



All Points North Model Railroad Club

Expansion Proposal Package

We propose to expand the building, create a 100% layout expansion (50% of the new building) and grow the club membership to 40 members so dues are reasonable over the next 3-5 years

At APN, unlike other clubs, ALL THE MEMBERS decide what will happen. So you will approve or disapprove this proposal, or help craft an alternative.

Dates to remember: Special Meeting July 11th

John Christiansen, for the Board



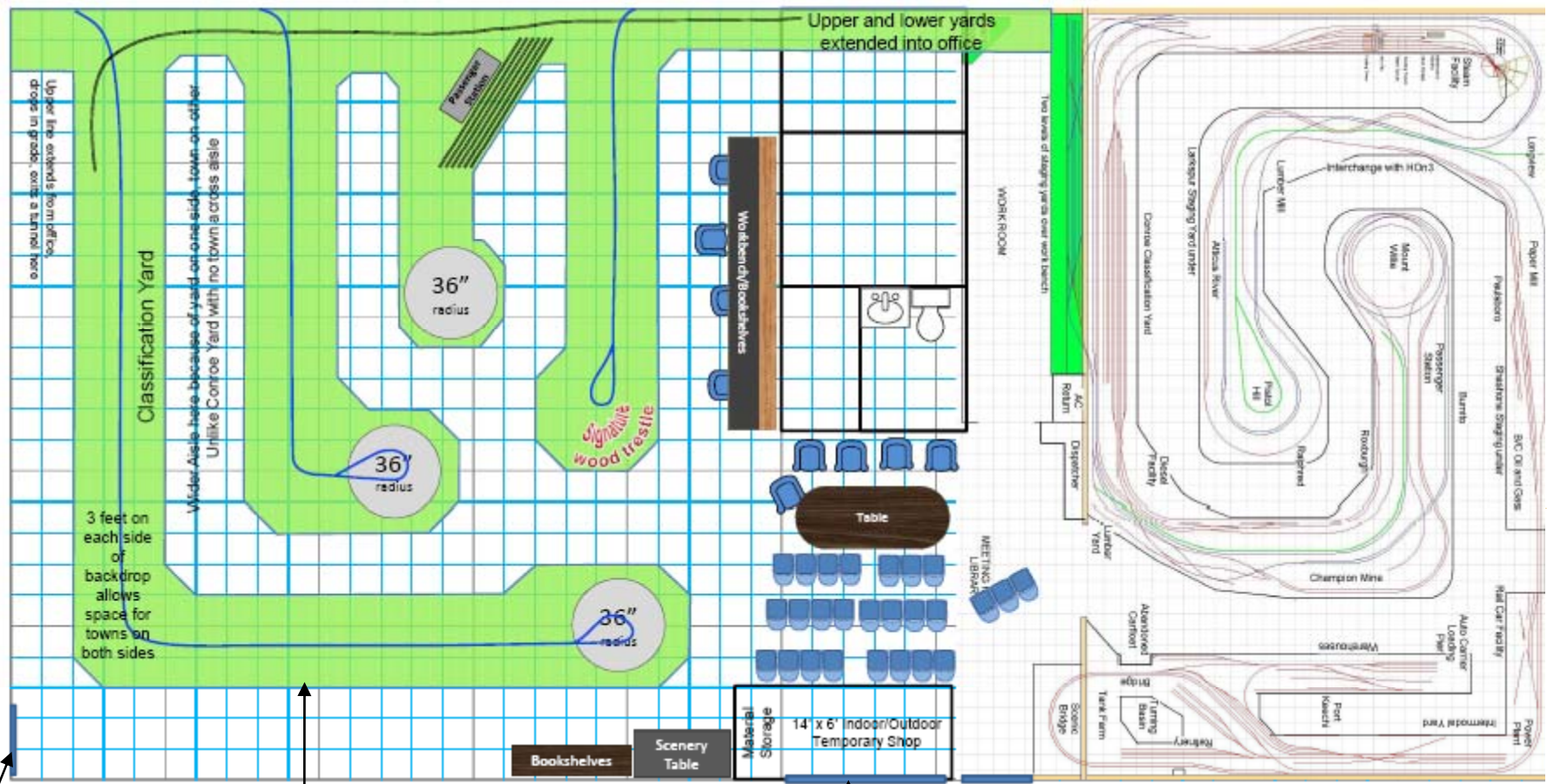
6/20/09

Assumptions

- We have been discussing expansion for some time
- Our committee has looked at many options and the consequences of expansion
- Its time to decide whether we go forward in 2009
- Keep in mind that current dues and assessment now = \$300 (\$25/mo) + 210 per year =\$510 per year

The expansion committee examined the options available and the input of members

- The expansion will be a 50' x 50' building
- It will go WEST with the meeting room in the middle (see reasons why)
- It will be a steel building like the one we have
 - Two electrical panels in existing closet, reworked to distribute power
 - New sewer connection and close septic system
 - Black insulated ceiling
 - Garage door stays put and a work room will be built around it to control dust when cutting
 - Large door at West end for fire code compliance
 - Fluorescent tube lighting
 - Dry wall finish and framing completed after building by members (sweat equity)



This door is required by fire code and is major non-negotiable requirement

This is just an illustration. The actual layout will be designed by the expansion committee and approved by members. We will only fund a 25 x 50' layout through the first 3 years

We will save money by not moving the garage door, but locate a temp shop there to contain dust and allow wood working near the construction area, and away from the current layout

East vs. West-We will pay a \$3K premium to go East



If we go East we have several drawbacks:

1. We only save \$500 on the building with erection
2. We have to excavate and remove brush and wet soil because the land rises 12" above our slab by building end
3. We will have to raise the slab at the East of the building and use non standard steel shapes to maintain the building roof line
4. We will disrupt the layout operations and have difficulty with the fire door-No permanent bridges across it or the door on the East side
5. Longer AC and power runs

East vs. West-We will pay a \$7 K premium to go West



If we go West we have several drawbacks:

1. We have to fill in low spots with soil
2. We have to close and fill the sewer system
3. We will hook up to the sewer
4. We have to reconfigure parking

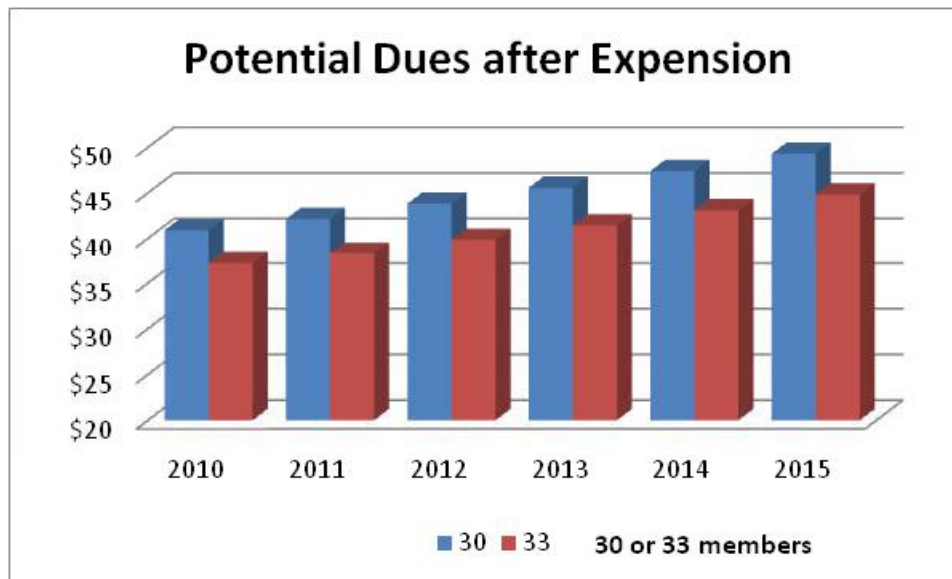
We will pay a net premium of \$4.5 K to go West over East but this causes less layout disruption and allows the meeting room to be in the middle of the building

Dues Cover operating costs and debt (stake repayment)

- Because we will increase the building size and consume more power for lights, A/C, etc, we anticipate dues will go up:
 - Dues are now \$25 per month-\$300 per year, based on \$9335 per year expense. Of this about \$6.3K is mandatory, i.e., lights, taxes, etc.
 - We project 100' x 50' expenses at \$14,700 per year a 60% increase-This is the BAD CASE. It assumes increases in costs each year.
 - The next graph shows what the dues are projected to be the next 5 years under this BAD CASE.

	2008	EXPANSION in 2010
HEATING/AIR CONDITIONING	\$2,609	\$5,300
WATER/SEWER	\$245	\$300
BUILDING MAINTENANCE	\$495	\$600
PC/OPERATING COSTS	\$219	\$250
MEMBER EXPENSES	\$208	\$300
REPAYMENT OF STAKES	\$3,000	\$3,000
INSURANCE	\$1,236	\$2,500
PROPERTY TAX	\$1,156	\$2,300
BANK & ADMIN CHARGES	\$167	\$175
TOTAL	\$9,335	\$14,725
MONTHLY EXPENSE	\$778	\$1,227
DUES @ 30 MEMBERS	\$26	\$41

Of the potential \$14,725, about \$11K is mandatory expense



The table at left shows current and estimated expenses

The Figure at left shows a BAD CASE potential dues with a factor for inflation

We can argue whether we pay \$5 or \$6 for a item like toilet paper, but we can agree dues will go up and these are conservative estimates

More members always=less dues/person
Actual dues would be set each year

How do we keep dues down?

- We will be very conservative on expenses:
 - Lights, A/C and heat, taxes and insurance are NON-NEGOTIABLE
 - We will keep these as reasonable as possible and purchase only what we need to above this.
 - We will request donations on supplies and various needs like furniture, computers, printers etc. This has worked well before
- We will aggressively recruit new APNers and increase our membership from 31 to 40 over the next 5 years
- If we hit that goal, dues could **decrease to \$32** per month by 2012

These values estimated by averaging values
AFTER removing the low bid

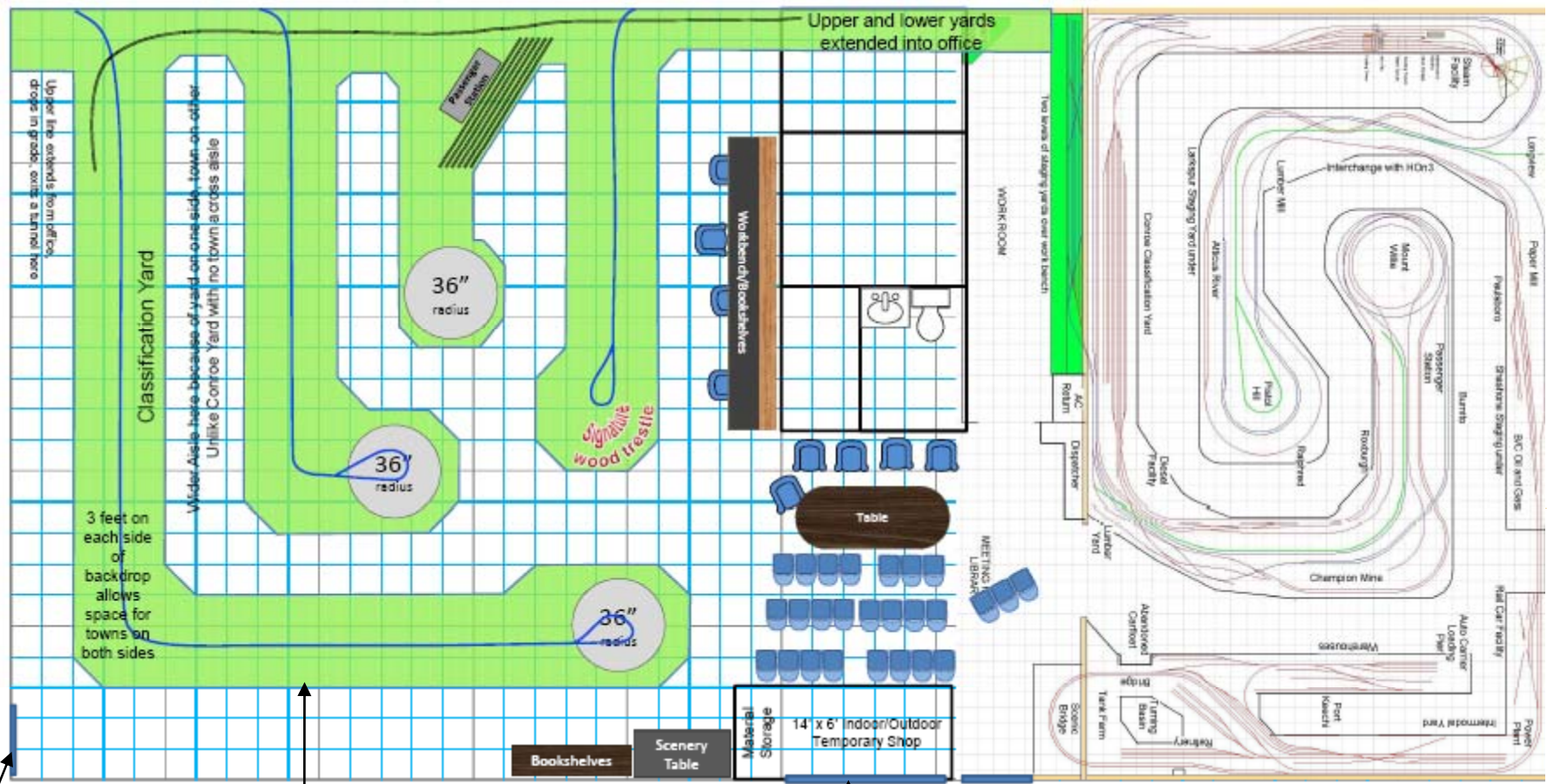
New Building	
Building	\$40,000.00
Electrical	\$4,000.00
HVAC	\$6,500.00
Sewer	\$7,000.00
Contingency	\$2,500.00
Total	<u>\$60,000.00</u>
Years to pay off at Stakes repayment of	\$3,000 20

The mechanics of this:

1. We propose authority to raise stakes of \$500 each
2. We will give the option for an member to donate his stake (no repayment ever) or be paid back
3. Each year we draw 6 names out a random and repay stakes
4. No interest is paid
5. Our by-laws stipulate that in the event of liquidation, the stakeholders are secured debtors and get repaid first.
6. Our value of club and land is a minimum \$65K befor expansion so we are secured
7. Repayment starts 12/31/10

Now lets add a layout to the building

- We plan a 25' x 50' layout and then expand beyond that later
- The club funds bench work, roadbed and rail, electrical supply and controls for mainline.
- Club contribution to towns is limited so members and groups that build a town must fund it, same as it is now
- We do have scenic materials, structures and trains that will make it less of a financial burden to build the layout



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Funding the Layout

- We propose to comingle the remaining assessment funds for the existing layout and the proceeds of the 2009 assessment, \$210 due 12/31/09
- We will collect and assessment for three (3) years (2010-2012)
 - The actual assessment will be set each year but the **total of assessment and dues will equal \$535** for these years
 - If dues go up then there is less for an assessment
 - Financial Cap-Under the worst case Dues plus assessment will **not exceed \$600** per year

Funding the layout

What each of us provides annually, dues based on BAD CASE 30 members

Year	Dues	Assessment	Total
2009	\$300	\$210	\$510
2010	\$475	\$60	\$535
2011	\$492	\$43	\$535
2012	\$509	\$26	\$535

What it means to all of us

	Layout Funds
Remaining Assessment	\$3,000
2009 Assessment	\$6,510
3 Year Assessment	\$4,016
Total	\$13,526

Protecting your investment

- We had a poor experience with our parking contractor who committed fraud. We will be pursuing civil and criminal measures for recovery
- In executing this project we will use practices to prevent a repeat of problems:
 - Three bids/item
 - We will QA deliverables before paying (2 overseers must agree)
 - We will have people on site frequently
 - We will retain records for accounting control

Proposed Schedule

- We will have a special APN Meeting to vote on this proposal on July 11th
- We will solicit Stakeholder commitments between now and then

- We will ask for approval July 11th to:
 - To collect the stakes
 - Execute the expansion
 - Commit members to the assessments
 - Ask for authority to co mingle the layout funds
- Dues would not be changed until the January meeting or later based on actual expense history

What if the recession becomes worse or we loose members?

- We skip stake repayment in year 1 to put it into improvements
- We delay or reduce stake repayment to reduce dues
- We slow or stop work on the layout
- I think all of these measures except the first are unlikely.

During our discussion some voiced a good concern; will this plan cause such high dues we scare away prospective members or loose members?

- Other clubs have lower dues such as \$60/year (HSME, Mid-South, Galveston)
- We need to recognize there is no comparable club to APN in the Gulf Coast
 - In other clubs one wealthy individual or group of individuals owns the building, dictates the major rules, and if anything happens to that person, the club may die
- At APN your dues go to ownership like a mortgage. You own this club. It has all the rolling stock, engines, layout, and a building you need for the hobby. But like your home, it must be maintained so we have those expenses

Will high dues scare people away?

- For existing members:
 - Where can you go and have a key, run trains when you want, and secure your own real estate to build?
 - Where you can you do anything close to what we have for \$500/year?
- Prospective members can see a high quality railroad where they can operate on Day 1, and then see a new building space where they can create their own legacy.
- I have faith APN will be the club to belong to in Houston and be more attractive than it is now

\$535 per year for 3 years is a lot of money in a recession

- Its 11 Los Cucos dinners for the wife and you
- Its 17 tanks of gas
- Its 100 Grande Lattes

- Its my drink bill from Carnival Cruise Ships

- But for \$535 at APN you get hours and hours of enjoyment, stress relief, skill building and camaraderie-It's a priceless opportunity

- Let's highball!