

**Lake Forest Resort & Club Condominium Association
Annual Owners Meeting
December 2, 2023**

Board President Dan Krueger called the meeting to order at 1:02PM. Dan established Ross Radandt as parliamentarian and explained the meeting procedures. There were approximately 25 owners in attendance and another 41 participating online. The meeting was recorded and will be made available for viewing.

Secretary's Report

Secretary Mike Ebben asked for a review and approval of the December 2022 Annual Meeting Minutes. Dave Bannach moved to approve the minutes, with Mark Smith seconding. The motion passed unanimously.

A piece of correspondence, an email, from owner Bernie Lakus was read and asked to be included in these minutes.

12/2/23

To: All Current LFR Owners in good standing,

Our group of Owners interested in submitting an offer to purchase LFR now totals 24. Additional Owners and direct family members are still welcome to join our group as Alternate members that would fill any vacancies that may occur on our path forward to purchase LFR.

To recap;

In order to purchase one of the 24 individual condos, (as your own), (and own all of the remaining property and Resort Center in common), we as a group need to form a new Condominium Association that would no longer be a Timeshare. This effort is underway so if you if you are interested please contact Bernie Lakus by Dec. 15th if you wish to be on our Alternate Owner's list. Also feel free to ask me any questions regarding our path forward.

Sincerely,

Bernie Lakus

BPLakus@gmail.com

Ph 715-212-7734

President's Report

At our last Annual meeting a year ago, our concern on the board was that we had taken back so many weeks in 2022 that we believed that 2023 would likely be our last year to operate. A lot depended on how many more weeks would be deeded back over the next 3 months once people received their maintenance fee invoice at \$1154/week – up from \$791/week for 2022. In fact, we did take back another 60 weeks, but this was less than what we planned for in 2023. Coupled with our excess cash reserve of \$80,000 from 2022 that we carried forward for 2023, this led to our re-evaluation of potentially operating through 2024 instead of winding things up at the end of 2023. We then mailed a couple surveys out in early spring to gage how many people would be willing to pay over \$1300/week for their fee in 2024. Why \$1300/week? This is what we knew the maintenance fee would have to be if we were going to continue operating beyond 2024 – primarily accounting for a substantial number of additional weeks that would be deeded back if we weren't going to cease operations and sell the resort, as well as having to change our approach to funding the Asset Reserve Fund (something we stopped doing in 2022). Based on those two surveys, we found that half of those that responded (209 unit-weeks) were unwilling to pay this amount. This was a clear message that if we were going to try to keep operating beyond 2024, we'd be looking at another large wave of weeks being deeded back...likely over 100 (these are mostly low season weeks). This would have put us in serious jeopardy of meeting our 2024 budget.

However, we believed that we could meet a 2024 budget because we anticipated that there would be few weeks that would be deeded back if people knew this was our last year (we figured that most would opt to hang on to their weeks so they could participate in the proceeds from the sale of the resort in 2025). So, we decided to propose operating through 2024 as our last year...while keeping the maintenance fee the same. This was also dependent on the passage of the bylaw amendment allowing the funds of the Asset Reserve Fund to be used for operating expenses in 2024, if needed.

As of today, we are positioned financially to operate through 2024 because things have worked out as we planned. Tim will share more about our numbers in his treasurer's report. I'll just mention that our goal also included starting 2025 with enough cash to cover expenses while the resort is shut down until we sell the property...and thereby avoid having to charge our owners an assessment fee to cover 2025 expenses. The board feels confident that we will close on a sale within the first 6 months of 2025.

Also, with the passage of the resolution by the owners to give the board the authority to pursue putting the resort up for sale (according to the 6th amendment of the bylaws), we are currently in the evaluation process of selecting a realtor to list the property sometime after the first of the year.

Looking ahead to 2024, we anticipate that operations should be business as usual for our owners and renters. To this point I'd like to say that something we don't stress enough is the work, dependability, and loyalty of our staff. Certainly, the board has told Sue how much we appreciate her work during the time she's been at Lake Forest, but I want to bring attention to the importance of our other employees in housekeeping and maintenance, and how vital they are to our owners and renters having an outstanding experience. They know that 2024 is our last year. Then they must find other employment. They 'care' about providing a great experience for us. Let's not forget them when we are at the resort. Let them know how much you appreciate their commitment. After all, without them we'd be in a very different place. Finding people to work continues to be a nagging problem for all small businesses nationwide...and extremely difficult in rural, small-town communities like Eagle River.

Election of Directors

It was declared that current board members Ross Radandt and Jay Walt were re-elected for another term.

Resort Manager's Report

Nothing new to report since the Zoom meetings in June and October. Sue yielded her time to Treasurer, Tim Mikel.

Treasurer's Report

Earlier this week, Tim responded to a question from one of our owners that he wants to share with all of our owners.

The question:

Based on the Profit & Loss report shared in the announcement of the October Special Owners meeting, am I correct in seeing Lake Forest is \$374,000 in the black? Couldn't the resort continue to run as it has in the past?

Response:

You are correct that the resort is well in the black for 2023. This positive occurrence was recognized in our spring board meeting which is why we, as a board, decided we could safely operate the resort in 2024 rather than shut down at the end of 2023 as originally planned. Here are several points that I hope will clarify our current situation and plan to terminate at the end of 2024.

1. The net income of over \$373K is a snapshot of our financial status on 8/31/2023. This amount will be reduced by the end of the year because most maintenance fees have been collected while we continue to have regular expenses. In other words, our expenses will exceed our income in each of the remaining months of the year.
2. The Profit & Loss statement through 10/31/2023 shows our net income is down to \$339K.

3. Our projections for November and December indicate that our net income will likely be reduced to around \$250K by end of year. This is close to what we were hoping to realize when, back in May, we made the decision to continue operations in 2024.

4. Our positive results for 2023 can primarily be traced to a higher number of weeks for which the maintenance fees have been paid than was projected. This is partly due to owners willing to hang on to weeks they may have otherwise deeded back in order to share in the proceeds of a sale.

5. The positive cash flow of around \$250K allows us to budget for 2024 with no increase in maintenance fee and to increase our reserves which greatly reduces the potential for any special assessments in 2025 prior to a sale. Avoiding special assessments has been a goal of the board as we approach the end of the timeshare.

6. Our budgets for 2023 and 2024 greatly scaled back our asset replacements as well as some expenses such as supplies. This was intentional so that we could operate at a maintenance fee that didn't create a flood of additional deed backs. Based on our survey results, most owners are unwilling to pay fees in excess of \$1350 or more. If we were to continue operations beyond 2024, we would be looking at significantly increased maintenance fees to cover the deferred asset replacements. That would very likely lead to additional deed backs causing an increase in the fees well beyond what all but a few of our owners are willing to pay. That could be a very dangerous financial scenario for our owners.

7. Our fiduciary duty to the owners drives these decisions. Based on our projections and feedback received from owners, it is highly unlikely the resort could survive beyond 2024 at a fee acceptable to our owners. We continue to receive weeks through mortality and morbidity and this will not change. There is also no market to sell weeks outside of our high season which is maybe 20% of all unit weeks.

Reviewed Profit & Loss Performance through October 31, 2023. Income is trending to exceed budget for the year due to higher maintenance fee collection than expected. Other income, such as rental commissions, is generally in line with budget. Expenses are well below budget through October 31, 2023 resulting in a good financial position overall. Significant reductions were seen in wages, legal expenses, laundry, carpet, and furniture cleaning, and supplies. These trends were first noticed in April at which time the board made a decision to continue operations in 2024 although previously indicating we thought 2023 would likely be the end of our timeshare. The increased income and reduced expenses combine to allow us to propose carrying forward as much as \$250,000 in positive cash flow to 2024. This, along with reduced expenditures on asset replacements, will allow another year at an acceptable maintenance fee of \$1154.

Cash flow through October 31, 2023 reflects the same experience as shared in the Profit & Loss report. A larger influx of maintenance fee payments early in the year and lower than expected expenses throughout the year have combined to create positive cash flow of \$339,000 to date. As the latter part of the year does not have significant revenue projections but does have continuing expenses, it is expected that end of year positive cash flow will be reduced to near \$250,000.

Moving positive cash flow to 2024 will allow us to continue operations at Lake Forest for another year at the same maintenance fee as in 2023. Because the owners authorized the board to use reserves for operations, we will also be able to add to our reserves creating a financial cushion likely to mitigate any need for a special assessment prior to closing on a sale of the resort. In other words, we do not expect to ask for funds from owners in 2025 for the expenses to maintain the resort until a sale closes.

At this time, we should seek a motion authorizing the board to move any positive cash flow from 2023 into our 2024 budget as operating income.

Operating checking account register was reviewed and approved.

As of October 31, 2023, the resort has the following bank balances:

Asset Reserve CD 1	\$78,975.20
Asset Reserve CD 2	\$64,724.14
Asset Checking	\$9,575.01
Operating Checking	\$61,824.19
Operating Money Market	\$252,738.16
Rental Trust Checking	\$73,303.39

The proposed budget for 2024 will be discussed later in the agenda.

Asset Replacement/Reserve

Review of completed Asset Replacement for 2023

- 109-116 guest bedroom window glass replacements - \$1230
- Completion of Resort Lodge staining - \$11,000
- 101/102 and 103/104 front entry deck replacements - \$13,805
- 2 new dishwashers - \$1,374

There are no further updates planned for 2023. Any expenditures will continue to be addressed on an 'as needed' basis.

As of 10.31.23, there is \$9,575 remaining in the asset replacement budget to cover anything else that may arise this year. If any major replacements are needed and exceed this amount before year end, funds will be drawn from the Asset Reserve Fund.

Review of proposed Asset Replacement for 2024

There are no carry over projects from 2023 and there are no specific projects planned for 2024. We do have a fully funded budget for 2024 of \$65,000, but there are no investments in physical assets planned for the resort in 2024.

The only assets that will be repaired or replaced are things that break or need repair, safety related items and any other items required to maintain the vacation value for the owners. While we do not anticipate any major repairs or projects, there are potential risk areas that we will continue to monitor. These include the Sun Deck on building 101-108, some patio furniture, dishwashers and other appliances, TVs and furniture as necessary. Another possibility could be some of the piers in the bay that may need to be replaced.

Personnel and Policy

Housekeeping – Staff are stable at this time.

Maintenance – John has returned part-time after medical leave and an additional person has been hired part-time for the winter. The maintenance service has not been renewed.

Office help - Hours have been reduced as we move to Low Season. However, her hospitality experience has been very helpful in booking three large hockey groups for weekends.

Re-Purposing

The Committee met on October 20, November 6 and November 27. A cover letter and questionnaire were developed by the Committee for prospective Realtors to complete and return to us by November 20. Five firms were selected by the committee from our research of numerous Real Estate firms. The questionnaires were sent out and the completed questionnaires were reviewed by all Committee members. Three firms were selected for interviews at this time.

Interview questions have been developed. Interviews have been scheduled this month. The Committee will re-convene and proceed to review all the information from the questionnaires and interviews.

The Committee will recommend a potential Realtor to market and sell LFR to the whole Board of Directors. A potential contract with the Realtor will be reviewed by our Attorney, Amy Sullivan before signing the contract. This decision will be based on the information and facts gathered by the Committee and the approval from our Attorney.

Please note: Offers received prior to contracting with a Realtor will be reviewed by the Board of Directors. If the offer is determined to be an outstanding offer for the owners, it will be submitted to the owners for a vote.

New Business

From Treasurer Tim Mikel:

Knowing the Carryover will be around \$250k, we believe it makes sense to include this in reserves for shutdown expenses. Since we have approved the use of ARF for operations, this creates a cushion that could eliminate the need for a 2025 maintenance fee. This also creates some additional safety if there are some asset updates needed to close a sale (septic, roof, docks, outbuilding repairs, etc.) which otherwise could result in a special assessment.

This budget includes an overall reduction from 2023 compensation expenses since we anticipate our staffing to be similar to the actual 2023 staffing which came in under budget. We are again expecting to scale back expense spending as we plan to exhaust our supply given this is our final year of operations. Legal and professional services are expected to increase as we work toward a sale.

On the income side, we are expecting that deed backs will be slow in 2024 as they were in 2023. This is because we scaled back expenses to keep the fee the same and also owners keeping their weeks to share in proceeds from a sale. The asset replacement budget is again essentially for replacement of items that break such as appliances, TV's, and furniture. There will not be any planned projects.

As you can see, our positive cash flow from 2023 has a net effect of reducing the 2024 fee by \$217.

President Dan Krueger asked for a motion to carry forward approximately \$250,000 in 2023 operating funds to the 2024 budget. The motion passed unanimously.

Further discussion was held and questions answered regarding the proposed 2024 budget. President Dan Krueger asked for a motion to adopt the 2024 operating budget. Mark Schmalz made the motion, with Mark Smith seconding. The motion passed unanimously.

General questions were then taken.

With no further business a motion was made to adjourn the meeting. The motion passed unanimously. The meeting was adjourned at 2:36pm. The raffle followed adjournment.

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Approved: (pending)