Case Study
Lexington Golf & Country Club
Lexington, VA
Est population 7,100

Presented by:
Sean Taylor
Up To Par Management
Welcome to Lexington Golf & Country Club

Sept 2011 – 17th Green, 10 other greens looked the same

Net Operating Income

<table>
<thead>
<tr>
<th>Year</th>
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<tr>
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<td>-312862</td>
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It gets better!

- Accounts Payable – $180,000 – 80%, past 120 days, 60% of the AP was owed to local member vendors
- Line of Credit – $160,000 Fully extended
- Long Term Liabilities 2.3 million
- Short Term Liabilities $352,000
- AR – Est.$100,000
- Cash on Hand – $5,000
- Over the summer of 2011 – the club lost 75 members due to product & service
- Lost the greens 3 out of the last 4 years
It gets better!

Initiate Baseline Member Surveys – Sept 2011

• 47% rate Golf Operations Very Good / Satisfied
• 29% rate Golf Course Condition Very Good / Satisfied
• 37% rate Dining Very Good / Satisfied
• 61% rate Communication Very Good / Satisfied
• 50% would recommend the Club to their friends to join
• First Month Caught Staff Stealing from the Property

GOOD TIMES!
Short Term Goals
Live to Fight Another Day

• Needed Cash – Called all members that owed the club, introduced us, and asked them to become current with the club. Gave 24 hours or we will cancel their membership. Raised $60,000 in 24 hours.
Saving Graces

“In the midst of chaos, there is also opportunity.”

• Board turned the club over to us to operate – they stepped back
• We had an outstanding board president that championed our cause
• Club generated 1.8 million in total revenue
• Golf Course was a solid design
• We were able to bring our people in to start over
Short Term Goals

• Outlined new operating plan for Q4 and 2012.

• Evaluated all business practices – If it wasn’t profitable we eliminated the business. Eliminated one of the dining options – The View Restaurant – lost appropriately $750 - $1,000 each day it was open.

• Reorganized roles and responsibilities – eliminated approximately $100K annual in payroll
Mid Term Goals – Get the Right Who

- Recruit Staff that would by into Lean Operations
- Hired – New Golf Professional – Shaun Fronk
- Hired – New Golf Course Superintendent – Jeff Karlstrand
- Hired – New Chef – Buddy Noble
- Hired – New FB Manager – Walter Bichay
- Retained – Debbie Knick - Controller
Mid Term Goals – Increase Cashflow

• We placed tighter turns on AR – Due upon receipt.
• Prepay banquets and events
• Setup payment plans for all vendors that we owed money – we were determined to pay all vendors in full
• Negotiated new long-term debt to lower terms – same number of years – Added another 15K per year in Cashflow
• Took advantage of depressed real estate values and had the land reassessed for lower value – thus lowering our tax burden by 10K per year
• In one year we reduced our AP by $106K
• In one year we reduced overall expenses by $252K
• In one year we reduced overall liabilities by $191K
  • (note plus credit line)
Mid Term Goals – Get the Golf Course Playable

- We knew that we needed to increase revenues – but first had to have a product to sell i.e. golf course
- We aggressively began to bayoneted the greens every two weeks so that the greens could percolate
- Fall we overseeded all fairways – Worked with Harrell's with a payment plan
- Fixed several drainage areas for better turf conditions
Mid Term Goal – New Operating Model

- Our management team covered other areas and pulled combined shifts
  - Golf Professional ran the restaurant once a week
  - GM mowed fairways once a week (3rd mow of the week)
  - Bookkeeper covered lunch shifts two days a week

- Enlisted a new Social Committee – 40 members
  - Everyone had one event that they sponsored and were responsible for attendance – this guaranteed that all our events are highly attended
Mid Term Goal – New Operating Model

• Membership was overpriced for the area – conducted demographic study, to see how to increase the funnel of prospects

• Developed new membership categories

• We developed a three year plan to reduce dues and increase memberships

• First year we added 25 new members to the club this allowing us to reduce the dues to the existing members; however we added more usage of the club

• Second year we added another 20 members to the club again allowing us to reduce the dues to the existing membership

• It took us four years to get everyone on the same plan but we went from 280 members to 350 members
Mid Term Goals – Positive NOI

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Long Range Goals – Strengthen Balance Sheet

Over the last 7 years we have eliminated $1.3M in debt!

- Long Term Note – 930K
- Accounts Payable – Reduced by 140K sustaining at 30-50K
- Eliminated Line of Credit – 160K
- Leases – 70K
Adding Back Services – to Zero Based

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In the Future

• The club continues to evolve and we continue as well