At a time in golf where the sound of courses falling over keeps many industry people awake at night comes a skin-of-the-teeth escape for one mom-and-pop owner. A bankruptcy judge is yet to rule on every aspect of Fred Leonard's battle for survival at Taberna Country Club in New Bern, NC, but he was clear on the one that really mattered. Leonard — who, like many of his ilk, grinds it out for love as much as any living he makes — gets to keep his golf course.

The drawn-out legal battle has affected his health and his family. Leonard's wife, Gretchen, runs food and beverage operations at the golf course and a 13-year-old son works in his spare time in maintenance. Their daughter is a college junior. "When people threaten to sue you personally it can get pretty scary," Leonard says. "I've had some anxiety issues dealing with it all. Life's been a bit touchy around here for awhile."

At its simplest, the court ruling early July seems true to the principals of natural justice. In five years, Leonard had never missed a payment on his loan nor ever been late with a payment. Even today, in the murky backwash of the recession, he continues to keep the club's financial nose above the water line. Although, "it's a battle," he says, citing the nearly $200,000 — or about 40 percent — he has cut from the golf course maintenance budget since 2005. "But then again it's tough everywhere."

So when the lender moved to foreclose in September, 2010 Leonard's earthy sense of right and wrong was deeply offended. The fact that his bank was one of the biggest in golf course lending rubbed further salt in the wound. If the lender was a Goliath, Leonard surely saw himself as David.

He grew up outside Raleigh in a small town where his father worked for the railroad and his mother was a schoolteacher. Like many young men in eastern North Carolina back then, he spent time toiling in tobacco fields. "There was a golf course right alongside where I worked and it didn't me take me long to decide life looked a lot more interesting over there," he says.

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By Trent Bouts

becoming a club professional. He completed the PGA's business schools and found his way to the pro shop, eventually serving as director of golf in the '80s. Leonard found the hours behind a desk and counter wearing on him. He preferred being outside and knew few people in the game spend more time on the course than the superintendent, so he switched. "Besides, I knew superintendents got to play a lot more golf than the golf pros," he laughs.

After several years in golf course maintenance, Leonard moved to Taberna Country Club and there the lure of ownership presented itself as the next step in his career progression. He recruited a small team of investors and paid $4.7-million for the private club with 400-plus members within an 850-home development. Then the recession hit and the simple story became far more complex, as investment money dried up and lenders everywhere became spooked.

When Leonard's note for $2.7 million became due in 2010, instead of a loan review, adjustment and renewal that had pretty much been the industry norm for years, the lender balked. "The lender I was dealing with was closing their golf course lending division," he says. "They had no interest in extending my loan for a length of time that would give the economy time to improve and allow me to secure alternative financing."

Leonard was not exactly shocked by the news. He wasn't blind to what was happening with the economy and so had already been knocking on doors. But try as he did, he couldn't find anyone willing to take on the loan in a golf economy in reverse. Then as Leonard threw his books wide open in an attempt to convince the existing lender to reconsider, an alarm bell went off. And this time he was shocked.

About a year earlier, one of the original investors had apparently confused investing with lending. He hadn't bought part of the business, he felt, but instead had lent Leonard the money to do so. He threatened to sue. To appease the "investor," Leonard consulted an attorney who drew up papers giving the investor a second lien. Problem solved, until the lender's legal team discovered the second lien and cried foul.

"They decided I was in default per my original documents."

Fred Leonard fought courageously for Taberna Country Club's survival. No matter what, no one was going to take his course away from him.
"The 'bank' we have been dealing with didn't care about the 52 employees we employ, the 217 acres of green space we maintain or the community we're in. Now, if the course couldn't service its debt any more, that is one thing and completely understandable." – Fred Leonard

Leonard says. “This was true, as it turned out, but in those 50-plus pages, I never saw the wording preventing any further lien, and my attorney at the time didn’t say anything about it. He should have known not to let me further encumber the property. I am a golf course superintendent for heaven’s sake, that’s why I hired an attorney to begin with.”

Not only was the lender now using the second lien against Leonard as a breach of contract, it also instituted penalty interest payments of an additional $365 a day. All the while, on top of his existing duties, Leonard was wading through paperwork and working the phones looking for a solution.

"After some early negotiations, the lender was willing to extend the money and the guy wouldn't sign anyway."

That wasn’t the first time Leonard felt like he was “dead in the water.” But the pressure became a full on punch when, in late February, a foreclosure notice was filed leaving Chapter 11 reorganization as the only hope. Such a step differs from bankruptcy which effectively says the well is dry and everyone loses out.

With Chapter 11, the courts oversee a restructuring of terms that provides for stakeholders to get their money back, but over a longer term. Leonard says, "That only works if you can show to creditors and/or a judge that, based on solid historical data, there’s enough income to survive, service debt, and function normally as well as continue being a positive business for the community in which you’re located.”

Leonard was able to do all of that but at significant cost, and not all of it financial. Two visits to the witness stand – one for three hours and then for four and a half – were draining in and of themselves. But the almost daily mountains of legal documentation and hoops that had to be jumped through, on the back of hefty attorney’s fees, were most taxing.

Even now, with the judge’s ruling on Leonard’s favor on the record, opposing counsel continues to seek modifications to the outcome.

The experience has done nothing to taint Leonard’s love or devotion to the industry – he is current president of the Turfgrass Council of North Carolina and his left shoulder bears a tattoo incorporating the logos of the Golf Course Superintendents Association of America and the Carolinas Golf Course Superintendents Association. But it has soured his outlook.

“I think that in this ‘corporate’ lending world we live in, the days of the mom and pop businesses are numbered,” he says. “The ‘bank’ we have been dealing with didn’t care about the 52 employees we employ, the 217 acres of green space we maintain or the community we’re in. Now, if the course couldn’t service its debt any more, that is one thing and completely understandable.”

Instead, Leonard believes he is just one of too many single course operators who are being squeezed – “beat up on” – when they are most vulnerable paving the way for corporate or bank takeovers.

“If the course is still making its payments, chances are the people that work there have a lot of sweat equity and time invested in the facility,” he says. “It’s unfortunate that sweat equity can’t be put on a balance sheet somewhere. The operators of golf courses that are not corporate are generally doing it because they love the game, or the people, or the community. I can tell you, it’s not to get rich.”

They say what doesn’t kill you only makes you stronger but they might get an argument from Leonard just now.

Although he does admit he’s learned plenty over the past year. Asked to identify the single biggest lesson, he says aside from hiring the best attorneys you can possibly afford, prospective owners should, know all of your business, not just one aspect.

“I am a Class A golf course superintendent,” Leonard says. “I completed both PGA business schools and have been a director of golf for several years. My wife runs food and beverage as well as member relations but we both were unsure of some important things when it came down to it.” GCI