

BOARD OF DIRECTORS MEETING MINUTES

Rockport Country Club Members Association

September 25, 2019

A regular meeting of the Board of Directors was held on September 25, 2019. Board members in attendance were: Craig Bohn, President, Charles Marsh, Chet Cloudt, Elyce Kahn, Red Hunt, Herb Sutter and Vicki Buck.

Glenn Kliebert and Charles Giesey were absent.

Others in attendance were: Rick DeLoach, General Manager, James Creekmore of Johnson & Creekmore, CPA's, Jack Wright (Finance Committee member) and Tom Rhodes (Finance Committee member).

Also, in attendance was Doug Smith, Member.

The meeting was called to order by Craig Bohn at 4:00 PM.

Approval of Prior Meeting Minutes: A motion was made and seconded to approve the minutes from the last Board of Director's regular meeting held on August 28, 2019. A vote was taken and the motion carried.

Member Correspondence (Rick DeLoach):

Rick introduced Doug Smith and asked him to explain his reason for wanting to come before the Board. Doug thanked the Board for allowing him to appear and asked for an explanation of the Club's policy regarding outside golf play. Craig and Rick both provided an explanation of the policy, as well as background information, stating that the primary reason for allowing outside golf play is simply to help assure financial viability of the Club. Doug also asked for an explanation of the Provisional membership program. Rick then provided that for Doug. Doug accepted the explanations given, thanked the Board for their dedication to the Club and then left the meeting.

Rick then reported that there had been written correspondence with one member during the month. The Club received a letter from Linda Koenig (attached) explaining that she will have to be out of town for a few months to take care of a sick relative and requested that her dues and minimums be waived during that time period. The Board discussed the matter and concluded that there is currently no provision in the bylaws that provides for such a waiver and that her request should be denied on that basis. Rick will call to advise her.

Loan Agreement: At this time, Rick welcomed Jack Wright and Tom Rhodes to the meeting and asked if they would make a presentation to the Board regarding negotiation of the new long-term loan with Prosperity Bank. Jack and Tom are both members of the Finance Committee and were asked to take the lead in the Club's negotiations with the bank because of their considerable professional experience in the banking business. Jack initiated the discussion and provided a hand-out summary sheet (see attached summary for details) of the discussions held between the bank and representatives of the

Club. He concluded his remarks by saying that the bank has provided a very favorable loan proposal and that he recommended approval of the loan by the Board. After discussion and questions, Jack was asked to summarize the terms of the proposed note for the Board so that a motion for approval could be made. He summarized the key terms of the Loan, as follows:

\$1,000,000 loan, 20-year amortization with a 5-year balloon, 5.5% fixed rate and no cancellation or pre-payment penalty. The loan agreement would be concluded by the end of September.

A motion was then made and seconded to approve going forward with execution of the note under the recommended terms described above. A vote was taken and the motion carried.

July 2019 Financial Statements, Operating Results, Cash Flow Report and Past Due Report (James Creekmore and Rick DeLoach):

- Financial Statements as of August 31, 2019 (James Creekmore):
 - Balance Sheet - James provided a summary review of the Balance Sheet. The following figures were reported. Total Assets of \$10,304,550, Total Liabilities of \$1,872,514 and Total Equity of \$8,432,036. He also commented that the Club had borrowed the maximum amount provided under the LOC with Prosperity. Total debt stands at \$1,331,025. There were no questions regarding the Balance Sheet.
 - Income Statement – James briefly went over each department’s activities and reported the following key income figures: NOI actual for July of \$1,170 vs. a budget of \$2,575. NOI actual for the year of \$95,660 vs. budget of \$86,286. Net Income, after amortization and depreciation of (\$28,982) vs. budget of (\$27,548) for July and actual of (\$135,715) vs. budget of (\$154,698) for the year. There were no questions regarding the Income Statement.
- Operating Results/Summary of Operations (Rick DeLoach) - Rick summarized his August 2019 Financial Review Report (report referenced), which provides the highlights for the Club’s business activities, including an over/under analysis of actual performance vs. budget for all club departments. He also reported that the Club continues to have good revenues, but that there are still areas of the Club operations, which could be improved upon.

He then mentioned his and Derrick Hashimoto’s plan to eradicate the cattails in the lakes and the St. Augustine grass adjacent to many of the fairways, greens and tee boxes. He said we are currently using chemicals on an experimental basis to see if we can get control of those problems.

A discussion then ensued concerning the use of the Air2G2 aerification machine, which the Club has been using for several months on a lease-purchase basis. We are renting the machine for \$1,600 per month with an option to purchase at the end of the year. If we exercise our option,

\$1,000 per month (for the months rented) will be applied to the total purchase price of approximately \$40,000. Chet Cloudt suggested that we go ahead and exercise our option now if we are sure we want to keep the equipment, thus realizing \$600 per month (\$1,800 total) in savings for the remainder of the year (Oct-Dec). Rick said that, based on discussions with Derrick and within the Green Committee, we are sure the machine has performed as expected and recommends that we go ahead and exercise our option. Rick will check with Derrick to verify his opinion. A discussion then ensued regarding the proposal to perform a "Drill & Fill" treatment and the benefits of that vs. the Air2G2. Herb asked for an explanation of the relative benefits of each operation and if we really needed both. Rick explained that the Air2 is a continuous program and can be used on all areas of the golf course, but the D&F is a one-time treatment of the greens only to be performed by an outside company and addresses a different issue entirely. He explained that the D&F operation actually changes the profile of the turf, whereas the Air2 does not. He also said, if the Finance Committee and Board approved, we would not propose to employ the D&F treatment until sometime next year and estimates the cost to be around \$10,000. At the end of September, the total payoff for the equipment is \$_____.

A motion was then made and seconded to exercise the Club's option to purchase the Air2G2 machine as of the end of September and realize the \$1,800 savings described above. A vote was then taken and the motion passed.

Membership reports were not discussed, but a copy of the reports was provided showing the total change in membership for all categories each month from August 31, 2018 to the present, as well as the total membership by category added in the month of August. The total membership as of August 31 stands at 537, which is unchanged from the previous month.

- Cash Flow Forecast and Past Due Reports (James Creekmore and Rick DeLoach):
 - Cash Flow Forecast (James Creekmore) – James explained a new revised Cash Forecast Report (report referenced) to be used through the end of the year. He then went over the report, which shows actual figures for completed months and budgeted figures for future months. He stated that the cash flow projection for December 31, 2019 is now at \$594,932 vs \$599,220 at the end of July. James explained that the cash flow projection does take into consideration the purchase of new equipment, repairs to the #10 tee box cart path, the purchase of the Air2G2 and normal debt reduction, but does not include the fees associated with the new loan with Prosperity Bank.
 - Past Due Report (Rick DeLoach) - Rick referred to the the Member Aging Report (report referenced) and went over it briefly. He stated that the individuals listed with a line through them had paid their bills fully. He also noted that "CC" next to an entry indicates that their auto credit card payment did not go through for some reason, but that it does not necessarily indicate a problem. Diane will be in contact with those persons to find out what happened with those credit card non-payments. He also said

he had contacted Rocky Reese and Mr. Reese indicated that he had commenced his hotel operations, but that he needs a little more time. Craig asked Rick to let him know that the Board has discussed his situation specifically and that we expect payment soon. Rick also mentioned that Ernie Arredondo's bill has been paid in full and that he wishes to remain a member. We will be charging him back dues. All of the individuals who still owe money have been contacted.

Committee Reports:

- Finance Committee (Charles Marsh) – Charles reported that the Committee had conducted a Regular Meeting on August 22nd (minutes attached) and that we essentially covered the same financial information presented by James and Rick earlier today. He said the Committee also met yesterday, September 24th and had recommended approval of the proposed Prosperity loan, which was presented to and approved by the Board above.
- Golf Committee (Red Hunt) – Red reported that there had been a meeting of the committee on September 4, 2019 (minutes attached). He reported that we had 1,193 rounds of golf in August, a low but predictable number for this time of year. He then made mention of the various tournaments conducted in September, i.e., Member-Member, Member-Guest and MGA's/LGA's. He reported that the Club Championship will be on held on October 5-6 and that the Championship flight would be played from the Blue tees this year. There will also be a champion for the White, Gold and Red (ladies) tees. He also commented that we have scheduled quite a nice number of outside tournaments to be held in October and November. A list of these can be found in an attachment to the minutes.
- Green Committee (Rick DeLoach) – It was reported that the Green Committee had met on September 5, 2019 (minutes attached). The Green Committee activity is covered in the General Manager's Summary of Operations above.
- House Committee (Elyce Kahn) – Elyce reported that the Committee had met on September 11, 2019 (minutes attached). Elyce commented that the tournament activity mentioned by Red had provided some nice revenues for the F&B operation. She then went over the various changes, which have been made and are planned to be made in the F&B operations in response to seasonal demand, i.e., nights of the week and hours of operations, specialty nights and Sunday brunch. She also discussed the problem of members coming into the Club for dinner a few minutes before closing time and how difficult it is to manage and resolve that issue. Several suggestions were made to help alleviate this problem. She also mentioned discussions regarding the hiring of additional staff to act as a receptionist, take incoming calls, manage reservations and provide better overall communications between the Club and its members. An in-house employee has been identified to potentially fill this requirement. Rick believes the position will pay for itself in added efficiencies and new business. No formal proposal for this was presented.

- Membership, Bylaws, fitness and Swim Committee: In Glenn's absence, Rick reported that the Committee had met on September 12, 2019 (see minutes). He mentioned that Elyce had been invited to attend the Membership Committee meeting in an effort to promote activities that will encourage new member participation. As a result, the House Committee came up with a new function called "Ladies Night Out", which will be held later this month. Rick then said he planned to get Thane involved in coming up with golf activities to encourage new/old member joint participation. Several ideas were discussed. Red indicated that the Golf Committee would help in any way possible to promote this idea. Rick also mentioned a new Ambassador Program developed by Stan Reeder to specifically promote involvement in all Club activities between new and existing members. The idea of a Golf Tournament/Dinner where new and existing members participate together is one of the ideas being discussed. This program will be reviewed by the Committee members and be acted upon at the next regular meeting. There was nothing significant to report in the Swim/Fitness operation.

- **Old Business (Rick DeLoach):**
 - Maintenance Building - Rick announced that the new building has been erected. He also said he has figures for the cost of the build-out and the estimate is \$10,600 (\$13/sq. ft). He said the electrical fixtures and wiring had been donated by a member, amounting to approximately \$6,000 in value. The contractor providing the labor is the same one who did the electrical work on the Clubhouse rebuild. He is hopeful that the rebuild will be complete by the end of October.

 - Fitness Fire Alarm – The contractors are there now and the project should be completed today.

 - Cart Path #10 Tee Box – The concrete has been removed and there is very little erosion. We are very lucky to have found it in better condition than we expected. We now think a cost of around \$5,000 is possible, as opposed to the \$8,400 originally set aside. No date was given for completion.

- **New Business:**
 - Loan Agreement – See above discussion and Motion following Member Correspondence.

 - GM 2019 Bonus – A copy of the proposed bonus was provided to each member of the Board. There were no questions regarding the Bonus.

**A motion was made and seconded to approve the GM 2019 Bonus plan, as submitted.
A vote was taken and the motion carried.**

Adjourn: No further business coming before the Committee, the meeting was adjourned at 5:40 PM.