

ROCKPORT COUNTRY CLUB MEMBERS ASSOCIATION

BOARD OF DIRECTORS MEETING MINUTES

April 18, 2018

A regular meeting of the Board of Directors of the Rockport Country Club Members Association was held at the club's temporary offices located at 101 Champions Dr., Rockport, Texas.

PRESENT: Jon Heffron –President, Ric Young, John Hitchcock, Herb Sutter, Glenn Kliebert, Elyce Kahn, Charles Giesey and Chet Cloudt.

Also in attendance: Rick DeLoach – General Manager, and James Creekmore – Johnson and Creekmore.

The President convened the meeting at 5:00 PM.

GUESTS: There were no guests.

APPROVAL OF MINUTES: The minutes from the Regular Board meeting on February 21, 2018 and the Special Board meeting on March 31, 2018 were approved with no changes.

MEMBER CORRESPONDENCE: Rick reported that one member, Mr. _____ Berkebile (spell), wrote a letter to the club concerning a bulkhead failure behind his home near the #12 hole. Rick contacted the gentlemen to let him know that the City of Rockport is responsible for maintenance of the lakes and related bulkheads for drainage purposes. Rick also spoke with a representative of the City (Mike Donoho) and was told that the City does not repair bulkheads, while it is the club's position that it is the City's responsibility. A meeting will be scheduled with the City in an attempt to get the matter resolved, in addition to assuring that the city's request for storm mitigation grant funds includes the lakes at the club..

FINANCE REPORTS: Presented by James Creekmore, Reports referenced.

- James briefly highlighted the March 31 financials noting that the Club had sustained a loss, as expected, but that we were staying within acceptable limits.
- He also reported that the Audit Report is proceeding and that most, if not all, of the items in various suspense accounts will be cleared out by the time the Audit is complete.
- He is waiting for three things to occur before he can complete the Audit: 1. Receipt of the third Business Interruption insurance payment; 2. Payment on the gutting the buildings; and 3. Payment on the inventory items.
- Jon Heffron commented that there is no reason to believe that we will not receive the third payment and added that there is a new person at the insurance company handling our account. The new person was contacted by the club's public adjuster and he said that he needed some time to review our file before releasing payments. An exact time-frame for receipt of payment is not available at this time.

FIRST QUARTER REVIEW AND PAST DUE REPORT: Presented by General Manager, Rick DeLoach

- Rick reported total golf rounds of _____ vs _____
- The following figures for the first quarter of 2018 were reported:
Total Gross Revenue of \$136,994 vs. Budget of \$135,098, a positive gross revenue gain of \$1,896.
Total Operating Expenses, including COGS of \$370,631 vs. Budget of \$402,438, \$31,807 under Budget.
Net Operating Income (loss), before depreciation of \$233,637 (loss) vs. Budget of \$267,340 (loss), \$33,703 better than Budget.
Rick also noted that these figures do not include any business interruption insurance proceeds.
- The Past Due report was presented, showing a total Outstanding Balance of \$4,763.38. The single largest amount of \$1,456.43 is owed by the estate of Andy Moore. The estate lawyer has been contacted and we are hopeful of collecting when the estate probate is finalized. Kiki DeAyala has been contacted for the \$939.30 he owes. Rick agreed to give him a few more weeks before turning it over to a collection agency. We have been unable to contact Majorie Farrer, who owes \$767.71. These three accounts are attributable to 66.5% of the total. The remaining past due accounts are all lesser amounts and are being pursued.

CASH FLOW PROJECTION AND STATUS OF KUSTOM MITIGATION DISPUTE:

- Jon Heffron provided a summary of expected cash flow and projected cash balance as of August 31, 2018. This report includes a list of Cash Receipts and Disbursements for amounts Expected, Received and Due. This report is updated by Jon at least on a weekly basis. The latest report reflects a projected cash balance on August 31, 2018 of \$462,473.
- Jon then provided an update to the Kustom mitigation dispute. Kustom maintains the position that we owe them a total of \$450,000. We previously offered them a total of \$275,000, which they did not accept. Both parties have agreed to attempt a settlement of the matter through mediation, the details of which are being worked out at this time. Jon said that our lawyer believes we will get a satisfactory settlement from the mediation, which may be conducted as soon as June of this year. Kustom has filed a lien, which may cause a complication with our ability to borrow additional funds from Prosperity Bank. We plan to have a meeting with representatives of Prosperity Bank to bring them up to date regarding the Kustom issue so they are fully informed.

STATUS OF RECOVERY EFFORTS:

- Insurance Company Matters - Jon went over the insurance figures provided in his Cash Flow Projection report as follows:

Total Expected	\$4,465,491
Total Received	<u>\$3,009,749</u>
Total Due	\$1,455,742

All of the insurance claims on the Clubhouse building have been settled in the amount of \$2,410,000. Nothing has been received for the Fitness Center and Maintenance buildings.

None of the \$609,816 claim has been received for BPP & FFE on the Clubhouse or Fitness. About half of the \$1,250,000 total claim has been received for BI and EE on the Clubhouse and Fitness.

- **Post Golf Course Reopening Maintenance:** Rick said 30 palettes of sod had been laid, but we still need more for some of the tee boxes and areas around some of the bunkers. Decisions regarding sprigging vs. hydro-mulching vs. sodding and the various types of grass to use are forthcoming. The current sod and seed cost estimate of \$27,776 will be increased once these decisions are made. He also added that airification will be performed later this month. Rick then summarized his report on Items “Likely Excluded from Insurance Coverage” report, stating that most of the total non-covered expenses directly involved the golf course. A copy of his report was offered to anyone interested in looking at the details. Our \$500,000 line of credit with Prosperity has been tapped to pay for these non-covered items and there is \$67,126 of remaining to be tapped, if needed.
- **Rebuilding Status:**
 - Roof: Rick stated that Club Design, our general contractor, was here working on our project this week. The sloped roof work was very slow, but that portion of the roof should be complete next week. The flat portion of the roof was being discussed as to the best way to address the leaks. The flat portion covers the cart barn, golf shop area, Bistro room, Men’s locker room, etc. Current estimate to fix the flat roof are about \$103K. About half of the total flat area is over the cart barn, which does not have any leaks at this time. This could cut the above amount in half if we don’t have to do any work on it. It appears that the best way to take care of the flat roof problem is to repair the leaking areas, create the proper slope for drainage and apply a membrane over the entire affected area. Rick and Jon said we will use the current roofing company (Peerless) to do the roof over the Fitness Center, due to them having the lowest price bid, as well as the efficiencies of them being on site already. This work should begin soon.
 - Windows: Various regulations imposed by the Texas Department of Insurance require impact glass for all new windows and doors. It also provides that we must replace **all** windows and doors with impact glass if the new ones represent more than 27% of the total in the building. Because of the high cost of doing this, we have decided for now to eliminate some of the proposed new windows/doors in order to reduce the new glass area to less than 27%. In addition, we will have to provide storm coverings for all non-impact glass in the event of a storm. The various materials for window and door coverings will be researched. Tiffanie Hoover suggested that changes to the basic design regarding doors and windows should be communicated to the special rebuilding committee that has been formed.
 - Itemized Rebuilding Figures: We have asked Club Designs to work up itemized cost for the rebuild such as the kitchen equipment, plumbing and electrical, windows, landscaping, furniture, flooring, etc.
 - Maintenance Buildings: Rick reported that there are 3 buildings in the maintenance area and that the structure and contents of two of them were uninsurable. We are evaluating the cost to repair/replace the affected areas so they can be insured.

- Membership Sales Report: Since reopening the club, Stan Reeder has sold 22 total memberships of various types, including 1 corporate membership. Rick commented that Stan is doing a great job.

COMMITTEE REPORTS:

- Finance Committee: Chet reported that all of the items contained in the minutes of the Finance Committee meeting had been covered in the Board meeting of today. A copy of the Finance Committee meeting minutes were previously emailed to all Board members by Jon.
- Green Committee: John Hitchcock reported that all of the items covered in the Green Committee had also been covered in the Board meeting and that a copy of the Green Committee minutes had also been provided to all Board members.

OLD BUSINESS:

- Uninsured Expense Budget and Funding: See above in Jon's Cash Flow Report
- EZ Links Software: Rick said we are waiting for audit completion to implement new system. Hopefully we will start training in May and implement in June. System is far superior to Jonas, our current system, with much better member communication, technical support, user friendliness, accounting features and flexibility to create reports, etc.
- Guidelines for Sale of Club Owned Property: Jon provided a proposed draft of guidelines for consideration to be studied and acted upon at a future date.
- Update Club Rules and Regulations: Jon expressed a need to modernize and update the current regulations and asked Rick to begin that process. Jon recited several examples in the regulations that were outdated.
- Member Ownership: Jon gave a quick overview of previous Board's discussions concerning how equity ownership by the members could be achieved if the club were sold or liquidated. It was pointed out, however, that we still needed accounting and legal guidance before we could move forward with the idea.

NEW BUSINESS:

- Club DBA Name and Branding: Rick introduced the idea of a doing business as name change and new logo and provided several examples. After some discussion, followed by a motion and second, the Board voted unanimously agreed to change the club's DBA to "The Club *at* Rockport". The process of converting to the new name and branding will commence immediately, starting first with an implementation/roll out plan. Board members were asked to take pictures of some windswept trees to use for the logo. John Cochran of Club Design has agreed to assist with the branding.

EXECUTIVE SESSION:

The board met in executive session and approved the General Manager's Bonus Plan for 2018.

ADJOURN: The meeting was adjourned at 7:45 PM