

## BEST BUYOUT OR CHANGE OF OWNERSHIP (\$1 Billion+)

### FINALIST

# ClubCorp's sale to KSL Capital Partners



Dallas-based ClubCorp surprised the golf world when it announced last year it had retained Goldman Sachs to “explore strategic alternatives” for its portfolio of nearly 170 golf courses, city clubs and resorts.

But the sale of the assets wasn't going to be a hole-in-one. Ultimately, the complicated transaction involved a deal on top of a deal, a special committee, longtime family ties and tax-related sand traps.

In the end, though, ClupCorp's share-holders — including the family of founder Robert H. Dedman Sr., which controlled 70%, and The Cypress Group, which controlled 16% — got the liquidity they wanted. And the buyer, Denver-based KSL Capital Partners, a successor entity to a portfolio company of leveraged buyout firm Kohlberg Kravis Roberts & Co., got the high-profile platform it desired in the leisure industry. The price tag: \$1.8 billion.

Dedman founded ClupCorp in 1957, when he bought 400 acres in suburban Dallas and developed Brookhaven Country Club. By 2006, the company had prized courses all over the country and was generating more than \$1 billion in annual revenue.

Garrett DeVries, the partner at Haynes and Boone LLP who represented ClubCorp, along with co-founder Mike Boone and others at the firm, said emotional aspects of the deal were significant.

“ClubCorp had been controlled by the Dedman family for so long, they had an emotional time giving it up,” he says.

And they didn't want to give up everything. The family wanted to keep the company's most prized holding — the historic Pinehurst Country Club in Pinehurst, N.C.



BOONE



DeVRIES

After purchasing Pinehurst in 1984 from the Diamondhead Corp. Dedman pumped money in the aging resort, restoring greens to their original glory. A statue of Dedman, who died in 2002, stands next to the 18th hole at Pinehurst's famous No. 2 course.

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— **Garrett DeVries**  
Haynes and Boone LLP

“KSL really wanted Pinehurst, and so did the Dedman family,” said DeVries. “That made the negotiations all the more challenging.”

There were also tax considerations. According to proxy documents, the Dedman family wanted to convert Pinehurst's holding company from a corporation to a limited liability company to lessen tax obligations.

Lawyers worked out the details and the Dedman family purchased Pinehurst for \$325 million. The family was represented in that

### THE PLAYERS

**Eric Affeldt**

*CEO, ClubCorp; co-founder, KSL Capital Partners*

**Robert H. Dedman Jr.**

*Chairman, ClubCorp*

**John Beckert**

*Former CEO, ClubCorp*

**James Stern**

*Chairman and CEO, The Cypress Group*

**Bahram Shirazi**

*Managing director, The Cypress Group*

### THE ADVISERS

Goldman Sachs

CitiGroup

Haynes and Boone LLP

Alston + Bird

Houlihan Lokey Howard and Zukin

Thompson & Knight LLP

Winston & Strawn LLP

transaction by Thompson & Knight LLP attorney Peter Alan Lodwick.

All other ClubCorp properties went to KSL Capital Partners for \$1.8 billion.

DeVries said the ClubCorp portfolio sale meant a major windfall for universities and charities who had been gifted company stock by the Dedman family, including \$32 million for Southern Methodist University, \$12 million for the University of Texas, \$50 million for the Dedman Foundation and \$14 million for the Fund of Communities Foundation.

“They now have the ability to monetize their (previously) illiquid stock positions and provide for their philanthropic missions in the future,” DeVries said. “The Dedman family also (now) has a significant liquid position to continue the generous charitable donations, as they have done in the past.”

— **Kathryn Hopper**