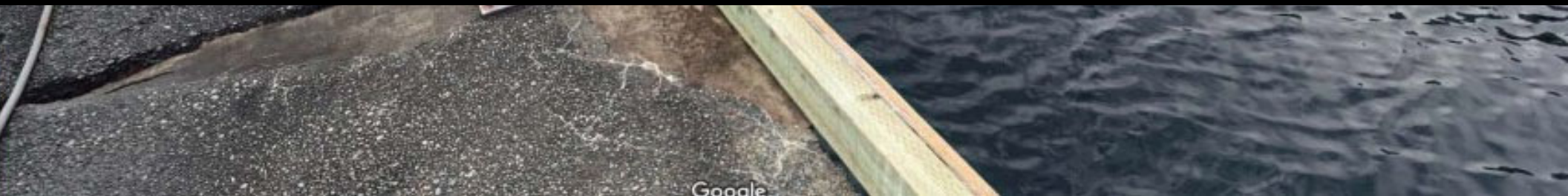




LCYC Breakwater

Delivered to LCYC Villa Tenants 9/27/2022

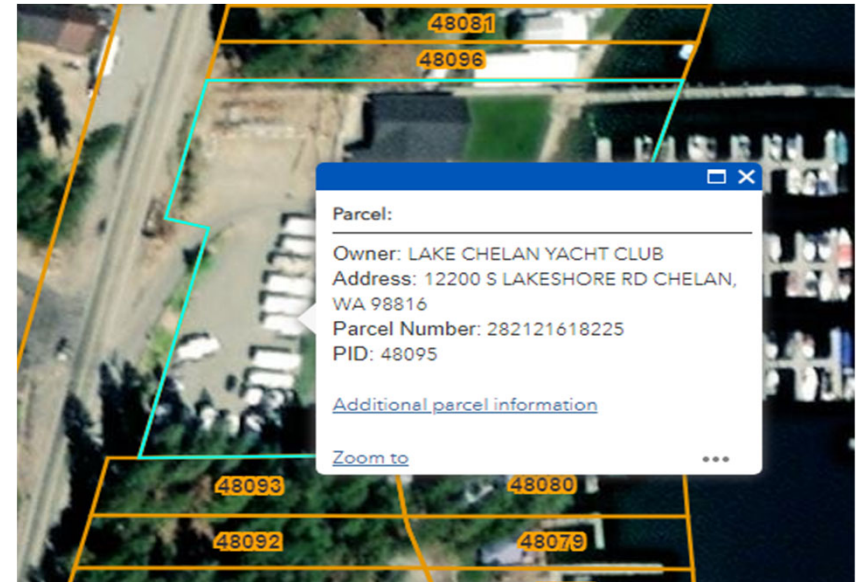
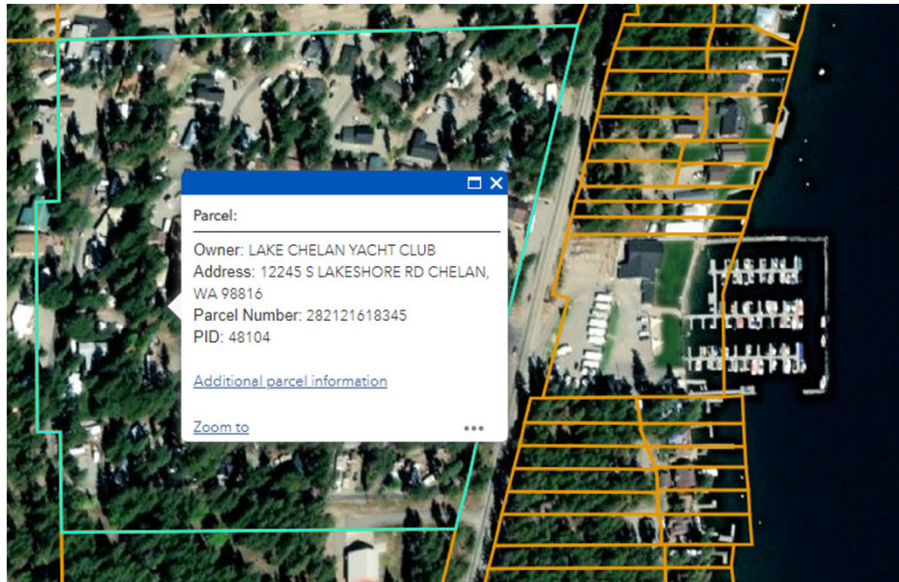


The Breakwater pier is failing.

- Lack of maintenance, bad weather, age.
- A bad storm, a bad day could cause it to fail.
- When it fails, the marina will be unusable.
- However, there is a solution.

Why is the breakwater failing a problem?

- Hopefully, when it fails, it sinks, and does not drift into the inner marina, other docks or the club's gas dock.
 - The potential liability here is staggering, potentially beyond our insurance's coverage. The estimate the value of the boats in the marina is staggering, or if there is an ecological disaster it may be far beyond the club's ability to pay with a liquidation of real assets.
 - The club would more than likely must declare bankruptcy, and the assets of the club would be sold to compensate those damaged beyond our coverage. This includes the Villa lots as they are 100% owned by the club (see next slide).
 - The leases of the Villa lots are year-to-year, and after the Villa is sold, the buyer will want to develop the property and will immediately terminate the leases at the end of the nearest calendar year. They are NOT in perpetuity, there is no such thing.



- The above pictures are taken from the Chelan County Parcel Map.
- Both Parcels #48095 (the waterfront) and #48104 are owned by the Lake Chelan Yacht Club
- In conclusion, if the Breakwater fails, the entire club, including the Villas is in jeopardy.

The Solution to the Problem: New Breakwater

- We currently have two estimates:
 - Bellingham Marine Construction's last estimates \$5 Million for the project up from \$2.5 Million a few years ago.
 - Mountain Barge Service's last estimate was \$3 Million
 - Both bids continue to go up due to inflation and cost increases for materials add pressure.
 - We cannot get a bid fixed as we cannot get approval for the financing by the deadline for the estimates/potential bids.
 - Construction would start at the end of 2023/beginning of 2024.

Breakwater Project Challenges

- The Club does not have the cash to pay for the breakwater project.
- Any new loan to finance the construction of the breakwater will include the underlying debt on the clubhouse property of approximately \$850K.
- After all costs and contingencies, the prospective loan balance at completion could be approximately \$5.9-7.0M (Bellingham) or \$4.3-\$5M (MBS)

Breakwater Funding issues

- The Yacht Club for the twelve months ending 12/31/2021 had cash flow available for loan payments of \$222K.
- Banks will require a cash flow margin of at least 30% of the annual payments. (1.30X the payment)
- Based on Modeling at 7.5%, the annual payments for the Bellingham project would have an estimated annual payment between \$583K and \$683K, depending on contingency, and interest carry expense.
- Based on Modeling at 7.5%, the annual payments for the MBS project would have an estimated annual payment between \$416K and \$470K, depending on contingency, and interest carry expense.
- Rates Continue to go up. We cannot lock our rate until the project is complete.

Bank Cash Flow requirements, cont.

- Cash Flow requirements based on 130% cushion (7.5%).
- Bellingham Marine:
 - Annual Payment of \$583K= \$759K
 - Annual Payment of \$683K= \$888K
- Mountain Barge
 - Annual Payment of \$416K= \$542K
 - Annual Payment of \$470= \$611K

Cash Flow Plan

- Funds must be raised from multiple sources:
 - Raise Regular/Family Member dues to \$1,100
 - Social Members to \$350
 - Moorage Day use to \$50
 - RV Day use to \$70
 - RV Space Rent \$2,000 annually
 - Average Slip Lease \$79 per linear foot
 - Trailer Parking \$360
 - Villa Lot Leases \$3500
 - It is our intent to facilitate the payment of annual dues etc. be broken up into two payments, the first due February 1, the second due May 1 to ease the impact of the increases. For Example, a regular member would make a payment of \$550 on February 1's; \$550 on May 1st.
 - Allow Cove Members to buy gas at a higher price than our members, potentially open to public.

Cash Flow Plan, cont.

- Given the changes Annual Cash Flow Available for Debt Servicing is approximately \$550,670.
- This leaves us a difference which must be met through assessments or additional adjustments to dues/fees.

Bank Value Requirements

- Loan to Value of $< 70\%$
 - For a \$5 Million loan, the value of the clubhouse property must be \$7.14 Million
 - For a \$7 Million loan, the value must be \$10 Million.

What if the clubhouse property doesn't appraise for enough or we cannot support the payment? Equity.

- We can add equity in the form of additional collateral (appraisal shortfall).
- We can contribute more equity in the form of cash.

How do we get more equity to add to the deal?

- If we pledge more collateral, we only pledge enough to cover the requirement.
- We use the cash to borrow less and potentially cover cost overruns.
- If we raise cash, how do we get it?
 - The sale of long term “leases”.
 - Larger Transfer Fees
 - The greater of \$10,000 or 5%

Leases

- Long term leases, cost \$25,000
 - 40-year term
 - Fix rent during that time at \$2,500/annually
 - Renewable, transferable (sellable)
 - May allow for financing
 - Must be member in good standing
 - Protect the lessee in case of unforeseen circumstances due to the nature of the law around land leases.

Examples

Bellingham Marine Loan of \$6.5 Million @ 7.5%

- Annual estimated loan payment of \$630,000- Cash Flow required, \$819,000.
- Given changes, shortfall from cash required, \$269,000 annually. Needs additional cash equity for paydown/contribution of \$2.79M
- Difference made up in further assessments of those who can pay.

MBS Loan of \$4.3 Million at 7.5%

- Annual estimated loan payment of \$478,000- Cash Flow required \$621,000.
- Given changes, shortfall from cash flow required, \$70,203 annually.
- This amount represents a paydown or further cash equity contribution of \$583K or approximately 24 leases @ \$25,000.