



## Opening Remarks of Chairman Wood – April 12, 2019 UPRD Meeting

Good afternoon ladies and gentlemen, and welcome to the April meeting of the University Park Recreation District. This is an important meeting given what has been happening over the last several months. I will remind you that you elected the five of us as your representatives on this Board by an overwhelming majority.

You also supported, by an overwhelming majority, the establishment of the Recreation District approved by the Board of County Commissioners by a 7-0 vote. Further, despite the fact there are those in the community who don't believe the owners can rezone the golf course, there are many examples in this area of those changes being made. In addition, for those who were at the hearing, you heard the Commissioners themselves, the very people who must approve rezoning, that it is the owners' land and they can pursue the best value for that land. You also voted overwhelmingly to support the sale of bonds to finance the acquisition and turnover to the residents of University Park.

In a democracy, the minority can object for a good reason or for no reason at all. In our case, one of the minority dissenters, Richard Garrett, has filed a lawsuit alleging that the County acted "*arbitrarily and capriciously*" in establishing the recreation district. Interestingly he filed the suit against the RD, not the County who actually established the District. Judge Nicholas, who was assigned the case, denied the request for a temporary injunction to stop the referendum. He also set a date in early May for bond validation and we are hoping for an expedited date to hear arguments challenging the establishment of the RD.

It is now the belief of those of us who have been involved in this process from the beginning, that Garrett and his supporters want to do, with this lawsuit, what they could not do during the democratic process when residents overwhelmingly voted to support the creation of the Recreation District. We believe that this suit is the first of several attempts to delay the validation of the bonds and to prevent the Recreation District from going forward.

Over the last several weeks, Garrett has sent emails to some, or many of you, with information which he says is his "truth". Some of you have asked "why don't we answer his e-mails? Why have we not provided him the information he wants?" We *have* answered his questions multiple

times and met with him on several occasions to address his questions -- yet he continues. Today we want you to hear what he has heard so you can decide whose truth you believe.

He starts by saying "he fully supports the acquisition", they just don't like the terms. They have raised substantially two issues:

- 1) He says the financials are "fictitious", that we used pro-forma statements to mask the fact that the country club lost \$108,000 and had a cumulative loss on a financial statement basis.
- 2) That the RD Board, which you elected, could raise money by assessing you any amount of money, for any reason, at any time.

On the first item, you will hear and see how misleading his communication is in the interpretation of the numbers. I can only say that anyone who claims to be a "numbers guy" or to have been a banker knows the difference between an income statement and a cash flow analysis, which is what a pro-forma statement represents. An income statement alone is rarely a good indicator of a business' health.

On the second point regarding assessments, Garrett and his supporters may have the resources to pay their attorney the fees necessary to pursue their suit in addition to assessments the Recreation District may need to defend itself against the suit he has brought. However, there may be those in our community where this additional assessment may be problematic.

In addition, he wants a referendum to be held before any assessments can be levied. It is important that everyone realize that virtually every county, city and special district in the state has no requirement for a referendum before levying assessments. What he is demanding is unusual at best.

He also wants the Homeowner's Association to own the country club. He doesn't seem to realize that the Homeowner's Association also has no restrictions for levying assessments including no requirements for a referendum.

I have to wonder just who they are attempting to protect by creating a financial burden on the community solely based on their own actions. The RD has no ability to raise funds to defend these legal actions except through, one way or the other, having *you* pay for it. They are looking out for *your* best interests? Really?

If they are successful, we would have to start the process all over again, have another referendum, go before the County again on their timeline to reestablish an ordinance that would look remarkably similar to the current one. In the meantime, we would have run up hundreds of thousands of dollars in legal fees and penalties. Guess who would be on the hook to pay those dollars? *You!*

If they indeed support the transaction as they say they do, they would drop this suit and stop costing each of us the money required to defend that suit, which ironically, as they say, is to avoid "unexpected assessments". We are already at the point where it may cost some residents more than three times the monthly assessments forecasted for repayment of the bonds.

Let me summarize our position. We have wasted weeks answering questions that had already been answered, producing thousands of documents at substantial costs with no apparent relevance to the claims in their suit. It is our conclusion, as your representatives, that they want to delay the inevitable in hopes that they can convince enough people that they have legitimate concerns by spreading false narratives and identifying red herrings to change the minds of other people in the community. They have no intentions of doing anything but creating unrest and costing all of us money.

You are about to hear from two of your neighbors who have studied the financials. Both are certified public accountants who are bound by law and the threat of significant penalties to validate the annual audits of the club's financials. Before I introduce our two presenters here is where we are today:

1. The *County Commissioners have spoken* and support the position of the vast majority of the residents of University Park by issuing the ordinance that established the UP Recreation District.
2. You have spoken, with the vast majority of you agreeing to have a Recreation District, to issue bonds and to have the five of us to act as your representatives.
3. The *judge handling the case has spoken* and refused to issue a temporary injunction to halt the referendum. There is another hearing scheduled for early May to hear arguments on a permanent injunction, but there are no substantial changes to the fact base for this hearing vs. the previous one.
4. Every day that this suit continues costs you money in the form of dollars to defend the suit and soon for penalties for not closing the acquisition. We fail to see how it is possible that they are protecting your interests as you may be required to pay a multiple on your projected annual costs just to get to the point where we can actually begin to benefit from the acquisition.
5. It is very hard to understand what they want, as you will see shortly, they do not understand the difference between an income statement and a cash flow analysis. These are separate documents that are prepared for separate purposes. They want you to believe the club is losing money because some things that are not relevant to cash flow are included on the income statement.
6. Finally, at the very root of this, Garrett and his supporters want to take us back to the very beginning, change the ordinance which in essence means we start this process all over again. We would have to have another referendum to approve a new ordinance. As your representatives we are not willing to do that.

Before I give you the final answer from our side, I want to introduce two true financial experts and members of the Planning Group who collectively have more than 60 years of experience evaluating income statements, cash flow analysis and the financial health of national and international businesses.

Bruce Mantia spent more than thirty years at Ernst and Young, one of the big five accounting firms. From the proxy statement for a company on whose board of directors he served: "Mr. Mantia holds a bachelor of science degree in accounting from the University of Illinois-Chicago. He served Ernst and Young LLP in a variety of roles until his retirement. He was lead partner on the audit team, he served in various roles in Ernst and Young's National Office, including as a member of the operating committee, as national director of total quality management, national director and vice chair of human resources. He was also managing partner of the Stamford, CT office. It concludes by saying "the board of directors believes Mr. Mantia's extensive business and financial background, local and national management experience and his experience with the auditing of public companies make him well qualified to serve as a director."

Dick Crouch was a general partner with the firm Price Waterhouse Coopers LLP having served as an audit partner principally assigned to public companies. He served in various capacities for the firm, including service as a regional accounting, auditing and Securities and Exchange Commission services consultant. "Mr. Crouch adds significant financial reporting and management expertise as a result of his more than 35 years of experience with a large public accounting firm which provided him with exposure to and interaction with a variety of industries and companies. His board says "he is one of our audit committee financial experts. His tenure as a SEC services consultant for Price Waterhouse Coopers LLP gives Mr. Crouch first hand insight into the financial reporting and

disclosure obligations of the company, which is a vitally important qualification for service on the board.”

(Followed by a presentation by Bruce Mantia and Dick Crouch.)

Ladies and Gentlemen, in addition to everything else, Garrett has no plan. They want to renegotiate with the sellers even though we have heard the sellers say the negotiation is over. We have heard the County say they can rezone and their temporary injunction has been rejected in the court system.

Today, bond rates are at a low level, lower than we forecasted when assessments were developed. The longer this situation drags on the higher the risks that the rates will move against us and reduce our financial flexibility.

We believe that they are *not* concerned about protecting the interests of residents. It is our belief based on the true facts that their intent is only to obstruct the will of the people.

Yes, we will be bound by the ruling of the judge in the lawsuit regarding a permanent injunction. We will not, however, request that the County revisit the ordinance. Although Garrett and his supporters may continue to take actions to thwart the will of the majority through misinformation, it has become clear that we can no longer rely on what they tell us.

We are now prepared to fight this to the very end..... every day that this goes on costs each of us dollars. If you believe Garrett and his supporters, you need to ask what is next? Because as it stands today, they have no plan and we are each financially responsible for defending what the majority of you have already said you are in favor of. As your representatives, if necessary, we will fight them to the judge’s final decision however long that will take.

END OF OPENING STATEMENT