

ROCKPORT COUNTRY CLUB MEMBERS ASSOCIATION

BOARD OF DIRECTORS MEETING MINUTES

June 20, 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, John Hitchcock, Herb Sutter, Glenn Kliebert, Elyce Kahn, Charles Giesey, Tiffanie Hoover, Ric Young and Chet Cloudt.

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

GUESTS: Tina Atteberry, Laura Denham and Adelaide Marlatt, all members of the club. Several other members were present strictly as observers.

The President convened the meeting at 4:00 PM.

APPROVAL OF MINUTES: The minutes from the Regular Board of Directors meeting held on May 16, 2018 were approved with no changes.

MEMBER CORRESPONDENCE:

- Club DBA and Rebranding - Jon Heffron opened the discussion with an introduction of Tina Atteberry and Laura Denham, stating that they had come to the meeting to express their concerns about the DBA name change. He then explained that the BOD had acted in good faith with regard to the rebranding proposal, and that it was done so in what was thought to be in the best interests of the club and its members. Jon also mentioned that it is within the authority of the BOD to change the DBA without a vote by the members. Jon then stated that the club had not spent any money to date on the rebranding effort and went over the various options available to the BOD: 1. Go forward as planned without regard to how some of the members feel; 2. Take a poll of the voting members and act accordingly; or 3. Indefinitely suspend the idea of a rebranding until more thought could go into it. At that point, a motion was made and seconded to follow option 3. A brief discussion followed with Jon recommending that we adopt option 3. Before a vote was taken, Charles Giesey requested that we ask Tina and Laura to speak to us about their concerns. Both guest members then gave a short statement regarding their reasons for not wanting a name change. Thereafter, upon a motion made and seconded, the board voted unanimously for option 3.
- Outside Play – Jon noted that the Board had previously decided to allow more outside play due to the club's need to generate additional revenue. He noted that Rick DeLoach and he had received complaints about the outside play; primarily with respect to tee times, pace of play, compliance with dress code, and security. Rick stated that all of these concerns and issues had been and would continue to be addressed, as follows:

- Not allowing outside play before 11:00 AM on the weekends
- Reminding and monitoring outside players of our pace of play expectation of 4 hours
- Strict enforcement with the club's dress code
- Obtaining copies of outside players drivers licenses, and
- Putting up security cameras and posting security signs.

There was also some discussion as to whether the club should allow outside play on weekends earlier than 11:00 AM, as well as, whether we should attempt to convince certain members to play earlier on the weekends to accommodate outside play before 11:00. The Board agreed to continue to promote outside play and for Rick to continue to work on the issue and report back to the Board at the next meeting.

FINANCE REPORTS: Presented by James Creekmore, Rick DeLoach and Jon Heffron, Reports referenced.

- Audit - James Creekmore provided a page by page summary of the completed audit for 2017. He then stated that it is a clean (unqualified) audit and that it is available to any voting member. There were no questions or comments.
- Financials – James Creekmore briefly highlighted the May 2018 financial statements. There were no questions or comments.
- Overdue Report - Rick DeLoach provided a brief summary of the Overdue Report stating that it was fairly clean with only two significant items yet to be cleared up. Andy Moore (\$1,456.43) is deceased and a claim has been filed with the estate. Kiki DeAyala (\$939.30) has been given some extra time to make payment, but still not collected. Jon added that he had contacted the attorney for Mr. Moore's estate to get a status of our claim. The attorney said it was a complicated estate, that it had not yet been settled and that the club was still in line for payment. Jon feels like we will ultimately receive a payment from the estate. Rick said he would proceed with a collection effort on the amount owed by Mr. DeAyala.
- Summary of Operating Results/Financial Review - Rick DeLoach reported the following for May activity: Total Gross Revenue of \$78,336 for the month vs. Budget of \$66,970; Total Operating Expense for the month of \$144,166 vs. budget of \$152,317; Net Operating Income for the month, before depreciation, of (\$65,830) vs. budget of (\$85,347); and Net Profit, after Depreciation and Amortization of (\$84,162) vs. budget of (\$103,884). The May Financial Review also included a detailed breakdown of income and expenses by department.
- Cash Flow Projection – Jon provided an updated summary, as of May 31 of the cash flow and projected cash balance we expect to have on August 31, 2018. This report includes a list of Cash Receipts and Disbursements for amounts Expected, Received and Due. The latest update reflects an expected cash balance of \$551,259 on August 31, 2018.

COMMITTEE REPORTS:

- Finance Committee, Chet Cloudt, Chair
There was no meeting of the Finance Committee. Chet commented that a meeting was not necessary because there would have been no financial advice rendered and there were no

capital projects to approve for recommendation to the board. Chet also suggested that the Finance Committee and the Board should have a pro forma forecast prepared by Rick and management for how the club will operate after the reinstatement of dues this year. Furthermore, this information would help guide the Board in making decisions regarding dues increases, F&B operations, and other financial matters. Rick stated that this was already in process and would be provided prior to the next meeting.

- House Committee, Elyce Kahn, Chair
Elyce offered no formal report, but indicated that the Committee will begin meeting at least 2 times a month in preparation for the club re-opening. This Committee will provide an update of their activities and recommendations at the next BOD meeting.
- Green Committee, John Hitchcock, Chair
A copy of the Green Committee's June 7, 2018 meeting minutes was provided electronically to each member of the BOD for their review before the meeting. John noted that the re-sodding of the chipping and bunker practice greens is complete and that there are plans to re-establish the grass farm, although the exact location has not been determined. John also noted that we are still pursuing a license to spray for mosquitoes, but that it will not be completed before the next anticipated mosquito outbreak resulting from current rainfall. John mentioned that Jason Burgess, the new Assistant Golf Course Superintendent is now onboard and that John Zuniga is very pleased with his work thus far. See Green Committee report for further details.
- Golf Committee, Charles Giesey, Chair
Charles reported that the club is still selling the 2013-2015 Club Car golf carts and that 32 of the 35 have been sold to date. Changing of the 18th hole to a par 5 was also brought up. Thane Emerson has contacted the USGA and was told that the hole was not long enough to be played as a par 5. Charlie also mentioned that the LGA is not planning to host the Sandbox Open due to no clubhouse availability for activities, but that they were planning to have the Birdie Cup in November regardless. No decision has been made on the Member-Guest or Couples Invitational tournaments. Jon Heffron also stated that he had written a letter to Bill Coore's business manager to see if we could get Bill to come to our re-opening, but he has not yet received a response.
- Swim/Tennis Committee, Tiffanie Hoover, Chair
There was no meeting to report on. Rick DeLoach mentioned that we have ordered porta-potty's for the swim/tennis area.

STATUS OF RECOVERY EFFORTS:

- Membership Sales Report – Rick DeLoach
Rick reported the addition of 29 total new members since re-opening of the golf course. See Rick's report for a breakdown by type of member.
- Golf Course Maintenance and Long Term Recovery Plan – Rick DeLoach
Rick reported that Jason Burgess has been hired, as reported above by the Green Committee. He added that there had been a greens airification last week and that there will an increased emphasis on clean-up around the clubhouse. Rick also said there has been a clean-up of

unlabeled, outdated and/or unauthorized chemicals from the maintenance facility. The exact cost of this effort is not yet known, but that it had to be done, the cost would not be significant and there were no fines associated with the cleanup and disposal.

- Rebuilding Status – Progress & Schedule, Budget Variances, Uninsured Expenses & Funding – Rick DeLoach and Jon Heffron

Rick reported that we have found satisfactory sub-contractors for our electrical and plumbing requirements within our budget. He also said that the negative variances for the other subs had been reduced and that our GC has continued to work on reducing them further, i.e., electrical fixtures and controls down to a \$10,000 variance, fire alarm down to a \$6,000 variance, and HVAC down to a \$40,000 variance. All other budgeted subs were falling in line with the overall budget. There has been only one change - \$72,380 for a new flat roof. A time-line schedule, prepared by our GC, of all club rebuilding activities past, present and future was provided. According to our GC, the current estimated date of completion for the rebuild is September 12. Rick noted that we are still being held up from doing work in the kitchen and Fitness Center due to lack of insurance settlement. We are working with the insurance company toward a final settlement of all outstanding issues. Jon then provided an update to the Uninsured Construction Expenses report, which is now estimated to be a total of \$423,537. These expenses are detailed for the Clubhouse, Fitness Center and Maintenance Facilities. Funding of these expenses will be through a loan from Prosperity Bank.

- Loss Mitigation Contractor Dispute – Jon Heffron

Jon provided an update to the Kustom mitigation dispute. The mediation, which was scheduled to be held in Corpus Christi on June 6th, was cancelled by Kustom the night of June 5th. It has been rescheduled for September 29, which is the earliest date the Mediator was available.

OLD BUSINESS:

- EZLinks Software Conversion - Rick DeLoach
Rick provided an update on the conversion from “Jonas” to our new “EZ Links” accounting/operating software system. The system conversion has been completed and is fully operational.
- Letter to Homeowner at 130 Cedar Creek – Rick DeLoach
Rick reported that several attempts had been made to reach the homeowner regarding the improper construction of a fence on club property, but there had been no response. A draft copy of a proposed (revised from the last meeting) letter to the homeowner was provided to each member of the BOD. Accordingly, upon motion made and seconded, the board voted unanimously to have Rick mail the letter, as written.
- Update to Club Rules and Regulations – Rick DeLoach
Rick and the staff have been working on suggestions to update and modernize the club’s Rules and Regulations. Rick will email them to the BOD for a discussion at the next meeting.
- Request to the City of Rockport, Texas Hurricane Harvey Mitigation Fund Grant – Jon Heffron
Jon spoke with Mayor Rios earlier today on this issue and was assured that RCC will be covered in a plan and that he will try to follow up with us for more details sometime next week.

- Member Ownership – Jon Heffron
This is on hold until a qualified legal opinion can be rendered.

NEW BUSINESS:

- Offer to Purchase Club Property – Jon Heffron
Jon first noted that the listing agreement that had been expired had been renewed for another 6 month period. A contract offer has been received from Jacinta and Travis Albrecht to purchase a portion of the club property listed for sale near the swim/tennis facility consisting of approximately .37 acres (16,000 square ft.) for a total of \$48,000 cash. After a discussion and analysis of sales comparables, including the past sale of club property to Jack Wright, it was determined that a counter offer should be made at a price of \$4.58 per square ft. with a floor of \$4.00 per square ft. Accordingly, upon a motion made and seconded, the board voted unanimously in favor of authorizing Jon Heffron to negotiate on behalf of the club for the sale of the subject property under such terms.
- Authorization & Consent to Update Corporate Filings – Jon Heffron
Jon explained that there were certain periodic filings regarding the club name, registered agent, etc. that needed to be updated with the State of Texas. Accordingly, upon motion made and seconded, the Board voted unanimously to authorize Jon Heffron to make the required filings on behalf of the club.
- Food & Beverage Operations – Rick DeLoach
Rick opened with a brief discussion of food and beverage operations and provided a handout outline of the various issues as “food for thought”. Rick asked that all of the board members give the issues listed considerable thought so that we can begin serious discussions about how we want the club dining services to look upon reopening of the club. The House Committee will be working on these issues and will also provide recommendations for the BOD to consider.
- Employee Savings Plan/401K – Jon Heffron
Due to small participation (3 employees) in the current 401K, as well as the inefficiencies of administering the plan, Jon recommended that we terminate the current plan and attempt to replace it with some other suitable plan. The current plan does not provide for any contribution of money by the club. This has been discussed with the affected employees and they have no objection to terminating it. Accordingly, upon a motion made and seconded, the board voted unanimously to terminate the existing 401K plan.
- Secretary/Treasurer Banking Resolution – Jon Heffron
Jon advised that since Jeanie Rutledge is leaving and Stan Davis is no longer on the Board, we need to go forward with a resolution to Prosperity Bank to remove Jeanie Rutledge and Stanley Davis and add Chester Cloudt, Secretary/Treasurer and Diane Hipp to the bank signature card. Accordingly, upon a motion and second, the board voted unanimously to do go forward with the required banking documents to accommodate the above changes.
- Discussion of Dues – Jon Heffron
Jon discussed the issue of reinstating dues at the same level as they were before the storm (or at some discounted level) effective September 1st, even though all of the club’s facilities will not

be completed at that time. This will almost certainly be necessary due to the cessation of the club's Business Interruption insurance coverage on August 31 and the obvious fact that the club could not survive financially for long without either Business Interruption payments or dues. Jon then provided a handout showing the dues charges by membership category from 2006 until the present. He stated that he didn't think we should attempt to increase dues for the remainder of this year, even if reinstated on September 1st. However, he stated that we will most likely need to have a dues increase for 2019 and he wants the board to begin thinking about it now. Other issues to consider are whether to raise the dues of Provisional Members, when their provisional time period should commence and a couple of other issues related to the Provisional Members. The Board will consider the matter of reinstating dues again at the next meeting with specific recommendations from Rick and Jon.

- **Member Concerns & Complaints – Jon Heffron**

Jon mentioned that there have been a number of member complaints that have been publicized through email circulation and social media, some of which may violate club rules and regulations. Jon asked each board member to think about it and begin discussions next month about what action, if any, should be taken. One suggestion was to send the members some form of correspondence stating the applicable rules and simply request that they be adhered to.

ADJOURN: No further business coming before the BOD, the meeting was adjourned at 7:02 PM.