

BIG CEDAR POINT GOLF AND COUNTRY CLUB

ANNUAL GENERAL MEETING – APRIL 25, 2021

REPORT TO SHAREHOLDERS

Introduction

The Big Cedar Board of Directors prepares this annual report to shareholders to summarize events over the past year.

Our 2020 golfing season opened under difficult circumstances. At individuals and families, we faced health threats to our family and friends as well as new restrictions on our lives. From a business perspective, those same restrictions led to serious financial losses that continue to threaten the future of many companies.

The golf industry proved to be an exception as people sought ways to socialize outdoors in a safe environment. As the season began at Big Cedar, we first noted a further drop-off in membership as many members were reluctant to make a membership commitment in such uncertain conditions. Government wage support programs helped us to navigate through that period.

As weather improved, we saw many members returning on a pay-as-you-play basis as well as a large influx of new customers. When the season ended, we saw a doubling of daily revenues over 2019 and nearly tripling of averages over the last decade.

This is obviously good news to report. It is also possible, perhaps likely, that we will see an echo of this effect in 2021. In the longer term, however, we need to avoid a false sense of security. In short, it is prudent to assume that the pandemic will move into the history books and that those external revenues will regress to previous levels.

Those previous revenue levels are not sufficient to sustain the Club. The shortfall has created a structural deficit that your Board estimates at about \$40,000 per year. Over the past eleven years, we have lost over \$220,000. With the exception of 2020, the annual contribution to that loss has accelerated since 2017. In simple terms, we have chronically spent more than we made. That obviously needs to stop.

We have little room left to reduce expenditures significantly. That leaves us in a position where we must increase revenue. Your Board has developed a strategic plan that is tabled at this meeting and summarized further in this report.

Financial situation

For the first time in many years, the Club goes into the new golf season with a solid cash position. Three main factors have contributed to this position:

- The sale of surplus woodland offsetting accumulated debt;
- Government COVID programs e.g. wage subsidies, interest-free/partially forgivable loans;
- Excellent daily revenues in 2021.

In the short term, we are well positioned to run the club through this season and to begin some initiatives identified in our strategic plan. Assuming that we see some membership growth and solid daily revenues, we should have sufficient reserves to remain strong through the 2022 season. In December of 2022, however, we will need to pay back the COVID loans (the loans totaled \$60,000 but \$20,000 is forgivable if the loans are paid fully by December 31, 2022). If we return to deficit positions in one or both of those fiscal years, we will also start to rebuild the debt load that culminated in our 2019 financial crisis. In a nutshell, we have gained a reprieve but we have not solved the longer-term structural deficit. In the longer term, we will need to convert ideas and plans into higher revenues.

At this meeting, you will consider a proposal to enter into an agreement with the Big Cedar Association. If approved, this agreement will pave the way for the Association to loan the Club \$675,000. While this is termed a loan, the Club will never need to repay this money as long as it remains in operation and abides by a few reasonable conditions. Used wisely, this injection of funds paves the way for initiatives that will ensure the future of Big Cedar for many years to come.

Strategic Plan

As indicated in the introduction to this report, we have tabled a strategic plan for regaining the financial health of our club. Please take the time to review the plan and pass on your comments via the Club's email.

The plan stresses that our future lies in a strong membership base. To attract and retain members, we need people to see value in joining the Club rather than simply paying as they play. That decision extends beyond arithmetic — members expect a positive social environment along with benefits and privileges not available to the general public. That philosophy is fundamental to the plan. External revenues will remain an important part of our revenue mix for the immediate future but those revenues must not come at the expense of member satisfaction.

In the fall, we carried out a member survey and have shared the results with our entire membership. This initiative provided some very valuable information that we can use to improve member satisfaction.

Another important component of the plan involves the year-round revenue potential of the facility and its grounds. Our new simulator provides us the revenue flow needed to keep the clubhouse staffed throughout the year. The next step is to develop

complementary service offerings to build on these revenues. Examples include food and beverage services, social events, sporting events, outside activities and hall rentals.

A plan, however, is only a piece of paper. We must transform those plans into reality — a goal that requires work and commitment on the part of our members and shareholders. The Club needs dedicated volunteers to step forward to take leadership roles. Board members cannot reasonably be expected to carry this out on their own.

Club management

Last year marked Janet Pearsall's first full season as our Clubhouse Manager. She faced a difficult learning curve under the best of circumstances and the pandemic brought a whole new set of challenges. Government rules and restrictions changed almost daily and were not always simply to interpret. Janet worked with staff to implement procedures that protected our individual health as well as avoiding violations that could have potentially shut down the Club. All in all, the season went remarkably well and the Board wishes to thank Janet and all staff members for their effort and dedication.

Getting set up with the simulator also presented a challenge. While the pandemic limited revenue potential this year, it also gave staff the breathing room to ramp up their knowledge of the system and thus provide better service to customers. Our experience this spring will better position us for the fall and will work on approaches such as leagues and tournaments to maximize usage of the system.

On the outside operations, the course held up remarkably well during a summer of pleasant but still challenging weather conditions. And, of course, we had our usual array of critters bent on destruction. In spite of it all, several members have commented that they have never seen the course in better condition. Congratulations are in order for Bert, Bobby and the entire grounds-crew team.

Equipment purchases

We added six new carts to our fleet last year to bring the total to thirty-six late model units plus a few older ones that are available for backup and staff use. Carts are money makers and a fleet of thirty-six carts ensures that we don't run short and are able to guarantee enough to support a full tournament.

The new simulator was our major purchase this year. We financed the purchase by renegotiating the clubhouse mortgage to add \$45,000 to the principal. The term extends to seven years but our monthly mortgage only increases by about \$80.

Clubhouse

If you haven't been to the clubhouse recently, you will notice a number of changes. The simulator of course now occupies about 10 square meters near the west wall. We

repainted and redecorated the clubhouse last year. This winter, we replaced the hardware and weather sealing on the four clubhouse entry doors. This spring, we have completely replaced the flooring in the clubhouse, bar, kitchen and washrooms. The carpet had clearly reached the end of its lifespan. We opted to replace it with a non-slip, synthetic laminate. In addition to being very visually attractive, the new flooring will have a long life span and require much less labour to clean and maintain.

The washroom upgrade also included replacing the toilets with modern, comfort height units.

We are also proceeding with upgrading our kitchen facilities including replacing the freezer and adding an air fryer, refrigerated prep table, and a hot table.

For the simulator, we selected a design that uses side curtains rather than fixed walls. If we hold events that require extra space, we will simply need to push the curtains back and cover the playing surface with light carpeting.

Over time, we would like to see the clubhouse evolve to better reflect the traditions of a ninety-year-old golf course with a rich and interesting history. Historical photos and other memorabilia will be an important part of that initiative. If any shareholders have or can contribute, please contact Janet.

Member Recognition

The Jack Clark Trophy goes to a member who has made outstanding volunteer contributions to the club. The 2020 recipient was Les Franks. Over the years, Les has made countless contributions to the club and he always recognizes that he is a member of a social club and not a customer for a private business. Thank you again Les for everything that you have done to support our club.

We also recognize member contributions through honorary membership. Bill Docherty was an easy choice — Bill's service on our Board of Directors for thirteen years, his hard work in promoting improvements to the course, and his willingness to pitch in and help when ever needed.

Summary

Looking back at the spring of 2019, Big Cedar came perilously close to turning out the lights. The land sale prevented that from happening but did not address our ongoing deficit problem. While the pandemic triggered interest in golf, we need to assume until proven otherwise that it will not likely have a lasting effect. In the longer term, we must increase revenues to enjoy sustained financial health.

Your board has developed a strategic plan for achieving that goal. The plan recognizes that membership is the core to our success and that membership satisfaction is the key to retaining and attracting members. Implementing that plan will take effort; some

initiatives will require a financial investment. The BCA transaction is an extremely fortunate opportunity. It provides us a source of investment capital as well as the financial reserves needed to undertake initiatives that bring long-term results.

Your Board and club management will follow through with the strategies discussed in this report. We need an active membership however to bring those strategies into reality. At this point, these strategies are simply ideas — it takes dedication and hard work to make them happen.

In closing, your Board wishes to thank all of our management and staff for their efforts and dedication to the best interests of our club.