

## DETAILED QUESTIONS AND ANSWERS

### ***Q. Is lifting the Clubhouse the best option?***

We believe it is. Certainly the status quo is not an option. The Club proved to be very vulnerable and scientists tell us that with increased climate warming, there will be increased variability in the weather and a greater likelihood that events like this could occur again. We do not believe that sandbagging is a viable option nor were any of the other non "passive" solutions we considered (building walls, using pumps, inflatable dikes, etc). At the information sessions, it was pointed out that we should not depend on any solutions involving pumps or attempting to seal water out. Seals inevitably break and pumps (and people) wear out. Rebuilding costs were also considered and would be far more expensive than the lifting project. The only other passive solution mentioned in the Information Sessions were stilts which are used successfully in some southern locals, however, these were not viewed as robust enough given the snow and ice conditions we have. We also told by the town engineers that any solutions that involve protecting the building by diverting the water such as retaining walls or dikes would likely not be approved because a) the work would be done in the flood zone and b) they would not be considered technically robust from an engineering standpoint. We also understood that stilts would not be approved for the reasons mentioned above

### ***Q. What is the exact total cost of the Project?***

A breakdown is provided in the information presentation and is repeated here. As noted, we have obtained two quotes and are waiting on a third. We will also be working with our engineer to identify any potential cost saving. However, based on the information we have to date, the costs will be as follows:

<http://www.hudsonyachtclub.com/raising-of-the-clubhouse/>

We will be asking for approval for the \$600,000 expenditure as discussed. This will include;  
Lifting the building- \$380,000  
Engineering, re-connection, landscaping- \$35,000  
Landscaping and building access-\$75,000  
Contingencies- 20%  
Total- \$550,000 to \$600,000

### ***Q. How will the project be financed?***

It will be financed by a combination of cash, term loan and a line of credit (LOC). We have had in-depth discussions with BMO and the National Bank and we are pleased to be able to say that since the information sessions, we have had detailed offers from both banks at rates for both a term loan and an LOC of prime plus 0.5% (currently 3.45%). The LOC is key to keeping the costs down as we have substantial cash balances in the early part of each year, and these can be used to reduce any borrowing costs. It should be noted that in our discussions with the banks we have included \$250,000 for the L-Pier project. As indicated at the second information session, we would expect to finance the lifting project with a term loan of \$300,000 to be paid back over

10 years, about \$100,000 of line of credit and about \$200,000 in cash leaving capacity for the L-Pier project of \$250,000 in cash and \$150,000k on the line of credit.

By using the cash we have available for projects, we believe we can keep interest costs to less than \$15,000 per year, again for both projects, and annual repayments would be \$30,000 per year. Currently the Club generates about \$150,000 in cash before depreciation and including new member initiation fees, so we believe we will be able to maintain operations and future capital spending at normal levels. The Finance Committee is currently finalizing the exact mix of cash and debt financing, but it will be close to the scenario described above. Both banks, after having performed a review of the Club's financials, have actually offered financing capacity in excess of what we believe we would need.

***Q. What are the contingencies if damage should occur?***

Contractors must have insurance to bid on this project to protect against any unforeseen damages

***Q. What are the contingencies if the project should go over budget?***

We will seek a fixed price contract. Also, as discussed above, we have built in a 20% contingency and we will be able to maintain future capital spending at healthy levels which can be used for any related projects as determined by future Boards.

Note that both types of financing, including the LOC and the term loan give us considerable flexibility in paying down the principal, so if we have a surplus we can pay the loans off quickly if we wish. If cash is needed, we can be more conservative in our loan repayment.

***Q. How will the project affect our balance sheet going forward?***

As mentioned, we will use cash from our balance sheet and bank financing as discussed above. The exact mix for both projects will be determined, however, we do not see a need to use our Special Capital Reserve of \$100,000. Regarding bylaws that require timely re-payment of funds, it is only this special reserve that is covered by bylaw (07-01) that requires that the fund be replenished before further use or withdrawals are made.

***Q, What is the status of our insurance?***

The insurance company is overseeing the repairs and we are pleased with the service we have received so far. However, as you can imagine, they are dealing with numerous claims and so are not in a position to tell us how this will affect our premiums (or even our eligibility for coverage) going forward. We believe however, by taking this initiative we not only reduce our risk but will also increase the probability we will obtain coverage in the future.

***Q. Why a 60 cm raise?***

This is approximately two feet. The three foot lift will put us two feet over the most recent high water mark so will dramatically increase our protection and our landscape designer has already been able to work with this height to develop new plans for access, aesthetics and view. Regarding the cost difference in a 60 cm rise vs say a 45 cm rise, the main difference would be the cost of concrete. (As an interesting aside, we noted that the Obama administration in the U.S. passed a law stipulating that any federally funded roads or railways would have to be two feet above the 100-year flood plain in that country).

***Q. Design including ramps and stairs and artist's rendering and has it been approved by the town?***

Yes we do have designs and landscape renderings and these will be prepared in large format to present at the meeting on August 26th at 9:00 am (or before). All these materials will also be available in our discussions with the town planner. It has been suggested to us that we will be able to get approval under current regulations and that it would be advisable to proceed now before these regulations change. Our committee has been in regular contact with the town and believes there is an excellent window of opportunity to get approval.

***Q. Will we be able to make other changes that have been discussed for years such as relocating the bar?***

We will be discussing these ideas with our engineer and architects and will work to take advantage of any opportunities we can to make changes such as relocating the bar and moving the cold room closer if they can be readily integrated into the projects.