

ST. JOHN'S PROPERTY FACT SHEET

You recently received a mailing from five Association member households that have expressed opposition to the proposed park and recreationally related improvements for the St. John's property recently purchased by the Association. These members either live adjacent to or directly across from the St. John's property.

In addition to the concerns of these neighbors regarding how an Association park located next to them would be used and by whom, they have also requested financial information which we agree would be helpful to Association members when deciding how the St. John's property should be used by the Association.

1. Was the purchase of the St. John's property a good value and does it continue to be a good investment for the Association?

The answer to both questions is yes. The property was purchased for \$763,298 (with all costs), and shortly thereafter, appraised for over \$928,000. Because it has over 600' of prime river frontage with a beautiful view, the property will only continue to increase in value. The improvements that are proposed will provide the Association members with access from the river to the top of the property, will stabilize and stop erosion on the northeast corner of property, and will further increase its value, in the unlikely event the property must be sold at a later time.

2. Can the Association afford the monthly mortgage payments and continue to hold the property indefinitely:

Yes. For a complete answer to this question, see the "Background" section of the attached Member Update and Survey discussing the property mortgage and a summary of the Association's assets. The current allocation of the Association's assets in terms of securities and real estate represents a balanced portfolio, which is better able to withstand downturns in the stock market.

3. What is included in the proposed improvements for the St. John's park project and what is the estimated cost?

The proposed improvements would include construction of a permanent 8' x 137' boardwalk/dock constructed parallel to the St. John's property river frontage, which would also have the effect of stabilizing the steep bank along the shoreline of the property. The drop-off in this area is steep allowing a boat to motor directly up to the dock. Connected to the dock on the west end would be a 12' x 9' overlook pier with an attractive trellis. Access to the top of the property from the river and control of rainwater runoff to prevent erosion will require some excavation, earth-moving and the construction of attractive retaining walls made of aggregate and boulders. The Access will be provided by a wheelchair-accessible path that winds up to the top of the property. A small beach and picnic area will be constructed at the water's edge on the northeastern corner. A master plan sketch of the improvements by Fleis & Vandenbrink is included with this mailing and will be posted on the website.

The cost of the improvements were conservatively estimated by Fleis & Vandenbrink to be approximately \$225,000. This price may come down once the project is bid out to contractors.

If the project were to go forward, the Board anticipates paying for the project out of the Association's reserve assets, currently at \$935,000. Thus, following the construction, the Association should still have over \$700,000 in cash and securities. Moreover, the improvements are expected to increase the value of the property; therefore, the work may be viewed as a reallocation of assets. Fleis & Vandenbrink has been paid \$9,652 for completion of the park plans, construction/engineering drawings, required permit processing, and construction bidding for the purposes of obtaining cost estimates. This expenditure is justified, even if Association members decide not to go forward with the improvements, because the plans outline the Association's options related to the property, allowing Association members to make educated decisions.

Based on the amount of reserves in the Association's investment accounts, there will be no need for a dues increase or member assessments to pay for the costs of the proposed improvements to the St. John's property.

4. What are the anticipated maintenance costs for the park?

The Board is and will actively study this issue, and will address it as part of any recommendation or proposal to our members. At this time we do not expect that any of the proposed improvements will require much in the way of maintenance. Fleis & Vandenbrink specializes in development of public parks and proposes attractive materials and improvements that entail low or no maintenance. Fleis & Vandenbrink did not believe that bubblers would be required for the proposed dock; but these types of issues will be continually reviewed. Costs related to lawn mowing, trash removal, and electricity for any outdoor lighting would likely be less than \$1500 per year.

5. What steps should be taken to assure that the park is utilized by Association members and is not used by non-Association members?

As you know, there is no public access to our section of the Thornapple River, and outside boats are limited to a few fishermen who launch small row boats from the roadway near the bridge and the dam. These few people are on the river to fish and not to socialize with our members. It is also our understanding that the new Camelback bridge and causeway will further minimize the infrequent roadway launches. Moreover, the gate to the park will be kept locked and the Board is considering a boat sticker system, signs, and other measures to dissuade trespassers. The Kent County Sheriff Department will also be asked to evict trespassers. These measures as well as regular member use should minimize any potential issue.

6. Does the Association have enough liability insurance, to what extent will insurance cover liability for the proposed park, and to what extent is the dam covered by insurance?

The Association has \$2,000,000 in liability coverage, which would be applicable to the St. John's park property. This coverage amount should be sufficient to handle the Association's liability exposure associated with ownership of the park; however, the Board will continue to review this issue. Obtaining additional liability coverage would not be cost-prohibitive. The coverage limits are reviewed on an annual basis with our agent.

STS Hydropower carries \$10,000,000 in liability coverage for the operation of the dam and the exposures associated with it. The Association is an additional insured on this policy.

Additional insurance included for the dam operation is \$2,525,000 for the powerhouse, turbines, generators, substation and transmission lines. There is \$2,500,000 in coverage for the dam itself, and \$334,750 in coverage for business income and extra expense. We are the loss payee for this policy.

Mark Maurer is an Association member and Board trustee who has written insurance coverage for four hydroelectric facilities. He has reviewed these coverage limits and believes they are sufficient.

It should be further kept in mind, however, that **because the Association is a duly incorporated non-profit corporation, the individual members of our Association are shielded from liability** from, for example, any claims for personal injury related to the proposed park or any claims related to the dam, unless factors are present (which they are not) indicating that the corporate veil should be pierced. Liability protection for the members is the reason the Association was incorporated in the first place, and this will not change simply because the Association now owns additional property.

7. Is it the sole purpose of the Association to accumulate assets for the possibility of paying for potential repairs to the dam?

No. First, although continued maintenance of the dam is of the utmost importance, STS Hydropower has and continues to perform these functions extremely well. As discussed at the annual meeting, STS Hydropower reports that the dam is in excellent condition, and no out of the ordinary maintenance or repair expenses on the dam are anticipated in the near future. As you are aware, the dam just experienced 50-year high water levels and flows and fared extremely well with no additional maintenance required according to STS.

Second, our non-profit corporation's Articles of Incorporation, as well as our By-laws, state that one of the primary purposes of the Association is to purchase real property and to encourage the establishment of parks and playgrounds along the River and promote fellowship and social activities. A review of Board minutes from past years shows that purchase of the St. John's property for use as a park has been discussed at annual meetings since at least 1980. It is only recently that St. John's had finally agreed to sell us the property. Utilizing the St. John's property as a private River Association park is consistent with the By-laws and the purpose of the Association and is fiscally responsible, given that the project is within the means of the Association based on its current assets. The Association's function and legal status is not to generate profits and accumulate cash, equities, and liquid investments – those are simply tools we use to fund and achieve our stated purpose. The Association is not an investment club. Further, it has no stockholders and as a non-profit corporation its assets would be forfeited to the state if and when it ever terminates its existence.

That being said, even though it is within the Association's financial means to complete this project, members may wish to keep the St. John's property in its rustic state and not further improve it to provide better access or develop it as a park for our members. This view should be

weighed against the benefits of allowing access to the property for all members and having an attractive place for Association members to meet, visit with each other, and socialize. This choice is left up to the membership to decide in the attached survey. As stated in the Member Update attached to the survey, any later specific proposal for construction of the Park will be given to the membership for a vote and will include refined cost estimates for the work to be completed. Please take the time to fill out the attached survey to let the Board know your wishes and opinions for the use of the property. All responses will be posted on the website for review by all members.

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