

# Austin Country Club

Dear ACC Members:

We were approached in December 2017 by representatives of Lakecliff Golf Club about a partnership with ACC to lease or buy the course. After months of due diligence at the committee and Board level, last night the Board approved our entry into a management agreement to operate, maintain and manage the Lakecliff Golf Club for the benefit of our members and a group of former Lakecliff members. The term of our management contract is through May 2019 and it includes the assignment of an option to purchase the course during the management/lease period. We feel this arrangement will give ACC resident, non-resident, emeritus, senior and junior members access to a unique golfing experience, at no additional dues, while we assess whether an additional course acquisition is in the best long-term interests of the club. Any acquisition scenario would be subject to a membership vote. Below is a FAQ sheet we prepared to provide additional information on the arrangement, and we will also hold an informational meeting at ACC on **Monday, April 9th at 6:30pm** to answer any additional questions you may have.

## FREQUENTLY ASKED QUESTIONS

*What is Lakecliff Golf Club?*

Lakecliff Golf Club is an Arnold Palmer Signature designed par 71 course with A1-A4 bent grass greens and TIF sport bermuda fairways. It is in Spicewood, TX in the Texas Hill Country off HWY. 71, about 30 miles from ACC. Included with the golf course is a small clubhouse with pro shop, grill and a practice facility. Lakecliff owner Jeff Kent closed the course on December 15, 2017.

*Why are we doing this?*

Acquiring or constructing a second golf course has long been an approach ACC has considered to manage our golf course demand and to add to our membership value and golfing capacity. We are undertaking this project to offer our members an additional golfing option to reduce the pressure on the Davenport course, and to test the theory that a second golf course managed and operated by ACC is in the best interests of our members for the future growth of our club. This unique opportunity

to try out a second course with calculated financial risk and with ACC in full operational control was deemed a prudent investment of resources to evaluate this concept.

*How does it work?*

ACC has entered into a management agreement with a group of former Lakecliff members and property owners who have organized as South Shore Golf Course (SSGS). SSGS has entered into a lease agreement with the owner of Lakecliff and has given full and exclusive operational control of the property to ACC through a management agreement. Under this agreement, ACC will operate, manage and maintain the Lakecliff course. In exchange, ACC resident, non-resident, emeritus, senior and junior members will have full member privileges at the Lakecliff course with no additional monthly dues. Our tennis and social members who have an interest in golf will have access to Lakecliff at a preferred monthly rate.

*Who pays for the operations and maintenance?*

During the lease and management period through May 2019, all operations and maintenance costs will be split 50/50 between ACC and SSGS. A twelve-month budget for the maintenance and operations of Lakecliff is part of the agreement and will establish the proportional financial commitment required by each party. SSGS has agreed to put up their portion of the cash needed to fund operational and maintenance costs prior to closing. Details on the budget proformas and the cost allocations will be discussed at the informational meeting on Monday, April 9<sup>th</sup> at 6:30pm.

*How are we paying for our portion of the operations and maintenance costs?*

ACC resident members in waiting (social/racquet) will be offered access to the Lakecliff course for an additional monthly or daily fee. ACC will fund its portion of the maintenance and operations from a combination of reserve funds, WGC revenues, SSGC monthly dues, and fees paid by ACC social/racquet members in waiting.

*What do the SSGS members get?*

SSGS members get membership privileges at the Lakecliff golf course for their equity investment (their portion of the operations and maintenance costs) and ongoing monthly dues. **They do not have any golf or access privileges at the ACC Davenport facilities.** They also get a professional and experienced maintenance and operations team that will enhance and improve the Lakecliff golf course which increases their property values.

*What does this mean for our golf course maintenance at Davenport?*

We do not anticipate utilizing any ACC golf course maintenance assets or resources (other than management) at Lakecliff. We will supplement with temporary and newly hired staff and leased or rented equipment during the management/lease period.

*What are our options at the end of the management/lease period?*

ACC has an exclusive right to purchase the Lakecliff golf course at a pre-determined price, extend the management agreement for another twelve months or terminate the agreement 90 days before the May 2019 initial management term. An ACC membership vote will be required to purchase the course. Details on the purchase option agreement will be provided at the Monday, April 9<sup>th</sup> meeting at 6:30pm.

*How will we pay for the course if we elect to purchase it?*

There are several ways the golf course could be purchased if approved and authorized by the membership. These options include using reserve funds, membership assessment, financing, initiation fees, or a combination of these or other options. We anticipate that whatever the source is decided upon will be identified and included in the membership vote.

*What will the golf experience be like at Lakecliff for ACC members?*

We will maintain, operate, and manage the Lakecliff course with the same level of dedicated service, commitment to excellence and high standards you expect from an ACC operated golf course and facility. We recognize however, that the course has been dormant since December with limited upkeep and that the sand traps have not been maintained for even a longer period of time. It will take our golf course maintenance team some time to get the course in ACC playing shape and we don't anticipate improving all the traps unless we exercise the option to purchase. Right now, we anticipate a mid-May opening depending on the condition of the course when we take control. We anticipate opening the Lakecliff course on Mondays and close on Tuesdays so that results in an additional 76 days of golf access (52 Mondays and 24 WGC days) for our membership at no cost plus other days the Davenport course is being utilized for internal tournaments such as Waterloo and Club Championships during the management period.

*What are the risks to ACC?*

The risks to ACC are that our membership does not use the course enough and our financial commitment to maintain and operate the course during the management period is greater than the benefit we receive. There is also financial risk that the course will require additional capital investment for the golf course maintenance and operations. To mitigate these risks, we have conducted a significant amount of due diligence on the course itself and a thorough financial review of their books. ACC Management has developed what we consider to be a conservative proforma budget. We also feel we have negotiated a management agreement that gives ACC the flexibility to adjust to our membership demand and any unexpected costs that we experience.

*What happens next?*

We will be executing the management agreement and assignment of purchase option simultaneously with SSGC's execution of the lease agreement. Once that is completed we will get our maintenance and operations team on the ground preparing the course and facilities for a re-opening as soon as possible.

Sincerely,

Jay Howard  
Club President

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