

The Impact of the Great Recession on Golf and Suggested Solutions

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Impact of the Great Recession on Golf

- Quality
- Play
 - Market Positioning
- Operations
 - Revenues
 - Expenses
- Market Activity
- Value



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Quality of Experience

- Conditions
- Personal Service
- Food & Beverage
- Pro Shop
- PERCEIVED VALUE



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Play/Club Usage

- Recent trends
- Who's playing?
- Rates
- Membership
- MARKET POSITIONING

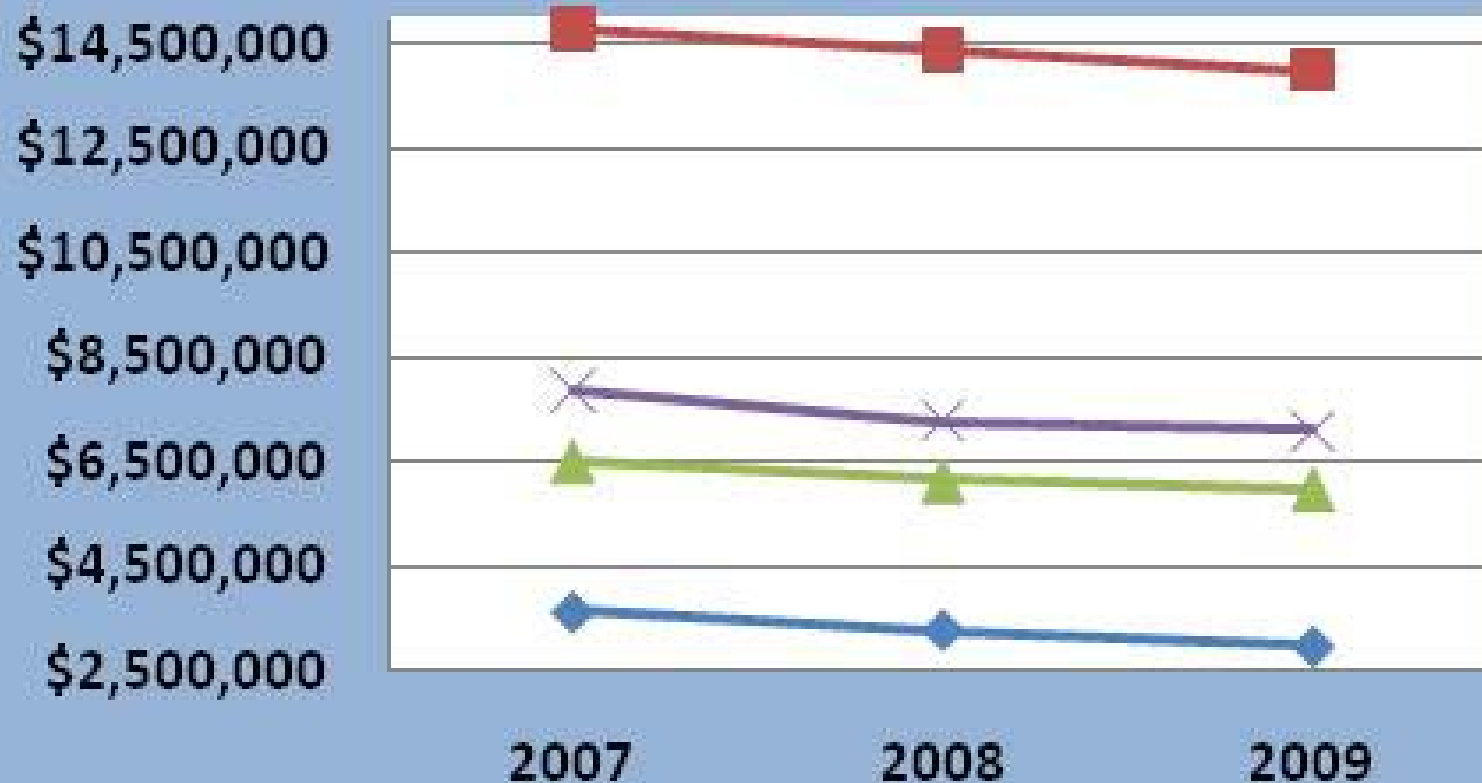


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PR Revenues

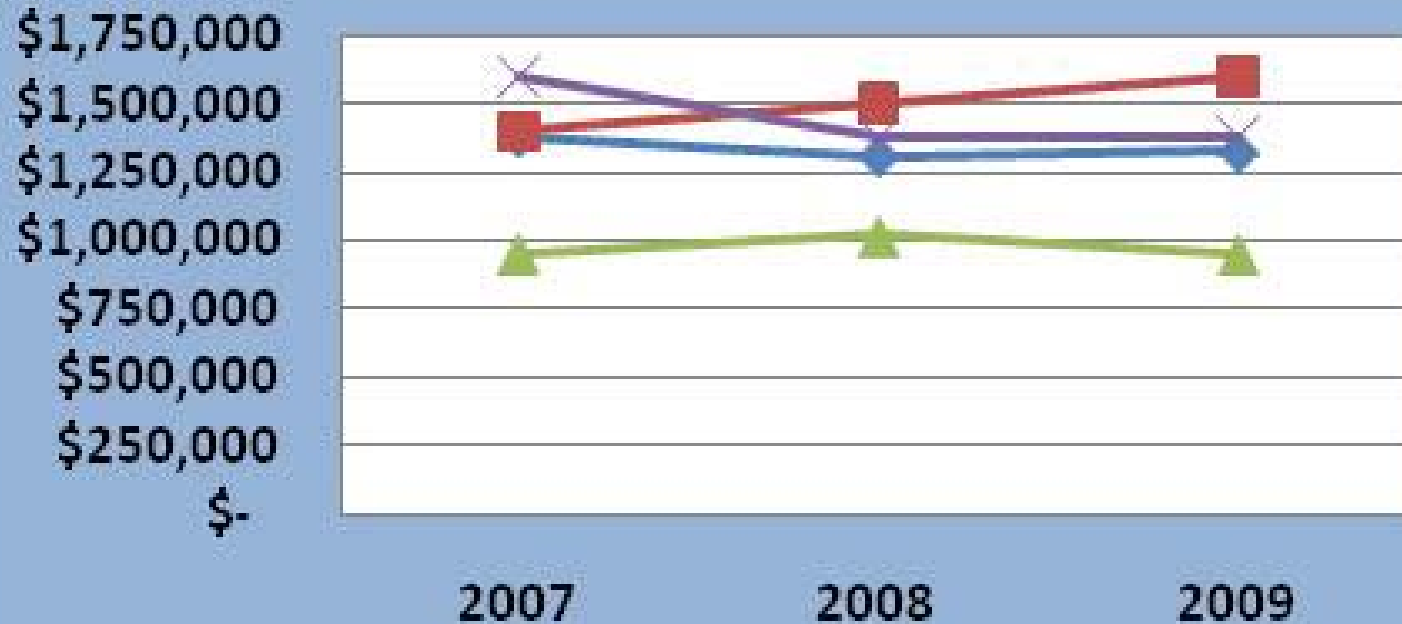


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PR Maintenance Expenditures

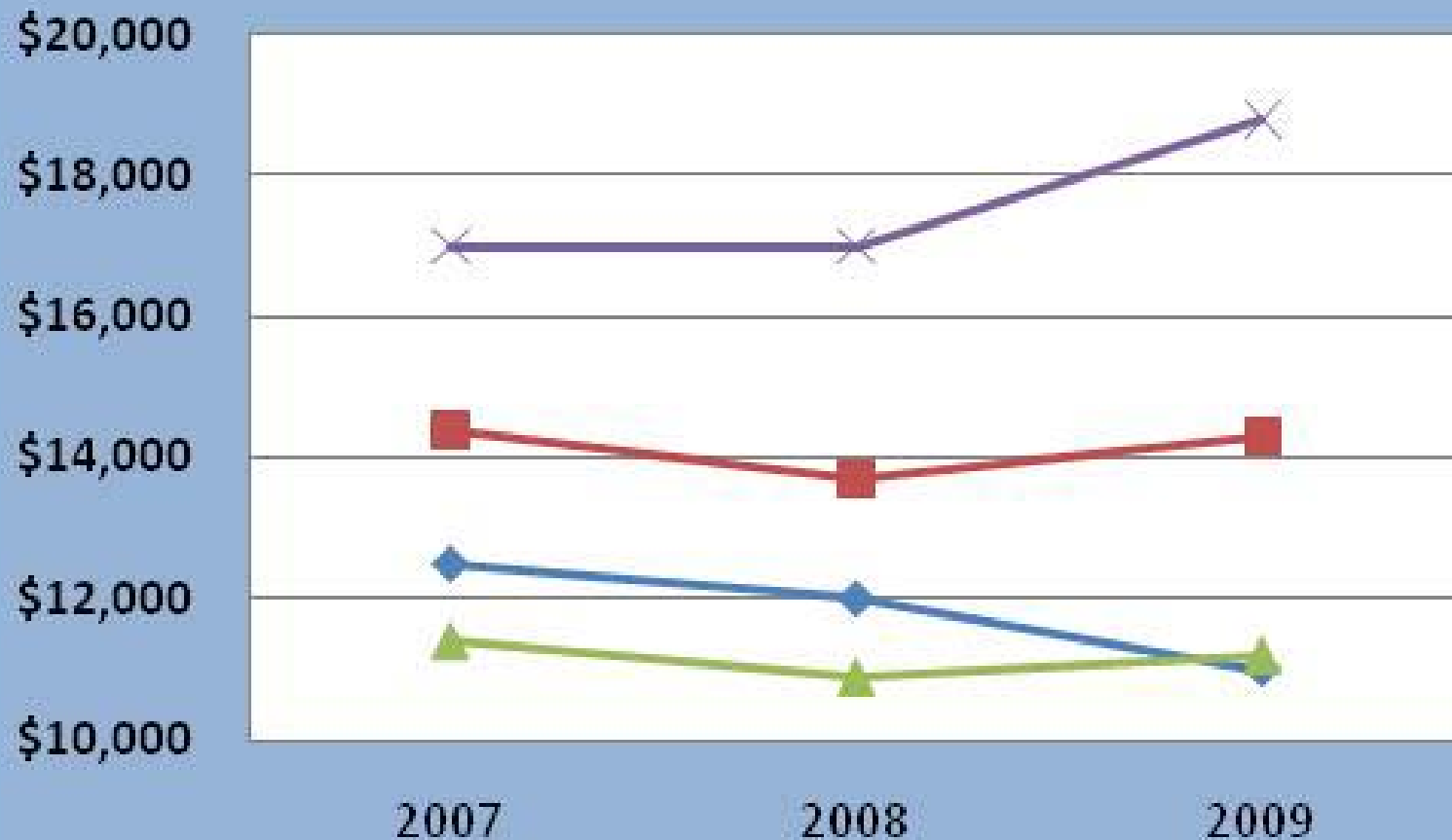


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PR Revenue per Member



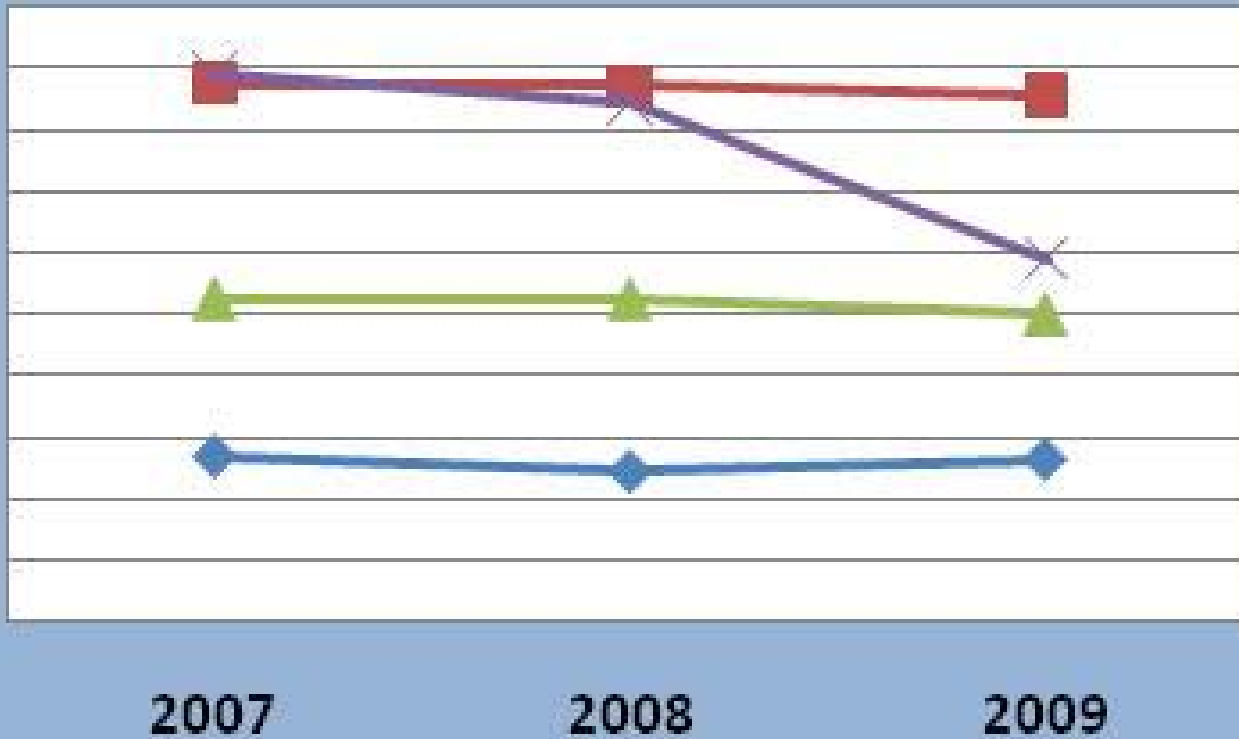
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PR Rounds

27,500
25,500
23,500
21,500
19,500
17,500
15,500
13,500
11,500
9,500
7,500



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SGA Investor & Lender Survey 2011 Edition

Salient Indicators

2011

Overall Capitalization Rate ¹	Range	6.0%	to	16.0%
	Average			11.5%
Terminal / Residual Capitalization Rate ²	Range	7.0%	to	20.0%
	Average			11.9%
Net Income Multiplier ³	Range	5	to	13
	Average			7.9
Gross Income Multiplier	Range	0.5	to	3
	Average			1.4
Discount Rate	Range	8.0%	to	25.0%
	Average			14.5%

1 / Overall Capitalization reflects going-concern operations.

2 / Terminal or going-out Capitalization rates also reflect going-concern operations.

3 / Net Income Multiple (Price / Net Income) is the inverse of the Cap Rate.



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Salient Indicators

2011

Growth Indicators:

Income Growth Rate	Range	0.0%	to	4.0%
	Average			2.1%
Expense Growth Rate	Range	0.0%	to	3.0%
	Average			1.9%

Operational Indicators:

Management Fee as % of Gross Revenue	Range	2.5%	to	6.0%
	Average			3.7%
Capital Reserves as % of Gross Revenue	Range	2.0%	to	5.0%
	Average			3.0%

Transaction Indicators:

Marketing Period (Months):	Range	6 mos	to	24 mos
	Average			13.4
Broker Sales Commission:	Range	2.0%	to	6.0%
	Average			3.6%

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Salient Indicators

2011

LTV (Loan-to-Value)	Range	50.0%	to	100.0%
	Average			65.5%

Interest Rate	Range	5.0%	to	13.0%
	Average			6.9%

Common Indices: (January 2011)

Prime Rate WSJ	3.25
Libor 3 months	0.2618
Libor 6 months	0.3027
Libor 1 Year	0.7839

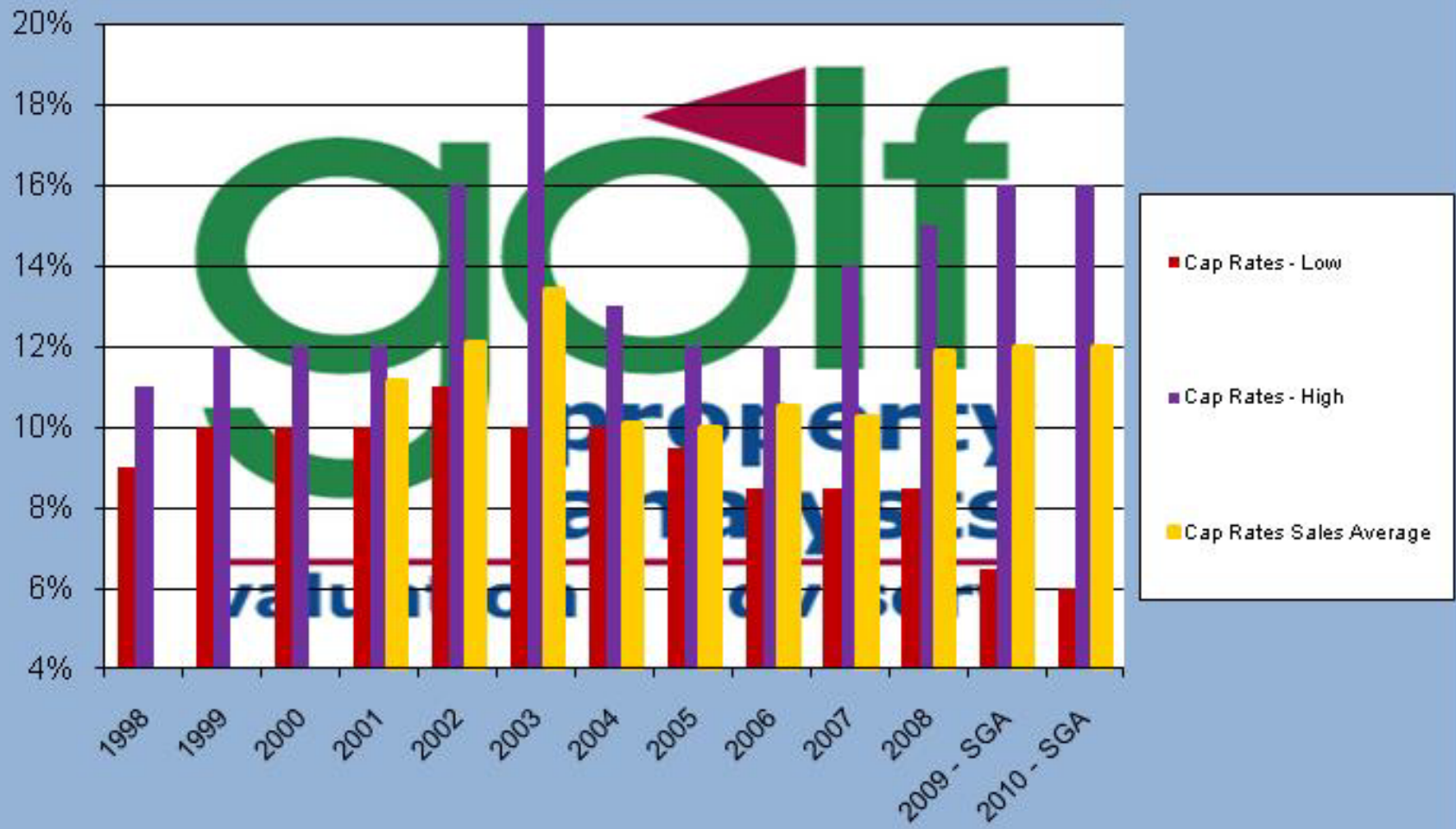
Call Period (Years)	Range	1	to	10
	Average			4.5

Amortization Period (Years)	Range	10	to	25
	Average			21

DCR (Debt Coverage Ratio)	Range	1	to	1.5
	Average			1.35

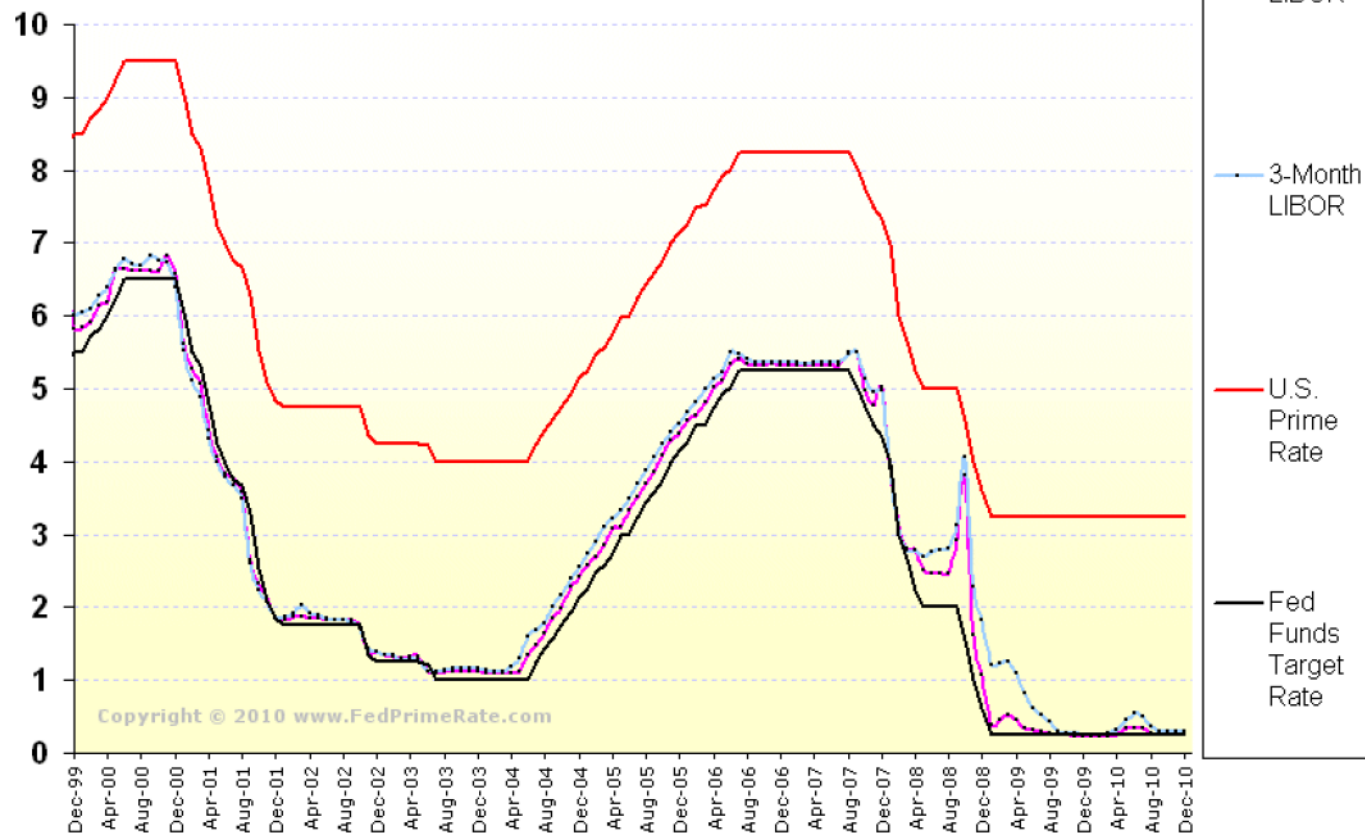
Points	Range	1.0%	to	2.0%
	Average			1.6%

Cap Rates



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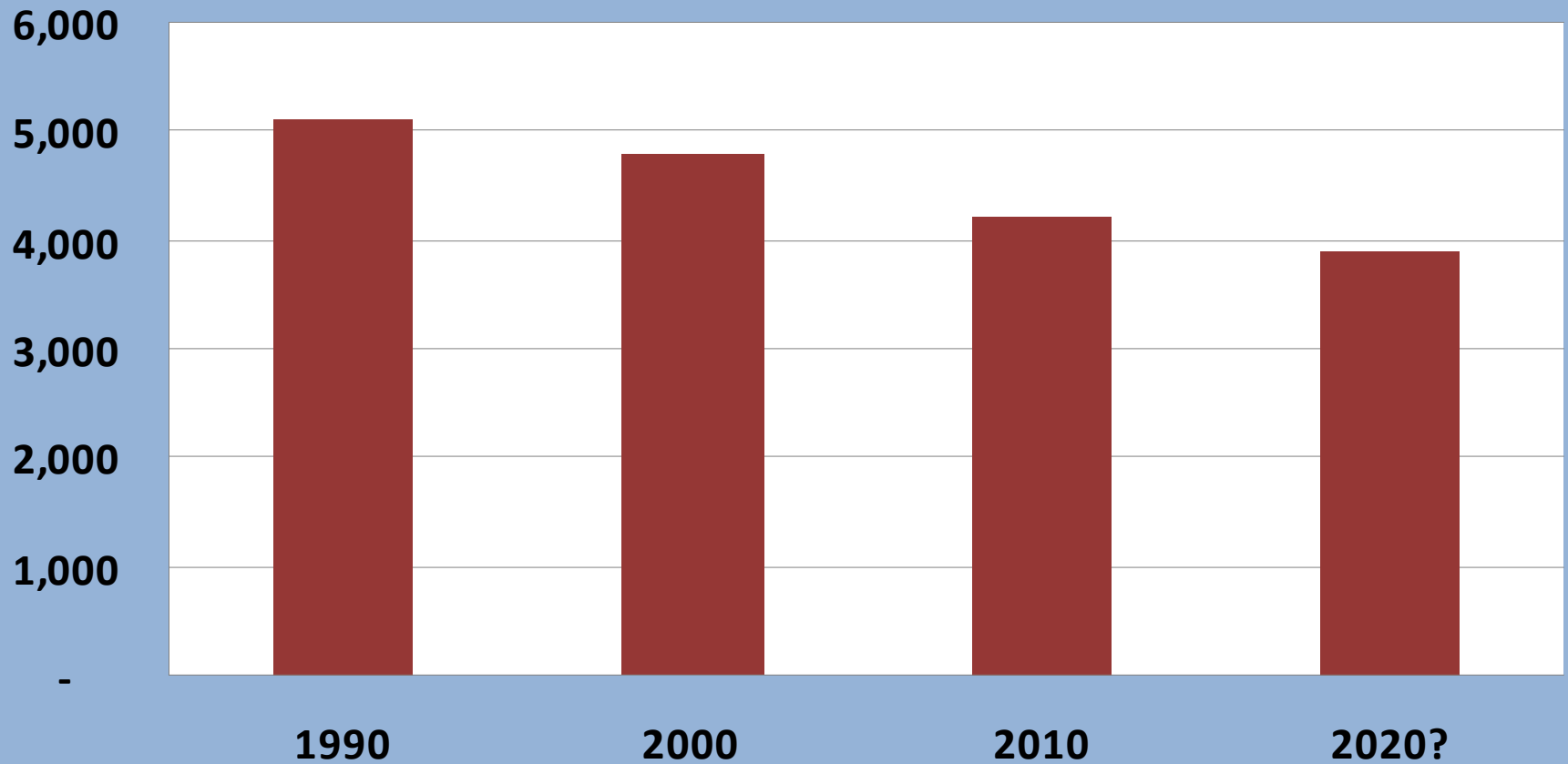
**Fed Funds Target Rate vs. U.S. Prime Rate vs.
1-Month LIBOR vs. 3-Month LIBOR,
December 1, 1999 - December 31, 2010**



Golf Course Openings/Closures



of Member Owned Private Clubs



“Headwinds” 2011

- Consumer confidence
- Excess housing inventories & Declining Values
- Predicted rising interest rates (at some point)
- High unemployment
- Slow Economic Growth
- High national debt
- Tight Credit
- Alternatives



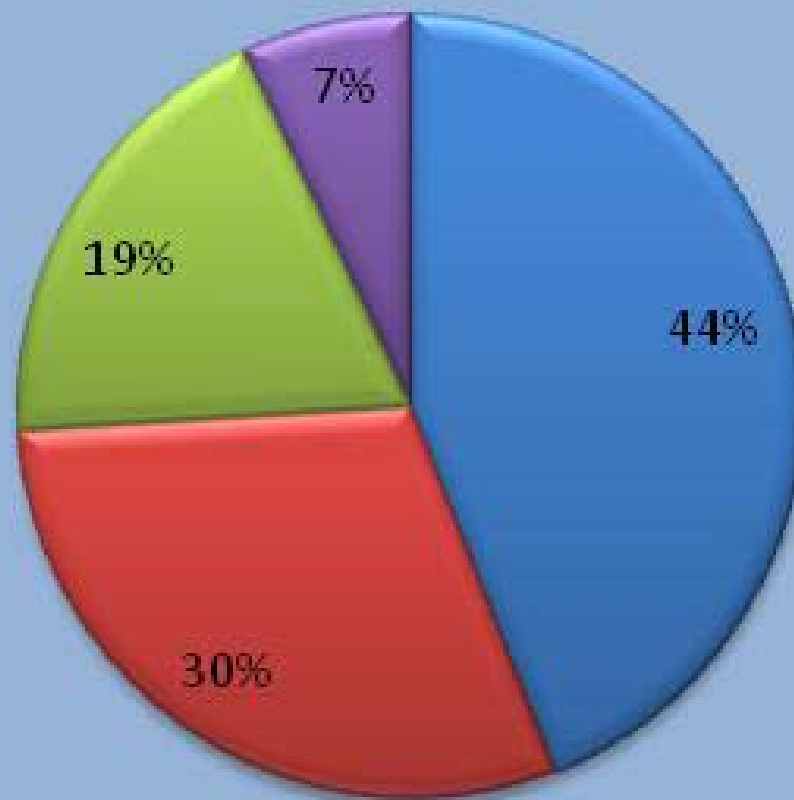
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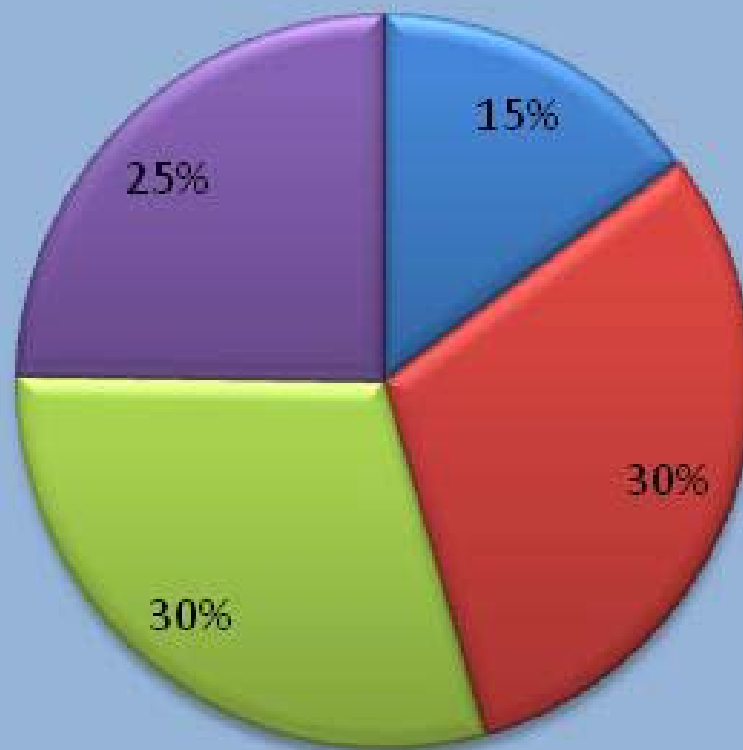
Location of Membership

■ 0-3 miles ■ 4-7 miles ■ 8-15 miles ■ 15+ miles



Age at First Joining

■ 18-29 ■ 30-39 ■ 40-49 ■ 50+



Clubs v. Society

- Traditional
- Exclusive/Male
- Symbol of Affluence
- Reserved
- Formal
- Special Occasions
- Leisure
- Dictate Standards
- High Tech
- Diverse/Female
- Perceived Value
- Fun
- Casual
- “Drop-In”
- 24/7 lifestyle
- Respond to members’ desires

Impact

- **Cash Flows**
- **Financing**
- **# of Courses available for sale**
- **Short Sales – Troubled Clubs**
- **Real Estate Taxes**
- **Membership – Cost per Member**



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Solutions



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The Decision Process

- Identification of Specific Problem
- Identification of Challenges you Face
- Identification of Alternatives
- Plan Out Alternatives
- Sources of Funding



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Identification of Club's Specific Problem

- **Membership**
- **Stigma?**
- **Revenue/Expenses**
- **Age of Facilities**
- **Business Losses**
- **Debt/Taxes**
- **Competition**



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Types of Challenges

- **Public Golf**
- **Public Restaurants**
- **Viability of Club's Facilities**
- **Family Alternatives**
- **Societal Changes**
- **Your Cost of Providing Services**
- **Existing Debt**
- **Competition for Members**
- **Establishing a Niche**



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The Decision Process

- **Identification of Challenges you Face**
 - What do your financials tell you?
 - What do your members tell you? (current & former)
 - Deteriorating Facilities
 - Membership Development
 - Price Competition
 - Change



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The Decision Process

- Identification of Alternatives
 - A club is a “BUSINESS”
 - Be outside the “box”



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Identification of Alternatives

- **Merger**
 - Single Facility
 - Retaining Both Facilities
 - Finding the Proper Partner

Changes in Programs

- **Divesting Facilities or Land Resources**
- **Outsource or Divest**
- **Making Facilities Functional**
- **Short or Long Term Funding**
- **Revise Expenses and/or Income**



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Plan out Alternatives

- Short Term Benefits
- Short Term Costs
- Short Term Threats
- Long Term Benefits
- Long Term Costs
- Long Term Threats
- What would be the Exit Strategy for each alternative if it fails



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Sources of Funding

- Member Assessments – Never Popular
- Investment Capital – Tough to find unless sugar daddy
- Bonds – Nobody thinks they're worth much
- Development Rights / Easements – Lulu example
- Borrowing – Debt kills
 - Internal
 - External
- Partial Public Use – Members hate the idea
- Outside Functions – “Who's that?”
- Liquidation of Land Resources or Assets – long or short term solution



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THANK YOU!

- Questions
- Comments
- Discussion



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