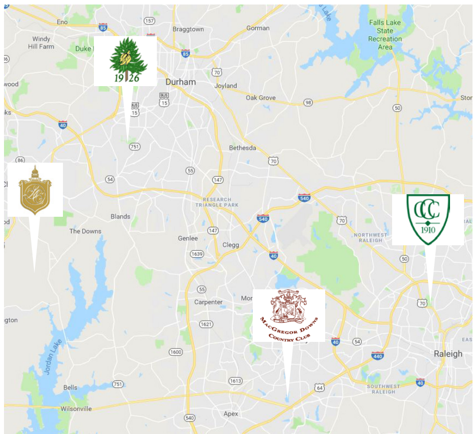
CASE STUDY:
Preserving & Enhancing Private Clubs

Low-Debt Club with Growing Membership Chooses to Bring in a Capital Partner

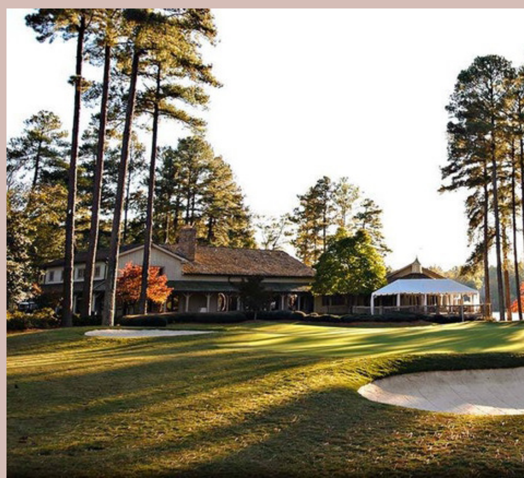
ConcertGolf Partners

MacGregor Downs Country Club | Cary, NC



MacGregor Downs Country Club was built in 1967 as the centerpiece of a master-planned community in the fast-growing Raleigh suburb of Cary, North Carolina. In 1982, the club was sold to its members, and a proactive Board of Governors, along with 14 active member committees, worked hard to protect the Scottish traditions of the club and its financial prudence. The club was exceedingly well-managed.

General Manager Russ Curtis had a long and successful career in the private club industry, along with a CCM designation and an MBA. He had built a strong staff at MacGregor Downs CC, which was executing cutting-edge operational and marketing programs at the club.



For five consecutive years, the club enjoyed net membership growth. The average member age was declining, and nearly 700 kids of the club's members were enjoying MacGregor Downs. The club had almost zero debt and was located in one of America's fastest-growing cities. It hosted a PGA Tour event and numerous USGA qualifiers.

So why would members overwhelmingly choose to bring in a capital partner to enhance their beloved club and top-notch golf course?

MacGregor Downs Country Club's Origins

MacGregor Downs Country Club was founded in 1966 by real estate developer Greg Poole on a 200-acre tract of land in a remote area of Wake County. Poole had a hunch the land value and population would grow over the next 20 years and he decided to build a private men's club where he could smoke cigars and drink scotch with friends. When his wife and daughter said they wanted to play golf there, too, MacGregor Downs CC became a family club.

Poole developed the club with a Scottish heritage theme. A 55-acre lake was constructed for irrigation, fishing and boating. Poole saw the real estate development potential also, so he applied for zoning of residential lots to surround the course. The Poole family operated the club in the early days and quickly attracted 150 families to join. Dues were low, and the Pooles subsidized the club for years. Mr. Poole attracted the PGA Tour to host an event in the early 1970s. When he passed away, he left the club to his son, Greg Poole Jr.

After hiring a series of managers and presiding over growth of the club and residential development, the Pooles sold the club to its members in 1982 for $750,000. The members formed a non-profit entity with by-laws providing for an elected Board and committee structure. They also hired local management to help with day-to-day oversight of the club, but the Board remained very involved in operational issues - from the type of flagsticks on the greens to what was on the menu.

Schroeder Captures Pro Match Play Title

RALEIGH, N.C. (AP) — Obscure John Schroeder, a career struggler, pulled one of the major surprises of the season when he turned back graying DeWitt Weaver 2-up for the title in the U.S. Professional Match Play Golf Championship Sunday.

Schroeder, who scored his first victory in five years on the pro tour, upset Lee Trevino 1-up in the morning to gain his place in the final against Weaver, winner of the inaugural Match Play Championship in 1971.

Weaver, a one-time backup quarterback to Don Meredith at SMU, moved into the final with another major form reversal, a 1-up triumph over British Open champion Tom Weiskopf.

The 27-year-old Schroeder, son of former tennis great Ted Schroeder, collected $40,000 from the total purse of $150,000. That compared with the $9,016 he had won earlier this year.

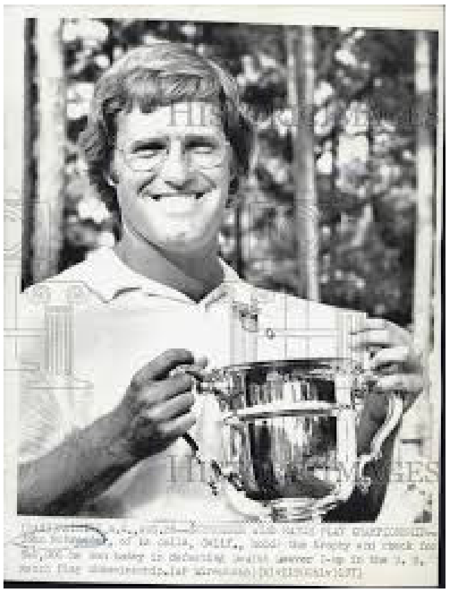
He'd won only $102,000 in his pro career, much of it when he finished third to Jack Nicklaus and Arnold Palmer in a nationally televised match in Dallas three years ago.

In the companion half of golf's only doubleheader, the $100,000 L&M Open that was played concurrently on the same 6,786-yard MacGregor Downs Country Club course, journeyman Bert Greene dropped a six-foot birdie putt on the fifth hole of sudden death and beat veteran Miller Barber.

It was the first American triumph in seven years on the tour for the lean, slashing Greene, victim of a shooting accident a year ago.

The 42-year-old Barber holed a dramatic 30-foot birdie putt on the 72nd hole for a 67 and tied Greene at the end of regulation at 278, six-under-par. Greene had a last round 70.

The Match Play finals and the concluding holes of the L&M were played in relative



Board Governance Efforts

MacGregor Downs, despite the club's many positives, still struggled with common problems faced by member-owned clubs:

- A rotating board of volunteer members limited the club's effectiveness
- Members were owed refunds when they resigned
- Entry fees and dues were not enough to pay for capital improvement projects, and assessments led to more membership resignations

Though the Board was well-intentioned, they knew that they – a group of part-time volunteers with no background in running a country club – couldn't solve the club's issues alone, so in 2011, they hired Russ Curtis as General Manager after an exhaustive review of 95 candidates. Club by-laws still required hire-and-fire decisions to be made by the Board, but most Board members knew they needed to shift more day-to-day responsibility for club operations to their GM. From the beginning, Curtis faced cash flow challenges - a refund policy was sapping entrance fees and capital improvement needs were mounting, but there was no long-term strategic plan.

The 13-person Board and each of its 14 smaller committees met monthly – a third of the Board rotated annually and the committee chairs changed annually, too. Curtis attended nearly all of these Board and committee meetings, but he struggled to gain control of the governance process. In essence, from August to April each year was spent nominating, electing, assigning and on-boarding new Board and committee members. The governance model allowed for only four months of leadership continuity each year – no matter how well-intentioned the individuals, Curtis could see that the structure limited the club's effectiveness.

A typical episode was the termination of the club's 30-year golf professional. Curtis had given the pro a specific performance plan after serious concerns emerged from his performance review, and the Board supported Curtis's decision to terminate the pro after these concerns were unresolved. Shortly after Curtis terminated the pro, a member petition was raised to call a special meeting of the entire membership in order to reverse the pro's termination. The well-attended member meeting was contentious, and some members even called for disbanding the Board and terminating the GM over a simple staffing issue. In the end, the Board supported Curtis's decision and he gained clout with his Board on governance matters.

Capital Reserve Studies Can Be Revealing

At the end of 2013, the membership included 652 families – of those, 331 were Golf members and 122 were Tennis members. These counts were down more than 100 net Golf memberships since peak membership in 2002 due to the recession and a series of assessments, but the club had grown by 13 net Golf members in the past year. Entrance fees were posted at $15,000, but the club had a history of making special deals and few paid the full amount. Refund clauses in the by-laws and past Board refund practices took nearly all the incoming entry fees and paid them out to resigned members on a 1:1 basis. The refunds were mostly due to interest-free bonds issued in 1997 to pay for banquet room renovations.

As a result of special deals and refund payouts, the club retained only about $1,500 per new member joining – not nearly enough to fund needed capital requirements.

From 2002 to 2011, the club's average capital reinvestment was only $144,000, except for two assessment years when course projects were completed. The large assessments caused some member attrition, and the otherwise low annual reinvestment back into the facilities caused some deferred maintenance at the club. The large assessments and member attrition were compounded by the poor implementation of these projects. The new Hilltop banquet room was despised by the members and had operational flow problems; the greens were shaped like birdbaths and suffered from puddling. Without a long-range strategic plan in place, other deferred maintenance issues grew and successive Boards focused mainly on trying to preserve the status quo.

Curtis, an experienced General Manager with a CCM certification, finally convinced the Board to develop a long-term strategic plan and hired a leading firm to complete a 20-year capital reserve study. That capital reserve study recommended that $20.3 million in capital projects be completed within the next 20 years, or roughly $1 million per year. After 8 months of work, the Board could see that "kicking the can" would no longer provide the necessary reinvestment in the club's facilities without a major influx of new members.

Capital Reserve Study (Dec. 2013 - Dec. 2013)	Amount ($)
Clubhouse & Pro Shop	1,963,142
Lakeside	344,000
Kitchen & Bar Equipment	1,107,436
Locker & Card Room	137,091
Deck	82,000
Turn House	38,000
Pool / Tennis / Fitness	1,611,830
Golf Course	13,969,456
Parking Lot	467,000
Opportunity Costs - Closing	614,176
Total	**$20,334,131**

With the capital reserve study complete, Curtis led two simultaneous efforts: the Long Range Planning committee developed a multi-year plan with a series of dues increases and assessments to provide the needed funding and a Special Committee quietly pursued other options.

Confidential Due Diligence By a Subcommittee

The Special Committee was led by an ex-IBM consultant named Dan Hartnett. He had examined far larger and more complex businesses than his country club, and, as you might expect, he led a very thorough process. One of the committee members had a private plane, and the committee visited all 12 of the clubs owned by Concert Golf at the time. They also evaluated two other regional and national club hospitality companies who met the committee's exacting criteria. The committee solicited wealthy members who might acquire the club or form a group to acquire the club. Calls were made, site visits scheduled, notes were taken and shared, and confidential reports were shared with the Board.

At the conclusion of this months-long process, the Board received both the member-funded plan from the Long Range Planning committee and a detailed matrix from the Special Committee with its recommendation of a club recapitalization in partnership with Concert Golf Partners. Board president Steve Parascandola, a corporate lawyer from a leading law firm in Raleigh, led the confidential Board discussions which resulted in a 12-1 Board decision to move forward with Concert Golf.

Educating the Membership and Voting

After educating the members over a 2-3 week period through a series of webinars and town halls, 93 percent of MacGregor Downs' proud membership voted in favor of the club recapitalization with Concert Golf. The Board wondered aloud, "Why was this alternative chosen so decisively? Was there some negative feeling about the current Board's leadership?"

Member Vote Summary | In Favor of CGP Recap

Club	Founded	Recap Date	Board Vote	Member Vote
CC Woodmore	1923	Dec 2012	10-0	100%
MacGregor Downs CC	1967	Apr 2014	12-1	93%
Hawthorns Golf & CC	1994	Oct 2014	14-0	93%
West Lake CC	1969	May 2015	12-0	100%
Blue Hill CC	1925	Dec 2015	17-0	100%
Crestview CC	1921	Jun 2016	12-0	90%
White Manor CC	1962	Dec 2016	11-0	90%
Philmont CC	1906	Feb 2017	11-0	95%
Indian Spring CC	1989	May 2017	11-0	99%
The Muttontown Club	1962	Sep 2017	9-0	99%
Fountains CC	1972	Apr 2018	13-0	97%
Plantation Golf & CC	1980	Feb 2019	9-0	97%

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The members' answers were quite revealing. In a member survey, there were two predominant reasons given:

First, members said, "It is Concert Golf's money, not ours." Concert Golf would pay, and member dues would remain the same with no more assessments.

Secondly, they said, "These Concert Golf people know what they are doing - and we don't." While the current Board was considered one of the best in recent years, the due diligence process and time spent by the Concert Golf team meeting with membership had convinced people that a rotating group of part-time volunteer members with no expertise in operating country clubs could never provide the kind of professional club operation that Concert Golf could.

Transformation

Thanks to its 2014 partnership with Concert Golf, MacGregor Downs was able to:

- Pay off all club debt
- Freeze annual dues rates and cap future dues increases
- Bar any future assessments on the membership
- Invest over $4 million into immediate capital projects at the club
- Repay the club's refundable member bonds
- Make the largest one-year climb in the North Carolina golf course rankings

MacGregor Downs also preserved its Scottish culture and traditions with Concert Golf Partners, instead of losing its unique identity in a typical "sale" transaction to a corporate owner. Concert Golf Partners immediately undertook several long-deferred capital projects at MDCC:

- A fully renovated golf course
- A new outdoor enclosed 19th Hole patio veranda
- Clubhouse renovations, including the banquet room and locker rooms

Total membership grew from 636 to 811 members by 2018, and after several price increases, the club's annual initiation fee revenues had more than doubled. There is now a waitlist for Golf memberships at MacGregor Downs, and membership levels are back to what they were before the recession. Total revenues have surpassed $7 million annually, up 28 percent since the Concert Golf recapitalization in 2014. Strong annual profits allow the club to reinvest in more capital projects each year to serve the growing membership.

Even a well-managed equity club in a fast-growing area can benefit from an infusion of capital and professional management. Just ask the leadership at MacGregor Downs CC in Cary, North Carolina.

"***Our only mistake*** was not doing this 10 years earlier."

"Great progress is being made at our historically member-owned club, since we voted to recapitalize the club with Concert Golf. ***Even the doubters are now believers.***"

- Dan Hartnett, Board Member