateral documents. Heather Malone will continue to be our contact person. The Lake Forest representatives then left the meeting.

Attorney Soukenik opined that it would be difficult for the current Board to defend a further extension of the lease at only \$1 per year rent, and a much longer extension past the 15 years they have currently. Various responses and scenarios were discussed but nothing finally decided. At this time the Board of Directors and our attorney left the meeting to convene elsewhere to discuss other matters.

A roll call of Finance Committee members was taken and only Tim Elder was missing because of out of town commitments. New member Ken Dobbins was welcomed. Motion made and carried to approve the attached Agenda for the July 16, 2019 meeting, which includes a list of participants.

Motion made and carried to approve the Minutes for the June 18, 2019 meeting.

Heather Malone discussed the urgent need to purchase a new 80 ton air conditioning condenser. The current unit has necessitated very expensive repairs the last two years and is 18 years old. She presented three proposals but felt strongly that Jarrell's bid of \$73,256 be rejected because of their very poor track record of servicing the current unit. The Committee preferred the Integrated Facility Services bid of \$69,987 to Hoffman Bros. bid of \$98,500 but suggested that the E & F Committee review both proposals to assure that both are for the exact same specifications. At this point Heather left the meeting to assist the Board, and Bookkeeper Amanda Wells presented the June Financial Statements.

The Income Statement shows year to date improvement in Net Profit above both the budget and last year's results. A Balance Sheet and a Cash Flow statement were reviewed and discussed. An Income Statement for the Bar and Grill was presented, showing a year to date loss, but the June loss was much less due to the summer season generating more business.

Motion made and carried to adjourn the meeting.