

November 13, 2011

Whitewater Country Club

Club Meeting

Board Members Present: Gloria Navarre, Dan Hornickel, Mike Frawley, Jeff Winn, Paul Jones

Owner Members Present: Dennis Waege, Jan Stevenson, Barb Underwood, Crystal Singer, Elizabeth Asher, Robert Wright, Janet Lesar, Nick Lesar, Richard James, Chris Turner, Pete Brokmeier, Trudy Brokmeier, Jerry Hartman, Dan Navarre, Gerald Murray, Connie Murray, Bob Koenitzer, Dottie Koenitzer, Mark Ogan, Russ Devitt, Myron Paynter, Jim Sisak, Carol Roun, Mike Mikkelson, David Gronum, Dwight Swartwood, Jim Miller, Terri Meinel, Steve Meinel, Roni Telfer, Dick Telfer, Rosemary Metzdorf, Wally McDonell, Mark Schmuhl, Sam Soffa, McGee Schneider, Evelyn Schneider, Bill Thomas, Diana Thomas, Karen Potter, Tom Ball, Deb Ball, Chuck Scheffner, Jill Scheffner, Irv Madsen, Sandy Madsen, Connie Hornickel, Kathy Kincaid

Staff: Present: Joe Carollo

1. The meeting was called to order by Dan Hornickel at 1 pm in the Club dining room.
2. Paul Jones presented information regarding trends in owner member numbers, indicating that since 2004, the Club has lost 64 (46%) owner members. The average yearly loss has been 7% but the loss from 2010 to 2011 was 11%. The total number of club memberships has not changed appreciably since 2004, maintaining at about 260. This indicates a shift from owner membership to specialty and seasonal membership categories. It is essential that the Club increase its owner memberships since the budget is driven primarily by these categories and it is the responsibility of all owners to recruit new members. Those present were reminded that there are financial incentives for recruiting new members.
3. James Bronson presented information regarding the current financial situation. He indicated that the Club's cash position has declined correlative to losses in membership and that cash flow has decreased every year since 2007. The Club is projected to end the year with a balance of (-)\$20,000. The revolving credit note balance for the Club is approximately \$90,000 and will rise to nearly \$100,000 by the end of 2011. Existing assets total approximately \$20,000.
4. Dan Hornickel explained that the Club changed to a new accounting system two years ago which divides all profit and loss into four "profit centers." These profit centers are:
 - a. Jeff Winn reported on the course condition and plans. Roughs and fairways are in excellent condition this year. Many improvements have been made to traps and cart paths. Other improvements include seeding of fairways, trimming and improvement of tee areas and removal of dead trees and planting new ones along the fairways. New drainage has been installed and cart paths have been repaired. He noted that many of the new pine trees have become infected with a virus and will need to be replaced. Animal damage has been contained. The cost for the majority of these improvements has been relatively low to donations of time, materials and use of equipment. The course signs were all beautifully

repainted and retouched by Regina Ellingson. For the current year, aeration has been completed and snow mold treatment will be applied soon. The waste areas between holes 3-5 and 8-9 will be cleared and trimmed. Our equipment is in satisfactory condition.

- b. Income for the course and rental profit centers has remained consistent this year compared to last year; the course and rental profits for 2011 are down approximately 5% from last year. In response to questions, Jeff clarified which expenses comprise the budget for these profit centers, indicating items such as fuel, chemicals, salaries, and a portion of the insurance.
 - c. Gloria Navarre presented the restaurant and bar profit center figures recorded since 2009. In that year, even though profit was less than expenses for these areas, it was sufficient at least to cover the salaries for the restaurant and bar. As of the current year, profit from these two centers will not even cover the salaries. Gloria explained that the gross profit for these centers typically should be approximately 68%; this year, the figure will be close to 47%. In response to questions from the floor, Gloria indicated that other venues are struggling also
5. Dan Hornickel explained the Club's current cash position. Whitewater Country Club holds a line of credit with a local financial institution. The note has a \$100,000 maximum allowable; our current balance is currently \$90,000. In years past, the Club has borrowed against the following year's expenses and paid off this balance from memberships each year. We entered last fall (2010) with a remaining balance of \$20,000. In sum, Dan explained that the concept of borrowing against the coming year's expenses is not new to the Club but that over the years the amounts borrowed have been higher due to decreases in membership numbers and member participation (use of the club).

Dan reiterated that it is the Board of Directors' philosophy to continue to offer good value to members while keeping costs down. He also referenced an article which indicated that golf courses that are failing have one thing in common: members adopt a "customer" attitude; clubs that are successful have members that act as stewards of their organization.

6. Dan explained that decisions must be made soon regarding operational strategies to be taken for the 2012 season. The Board of Directors is considering the following options and will continue to seek input from owners and members regarding these.
- a. Semi private operation. As a private organization WWCC cannot routinely allow public use of the facility due to liquor licensing laws. Becoming semi private would assist in greater utilization of Club facilities but our affiliation with the Town of Whitewater and that Town's current liquor licensing law works against this strategy. A referendum to be held this April may clear the way for WWCC to become semi private by allowing us to purchase the proper liquor license. Discussion also focused on the possibility of annexation by the City of Whitewater and purchase of the appropriate liquor license. Questions from the floor were asked to clarify the definitions of private, semi private and public status.
 - b. Change in dining service operations. Gloria explained the steps being taken to examine the feasibility of a partnership with catering services to manage our food and bar operations. Questions centered on how this agreement might work and whether or not the prepaid credit minima for owner memberships ought to be raised. Suggestions were also made as to how the current dining operation might be changed to become more profitable: limiting the menu options was also

- discussed. The Board will need to model the various scenarios to see which holds the most promise for profitability.
- c. Golf operations only, with or without bar operations. Most members expressed the desire to keep the current bar availability.
 - d. Dissolution. This would be the end game option for the Club and is not under consideration at this time.
7. Immediate Concerns. Dan outlined the following issues facing the Board of Directors.
 - a. We must decide on the operational format for 2012.
 - b. We must determine how to pay down the operational loan since the law has changed and the Club must pay the loan. Options to accomplish this include but are not limited to the following.
 - i. Donations from members.
 - ii. Use of the class B stock fund, currently at a balance of \$73,206.
 - iii. Offering additional club certificates for member purchase.
 8. Additional discussion centered on the merits and drawbacks of cutting services versus maintaining the current level and extent of Club operations. Owner members will be surveyed for their opinions on the issues of using class B funds, the dining operation and increasing the amount of prepaid balance to be charged to all members. There may also be another Member meeting in the near future to discuss the issues further. Sam Soffa moved (second Jim Miller) to direct the Board of Directors to investigate all options to the attainment of semi private status for the Club. Motion passed unanimously.
 9. A straw poll was conducted to ascertain members' support for eliminating all food and bar service. There was no support for this option. Another straw poll solicited members' feelings about having only bar service. This option was supported by a small number of members. Last, members were asked their opinion about contracting a catering service to run the dining room; this was also supported by a small number of members.
 10. Dan Hornickel expressed the need for all members to support the Club in its operations during the remainder of 2011 and especially for 2012.
 11. The meeting was adjourned at 3:15 pm.

Respectfully submitted,

Paul Jones

Secretary