

ROCKPORT COUNTRY CLUB MEMBERS ASSOCIATION

BOARD OF DIRECTORS MEETING MINUTES

September 8, 2017

A special meeting of the Board of Directors of the Rockport Country Club Members Association, duly noticed to all directors, was held at the offices of Johnson & Creekmore in Rockport, Texas.

PRESENT: Jon Heffron-President, John Wheeler-First Vice President, Ric Young, Tiffanie Hoover, Mike Couvillion, Chet Cloudt, and Herb Sutter and Charles Giesey by telephone.

Not attending: Stan Davis – Secretary/Treasurer

Also in attendance: Mike Johnson, James Creekmore, and the General Manager - Rick DeLoach.

The President convened the meeting at 9:10 AM.

GUESTS: There were no other guests attending the meeting.

President Heffron took the minutes of the meeting.

Hurricane Harvey Update:

A comprehensive presentation was made by President Jon Heffron, GM Rick DeLoach, and where appropriate by Mike Johnson or James Creekmore. The President and GM reviewed with the Board all of the items set forth in Update #1 sent to all members and presented the following update.

Recovery Effort Update:

- Power was restored to the facilities on Thursday. We have functioning power to the club house, cart barn, STF center, and maintenance facilities.
- Our irrigation system controls, pumps, and motors located in the pump house portion of our maintenance facilities appear to be working. However, we have been unable to charge the irrigation system lines on the course due to broken underground water pipelines. The process of locating and making repairs to these broken lines was started when power was restored. We are continuing with these efforts.
- A number of tree service companies have been selected to remove the trees, limbs, and debris on the cart paths and the course in order to make the course playable. The areas around the facilities will be cleared first and work will start on Monday.
- Three general contractors are under consideration to perform and oversee all work efforts on the damaged buildings and structures. The contractors are Kustom US, Velocity Services Group, and ServPro Commercial. These firms have substantial resources and experience in doing jobs such as ours and one of them, Kustom, is a preferred provider for the club's insurance company. The insurance company has

instructed the club to hire a contractor as soon as reasonably possible and commence work.

- The order of the necessary recovery activities is as follows.
- Trees and debris around the buildings, entrances, driveways, and parking lots will be removed so that loss mitigation, preservation and protection activities may commence. This work will start on Monday.
- The general contractor will then start to dry in the buildings (roofs and walls). This work will commence sometime later next week.
- A structural engineer assigned by the insurance company will inspect the structures to determine the damage to them and whether they can be used or must be demolished. This has been scheduled for September 19th.
- The insurance company's salvager will remove all salvageable business inventory in the buildings, the copper from the roof, and other personal property and FF&E that is damaged and salvageable.
- Personal property and FF&E that can be used when we are able to resume business operations will be removed and placed in storage for use once the buildings have been completely restored and rebuilt.
- The general contractor will then mitigate the interior damage by removing all the flooring, carpets, walls, and ceilings and the damaged interior finishes. Following this, the buildings will be dried out.
- We believe the foregoing should be completed in about 6 to 8 weeks from the start date based on discussions we have had with the general contractors.
- After this, the buildings will be restored and rebuilt by a general contractor. The general contractor will be identified and selected in the future.
- Finally, the buildings will be restocked with new or preserved personal property and FF&E.
- One very important caveat matter was discussed. If the structural engineer determines that a building is structurally unsound and cannot cost-effectively be made sound through repairs, the building will be demolished and we will have to rebuild from the ground up.
- Tree, limb, and debris removal will start later next week. Cart paths will be done first, followed by all other areas to be addressed.
- Our plan is to first resume the golf business, which is our most important business operation. We must make the golf course safely playable before we can open this aspect of our business. It is premature to give an estimate of when we can resume our golf business at this time due to the many variables involved. We will communicate our estimated reopening date as soon as we can. Importantly, our goal is to reopen as soon as possible under the circumstances.

Discussion of Insurance Coverage:

- The club has windstorm insurance coverages through Lloyd's of London and National Fire & Marine Insurance Company. The insurance policy is administered by International Catastrophe Insurance Manager, LLC ("ICAT"). The following summarizes our coverages:
- Clubhouse: Building \$2,400,000, Business Personal Property \$720,000, Business Income and Extra Expense \$1,050,000
- Swim Tennis Fitness: Building \$186,000, Business Personal Property \$30,000, Business Income and Extra Expense \$200,000
- Maintenance Facilities: Building \$173,940, Business Personal Property \$320,000
- Deductible: 2% Per Occurrence, By Building
- We have made a claim with ICAT, the insurance administrator, and have had several ongoing discussions with the Senior Commercial Claims Examiner, James Simmons. These discussions have been professional, cordial, and positive.
- On Tuesday, we had an on-site review by one of ICAT's large loss claims adjuster (Greg Presswood) and had a positive meeting with him after his onsite inspection. We will not have access to his damages and coverage assessment for several days.
- On Thursday, a telephonic meeting was held between Jon Heffron, Rick DeLoach, Mike Johnson, James Creekmore, and Travis Williams (ICAT's CPA firm assigned to the club's loss). Mr. Williams had discussed our loss with ICAT's claims manager and adjuster. We discussed generally the club's business operations and plans for resuming business. Lost revenues were discussed, along with a host of other financial matters. We discussed the fact that it was most likely that the Board would decide to suspend dues indefinitely due to the fact that it could not operate any of its businesses located at the insured premises. Mr. Williams voiced no objections to this probable action. We also generally discussed our normal operating expenses and the expenses we will incur, including payroll expenses, during the recovery. Mr. Williams will be working closely with Mike Johnson and James Creekmore on the business income and extra expenses aspects of our insurance claim. A document request from Mr. Williams will be forthcoming.
- President Heffron discussed how the various coverages available under the club's insurance policies work, explaining how certain losses and expenses would fall under the different lines of coverage. He and Mike Johnson emphasized the importance of accounting and assigning the club's various losses and expenses correctly under the policy. Mike Johnson agreed to create an accounting system and process to keep track of all losses, expenses, and insurance company reimbursements for management and the directors to review periodically.
- On the surface and based on what we know at this time, it appears we have adequate insurance coverages for the losses we have sustained and most of the expenses we will incur. However, the directors discussed and acknowledged that every insurance policy, whether commercial or individual, has many details, definitions, exclusions, and qualifications. It is too early in the claims process to state how much of our losses and expenses will be covered and how much money we will be paid under the policy. For now, President Heffron stated he was cautiously optimistic.

Financial Matters:

- Mike Johnson reported that the club had approximately \$400,000 in its bank accounts at the end of August, and didn't believe that amount would change materially after the books have been closed for August, which will occur sometime next week.
- Mike also reported that the club has a \$150,000 line of credit available with Prosperity Bank.
- The GM reported that August incidental charges, food minimums, and the like that the members incurred during the month of August will appear on the September 1st statement. He believes we will be able to produce and mail September 1st statements sometime next week. As usual, September payments will be considered delinquent if not received by the end of September.

Board Decisions:

Based on the foregoing, the Board of Directors took the following actions, after motions having been duly made and seconded, by unanimous votes of the Directors attending the meeting. The club's public accounting firm, represented by Mike Johnson and James Creekmore, took no objection to any action taken.

- The Board delegated the authority to President Jon Heffron and GM Rick DeLoach, acting together on terms and conditions acceptable to them in their sole discretion in all respects, limited only by keeping the financial and operational interests of the club known to them at the time above all other interests, including possible insurance advances, payments, and reimbursements, and the requirement to inform the Board of the exercise of the authority granted within a reasonable time frame, to contract with and to spend such club money on a general contractor (from three firms under consideration), which would be responsible for all aspects of the prudent and necessary loss mitigation, preservation, and protection activities that will bring the club to the point that it may commence the complete rebuilding and restoration of the club's damaged buildings and facilities, and to administer such contract in their sole discretion in all respects, limited only by keeping the best financial and operational interests of the club known to them at the time above all other interests.
- The Board delegated the authority to the President and GM, acting together on terms and conditions acceptable to them in their sole discretion in all respects, limited only by keeping the best financial and operational interests of the club known to them at the time above all other interests, including possible insurance advances, payments, and reimbursements, and the requirement to inform the Board the exercise of the authority granted within a reasonable time frame, to contract with such contractors and to spend such money as may be necessary with such contractors that they may select to remove such trees, stumps, fallen limbs, and debris around the club's buildings, facilities, drives,

parking lots, cart paths and golf course as they deem necessary and proper, in their sole discretion, to allow for the remediation of the club's facilities and the resumption of the club's businesses, including the authority to hire such contractors and spend such money as may be necessary to repair any damage to the irrigation system that is discovered.

- The Board delegated the authority to the President and GM, acting together on terms and conditions acceptable to them in their sole discretion in all respects, limited only by keeping the best financial and operational interests of the club known to them at the time above all other interests, including possible insurance advances, payments, and reimbursements, and the requirement to inform the Board of the exercise of the authority granted within a reasonable time frame, to make all decisions relating to all matters relating to the administration of the Club's insurance policy, including the authority to negotiate, compromise, and settle any dispute or disagreement under or arising out of any of the club's insurance policies.
- The Board determined to suspend the billing and collection of all monthly member dues and food minimums effective September 1, 2017, until further notice. After careful consideration, and discussions with the club's insurance company adjuster, the assigned CPA firm, and the claims administrator, the Board determined that it must suspend the imposition and collection of monthly dues and the like because none of its business operations are available to the membership as a direct result Hurricane Harvey. This lost revenue, along with all other lost revenue from the club's food and beverage and Swim, Tennis, and Fitness (STF) businesses, will be factored into determining the club's lost business income payments under the insurance policy. When the club is reasonably and safely able to resume its various business operations, the Board will revisit the matter of monthly dues and the like. Most likely, the Board will begin to charge monthly dues and such other amounts that may be justified once the various segments of the club's business operations are available for the use and enjoyment by the members.

Discussion and Action on Other Matters:

Multiple Bids and Proposals in Connection with Purchase of Goods and Services

The directors discussed RCC's policy set forth in the club's Rules and Regulations - 8. Bidding and Purchasing Procedures. Because of the emergency and exigent circumstances created by the storm, the necessity to take action and make decisions on a timely basis, the necessity to purchase goods and services that are or may become scarce, and the fact that some goods and services may be available from only one source, the directors unanimously agreed to suspend indefinitely the club's policy regarding obtaining multiple bids and proposals in connection with the purchase of goods and services. The club will use its best efforts to obtain multiple bids and proposals taking into consideration the circumstances at hand.

Access to the Facilities and Grounds:

All directors agreed that during the recovery process, the club house, STF facilities, surrounding grounds and parking lots, and the golf course are off-limits to everyone, including members, unless they have specific authorization from either GM Rick DeLoach or President Jon Heffron. Members are and will be curious about what is going on inside the buildings and around the course, but safety must come first and the contractor work cannot be distracted or delayed by unauthorized people on the facilities and grounds.

Voluntary Dues Payments:

The President and GM discussed the fact that some members have told them that they are willing to continue to make monthly dues payments on a voluntary basis to help the club weather this catastrophic event and recover and rebuild. After discussing this matter, the directors decided to ask all members to continue to make monthly member dues payments on a purely voluntary basis.

Monthly voluntary dues amounts, including tax, are as follows:

Regular Resident Member: \$411.93
Provisional Resident Member: \$303.10
Corporate Member: \$411.93
Regular Non-Resident Member: \$272.79
Provisional Non-Resident Member: \$182.94
Young Executive Member:
Provisional Young Executive Member: 161.29
Associate Member:
Provisional Associate Member: \$161.29
Tennis Member: \$139.15
Social Member: \$64.43
Dining Member: \$60.63

Employee Relief Fund:

The GM reported that several of our staff from the Golf Course Maintenance and the Food and Beverage Departments have lost their homes entirely and all employees have suffered some degree of damage to their homes that is not insured. After some discussion, the Board decided to establish an Employee Relief Fund for those employees who have sustained a devastating loss from the storm. The Board decided to ask each member to make a minimum \$50 payment into the relief fund. This amount will be included in the September statements. If any member wishes to give more money to this fund, they should do so and simply add that amount to their September check or payment. The Board appointed President Heffron, Vice President Wheeler, and GM Rick DeLoach to administer the fund.

Temporary Offices and Communications with Club Personnel:

We have established temporary business offices in Johnson and Creekmore's facilities on Business 35. The directors extended their heartfelt thanks Mike Johnson and James Creekmore. If members need to get in touch with any of the club's GM, managers, or administrative staff, please email or call them at 361-729-9707. We will resume using the club's normal phone numbers once our temporary trailers are operational or earlier.

Corpus Christi Country Club Reciprocal Play:

Our pre-existing reciprocal play arrangement with Corpus Christi Country Club has been confirmed. Although CCCC sustained some damage from the storm, its course is open for play. Please call Thane Emerson at 361-563-7958 for further details.

ADJOURN: Upon a motion made and seconded, the Meeting was adjourned at approximately 10:30 AM.