

# January Executive Board Meeting

## 12-30-09

Call to order 7:06 pm

Members present: Jerry Dodge, John Sorenson, Van Berg, and Fred Price, Doug Keller, Richard Nowatzki, John Hainlen, John Schively, and Jim Hill.

Long discussion on WEB site. We would like a new one, but no one wishes to volunteer. Present site is free. John Hainlen offered to research.

Jerry Dodge brought up that Steve Snider is in the hospital. He is improving.

Jerry Dodge read letter from AMA thanking us for support.

John Hainlen brought us the WEB site. We can change to a GoDaddy site for \$55 a year. The site will have 5 pages that we can put what we want on it. John Sorenson move to change WEB site to GoDaddy Seconded by Rich Nowatzki; motion passed.

John Sorenson brought up the Email from Dita (MRF) stating that the check given to hold the lease will be invalid after the first of the year. After discussion it was decided to have them deposit the check and hold an open credit.

Jerry Dodge reported that Perry of Hobby Town will stop stocking nitro parts and fuel. We will continue to support him.

Jerry Dodge reported that he has received 4 bids back. The lowest is \$59,000. John Schively indicated that he knows a person that will do the grading.

Rich Nowatzki reported on how to finance the new field. He presented a plan for raising the money. Discussion followed. Jim Hill brought up that we could do a pledge to loan money based on 40 other individuals loaning money. Argument issued. Decision made to contact the club members for loans or pledges and then all others at the same interest rate of 8%. Richard will make the motion at the Jan. Meeting.

Meeting adjourned at 8:48 pm

Submitted,  
John L. Sorenson  
Secretary AMOS

Below is the funding proposal that Richard Nowatzki will present at the Jan. 2010 meeting.

### The AMOS Funding Concept 12/31/09

AMOS was started on 8 August, 2004, it has taken the AMOS board of Directors more than 5 years of frustrating negotiations to arrive at this point in time, where the club has finally succeeded in obtaining an, un-restricted, flying site lease from Placer County.

Unfortunately, the site has had, and still has, many, expensive, strings attached to it, regarding how we must develop the site. Funds were required, early on, to be expended to reach our present status. These necessary funds were procured by the members voting to allow AMOS to accept personal loans from the membership, at a very low, if any, interest rate. The hoped for, pay back date was stated, individually, by the lender.

\$24,500 was obtained via this method. AMOS also allowed members to pre-pay up to 4 years dues, through 2013, to raise funds. About 20 members did, raising another \$4,000. It is now, January, 2010, AMOS has about \$7,500 and needs at least, an additional \$60,000 to construct the Flying Site in accordance with the Placer County requirements.

At the present time, AMOS has approximately 35 members (20 are pre-paid to 2013). We need many new members to help pay for the field construction and the annual \$9,000 field expenses. However, new members, in the numbers we require, will not be joining AMOS until the field is finished, a classic “catch 22” situation.

Earlier, Jim Hill contacted a Commercial Bank about AMOS making a loan with them. They wanted 8%, plus all the club members to pre-qualify for the loan and all the members to be equally responsible if the loan defaulted. Needless to say we dropped that idea, but the 8% interest was intriguing.

That led to the present concept of borrowing *from ourselves* and paying ourselves the 8% interest. In these present economic times, 8% is a very attractive offer. Projected club growth, after the field is built, shows the \$60,000 can be paid back in 3 years.

The members who made the \$24,500, previous loan, at very low interest, can have their entire loan set at 8%, if they loan at least an additional \$500. The \$24,500 is projected to be fully paid back by 2014, while leaving more than a \$10,000 balance in AMOS’s treasury.

The plan is to contact each member, individually, to offer them an opportunity to pledge a loan to AMOS for a maximum of 3 years at 8%, with interest to be compounded annually. The actual funds will be needed by AMOS, before the end of March, 2010.

There is no pressure intended to be placed on any AMOS member. We are only trying to determine, via the, pledges, how much of the \$60,000 we are able to raise among our own membership.

If the pledges fall short of the \$60,000, then we intend to make up the difference by making the offer available to various non-members and possibly other modeling clubs or businesses.

For information, pay back projections were made using 5%, 6%, 7% & 8%.. They all resulted in paying the \$60,000 in 2012 and the original \$24,500 by 2014. As an example, the difference in using 5% interest, versus 8%, ended up saving the club, \$3,089 for the \$60,000 loan over 3 years, a savings of \$1,030 per year.

It would be nice if we could save the \$3,089, however, it might not be possible for AMOS to obtain loans at 5%. We have to make the offer, very attractive, to obtain investors.. The 8% should make it, in the words of ‘ The Godfather’, “An offer they can’t refuse”.

An investor, naturally, will want to know, how AMOS intends to pay them back. We have therefore prepared a Business Plan showing how all loans will be repaid.

### **A Business Plan – How The Loan Will Be Paid Back**

#### ***Assumptions***

1. AMOS anticipates that it will have the \$60,000 loan by March, 2010.
2. The Contractor will be hired and the club members will provide some “sweat equity” . to have a finished flying field sometime in May, 2010
3. AMOS currently has approximately 35 members of which 20 have pre-paid their .

annual dues through 2013.

4. It is anticipated that at least 100 new members will join AMOS, in 2010, after the field is finished in May. It is expected that the dues will have to increase to \$100 in 2011.
5. It is expected that about 70 new members will join in 2011 and 50 in 2012, bringing the total membership to about 255. This is a reasonable estimate when you consider that the Red Barons had a membership exceeding 300 when they lost their field.

**2010**

35 members (20 pre-paid thru 2013)

100 x 225	= 22,500	60,000 loan @ 8% = 64,800	Original Loan	24,500
15 x 75	= 1,125	<u>less loan payment</u>	24,500 @ 8% =	26,460
Deposit return	11,000	Loan Balance		26,675
AMA Grant	5,000			
<u>AMOS Treasury</u>	<u>7,500</u>			
Total Income	47,125			
<u>Annual Expenses</u>	<u>9,000</u>			
<b>Excess Funds</b>	<b>38,125</b>			

**2011**

115 x 100	= 11,500	Bal 26,675@8%= 28,809	26,460@8%-	28,577
<u>70 x 250</u>	<u>= 17,500</u>	<u>less loan payment</u>		<u>20,000</u>
Total Income	29,000	Loan Balance		8,809
<u>Annual Expenses-</u>	<u>9,000</u>			
<b>Excess funds-</b>	<b>20,000</b>			

**2012**

185 x 100	= 18,500	Bal 8,809@8% = 9,514	28,577@8%= 30,863
<u>50 @ 250</u>	<u>= 12,500</u>	<u>less loan payment</u>	<u>9,514</u>
Total Income	31,000	Loan Balance	0
<u>Annual Expenses</u>	<u>9,000</u>		Loan Balance
<b>Excess Funds</b>	<b>22,000</b>		18,377

**2013**

235 x 100	= 23,500	Loan Balance 18,377@8%= 19,847
<u>Annual Expenses</u>	<u>9,000</u>	<u>less loan payment</u>
<b>Excess Funds</b>	<b>14,500</b>	Loan Balance
		5,347

**2014**

255 x 100	= 25,500	Loan Balance 5,347@8%= 5,775	16,500
<u>Annual Expense</u>	<u>9,000</u>	<u>less loan payment</u>	<u>5,775</u>
<b>Excess Funds</b>	<b>16,500</b>	Loan Balance	0
			<b>Fund Bal 10,725</b>

The following is the motion that Richard will make:

**Motion To Authorize AMOS to Raise \$60,000 by Making Loans At 8% Interest**

A motion is made to authorize AMOS to borrow \$60,000, for up to three years, at 8% interest, to be compounded annually.

Loans to be repaid within 3 years and are to be used solely for the initial Airfield Construction, as required by Placer County.

Loan opportunities to be offered initially to AMOS members. If the \$60,000 amount cannot be reached within the AMOS membership, other individuals, or entities, can be solicited to reach the required amount.

AMOS members who have previously loaned the club funds, at a much lower rate of interest, can have their loans upgraded to 8% interest, if they are willing to make an additional, loan to AMOS, of at least \$500 .

When an existing loan is upgraded to 8% interest, the original loan will be “rolled over” at the original, contracted interest rate. This amount will then be added to the additional loan at the 8% rate.

### ***Comments on the effects of compounding interest***

If an individual loan is repaid before the 3 year deadline, the interest will be prorated to reflect the actual time the loan was held.

For example, \$1,000 held for 1 year at 8% would earn \$80 in interest. If the loan was repaid in 6 months, it would earn \$40,    of a years interest.

If the same \$1,000 was paid in 2 years it would have earned \$166.40 in interest, in 3 years it would earn \$259.71 due to the annual compounding.

It will be to our club’s advantage to pay off the loans as quickly as we possibly can to reduce our interest exposure.