

**LAKE FOREST RESORT & CLUB CONDOMINIUM ASSOCIATION, INC.**  
**ANNUAL OWNER'S MEETING**  
**DECEMBER 5, 2020**

Board President Dan Krueger called the meeting to order at 1:00pm. Dan established George Swierczynski as parliamentarian and explained the meeting procedures.

There were approximately 75 owners in attendance via Zoom meeting.

**Secretary's Report**

Secretary Michael Schultz asked for a review and approval of the December 2019 Annual Meeting Minutes. A motion was made and seconded. The motion passed unanimously.

With no correspondence or other business to report on the meeting proceeded.

**President's Report**

With only board members physically attending the Annual Meeting today, it demonstrates how Lake Forest Resort has had to adapt in how we do things while still finding a way to operate successfully.

While there have been many challenges and changes in 2020, the board of directors is looking ahead to 2021 with Lake Forest Resort continuing to provide a fantastic vacation experience for our owners and guests while keeping the maintenance fee for 2021 the same as 2020.

**Owner Shrinkage:** So far this year we had 28 weeks deeded back plus 7 weeks taken back due to mortality for a total of 35 weeks deeded back to the association. By comparison, in 2019 we had a total of 65 weeks deeded back, and in both 2017 & 2018 we had 13 weeks deeded back each year. We can estimate that for every week that is deeded back, maintenance fees will increase by about \$1/wk. And because the weeks being deeded back are mostly low or shoulder season weeks, it's not likely to add much in rental income with the increase of available weeks. We already have vacancy for most of the low and shoulder seasons.

**Amendment to Bylaws regarding voting association owned weeks:** At our last Annual Meeting in December of 2019 the motion was brought and passed for the board to propose an amendment to the bylaws that would prohibit the board of directors voting the association owned weeks for the election of any board of director.

This amendment has not yet been presented to the owners for a vote primarily due to the challenges that Sue has had since the beginning of the year starting with being the sole office employee until Elora came to work the front office. Then in March there was the onset of COVID 19 which presented a lot of changes for the resort. This was then followed by the situation of whether to continue paying for the HFC without being able to use it and figuring out what our course of action would be with that, ultimately making the decision to discontinue our lease for using the HFC.

Together, these issues caused the delay of preparing this amendment. We hope to have this amendment prepared for the owners to vote on this coming year. I should note that for this Annual Meeting the issue of whether the Association weeks are voted by the board is moot since there were no contests for the two open board positions up for election. Each opening had only one person running. Also, the board of directors has not voted the association owned weeks this year.

**Impact of COVID-19:** In the spring and summer we did experience some reduction in rental revenue. However, later summer and fall we experienced an increase in revenue compared to last year. Overall, the impact that the virus has had on our revenue is nominal. Social distancing and housekeeping practices have proved to work out well for the staff, owners and other guests.

**PPP Funds:** We received almost \$40,000 in a forgivable loan from the federal government because of the Payroll Protection Program. The application for loan forgiveness is anticipated to be submitted in January per the bank's direction and should be approved according to the government's criteria. This funding more than offsets lost revenue and additional costs caused by COVID 19. So, it's worked out well for the resort.

**Termination of the HFC Lease:** It was decided by the board to discontinue the Recreation Agreement (lease) to use the Health and Fitness Center this past May. This was mainly due to not reaching an agreement with the owner to substantially reduce or eliminate the monthly fee of \$6100/month while the facility was shut down due to COVID. With the ongoing lockdown and likely non-use by owners and guests, and with the continued situation of COVID 19, we felt that 2020 was going to be a big waste of money to be spent on an amenity that would largely go unused. This resulted in saving the resort nearly \$50,000.

The feedback we received from making this decision was vastly positive in support of doing so. I think everyone realized that at \$64/week this was a sizeable cost/week on the maintenance fee. Sue has since worked out an arrangement with the Eagle River Inn to use their facilities on a daily use voucher system. While their facility is not maintained at the quality we would like, it does give our guests the opportunity to use a pool.

**Budget for 2021:** As the number of owners continues to shrink, the expenses of operating the resort falls on fewer remaining owners. Obviously, this means fees are going to rise at some point. Our goal is to keep fees as reasonable as possible, for as long as possible, while keeping the condition of the resort top-notch over the next 4-6 years.

That said, I'll just say that due to the PPP Funds we received, the money saved from discontinuing the HFC lease, and the elimination of paying for the lease in 2021...we will have excess funds at the end of the year. In fact, we'll have enough cash to keep the maintenance fee at \$715 for next year...assuming we are all OK with allocating this estimated \$50,000 of excess funds to cover some of the 2021 budget. We'll be entertaining a motion on that later in the meeting.

**Great Financial Health:** I want to conclude that we are in excellent financial health...today. While the discussions that the board has during our meetings is about the challenges we face in the future; presently we are in very good financial health. The condition of our resort is in great shape. We have no debt. We have funds in reserves for future asset improvements and repairs. We have a fee that is extremely competitive for our size and quality of condos in comparison to other time-share resorts in the northern Midwest.

### **Election of Directors**

Following the counting of all ballots cast, it was declared that Curt Knapp was re-elected, and Jay Walt was elected to the board of directors.

### **Resort Manager's Report**

Thank you for participating in today's meeting, it's wonderful to see so many owners attending virtually.

This has been a challenging year for everyone and we're happy to report we have been able to keep the resort open, not lay-off any employees and especially keep all staff healthy as we navigated, and continue to do so, through this pandemic. There were many challenges, new policies to implement and additional expenses incurred especially in the housekeeping department. We have prevailed to date and will continue to strive and offer our owners and guests an exceptional vacation getaway during this time when everyone needs a break from reality.

In this year of Covid-19 we saw many cancellations in May, June and even early July which resulted in a loss of over \$12,570 in gross revenue as compared to 2019. In late June we then launched our new

website with upgraded web booking engine and our rentals took off. From mid-July through the end of Sept. our gross rentals were up \$20,650 from 2019. So, we actually wound up with a net increase of over \$8000 through the 3<sup>rd</sup> quarter. However, the large group of holiday renters is not returning this year so that will have an impact on the 4<sup>th</sup> quarter.

Moving on to maintenance fee collections, we budgeted to end this year with 21% of billed fee's being not paid. Bear in mind that includes primarily the association owned weeks which are now close to 300. We are now trending towards winding up with 21.55% outstanding at year end.

In other business we continue to send owners and guests to Eagle River Inn even though the facility is not up to our standards. However, we do let folks know that in advance so they go there with a reasonable expectation. We're also going to start offering daily use vouchers for Tone Zone Fitness in Eagle River.

I'd like to close by thanking all the owners for their support, the staff for their hard work and the board of directors for their dedication in helping to keep Lake Forest Resort a fabulous vacation destination.

### **Treasurer's Report**

Bank Balances as of August 31, 2020

- o Asset Reserve CD #2: \$63,200.00
- o Asset Reserve CD #1: \$76,039.03
- o Operating Checking: \$57,791.27
- o Rental Trust Checking: \$73,450.01
- o Asset Checking: \$42,454.16
- o Prepaid Maintenance Fees: \$40,515.43
- o Asset Reserve Money Market: \$2,501.06
- o Operating Money Market: \$171,579.86

The YTD 2020 Profit and Loss Budget Performance was reviewed along with the September through December financial outlook.

The 2021 budget was reviewed. The suggested maintenance fee is \$715, same as 2020. A motion to adopt the budget will be asked for in the New Business portion of the meeting.

### **Asset Replacement / Reserve Report**

A few Asset Replacement projects for 2020 have been delayed due to COVID19, weather delays, and an injury to a contractor. These projects will be pushed forward to 2021.

Delayed projects:

117-124 Building Washing and Staining  
109-116 Guest Bedroom window replacement  
Point to Point system for increased internet bandwidth

Completed projects:

Asphalt repair and patching  
New U-dock outside bridge  
Family room exterior doors  
Family room windows in 101-108 and 117-124  
New fireplace screens in all condos, new shower heads in all condos, new golf cart cover, new power sewer roter, new (used) vehicle for maintenance.

The vinyl flooring replacement project is underway and expected to be complete by year end. The existing kitchen and bath vinyl was beyond its life expectancy. The savings from the health and fitness center was used to install luxury plank vinyl flooring in all condos.

Asset replacements for 2021 include:  
101-108 Building Washing & Staining  
New living room drapes in all condos  
Complete the kitchen countertop replacement cycle (105-108, 109-116)  
Numerous kitchen chairs are in need of replacement  
Complete cycle of master headboard replacement (replacing last remaining original headboards)

### **Personnel and Policy Report**

Laurie thanked Sue on behalf of the board and owners for her outstanding management of the resort, especially during these trying past months.

She also mentioned that the Employee Policy Manual, Board of Director's Policy Manual and Homeowner's and Guest's Policy Manual were reviewed prior to the September board meeting. Changes and updates were implemented which are reflected in the September board meeting minutes. The policy manuals are available to view on the website.

### **New Business**

Dan asked for a motion to move \$50,000 in excess 2020 funds to the 2021 operating budget. Michael Hoerster made the motion. Renee Santos seconded. The motion passed unanimously.

Dan asked for a motion to adopt the 2021 operating budget. Debbie Peterson made the motion. Keith Heun seconded. The motion passed unanimously.

### **Questions / Comments from Owners**

From Brian Kobischka: Thank you to all board members for their leadership, time and talents and great financial management!

From Keith and Jean Heun: We really appreciate everyone's hard work in keeping our finances in good condition.

From Kent Tess-Mattner: Was the guest who tested Covid positive at the resort week 32?

Answer: The guest was not there week 32. Sue stated she was notified at 10am on Saturday morning that the guest had left earlier in the week, not feeling well, and tested positive. That condo was immediately shut down for a week and all guests who departed that week were notified via email and all incoming guests were called.

From Craig and Joan Burkhardt: Sue you and your staff did a wonderful job keeping things clean and going.

From Brian Kobischka: You have every right to be proud of staying open during this pandemic and continuing to provide top notch service!

From Glenn Westman: Sue and staff are the best! Thank you!

From Mark Smith: Where is the rental income from weeks deeded back reflected on the financial statement?

Answer: Rental proceeds from association weeks do not have a separate line under income on the budget. The proceeds are applied towards the billed maintenance fees for those weeks and the income is shown under maintenance fees collected on the profit and loss budget performance reports.

From Dave Gruenke: Has anything been looked into about the slow internet speed?

Answer: We are currently waiting on the contractor to complete a point-to-point system which will help with increased bandwidth.

From Jim Marx: Thanks for being so proactive on Covid issues and everyone's safety.

From Debbie Peterson: Are people still able to check out equipment in the basement, even during COVID?

Answer: Yes they are and all items are sanitized upon return.

From Bernard and Karen Lakus: Sue, great job with the rental program!

From Kent Tess-Mattner: Why is accounting going up double?

Answer: The budgeted amount in 2021 for accounting includes an audit for 2020.

From Bernard and Karen Lakus: With the success of the summer rentals, is there any thought of increasing our summer rental rates?

Answer: Every month a rental rate comparison is conducted analyzing rates from other resorts we compete with. Our summer rates are priced right compared to our competition and generally go up 3 to 5% a year.

From Keith and Jean Heun: How many unit-weeks are currently privately owned vs. the quantity of unit-weeks that are association owned?

Answer: Currently the association owns close to 300 weeks, there are 55 weeks awaiting non-judicial foreclosure and the remaining approximately 799 weeks are privately owned.

From Keith and Jean Heun: When you replace furniture, do you sell the old furniture? If so do owners have the opportunity to buy it?

Answer: Yes, we have sold some furniture in the past but offering that has some logistical issues as we generally need to get rid of it quickly and have no place to store it until out of town owners can pick up. We generally donate things to Restore – Habitat for Humanity.

From Kent Tess-Mattner: No one in our family is able to sleep on the king-sized bed without waking with a sore back. Are they due to be replaced?

Answer: Replacing all the king beds would run from \$36,000 - \$48,000. That expenditure is currently not planned but we are looking at purchasing good memory foam mattress toppers for them.

From Keith and Jean Heun: Thank you for your hard work Sue and that of your staff!

From Mark Smith: Great job, Sue. Thanks!

From Ralph Heun: Can air conditioning be put in the small bedroom?

Answer: Putting a mini-split air conditioner in the guest bedroom would run about \$48,000 - \$60,000. We will put this question on the owner survey going out in late January to see what the feelings are from the majority of owners.

From Debbie Peterson: Has there been any thought to upgrade the bikes, maybe to some with gears with different speeds? What about bikes for kids?

Answer: We will look into getting a few 3-speed bikes but will keep the single speeds as well. Bikes with multiple gears require more maintenance and have a shorter life expectancy.

From Bernard and Karen Lakus: Do you anticipate all association owned summer weeks will be rented this summer? If so, that would indicate we could raise our summer rental rates for the general public. Last minute rentals for owners should continue to be discounted to insure we don't have empty units for prime weeks.

Answer: Generally speaking, our summer rentals book up a year in advance and most have wait lists, However, the association owns very few summer weeks – less than five. It's extremely rare for a summer rental to sit vacant. If this happens it's because there was a last-minute cancellation or the owner put it up for rent with too little notice for us to fill it.

From Chris Wolff: Has there been any interest in purchasing a unit this year?

Answer: This year there have been no sales of association owned weeks. There have been three weeks

sold from current owners to new owners and two weeks transferred from current owners to family members.

From Brad Wery: Thanks to Sue for the outstanding job she does in accommodating my requests!

From George Strnad: What is the feasibility of revamping sauna/whirlpool in resort center?

Answer: This was looked at several years ago at which time it was determined that the plumbing equipment in the basement is too old to be re-vamped and the existing in-floor hot tub leaks.

From Jim Marx: Is there a possibility of rejoining the pool and fitness center in the future after Covid is past us?

From Glenn Westman: Is there any chance of renegotiation with LF Fitness Center, assuming it is still operating?

Answer to both questions: We are not aware that the owner of the HFC has any plans on re-opening it and would not do so without both resorts paying for it. Owners would be looking at a substantial rate increase, going from what you were paying at \$64 per week to well over \$100 a week due to Treehouse not paying their share. And when you factor in the 300 association owned weeks and 55 weeks pending non-judicial foreclosure, that \$100 could well become \$125 or higher.

From David Banach: Are we considering taking over the fitness center? The owners should be able to vote on taking it over.

Answer: As owner Brian Kobischka stated "If the present owner of the HFC cannot find a way for it to be profitable, it would not make sense for Lake Forest Resort to take over running it." In addition, that building is a money pit in the sense that there is so much deferred maintenance – specifically the fact that it needs a new roof. We will put a question on the owner survey going out in late January to see what the feelings are of the majority of owners.

From Ken Rustici: With the loss of the fitness center and knowing it would be a sizable investment; I would like to propose an estimate to refurbish the whirlpool in the resort center be completed. Then let the owners decide if this is an expense they would be willing to take on.

Answer: The equipment in the resort center basement cannot be refurbished due to its age. This was determined several years ago when we had contractors in to look things over. We would literally have to start from scratch to put a hot tub back into operation. The cost of everything – hot tub and associated plumbing, HVAC, flooring, bathroom/locker room total rehabs, etc. could well run close to \$100,000. Bear in mind it is a public building so state zoning comes into play. In addition, we would lose all our current storage space in the basement (with no on-site alternate space available). The final factor would be insurance issues. When the resort first opened it was a private, owner's only club so having the building open in the evening was not an issue. Now, with our robust rental program the insurance mandates would most likely be far stricter with a substantial fee increase. We will put a question on the owner survey going out in late January to see what the feelings are from the majority of owners.

From Debbie Peterson: Tell us about the month-long rentals? What is the rate?

Answer: We are asking \$1200 for a minimum 30-day rental through the end of March 2021. We currently have someone staying with us through the end of December. These longer rentals will only be available November through the end of March.

From Ross and Dawn Radandt: How many 30-day rental units are available?

Answer: We have just a few to offer through the end of March 2021 that line up in our schedule.

From Debbie Peterson and Ken Rustici: What's going on with Tree House Village?

Answer: The manager of THV has taken a full-time job elsewhere and they recently hired a new part-time manager. Their owner's meeting is Dec. 12<sup>th</sup> at which time they will take a vote on whether to continue another year or wind up their timeshare association at the end of this year. If they vote to go another year their fee is going to be in the \$1000 a week range.

From Mark Smith: Can you explain the thinking about the future of the resort as a timeshare being limited to 4-6 years?

Answer: The board has been reporting on the issue of owner shrinkage for about 4-5 years. As owners deed their weeks back to the association, due to age or mortality, those weeks are going unpaid as the majority of them are in low and shoulder season. It is those unpaid weeks that will eventually drive the maintenance fee to the point where in low and shoulder season it will be higher than the rental rate. At that time, those seasons will tip and the remaining owners will be looking at a very high fee.

From Bernard and Karen Lakus: With limited rentals during the winter, could we shut down a complete building to save utility costs?

Answer: We have done this in the past and will continue to do so.

From Bernard and Karen Lakus: As time goes on if most off-season weeks get deeded back, would it be feasible to just operate as a partial year operation?

Answer: Board member George Swierczynski did an analysis on this which is included with the board meeting minutes of 9.17.20. A review of the data suggests it would not be viable. The majority of owner paid weeks are in the shoulder and low season. With the loss of that revenue the remaining owners would be looking at a fee that could increase anywhere from \$655 to \$1800 depending on how long the resort stayed open during the year. We encourage all owners to review the meeting minutes on the website.

From Bob Thut: Would it be better to lower the rental rate for winter and spring months to get some income vs. letting them sit?

Answer: We conduct monthly rental rate comparisons and price our rates to be competitive. We do offer owners deep discounts for weeks 43 – 50 and over the winter as well but not during peak winter tourist weekends. We can't discount too deep because of the time involved in cleaning a 1200sf condo.

From Kathleen Budnik: Super job Sue, board members, Mary Jo and staff. Thank you all for your dedication!

From Kent Tess-Mattner: We should be willing to pay at least as much per week of maintenance fee equal to the amount for renting the same week.

Comment: We will include this concept as a question on the owner survey coming out in January.

From Kent Tess-Mattner: Has there been any thought to lower maintenance fees for less popular weeks and higher maintenance fees for more popular weeks?

Answer: This would require a by-law amendment but we will include this concept as a question on the owner survey coming out in January.

### **Adjournment**

Renee Santos made a motion to adjourn the meeting at 2:25pm. Dave Anderson seconded. The motion passed unanimously. The raffle followed the adjournment.

Approved: 12.4.21