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New Jersey Law Journal

NEWS

\$1.7M New Jersey Settlement: Ex-Members Get Refunds as Interest in Golf Wanes

Media reports indicate American's interest in golf has fallen off dramatically in recent years, although the sport saw a revival in popularity during the latter part of the COVID-19 pandemic.

August 28, 2023 at 03:11 PM

4 minute read



Charles Toutant

What You Need to Know

- Judge approves \$1.7 million class action settlement between golf club and former members who sought membership refunds.
- Golf clubs have changed their business models as interest in the sport has fluctuated in recent years.
- The settlement will be paid out to ex-members in installments over five years, while legal fees will be paid after class members are made whole.

As the golf industry undergoes upheaval, some country clubs in New Jersey have faced suits from former members who were unable to obtain refunds of their membership fees.

The latest case ended on Aug. 25 when the assignment judge for Somerset, Hunterdon and Warren counties, Kevin Shanahan, granted final approval to a \$1.7 million settlement between the Raritan Valley Country Club and 193 former members.

The suit was brought on behalf of a class of people who paid as much as \$20,000 each to join the club, which is in Bridgewater, New Jersey, then resigned when they moved away or lost interest.

The class members were left empty-handed when the club altered its policies on refunds of membership fees, the suit claimed.

The settlement allows class members to recover 62 cents on every dollar they paid in membership fees, said Robert Dowd of the Law Offices of Robert Dowd in Ridgefield Park, New Jersey, who represented the plaintiffs and the class, along with attorney Gary Graifman of Kantrowitz Goldhamer & Graifman in Montvale, New Jersey.

Raritan Valley Country Club was represented by Michael McDonald of Gibbons. In an email, he said the settlement “allows both parties to avoid the prospect of protracted litigation and enables Raritan Valley Country Club to focus on running a first rate golf club. After a thorough analysis of all of the circumstances, Judge Shanahan agreed that the settlement reached was fair and reasonable to all.”

The settlement will be paid out to ex-members in installments over five years, and the \$371,020 in legal fees will be paid in 2027 and 2028, after all the class members are made whole, said Dowd.

“These are individuals who are waiting upwards of 15 years for deposits. A lot of them have retired or moved away. Some had passed away,” Dowd said. “So expediting, front loading the payments to them was a big objective of ours.” he said.

Asked if he was worried about getting paid, Dowd said, “The payout depends on Raritan Valley being a going concern and in business for the next five years. Every indication we have is that this is a healthy club and doing well.”



Gary S. Graifman of Kantrowitz, Goldhamer & Graifman. Courtesy photo

Class representatives include Charles Cure, who paid \$20,000 for a proprietary membership in the early 90s, and William Freitag, who paid \$12,970 for a proprietary membership in 1994.

Buying a proprietary membership gave members the right to a share of the club’s assets if it ever dissolved, according to the suit.

The plaintiffs were led to believe that in the event of their resignation or death, their membership fees would be refunded, the suit alleged. They were given no indication that the club's obligation to repay that amount was contingent or could be evaded indefinitely, the suit claimed.

But around 2008, the club changed its rules to make repayment of membership fees to departing members contingent on sale of new proprietary memberships. And the club began to sell non-proprietary memberships, which allowed full use of the club's amenities, for a considerably lower price than propriety memberships, the suit said.

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"The contract that [class members] signed said we'll give you a refund based on what we receive from future people who are similarly joining and paying us big bucks to to have a membership. But then there weren't any people—that didn't happen. I think that [clubs] were struggling and I think they have changed their method of business and that has led to the issues that we're trying to help resolve on behalf of former members," Graifman said.

Dowd and Graifman have brought similar suits against the Hawk Point Golf Club, which settled for \$1.5 million in 2020, and against the New Jersey National Golf Club, which settled for \$2 million in 2019.

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