2012
Capital Dues Plan Vote
& Membership Drive
Introduction

Just like your home, our Club has a multitude of Capital Projects required to maintain and enhance the facilities. In your home, this is needed to protect your investment. At Hermitage this is needed to grow membership, which keeps our dues down.

Given the economy and member feedback, your Board has rejected additional bank debt, member financed debt, or assessments, as a means to pay for future Capital Projects. As a result, we are proposing the creation of a Capital Dues Plan. Such a program is a prevalent practice at competing clubs. If approved, this would be itemized separately on our bills, and segregated from other revenues consistent with a pending change to our by-laws.

What follows is a “prospectus” type document for a Capital Dues Plan Vote. Essentially, it is designed to answer the following question; “What is the Club doing to assure us that everything possible is being done to keep our dues (including capital dues if approved) as low as possible?”

While we will continue our focus on expense control, we will now make membership growth our absolute top priority. Simply put; We need more members to reduce your share of operating expenses (i.e. regular dues). We want more members to keep your contribution to Capital as low as possible (i.e. capital dues).

This document is divided into four sections:

Current Status
Selling Hermitage-Planned Enhancements
2012 Membership Drive
Capital Dues Plan

The Current Status briefly reviews why we are-where we are. The Selling Hermitage-Planned Enhancements section describes the actions the Board is prepared to take if the Capital Dues Plan passes. The 2012 Membership Drive is our plan for 2012 regardless of whether the Capital Dues Plan passes (you are not being asked to vote on the Membership Drive). The Capital Dues Plan section is the proposal upon which you will vote.

In deciding how to cast your vote, you should assume that if passed, the Board will proceed as outlined herein. However, economic circumstances, especially like we’ve experienced the last few years, are dynamic and require constant re-evaluation. Consequently, this Plan is subject to change should the Board determine that such changes are in the long term financial interests of the Club. Any changes requiring a vote by by-law shall be put to the membership.

This Plan represents your Board’s assessment of your feedback and the resulting recommendation. Thank you!
I. Current Status

We Share a Passion for our Club!

In November we held three very well-attended town hall meetings focused on the future of our Club. You heard details about our financials and the challenges we face. Your feedback from those meetings has resulted in this plan. Now we all get to vote and decide on the future of our Club.

Here are the Priorities We Heard

1. Protect our Assets, Especially our Golf Courses
2. Continue to Control Expenses
3. Do What’s Necessary to Grow Membership
4. Reduce our Debt

A Tradition and Foundation for Success

Hermitage has a rich history and is financially stable. We have two excellent golf courses and a great sports center. Hermitage is a top choice of prospective members.

The Economy is our Primary Challenge

A poor economy has resulted in full members shrinking from 860 to 723 over the last 4 years. Despite aggressive expense reductions, it is clear that expenses will run the risk of exceeding revenues, if this trend continues.

Here is the Risk

If membership continues to shrink (or expenses rise because of inflation), dues levels going forward will need to rise accordingly. Dues levels are simply a function of operating costs divided by the number of members. Fewer members equal higher dues.

Our Primary Objective

Simply stated, our primary objective is to stop membership attrition and grow membership and dues revenue.

The Opportunity is NOW

Private club initiation fees are like today’s Real Estate market. Shrinking demand makes it a buyers’ market. Our superior product and strong financials give us the flexibility and staying power that many clubs do not have. We can exploit our strengths, but the time to do so is NOW.
II. Selling Hermitage-Planned Enhancements

Member feedback has resulted in this plan. In terms of these Enhancements and the Membership Drive, it is aggressive. They are not acts of desperation. We are exercising the foresight expected of successful enterprises. We should not procrastinate and have regrets about doing too little. It is difficult to imagine any meaningful, negative consequences from doing too much.

The GOAL
Our goal is to attain full membership. We are at 723 full members and we have established a goal of returning the Club to our prior peak of 860 full members.

The Results
- Reduced Debt
- Stabilized Dues
- Increased Capital

Selling Hermitage
Like marketing Real Estate, before we put Hermitage membership on the market, we need to make certain it is presented in the best possible light. Fortunately, we have two great golf courses and recently added an inviting new entrance and a very popular short game area. What else do existing and prospective members want?

A Pool Befitting Hermitage
There is a growing consensus that any successful Membership Drive requires that we dramatically improve our existing pool facility. Unfortunately in this economy, we simply cannot afford a new pool, nor can the Club ask you for more money without spending some of what you’ve already paid. We have accumulated $2.6 million in cash on our balance sheet. Therefore, we are prepared to utilize up to $1 million of that cash (and potentially some amount of additional cash generated from any capital dues program), to renovate our existing facility if this program is approved. We will bid renovation alternatives of the existing facility. All renovations will be completed after Labor Day 2012 and we will have a Grand Reopening on Memorial Day 2013. It is time to put this debate behind us.

The 1900 Tavern
Beginning in late 2012 we will begin transitioning The Turn into a Mixed Bar. This is a modest change but one for which we have heard resounding demand. The Grand Opening of The 1900 Tavern will be Super Bowl Sunday, 2013. We believe this will have broad appeal to existing and prospective members alike.

These projects will remove lingering doubt among prospective members about our commitment and emphasize an important difference between Hermitage and many clubs in this economy; our Club is financially stable and willing and able to respond to what the membership wants.
III. 2012 Membership Drive

Hopefully, it is clear that each of us has a vested interest in the success of our 2012 Membership Drive. Here is the plan:

Step 1  Hermitage Needs All of Us

Products, no matter how good, must be sold. We will be recruiting members to help us target prospects from businesses, relocations, neighborhoods, and people we know who are looking for a change.

We have also developed an aggressive member incentive. Any primary sponsor of a Group 1 or 2 Full Golfing Member will be eligible to receive the following new member recruitment incentive:

- One New Member = One Month of Dues
- Two New Members = Three Months of Dues
- Three New Members = Six Months of Dues
- Four or More New Members = Twelve Months of Dues

Step 2  New Member Recruitment Programs

Salespersons, no matter how talented or motivated, need good products to sell. The following programs have been established based upon our current assessment of the market for private club memberships. Current supply and demand dictate that we reduce our fees. Obviously, all of us (especially those that joined at higher Initiations) prefer that the economy were stronger and that we could continue to attract new members at higher rates. This is not our reality. We believe these new programs are extremely attractive, market driven and will result in membership growth and keep our dues levels down.

Here are our 2012 Membership Drive Promotions:

**New Lower Initiation Fees**

<table>
<thead>
<tr>
<th>Age</th>
<th>Group I Full</th>
<th>Social Athletic</th>
</tr>
</thead>
<tbody>
<tr>
<td>35 &amp; under</td>
<td>$15,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>36 – 45</td>
<td>$20,000</td>
<td>$12,500</td>
</tr>
<tr>
<td>46 – 64</td>
<td>$25,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>*65 +</td>
<td>$10,000</td>
<td>$ 5,000</td>
</tr>
</tbody>
</table>

* Must be paid in full. Due to the reduced fee, financing is not offered for 65+.

**Legacy Special**

Initiation Fees for Legacy candidates will be offered at a 50% discount of the current $15,000 fee. The Legacy Program applies to qualified candidates. *Reference Membership Guidelines in the bylaws.*
III. 2012 Membership Drive (continued)

Amnesty Program
Former members that resigned over 12 months ago in good standing may reinstate their membership by June 30, 2012 without any additional initiation fees.

Initiation Fee Payment Terms *(Groups Not Eligible)*

<table>
<thead>
<tr>
<th>Plan</th>
<th>Down Payment</th>
<th>Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option A</td>
<td>Pay in Full</td>
<td>10% Discount</td>
</tr>
<tr>
<td>Option B*</td>
<td>50% Down</td>
<td>5% Discount/5 Year/Paid Annually 0% Interest</td>
</tr>
<tr>
<td>Option C*</td>
<td>20% down</td>
<td>10 Year Amortization 0% Interest Paid Monthly, Quarterly or Annually</td>
</tr>
</tbody>
</table>

* Options B & C require a Promissory Note with the Club.

Group Initiation Discount *(These fees are to be paid in full upon activation.)*
Any eligible individuals who collectively initiate the joining process as a Group of the noted number of candidates for membership shall be deemed a Group Member. All members of such group shall present and hold a common affiliation. A cap of no more than 50 members may be classified as Group members.

*Your Foursome or Group* Package

<table>
<thead>
<tr>
<th>Level</th>
<th>Bring in 1-2 Foursomes Minimum 4/Maximum 8</th>
<th>Initiation Fee- $11,000/person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level II</td>
<td>Bring in 3-4 foursomes Minimum 9/Maximum 16</td>
<td>Initiation Fee- $ 9,000/person</td>
</tr>
<tr>
<td>Level III</td>
<td>Bring in 5-6 foursomes Minimum 17/Maximum 24</td>
<td>Initiation Fee- $ 7,000/person</td>
</tr>
<tr>
<td>Level IV</td>
<td>Bring in more than 25 individuals Minimum 25</td>
<td>Initiation Fee- $ 5,000/person</td>
</tr>
</tbody>
</table>
Ill. 2012 Membership Drive (continued)

Early Bird Special
The earliest applicants to be admitted under this Membership Drive will receive the following incentives:

<table>
<thead>
<tr>
<th>Level</th>
<th>Members</th>
<th>Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level I</td>
<td>1st 10</td>
<td>Three Free Months of Dues</td>
</tr>
<tr>
<td>Level II</td>
<td>2nd 10</td>
<td>Two Free Months of Dues</td>
</tr>
<tr>
<td>Level III</td>
<td>3rd 10</td>
<td>One Free Month of Dues</td>
</tr>
</tbody>
</table>

Membership Drive Kick-offs
A sub-committee of members will be formed to plan events and promote the Membership Drive to different groups.

Prospective Member Golf Tournament
Bring out your guests for free golf and lunch - three guests per member limit. The event will include a brief talk with details on the terms of the Membership Drive. Contact the membership office to sign up your guests.

Date: Saturday, April 28th

Prospective Member Mixed Doubles Tennis Tournament
Members may invite up to three guests for a free Friday night tournament following a brief talk with details on the Membership Promotions.

Date: Friday, April 27th

Campaign Deadline
We’ve attempted to set these programs and rates “at market”. This campaign lasts through June 30th, 2012, after which the Board will reassess the marketplace and economic conditions and reset the plan accordingly.
IV. Capital Dues Plan

Funding Our Future

Often under challenging times, our predecessors boldly moved Hermitage forward, leaving us with the great Club we have. They moved the Club to Goochland, built the “new” nine, and incurred the debt required to finance a needed Manakin renovation and the construction of the Sports Center. Like them, we are faced with our own challenges and obligations, and need to plan for them accordingly. Here is the short list of current major projects that Hermitage will have to address in the not too distant future (shared at the Town Hall Meetings):

- Cart Path Renovation
- Golf Course Irrigation
- Golf Course Maintenance Equipment Storage Buildings
- Golf Course Restrooms
- Golf Course Storm Shelters
- Natural Gas Hookup
- Renovation of Ballroom/Corridor/Galloway Grille
- Transition Outdoor Tennis Courts to Hydro Courts (4)
- Water Tie-In, Plus Paving/Curbing

Given the economy and your feedback, your Board has rejected additional bank debt, member financed debt, or assessments, as a means to pay for these. As a result, we are proposing the creation of a Capital Dues Plan. Such a program is a standard practice at competing clubs. If approved, this would be itemized separately on your bill and segregated from other revenues consistent with a pending change to our by-laws.

Capital Dues Levels (Four years in conjunction with the refinancing of our debt.)

We are asking Stockholders to vote on per member per month amounts “Up To” the amounts shown below (you are not being asked to vote on the Membership Drive). If passed, the 2012 Capital Dues will be implemented in July, 2012. A net present value option will be available.

<table>
<thead>
<tr>
<th>Member Classification</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 1</td>
<td>Up to</td>
<td>$50</td>
<td>$60</td>
<td>$75</td>
</tr>
<tr>
<td>Group 2</td>
<td>Up to</td>
<td>$40</td>
<td>$50</td>
<td>$60</td>
</tr>
<tr>
<td>Group 5</td>
<td>Up to</td>
<td>$35</td>
<td>$40</td>
<td>$50</td>
</tr>
<tr>
<td>Group 9, 11, 12</td>
<td>Up to</td>
<td>$20</td>
<td>$20</td>
<td>$25</td>
</tr>
</tbody>
</table>

Implementation

The precise amounts will not be determined until the Membership Drive closes on June 30th. Obviously, higher membership numbers create additional dues and initiation revenues, which may alter our Capital Dues needs. That is why you are being asked to vote on an amount “Up To.” Under no circumstances will it be in excess of this amount.