Revised Renovation Plan
FAQ’s February 2020
Frequently Asked Questions

WHY A RENOVATION NOW?
There are four primary reasons for the recommendation for renovation now: Members’ desire, Membership needs, competitive edge and an aging facility. 1- Member’s desire; The Board of Governors (BOG) has heard from the Membership a desire to improve the Clubhouse facilities. 2- Membership needs; As of February 1, 2020, our Membership has grown to 543 Equity Members. An expansion of casual dining is imperative and is necessary for Member access and enjoyment. 3- The competitive edge; The Florida market is saturated with Country Clubs and Country Club Communities. For ECC to maintain long term viability and success, improvements must occur. Our competitors are completing renovations that serve members and gain a competitive edge. ECC needs to preserve ours. 46% of all private Clubs in the SW Florida market have planned significant capital improvement projects in the next year. The average significant capital improvement project in the area is $6.4 million dollars. ECC will be spending below this threshold. Additionally, this renovation is especially vital to the property values within the Vines Community. 4- Age of Facility; At 33 years, our aging facility is a critical factor as we consider a much-needed facelift. Although some updates have been completed in years past, the facility continues to age and require attention.

WHAT ARE THE COST REDUCTIONS PRESENTED IN THIS NEW REVISED RENOVATION PLAN 2020?
The original $5,000,000 maximum guaranteed total project cost has been reduced to $3,900,000 with an additional $500,000 contingency, totaling a maximum cost of $4,400,000.

WHAT IS ELIMINATED FROM THE ORIGINAL PROJECT PRESENTED IN JANUARY 2020?
After careful consideration and valuable insights provided by the Membership through Informational Meetings, email comments, surveys and many one-on-one discussions, The Grille Room and Formal Dining room will not be renovated. Both were repaired following Hurricane Irma in 2017 and included paint as well as new carpeting, dance floor, windows, and ceiling tiles. Tables and chairs are scheduled for future replacement once fully depreciated and are part of normal capital maintenance plans.

WHEN WILL THE RENOVATION TAKE PLACE?
Construction will take place in one phase between Easter and Thanksgiving 2021. However, if permitting allows, the Club may elect to begin some of the project during the summer of 2020 without disrupting any service levels.

WILL THERE BE ANY SERVICE INTERRUPTIONS DURING THE RENOVATION?
Due to the renovation being completed in one phase, the Club may experience periodic service interruptions.

WHAT IS INCLUDED IN THE NEW REVISED RENOVATION PLAN 2020?
The revised renovation plan remains the same as previously presented except for the Formal Dining and Grille rooms. As before, the following areas will be renovated:

1. Larger Mulligans Bar: The Mulligans Bar will be expanded to about three times its current seating. The bar will also provide for indoor/outdoor bar service.
2. Updated casual dining: Mulligans will be expanded into the area occupied by the current Men's Card Room and will include a new covered terrace. This new modern space will include many different seating options, including booths, as well as both bar and traditional height tables.
3. Relocation of the Snack Shop: The snack shop will be relocated to the breezeway by the Golf shop/water station for window service. The existing snack shop space will be renovated into a beautiful multi-purpose room.
4. Renovated kitchen: The large kitchen will be enlarged and renovated to add needed prep and storage space and gain operational efficiencies.
5. Renovated main Clubhouse restrooms: Clubhouse restrooms in the main corridor will be updated and modernized.
6. Updated Locker Rooms: Both men's and women's locker rooms will be moved and updated.
7. Relocation of the Men's and Ladies card rooms: The new Men's and Ladies' Card Rooms will be built at the same equitable size with the same equal amenities. They will be located adjacent to the stairway that leads to the breezeway by the golf shop.
8. Renovation of the entry foyer to open the area and remove the wall between the dining room and entry, allowing a full view of the Golf Course upon entering the Clubhouse.

The following amenities will be added:

1. Expanded Outdoor Dining: The Terrace of Mulligans will be expanded approximately 35' feet from the exterior wall to create a sizeable covered and screened outdoor dining space with spectacular views of the Golf Course.
2. Pickleball courts will be added alongside our Tennis Facility.
3. Outdoor Social spaces: The back lawn of the Clubhouse will be developed into a gathering space with open seating spaces, paths, fire tables, shaded space, and garden areas.
4. Bocce courts: Two Bocce courts will be added behind the Clubhouse in the terrace area.
5. Dedicated Fitness Studio: A dedicated Fitness Studio for wellness classes will be added inside the Clubhouse adjacent to the fitness Room allowing for 24-hour access. The exercise area will be moved and updated, remaining similar in size. Access to the updated locker rooms will also be 24 hours.
6. The addition of meeting rooms to fulfill the needs of expanded lifestyle activities.

WHERE ARE THE RENOVATION FLOORPLANS?
The Club currently has a completed preliminary design displayed in the Renovation Gallery. Upon approval of the Membership, the Architect will be commissioned to complete construction documents and floorplans with more specific measurements.

HOW IS THE RENOVATION APPROVED?
Per Club Bylaws, capital improvements cannot be assessed unless approved by a majority vote of the Membership present and voting at a Membership meeting. This meeting will be scheduled for Monday, March 23rd, at 10 am. Members may complete a proxy and vote early during the month of March.

WHO IS ASSESSED?
Per the Club Bylaws, for all capital improvement assessments unrelated to the Golf Course, those assessments are paid equally by all categories of Equity Membership – Golf, Sport and Social. This is the only type of capital assessment that is shared equally by all Members and no such assessment has been made for nearly twenty years.

WHO HAS VOTING RIGHTS?
Per the Club Bylaws, on all matters to be voted on by Members of the Club, voting rights reflect a Member's equity ownership. A Golf Equity Membership will be entitled to four (4) votes, a Sports Equity Membership will be entitled to two (2) votes, and a Social Equity Membership will be entitled to one (1) vote.

HOW DO I VOTE?
The Club will accept proxies through March 23, 2020. Proxies can be used to vote early and to count towards the quorum of the Member Meeting. The Club highly encourages all Members to fill out a proxy and vote early even if you intend to attend the Member Meeting on March 23rd. Doing this will allow for an easy and streamlined vote count during the Member Meeting.

WHO WILL BE COUNTING THE VOTES?
The accounting department, supervised by the Secretary of the Board of Governors, will be responsible for the Membership vote count.

WILL THE CLUB HOLD INFORMATIONAL MEETINGS SHARING THE DETAILS OF THE PLAN WITH THE MEMBERSHIP?
The Club will hold (1) Informational Meeting at 6 pm on Monday, March 2nd. The Informational Meeting will include artistic renderings, noted changes from the January renovation plan and a questions and answers session. The Architect, General Contractor, General Manager, and Board Members will be available during the Informational Meeting and for the Q&A session.

HOW IS THE NEW REVISED RENOVATION PLAN 2020 BEING FUNDED?
Estero Country Club consulted with three banks to obtain financing of the project comparing all the risk, fees and services each can provide to the Club. Wells Fargo provided the best service and fee structure for the Club and upon approval of the ***Revised Renovation Plan*** will be the lender. The project will be paid through a special monthly assessment of **$109 per Membership per month** until the loan is satisfied.

WHAT IS THE DOWN PAYMENT OF THE SPECIAL ASSESSMENT?
There is no down payment. Each Equity Member will be assessed the special monthly assessment of $109 per month until the loan is satisfied.

IS ESTERO COUNTRY CLUB TAKING ON TOO MUCH DEBT AND RISK BY FINANCING THE REVISED RENOVATION PLAN 2020?

There is always a risk when taking on debt. A full risk analysis of ECC was completed by the banks involved and their results confirm a loan of this size represents very low risk. Wells Fargo, for example, who currently has loans with over 14 other private Clubs in the area, has stated that total debt less than 1X the assets of the Club is a good indicator of financial wellness.

Below is a summary of some of the general and financial risk factors that were evaluated by Wells Fargo.

General strengths of ECC reducing risk factors:

- ECC is well established since 1989, close to 31-years, is member owned and enjoys a very desirable location.
- ECC has a built-in source of Membership through the VCA Mandatory Membership amendment. Additionally, the added value of Belle Lago access to membership reduces the risk further.
- The ECC membership equity fee is priced reasonably as well as ECC's dues structure, which makes the Club very attractive to prospective members.
- ECC has a sizable percent of seasonal memberships, which suggests many resident members have second homes up north and have the means to support our Club.
- Equity became non-refundable for members joining after 2011, which contributes to future positive initiation fee cash flow for Capital improvements.
- Experienced professional management between General Manager, Director of Finance, F&B Director, Golf Superintendent, Membership Director, Golf Director, Tennis Director and a strong governance model reduces risk factors.

Financial strengths of ECC reducing risk factors:

- ECC has a strong Accounts Receivable history, currently 0% past due 90 days, which represents financial wellness and reduced risk factors.
- The Club maintains steady cash flow as a private golf club in the SW Florida market.
- A Good Debt Service Ratio is 1.25x. Any lenders want to see that a facility can readily pay their debts while still generating enough income to cover any cash flow fluctuations. Wells Fargo estimates existing Debt Service Coverage (DSC) for ECC in the year's ending 2019, 2018, and 2017 to be 3.63x, 3.46x, and 2.04x, respectively. Any Debt Service Coverage ratio higher than 1.25x is considered optimal by a lender and Wells Fargo believes ECC's Debt Service Coverage Ratio is extremely strong.
- The new loan will have an alternate source of repayment via the monthly special assessment to match up the debt service at less than 1:1 (91:100). This is due to the assumptions used for the loan repayment, which includes 500 equity Members, while actual equity members are currently 543. This surplus of 43 is very prudent and responsible for reducing risk significantly. If the Club maintains its 543 equity members, an excess of $56,244 is available annually to pay the loan down more quickly. ECC also has additional income to pay the loan down early, such as increased initiation fees and potential annual operating surpluses, all contributing to reduced risk to debt.
- ECC has low leverage which Wells Fargo finds attractive reducing risk factors. Debt to Net Worth of 0.51x and 0.39x in the past two years (both well below 1x), which is low and attractive.
- Both Debt Service Coverage Ratio and Leverage speak to the strong debt capacity of our Club. It means ECC is not taking on too much debt relative to what it can afford to make payments on.

WHAT IS THE DATE THAT A MEMBER WOULD BE RESPONSIBLE FOR THE MONTHLY SPECIAL ASSESSMENT?

Upon receiving a favorable vote at the Membership Meeting on March 23, 2020, all Equity Members will be assessed the special monthly assessment of $109 beginning March 31, 2020.

WHY IS THE CLUB COLLECTING SPECIAL MONTHLY ASSESSMENTS BEFORE THE CONSTRUCTION PERIOD IS COMPLETED?

The Club expects to reduce the cost of the term loan by collecting approximately $1,400,000 in special monthly assessments before the loan transitions from the draw period to a term loan. This allows ECC to reduce its exposure and reduce the total loan amount to approximately $3,000,000.

CAN I AVOID THE MONTHLY PAYMENTS AND PAY THE SPECIAL ASSESSMENT IN ONE LUMP SUM?

Equity Members <u>cannot</u> pay the special monthly assessment in one lump sum. Paying it upfront would not be fair to any Equity Member. The Club intends to use additional resources beyond the fee to pay down the loan and satisfy the loan earlier than the specified term. For this reason, the Club would not want any Equity Member to pay more than his/her fair share. The monthly special assessment also has no continued obligation to a resigning Equity Member. Hence, if an Equity Member resigns for any reason, there is no balance due.

WHAT ARE THE DETAILS OF THE LOAN?

The Club has negotiated favorable terms with Wells Fargo for an advancing term loan with a construction draw period. The term of the loan is a total of 7-years with the first two years being a draw period. The Club will be able to draw on the loan for the construction period with interest-only payments during that time. Upon completion of the construction period, the loan will convert to a term loan.

WHAT IS THE INTEREST RATE OF THE LOAN?

The Club has negotiated a favorable interest rate of 3.26%, as of January 31, 2020, and will be finalized at the closing date of the loan. Wells Fargo states this rate has not been lower in the past 20-years.

WHAT EFFECT WILL THE REVISED RENOVATION PLAN HAVE ON INITIATION FEES?

Upon approval of the ***Revised Renovation Plan***, initiation fees are expected to rise to higher competitive levels for the Golf and Sport Equity category. The Club would expect a minimum increase of 50% for the Golf and Sport Equity categories and will continue to monitor the competitive environment to ensure our pricing matches the Club's value proposition. The Club does <u>not</u> expect to increase the Social Equity initiation fee of $7,500.

WILL THE CLUB USE ANY OTHER INCOME TO REDUCE THE LOAN AMOUNT AND POTENTIALLY SATISFY THE LOAN BEFORE THE 7-YEAR MATURITY DATE?

The Club will use potential increases in initiation fees, potential annual operating surpluses and special monthly assessments collected from Members in excess of our conservative projection of 500 Members to reduce the principal and interest of the loan in anticipation of satisfying the loan before the maturity date. Concerning Equity Membership surpluses, the Club used a conservative Equity Membership count of 500 for loan calculations. The Club's current Equity Membership count is 543, giving the Club a surplus of (+43) Equity Memberships paying into the loan. This Equity Membership count will continue to fluctuate, but it is expected to provide loan payment surpluses throughout the life of the loan.

HOW DOES OUR FUNDING APPROACH COMPARE TO OTHER CLUBS?
Per RSM, the leading accounting/auditing firms of private Clubs in Florida, the proportion of private clubs in the SW Florida market carrying third-party debt to obtain their capital improvement goals is 86%. Looking at this on a per member basis, the average debt per FME (Full Member Equivalent) for private Clubs in the SW Florida market is $11,420. ECC will have an FME third party debt of $10,977 by the time our loan converts to term credit in 2022, which is slightly below the current average Club in our area.

While some Clubs do use up-front or short-pay duration assessments to fund a portion of their projects, our Membership has expressed a desire to identify alternatives that spread their contributions over time.

Finally, the Board believes that our capital reserves should not be viewed as a source of funding for this project, but rather be deployed to protect our existing assets. Capital spending per FME (Full Member Equivalent, 5-year cumulative) for Florida statewide was $21,920 with ECC investing only $9,651 per FME. This data indicates ECC is not reinvesting in its assets as well as other private Clubs in Florida. In addition, routine capital spending to depreciation expenses for Clubs in the SW FL market over the past 7 years have been 174% with ECC only spending 86%.

AFTER APPROVAL OF THE SPECIAL MONTHLY ASSESSMENT, WOULD AN EQUITY MEMBER OWE A BALANCE IF THEY RESIGNED FOR ANY REASON?
No.
The special monthly assessment is only the obligation of dues-paying Equity Members and does not follow a resigned Equity Member. No balances would be due.

WILL THE CLUB INVEST THE SPECIAL MONTHLY ASSESSMENTS DURING THE DRAW PERIOD TO OPTIMIZE INVESTMENT RETURNS?
The Club, partnering with Wells Fargo, will invest all special assessments during the draw period to maximize investment return.

HOW IS THE CLUB ACCEPTING PAYMENT FOR THE MONTHLY SPECIAL ASSESSMENT?
The Club will charge each Equity Membership a $109 special monthly assessment to each Equity Membership's club account monthly beginning April 2020 until the loan is satisfied.

WILL NEW MEMBERS WHO JOIN AFTER THE MEMBERSHIP VOTE CONTRIBUTE TO THE RENOVATION?
Any new Equity Members will be billed the $109 special monthly assessment, just like all other Equity Members. The special monthly assessment will begin once an Equity Membership is created and will continue until the loan is satisfied or an Equity Member resigns, whichever comes first.

SHOULD THE MEMBERSHIP EXPECT A LARGE ANNUAL DUES INCREASE AFTER THE RENOVATION?
The Club does not know the precise cost of annual operational dues until new budgets are developed each year. However, Membership expectations should be between 3-5% in the fiscal year 2021-22 to cover any added hours of operations and services post-renovation. Every effort will be made to manage for efficiency and cost effectiveness as the Club has always done relative to annual budgeting.

IS THE SPECIAL ASSESSMENT ATTACHED TO MY HOME?
The special monthly assessment is not attached to any home. It is a Membership assessment only and only valid during the life of an Equity Membership.

AM I STILL RESPONSIBLE FOR THE ASSESSMENT IF I SELL MY HOME?
No.
Upon an Equity Member's resignation, the member's monthly special assessment ceases.

UPON APPROVAL, WHAT IF AN EQUITY MEMBER WANTS TO RESIGN FROM ESTERO COUNTRY CLUB AND AVOID ANY SPECIAL MONTHLY ASSESSMENT OBLIGATIONS?
The proposed ***Revised Renovation Plan*** with a reduced scope and payment structure will provide maximum affordability for Equity Members. However, if an Equity Member is opposed to this plan and no longer wishes to maintain active membership status, the Club will accommodate these Equity Members, providing the opportunity to resign in advance, effective October 31, 2020. The Resignation form, signed by the Equity Member by April 30, 2020, will allow Equity Members to retain privileges through the end of the fiscal year, October 31, 2020. The special monthly assessment will not be billed to the resigning Member. This arrangement once executed will be non-recallable. This arrangement will provide Members the opportunity to resign their Membership in advance, giving the Club the time necessary to replace the Membership critical to the financial viability of the Operation. *(Per the Mandatory Membership Amendment within the Vines Community Association Bylaws, Members purchasing property within the Vines after March 7, 2011, must maintain Membership at a minimum Social Equity level.)*

WHERE WOULD AN EQUITY MEMBER OBTAIN A PROXY?
All Equity Members will be mailed a proxy to their address on record at the Club. Additionally, proxies will be available in the foyer of the Clubhouse.

HOW DO I SUBMIT MY PROXY (VOTE)?
Equity Members can mail the proxy back to the Club via United States Post Office or deliver in person to the locked voting box located in the front foyer of the Clubhouse. All proxies must be received by 10 am on Monday, March 23, 2020.

WHY ISN'T THE KITCHEN BEING MOVED TO THE OTHER SIDE OF THE CLUBHOUSE DURING THE RENOVATION?
The Club, collaborating with the Architect and General Contractor, looked at many different scenarios, including moving the kitchen to the west side of the Clubhouse to bring it closer to Mulligans. Unfortunately, there were many factors that adversely affected that move. These factors included a substantial cost (over $1,000,000), delivery challenges with large trucks having to dock near the Member entrance and bag drop area, and inconvenient locations for new garbage bins, recycle bins and oil recycling bins that would reduce the beauty of the front/west side of the Clubhouse.

WILL THE MEN'S AND LADIES' CARD ROOM BE THE SAME SIZE?
The Men's and Ladies' Card Rooms are being built at the same equitable size with the same equal amenities.

WILL THE MEMBER LIBRARY AND THE MEMBER OFFICE CONTINUE AFTER THE RENOVATION?
The Member Library and Member Office will continue and have a place in the newly renovated Clubhouse.

DOES THE CLUB EXPECT TO SEE REVENUE INCREASES AFTER THE RENOVATION?
Typical benchmarking for private Club renovations show a 30-40% increase in food & beverage revenue. However, these revenue increases are partially offset by additional expenses associated with those revenues and are expected to provide minimal if any positive margin to the Club's bottom line.

DOES THE CLUB EXPECT TO OFFER A WELLNESS PROGRAM POST RENOVATION?
Post-renovation, the new Fitness Studio will host a complete wellness program with instructors for personal training, Pilates, Yoga, Stretch & Flex, and other classes, for example.

HOW CAN I LEARN MORE INFORMATION ON THE RENOVATION?
The Club is establishing numerous ways for Members to obtain information about the renovation.

1. Attend the Informational Meeting on Monday, March 2, at 6 pm.
2. Beginning March 2 through March 22, Monday through Friday from 4-5 pm, the General Manager will hold "Renovation Talk with the GM" in the Front Foyer for a Q&A Session or stop into his office at your convenience. He can also be reached at generalmanager@esterocc.com.
3. Information can be found in the Member's Only section of the website under the badge, "Clubhouse Renovation 2020".