

OPERATIONAL REVIEW AND
RECOMMENDATIONS
FOR LAKE FOREST PROPERTY
OWNERS ASSOCIATION, INC.

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INTRODUCTION

Vision Golf and Association Management was retained by Lake Forest Property Owners Association to perform a comprehensive review of the Association's Declaration and By-Laws, Policies and Procedures, Rules and Regulations, Business Center Operations, Leadership/Management and the Physical Conditions of the amenities that the Association owns and controls. The purpose of this examination was to identify opportunities for improving the economic performance of the association and to provide possible solutions to existing challenges that enhance lifestyle and property values of residents.

Throughout this report we may refer to shortened names for: Lake Forest Property Owners Association (LFPOA) and Vision Golf and Association Management (VGAM)

A thorough assessment and evaluation of the Association's Operations, Amenities and Capital Requirements has been completed. Activities conducted in completion of this report included: field research; statistical analysis; contract review; insurance assessment; meetings with board members and committee personnel; meetings with staff in all departments and inspections of the Association's physical assets (golf course, clubhouse, golf course maintenance facilities, pools, tennis courts, stables, yacht club and marina). Further VGAM visited many of the area's competing facilities to gain understanding of the market dynamics. The results of these studies will help determine the most appropriate course of action in the immediate future.

The key personnel contributing to this study effort include Simon Coulls and Bill Bower, managing partners of VGAM as well as Bill Donathan (CFO), Joe Fenner (Agronomist), Rebecca Sarver (Director of HOA Management). The board and several residents of LFPOA as well as the on-site managers and staff of LFPOA.

Vision Golf and Association Management would like to thank the Board of Directors, residents and staff of Lake Forest, who contributed greatly to this study effort. Following is the report.

SUMMARY OF SIGNIFICANT FINDINGS

LFPOA includes the following amenities:

18-Hole Forest Golf Course
9-Hole Lake Golf Course
Driving Range
Golf Course Maintenance Facility
Club House/19th Hole
Tennis Shop
(4) Rubico/Clay Tennis Courts
(2) Hard Courts
(3) Community Swimming Pools with Restroom Facilities (2 pools have adjacent playground facilities)
Equestrian Center (currently leased out)
Marina and Yacht Club

- LFPOA currently has 3,116 residents and undeveloped lots numbering approximately 700. Currently delinquency rate is +/-8% of the 3,116 totaling \$136,354 over 60 days.
- Dues paid per door are \$43.50 per month. There is a possibility that the recent dues increase from \$37.50 to \$43.50 was illegally implemented by the board and should not be collected until a final determination can be made. Investigating the matter, we cannot find proof that the board had the authority to raise membership dues. Authority to establish dues resides with a majority vote of the membership at the annual meeting. In the November 2003 Board meeting, the board passed a motion, which in effect, gave the authority to amend the By-Laws back to the membership.
- Fees are charged for use of all the amenities in the form of additional memberships and/or a per use fee.
- The Association is presently struggling to meet its financial obligations and the facilities are in serious decline both financially and structurally. Immediate action is required to save the association and its business centers from total physical and financial collapse.
- The decline has been caused by several factors that could have been controlled by the LFPOA. It is recommended that a one, three and five year plan be developed and strictly adhered to for a turn around to be effective. This is no small undertaking and will require the help of professional management. Currently the LFPOA has approximately \$500,000.00 of debt that matures in 2012, an operating budget that does not break even and dilapidated amenities that require immediate repair. Contributing challenges include the absence of reserve funds and the severe limitations the LFPOA Declaration and By-Laws place on the Directors to conduct Association business. The documents need to be amended and restated to empower the Board to operate the business of the Association to ensure financial stability.
- The Association currently operates as a 501.C.7 corporation and needs to be amended to a Common Interest Real Estate Association (CIRA). This change would allow the Association to market to and receive revenue from non-members/public without significant tax consequence.

STRUCTURE AND OPERATIONS

- LFPOA currently has a board of nine members. The By-Laws call for a minimum of four elected officials consisting of A President, Vice President, Secretary and Treasurer. Additional Assistant Vice Presidents, Secretaries and Treasurers may be appointed by the elected officials as necessary. Appointed members of the board may be the General Manager and Controller. The Directors term is for three years. Officers are appointed for a 1 year term.
- At this time the Association is suffering from the absence of strong leadership. There seems to be some uncertainty as to who is in charge of various aspects of the Association's business affairs. The General Manager and Controller have split responsibilities and as a result, there is no clear concise direction. For management to be effective, it is necessary to have leader who both understands and can visualize the big picture, managing the long term goals of the Association as well as the day to day operations.
- The overall condition of the facilities is poor and there seems to be a lack of vision and management capacity to bring about improvement. While it is clear that the Association's financial position is limiting there is no excuse for the obvious lack of leadership and attention to keeping the facilities clean and presentable. We have significant concerns with kitchen conditions and health standards being maintained at both the Yacht Club and 19th Hole.
- Dues increases from 1994 to 2010 have increased at a rate of 1.75% per year and have not been sufficient to keep pace with inflation or Association requirements nor have necessary reserve funds been established. Had dues increases been a modest 3% per year the 2010 assessment would be \$45.45 per month. The failure to establish appropriate capital reserves is proving to be crippling to the Association's ability to deal with declining facilities.
- The fee structure in place for golf, swimming and tennis, social, etc. is confusing and is likely to produce opposing factions within the association of those that use the facilities and those that do not. Additionally residents who desire to use the facilities are likely to feel they are being "Nickel and Dimed" to participate. Simple things like going to the pool end up being a charge of \$2.00. It is reasonable to suggest, especially considering the limited revenue they produce, that usage of the tennis and pool amenities should be included in the HOA fees.
- HOA fees are billed monthly. This puts undue burden on the staff to organize monthly mailings to 3,116 residents and places an undue financial burden on the association. If a change was made to quarterly billing or annual billing with a coupon book the Association would benefit from savings of \$13,500+ in postage alone.
- Currently payroll is provided weekly and maintained in-house. Consideration should be given to other payroll schedules to reduce overhead processing payroll costs.

- LFPOA is a 501.C.7 entity. IRS Rules and Regulations are attached. There is some room to take in public revenue but openly marketing to non-member revenue sources is restricted. Consideration should be given to change to a CIRA which gives more latitude to open up the facilities for public use and in so doing developing additional income for the operation.
- A review of the existing insurance policies and coverage suggests the Association has adequate coverage with a few minor exceptions. (See attached analysis of schedules.)
- Employee benefit analysis reflects that health insurance coverage rates cannot be improved at this time. (See attached report)

MARKET ENVIRONMENT

- The demographics of the immediate Lake Forest area show a broad spectrum of property values and age groups. The development is well situated on the interchange of I-10 and Highways 90 and 98 on the Eastern Shore of Mobile Bay. Lake Forest is a desired housing area to support the city of Mobile and the surrounding industry.
- The LFPOA could be well situated for growth with a positive turn in the national economy. Communities that provide multi-generational lifestyle amenities will benefit from an upturn in the housing market faster than those without such amenities but only if those amenities and the Association are financially sound and well managed. It is imperative that the LFPOA positions itself to gain the benefits of this economic change.
- Evidence of younger families is seen in the 200 plus children on the Lake Forest Swim Team. Swim competitions at Lake Forest see up to 600 children participating over a weekend. The tennis and golf programs see reasonable youth participation as well as summer golf camps. Targeting amenity improvements desirable for both young families and those progressing toward or in retirement is recommended. If managed well this can be a win-win.
- Local area income demographics tend to favor strong participation in golf. Time has eclipsed money as the number one objection to playing more golf. Consequently younger working families have very little time available for this activity. This however encourages the refortification of the 9-Hole Lake course, swimming pools and tennis facilities as the driving force to encourage participation. Strong consideration should be given to a long range plan that incorporates a centralized amenity center which would include a resort style pool, fitness, tennis and playground.
- Lake Forest Yacht Club is one of three on the Eastern Shore between I-10 and Pointe Clear. This is a hidden gem but suffocating from poor management and a channel that is continually blocked by silt from the on-site lakes that feed the Bay on the Eastern Shore. Reference should be made to the Watershed Study. Any long range plans that include operating the Yacht Club must account for a complete renovation of the kitchen and expanding public participation in the dining operation.

- Comparative analysis of golf membership fees shows that Lake Forest is in the medium range for the area while the current condition of the facilities is sub-par. There are many opportunities to increase both resident and public participation. Every effort should be made to make improvements to the facilities to attract these segments of the market as well as new homeowners.

LAKE FOREST GOLF AND COUNTRY CLUB

- Lake Forest G&CC is 38 years old. At the time it was built it was in the top of its class. An expansive full-service clubhouse, challenging 18-hole golf course, fun 9-hole course, 4 rubico/clay tennis courts, 2 hard tennis courts and multiple swimming pools. Unfortunately, poor management, restrictive documents and a lack of foresight to appropriately fund necessary reserves has taken a serious toll on the Association's assets, nearly all of which are in need of major renovation.
- The locations of the amenities are not ideal considering that the swim and tennis facilities are separated from the main clubhouse area, the hub of activity. The GC Maintenance area is not ideally located but is workable.
- The compliment of ancillary amenities is appropriate but organized in such a way to reduce the appeal. Overall the facility gives the impression that it is a "private" club and not available to residents.

CLUBHOUSE/19TH HOLE

As the centerpiece to the community, the clubhouse is in a state of decline and immediate attention is required.

- Structural assessment of the entire building needs to be performed.
 - Decaying siding
 - Exposed electrical wires especially noticed in cart storage.
 - Back deck is unsafe and lack safety railing
- The overall physical appearance of the facility is dated and unappealing. This is exasperated by the lack of general landscaping and the cleanliness of the facility.
- Kitchen facilities are adequate but overall layout gives a diner feel.
- 19th Hole does not create a desirable dining atmosphere.
- Facility lacks a true bar
- Bathroom facilities are sub-standard

Long term consideration should be directed toward a major facility renovation or the construction of a new clubhouse facility and consolidation of the amenities to this location. This would include a centralized resort style swimming facility, tennis operation and fitness.

GOLF OPERATIONS

The Golf Operation is the Association's largest expense liability and presents the greatest opportunity to grow revenue. In 2009 the Golf and supporting 19th Hole operations had expenses exceeding revenues in the amount of \$353,977. The operating deficit of the golf club is subsidized by revenue generated from the Association dues. Analysis of rounds played history indicates that the facility is significantly underutilized. While current economic conditions have had devastating impact on Clubs and the golf industry throughout the country, Lake Forest golf income has remained relative flat over the last 5 years which suggests that with effective management and marketing strategies employed there is opportunity for growth.

- The 18-hole Forest golf course is challenging and well located, both of these facts rounds and revenue should grow with quality management and marketing.
- The 9-hole Lake course could be an excellent course for beginners, juniors and those patrons that only want to play a quick 9 holes. Unfortunately the lack of funds has caused this course to be severely neglected resulting in extremely poor condition. Bridges are in need of repair, cart paths are impassable, and drainage is poor due to old septic tanks not being removed from home sites when city sewer was tied in to Lake Forest. Contamination of the greens is heavy but can be remediated. Putting golfers on the course in its' existing condition presents serious safety and liability concerns.
- The Driving Range is a significant asset due to its size.
- Clubhouse/19th Hole. Original clubhouse has been recently demolished due to high costs to maintain and repair. The existing clubhouse facility contains the: golf shop, cart barn, restroom facilities and small F&B operation. The 19th Hole is in need of a major face lift to make it a desirable dining venue. Siding to the building is rotten and requires immediate attention, generally dirty appearance and failing rapidly. We are concerned of potential code violations and liability issues from an electrical and fire standpoint.
- Landscaping should be improved throughout the clubhouse area to enhance overall appeal. The transition from the existing building to where the old clubhouse is incomplete and a major detractor from the overall appearance of clubhouse area.
- Golf cart fueling station is not secure and storage tank does not meet local or federal code.
- Golf cart mechanic does not appear to be on the Club's payroll and workers compensation and liability coverage should be verified.
- The Association is currently leasing 57 used Yamaha gas carts at the rate of \$61.57 for 23 months. We question the reasoning behind the short term lease. Additionally, the rate is significantly higher than the current market rate and should be renegotiated.
- Overall atmosphere and service levels are laze fare and need a shot of adrenaline.

GOLF COURSE MAINTENANCE

- The maintenance budget for Lake Forest now stands at \$600,000.00 for 27-holes after recent reductions. This figure is roughly 30% to 40% lower than what is considered standard for a 27-hole facility with similar acreage. Further reductions will adversely affect the condition of the course and crush any chance to grow revenue.
- The basic maintenance condition of the 18-hole golf course is average to below average. The GC Superintendant has only been in place for 6 months and has an uphill battle ahead. Factors affecting the performance of the operation are: limited financial resources, limited staff, aging irrigation system, structurally compromised pump house and no CO on the maintenance building which has the department currently working out of unsecured mobile container storage units in the parking lot.
 - Greens condition is fair, 2 year old Champion greens, push up not USGA spec
 - Tees have all shrunk through age. Some tees are suffering from severe shade and require remediation that includes using alternative varieties of grass and limbing back surrounding trees.
 - Bunkers are in poor condition due to the age of the course and need to be restored to their original size with new drainage and sand. This should be an ongoing 3 year project that can be completed utilizing in house labor and materials
 - Mowing patterns and fairway lines are hap hazard and do not give a clean look.
 - Drainage issues throughout the course need to be corrected on a continual basis. Each year drainage projects should be budgeted for and completed so that over time issues are corrected. Engage city to assist with removal of septic tanks. Hole #17 is a good example of drainage repair that needs immediate attention and should be an easy fix.
 - 30+ bunkers desperately need renovation over the next 1 to 3 years.
 - New used satellite boxes are being installed to help with irrigation control. Irrigation system as a whole will need replaced over the next 10 years.
- The 9-hole course is in very poor condition and requires additional resources and manpower.
 - Greens condition is poor, surface are contaminated with weeds and off-type grasses. Can be remediated with chemical application.
 - Significant drainage issues.
 - Bridges require repair and refortification. Bridge on 1st hole is unsafe presents a significant liability hazard to the association.
 - Cart paths are not usable and should be removed to eliminate the existing safety hazard.
 - Tees are in poor condition.
 - Clean-up of lake and creek banks is required.

- The existing maintenance compound is unsecured and is vulnerable to vandalism, theft and presents a safety and liability concern. It is recommended that a fence be constructed around the facility.
- Fuel storage is not on LFPOA property and is in violation of local and federal fire codes.
- A complete equipment assessment needs to be performed to eliminate/sell-off assets that are not needed, there is duplication of equipment some of which has never been used. A general clean up of the entire site is badly needed.

MARINA AND YACHT CLUB

- The Marina and Yacht Club is a valuable asset to the LFPOA however the facilities are in an advanced state of decline due to a lack of funds to maintain aging infrastructure.
- Of particular concern is the Yacht Club kitchen which is riddled with health code violations and sanitation issues. Kitchen equipment and facility is in various states of disrepair. The current condition reveals a persistent lack of effective management oversight. Facilities have been allowed to decline to the state that a complete renovation of the kitchen is required for the facility to meet health code requirements.
- Other observations include: Harbor Masters office needs new siding. Docks need to be resurfaced, deck railings need to be repaired and the deck furniture needs to be replaced.
- Play area below the deck needs to be relocated or removed.
- Ingress and Egress from the marina is limited to smaller vessels due the depth of the channel. Further study should be conducted in conjunction with the watershed study that was conducted by Thompson Engineering.
- The number of boats in dry storage is 52 and wet slip 14. Many of the boats in dry storage appear to not have been moved for several years evidenced by rotted or flat trailer tires and the overall condition of the vessels which creates a negative arrival sequence.
- The overall appearance and atmosphere of the Yacht Club is outdated and would benefit from a renovation.

SWIM AND TENNIS FACILITY

- The tennis facility consists of 4 rubico/clay courts and 2 hard courts. Ideally 6 courts of the same surface are required to facilitate tournaments and league play.
- The 4 rubico courts require resurfacing.
- General appearance of the tennis facility is poor and would benefit from landscaping, general maintenance and cleaning.
- Swimming pool has recently been given a new bath house that was built in-house. Swimming pool is not of approved depth and thus presents liability concerns but compliments the Lake Forest Swim Team of over 200 children.
- Fencing and furniture need to be replaced

SATELLITE POOLS AND PLAY AREAS

- There are two satellite pools and play areas in the community, fencing and furniture need to be replaced. General clean up is necessary.
- Playground facilities are in fair condition but upgrades would be a welcome touch.
- Bathroom facilities are acceptable but again could do with a face lift.
- Alabama Pools is the contracted for pool cleaning, maintenance and life guard service.
- Consideration should be given to moving to a key card system for pool access and eliminating life guards.

EQUESTRIAN CENTER

- Currently leased out. Very little activity is recorded and no income generated
- Consideration should be given to take back in house or find another interested individual or entity to take it over, a qualified resident has expressed interest.
- Possibility for a community partnership/outreach programs. (Special needs children)

SUMMARY OF RECOMMENDATIONS

This summary report outlines a series of specific recommendations for the benefit of the LFPOA. These recommendations include ideas for the future physical improvement of the facilities over a 5 year cycle, and cover several topics and categories. As a Common Interest Real Estate Association, any action taken should be done with the consideration that such actions have a positive impact on owners' property values and lifestyle while minimizing the financial impact on Association members. If well managed, highly amenitized communities remain desirable to all demographics.

The need to re-establish the amenities within Lake Forest is critical and can only be done over an extended period of time. The amenities are failing business centers that are adding cost to each resident. In essence each member of the association is a failing business owner. The revitalization plan has to be comprehensive, realistic and must convey the value of the amenities to every homeowner.

The current level of discord within the community and apparent lack of confidence in management and the Board is an obstacle that must be overcome for a successful revitalization. Vision will work to gain confidence of owners by presenting clear and well communicated long range plans that bring into focus the value of living in Lake Forest. Vision currently manages over 60 highly amenitized Master Associations and has experience managing Golf Clubs,

Marinas and Restaurant Operations as well. Our goal with each managed association is to add value to the membership through professional guidance to the Board, exceptional management and foresighted financial planning.

As would be expected with any proposed changes, Association members will want to know "What's in it for me". If members are to be asked to make any additional contribution above and beyond the current dues, they must believe that their investment will be handled with the appropriate fiduciary responsibility and will have a direct benefit to their property value and lifestyle. Proposed actions that will require the support of the membership must be clear and communicated in a manner to develop support. Vision will work on behalf of the Board of Directors to engage members through a variety of communication mediums including e-mail surveys, town hall meetings, newsletters etc. to foster the necessary support.

DEBT RESOLUTION

Debt is the most crippling force the Association faces and requires immediate action for the Association to prevent the loss or forced sale of assets. There are a number of strategies which should be investigated to address the debt.

1. Implement a modest increase in dues per financial plan.
2. Renegotiate the loan terms to extend maturity and increase borrowing capacity. If restructuring the loan is the desired option then communication with the bank to determine their willingness to work with LFPOA has to proceed immediately. This will have to come hand in hand with a sound financial plan that will satisfy the bank's requirements and an amendment of the existing By-Laws.
3. Assess each homeowner immediately and raise the capital to pay off the debt and make gradual improvements to the current physical plant through a structured financial plan. Based on our understanding of the loan value, each home would need to be assessed approximately \$175. Such an assessment would again require an amendment of the By-Laws by the membership and we anticipate it will be difficult to generate support. Vision can work with the board to build a credible financial plan and the membership support that will be required.
4. Sell the marina amenity (Est. Value \$2,500,000.00) and use the proceeds to pay off debt. Reinvest the remainder of revenue generated from the sale to fund reserves and development of a centralized Club amenity package to include new clubhouse with swimming, tennis and fitness. The current economic downturn, combined with the recent uncertainty surrounding the effects of the oil in the Gulf, suggest that this may not be the best time to put the property on the market.

DECLARATION AND BY-LAWS

The Declaration of Covenants and Restrictions and the By-Laws need to be amended and restated for several reasons.

1. We recommend the 501.C.7 corporation status be converted to a Common Interest Real Estate Association (CIRA.) This reclassification provides the Association the ability to market and collect additional income outside of its membership without losing its' tax exempt status for member revenue.
2. The Board of Directors needs the power to determine the dues and special assessments. Limits can be established for both but remember the true annual dues should be determined by the true operational costs of the association including reserves.
3. The board of directors needs more borrowing power to address the current declining conditions.
4. Language should be added to define the rental application process and associated fees. We often find a higher incidence of violations in rental properties thus putting disproportionate hardship on the Association. The application process and enforcement of the documents needs to be stronger.
5. Language to strengthen violation process. The current 30 days to remedy is too long, we recommend shortening to 10 days and amending language for the procedural process.
6. Delinquent Accounts. Modify to charge a late fee when 10 days late and the interest fee needs to be at the max allowed by law.
7. There should be a charge for Estoppels issued by the association. We currently charge \$150.00 at Vision, a large source of income.
8. In addition to the transfer fee a re-sale capital contribution fee of \$1,000 for new homeowners should be considered. Based on 2009 sales this change would have generated an additional \$100,000 for the association.
9. LFPOA documents should state that Reserve Funds cannot be co-mingled and or used for any other purpose than specified in the financial plan.

RESERVE STUDY

It is imperative that a professional Reserve Study be authorized by the board so that the appropriate Reserve Budget can be instituted. It should be noted in the LFPOA Documents that Reserve Funds cannot be co-mingled and or used for any other purpose than specified in the financial plan. Our estimation of reserve requirements is included in the attached financial plan.

ASSOCIATION OPERATIONS

Management organization and strength is a true concern. Being able to have the business acronym, vision and determination to bring the business centers into line both physically and financially is a large undertaking. The Board of Directors holds the fiduciary responsibility to improve the operations of the existing business centers and plan for their long term sustainability. Their vision of financial performance, operating standards and customer service must be molded into an efficient plan that is supported by the membership. The challenge is one of cultural change for the Association that has a 38-year history and a lack of vision for how to move forward in the environment of today.

Recommendations for immediate action:

1. Secure a sound legal opinion on the recent dues increase.
2. Adjust dues per financial plan.
3. Review committee charters, duties and authority
4. ARC procedures restructured and fines and fees adjusted.
5. Establish rental application process and fees.
6. Engage Friday Construction and the City of Daphne to promote Lake Forest and its' amenities.
7. Consideration of re-sale capital contribution fee.

GOLF OPERATIONS

Recommendations for immediate action:

1. Implement marketing strategy to attract new members, events and non-member play.
 - o Implement new website with e-commerce capabilities
 - o Introduce Member Referral Program
 - o Introduce Themed Events
 - o Promote League Play
 - o Establish Member for a Day Play Program
 - o Establish relationships with local charities and chamber of commerce
2. Levels of participation suggest that the current fees are too high. This paired with subpar conditioning and ambiance causes us to recommend a reduction in fees to stimulate membership growth. commendation for fees adjustments are as follows:

Voting Membership

	<u>Current</u>	<u>Proposed</u>
Family Golf Membership	\$2,025	\$1,395
Single Golf Membership	\$1,350	\$995
Range Membership	\$200	\$175
9-Hole Junior Golf Membership	NA	\$295
18-Hole Junior Golf Membership	NA	\$695
Marina and Yacht Club	\$125	\$0

Non-Voting Membership – Initiation Fee

Family Golf	\$279	
Single Golf	\$199	
9 hole Junior	\$59	
18 hole Junior	\$139	
Social (19th Hole and Yacht Club)	\$129	
Swim and Tennis	\$99	Single \$199 Family \$299

- **Tennis and Swimming memberships and daily use fees eliminated for members of the Association.**
- **Social Membership for Residents to be removed, all residents granted social privileges.**
- **All member, guest and cart fees apply**

GOLF MAINTENANCE

Recommendations for immediate action:

- 1) Vision staff agronomist to review and modify agronomic practices, train and assess qualification of current staff and develop capital improvement plan. (Immediate)
- 2) Our understanding is that the Pump House and lake stabilization problems will be corrected this year. Strong consideration needs to be given to fencing the area around the pump station in order to deter any future vandalism and minimize liability. (Immediate)
- 3) Rebuild bridge to #1 Lake Course and remove cart paths on the course which are currently a safety hazard and liability issue. (Year 1)
- 4) Driving Range – repair drainage and rebuild target greens. The driving range is the first and lasting impression for many members and guests. (Year 1)
- 5) Each year drainage projects should be budgeted for and completed so that over time issues are corrected. Engage city to assist with removal of septic tanks.
- 6) Acquire CO on new maintenance building. Again it is our understanding that the maintenance building will have the access road, water connection for Fire Hydrant and parking area completed so that a CO is obtained for the buildings permanent use. (Year 1)
- 7) Facility needs to be secured by fence and gate to reduce vandalism, theft and liability. (Year 1)
- 8) Some form of chemical storage containment center should be obtained in order to comply with law. (Year 1)
- 9) We have serious concerns over fuel storage units and their compliance with local and federal requirements. Fuel is not secure and we were not able to verify if fuel is logged.(Year 1)
- 10)Secure equipment parked on Friday Construction property that is operable and an easy target for theft or vandalism. (Immediate)
- 11)Analysis of existing equipment inventory shows a number of pieces that are not being used, some pieces have never been used. We recommend selling equipment that is not necessary removing inoperable equipment. (
- 12)General clean up of the maintenance area is essential. (Immediate)

DRIVING RANGE

Recommendations for immediate action:

1. Add accessories to improve experience – Bag Stands, Club Wash Station, Clock, Benches, and Yardages. (Year 1)
2. Tee space in the future should be expanded and a short game instruction area established. (Year 3-5)

CLUBHOUSE/ 19TH HOLE

Long term consideration should be directed toward consolidation of the amenities tied into the current clubhouse location. This would include a centralized resort-style family swim center, fitness and tennis operation. Space for this can be obtained by using the old clubhouse site, portions of the 9th hole on the Lake course and small area of driveway that used to come up to the old clubhouse. A separate fitness building would be erected with rest room facilities to include showers and an outside bar facility. This building could have office space and room for Spa facilities.

Recommendations for immediate action:

1. Implement cross-promotion marketing with golf operation. Improve marketing efforts to Lake Forest residents, compile database and e-commerce marketing strategy.
2. Remediate building appearance – replace cedar shake with hardy plank siding. Improve landscaping in clubhouse area.
3. Engage architect to initiate facility redesign.
4. Create low-cost outside seating area.
5. Remediate ingress/egress from old clubhouse.
6. Review use of current office space.
7. Investigate cost to repaint and replace carpet – measure against timeline for major renovation.

MARINA AND YACHT CLUB

Many challenges exist to bring the facility up to desired operational standards.

Recommendations for immediate action:

1. Open facility to all LFPOA members without requiring a social membership fee.
2. Refurbishment of the kitchen to facilitate a higher level of food service and bring into compliance with health department.
3. Repair deck railing to eliminate safety hazard.
4. Investigate cost to remediate slips.
5. General clean-up of building exterior and implementation of new landscaping.
6. If document amendment can be facilitated to change corporation status we recommend opening the facility to non-members. Members to retain reservation priority.

SATELLITE POOLS

Recommendations for immediate action:

1. Eliminate daily use fees for all LFPOA members
2. Install card access control system and consider eliminating life guards to reduce costs.
3. Upgrade/replace existing furniture
4. Clean-up playground facilities
5. Outsource landscaping to improve appearance and curb appeal

*Both satellite pools should remain in the community due to its size and their location.

SWIM AND TENNIS CENTER

Recommendations for immediate action:

Tennis:

1. Eliminate usage fees for LFPOA members. Team/League play fees would still apply.
2. Resurface the Rubico courts
3. Correct erosion issues
4. Install swipe card access control

Swim:

1. Eliminate usage fees with exception of swim team fees
2. Install card swipe access control and consider elimination of life guards.
3. Upgrade furniture
4. Outsource Landscaping

*Long term plan for this area would be to relocate the services at a centralized clubhouse location.

COMMON AREAS/ENTRANCES

Maintenance of the common areas should not fall under golf maintenance responsibilities; they have neither the time nor manpower to accommodate the required duties.

Recommendations for immediate action:

1. Establish common area landscape maintenance budget with allocation for Lake Forest Improvement Committee.
2. Outsource common area maintenance to include: entrances, monument/directional signage, swimming pools, tennis, marina and yacht club.
3. Improve entry landscape appearance - emphasis should be on utilization of seasonal color changes via annuals, periodic trimming and pruning, mowing and mulching.

	2011	2012	2013	2014	2015	2016	2009
	5% increase	4% increase	2% increase	2% increase	2% increase	2% increase per year	
	2011	2012	2013	2014	2015	2016	2009
	3116	3116	3166	3181	3206	3276	
LAKE FOREST							
UNITS	3116	3116	3166	3181	3206	3276	
ASSOCIATION FEE / MONTH	\$37.75	\$38.25	\$40.25	\$38.50	\$39.50	\$40.50	
MANAGEMENT FEE / MONTH	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	
CAPITAL FUND / MONTH	\$2.25	\$3.50	\$4.00	\$6.75	\$6.75	\$8.75	
TAX ESCROW / MONTH	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	
TOTAL ASSESSMENT / MONTH	\$43.50	\$45.25	\$47.75	\$48.75	\$48.75	\$59.75	
INCOME							
ASSOCIATION DUES	\$ 1,533,072	\$ 1,598,508	\$ 1,719,138	\$ 1,768,230	\$ 1,817,802	\$ 1,967,854	1,305,650
SPECIAL ASSESSMENT	\$ 155,800	\$ 155,800					155,400
TRANSFER FEES	\$ 43,000	\$ 43,000	\$ 44,000	\$ 45,000	\$ 45,000	\$ 45,000	40,200
TAX ESCROW	\$ 93,480	\$ 93,480	\$ 94,980	\$ 95,580	\$ 96,180	\$ 96,780	92,743
COLLECTION, LIEN FEES	\$ 65,000	\$ 65,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 40,000	56,000
ARCHITECTURAL	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	16,000
GOLF INCOME	\$ 713,669	\$ 742,216	\$ 771,904	\$ 791,202	\$ 810,982	\$ 827,202	560,242
TENNIS INCOME (LEAGUE)	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	16,370
POOL INCOME (swim team)	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	11,062
MARINA INCOME	\$ 61,000	\$ 61,000	\$ 61,000	\$ 61,000	\$ 61,000	\$ 61,000	67,319
YACHT CLUB F&B	\$ 285,000	\$ 278,250	\$ 289,360	\$ 298,061	\$ 309,984	\$ 322,383	245,456
19TH HOLE F&B	\$ 150,000	\$ 150,000	\$ 154,500	\$ 159,135	\$ 163,909	\$ 168,826	79,050
TOTAL INCOME	\$ 3,113,021	\$ 3,220,254	\$ 3,217,902	\$ 3,301,208	\$ 3,387,857	\$ 3,462,045	2,645,521
EXPENSES							
GENERAL ADMINISTRATION	\$ 710,000	\$ 738,400	\$ 767,936	\$ 790,974	\$ 814,703	\$ 839,144	780,105
ARCHITECTURAL	\$ 45,000	\$ 46,350	\$ 47,741	\$ 48,173	\$ 50,648	\$ 52,167	41,624
FACILITY MAINTENANCE	\$ 187,000	\$ 191,675	\$ 196,467	\$ 201,379	\$ 206,413	\$ 211,573	173,128
GOLF SHOP	\$ 269,000	\$ 277,070	\$ 285,382	\$ 293,944	\$ 302,762	\$ 311,845	289,289
GOLF MAINTENANCE	\$ 720,000	\$ 756,000	\$ 783,800	\$ 835,490	\$ 875,165	\$ 918,523	616,551
TENNIS	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564	\$ 67,531	\$ 69,556	51,660
POOLS	\$ 125,000	\$ 128,750	\$ 132,613	\$ 136,591	\$ 140,689	\$ 144,909	120,388
MARINA	\$ 55,000	\$ 55,000	\$ 55,300	\$ 55,300	\$ 55,300	\$ 55,300	51,184
YACHT CLUB F&B	\$ 251,750	\$ 264,338	\$ 274,911	\$ 283,158	\$ 294,465	\$ 306,264	309,246
19 HOLE F&B	\$ 145,500	\$ 142,500	\$ 146,775	\$ 151,178	\$ 155,714	\$ 160,385	163,352
BAD DEBT							
EXPENSES	\$ 2,568,250	\$ 2,661,883	\$ 2,767,578	\$ 2,863,750	\$ 2,969,906	\$ 3,076,314	2,558,527
CAPITAL RESERVES	\$ 84,132	\$ 130,872	\$ 151,988	\$ 258,066	\$ 259,686	\$ 261,306	
ACCUMULATED RESERVES	\$ 84,132	\$ 215,004	\$ 386,972	\$ 625,038	\$ 684,724	\$ 1,146,030	
TOTAL EXPENSES	\$ 2,652,382	\$ 2,792,755	\$ 2,919,546	\$ 3,121,816	\$ 3,229,592	\$ 3,339,620	
NET PROFIT/LOSS	\$ 460,639	\$ 427,499	\$ 298,356	\$ 179,392	\$ 158,265	\$ 122,425	86,994
CAPITAL IMPROVEMENTS	\$ 200,000	\$ 147,697	\$ 107,159	\$ 179,392	\$ 158,265	\$ 122,425	
LOAN PAYOFF LINE OF CREDIT	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -	
LOAN PAYOFF SMALL NOTES	\$ 94,000	\$ 94,000	\$ -	\$ -	\$ -	\$ -	
LOAN PAYOFF MARINA	\$ 66,219	\$ 86,731	\$ 181,375	\$ -	\$ -	\$ -	
TOTAL CAPITAL AND LOAN	\$ 460,219	\$ 428,428	\$ 298,534	\$ 179,392	\$ 158,265	\$ 122,425	
TOTAL	\$ 420	\$ (929)	\$ (178)	\$ -	\$ -	\$ -	

By the end of 2013
You will have \$366,972.00 in reserves
You will have spent \$454,856.00 on capital improvements
You will be debt free from lenders
Consideration for Re-sale Capital contributions should be made, \$1000.00 per unit. Not in the plan but would equate to over \$500,000.00 in additional funds for centralized amenity package
Accumulated Reserves would total \$1,146,030.00

Lake Forest Property Owners Association, Inc.								
Ins Agent/ Phone	Ins. Carrier	Type of Cov.	Ins. Policy No.	Limits and Deductible	Renewal Date	Premium		
	Insurance Policies							
	Golf & CC							
Fisher Brown, Inc.	North River Insurance Company through Crum & Forster (Broker)	D & O claims made basis	Not listed	\$3,000,000 aggregate claims made basis	3/31/2010 - 3/31/2011	\$ 11,310.00		
		claims made is okay. This is the only way they write it now.		\$15,000 each insured person				
				\$25,000 EPLI				
	Landmark American Insurance Co.	Commercial Property One Golf Terrace (building)	LHD366577	Deductible Not Listed \$2,060,000	3/31/2010 - 3/31/2011	\$ 53,168.54		
		Personal Property		\$257,500				
		Personal Property of Others		\$40,000				
		Business Income w/Extra Expense incl. rental value		\$50,000	this appears to be low			
		3 Yacht Club Drive (building Yacht Club)		\$1,200,000				
		Personal Property		\$300,000				
		Business Income w/Extra Expense incl. rental value		\$50,000				
		3 Yacht Club Dr. (marina, office, storage)		\$25,000				
		Personal Property		\$1,000				
		3 Yacht Club Dr. (marina fuel bldg)		\$20,000				
		Personal Property		\$2,575				
		268 Equine Circle (riding stable)		\$25,750				
		102 Plaza Circle (pool bathhouse)		\$25,750				
		208 Montclair Loop (pool bathhouse)		\$25,000				
		197 Country Club Dr. (swim/raquet club)		\$65,000				
		Personal Property		\$1,000				
		197 Country Club Dr (Tennis Pro Shop)		\$45,000				
		Personal Property		\$5,000				
		197 Country Club Dr (restroom 15th tee box)		\$28,077				
		Adj to One Golf Terrace (golf course maintenance bldg)		\$100,000				
		Personal Property		\$15,000				

		Schooly Circle (restroom - 6th tee box)			\$28,077				
Fisher Brown, Inc.	Auto-Owners	Hired and non-owned Auto	47-216-886-00		\$1,000,000	3/31/2010 - 3/31/2011		\$	102.46
					do not have list of equipment				
Fisher Brown, Inc.	Travelers Insurance	Inland Marine	QT-660-4327N456-TIL-10		\$2,000,000/\$1,000,000	3/31/2010 - 3/31/2011		\$	6,528.00
	Admiral Insurance Company	General Liability	CA000013995-02		\$1,000,000/\$2,000,000	3/31/2010 - 3/31/2011		\$	15,029.00
	Liberty Surplus Insurance Corp.	Liquor Liability	LLL2130810210		\$1,000,000/\$2,000,000	3/31/2010 - 3/31/2011		\$	12,683.96
	International Marine Underwriters	Marine Operators Legal Liability	NSJH11278		\$1,000,000/\$2,000,000	3/31/2010 - 3/31/2011		\$	5,500.00
	Great American Insurance Company	Fidelity Bond	SAA-554-38-21-5668-02		\$250,000	3/31/2010 - 3/31/2011		\$	582.00
					\$2,500 deductible				
Fisher Brown, Inc.	Fidelity National Property & Casualty Insurance Company	Flood	01 4400043429 01			1/13/2010 - 1/13/2011		\$	3,775.00
		3 Yacht Club Drive (lowest floor only)	building contents		\$500,000				
					\$220,500				
					does it cover over GL & D&O?			\$	12,000.00
	RSUI Indemnity Co.	Umbrella	do not have copy of policy					\$	
								\$	
						TOTAL PREMIUM		\$	120,678.96

G. IRC 501(c)(7) ORGANIZATION

1. Introduction

Social and recreational clubs were originally granted exemption in the Revenue Act of 1916. Congress stated that the reason for their exemption was that the experience of the Treasury Department had been that securing returns from clubs had been a source of expense and annoyance and had resulted in the collection of little or no tax. By contrast, the justifications offered by Congress for the majority of other exempt classifications are that they provide some sort of community service or public benefit.

Generally, social clubs are membership organizations primarily supported by funds paid by their members. The tax exemption of social clubs has the practical effect of allowing individuals to join together to provide themselves recreational or social facilities on a mutual basis, without further tax consequences, where the sources of income of the organization are limited to receipts from the membership. Thus, the individual member is in substantially the same position as if he had spent his income on pleasure or recreation without the intervening organization. (Note that IRC 277 provides that a membership organization not exempt from tax may deduct expenses attributable to the provision of goods, services, or insurance to members only to the extent of income derived from members. In any tax year in which deductions exceed income, excess deductions are treated as paid in the following year. The purpose of this provision is to prevent nonexempt membership organizations from effectively rendering themselves free of tax by offsetting losses from membership activities against income derived from investments or other nonmember sources to produce little or no taxable income. Were they permitted to do so, they could put themselves in a better position than exempt clubs, which are taxable on all income but so-called "exempt function" income. See IRC 512(a)(3) and 277. This provision could be significant in computing the tax due from a revoked club.)

2. General Rules

The ordinary meaning of the term "club" implies that there must be club members, and that there must be a "commingling" of the members for social, recreational, or similar purposes. The commingling requirement has been stated in Rev. Rul. 58-589, 1958-2 C.B. 266, Rev. Rul. 70-32, 1970-1 C.B. 132, and Rev.

Rul. 74-30, 1974-1 C.B. 137. Commingling is present if such things as meetings, gatherings and regular meeting FACILITIES ARE EVIDENT.

Rev. Rul. 58-589, 1958-2 C.B. 266, discusses the criteria for exemption under IRC 501(c)(7) and holds that a club must have an established membership of individuals, commingling, and fellowship to be a social club within the meaning of the statute. While this does not mean that a club cannot have artificial entities, such as corporations, as members, a federation composed completely of artificial entities (clubs) was held to be not exempt under IRC 501(c)(7) in Rev. Rul. 67-428, 1967-2 C.B. 204. The rationale of that case was that a federation of clubs was a collection of artificial entities not capable of the kind of commingling required of the membership of exempt clubs. Thus, corporate memberships will not automatically disqualify a club as long as there are sufficient individual members to provide the requisite amount of fellowship and commingling. (See Rev. Rul. 74-168, 1974-1 C.B. 139).

Clubs must be organized for pleasure, recreation and other non-profitable purposes. The Service has held that these other non-profitable purposes must be similar to providing pleasure and recreation. Sponsoring activities of a noncommercial nature can lead to denial or revocation if the activities are not similar to providing pleasure and recreation. In Rev. Rul. 63-190, 1963-2 C.B. 212, an organization was held not to qualify for exemption under IRC 501(c)(7) where it provided its members with sick and death benefits.

A club is not exempt if it provides pleasure and recreation on a commercial basis. Evidence that a club may be operating on a commercial basis exists if:

1. Membership requirements are broad or vaguely stated;
2. The initiation charges or dues are so low that one-time or transient use of the facilities by the general public is encouraged;
3. Management is strenuously engaged in expanding club membership; or
4. Management can effectively perpetuate itself through close physical and financial ties to club activities or facilities, or by other means. (See Exempt Organizations Handbook IRM 7751-124.)

Reg. 1.501(c)(7)-1(b) makes it clear that making club facilities available to the public for a fee is not a permissible IRC 501(c)(7) activity, and it establishes a presumption that a club is engaging in business if the club solicits public use of its facilities. The basic problem in this area is to determine whether a substantial purpose of a purported club is to operate a commercial activity. This determination will necessarily rely on an examination of all relevant facts and circumstances.

3. P.L. 94-568

The tax treatment of social clubs has undergone a substantial change due to the passage of P.L. 94-568 on October 20, 1976. Prior to passage of this law, IRC 501(c)(7) provided exemption for clubs organized and operated exclusively for pleasure, recreation and other non-profitable purposes. The law substitutes the word "substantially" for "exclusively". The law also added IRC 501(i) to the Code, which prohibits discrimination by certain social clubs. That section reads:

(i) Prohibition of Discrimination by Certain Social Clubs.

Notwithstanding subsection (a), an organization which is described in subsection (c)(7) shall not be exempt from taxation under subsection (a) for any taxable year if, at any time during such taxable year, the charter, bylaws, or other governing instrument, of such organization or any written policy statement of such organization contains a provision which provides for discrimination against any person on the basis of race, color or religion.

In addition, the law does not allow a social club exempt under IRC 501(c)(7) a corporate dividends-received deduction in computing unrelated business income tax, thus codifying longstanding service position in that regard.

4. Substitution of "Substantially All" for "Exclusively"

This change is most likely to cause problems in the interpretation of the law. The existing regulations under IRC 501(c)(7) are of no use in this regard and are being revised to reflect the provisions of the law.

Reg. 1.501(c)(7)-1(a) states, in part:

In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments. However, a club otherwise entitled to exemption will not

be disqualified because it raises revenue from members through the use of club facilities or in connection with club activities.

The Service has attempted to clarify the kinds and degree of activities which would cause a club to lose its exemption through non-member participation in club affairs and activities (See Rev. Rul. 58-589, 1958-2 C.B. 266, which stated that dealings with non-members must be incidental to and in furtherance of general club purposes and the income from that participation must not inure to the benefit of the members.) Then, in Rev. Rul. 60-324, 1960-2 C.B. 173, an organization that derived 12 to 17 percent of its total income from the general public's use of its facilities was revoked as not being operated exclusively for pleasure, recreation or other non-profitable purposes. Various court decisions also discussed the permissible volume of non-member income (See U.S. v. Fort Worth Club, 345 F.2d 52 (5th Cir. 1965)).

In Rev. Proc. 64-36, 1964-2 C.B. 962, the Service established guidelines for determining the effect on the club's exemption of gross receipts derived from non-member use of its facilities. The guidelines determined the extent to which these gross receipts would be taken into account as a factor reflecting the existence of a non-exempt purpose. These guidelines were superseded by Rev. Proc. 71-17, 1971-1 C.B. 683. The Service established as an audit guideline that if gross receipts derived from non-members exceeded \$2,500 and were five percent or more of the total gross receipts of the organization a non-exempt purpose that could result in revocation was indicated. Gross receipts from non-members at or below these levels did not demonstrate a non-exempt purpose. Thus, a "safeharbor" rule was created. Even when the limits were exceeded, the Service looked at all the facts and circumstances to determine whether a non-exempt purpose existed. However, this audit standard related solely to the exempt status of a club, and had no effect on the amount subject to taxation as unrelated business income. (Income derived by a social club pursuant to a reciprocal agreement with a social club of like nature is to be treated as income from nonmembers, as the legislative history of this section indicates that it was intended that amounts derived from sources outside the membership are not entitled to the benefits of tax exemption. It should be noted that Rev. Proc. 64-36 provided that a social club would not be adversely affected by the presence of members of another social club under an agreement which provides for the reciprocal use of facilities. Rev. Proc. 71-17 did not address this issue because at the time of its publication this issue had not been resolved.)

Public Law 94-568 has changed the audit standard. Since the Tax Reform Act of 1969 subjected social clubs to tax on their investment income as well as

their unrelated business income, Congress felt that the percentage requirements could be liberalized as long as a club was substantially devoted to the personal, recreational or social benefit of its members. The Committee reports indicate their intent was to make it clear that social clubs may receive some outside income, including investment income, without losing their exempt status and permit them to derive a higher percentage of gross receipts from the use of their facilities and services by nonmembers than would have been permitted under published Service guidelines. The law allows organizations to receive up to 35 percent of their gross receipts, including investment income, from sources outside their membership without losing their exempt status. Within this 35 percent, not more than 15 percent of gross receipts should be non-member income. Gross receipts are defined in the Committee Reports for this purpose as:

...those receipts from normal and usual activities of the club (that is, those activities they had traditionally conducted) including charges, admissions, membership fees, dues, assessments, investment income (such as dividends, rents and similar receipts) and normal recurring capital gains on investments, but excluding initiation fees and capital contributions.

If the club earns more than is permitted under this law, a facts and circumstances test will be applied. Some facts and circumstances that may be considered are net profits derived from non-member use, the purpose for which a social club's facilities are made available to non-member groups, and the frequency of use of club facilities by non-members.

In the ongoing and protracted litigation involving Pittsburgh Press Club, (five decisions have been reported, three Federal district court opinions (two on remand) and two court of appeals opinions, and the case is currently being appealed on the basis of the lower court's findings of facts being clearly erroneous) the Service sought to revoke the club's exempt status on two bases. First, one class of members paid lower dues than other classes even though all classes had equal access to club facilities and services, resulting in inurement to the former class, and second, a substantial portion of its total gross receipts was from nonmember use of club facilities.

Despite a strong and obvious difference of opinion between the district court and the appellate court in this case, neither one has been willing to go so far as to sustain the Service's proposal to revoke on the basis of the facts available. Although the appellate court seems more disposed to that view, and has twice

sought to have the facts clarified, it has thus far found that (1) use of the club facilities by each membership class was roughly proportional to the dues charged that class, thus there was no inurement and; (2) revenues generated from non-member sources in the range of 11 to 17 percent of total gross receipts were not, as a matter of law, above the threshold of engaging in business and were not so high that, as a matter of law, exemption under IRC 501(c)(7) must be denied. The Court of Appeals has also stated that other factors should be considered, including the amount of net profits derived from nonmember use of club facilities and services, the purposes for which a social club's facilities are made available to non-member groups, and the frequency of use of club facilities made by non-members. When the percentage limitations of P.L. 94-568 are exceeded, these factors should be considered in the facts and circumstances test.

For the purposes of determining a club's net profits from nonmember use of its facilities and services, the Court of Appeals stated that it is proper to charge costs directly attributable to these activities (variable costs) against the income derived (such as cost of goods sold, salaries of employees while assigned to these activities, etc.). However, the Court stated that all fixed costs - those costs the club's members would have to bear in the absence of the nonmember income - such as rent, depreciation, utilities, maintenance, etc., could not be charged against nonmember income for this purpose. (The Court's reasoning may be found at 579 F.2d 751, 761.)

The Court did not expressly sanction this allocation method for any other purpose than determining net profits from nonmember income, and it must be emphasized that the concept of net profits from nonmember income is normally only relevant where a club derives over 15% of its gross receipts from nonmembers, which then requires an examination of all the relevant facts and circumstances.

The proper method of allocating expenses for the purpose of determining tax in cases involving dual use of facilities or personnel is stated in Reg. 1.512(a)-1. Expenses (both fixed and variable as those terms are used in Pittsburgh Press) should be allocated between the two uses on a reasonable basis. The Examination Guidelines Handbook (IRM 7(10)69 - Exhibit 700-1) contains an example of one method that we consider to be reasonable. This is merely an example and is not the only method that can be used.

5. Conduct of an Unrelated Business

The percentage guidelines and facts and circumstances tests apply only to nonmember use of club facilities. P.L. 94-568 does not allow a social club to include income from sources other than nonmember use of club facilities and investment income within the percentage guidelines, and was not intended to allow a club to engage in activities previously forbidden. While the law was intended to increase the allowance of nonmember income from club facilities, it was not meant to eliminate the prohibition against engaging in nontraditional business. The Committee reports state:

It is not intended that these organizations should be permitted to receive, within the 15 or 35 percent allowances, income from the active conduct of businesses not traditionally carried on by these organizations.

The conduct of a business "not traditionally carried on" by social clubs should preclude exemption. An example of a business not traditionally carried on would be the sale of sporting goods to the general public from a location not physically attached to the club. This has all the characteristics of a business: solicitation of the general public, a recurring activity, and the conduct of an activity unrelated to the exempt function of a social club. Current thinking within the Service, although not yet finalized, is that the phrase "not traditionally carried on" means, in this context, not normally and usually engaged in by social clubs generally (as opposed to the particular club in question).

The Service has ruled that the sale of liquor to members for consumption off the club's premises does not constitute the raising of income from members through the use of the club's facilities and is neither related to nor in furtherance of a social club's exempt purpose. (See Rev. Rul. 68-535, 1968-2 C.B. 219). In the case of Santa Barbara Club v. Commissioner, 68 T.C. 200 (1977), that social club's exemption was revoked for the sale of liquor to members for off-premises consumption. These sales exceeded 25% of the club's total gross receipts and the gross profit derived from this service to members was in excess of 7% of the club's gross income from all sources. The court held that by conducting this activity to this degree, the club was not operated exclusively for exempt purposes.

6. Unusual Amounts of Income

The committee reports for P.L. 94-568 state that "where a club receives unusual amounts of income, such as from the sale of its clubhouse or similar facility, that income is not to be included in either the gross receipts of the club or

in the permitted 35 or 15 percent allowances." The problem in this area is to define "unusual amounts of income." The Service has allowed a club to sell property which it had obtained in furtherance of its exempt purpose without subjecting it to revocation. However, where an activity is recurring, or the club obtained property with the motive of generating a profit instead of furthering its exempt purposes, then it appears that the resulting income would not be the type of income Congress intended to exclude and would jeopardize the club's exempt status.

7. Discrimination

P.L. 94-568 inserted into the Code IRC 501(i), which provides that an organization exempt under IRC 501(c)(7) is to lose its exempt status for any taxable year if, at any time during that year, its governing instruments or written policy statements contain a provision that provides for discrimination against any person on the basis of race, color, or religion. It had been held in *McGlotten v. Connally*, 338 F. Supp. 448 (D.C., D.C. 1972), that discrimination on account of race is not prohibited under the Constitution in the case of exempt social clubs (although it is prohibited for 501(c)(8) fraternal lodges.) The Committee Reports note the *McGlotten* case and state:

In view of national policy, it is believed that it is inappropriate for a social club or similar organization described in section 501(c)(7) to be exempt from income taxation if its written policy is to discriminate on account of race, color or religion.

No mention is made in the Committee reports as to the treatment of ethnic clubs and cases involving this issue should be sent to the National Office for resolution as per Manual Transmittal 7(10)G-40 dated March 30, 1979.

It should be noted that certain auxiliaries of fraternal beneficiary societies such as the Knights of Columbus have been properly classified as social clubs. Some may have written provisions in their governing instruments limiting membership to individuals of a particular religion, thus violating the provisions of IRC 501(i). H.R. 5505, a proposed bill currently pending in Congress, would allow these organizations to maintain their discriminatory provisions without consequence, if the fraternal beneficiary society is exempt under IRC 501(c)(8).

8. Dividends Received Deduction

The major reason for the dividends received deduction in IRC 243 is to avoid so-called "double taxation" in corporate taxes on earnings as income is passed from one corporation to another. Income on which the corporation has paid a tax is then taxed to individual shareholders when the earnings are paid out as dividends to them. In the case of social clubs, certain fraternities and sororities and employees beneficiary associations, the tax on shareholders does not apply since the dividend income received by these organizations is not distributed to the members although they reap the benefits in reduced dues or increased services. Since the exempt organization is in effect taking the place of the individual member for tax purposes, the tax applies to these organizations in the same manner as in the case of individual shareholders. The law amends IRC 512(a)(3) (and 277) to provide that the corporate dividends received deduction is not available to exempt clubs in the case of their investment income from corporate dividends, thus making this income taxable as unrelated business income. This was intended as a clarification of existing law, not to imply that such dividends were excludable under previous interpretations.

9. Effective Date

The specified effective date for P.L. 94-568 is for years beginning after October 20, 1976. However, the Committee reports indicate that the changes made as to income from nonmembers and investment sources were intended as a clarification of existing law under the Tax Reform Act of 1969. Despite this language, Treasury has decided that P.L. 94-568 will not be given retroactive effect, as the effective date contained in the statute is not ambiguous and thus governs.

WHY CONSIDER PROFESSIONAL MANAGEMENT

Property Owner Associations as well as the golf industry are facing unprecedented challenges today. Associations are burdened with the collapse of the housing market, high member delinquency rates, increasing governance restrictions, and in the case of Lake Forest, ownership of a struggling marina and golf facility further magnifies the challenges.

At Vision Golf & Association Management, our emphasis is to provide hands-on professional guidance, training, and direction to Association Board of Directors, owners and staff to maximize the results of every Association and Club we manage. Only those Associations that excel in all aspects of management will be on the path to financial stability while enhancing property values of all association members. Vision is well positioned to meet the demands and maximize the potential of Lake Forest, and we appreciate the opportunity to summarize our services for you.

WHY VISION GOLF & ASSOCIATION MANAGEMENT

Vision Golf & Association Management is a full-service Professional Management Company based in Fort Myers, FL that specializes in the management of highly amenitized Master, H.O.A. and Condominium Associations in addition to Private, Semi-Private, Resort and Daily Fee Club Facilities.

We are a value driven firm you can count on us for:

- Relationships based on Trust, Honesty, Respect, Openness, and Clarity. Integrity is the basis for trust and success.
- Clear, timely, and accurate communication.
- Service that is customized to your needs.
- Innovative solutions to meet the challenges of today. We are methodical, comprehensive, and foresighted in meeting your goals and objectives.
- Our work product – management reports, fiscal management, planning, service training – is second to none. As each association's needs are unique, our work begins with a comprehensive needs assessment to determine challenges and define assets and weaknesses. We will work with owners and directors to identify improvements that can strengthen operations and create cost-savings and efficiencies.

Throughout its' 20+ year history, Vision Golf & Association Management has established a reputation of exceeding client expectations. Our extensive experience includes construction oversight and startup of more than 15 golf facilities and on-going management of a diverse portfolio of associations and exceptional clubs. Characteristics unique to Vision include our Community Association Management division and our pioneering history with bundled golf communities. At several Vision managed accounts we conduct operations for both the Property Owners Association and Club providing association members a single point of contact, creating synergies and value that cannot be accomplished with any other management company.

A professional management relationship with Vision is customized to the needs of each of our clients and includes everything from Turnkey management services, to consulting, to strategic planning and crisis management.

Vision's Executive Team's experience includes operational and financial management of some of the world's finest clubs and resorts in addition to over 200 community associations. Current management experience related to Lake Forest includes: Heritage Bay Golf and Country Club, Heritage Palms Golf and Country Club, Cypress Woods Country Club and River Strand Golf and Country Club. (All highly amenitized communities with an association controlled golf component) Engaging the services of Vision Golf & Association Management will provide Lake Forest the benefit of our 100+ years of combined industry experience that encompasses all of the specific disciplines involved in the management of Lake Forest.

OVERVIEW - LAKE FOREST YACHT AND COUNTRY CLUB

On May 18th and 19th Vision Golf and Association Management managing partners Simon Coulls and Bill Bower conducted a site visit with Lake Forest resident George Lieb. We spent several hours in conversation regarding the overall operation of the community and its amenities and took an extensive tour of the community and all of the amenity facilities.

Following this short visit, our initial thoughts are many and come from combining our extensive experience combined with information gathered while on site and from both the official and unofficial web sites:

Lake Forest is 38 years old and a majority of the amenities appear to be in need of significant capital improvement and repairs; what are the short term and long term goals for capital improvements and reserve funding? The most important key to success for the Lake Forest Property Owners Association, like any business, is a sound business plan that addresses the needs of today as well as those 3, 5, 10+ years down the road.

The first order of business we see is to work with the board and the owners to develop a clear vision of what residents want Lake Forest to be. Without question preserving property values and quality of life are #1 on everyone's list but without a clear vision it is not possible to define the future direction of the community. The second order of business is sustainability and preservation of value. The association owns and operates multiple amenity business centers each with their own needs and requirements for successful operation. Each business center must be evaluated in detail. Failing to successfully manage these association owned business units ultimately leads to declining property values and an increased financial burden on association members. We suggest the immediate implementation of a 10 year full-cycle budget, both operational and reserve, be put in place. Finally in the initial phase we suggest a thorough review of association governing documents and policies and procedures. What is the process for collections, architectural review, violations, etc. and how effectively are those processes being managed?

In short Lake Forest needs to begin the process of revitalization. Due to the size of Lake Forest and the number of existing amenities, including a marina and golf course, this process will be complex and will take several years to complete. Engaging the services of Vision will provide the Board of Directors the benefit of our experience and guidance during this challenging process.

IMMEDIATE ACTION STEPS

- Board and resident meetings to define community vision and desires
- Effective communication to the residents
- Review staffing levels and their effectiveness
- Review all business center operations
- Investigate restructuring HOA Fee schedules to allow for amenity usage and participation more accommodating to the residents. (Eliminate member fees for use of the tennis courts or pools) Guest fees would remain in place but need to be reviewed. Improvements to swimming and tennis. Court surfacing, pool fencing and restroom facilities to have a facelift.
- Comprehensive financial review and development of 10-year plan
- Cultivate the city's involvement in Lake Forest – roadway improvements
- Marina – evaluate viable income opportunities in addition to alternative options including sale or lease of the property
- Identify areas for increased revenue with a focus on golf operations: Evaluation of the club's opportunities for success as a private club operation, consideration of alternative operational models, analyze marketing efforts. Consideration of utilizing the 9-hole course as a standard amenity for the community and as a marketing tool for the association at large; 1st Tee Program, Jr. Golf, golf leagues etc.
- Comprehensive RESERVE STUDY on all amenities.
- Investigate alternative capital contribution fees from new homes and resale's.
- Investigate developer interest in bundled golf option for remaining lots
- Implementation of new resident interactive website
- Investigate access card system for pools
- Enforcement and management of Violations and ARC
- General clean up of landscape at the entrances to the community. Beautification project. Need a community committee and volunteer group

VISION OWNERSHIP AND STRUCTURE

Vision Golf Management is owned by two Managing Partners; Bill Bower and Simon Coulls. The Executive Team is comprised of the two Managing Partners as well as, Bill Donathan (Chief Financial Officer), Rob Wright (Director of Food and Beverage Operations), Joe Fenner (Corporate Agronomist), and Rebecca Sarver (Director of Association Management). Please see the annex for executive bios.

OUR DIFFERENCE

Our difference is our people, our experience, and our extensive operating tools and systems. Our operating team is our Executive Team.

The Vision Advantage is that the Board of Directors will have a direct relationship with our Executive Team. We believe our philosophy, expertise and company standards would be an excellent match for Lake Forest.

VISION GOLF & ASSOCIATION MANAGEMENT A COMPREHENSIVE SOLUTION

ASSOCIATION MANAGEMENT

Our Association Management team has more than 100 years combined industry experience serving communities of all sizes with dedicated resources in budgeting, governance, operations, and training for homeowner associations. Our accounting team is skilled in developing realistic operating and reserve schedules to allow for proper maintenance and reserve collection. We are committed to education and training for Board members in order to be effective in their role as community leaders as well as homeowners on the various aspects of living in a community association. Effective leadership by a management firm allows elected association leaders to devote more time to policy and strategy. Effective, stable management is paramount to your community's long-term success.

Association Management Services Include:

- Professional Accounting Services.
 1. Monthly financial reports
 2. Maintenance of unlimited bank accounts
 3. Budget preparation
 4. Preferred banking relationships
 5. Collection of all common fees and charges
- Monthly and Annual Manager's Report.
- On-site and off-site management of HOA and Condo associations.
- Supervision and coordination of vendor services.
- Coordination of Board and Membership Meetings
 1. CAM attendance at meetings
 2. Preparation and distribution of notices
 3. Meeting minutes
 4. Other services as requested by the board
- Insurance Specialists on staff.
- Maintenance of Association records.
- Supervision of on-site personnel.
- Mediation of violations of association rules and regulations.
- Oversight of major restoration and maintenance projects.
- Preparation and coordination of all state reports and filings.
- Development of marketing and business plans for the property.

GOLF OPERATIONS

Comprehensive and competence describes our approach to management. We provide cost-effective management and assistance to all facets of the golf operation. Without efficient and foresighted management, clubs can fail to satisfy membership expectations, meet the fiscal demands for long-term sustainability, or protect the assets of the ownership. To be successful, your club requires the highest quality service for your membership and guests. We can help you define your facility's current needs and assist you in planning the future success of the Club.

Our Golf Operations Services Include:

- Selection, Training and Development of Golf Operations Staff
- Visionary Service Training
- Club and Membership Marketing Programs
- Website Development – Electronic Marketing
- Yield Management
- Cost Containment
- Inventory and Accounting Controls
- Development of Club Rules and Regulations
- Cart Fleet Management
- Retail Merchandising
- Point-Of-Sale and Tee-Time System Management
- Outside Event Marketing and Management
- Golfer Development Programs
- Clubhouse Maintenance

FOOD AND BEVERAGE

Vision's Professional Team has the expertise to manage food and beverage programming ranging from formal tableside service and hosting special events to snack bars providing barbecues and grilled foods at the turn. Our Corporate Director of Food & Beverage Operations provides leadership and direction to Food and Beverage Managers at each facility, as well as having the responsibility for the solicitation, selection and procurement of economically viable long-term vendor relationships, which produces substantial savings to our managed facilities, while increasing quality and member/guest satisfaction.

Our Food and Beverage Managers are skilled in cost and portion controls, inventory management, maintenance of par systems and personnel training. They are trained professionals who are equally comfortable with dining room management as they are with expediting orders in the kitchen. They focus on compliance with local health department codes and liquor controls as well as maintaining up to date licensing. Food and beverage is operated as an individual profit center within the Club.

Food and Beverage Services Include:

- National Procurement Plans
- Menu and Recipe Development
- Professional Culinary Training
- Food and Beverage Handlers Compliance Training
- Inventory Management
- Counter and Dining Room Service
- On-Course Beverage Cart Service
- Catering and Event Sales
- Banquet Services
- Bridal and Wedding Services
- Safety and Sanitation

AGRONOMY

To create the most value for our clients, Vision Golf Management delivers unparalleled levels of golf course conditioning and customer service providing members and guests with a world-class experience each and every time they visit the facility. Maintenance plans specifically tailored to each golf course are developed utilizing Vision Golf Management's proprietary agronomic programs. Our exceptional Professional Team has expertise in applying current scientific principles to today's agronomic issues and can translate that knowledge into successful agronomic programs. Our years of experience, in conjunction with a deep respect for the natural environment yield efficient operations, superior turf conditions and extraordinary golf experiences.

Vision's Agronomic Services Include:

- Agronomic Planning
- Environmental Planning / Compliance
- Turfgrass Science
- Turfgrass Maintenance
- Pest Management
- Water and Irrigation Technologies / Water Management Compliance
- Equipment Maintenance, Repair and Preventative Maintenance Programs
- Course Renovation Projects
- Facilities Maintenance
- National Procurement Programs

ACCOUNTING

Effective financial management brings our clients peace of mind. Vision utilizes a well established system for managing the accounting/control matters of our facilities, including the use of consistent policies and procedures for the collection, receipt and deposit of all revenues; cost estimating and reporting; maintenance and payment of invoices; and preparation of budgets and reports. We go to great lengths to ensure accurate and timely financial reporting, maintaining strict adherence to GAAP and all applicable government regulations.

Vision's Team of accountants and accounting support personnel produce monthly income statements, balance sheets, and projected cash flows in addition to capital expenditure planning, out-year pro formas, and annual budgets. Our firm's internal controls – cash handling, invoice reconciliation, inventory management, and payroll verification - are rock solid.

Our approach to risk management and insurance gives you peace of mind, knowing that your asset is well-protected. Licensing and other government requirements are tracked and managed daily to ensure the business remains compliant with all regulations.

Our centralized accounting services include:

- Access to our proprietary banking relationships and leveraged interest rates
- Cash Management / Control / Reconciliation / Forecasting
- National Account Procurement Agreements
- Monthly/Annual Financial and Variance Reports
- Annual Budgeting & Pro Forma Forecasting
- Accounts Payable / Receivable
- Inventory Management
- Sales & Other Use Tax
- Maintenance of all Required Permits and Licenses
- General Ledger Maintenance
- Risk Management and Insurance

HUMAN RESOURCES:

In order to succeed, the Association must have a talented Team of customer-focused associates with a strong drive to succeed, grow, and prosper. We build our Teams by actively recruiting the best people in the Club and Association industries, and training them to deliver an outstanding customer experience. Working in conjunction with a Professional Employment Organization (employee leasing company) we provide support, resources, and guidance to allow employees to perform their best.

Human Resource Services Include:

- Recruiting & Hiring
- Enforcement & Training - EEO/Affirmative Action Policies
- Employment Policies and Procedures
- Job Descriptions
- Job and Management Training
- Benefits Management
- Performance Review
- Compensation Review
- Collective Bargaining Relations
- Termination and COBRA Compliance
- Payroll Management
- Drug-Free Workplace Compliance
- Harassment-Free Workplace Compliance
- Safety and OSHA Compliance
- Workers Compensation Insurance

CONSULTING / STRATEGIC PLANNING

Using the knowledge and experience of the Vision Golf & Association Management team, our consulting services can provide board of directors and owners with sound, efficient, professional advice on nearly any matter concerning the Association or operation of the Association's amenities. These services include:

Asset Evaluation

Our team will review the overall operation and competitive market conditions and prepare pro formas on how we would operate and manage the facility. We also analyze and determine current asset value and potential asset value with enhanced operations.

Short Term Crisis Management and Stabilization

Our team is experienced with a proven track record to implement immediate controls on cash, labor, and inventory management. We initiate a strategic program to protect the operation from ongoing business depletion that includes short-term marketing strategies. We emphasize controlling the operation through expense management and tight operating controls. Asset protection and stabilization are our primary focus under these guidelines.

CONSULTING / STRATEGIC PLANNING CONT.

Complete Financial Evaluation

Our team offers assistance and guidance with accounting structure, systems (including point of sale and tee time), control & forecasting procedures, cost expense management, budgeting, reports, tax service, finance and re-finance.

Marketing & Public Relations

The following marketing and public relations tools are available: website development & e-commerce, positioning, program planning, promotions, public relations, market analysis, media schedules, group packaging and group travel, contracts, and detailed timelines.

Human Resources

We can provide you with a full review and recommendations on hiring guidelines, training and review, insurance plans, staff motivation and development, benefit plans and structure, and employee guidelines.

Amenity Operations

Our team provides a thorough evaluation of current operations as well as follow-up with an analysis and recommendations. The analysis and recommendations will include the following areas: Overall Golf Operations, Agronomy, Swimming, Tennis, Marina, Fitness and Spa, Finance, Marketing & Public Relations, Food & Beverage Service, Merchandise, and Instruction.

Course Renovation

A complete site analysis and evaluation is available. Through this analysis, a detailed renovation plan is created which includes a timeline and completion pro formas. Budget Categories include: Mobilization, erosion control, clear and grub, dirt work, shaping, lake/pond construction, storm water management, drainage, irrigation, green construction, bunkers, tees, bridges and cart paths, plantings, grow-in, and buildings.

Food & Beverage Service

We offer a complete departmental evaluations including staffing & training, menus, purchasing, inventory control and costing, accounting, and marketing programs.

Merchandise

Our team has extensive experience in the areas of costing, inventory controls, receiving checklist, shop flow, purchasing structure, programs, and vendor lists.

THE VISION FORMULA – EIGHT STEPS TO SUCCESS:

When the Vision Team is engaged there are specific steps that we perform to fully access the Association's current status as well as to chart a positive path for the facility's future. These steps are summarized below.

1. **Goals and Objectives** (week 1-2): Our focus with each client is to develop a true understanding of what the specific goals and objective are for the facility. Our Executive Team is initially engaged to spend time with key representatives from the facility including Board of Directors, Owners, and employees to ask specific questions and listen carefully. This information is analyzed and combined with our extensive knowledge base in all aspects of association/club operations. Not only is it important for the property to establish a solid direction for the future, it is imperative to match those plans to the economic profile of the community and the overall potential of the facility.
2. **Internal Evaluation** (week 1-2): Once we identify and understand the scope of the project, we begin with a detailed assessment and evaluation for each area of the operation. This will include reviews of the operating procedures, standards and service levels, personnel, assets, agronomic programs/course conditions and marketing plans. Our evaluation utilizes the years of experience from our Executive Team to assemble information and measure the business guidelines against Vision Management's proven formula for success.
3. **Summarize Findings** (week 3): A detailed summary of current operating standards is compiled along with our recommendations for changes/improvements to maximize the efficiency for each department.
4. **Vision Plan** (week 4-5): Following the analysis phase of the transition, a detailed plan is created with the direct involvement of the Association's board of directors and owners. The customized plan is based on specific standards and operating procedures developed in conjunction with the ownership group to achieve the Association's objectives. This roadmap is clear, concise, and measurable.
5. **Implement and Execute** (week 6+): Following development of a customized plan specific to the needs of the facility, it is then implemented via the Executive Team. Our group works closely with each facility to ensure that each area of the transition plan is executed accurately and consistently. These include facility audits, training, professional development, budget forecasting and consistent communication with Association members and directors.
6. **Evaluate and Measure** (week 6+): With each facility, our Team is evaluating and measuring our desired results based on a specific task and timeline criteria. The Vision Advantage allows for this consistent oversight by our Team of industry experts.

7. **Modify and Monitor** (week 8+): Based on specific criteria of evaluation, each business unit is reviewed based on all necessary aspects of the plan. Goals are measured daily, monthly, quarterly and annually. We monitor our progress and adjust current operating plans to changing market conditions. During this phase, any modifications or changes that are required will be implemented and adjusted within the day-to-day operations as well as the master plan of the facility. Major modifications to the master plan are always presented to the ownership group for discussion prior to implementation.

8. **Vision PEAK Performance** (week 2+)

All employees are fully trained under our proprietary PEAK Performance Training Program. Specifically designed for our operating structure, this program focuses on the traits and service requirements necessary for the success of our associates. The foundation for PEAK Performance is built from four strategic traits:

(P)rofessional (E)thical (A)ppreciative (K)nowledgeable

Summary:

Our mission is to exceed expectations of our association members and amenity guests by executing excellence everyday while maintaining a focus on the specific business goals of the association. The Vision formula institutes PEAK Performance training and team building, coupled with hiring the most knowledgeable and experienced professional staff, all of which are essential to a successful operation.

EXECUTIVE STAFF BIOS

Bill Bower
Managing Partner
PGA

Bill is the co-founder and President of Vision Golf Management. He is a Class A member of the PGA of America with over 14 years of experience in private, semi-private and public golf operation management. He has extensive experience leading and managing multiple golf course operations as well as new course construction. Bill began his wide experience in amenity management at the Robert Trent Jones Golf Trail, and most recently he served as Senior Manager for 10 years with the Bonita Bay Group, a Bonita Springs based developer. Bill was an integral part of the team that established the Bonita Bay Group's amenities management division, which manages golf clubs, marinas, retail restaurants and community association operations for master-planned communities throughout Southwest Florida. In this role, Bill was responsible for the direction of the golf operation of 5 private clubs as well as serving as the Director of Golf for Bonita Bay Club, a 1,500 member club with 90-holes of championship golf. Bill is a graduate of Indiana University, he and his wife Heather have three children, Claire, Luke, and Caleb.

Simon Coulls
Managing Partner
PGA/European PGA

In 1980 Simon started his professional golf career in Scotland serving for seven years at the world-renowned Turnberry Hotel and Golf Courses. He was involved in the 1983 British Amateur, 1986 Open Championship and two Senior British Opens. He is a member of both the British PGA and the USPGA.

In 1987 Simon joined the staff at Shoal Creek, in Birmingham, AL, on a temporary one-year visa. Simon had hoped during this time that he would obtain a Green Card. By the end of that year however, he returned to Europe to further his management skills, where he spent three years in The Netherlands at Golf Club Zwolle followed by three years at Golfanlage Schloss Ludersburg in Northern Germany.

In 1994 Simon returned to the United States and began working with Robert Trent Jones Golf Trail. During his tenure at the 'Trail' he was Assistant Director of Golf at Grand National in Auburn/Opelika, Director of Golf at Silver Lakes in 1995, and subsequently became Director of Golf at Oxmoor Valley in 1996.

In 1997 Simon moved to Naples, Florida to work for The Bonita Bay Group as Director of Golf at The Bonita Bay Club, which had 1400 Memberships and 90 holes of golf becoming one of the largest private clubs in the world. In 2000, Simon was promoted to the position of General Manager at Twin Eagles, a new acquisition by The Bonita Bay Group that became home of the Champions Tour Ace Group Classic in 2001.

Simon returned to Alabama in April 2001 to join the Honours Golf Corporation as Vice President and General Manager of Limestone Springs an 800 acre master planned community. He had responsibilities for managing the country club, homeowners association, oversight of ARC and the construction of custom homes.

Simon is married to Kate and has three children, Gemma, Max and Eimear. Simon's whole family became United States citizens in June 2004.

Bill Donathan
Chief Financial Officer

Bill has over 20 years experience in club and corporate finance. He is responsible for all financial aspects of the Vision Golf Management portfolio. Bill has over 12 years of hospitality/golf industry and HOA experience including operations and finances for multiple course properties and multiple course management operations. His background includes serving as the controller for the Bonita Bay Group, which manages club and community association operations for master planned communities throughout Southwest Florida . He has extensive experience in IT and network operations. Bill played baseball as a pitcher for Louisiana State University and received his B.S. in Accounting.

Joe Fenner
Corporate Agronomist
GCSSAA, FGCSA, FTGA

Joe has been actively involved in golf course maintenance and construction since 1986 and has extensive experience as a golf course superintendent in both private and public golf operations. Since joining the corporate staff at Vision, Joe has overseen the development of 7 golf course communities throughout Florida and most recently has directed ultra-dwarf greens renovation at several managed facilities. In his role as corporate agronomist, Joe regularly develops business plans, yearly budget forecasts and oversees golf and common ground maintenance throughout Vision's portfolio of managed facilities. Joe is a graduate of the University of Florida and Lake City Community College.

Rob Wright
Director of Food and Beverage Operations
CAM, CCM

Rob was born into the service industry. His grandfather was an A&W Root Beer franchise owner and his father was a Hotel and Restaurant graduate from Michigan State University, who started his own fine dining management company which operated restaurants and clubs in San Francisco, Chicago, Indianapolis and New York City. Rob has an undergraduate degree from Butler University and an MBA from Indiana University. After working in France, for Chateau Margaux, Rob joined his father's firm at the up scale restaurant Latour in Indianapolis, the same restaurant to which his father brought Chef Wolfgang Puck. Twelve years later, Rob left his father's firm to manage and gain experience at various yacht clubs, city clubs and country clubs. This experience provided Rob the opportunity to manage some of the finest clubs in Florida as well as facilitate the successful openings of multiple country clubs. Rob earned the prestigious Certified Club Manager designation in 1987 and in 2006 advanced to the next level of club management, achieving Honor Society status.

Rob is a certified CAM and also a CCM through CMAA.

Rebecca L. Sarver
Corporate Staff
Director of Association Management / Insurance Specialist
CAM, CCM

Rebecca has been licensed as a Community Association Manager in Florida since 1986 and was one of the first 400 persons to receive the national designation of Certified Manager of Community Associations. Rebecca has opened and been General Manager of Tara Golf & Country Club (1989) Bradenton Fl.; Olde Hickory Golf & Country Club (1992) Ft. Myers Fl.; Highland Woods Golf & Country Club (1996) Bonita Springs FL.; Cypress Woods Golf & Country Club (1998) Naples Fl. In these clubs she was responsible for management of the country club operations as well as the Association management of the communities. In 2001, Vision Golf Management began managing numerous Homeowner and Condominium Association and that number has grown over the years to over 70 Associations on the west coast of Florida under her direction.