

EXPANSION PROJECT

As explained in the last town hall meeting, we chose to work with Bateman-Hall Construction based on their presentation from 4 submittals received. We believe that Bateman-Hall Construction can bring this vision to fruition by working closely together with us, to maintain the budget that has been established and to get the best value for our money. B-H and their design team understands the budget and has given this their due diligence to come in with the best project possible. They have worked on projects similar to this previously, and have brought in structural engineers and other professionals to evaluate our current facilities in order to utilize what we currently have to the best potential. If we choose to proceed, hard dollar proposals will be sought. If these prices are over our budget, we back up and re-evaluate.

In preparing the project budget, we started with current membership based on 279.

The project budget is set at \$3,270,000.00. Plus a 15% contingency of \$480,000.00, bringing the total to \$3,750,000.00.

Line item for additional furniture, fixtures and other equipment were prepared by pricing online, with an average cost being used.

Operation expenses for pool and fitness centers were made through conversations with managers of other clubs in the area, with similar facilities that we are proposing. They may not be dead on, but we feel they are a good number to use.

Projected additional costs for the clubhouse were developed by John and Korbitt. This is due to additional square footage/configuration of facility and labor required. With that being said, additional revenue is anticipated through food and beverage and facility rental from added events with the expansion of the clubhouse/facilities. From our conversation with other clubs there is also the opportunity for significant revenue from the addition of the pool.

STATEMENT OF OPERATIONS AND CASH FLOW

Statement of operations and cash flow is based on projected revenues as discussed below and expenses from the proposed operating budget. As noted previously, we have not increased revenue or expenses for inflation.

We anticipate that in 2018, we will incur 80% of the operating budgeted costs to operate the pool and fitness facilities. We feel that aquatic and fitness will be below capacity, leaving us with variable costs that can be cut until such time as aquatic and/or aquatic/fitness members are maxed out. For 2019-2020 we have anticipated 100% of the operating budgeted costs.

While we will not begin incurring costs until the spring of 2018, increased dues will start September 1, 2017, with these funds used at the beginning of the project.

Depreciation is based on current depreciation figures, with future purchases being depreciated over the next 30 years.

PROPOSED DEBT SCHEDULE

The proposed debt schedule was developed beginning with our current loans. We estimate that we will need to borrow \$2,983,000.00 for the expansion. Breakdown is shown in the project costs.

We also anticipate combining our current loan with the project loan resulting in a total loan amount of \$3,742,340.00. Based on our discussions with individuals in the banking industry we predict we would be able to obtain a loan amortized over 20 years with a 5% interest rate for the first 5 years. We have anticipated making interest only payments on the loan from the time construction begins (Sept. 1, 2017) through 2018, with full payments beginning in 2019.

The loan with John Deere has not been renewed. Due to this, capital expenditures have been increased for 2019-2021 as we believe we will require future loans for equipment.

PROJECTED REVENUE

The revenue numbers are based on projected membership and proposed rates as discussed by the membership committee. As shown under the "Projected Statement of Operations and Cash Flow" we have not adjusted the revenue for annual increases since we believe that annual dues increases will be at the same pace as expenses.

Dues allocated to pool and fitness in excess of those charged to golf only members along with those charged to aquatic only and aquatic/fitness are shown as Pool/Fitness revenue.

If we proceed, increased dues would begin September 2017.

MEMBERSHIP

We feel that our best opportunity for new membership will be within 5-6 miles of our Club, but is absolutely not limited to that radius. This is aquatic and fitness only right?

Also we somewhere that we have anticipated (I love that word!!!) that we will lose 30 members in 2017. 15 due to attrition and 15 due to the project.

Our marketing campaign will be very member dependent as we believe our members are our strongest advertising, recruiting, and retainage source. There are several other marketing plans and strategies we are pursuing, such as pre-selling membership with aggressive pricing for a limited number of new members in 2017.

The membership numbers are, at this time, targets or educated guesses if you will. Member resignations and new member acquisitions have all been factored in. These numbers are based on information received from neighboring clubs, current member survey information and what we believe is the ability of our club to become unique, attractive and somewhat exclusive to the 100k population base.

The board is committed to allow our current membership the choice to remain a “golf only” member, if they so choose, while giving other members the choice to experience more amenities for their families.

Our Membership committee remains committed to our “golf roots” membership, which will remain our bread and butter and will be one of the key factors to the success of this project.