

Charbonneau Country Club Board of Directors
Minutes of the Monthly Meeting
May 5, 2020 – 2:00pm

A meeting of the Charbonneau Country Club Board of Directors, an Oregon nonprofit corporation, was called by President Kathy Harp via audio/video conferencing in Wilsonville, Oregon.

Board Directors Present:

Staff:

Kathy Harp, President	John McLain	Kim Hosford
Gene Tish, Vice-President	Gary Newbore	Jim Meierotto
Lindy Anderson, Treasurer	Anne Shevlin	Karen Pratt
Pat Tewell, Secretary	Steve Switzer	Rick Schram, Property Manager
Jim Gibbons		

Call to Order: President Kathy Harp called the May 5, 2020 meeting to order at 2:04pm and welcomed approximately 21 visitors who joined the meeting via video or audio conferencing. Kathy said this meeting is being convened in accordance with the coronavirus resolution passed on April 7, 2020 regarding audio conferencing for board meetings.

Review of Agenda:

- Kathy added Pool Guidelines to the Agenda under New Business. There were no other changes.

Approval of Meeting Minutes:

- Kathy asked if there were any changes to the April 7, 2020 Regular Meeting Minutes. There being no corrections to the minutes, they were approved.
- Kathy asked if there were any changes to the April 28, 2020 Special Meeting Minutes. There being no corrections to the minutes, they were approved.

Standing Committee Reports

- **Treasurer's Report, Lindy Anderson:** Lindy reported that the bookkeeper has not been to the office to prepare the financial statements due to the pandemic. Therefore, there is not a financial report this month.
- **Asset Management, Anne Shevlin:** Anne stated that she will not submit a proposal for the marina boat house during this meeting as was originally stated in her written report.

Manager's Report, Jim Meierotto:

- Jim reported that staff is continuing to work from home and everything is running strong and there are no operational deficiencies. When staff does need to work in the office, a staggered schedule is used so there is only one person in the office at a time. Jim thanked the staff for working efficiently from home. He also thanked Rick Schram who is coming in each day and taking care of the property.
- The marina slips are fully leased.
- The staff will start discussing the process of opening the clubhouse when the time comes to open. There is currently not enough information to determine an opening date.
- There were significant numbers of car break-ins in April. The Wilsonville Police have been asked to be more present in Charbonneau and they have responded with more patrols. First Response Security is also continuing to patrolling nightly and is on the lookout for anything unusual. Residents are encouraged to not leave any belongings in their cars and to keep their cars and houses locked.

President's Report, Kathy Harp:

- Kathy reported that the Annual Meeting has been postponed, due to the pandemic, and a new date has not been scheduled yet. According to the bylaws, the Annual Meeting will need to be held by August 1.
- Kathy said that Tony Holt has passed away and she thinks it would be appropriate for him to be honored in some way. She requested that the Village Center Development Task Force take this project on.

Old Business:

- **Agreement and Plan of Merger with the Charbonneau Golf Club, Gene Tish:**
The end may be in sight.

First, I want to formally thank President Kathy Harp, and former CCC Board member Larry Walker who have served with me on the CCC Negotiating Committee. They have dedicated many hours over the past months. Jim Meierotto and the CCC staff have also provided valuable information and office support.

From the conception of the development of Charbonneau as a planned community, it was intended that the Golf Course would be owned and controlled by the Charbonneau Community. That conception and intention was derailed in the late 1980's, and in 1990 a group of residents stepped up, formed Charbonneau Golf Club, Inc. (Golf Club), and purchased the golf course from Charbonneau's developer to keep it from getting into the hands of outside interests. The contractual restriction imposed by the developer to keep the golf course a golf course for 30 years expires the end of this month, although applicable land use rules would severely limit other options at this time.

Over the ensuing 30 years, there have been numerous good faith attempts to unite Charbonneau Country Club (Country Club) and the Golf Club, bringing our community back together. Each time it was attempted, issues arose that derailed the process. Some of those issues were good faith questions. Some, perhaps, were just intentional roadblocks. Egos were bruised and ill feelings were fostered.

Since the last derailment, however, a significant event has occurred—a sea change really. The driving range was sold supplying capital to make improvements to the golf course, creating reserves for the future, and capital for legal fees to finally address the perceived roadblocks.

Two years ago, in mid-2018, a new dialogue was initiated between the two organizations. The initial focus of that dialogue was not about combining the entities. It was really more about just getting along. Those discussions ultimately resulted in a 30-year non-exclusive license agreement for use of the garden terrace in exchange for construction of a cover, now nearing completion, by the Golf Club. And that was just the beginning.

In late summer and early fall of 2018, a project was undertaken to research legal aspects of the long-term relationship between the two legal entities, as well as their individual relationships and agreements with the Charbonneau developer. Hundreds of pages of historical legal documents were reviewed. Many long-held beliefs and assumptions were disproven, further fostering the growing trust between the two entities.

Based on the foundation of this developing positive relationship, the Golf Club, with the consent and encouragement of the Country Club, began a tedious legal research process of evaluating the cause of prior negotiation derailments. Issues were identified and legal research was conducted to either validate or disprove the prior derailment theories. It was time consuming. And it was expensive, even with hundreds of hours of volunteer work performed by respective board members. Without the financial support of the driving range proceeds, it could not have been undertaken.

Eventually, attorneys for both sides were brought together with representatives of each board, and a clear message was conveyed. Find a way to make this work. And they did.

Only recently have the last pieces fallen into place. Only in the last few days have the last boxes been checked, the last terms negotiated, and the last sentences restructured and rearranged for the umpteenth time. There is more to be done before closing, but the research has been done and the structure is in place. More importantly, the relationship and the mutual trust between these two key segments of our community have continually improved throughout this process.

Eighteen months of complex and sometimes difficult negotiations could be expected to germinate seeds of distrust. This is especially true when it follows a 30-year relationship littered with conflict. In this case, ironically, the opposite appears to be true. The relationship has never been stronger. The trust has never been higher.

The next step now is for this board to formally approve the Agreement and Plan of Merger. The Golf Club board has already done so. As a full board we have previously approved successive evolving non-binding Term Sheets. We have spent hours reviewing the definitive agreement, the “Agreement and Plan of Merger”, in executive session with Michelle Da Rosa, primary attorney for the Country Club. She has been continuously involved with this process for months now, and also has the added advantage of having been involved in prior consolidation discussions over the years.

Once we approve this agreement, and the final due diligence period passes, it will then be up to the Golf Club Shareholders, who must vote to approve it. The final decision, the future of our community, will rest with them.

For a number of reasons, mostly tax related, the Country Club cannot directly own and operate the golf course. That could be an option in the future with the help of some governance changes, but it is not an option now. That is why neither a conventional acquisition of, nor merger with, the Country Club and the Golf Club has ever been a viable option.

What is a viable option, and the path a team of attorneys for each entity jointly recommend, is a Reverse Triangular Merger. While this sounds complex, and it is, it is simple in concept. The Country Club has formed a for-profit wholly owned subsidiary corporation, CCC Merger Sub, Inc. (Merger Sub). The merger will take place between the Merger Sub and the Golf Club, with the Golf Club being the surviving entity.

When the dust settles, the Golf Club will be a wholly owned for-profit subsidiary of the Country Club. The Country Club will not own the golf course, it will own the company that owns and operates the golf course. The existing shareholders of Golf Club will no longer hold shares in the Golf Club, but instead will receive a right to receive payment for their shares. The payment will be made out of Golf Club funds. The only transaction cost to Charbonneau Country Club will be costs for attorneys’ fees, accounting fees, and miscellaneous fees for title reports, filing and/or registration cost, etc. In this format, there is no “purchase price” in the conventional sense.

Gary Newbore, John McLain, and Jim Gibbons, three of our Country Club board members with extensive relevant expertise and experience, conducted a thorough Due Diligence Study and issued a report. A summary of that report has been available on the Charbonneau Country Club website for several weeks now. It was also the subject of an article in the Villager. Important highlights of that summary (paraphrased and supplemented) are as follows:

- CCC can own a for-profit subsidiary that owns and operates a golf course with minimal risk to its IRC 528 status. This is supported by a written memo prepared by special tax counsel hired by the Country Club specifically to address this issue.
- No environmental risks were found at either Charbonneau Water Company (a subsidiary of the Golf Club which will come with the merger) or the Golf Club.
- There appear to be adequate golf course reserves.
- OB Sports management services have had a positive impact on Golf Club business operations.
- Recent changes in operations and a trend of increasing golf rounds has resulted in increased business activity, lower costs, and higher merchandise sale profits.
- The Turn has shown a profit the last two years.
- New revenue sources that will come on-line in the next two years will help boost profitability. (Some of these new revenue sources are facilitated by the merger.)

- We do not believe that the merger as proposed will have any impact on residential dues in the foreseeable future!

The financial status of the Golf Club was very carefully vetted by our Due Diligence Committee, and the Agreement and Plan of Merger provides a 5 business-day contingency period in which the Golf Club will deliver updated financial information to the Country Club.

Michelle Da Rosa, our attorney, ordered and reviewed a title report on the property owned by the Golf Club. That report produced no significant concerns.

As indicated above, legal tax counsel was brought in on behalf of the Country Club, and in conjunction with work done by the Country Club's CPA, determined there is very low risk that either the transaction or future operations would negatively impact our IRC sec. 528 status.

Once the Agreement and Plan of Merger is approved by this board, and is executed by the appropriate parties, there will be a 30 to 60-day delay before closing. This time is necessary to allow the Golf Course to complete a list of statutory requirements, including providing each shareholder a copy of the agreement and to hold a shareholder's meeting to vote on the merger. The CCC board will make the agreement available to the community at that same time. The Agreement and Plan of Merger prohibits us from publishing the agreement until such time as the Golf Club begins their distribution of the agreement. And that should begin in just a few days.

Truly, the end may be in sight.

In conclusion, I move we adopt the five resolutions drafted by our attorney as follows:

Formation of CCC Merger Sub, Inc.

RESOLVED that the board of directors approves and ratifies (1) the formation of CCC Merger Sub, Inc. as an Oregon corporation, as a wholly owned subsidiary of Charbonneau Country Club form to serve as the merging corporation in the reverse triangular merger contemplated in the Merger Agreement (defined below); and (2) the purchase of 100 shares of common stock from the CCC Merger Sub, Inc. for a sum of \$10 in service of such transaction.

Agreement and Plan of Merger

RESOLVED that the board of directors has reviewed that certain Agreement and Plan of Merger among Charbonneau Country Club ("CCC") as acquiror, CCC Merger Sub, Inc. as acquiror's wholly owned subsidiary, and Charbonneau Golf Club, Inc. as target, and the Trustees of the CGC Shareholder Representative Trust representing Charbonneau Golf Club, Inc. shareholders (the "Merger Agreement"), and has found that entering the Merger Agreement is in the best interest of CCC.

RESOLVED that the board of directors directs CCC Merger Sub, Inc. to act as the merger subsidiary of Charbonneau Country Club under the Merger Agreement and to take such actions and execute all documents as necessary and appropriate for the CCC Merger Sub, Inc. to carry out its duties and obligations under the Merger Agreement in connection with the reverse triangular merger transaction it contemplates.

RESOLVED that CCC enter into the Merger Agreement effective May 5, 2020 and that Kathy Harp, as president, is authorized to sign the Merger Agreement, to issue closing certificates, and to otherwise deliver all documents required of CCC under the Merger Agreement and reasonably related to the Merger Agreement, and to take all actions necessary to consummate the transaction.

Ratification of Terms and Actions

RESOLVED, that the board of directors hereby ratifies and approves the terms of the Merger Agreement and all of the documents provided to them which are related to and are in connection with the Merger Agreement, with such modifications as counsel may deem appropriate. CCC ratifies all actions taken by the directors and officers on behalf of CCC in respect of the Merger Agreement prior to the date of this Resolution.

This motion was seconded by Gary Newbore. Kathy called for a Division of the House Role Call. Secretary, Pat Tewell, called off each board member by name for their vote and a brief statement if they so wished.

- Lindy Anderson: Yes. It is the right thing to do for our community and for property values.
- Jim Gibbons: Yes. After so many years of trying to bring the Golf Club and the Country Club together, we, the CCC Board, have the opportunity to manage the most important asset of our community. It is definitely worth pursuing and I happily vote in favor.
- Kathy Harp: Yes. Two years ago, Charbonneau Golf Club president, Joe Brouillette, reached out to Charbonneau Country Club president, Tony Holt, to talk about how our two groups could move forward in a more positive manner. Gene Tish was also in those early meetings. Several months later, Tony asked me to join this group as talks started to focus once again on a possible merger. At that time, I truly had no idea of the immense amount of time and legal input this endeavor would take. And here we are today. We did it! As our CCC Board already knows, the true engineer for CCC in this merger document is Gene Tish. The CGC board has already voted a unanimous yes to this merger agreement. Realizing what a great honor it is to be on the board at this time and to be able to cast a vote, it is with great joy that I vote absolutely yes.
- John McLain: Yes. I support this merger agreement because, in my opinion, it is in the best interests of the Charbonneau Community as a whole. I believe we can achieve more together than separately. While there is some level of risk assumed in any agreement, that risk has been minimized by the thorough review of the past and a plan for adequate oversight in the future of the new subsidiary. Lastly, I am comforted by the history of the Charbonneau Country Club Board and full-time staff to successfully manage a large and complex community of assets and operations over the past decades, such as:
 1. Working collaboratively with the many local neighborhood HOAs to maintain the high quality of living conditions for its 1,627 living units for the past many decades. I have friends who have driven around our neighborhood for the first time and remarked “wow” we should live here.
 2. Managing sports and recreational assets and operations to achieve self-sustaining amenities for the community, with little impact on annual assessments (e.g. tennis center, marina, RV lot, fitness center).
 3. Managing and supporting community activities and clubhouse facilities that are highly valued and highly used by over 50 social, recreational, artistic and charitable clubs based in Charbonneau with attendance at the clubhouse of almost 30,000 attendees over a 12-month period.
 4. Maintaining adequate financial reserves for millions of dollars-worth of common assets and mechanical systems of the community.
 5. Leadership in dealing with the tough decisions and initiatives affecting the community; not just maintain the amenities of the community at 1975 standards, but to continue to improve them to meet current and future standards for exemplar community assets, amenities, and HOA management.

In summary, more can be achieved by the merger than staying separate, and there is a history of successful Board collaboration, management, and leadership that gives me comfort that the risks of this merger are manageable.

- Gary Newbore: Yes. I support this agreement because I believe the people of Charbonneau should own their largest asset. It's amazing what positive people who are willing to compromise and who are working toward a common goal can accomplish. This is a much better agreement than I would have expected 6 months ago. Complicated, yes. But

also, ingenious and well thought out. A big pat on the back should go to Joe Brouillette and Bill Bray of the golf course board and Kathy Harp and Gene Tish of the CCC board as well as Jim Meierotto, our CCC General Manager for putting this document together.

1. The 30-year-old deed restriction that requires the golf course to remain a golf course runs out at the end of this month. Although it's unlikely, on June 1 the golf course, which is a private corporation, could do anything it wants: shut down one nine, sell the company to a company from out of the area, or whatever else they wanted to do. This Agreement is the best assurance the residents of Charbonneau can get that it will remain a golf course for at least the next 20 years.
2. When I moved here several residents bitterly told me that I couldn't walk on the golf course, and since then, many more residents who do not play golf have expressed a similar resentment that they can't even walk on the golf course. I'm happy to report that the framers of this agreement included an article which requires the two boards to look for a way for some community use of the course. A huge win for the 2/3 to 3/4 of the residents who don't golf.
3. There has long been a we vs they mentality in Charbonneau. I see this agreement as a unifying document. The we vs they conflict should begin to disappear as it will be just US. What is good for one is good for all and that is good for Charbonneau.
4. Last, for the vocal minority and many of the silent majority last winter who were worried that the merger would raise their dues, let me say I believe that will not happen. The Due Diligence committee concluded that they expected there would be no dues increase for the foreseeable future and that was reported in an e-mail blast and in the Villager. Why am I confident in this? Because the ingenious nature of the agreement virtually guarantees that for many, many years, but even better, assuming it is approved by this board and by the golf shareholders, when the new clubhouse is open and the existing clubhouse gets some remodeling, this agreement opens the door to significantly increased revenue for the golf course from food, beverage, and event sales. That revenue, coupled with revenue from the new Pavilion, should make the golf course very profitable. And that is this community's best assurance.

On closing I want to sincerely thank the silent majority that supported this board last January and put your faith and trust in us to do the right thing. I appreciated your confidence in us and I know the rest of the board did as well. I think your support will be rewarded in the next couple of years with a reinvigorated Central Village, a profitable golf course and maybe even a new restaurant, which was the #1 desire on the survey done last year.

- Anne Shevlin: Yes. I disclose that my husband, Bill Shevlin, is a member of the Golf Club board of directors. I vote yes on the resolutions.
- Steve Switzer: Yes. Through the whole process of gathering input from the community over the last year regarding the merger, it is clear that there is overwhelming support of this merger. This community wants this merger to happen. With that in mind, I proudly and wholeheartedly support these resolutions.
- Pat Tewell: Yes. I'm fully in support of the Agreement and Plan of Merger. The Due Diligence Committee has presented all of its findings and have found all the risks have been met. I feel like all the boxes have been checked and research has been done. I feel like this is very important to our community and a joint effort in making our community great. Job Well Done!
- Gene Tish: Yes. 18 months ago, the Golf Club Board approved a document outlining three primary interests to be protected as they embarked on discussions with the Country Club. Those three principles were accepted by, and came to guide both negotiating teams as we worked toward the decision we are making today.
 1. As a planned unit development community, the golf course/open space needs to be maintained for the benefit of the community culture, ambience and property values.

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2. The golf course needs to be managed and preserved for the benefit of the Men's and Women's Golf Clubs/Associations, as well as the neighborhood and informal resident golf groups, events and casual play.
3. As a private for-profit corporation, the Golf Club has to abide by certain legal requirements that ensure that its current shareholders are being treated fairly, which will require that they receive fair value unless they agree otherwise.

I, and others, have stayed focused on those principles, and I believe the Agreement and Plan of Merger, fairly and adequately addresses and balances all three of those stated interests.

My last comment is for my fellow shareholders in the Golf Club. There are 542 shares. Most of us own one share.

Voting to support this merger may be the most important action we and our fellow shareholders ever have the opportunity to take to support and improve our community.

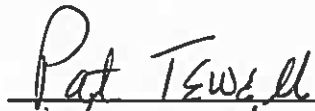
Carol and I committed two years ago that we would donate anything we receive for our share to benefit the golf course going forward. There won't be a charitable deduction, but we don't care. I encourage all Shareholders to consider doing the same. Most, if not all of us did not buy a share as an investment. We bought a share to support our community. Please join Carol and I as we continue providing that support by donating back whatever compensation we receive as shareholders.

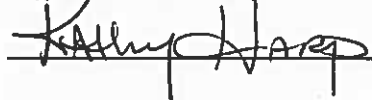
The final vote count: 9 Yes; 0 No. The motion passed unanimously.

New Business:

- Pool Openings: John McLain said that a draft of guidelines for opening the community pools will be ready early the following week. It was suggested that legal counsel be sought regarding this issue.

Adjournment: No other business came before the board. The meeting adjourned at 2:59pm.


_____, Pat Tewell, CCC Secretary


_____, Kathy Harp, CCC President

