

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE CLUB AT COBBLE CREEK, INC.

An open meeting of the board of directors of THE CLUB AT COBBLE CREEK, INC. (the “Club”) was held on September 26, at 5pm. Those board members and staff present and participating at the meeting:

Mike Weber, President
Pat Pitz, Vice President
Betsy (Betty) Willy, Secretary
Buck Andrews, treasurer
Gary Poteet
Eddie Anderson, General Manager

Format: This meeting was formatted as an informational meeting for the members with the opportunity for members to ask questions. There were approximately 70 members present in the meeting room and the meeting was projected over zoom to increase access for those unable to attend in person. Questions were submitted in advance by members as well as in person during the meeting. Two memos (Expansion of Clubhouse Tavern Facilities and History of Cobble Creek and its Future) were sent via email to members in the weeks prior to the meeting to provide additional information and background regarding the history of the organization and the issues before the board.

Agenda:

- How we got here
- Current financials
- Projected current and long term plans
- Revenue sources
- Current plans for enhancing the Tavern/Clubhouse revenue
- Current discussions with the CC and Spruce Point HOAs
- Q&A for members

Financial Status:

Mike Weber, president of the BODs provided a summary of the history of Cobble Creek and “how we got here”. Eddie Anderson, general manager of the Club at Cobble Creek, provided a review of the current and projected financial status of the Club. He then reviewed projected revenue sources and amounts for 2023 – 2028 based upon an anticipated 3% increase per year. Pat Pitz, Vice President, reviewed the LRPC’s recommendations for expansion of the Tavern kitchen and renovation of the Club House. (See memos and financials for detailed information)

The current published financials reflect the success of the Club's operations, however, there remains a deficit in the Club's ability to fund capital projects and to build sufficient reserve funds for emergency use.

It was explained that the Club at Cobble Creek is not able to financially assess members as a means of increasing revenue to support capital expenses. Club revenues are generated through member dues, golf course fees and golf merchandise sales, food and beverage sales in the tavern and event sales and catering. The BOD plans to increase these fees and prices to improve the Club's revenue stream. However, inflation of cost of goods, labor wages and delays in supply chain's access to parts continue to negatively impact the ability of the Club to fund capital expenditures and increase reserve funds. (Financials are posted on the Club web site. Detailed financials may be reviewed upon written request to the General Manager.)

Estimated 2023 expenses and revenue sources were presented by Pat Pitz.

Estimates of Expenses:

• Jockey pump & Drive	\$20,000	
• Rebuild 2 pumps	\$22,000	
• Spare Motor Rebuild	\$5,000	
• One central control station – irrigation	\$10,000	
• AR722 Rough Mower	\$50,000	
• Cart Path replacement holes 2,16,17,18	\$100,000	
• Wall rebuild on 16 green	\$30,000	
• Tavern Kitchen and Patio renovation	\$75,000	
• HVAC/Steam Room repairs	\$25,000	
Total estimated expenses		\$337,000

Pat emphasized that he and Eddie continue to look for other ways to reduce these estimated costs. Mike reported that he will revisit the possibility of changing the course of the cart path at hole #2 with Paul Heide, thus possibly reducing the estimated cost below a projected \$20,000. Pat explained that there is approximately three miles of cart paths on the golf course. If all the asphalt were replaced with concrete, the cost is estimated at \$685,000. At this time, replacing the crumbling wall between the 16th green and pond along with repair/replacement of the path by 16th green to 18 tee box is a high priority. Instead of a bridge over the stream by 17th green, a culvert could be paved over thus reducing cost there. A jockey pump added to one pump house would reduce the recycling of the pump for that section of the course extending the life of the pump itself.

HOA's contribution

The Club receives funding from the CC and Spruce Point HOAs via the "Easement Agreement". This pays for a portion of the expense to maintain the community's common grounds and provide irrigation to the patio homes and common areas. (A map of common areas is available for viewing in the Clubhouse office. The Easement Agreement will be posted on the Club's web

site.) The Club has requested increased financial funding from the HOA specifically to fund the increased expenses for irrigation of common grounds, patio homes and to replace the mower used to mow common grounds and the golf course "rough". The Club has identified a used "rough mower" currently for sale for \$40,000 as opposed to \$130,000 new. This request is currently under consideration by the HOA BOD and a joint BODs work session is proposed for the near future.

Several suggestions were made during general discussion of means by which the HOA might raise the additional funds to provide increased financial support to the Club. These included increased HOA dues, an HOA covenant change which would make club membership mandatory at the time that a non-club property was sold, merging the HOA and The Club making all community members Club members, and/or creating a surcharge through the HOA to charge a fee each time a property is sold within the community. These and other options are currently under review by the CC HOA BODs. Members were encouraged to direct their comments to members of that board.

Line of Credit: The Club BOD has explored the possibility of a Line of Credit from Alpine Bank. This would require collateral in the form of the Club's Driving Range property. Interest rate would be prime plus one percent. These funds could be utilized for emergent needs to compliment the funds available through the Reserve Fund. A business of the Club's size should maintain 2-3 months of operational expenses in a reserve fund to offset emergent contingencies. For Cobble Creek, this would require a fund of \$200,000. The Club currently has a reserve fund of \$60,000 procured through donations of generous members at the time the assets were transferred from Westar to The Club at Cobble Creek.

The board will seek a similar funding from competitive bank/s before making a final decision.

Discussion from the floor included those who questioned the BOD's authority to offer club assets as collateral and/or to secure a loan without a vote of the membership. It was explained that per the member agreement article 5.1 "Membership does not provide a member with an equity or ownership or any other property interest in the Company or the Club Facilities."

Rights of Members: It was then asked from the floor "What voting rights do the members have?" In the Bylaws of the Club at Cobble Creek section 1.06a Voting Members, it states "The Club shall have such types, levels or descriptions of voting membership as the Board may determine from time to time by resolution; provided however, that all voting memberships of the same type, level or description shall have the same right to vote in the business and affairs of the Club, and in the election of directors," This was interpreted by the member that the members of the Club should have the right to vote in many of the business decisions of the Club.

The Bylaws of The Club at Cobble Creek under section 2.05 Purposes and Powers, Execution of the Instruments states: "All notes, bonds, debentures, or other instruments evidencing debts of the club and all deeds or other conveyances of the Club shall be executed by the President and

attested to by the Secretary after approval has first been obtained from the Board.” And in article VI, Powers and duties of Board and Officers section 6.01 Powers and Duties of Board: “All actions taken to fulfill the purposes and reach the goals and objectives of the Club will be subject to the control and oversight of its Board.”

As neither the bylaws or the member agreement defines what type of business decisions would rise to the level requiring the BOD to seek a vote of the membership, except election of Directors to the Board, it was explained that the board would from time to time seek input from the membership, however, the final decision pertaining to the operation of the Club and its assets resides in the authority of the Board of Directors. To be noted, the Board of Directors is in the process of creating a Survey Monkey to ask for member input regarding issues which are currently before the Board. This survey will be published to the membership and members are asked to review and respond to the questions after serious consideration. There will be an opportunity to expand on member responses as well.

Personnel Management: During discussion, the board was asked to explain the staff turnover rate as perceived by the membership. Further, the question was raised as to whether the Board members participate in “exit interviews” to inform themselves of issues which might exist in personnel management. Every effort is being made by the Board members and our General Manager to encourage and support team building within the staff. Individual personnel issues are always private. Therefore, members are only exposed to one side of an employee’s story. It is easy to be drawn into one side of the issue.

When appropriate, board members do participate in exit interviews. If a member becomes aware of a credible, evidenced based complaint by an employee which they feel is not being addressed or the employee needs support to bring the issue forward, the member should encourage the employee to bring the complaint to the attention of the General Manager and if he/she is unresponsive to a member of the Board of Directors. (See Employee Handbook policy quoted at the end of the minutes.)

Every new employee of the Club is provided an Employee Handbook which addresses the reporting structure for employees to bring issues to the attention of the General Manager and if he/she is unresponsive then to a member of the board of directors. Although this may be an uncomfortable action for an employee to take, it does allow the issue to be addressed in a positive manner.

The Board of Directors hires a General Manager who is responsible for hiring, coaching and development of his staff. Hiring, promotion and termination decisions must be his purview. Micromanagement by the Board of Directors undermines the General Manager’s ability to grow a cohesive team.

It is the Board of Directors job to coach and provide support to the General Manager as he develops and grows his team and when he asks for advice. This coaching is provided informally

from time to time as well as formally during periodic performance reviews as is the case in any well-run business.

The Club has experienced a turnover in events managers. Members must consider that Montrose is a small town. Finding an events manager who has experience planning and running major diverse events such as public tournaments, weddings, club member clubs and events is a challenge. Add to that the odd hours of work required by the timing of events on weekends and in the evenings. All this for a salary which the Club can afford. This position has a base salary and an opportunity to earn commissions based on the recruitment of outside events. If you are aware of an individual who meets these criteria and who would love to work with our Club, please pass that information on to Eddie. This position is critical to future of the Club, but we need to find the right fit.

Acknowledgement of Membership Rights: A number of club members have expressed confusion over the ownership of club assets and the responsibilities of membership. Section 5.1 of the membership agreement helps to explain these issues. “Membership is not an investment in the community as referred to in the Membership Rules and Regulations, or the Club Facilities, Membership does not provide a member with an equity or ownership or any property interest in the Company or the Club Facilities. All rights and privileges of Members under the Membership Rules and Regulations and this Membership Agreement are subordinate to the lien of any mortgage encumbering the Club Facilities from time to time.” That being said, any liabilities of the Club are not the responsibility of the members. However, of note per Article VII of the Bylaws – Should the Club be dissolved –“Any assets of the Club remained after payment of all the Club’s liabilities as required by law, shall be distributed to the members, pro-rata.”

Creekside as a restaurant:

Recently, the possibility of leasing Creekside building to an outside restaurant management group from Ouray was brought to the attention of the BODs. Discussion from the floor lead to an explanation of the degree to which it was necessary for former investors and owners to subsidize the restaurant operations at Creekside and why the BOD does not feel that this would be a prudent financial move at this time. This Ouray management group has since stated that they are only exploring possibilities within Ouray County and are not interested in the Club’s location.

Tiff Hayden, our original developer, sent a memo describing some of the challenges of running a restaurant in Creekside Building. He stated that Creekside restaurant was added to the property as an amenity to entice home and lot purchasers when the community was first developed. “There was never a dime of profit from the restaurant during the time of my (Tiff’s) tenure and my expectation of negative cash flow was generally the case.” “Some of the most experienced operators in Montrose could not make a go of it. First came Frank Cork of the Glen Eyrie and then, Ted Nelson (Ted’s Steakhouse) for three years. The common complaint was no

community support, but other factors were at work as well.” “During my (Tiff’s) watch, when the restaurant was self-operated, the negative ranged from \$90,000 to \$100,000/year.” The expectation of the current board is that increasing revenue through in-house tavern catered events will offset the deficits experienced by previous operators. A monthly member fee as suggested by a member to help subsidize the operation could be added.

A number of members continue to support the proposal for the Club to lease Creekside Building to an outside restaurant management group to restore this amenity for the community. Some members also expressed a desire to return to the previous system where members used the event’s venue for pot-luck dinners and events to utilize outside catering companies. It was further explained that in the opinion of the board, a competing restaurant or return to pot-luck dinners and outside caterers would negate any possibility of the financial success of the tavern food and beverage service or events catering to help fund capital expenditures and would destabilize the Club’s attempts to maintain a reliable tavern work force.

Expansion and renovation of the Tavern Kitchen and Events venue: To improve revenue from events and events catering, it is projected that the Club will need to increase the size and capability of the Tavern kitchen which currently prepares food on a grill in limited preparation space. Expansion and upgrade of tavern equipment and space will allow food to be prepared within the clubhouse for tournaments, member events and outside catered events and not necessitate transporting food across the parking lot from the Creekside Building in all kinds of weather. Upgraded and increased seating capacity along with improved acoustics and air conditioning in the tavern and the event’s room will improve the desirability of these venues for revenue enhancements.

The BOD is seeking a “business expansion” grant through the City of Montrose. The conditions of this grant include the restriction of funding use to projects which will contribute positively to the economy of the City of Montrose. The Club will have to provide some level of “seed money” to fund the balance of expenses for expansion not covered by the City grant. The grant could be upwards to \$400,000. Recruitment of an experienced, talented, outgoing Event’s Manager to promote creative marketing of internal and external marketing of events will complete the Club’s ability to increase revenue through the tavern and events venues.

Eddie discussed ideas for increasing revenues and service.

- The computer system being utilized for Point of Sale has continued to offer challenges to the staff and slow service to the customers. The use of the system continues to be reviewed.
- In spite of this, taco Tuesday has generated a great deal of interest with the highest sales being 552 tacos in one evening.
- Eddie would like to be able to advertise Golf/Meal specials to attract group golf tours by providing golf rounds with a free meal.

- Adjustable pricing could increase fees for golf during high volume times while offering discounts during low volume times.
- Changing our logo to better reflect a golf venue rather than a real estate company might be considered. Fifty-three percent of our golf business comes from public play.
- Marketing to attract Cornerstone, Gunnison and Ouray, Telluride and Ridgway golfers during their short seasons would increase play in Spring and Fall.
- Corporate golf memberships and/or non-voting social memberships are being offered. When a business entertains a client, they can expense the cost of golf and a tavern meal while conducting business. While we worked to encourage our community non-members to become club members during our member drive, it became clear that those who reside here and are not members are not interested in becoming members.

The golf industry is an ever-changing industry and it is critical that Clubs such as ours keep improving our venues and match the tastes of modern golf and social club customers. Gone are the days of dark mahogany club houses. Today the focus is on attracting young families with children through clinics, specials, play activities, and thereby growing young golfers into Club members as they become adults. Our community is home to many remote workers brought here during the Covid years. These folks are looking for a social circle, activities outside their homes and programs for their kids. Those clubs who do not modernize and keep up with the changing demands of the public are at risk of failure. This requires a club and board that is forward looking and willing to invest in the future.

Other comments from membership included the request that the board not take any action until a new board is in place after the first of the year. The Board's response indicated that the city will not be moving forward with the grant application until all bids are compiled and submitted and this will not happen before the next calendar year. Another comment request was that the board move slowly and spread its development plan over time.

At the end of the meeting, the Board was complimented on the recent memos and open meeting which contribute to the transparency expected by the members.

There being no further business, upon motion duly made, seconded, and unanimously carried, the meeting was adjourned at 7:30pm.

Respectfully Submitted

Betsy Willy

Secretary

*** Source: Employee Handbook

"The Club is committed to maintaining a respectful working environment that is enjoyable, pleasant, comfortable, and free from intimidation, hostility or other offenses that might interfere with work performance. We have established a company-wide guideline to respect the

individuality and dignity of each individual employed with the Club. Harassment, on the basis of any protected status listed above, is unlawful where it is unwelcome, severe or pervasive, and unreasonably interferes with an individual's work performance or creates an intimidating, hostile or offensive working environment. Slurs, derogatory statements or demeaning treatment, jokes and stereotyping based on protected status are unprofessional and may result in discipline or discharge regardless of whether they rise to the level of unlawful harassment."

"Any Employee who is subjected to or who observes conduct the Employee honestly believes is in violation of this policy should report it to his/her Supervisor or Manager. If they are unresponsive, then you may report it to the Board of Directors. This includes conduct by co-workers, Supervisors, management, directors or clients, suppliers or others encountered during the course and scope of the Employee's employment. It is the Club's desire to maintain a professional working environment and to prevent any unlawful discrimination or harassment in employment. Employees are strongly advised that they should not quit employment because of conduct that violates this policy rather than reporting such conduct. Please give the Club a reasonable opportunity to investigate and correct any violations of this policy. Upon receiving a report of conduct that violates this policy, the Club will investigate the circumstances and take appropriate action. Because of the need to investigate and take action, the Club cannot promise confidentiality regarding a reported violation of this policy."

"No Employee shall be subject to adverse action because the Employee reports any behavior or conduct that the Employee believes is prohibited under this or any other policy in this Handbook, even behavior or conduct believed to be unprofessional. Further, no Employee shall be subject to adverse action because an Employee assists in any investigation regarding behavior or conduct under this policy. The Club will not tolerate such retaliation against any Employee who, in good faith, makes any report regarding behavior or conduct under this or any other policy."