

**MIDDLE BASS ISLAND YACHT CLUB  
CAPITAL IMPROVEMENT BOND  
FREQUENTLY ASKED QUESTIONS**

**Why is the club initiating a bond program?**

The total estimated cost of improvements for the new MBIYC marina is \$1,200,000 and includes the cost of the docks, a clubhouse and other incidental equipment and facilities needed to complete the project. Over the years, the Club has built a sizable building fund, but in order to meet the net operating income requirements for bank financing, additional funds are needed.

**What is the total value of bonds to be issued?**

In order to maintain our needed cash flow levels over the next ten years, the finance committee has recommended that we secure a minimum of \$300,000 in bonds. At this level, assuming income from dues and docks meets our conservative estimates, the Club will be able to comfortably meet operating and debt-related expenses. If additional funds are raised through the bond program, the need for traditional bank financing with higher interest rates will be reduced accordingly.

**When will the bonds be paid back?**

The term of all bonds is ten years, however the cash projections made for the project assume that we will begin to pay back the bonds in year six of the term. The bonds will be paid on a first-in-first-out basis with 20% of the total bonds paid each year, provided our cash position meets our conservative projections.

**When will interest be paid?**

The interest rate is 5% simple and will be paid at the time of the principal payment.

**Is there a maximum amount of bonds which can be purchased by a member?**

No. A member may purchase any amount in increments of \$500 .

**Can bonds be redeemed early if a member resigns or dies?**

A member who resigns, or the estate of a deceased member, may petition the Board of Directors for an early retirement of their bond. The Club will make every effort to accommodate such requests based on the Club's financial status at the time.

**Is the interest on the bonds taxable and, if so, when are the taxes due?**

Yes, the interest on the bonds is taxable and a 1099 will be issued after payment showing the amount of interest earned. In general, taxes are due based on the payment date, but, as always, you should consult your tax advisor regarding your individual situation.

**Can bonds be purchased by non-MBIYC members?**

No. The bond program is a private offering and bonds will only be issued to members or personal trusts of members.

**Why do I have to provide a completed W-9 form with my purchase agreement?**

The Club is required to report to the IRS any income paid to you. The W-9 form is required to collect the information for such reports. The form is also used for you to indicate whether or not you are subject to withholding. These forms will only be used for such purpose and will be kept confidential and secure.

**Do bondholders have any special privileges?**

No special privileges will accrue to members who participate in the program. The purchase of bonds is strictly voluntary and a separate investment like any other investment you make at a bank, credit union or with your broker. The purchase of bonds is a way for members to facilitate the financing of what we think will be the premier yacht club facility on Lake Erie and beyond.

**How will the money be used?**

The monies collected in the bond program will be used to fund the purchase and installation of docks and construction of a clubhouse and other capital improvements. The money will initially be deposited in the Building Fund and invested in CDs along with the current Building Fund monies. As the project progresses, those funds, along with any necessary bank financed funds will be dispersed.

**Is there a deadline for the purchase of bonds?**

While there is no specific deadline for the purchase of bonds, members are encouraged to make their bond commitment as early as possible. The bank financing currently in place provides monies for both the docks and club house, however, the club must provide the bank evidence of addition club funding for the club house portion of the project. In other words, the sooner we reach the bank's funding requirements, the sooner we can commit to building a club house.

**How confident is the Board that the project will be financially successful?**

The financial projections for both the income and expenses related to the project were based on very conservative estimates. The most critical factor to the project's success is the number of members. The financing plan assumed 350 members in the years 2009 through 2012. With the 2009 renewal period in the books, membership stands at 334. As the marina development takes shape, we are confident that our membership will continue to grow and that membership will out pace the plan.

**What will happen to my bonds if the Club should decide to discontinue operations?**

In the unlikely event the Club discontinued operations before all Bonds were paid, the Bondholders would be unsecured creditors of the Club. The Club would sell or otherwise liquidate its assets. The proceeds would go first to the bank holding the mortgage. All remaining funds would go to unsecured creditors on a pro rata basis.

**How do I make out my check and where do I send it?**

Checks should be made payable to Middle Bass Island Yacht Club and sent to the treasurer at the following address:

Kaye Soka, Treasurer  
Middle Bass Island Yacht Club  
5573 Ginger Tree Lane  
Toledo, OH 43623

If you have other questions regarding the bond program, please direct them to Kaye Soka via e-mail at [treasurer@mbiyc.com](mailto:treasurer@mbiyc.com) or by phone at 419 297-6667.