CASE STUDY:
Preserving & Enhancing Private Clubs

Paying off Debt, Funding Capital Projects, Barring Assessments Forever and Lowering Annual Member Dues by 10-15%

ConcertGolf Partners

White Manor Country Club | Malvern, PA

White Manor Country Club is part of a rich history that's unlike any other golf and country club in the United States. Nearly three centuries ago in 1711, nearly 170 acres of magnificent, rolling panorama were part of a 500-acre tract of land granted by William Penn to the Evans family.

Operated as a dairy farm since that time by succeeding generations of the same family, most of the striking views that typify the heart of southern Chester County's exquisite hunt country were preserved and even enhanced when, in 1962, White Manor Country Club bought the land from the Evans family and created its new home.

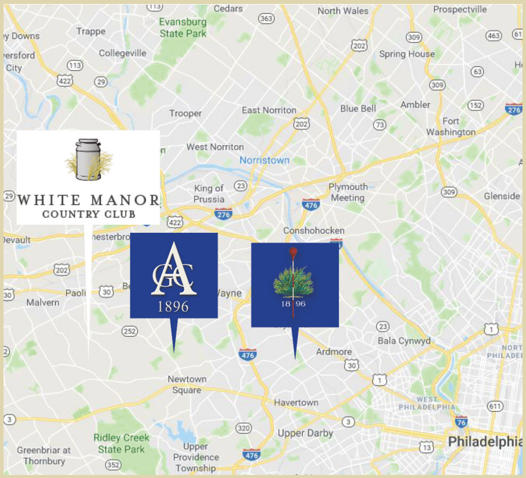
Today, White Manor Country Club (The Manor, as it is affectionately called) boasts one of the country's most beautiful and challenging golf courses. Redesigned and renovated in 2003 by award-winning course designer, Bobby Weed, the course is highly-rated. The club is part of the Malvern suburb on the "Main Line," which is one of the more affluent areas in Philadelphia.

So it is hard to imagine that this highly admired, upscale club faced operational and financial challenges that put the club's future at risk.

The Manor, like many other member-owned clubs, encountered two common root problems:

- The club borrowed to finance the large-scale golf course renovation
- Members were promised refunds when they joined

Both decisions came home to roost 10-20 years later.



Refundable Memberships Have a Long Fuse

Since its founding in 1962, The Manor's bylaws called for a refundable membership. A full golf member paying $20,000 to join would get back the $3,000 equity "bond" within 90 days after resignation. The remaining $17,000 would be repaid once the club was at full capacity. The club was making the fixed $3,000 bond payouts at a cost of about $100,000 annually as normal member attrition occurred.

Over time, The Manor had 175 people on the resigned member waitlist - at up to $17,000 each, these past members would be owed $2.6 million when the club reached capacity. The club hadn't paid anyone their $17,000 refund since the 2008 recession hit, so the waitlist and the liability kept growing.

Current members were owed another $2.9 million when they ultimately resigned, if the club was at full capacity. In total, The Manor was accountable for repaying a total of $5.5 million in member refunds, which posed long-term problems for the club:

- Any bank views this as a large liability, limiting the club's ability to borrow
- A major drain on annual cash flow

Golf Course Renovation, Long-Term Consequences

With an avid golfing membership, the board decided to re-design and renovate its golf course in 2003 with the help of award-winning course designer, Bobby Weed, at a cost of more than $6 million. Weed, with the club's approval, took out hundreds of trees and transformed White Manor's original early 1960s layout from tight, tree-lined corridors to a course with wide-open vistas. Weed also shifted several green complexes, repositioned and rebuilt bunkers, and reimagined shot angles across the course.

From a golfer's perspective, the renovation was a big success. A group of 25 course raters and a writer from Golfweek magazine came away highly impressed – a couple even mentioned being "blown away."

However, not all the members at The Manor bought into the idea of the renovation and its cost. The club suffered an exodus of about 80 members who were concerned about the club's future. The club borrowed $5.3 million from a local bank, plus a line of credit to help with seasonal cash flows. At the time in 2003, the board and members did not foresee (like many other clubs) that a recession was coming. The impact of the club's funding decision combined with the recession made it much more difficult for The Manor to pay down the bank loan, finance a needed clubhouse renovation and get new members to join.

By 2016, the club had reduced its initiation fee from $25,000 to $10,000 to attract new members. In addition, the board made cost cutting decisions including:

- Downgrading the general manager position to a food and beverage manager
- Refinancing The Manor's debt to obtain a lower interest rate
- Creating 19 different membership categories in order to get anyone who expressed interest in a membership to join the club

Financial Realities Hit Home

The 2015 budget called for $2.7 million in total dues, but the recruitment campaign resulted in $2.5 million in dues income for The Manor. The club did not expect more attrition, but this membership shortfall rippled through the club, impacting profits and losses in many areas. Fewer members meant less opportunity to generate revenue from sources like guest fees, cart fees and dining. The Manor generated total revenues of $5.6 million instead of a planned $5.9 million.

What about cash flow?

Well, The Manor ended 2015 with only $155,000 in operating income, short of its budget. It also owed $430,000 in member refunds and debt service payments to the bank. This meant that planned capital improvement projects that year totaling $317,000 simply could not be tackled.

So, the board passed another operating assessment and raised dues rates again to cover the deficit. The major capital projects were postponed.

A Proactive Board

Board Treasurer Kevin McClelland, who is the CFO at a local printing business, knew the financial challenges would not go away unless the current board did something about it.

So, Mr. McClelland led a small group of board members in researching the club's options.

In his role as treasurer, Mr. McClelland had been tasked with finding ways to fund various capital improvement projects, while dealing with the existing bank loan that funded the 2003 golf course remodel.

The board decided to seek a partner who would pay off the club's debt and deal with the looming member refund liability as well as fund and complete the current list of capital projects – which included clubhouse renovations, fitness center expansion, outdoor dining facilities and more.

Not all board members were thrilled about the idea of giving up control of their 60 year-old club. Others were concerned the land, which is in a very valuable suburban area, might be re-developed into homes.

However, to the board's pleasant surprise, all of these issues were dealt by Concert Golf Partners with written agreements. The property was subject to a deed restriction, preserving it as "open space" for the long term. Also, Concert Golf Partners agreed to a series of written covenants protecting The Manor's unique golf-centric operating traditions.

Concert Golf Partners, a boutique owner of private golf and country clubs and a leader in the club hospitality industry, would successfully deliver a professional club experience to The Manor to keep it a highly reputable club. The board unanimously approved the proposal, and the members ratified it by a 90 percent vote.

"Our annual debt service costs and member refund payouts meant that we simply had a higher cost structure than other nearby clubs. It was unsustainable."

"I read an industry magazine article about other high-end private clubs getting a capital infusion from Concert Golf, and so I reached out to them."

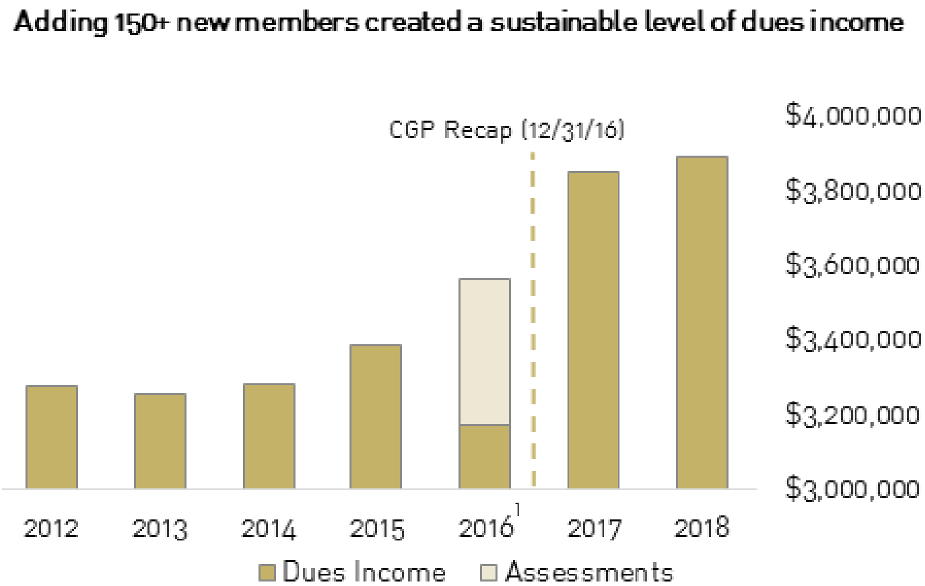
"We contacted everyone we knew in the golf industry," said McClelland. "And after hearing glowing recommendations of how they have preserved and enhanced other high-end clubs like ours, we chose to partner with Concert Golf."

Kevin McClelland, former White Manor Country Club Board Treasurer

The partnership with Concert Golf Partners accomplished the wish list from the board and members:

- Paid off more than $5 million of bank debt
- Lowered member dues rates by 10-15% and then limited future dues increases
- Barred any future assessments forever on the membership
- Invested more than $1 million into immediate capital projects at the club
- Resolved the refundable member bonds

Golf members no longer were responsible for paying the extra $1,620 annual "debt assessment" at The Manor. With dues rates back down at market levels and with a written guarantee of no more assessments ever again, The Manor's membership director was able to bring in lots of new members. Former members rejoined and with the help of current members the club attracted a strong influx of new members.



[1] Included a one-time operating assessment; assessments are now barred by CGP.

Total membership grew from 324 to 478 members in just two years, a 47 percent increase.

Today, The Manor is debt-free, generating more than $3.5 million in dues income and $7 million in total revenues. This is allowing the club to reinvest in additional capital projects to maintain The Manor as an upscale private club in a highly affluent area.

The Manor is cultivating a new era that is a perfect fit for the modern family. The club warmly embraces its historic roots, but members and the community now look to its future with a renewed vibrancy and vision.