

# **AACTMAD Facility Project Questions & Answers**

---

**August 4, 2009**

## **I would like more information about the Concourse building purchase. What was the purchase price?**

The property and existing building was purchased for \$650,000 in September 2008. This is listed in the Business Plan on page 24 along with the property tax information.

## **How much was Greg and Gretchen's down payment?**

Greg and Gretchen's total cost to purchase the Concourse property was \$67,000, of which \$50,000 was down payment and the rest went to taxes and other closing costs. The closing statement was provided to the Facilities Committee and Agreements Team in January 2009, and will be posted on the website.

## **What are the terms of the mortgage?**

The initial one-year mortgage will be rolled over into a standard all-in commercial mortgage in September 2009 with a 20 year amortization, renewable five-year terms, and a floating interest rate that is currently at 4.18% (indexed to Libor). The principal owed at that time will be approximately \$575,000. This is down from the initial borrowed amount of \$600,000 due to the mortgage payments made by Greg and Gretchen over the past year. Greg and Gretchen will provide the new mortgage documents to AACTMAD as soon as they are executed, and a copy will be posted to the website.

## **What was spent renovating the office/restroom space?**

The renovations to the office space/bathrooms/kitchen were made by Gretchen's House, Inc., (Gretchen's childcare business) for its administrative headquarters as leaseholder improvements at a cost of approximately \$300,000.

## **How do the renovation expenses (by both parties) affect equity in the building?**

To the extent that any renovation increases the value of the property, it would increase the equity. If the money used to do the renovation was borrowed against the property's equity, on the other hand, the net result might be to decrease the equity. It is very often the case, however, that leaseholder renovations to office and warehouse spaces are specific to the intended use of the leaseholder doing the renovations and have marginal value to any future leaseholder. For example, the office space and bathrooms in the Concourse Drive building were fully functional when it was purchased, but it was not configured appropriately for Gretchen's House needs. It was necessary to demolish the existing offices and build to a new design with the required number and arrangement of offices, storage rooms, and work areas. The real value of any renovation to the building owner is more likely to be in how rentable the space is to prospective tenants, not in equity per se.

## **Why is the plan for AACTMAD to make a down payment of 10% of 10%, resulting in 1% equity in the building? Is such a low equity stake in AACTMAD's best interest?**

Equity is the difference between the property value (\$650,000) and what is owed (~\$575,000). For its investment of \$6,700, AACTMAD's plan is to purchase 10% of the equity in the property and thereby become a 10% owner of the property. It is true that this purchase amount represents a little less than 1% of the total value of the property. This means AACTMAD will be able to control and use nearly half of a \$650,000 building by putting up only \$6,700, and having a lease payment that is about a third of the mortgage payment. Furthermore, AACTMAD, as a 10% owner, is only responsible for 10% of any shortfall if the lease payments from AACTMAD

and Greg & Gretchen don't quite cover the mortgage and property tax payments. As a benefit to AACTMAD, Greg and Gretchen are willing to sell AACTMAD a 10% ownership stake for 10% of their initial purchase cost (as if AACTMAD bought in when the property was initially purchased a year ago) until October 31, 2009. After that, a 10% stake will cost more because of the increased equity arising from the mortgage payments that have been made since the initial purchase. This level of investment in ownership in the property seems prudent for AACTMAD as a first step in our planning without taking on too much potential debt up front while using our financial resources to our advantage as much as possible. Depending on the success of AACTMAD's use of the building and its fundraising, AACTMAD may purchase more equity in the building at a later time.

### **How will AACTMAD or the dance community as a whole have any control of this facility?**

AACTMAD's plan is to simultaneously (a) purchase equity in the building and (b) sign a long term lease for that portion of the building and property it needs for its dance facility. It is the lease document that spells out what control AACTMAD will have, and protections will be built in to assure AACTMAD's continued use and control of its space. The lease will include language describing something like 5 year lease terms renewable for 30 years. Equally important to AACTMAD's success is having a tenant in the office portion of the building paying rent to help pay the mortgage. This means AACTMAD will purchase equity and sign a long term lease only if Gretchen's House also signs a long term lease to use office space portion of the building.

### **The plan says AACTMAD has the right to buy up to only 49% ownership.**

As a benefit to AACTMAD, Greg and Gretchen agree now to sell to AACTMAD any time in the next 7 years, at AACTMAD's sole discretion, more equity in the property up to 49%. At such time that AACTMAD wishes to buy more than 49% equity, or after the 7 years have expired, Greg and Gretchen will decide at that time whether or not to sell more to AACTMAD. It is their stated desire that eventually AACTMAD will own all of the property, and should they want to sell any equity, AACTMAD will always have the right to buy it before anyone else can. This protection, and the reciprocal protection for Greg and Gretchen, will be part of the Operating Agreement for the property ownership.

### **What will be the "Operations Agreement"? The text of this needs to be available so we can understand the mechanics of how the building will be managed.**

The existing Operating Agreement for Concourse Drive, LLC, is a standard document for a limited liability company that owns property. This will be posted on the AACTMAD website. The necessary modifications to this document to allow AACTMAD to become a member (and hence part owner) of the LLC is under development. A draft of the amendments with comments by AACTMAD's Agreements Team is on pages 36 – 39 of the Business Plan, and a final draft to be reviewed by our legal counsel will be posted as soon as it is available. It should be understood that the management of the LLC is quite different from management of the use of the spaces by either AACTMAD or Gretchen's House. AACTMAD will have a Management Team that is responsible for managing AACTMAD's use of the facility.

### **Right now this project seems to be a Greg and Gretchen show, down to who's running the AACTMAD Board meetings.**

Greg and Gretchen are indeed strong supporters of this project. The current Board and many previous Boards have worked very hard over many years so that AACTMAD's long standing vision of having its own dance facility can become a reality. When the new facility project approved by the Board at the Wagner-Waters location, neither Greg nor Gretchen were on the Board nor in any position to make decisions about the facility project on behalf of AACTMAD. It has always been the case that for this project is to be successful, it must have strong support of the

AACTMAD membership, and the current Board feels that the support is there or it would not be doing the project.

### **Who actually would be making decisions about resolving scheduling conflicts?**

A Management Team is being formed, and several volunteers from the membership and Board have indicated their interest in this very important task.

### **Who would decide on pricing for AACTMAD and other dances?**

The purpose of doing this project is to have an affordable and available dance space for the benefit of AACTMAD and the dance community. The Business Plan incorporates financial projections based on AACTMAD's activities that use the new facility to contribute what they are currently paying in rent. If things go better than expected, that contribution could be less. If more dancers attend dances at the new facility, which we expect, then that contribution could be more in the form of a portion of the increased gate revenue over current attendance levels. The Management Team, the Board, and the Committees will all be involved in determining how this will work out. Non-AACTMAD events of traditional music and dance will likely see a rental cost for using the new facility a little higher than what AACTMAD Committees contribute. It is part of AACTMAD's mission to support the dance community as a whole, and this included helping to provide an affordable and available space to dance for the entire traditional dance community.

### **The business plan's best case scenario assumes the space will be rented every night, year-round. What research has been done to establish that this is possible? What specific groups have been approached to assess their level of interest in renting this space?**

Our research has included (1) identifying the existing AACTMAD activities that could use the new facility, (2) identifying the existing non-AACTMAD activities that could use the new facility, (3) speaking with the Grange about their level of use by third party renters and the fact that they turn potential renters away, (4) assessing the level of usage of all of Gretchen's House gyms and large meeting spaces, which are heavily used without any advertizing or marketing, and the fact that Gretchen also turns away potential renters, (5) contacts with several clubs and other organizations that have indicated interest in using our new facility, and (6) thoughtful projections of growth of the number of traditional dance and music activities that will be stimulated by the existence of the new facility. All of AACTMAD's Committees and Activities have been contacted and discussions are ongoing or are in the planning stages. The information about the new facility is known to the larger dance community, and we are getting feedback that indicates interest in it. We also have had discussions with several other potential third-party renters that have expressed serious interest. The numbers in the Business Plan are conservative estimates based on this research, and it will probably take a few years for the facility to be fully utilized, but we firmly believe that ours is a viable plan.

### **Which AACTMAD activities have committed to using the space?**

AACTMAD's Board meetings, AACTMAD's Library and Archives, and AACTMAD equipment storage, plus both Ann Arbor Morris and the Fifth Friday Fusion Dance series have expressed their intention to use the new facility. Beyond that, no activities have made a commitment to use the new facility for their activity. This is understandable because we don't have a space for them to use yet, and they are not willing to commit to giving up their current space until they can see that the new facility will work for their activity. We fully expect that when the new facility is ready, it will get substantial use by AACTMAD's activities. It will be a wonderful new dance space at an affordable cost, in a convenient location, and with ample parking. It will have great ventilation and air conditioning, a sprung floor, and space for socializing around the dancing area.

### **For what percentage of evening hours will this building be used for specific, known music and dance activities?**

We don't know, but we expect a substantial amount, and we hope that within two years to be close to 100%. We expect this will be a combination of existing activities and growth of new activities.

### **I was told that AACTMAD programs would not be forced to use the Facility.**

This is true.

### **The Board has differences of opinion on that issue.**

Some may, in their enthusiasm, have expressed a different opinion in the past, but that is not the opinion of the Board.

### **What is the Board's policy on whether AACTMAD's committees have a choice on whether to hold their events at the proposed facility?**

Committees are not run by the Board and are free to make choices about their programs and budgets. It is the Board's responsibility, however, to oversee all its activities to ensure they are consistent with AACTMAD's mission, they behave according to the requirements of a 501(c)3 non-profit tax-exempt organization, and they have acceptable budgets.

### **And if the committees choose not to use the building, why is the project needed? Does AACTMAD plan to start new dance series to use the hall?**

The AACTMAD Board feels strongly that having a dance facility of its own will be in the best interest of the organization as it furthers its mission of preserving, promoting, and presenting traditional dance and music to the community. To that end, it expects growth in the number and scope of its activities, and will set a priority on maximally using the dance space at the new facility for traditional music and dance events. As the Business Plan indicates, we hope to have some traditional dance or music event every night of the week, year-round.

### **What will happen if AACTMAD cannot keep up with the \$3000 monthly payments? (\$36,000 per year.)**

AACTMAD will have to be proactive in generating revenue, either by having more of its own activities, having more third party rentals, or doing more fundraising. The Board, in approving the Business Plan, understands that more fundraising may be necessary, especially in the initial start-up years.

### **How much does AACTMAD pay monthly for facility rentals? What is AACTMAD's monthly income from its activities now (without the building)?**

From our 2008 financial report prepared by Ray Bantle of the Finance Committee, annual rents paid by AACTMAD's current activities: Concerts (\$240) + English Country Friday (\$800) + English Country Tuesday (\$2,196) + Fifth Friday Fusion (\$320) + First Saturday Events (\$1,380) + Fourth Saturday Series (\$1,400) + POB (\$600) + Swing (\$6,600) + Sound closet (\$300) = Annual Total = \$13,836. Monthly total = \$1,153.

Also from the 2008 financial report, AACTMAD had a net annual income of \$23,325 of which \$12,737 is specific to the facility project. This gives an annual income, exclusive of the facility project, of \$10,588 or a monthly income of \$882.

The total of these rents paid and net income is \$2,035, less than the expected rent AACTMAD will be paying as a tenant in the new facility, namely \$1,350 plus utilities, as indicated in the business plan. With the anticipated growth of AACTMAD's activities and third party renters, AACTMAD should have no problem paying its bills once the facility is ramped up over the first year. Prior to that, AACTMAD's fundraising plan includes money to cover all operating costs for the first year.

### **What do you see as the risks to the organization if the business plan's projections do not pan out?**

The financial risk to AACTMAD is quite low. As a benefit to AACTMAD, Greg and Gretchen agree to buy back AACTMAD's ownership in the Concourse Property at the original purchase price, at AACTMAD's sole discretion, for a period of seven years. Further, Greg and Gretchen agree to reimburse AACTMAD for the construction costs of the renovation, also at AACTMAD's sole discretion, with that reimbursement amount decreasing linearly over seven years.

### **What happens if in the future Greg and Gretchen or their heirs wish to sell their interest in the building, and AACTMAD cannot or does not wish to purchase it?**

The interests of both AACTMAD, for its continued use for traditional dance and music, and Greg and Gretchen, for the continued use by Gretchen's House, are protected by the long term lease established when the initial agreements are signed. Any sale of ownership in the property will necessarily respect those leases. Moreover, the expectation is that there will not be any significant profit earned by the owners of the Property because the leases will be structured so that the lease payments just cover the expenses without much left over. This means that there will not be much value of the property as an investment to anyone but AACTMAD or Greg and Gretchen (or their heirs that also will own Gretchen's House) as long as the leases are in effect. In other words, AACTMAD and Greg and Gretchen realize the benefit of ownership of the Concourse property as tenants at very favorable lease rates, rather than directly as owners. This is another benefit given by Greg and Gretchen, the majority owners, to AACTMAD, the minority owner.

### **What restrictions on the building's use have been imposed by the Pittsfield Township zoning decision granting the special use?**

We received zoning approval for our use, as described on the official Pittsfield Township documents on pages 22 and 23 of the Business Plan. Specific restrictions relate to the impact of our activities in the business park environment, where the main concern voiced by the Township officials was traffic. The listed restrictions include that we may not park busses on site; they don't want any loading and unloading of large busses full of people. Also, there is no street parking allowed anywhere in the business park, and all locations have ample onsite parking areas, including our property. They also do not want us to be a nuisance, so we cannot have music and dancing outside, nor can anything be scheduled that would interfere with business park activities during business hours.

### **Can this building be used during weekday time periods for rental or AACTMAD-sponsored activities?**

Yes, as long as we don't interfere with business park activities during business hours or otherwise create a nuisance for our neighbors or the Township.

### **Can AACTMAD use the front yard for outdoor activities like picnics, etc.?**

Yes, as long as we don't interfere with business park activities during business hours or otherwise create a nuisance for our neighbors or the Township.

### **How many parking places are on this property?**

There are 88 parking spaces in our lot.

### **What would happen if an event drew more cars than parking places available? Can the cars legally park in the street or in neighboring parking lots?**

Street parking is prohibited. We have already spoken with several of our adjacent neighbors about overflow parking after business hours and on weekends, and they are very agreeable to let us use their parking lots.

### **How will the existing Concourse kitchen space work for potlucks and occasional onsite cooking? It doesn't seem suited to facilitate dining events, much less any heating or cooking?**

The kitchen was only partially renovated in anticipation of AACTMAD's use. One whole wall was left unfinished for AACTMAD to put in the cabinets and appliances it needs. The existing stove, dishwasher, and sink will be shared with Gretchen's House. Gretchen is working with the AACTMAD's chosen builder to add larger sinks and a storage area to the kitchen. AACTMAD's plan includes a large counter and pass-through opening to the dance space to facilitate refreshments and potlucks in the main socializing area just outside the kitchen in the dance space. There is also the upstairs area above the kitchen that could also be used for gathering and socializing.

### **Who are the volunteers who have committed to manage the facility once it is in operation?**

At least five people have indicated strong interest in doing this job, including Greg and Gretchen. These individuals, recruited by the Facilities Committee Chair (and Board member), Nawal Motawi, will form the initial Management Team, and all volunteers are welcome to join this effort. Once the Board formally empowers this Team, their contact information will be posted on the website. Until then, contact Nawal for more information.

### **What will be their term of commitment? How much of a time commitment are they willing to make, during what hours, and days of the week?**

We won't know the answers to these questions until the Team starts its work. The team understands that this job will require a lot of time and commitment. We hope they will be willing to serve in this capacity a long time.

### **Do the volunteers recruited so far have experience finding and engaging renters for similar spaces? If so, what is their experience?**

Yes. Gretchen was the Treasurer and scheduler for the Grange for many years. She has managed many renters who use her numerous gyms and other spaces in her childcare centers for many years as well. Another volunteer has managed several residential rental properties and knows what it takes to manage rental units.

### **The business plan mentions paying for ongoing building management; what provision is made in the business plan's budget to pay for it?**

The Board and Facilities Committee seriously discussed the possibility of having a paid manager for the facility, and on page 11 of the Business plan, we estimated it might cost \$9,000 per year. The Board decided, however, not to include a paid manager in the initial start-up phase of the facility and will only have a paid manager in the future if it is necessary and in the best interest of the organization. This decision was based in part on the example of the Grange that has been managing its rental usage quite successfully with volunteers for over 70 years. The Board also felt that if the level of usage is so heavy that a manager is desired or needed, the income from those rentals will be adequate to pay a manager.

### **What criteria will AACTMAD use in selecting or avoiding particular renters?**

The dance space in the new facility will be made available for as much traditional music and dancing as possible, but we have not yet worked out the final details of how the space will be scheduled. What have been discussed are the following ideas:

(1) The first priority is to support AACTMAD's core dance and music events in using the new facility as much as possible. These are the activities and committees of AACTMAD that are formally part of the organization, with a legal and financial relationship to AACTMAD, and that also have the benefit of AACTMAD's non-profit status and other resources. We expect that the costs associated with these activities will be the same or less than what they currently pay to

rent outside space. In other words, the amount that the AACTMAD committees pay now to rent an outside dance space should continue to be an expense item in their activity when they use the new facility, and that money is then used by AACTMAD to help pay the bills for the new facility. AACTMAD will work with its activities and committees to determine the appropriate expense for the use of the Facility based on what the actual usage is by the activity. AACTMAD expects that there will almost certainly be scheduling conflicts among its various activities and committees, especially as the dance activity level within AACTMAD grows, so those logistics will need to be negotiated carefully. It is also expected that the new facility will not be able to meet all of AACTMAD's needs for dance space, and some of the existing rented spaces will continue to be used (Gretchen's House, the Grange, etc.).

(2) The next priority will be to make the space available to other non-AACTMAD events and activities of traditional music, song, and dance. In this case, reasonable and affordable rental rates will be charged because it is part of AACTMAD's mission to support the traditional music, song, and dance community. These rental rates will be higher than what is contributed by the AACTMAD activities, but still affordable, and the rates will depend on when during the week and what times the new facility is being rented.

(3) Lastly, AACTMAD expects to have third party renters, such as a church on Sunday mornings, other non-profit board meetings, clubs of various kinds, etc., that will be paying considerably higher rental rates. This income to AACTMAD will be a significant part of the revenue it will use pay its expenses, and it will hopefully keep costs very low for its own activities.

The final management scheme has yet to be fleshed out by AACTMAD's Facilities Committee, Facility Management Team, and Board, and it will take some time to work out how all of this will happen and then to implement it once the new facility is completed. It is desirable that all users of the facility will be harmonious with AACTMAD, and any decision to determine a prospective user or renter's unsuitability will be made on a case-by-case basis.

### **When will AACTMAD members be able to see and review the legal agreements needed for this project?**

The existing Operating Agreement will be posted on AACTMAD's website as soon as possible. The amendments to that Operating Agreement to accomplish AACTMAD's ownership transaction is in the Business Plan on pages 36-39, in draft form, and this is followed by an Agreements Checklist. A draft lease agreement is being finalized by the Agreements Team, headed by David Pardy, and reviewed by our legal counsel, and this document will be posted on the web site as soon as possible. The Board is very committed to having AACTMAD's interest maximally protected by these documents and will rely on advice of legal counsel to ensure that this is done properly. The closing statement and mortgage documents associated with the purchase and ownership of the property will also be posted on the website as soon as possible.

### **Has there been any provision in the project budget to engage a professional acoustic engineer to participate in the design? What steps are being taken to assure good acoustics in this space? Long Dawn Dance Weekend experience has shown that it's much harder to get decent sound in a large hall with a high ceiling and hard walls than in a smaller, softer room. What plans are being made to address the need for good sound?**

We have consulted with a professional acoustics engineer, who is also an avid contra dancer, and his advice is that the best plan is to see what the acoustics are after the renovation is complete and then determine what needs to be done to improve the sound quality. His opinion is that predicting what will be needed ahead of time is difficult at best, and likely to be inaccurate. Successful examples of this approach are the acoustic treatments added to the Grange, which include curtains behind the stage and quilts hanging in the hall, and the vast improvement in the sound quality at the Dawn Dance Weekend using similar treatments as well as adequate sound equipment. A contingency amount is included in the business plan for this and other unpredictable expenses.

### **Who is designing the sound system?**

We have had many discussions with several local sound experts as we designed the renovation of the dance space. The goal is for the installation and use of sound equipment to be as simple and straightforward as possible. The plans include permanently installed cabling for speakers and a snake for the sound board. The new sound equipment will be dedicated to the dance space so it will not need very much set-up and tear down.

### **Will a sound system be required for every dance held in this location?**

It will depend on the needs of the dance (how many dancers, the kind of instrumentation, etc.). For smaller events, there may just need to be a caller mic with the band playing acoustically. It will also depend on the acoustics of the space, and our goal is to keep it simple.

### **Who are the sound techs will run sound at all these events? (Do organizers of events that are presently acoustic-only realize what the added cost and scheduling work will be to have a sound tech running every event? Who will the sound techs be who are available, say, just as an example, every Tuesday from 6:30 - 10 pm?).**

AACTMAD's various dance and music events have always been responsible for their own sound tech needs. With the kind of permanent sound equipment installation planned for the new facility, it should be very possible for more individuals to become familiar with it and be able to run it for their events.

### **If the hall will be rented for non-dance events, does that mean we will be back to having to set up and tear down sound for every event?**

No. The plan is for the sound equipment to be installed so that it will not need to be torn down after each event. Power cords, speakers, and cabling will be permanently installed, and the sound board and other electronic equipment will be on a rack to make it easy to store in the secure sound equipment room. AACTMAD's existing sound equipment will likely not be adequate for the new facility, so it will remain available for off-site AACTMAD events and for rental by non-AACTMAD users.

### **Year-round ventilation, like sound, needs expert design and a system that will handle our needs will cost more than the typical building budget; dealing with the air-handling needs of 100 sweaty dancers is outside the experience of most HVAC contractors. How is AACTMAD assuring that whatever equipment is selected and installed can handle the job?**

We have discussed the matter of adequate HVAC extensively with the building contractors we interviewed, and the selection of our preferred contractor depended in large part in our feeling that he understood our needs for all aspects of the project, especially the HVAC. The final specifications call for multiple HVAC units that are substantial and have the required capacity for air flow and dehumidification. In addition, ceiling fans are planned to help with air circulation.

### **What specific features are included in the current design, at the current budget?**

A list of features is given in the recently posted Brochure for the new facility on page 4, including a floor plan, and on pages 17 and 18 of the Business Plan. The construction agreement with the builder is in progress, and discussions about the final details of what is included now and what to defer to later are taking place. The Business Plan includes some reports from the Facilities Committee on the kinds of discussions and decisions that are being made throughout this process. The final contract will be made available to the members on the website as soon as possible. The Board has final approval of this and any other contract for AACTMAD.

### **For example, is a stage included?**

Yes, we have a stage but no, it was not included in the budget for the construction costs. It has always been part of the plan to have a stage that is not permanently installed to allow flexibility in the use of the dance space. At the end of July, a portable stage very similar to what we use for the Dawn Dance Weekend was acquired from Property Disposition at the U of M for \$120, including the dolly. It is 12' x 24'in size and 2 or 3 steps high (adjustable) and is now located in the new facility. This is an incredible find for AACTMAD, thanks to Gretchen, who has also acquired all the tables and chairs currently stored in the building for AACTMAD.

### **Please describe the childcare room as currently budgeted.**

It is a room with walls that have windows to the dance space, a door, and a ceiling and it will be located in the corner of the dance space near AACTMAD's main entrance. The floor plan is on page 5 of the Brochure. Additional finishes and furnishings will be determined and implemented by AACTMAD volunteers for use as a space for attendees' children to play and be monitored while dance and music activities are going on in the facility.

### **Is sound equipment (speakers, mixer, etc.) included in the current budget?**

Provisions are made in the design and construction for sound cabling to be permanently installed for efficient use in the building. The current budget does not include the purchase of new sound equipment, and additional funds will need to be allocated for that purpose out of the operating budget or from additional fundraising.

### **What will the dance floor be like in this current budget?**

The budget includes a basket weave sprung floor understructure and a hardwood finished floor. Our goal is to make it as great as the floor in the Grange. One option is to not have the builder construct the floor, but to have AACTMAD volunteers take on that task to save money. This could save us as much as \$20,000 in labor costs. We are exploring other ways to save money by using volunteers and welcome all suggestions.

### **What additional expenditures are assumed but not included in the current budget?**

We have included as much as possible in our planning and feel that the budget represents a realistic estimate of what it would cost to do the renovation project. There undoubtedly will be additional costs, so a contingency amount is built into the budget. We will also continue to rely on members and their volunteering to help keep costs at acceptable levels. The recently acquired stage is an example of an unexpected cost savings to AACTMAD through volunteer efforts.

### **What is the current total of donations that has been committed, separate from loans?**

Almost \$69,000 has been raised as of July 4, 2009. This is listed on page 6 of the Brochure.

### **What amount has been made available as loans?**

Some AACTMAD members who invested in the property at Wagner-Waters Road for AACTMAD's facility project were willing to make those funds, about \$20,000, available for the current project as a no-interest loan to be paid back in 5 years.

### **Why have loans been accepted and under what conditions will the loaned funds be spent?**

These loans represent support of the project by those members making them in lieu of a donation at this time. These loans are additional resources that AACTMAD can draw upon for the project. Ideally, AACTMAD would be able to fund this project entirely with cash and not have to borrow any money. It is not surprising or unusual, however, for a project like this to rely on some amount of borrowed money in the short term and then pay it back in the long term. A no-interest rate is very much to AACTMAD's benefit. These loaned funds will be spent at the Board's

discretion and only if necessary to complete the renovation project, with the understanding that the loans will have to be paid back in 5 years.

### **Does the board consider taking a loan for the renovation to be "fundraising"?**

No.

### **What are the accounting and fundraising implications of carrying this liability?**

None, other than they will have to be paid back in five years. AACTMAD is not soliciting loans, but is only asking for donations from its members to support this project.

### **How much funding for this project will need to come directly from about 250 AACTMAD members (about 150 in SE MI)?**

The amount yet to be raised is \$231,085. This includes the amount necessary to complete the renovation and cover operating costs for one year. This is listed on page 6 of the Brochure.

### **Are there other outside funding sources, as well? If so, what are they and how much money is targeted to come from these outside sources?**

Yes, government granting agencies, for example. AACTMAD is actively exploring these possibilities but does not assume any of these funds will be obtainable in the time frame of the project construction phase. AACTMAD believes it will be in a good position to make use of these grants and other funds whenever they become available.

### **What assumptions are being made about how much money each member will donate?**

No assumptions are being made about how much anyone will donate. Among the many criteria that must be met for this project to proceed, the Board will only go forward if sufficient funds for completion of the project are actually raised before it starts.

### **How much monthly rent is AACTMAD now paying for the space (since March 1), to hold the space?**

\$1,350. As a benefit to AACTMAD, these payments will be applied to AACTMAD's purchase of equity in the property if it acts before October 31.

### **How does that amount compare to the amount AACTMAD pays each month for rentals for all of its activities?**

AACTMAD currently pays \$1,153 in rentals, exclusive of the Dawn Dance Weekend and Midwest Morris Ale events.

### **What is the market rate to rent this space and how do we know what it is?**

According to a local commercial realtor, unfinished warehouse space in Ann Arbor goes for about \$6 per square foot. AACTMAD is paying \$4 per square foot, about 2/3 of the market rate for the 4000 square foot space it plans to use.

### **Why is it a good idea for Greg Meisner to be representing AACTMAD at the same time he is half of the business entity "Gretchen Preston and Greg Meisner," which owns the Concourse building and with whom AACTMAD is negotiating an agreement?**

Greg has been a long time and very strong supporter of AACTMAD for nearly 25 years, and is a strong proponent of the new facility project now. This is clearly a very good match with the direction AACTMAD has chosen to go as an organization. The fact that Greg is an owner of the property that AACTMAD wants to buy into and renovate only works to AACTMAD's advantage. A disinterested owner would not be so determined to protect AACTMAD's future the way Greg is. Greg has been on the Board for many years in the past, and helped lead AACTMAD through reorganizations and other crisis moments, but has been absent from the Board for the past

several years. By being on the Board at this time, Greg can bring an array of skills to bear on working with the Board and the entire organization to help bring AACTMAD's stated goal of having its own dance facility to fruition. AACTMAD has been advised by legal counsel that organizations like AACTMAD need individuals like Greg, with dedication, skills, and resources, to make progress on such an ambitious goal. Our legal counsel also advised us that the adoption of a Conflict of Interest Policy was what was needed to best protect AACTMAD from any perception of improper actions with regard to entering into transactions involving the property.

### **Why were the results of the members' vote disregarded in appointing Greg to the board?**

The Board did not disregard any membership vote. At the annual meeting, the members voted to elect directors from a slate that had one more candidate than there were open director positions. One candidate, David Parady, indicated he was withdrawing from the election, but the Membership voted to hold the election as presented on the ballot anyway even though David said he would resign if elected. The membership voted to elect new directors, and Greg was not among those who were elected. David's immediate resignation from the Board then created a vacancy, and it became the responsibility of the Board to appoint someone to fill that vacancy. The Board asked the members present at the Annual Meeting if anyone was interested and willing to serve on the Board, and Greg was the only volunteer. The Annual Meeting was adjourned, and the new Board convened a regular Board meeting to consider filling the vacancy, and Greg was appointed by a unanimous Board vote. The Board president, Mark Hillegonds, also sent an email to the membership on May 6 asking if there were any other members who would be interested and willing to serve on the Board, and no responses have been received.

### **What potential risks is AACTMAD incurring, including risks to its nonprofit status, by having this closely related partner so involved in this project?**

Based on consultation with our legal counsel, as long as AACTMAD adheres to the Conflict of Interest policy, there is absolutely no risk to AACTMAD whatsoever from Greg being on the Board. In addition, as long as all the financial transactions and legal agreements between AACTMAD and Greg and Gretchen are fair or in AACTMAD's favor, there would be no actual conflict of interest and nothing that could be construed as improper. This is precisely the situation now: all of the transactions and legal agreements are being structured heavily in AACTMAD's favor because of the generosity of Greg and Gretchen. AACTMAD only stands to benefit, both financially and organizationally, from Greg's involvement and membership on the Board.

### **The board has adopted a formal conflict of interest policy stating that the board can identify topics as a conflict of interest each time they are on a meeting agenda, agree that a particular member has a conflict for that topic, and request that the board member with the conflict leave the room for the discussion and voting. For which agenda topics has Greg Meisner been asked to leave the room since May?**

AACTMAD decided to proceed with a new facility project at Concourse Drive well before Greg joined the Board. Following the adoption of the Conflict of Interest policy, Greg disclosed formally that a potential conflict of interest existed because of his ownership in the property AACTMAD wanted to buy equity in and use for its dance facility. Per the policy, Greg left the room for the Board to discuss and decide that there was a potential conflict of interest. Subsequently, all decisions regarding financial transactions and legal agreements between AACTMAD and Greg and Gretchen as owners of the Concourse property have been discussed and decided with Greg (and Gretchen) not present.

**Was he asked to leave the room for the discussion and vote on appointing him to the board?**

No, he was present during the discussion and vote, and was appointed unanimously to fill the vacancy on the Board created by the resignation of a Board member.

**On approving the facility project business plan?**

For all AACTMAD matters except those relating to financial transactions and legal agreements between AACTMAD and Greg and Gretchen as owners of the Concourse property have been discussed and decided with Greg present and participating.

**AACTMAD has until October to enter into a binding agreement with Greg and Gretchen. We are told the project will not go forward until the required \$250K or so has been raised. Presumably, the fundraising will take longer than from now until October. What will the penalties be if AACTMAD must break the contract with Greg and Gretchen?**

There is no penalty if AACTMAD buys into the property on October 31, 2009, and then has to back out before starting the renovation. This is because, as a benefit to AACTMAD, Greg and Gretchen agree up front to buy back AACTMAD's ownership in the Concourse Property at the original purchase price, at AACTMAD's sole discretion, for a period of seven years starting October 31, 2009. Furthermore, if AACTMAD starts the construction and for any reason has to cancel the project during the first year, Greg and Gretchen will reimburse AACTMAD for the entire construction cost. After the first year, the reimbursement amount will decrease by 1/7 each year so that after 7 years of use by AACTMAD, there will be no guaranteed reimbursement for AACTMAD's construction costs.

# Frequently Asked Questions

---

## AACTMAD New Facility Project

### **Why do we need our own building?**

First, because it ensures that there will always be a dance space here, and we will not have to depend on other organizations. Second, having a good space, with a sprung floor and plenty of room, making dancing more enjoyable and helps generate growth. Third, having our own space will help promote interaction among different groups. Fourth, having a sound system in place and all our storage there will reduce the volunteer work required for events.

### **How was the decision reached to seek our own dance hall?**

In 1996, local dancers concerned about the lack of suitable dance space formed a Dance Hall Search Committee to (1) assemble a data base containing information regarding potential dance hall spaces in and around Ann Arbor, and (2) pursue a long-term goal of investigating the possibility of buying/building or renting long term a suitable dance hall and the associated problems of ownership, shared use, and fundraising. The continued loss of available and affordable dance space (such in the Michigan Student Union and at Lovett Hall) became a serious concern for AACTMAD. In 2001, AACTMAD developed long-Range Plan based on significant and direct participation by its membership. This Plan set control of a suitable facility that would assure the survival of the traditional music and dance community as a top priority for the organization, and AACTMAD formed a Facilities Committee to achieve this goal. In 2005, AACTMAD's long-Range Plan was updated, and it reaffirmed this goal. Throughout this process, many members have participated directly in setting and maintaining this goal for AACTMAD. The challenge is determining how best to accomplish it.

### **How are we going to pay for it?**

The money will come as donations from our members. The fundraising goal for AACTMAD's New Facility Project at 4531 Concourse Drive is \$300,000. This includes the renovation construction costs, purchase of an ownership stake in the property, and funds to help in the initial operation of the building until we have enough third-party (non-AACTMAD) rental income to cover our operating expenses.

This Project is not going to happen unless we raise the money; AACTMAD is not going to take on significant level of debt. We have already raised over \$70,000 from the Wagner-Waters investors, and the expenses of planning and current expenses are covered by these funds. Unless we raise the money to pay for the renovation, and do so fairly quickly, the project will be dropped. It is, obviously, not a great time to raise a substantial amount of money, but we will not know whether we can until we seriously try to do it.

### **What will it cost to maintain, and how will we pay for those expenses? What is our business plan?**

AACTMAD has been diligently researching data for the Business Plan for the New Facility Project at Concourse Drive. It is a complete plan that includes cost projections and a financial strategy. It includes both a conservative and a less conservative estimate of third party (i.e., non-AACTMAD) rental income; if we are reasonably successful with such rentals, the cost of AACTMAD dances and other activities could be reduced significantly. We are also carefully creating an appropriate fundraising strategy, as well as proper equity calculations. Many people with skills and experience in marketing, fundraising, legal agreements, and event management have come forward to help AACTMAD in this process. It has become

increasingly clear to the Board of Directors that that the benefits of the New Facility outweigh the financial risks, and that AACTMAD is capable of managing those risks. All of AACTMAD's programs will be fully funded, as they have always been, while AACTMAD's Facilities Committee and Board of Directors manage the New Facility Project and the issues surrounding it.

**Project Costs:**

Rent (Mar-Jan) & Equity Purchase	\$14,850
Construction Costs	\$223,000
Architectural Services	\$9,000
Legal Fees	\$5,000
Pittsfield Township Fees	\$1,500
Allowances and Contingency	\$10,000
Operating Expenses (one year)	\$36,320
<b>Total</b>	<b>\$299,670</b>

AACTMAD has always felt that the best stewardship of resources in a facility is to partner with another entity that would have a complementary schedule of use so that the facility does not sit idle for extended periods of time. AACTMAD's partnering with Greg & Gretchen is for a facility that combines the administrative office needs of Gretchen's childcare business with AACTMAD's predominant use of a facility on weekends and evenings. Third party (non-AACTMAD) use by like-minded and compatible organizations will provide the income needed for AACTMAD to fund the facility for its use in supporting traditional music, song, and dance for the whole dance community.

**What happens if we can't get enough rentals?**

Based on our research, our assessment is that there is a tremendous need for the kind of space we are creating at Concourse Drive, and we are confident that the risk of not being able to get enough rentals is low. This is based on the level of demand for the Grange Hall as well as the gyms and meeting room spaces at Gretchen's House, Inc., Child Care Centers. In addition to considerable use by the dance community, these spaces are in high demand by churches and other

non-profit groups, as well as for private functions and activities. The business plan for Concourse includes raising up front the amount of money to cover operating costs of the New Facility for a year assuming no rentals. This is a very conservative approach, especially considering we have already been contacted by very interested third party renters. In the unlikely event there is insufficient rental income, AACTMAD will do additional fundraising. Furthermore, Greg and Gretchen have agreed to reimburse AACTMAD for the renovation costs if AACTMAD can no longer use the building.

There will not be any increase in the cost to AACTMAD's committees or activities or admission prices to dances at the new Facility. AACTMAD would not be doing this project if it would be detrimental to the accessibility of traditional music and dance in our community. The whole purpose is to provide a secure, welcoming, attractive, available, and affordable venue for the dancing and other activities that AACTMAD sponsors.

**What are the other risks?**

Liability: AACTMAD has adequate liability insurance and will upgrade it to provide the required coverage for the new Facility. Ownership of the Facility will not affect the liability of AACTMAD's members and directors. Our bylaws state explicitly:

Article IX. NON-LIABILITY OF DIRECTORS AND MEMBERS

- A. The Directors of this corporation shall not be personally liable for the debts, liabilities, or other obligations of the corporation.
- B. A Member of this corporation shall not be personally liable for the debts, liabilities, or other obligations of the corporation.

Article X. INDEMNIFICATION

The Directors and Officers of the corporation shall be indemnified by this corporation to

the fullest extent permissible under the laws of the State of Michigan.

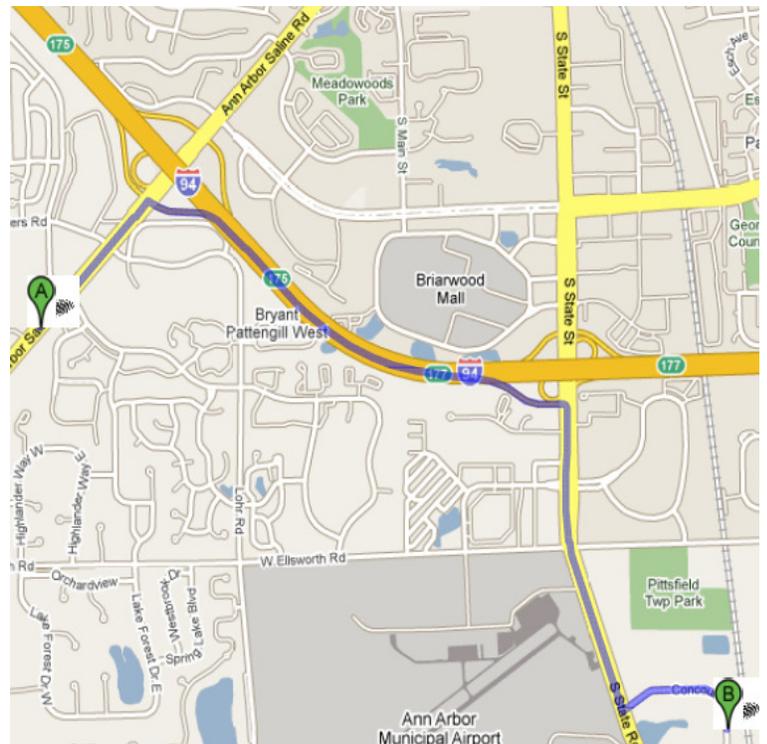
**Financial:** The agreements under development between AACTMAD and the current owners of the Concourse property (Greg Meisner & Gretchen Preston) contain language that allows AACTMAD to proceed with this project with a minimum of financial risk. Specifically, should AACTMAD not be able to continue using the Facility any time in the first seven years of operation, Greg & Gretchen agree to (1) buy back AACTMAD's ownership stake in the property, at AACTMAD's discretion, and (2) reimburse AACTMAD for its renovation costs on a seven year depreciation schedule if AACTMAD has to cease its operations in the Concourse building. This will ensure that AACTMAD's strong financial position remains intact if something happens beyond anyone's control, or if AACTMAD decides, for example, to shift its operations to a different location.

**Conflict of Interest:** It is essential that the Board of Directors protect the integrity of AACTMAD at all times. All actions taken by the Directors on behalf of AACTMAD must be carried out with the best interest of AACTMAD foremost. As recommended by legal counsel, AACTMAD has a Conflict of Interest Policy to ensure that any potential conflicts of interest arising from the New Facility Project or any other activity of AACTMAD are fully disclosed and appropriately managed.

**Logistical/Managerial:** AACTMAD's activities at the new Facility will require a manager or management team to schedule the space, keep the books, and ensure smooth operations. This is similar to what the Grange does, but it is not something AACTMAD has done before. Initially, this will be handled by volunteers, but if the workload is sufficiently high, we may have to hire an operations manager in the future. If so, this would be built into our operating budget.

### **What are our criteria for a facility, and does Concourse meet them?**

**The Location:** The long-range planning sessions of the AACTMAD membership in 2001 and 2005 determined that the location of AACTMAD's New Facility should be in Ann Arbor or within 5 miles of the city limits in any direction, close to an expressway exit, and no more than two turns off of the exit road is preferred. The location of 4531 Concourse Drive is one turn off State Street, about 1-½ miles south of I-94, shown as "B" on the map, below. The Pittsfield Grange, "A", is about 3-½ miles away.



**The Building:** A priority list for the building was compiled on January 19, 2004, to establish the minimum requirements that any facility we consider must meet. Almost all of these criteria are met or exceeded in the current design and building plans for AACTMAD's new Facility at 4531 Concourse Drive, as indicated in italics, below:

- Wood floor (*Our design includes a sprung wood floor.*)
- Dance floor larger than in the Grange, which is about 1100 sq. ft. At 16 sq. ft. per person for dancing and at least 150 dancers, we need a minimum of 2500 sq. ft. (*We will remodel about 4000 sq. ft., with nearly 2800 sq. ft. available for dancing in the new facility.*)
- Dance floor should be dividable - for use by two groups (*This is not in the plan, but it may be possible to do. We will also have an 800 sq. ft. upstairs space that can be used for meetings and jamming while dancing is happening in the large space.*)
- A stage (*As a cost saving strategy, our current plan does not include a permanent stage. However, we envision a future fundraising effort specifically to permit a built-up, movable stage.*)
- Social area in view of dance floor (*Yes, there is ample area around the dance floor for chairs and tables, as well as a large, open stairway and balcony above for viewing.*)
- A commercial kitchen (*This is not allowed by zoning, but we will have a warming kitchen for refreshments and potlucks.*)
- Handicap accessibility (*This is required by code.*)
- Adequate number of bathrooms - properly configured (*These already exist in the building and are directly accessible from the dance space. There are two stalls in the women's and one stall and one urinal in the men's.*)
- Changing room/area for women (*There is some space in the women's bathroom.*)
- Coat & shoe changing area (*Will be configured in the dance space entry area.*)
- Welcoming entry (*This is in the plan.*)
- Space for auxiliary use (i.e. AACTMAD library, office, etc.) (*A space in the main floor level is planned for this and/or childcare, plus AACTMAD has the 800 sq. ft. second floor space above the kitchen.*)
- Chair/table storage (*This is incorporated in the plan.*)
- Built in sound system and storage for second system (*The plan includes a permanent sound installation and an equipment storage room.*)
- Parking available for 150 cars (*Parking for 85 cars, plus adjacent neighbors have parking areas we will be able to use.*)
- Building to accommodate 200 people for weddings, etc. (*Zoning is approved for 188.*)
- Air conditioning (*The plan pays special attention to heating, ventilation, and air conditioning.*)
- Adequate natural light (*New windows and glass doors are included in the plan; more can be added later if desired.*)

### **What has been accomplished so far?**

As of July 2009, we have chosen a builder and a plan; developed a business plan; almost completed the agreements with Greg and Gretchen; and prepared for the first phase of the capital campaign.

### **What happened to the Wagner-Waters project?**

After a considerable search, a potential site for AACTMAD's new Facility was identified at the intersection of Wagner and Waters Roads in Lodi Township, just outside the Ann Arbor city limits. In June 2005, the Wagner-Waters property was purchased by a partnership of AACTMAD and about 20 individuals, mostly dancers. A plan was developed to construct a Community Building for a shared use by AACTMAD's Facility, Gretchen's House Administrative Offices, and a church. After many, many months of work to develop a site plan and building drawings for the proposed facility, the Lodi Township government rejected our proposal in the fall of 2007, saying it was too commercial in an agricultural/residential environment. That

project was stopped and the search continued for an alternative location for AACTMAD's dance facility.

The AACTMAD supporters who invested in the Wagner-Waters property were asked to donate their investment to AACTMAD. Greg Meisner and Gretchen Preston offered to buy out the AACTMAD supporters at their original investment levels as long as that amount was donated to AACTMAD for its New Facility project. This resulted in AACTMAD raising over \$70,000 by the beginning of 2009.

**What is the relationship between AACTMAD and Greg and Gretchen? How are we managing conflict of interest issues?**

Greg & Gretchen are long time supporters of AACTMAD and share in the vision of a Facility for AACTMAD's activities. They have helped to create an opportunity for AACTMAD to create a new space for dancing. Greg & Gretchen will not derive any financial gain from AACTMAD's operations at the new Facility. When AACTMAD becomes a partner in ownership of the property, it will be buying a share of the equity. An Agreements Team consisting of David Parady, Fred Karsch, and Frank Cafferty are drafting the appropriate documents that are to be reviewed by legal counsel and the Board. There will be an iterative process between AACTMAD and Greg & Gretchen that will

lead to a final agreement. These documents will spell out in detail how the partnership will work.

AACTMAD has adopted a Conflict of Interest Policy, as advised by legal counsel, to ensure that potential conflicts of interest arising from the New Facility Project or any other activity of AACTMAD are fully disclosed and appropriately managed. All matters relating to the legal agreements and arrangements between AACTMAD and Greg & Gretchen will necessarily be conducted without Greg's involvement in any Board deliberations or votes.

**Will the new building mean that the Grange will be in trouble?**

AACTMAD has formally approached the Pittsfield Grange organization to discuss working together on a new facility. The Grange is not interested in moving its activities to a different building, nor is it interested in entering into a partnership with another entity. No expansion of the Grange building is feasible.

Both AACTMAD and the Grange believe that the Grange will continue to play an important role in support of the dance community. There is sufficient demand for spaces like the Grange to ensure its financial stability and as long as the existing Grange building remains available for dance events, those that do not need the larger new space will go to the Grange.

For more information, please visit our website at: <http://aactmad.org>

For information on the New Facility, write to: [facilities@aactmad.org](mailto:facilities@aactmad.org)

For general information about AACTMAD, write to: [info@aactmad.org](mailto:info@aactmad.org)