



BETTER TOGETHER: TRANSPARENCY SERIES

The LPOA and Lakewood Oaks Country Club

Presented by the Lakewood Property Owners Association

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Part 2: The Discovery Process (2005 - 2007)

Introduction:

This section will provide a deep dive into the context for how and why the LPOA started researching the acquisition of the Lakewood Oaks Golf Course, Ltd, I. It will also describe the process that was used to gain information about the benefits of acquiring the golf course, as well as the steps they took to get resident feedback.

Summary:

The LPOA engaged in a Discovery Process beginning in June 2005, and completed the acquisition of the Golf Course almost 2 years later. During the discovery process, the LPOA commissioned three separate reports from outside experts:

1. Financial Study - Cochran, Head & Co. PC
2. Appraisal of Assets - [Stephen R. Hughes, MAI, SGA](#)
3. Operational Audit - [Hughes and Company, Inc](#)

All three reports showed very favorable long term benefits for the LPOA, and also showed disadvantages if the LPOA were to pass up the opportunity to purchase the course.

In addition to commissioning reports, they also conducted extensive efforts to gain resident feedback, and ultimately held an association-wide vote in order to approve the purchase of the course.

Evaluating the Acquisition

The Process of reviewing the possibility of a merger or an acquisition of the Lakewood Oaks Golf Club I, Ltd. (which was doing business as The Lakewood Oaks Golf Club) by the Lakewood Property Owners Association, Inc. began in June of 2005.

The LPOAs 2005 accounting firm Cochran, Head & Co., PC was commissioned on July 21, to perform a study that would determine synergies and efficiencies should the companies merge or should the LPOA acquire the assets. On November 15, 2005, Cochran, Head and Co., PC advised the LPOA and Lakewood Oaks Golf Club Board of Directors of the following.

June 2005 The existing Ad Hoc Visions Committee began to explore the opportunities of acquiring the Golf Course.

The Visions Committee had been reviewing a wide variety of visual ways to improve Lakewood, including things like monuments, lighting, and other accessories. They began to gain interest in reviewing the possibility of an acquisition of the Lakewood Oaks Golf Club II, Ltd. The Lakewood Oaks Golf Club II, Ltd. was a Private Club that was owned by the equity membership of approximately 227 members.

July 21, 2005 Financial Study | Commissioned from Cochran, Head & Co., PC

The LPOAs 2005 accounting firm, Cochran, Head & Co., PC, was commissioned to perform a study that would determine synergies and efficiencies should the companies merge or should the LPOA acquire the assets.

Nov 15, 2005 Financial Study Identified Cost Reduction opportunities

Cochran, Head and Co., PC advised the LPOA and Lakewood Oaks Golf Club Board of Directors of the following;

Acquisition Recommendations:

“An analysis of the entities’ December 31, 2004, financial statements, interviews with LPOA and LHC management, analysis of the data provided to us by LPOA and LOGC LTD, and our own industry knowledge has led us to conclude **that the areas where duplication of costs are most likely occurring would be in administration, food and beverage services, and maintenance.**

We have attached a schedule that summarizes a listing of potential cost reductions of \$410,471 that might result from changes in certain operations.” (\$674,324.11 in 2024 due to inflation)

Jan 26, 2006 LPOA Board Convened a Special Work Session to discuss
The concept of merging the LPOA and Lakewood Oaks Golf Club was elevated to a Special Work Session of the Board of Directors.

Appraisals and Evaluations

Feb 9, 2006 LPOA Board commissioned Appraisal from Stephen R. Hughes, MAI

During the Board of Directors Meeting, under new Business Item 'A', The LPOA Board of Directors officially discussed the proposed, "Possible Merger of LPOA and Lakewood Oaks Golf Club". They commissioned an Appraisal of the assets of the LOGC LTD.

Feb 24, 2006 Appraisal Date of LOGC LTD
Appraisal date, conducted by [Stephen R. Hughes, MAI, SGA](#).

April 11, 2006 Appraisal Report Received by Staff

The Hughes report established the market value of the Lakewood Oaks Golf Club, "As Is" at \$3,100,000. This price was reflective of an identified \$500,000 in deferred maintenance that would need to be corrected in the short term.

Furthermore, Mr. Hughes identified the Conclusion of Highest and Best Use to be "Keep the property as a private golf course but attract more non-member play." Mr. Hughes also noted that in early 2006 the estimated replacement cost would be \$8.8 Million (2006).

Alternate Scenarios besides Acquisition:

The Hughes Report offered two Alternate Scenarios besides acquiring the Golf Course.

- Alternate Scenario Option 1: Turning this Into a Public Course
- Alternate Scenario Option 2: Closing the course and developing the land.

Both of these scenarios created a projection of about \$20 to \$50/mo. increase in dues (\$30-\$75 with inflation in 2024), due to a variety of factors like maintenance costs, administrative costs, etc.

Additionally, Option 2 was accompanied with a warning to the LPOA of the high likelihood of being sued by residents who lived on the course, for damaging their property values by closing the course.

Ultimately, in 2024, the current costs of Option 2 to mow the golf course once every 7 to 10 days, like the LPOA common ground, would indeed be over \$600,000 a year, in addition to any legal action that might be taken by residents.

May 11, 2006 Board Meeting | Operational Audit was also commissioned

In this Board meeting, the Golf Course Appraisal, performed by Hughes and Company, Inc. was received and the Board announced it was in the process of getting an operational audit for the LPOA as well.

This was all part of the due diligence required for the Board to make a financially responsible decision in this matter.

Gaining Membership Input and Feedback:

Aug 10, 2006 Informational Meetings were launched

In the Board meeting, the Board announced that they would hold 10 informational meetings with membership in order that the LPOA members would have a voice in the process and receive all the information during the process.

Sep 14, 2006 LOGC Equity Members began discussions

Board meeting, the Board announced that the Lakewood Oaks Golf Club I, LTD equity members were in the process of voting on whether or not they would approve a sale of the Club to the LPOA.

Feb 8, 2007 LPOA Board voted to hold a Membership Vote

This Board meeting was a milestone in the process. The Board voted to have the LPOA membership vote on the Acquisition of the Lakewood Oaks Golf Club.

Feb 27, 2007

LPOA Ballots were distributed

The LPOA Ballots for the vote to determine if the LPOA Membership would approve the acquisition of the Lakewood Oaks Golf Club were mailed to the members.

Additionally, the Board voted to close the Cove Restaurant effective 3/18/07. This was the first step in enacting efficiencies of combined operations as identified in the Cochran, Head & Co. 2005 Study. This was also an important step to remember as it took away the primary purpose of the Cove Clubhouse. The LPOA Board of Directors would finalize this process in 2016.

March 17, 2007

LPOA Membership Vote results

At this Special Membership meeting, LPOA President Pat Starke read the election results as follows;

- 867 voted **YES**

The LPOA Board of Directors is authorized to enter into all necessary and appropriate agreements to acquire all of the assets of the Lakewood Oaks Golf Course (LOGC) for an amount not to exceed \$3,100,000.

- 400 voted **NO**

The LPOA Board of Directors is not authorized and is directed not to enter any agreements for acquisition of the Lakewood Oaks Golf Course (LOGC).

April 30, 2007

LOGC LTD Membership Vote

On or around April 30, 2007, the Lakewood Oaks Golf Club Equity Members voted to approve the sale of the Golf Club to the LPOA for \$3,100,000. This would finalize the member approval process for both sides of the deal.

139 votes **YES**

18 Voted **NO**

CONCLUSION

All parties approved the Acquisition in a figurative landslide, and it was now time to Move Lakewood Forward, and protect home values for decades to come.