

Golf Course Appraisal



SAMMARTINO, STOUT & LO PRESTI

REAL ESTATE ANALYSTS, APPRAISERS & CONSULTANTS

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Introduction

- ▶ Sammartino, Stout & Lo Presti, Inc.
- ▶ Headquartered in Erie, PA
- ▶ Founded 1991
- ▶ 3 MAI appraisers, 2 Certified Appraisers, 2 Trainees, 2 Support Staff
- ▶ Regional firm - Western Pennsylvania, eastern Ohio, southwestern New York (map)
- ▶ Primarily non-residential property types
- ▶ Special Use: Golf Course, Casino, Winery/Vineyard, Car Wash, and others
- ▶ Financing, internal planning, estate planning, condemnation, tax appeal, litigation
- ▶ Robert G. Stout, Jr., MAI & Sergio S. Lo Presti, MAI





Starting an Appraisal

- ▶ Letter of Engagement
- ▶ Identify the Subject and Appraisal Problem
 - ▶ Tax records, deeds, intended use, value date, value definition
- ▶ Request Letter
 - ▶ Site and building plans; leases; 3 year history of income, expenses, rounds, greens fees, membership count and fees; scorecard; FF&E inventory & depreciation schedule
- ▶ Inspection
 - ▶ Land
 - ▶ Site Improvements
 - ▶ Golf Course
 - ▶ Clubhouse & Outbuildings

Land and Site Inspection

- ▶ Total Acres, Surplus Land, Excess Land
 - ▶ 18 holes: 100 to 200 acres
- ▶ Frontages, wetlands, flood, topography, utilities, easements, restrictions, etc.
- ▶ Adverse Factors
 - ▶ Example: private club with 3 holes on leased land, year to year for \$1
- ▶ Site Improvements
 - ▶ Parking lot(s), golf cart paths, signage, landscaping, lighting, pond(s), irrigation system, tennis court, swimming pool, golf course restrooms / shelters, golf hazards, and the golf course

Golf Course Inspection

▶ Process & Sources

- ▶ Aerial imagery
 - ▶ Google Earth, Google Maps, Bing Maps, County or other GIS
- ▶ On-site viewing
 - ▶ From clubhouse, from parking lots, from golf cart
- ▶ Sources
 - ▶ Public data, USGA data, scorecard, management, website & golf course superintendant interview

▶ Important Factors

- ▶ Year Built / Architect
- ▶ Holes / Par / Tee Positions / Yardage (min. to max.)
- ▶ Slope Rating (55 very easy to 155 extremely difficult, 113 standard by USGA)
- ▶ Course Rating (greater than par = more difficult, less than par = easier)
- ▶ Grass type, typical tee box size (varies), typical green size (4,000 - 6,000 sf+), fairway and rough size, irrigation system, hazards, cart paths, practice facilities, **overall condition and quality**

Definitions

- ▶ **Scratch Golfer:** one who can play to a Course Handicap of zero on any and all rated golf courses.
- ▶ **Bogey Golfer:** one with a Course Handicap of 20 (24). He (she) can hit tee shots an average of 200 (150) yards and can reach a 370 (280)-yard hole in two shots.
- ▶ **Course Rating:** The USGA mark that indicates the evaluation of the playing difficulty of a course for scratch golfers. It is based on yardage and other obstacles to the extent that they affect the scoring difficulty of the scratch golfer. Example: 68.5
- ▶ **Slope Rating:** the USGA mark that indicates the measurement of the relative difficulty for the bogey golfer compared to the Course Rating. Slope Rating is computed from the difference between the bogey rating and the Course Rating. The lowest Slope Rating is 55 and the highest is 155. Example: 125

Course Profile Example

Club/Course Name			City		State	
The Kahkwa Club - The Kahkwa Club			Erie		PA	
Tee Name	USGA Course Rating (18)	Slope Rating (18)	Front (9)	Back (9)	Bogey Rating (18)	Gender
Black	72.7	136	36.7 / 136	36.0 / 136	97.9	M
Blue	70.9	132	35.6 / 131	35.3 / 133	95.5	M
White	68.9	130	34.5 / 128	34.4 / 132	93.1	M
Green	66.1	120	33.2 / 119	32.9 / 121	88.4	M
Family	57.4	97	28.6 / 96	28.8 / 98	75.4	M
Black	79.3	140	39.9 / 138	39.4 / 142	112.4	F
Blue	77.1	135	38.6 / 132	38.5 / 138	109.0	F
White	74.8	130	37.4 / 128	37.4 / 132	105.5	F
Green	72.1	127	36.3 / 126	35.8 / 128	102.1	F
Family	58.6	93	29.3 / 92	29.3 / 94	80.5	F

Clubhouse Inspection

- ▶ Process & Sources
 - ▶ Exterior and interior viewing, on-site measurements, management and/or ownership interview, public records
- ▶ Important Factors
 - ▶ Age and original design, recent updates or required repairs
 - ▶ Exterior materials
 - ▶ Mechanicals
 - ▶ Interior finishes
 - ▶ Size, layout, amenities (functionality)
 - ▶ Typically superadequate - built during periods of greater demand
 - ▶ Overall quality and condition
 - ▶ Other buildings: pro shop, cart storage, maintenance, pool house, residence, etc.

Property Inspection

- ▶ Handout example

Market Analysis – U.S. & State

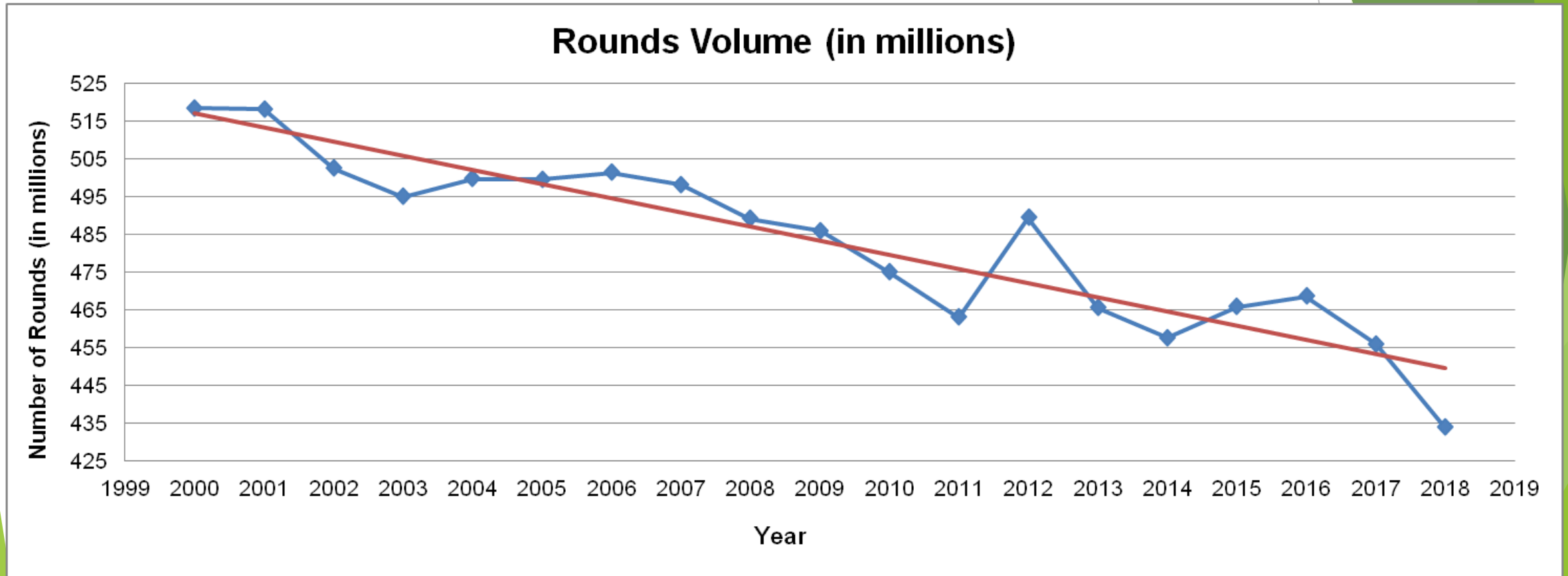
▶ National Market

- ▶ National Golf Foundation
- ▶ 2018 rounds played down -4.8% to 234 million, a 21st century low
- ▶ Most rounds played come from 50+ age groups
- ▶ 2018 golf participants increased to 24.2 million (at least once per year)
 - ▶ More people playing less golf
- ▶ Golf participation best among \$75,000+ income brackets
- ▶ Nearly 200 facilities per year closing, -1.2% per year

▶ Pennsylvania

- ▶ 2018 rounds played down -13.6%
- ▶ 2012 - 2018 rounds played down -20.4%
- ▶ 2012 - 2018 # of facilities down -5.0%
- ▶ Ranks 8th in number of golfers while 5th in population

Market Analysis - Demand



Analysis: national rounds volume (demand) has been in general decline even after considering weather factors. Over rate: -1% per year since 1999.

Market Analysis - Demand

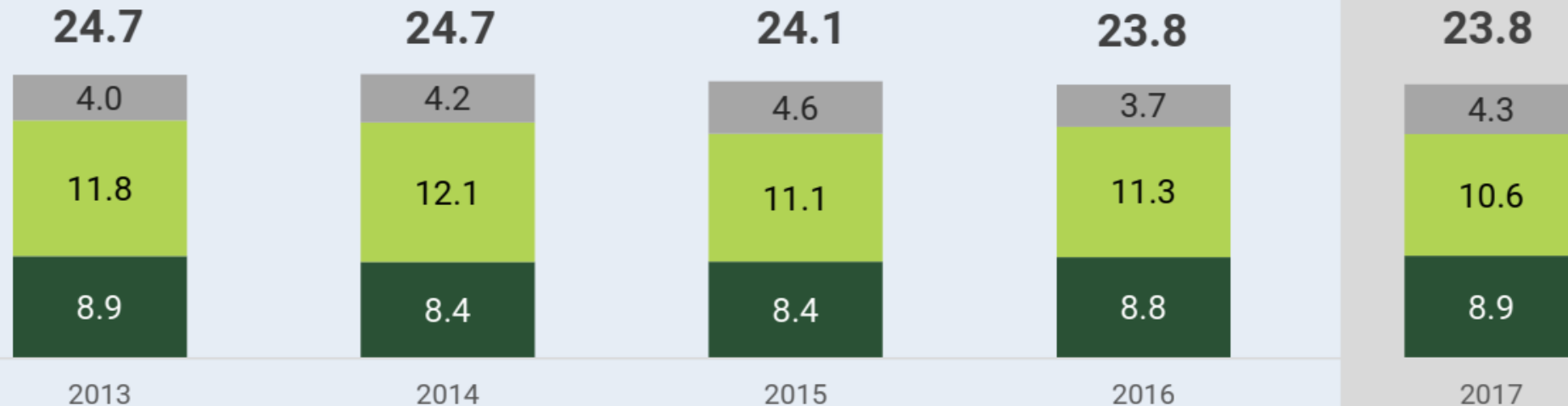
Number of Golfers by Golf Engagement Segment

People age 6+ who played at least one round of golf on a golf course (in millions)

■ Passionate

■ Casual/Recreational

■ Non-committed

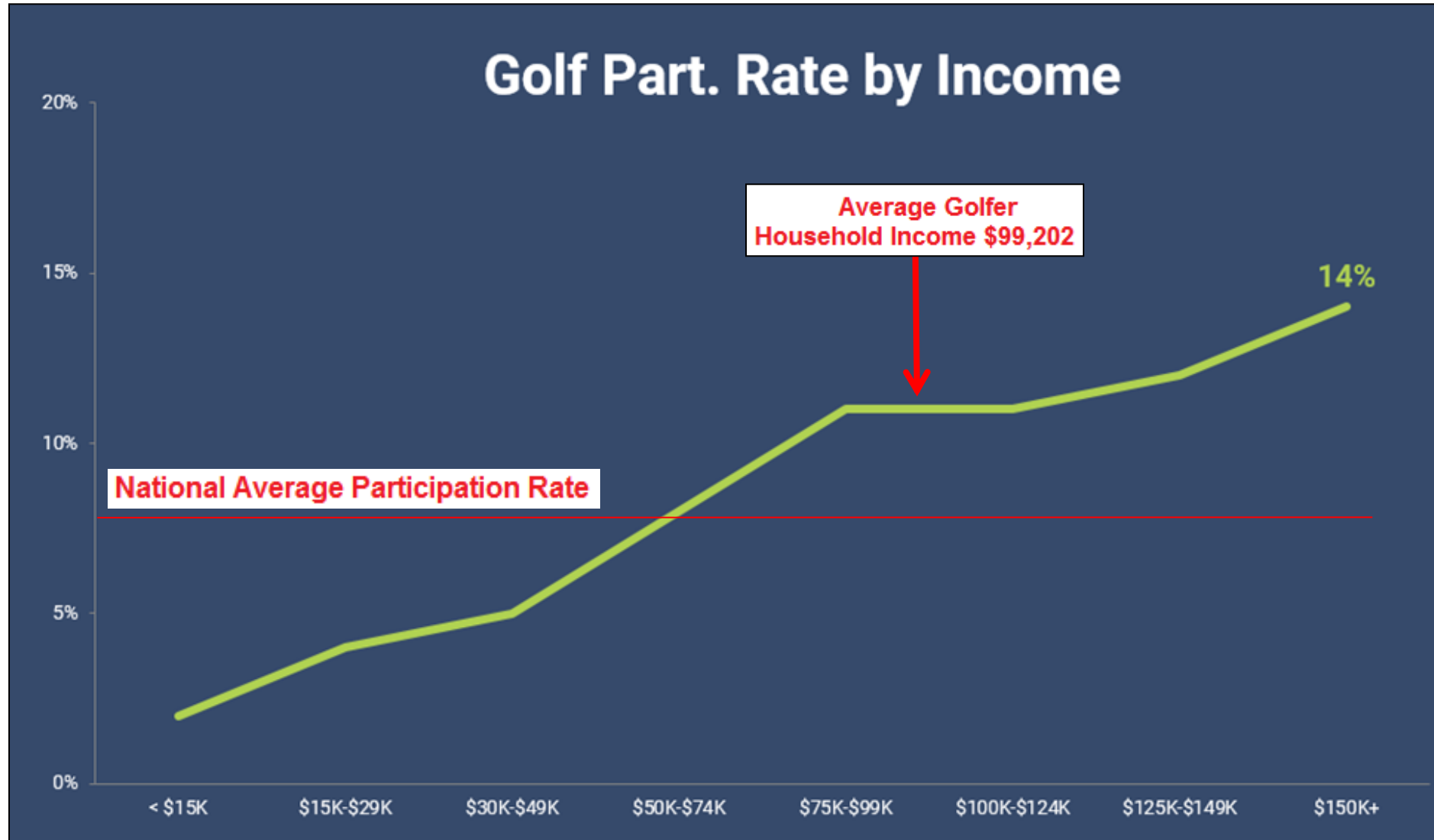


2018

24.2

Analysis: rounds played at all time low but number of golfers at 4-year high. More golfers playing less golf.

Market Analysis - Demand



Market Analysis - Demand

Effect of Population Growth & Aging

— Participation rate
■ Golfers (MM)

MODEL SCENARIO

Reasonable best

Risk among GenX

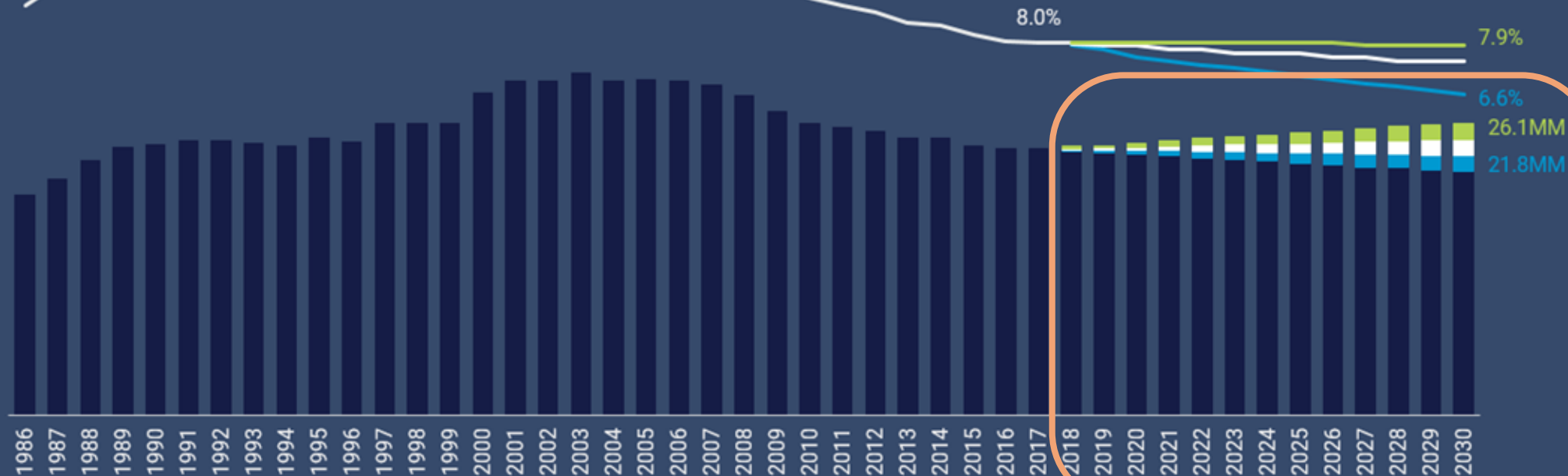
Reasonable worst

AGE SEGMENT PART RATE

→ No change in rates by age

→ Decrease 35-49 (-2%/year)

→ Decrease all ages (-1.5%/year)



Market Analysis - Supply

Total Golf Facility Supply

A golf facility is a business location where golf can be played on one or more golf courses.

■ Daily Fee ■ Municipal ■ Private

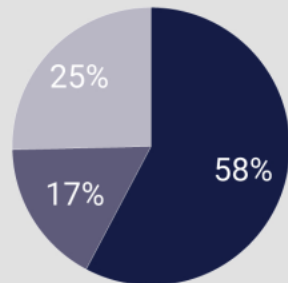


2018

14,613

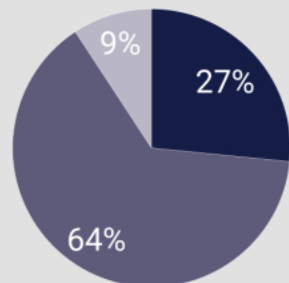
Facility Segments

Type
■ Daily Fee ■ Municipal ■ Private



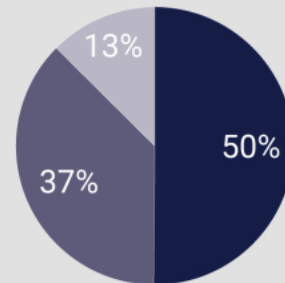
Number of Holes

■ 9 ■ 18 ■ 27+



Public Greens Fee*

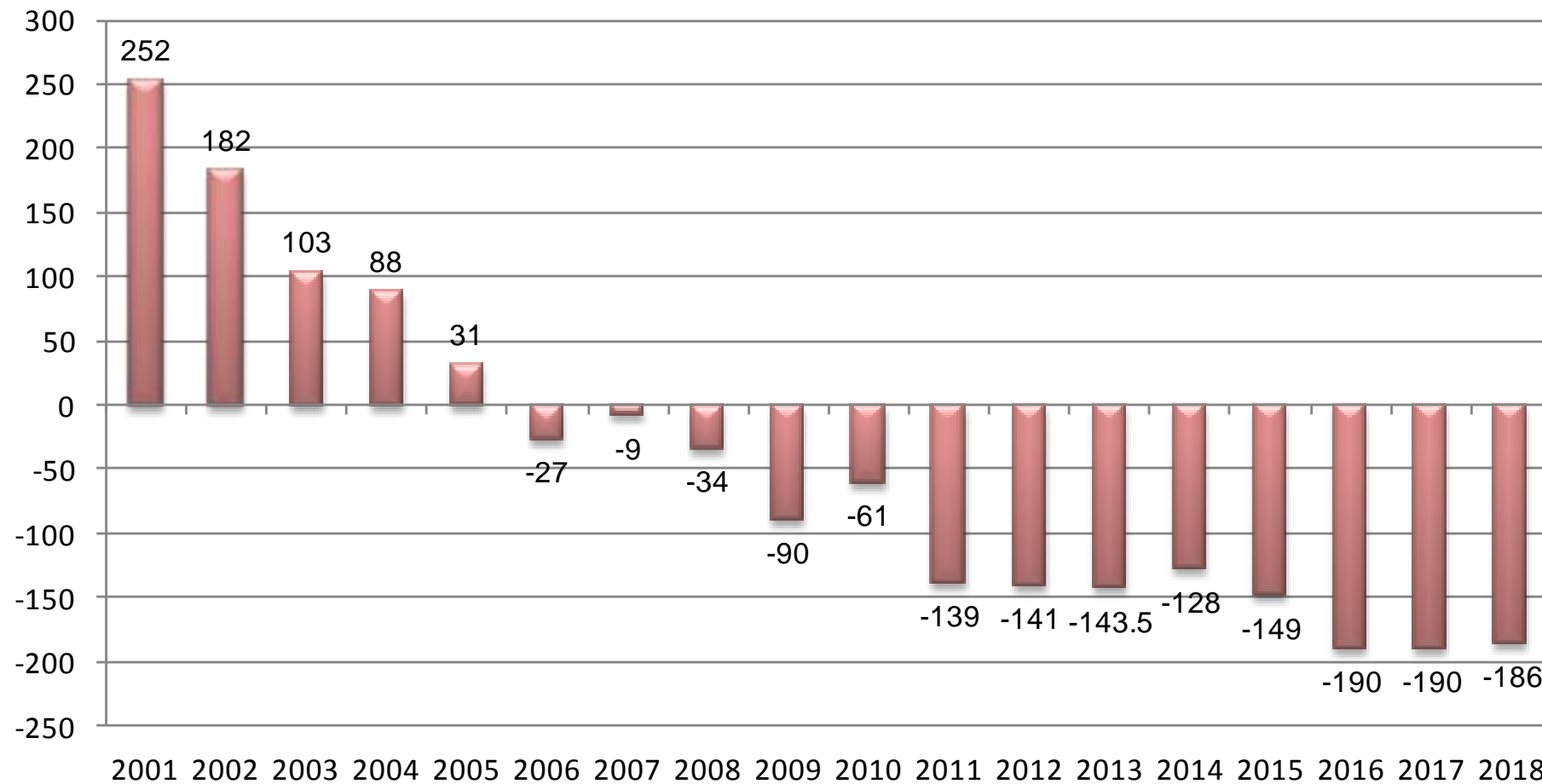
■ <\$40 ■ \$40-\$70 ■ >\$70



* Peak-season weekend fee including golf cart, if available

Market Analysis - Supply

Net Change in Course Supply (18 HEQ)



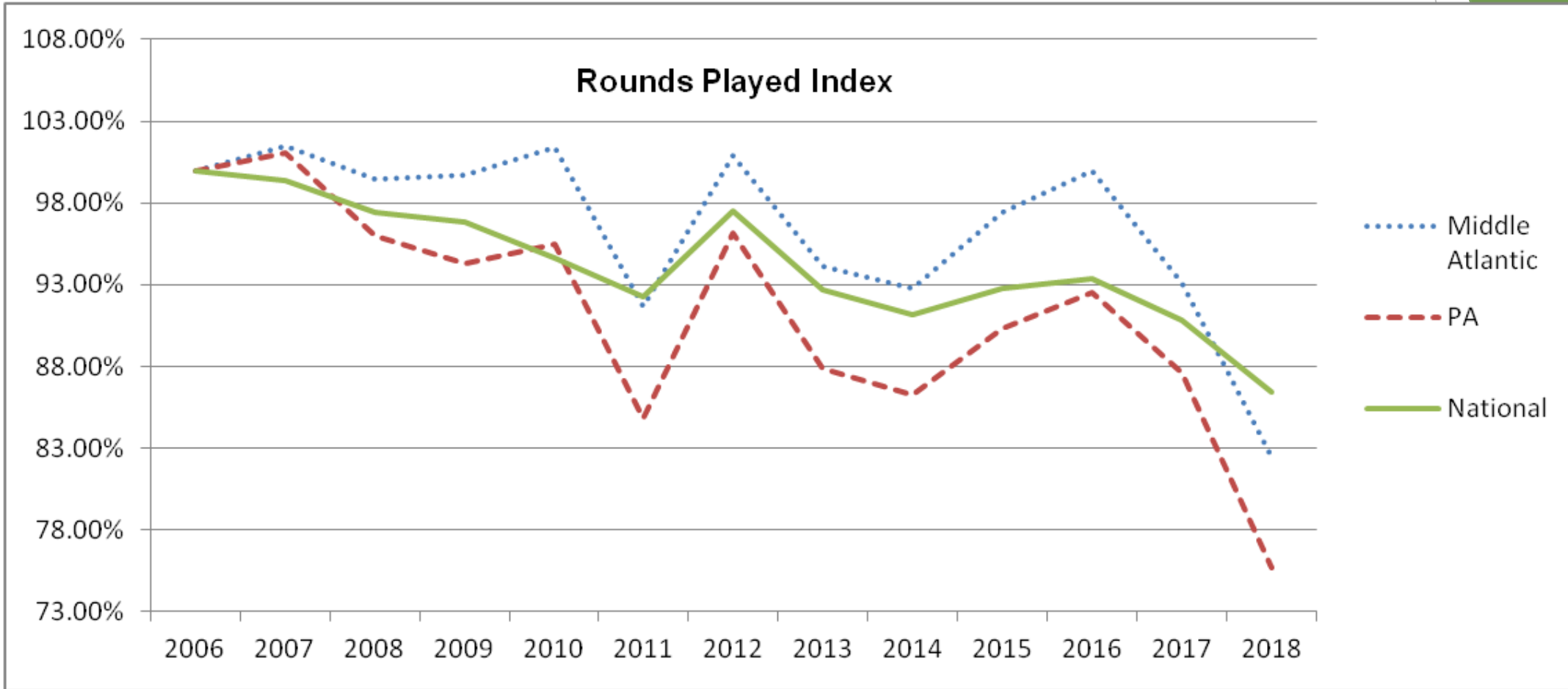
Market Analysis - Region

	Participation Rate	Number of Golfers (000)	Percent of Golfers	Average Annual Rounds	Total Annual Rounds (millions)	
New England	9.0%	1,246	5.2%	19.7	24.6	
Middle Atlantic	7.8%	3,023	12.7%	19.9	60.2	PA: 7.2%
East North Central	9.8%	4,254	17.8%	17.9	76.0	
West North Central	9.8%	1,916	8.0%	18.9	36.2	
South Atlantic	7.4%	4,434	18.6%	21.3	94.5	
West South Central	6.0%	1,061	4.5%	20.3	21.5	
West South Central	6.3%	2,277	9.6%	18.6	42.4	
Mountain	9.0%	1,985	8.3%	18.1	36.0	
Pacific	7.4%	3,634	15.2%	17.8	64.5	
Total	8.0%	23,829	100.0%	19.1	456.0	

Market Analysis - Region

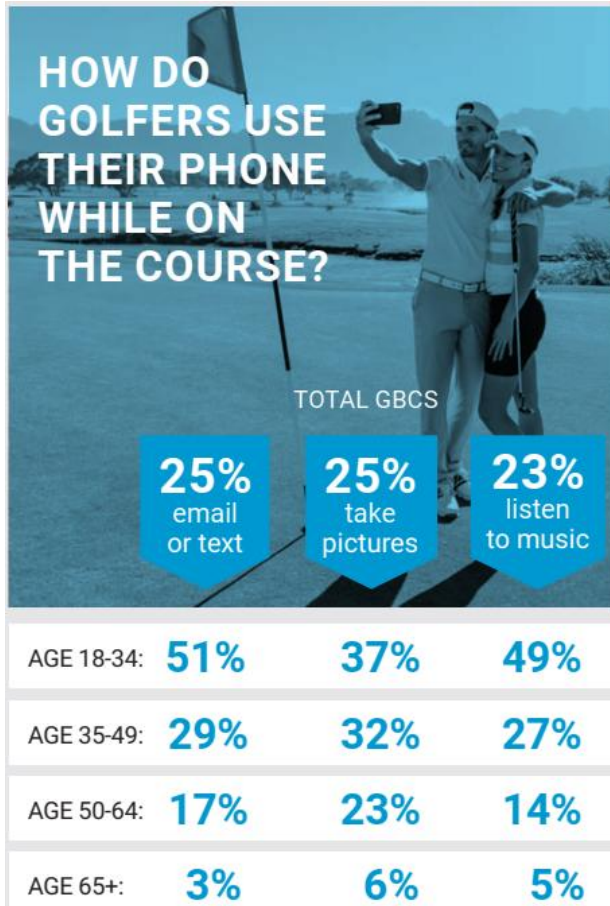
Golf Rounds Played					
Time Period	National	Middle Atlantic	Pennsylvania	East North Central	Ohio
2018	-4.8%	-11.4%	-13.6%	-7.7%	-10.5%
2017	-2.7%	-6.9%	-5.3%	-5.3%	-5.8%
2016	0.6%	2.6%	2.4%	-0.7%	6.2%
2015	1.8%	5.0%	4.7%	7.2%	8.2%
2014	-1.7%	-1.4%	-1.8%	-3.6%	-5.6%
2013	-4.9%	-6.7%	-8.6%	-8.8%	-8.5%
2012	5.7%	10.1%	13.3%	10.8%	13.9%
2011	-2.5%	-9.6%	-11.1%	-9.3%	-14.0%
2010	-2.3%	1.7%	1.2%	-1.9%	-4.4%
2009	-0.6%	0.2%	-1.7%	0.6%	3.3%
2008	-1.8%	-2.0%	-5.1%	-1.7%	1.2%
2007	-0.6%	1.5%	1.1%	-1.7%	-1.1%
2006	0.3%	1.5%	N/A	-0.5%	N/A
2005	-0.02%	-0.1%	N/A	-0.7%	N/A

Market Analysis - Region



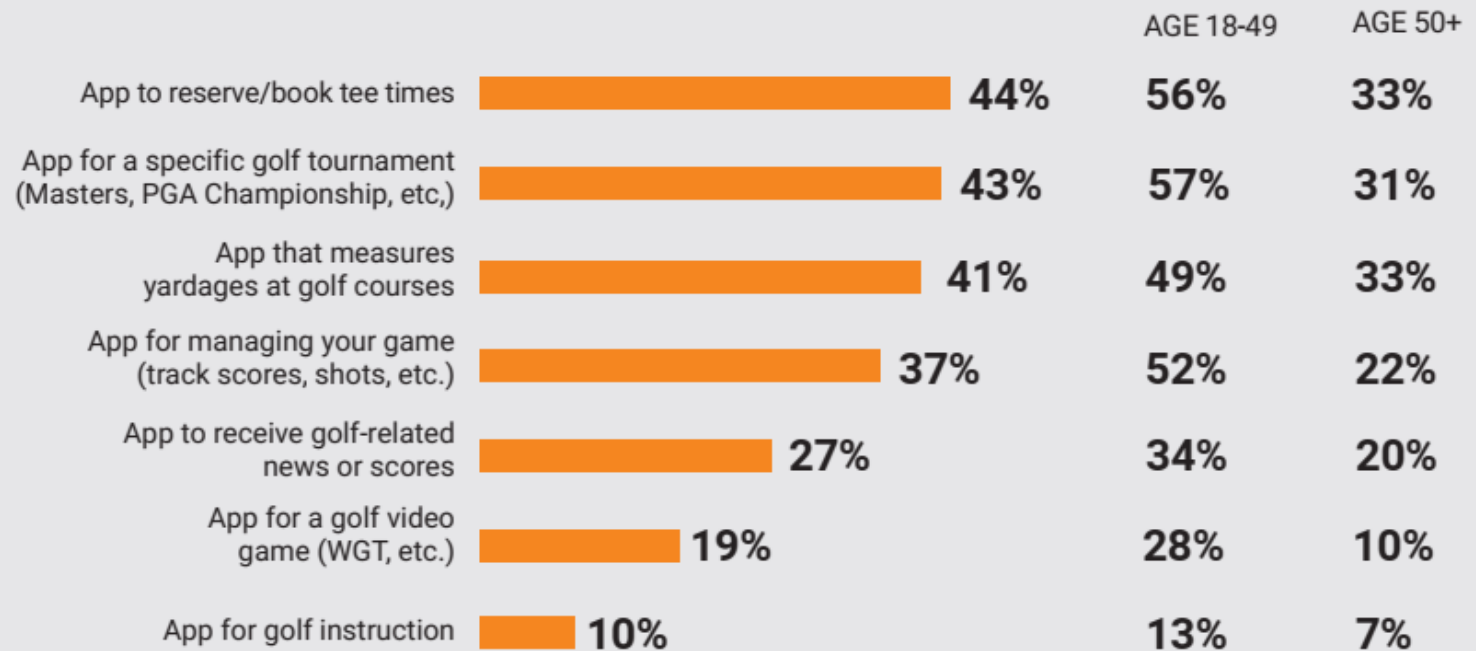
Analysis: Pennsylvania has lagged behind the U.S. average. Less demand than the country has a whole.

Market Analysis – Technology



TYPES OF GOLF-RELATED APPS DOWNLOADED

Among mobile device users



Analysis: Technology is changing the industry.

Market Analysis - Local

- ▶ Local Market
 - ▶ Research Techniques
 - ▶ Market interviews, appraisal files, public data
 - ▶ Demographic Data
 - ▶ Direct and Indirect Competition
 - ▶ Subject History
 - ▶ Examples: next slides

Market Analysis – Demographics

Population										
Area / Year	2000	2010	2015	2020	2000 - 2010 % Change	Avg. Annual % Change	2010 - 2015 % Change	Avg. Annual % Change	2015 - 2020 % Change	Avg. Annual % Change
Summit Township	5,529	6,603	6,858	7,000	19.4%	1.8%	3.9%	0.8%	2.1%	0.4%
Fairview Township	10,140	10,102	10,252	10,336	-0.4%	0.0%	1.5%	0.3%	0.8%	0.2%
Harborcreek Township	15,178	17,234	17,411	17,457	13.5%	1.3%	1.0%	0.2%	0.3%	0.1%
Millcreek Township	52,129	53,515	53,752	53,809	2.7%	0.3%	0.4%	0.1%	0.1%	0.02%
Subject Neighborhood	11,302	10,863	10,833	10,814	-3.9%	-0.4%	-0.3%	-0.1%	-0.2%	-0.04%
City of Erie	103,717	101,786	101,387	100,862	-1.9%	-0.2%	-0.4%	-0.1%	-0.5%	-0.1%
Erie County	280,843	280,566	280,733	280,243	-0.1%	-0.01%	0.1%	-0.02%	-0.2%	-0.03%
Pennsylvania	12,281,054	12,702,379	12,840,278	12,992,578	3.4%	0.3%	1.1%	0.1%	1.2%	0.2%
U.S.	281,421,906	308,745,538	318,536,439	330,622,575	9.7%	0.9%	3.2%	0.4%	3.8%	0.7%

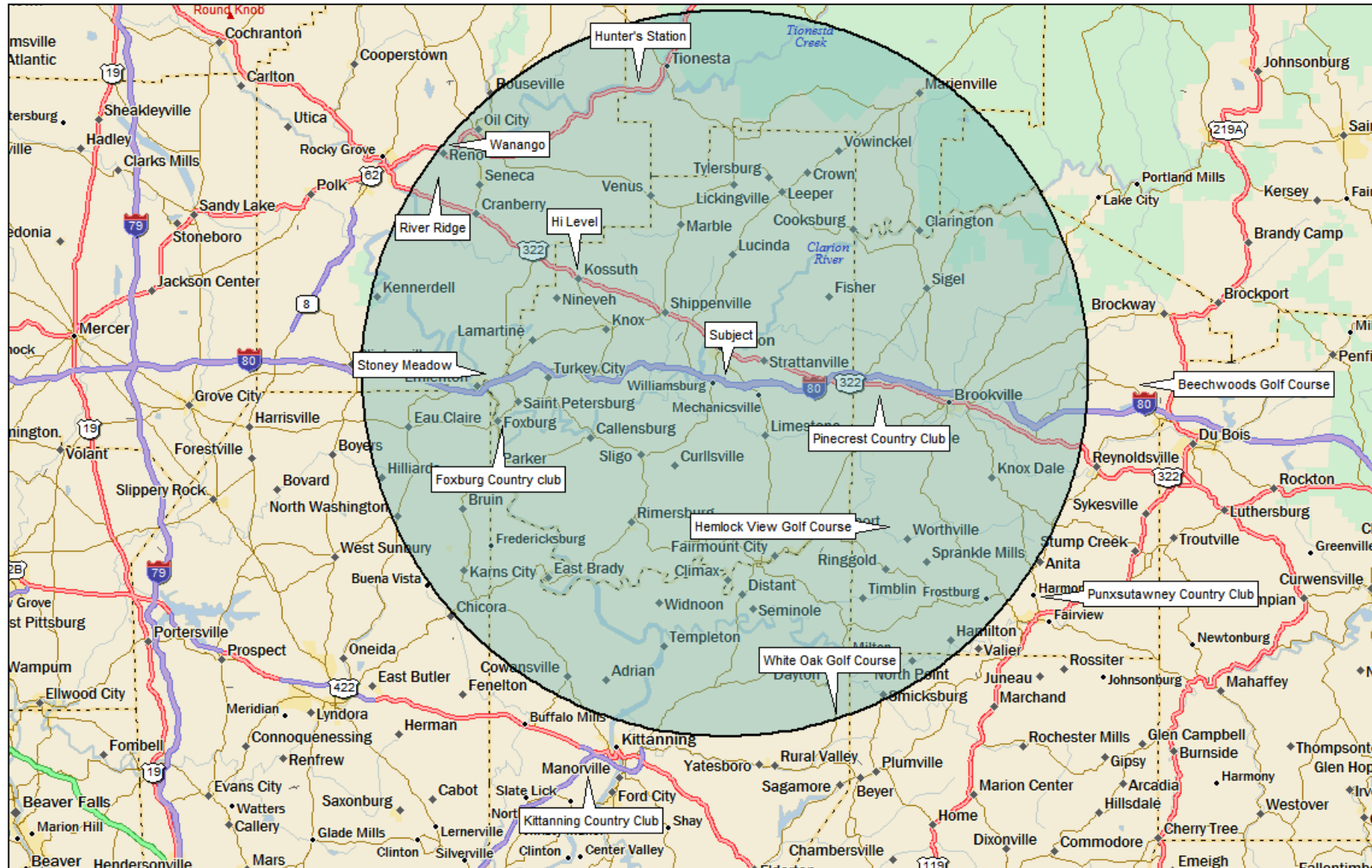
Household Change										
Area / Year	2000	2010	2015	2020	2000 - 2010 % Change	Avg. Annual % Change	2010 - 2015 % Change	Avg. Annual % Change	2015 - 2020 % Change	Avg. Annual % Change
Summit Township	2,110	2,676	2,820	2,899	26.8%	2.4%	5.4%	1.1%	2.8%	0.6%
Fairview Township	3,535	3,814	3,915	3,964	7.9%	0.8%	2.6%	0.5%	1.3%	0.2%
Harborcreek Township	5,398	6,155	6,283	6,335	14.0%	1.3%	2.1%	0.4%	0.8%	0.2%
Millcreek Township	21,217	22,750	23,107	23,233	7.2%	0.7%	1.6%	0.3%	0.5%	0.1%
Subject Neighborhood	4,259	4,403	4,453	4,465	3.4%	0.3%	1.1%	0.2%	0.3%	0.1%
City of Erie	40,938	40,913	40,990	40,888	-0.1%	-0.01%	0.2%	0.04%	-0.2%	0.0%
Erie County	106,507	110,413	111,475	111,707	3.7%	0.4%	1.0%	0.02%	0.2%	0.04%
Pennsylvania	4,777,003	5,018,904	5,101,362	5,170,785	5.1%	0.5%	1.6%	0.1%	1.4%	0.3%
U.S.	105,480,101	116,716,292	120,746,349	125,477,562	10.7%	1.0%	3.5%	0.4%	3.9%	0.8%

Market Analysis – Demographics

Median Household Income										
Area / Income Level	< \$15,000	\$15,000 to \$24,999	\$25,000 to \$49,999	\$50,000 to \$74,999	\$75,000 to \$99,999	\$100,000 to \$149,999	\$150,000+	2015 Median HH Income	2020 Median HH Income	% Change 2015 - 2020
Fairview Township	4.5%	8.5%	18.9%	20.6%	15.0%	12.7%	19.8%	\$70,806	\$80,691	12.3%
Subject Neighborhood	7.0%	9.5%	21.4%	16.6%	12.8%	15.9%	16.8%	\$66,161	\$78,020	15.2%
Harborcreek Township	8.1%	9.5%	21.7%	20.2%	15.1%	19.3%	6.0%	\$60,660	\$72,939	16.8%
Millcreek Township	9.2%	9.7%	23.7%	18.1%	13.8%	14.7%	10.7%	\$57,817	\$67,970	14.9%
Summit Township	5.7%	10.4%	26.4%	22.5%	17.1%	10.4%	7.5%	\$56,036	\$65,009	13.8%
City of Erie	21.9%	15.7%	27.9%	16.7%	9.2%	6.3%	2.4%	\$33,952	\$38,415	11.6%
Erie County	14.4%	12.4%	25.7%	18.2%	12.5%	11.1%	5.6%	\$46,562	\$53,518	13.0%
Pennsylvania	12.7%	10.5%	23.7%	17.9%	12.9%	13.2%	9.3%	\$53,104	\$60,761	12.6%
U.S.	12.8%	10.3%	23.8%	17.6%	12.5%	12.9%	10.2%	\$53,217	\$60,683	12.3%

Source: STDBonline

Market Analysis – Competitors



Market Analysis – Competitors

GOLF COURSES WITHIN A 25 MILE RADIUS					
Course	County	Holes	Course	County	Holes
Wanango Golf Club	Venango	18	Stoney Meadow Golf Course	Clarion	9
Hi Level Golf Course	Clarion	18	River Ridge Golf Course	Venango	9
Clarion Oaks Golf Club	Clarion	18	Hemlock View Club	Jefferson	9
Hunter's Station Golf Course	Forest	18	White Oak Golf Course	Armstrong	9
Pinecrest Country Club	Jefferson	18	Foxburg Country Club	Clarion	9
			Total Number of Courses	10	
			Total Number of Holes	135	

Analysis: the current population in this area is approximately 109,339. This equates to a density of approximately **810 persons per available golf hole**. This is approximately **36% fewer people per hole** than the overall U.S. density of 1,258 persons per available golf hole, indicating that there are fewer potential golfers, by about a third, per available hole in this area than for the nation overall (which is considered oversupplied).

Market Analysis – Demographics

Golf Demographics - 2016						
	5 Mile Radius		15 Mile Radius		25 Mile Radius	
	# of Adults	% of Population	# of Adults	% of Population	# of Adults	% of Population
Total Participation	1,166	10.8%	2,974	8.4%	7,027	7.9%

Source: STDBOnline Sports and Leisure Market Potential

Analysis: The local market has a density of approximately **52 golfers per available golf hole** (7,027 / 135 holes). This is significantly fewer golfers per hole (half) than the overall U.S. density of 94 golfers per available golf hole.

Market Analysis – Competitors

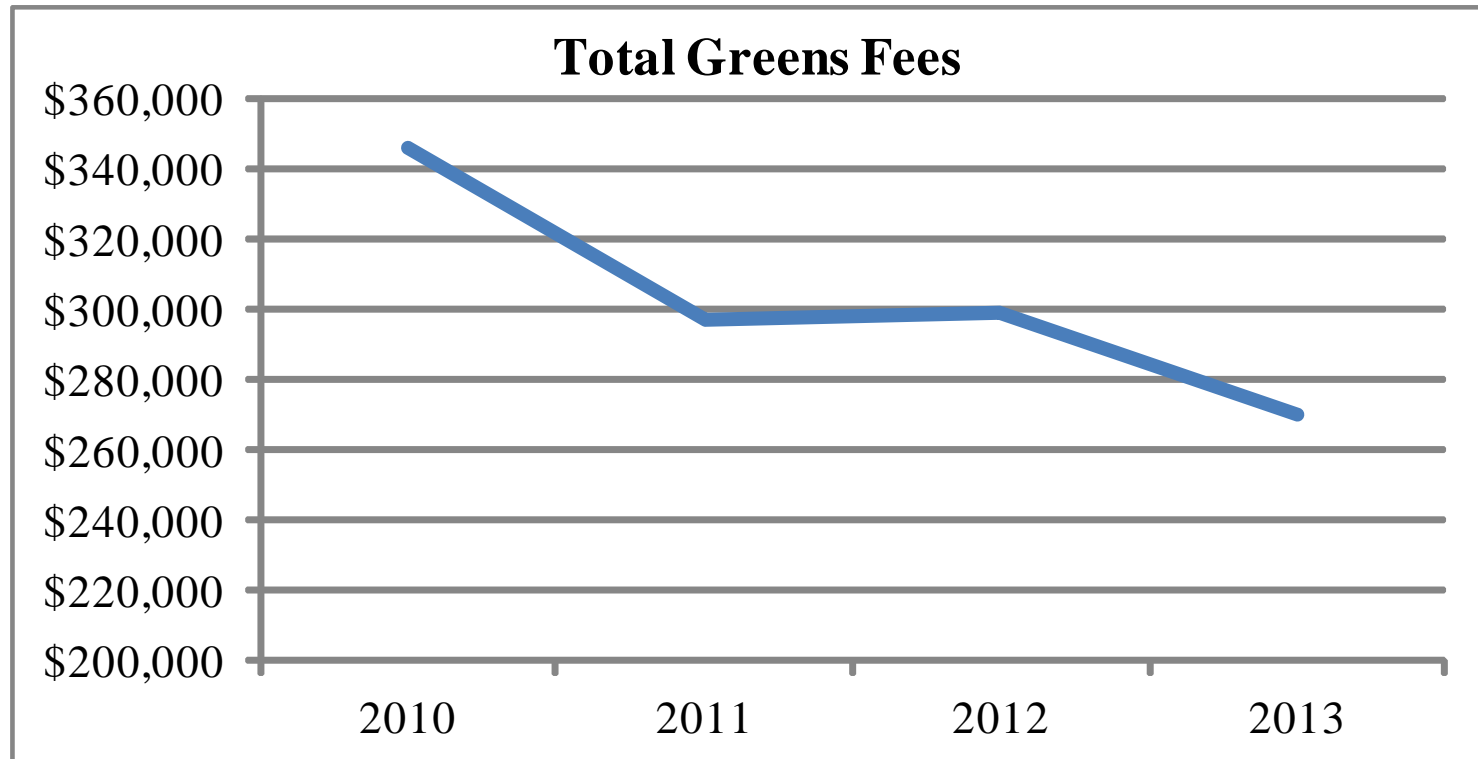
Local Market Courses (18 Holes)						
Course Name		Course Type (# of Holes)	2016 Greens Fees		Slope / Rating	Trend
			Weekday	Weekend		
1	Pinecrest Country Club 29 W. Pinecrest Ln Union Twp. Jefferson Co., PA	SP (18-holes)	Walking	\$24.00 - \$26.00	121 / 74	Unk.
			Cart	\$42.00 - \$44.00		
			(18 holes - non member)			
2	Clarion Oaks Golf Club 649 Mayfield Road Clarion Township, Clarion Co., PA	Daily Fee (18-holes)	Walking	\$20.00 - \$25.00	118 / 73	Flat to declining
			Cart	\$25.00 - \$34.00		
3	Hunter's Station 1723 Hunters Station Road Tionesta Township, Forest Co., PA	Daily Fee (18-holes)	Walking	\$15.00 - \$25.00	109 / 65	Flat to declining*
			Cart	\$25.00 - \$35.00		
4	Hi Level Golf Course 148 Hi-Level Lane Ashland Township, Clarion Co., PA	Daily Fee (18-holes)	Walking	\$15.50 - \$18.50	Unk. / 68	Flat to declining
			Cart	\$28.50 - \$31.50		
5	Wanango Golf Club 314 Chestnut Street Sugarcreek Boro., Venango Co., PA	SP (18-holes)	Walking	\$20.00 - \$30.00	123 / 70	Declining* *
			Cart	\$30.00 - \$40.00		

*This property had been operating at a slow decline with some stability, but a recent road construction project by the commonwealth has impacted its operation. More recent trends are skewed by this factor.

**An appraisal of this property in 2015 revealed declining trends, but more recent information is not available. Calls were not returned.

Market Analysis – Subject History

	Public Course A			
	2010	2011	2012	2013
Lodge Greens Fees	\$110,967	\$107,799	\$103,881	\$101,865
Course Fees	\$235,266	\$189,666	\$195,917	\$168,902
Subtotal	\$346,232	\$297,465	\$299,798	\$270,767



Market Analysis – Subject History

Private Club A				
	2012	2013	2014	2015
Total Members	584	630	625	606
Golfing Members	324	372	375	359
Annual Rounds	15,000 +/-	14,793	15,270	16,426

Private Club B				
	2012	2013	2014	2015
Total Members	415	419	437	453
Golfing Members	194	193	194	197
Annual Rounds	9,984	8,873	7,914	9,601

Market Analysis – Subject History

Private Club A	2011	2012	2013	2014	2015
Member Dues	\$2,433,513	\$2,465,609	\$2,869,989	\$2,931,816	\$2,857,760
Total Cart Rentals	\$202,095	\$222,788	\$188,877	\$213,864	\$250,738
Locker Rentals	\$43,610	\$46,525	\$50,990	\$49,520	\$47,930
Green Fees Guests	\$90,198	\$106,013	\$99,378	\$102,941	\$98,520
Green Fees Outings	\$23,854	\$22,118	\$16,674	\$16,570	\$34,780
Course User Fee	\$1,680	\$1,800	\$825	\$0	\$1,000
Tennis Fees	\$3,384	\$1,920	\$1,705	\$1,760	\$1,930
Junior Tennis	\$3,935	\$4,414	\$4,258	\$2,300	\$2,817
Swimming Pool Fees	\$17,193	\$16,116	\$13,718	\$10,913	\$10,763
Swim Team Fees	\$12,890	\$14,552	\$22,400	\$17,541	\$24,876
Pool Merch. Sales	\$0	\$0	\$0	\$0	\$1,809
Youth Camp Fees	\$12,009	\$3,955	\$10,050	\$10,176	\$13,860
Room Rentals	\$11,670	\$14,445	\$17,145	\$16,480	\$18,948
Unrelated Bus. Dues	\$2,975	\$625	\$575	\$1,175	\$0
Total Food & Beverage	\$1,282,358	\$1,402,420	\$1,498,854	\$1,511,490	\$1,479,725
Total Assessments	\$256,434	\$147,054	\$37,556	\$51,162	\$22,946
Total Other Income	\$41,718	\$47,429	\$59,691	\$40,379	\$55,226
Total Income	\$4,439,516	\$4,517,783	\$4,892,685	\$4,978,087	\$4,923,628
Income per member		\$7,736	\$7,766	\$7,965	\$8,125

Highest and Best Use

- ▶ Physically Possible and Legally Permissible
- ▶ Financially Feasible
 - ▶ Continued Use
 - ▶ Positive net income
 - ▶ Capitalized net income exceeds Alternate Use and Land Value
 - ▶ Alternate Use or Land Value
 - ▶ Zoning
 - ▶ Market Demand
- ▶ Maximally Productive / Highest and Best Use

Break - Questions & Answers



SAMMARTINO, STOUT & LO PRESTI

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Approaches to Value

- ▶ Sales Comparison Approach
 - ▶ Need to correlate sale price to a common denominator (unit of comparison)
- ▶ Income Capitalization Approach
 - ▶ Need subject historic financial data and market extracted data (GRM / Cap Rate)
- ▶ Cost Approach
 - ▶ Need market extracted depreciation
 - ▶ Requires estimates of cost new and land value
- ▶ Data Verification

Sales Comparison Approach

- ▶ Price per Hole?
 - ▶ Price per Acre?
 - ▶ Price per SF (clubhouse)?
 - ▶ Price per Round?
 - ▶ Greens Fee Multiplier? ($SP / \text{Avg. GF} / \text{Rounds}$)
 - ▶ Linear Regression?
-
- ▶ Need to correlate price with a financial indicator

Sales Comparison Approach

COMPARABLE SALES DATA TABLE								
Comparable # Known As Address	Subject	1	2	3	4	5	6	
Amenities Comments	Lacks clubhouse	Lacks clubhouse	Avg. Clubhouse	Excellent clubhouse	Excellent Clubhouse	Avg. Clubhouse	Good clubhouse	
Course Type	Very good public	Very good public	Fair quality public	Excellent public	Very good Private	Average public	Good public	Averages
Sale Date	7/27/2017	2/6/2015	5/2/2017	8/31/2012	4/17/2012	10/24/2012	5/12/2016	
Sale Price		\$1,500,000	\$900,000	\$2,750,000	\$3,750,000	\$1,600,000	\$1,500,000	\$2,000,000
Course Acres	172	172	130	184.2	200	150	160	166.0
# of Holes	18	18	18	18	18	18	18	18
Rounds	19,000	18,000	6,000	11,000	34,000	18,000	21,800	18,133
Total Revenue	\$1,060,000	\$830,000	\$669,500	\$3,300,000	\$4,300,000	\$700,000	\$1,441,000	\$1,873,417
Net Revenue	\$227,396	\$173,000	\$91,200	\$179,215	\$331,000	N/A	\$174,350	\$189,753
Units of Comparison								
\$ Per Acre		\$8,721	\$6,923	\$14,932	\$18,750	\$10,667	\$9,375	\$11,561
\$ Per Hole		\$83,333	\$50,000	\$152,778	\$208,333	\$88,889	\$83,333	\$111,111
\$ Per Round		\$83.33	\$150.00	\$250.00	\$110.29	\$88.89	\$68.81	\$125.22
Total Revenue Multiplier		1.81	1.34	0.83	0.87	2.29	1.04	1.36
Total Rev. Per Round	\$55.79	\$46.11	\$111.58	\$300.00	\$126.47	\$38.89	\$66.10	
NOI Per Round	\$11.97	\$9.61	\$15.20	\$16.29	\$9.74	N/A	\$8.00	11.77
Capitalization Rate		11.5%	10.1%	6.5%	8.8%	N/A	11.6%	9.7%

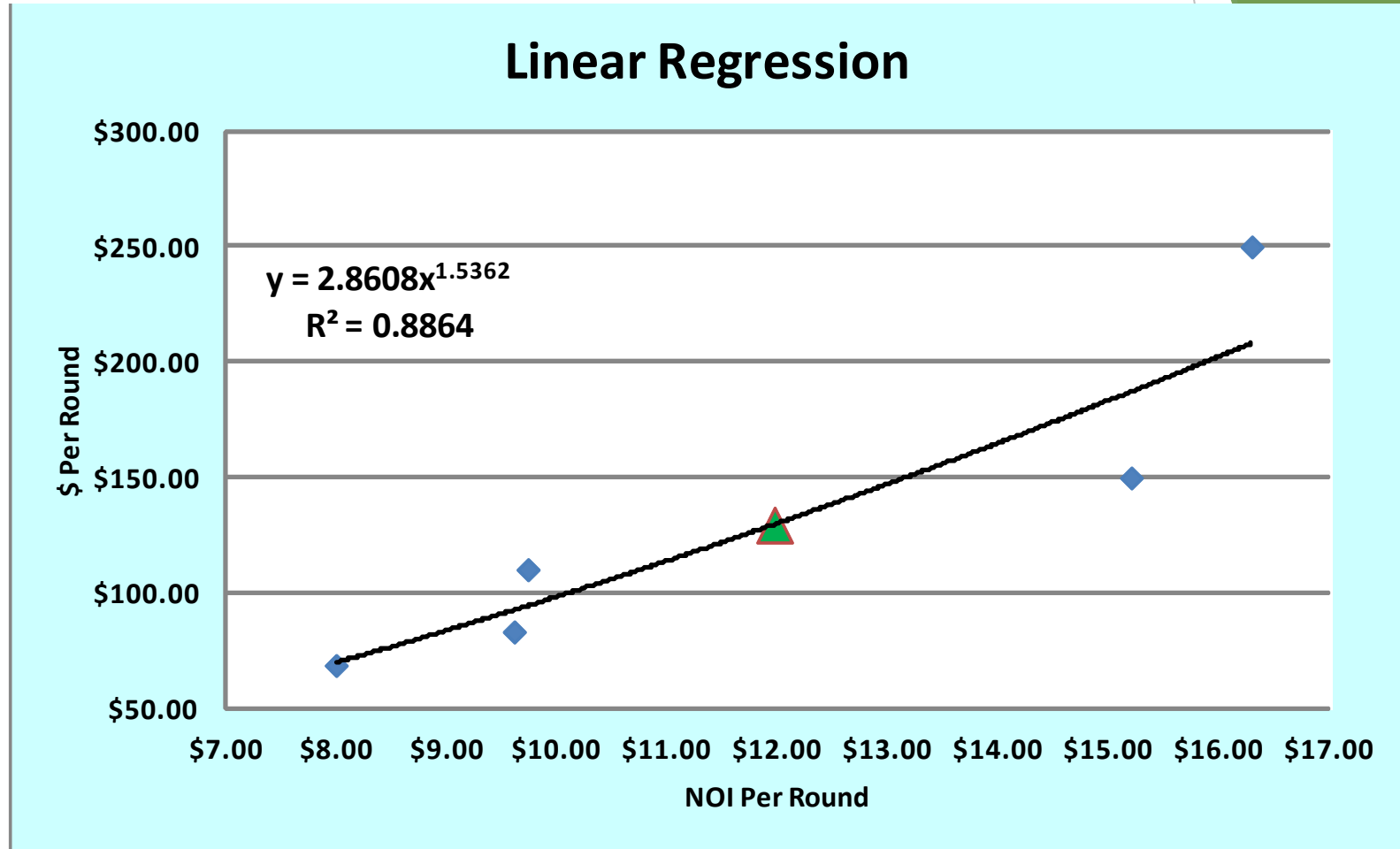
Sales Comparison Approach

Sale #	\$ Per Acre	\$ Per Hole	Total Revenue
4	\$18,750	\$208,333	\$4,300,000
3	\$14,932	\$152,778	\$3,300,000
6	\$9,375	\$83,333	\$1,441,000
Subject			\$1,060,000
1	\$8,721	\$83,333	\$830,000
5	\$10,667	\$88,889	\$700,000
2	\$6,923	\$50,000	\$669,500

Analysis: Likely \$9,000 to \$11,000 per acre or \$85,000 to \$100,000 per hole.

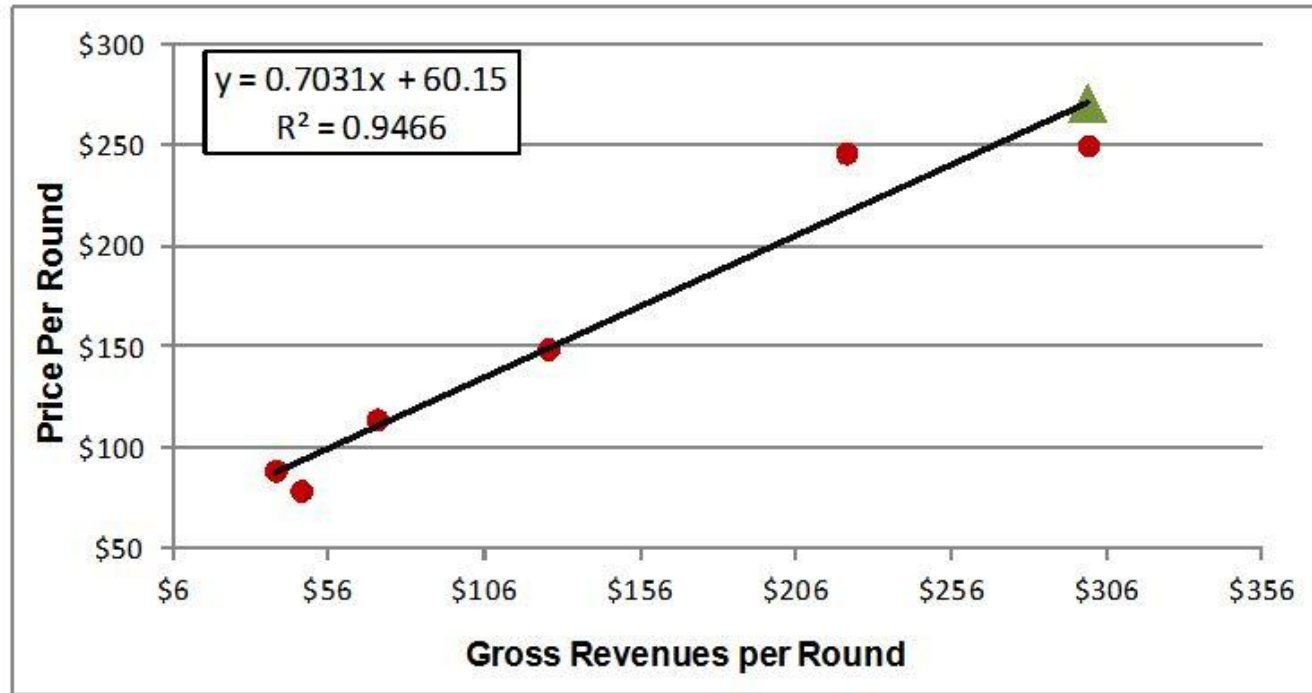
Sales Comparison Approach

Sale #	NOI per Round (X)	Price per Round (Y)
1	\$9.61	\$83.33
2	\$15.20	\$150.00
3	\$16.29	\$250.00
4	\$9.74	\$110.29
6	\$8.00	\$68.81
Subject	\$11.97	\$129.59 (forecast)



Sales Comparison Approach

Sale #	GR Per Rnd (X)	Price Per Rnd (Y)
1	\$300	\$250
2	\$47	\$79
3	\$126	\$149
4	\$39	\$89
5	\$222	\$246
6	\$71	\$114
Subject	\$300	\$271 (fore cast)



Utilizing the formula on the graph, a unit rate of \$271 per round is projected, calculated as follows:

GRM Per Rnd \$300				
Y =	m	(x)	+	b
Y =	0.703	(300.00)	+	60.1500
Y =	0.703	(300.00)	+	60.1500
Y =	210.93		+	60.1500
Y =	Projected Value Per Rnd			= \$271

Sales Comparison Approach

SALES COMPARISON RECONCILIATION AND CONCLUSION

\$ Per Acre:	\$1,550,000 to \$1,900,000
\$ Per Hole:	\$1,530,000 to \$1,800,000
TRM:	\$1,900,000
Regression Analysis:	\$1,980,000

Based on the strength of each analysis, a Market Value “As Is” of the going concern, of \$1,850,000 is reconciled.

Income Approach - Public

- ▶ Typically operated as a business
- ▶ Goal is to maximize Net Income
- ▶ Moderate to high operating expenses
- ▶ OPEX 75% to 90% (if successful)
- ▶ Daily Fee structure but may include a membership component
- ▶ May include a food & beverage component (from snacks to full service)
 - ▶ Golf course with restaurant or restaurant with golf course?
- ▶ Direct Capitalization
- ▶ Gross Revenue Multiplier

Income Approach - Public

Subject Income & Expense History									
Total Revenues	\$478,518		\$442,446		\$440,610		\$432,011		
Cost of Goods Sold	78,728		79,698		84,535		68,884		
Year	2013		2014		2015		2016		Averages
Annual rounds played	10,011		9,051		9,820		9,794		9,669
Income									
Food & Beverage (Net COGS)**	\$3,214	0.8%	(\$2,893)	-0.8%	\$1,111	0.3%	\$7,531	2.1%	\$2,241 0.6%
Dues, Assessments, Memberships	74,979	18.8%	63,763	17.6%	81,888	23.0%	72,208	19.9%	73,209 19.8%
Greens Fees, Range, Carts	321,598	80.4%	301,302	83.1%	273,076	76.7%	283,388	78.0%	294,841 79.6%
Other Income	0	0.0%	575	0.2%	0	0.0%	0	0.0%	144 0.0%
Effective Gross Income (EGI) (aka Gross Profit)	\$399,791		\$362,748		\$356,075		\$363,127		\$370,435
	\$39.94	\$ / Rnd	\$40.08	\$ / Rnd	\$36.26	\$ / Rnd	\$37.08	\$ / Rnd	
Expenses	% of EGI		% of EGI		% of EGI		% of EGI		% of EGI
Fixed									
Real Estate Taxes	34,973	8.7%	34,747	9.6%	35,441	10.0%	35,937	9.9%	35,274 9.7%
Insurance	20,273	5.1%	17,044	4.7%	18,005	5.1%	17,682	4.9%	18,251 5.0%
Total Fixed	55,246	13.8%	51,791	14.3%	53,446	15.0%	53,619	14.8%	53,525 14.4%
Variable									
Total Payroll Expenses (P)	138,271	34.6%	149,519	41.2%	135,211	38.0%	138,455	38.1%	140,364 38.7%
Supplies (S)	57,473	14.4%	47,610	13.1%	27,246	7.7%	50,056	13.8%	45,596 12.6%
Equipment / Maintenance (E / M)	46,570	11.6%	49,698	13.7%	28,437	8.0%	52,686	14.5%	44,348 12.2%
Utilities (U)*	14,763	3.7%	22,147	6.1%	20,747	5.8%	23,468	6.5%	20,281 5.1%
Administrative Overhead (A)	20,817	5.2%	10,769	3.0%	17,750	5.0%	17,895	4.9%	16,808 4.6%
Miscellaneous (Mi)**	3,770	0.9%	1,191	0.3%	28,465	8.0%	3,776	1.0%	9,300 2.6%
Total Variable	281,663	70.5%	280,934	77.4%	257,855	72.4%	286,337	78.9%	276,698 74.7%
Total Operating Expenses	\$336,909		\$332,725		\$311,301		\$339,956		\$330,223
Operating Expense Ratio (OER)	84.3%		91.7%		87.4%		93.6%		89.1%
Net Operating Income (NOI)	\$62,881		\$30,022		\$44,773		\$23,171		\$40,212
Net Income Ratio (NIR)	15.7%		8.3%		12.6%		6.4%		10.9%

Income Approach - Public

Projected Operating Statement		
Acres	229.80	
Holes	18	
Income & Expenses		% of EGI
Income		
Food & Beverage (Net COGS)	\$5,000	
Dues, Assessments, Memberships	\$75,000	
Greens Fees, Range, Carts	\$285,000	
Other Income	\$0	
Effective Gross Income (EGI) (aka Gross Profit)	\$365,000	100.0%
Expenses		
Fixed		
Real Estate Taxes	\$13,215	3.6%
Insurance	18,250	5.0%
Total Fixed	\$31,465	8.6%
Variable		
Total Payroll Expenses (P)	\$138,700	38.0%
Supplies (S)	47,450	13.0%
Equipment / Maintenance (E / M)	47,450	13.0%
Utilities (U)*	21,900	6.0%
Administrative Overhead (A)	18,250	5.0%
Miscellaneous (Mi)**	3,650	1.0%
Total Variable	\$277,400	76.0%
Total Operating Expenses	\$308,865	
Operating Expense Ratio (OER)	84.6%	
Net Operating Income (NOI)	\$56,135	
Net Income Ratio (NIR)	15.4%	

Appropriate Tax Calculation via Iteration

Net Operating Income	\$56,135
Capitalization Rate	/ 10.50%
Indicated Going Concern Value	= \$534,620
Less: Value of non-realty components (20%)*	- \$106,924
Opinion of Real Estate Value	= \$427,696
Common Level Factor	/ 2.65
Appropriate Assessment	= \$161,395
Millage Rate	X 0.0818796
Appropriate Taxes	= \$13,215

*See Value of Non-Realty Components section

Includes FF&E and R-Liquor License

Income Approach – Public

The formula for income capitalization using the mortgage equity technique is as follows:

Mortgage Ratio X Mortgage Constant + Equity Ratio X Equity Dividend = Overall Capitalization Rate

Mortgage Equity Technique					
Ratio	X	Factor	=	Rate	
0.60	X	0.09667 *	=	0.058003	
0.40	X	0.12500 **	=	0.050000	
Indicated Capitalization Rate			=	0.108003	
			Rounded	=	10.80%

*7.5%, 20 years, 60% LTV (RealtyRates 1st Qtr. 2017), also SGA 2016 reports 65% LTV, 7.3% Interest, 20.6 years amortization

** Considering the overall risk of the subject, and a typical cash on cash return expected by a potential investor, 12.5% is selected. This is lower than reported average by RealtyRates 1st Qtr. 2017 (9.4% to 21.5%, average 14.9%, public), but reflects the substantial land value at the subject relative to the overall value (230 acres +/-).

Income Approach – Public

National Capitalization Rate Surveys					
Survey	Survey Date*	Property Type	Capitalization Rates		
			Low	High	Average
RealtyRates	1st Qtr. 2017	Golf Course - All	5.2%	18.2%	12.6%
RealtyRates	1st Qtr. 2017	Golf Course - Public Daily Fee	7.4%	17.7%	12.2%
RealtyRates	1st Qtr. 2017	Golf Course - Semi-Private	6.0%	18.2%	13.0%
RealtyRates	1st Qtr. 2017	Golf Course - Private	5.2%	16.6%	11.9%
SGA Newsletter	2016	Golf Course - All	5.0%	16.0%	10.5%
*1st Qtr. Report represents 4th Qtr 2016 data			Average	5.7%	17.3%
					12.0%

Market Extracted Capitalization Rates: Only a few in the region, generally from 9% to 11.5% +/-

Income Approach – Public

DIRECT CAPITALIZATION CONCLUSION

Net Operating Income	/	Capitalization Rate	=	Going Concern Value "As Is"
\$56,135	/	10.5%	=	\$534,619
		Rounded	=	\$535,000

Income Approach – Public

Total Gross Revenues

First, a reasonable total gross revenue figure is projected. As shown at the top of the previously presented Income and Expense History table, the subject's gross revenues declined nearly 8% in 2014 but have remained stable to slowly declining over the past 4 years. 2016 was the lowest among the four years, but it is noted that gross profit (after COGS) was better than the two prior years. The four-year gross revenue average is \$448,396 and the three-year average is \$438,356. Given the continued competitiveness of the golf industry, and with most weight on the most recent two-years, **\$435,000 is projected.**

Income Approach – Public

Source	Type	Date	GRM
SGA Newsletter	Public	2016	1.55
Whispering Woods	Public	2015	1.68
Totteridge GC	Public	2015	1.33
Royal American & Bent Tree	Public	2012	1.11
Fort Cherry Golf Club	Public	2014	1.10
Chippewa Golf Club	Public	2013	1.07
Olde Stonewall	Public	2012	0.83
Low			0.83
High			1.68
Average			1.24

GRMs: Sensitive to the Operating Expense Ratio (OER)

Income Approach – Public

GROSS REVENUE MULTIPLIER ANALYSIS CONCLUSION

Projected Gross Revenues	X	Gross Revenue Multiplier	=	Indicated Going Concern Value
\$435,000	X	1.3	=	\$565,500
		Conclusion	=	\$565,000

Income Approach – Public

INCOME APPROACH RECONCILIATION AND CONCLUSIONS

Direct Capitalization: \$535,000

GRM Analysis: \$565,500

Analysis: Reconciled Going Concern Value of \$550,000 with most weight on Direct Capitalization.

Income Approach – Private

- ▶ Typically operated as a non-profit
- ▶ Goal is to maximize membership value not Net Income
- ▶ High operating expenses
- ▶ Most OPEX 90%+
- ▶ Usually not professionally operated
- ▶ No Profit = No Value?
- ▶ Third party buyer (e.g., ClubCorp)
 - ▶ Goal is to achieve 20% Net Income Margin (80% Opex)
 - ▶ Professionally operated
 - ▶ Economies of scale
 - ▶ Broader membership base
- ▶ Gross Revenue Multiplier or Net Income Multiplier

Subject Income & Expense History										
Year	2011		2012		2013		2014		2015	
Income	% of EGI		% of EGI		% of EGI		% of EGI		% of EGI	
Member Dues	\$2,433,513	54.8%	\$2,465,609	54.6%	\$2,869,989	58.7%	\$2,931,816	58.9%	\$2,857,760	58.0%
Total Assessments	256,434	5.8%	147,054	3.3%	37,556	0.8%	51,162	1.0%	22,946	0.5%
Total Cart Rentals	202,095	4.6%	222,788	4.9%	188,877	3.9%	213,864	4.3%	250,738	5.1%
Locker Rentals	43,610	1.0%	46,525	1.0%	50,990	1.0%	49,520	1.0%	47,930	1.0%
Green Fees Guests	90,198	2.0%	106,013	2.3%	99,378	2.0%	102,941	2.1%	98,520	2.0%
Green Fees Outings	23,854	0.5%	22,118	0.5%	16,674	0.3%	16,570	0.3%	34,780	0.7%
Course User Fee	1,680	0.0%	1,800	0.0%	825	0.0%	0	0.0%	1,000	0.0%
Tennis Fees	3,384	0.1%	1,920	0.0%	1,705	0.0%	1,760	0.0%	1,930	0.0%
Junior Tennis	3,935	0.1%	4,414	0.1%	4,258	0.1%	2,300	0.0%	2,817	0.1%
Swimming Pool Fees	17,193	0.4%	16,116	0.4%	13,718	0.3%	10,913	0.2%	10,763	0.2%
Swim Team Fees	12,890	0.3%	14,552	0.3%	22,400	0.5%	17,541	0.4%	24,876	0.5%
Pool Merch. Sales	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1,809	0.0%
Youth Camp Fees	12,009	0.3%	3,955	0.1%	10,050	0.2%	10,176	0.2%	13,860	0.3%
Room Rentals	11,670	0.3%	14,445	0.3%	17,145	0.4%	16,480	0.3%	18,948	0.4%
Unrelated Bus. Dues	2,975	0.1%	625	0.0%	575	0.0%	1,175	0.0%	0	0.0%
Total Food & Beverage	1,282,358	28.9%	1,402,420	31.0%	1,498,854	30.6%	1,511,490	30.4%	1,479,725	30.1%
Total Other Income	41,718	0.9%	47,429	1.0%	59,691	1.2%	40,379	0.8%	55,226	1.1%
Total Gross Revenues	\$4,439,516	100%	\$4,517,783	100%	\$4,892,685	100%	\$4,978,087	100%	\$4,923,628	100%
Expenses	% of EGI		% of EGI		% of EGI		% of EGI		% of EGI	
Grounds							\$763,179	15.3%	\$868,740	17.6%
Clubhouse							759,684	15.3%	801,983	16.3%
Golf Pro Shop							481,233	9.7%	501,610	10.2%
General & Admin.							551,317	11.1%	499,078	10.1%
Food & Beverage							671,209	13.5%	635,517	12.9%
Aquatic Center							148,475	3.0%	154,220	3.1%
Tennis							48,781	1.0%	51,275	1.0%
Youth Camp							16,021	0.3%	14,755	0.3%
Food Services							662,228	13.3%	640,843	13.0%
Beverage Services							78,069	1.6%	93,004	1.9%
Membership Department							55,909	1.1%	57,563	1.2%
Employee Benefits							23,455	0.5%	23,654	0.5%
Heat & Electric							136,308	2.7%	101,021	2.1%
Property Insurance							58,327	1.2%	49,983	1.0%
Real Estate Taxes							156,509	3.1%	158,130	3.2%
Other Club Expenses							0	0.0%	5,446	0.1%
Total Operating Expenses	\$4,096,327		\$4,300,756		\$4,807,395		\$4,610,704		\$4,656,822	
Operating Expense Ratio (OER)	92.3%		95.2%		98.3%		92.6%		94.6%	
Net Operating Income (NOI)*	\$343,189		\$217,027		\$85,290		\$367,383		\$266,806	
Net Income Ratio (NIR) / Net Margin**	7.7%		4.8%		1.7%		7.4%		5.4%	

Projected	
\$2,900,000	58.2%
\$30,000	0.6%
\$250,000	5.0%
\$50,000	1.0%
\$100,000	2.0%
\$30,000	0.6%
\$500	0.0%
\$1,900	0.0%
\$3,000	0.1%
\$12,000	0.2%
\$25,000	0.5%
\$500	0.0%
\$13,000	0.3%
\$18,500	0.4%
\$500	0.0%
\$1,500,000	30.1%
\$50,000	1.0%
\$4,984,900	100%
\$860,000	17.5%
775,000	15.7%
500,000	10.2%
525,000	10.7%
650,000	13.2%
150,000	3.0%
50,000	1.0%
16,000	0.3%
660,000	13.4%
90,000	1.8%
58,000	1.2%
24,000	0.5%
120,000	2.4%
55,000	1.1%
158,130	3.2%
2,500	0.1%
\$4,693,630	
94.2%	
\$291,270	
5.8%	

*aka Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

*aka EBITDA margin

Income Approach – Private

National Golf Foundation Data			
Private Mid-Range		Private Premium	
Total Revenue	\$1,808,660	Total Revenue	\$5,345,100
Total Expenses	\$1,762,720	Total Expenses	\$4,918,520
Expense Ratio	97.5%	Expense Ratio	92.0%
NIR / Net Margin	2.5%		8.0%

Source: National Golf Foundation, Operating & Financial Performance Profiles of 18-Hole.

Regional Expense Comparables - 3 Year Avg				
#	Location	Type	OER	Net Margin
1	Northwest PA	Private	95.2%	4.8%
2	Northwest PA	Private	93.6%	6.4%
3	Northwest PA	Private	92.4%	7.6%
4	Northeast OH	Private	91.6%	8.4%

Source: our appraisal of each facility

Income Approach – Private

Source	Type	GRM
Laurence Hirsh	Private	1 +/-
Tom Bennison	Private	0.6 - 1.0
Chris Karamitsos	Private	1 - 1.5
Keith Cubba	Private	<1 - 1.25
SGA Newsletter	Private	0.5 - 1.3
Hartefeld National	Private	0.87 - 1.18
TPC Properties	Private	1.11
Olde Stonewall	Public	0.83
Whispering Woods	Public	1.68
Royal American & Bent Tree	Public	1.11
Fort Cherry Golf Club	Public	1.10
Chippewa Golf Club	Public	1.07
Low		0.60
High		1.68
Average		1.08

Income Approach – Private

- ▶ **Gross Revenue Multiplier**
 - ▶ Buyers tend to start at “1” GRM
 - ▶ 3 Main Factors
 - ▶ Required Capital Improvements
 - ▶ Immediate repairs reduce GRM, recent renovations increase GRM
 - ▶ Dues/Assessment Ratio vs. Other Income
 - ▶ 50% mix is ideal - provides stable base plus additional income
 - ▶ Lower food/beverage ratio preferred (less profitable)
 - ▶ Growing revenues preferred
- ▶ **Net (Profit) Margin**
 - ▶ Goal is to achieve 20% margin.
 - ▶ Less than 10% “as is” is typical.
 - ▶ Higher margins results in higher GRM (more profit retained)

Income Approach – Private

GROSS REVENUE MULTIPLIER ANALYSIS CONCLUSION

Projected Gross Revenues	X	Gross Revenue Multiplier	=	Indicated Going Concern Value
\$4,950,000	X	0.9	=	\$4,455,000
		Rounded	=	\$4,450,000

► Factors

- Older facility but with recent updates, neutral rating
- 58% dues/assessment ratio but other revenues are growing, slightly favorable
- 3-year average net margin of 4.8%, which is typical (less than 10%) but in the low end. Buyer goal is 20%. Unfavorable rating.
- Most weight on low margin.
- 0.9 GRM selected

Income Approach – Private

► Net Income Multiplier

- Only applicable if projected Net Income is positive
- Secondary approach
- Typically ranges from 6 to 8
- May require forecasting stabilized Net Income and discounting to present value
- Next Slide

Income Approach – Private

Projected Gross Revenues		\$4,950,000
Target Net Margin	X	18%
Target NOI	=	\$891,000
Existing NOI*	-	\$370,000
Difference	=	\$521,000
Target years	/	4
Change per year	=	\$130,250

*2 year average plus 2016 tax adjustment

	Year 1	Year 2	Year 3	Year 4
Target NOI	\$500,250	\$630,500	\$760,750	\$891,000
Existing NOI -	\$370,000	\$370,000	\$370,000	\$370,000
Difference =	\$130,250	\$260,500	\$390,750	\$521,000
Total	\$1,302,500			
NPV at 14%	\$886,920			

Projected Gross Revenues		\$4,950,000
Target Net Margin	X	18%
Target NOI	=	\$891,000
Net Income Multiplier	X	6
Future Value	=	\$5,346,000
NPV of NOI differential	-	(\$886,920)
Indicated Value "As Is"	=	\$4,459,080
Rounded	=	\$4,450,000

Cost Approach

- ▶ Applicable?
- ▶ $\text{Cost New} - \text{Depreciation} + \text{Land Value} = \text{Market Value}$
- ▶ Estimate of Cost New
 - ▶ Golf Course, site improvements, clubhouse, outbuildings
 - ▶ Actual (cost trending)
 - ▶ Replacement Cost New (MVS)
 - ▶ Cost Comparables
- ▶ Depreciation
 - ▶ Market Extracted (MVS not sufficient)
- ▶ Land Value - highest and best use ('as vacant')

Cost Approach - RCN

Clubhouse / Restaurant / Pro Shop			
Source			
	Building Type	Country Club/Restaurant	
	Class	D	
	Construction Quality	Low/Average (blended)	
		(club cost includes minimal lockers, showers)	
MVS S 11/13 P 31/14	Base Cost (club/restaurant blended)		\$95.67
MVS S 11/13 P 36/41	Perimeter Multiplier (200-250 / 3,000 avg.)	x	1.050
MVS S 11/13 P 36/42	Story Height Multiplier (8')	x	0.931
MVS S. 99 P. 3	Current Cost Multiplier (Eastern D, 11/13)	x	1.080
MVS S. 99 P. 9	Local Cost Multiplier (D, average)	x	1.090
	Adjusted Base Cost/SF	=	\$110.09
	Square Feet	x	6,015
	Clubhouse/Rest./Pro Shop RCN		\$662,191

Maintenance Building			
Source			
	Building Type	Light Commercial Arch Rib (Quonset) Building	
	Class	D	
	Construction Quality	Average	
		(includes water, some partitioning, OH door, no heat)	
MVS S. 17 P. 13	Base Cost		\$20.26
MVS S. 17 P. 59	Space Heaters (ext. climate)	+	\$2.25
MVS S. 17 P. 13	Mezzanine Storage (50% of GBA)	+	\$6.55
	Base Cost:	=	\$29.06
MVS S. 17 P. 60	Perimeter Multiplier (150-200 / 2,000 avg.)	x	1.011
MVS S. 17 P. 60	Story Height Multiplier (11' at center)	x	1.019
MVS S. 99 P. 3	Current Cost Multiplier (Eastern D, 17)	x	1.040
MVS S. 99 P. 9	Local Cost Multiplier (D, average)	x	1.090
	Adjusted Base Cost/SF	=	\$33.94
	Square Feet	x	1,900
	Maintenance Building RCN		\$64,486

Cost Approach - RCN

Golf Course					
Source			Holes 1, 8 - 18		
			Class	II	
MVS S. 67 P. 1	Base Cost Per Hole*			\$135,000	
MVS S. 67 P. 1	Water Features (Class I)	+	\$5,650		
MVS S. 67 P. 1	Pump Station (Class I)	+	\$2,575		
MVS S. 67 P. 1	Manual Sprinkler System	-	(\$14,500)		
Adjusted Cost Per Hole			=	\$128,725	
Number of Holes			x	12	
Subtotal Holes 1, 8 - 18			=	\$1,544,700	
Subtotal 18 Holes				\$2,932,650	
MVS S. 99 P. 3	Current Cost Multiplier (Golf Courses)	x	1.000		
MVS S. 99 P. 9	Local Cost Multiplier (typical)	x	1.090		
Golf Course RCN				\$3,196,589	

Source			Holes 2 through 7		
			Class	III	
MVS S. 67 P. 1	Base Cost Per Hole*			\$210,000	
MVS S. 67 P. 1	Cost variation (to reflect terrain) +15%	+	\$31,500		
MVS S. 67 P. 1	Water Features (Class I)	+	\$5,650		
MVS S. 67 P. 1	Pump Station (Class I)	+	\$2,575		
MVS S. 67 P. 1	Manual Sprinkler System	-	(\$18,400)		
Adjusted Cost Per Hole			=	\$231,325	
Number of Holes			x	6	
Subtotal Holes 2 - 7			=	\$1,387,950	

*Includes: Mobilization, project management, erosion control, clearing, grubbing, rough shaping, survey & engineering, architectural, top soil, drainage, greens, trees, bunkers, finishing, shaping and grading, cart path grading, automatic irrigation system, grow-in seeding preparation, grassing, finished cart paths, landscaping, fencing/walls.

Note: Class & cost selections reflect terrain, length/size of holes, and features (subject limited bunkers, small tees/greens, 50%-75% cart path finished, lack of driving range)

Cost Approach - RCN

Total Replacement Cost New BEFORE	
Clubhouse/Rest./Pro Shop RCN	\$662,191
Maintenance Building RCN	\$64,486
Maintenance Storage RCN	\$19,684
Bag & Storage Building RCN	\$21,511
Cart Storage Building RCN	\$38,722
Outside, Fenced Cart Storage RCN	\$41,394
Other Site Improvements RCN	\$220,822
House RCN	\$149,377
Golf Course RCN	+ \$3,196,589
Subtotal RCN	= \$4,414,776
Soft Costs (5%)	+ \$220,739
Entrepreneurial Incentive (10%)	+ \$441,478
Total Replacement Cost New	= \$5,076,993

Cost Approach – Depreciation

18 Hole Depreciation Comparables				
Comparable	18-A	18-B	18-C	18-D
Known as				
Location	Beaver Co., PA	Venango Co., PA	Erie Co., PA	Lake Co., OH
Sale date	August-12	May -09	Listing	July -13
Sale Price (reported real estate only)	\$2,000,000	\$1,050,000	\$1,900,000	\$1,000,000
Less estimated land value	\$460,000	\$370,000	\$915,000	\$360,000
Depreciated value of all improvements	\$1,540,000	\$680,000	\$985,000	\$640,000
Estimated Replacement Cost New (RCN)	\$10,210,000	\$5,910,000	\$8,110,000	\$4,300,000
Less Depreciated value of all improvements	(\$1,540,000)	(\$680,000)	(\$985,000)	(\$640,000)
Total Depreciation (all causes)	\$8,670,000	\$5,230,000	\$7,125,000	\$3,660,000
Percent Depreciation (depreciation/RCN)	84.9%	88.5%	87.9%	85.1%

9 Hole Depreciation Comparables				
Comparable	9-A	9-B	9-C	9-D
Known as				
Location	Erie Co., PA	Erie Co., PA	Perry Co., OH	Trumbull Co., OH
Sale date	July-12	Listing	September-10	Listing
Sale Price (reported real estate only)	\$345,000	\$650,000	\$350,000	\$399,900
Less estimated land value	\$325,000	\$325,000	\$270,000	\$260,000
Depreciated value of all improvements	\$20,000	\$325,000	\$80,000	\$139,900
Estimated Replacement Cost New (RCN)	\$3,660,000	\$4,110,000	\$1,690,000	\$1,290,000
Less Depreciated value of all improvements	(\$20,000)	(\$325,000)	(\$80,000)	(\$139,900)
Total Depreciation (all causes)	\$3,640,000	\$3,785,000	\$1,610,000	\$1,150,100
Percent Depreciation (depreciation/RCN)	99.5%	92.1%	95.3%	89.2%

Cost Approach – Conclusion

Cost Approach BEFORE	
Total Replacement Cost New	\$5,076,993
Depreciation from all causes (85%)	- (\$4,315,444)
Depreciated Value of Improvements	= \$761,549
Contributory Value of Other Items*	+ \$26,270
Land Value	+ \$899,500
Indicated Value	= \$1,687,319
Indicated Value Before (Rounded) = \$1,687,300	

*Signage & fixed equipment via M&E Report & OAD Form
(excludes sinks)

Reconciliation

- ▶ Sales Comparison Approach (going concern)
- ▶ Income Capitalization Approach (going concern)
- ▶ Cost Approach (likely real estate only)

- ▶ **Final Value Conclusion - Likely Going Concern**

FF&E, Liquor License and Business Value

- ▶ FF&E
 - ▶ M&E Appraiser
 - ▶ Depreciated Value
 - ▶ Allocation
 - ▶ Sales Comparison
- ▶ Liquor License (if applicable)
 - ▶ Market Sales
 - ▶ Allocation
- ▶ Business Value
 - ▶ Total Excess Earnings Model (TEEM)
 - ▶ Market Interview
 - ▶ Allocation

FF&E by Depreciation

FURNITURE, FIXTURES, EQUIPMENT							
Item	Date in Service	Actual Age	Life Expectancy	% Depreciation	Cost New	\$ Amount Depreciation	Depreciated Value
Sign	9/15/2004	12	10	90%	\$1,908	\$1,717	\$191
Walk-in Freezer	5/18/2005	11	10	90%	\$11,232	\$10,109	\$1,123
Sign	6/16/2005	11	10	90%	\$2,104	\$1,894	\$210
Gang Mower	9/29/2005	11	10	90%	\$1,400	\$1,260	\$140
Used Truck	6/1/2007	Unk.	10	90%	\$3,533	\$3,180	\$353
Rebuild Tractor	8/12/2007	9	10	76%	\$6,877	\$5,227	\$1,650
Carts	9/19/2007	9	10	76%	\$66,175	\$50,293	\$15,882
Fairway Mower	5/23/2011	5	10	42%	\$1,705	\$716	\$989
Bar & Grill Equipment Additions	3/15/2005	11	10	90%	\$20,789	\$18,710	\$2,079
Truck	5/15/2007	9	10	76%	\$18,308	\$13,914	\$4,394
Small Wares	6/15/2007	9	10	76%	\$7,817	\$5,941	\$1,876
Kitchen Equipment	9/14/2010	6	10	51%	\$2,120	\$1,081	\$1,039
2 TV's	9/30/2010	6	6	77%	\$1,389	\$1,070	\$319
Total							\$30,246

Life expectancy and depreciation based on Marshall Valuation Cost Service, Section 97.

FF&E & Business by Allocation

	Type	Reported non- realty value	% of total sale price	Comments
	18 holes	\$150,000	13%	Large clubhouse
	18 holes	\$300,000	16%	Small clubhouse
	9 holes	\$55,000	16%	Small clubhouse
	18 holes	\$300,000	19%	Semi-private facility
	18 holes	\$750,000	27%	Exceptional clubhouse/restaurant
	18 holes	\$450,000	31%	-
	18 holes	\$500,000	33%	Mostly new equipment
	18 holes	\$270,000	42%	Large clubhouse
Averages		\$346,875	25%	

Note: only one (#5) reported Business Value and Liquor License

Liquor License Value

Recent Western PA Liquor License Sales					
License #	County	Municipality	Buyer	Price	Year
R-9128	Elk	Jones	Giant Eagle	\$105,000	2017
R-4208	Clearfield	Clearfield	Giant Food Stores	\$77,110	2017
R-17468	Indiana	East Wheatfield	Sheetz Inc.	\$76,500	2016
R-9708	Westmoreland	New Kensington	Giant Eagle	\$75,015	2016
R-1967	Washington	Burgettstown	Sheetz Inc.	\$71,500	2016
R-10830	Erie	Erie	Sheetz Inc.	\$70,500	2016
R-16995	Clarion	Madison	Sheetz Inc.	\$70,000	2017
R-21237	Erie	Waterford	Sheetz Inc.	\$66,500	2016
R-1870	Armstrong	Ford City	Sheetz Inc.	\$55,000	2017
R-8078	Crawford	Sadsbury	Sheetz Inc.	\$55,000	2017
R-14930	Warren	Tidioute	Sheetz Inc.	\$55,000	2017
R-17249	Somerset	Somerset	Sheetz Inc.	\$55,000	2016
R-13300	Bradford	Monroe	Cory Lee Bride	\$52,400	2017
R-2806	Somerset	Conemaugh	Sheetz Inc.	\$51,500	2016
R-8930	Venango	Oil City	Sheetz Inc.	\$45,000	2017
R-16819	Jefferson	Gaskill	Sheetz Inc.	\$35,000	2017

Source: Pennsylvania Liquor Control Board restaurant license auction web site

Total Excess Earnings Model

Total Excess Earnings Model

Allocations of Value, EBITDAR, and Cap Rates

				Total Value of the Going Concern
		Real Estate	Personal Property	Intangible Assets
1	Appraised Value (V)	\$520,000	\$80,000	\$580,000
			Analysis of Vehicles, Inventory, Furniture	
1A	Source	NOI / Cap Rate		Intang = GC- RE- PP
	NOI or Net EBITDAR			
2	Allocation (I)	\$51,980	\$11,352	\$98,468
		8.0% of Revenues Less \$4,500 Reserves	I = V X R	Residual Income
2A	Source			Appraisal Pro Forma
3	Capitalization Rate (R)	10.00%	14.2%	17.0%
			RE Rate + 400 BP Premium	R = I/V (Typical Intangible Cap Rate)
3A	Source	R = I / V		Adopted Overall Rate

Questions & Answers



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