Mayfield & Sand Ridge – Two Become One

One Future. One Exceptional Club.

Mayfield - Sand Ridge Integration Plan

Presenters

Jerry McCoy, MCM – Clubwise, LLC
Consultant – Retreat Facilitator

Michael Azbill, CCM – GM / COO
Mayfield Sand Ridge Club

Mayfield - Sand Ridge Integration Plan

Program Discussion Points

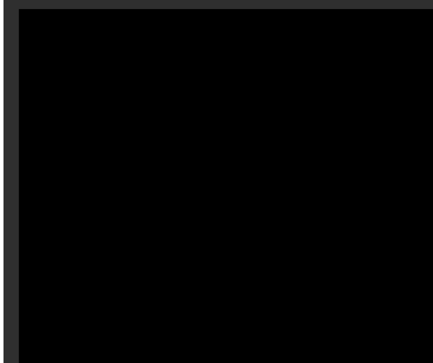
- Merger Vision
- Club Histories
- Club Statistics
- Expected Financial Effect of Merger
- Pro-Forma Synergies
- Operations & Governance
- Tactical Plan
- Present Results
- Cautions & Concerns

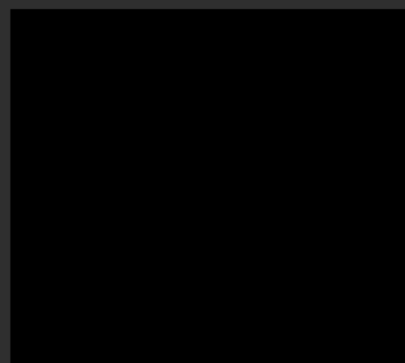
Mayfield - Sand Ridge Integration Plan

Vision

Mayfield - Sand Ridge Integration Plan

Mayfield – Sand Ridge Comparison





Mayfield - Sand Ridge Integration Plan

Vision

- The goal is to provide an **unparalleled experience for *current* members and a superior vehicle to attract *new* members** by creating the finest golf and country club experience in Northeast Ohio.

The new club is committed to:

- Providing quality services and superior facilities
- Sustaining fine traditions
- Preserving family and multi-generational values

Mayfield - Sand Ridge Integration Plan

Vision

- The merger resulted in a new club that is ***unique in the market,*** offering members an ***experience and services not found elsewhere in the local market***.
  - Prices on par with dues and fees at other clubs
  - Facilities and grounds at both campuses create a distinct advantage not matched by other private clubs

This equates to superior club value.

Mayfield - Sand Ridge Integration Plan

Vision

- **Mayfield and Sand Ridge together are a compelling proposition:**
  - Similarly sized clubs
  - Have appeal to a **larger pool of members** and prospective members due to broader geography
  - Town and country **complementary locations**
  - **Best golf venue** with **best full-service family club**

Mayfield - Sand Ridge Integration Plan

Merger Process

1. Remained confidential
2. Cooperation by existing boards
3. Legal and financial due diligence
4. Management team participation
5. Professional guidance and consultation
6. Benchmarking of other merger transactions

Mayfield - Sand Ridge Integration Plan

Club Statistics

Mayfield - Sand Ridge Integration Plan

The Present Market Place

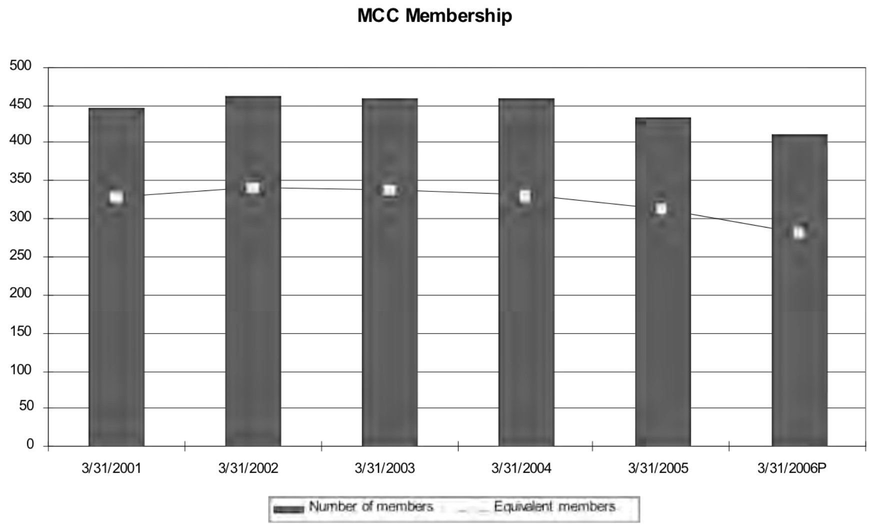
- **Oversupply** of private golf and country clubs in the geographic area
- **Small pool of potential members** – all the clubs are competing for the same few people
- **Declining memberships**
- Most clubs in area are **short on active/equivalent membership** by 50 equivalents or more

Mayfield - Sand Ridge Integration Plan

The Present Market Place

- **New high-end public courses** - StoneWater, Little Mountain and Boulder Creek
- Tax structure in **Ohio encourages "Snow Birds"** for 7 months each year
- There is a lot of **discounting of initiation fees** and costly facility enhancements cause loss of membership and thus revenues

Mayfield Statistics



Mayfield Statistics

Mayfield Country Club

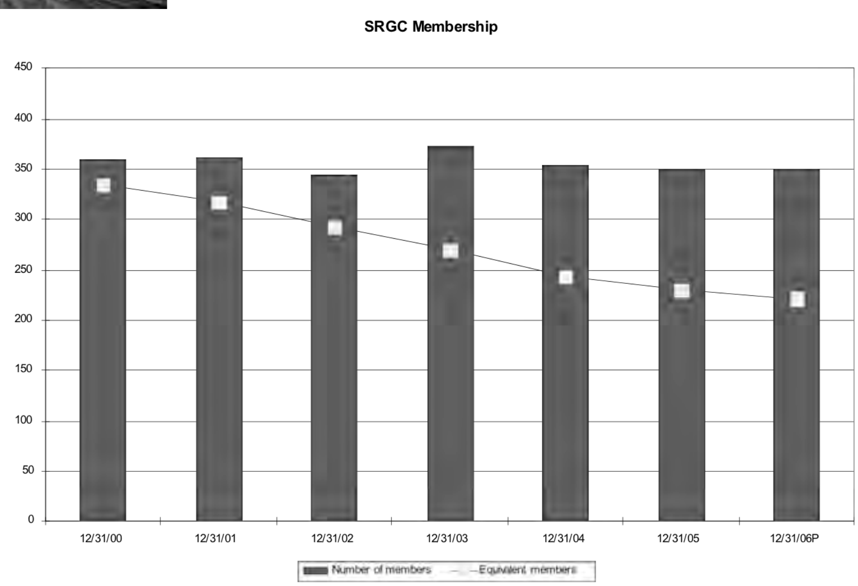
Operating Profit History

- Fiscal year 5/1 to 4/30 (in thousands):
- 2001: **$ (102)*** 2005: **$ (17)**
- 2002: **$ (139)** 2006: **$ (317)**
- 2003: **$ (99)*** 2007: **$ (270) projected**
- 2004: **$ (141)***
- *** gaps covered through double dues**

Mayfield Statistics

- Mayfield capital dues and initiation fees need to fund debt service and capital projects.
- Long payment terms, discounts, and fewer new members have **eroded Mayfield's initiation fee cash flow**
  - $132K this year versus $435K in 2002
- Mayfield maintenance capital spending requires $325K every year
- It takes periodic assessments to catch up
- **Capital dues** are set to match debt service, but **erode** as membership drops

Sand Ridge Statistics



Sand Ridge Statistics

Sand Ridge Operating Profit History

- Fiscal year 1/1 to 12/31 (in thousands):
- 2000: **$ (49)** 2004: **$ (320)**
- 2001: **$ (116)** 2005: **$ (58)**
- 2002: **$ (243)** 2006: **$ (225) projected**
- 2003: **$ (306)**
- **All years restated to reflect deferred land lease charge**

Sand Ridge Statistics

Sand Ridge has fewer current capital needs.

- **<u>Issue is debt burden</u>**
  - **Regular debt $7 million**
  - **$2.6 million in land purchase obligation**
  - **$1.5 million in cottage purchase obligation**

Total Debt $11.1 Million

Mayfield - Sand Ridge Integration Plan

Projection of Both Clubs Without the Merger

1. Continued membership challenges
2. Associated operating deficits
3. Required periodic capital projects to maintain facilities; assessment likely
4. Potential loss of key staff
5. Future prospect of declining quality of services

Mayfield - Sand Ridge Integration Plan

Financial Effects

Debt Restructuring

As Part of the Merger

– $3 million forgiven by the Conway family
– Land and cottage purchase obligation cancelled
– $560K deferred land lease payments forgiven

Debt Reduction

– $11.1 million debt becomes $4.0 million
– $2.3 million of that $4.0 million is repaid out of excess cash flow

Mayfield - Sand Ridge Integration Plan

- Merger will allow combined club to provide superior club value in the marketplace which will:
  - **Attract more new members** and increase utilization
  - **Restore full paying initiation fees**

Result is financial strength

Mayfield - Sand Ridge Integration Plan

Membership Economics

- **50 new equivalent memberships** generate:
  - $1 million in initiation fees ($20,000 each) to augment capital base
  - $300-400K additional annual dues revenue to shift operating deficits to surpluses and ensure the club's ability to service debt
  - Activity and usage revenue to contribute to operations

Mayfield - Sand Ridge Integration Plan

Membership Economics

- **20 net equivalent new members for three consecutive years**
  - Incremental dues increases by $270K
  - Incremental capital dues increases by $90K

Annual membership cash flow improves by $860K after three years

Mayfield - Sand Ridge Integration Plan

Pro Forma Synergies

Mayfield - Sand Ridge Integration Plan

Merged Pro Forma

- **Minimal "synergy" assumed from club operations**
  - $25K penalty for redundancies in Year One
  - $100K in savings thereafter
    - Golf operations (assistants, pro-shop support)
    - Food & beverage scheduling
    - Administration/management

Mayfield - Sand Ridge Integration Plan

Merged Pro Forma

- Intra-club activity fees and usage will more than offset loss of redundant member dues
- Plan for **ramping up outside "events"** by 15 per year yielding $150K
  - **Leverage second course** to allow more outings without member disruption
  - **Larger pool of membership** to sponsor weddings and other corporate dinners and parties

Mayfield - Sand Ridge Integration Plan

Merged Pro Forma

- Assume **membership levels at +60 after three years** (560 equivalents)
- Operating surpluses should exceed $200K by third year
- Initiation fee cash flow and capital dues provides for
  - Combined $575K in annual maintenance capital spending ($325K earmarked for Mayfield/$250K for Sand Ridge)
  - $1.5 million in capital projects every five years
  - Debt reduction by $4.0 million over 20 years

$ thousands	Year 1	Year 2	Year 3	Preliminary
Membership Level	520	540	560	
Consolidated Oper. Profit	(500)	(500)	(500)	
[redacted]				
MCC usage by SRGC mem	50	50	50	$1000/year x 100 members @ 50% profit
Cross over activity fees	110	110	110	100 SRGC x $500; 150 MCC x $400
Less "affiliate club" profit		(40)	(40)	
Event usage	50	100	150	$10K profit per event
[redacted]				
Golf staff	(25)	50	50	
Food and beverage	0	25	25	
Admin/management		25	25	
[redacted]				

[redacted]				
Cash	$ 2,969	$ 22	$ 2,991	MCC pool project funding
Receivables; Inventory	757	568	1,325	
PP&E (Net)	$ 3,819	$ 11,409	$ 15,228	SRGC incl course improve - equip
Deferred Init/Assess	$ 1,270	$ 133	$ 1,403	Initiation/Assess to be paid over time
[redacted]				
Deferred member dues	$ 215	$ 502	$ 717	Large prepayment of dues at SRGC
Payables/accruals/lease	406	220	626	
Bank debt	$ 4,319	$ 1,205	$ 5,524	SRGC seasonal dues to prepaid dues
Debentures	-	390	390	
Sub debt (SEP)	-	2,308	2,308	Serviced only with excess cash flow
Short game project	-	68	68	Funded with Wetlands credits
Conway debt/interest	-	3,032	-	$3.0 million to be forgiven
[redacted]				

Mayfield - Sand Ridge Integration Plan

Governance

Mayfield - Sand Ridge Integration Plan

Merger Principles

- **"Merger of equals" concept**
- Merged club is non-equity
- Minimize cost impact to current members:
  - Sand Ridge members (like new members) do not pay pool assessment
  - No merger-related assessment
- One Club:
  - Single governing board
  - Unified membership classes

Mayfield - Sand Ridge Integration Plan

Governance

- Transitional Board composed of **10 members for first five years: five Mayfield, five Sand Ridge**
- President succession set for first five years
- After five years, directors and subsequent presidents nominated by former presidents
- One year transition of existing Mayfield Board as an operating group to complete pool project
- Committee structures stay in place with members from both clubs
- **Active membership cap at 775**

Mayfield - Sand Ridge Integration Plan

Management

Mayfield - Sand Ridge Integration Plan

Integrated Club Management

- Mike Azbill, General Manager
- Peter Conway, Assistant General Manager (transition)
- Charlie Wood, Director of Golf and Head Professional at Mayfield
- Matt Creech, Head Professional at Sand Ridge
- Andy Antico, Executive Chef/Food & Beverage Manager
- Richard J. Sykora, Controller and Business Manager
- Mike Yenny and Brent Palich, retain golf superintendent responsibilities

Mayfield - Sand Ridge Integration Plan

Tactical Plan

Mayfield - Sand Ridge Integration Plan

Next Steps

- Continue due diligence
- **Finalize additional bank funding** and terms with SEP holders.
- **Joint Proxy Statements** distributed to all members.
- Vote meeting April 13, 2006, at which members approved the transaction and included new By-Laws, new combined board, and succession of presidents to lead for next five years.

Mayfield - Sand Ridge Integration Plan

Board Integration Retreat

- **Overview Roles & Responsibilities**
- **General Managers Plan for Short / Medium / Long-Range Integration**
- **Assignments & Action Items**

Mayfield - Sand Ridge Integration Plan

Integration Responsibilities of the Board of Directors

1. Establish Operating Parameters - Service levels and hours of operation
2. Determine and then allocate sources and uses of revenues
3. Set membership guidelines
4. Develop strategic plans
5. Monitor progress

TIMING?

Mayfield - Sand Ridge Integration Plan

Management Plan Goals for the 2007 Budget Year

1. Identification of long-term operational vision and mission (Board/Member Input)
2. Generate an appropriate budget integrating the best use of club resources to provide quality service levels, protect club assets and reduce debt

Mayfield - Sand Ridge Integration Plan

WHAT IS HAPPENING NOW?

1. Mayfield is operating well and is proactive
2. Mayfield staff reacts to activity levels
3. Sand Ridge can add activity within present staffing levels

WE A POSITIONED TO PROVIDE A QUALITY SUMMER EXPERIENCE

Mayfield - Sand Ridge Integration Plan

- Management Integration Responsibilities

1. Identify immediate critical business needs
2. Evaluate Mayfield and Sand Ridge strengths
3. Maximize strengths within the short-term organizational vision
4. Key staff and service adjustments
5. Provide a operational plan within that vision
6. Develop implementation strategies

Mayfield - Sand Ridge Integration Plan

Immediate - Critical Business Needs

1. Administration - Billing, sponsoring members DONE
2. Standard HR program - JULY 1
2. Set-up how staff interacts with new members - DONE
3. Member communication strategy - JULY 1
   Member resource package
4. Standardization of Club Rules - Dress code, service charges, cell phones, etc. - JULY 1
5. Establish Spending Activity - Associated with original 2006 budgets - DONE

Mayfield - Sandridge Integration Plan

Critical Operational Concerns for Sand Ridge

Standardization options JULY 1

1. F & B product quality and price points
2. Chef to coordinate with Sand Ridge staff
3. Based on renegotiations with caterer
4. Liquor Pouring Levels
5. Popular Beverage Selections

Mayfield - Sand Ridge Integration Plan

- **Management Integration Responsibilities**

1. **Identify immediate critical business needs**
2. **Evaluate Mayfield and Sand Ridge strengths**
3. **Maximize strengths within the short-term organizational vision**
4. **Key staff and service adjustments**
5. **Provide a operational plan within that vision**
6. **Develop implementation strategies**

Mayfield - Sand Ridge Integration Plan

Mayfield -

- **Member Food**
- **Banquet Opportunities**
- **Non-Golf Recreational Activities**
- **Family / Child Activities**
- **Social Activities**
- **Management / Administration**

Mayfield - Sand Ridge Integration Plan

Sand Ridge -

- **Golf Course**
- **Golf Service / Amenities**
- **Cottages**
- **Revenue Opportunities - Outings**
- **Reputation**

Mayfield - Sandridge Integration Plan

Evaluating Synergies

- **Service Plans and Levels - Hours of operation, food and beverage service locations**
- **Organizational Structure - Staffing levels, departmental , combining responsibilities, efficiencies**
- **Equipment Opportunities - Shared**
- **Purchasing Strategies**

Mayfield - Sand Ridge Integration Plan

To Be Added During Education Session

Present Results

Mayfield - Sand Ridge Integration Plan

To Be Added During Education Session

Cautions & Concerns