

Executive Summary

City of Virginia Beach

Department of Parks and Recreation

Golf Course Division

Operational Review

Bow Creek Municipal Golf Course

Kempsville Greens Municipal Golf Course

Red Wing Lake Municipal Golf Course

Virginia Beach National Golf Club

May 3, 2010



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Executive Summary

Scope

This review encompassed a comprehensive analysis of the financial, management and operational performance of Bow Creek, Kempsville Greens, and Red Wing Lake golf courses. In addition, the financial performance and associated management contract of Virginia Beach National was reviewed.

The management of the Golf Course Division has done a stalwart job in mitigating the impact of numerous uncontrollable factors plaguing the golf industry and negatively affecting the financial performance of the Division's golf courses.

The business of golf is highly complex; it is a highly competitive industry with only modest profit potential. The educational, social, and recreational benefits of golf are well established. However, it may be debated that if the community's need for an accessible recreational activity is adequately being met by private enterprise, is there a need for government to provide that activity?

That question served as the foundation for this review.

Conclusion

This report's strategic recommendation is that the City retains a single private management firm, via competitive bidding, to manage all aspects of Bow Creek, Kempsville Greens and Red Wing Lake commencing January 1, 2011. In addition, it is recommended that the current management agreement governing Virginia Beach National be competitively bid upon expiration of its initial term on December 31, 2011.

Finally, "The projections for Kempsville Greens both an 18-hole golf course and as a 9-hole golf course indicate negative cash flows. Converting the entire site into an alternative use is not feasible due to the political backlash from the surrounding property owners. Therefore, the highest and best use of the subject property is the conversion of the majority of the site without frontage on Princess Anne Road and Baxter Road to open park space, and selling the remaining approximate 20 acres for a commercial use that is compatible with its location."¹ Therefore, it is suggested that a committee be established regarding the future of the Kempsville Greens golf course to evaluate all of the ramifications of that decision which were beyond the scope of this report.

¹ Kristen Lehman, "Highest and Best Use Analysis – Kempsville Greens Golf Course", April 30, 2010, page 46.

Rationale for Recommendation

The challenges that the Golf Course Division is currently experiencing can be tracked through four distinct phases during the past decade. These phases are detailed below:

- ◆ Phase 1 - Profitable operation
- ◆ Phase 2 - Competitive forces lead to declining customer base, rates fail to keep pace with inflation, discounts given to retain remaining customers; all cause revenues to fall
- ◆ Phase 3 - Reduced profits or operating losses create deferral of capital expenditure, resulting in deterioration of course conditions, further adversely impacting rounds and revenue
- ◆ Phase 4 – General fund subsidy, privatization to independent management, sale, or closure of courses is required to relieve the City of the draining financial obligation caused by the attempt to provide a recreational service.

The Golf Division is in the latter stages of phase three.

It is a harsh reality that golf is not a core City service akin to fire, police, schools, etc. While the City's golf courses have an aggregate book value of \$9.528 million exclusive of land (\$2.024 million at Bow Creek, \$2.914 million at Kempsville, and \$4.590 million at Red Wing Lake), a return on that investment should be expected, measured in both financial terms and in the quality of life afforded to the citizens of Virginia Beach.

As currently constituted, the golf courses are not generating the return desired, as a surplus of golf courses is available in the local market, and they provide better value. Further, without change and without considering the deferred capital investment or the repayment of the outstanding debt, golf will require increasing subsidy from the general fund.

National Factors

It might be conjectured that the decline in the financial performance of the golf courses is 30% attributable to changes in our time-crunched society, 20% to the economy, and 20% to trends within the golf industry. An estimated 30% of opportunities foregone are controllable and can now be recaptured by the City's Golf Division.

All economic forecasts from leading industry research groups forecast a "flat industry" for the foreseeable future.

For the past two decades, the number of golfers in the United States has remained static at 27 million, the number of golf courses has increased from 12,000 to 16,000 facilities, and the average number of rounds has fallen from 40,000 rounds to 32,000 rounds per course.

For the past four years, for the first time in history, more U.S. courses have closed than opened. The National Golf Foundation predicts that in the United States alone, between 500 and 1,000 golf courses are likely to close within the next five years.² There are no foreseeable changes which will provide the City of Virginia Beach the opportunity to “earn its way” out of a declining fund balance from future operations.

Thus, the largest contributing influences are “uncontrollable factors” at a national level, and a quick reversal is not likely.

Local Factors

The challenge the Golf Course Division encounters is exacerbated by local market conditions, including:

- 1) The supply of golf courses exceeds demand by 8%.
- 2) Golf, as a recreational sport, is adequately handled in Virginia Beach by private enterprise that affords a more flexible management culture.
- 3) The City’s wage scale, while consistent with other municipalities, creates a salary structure higher than golf industry standards.
- 4) 85% of the golfers surveyed view the golf courses as a vital park resource, but only 36% believe that the courses should be self-sustaining. The majority of the golfers (55%) believe their recreation should be subsidized by the City. In contrast, in a poll conducted by hamptononline.com, as of April 3, 2010³, 86% of readers expressing an opinion to the article which appeared in the paper on March 30, did not feel tax revenue should be utilized to subsidize unprofitable city-run golf courses.

These factors are also difficult to reverse.

Other Factors Supporting Recommendations

The recommendation to change the scope of the organizational responsibilities and operational structure from a special revenue fund to a “leased” operation is predicated on assumptions that the golf courses should be:

² National Golf Foundation, “Future of Public Golf,” April, 2009, Slide 38.

³ <http://hamptonroads.com/2010/03/beach-weighs-options-save-ailing-golf-courses?page=1>

- 1) Affordable
- 2) Sustainable
- 3) Given more flexibility to achieve performance targets
- 4) Have the freedom of a business and yet some of the governance of a department
- 5) The ability to partner with appropriate stakeholders to share responsibilities, and costs.

None of those conditions are currently met while operating as a Special Revenue Fund.

The golf courses, as measured by value, are **not affordable** – the price exceeds the experience. Further, the golf course layouts attract seniors, women, new entrants, and those who are less accomplished at the game of golf – all of these user groups are very price-sensitive.

Current operations render the Golf Course Division **unsustainable** without significant annual capital and operational investments. The deferred capital investment to render the facilities competitive is estimated to exceed \$7.0 million. To judiciously manage the limited financial resources, the annual transfer from the Golf Division to the Capital Improvement Account, which averages \$200,000, has been significantly reduced. Cash is further restricted, as debt associated with the renovation of the golf course at Red Wing Lake exceeds \$3.4 million and will burden the cash flow through 2028 with annual payments of \$179,101.

The organizational structure of the Golf Division **precludes flexibility**, as labor costs represent 61.8% of revenue; with 2010 labor expenses budgeted at \$1.157million. Labor costs for U.S. golf courses average 40% of revenue. This differential creates an annual unfavorable labor variance of \$252,445.

Also, the goal of having the **freedom of business and yet the governance of a department has not been achieved, as the information to properly manage has not been available**. The operating statements for each course are not prepared with proper departmental classifications consistent with best management practices in the golf industry. The expenses for maintenance, pro shop, and administration are aggregated, thus, the accurate creation of financial statements for each golf course is not possible.

The **ability to partner with appropriate stakeholders** to share responsibilities and costs **is lacking**. There are three principal stakeholders: management/staff/volunteers, the contracted concessionaire, and the customers. The perspectives of the volunteers, contracted concessionaire and the customers are myopic; they seek to benefit themselves and seem to believe that subsidy of the golf courses by the City is preferred.

To illustrate, the current concessionaire management agreement creates an inherent conflict, since the financial interests of the Golf Course Division and the concessionaire

are not aligned in a gross revenue or net income-sharing formula at Bow Creek or Kempsville Greens. The concessionaire, though paid by the City, retains volunteers who have free access to the golf course and who, along with City volunteers, consumed over \$182,000 in potential tee time value in fiscal year 2010.

Therefore, the conclusion is that the Golf Course Division, while serving as a Special Revenue Fund, has not achieved the objectives for which it was formed.

Financial Implications

The following financial projections were prepared by the City:

			GOLF BUDGETED PROJECTIONS		
	Actual	Actual	Budgeted	Proposed	Proposed
Fiscal Year	<u>FY 08</u>	<u>FY09</u>	<u>09-10</u>	<u>10-11</u>	<u>11-12</u>
Total Revenues	2,670,741	2,182,189	\$2,834,784	\$2,380,390	\$2,380,390
Total Expenditures	2,298,791	2,171,439	\$2,486,191	\$2,329,869	2,370,752
Revenues Over (Under) Expenditures	371,950	10,750	\$348,593	\$50,521	\$9,638
Less: Transfers Out					
To CIP	200,000	100,000	\$200,000		
To GF Debt Service	0	89,500	\$89,550	\$89,550	\$89,550
Less: Reserves					
Regular – Salary	0		\$34,043	\$30,000	\$30,000
Stumpy Lake Lease Agreement	0		\$25,000	\$27,000	\$27,000
Storm Water	0	81,141	0	0	0
Expenditures in Excess of Revenues	371,850	(259,940)	\$0	(\$96,029)	(\$136,912)

As a result of the national and local factors, the Golf Division incurred expenditures over revenues of \$259,940 for the fiscal year ending June 30, 2009.

With the fund balance as of June 30, 2010 of \$233,535, through date of this report, expenditures are likely to exceed projected revenues for FY 2010 by greater than \$250,000, creating a negative fund balance.

In contrast, the typical financial performance for a golf course is reflected below⁴:

⁴ PGA PerformanceTrak, <http://apps.pgalinks.com/professionals/apps/memberinfor/AOSurvey/index.cfm>, 2008

FY09 Actual	City of Virginia Beach	Municipal
Facility Revenues: average per 18-holes	727,397	1,133,333
EBITDA	3,583	206,000
EBITDA as a % of Gross	0.50%	18.17%

The typical municipal golf course earns \$206,000. That means that Bow Creek, Kempsville Greens, and Red Wing Lake are underperforming by \$597,051. In fairness, the City of Virginia Beach courses are in far better financial position than many other municipal complexes across America. However, the Golf Division is on a slippery financial slope from which recovery will be challenging.

What Are The Options?

There are five primary organizational structures to manage a multi-course municipal golf entity:

- 1) Exclusively City employees
- 2) Exclusively City employees, except for food and beverage, which is usually a losing financial proposition
- 3) City employees for Administration and Pro Shop, with maintenance contracted
- 4) Each course managed by different concessionaires via a lease or management agreement
- 5) All courses managed by a single concessionaire via a lease or management agreement.

For the City of Virginia Beach Golf Division, the arrangement of exclusive municipal employees would accelerate expenses, particularly labor, and thus options 1, 2, and 3 are not viable. Option 4 (using different concessionaires) is also not viable, as the golf courses get branded as individual golf courses and the economies of scale of operating multiple facilities is lost. Thus, option 5, either management or lease agreements, by default, becomes the recommendation of choice because of the following benefits:

- ◆ Eliminate the City's financial risk for operating the golf courses.
- ◆ Somewhat alleviate the requirement for the City to invest in capital improvements.
- ◆ Generate annual lease income estimated at 5% of gross revenue, \$115,000 for the three courses in total.
- ◆ Provide for the collection of property taxes.

- ◆ Ensure that the properties are enhanced through industry-standard capital investment programs by the management company. It is speculated that a private management company would be willing to invest up to \$1.0 million per course in improvements under a 10-year lease.
- ◆ Introduce best management practices to the operation of the City's golf courses, providing integrated tee time reservations and POS software to effectively manage and to enhance the customer experience.

The chart below highlights the financial difference to the Golf Course Division between the status quo and private contract management over the next 10 years:

Three Golf Courses	Status Quo	Private Contract Management
Expenditures over Revenues	(\$500,000)	\$0
Annual Income Rental Income		\$1,150,000
Capital Investment by City	(3,000,000)	0
General Fund Subsidy for Loan Amortization	(875,000)	(875,000)
Capital Investment in City's Assets by Private Management		\$3,000,000
Financial Return (After 5 Years)	(\$4,375,000)	\$3,275,000

Privatization has the potential to save the City \$7.650 million within 10 years and preserve the customer experience.

Is there a caveat? Absolutely. There may not be a huge appetite for management companies to assume all the risk that a traditional lease has, because there are currently far too many opportunities to pick up properties in distress. Thus, a shared risk arrangement is far more likely. It is important to note that a lease proposal may generate more interest among local third-party management companies than those with a national presence.

A Plan for Action: A Mandate for Change

Thus, our recommendation to privatize is clear. If privatization is selected, the City of Virginia Beach's investment is **low**, the staff required is **nominal**, the risk level is **low**, and the City's net income will be **moderate**. In contrast, the status quo options will require **high investment**, **significant staff**, and **high risk**, with **likely losses and subsidy from the general fund**.

However, we comprehend that change often meets with much resistance. The Golf Course Division can implement progressively the recommendations below to reduce the annual deterioration of the Special Revenue Fund balance:

1) Short-term: Strategic Options

- ◆ The City's role as the entry door to the game providing a value-based experience should be emphasized. The City's golf courses are "steel" and "bronze" (as later defined in this report), and emphasis should be placed on attracting juniors, women, and less accomplished adult golfers.
- ◆ A committee should be commissioned to determine the viable long-term economic and highest and best use for Kempsville Greens. In the interim, any capital investment in that course should be further deferred.

2) Short-term: Tactical Options

- ◆ Prepare an RFP for public tender to lease the full operations, not merely the clubhouse and range operations, of Bow Creek, Kempsville Greens, and Red Wing Lake golf courses effective January 1, 2011. Consideration should also be given to merely offering a one-year contract to afford the City the opportunity to bid four courses (including Virginia Beach National) under a lease commencing January 1, 2012. It should be noted that the financial opportunities for a third-party management company are limited with merely three courses. The financial arrangement that can be obtained by leveraging the City's four courses is greater.
- ◆ Integrated tee time reservations, point of sale, and email marketing software should be installed.
- ◆ An on-line tee time presence should be created.
- ◆ Contracts with third-party marketing firms (tee time discounters) should be deferred.
- ◆ Accounting reports should be prepared consistent with generally accepted principles for golf courses which emphasize departmental revenue (green fees, carts, merchandise, food and beverage, range, and other) and expense (maintenance, pro shop, administration) reporting.
- ◆ The Golf Course Administrator and P&R Coordinator golf positions should be consolidated.
- ◆ The volunteer program should be revamped to eliminate the duplicity of roles, improve service delivery, and increase revenue generation.
- ◆ Maintenance crews should be reduced from November through February to three full-time employees per course.

3) Short-term: Operational Options

- ◆ Fees for non-residents at Red Wing should be decreased by \$5 to reflect the value of the "hidden gem." The non-resident fee should be eliminated at Bow Creek and Kempsville. The resident rates should remain unchanged at all three courses.

- ◆ The current concessionaire should be provided an incentive to retain a commissioned tournament sales director.
- ◆ Electronic marketing efforts via email, Facebook, Twitter, and Groupon should be emphasized over print advertising. Consideration might also be given to advertising via Google Adwords.
- ◆ Emphasis should be placed on expanding the email database.
- ◆ With the expiration of the current cart lease, the City should mandate electric carts be provided.
- ◆ Staffing at the golf course should be consistent with the clientele served.

4) **Intermediate:**

- ◆ Current maintenance personnel should be transitioned to other departments within the City.
- ◆ Surplus assets and minimal non-revenue producing assets should be identified and scheduled for liquidation.

5) **Long-Term:**

- ◆ Proceeds from the sale of Kempsville Greens driving range and 18th hole, if supported by the study committee, should be applied to the outstanding debt.
- ◆ Construction of a new clubhouse for Red Wing Lake should be strongly considered within the next five years.

What is Achievable?

The City will be required to make a number of difficult decisions. A golf course that is cash-poor but asset-rich, in order to balance the budget, will ultimately be required to liquidate assets or privatize services.

The challenges ahead are not trivial:

- 1) The organizational and management structure is entrenched.
- 2) The overhead cost structure is largely fixed
- 3) Deferred capital expenditures are significant.
- 4) The bond debt will remain a financial burden through 2028.

The leadership and vision of the Parks and Recreation Department and the Golf Course Division has much strength that serve as a firm foundation for future growth. They possess the talent and passion that are required to implement the recommendations in this report that are adopted by City Council.

Operational Review

City of Virginia Beach

Department of Parks and Recreation

Golf Course Division

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An Operational Review: The Process

Why Was Golf Convergence Retained?

Strategists are often retained because of the following scenarios: 1) when there is a change in management and those who are now accepting accountability seek to benchmark the current operation upon their entrance; 2) the deterioration of the financial condition of the operation is clear to all; and/or 3) when leadership is proactive in seeking to outperform the competition to ensure that the full potential of the golf courses is realized.

Golf Convergence was retained to analyze the erosion of the financial condition of the City of Virginia Beach Golf Courses, as highlighted below:

Operational X-Ray		
Category	Indicator	Amount
Market Supply	Oversupplied	8%
Weather	Decline in playable days	4%
Rounds	Decrease in Rounds over Past 9 years	32%
Value	Experience < Price	20%

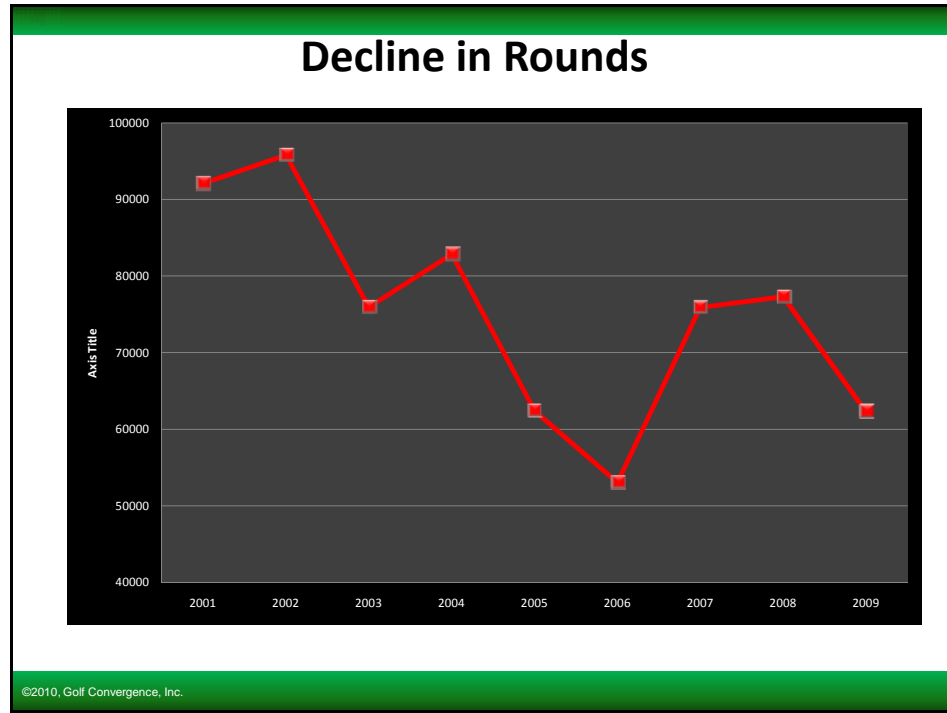
Note: A playable golf day is defined as where the temperature is between 50 degrees and 90 days with less than ½ inch of precipitation within 12 hours.

The market is oversupplied with golf courses. Though weather has been adverse for the past couple of years, rounds have fallen significantly greater than can be attributed to the decline in playable days.

The formula for the successful operation of a golf course is straightforward. To the extent that the value provided (measured by the experience offered minus the price), golfers become loyal to a facility and increase their play. The reverse is also true. To the extent that price exceeds the experience, attrition occurs.

For the City of Virginia Beach, the price charged currently exceeds the value provided to the customer by 20%; hence, customer attrition.

This decline, as measured by rounds, has occurred for over a decade, as shown below:



Matching this decline in rounds is the financial performance of the golf courses, as noted below:

	Revenues	Expenses	Net Income	Transfers, Net	Revenue Over Expenditures	Ending Fund Balance
2004						1,040,814
2005	1,860,217	2,029,677	(169,460)	(200,000)	(369,400)	671,534
2006	1,616,328	2,112,096	(495,768)	252,565	(243,203)	428,151
2007	2,485,230	2,339,733	145,498	(252,123)	(106,626)	321,525
2008	2,670,741	2,298,791	381,950	(200,000)	171,750	493,525
2009	2,182,190	2,171,439	10,751	(270,691)	(259,940)	233,535
	10,814,706	10,951,736	-127,029	-670,249	-807,419	233,525

Why the decline? That is the purpose of this golf course operational analysis.

The questions that were posed to Golf Convergence were, "First, under what circumstances, if any, can the City of Virginia Beach golf courses be made profitable? Second, what organizational structure will provide the greatest financial return to the City while maximizing the customer experience?"

The conclusion of this report advocates that private management be retained to operate the golf courses by 2011.

The Process of Examination Adopted

The goal for this engagement was simple. To craft a vision that articulately communicates the strengths and weaknesses (internal) and the opportunities and threats (external) for the City's Golf Division, a vision that can be easily understood by all interested groups.

To accomplish this, the **Golf Convergence WIN™ Formula** was engaged; it includes the following steps:

- 1) **Strategic: Geographic Local Market Analysis** - Age, income, ethnicity within 10 miles of the golf courses
- 2) **Strategic: Weather Impact** - Management performance versus weather
- 3) **Tactical: Technology** - An integrated foundation to identify the insights required to manage
- 4) **Tactical: Key Metrics, Financial Modeling, Yield Management** - Comparing financial performance to competitive local golf courses
- 5) **Operational: Facilities and Maintenance** - Equipment and capital benchmarks
- 6) **Operational: Customer Franchise Analysis** - Who are the golf course's best customers and how loyal are they?
- 7) **Operational: Customer Surveys** - Barriers, Price Points, Brand Image
- 8) **Operational: Management, Marketing and Operation Review** - The entrance, staffing, organizational structure, merchandising, food and beverage, advertising, marketing, and public relations are evaluated and compared to the industry's best management practices.

The Formula results in the development of viable recommendations ranging from creating a new strategic vision for the golf courses, to tactical plans focused on finances, to human relations and technology, to operational suggestions centered on agronomy, to maintenance, to pro shop operations including customer service, to yield management and marketing.

For the client to understand this process of examination, it is first necessary to gain a macroeconomic view of the nation's economy, the current factors affecting the business of golf, and to learn the golfers' preferences and the barriers to their increased play.

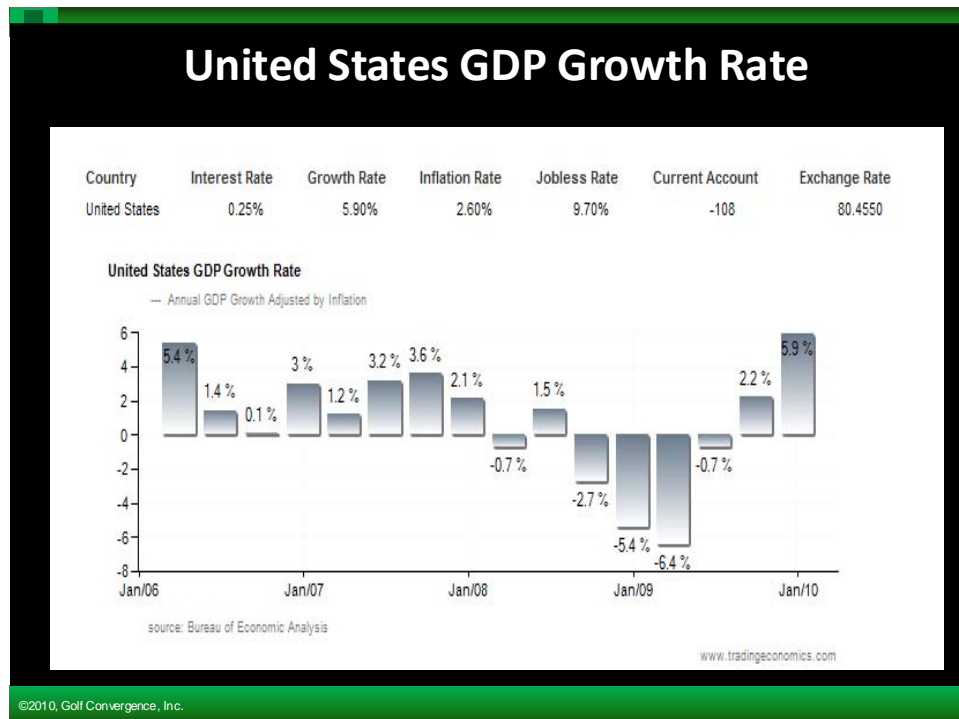
Global Perspectives

The Current Economic Outlook

Golf is a recreational sport that consumes the disposable income of its patrons. Golf competes for the entertainment dollars of its consumers.

The financial prosperity of golf is indirectly correlated to the world economy. To measure the impact of the current economic conditions on the golf industry, in April, 2009, the National Golf Foundation (NGF) included at its annual symposium a presentation titled, "Golf in a Troubled Economy."⁵

The speaker, Jeff Schott, Senior Fellow at the Peterson Institute for International Economics, presented the case that as a society the U.S. is in denial regarding the depth of the economic troubles in which we now find ourselves immersed—the deepest downturn since 1930, with all major world economies suffering except for China and India. These economic challenges are summarized in the U.S. GDP growth rate as highlighted below:



The decline in the GNP in 2009 was based on the following factors:

⁵ Jeff Schott, "Golf in a Troubled Economy," April 22, 2009, Slides 1 – 21.

- ◆ Concentrated decline in global output/trade
- ◆ Seizing up of credit markets
- ◆ Wealth shock via decline in equities, pension funds, and housing

As a result of the fear introduced into the world economy, Jeff Schott stated that personal savings rates are skyrocketing as consumers restrict their spending. With the unemployment rate at 9.7% and those employed restricting spending, disposable income available for recreation and entertainment is being compacted. Interestingly, among those who play golf; this recreational activity consumes 3% of disposable per capita income, \$32,000⁶, or \$960 annually.

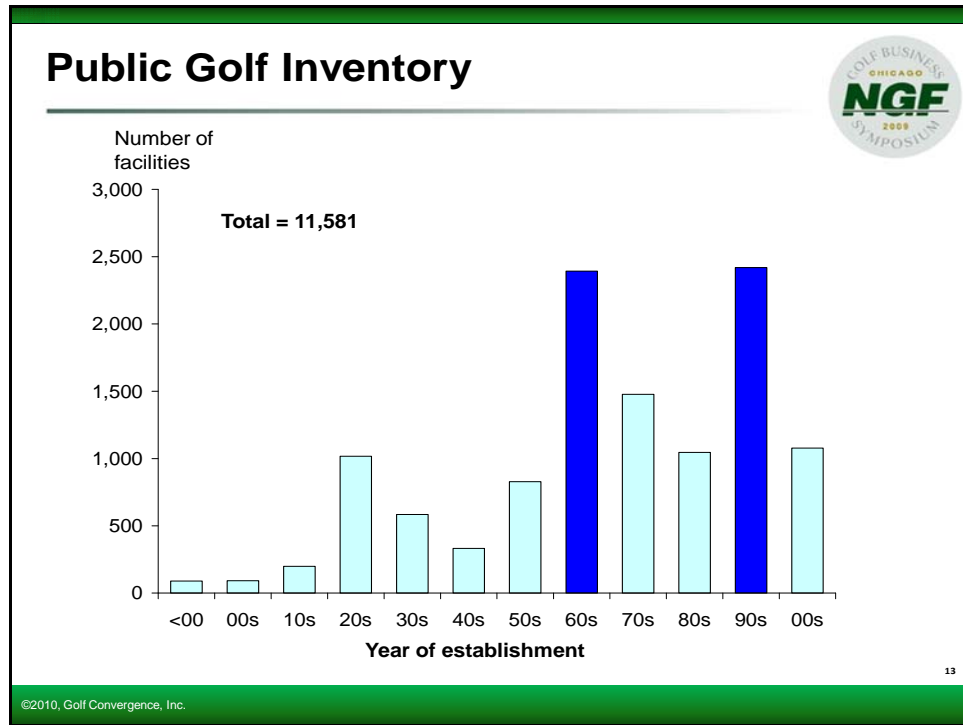
What Are the Implications for Golf?

In 2009, rounds declined 1% while revenue fell 6%. Six of every seven golf courses lost money. Rounds in 2010 are likely to fall slightly, tournament rounds are predicted to go down by 3%, and price degradation across the industry will continue.

The National Golf Foundation in 2009 published an extensive study on “The Future of Public Golf in America.”⁷ Since 1990, the growth in the number of golf courses is up 24%, while the number of golfers has only increased 16%. As a result, rounds played at each golf course have fallen from 40,400 in 1990 to 32,640 today. Today’s supply imbalance is attributable to the golf courses opened during the 60’s and the 90’s, as reflected below:

⁶ <http://www.bea.gov/briefrm/percapin.htm>

⁷ National Golf Foundation, “The Future of Public Golf in America,” April 22, 2009, Slides 1 -43.



This chart has great pertinence to Virginia Beach. Since 1990, the supply of golf courses in the local area has grown by 22%. Hence, the significant pressures being felt by the Golf Course Division are largely due to forces beyond the City's control.

In the NGF study, 15% of the golf courses rated their financial health as extremely poor. Of those golf courses, 56% of daily fee golf courses were considering closing and selling, and 26% of municipal golf courses were evaluating the same alternatives. Uniformly, with rounds and revenue off, losses increased, maintenance standards were deteriorating, capital investments were deferred, and discounting practices were employed to boost rounds. The City of Virginia Beach has experienced the same.

As a result, The NGF concluded that from 500 to 1,000 golf courses will close or be sold during the next five years. The golf courses most at risk⁸ were:

- ◆ 9-hole facilities
- ◆ Lower price points
- ◆ Alternative facilities
- ◆ Those in less-populated areas

The NGF study further revealed significant differences between how successful golf courses were operating in contrast to those courses that were financially challenged, which is reflected below:⁹

⁸ National Golf Foundation, "The Future of Public Golf in America," April 22, 2009, Slide 21.

The Right Things



	Success (7-10)	At-Risk (0-3)
Customer service emphasis	73%	52%
Have strategic plan	69%	48%
Structured player development	59%	41%
Customer surveys	49%	36%
Promote other revenue centers	43%	26%
Pace of play	43%	24%

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Maintaining customer databases, engaging in email marketing, and the publication of newsletters are additional traits of successful facilities that have been widely recognized over the years. Unfortunately, the City of Virginia Beach is not engaged in any of these activities at the current time. Fortunately, as discussed in detail later in this report in Step 3, Information Systems Technology, are easily correctable.

The Business of Golf

In theory, business is actually very simple. It is simply balancing supply against demand. By establishing the price that correctly balances the value delivered commensurate with market demand, net income is maximized.

Business can be made very complicated. The permutations of operating a successful golf course exponentially increase quickly when one considers the factors that impact supply (the number of golf courses) or those factors that affect demand (course conditioning, price, weather, service, and customer demographics and preferences).

In a perfect market, customers purchase products that satisfy their needs or desires for prices they determine to be the best value. Golfers purchase a round of golf for the price that creates the social status they seek, for the networking they want to achieve, for convenience to home or business, and for the recreational and leisure experience.

⁹ National Golf Foundation, "The Future of Public Golf in America," April 22, 2009, Slide 26.

Unfortunately, capitalism is not about perfect markets. Inadequate information, undisciplined decision making, and government intervention can create aggregate failure. The essence of capitalism is for the successful entrepreneur to gain a strategic advantage over competitors within an imperfect market.

Thus, the goal of the golf course owner should be to blend the following triad:

- 1) Superlative information
- 2) Disciplined decision making
- 3) Crisp execution

But to achieve that strategic goal, the first component, superlative information, starts with an understanding of the breadth and depth of the golf industry.

An understanding of macroeconomics as it relates to supply and demand and the underlying performance, structure, and behavior of the golf industry creates the essential perspective necessary to craft a strategic plan as part of an operational analysis for which this study was commissioned.

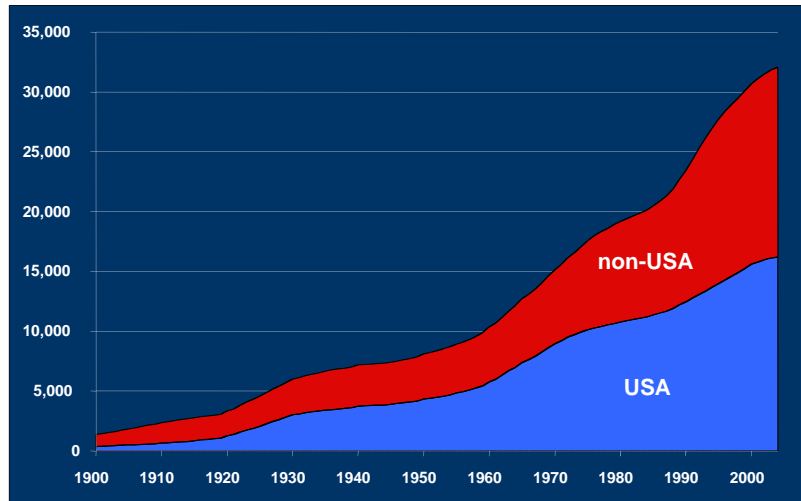
The Worldwide Supply

The game of golf holds an amazing allure. As you read *Golf Magazine*, *Golf Digest*, *Links Magazine*, or *Travel and Leisure*, you see photographs of some amazing golf courses throughout the world. The list of “must play” courses in only Scotland, South Africa, South America, South Vietnam, Spain, Sweden or the States, seems never-ending. Great golf courses are abundant.

While golf started in 1454, the popularity of the game has more than doubled in just the last 40 years. The chart below¹⁰ shows the growth of the game during the past 100 years:

¹⁰ Colin Hegarty, Golf Research Group, “Golf 20/20 Presentation,” November, 2005, Slide 11.

Number of Courses 1900-2004



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The Worldwide Demand

With more than 34,000 golf courses on planet earth, the capacity for the sport exceeds 2,788 billion rounds of golf annually. With a world population at 6,810,874,941¹¹ on March 27, 2010, and increasing at a pace of 187 people born every minute, it seems that demand should exceed supply.

As the chart below¹² indicates, the sport of golf can be correlated to the Gross Domestic National Product and the disposable income of its citizens if we look at the number of golfers in various parts of the world.

¹¹ <http://www.census.gov/main/www/popclock.html>

¹² Colin Hegarty, Golf Research Group, "Golf 20/20 Presentation," November, 2005, Slide 11.

The Golf Population

Continent	Golfers
North America	32,000,000
Europe	7,663,560
Asia	16,174,000
Oceania	1,789,400
Africa	800,850
South America	148,450
Caribbean	44,600
Central America	12,750
Middle East	11,500

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A Closer Look at Actual Demand: Who is the Customer?

The financial health of the business of golf can be measured by many numbers. Three of the most effective are the relationship between the number of golf courses, the number of golfers, and the number of rounds played. Many factors influence those three components.

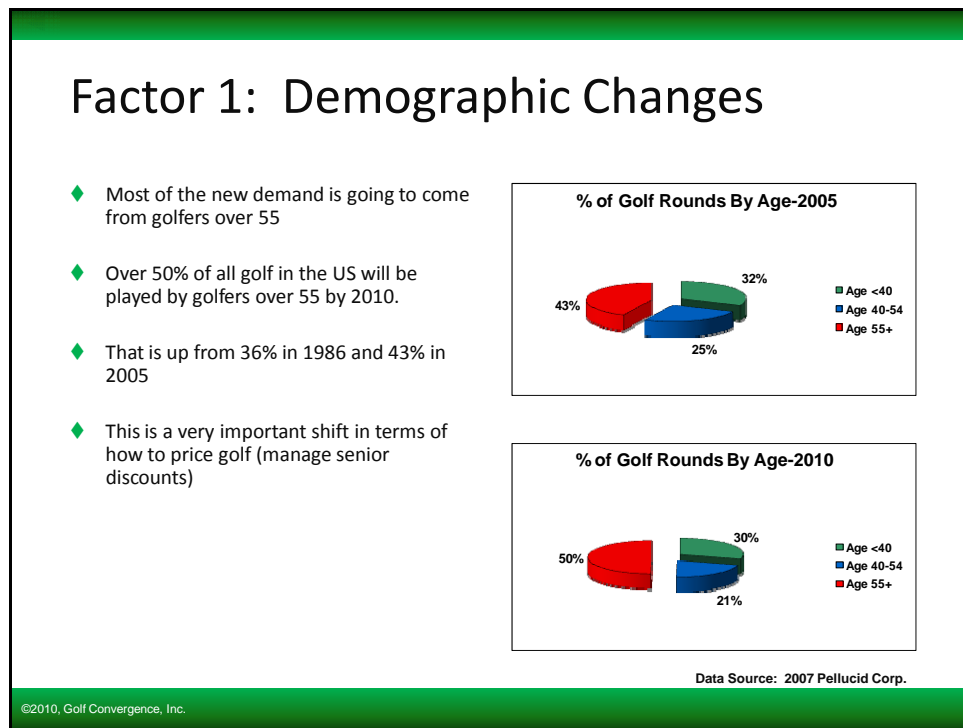
In order to compute the number of golfers and the number of rounds, we first need to define “golfer.” The National Golf Foundation defines a “golfer” as an individual, age 6 or older, who played at least one round in the past year. “Core golfers” are defined as those adults 18 or older who play between eight and 24 rounds per year. The term “avid golfer” is used for those golfers who play more than 24 rounds per year. Other industry research groups use 12 years or older as the benchmark for what constitutes a golfer. Again, the golf industry’s methods of gathering statistics are not standardized.

Another term that causes much debate is “round.” When you play a “round,” have you played nine or 18 holes? The most common use of the word “round” merely means “a start.” In other words, a golfer teed off on at least one hole. The City of Virginia Beach has historically reported “18-hole equivalents” as rounds rather than starts. This reporting preference makes the process of comparing Virginia Beach to other industry benchmarks more complicated.

With the term golfer now defined, a further analysis reveals that the game of golf is all of the following:

- 1) Golf is a game of the aging population.
- 2) Golf is a game of the wealthy.
- 3) Golf's growth is constrained by the time-crunched nature of our society.

As has been demonstrated in economic surveys conducted throughout the world, golf thrives in cities where the population is aging. Over 68% of all golf rounds are played by those older than 43 years of age, as reflected below:



Not only is golf a game whose participants are aging, golf is also a game of the wealthy, and the sport is clearly losing its middle-class appeal, as reflected below:

Factor 2: Golf is Expensive

Inc. Group	'00 % Golfers	'00 % HHs	Index	'05 % Golfers	'05 % HHs	Index
Upper Class \$75K+	27%	23%	115	49%	34%	144
Middle Class \$35-\$74.9K	43%	36%	119	35%	35%	100
Working Class <\$35K	30%	41%	73	16%	31%	52

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This chart reflects that using a baseline index of 100, the upper class constitutes a greater portion of golf's participants, while the relative frequency of participation by the middle class and working class is decreasing.

The fact that golf is an elitist game is clearly demonstrated with the statistic that indicates that those with incomes of less than \$34,999 play only 3.45 rounds per year, while those with incomes greater than \$75,000 play 431% more, or 14.89 rounds per year. Golf is clearly losing its middle-class appeal.

All of this begs the question as to why golf is not more popular among the young, middle, and working classes.

First, the game is difficult to learn, and if you're not very good at it, it isn't a lot of fun. Second, the cost to even begin playing is high—clubs, shoes, golf balls. It's not uncommon to invest at least \$500 to more than \$3,000 to start. Third, a round of golf consumes the better part of a day. Fourth, the attitude present in many male-dominated pro shops creates a harsh and unfriendly environment for many women. Finally, many golf course personnel believe that they are "members" of the club, not "workers" at the club.

While the demand/supply imbalance bodes poorly for golf, such imbalance masks a more subtle and pervading problem that is retarding the growth of the game. That problem is the significant change in the demographics of how our society functions in the United States. Sociologists track seven major categories to determine the nature of

a society, some of which are technology (i.e., medicine, computers), social trends (reduced social conformity), and demographics (i.e. baby boomers and Gen X).

Within the seven categories, when three or more become altered significantly, society changes. That is what has occurred during the past seven years. Labeled the “time crunch,” our societal changes include:

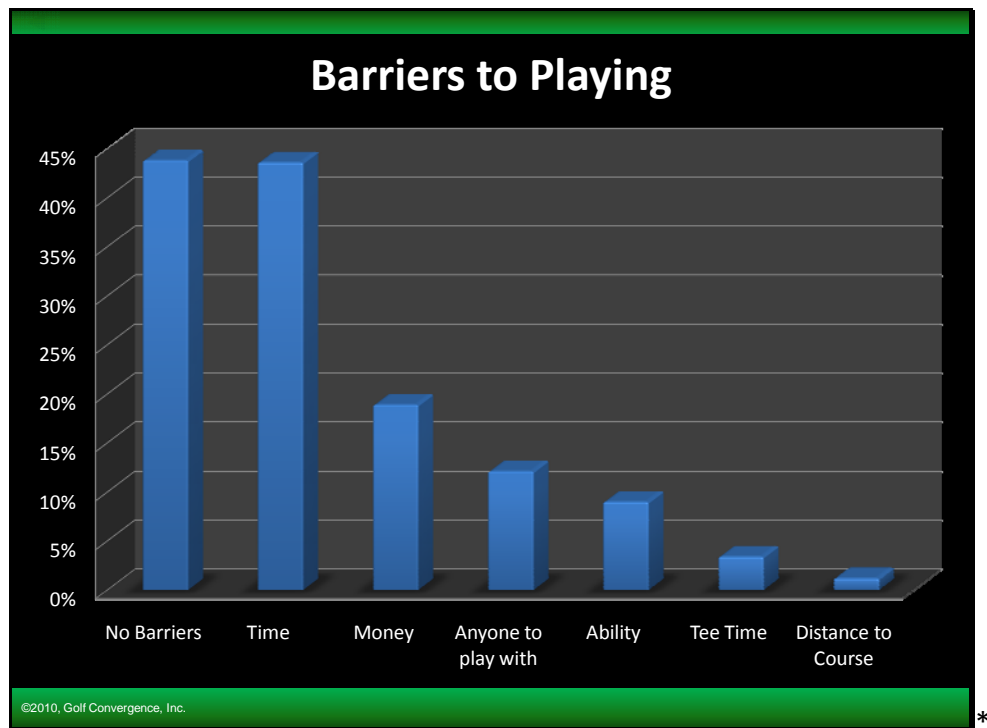
Factor 3: A Time-Crunched Society

1. The **technology trap** of endless improvements: the more empowered technology makes you, the more you are expected to do.
2. The **update mandate**: We must be constantly updating our information: our devices (phones, email), our knowledge (events, educations), our values (tolerance to risk, work, etc.). We have dramatically increased our “work cycles.” Employee productivity is up 24.2 in the past ten years.
3. The **marketplace of endless choices**: (47 car manufacturers, hundreds of models, thousands of choices.) Shopping takes a lot more energy, thought and time.
4. We have become an **experience economy**: Starbucks to see it made, Krispy Kreme to watch it bake, Harley to gather on weekends at events to participate.
5. **Lifestyle integration**: Our key value is that everything must be efficient and we can do it at once, causing the erosion of the barriers between home, work, and commuting.
6. **Child centeredness**: Our focus on wants, needs and desires have transferred from ourselves to our children. There is now a social status attached to the “child first” attitude. Our parents put themselves first. We put our children first.
7. **Conspicuous activation**: Status is now achieved by showing how busy you are and how many activities you are involved in.

©2010, Golf Convergence, Inc. Source: Golf 20/20, DYG, Inc. 2003

The time crunch, in which 50% of all families are divorced and 80% of existing families have dual wage earners, has completely redefined the concept of leisure.

In a survey conducted for the City of Virginia Beach, we asked, "What are the primary barriers to playing golf?" The survey response is below:



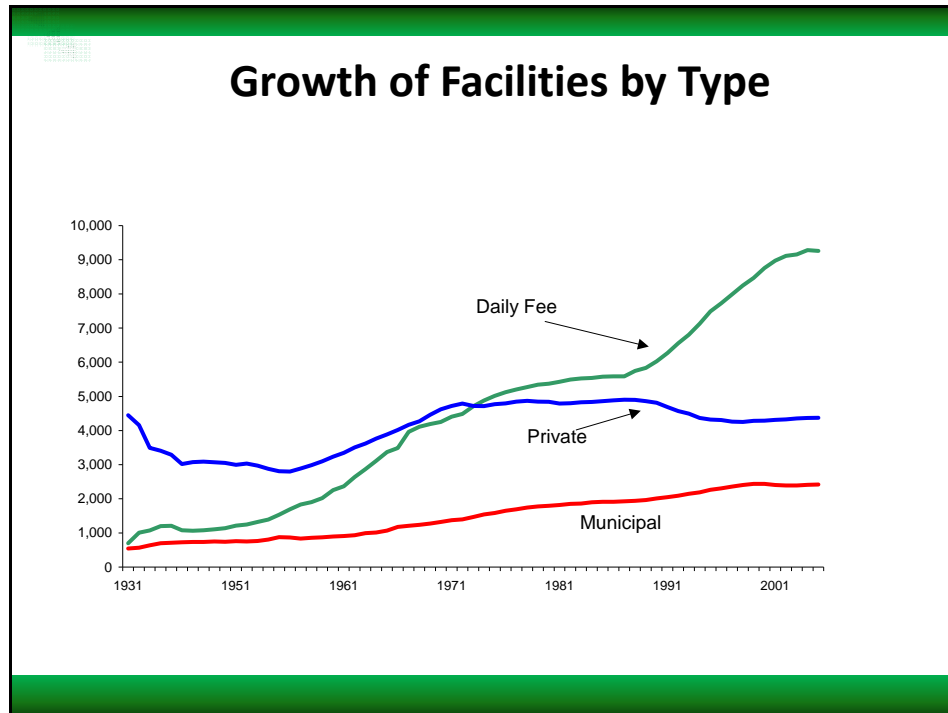
The survey results for Virginia Beach golfers are not encouraging. No barrier to play indicates the demand for golf is at capacity. Further, those who might like to play more, find time the constraint. The survey for the City of Virginia also confirmed that the individuals who utilize the golf courses mirror the national demographic trends regarding age and household income.

The factors of supply exceeding demand, golf's lessening popularity, and changes within our societal framework have created the downward golf spiral that the City of Virginia Beach's golf courses are experiencing. This downward spiral has been accentuated for the City of Virginia Beach as Bow Creek and Kempsville have become dated and the golf experience at all facilities is substandard when compared to other public alternatives.

The Role of Government in Golf

Golf started in North America in the late 1880's. Access was largely through private country clubs.

Because of the origins of the game within America as private club-based, municipalities filled the void for the public by building golf courses as a part of their parks and recreation programs. The need for municipalities to continue to operate golf courses has been largely eliminated by the evolution of daily fee golf courses – those open to the public via private enterprise—which became a significant factor starting in the 1960's, as illustrated below:



The current debate? With the increase in daily fee courses, is providing golf to citizens an essential function of government?

The role of government is to provide those essential services to a society that could not otherwise be provided efficiently or effectively by private enterprise. Hence, police, fire, water, sanitation, and highways are usually within the bailiwick of government. But if a need of the citizens is adequately met by private enterprise, should the government provide that service if it is not essential to the health and welfare of its citizens?

It is the finding of this report, as presented later in detail in Step 1, Geographic Local Market Analysis, that private enterprise adequately meets the needs of the citizens of the City of Virginia Beach for golf as a recreational sport. In fact, the City of Virginia Beach has an excess supply of golf facilities available to its citizens.

The Organizational Chart of Municipal Golf

Municipal golf courses serve various constituencies, including: City Council, Parks and Recreation Commission, Management/Staff, Golfers and ultimately, Residents who support the courses with their taxes.

The mission statement of a municipal golf course can range from generating the largest possible return on investment, merely creating a value-based recreational opportunity, or alternatively, catering to the perceived needs of niche groups. Some golf courses also emphasize the value of teaching core values to young golfers.

The national brand image of municipal golf courses often gets a bad rap. Viewed as the entry door to the game, facilities often are downtrodden and degrading. Such is not the case in the City of Virginia Beach, where, in the aggregate, management and staff are dedicated, hardworking, and passionate about creating value for their constituency. But decision making based on the uncontrollable factors reported, and the lack of resources often impairs their ability to execute.

With that considered, the real organization chart for a municipal golf course is as follows:

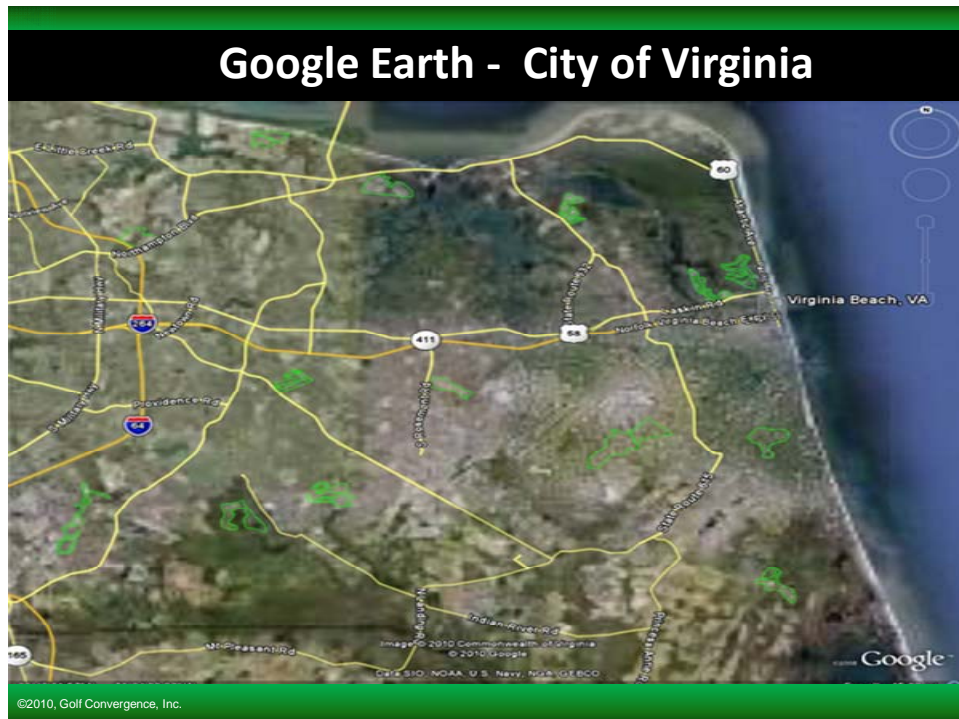


With this understanding of the macroeconomic factors prevalent in our nation, the microeconomic influences affecting the local golf courses, and the current political, economic, and financial environment observed in Virginia Beach, this much is clear—the Golf Course Division, if it is to provide golf, must do in a way that ensures that the golf courses are financially self-sustaining and free from general fund support.

The Client: An Overview

The City of Virginia Beach

Virginia Beach is the most populous city in Virginia and the 42nd largest in the United States, with an estimated population of 434,000 and a median household income of \$61,234¹³ encompassed within 248 square miles and 58 miles of shoreline on the Atlantic Ocean and the Chesapeake Bay, as pictured below:



Virginia Beach was chartered as a municipal corporation by the General Assembly of Virginia on January 1, 1963. The city currently operates under the council-manager form of government. The city's legislative body consists of an 11-member City Council. The City Manager is appointed by the council and acts as the Chief Executive Officer. Through his staff, he implements policies established by the council. The City's net assets are \$3.095 billion, and the annual revenues generated near \$1.346 billion. Property taxes make up the largest component, at 42.6% of revenue.

¹³ U.S. Census Bureau, 2005 Population Estimates, Census 2000, 1990 Census:
<http://factfinder.census.gov/>

Parks and Recreation Department

Virginia Beach is a resort city with miles of beaches and hundreds of hotels, motels, and restaurants along its oceanfront. The City owns more than 6,500 acres of open space, and wildlife properties account for more than 15,200 acres of the City that are also preserved. With 255 playgrounds, 131 ball fields; 66 multi-purpose fields, 236 basketball courts, 161 tennis courts; two skate parks, two dog parks; 170 picnic pavilions, and four major beach-use facilities, and with an open space benchmark of 16 acres per 1,000 in population (contrasted to the national standard of 10 acres per 1,000 in population), the City of Virginia Beach Parks and Recreation Department is widely heralded.

Virginia Beach Golf Course Division

Virginia Beach Golf Course Division functions as a Special Revenue Fund. The criteria for such a designation are that the golf courses should be:

- ◆ Affordable
- ◆ Sustainable
- ◆ Given more flexibility to achieve performance targets
- ◆ Have the freedom of a business and yet some of the governance of a department
- ◆ The ability to partner with appropriate stakeholders to share responsibilities and costs.

The City of Virginia Beach's Golf Special Revenue Fund is in essence an "enterprise fund" from which the City of Virginia Beach loans general funds, if required, annually.

To provide a frame of reference, there are basically four types of golf courses: municipal (including military and corporate golf courses), daily fee, private clubs, and resorts.

Municipal golf courses can be operated with a "general fund" or an "enterprise fund," also known as a "special fund." The enterprise fund, used by a slight majority of facilities in North America, is accounted for as a separate economic entity in which profits and losses are separately measured but which ultimately will receive financial support from the "general fund" when circumstances turn dire. As such, an enterprise fund can and should operate independent of City departmental influence.

Assets Managed

The City of Virginia Beach owns six 18-hole golf courses under varying management oversight and operating agreements:

Course	Par	Course Rating	Slope Rating	Yardage	Management Oversight	Operations	Contract
Bow Creek	70	67.9	120	5,917	Parks and Recreation	Concessionaire: A.J. Menk	Managed
Heron Ridge	72	73.9	131	7,017	Virginia Beach Development Authority	Concessionaire: Heron Ridge, LLC	Leased
Kempsville Greens	70	68.3	122	5,843	Parks and Recreation	Concessionaire: A.J. Menk	Managed
Red Wing Lake	72	73.9	129	7,124	Parks and Recreation	Concessionaire: A.J. Menk	Managed
Stumpy Lake	72	72.2	119	6,846	Parks and Recreation	Concessionaire: Hampton Roads Golf Clubs	Leased
Virginia Beach National	72	75.8	142	7,432	Virginia Beach Development Authority	Virginia Beach Golf Club, LLC	Managed

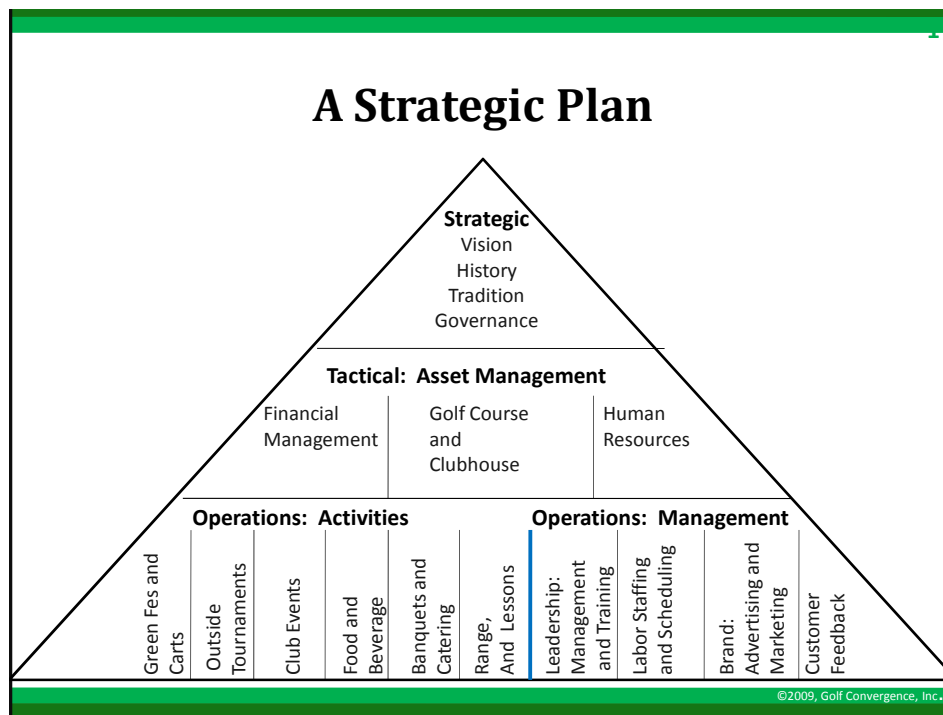
Each of these golf courses has its own idiosyncrasies in management and operation. The Pro Shop, merchandise and food and beverage for Bow Creek, Kempsville, and Red Wing Lake are managed by the concessionaire. The City is responsibility for administration, marketing, and maintenance.

For the other courses that are leased, each concessionaire is responsible for all aspects of the operation. The terms of each of the leases varies from a flat fee to a percentage of net revenues.

The scope of this operational review was limited to Bow Creek, Kempsville Greens, and Red Wing Lake.

The Strategic Planning Pyramid

Undertaking the eight-step Golf Convergence WIN™ formula requires an extensive analysis of the golf courses, including all of the following elements:



Service-Level Target

In crafting a strategic plan, the selection of the vision and mission of the golf course is determined by many factors, including financial assets, personnel resources, and the market demand for a specific product.

Golf courses and their associated service standards can be classified as follows: “platinum, gold, silver, bronze, and steel,” as reflected in the chart below:

Definition of Market Segments

	Platinum	Gold	Silver	Bronze	Steel
Vision	Rolls Royce	BMW	Volvo	Chevrolet	Hyundai
Examples	Pine Valley, NJ Seminole, FL	Cherry Hills, CO American Club, WI	TPC Clubs Bandon Dunes, OR	Lakewood, CO Bethpage, NY	Brookhaven, TX City Park, Anywhere
Cost	Over \$350 per round	\$200 to \$500 per round	\$100 to \$250 per round	\$60 to \$125 per round	\$75 or less
Carts	Caddies Mostly	Caddies + Electric Carts	Caddies Rare: Electric Carts plus Pull Carts	Electric or Gas Carts plus Pull Carts	Gas Carts plus Pull Carts
Access	By Invitation	Waiting List	Available	Seeking	Open Access
Style	Formal	Professional	Relaxed	Very Casual	Loose
Social Status	Generational Wealth	Upper Class	Upper Middle Class	Middle Class	Anyone
Championships	USGA/PGA	USGA/PGA	USGA/ PGA State Golf Assoc.	State Golf Associations	None

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Other factors that determine the appropriate service level include gender/ethnicity leanings, dress standards, whether carts are required, smoking regulations, tipping and gift policies, and other activities offered.

Why is this relevant for the City of Virginia Beach?

The resources invested determine the experience created. The experience delivered defines the price that can be charged. The price charged ultimately determines the investment return. Presented below is an analysis of the Virginia Beach golf course assets, based on evaluation of more than 3,000 public golf courses in North America¹⁴:

¹⁴ PGA PerformanceTrak, "2009 Operating Profiles"

Public Club – Asset Base

	Platinum Top 10%	Gold Top 25%	Silver Median	Bronze 3 rd Quintile	Steel - Bottom 25%
Rounds Played	30,000	35,000	40,000	45,000	Over 50,000
Full Time Employees	> 40	>20	> 10	> 5	< 5
Total Revenues	> \$3.5 million	> \$2 million	>\$1.5 million	> \$1 million	< \$1 million
Green Fes, Guest, Cart, Trail	> \$1.8 million	> \$1.0 million	\$750,000	>\$500,000	< \$500,000
Merchandise	> \$300,000	\$200,000	\$100,000	> \$75,000	< \$75,000
Maintenance	> \$800,000	> \$700,000	> \$500,000	> \$400,000	< \$400,000
Annual Renovation	> \$800,000	> \$700,000	> \$85,000	> \$50,000	< \$50,000
EBITDA	> 1,200,000	> \$600,000	> \$400,000	> \$200,000	< \$200,000

This chart illustrates the following points:

- 1) Based on gross revenues, the Golf Division's golf courses would be deemed to be "steel" level facilities.
- 2) Insufficient rounds are played to generate the revenue required to sustain the investment. The typical steel level golf course generates in excess of 50,000 rounds and \$200,000 EBITDA. The City of Virginia Beach's golf courses only generate 30,000 rounds.

Why doesn't the City have greater play? While the oversupply of golf courses in Virginia Beach is a contributing factor, the fees charged for the value provided are too high.

The 2010 – 2013 Strategic Plan

After conducting an operational analysis, the product of which is a strategic recommendation for a client, a plan can be constructed based on numerous factors, including political considerations, financial resources, organizational cultural, and history and tradition.

In this engagement, the following questions were posed to members of City Council, the Parks and Recreation Commission, the Parks and Recreation Department Management and Staff, Virginia Beach Development Authority management, employees and the contracted management company to better understand the scope within which politically viable and financially beneficial solutions could be crafted.

- 1) **Does the City of Virginia Beach want to continue to provide golf at the current levels of supply to its citizens?** Yes.
- 2) **Can any of the City Golf Courses be sold?** No. Though there is an excess of supply of golf courses, it is unlikely in the short-term that the City of Virginia Beach will sell any of their courses.
- 3) **Is the City of Virginia Beach willing to increase property taxes to fund necessary improvements?** No.
- 4) **Is the City of Virginia Beach willing to make any substantive changes to their business practices in 2010?** Perhaps.
- 5) **Is the City willing to invest in the golf courses beyond ordinary repairs and maintenance?** No.
- 6) **Can the wage scale be renegotiated to provide wage concessions?** No, current wages are defined and largely unchangeable.
- 7) **Does private management (third-party) deem the City's golf courses sufficiently attractive to invest capital and assume the financial risk of operation?** Yes.

Thus, the role of this engagement became focused on determining what is the best strategic vision for the golf courses that will minimize the capital investment required and maximize the operational income derived, subject to the limitations defined above.

The essential question addressed was: "Can the current organizational structure manage the facilities to maximize revenue, increase operational efficiency, and enhance customer service, or is there an alternative form of management available that will reduce the City's investment risk while maximizing the customer experience to the citizens?"

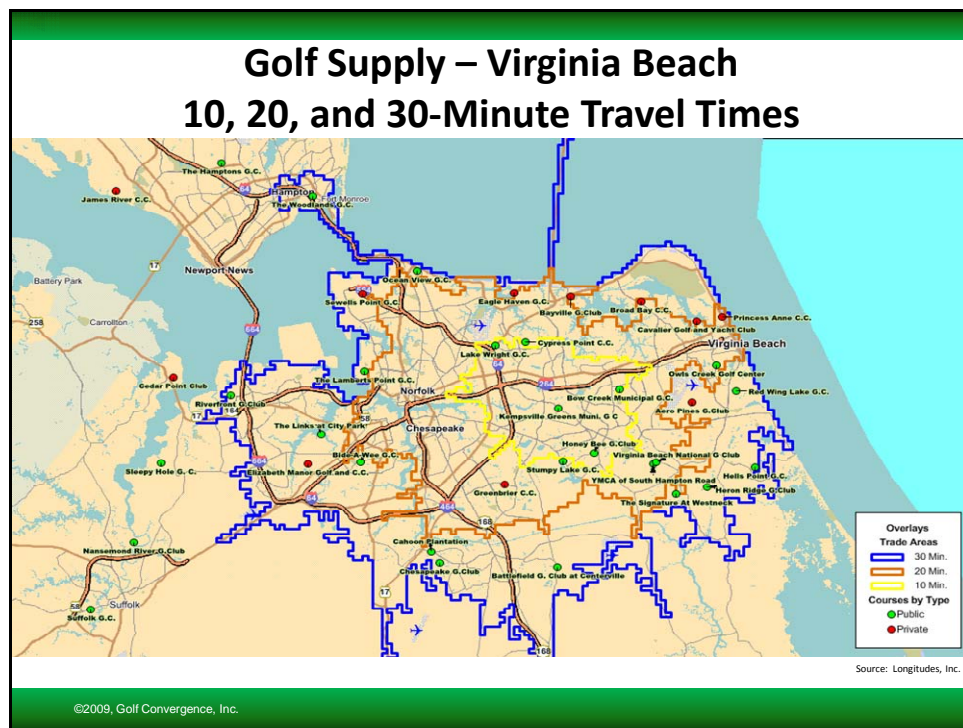
Strategic Analysis

Step 1: Geographic Local Market Analysis

Supply trends are negative

For this business plan, we conducted intensive research of the demographic trends, the local golfer base, supply levels, mix, current supply/demand balance, and the impact of historical supply dilution.

In determining the competitive forces surrounding the City's facilities, golf courses that are located within a 10/20/30-minute drive from Virginia Beach were evaluated. The competitive map, which is presented to determine the market potential of the golf course, is reflected below:



Note: Data sources for this analysis included: Tacticians licensed annual consumer survey (2007), state-level facts on participation and frequency, National Golf Foundation database of 16,000 US golf facilities (not including stand-alone driving ranges), licensed U.S. Census data, 2000 actual, 2008 estimate and 2013 projections.

When considering price, quality, proximity, and accessibility to City of Virginia Beach, golfers have many viable alternative courses to play. However, proximity from work/home to the golf course is a determining factor in measuring the viability of a golf course and its tendency to prosper. A detailed list of these courses is presented in Appendix 1A by address, zip code, and classification as to type of course.

Presented below is a summary of the supply/demand factors found within the City of Virginia Beach:

Supply Mix		
Category	30 Minute Drive Time City of Virginia Beach	National Average
Golfers per Facility	1,885	1,737
Private/Public Mix	26% / 74%	28% / 72%
Premium/Value Mix %	44% / 56%	25% / 75%
Premium >\$71 %	17%	9%
Value \$40-\$70 %	42%	28%
Price <\$40 %	41%	63%

Source: Longitudes Group

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This chart reflects that the market for golf in the City of Virginia Beach is oriented toward higher-priced facilities, thereby creating an opportunity for the City of Virginia Beach at a value price point. There is an ample supply of premium golf courses in Virginia Beach. However, because of the oversupply of golf courses in the area, the market is prone to discounting, in which the premium golf courses have the flexibility to create a great golf experience for only a slightly higher fee. The overall point is that golf in this area is *highly* competitive.

It should be noted that there are more golfers per facility in Virginia Beach than the national average, and the supply of golf courses exceeds demand by an estimated 12% nationally.

Population Demographics – Age, Income, and Ethnicity Are Neutral

To understand the potential growth opportunities for golf within a market, a study of the age, income and ethnicity of the population within a 30-minute drive time is essential. Presented below are those statistics for Virginia Beach Golf Course Division:

Customer Demographics

Category	30-Min	US
Golf Participation	9%	11%
Avid Golfer Index	91	100
Age Index	94	100
Income Index	94	100
Ethnicity Index	80	100

Source: Longitudes Group

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The chart reflects that golfer demographics are slightly unfavorable in the Virginia Beach market. There are 9% fewer avid golfers (100 – 91) in Virginia Beach compared to the nation. Further, the age of the population is 6% younger, they have 6% less household income, and they are 20% more ethnically diverse than the United States as a whole. As previously discussed, golf attracts an older, wealthy, and Caucasian consumer.

Net Result – Supply Exceeds Demand by 8%

When calculating the supply of golf courses in the City of Virginia Beach market with the demand for golf when considering the local demographics, the result is a golf intensity index.

This index indicates that the market is oversupplied by 8% for public golf courses (100 – 90) as shown in the chart below:

Market Share Analysis – Virginia Beach

8% oversupply

Category	30-Min	National Index
Golf Over-supplied	92	100

Source: Longitudes Group

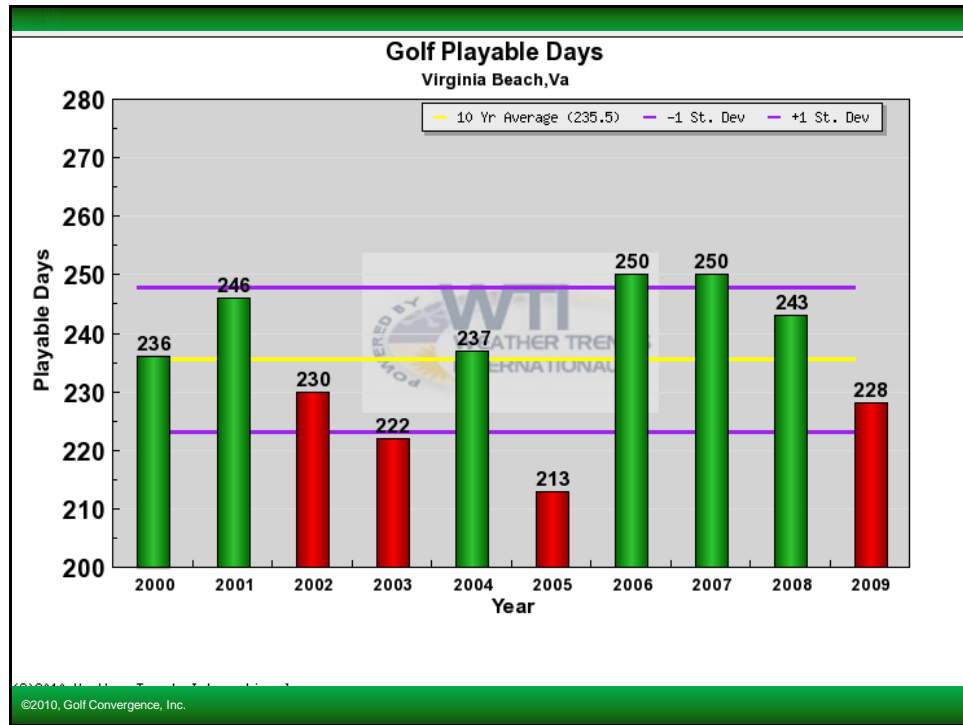
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The oversupply of golf courses suggests that two golf courses in the City of Virginia Beach should close to bring demand in balance with supply to ensure that each facility has a reasonable chance of being self-sustaining.

Step 2: Weather Impact Analysis (WIA)

A key measure in determining if the revenue potential of a golf course is being realized is correlating the number of playable golf days to revenue. Measuring numerous variances, including Season Days, Golf Playable Hours, Equivalent Golf Playable Days, and Corporation Rounds in total, allows us to measure the efficiency of management in maximizing the course's potential.

The chart below, prepared for Virginia Beach Golf Course Division,



Golf playable days during the past decade averaged only 236 playable days per year.

The second step in determining whether the utilization of the golf course is industry-appropriate is to determine course capacity, based on the number of playable days the golf course could have achieved.

The rounds potential in 2009 was 205,200 rounds. Considering that the Golf Course Division's actual annual rounds-played statistic is 88,604, the actual course utilization of 43.2% is below the national course utilization rate of 52%. This suggests that the fundamental financial structures of the golf courses are misaligned, including expenses being too high to offset the potential revenue realized.

Tactical Analysis

Step 3: Information Systems Technology

A fundamental test for any business is identifying who its customers are and what they are spending.

Thus, we reviewed the use of technology with the Golf Course Division's internet use, the integration of tee time reservations with the POS, and the deployment of email-based communication.

Currently, a cash register is used at Bow Creek and Kempsville, and Fore Reservations golf management system is used at Red Wing Lake. Static Web pages have been created and online tee time reservations are offered at Red Wing Lake. Unfortunately, the online reservation system displays 100% of the tee times available as noted below:

On Line Tee Time Reservations

Red Wing Lake Golf Course
1144 Prosperity Road
Virginia Beach, VA 23451
757-437-2037

Select Your Tee Time and Quantity

Your Search Details
Date: Saturday, 27 March 2010
After: 6:00 AM
Before: 8:00 PM

Available Tee Times

Course	Time	Quantity	
18 Holes	07:32 AM	4	Book Now
18 Holes	07:40 AM	4	Book Now
18 Holes	07:48 AM	4	Book Now
18 Holes	07:56 AM	4	Book Now
18 Holes	08:04 AM	4	Book Now
18 Holes	08:44 AM	4	Book Now
18 Holes	08:52 AM	4	Book Now
18 Holes	09:00 AM	4	Book Now
18 Holes	09:08 AM	4	Book Now
18 Holes	09:16 AM	4	Book Now
18 Holes	09:24 AM	4	Book Now

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Competitors will often review another golf course's available tee times to determine if the discounts they provided increased demand. The "best practice" method is to have the golfer request a specific time and to only display the two tee times that best match that request. We understand that this is a feature in the software which can be activated.

The systems currently in use don't provide for the capture of meaningful information needed to effectively manage a golf course. We noted:

- ◆ Monthly financial reports are not prepared in accordance with generally accepted accounting principles for golf courses.
- ◆ No effective marketing programs are being conducted, because there is no central database of acquired, core, and defector golfers.
- ◆ Nearly all 15 key financial reports by which to properly manage the facility are not available to golf course personnel, as summarized below:

15 Key Management Reports				
Customer Analysis				
Customer Distribution	Yes		No	✓
Customer Demographics	Yes		No	✓
Customer Retention	Yes		No	✓
Customer Spending By Class	Yes		No	✓
Customer Spending By Individual	Yes		No	✓
Zip Code Analysis	Yes		No	✓
Facility Analysis				
Merchandise Sales By Vendor	Yes		No	✓
Reservations By Booking Method	Yes		No	✓
Reservations By Day Of Week	Yes		No	✓
Revenue Benchmarks	Yes		No	✓
Revenue Per Available Tee Time	Yes		No	✓
Revenue Per Department	Yes		No	✓
Revenue Per Hour	Yes		No	✓
Round Per Revenue Margins	Yes		No	✓
Utilization	Yes		No	✓

These reports provide the financial benchmarks necessary to maximize the investment return of a golf course. They provide precise insights on the key performance indicators for a golf course, including customer demographics, spending patterns, frequency of play, revenue per tee time, and course utilization. Lacking such information, the adjustment of rates, the efficacy of email programs, and the astute financial management of a golf course is pure guesswork.

Information Systems Technology Recommendations

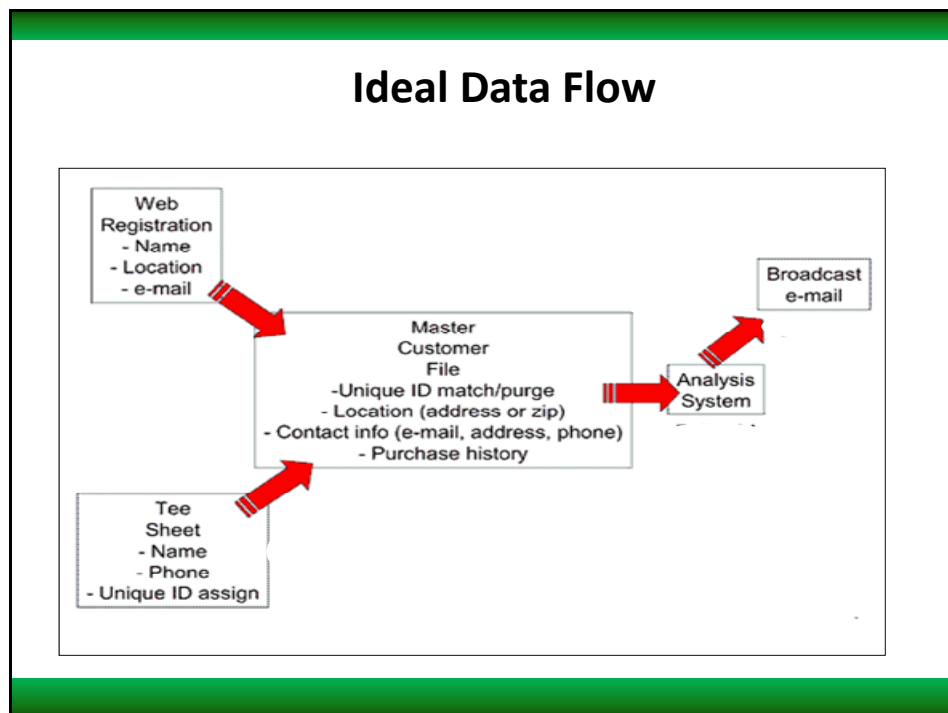
This report advocates the installation of an integrated golf management system with a central database repository providing online tee time reservations and email market capabilities.

The rationale for this recommendation is that the formula to profitably operate the course is simple and consists of the following steps:

- ◆ Create a customer database.
- ◆ Integrate the Tee-Time Reservation System with POS.
- ◆ Issue identification cards and/or capture golfers' email addresses.
- ◆ Communicate with your customers via an opt-in email marketing program.
- ◆ Display tee times by best available time or price (maximum two times displayed).
- ◆ Center a marketing focus on your Web site.
- ◆ Develop a consolidated reporting system and monitor the 15 key management reports.

As noted by in the list above, the Golf Course Division is still a long way from ideal in its utilization of technology, though it must be highlighted that the Fore Reservation system, properly utilized, will provide such essential information.

The ideal system will have the following components:



An online registration system that is integrated into the POS system can identify specific golfer interests, such as last-minute tee times, tournaments, etc.

The Golf Course Division will also be able to engage in Customer Franchise Analysis to identify retained customers, defectors, and new acquisitions. Targeted messages to appropriate golfer segments can be automatically created and delivered monthly.

Note: as a general rule of thumb, a course should only blast to its entire list of golfers two or three times per month.

The correct deployment of technology will yield the following benefits:

- ◆ Maximize Revenue
 - ✓ Web-based marketing presence
 - ✓ Reservation cards sold for premium access
 - ✓ Dynamic yield management
 - ✓ Create distinct City of Virginia Beach brand
- ◆ Increase Operational Efficiency
 - ✓ Better internal control
 - ✓ Timely and more meaningful reporting
 - ✓ Elimination of repetitive tasks by staff
- ◆ Enhance Customer Service
 - ✓ 24-hour access to tee-time reservations
 - ✓ Email communication of promotions, tournaments, updates
 - ✓ Sell prepaid gift cards online

Pursuant to this golf course analysis, a financial proposal was received from one of the leading golf management software providers. Though privatization is the conclusion of this report, for 2010, the City can lease this technology from leading software vendors for less than \$500 per month, with cancellation permitted, without penalty, at any time. The return on this investment should exceed \$25,000 per facility, if the technology is properly used by management and staff. The key to this solution is that it provides for online booking of three golf courses with a central database repository of golfers.

As an alternative, Fore Reservations can also be procured for Bow Creek and Kempsville, and while a central database feature is not available, it can provide meaningful insights on a course-by-course basis.

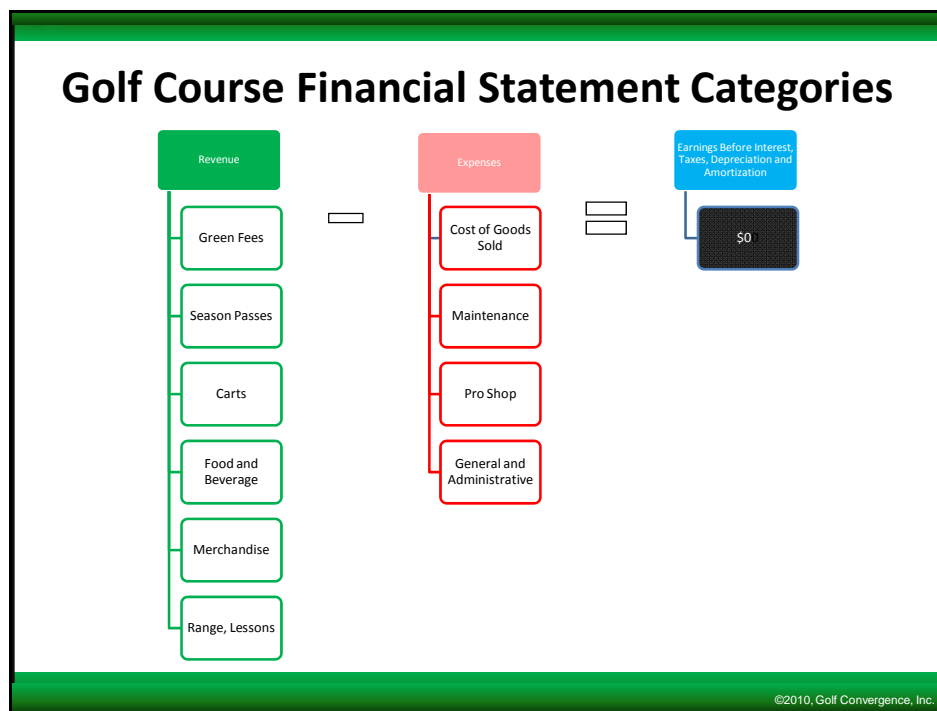
In conclusion, the proper use of technology is to create a management and marketing advantage. The creation of a unique selling proposition, such as affordability that is communicated to the existing customer base, will boost revenues. This can only be done effectively if technology is properly installed and utilized.

Step 4: Financial Metrics

The foundation of a business is its financial statements. For management and staff, being able to plan, execute, and forecast accurate and meaningful financial information is imperative.


The financial statements prepared for City of Virginia Beach are based on accounting principles consistent with City policies, but they differ from generally accepted accounting principles used by successful golf courses.

The financial statements for a golf course are usually organized as follows:



The City accounts combine maintenance and general and administrative expenses. Understandably, the use of a privately contracted concessionaire precludes the City from separately reporting on food and beverage, merchandise, and range and lessons, since that income, along with the pro shop expenses, is accounted for by the concessionaire.

In contrast, presented below are the financial statements Golf Course Division:



Current Financial Statements

	Bow Creek		Kempsville		Red Wing		Administrative		Transfers		Total	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Revenue												
Concessionaires	12,000	12,000	17,597	9,075	0		153,790	152,342			183,387	173,417
Services	660,663	541,868	690,637	505,983	1,101,502	940,017					2,452,802	1,987,868
Golf Classes	0	1,474	0		0	3,860	13,530	15,570			13,530	20,904
Detailed Ledgers	672,663	555,342	708,234	515,058	1,101,502	943,877	167,320	167,912	0	0	2,649,719	2,182,189
Expenses												
Salaries	250,405	229,230	289,222	299,272	358,895	299,420	99,804	177,685			998,326	1,005,608
Fringe Benefits	88,434	75,724	101,666	98,785	102,605	71,275	33,584	59,926			326,289	305,710
Contractual Services	167,756	134,905	179,122	148,564	268,908	222,429	954	9,650			616,739	515,548
Internal Services	18,911	25,870	18,612	18,847	38,927	36,643	633	783			77,083	82,144
Other Charges	16,644	15,487	21,683	27,201	28,373	34,728	564	404			67,264	77,819
Supplies	59,061	50,353	54,297	52,344	92,218	87,949	1,307				206,883	190,647
Debt Service	5,886	-5,855	60				-152	-181			5,794	-6,036
Bad Debt					111							
Detailed Ledgers	607,098	525,714	664,662	645,013	890,037	752,444	136,693	248,267	0	0	2,298,379	2,171,439
Detailed Ledgers											351,340	10,750
Transfers In - Other Funds											0	0
Transfers Out - Debt									89,550		0	89,550
Transfers Out - General									200,000	100,000	200,000	100,000
Transfers Out - Storm Water									81,141		0	81,141
	0	0	0	0	0	0	0	0	200,000	270,691	200,000	270,691
Detailed Ledgers	65,566	29,628	43,572	-129,955	211,465	191,433	30,627	-80,355	-200,000	-270,691	151,340	-259,940
Fund Balance: July 1, 2008												493,475
Fund Balance: June 30, 2009												233,535

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Findings: Industry Benchmarks and Analysis

Why use benchmarks? They provide a frame of reference on which an operation can be reviewed. The profitability of other golf courses is presented below¹⁵:

Description	City of Virginia Beach 3Course Avg.	Municipal	Daily Fee/Semi- Private	Private
Total Rounds Played	29,534	37,087	30,985	23,000
Total Facility Revenues	\$727,396	1,133,333	1,300,000	2,800,000
Revenue Per Round	\$24.61	30.56	41.96	121.73
Course Maintenance Payroll	\$385,781	270,000	227,819	409,043
Net Income (EBITDA)	3,583	206,000	200,000	250,000
Net Income as a % of Gross	0.50%	18.17%	15.38%	8.92%

Note: the Top 10% represents the "highest" financial statistic in each category.

¹⁵ PGA PerformanceTrak,
<http://apps.pgalink.com/professionals/apps/memberinfor/AOSurvey/index.cfm.</FN>>

While the City of Virginia Beach lacks meaningful individual golf course income statements to facilitate comprehensive key performance indicator benchmarking, the conclusion drawn is that the Golf Course Division is financially underperforming.

The combination of revenue underperformance, high labor expenses, and significant deferred capital expenditures creates a formula that doesn't bode well should the status quo be maintained.

Accounting Recommendations

As part of achieving that financial target, we recommend that the following enhanced accounting and budgeting policies and procedures are implemented:

- ◆ Golf Course Division should consider classifying its revenues and expenses using the basic golf definitions created by the PGA, NGCOA and USGA. These classifications would align the Golf Course Division's financial data through generally accepted reporting practices used by the golf industry and provide the opportunity to undertake the financial analysis required to properly manage the facilities.
- ◆ Create monthly reports for the operational staff highlighting course utilization revenue per available tee time (REVPATT) by five profit centers (green fees, carts, merchandise, food and beverage, and other), and also by core customer spending, customer retention, composition of golfers, and season-pass rate analysis.
- ◆ Compare the monthly operational information to national benchmarks prepared by Golf Datatech and PGA PerformanceTrak by participating in these national services.

Participation in Golf Datatech's monthly financial reporting service by subscribing at a cost of \$100 per year is advocated. This service will provide management the immediate feedback needed as to whether the recommended rate changes are having the desired effect of increasing the effective yield. This service compares your operation against comparable golf courses in the local, regional, and national market.

Operational Analysis

Step 5: Architectural and Agronomic Review

Background – Agronomy

Turf grass is a living, breathing organism which will not stop growing. Courses face the challenges of proper staffing levels, adequate equipment to maintain prescribed levels of conditioning, and a budget that facilitates turf conditions at a level that will attract daily play throughout the golf calendar year.

Maintenance: A Wide Range of Costs

An average 18-hole golf course covers 150 acres, of which only 100 acres are maintained turf grass¹⁶, and a course includes the following:

An Anatomy of a Golf Course			
		Acreage	%
Turf grass	Rough	51	34.0
	Fairways	30	20.0
	Driving Range/Practice Areas	7	4.7
	Greens	3	1.3
	Tees	3	1.3
	Clubhouse House	3	1.3
	Nurseries	1	.7
	Total	100	63.3
Non-Turf grass	Non-turf grass landscape	24	16.0
	Water	11	87.3
	Building	6	4.0
	Bunkers	4.5	2.9
	Parking Lots	4.5	2.9
		50	33.1

Note: In published report, averages were utilized which don't necessarily summarize to total.

The quality of the playing field can be reduced to a study of the four principal elements: 1) the cost of labor, which is the largest expense, 2) water, fertilizer, chemicals, 3) the constant cycle of capital improvements and the equipment required to maintain the course, and 4) the equipment that is required to maintain the facility.

¹⁶ GCSAA, "Golf Course Environmental Profile, 2007," Page 12.

The cost of maintaining the various types of golf courses, usually laid out on about 150 acres of land, can vary from \$200,000 to more than \$2.5 million. The National Golf Foundation reported the following total maintenance costs in a report titled, “Operating and Financial Performance Profiles of 18-hole Golf Facilities in the U.S.”¹⁷

Description	Annual Maintenance Costs
Public Mid-Range Frostbelt	\$377,160
Public Mid-Range Sunbelt	540,660
Public Premium Frostbelt	555,460
Public Premium Sunbelt	825,640
Private Mid-Range U.S.	611,240
Private Premium U.S.	1,412,720

In a review of the Virginia Beach golf course facilities, there is a common theme regarding the following areas:

1. The salary and wages are above industry standards.
2. Golf course conditioning and operations are below industry standards.
3. Equipment is below industry standards
4. Though significant deferred capital expenditures exist, the requisite investment would not likely generate an incremental return on that investment.

Presented below is a labor and capital overview of the Golf Course Division:

¹⁷ National Golf Foundation, “Operating and Financial Performance Profiles of 18-hole Golf Facilities in the U.S.,” 2006 edition, pages 4, 10, 17, 24

	Bow Creek	Kempsville	Red Wing	Total
Land				
Acres	115.00	90.17	176.83	
Labor Hours Required				
In Season	14,449	12,108	18,689	45,246
Out of Season	2,850	2,320	3,382	8,552
Labor Hours Required	17,299	14,428	22,071	53,798
Employees				
Full-Time	4.00	5.00	6.00	15.00
Part-Time	4.53	4.15	5.12	13.80
Labor Hours Consumed	17,742	19,032	23,129	59,904
Excess Hours Assigned	443	4,604	1,059	6,106
Total Labor Costs	\$304,954	390,888	461,501	\$1,157,343
Facilities				
Equipment	194,500	165,500	171,000	531,000
Deferred Capital	1,750,000	1,652,000	0	3,953,500
Annual Capital Reserve	101,104	101,104	101,104	303,312
Maintenance Costs	400,932	505,955	565,805	1,472,692

The City of Virginia Beach's maintenance costs (\$490,897 per 18-hole equivalent) are really high. The typical golf course covers 150 acres. Bow Creek and Kempsville each take far less acreage. You would presume that the maintenance costs for the City of Virginia Beach golf courses would be less than a standard 150-acre course, perhaps up to 33% less.

Of concern is the percentage of labor costs to total revenue as reflected below:

Maintenance Labor Expense Summary				
To	Bow Creek	Kempsville	Red Wing	Total
Gross Revenue	503,002	477,219	892,123	1,872,344
Labor Expenses - Maintenance	304,954	390,888	461,501	1,157,343
Percentage	60.63%	81.91%	51.73%	61.81%
Labor Industry Standard				40.00%
Excess % - Over Standard – Mtn.				252,445
Total Labor Expenses				1,311,317
Excess - Over Standard				70.04%
Excess % - Over Standard – Total Operations				562,380
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Further, City of Virginia Beach maintenance labor costs are 61.8% of gross revenue compared to a national industry standard of 40%. This unfavorable variance equates to a \$252,445 excess expenditure.

Golf Course Division – Tired Assets; the Natural Replacement Cycle

Since a golf course is a living organism that is changing daily, creating a capital budget and providing an annual reserve to replace the vital components of a golf course is prudent and is accomplished via a reserve for a sinking fund.

Unfortunately, as golf courses begin losing money in a competitive market, the first cuts are always made by deferring capital expenditures. While understandable because of the large investment required maintaining the course, these cuts are often made without the continuing recognition that the condition of the golf course remains the number-one requirement of golfers.

The Golf Course Superintendents Association of America estimates that the amount of capital improvements required as part of a golf course's natural replacement cycle is \$2,200,086, and that a prudent golf course should create an annual capital improvements allowance of \$101,104.

Presented below are the estimated life spans of the various components of a golf course, as estimated by the GCSAA and the Golf Course Builders Association of America:

Capital Investment Matrix					
Golf Course - Estimated Deferred Capital Expenditures: Conservative Approach					
c		Years Minimum	Years Maximum	Estimated Cost to Replace	Annual Capital Reserve
Greens		15	30	657,761	21,925
Bunker Sand		5	7	44,800	6,400
Irrigation System		10	30	114,000	3,800
	Irrigation Control	10	15	121,000	8,067
	PVC Pipe	10	30	309,600	10,320
	Pump Station	15	20	97,790	4,890
Cart Paths	Asphalt	5	10	93,350	9,335
Cart Paths	Concrete	15	30	146,685	4,890
Practice Range Tees		5	10	37,680	3,768
Tees		15	20	150,720	7,536
Corrugated Pipe		15	30	398,180	13,273
Bunker Drainage Pipes		5	10	65,000	6,500
Mulch		1	3	1,200	400
Grass		Varies	Varies	N/A	
Total Deferred Capital				2,200,086	101,104

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As part of this analysis, using the matrix presented above, a detailed financial review of the deferred capital expenditures on the City's golf courses was conducted. Excluding required clubhouse renovations, it is estimated that the deferred capital expenditures now exceed \$4.4 million as follows;

Course	Amount Required for Sinking Fund
Bow Creek	\$2,030,406
Kempsville Greens	\$2,030,406
Red Wing Lake	383,253
Total	\$4,444.065

Beyond the investment in the course, investment is also necessary. A comprehensive analysis of the existing maintenance equipment was performed. An inventory of the current equipment reflects that the City should investment \$547,500 to bring the equipment fleet to appropriate standards as reflected below:

Equipment Requirements			
Equipment	Bow Creek	Kempsville	Red Wing
1 – Five-plex fairway cutting unit	45,000	45,000	45,000
1 - One-ton front-end loader with back hoe attachment	42,000	45,000	42,000
1 – One ton dump truck (replacement of existing pickup to increase efficiencies)	N/A	N/A	38,500
1 - Sweeper/vacuum	32,000	N/A	N/A
1 – 72 inch rotary deck cutting unit	45,000	22,500	N/A
1 - TORO ProCore aerifier for cultivation	22,000	22,000	22,500
1 – Self-contained, 250-gallon spraying unit	N/A	20,000	20,000
2 – Graden vertical mowing units @\$6,500 each	N/A	N/A	13,000
1 - Hydraulic equipment lift	8,000	8,000	N/A
2 – Buffalo Blowers @ \$3,000 per unit	N/A	6,000	6,000
Total	194,000	168,500	187,000

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The current fleet is very dated, requires continuing repair, and doesn't provide the maintenance crew with the tools it needs to create competitive turf conditions.

Further, the Bow Creek and the Red Wing Lake clubhouses required renovation. Thus, when further considering the required maintenance required for the clubhouses, the deferred capital expenditures that have been postponed by the City exceeds \$7 million.


Step 6: Golf Operations

Creating Value

The formula for a successful golf course is simple; value = experience – price. To the extent that the experience created equals or exceeds the price, loyal customers are developed. To the extent that the price exceeds the experience derived, attrition occurs.

The potential experience that can be created is based on the start-up capital invested, the revenue generated, and the capital reserves that may be additionally required to sustain the operation.

Where the customer expectations exceed the assets committed, the results create customer consternation as depicted below which results in customer attrition and disappointing financial results:

Value Gap Customer Expectations v. Assets					
	Platinum	Gold	Silver	Bronze	Steel
Vision	Rolls Royce	BMW			Hyundai
Examples	Pine Valley Seminole Whispering Pines	Cherry Hills, Los Angeles River			Brookhaven Pine
Cost (green fee + cart)	Over \$250 per round	\$175 to \$500 per round			\$50 Green Fee
Access	By Invitation	Waiting List			Open Access
Style	Formal	Professional			Loose
Social Status	Generational Wealth	Upper Class			Anyone

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Many within the golf industry have become seduced by the “game” of golf at the expense of their success in the “business” of golf.

Management, staff and volunteers often forget that the golf course is a meeting place for businesspeople who work hard and want to be catered to and made to feel special in a beautiful setting. Course personnel need to recognize that golf provides families with a place to bond, friends with an opportunity to extend and deepen their camaraderie,

juniors a venue to learn the values of discipline and ethics, seniors a well-earned hobby, and men's and ladies' groups the opportunity to meet and compete. Today's savvy businessperson knows the golf course is an office, a lunch meeting, a conference room—it is common ground.

At its most basic, golf is simply entertainment, and golf courses are like theme parks—no two courses are identical, and each one offers a different thrill ride every time a customer plays.

Golf operations can be viewed as an “assembly line” in which each golfer proceeds, depending on the type of golf course, to 13 “touch points” which combine to identify the customer value experience: advertising, reservations, directions, club entrance, club house, golf shop, cart, range, starter, golf course, bathrooms, cart return, and restaurant. The following table illustrates the “Assembly Line of Golf.”

Touch Point	Municipal	Daily Fee	Resort	Private Club	Military
Reservations	X	X	X	X	X
Club Entrance	X	X	X	X	X
Bag Drop		X	X	X	
Cart: GPS		X	X		
Locker Room Before Round			X	X	
Pro Shop	X	X	X	X	X
Range	X	X	X	X	X
Starter & Marshalls	X	X	X	X	X
Beverage Cart Attendant		X	X	X	
Halfway House			X	X	
Cart Return—Club Cleaning			X	X	
Locker Room After Round			X	X	
Bar/Restaurant	X	X	X	X	X
Likely # of Contact Points	6	9	13	12	6

As expected, the higher the price per round of golf, the greater the number of anticipated touch points a golfer will experience. Thus, the exclusive private club, the high-end daily fee course, or exclusive resorts are likely to take advantage of many opportunities and continued efforts to enhance the overall impression.

Each golf course operation is a series of interconnected processes, the end product of which is a challenged, entertained, and satisfied customer. By understanding and exceeding your customers' unique needs and desires, customer loyalty can be created—and it will lead to financial success.

Therefore, the success of a course is measured by how much fun the customer has, and how his or her perception of personal service was met or exceeded. By understanding

and exceeding each customer's unique needs and desires, customer loyalty is created, and that customer loyalty is essential to increasing revenue.

To properly analyze these touch points from an operational perspective, the following components are analyzed:

- ◆ Organizational Culture
- ◆ Labor Scheduling and Reporting of the following departments
 1. Pro Shop Staffing
 2. Starters
 3. Player Assistants
 4. Cart / Range Attendants
 5. Lessons
- ◆ Infrastructure
 1. Snack Bar and Beverage Carts
 2. Merchandising
 3. Miscellaneous
- ◆ Revenue Management and Demand Pricing
- ◆ Marketing

Organizational Cultural, Labor and Infrastructure

The City of Virginia Beach uses a bi-furcated organizational structure, as summarized below:

Responsibility	Private Concessionaire	Golf Course Division
Revenue Management		X
Marketing		X
Maintenance		X
Pro Shop Staff	X	
Starters		X
Player Assistant		X
Cart/Range Attendants	X	
Lessons	X	
Snack Bar and Beverage Carts	X	
Merchandising	X	

The evolution of this structure is understandable. Because of the high labor costs with the associated fringe benefits of employing municipal employees, it is practical to farm out to the private contractors the responsibility for the operation of the golf course in areas where practical golf industry experience is preferred.

Currently, the Golf Course Division pays the private contractor for Bow Creek and Kempsville \$56,700 + 10% of the cart rental commission + 15% of the driving range commission and, at Red Wing, \$139,200 + a percentage of the increase in gross revenue

to perform the duties as noted. The concessionaire also earns income from the snack bar, beverage carts, merchandising and lessons. The concessionaire employs individuals and recruits volunteers to fulfill their responsibilities under the contract.

To ensure that the Contractor is properly collecting greens fees and fulfilling its responsibilities, the City retains volunteers to serve as starters and player assistants to monitor the concessionaire.

This organizational cultural has the principal limitation that the goals of the Golf Course Division and the Concessionaire are not fully aligned, for each entity is trying to generate a profit, and often the customer experience suffers because of this. To illustrate, at Bow Creek and Kempsville, there is no financial incentive for the concessionaire to increase rounds, promote the golf courses, or develop an integrated customer development program to facilitate the marketing initiatives of the City. If nothing else, having the Golf Course Division retain starters who qualify for free golf benefits to effectively serve as auditors, speaks to the lack of trust and absence of effective reporting controls between the parties.

More importantly, it was our observation, which admittedly was limited due to the winter season in which this review was conducted, that the staffs of the City's private contractor, the contractor's volunteers, and the City's volunteers are largely disengaged from interacting with the customers and enhancing the customer experience. It was our opinion that the clubhouses largely served as meeting facilities for employees and friends to gather, to chat, and to read the day's newspaper.

Our onsite visits to the competitors' facilities found their staffs more engaging and friendly, except for our visit to Hell's Point. The difference in attitude could be summarized as feeling like we were being welcomed by those staff members rather than being an inconvenience to them.

It should be highlighted that the brand image of the golf courses is established by the lowest paid employees who are in constant contact with the customers. It is our perception that the focus of staff is on the game of golf rather than the business of golf.

A focus on *the business of golf* will accomplish the following:

- ◆ Improve employee satisfaction
- ◆ Improve customer service
- ◆ Improve operational efficiencies
- ◆ Increase customer access to the golf course
- ◆ Increase revenues

Revenue Management and Demand Pricing

Presented below are the green fees assessed in the Virginia Beach marketplace; they serve as the foundation that will enable us to ascertain the revenues which will create the experience that determines value:

Virginia Beach Golf Rates														
GOLF COURSE	Type	Fee Range	Highest	Opened	Resident		All		Non-resident		Carts	GPS	Range	# of Rates
					W/D	W/E	W/D	W/E	W/D	W/E				
Aeropines Golf Course-Hornet	Military	25.-50	34	1948	17	18			22	26	13			15
Aeropines Golf Course-Tomcat	Military	25.50	36	1948	17	18			22	26	13			15
Bay Creek Resort and Club - Nicklaus	Resort	100-125	115	2001			95	115			Included	Included	Included	90
Bay Creek Resort and Club - Palmer	Resort	100-125	115	2001			95	115			Included	Included	Included	90
Bow Creek Golf Course	Municipal	25.-50	33	1961	16	21			20	24	12			44
Cypress Point Country Club	Daily Fee	25-50	45	1987	36	42			52	65	Included			9
Hell's Point Golf Club	Daily Fee	25-50	49	1982	35	39			45	49	Included			10
Heron Ridge Golf Club	Daily Fee	50-75	69	1999	52	62			69	69	Included			9
Honey Bee Golf Course	Daily Fee	25-50	40	1989	25	35			40	55	Included			44
Kempsville Greens Golf Course	Municipal	25-50	32	1987	19	23			22	26	12			24
Ocean View Golf Course	Municipal	25-50	42	1926	32	40			34	42	Included			
Red Wing Lake Golf Course	Municipal	25-50	40	1971	30	35			42	52	12			44
Riverfront Golf Club	Daily Fee	50-75	59	1999	49	59			59	69	Included			23
Stumpy Lake Golf Course	Municipal	25-50	40	1958	25	35			40	55	Included			6
The Signature at West Neck	Daily Fee	75-100	80	2001	64	70			80	80	Included	Included		10
Virginia Beach National	Municipal	50.75	75	1999	55	65			75	75	Included			34

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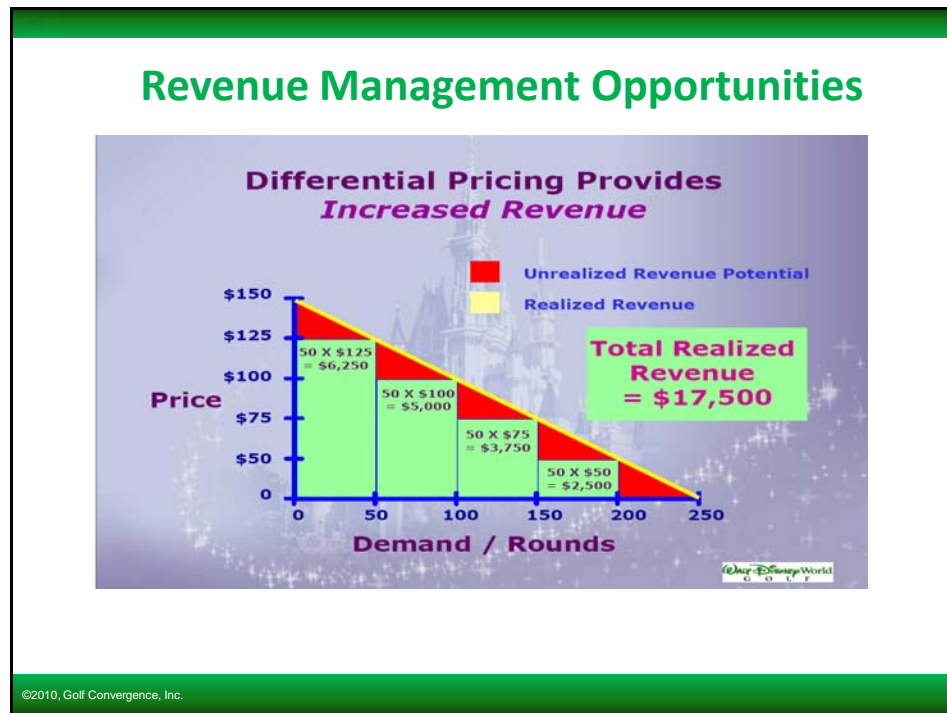
From these rates, it would be expected that Bay Creek, Signature, Heron Ridge and Virginia Beach National would have the opportunity to create the best experiences, while Bow Creek and Kempsville would have difficulty in providing anywhere near the same customer experience.

The Golf Division's golf courses are priced in the lower third tier, which is significant.

It is perceived that the prices set by municipalities serve as the "buoy" by which all prices are set in the market. Should a municipality raise its prices, the daily fee golf courses will also adjust their prices upward to reflect the incremental value the golfer experiences. Unfortunately, with so many viable alternatives available, the ability for the City to continue to raise prices is limited because of the experience offered.

Because of these factors, there has been a lack of focus on driving revenues, i.e., measuring utilization, determining revenue per available tee time realized, and calculating the revenue generated by each price category versus rounds consumed.

The goal of revenue management is simple: sell the right tee time to the right golfer at the right time at the right price. The failure to engage in dynamic yield management results in lost profit opportunities. Presented below is an example of how Walt Disney World creates tiered buckets to ensure revenue is maximized.



The Golf Course Division currently has three basic “revenue buckets:” regular, seniors, and juniors, with rates varying somewhat by time of day and day of week. The rates between these categories are consistent with industry standards, i.e., the senior rate is about 75% of the regular rate, etc. Also, the discount percentages for weekday versus weekend and prime time versus twilight are in line with industry norms.

While the Golf Course Division has different price points, the fundamental concept of valuing each tee time based on value to the golfer is correct.

It is the suggestion of this report that when measuring the experience created versus the price currently charged, the following rate changes be implemented effective for the Summer 2010:

- 1) The Red Wing Lake non-resident rates should be reduced by at least \$5, preferably \$10.
- 2) The differential of resident/non-resident rates at Bow Creek and Kempsville Greens should be eliminated.
- 3) The resident rates should remain unchanged at all three courses. Based on our analysis of the local market, it is forecast that in 2010 Stumpy Lake and Honey Bee will increase their rates. Thus, Bow Creek and Kempsville will have the lowest prices in the market, which should stimulate increased play.

Marketing

There is a significant opportunity to improve all aspects of marketing these properties. The City of Virginia Beach's golf courses serve a defined niche; the value-oriented golfer, where affordable, is a principal motivation. This niche is largely filled by new entrants to the game, those seeking recreational rather than competitive entertainment, and seniors.

A comprehensive marketing plan should be developed. This campaign should embrace the theme that everyone in the community is a valued customer and welcome at the facility.

Understanding the challenges faced, the Golf Course Division, upon installing the requisite integrated technology which creates a central customer database, can engage in new marketing initiatives based on the following priorities:



With financial resources limited, oftentimes it is not where funds are invested that matters but where funds are conserved. It is suggested that generic brand advertising in local media be suspended, and participation in the Convention and Visitors' Bureau and Virginia Beach Golf Association marketing materials be minimized. The funds invested are unlikely to produce incremental returns. Participation in the Virginia Beach Golf Association also produces a low investment return.

Conversely, the use of email, Twitter, and Facebook updates to the Parks and Recreation database, initially, and ultimately to an expanded Golf Course Division customer database, is advised. Consideration might also be given to advertising via Google Adwords.

Recommendations

It is advocated that the City of Virginia Beach undertake the following initiatives to integrate its culture into the national golf community:

- ◆ Join the National Golf Course Owners Association and participate in the Association's online Listserv forum, which provides key employees who answer queries concerning best practices.
- ◆ Membership in the National Golf Foundation is also advocated; the Foundation's monthly newsletter offers a broad perspective about industry changes and appropriate responses to those changes.

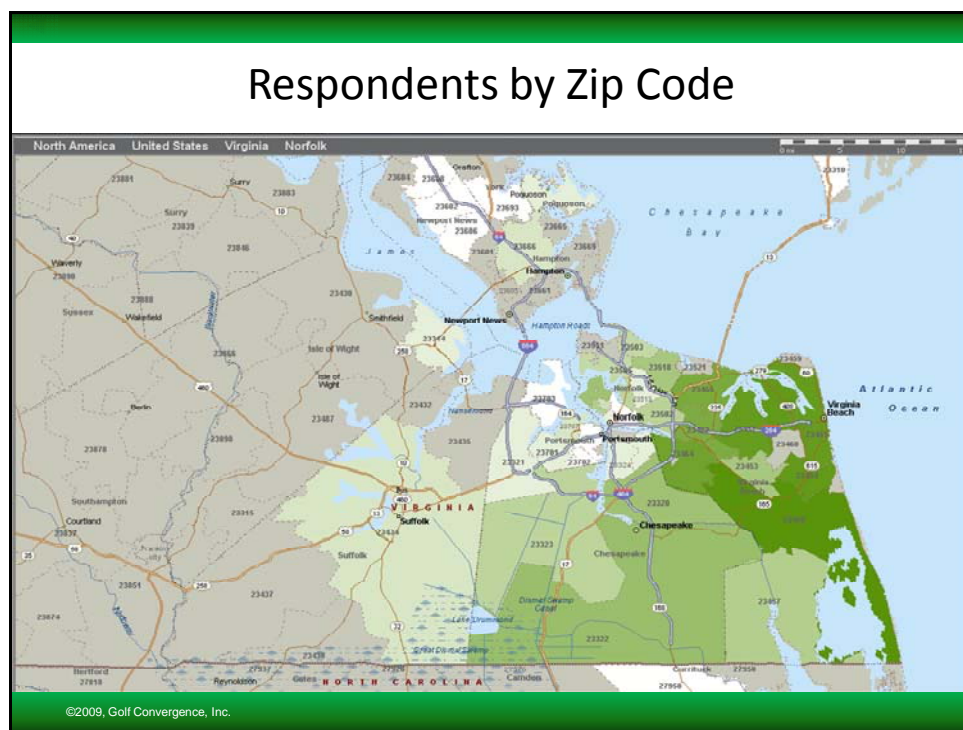
- ◆ Finally, Virginia Beach Golf Course Division should send a representative to the PGA Merchandise Show or to the NGCOA Annual conference, where numerous outstanding educational sessions are provided. These week-long educational programs for golf managers would be beneficial, especially since training of the staff has mostly been from internal resources.
- ◆ The financial interests of the Golf Course Division's and its private concessionaires should be aligned based on gross revenue, or preferably, net income.

Step 7: Golfer Survey

In conducting an operational analysis, obtaining a current perspective of the customer database by identifying customer age, gender, net income, ethnicity, playing frequency, favorite golf courses, and price point barriers is valuable. The key point being measured is the opportunity to increase current market share.

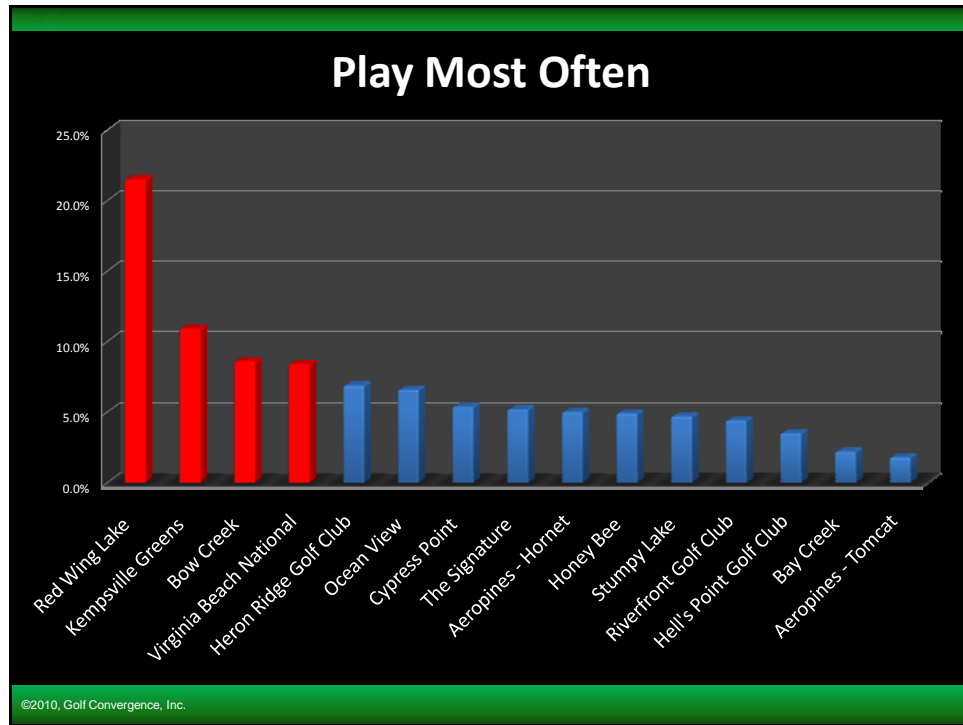
For the Golf Course Division, we conducted a survey of more than 8,000 golfers who represented individuals either registered at a City golf course, at the Convention and Visitor's Bureau, or via competing local golf courses, who graciously volunteered to participate. In total, the survey remained open for 12 days and yielded 648 responses, providing a 99% confidence factor and a margin of error on the results of 1% +/-, which indicates that the results achieved are reasonably accurate. The completion rate for those starting the survey was 83.5%, an acceptable average that suggests the survey was well-constructed.

The zip code of respondents was as follows:



Key: Respondents per zip code ranged from one (white) to 28 (dark green).

The respondents indicated that the courses they played most often were:



Who is the Customer?

The geographic local market analysis performed in Step 1 of the Golf Convergence WIN™ formula indicated that the Virginia Beach Golf Course Division golfer was likely to be Caucasian, slightly older, and very wealthy. The survey confirmed that fact.

The statistics were confirmed in a survey of City of Virginia Beach golfers. Survey respondents have the following demographic profile:

Who Is Your Customer? City of Virginia Beach

Gender Demographics			
Gender	Survey Response	National Average	Index
Male	77%	55%	140
Female	23%	45%	51

Household Income Demographics			
Household income (\$s)	Survey Response	National Average	Index
0 - 34,999	5%	5%	90
35,000 - 49,999	10%	10%	96
50,000 - 74,999	20%	25%	79
75,000 - 99,999	22%	35%	63
100,000 - \$249,999	41%	23%	176
\$250,000 or more	3%	2%	170

Age Demographics			
Age group	Survey Response	National Average	Index
Junior (up to age 17)	0%	24%	1
Student (18-23)	1%	8%	14
Young Adult (24-34)	8%	15%	51
Adult (35-59)	55%	35%	157
Senior (60 and older)	36%	18%	200

Race/Ethnicity			
Race/Ethnicity	Survey Response	National Average	Index
White, Non-Hispanic	92%	69%	133
African-American	3%	12%	26
Hispanic	1%	13%	11
Asian or Pacific Islander	2%	4%	51
Other	2%	3%	62

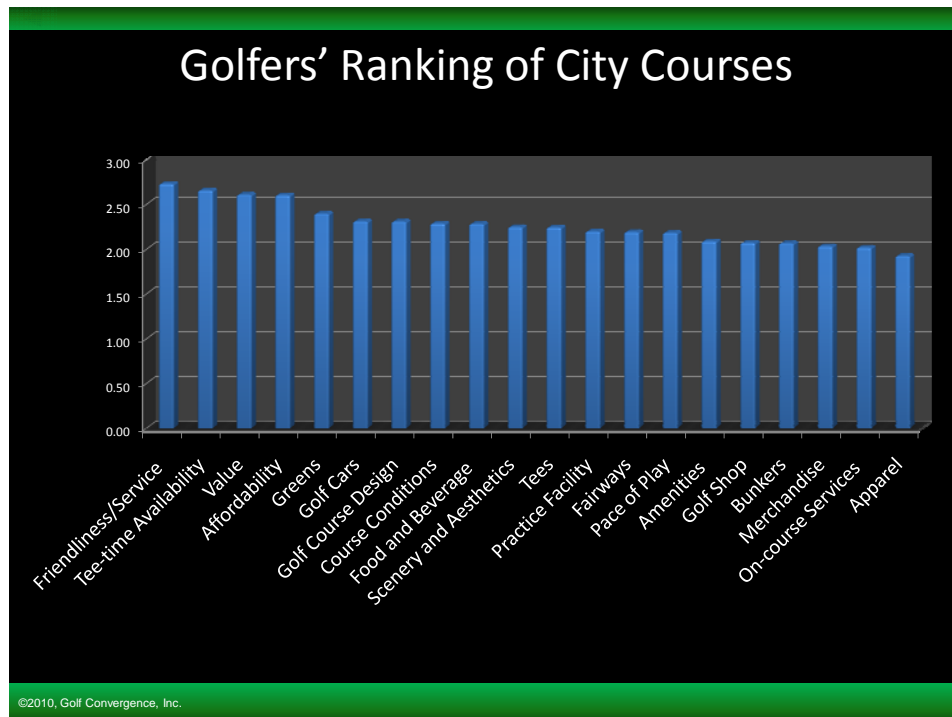
©2009, Golf Convergence, Inc.

City of Virginia Beach customers are older and wealthy – both great demographics for golf. Their penchant to play the City golf courses emphasizes that cost is an important determinant in that decision.

The survey revealed that of these golfers, 89% play at least eight rounds per year on more than four different courses, with most playing 18 holes. They prefer to pay between \$31 and \$45 for a weekend green fee and cart.

What Do They Like About the City's Courses?

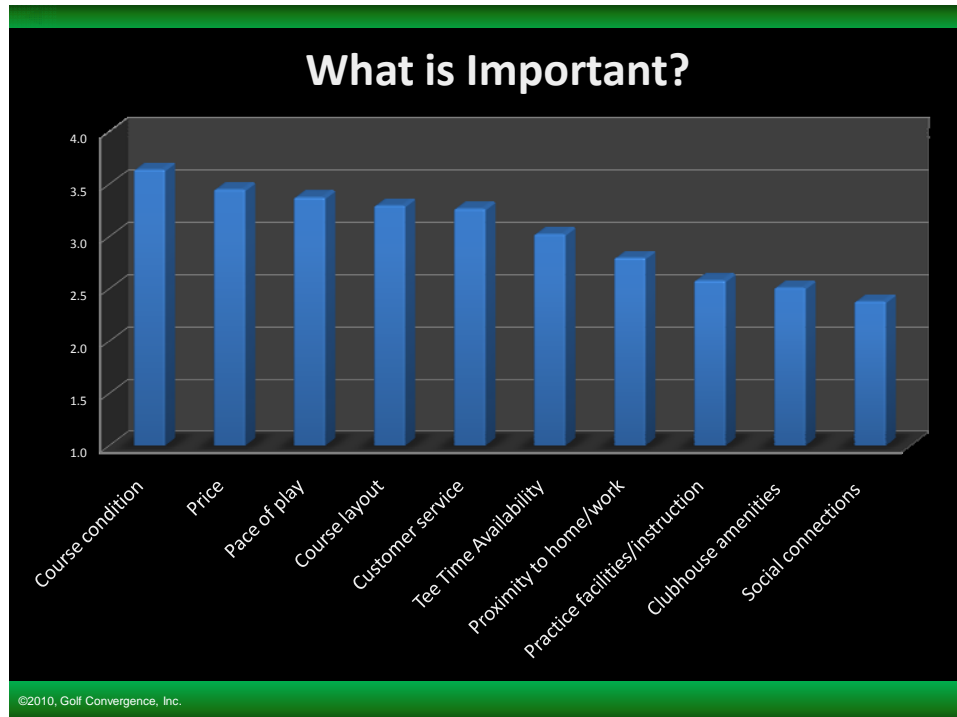
The golfers were asked to rate 20 different attributes of the City's golf courses. Friendliness of staff, tee-time availability, value, and affordability all ranked very high, as shown below:



What is interesting about these “composite” results on the ranking of three golf courses, if the rankings for the individual courses are viewed separately, is that value and affordability for Red Wing Lake plummets to 16th and 19th position in the 22 attributes. Clearly, price is an important criterion in the local golfer’s decision.

What is Important?

When asked, “What factors are important to you in selecting one course over another, the results of the Virginia Beach Golf Course survey are consistent with other surveys conducted by Golf Convergence and by leading trade organizations such as the Golf Course Superintendents Association of America. Conditioning and value (price/experience delivered) predict success as shown below:



Since a large part of the "experience" equation is the conditioning of the golf course, this should be no surprise.

When asked, "What are the barriers to playing the City's courses," the response obtained indicates that the opportunities to increase rounds will be problematic, as shown below:



With “course conditioning,” “no barriers” and “price” ranked 1, 2, and 3, the City’s options to increase customer satisfaction on a basis that is economically prudent are limited for the following reasons:

- 1) Maintenance costs already exceed national standards.
- 2) Golfers are playing the courses because the courses are affordable, yet they seek even lower prices, particularly at Red Wing Lake.

That raises the question, “How can you further increase the conditioning of the golf courses on a diminished revenue base?” Golfers often maintain that if the prices were lowered, the increase in rounds would offset the lower fees. Such a trade-off is perilous, as noted in the chart below:

Decrease in Price	Number of Additional Rounds Required to Offset Discount
5%	5.26%
10%	11.11%
15%	17.65%
20%	25.00%
25%	33.33%
30%	42.86%
35%	53.85%
40%	66.67%
45%	81.82%
50%	100.00%

Lessons Learned

With 78% of the survey respondents indicating that they are likely or very likely to play the Golf Division's golf courses again, it is important that the following findings be carefully considered by management:

- 1) Since course conditions and price were cited in the golfer survey as significant concerns, and since the survey indicated that only a slight majority of golfers (56%) are willing to pay more per round for capital improvements, increased financial contribution from current core customers is unlikely.
- 2) Only 11% of the survey respondents felt that a green fee and cart charge of \$46 or more on a weekend was a good value. This indicates that the City's golfers are very price-conscious.
- 3) To purchase a last-minute tee times at a value, the largest group of respondents checked the golf course's Web site. The City of Virginia Beach merely provides static related to the golf course on its Web site and thereby forfeits an opportunity for effective rate management.
- 4) Ninety percent of the survey respondents felt the golf courses are a vital park resource. However, only 36% felt that they should be financially self-sustaining.
- 5) Only 20% of the respondents felt the courses should be leased to third-party management. Less than 5% of the respondents felt the courses should be converted to open park space, sold for development, or that they have outlived their usefulness.

These results don't provide any quick solutions with which the downward spiral of the golf courses can be easily reversed. The customer is clearly seeking a recreational activity that is subsidized by the City.

Value is made up of many components. The value formula is straightforward. To the extent that the customer experience exceeds price, loyalty is created. To the extent that the price exceeds customer experience, loyalty is lost. Thus, while conditioning remains a dominant factor, being able to play quickly on the day and time desired continues to highlight the fact that we function within a time-crunched society. The Virginia Beach Golf Course Division has the opportunity to profit by focusing on affordable value and the tee time availability.

Step 8: Customer Loyalty

Customer Key Benchmarks

Knowing who your customers are, their spending preferences, and their frequency is fundamental to maximizing your net income, increasing your operational efficiency, and enhancing your customer service. This knowledge is the essential foundation for a meaningful marketing program. Without this information, which the Golf Course Division lacks, most golf courses greatly minimize their revenue opportunities.

A leading golf course management company¹⁸ that serves more than 100 public golf courses has identified certain predictable characteristics:

- 1) A golf course, on average, has 8,000 distinct customers, from a minimum of 3,500 to a maximum of 11,000.
- 2) 10% to 20% of those customers are “initiators” and make the tee time.
- 3) 50% of those customers play the course merely once per year.
- 4) 50% of those who play will not return next year.
- 5) Only 13% will play six or more times.
- 6) Customers average six rounds played at a specific course.
- 7) A golf course will have a 20% wallet share of core golfers who play 40 rounds per year.
- 8) Customers become at risk of not returning when they haven’t played your course in 90 days.
- 9) The response rate from customers offered a 20% off coupon, a 10% off coupon, or merely receiving acknowledgement that they are missed is nearly the same.

It is fair to conjecture that golfers at the Virginia Beach Golf Course Division have comparable profiles. However, without the use of an integrated golf management system, measuring any of the key metrics is not possible at this time.

Customer Franchise Analysis

The customer franchise analysis (CFA) provides operators with the first tool to win the share-of-golfer battle caused by the current oversupply environment in many markets. The CFA leverages information in the operator’s point-of-sale (POS) or electronic tee sheet system to understand and target key customer groups, as described in Step 4 regarding financial metrics. The CFA measures customer franchise health, such as the

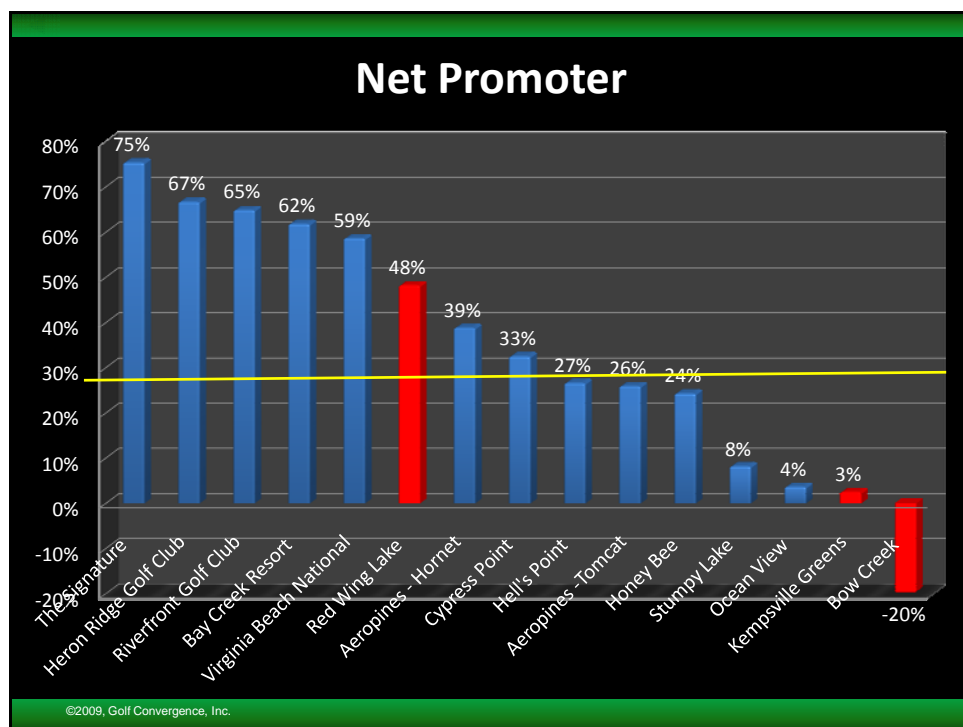
¹⁸ Peter Hill, Billy Casper Golf Management, “Programming for Profit,” February 4, 2009 presented at NGCOA Multi-Users Conference.

number of unique guests acquired, retained, and lost, as well as the spending level of each group, down to the individual customer level.

Unfortunately, this analysis also could not be completed for the Virginia Beach Golf Course Division because, as has been noted, the tee sheet and the POS are not seamlessly integrated; thus, the current processes don't capture meaningful information in a way that can be easily extracted by the golf management team.

As a result, the City is lacking all critical metrics needed by a golf course to identify core customers, spending patterns, customer retention, turnover frequency of golfers, zip code distribution, course utilization, revenue per available tee time, and revenue per tee time purchased.

However, we were able to ascertain those factors that are vital to a golfer at Virginia Beach Golf Course Division golf courses. With a national average of 26, these courses received loyalty scores from 48 to -20, as noted below:



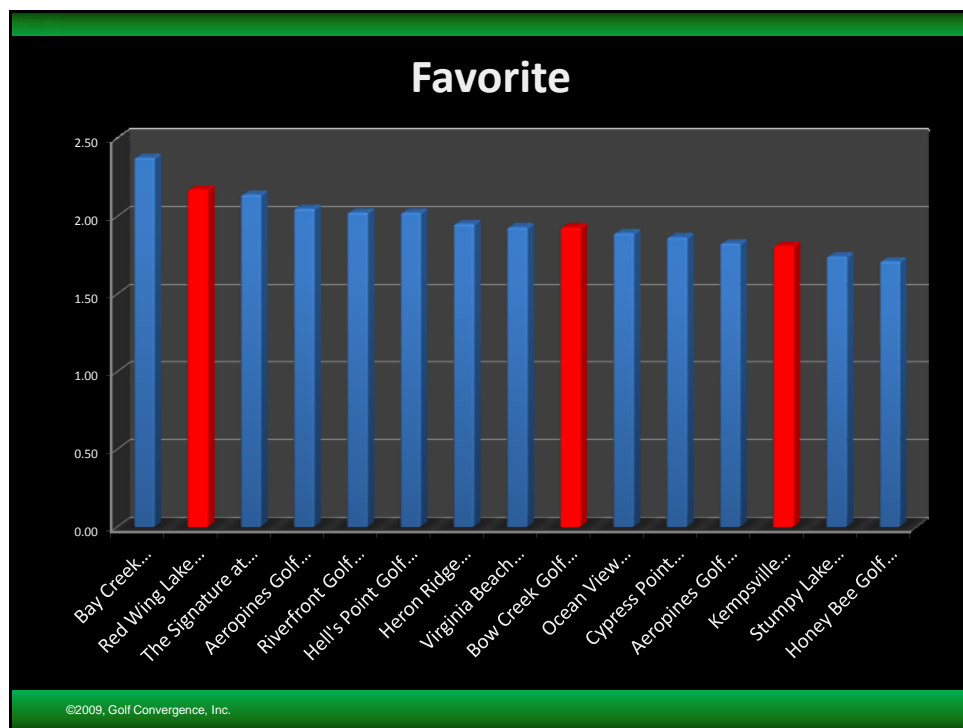
The City's courses received grades of 48 (Red Wing Lake), 3 (Kempsville) and -20 (Bow Creek). The scores for Kempsville and Bow Creek are significantly below the defined industry metric and signify that none of the golf courses are significantly unique or different to command loyalty by offering an experience greater than the rates charged.

Why are those loyalty share numbers important? Loyalty correlates to wallet share, and the percentage of wallet share a course receives from its golfers is a highly predictive

factor of success. Higher wallet share equals higher revenue equals higher net income. Wallet share represents the percentage of a golfer's money spent at each golf course versus the total amount spent annually by the golfer.

It is much easier to attract a greater wallet share of the customer through building loyalty than it is to attract a new customer to the golf course. Promoters refer five golfers per year to the facility, while strong detractors can provide up to five negative references.

While predicting the certainty of a flight of golfers to another course is speculative, intuitively we believe the departure risk, while present, is minimal for Red Wing Lake because the two other favorite golf courses are priced significantly higher, as noted below:



However, a flight risk of golfers exists for Bow Creek and Kempsville should prices be increased or conditions deteriorate.

It should be noted that customer loyalty is measured on a 10-point scale as to whether you would recommend the golf courses to family and friends. Golfers ranked courses as "favorites" because they are where they play the most or because of the course location or price. That doesn't necessarily translate into those golfers being strong advocates for the facility.

Is Privatization an Option?

Golf Course Organizational Structures

In evaluating the issues brought forward in this report, it is vital to understand the various organizational structures utilized in the management of a golf course.

There are five primary organizational structures to manage a multi-course municipality facility:

- 1) Exclusively employees of City. Leading municipalities like Monmouth and Morris County, New Jersey use this method very successfully, producing a superior golf experience profitably. Milwaukee County is also a good example of this management structure.
- 2) Exclusively employees of the City except for food and beverage, which is always a money loser. (City of Los Angeles)
- 3) Employees of City for Administration and Pro Shop, with maintenance contracted. (City of Anaheim, City of Modesto, City of Ocala).
- 4) Each course managed by different concessionaires via a lease or management agreement. (City of Indianapolis).
- 5) All courses are managed by a single concessionaire via a lease or management agreement. (City of Chicago, City of New York, Cook County, Forest Preserve District).

It should be noted that under a lease, the third-party management company pays a rent measured as a flat fee or a percentage of gross revenues and inures to the profit. Under a management agreement, the profit inures to the benefit of the owner who pays a management fee to the third party as an integral component of the operational expense.

The City of Virginia Beach currently uses a hybrid method. The pro shop, food and beverage are managed by private contractors, while maintenance and marketing are the City's responsibilities.

For the City of Virginia Beach Golf Course Division, the exclusive use of municipal employees would accelerate expenses, particularly labor, and thus options 1, 2, and 3 are not viable. Option 4 (using different concessionaires) is also not viable, as the golf courses get branded as individual golf courses and the economies of scale of operating multiple facilities is lost.

Thus, option 5, either management or lease agreements, by default, becomes the recommendation of choice.

Why Retain Independent Management Company?

During the heyday of golf expansion in the 1990's, management companies flourished by leasing golf courses from municipalities. A typical arrangement is that the City would receive up to 10% of gross revenues, property taxes would be paid, capital investment accounts funded, and the City would receive a portion of the net income in excess of \$200,000.

In seeing the profits made during good times during the last decade, many golf course owners, including municipalities, opted for a "management contract" in which the golf course would pay upwards of \$200,000 in professional fees for independent management. Unfortunately, with the downturn in the golf industry, what were surplus profits became massive deficits.

Thus, the pendulum has swung to a place where "leasing" arrangements are becoming more attractive as an operating option for the provision of golf services.

How can third-party management generate a profit when a municipality is challenged to do so? Presented below is a summary of the strengths and weaknesses of entering into such arrangements:

Strength:	Weaknesses
Professional management skills are more diverse and better refined.	Contract compliance. Requires retention of contract administrator by the City.
Proven systems, policies and procedures can be implemented faster particularly in the areas of technology, marketing, and staffing.	Financial stability. The ability of a third party to meet its contract obligations are predicated on having a firm financial position and the willingness to provide a superior product. Third party management companies have often been categorized, "sucking the paint off the walls" to preserve costs.
Efficient labor structure in number of personnel used and wages paid.	
Flexibility in contract negotiation in timeliness and cost efficiency of completing capital improvements.	
Stakeholders aligned more easily. Currently the City has concessionaire, volunteers of concessionaire, City management, City staff, City Volunteers. These five groups can be reduced to two with a singularly focus achieved.	

What are the Risks?

There are caveats that should be understood. The weaknesses of privatization already have been experienced by the City of Virginia Beach.

First, the PGA Tour walked from the lease on Virginia Beach National.

Second, the City's Audit Department reviewed the Heron Ridge Golf Club, L.L.C. contract, and in a report dated June 11, 2009, determined that lease payments were not being made in compliance with the contract.

Further, the financial information provided regarding the Virginia Beach Golf Club in the "Supplementary Information" is insufficient to undertake a meaningful analysis of the golf course's actual financial performance. We were unable to:

- 1) Compare the financial performance of the facility against Golf Datatech and PGA PerformanceTrak benchmarks.
- 2) Calculate RevPar and determine course utilization.
- 3) Ascertain if the Black Angus revenue numbers are included in net revenue, as would required by paragraphs 1(e), 1(p) and 5(c) in the agreement dated March 30, 2007.
- 4) Confirm that repairs and maintenance totaled \$523,723, as reported.
- 5) Determine the components of operating expenses of \$436,468 and Golf Course expenses of \$146,331 suggested by PGA PerformanceTrak.

Thus, we were unable make a conclusion as to the sufficiency of the current lease or the performance there under.

There are other caveats in privatization. There may not be a huge appetite for management companies to assume all the risk that a traditional lease has, because there are currently far too many opportunities to pick up properties in distress. Thus, a shared-risk arrangement, a new hybrid, is far more likely. Also, a lease proposal may generate more interest among local third-party management companies than those with a national presence.

Likely Terms and Deal Structure

Should a private management company be retained, it would likely require the following:

- 1) The transition of the majority of current management and staff elsewhere in the City organization. Typically, the private operator would want to have to deal with only one person or a very small committee.
- 2) Complete control over all hiring decisions (including which, if any, current staff to retain), pay rates, operating expenditures, ongoing capital expenditures, etc.
- 3) Total control over virtually all aspects of the courses, as the financial results of the courses are in need of a significant turnaround.
- 4) The flexibility to convert the operations into a market-rate experience, while improving the conditioning, service levels, and overall operations, as justification for the increased prices charged. Generally, golf consumers are willing to trade their hard-earned dollars for an improved experience. An annual green fee increase of \$1.00 per round would be automatic, as well as 4.0% increases in all merchandise and food and beverage pricing.
- 5) Elimination of all general overhead in exchange for the management company accepting line-item responsibility. This would require that the City make changes to its existing staff and cost structure to eliminate these costs from its overall operations, as it would no longer have the ability to “charge” allocated costs to the golf operations.
- 6) At least a 10-year lease in exchange for a capital investment of perhaps \$1.0 million per course.
- 7) Management Company would have the unlimited capacity to book tournaments and outings during prime time.
- 8) The City, at its own expense, could choose to fund any of the major capital improvements. If such improvements were funded, the Lessee would agree to pay additional annual rent in an amount equal to 4.0% of the amount of the expenditures, starting from the date of the improvements and continuing through the end of the lease term.

What is the Upside?

The villains that preclude a self-sustaining entity, as currently constituted, include a flawed organizational structure, a culture of entitlement, a diminished customer base, and significant deferred capital investment. Thus, the City’s options are limited.

While not without risk, as described above, the upside of entering into a lease agreement with a professionally qualified, financially sound management company is that prices can be maintained, expenses lowered, customer service enhanced, and freed

up cash reserves allocated to capital accounts to whittle down the deferred capital maintenance.

The chart below highlights the financial difference to the Golf Course Division between the options over the next 10 years:

Three Golf Courses	Status Quo	Private Contract Management
Expenditures over Revenues	(\$500,000)	\$0
Annual Income Rental Income		\$1,150,000
Capital Investment by City	(3,000,000)	0
General Fund Subsidy for Loan Amortization	(875,000)	(875,000)
Capital Investment in City's Assets by Private Management		\$3,000,000
Financial Return (After 5 Years)	(\$4,375,000)	\$3,275,000

A lease agreement offers the following potential:

- ◆ Eliminate the City's financial risk for operating the golf courses.
- ◆ Alleviate the requirement for the City to invest in capital improvements.
- ◆ Generate annual lease income.
- ◆ Provide for collection of property taxes.
- ◆ Ensure that the properties are enhanced through industry standard capital investment programs by the management company. It is speculated that a private management company would be willing to invest up to \$3.0 million in improvements under a 10-year lease. Additional capital might be invested under a 20 year lease.
- ◆ Introduce best management practices to the operation of the City's golf courses, providing integrated tee time reservations and POS software to effectively manage the facilities and to enhance the customer experience.

The alternative is to tap the general fund for the annual operating losses that are likely to occur and to fund the deferred capital investment. Thus, the recommendation of this report is to give full consideration to privatization via a management lease.

The Critical Path: Recommendations for Implementation

Strategic Vision

The foundation to operate a municipal golf course for the recreational benefit of its citizens must be based on a clear vision as to the purpose of those facilities, their organizational culture, and the financial expectations. This foundation is predicated on having a clearly defined vision.

A Vision Statement guides all decisions regarding the operation of the facility. These statements serve as a lighthouse that provides a frame of reference for the City Council, the Parks and Recreation Commission, Management, Staff, Golfers, and Taxpayers.

In developing a vision statement, history, tradition, and governance determine the golf course's operational philosophy, balancing an emphasis between the business of golf and the game of golf. The differences in these philosophies are highlighted below:



This strategic plan is heralding an emphasis on the business of golf. The goal is to maximize revenue, increase operational efficiency, and enhance customer experience.

Vision Statement

It is the perception of those creating this document that over time, the Golf Course Division has shifted greatly to the game of golf, and prudent business practices have been overlooked and/or abandoned. Thus, the redefinition of the Special Revenue Fund's organizational culture from an emphasis on the game of golf to the business of golf is advocated.

Therefore, this Operational Analysis recommends the following Vision Statement for the Parks and Recreation Golf Course Division be adopted:

Golf Course Division

We will provide, in a responsible fiscal manner, as a recreational component of our leisure programs, golf consistent with the standards of leading municipalities with respect to green fees, maintenance and administrative operations in order to maximize revenue, increase operational efficiency and ensure optimum customer service as prudent stewards of a government owned asset.

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This Vision Statement implies that Bow Creek and Kempsville Greens are entry steel-level golf courses for local citizens. Red Wing Lake should be defined as a bronze-level experience and maintained and priced accordingly. Those designations define staffing levels, maintenance conditions, and the associated green fees, as previously discussed.

Conflicts among Stakeholders

It should be understood that in creating this vision and in implementing the recommendations, achieving unanimous consent by all stakeholders is nearly impossible for several reasons. First, change is required. Second, each constituency has a strong proclivity to protect its own vested interests at the expense of group's best interest.

These conflicts are highlighted below:

Constituency	Sensitive Issue
City Council	Accountability for fulfilling strategic mission
Park and Recreation Department	Allocation of resources to achieve vision
Golf Management	In directing execution to being directed
Golf Staff	Decreasing staff, salaries or increasing responsibilities and/or work hours
Golfers	Increase in rates or accessibility to golf course
Taxpayers	Increase in taxes and allocation therefore

However, this is where the Golf Division's leadership will be tested to build an effective consensus for the operational issues facing City of Virginia Beach. The organizational and management structure is entrenched, the overhead cost structure is largely fixed, and the deferred capital expenditures are significant.

Therefore, full adoption of the recommendations herein should be adopted to achieve financial solvency within the Special Revenue Fund for Golf.

Recommendations

The business plan includes a broad set of recommendations, presented below, that when implemented will enhance customer value and ensure sufficient cash flow is generated to cover debt service.

1) Short-term: Strategic Options

- ◆ The City's role as the entry door to the game providing a value-based experience should be emphasized. The City's golf courses are "steel" and "bronze" (as later defined in this report), and emphasis should be placed on attracting juniors, women, and less accomplished adult golfers.
- ◆ A committee should be commissioned to determine the viable long-term economic and highest and best use for Kempsville Greens. In the interim, any capital investment in that course should be further deferred.

2) Short-term: Tactical Options

- ◆ Prepare an RFP for public tender to lease the Bow Creek, Kempsville Greens, and Red Wing Lake golf courses effective January 1, 2011. Consideration should also be given to merely offering a one-year contract to afford the City the opportunity to bid four courses (including Virginia Beach National) under a lease commencing January 1, 2012. It should be noted that the financial opportunities for a third-party management company are limited with merely three courses. The financial arrangement that can be obtained by leveraging the City's four courses is greater.
- ◆ Integrated tee time reservations, point of sale, and email marketing software should be installed.
- ◆ An on-line tee time presence should be created.
- ◆ Contracts with third-party marketing firms (tee time discounters) should be deferred.
- ◆ Accounting reports should be prepared consistent with generally accepted principles for golf courses which emphasize departmental revenue (green fees, carts, merchandise, food and beverage, range, and other) and expense (maintenance, pro shop, administration) reporting.
- ◆ The Golf Course Administrator and P&R Coordinator golf positions should be consolidated.
- ◆ The volunteer program should be revamped to eliminate the duplicity of roles, improve service delivery, and increase revenue generation.
- ◆ Maintenance crews should be reduced from November through February to three full-time employees per course.

3) Short-term: Operational Options

- ◆ Fees for non-residents at Red Wing should be decreased by \$5 to reflect the value of the "hidden gem." The differential of resident/non-resident rates at Bow Creek and Kempsville Greens should be eliminated. The resident rates should remain unchanged at all three courses. Based on our analysis of the local market, it is forecast that in 2010 Stumpy Lake and Honey Bee will increase their rates. Thus, Bow Creek and Kempsville will have the lowest prices in the market, which should stimulate increased play.
- ◆ The current concessionaire should be provided an incentive to retain a commissioned tournament sales director.
- ◆ Electronic marketing efforts via email, Facebook, Twitter, and Groupon should be emphasized over print advertising. Consideration might also be given to advertising via Google Adwords.

- ◆ Emphasis should be placed on expanding the email database.
- ◆ With the expiration of the current cart lease, the City should mandate electric carts be provided.
- ◆ Staffing at the golf course should be consistent with the clientele served.

4) **Intermediate:**

- ◆ Current maintenance personnel should be transitioned to other departments within the City.
- ◆ Surplus assets and minimal non-revenue producing assets should be identified and scheduled for liquidation.

5) **Long-Term:**

- ◆ Proceeds from the sale of Kempsville Greens driving range and 18th hole, if supported by the study committee, should be applied to the outstanding debt.
- ◆ Construction of a new clubhouse for Red Wing Lake should be strongly considered within the next five years.

Benefits

This operational analysis recommends the full consideration that the City's golf course be leased to a third-party management company.

Thus, our recommendation to privatize is clear. If privatization is selected, the City of Virginia Beach's investment is **low**, the staff required is **nominal**, the risk level is **low**, and the City's net income will be **moderate**. In contrast, the status quo options will require **high investment, significant staff, and high risk**, with **likely losses and subsidy from the general fund**. **Privatization has the potential to save the City \$7.650 million** within 10 years and preserve the customer experience.

The alternative is to tap the general fund for the annual operating losses that are likely to occur and to fund the deferred capital investment.

If privatization is selected, the City Council will draw acclaim from the following actions:

- ◆ Leveraging the City's assets to function as a vital recreational resource,
- ◆ Endowing the citizens of Virginia Beach with the opportunity to learn a lifelong skill that instills integrity and ethics and provides the ability to extend social and business networking opportunities,
- ◆ Operating financially self-sustaining golf courses through contract management.

Appendix 1A –
Golf Local Market Analysis: Longitudes

GLMA

Technology

Facilities

Surveys

Start

Finish

1

2

3

4

5

6

7

8

Weather
Impact

Financial
Metrics

Operations

Loyalty

S_o W_{hat}

1. # of Golfers, Avid Participants, Age, Ethnicity and Income Negative
2. And, supply of golf courses far exceeds demand

Just the Facts: Industry

90% Rounds

12% golfers

Distinct Customers

Barrier

Defectors

Game

30 Minutes

60% revenue

4,000: 4 to 7

Time

50%

Caucasian, Rich, Old

10, 20, and 30-Minute Travel Times



Source: Longitudes, Inc.

Local Demographics

Category	30-Min	US
Avid Golfers	13,464	5,830,900
Total Golfers	54,444	26,322,000
Public Facilities	22	11,621
Private Facilities	9	4,505
Total Facilities	31	16,126

Source: Longitudes Group

Competitive Set

31

COURSE	10	20	30	Virginia Beach MSA
Public Facilities	4	11	22	43
Private Facilities	0	6	9	15
Total Facilities	4	17	31	58

Source: Longitudes Group

Competitive List – < 10 Minutes

COURSE	TYPE1	REG HOLES	EXE HOLES	PAR3 HOLE	YEAR OPEN	FEE WKND
Lake Wright G.C.	Public	18	0	0	1966	29
Kempsville Greens G. C.	Public	18	0	0	1987	33
Bow Creek Municipal G.C.	Public	18	0	0	1961	32
Honey Bee G.Club	Public	18	0	0	1989	40

Source: Longitudes Group

Competitive List: > 10 < 20

Course	TYPE1	REG HOLES	EXE HOLES	PAR3 HOLE	YEAR OPEN	FEE WKND
Eagle Haven G.C.	Private	18	0	0	1954	34
Broad Bay C.C.	Private	18	0	0	1986	50
Cavalier Golf and Yacht Club	Private	18	0	0	1928	55
Greenbrier C.C.	Private	18	0	0	1987	60
Bayville G.Club	Private	18	0	0	1995	65
Princess Anne C.C.	Private	18	0	0	1916	65
Owls Creek Golf Center	Public	0	18	0	1989	27
The Lamberts Point G.C.	Public	9	0	0	2005	29
YMCA of South Hampton Road	Public	9	0	0	2002	30
Stumpy Lake G.C.	Public	18	0	0	1958	40
Cypress Point C.C.	Public	18	0	0	1987	45
Virginia Beach National G Club	Public	18	0	0	1999	75
The Signature At Westneck	Public	18	0	0	2001	80

Source: Longitudes Group

Competitive List – 30

Course	TYPE1	REG HOLES	EXE HOLES	PAR3 HOLE	YEAR OPEN	FEE WKND
Aero Pines G.Club	Private	36	0	0	1948	34
Sewells Point G.C.	Private	18	0	0	1927	37
Elizabeth Manor Golf and C.C.	Private	18	0	0	1956	48
The Links at City Park	Public	0	9	0	1919	15
Battlefield G. Club at Centerville	Public	18	0	0	2007	27
Chesapeake G.Club	Public	18	0	0	1989	28
The Woodlands G.C.	Public	18	0	0	1930	30
Red Wing Lake G.C.	Public	18	0	0	1971	40
Ocean View G.C.	Public	18	0	0	1926	42
Cahoon Plantation	Public	18	0	0	1996	49
Hells Point G.C.	Public	18	0	0	1982	49
Bide-A-Wee G.C.	Public	18	0	0	1999	54
Riverfront G.Club	Public	18	0	0	1999	59
Heron Ridge G.Club	Public	18	0	0	1999	69 ^{up}

To Summarize - Wide

Category	10-Min	20-Min	30-Min	Virginia Beach CMA	US
Avid Golfers	2,495	11,783	13,464	31,740	5,830,900
Total Golfers	9,904	47,594	54,444	125,383	26,322,000
Public Facilities	4	11	22	43	11,621
Private Facilities	0	6	9	15	4,505
Total Facilities	4	17	31	58	16,126

Source: Longitudes Group

Market Share Analysis – Virginia Beach

8% oversupply

Category	30-Min	National Index
Golf Over-Unsupplied	92	100

Source: Longitudes Group

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Market Share Analysis

2 – 9 – 6 – 6 - 20

Category	30-Min	US
Golf Participation	9%	11%
Avid Golfer Index	91	100
Age Index	94	100
Income Index	94	100
Ethnicity Index	80	100

Source: Longitudes Group

Category	10-Min	20-Min	30-Min	Va Beach./ Norfolk CBSA	U.S.
Avid Golfers	2,495	11,783	13,464	31,740	5,830,900
Total Golfers	9,904	47,594	54,444	125,383	26,322,000
Public Facilities	4	11	22	43	11,621
Private Facilities	0	6	9	15	4,505
Total Facilities	4	17	31	58	16,126
Public 18-Hole Equiv.	4.0	10.0	20.5	48.0	10,634.0
Private 18-Hole Equiv.	0.0	6.0	10.0	18.5	4,517.0
18-Hole Equivalents	4.0	16.0	30.5	66.5	15,151.0
Golfers per 18 Holes	2,476	2,975	1,785	1,885	1,737
Avid Household Index	88	97	91	99	100
Golf Participation	9%	10%	9%	10%	11%
Age Index	96	95	94	96	100
Age (Median)	35.8	35.3	34.7	35.5	37.1
Income (Med Hhld)	\$ 57,816	\$ 52,761	\$ 50,475	\$ 54,283	\$ 53,880
	107	98	94	101	1.00
Ethnicity Index	82	77	80	83	100
Ethnicity (% Cauc.)	60.3	56.7	59.2	61.1	73.9
Households	54,935	236,310	288,047	620,249	113,900,256
Pop 18+	113,715	472,558	595,806	1,257,826	232,061,744
Private/Public Mix	0% / 100%	35% / 65%	29% / 71%	26% / 74%	28% / 72%
Premium/Value Mix %	0% / 100%	40% / 60%	17% / 83%	44% / 56%	25% / 75%
Premium >\$71 %	0%	18%	9%	17%	9%
Value \$40-\$70 %	25%	27%	45%	42%	28%
Price <\$40 %	75%	55%	45%	41%	63%
Premium >\$71	0	2	2	12	1,065
Value \$40-\$70	1	3	10	15	3,197
Price <\$40	3	6	10	15	7,359
Golf Intensity Index	162	191	115	124	100
Avid per 18 Holes	624	736	441	477	385
Private Golf Intensity Index	193	152	104	133	100
Avid per Private 18	2,495	1,964	1,346	1,716	1,291
Public Golf Intensity Index	114	215	120	121	100
Avid per Public 18	624	1,178	657	661	548

Golf Intensity Index	131	154	92	100	
Avid per 18 Holes	624	736	441	477	
Private Golf Intensity Index	145	114	78	100	
Avid per Private 18	2,495	1,964	1,346	1,716	
Public Golf Intensity Index	94	178	99	100	
Avid per Public 18	624	1,178	657	661	

Appendix 1B –
Golf Local Market Analysis:
National Datasheets
National Golf Foundation

NGF Golf Demand Report

U.S.

Golf Demand

U.S.

Number of golfing households	21,249,260
Number of rounds played	499,090,240
Rounds played locally (less than 50 mi)	279,341,984
Rounds played regionally (50-200 mi)	168,991,840
Rounds played on vacation (more than 200 mi)	33,603,852
Rounds played at Seasonal home	17,154,032
Golfing Fees	\$20,190,255,104
Hard goods spending	\$2,795,787,520
Soft goods spending	\$1,797,270,912

Golf Demand Indices

U.S.

Index: Golfing Households	100
Index: Rounds Played by Residents	100
Index: Rounds Played Locally (less than 50 mi)	100
Index: Rounds Played Regionally (50-200 mi)	100
Index: Rounds Played on Vacation (more than 200 mi)	100
Index: Rounds Played at Seasonal Home	100
Index: Golfing Fees	100
Index: Hard Goods Spending	100
Index: Soft Goods Spending	100

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NGF Golf Supply Report

U.S.

Golf Supply - Number of Golf Facilities

U.S.

Total facilities	15,967
Public facilities	11,567
Private facilities	4,400
Resort facilities	1,178

Golf Supply - Number of Golf Facilities by Price Point

U.S.

Public facilities	11,567
Premium facilities (>\$70)	1,206
Standard facilities (\$40-\$70)	3,653
Value facilities (<\$40)	6,708

Golf Supply - Number of Golf Facilities by Type

U.S.

Public facilities	11,567
Daily fee facilities	9,110
Municipal facilities	2,450

Golf Supply - Number of Holes

U.S.

Total holes	269,793
Public holes	190,161
Private holes	79,632
Resort holes	25,335

Golf Supply - Public Holes by Price Point

U.S.

Public holes	190,161
Premium holes (>\$70)	27,027
Standard holes (\$40-\$70)	70,443
Value holes (<\$40)	92,691

Golf Supply - Public Holes by Type

U.S.

Public holes	190,161
Daily fee holes	149,238
Municipal holes	40,806

NGF Households/Supply Report

U.S.

Households Per 18 Holes

U.S.

Households per 18 Holes: Total	7,599
Households per 18 Holes: Public	10,781
Households per 18 Holes: Private	25,746

Households Per 18 Holes: by Price Point

U.S.

Households per 18 Holes: Premium (>\$70)	75,857
Households per 18 Holes: Standard (\$40-\$70)	29,104
Households per 18 Holes: Value (<\$40)	22,119

Households Supply Indices (per 18 Hole Facility)

U.S.

HH Supply Index: Total	100
HH Supply Index: Public	100
HH Supply Index: Private	100
HH Supply Index: Premium (>\$70)	100
HH Supply Index: Standard (\$40-\$70)	100
HH Supply Index: Value (<\$40)	100

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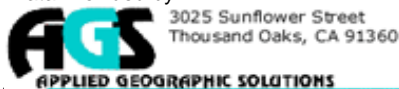


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NGF Golf Construction Report

U.S.

Golf Facility Construction: 1998-2008

U.S.

Total holes added past 10 years	41,112
Public holes added past 10 years	32,094
Private holes added past 10 years	9,018
Percent Total Holes Added	15.20%
Percent Public Holes Added	16.90%
Percent Private Holes Added	11.30%

Golf Facility Construction: 2003-2008

U.S.

Total holes added past 5 years	12,213
Public holes added past 5 years	8,298
Private holes added past 5 years	3,915
Percent Total Holes Added	4.50%
Percent Public Holes Added	4.40%
Percent Private Holes Added	4.90%

Golf Facility Construction: 1998-2002

U.S.

Total holes added previous 5 years	28,899
Public holes added previous 5 years	23,796
Private holes added previous 5 years	5,103
Percent Total Holes Added	10.70%
Percent Public Holes Added	12.50%
Percent Private Holes Added	6.40%

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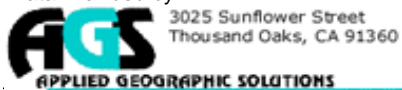


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Summary Demographic

U.S.

Population Change

	U.S.	
	Number	Percent Change
1980 Census	224,811,135	
1990 Census	248,710,012	10.60%
2000 Census	281,421,906	13.20%
2009 Projection	306,069,955	8.80%
2014 Projection	317,211,691	3.60%

Households Change

	U.S.	
	Number	Percent Change
1980 Census	79,887,387	
1990 Census	91,947,641	15.10%
2000 Census	105,480,101	14.70%
2009 Projection	113,900,247	8.00%
2014 Projection	117,712,459	3.30%

Families (2009)

	U.S.	
Families		76,229,719
Average Household Size		2.61

Population by Race (2009)

	U.S.	
	Number	Percent
White	226,250,630	73.90%
Black	37,891,283	12.40%
Asian	13,493,018	4.40%
Native American	2,377,112	0.80%
Hawaiian / Pacific Islander	535,619	0.20%
Two or More	8,998,650	2.90%
Other Race	16,523,643	5.40%
Total	306,069,955	100.00%

Hispanic Population (2009)

	U.S.	
	Number	Percent
Hispanic	47,777,753	15.60%
Not Hispanic	258,292,202	84.40%
Total	306,069,955	100.00%

Income (2009)

U.S.

Median Household Income	\$53,880
Average Household Income	\$71,169
Average Family Income	\$81,168

Households by Income (2009)

U.S.

	Number	Percent
Less Than \$10,000	8,541,381	7.50%
\$10,000-\$14,999	5,034,842	4.40%
\$15,000-\$19,999	5,858,403	5.10%
\$20,000-\$24,999	5,792,898	5.10%
\$25,000-\$29,999	5,651,159	5.00%
\$30,000-\$34,999	5,789,460	5.10%
\$35,000-\$39,999	5,184,081	4.60%
\$40,000-\$49,999	11,282,054	9.90%
\$50,000-\$59,999	9,833,682	8.60%
\$60,000-\$74,999	12,145,172	10.70%
\$75,000-\$99,999	14,609,239	12.80%
\$100,000-\$124,999	9,332,925	8.20%
\$125,000-\$149,999	5,152,822	4.50%
\$150,000-\$199,999	4,548,486	4.00%
\$200,000-\$249,999	1,597,543	1.40%
\$250,000-\$499,999	1,899,913	1.70%
\$500,000+	1,646,187	1.40%
Total	113,900,247	100.00%

Households by Tenure (2009)

U.S.

	Number	Percent
Owner Occupied	76,367,638	58.30%
Renter Occupied	37,532,609	28.60%
Vacant	17,194,164	13.10%
Total	131,094,411	100.00%

Daytime Population (2009)

U.S.

Establishments	11,971,951
Employees	148,862,111

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Source:

Internet Marketing Solutions provided by: Data Provided by:



Demographic Trend

U.S.

Summary Demographic

	2000 CENSUS	2009 ESTIMATE	2014 FORECAST
Population	281,421,906	306,069,955	317,211,691
Households	105,480,101	113,900,247	117,712,459
Families	71,787,347	76,229,719	79,003,922
Median Age	35.3	37.1	38
Median Household Income	\$42,455	\$53,880	\$58,162
Average Household Income	\$56,675	\$71,169	\$75,854
Average Household Size	2.67	2.69	2.69

Households by Income

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Less Than \$10,000	10,061,876	9.50%	8,541,381	7.50%	8,172,397	6.90%
\$10,000 - \$14,999	6,653,758	6.30%	5,034,842	4.40%	4,819,798	4.10%
\$15,000 - \$19,999	6,597,542	6.30%	5,858,403	5.10%	5,815,301	4.90%
\$20,000 - \$24,999	6,932,056	6.60%	5,792,898	5.10%	5,088,828	4.30%
\$25,000 - \$29,999	6,796,998	6.40%	5,651,159	5.00%	5,573,344	4.70%
\$30,000 - \$34,999	6,714,361	6.40%	5,789,460	5.10%	5,363,218	4.60%
\$35,000 - \$39,999	6,232,543	5.90%	5,184,081	4.60%	5,513,617	4.70%
\$40,000 - \$49,999	11,203,344	10.60%	11,282,054	9.90%	10,196,108	8.70%
\$50,000 - \$59,999	9,531,910	9.00%	9,833,682	8.60%	10,185,988	8.70%
\$60,000 - \$74,999	10,997,389	10.40%	12,145,172	10.70%	12,597,307	10.70%
\$75,000 - \$99,999	10,793,177	10.20%	14,609,239	12.80%	15,243,273	12.90%
\$100,000 - \$124,999	5,488,345	5.20%	9,332,925	8.20%	10,927,206	9.30%
\$125,000 - \$149,999	2,654,859	2.50%	5,152,822	4.50%	6,199,434	5.30%
\$150,000 - \$199,999	2,320,701	2.20%	4,548,486	4.00%	5,696,105	4.80%
\$200,000+	2,501,242	2.40%	5,143,643	4.50%	6,320,535	5.40%
Total	105,480,101	100.00%	113,900,247	100.00%	117,712,459	100.00%

Population by Age

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Age 0-4	19,175,798	6.80%	20,716,295	6.80%	21,058,996	6.60%
Age 5-9	20,549,505	7.30%	20,210,444	6.60%	20,809,071	6.60%
Age 10-14	20,528,072	7.30%	20,253,007	6.60%	20,449,735	6.40%
Age 15-19	20,219,890	7.20%	21,363,373	7.00%	20,474,101	6.50%
Age 20-24	18,964,001	6.70%	21,367,708	7.00%	21,529,610	6.80%
Age 25-29	19,381,336	6.90%	20,800,863	6.80%	21,497,829	6.80%
Age 30-34	20,510,388	7.30%	19,912,713	6.50%	20,949,500	6.60%
Age 35-39	22,706,664	8.10%	20,478,055	6.70%	20,046,265	6.30%
Age 40-44	22,441,863	8.00%	21,807,394	7.10%	20,563,467	6.50%
Age 45-49	20,092,404	7.10%	22,590,761	7.40%	21,790,390	6.90%
Age 50-54	17,585,548	6.20%	21,652,018	7.10%	22,424,221	7.10%
Age 55-59	13,469,237	4.80%	19,092,924	6.20%	21,307,381	6.70%

Age 60-64	10,805,447	3.80%	15,770,173	5.20%	18,587,364	5.90%
Age 65-69	9,533,545	3.40%	11,999,074	3.90%	15,039,674	4.70%
Age 70-74	8,857,441	3.10%	9,098,845	3.00%	11,104,086	3.50%
Age 75-79	7,415,813	2.60%	7,423,185	2.40%	7,974,428	2.50%
Age 80-84	4,945,367	1.80%	5,787,697	1.90%	5,939,310	1.90%
Age 85+	4,239,587	1.50%	5,745,426	1.90%	5,666,263	1.80%
Total	281,421,906	100.00%	306,069,955	100.00%	317,211,691	100.00%
Median	35.3		37.1		38	

Population by Race Trends

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
White	211,460,626	75.10%	226,250,630	73.90%	234,321,400	73.90%
Black	34,658,190	12.30%	37,891,283	12.40%	39,300,714	12.40%
Native American	2,475,956	0.90%	2,377,112	0.80%	2,476,556	0.80%
Asian	10,242,998	3.60%	13,493,018	4.40%	14,177,383	4.50%
Hawaiian / Pacific Islander	398,835	0.10%	535,619	0.20%	532,407	0.20%
Two or More	6,826,228	2.40%	8,998,650	2.90%	9,656,354	3.00%
Other Race	15,359,073	5.50%	16,523,643	5.40%	16,746,877	5.30%
Total	281,421,906	100.00%	306,069,955	100.00%	317,211,691	100.00%

Hispanic Population Trends

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Hispanic	35,305,818	12.50%	47,777,753	15.60%	53,653,550	16.90%
Not Hispanic	246,116,088	87.50%	258,292,202	84.40%	263,558,141	83.10%
Total	281,421,906	100.00%	306,069,955	100.00%	317,211,691	100.00%

Households by Occupancy Trends

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Owner Occupied	69,815,753	60.20%	76,367,638	58.30%	78,472,639	56.40%
Renter Occupied	35,664,348	30.80%	37,532,609	28.60%	39,239,820	28.20%
Vacant	10,424,540	9.00%	17,194,164	13.10%	21,437,961	15.40%
Total	115,904,641	100.00%	131,094,411	100.00%	139,150,420	100.00%

Daytime Population

	2000 CENSUS	2009 ESTIMATE	2014 FORECAST
Establishments	0	11,971,951	0
Employees	0	148,862,111	0

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Source:

Appendix 1C –
Golf Local Market Analysis:
Virginia Beach Datasheets
National Golf Foundation

NGF Golf Demand Report

Kempsville Greens

	Golf Demand TravelTime of 10 minutes	TravelTime of 20 minutes	TravelTime of 30 minutes
Number of golfing households	9,430	32,960	52,421
Number of rounds played	283,478	978,580	1,602,417
Rounds played locally (less than 50 mi)	136,576	460,556	750,715
Rounds played regionally (50-200 mi)	141,263	483,882	795,214
Rounds played on vacation (more than 200 mi)	2,124	18,367	30,345
Rounds played at Seasonal home	3,515	15,775	26,143
Golfing Fees	\$12,779,808	\$41,093,960	\$65,243,288
Hard goods spending	\$1,583,797	\$5,467,331	\$8,952,710
Soft goods spending	\$1,018,138	\$3,514,664	\$5,755,240

	Golf Demand Indices TravelTime of 10 minutes	TravelTime of 20 minutes	TravelTime of 30 minutes
Index: Golfing Households	89	83	85
Index: Rounds Played by Residents	114	105	110
Index: Rounds Played Locally (less than 50 mi)	98	88	92
Index: Rounds Played Regionally (50-200 mi)	168	153	161
Index: Rounds Played on Vacation (more than 200 mi)	13	29	30
Index: Rounds Played at Seasonal Home	42	49	53
Index: Golfing Fees	128	109	111
Index: Hard Goods Spending	114	105	110
Index: Soft Goods Spending	114	105	110

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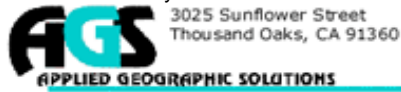


Source:

Internet Marketing Solutions provided by :



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NGF Golf Supply Report

Kempsville Greens

Golf Supply - Number of Golf Facilities

	TravelTime of 10	TravelTime of 20	TravelTime of 30
Total facilities	2	10	23
Public facilities	2	8	15
Private facilities	0	2	8
Resort facilities	1	1	1

Golf Supply - Number of Golf Facilities by Price Point

	TravelTime of 10	TravelTime of 20	TravelTime of 30
Public facilities	2	8	15
Premium facilities (>\$70)	0	1	2
Standard facilities (\$40-\$70)	1	2	5
Value facilities (<\$40)	1	5	8

Golf Supply - Number of Golf Facilities by Type

	TravelTime of 10	TravelTime of 20	TravelTime of 30
Public facilities	2	8	15
Daily fee facilities	1	4	7
Municipal facilities	1	4	8

Golf Supply - Number of Holes

	TravelTime of 10	TravelTime of 20	TravelTime of 30
Total holes	36	162	405
Public holes	36	126	243
Private holes	0	36	162
Resort holes	18	18	18

Golf Supply - Public Holes by Price Point

	TravelTime of 10	TravelTime of 20	TravelTime of 30
Public holes	36	126	243
Premium holes (>\$70)	0	18	36
Standard holes (\$40-\$70)	18	36	90
Value holes (<\$40)	18	72	117

Golf Supply - Public Holes by Type

	TravelTime of 10	TravelTime of 20	TravelTime of 30
Public holes	36	126	243
Daily fee holes	18	63	117
Municipal holes	18	63	126

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Source:

Internet Marketing Solutions provided by: :



Data Provided by:



NGF Households/Supply Report

Kempsville Greens

	Households Per 18 Holes		
	TravelTime of 10	TravelTime of 20	TravelTime of 30
Households per 18 Holes: Total	28,199	23,611	14,743
Households per 18 Holes: Public	28,199	30,358	24,571
Households per 18 Holes: Private	NA	106,252	36,857

	Households Per 18 Holes: by Price Point		
	TravelTime of 10	TravelTime of 20	TravelTime of 30
Households per 18 Holes: Premium (>\$70)	NA	212,503	165,855
Households per 18 Holes: Standard (\$40-\$70)	56,397	106,252	66,342
Households per 18 Holes: Value (<\$40)	56,397	53,126	51,032

	Households Supply Indices (per 18 Hole Facility)		
	TravelTime of 10	TravelTime of 20	TravelTime of 30
HH Supply Index: Total	372	311	194
HH Supply Index: Public	262	282	228
HH Supply Index: Private	0	414	143
HH Supply Index: Premium (>\$70)	0	281	219
HH Supply Index: Standard (\$40-\$70)	194	366	228
HH Supply Index: Value (<\$40)	256	241	231

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Summary Demographic

Kempsville Greens

	Population Change		TravelTime of 20		TravelTime of 30	
	TravelTime of 10		Percent Change		Percent Change	
	Number	Percent Change	Number	Percent Change	Number	Percent Change
1980 Census	98,644		443,555		676,684	
1990 Census	150,078	52.10%	553,263	24.70%	845,795	25.00%
2000 Census	152,848	1.80%	567,295	2.50%	878,368	3.90%
2009 Projection	152,062	-0.50%	582,142	2.60%	913,511	4.00%
2014 Projection	152,861	0.50%	596,510	2.50%	940,136	2.90%

	Households Change		TravelTime of 20		TravelTime of 30	
	TravelTime of 10		Percent Change		Percent Change	
	Number	Percent Change	Number	Percent Change	Number	Percent Change
1980 Census	30,816		152,121		233,528	
1990 Census	51,367	66.70%	197,764	30.00%	297,152	27.20%
2000 Census	54,929	6.90%	211,794	7.10%	323,974	9.00%
2009 Projection	56,113	2.20%	214,429	1.20%	330,689	2.10%
2014 Projection	57,791	3.00%	213,626	-0.40%	330,361	-0.10%

	Families (2009)		TravelTime of 20		TravelTime of 30	
	TravelTime of 10		Percent Change		Percent Change	
Families	38,808		141,241		219,047	
Average Household Size	2.68		2.65		2.65	

	Population by Race (2009)		TravelTime of 20		TravelTime of 30	
	TravelTime of 10		Percent Change		Percent Change	
	Number	Percent	Number	Percent	Number	Percent
White	92,970	61.10%	326,655	56.10%	545,361	59.70%
Black	41,384	27.20%	202,904	34.90%	290,289	31.80%
Asian	10,183	6.70%	28,345	4.90%	37,232	4.10%
Native American	1,237	0.80%	3,887	0.70%	5,688	0.60%
Hawaiian / Pacific Islander	252	0.20%	821	0.10%	1,278	0.10%
Two or More	3,932	2.60%	12,858	2.20%	22,433	2.50%
Other Race	2,104	1.40%	6,671	1.10%	11,230	1.20%
Total	152,062	100.00%	582,141	100.00%	913,511	100.00%

	Hispanic Population (2009)		TravelTime of 20		TravelTime of 30	
	TravelTime of 10		Percent Change		Percent Change	
	Number	Percent	Number	Percent	Number	Percent
Hispanic	9,032	5.90%	28,622	4.90%	42,923	4.70%
Not Hispanic	143,030	94.10%	553,520	95.10%	870,588	95.30%
Total	152,062	100.00%	582,142	100.00%	913,511	100.00%

	Income (2009)		
	TravelTime of 10	TravelTime of 20	TravelTime of 30
Median Household Income	\$56,736	\$51,260	\$53,074
Average Household Income	\$63,587	\$63,525	\$69,040
Average Family Income	\$70,703	\$71,311	\$75,815

	Households by Income (2009)					
	TravelTime of 10		TravelTime of 20		TravelTime of 30	
	Number	Percent	Number	Percent	Number	Percent
Less Than \$10,000	2,043	3.60%	15,294	7.10%	21,589	6.50%
\$10,000-\$14,999	1,339	2.40%	8,436	3.90%	12,460	3.80%
\$15,000-\$19,999	1,966	3.50%	10,131	4.70%	15,287	4.60%
\$20,000-\$24,999	2,296	4.10%	10,726	5.00%	16,288	4.90%
\$25,000-\$29,999	2,667	4.80%	11,236	5.20%	16,986	5.10%
\$30,000-\$34,999	3,137	5.60%	12,360	5.80%	18,471	5.60%
\$35,000-\$39,999	3,109	5.50%	11,287	5.30%	16,784	5.10%
\$40,000-\$49,999	7,112	12.70%	25,003	11.70%	37,486	11.30%
\$50,000-\$59,999	6,512	11.60%	21,758	10.10%	32,504	9.80%
\$60,000-\$74,999	7,933	14.10%	25,822	12.00%	39,123	11.80%
\$75,000-\$99,999	8,854	15.80%	29,029	13.50%	45,872	13.90%
\$100,000-\$124,999	4,537	8.10%	15,325	7.10%	25,319	7.70%
\$125,000-\$149,999	2,195	3.90%	7,303	3.40%	12,858	3.90%
\$150,000-\$199,999	1,594	2.80%	5,904	2.80%	10,265	3.10%
\$200,000-\$249,999	324	0.60%	1,589	0.70%	3,034	0.90%
\$250,000-\$499,999	257	0.50%	1,605	0.70%	3,362	1.00%
\$500,000+	237	0.40%	1,620	0.80%	3,000	0.90%
Total	56,112	100.00%	214,428	100.00%	330,688	100.00%

	Households by Tenure (2009)					
	TravelTime of 10		TravelTime of 20		TravelTime of 30	
	Number	Percent	Number	Percent	Number	Percent
Owner Occupied	37,174	60.90%	124,325	52.70%	202,874	55.60%
Renter Occupied	18,939	31.00%	90,104	38.20%	127,814	35.00%
Vacant	4,883	8.00%	21,390	9.10%	34,085	9.30%
Total	60,996	100.00%	235,819	100.00%	364,773	100.00%

	Daytime Population (2009)		
	TravelTime of 10	TravelTime of 20	TravelTime of 30
Establishments	6,625	23,897	31,993
Employees	85,983	349,827	465,082

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Source:



Internet Marketing Solutions provided by:



Data

Provided by:



Demographic Trend

TravelTime of 10 minutes

Summary Demographic

	2000 CENSUS	2009 ESTIMATE	2014 FORECAST
Population	152,848	152,062	152,861
Households	54,929	56,113	57,791
Families	40,507	38,808	40,574
Median Age	32.1	35.9	37.6
Median Household Income	\$45,796	\$56,736	\$61,432
Average Household Income	\$52,279	\$63,587	\$61,434
Average Household Size	2.78	2.71	2.65

Households by Income

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Less Than \$10,000	2,504	4.60%	2,043	3.60%	1,890	3.30%
\$10,000 - \$14,999	2,065	3.80%	1,339	2.40%	1,230	2.10%
\$15,000 - \$19,999	2,603	4.70%	1,966	3.50%	1,833	3.20%
\$20,000 - \$24,999	3,335	6.10%	2,296	4.10%	1,872	3.20%
\$25,000 - \$29,999	3,924	7.10%	2,667	4.80%	2,514	4.30%
\$30,000 - \$34,999	4,330	7.90%	3,137	5.60%	2,769	4.80%
\$35,000 - \$39,999	4,107	7.50%	3,109	5.50%	3,160	5.50%
\$40,000 - \$49,999	7,931	14.40%	7,112	12.70%	6,412	11.10%
\$50,000 - \$59,999	6,444	11.70%	6,512	11.60%	6,402	11.10%
\$60,000 - \$74,999	7,277	13.20%	7,933	14.10%	8,539	14.80%
\$75,000 - \$99,999	5,970	10.90%	8,854	15.80%	9,556	16.50%
\$100,000 - \$124,999	2,482	4.50%	4,537	8.10%	5,790	10.00%
\$125,000 - \$149,999	1,094	2.00%	2,195	3.90%	2,747	4.80%
\$150,000 - \$199,999	548	1.00%	1,594	2.80%	2,025	3.50%
\$200,000+	315	0.60%	818	1.50%	1,054	1.80%
Total	54,929	100.00%	56,113	100.00%	57,791	100.00%

Population by Age

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Age 0-4	11,112	7.30%	9,875	6.50%	9,716	6.40%
Age 5-9	12,227	8.00%	10,347	6.80%	9,581	6.30%
Age 10-14	12,513	8.20%	10,985	7.20%	10,201	6.70%
Age 15-19	11,091	7.30%	11,344	7.50%	10,323	6.80%
Age 20-24	11,254	7.40%	10,609	7.00%	10,632	7.00%
Age 25-29	12,750	8.30%	10,768	7.10%	10,830	7.10%
Age 30-34	12,743	8.30%	10,216	6.70%	10,100	6.60%
Age 35-39	13,901	9.10%	10,681	7.00%	9,546	6.20%
Age 40-44	12,373	8.10%	11,862	7.80%	10,398	6.80%
Age 45-49	10,374	6.80%	12,238	8.00%	11,686	7.60%
Age 50-54	8,734	5.70%	11,059	7.30%	11,914	7.80%
Age 55-59	6,516	4.30%	9,191	6.00%	10,937	7.20%
Age 60-64	4,854	3.20%	7,396	4.90%	8,764	5.70%
Age 65-69	4,145	2.70%	5,351	3.50%	6,727	4.40%
Age 70-74	3,429	2.20%	3,832	2.50%	4,674	3.10%
Age 75-79	2,490	1.60%	2,889	1.90%	3,067	2.00%
Age 80-84	1,321	0.90%	1,827	1.20%	2,125	1.40%
Age 85+	1,023	0.70%	1,590	1.00%	1,642	1.10%
Total	152,848	100.00%	152,062	100.00%	152,861	100.00%
Median	32.1		35.9		37.6	

Population by Race Trends

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
White	97,952	64.10%	92,970	61.10%	90,856	59.40%
Black	37,577	24.60%	41,384	27.20%	45,596	29.80%
Native American	638	0.40%	1,237	0.80%	2,758	1.80%
Asian	9,563	6.30%	10,183	6.70%	9,863	6.50%
Hawaiian / Pacific Islander	151	0.10%	252	0.20%	254	0.20%
Two or More	4,534	3.00%	3,932	2.60%	2,191	1.40%
Other Race	2,433	1.60%	2,104	1.40%	1,344	0.90%
Total	152,848	100.00%	152,062	100.00%	152,861	100.00%

Hispanic Population Trends

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Hispanic	6,457	4.20%	9,032	5.90%	10,483	6.90%
Not Hispanic	146,391	95.80%	143,030	94.10%	142,379	93.10%
Total	152,848	100.00%	152,062	100.00%	152,861	100.00%

Households by Occupancy Trends

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Owner Occupied	36,071	63.50%	37,174	60.90%	36,430	57.10%
Renter Occupied	18,858	33.20%	18,939	31.00%	21,360	33.50%
Vacant	1,892	3.30%	4,883	8.00%	6,053	9.50%
Total	56,822	100.00%	60,996	100.00%	63,843	100.00%

Daytime Population

	2000 CENSUS	2009 ESTIMATE	2014 FORECAST
Establishments	0	6,625	0
Employees	0	85,983	0

TravelTime of 20 minutes

Summary Demographic

	2000 CENSUS	2009 ESTIMATE	2014 FORECAST
Population	567,295	582,142	596,510
Households	211,794	214,429	213,626
Families	145,131	141,241	143,179
Median Age	32.4	35.1	36.5
Median Household Income	\$41,021	\$51,260	\$55,620
Average Household Income	\$49,967	\$63,525	\$62,540
Average Household Size	2.68	2.71	2.79

Households by Income

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Less Than \$10,000	18,530	8.70%	15,294	7.10%	14,202	6.60%
\$10,000 - \$14,999	11,702	5.50%	8,436	3.90%	7,752	3.60%
\$15,000 - \$19,999	12,661	6.00%	10,131	4.70%	9,562	4.50%
\$20,000 - \$24,999	14,444	6.80%	10,726	5.00%	8,958	4.20%
\$25,000 - \$29,999	15,625	7.40%	11,236	5.20%	10,430	4.90%
\$30,000 - \$34,999	15,375	7.30%	12,360	5.80%	10,662	5.00%
\$35,000 - \$39,999	14,849	7.00%	11,287	5.30%	11,630	5.40%
\$40,000 - \$49,999	26,571	12.50%	25,003	11.70%	21,450	10.00%
\$50,000 - \$59,999	21,489	10.10%	21,758	10.10%	21,649	10.10%
\$60,000 - \$74,999	23,743	11.20%	25,822	12.00%	26,661	12.50%
\$75,000 - \$99,999	19,769	9.30%	29,029	13.50%	30,264	14.20%
\$100,000 - \$124,999	8,233	3.90%	15,325	7.10%	18,537	8.70%
\$125,000 - \$149,999	3,881	1.80%	7,303	3.40%	8,877	4.20%
\$150,000 - \$199,999	2,485	1.20%	5,904	2.80%	7,236	3.40%
\$200,000+	2,439	1.20%	4,815	2.20%	5,755	2.70%
Total	211,794	100.00%	214,429	100.00%	213,626	100.00%

Population by Age

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Age 0-4	41,821	7.40%	39,774	6.80%	39,091	6.60%
Age 5-9	44,423	7.80%	40,577	7.00%	38,757	6.50%
Age 10-14	43,907	7.70%	40,242	6.90%	40,308	6.80%
Age 15-19	40,816	7.20%	42,352	7.30%	38,216	6.40%
Age 20-24	45,421	8.00%	44,691	7.70%	42,327	7.10%
Age 25-29	45,608	8.00%	44,067	7.60%	46,348	7.80%
Age 30-34	44,666	7.90%	38,816	6.70%	42,209	7.10%
Age 35-39	49,340	8.70%	39,807	6.80%	37,459	6.30%
Age 40-44	45,267	8.00%	42,750	7.30%	39,478	6.60%
Age 45-49	38,156	6.70%	43,831	7.50%	42,154	7.10%
Age 50-54	31,079	5.50%	39,877	6.90%	42,199	7.10%
Age 55-59	23,111	4.10%	33,068	5.70%	39,684	6.70%
Age 60-64	17,976	3.20%	27,123	4.70%	32,475	5.40%
Age 65-69	16,404	2.90%	20,438	3.50%	25,971	4.40%
Age 70-74	14,695	2.60%	15,253	2.60%	18,553	3.10%
Age 75-79	12,203	2.20%	12,624	2.20%	13,044	2.20%
Age 80-84	6,985	1.20%	8,995	1.50%	9,721	1.60%
Age 85+	5,417	1.00%	7,857	1.30%	8,514	1.40%
Total	567,295	100.00%	582,142	100.00%	596,510	100.00%
Median	32.4		35.1		36.5	

Population by Race Trends

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
White	326,429	57.50%	326,655	56.10%	338,448	56.70%
Black	192,265	33.90%	202,904	34.90%	205,894	34.50%
Native American	2,226	0.40%	3,887	0.70%	7,802	1.30%
Asian	24,126	4.30%	28,345	4.90%	31,020	5.20%
Hawaiian / Pacific Islander	501	0.10%	821	0.10%	793	0.10%
Two or More	14,242	2.50%	12,858	2.20%	7,942	1.30%
Other Race	7,506	1.30%	6,671	1.10%	4,611	0.80%
Total	567,295	100.00%	582,142	100.00%	596,510	100.00%

Hispanic Population Trends

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Hispanic	20,279	3.60%	28,622	4.90%	32,867	5.50%
Not Hispanic	547,016	96.40%	553,520	95.10%	563,642	94.50%
Total	567,295	100.00%	582,142	100.00%	596,510	100.00%

Households by Occupancy Trends

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Owner Occupied	122,907	55.10%	124,325	52.70%	116,451	49.10%
Renter Occupied	88,888	39.80%	90,104	38.20%	97,175	40.90%
Vacant	11,433	5.10%	21,390	9.10%	23,696	10.00%
Total	223,228	100.00%	235,819	100.00%	237,321	100.00%

Daytime Population

	2000 CENSUS	2009 ESTIMATE	2014 FORECAST
Establishments	0	23,897	0
Employees	0	349,827	0

TravelTime of 30 minutes

Summary Demographic

	2000 CENSUS	2009 ESTIMATE	2014 FORECAST
Population	878,368	913,511	940,136
Households	323,974	330,689	330,361
Families	222,177	219,047	223,078
Median Age	32.6	34.8	36.1
Median Household Income	\$42,232	\$53,074	\$57,498
Average Household Income	\$52,596	\$69,040	\$68,555
Average Household Size	2.71	2.76	2.85

Households by Income

	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Less Than \$10,000	26,502	8.20%	21,589	6.50%	20,095	6.10%
\$10,000 - \$14,999	17,546	5.40%	12,460	3.80%	11,477	3.50%
\$15,000 - \$19,999	19,114	5.90%	15,287	4.60%	14,405	4.40%
\$20,000 - \$24,999	21,853	6.70%	16,288	4.90%	13,583	4.10%
\$25,000 - \$29,999	23,225	7.20%	16,986	5.10%	15,796	4.80%
\$30,000 - \$34,999	22,771	7.00%	18,471	5.60%	16,011	4.80%
\$35,000 - \$39,999	22,194	6.90%	16,784	5.10%	17,291	5.20%
\$40,000 - \$49,999	39,338	12.10%	37,486	11.30%	32,053	9.70%
\$50,000 - \$59,999	32,360	10.00%	32,504	9.80%	32,635	9.90%
\$60,000 - \$74,999	36,846	11.40%	39,123	11.80%	40,037	12.10%
\$75,000 - \$99,999	31,825	9.80%	45,872	13.90%	47,477	14.40%
\$100,000 - \$124,999	14,322	4.40%	25,319	7.70%	30,089	9.10%
\$125,000 - \$149,999	6,472	2.00%	12,858	3.90%	15,440	4.70%
\$150,000 - \$199,999	4,553	1.40%	10,265	3.10%	12,793	3.90%
\$200,000+	5,052	1.60%	9,396	2.80%	11,178	3.40%
Total	323,974	100.00%	330,689	100.00%	330,361	100.00%

	Population by Age					
	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Age 0-4	63,275	7.20%	62,946	6.90%	61,236	6.50%
Age 5-9	67,148	7.60%	63,339	6.90%	62,049	6.60%
Age 10-14	66,351	7.60%	62,229	6.80%	63,155	6.70%
Age 15-19	64,267	7.30%	67,272	7.40%	61,388	6.50%
Age 20-24	74,987	8.50%	73,017	8.00%	67,360	7.20%
Age 25-29	68,273	7.80%	69,137	7.60%	74,105	7.90%
Age 30-34	68,121	7.80%	60,705	6.60%	68,141	7.20%
Age 35-39	76,630	8.70%	63,086	6.90%	59,893	6.40%
Age 40-44	70,541	8.00%	66,733	7.30%	62,522	6.70%
Age 45-49	59,261	6.70%	68,061	7.50%	65,581	7.00%
Age 50-54	48,683	5.50%	62,803	6.90%	66,249	7.00%
Age 55-59	35,563	4.00%	51,105	5.60%	61,326	6.50%
Age 60-64	27,626	3.10%	41,357	4.50%	49,492	5.30%
Age 65-69	24,757	2.80%	30,836	3.40%	39,314	4.20%
Age 70-74	22,831	2.60%	23,444	2.60%	28,284	3.00%
Age 75-79	19,502	2.20%	19,814	2.20%	20,358	2.20%
Age 80-84	11,491	1.30%	14,609	1.60%	15,689	1.70%
Age 85+	9,061	1.00%	13,017	1.40%	13,995	1.50%
Total	878,368	100.00%	913,511	100.00%	940,136	100.00%
Median	32.6		34.8		36.1	

	Population by Race Trends					
	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
White	535,711	61.00%	545,361	59.70%	566,045	60.20%
Black	275,515	31.40%	290,289	31.80%	291,042	31.00%
Native American	3,581	0.40%	5,688	0.60%	10,750	1.10%
Asian	30,405	3.50%	37,232	4.10%	42,415	4.50%
Hawaiian / Pacific Islander	774	0.10%	1,278	0.10%	1,207	0.10%
Two or More	20,901	2.40%	22,433	2.50%	18,956	2.00%
Other Race	11,481	1.30%	11,230	1.20%	9,721	1.00%
Total	878,368	100.00%	913,511	100.00%	940,136	100.00%

	Hispanic Population Trends					
	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Hispanic	30,136	3.40%	42,923	4.70%	49,109	5.20%
Not Hispanic	848,232	96.60%	870,588	95.30%	891,026	94.80%
Total	878,368	100.00%	913,511	100.00%	940,136	100.00%

	Households by Occupancy Trends					
	2000 CENSUS		2009 ESTIMATE		2014 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Owner Occupied	195,316	56.70%	202,874	55.60%	195,992	53.40%
Renter Occupied	128,658	37.40%	127,814	35.00%	134,369	36.60%
Vacant	20,482	5.90%	34,085	9.30%	36,527	10.00%
Total	344,456	100.00%	364,773	100.00%	366,888	100.00%

Norfolk-Portsmouth-Newport News VA

Characteristic	Rank (of 210 DMAs)
Total Number of Facilities	78
Public Facilities	T69
Private Facilities	T82
Premium Facilities	T26
Standard Facilities	T58
Value Facilities	T101
Predicted Household Participation Rate	16%
Rank (of 210 DMAs)	157
Predicted Number of Golfing Households	110,949
Rank (of 210 DMAs)	48
Predicted Number of Rounds Demanded - 2008	3,373,791
Rank (of 210 DMAs)	39

'T' indicates tied with at least one other DMA for this rank

Appendix 2 –
Weather - Playable Days:
Weather Trends International

GLMA

Technology

Facilities

Surveys

Start

Finish

1

2

3

4

5

6

7

8

Weather
Impact

Financial
Metrics

Operations

Loyalty

Weather:

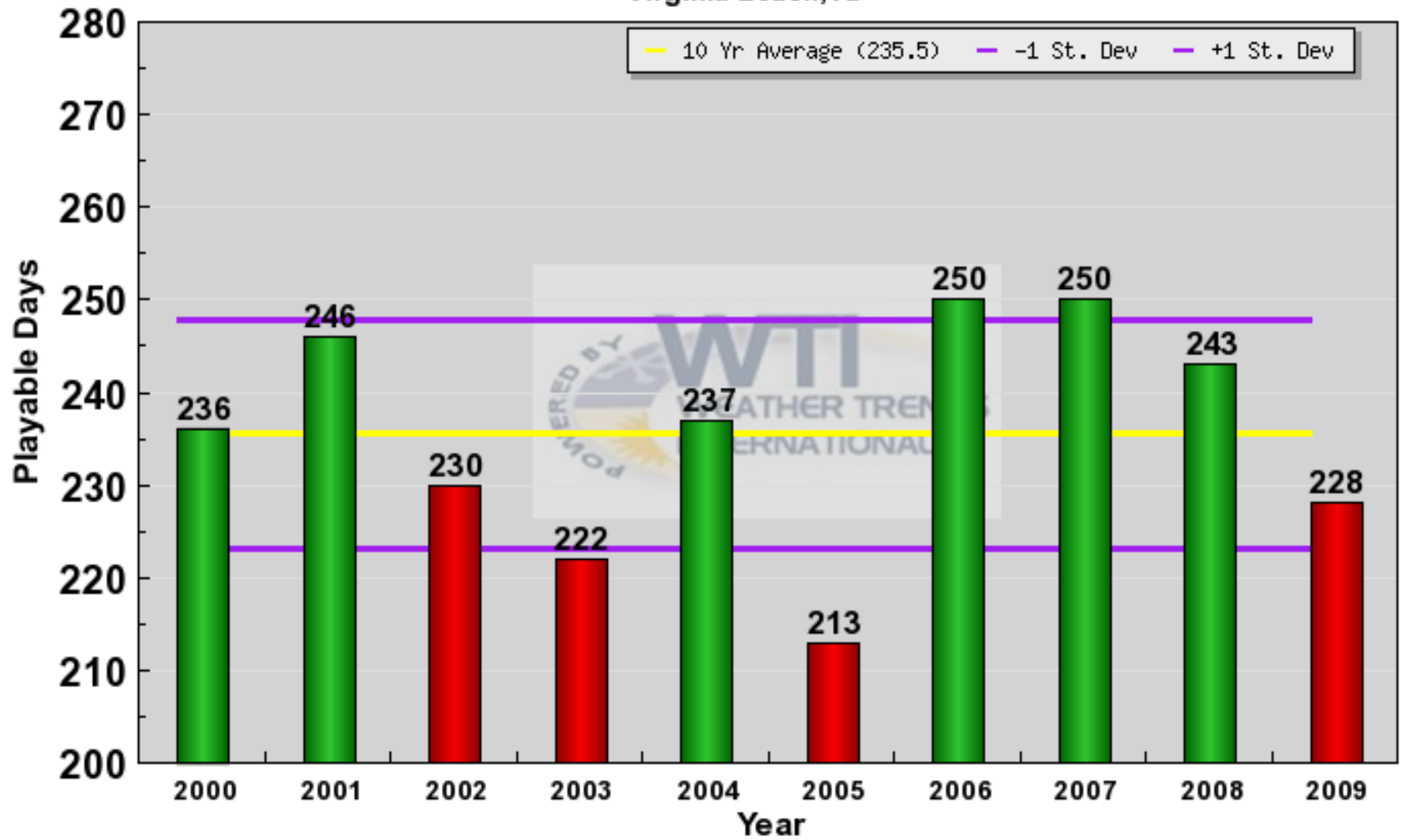
Hot Days (Days with a Heat Index of Greater than 95 Degrees)

Rain Days (Days with a rainfall of above 0.5 inches)

Cold Days (Days below 55 Degrees)

Golf Playable Days

Virginia Beach, Va



Weather: 2010 ???

	2008	2009	Variance
Gross Revenue	2,649,719	2,174,936	474,783
Playable Days	243	228	15
Revenue Per Playable Day	10,904	9,539	10,222
Decrease in Green Fee – Weather			153,325
Unexplained			321,458

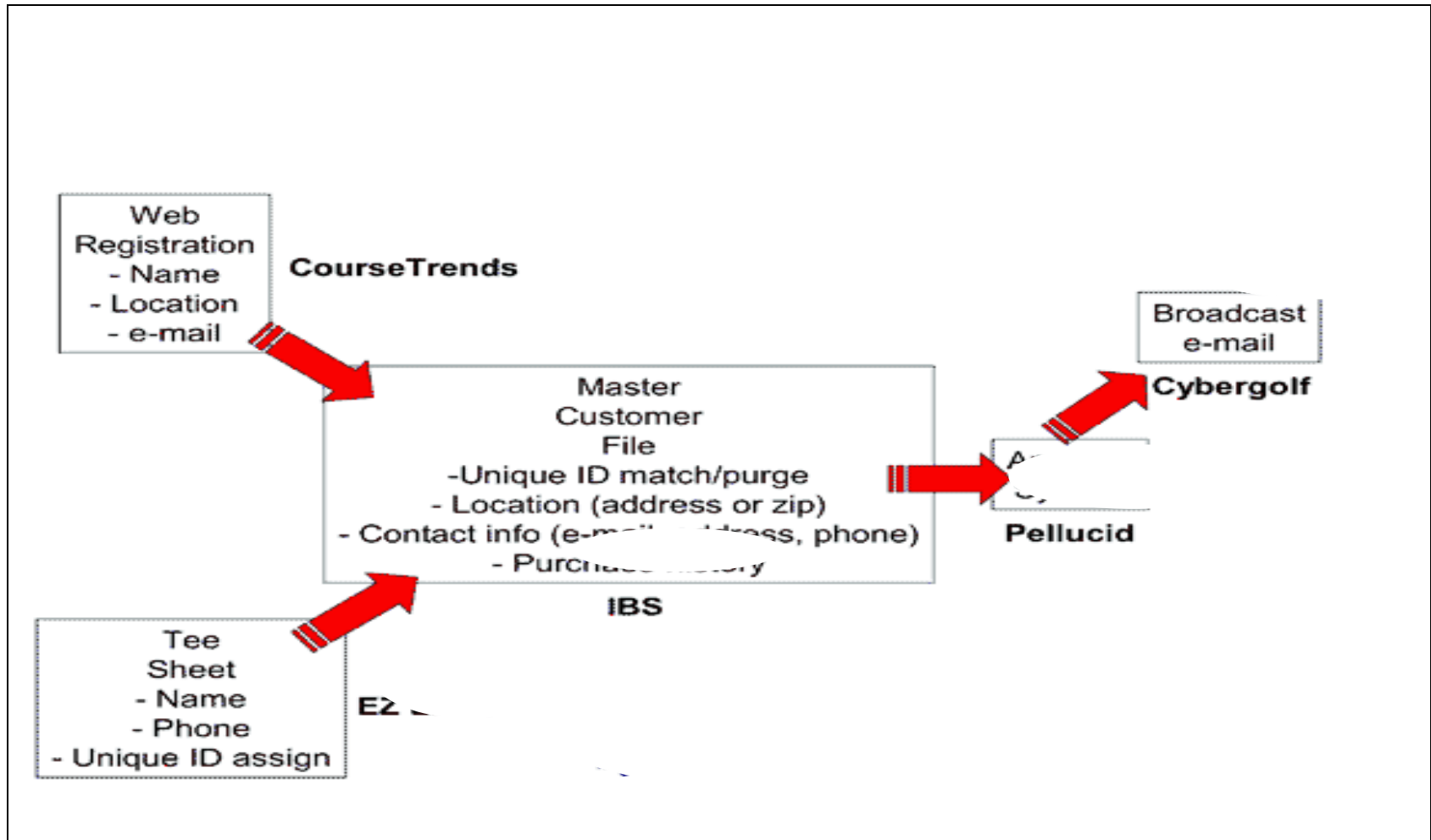
Appendix 3 –

Information Systems Technology Review

R_{eally...}

1. Technology not integrated
2. No meaningful web site
3. No on-line booking
4. No effective email marketing
5. Customers not identified
6. Acquired/core/defectors unknown

Ideal Data Flow



15 Key Management Reports

<u>Customer Analysis</u>				
Customer Distribution	Yes		No	✓
Customer Demographics	Yes		No	✓
Customer Retention	Yes		No	✓
Customer Spending By Class	Yes		No	✓
Customer Spending By Individual	Yes		No	✓
Zip Code Analysis	Yes		No	✓
<u>Facility Analysis</u>				
Merchandise Sales By Vendor	Yes		No	✓
Reservations By Booking Method	Yes		No	✓
Reservations By Day Of Week	Yes		No	✓
Revenue Benchmarks	Yes		No	✓
Revenue Per Available Tee Time	Yes		No	✓
Revenue Per Department	Yes		No	✓
Revenue Per Hour	Yes		No	✓
Round Per Revenue Margins	Yes		No	✓
Utilization	Yes		No	✓

Appendix 4 –

Financial Metrics

GLMA

Technology

Facilities

Surveys

Start

Finish

1

2

3

4

5

6

7

8

Weather
Impact

Financial
Metrics

Operations

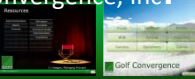
Loyalty

WOW?

1. Financial reports are not prepared consistent with generally accepted accounting principles for golf course.
 - ◆ City's accounting system
 - ◆ Fiscal year
 - ◆ Concessionaire
 - ◆ Aggregation of Maintenance, pro shop and administrative
 - ◆ 18-hole equivalents v. starts.
2. Current contracts as currently designed, does not provide for industry standard reporting.
3. Participation with benchmarking services is not occurring.
4. Potential income could increase by \$500,000 compared to other municipalities.



One Company Two Teams



**Incredible Detail
Big Picture Lost**





Current Financial Statements

	Bow Creek			Kempsville			Red Wing			Administrative			Transfers			Total		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Revenue																		
Concessionaires	12,552	12,000	12,000	17,339	17,597	9,075		0		0	153,790	152,342				29,890	183,387	173,417
Services	651,467	660,663	541,868	719,142	690,637	505,983	628	1,101,502	932,767	186,986						1,558,223	2,452,802	1,980,618
Golf Classes		0	1,474		0		899,304	0	3,860	10,635	13,530	15,570				909,939	13,530	20,904
Subtotal	664,019	672,663	555,342	736,481	708,234	515,058	899,932	1,101,502	936,627	197,621	167,320	167,912	0	0	0	2,498,052	2,649,719	2,174,939
Expenses																		
Salaries	276,575	250,405	229,230	355,629	289,222	299,272	321,217	358,895	299,420	117,949	99,804	177,685				1,071,370	998,326	1,005,608
Fringe Benefits	97,583	88,434	75,724	111,704	101,666	98,785	94,050	102,605	71,275	40,690	33,584	59,926				344,027	326,289	305,710
Contractual Services	180,839	167,756	160,433	179,122	179,122	159,271	211,721	268,908	265,737	2,022	954	9,650				573,704	616,739	595,091
Internal Services	15,830	18,911	25,870	17,785	18,612	18,847	35,484	38,927	36,643	356	633	783				69,455	77,083	82,144
Other Charges	8,947	16,644	15,487	15,512	21,683	27,201	20,693	28,373	34,728	556	564	219				45,708	67,264	77,634
Supplies	42,650	59,061	50,353	61,509	54,297	52,344	130,361	92,218	87,949	1,094	1,307					235,614	206,883	190,647
Debt Service		5,886	-5,855		60					-145	-152	-181				-145	5,794	-6,036
Bad Debt								111										
Subtotal	622,424	607,098	551,242	741,260	664,662	655,720	813,525	890,037	795,752	162,521	136,693	248,083	0	0	0	2,339,731	2,298,379	2,250,797
EBITDA																158,321	351,340	-75,858
Transfers In - Other Funds							-5,377						0			-5,377	0	0
Transfers Out - Debt													0	0	89,550	0	0	89,550
Transfers Out - General													200,000	200,000	100,000	200,000	200,000	100,000
Transfers Out - Storm Water													57,500	0	81,141	57,500	0	81,141
	0	0	0	0	0	0	-5,377	0	0	0	0	0	257,500	200,000	270,691	252,123	200,000	270,691
Detailed Ledgers	41,595	65,566	4,100	-4,779	43,572	-140,662	91,783	211,465	140,875	35,099	30,627	-80,171	-257,500	-200,000	-270,691	-93,802	151,340	-346,549
Fund Balance: July 1, 2008																		493,475
Fund Balance: June 30, 2009																		146,926

Competitive Golf Marketplace

	Bow Creek	Kempsville	Red Wing	Total
Gross Revenue	503,002	477,219	892,123	1,872,344
Green Fees	345,270	326,427	632,184	1,303,881
Rounds	29,172	28,486	30,946	88,604
Revenue per tee time	11.84	11.46	20.43	14.72

Appendix 5A –
Agronomy and Maintenance Review:
Aspire Consulting



Agronomic and Maintenance review performed for Golf Convergence on behalf of the City of Virginia Beach by:



Site Visit on January 6 -7
Report as of January 20, 2010

**A REVIEW OF THE CITY OF VIRGINIA BEACH
MUNICIPAL GOLF COURSES**

Following is an evaluation of the agronomic, salaries/wages, golf course capital improvements and required golf course equipment necessary for the success of Kempsville Golf Course, Bow Creek Golf Course and Red Wing Lake Golf Club.

This review is based on the guidelines established by Golf Convergence WIN™ formula for financial evaluation.

Presented below is a labor and capital overview of the courses:

	Bow Creek	Kempsville	Red Wing	Total
Land				
Acres	115.00	90.17	176.83	
Labor Hours Required				
In Season	14,449	12,108	18,689	45,246
Out of Season	2,850	2,320	3,382	8,552
Labor Hours Required	17,299	14,428	22,071	53,798
Employees				
Full-Time	4.00	5.00	6.00	15.00
Part-Time	4.53	4.15	5.12	13.80
Labor Hours Consumed	17,742	19,032	23,129	59,904
Excess Hours Assigned	443	4604	1059	6106
Total Labor Costs	\$304,954	390,888	461,501	\$1,157,343
Facilities				
Equipment	194,500	165,500	171,000	531,000
Deferred Capital	1,750,000	1,652,000	0	3,953,500
Annual Capital Reserve	101,104	101,104	101,104	303,312
Maintenance Costs	400,932	505,955	565,805	1,472,692

The maintenance costs for an 18-hole municipality golf facility can range from \$300,000 to \$600,000. Presented below is an industry benchmark:

Description	Annual Maintenance Costs
Public Mid-Range Frostbelt	\$377,160
Public Mid-Range Sunbelt	540,660
Public Premium Frostbelt	555,460
Public Premium Sunbelt	825,640
Private Mid-Range U.S.	611,240
Private Premium U.S.	1,412,720

The City of Virginia is exceeding these benchmarks. Although the City is considered the “frost-belt”, the maintenance operation is year round with 236 playable days annually.

In a review of the three courses, there is a common theme amongst regarding the following areas:

1. The salary and wages are above industry standards.
2. Golf course conditioning and operations are below industry standards.
3. Equipment is below industry standards
4. Though significant deferred capital expenditures exist, the requisite investment would not likely generate an incremental return on that investment.

Golf course conditioning and operations for an 18-hole municipal golf facility comparable to those operated by the City of Virginia Beach generally ranges from \$300,000 to \$500,000. Within most golf operations the salaries and wage category will encompass 40% exclusive of capital expenditures. The City of Virginia greatly exceeds this benchmark.

The City of Virginia Beach has an unbalanced wage scale places a premium on length of employment, not performance. Having the pay scale based on job description rather than performance or upward progression limits the amount of work which can be accomplished. This scenario may work well within a municipal structure but it is contrary to strict golf course operating procedures. The City should investigate re-positioning, without employment loss, certain long tenured employees to departments.

BOW CREEK GOLF COURSE

Golf Course Summary

1. The overall conditioning of Bow Creek exceeds similar golf courses with parallel levels of staffing, budget, equipment and agronomic conditions.
2. The golf course layout and conditioning presents a quality challenge to the daily player and creates a dependable source for return rounds.
3. Due to the low-lying nature and position of the golf course in relationship to community water drainage, high bay tides and excessive rain events, there is a pressing need for increased drainage both underground and through surface swales to move water away from the property and allow for a quick return to golf maintenance and daily play without further damaging the turf.
4. The impact to play created by the improper placement of the internal cart path system must be evaluated. The current situation places many of the paths in direct contact with the majority of those who play. Improper placement of these paths can deflect golf balls into unpopular positions and have negative bearing on pace of play which, if considerably slower than other courses in the area, will force players away.
5. Labor/staffing in relation to hours and work performed revealed an accurate result.
6. In evaluating the size, acreage and maintenance facility position within the property the grounds staff has performed and accomplished their routine within an appropriate amount of time. The amount of time dedicated to accomplish the daily tasks appears accurate after a brief on site review. Off-season work was ongoing during our visit. Time to complete tasks was accurate.

Overall Golf Convergence Letter Grade: B+

SCOPE OF WORK FOR BOW CREEK GOLF COURSE

Following is a suggested list of work to be accomplished in the short term to elevate the overall conditioning and challenge of the golf course.

1. **Drainage** – This is one of the most critical issues of golf course construction and renovation. When additional water is applied to poorly designed drainage, the surface or subsurface will prevent water removal from the property.

Key issues to consider for an upgrade to the overall drainage plan:

- A complete topography review to include proposed additions, storm water runoff, flood plan analysis, pond and canal capacity, and in-flow from the surrounding neighborhood and bay tides.
 - An accurate total of linear feet of drain tile, gravel, backfill material, catch basins and sod material needed to cover trenches produced.
 - A thorough review of current drain tile already in place.
 - Determine if existing pipe is effective, functional and is neither crushed, clogged or in need of replacement.
 - Accurate engineering reports and associated costs.
 - Do not tie new drainage into existing lines.
2. **Putting Green Reconstruction** – The primary and most important question to be asked is “should our greens be rebuilt?” The next question is “how much will it cost and how long will it take?” The agronomics of the existing and proposed greens call for the greatest amount of science and technical consideration.

Consider the following:

- Conduct an assessment of the overall agronomic characteristics of the golf course by an unbiased and non-partisan expert.
- Consider factors such as outdated turf species, perimeter shrinkage and square footage loss, design concerns and playing quality.
- For greens 25 years and older in age, rebuilding should be considered.
- Evaluate each green size, shape, contours, surface slope, perimeter edges, and their position to the entire golf hole.

- Review if the current surface design is acceptable for the clientele, maintenance practices, pace of play, hole locations and ability of daily players.

Putting green construction using USGA specified methods of construction and assuming 100,000 square feet of putting green area breaks out as follows:

Components	Cost
Contractor mobilization costs	20,000
Layout and staking of each green site -	400 per green
Excavation allowance includes 26 inch cavity core out	\$6.35 per cubic yard.
Purchase of greens mix	\$41.00 per ton.
Internal drain line installation	\$7.00 per linear foot.
Final float of each green surface and seed bed preparation	\$650.00 per site.
Install surround sod at	\$0.15 per square foot
Haul road protection and repair allowance	10,000

The analysis above provides an indication of the financial commitment required for rebuilding. The estimated rebuild totals range between **\$1,000,000 and \$1,750,000.**

3. There is a need for critical equipment purchases to allow Bow Creek to prosper as a viable golf course within the Virginia Beach area. The following is a list of immediate needs for the golf course:

Equipment	Cost
1 -Five-plex fairway cutting unit	\$45,000
2 - 72 inch rotary trim cutting unit at \$22,500 each	45,000
1 - Loader/backhoe (replacement for front loader)	42,000
1 - TORO ProCore aerifier	22,000
1 - Hydraulic equipment lift	8,000
1 - Sweeper/vacuum	32,000
Total	\$197,000

Total Equipment Purchases - **\$194,000**

THE GOLF CONVERGENCE WIN™ FORMULA

Required immediately for Bow Creek to survive and thrive are the following projects listed in order of priority:

- A golf course-wide internal drainage plan – 1
- Golf maintenance equipment purchases – 2
- The potential to rebuild/re-contour the putting greens to accommodate those who play – 3
- Cart path rebuild and repositioning – 4
- Tree management program – 5

1. **Irrigation System** – The irrigation system assumes the installation would be based on a double-row system with additional pump station work or additional renovation upgrades. The irrigation system would be installed by a separate irrigation firm, not handled internally within the City or a by contracting a golf course builder.

The estimated cost for this system, based on regional averages around the country is **\$1,200,000**.

2. **Cart Path System** – If irrigation system installation is approved, then a corresponding cart path installation and construction project should be done simultaneously in order to avoid additional disruption.

Costs to be considered for cart path renovation:

Components	Cost
Contractor mobilization and fixed costs	\$5,000
Cart path removal allowance – estimated 28,000 linear feet @ 5.5 feet in width @ unit cost of 0.75 per square foot	115,000
New cart path cut out @ \$1.70 per linear foot with a 28,000 linear foot quantity	47,000
Install cart path curbing (assuming 400 linear feet per hole) @ \$11.00 per foot	80,000-
Cart path back fill @ \$1.70 per linear foot	\$48,000
Sod purchase for cart path surrounds for grassing – 0.10 per square foot	\$21,000
Install surround sod @ 0.13 per square foot	\$30,000
Haul road protection and repair allowance	\$5,000
Estimated cost\$	\$452,000

3. The following is a list of critical golf course equipment to be purchased for Kempsville Golf Course.

Equipment	Cost
1 – Five-plex fairway cutting unit	\$45,000
1 - One-ton front-end loader with back hoe attachment (replacement for front loader)	42,000
1 – 72 inch rotary deck cutting unit	22,500
1 - TORO ProCore aerifier for cultivation	22,000
1 – Self-contained, 250-gallon spraying unit (will be shared by 3 courses and replaces the old 150 gal herbicide sprayers)	20,000
1 - Hydraulic equipment lift	8,000
2 – Buffalo Blowers @ \$3,000 per unit	6,000
Total	\$165,500

THE GOLF CONVERGENCE WIN™ FORMULA

Required immediately for Kempsville to survive and thrive are the following projects listed in order of priority:

- Cart path renovation - 1
- Irrigation system - 2
- Salary and Wage restructuring - 3
- Re-structuring of on-site labor distribution - 4
- Equipment purchases - 5
- Tree Management Plan – 6

Cart path renovation is required due to broken surface, tree root intrusion, and damage to both maintenance equipment and golf carts, increasing repair and maintenance budget, as well as down time for each piece of equipment.

The irrigation system is needed to provide proper and environmentally-sensitive irrigation applications.

A re-structuring of the personnel salary and wage scales to allow for more and appropriate work to be accomplished.

The lack of quality and necessary golf maintenance equipment in proper working order contributes to overall turf conditioning.

A thorough evaluation and removal of a substantial portion of the tree population without impacting or damaging the neighboring home sites should be strongly considered. There needs to be a balance achieved between protecting the homes and providing sufficient sunlight to ensure quality turf conditions.

A final issue that needs to be considered is the lack of adequate parking for the staff, especially during the high season when there are many part-time workers. Neighbors rightfully have increasing concern over the potential ingress/egress by emergency vehicles, i.e., fire and police. This building does not provide adequate space to house the maintenance equipment and for the staff to office.

RED WING GOLF COURSE

Golf Course Summary:

The most recently renovated of the three golf courses, Red Wing provides an outstanding challenge to all who play and delivers quality playing conditions. There are very few course upgrades required. Each issue discussed within the previous city properties, other than salaries and wages, have been rectified to a proper degree.

Due to the layout and quality of the golf course there will be additional labor required to adequately complete each task within a dedicated amount of time. Factors such as course “newness,” acreage, and increase in cultural work will create a need for extra time to finish assigned tasks. This will be true whether in or out of seasonal play. Design does play an integral role in properly performing work needed. Hours for task completion are acceptable in relation to staff size and area to be covered.

SCOPE OF WORK FOR RED WING GOLF COURSE

1. A deferred capital expenditure project list would include the following items (mostly encompassing the current “out buildings” within the golf maintenance facility):
 - An upgrade to the equipment storage and parts supply buildings located within the golf maintenance area. Currently, these buildings are weather worn and are not providing the proper protection from the environment for equipment and supplies. This increases the depreciation cost for resale and life span.
 - There is a need for proper chemical storage and a mixing platform to meet permit requirements.
 - Current storage buildings require proper doors to allow for ease of exit and re-entry. Backing up equipment can be dangerous, possibly causing injury and damage to equipment. A free-flowing driving pattern where equipment can be transported into and out of the buildings by going in one direction would increase efficiency.
 - There is a need to complete the irrigation loop for the turf grass located near and around the clubhouse. As discussed, there is an “end cap” located near the 18th putting green where this loop can be completed.
 - The purchase of critical golf turf equipment.

Overall Golf Convergence Letter Grade: B

Critical Equipment Needs

Equipment	Cost
1 – Five-plex fairway cutting unit	\$45,000
1 - Front-bucket loader with back hoe attachment (replacement for front loader)	42,000
1 – One ton dump truck (replacement of existing pickup to increase efficiencies)	38,500
1 – 72 inch rotary trim deck cutting unit	22,500
2 – Graden vertical mowing units @\$6,500 each	13,000
2 – Buffalo Blowers @ \$5,000 per unit	10,000
Total	\$171,000

THE GOLF CONVERGENCE WIN™ FORMULA

Required immediately for Red Wing Lake to survive and thrive are the following projects listed in order of priority:

- Critical capital equipment purchases – 1
- Re-structuring and rebuilding of the on course maintenance buildings – 2
- Review and restructuring of salaries and wages – 3
- Increased cultural practices to effectively maintain a quality bent grass playing surface without proper agronomics suffering – 4

The overall quality at the Red Wing Golf Course exceeds expectations and should rival its competitors within the City of Virginia Beach and outside the borders as well.

KEMPSVILLE GOLF COURSE

When comparing Kempsville GC with similar golf operations there are **noticeable deficiencies** based on financial constraints including labor (salaries/wages structure), equipment needs, large scale golf course renovation projects, as well as proximity to adjacent neighborhood.

1. In-and off-season labor costs and the current pay-scale impact maintenance operations. By having an above-average wage and salary structure, Kempsville's overall conditioning suffers as there is not enough of a budget to cover the amount of staff needed. While the hour totals to accomplish each daily task are within the normal range, additional on-course work could be accomplished by restructuring the pay formula. Labor hours to accomplish daily golf course set-up and preparations match the time required to complete each task.
2. To upgrade the overall conditioning levels there is a "critical" equipment list which should be executed for the success and survival of the Kempsville property.
3. In addition to equipment purchases there is a list of long range projects which should be accomplished to create an enjoyable and challenging golf experience.
4. A thorough review of the maintenance facility should be conducted in order to upgrade and enhance the working environment. This action will promote on- course activity, protect the equipment investment and provide a comfortable and safe working area. Storage, crew space and internal facilities should be upgraded.
5. Labor/staffing hours for the "off-season" are insufficient to accomplish daily maintenance and long term project goals. This was evident during our visit as we reviewed the amount of post-storm clean-up required and available staff and equipment to complete this task. Large equipment used for debris removal is shared with three city operated courses. Revenue impact is considered when assigning priority. Based on review of records, the labor completed for results witnessed appears accurate. This could not be completely determined due the compressed time of our visit. Generally, the maintenance program and records show tasks are completed within a reasonable time.

Overall Golf Convergence Letter Grade: C-

SCOPE OF WORK REQUIRED FOR KEMPSVILLE GOLF COURSE

Following is a list of work to be performed which would elevate the level of conditioning and overall golf experience at Kempsville.

Appendix 5B

Highest and Best Use:

Kempsville Greens/Bow Creek

Golf Property Analysts

April 30, 2010

Mr. James Keegan
Golf Convergence
4215 Morningstar Drive
Castle Rock, CO 80108

Ref: Highest and Best Use Analysis
Executive Summary
Kempsville Greens Golf Course
Bow Creek Golf Course
Virginia Beach, Virginia

Dear Mr. Keegan:

At your request, we have analyzed the highest and best use of the properties referenced above. We have analyzed the property as of January 6, 2010, the most recent date of inspection. Following is an executive summary that refers to the two separate highest and best use reports that were completed for the properties.

It is our opinion and we hereby certify that the highest and best use of **Kempsville Greens Golf Course**, as of January 6, 2010, our most recent date of inspection, is as vacant park land with the approximate 20 excess acres (located at the corner of Princess Anne Road and Baxter Road, as well as the clubhouse site along Princess Anne Road) available for sale for a location compatible commercial use.

Furthermore, it is our opinion and we hereby certify that the highest and best use of **Bow Creek Golf Course**, as of January 7, 2010, our most recent date of inspection, is as it is currently used as an affordable daily fee golf course.

This analysis was performed for an agreed upon fee that is/was not contingent upon the results or conclusions in this report. No other compensation besides the contract fee and the reimbursement of expenses was made to the analysts.

Alan M. Harris has made a personal inspection of the property. Kristin M. Lehman and Laurence A. Hirsh have personally prepared the analysis and formed the opinions presented in this report without significant professional assistance from any other person. As part of our inspection, it was not possible to personally observe conditions beneath the soil.

The authentic copies of this executive summary are bound in covers bearing the Golf Property Analysts firm name; and contain original signatures and digital photographs. Any copy of the report that does not have our standard binding and/or original signatures and photographs is unauthorized, may have been altered, and is considered to be invalid.

It should be clearly understood, the acceptance of this assignment was not conditioned upon our reporting a specific (dictated) value; nor was the acceptance of the assignment conditioned on our concluding a requested minimum value or maximum value; nor was the acceptance of the assignment predicated in any way upon the approval, extension, or modification of an existing or pending loan for which the subject real estate is or may be pledged as collateral.

The following is a report of data and analysis and opinions for the above referenced property.

Respectfully submitted,

Golf Property Analysts

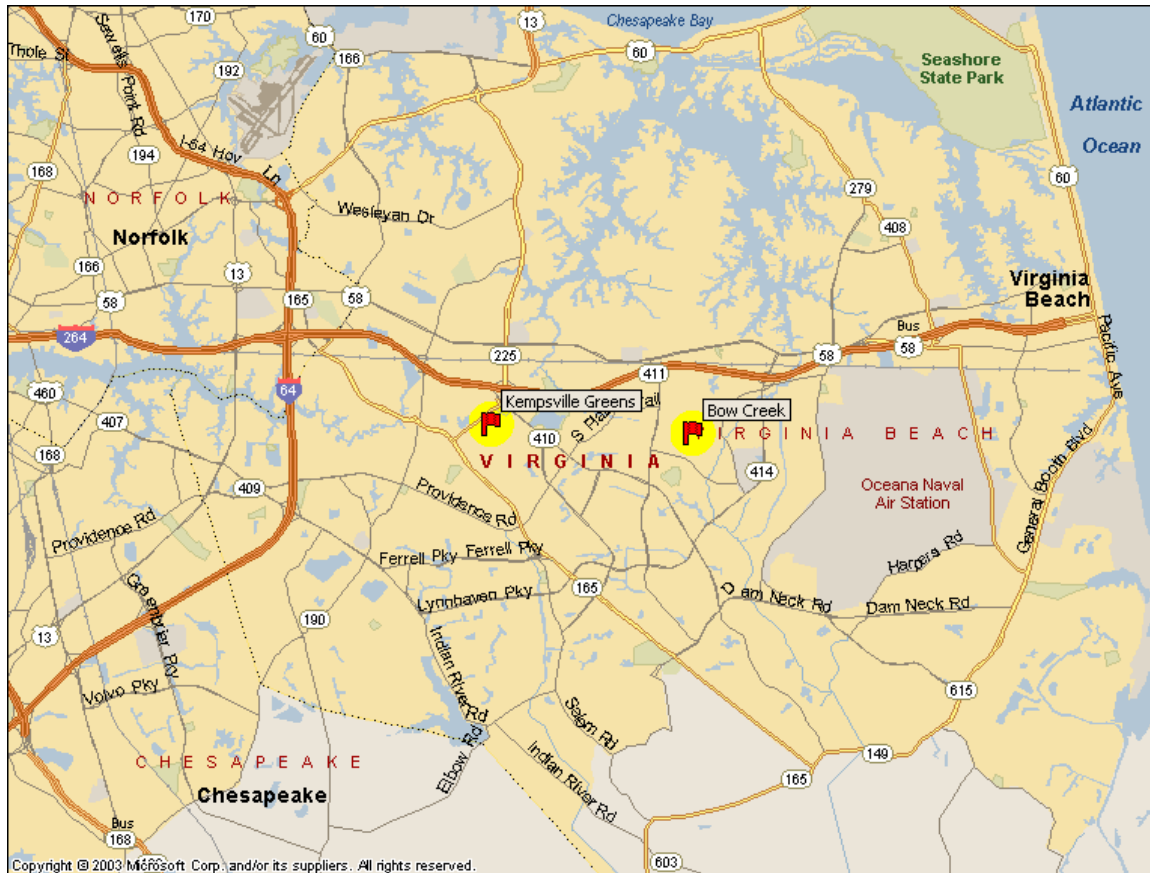
Laurence A. Hirsh, CRE, MAI, SGA, President

Kristin M. Lehman, Associate Analyst

SCOPE OF WORK

Client:	Golf Convergence
Intended User(s) of Opinions Rendered:	The Client, Golf Convergence
Intended Use:	Highest and Best Use Analysis
Type of Assignment Results:	<p>Highest and Best Use of the subject property, which was determined to be the physically possible, legally permissible, financially feasible, and maximally productive use. The highest and best use of Bow Creek Golf Course was determined to be its current use: as an affordable daily fee golf course.</p> <p>The highest and best use of Kempsville Greens Golf Course was determined to be as vacant park land with approximately 20 excess acres located at the corner of Princess Anne Road and Baxter Road, as well as the clubhouse site located along Princess Anne Road, to be developed with a location compatible commercial use.</p>
Extent to which properties are identified:	Legal Description and other information provided by client or property owner and contained in the addenda of this report.
Extent to which properties are inspected:	Alan M. Harris personally inspected Kempsville Greens Golf Course on January 6, 2010 and Bow Creek Golf Course on January 7, 2010. The inspections included a tour of the sites and interior of the main buildings.

LOCATION ANALYSIS (CONTINUED)



REGIONAL ANALYSIS

The subject properties are located in Virginia Beach, Virginia. The properties are located within the Virginia Beach-Norfolk-Newport News MSA. We have determined the golf market for the properties to be Virginia Beach, which is from where the competing facilities are located.

Population and income in the region depend on employment that constitutes the economic base of the area. This base is the economic activity of a community that enables it to attract income from outside its borders. The value of real property reflects and is influenced by the interaction of basic forces that motivate human activity. The four major categories of these forces are social trends, economic circumstances, governmental controls, regulations, and environmental conditions.

The subject properties are located in an area that has a large influx of visitors during the summer months. It is estimated that tourism contributes a total of \$857 million annually, with 14,900 jobs servicing 2.75 million annual visitors. Although tourism comprises a large part of the local economy, the military and agribusiness sectors are also large contributors.

LOCATION ANALYSIS (CONTINUED)

Virginia Beach is an independent city located in the Hampton Roads Metropolitan Area of Virginia on the Atlantic Ocean. It has the highest population of all of the cities in Virginia.

Demand Generators for Golf

Demand for golf related operations in the subject neighborhood are primarily derived through the appeal of the area as a vacation destination.

Summary

The regional location, neighborhood and market areas have been analyzed. The subject properties are located in Virginia Beach, 6-8 miles from the coast, and enjoy good access to several major highways, including I-264. The subject neighborhoods are characterized by a mix residential and commercial properties. The subject neighborhoods provide favorable social, recreational, governmental and geographical influences that could have a positive impact on the subject properties.

Climate Analysis

It can be estimated that out of a 365 day season, approximately 35% or less would be considered unplayable, taking into account extreme temperatures and rain days. This would indicate approximately 240 full days of play per season, plus additional partial days. .

GOLF MARKET SURVEY AND ANALYSIS

The primary geographical market for both of the subject properties is determined to be Virginia Beach, which is where the majority of play will come from and where the competing golf courses are located..

Courses within approximately 10-20 miles beyond the defined area are within the subject secondary geographical market, from which play at the subject properties would be expected, but which would provide significantly less play than the primary geographical market. The primary trade area was estimated after an inspection of the region, and after taking into account discussions with the personnel at local golf courses, our analysis of the local golf market, the demographic features of the region, and the regional highway system.

Survey

The primary market area is the area from which it is anticipated the golf course will draw most of its patrons. The basis for the trade area includes factors such as location of competing facilities, the regional roadway system, including the accessibility of the subject, demand for golf in the region, and habits of golfers in the region.

A summary of the courses surveyed within the surrounding area follows shortly. Of the courses included in the survey, we believe the following courses to be most competitive with the subject:

- Kempsville Greens Golf Course
- Bow Creek Golf Course
- Red Wing Lake Golf Course
- Virginia Beach National Golf Club
- Aeropines Golf Club
- The Signature at West Neck
- Hell's Point Golf Course
- Stumpy Lake Golf Course
- Honey Bee Golf Course
- Cypress Point Country Club
- Eagle Haven Golf Course
- Heron Ridge Golf Club

GOLF MARKET ANALYSIS (CONTINUED)

Name of Course	Competitive Golf Course Summary		
	Virginia Beach National Golf Club	Aeropines Golf Club	The Signature at West Neck
City	Virginia Beach	Virginia Beach	Virginia Beach
County	Virginia Beach City	Virginia Beach City	Virginia Beach City
# of Holes	18	36	18
Type	DF	ML	SPR
Designer	Pete Dye	Jerry Pate	Arnold Palmer
Open Date	1999	1948	2002
# of Acres			209
Clubhouse	Grill	Proshop, Snack, Bar	20,000 SF, Proshop, Grill, Bar, Locker Rooms
Tennis	No	No	No
Swimming	No	No	No
Banquet	No	No	Yes
Back Tee Yardage	7,432	6,798/6,906	7,010
Par	72	72/72	72
Course Rating	75.8	72.4/72.2	74.1
Slope	142	121/119	141
Wkday GF 18	\$75.00	\$22.00	\$80.00
Wkend GF 18	\$75.00	\$26.00	\$80.00
Wkday GF 9	\$35.00	\$13.00	\$40.00
Wkend GF 9	\$35.00	\$17.00	\$40.00
Aver GFees	\$58.33	\$19.50	\$60.00
Cart Fee/18	included	\$13.00	included
Single Dues	\$1,800.00	\$1,200.00	\$2,160.00
Family Dues	\$2,300.00	n/a	\$3,660.00
# of Golf Members	\$60.00	\$220.00	\$620.00
Driving Range	Yes		Yes
Range Revenue	n/a	n/a	n/a
Practice Area	Chipping, Putting, Sand	n/a	Chipping, Putting, Sand
# of Rounds	30,000	75,000	36,000
% of Member Rnds	n/a	100%	60%
% of Cart Rnds	100%	60%	95%
Maintenance Budget	n/a	n/a	n/a
Cart Revenue	n/a	n/a	n/a
Pro Shop Revenue	n/a	n/a	n/a
Food & Beverage Revn	n/a	n/a	n/a
Green Fee Revenue	n/a	n/a	n/a
Membership Revenue	n/a	n/a	n/a
Gross Annual Revenue	n/a	n/a	n/a
Comments	Joint Membership for VA Beach & Heron Ridge, \$2,500 Annual, \$3,000 for Family. Weekday only membership is \$900/Year. Left Message for GM	Cannot release any financials. They have tournaments, but all military, not for public.	Associate membership for \$395/Year which provides discounted Green Fee Rates of \$34 (Apr-Oct) \$28 (Nov-Mar) Weekday; \$44 (Apr-Oct) \$38 (Nov-Mar) Weekend.

GOLF MARKET ANALYSIS (CONTINUED)

Competitive Golf Course Summary			
Name of Course	Hell's Point Golf Course	Stumpy Lake Golf Course	Honey Bee Golf Course
City	Virginia Beach	Virginia Beach	Virginia Beach
County	Virginia Beach City	Virginia Beach City	Virginia Beach City
# of Holes	18	18	18
Type	SPR	MU	DF
Designer	Rees Jones	Robert Trent Jones	Rees Jones
Open Date	1982	1958	1987
# of Acres	178	1500	
Clubhouse	3,000 SF	3,500 SF	Proshop, Grill, Dining, Bar
Tennis	No	No	Yes
Swimming	No	No	Yes
Banquet	No	No	Yes
Back Tee Yardage	6,968	6,846	5,996
Par	72	72	70
Course Rating	n/a	71.8	68.7
Slope	130	121	117
Wkday GF 18	\$45.00	\$40.00	\$40.00
Wkend GF 18	\$49.00	\$55.00	\$55.00
Wkday GF 9	\$20.00	\$20.00	\$20.00
Wkend GF 9	\$25.00	\$30.00	\$25.00
Aver GFees	\$34.75	\$36.25	\$35.00
Cart Fee/18	included	included	included
Single Dues	\$650.00	\$1,300.00	\$1,400.00
Family Dues	\$1,050.00	n/a	n/a
# of Golf Members	\$115.00	\$45.00	\$110.00
Driving Range	Yes	Yes	Yes
Range Revenue	\$45,000	n/a	n/a
Practice Area	Chipping, Putting, Sand	Chipping, Putting, Sand	Chipping, Putting, Sand
# of Rounds	25,000	48,000	42,000
% of Member Rnds	80%	n/a	50%
% of Cart Rnds	100%	50%	66%
Maintenance Budget	n/a	n/a	\$425,000
Cart Revenue	n/a	n/a	n/a
Pro Shop Revenue	\$292,000	\$125,000	\$130,000
Food & Beverage Revn	n/a	n/a	\$325,000
Green Fee Revenue	n/a	n/a	\$1,200,000
Membership Revenue	n/a	n/a	\$150,000
Gross Annual Revenue	n/a	n/a	\$1,700,000
Comments	All greens fees include carts. Weekday Membership \$550/Year for Single, Family \$850/Year.	the cart fee rate for annual members who pay the dues of \$1,300.00.	Range/Cart Revenue inclusive with GFR

GOLF MARKET ANALYSIS (CONTINUED)

Competitive Golf Course Summary			
Name of Course	Cypress Point Country Club	Eagle Haven Golf Course	Heron Ridge Golf Club
City	Virginia Beach	Norfolk	Virginia Beach
County	Virginia Beach City	Virginia Beach City	Virginia Beach City
# of Holes	18	18	18
Type	SPR	Military	SPR
Designer	Tom Clark, Brian Ault	Russel Breedon (Redesigned)	Fred Couples/ Gene Bates
Open Date	1987	1954	Spring 1999
# of Acres			130
Clubhouse	Proshop, Restaurant		4,000 SF, Grill
Tennis	Yes	No	No
Swimming	Yes	No	No
Banquet	Yes	No	No
Back Tee Yardage	6,541	6,206	7,017
Par	72	71	72
Course Rating	71.1	70.4	73.9
Slope	124	122	131
Wkday GF 18	\$52.00	\$21.00	\$69.00
Wkend GF 18	\$65.00	\$21.00	\$69.00
Wkday GF 9	\$25.00	\$11.50	\$32.00
Wkend GF 9	\$30.00	\$11.50	\$37.00
Aver GFees	\$43.00	\$16.00	\$34.50
Cart Fee/18	included	\$16.00	included
Single Dues	\$1,464.00	n/a	\$1,500.00
Family Dues	\$1,824.00	n/a	\$2,000.00
# of Golf Members	\$275.00	n/a	\$350.00
Driving Range	Yes	Yes	Yes, Grass
Range Revenue	n/a	\$75,000	n/a
Practice Area	Chipping, Putting, Sand	Chipping, Putting, Sand	Chipping, Putting, Sand
# of Rounds	24,000	68,000	33,000
% of Member Rnds	60%	75%	20%
% of Cart Rnds	75%	40%	90%
Maintenance Budget	\$325,000	\$400,000	n/a
Cart Revenue	\$175,000	\$435,000	n/a
Pro Shop Revenue	\$180,000	\$230,000	n/a
Food & Beverage Revn	\$240,000	n/a	n/a
Green Fee Revenue	\$750,000	\$1,400,000	n/a
Membership Revenue	\$450,000	n/a	n/a
Gross Annual Revenue	\$2,000,000	\$1,800,000	n/a
Comments	Said membership is down about 20% due to the economy. Range is inclusive in GAR.		Associated membership is \$399/year with reduced green fee's. Joint Membership Available for Heron and VA Beach National - \$2,500/Year (Single), \$3,000/Year (Family).

GOLF MARKET ANALYSIS (CONTINUED)

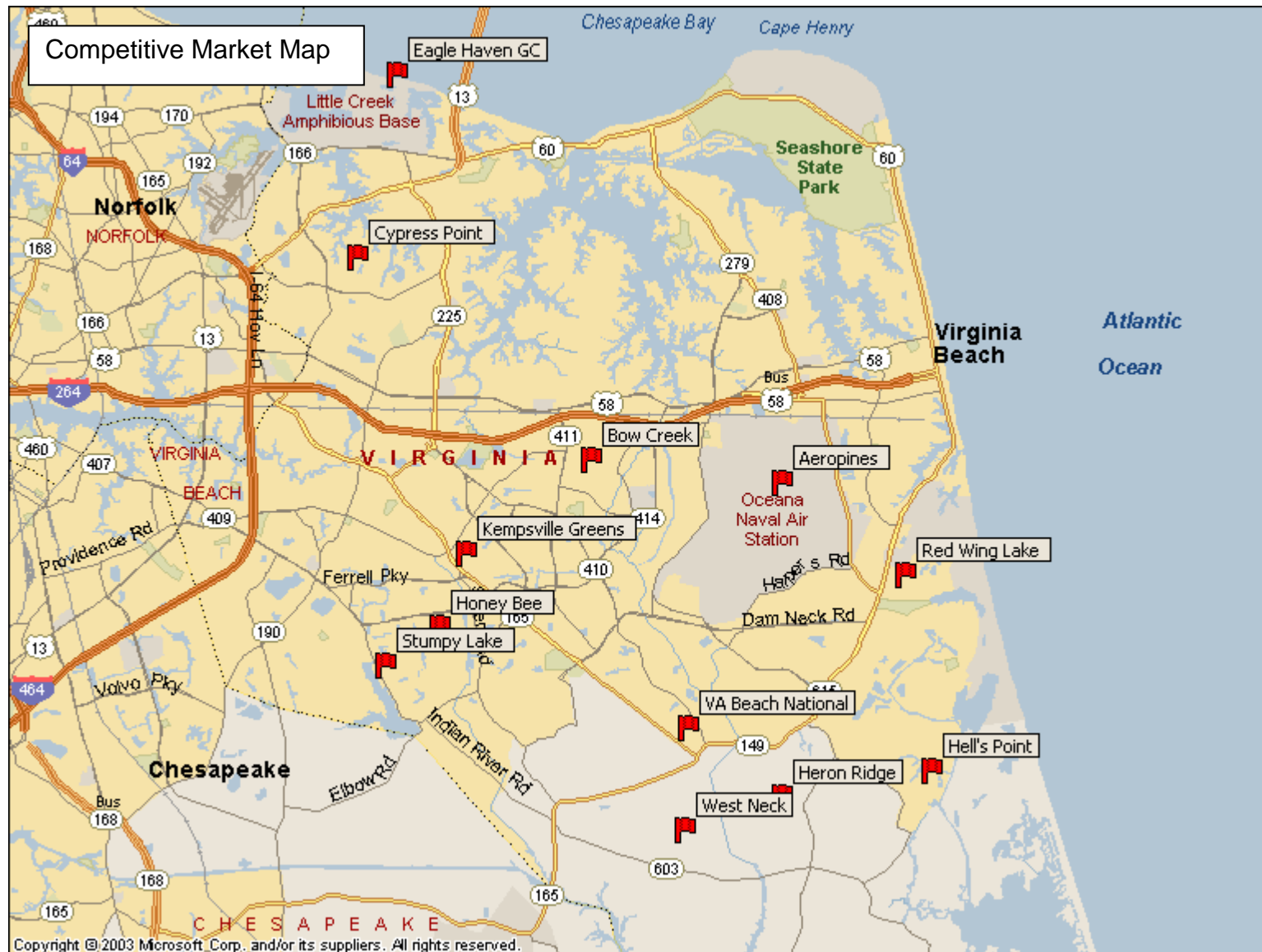
Competitive Golf Course Summary			
Name of Course	Red Wing Lake Golf Course	Kempsville Greens	Bow Creek Golf Course
City	Virginia Beach	Virginia Beach	Virginia Beach
County	Virginia Beach City	Virginia Beach City	Virginia Beach City
# of Holes	18	18	18
Type	MU	MU	MU
Designer	George W. Cobb	n/a	John Aragona
Open Date		1954	1961
# of Acres	176	105	115
Clubhouse		4,000 SF, Grill	8,500 SF grill
Tennis	No	No	no
Swimming	No	No	no
Banquet	No	No	no
Back Tee Yardage	7,124	5,843	5,917
Par	72	70	70
Course Rating	73.7	68.3	67.9
Slope	128	122	120
Wkday GF 18	\$30.00	\$22.00	\$17.00
Wkend GF 18	\$40.00	\$26.00	\$21.00
Wkday GF 9	\$19.00	\$12.00	\$9.00
Wkend GF 9	\$23.00	\$14.00	\$11.00
Aver GFees	n/a	\$11.76	\$12.34
Cart Fee/18	\$12.00	\$10.00	\$12.00
Single Dues	\$1,500.00	n/a	n/a
Family Dues	\$2,200.00	n/a	n/a
# of Golf Members	n/a	n/a	n/a
Driving Range	n/a	n/a	n/a
Range Revenue	n/a	n/a	n/a
Practice Area	range, putting green, chipping	range, putting green, chipping	range, putting green, chipping
# of Rounds	30,946	28,486	29,172
% of Member Rnds	n/a	n/a	n/a
% of Cart Rnds	n/a	n/a	n/a
Maintenance Budget	\$550,000	\$540,000	\$425,000
Cart Revenue	n/a		
Pro Shop Revenue	n/a	n/a	n/a
Food & Beverage Revn	n/a	n/a	n/a
Green Fee Revenue	n/a	\$335,000	\$360,000
Membership Revenue	n/a	n/a	n/a
Gross Annual Revenue	\$936,624	\$515,058	\$555,342
Comments			

GOLF MARKET ANALYSIS (CONTINUED)

A map showing the location of these courses follows. Based on discussions with real estate and golf professionals in the surrounding area, as well as our inspection of the golf facilities in the area, we have concluded that the primary local competition for the subject property is among the courses listed above. We discovered a total of 18 facilities in Virginia Beach. For this assignment, we have only researched those courses that are open to the public for play, as the private clubs are not considered in this analysis.

GOLF MARKET ANALYSIS

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Trends in the Market Area

Our research did not uncover any new golf course projects in the area or any existing courses currently under renovation. This can be attributed to the overall state of the economy as well as the slight oversupply of daily fee courses in the market.

Environmental issues relating to the construction and maintenance of golf courses in the area, including the typical concerns of pesticides and run-off, and depletion of wetlands, appear to provoke the same level of concern in the subject market as in the nation generally. Water usage is an issue in the market area in the peak of the golf season when drought is likely to occur, which then necessitates curtailing usage, creating difficulty in maintaining courses in proper condition.

Significantly, 18-hole courses predominate the market. Eighteen-hole courses are more expensive to construct and require more land area than 9-hole courses, indicating a willingness to invest more in the expectation of satisfactory returns.

SITE DESCRIPTION

The subject property is located on 4840 Princess Anne Road, Virginia Beach, Virginia. The property is more fully described below:

Total Area: The land area consists of approximately 105 acres.

Shape: The property is irregular in shape and has frontage on Princess Anne Road.

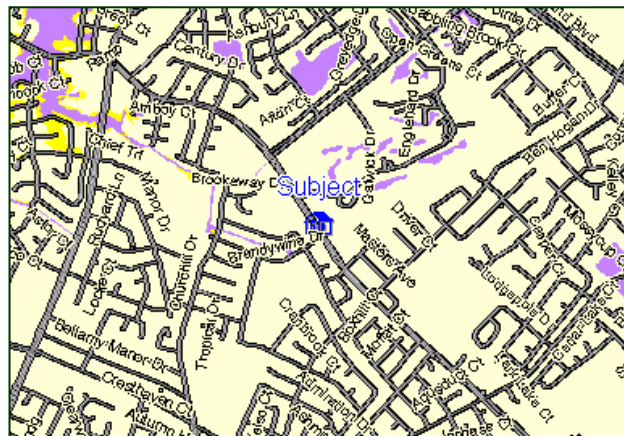
Topography: The site topography is generally level.

Main Improvements: The site is improved with an 18-hole golf course, clubhouse with cart storage, maintenance building, and pump house. The entrance to the site is from Princess Anne Road.

Wetlands/Floodplains: The site falls within Zone X (areas located outside the 500-year flood and the 100 year flood zone)¹.

Easements and Restrictions: Other than typical rights-of-way and utility easements, there are no adverse easements apparent or disclosed that would negatively affect the use of the property as a golf course.

Relationship to and Conformity of the Site with its Surroundings: The use of the subject as an 18-hole golf course with associated building improvements is considered to be compatible with its surroundings.



¹ Flood Insurance Rate Map for Virginia Beach , Virginia, National Flood Insurance Program, Federal Emergency Management Agency, Community Panel No. 5155310084F, dated May 4, 2009. 932vagcbowcreek.kml

Functional Adequacy of the Site: Based on our analysis of the subject site, we have concluded that the physical and functional characteristics of the property are such to be compatible with a golf course and meet the desires and standards of the typical purchaser of golf development properties. The property's location and access to public utilities further enhances the site.

ZONING

The subject is zoned PD H2, according to the zoning officer of Virginia Beach. Principle permitted uses in the district are as follows:

- Dwelling units of the types specified in the land use plan;
- Public buildings, structures, and other public uses;
- Recreational facilities of the type described in the plan;
- Child Care education centers, in connection with public or private elementary schools or churches, provided that such uses shall not be eligible of residential density credit;
- Child care centers, provided that such uses shall not be eligible for residential density credit;
- Public utility installations and substations; provided offices, storage or maintenance facilities shall not be permitted; and provided, further, that utilities substations other than individual transformers, shall be surrounded by a wall, solid except for entrances and exits, or by a fence with a screening hedge five (5) to (6) feet in height; and provided also, transformer vaults for underground utilities and like uses shall require only a landscaped screening hedge, solid except for access opening.

Applicable portions of the zoning ordinance are contained in the addenda of this report.

GOLF COURSE and IMPROVEMENTS

The subject, an 18-hole daily fee par 70 golf course is more fully described below:

Facility Type:	daily fee	Year Developed:	1954
No. Holes:	18	Architect:	unknown
Course Design:	Traditional	Course Layout:	Double Fairway Ret. 9's
Practice Range:	Yes	Green Construction:	Modified USGA
Practice Green:	Yes	Grassing:	
Putting Green:	Yes	Tees:	Bermuda
Amenities:		Greens:	Bent Mix
Clubhouse:	Yes 4,000 SF	Fairways:	Bermuda
Restaurant:	No	Roughs:	Bermuda
Lounge:	Yes	Irrigation:	
Snack Bar:	Yes	Oper./Config.:	Automatic
Cart Paths:	Asphalt 8'	Make/Type:	Toro
Path Coverage:	Wall to wall	Productivity:	1,200 gpm
Other:	n/a	Water Source:	On-site well and surface water

Tees	Yardage	Slope	USGA Rating
Blue	5,843	120	68.2
White	5,524	116	66.6
Gold	4,877	110	63.4
Red	4,475	107	65.5

KEMPSVILLE GREENS PROPERTY ANALYSIS

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Irrigation: A summary of the irrigation system at the subject property is shown below.

Water Source	Well and surface water	Auto/Manual	Automatic
Restrictions	yes	Pipe Material	PVC
Storage	n/a	Pump Size	2-50hp and 1-15hp
Make	Toro	Electric/Hydraulic	Electric
Design	Double row	Age	25+ yrs old

Soil Types: A soil map was not provided for this assignment. The soils appeared to adequately support the current use of the subject property as a golf course.

Grassing Plan:

	#	Size	Grassing	Height	Frequency	Equipment
Greens	20	2.75 acres	Ben Mixt	0.13"-0.175"	Daily	Triplex
Tees		2.0 acres	Bermuda	0.5"-0.75"	3X/week	Triplex
Fairways	18	25 acres	Bermuda	0.5"-0.75"	2X/week	Fairway unit
Roughs	0	20 acres	Bermuda	1.0"-4.0"	1X/week	Toro 5-gang Rotary

Course Maintenance: Golf course maintenance is considered by many golfers to be the single most important factor in measuring the quality of the golfing experience. Typically, the most prominent feature in the golfer's eyes is the condition of the greens. The golf course is not maintained to the standards of the competing clubs. The declining rounds at the subject over the past three years could be partially attributed to this.



Features: Features on a golf course can include sand bunkers, mounds, ponds, streams, trees, rock formations and other similar items utilized as visual, strategic, or hazardous components of the golfing experience.

The golf course contains sand bunkers distributed between greenside and fairway positions. They are considered of adequate quality for a daily fee golf course. Other features present on the course include water, landscaping, mounding, and trees.

Cart Paths and Accessories: The course has 8-foot wide asphalt paved cart paths providing wall to wall coverage. The cart paths are in poor condition. Accessories include routing and other signage, benches, yard markers, out-of-bound stakes, fences, and ball washers, among others. The accessories are consistent with those typical of an affordable daily fee golf course.



Practice Facilities:

Length	200 yards	Practice Bunker	Yes
Width	80 yards	Targets	Yes-3
# of Stations	10	Grass Tee	Yes
Lighted	No	Chipping Green	Yes-1
Irrigated	No	Practice Green	Yes-1

BUILDING IMPROVEMENTS

Clubhouse

Condition:	Very Good
No. Stories:	1
Year Built:	2005
Building Size (GBA):	4,000 SF
Exterior Walls/Frame:	Brick facade, asphalt shingle roof
Men's/Ladies Lockers:	Full men's & women's restrooms; all plumbing assumed adequate.
Miscellaneous Improvements:	Site Concrete/asphalt sidewalks and natural landscaping.
Interior Finish	Painted masonry & sheetrock walls, ceramic or vinyl tile, and carpet covered floors
Dining Areas	Small dining area-seating for 35 people, grille, seating for 35 people
Building Layout & Amenities:	The clubhouse includes a golf pro shop, grill/snack bar, kitchen, administrative offices, mechanical rooms and storage closets.

Cart Storage

Condition:	Good
Building Size (GBA):	10,250 SF
Building Layout & Amenities:	The cart barn is equipped with electric chargers. There is adequate room to store 60 carts

Maintenance Building

Condition:	Good
No. Buildings:	1
Building Size (GBA):	4,000 SF
Exterior Walls/Frame:	Brick
Building Layout & Amenities:	Includes superintendent's office, mechanic's bay, and supply storage area.

Other Buildings

Other Buildings	pump house
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The following table depicts the subject's building(s) and associated facilities.



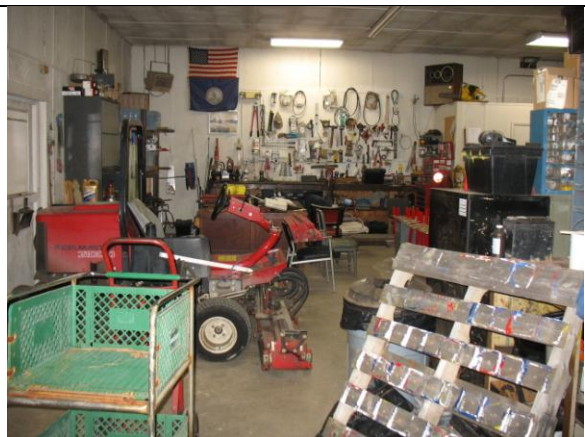
Clubhouse



dining room



pro shop



maintenance building interior



Cart storage barn



above ground storage tanks

SITE DESCRIPTION

The subject property is located on 3425 Clubhouse Road, Virginia Beach, Virginia. The property is more fully described below:

Total Area: The land area consists of approximately 115 acres.

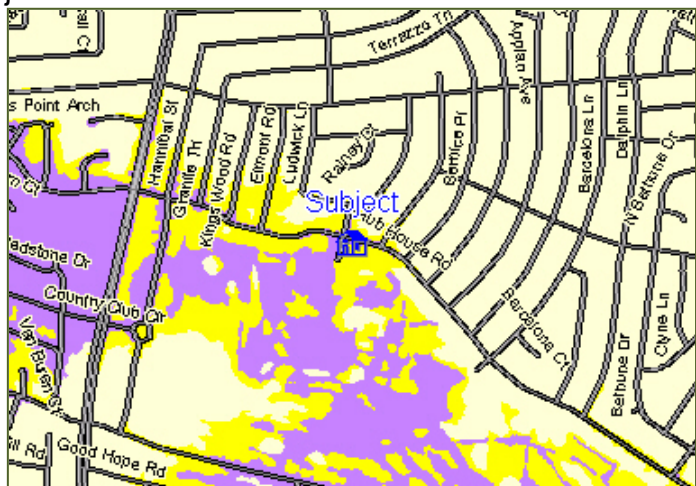
Shape: The property is irregular in shape and has frontage on Clubhouse Road.

Topography: The site topography is generally level and has tidal creeks.

Main Improvements: The site is improved with an 18-hole golf course, clubhouse with cart storage, maintenance building, and pump house. The entrance to the site is from Bow Creek Drive.

Wetlands/Floodplains: The site falls within Zone AE (areas located inside the 500-year flood and the 100 year flood zone)². The location of the subject property within the 100-year flood zone does not have a negative impact on the current use of the property as a golf course, but could likely have a negative impact on an alternative development. There are areas of drainage problems on the golf course.

Easements and Restrictions: Other than typical rights-of-way and utility easements, there are no adverse easements apparent or disclosed that would negatively affect the use of the property as a golf course.



² Flood Insurance Rate Map for Virginia Beach, Virginia, National Flood Insurance Program, Federal Emergency Management Agency, Community Panel No. 5155310104F, dated May 4, 2009.
932vagcbowcreek.kml

Relationship to and Conformity of the Site with its Surroundings: The use of the subject as an 18-hole golf course with associated building improvements is considered to be compatible with its surroundings.

Functional Adequacy of the Site: Based on our analysis of the subject site, we have concluded that the physical and functional characteristics of the property are such to be compatible with a golf course and meet the desires and standards of the typical purchaser of golf development properties. The property's location and access to public utilities further enhances the site.



ZONING

The subject is zoned P-1, according to the zoning officer of Virginia Beach. Principle permitted uses in the district are as follows:

- Antennas, building-mounted
- Fish hatcheries and fish ponds
- Forests and forestry; provided that the harvesting of timber shall be in accordance with the requirements of subsection (a1)
- Game preserves
- Open agricultural and horticultural uses, provided that intensive cultivation shall not be allowed
- Public parks, recreational areas, botanical and zoological gardens, golf courses, marinas and other public buildings and uses
- Public utility installations and substations; provided offices, storage or maintenance facilities shall not be permitted; and provided, further, that utilities substations other than individual transformers, shall be surrounded by Category V screening, solid except for entrances and exits; and provided also, transformer vaults for underground utilities and the like shall require Category I screening, solid except for access openings
- Watersheds, wells, water reservoirs and water control structures

Applicable portions of the zoning ordinance are contained in the addenda of this report.

BOW CREEK PROPERTY ANALYSIS

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GOLF COURSE and IMPROVEMENTS

The subject, an 18-hole daily fee par 70 golf course, designed by John Aragona is more fully described below:

Facility Type:	daily fee	Year	1961
No. Holes:	18	Developed:	
Course Design:	Traditional	Architect:	John Aragona
Practice Range:	Yes	Course Layout:	Double Fairway Ret. 9's
		Green	Push Up
Practice Green:	Yes	Construction:	
Putting Green	Yes	Grassing:	
Amenities:		Tees:	Bermuda
Clubhouse:	Yes 8,500 SF	Greens:	Bent
		Fairways:	Bermuda
Restaurant:	No	Roughs	Bermuda
Lounge:	Yes	Irrigation:	
Snack Bar:	Yes	Oper./Config.:	Semi Automatic
Cart Paths:	Asphalt 8'	Make/Type:	Hunter
Path Coverage:	Wall to wall	Productivity:	400 gpm
Other:	n/a	Water	
		Source:	On-site well

Tees	Yardage	Slope	USGA Rating
Blue	5,917	120	67.9
White	5,593	116	66.3
Red	5,181	112	69.1

Irrigation: A summary of the irrigation system at the subject property is shown below.

Water Source	Well	Auto/Manual	Semi-Auto
Restrictions	yes	Pipe Material	PVC
Storage	n/a	Pump Size	n/a
Make	Hunter	Electric/Hydraulic	Electric
Design	unknown	Age	20+ yrs old

Soil Types: A soil map was not provided for this assignment. The soils appeared to adequately support the current use of the subject property as a golf course.

Grassing Plan:

	#	Size	Grassing	Height	Frequency	Equipment
Greens	21	2.29 acres	Bent	0.13"-0.175"	Daily	Triplex
Tees	35	1.67 acres	Bermuda	0.5"-0.75"	2X/week	Triplex
Fairways	18	35 acres	Bermuda	0.5"-0.75"	2X/week	5-gang Fairway unit
Roughs	n/a	45 acres	Bermuda	1.25"-3.0"	1X/week	Toro Rotary

Course Maintenance: Golf course maintenance is considered by many golfers to be the single most important factor in measuring the quality of the golfing experience. Typically, the most prominent feature in the golfer's eyes is the condition of the greens. The subject property is not maintained to the standards of the competing clubs. The course has experienced a steady decline in revenues and rounds for the past three years, which can be partially attributed to the maintenance levels. This was described in more detail in the maintenance report completed by Golf Convergence, which is located in the addenda of this report.



Features: Features on a golf course can include sand bunkers, mounds, ponds, streams, trees, rock formations and other similar items utilized as visual, strategic, or hazardous components of the golfing experience.

The golf course contains 26 sand bunkers distributed between greenside and fairway positions. They are considered of adequate quality for a daily fee golf course. Other features present on the course include water, bridges, landscaping, mounding, streams and trees.



Cart Paths and Accessories: The course has 8-foot wide asphalt paved cart paths providing wall to wall coverage. Accessories include routing and other signage, benches, yard markers, out-of-bound stakes, fences, and ball washers, among others. The accessories are consistent with those typical of an affordable daily fee golf course.

Practice Facilities:

Length	250 yards	Practice Bunker	Yes
Width	75 yards	Targets	Yes-7
# of Stations	n/a	Grass Tee	Yes
Lighted	No	Chipping Green	Yes-2
Irrigated	No	Practice Green	Yes-1

BUILDING IMPROVEMENTS**Clubhouse**

Condition:	Good
No. Stories:	2 (cart storage located in lower level)
Year Built:	1960's
Building Size (GBA):	8,500 SF, includes recreation center
Exterior Walls/Frame:	Masonry & Steel Frame, flat rolled rubber & asphalt roof
Men's/Ladies Lockers:	Full men's & women's restrooms; 24 men's lockers, 8 ladies lockers, all plumbing assumed adequate.
Miscellaneous Improvements:	Site Concrete/asphalt sidewalks and natural landscaping.
Interior Finish	Painted masonry & sheetrock walls, ceramic or vinyl tile, and carpet covered floors
Dining Areas	Small dining area/grille- seating for 40 people
Building Layout & Amenities:	The clubhouse includes a golf pro shop, grill/snack bar, kitchen, administrative offices, locker rooms, mechanical rooms and storage closets. Bag storage and a club repair area are provided in the pro shop.

Cart Storage

Condition:	Good
Building Size (GBA):	N/A
Exterior Walls/Frame:	See clubhouse
Building Layout & Amenities:	The cart barn is located underneath the clubhouse. There is adequate room to store 60 carts

Maintenance Building

Condition:	Good
No. Buildings:	1
Building Size (GBA):	2,592 SF
Exterior Walls/Frame:	Wood Frame on a concrete slab
Building Layout & Amenities:	Includes superintendent's office, mechanic's bay, and supply storage area.

Other Buildings

Other Buildings pump house

The following table depicts the subject's building(s) and associated facilities.



starters shed



bridge



accessories

HIGHEST AND BEST USE - KEMPSVILLE GREENS

Physically Possible

As Vacant, the subject property contains approximately 105 acres on an irregularly shaped parcel. The physically possible uses on the site are vast and could include the current use as a golf course, residential development, industrial development, commercial development, retail development, open space, or various recreational uses. The property is located outside of the 500-year flood zone and the 100-year flood zone. Therefore, given the size and configuration of the site most types of commercial, industrial, residential and retail developments would be physically possible.

Physically possible uses for the subject property, **as improved**, are its current use as an 18-hole golf course, clubhouse, and ancillary buildings, or an alternative use as described above.

Legally Permissible

The subject is zoned PD H2, according to the zoning officer of Virginia Beach. Principle permitted uses in the district are as follows:

- Dwelling units of the types specified in the land use plan;
- Public buildings, structures, and other public uses;
- Recreational facilities of the type described in the plan;
- Child Care education centers, in connection with public or private elementary schools or churches, provided that such uses shall not be eligible of residential density credit;
- Child care centers, provided that such uses shall not be eligible for residential density credit;
- Public utility installations and substations; provided offices, storage or maintenance facilities shall not be permitted; and provided, further, that utilities substations other than individual transformers, shall be surrounded by a wall, solid except for entrances and exits, or by a fence with a screening hedge five (5) to (6) feet in height; and provided also, transformer vaults for underground utilities and like uses shall require only a landscaped screening hedge, solid except for access opening.

As vacant, the subject property could be developed with any of the uses listed above and still conform to the zoning ordinance. Commercial uses are not currently permissible under the current zoning ordinance. However, the subject property is owned by a government agency and we feel that the probability of a zoning change or variance is very likely. Therefore, although commercial and retail uses are not currently permitted, we have analyzed these uses as a possible alternative for the site, as we feel that some type of commercial/retail development would be the most appropriate type of development given the location.

As improved, the use of the subject property as an 18-hole golf course, clubhouse and other ancillary buildings is legally permissible under the current zoning ordinance.

HIGHEST AND BEST USE - KEMPSVILLE GREENS

Financial Feasibility

The determination of the highest and best use is dependent primarily on the relationship of supply and demand for the legally permissible and physically possible uses.

The subject site is improved as and being used as an 18-hole daily fee golf course that is located within a neighborhood. However, the subject property does not generate positive cash flows. We will analyze the subject properties income and expenses to determine if the line items are consistent with typical income and expenses for daily fee facilities. For those items that are not consistent with market trends, we will adjust them in order to determine if the subject could generate positive cash flows as an 18-hole golf course in its current condition.

Based on our analysis of the golf market, the market demographics, and the property's operating history a negative cash flow can be expected. However, based on the subject's location partially surrounded by residential development, the improvements, it will be difficult to remove or change the current improvements from the entire site for another type of use, given the likely political backlash generated by the residents who would be affected by a complete conversion of the property to an alternative use. Therefore, we have concluded that the subject property should either remain an 18-hole facility or be converted to a 9-hole facility, due to the low potential gross income. The next step in analyzing the financial feasibility of the subject property is to determine what type of golf facility would be most appropriate for the subject property. This has been done through surveying the area golf market, and estimating income and expenses from this data.

Reconstructed income and expenses for the subject property for 2007, 2008, and 2009 are shown on the following page and indicate a negative cash flow.

HIGHEST AND BEST USE - KEMPSVILLE GREENS

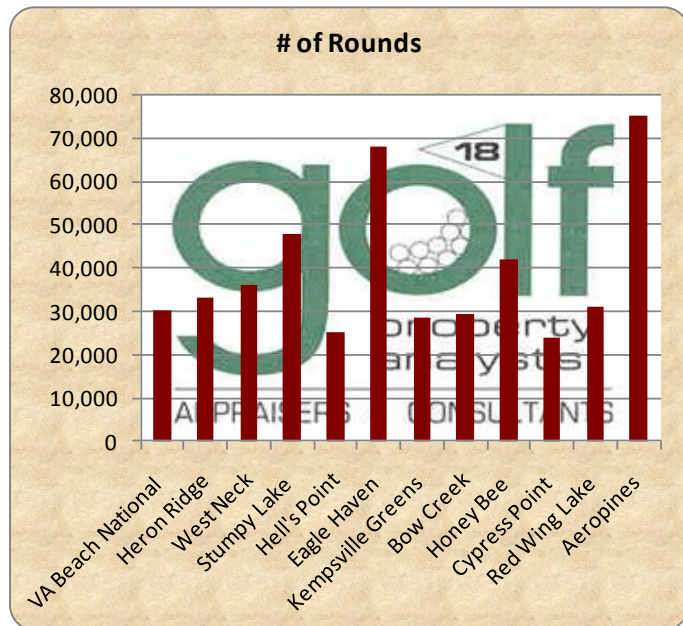
Kempsville Greens Golf Course Reconstructed Income and Expenses						
	2007		2008		2009	
Rounds		32,000		32,000		28,486
Average Green Fee		\$15.61		\$14.78		\$11.79
Green Fee Revenue		\$499,531		\$472,893		\$335,805
Average Cart fee		\$6.36		\$6.26		\$4.81
Cart Fee Revenue		\$203,361		\$200,469		\$136,947
Concession/Round		\$0.54		\$0.55		\$0.32
Concession Revenue		\$17,339		\$17,597		\$9,075
Practice Range Revenue/Round		\$0.51		\$0.52		\$0.53
Practice Range Revenue		\$16,290		\$16,607		\$15,232
Other Revenue/Round		\$0.00		\$0.02		\$0.63
Other Revenue		-\$39		\$668		\$18,000
Gross Annual Revenue/Round		\$23.02		\$22.13		\$18.08
Gross Annual Revenue		\$736,482		\$708,234		\$515,059
Departmental Costs & Expenses						
Maintenance		\$528,315		\$444,204		\$449,855
Carts		\$0		\$0		\$0
Total Departmental Costs & Expenses		\$528,315		\$444,204		\$449,855
Undistributed Expenses						
General & Administrative	18.9%	\$139,533	19.4%	\$137,463	23.1%	\$119,017
Management	5.7%	\$42,000	5.9%	\$42,000	8.2%	\$42,000
Marketing		\$300		\$501		\$0
Professional Fees	0.0%	\$3,500	0.0%	\$3,500	0.7%	\$3,500
Utilities	1.7%	\$12,462	2.9%	\$20,643	4.6%	\$23,662
Repairs & Maintenance	0.0%	\$150	0.2%	\$1,351	0.5%	\$2,686
Total Undistributed Expenses		\$197,945		\$205,458		\$190,865
Fixed Expenses						
Property Taxes		\$0		\$0		\$0
Insurance	2.0%	\$15,000	2.1%	\$15,000	2.9%	\$15,000
Reserves for Replacment		\$0		\$0		\$0
Total Fixed Expenses		\$15,000		\$15,000		\$15,000
Total Expenses		\$741,260		\$664,662		\$655,720
Net Operating Income		-\$4,778		\$43,572		-\$140,661
Operating Expense Ratio		100.6%		93.8%		127.3%

HIGHEST AND BEST USE - KEMPSVILLE GREENS

ECONOMIC ANALYSIS - 18-Hole Golf Course Scenario

The following charts and analysis summarize our survey of those golf courses surveyed, which we have used as units of comparison for the subject. We have based our assumptions both on the historical data from the subject, which was reconstructed on the previous page, and the data obtained from our most current survey of the local market.

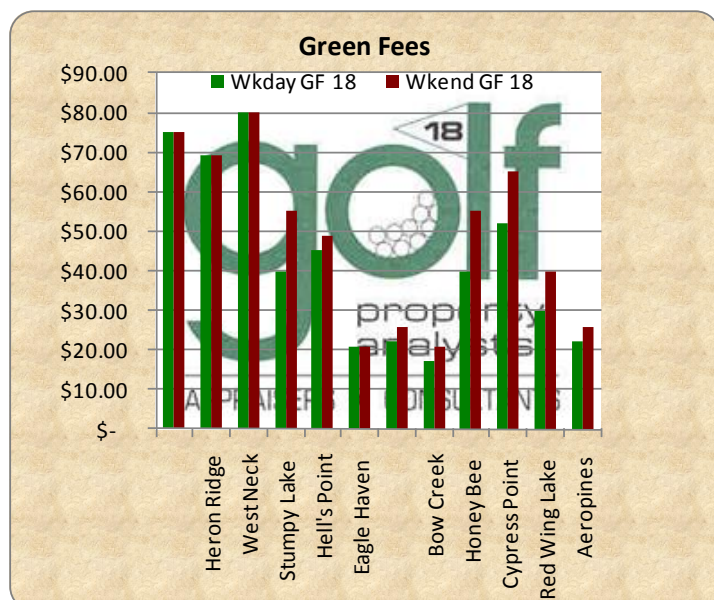
Annual Rounds The number of 18-hole-equivalent annual rounds at those courses considered directly competitive to the subject range from a low of 25,000 at Hell's Point Golf Course to a high of 75,000 rounds at Aeropines Golf Course (a 36-hole facility). Annual rounds at the subject were reported at 28,486 for 2009. The annual rounds for 2007 and 2008 were not provided, and were estimated by Golf Property Analysts.



We believe that the subject property is currently stabilized and will continue to generate approximately **29,000** annual rounds, which is the amount that we have used in our pro forma.

Green Fees

Green fees at the most competitive courses range from a low of \$17/\$21 at Bow Creek GC to a high of \$75/\$75 at Virginia Beach National. Average greens fees in the competitive market are 9% to 50% less than published green fees, due to discounted, off

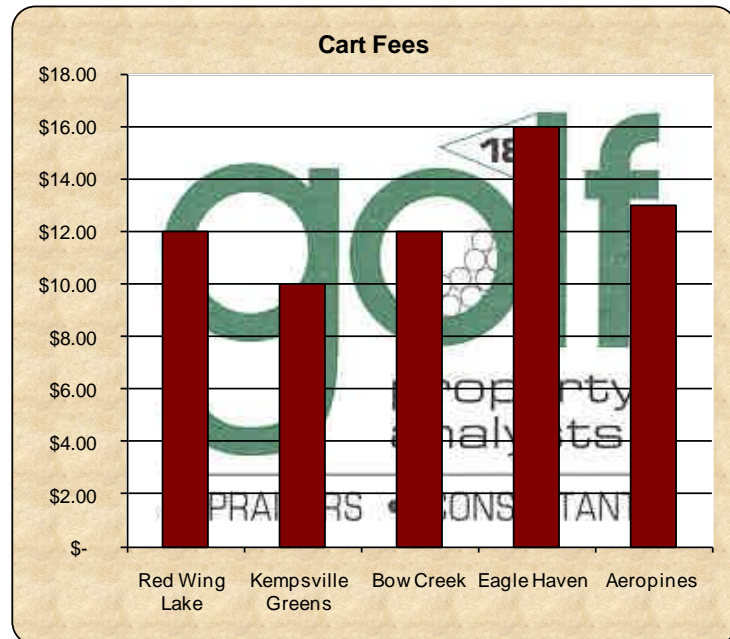


HIGHEST AND BEST USE - KEMPSVILLE GREENS

season, and twilight rounds, with most in the range of 20-25% below published rates. Average green fees at the subject have been estimated at \$15.61, \$14.78 and \$11.79 for 2007, 2008, and 2009, respectively. Currently the published green fee rate at the subject for 18-holes is \$22/\$26 for weekday and weekend. For our analysis, we have estimated average green fees for the subject at approximately **\$14.00** per round. This indicates total green fees of **\$408,000** (\$14.00 x 29,000 paid rounds).

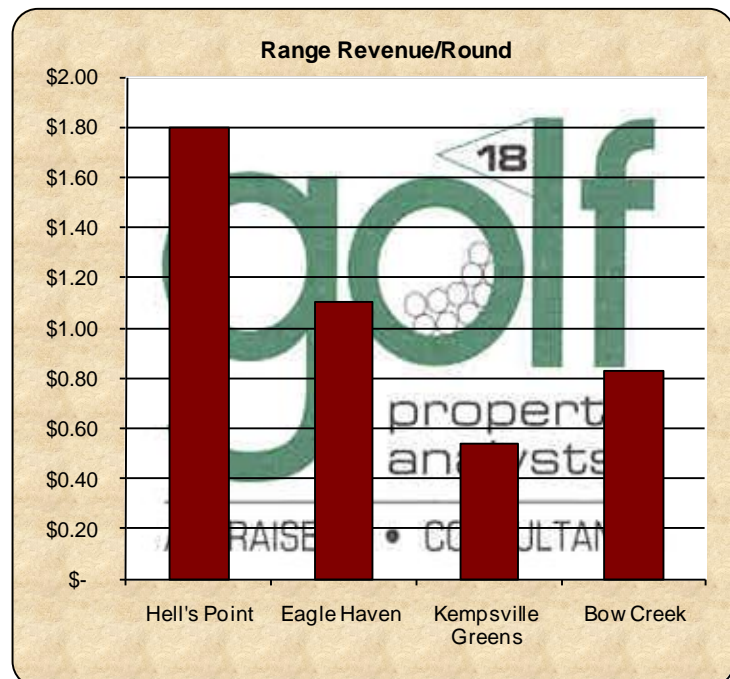
Cart Revenue

Carts are included in the green fees at all but three of the golf courses in our survey. Those courses charging a separate cart fee is displayed in the adjacent chart. Average cart fees for the subject were estimated at \$6.36, \$6.26, and \$4.81 for 2007, 2008, and 2009, respectively. For our analysis, we have estimated average cart fees at the subject at **\$5.00** per round, which equates to **\$145,000** (\$5.00 x 29,000 rounds).



Driving Range Revenue

Driving range revenue per round at the subject property has ranged from \$0.51, \$0.52, and \$0.53 per round in 2007, 2008, and 2009, respectively. Practice range revenue in the market ranged from \$0.53 per round at the subject to \$1.80 per round at Hell's Point. For this analysis, we



HIGHEST AND BEST USE - KEMPSVILLE GREENS

have estimated stabilized driving range revenue at **\$0.50** per round, which equates to **\$14,500** (\$0.50 per round x 29,000 rounds).

Concessions

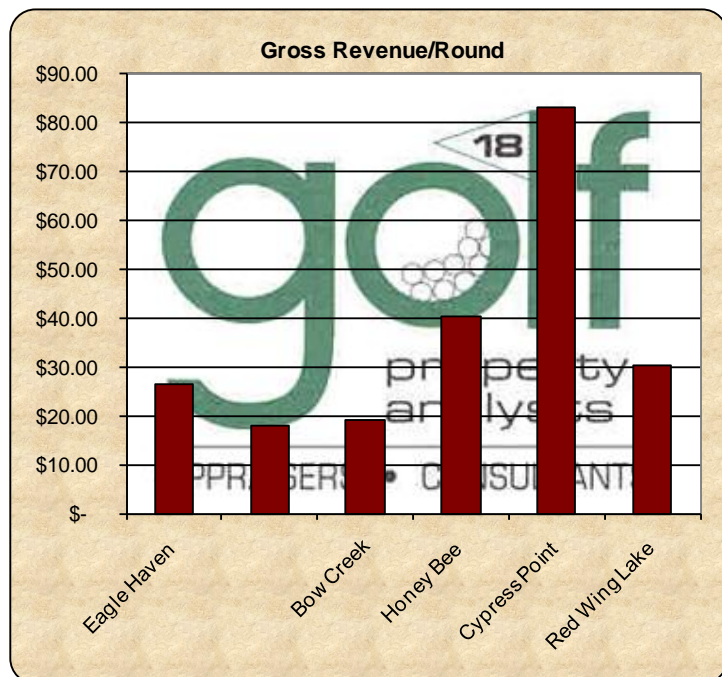
The subject indicated revenue from this source at \$0.54, \$0.55 and \$0.32 per round for 2007, 2008, and 2009, respectively. We have estimated concession sales at **\$0.50** per round. This equates to annual pro shop revenue of **\$14,500** (29,000 rounds x \$0.50/round).

Other Revenue

This revenue source is generated from various sources not indicated above including instruction, locker fees, club rentals, etc. Revenue from this source at the subject property ranged from \$0.02 to \$0.63 per round in the past three years. We have estimated other revenue at **\$0.50** per round or **\$14,500** (\$0.50 x 29,000 rounds).

Gross Revenue

Gross revenue ranged from \$18.08 to \$83.33 per round at the courses in the market. Based on the previous estimates, gross revenue per round at the subject would be **\$20.50** per round, or **\$594,500** which is within the range presented by the market, as illustrated in the adjacent chart.



HIGHEST AND BEST USE - KEMPSVILLE GREENS

EXPENSE ANALYSIS

The projected expenses for a daily fee facility will be analyzed and are based on the income assumptions indicated on the previous pages. We have considered market data to the extent possible, and also have relied on expense data contained in a study by the Society of Golf Course Appraisers, a summary of which is shown in the chart below, as well as other golf courses we have appraised. Expenses for this analysis are being projected in 2010 dollars, and assume stabilization.

SGA Study Summary: Daily Fee Expense Comparisons						
	LOWER QUARTILE		MEDIAN		UPPER QUARTILE	
	\$	% of Total	\$	% of Total	\$	% of Total
INCOME:						
Annual Membership Fees	\$ 40,554	3.6%	\$ 50,870	6.1%	\$ 124,132	10.8%
Public Greens Fees	\$ 261,949	39.0%	\$ 413,621	49.8%	\$ 700,264	57.6%
Cart Fees	\$ 85,261	11.1%	\$ 130,222	16.3%	\$ 211,707	20.5%
Range Fees	\$ 6,740	1.3%	\$ 19,855	1.9%	\$ 38,545	2.5%
Food & Beverage Sales	\$ 92,365	15.1%	\$ 172,427	17.9%	\$ 357,564	26.1%
Pro Shop Sales	\$ 20,067	2.2%	\$ 48,054	6.1%	\$ 97,263	7.1%
Tennis Sales	\$ -					
Other	\$ 809	0.2%	\$ 6,435	0.8%	\$ 28,720	2.0%
Total Income	\$ 558,167	100.0%	\$ 936,380	100.0%	\$ 1,745,304	100.0%
DEPARTMENTAL COSTS & EXPENSES:	\$	of Total	\$	of Total	\$	of Total
Golf Course	\$ 157,417	27.2%	\$ 224,176	53.0%	\$ 357,033	65.5%
Golf Carts	\$ 22,322	40.5%	\$ 50,317	40.1%	\$ 86,417	56.6%
Range	\$ 681	18.5%	\$ 2,700	11.3%	\$ 3,319	19.1%
Food & Beverage	\$ 61,239	4.2%	\$ 133,434	69.3%	\$ 256,527	80.6%
Pro Shop	\$ 58,787	58.4%	\$ 99,900	226.6%	\$ 155,723	330.4%
Tennis	\$ 27,656	171.0%	\$ 27,656		\$ 27,656	
Other	\$ 162,171		\$ 246,304	29.5%	\$ 647,905	
Total Depart. Costs & Exps:	\$ 349,463	52.6%	\$ 544,302	58.9%	\$ 964,892	68.4%
UNDISTRIBUTED EXPENSES:	\$	of Total	\$	of Total	\$	of Total
Administrative & General	\$ 28,748	4.3%	\$ 75,992	7.1%	\$ 139,079	15.8%
Management Fees	\$ 53,605	4.2%	\$ 90,492	4.8%	\$ 106,425	5.3%
Marketing & Entertainment	\$ 3,394	0.6%	\$ 10,997	1.1%	\$ 22,855	2.0%
Professional Fees	\$ 5,168	0.7%	\$ 8,120	1.1%	\$ 18,170	1.4%
Utilities	\$ 15,297	2.4%	\$ 28,026	3.4%	\$ 51,815	4.6%
Repairs & Maintenance	\$ 4,413	0.8%	\$ 10,048	1.5%	\$ 16,651	2.2%
Total Undistributed Expenses	\$ 90,241	11.9%	\$ 128,581	15.9%	\$ 316,795	24.7%
INCOME BEFORE FIXED CHARGES:	\$ 70,457	8.1%	\$ 165,083	22.2%	\$ 261,399	30.6%
FIXED CHARGES:	\$	of Total	\$	of Total	\$	of Total
Property Taxes	\$ 23,727	3.1%	\$ 36,535	4.0%	\$ 67,138	5.8%
Property Insurance	\$ 10,282	1.3%	\$ 14,302	1.5%	\$ 22,765	2.3%
Reserves for Replacement	\$ 51,755	1.8%	\$ 76,316	2.0%	\$ 93,794	2.0%
Total Fixed Charges	\$ 33,547	4.7%	\$ 56,057	5.9%	\$ 92,425	7.9%

HIGHEST AND BEST USE - KEMPSVILLE GREENS

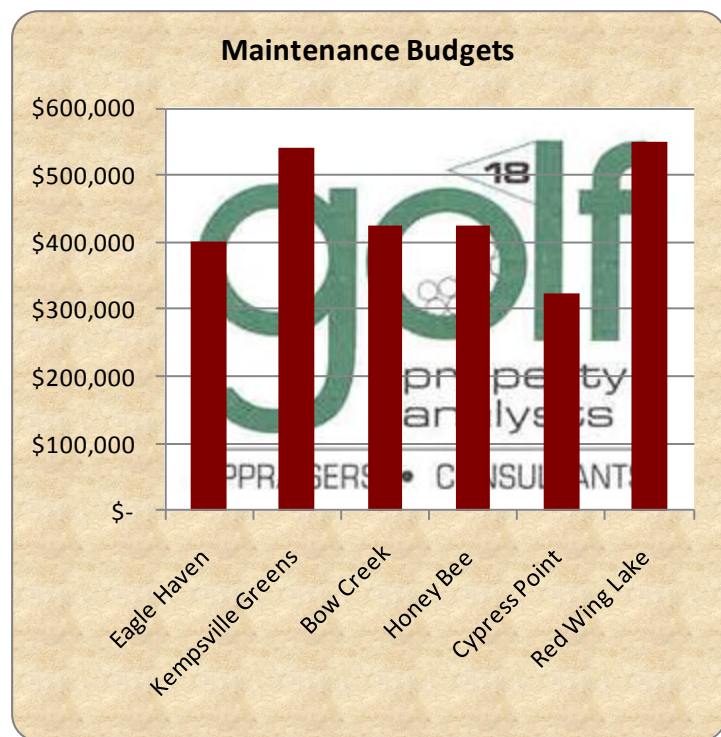
Expenses

According to an annual national study conducted by the Society of Golf Appraisers (SGA), total stabilized operating expenses for daily fee courses are typically between 55-80% of gross revenue, depending on the quality of the course and the management style. At the subject property, overall operating expenses have ranged from 100.6%, 93.8% and 127.3%, for 2007, 2008, and 2009, respectively, based on our reconstructed income statements from those years. The expenses discussed below are those that are assumed for the subject property as an upscale daily fee facility. Typical expenses for the subject course would include:

Departmental Costs and Expenses (Including Costs of Sales)

Golf course maintenance expenses are divided into four categories. They include labor and associated taxes; equipment repairs and maintenance; irrigation water, and materials. The maintenance budget for the subject property was extrapolated from the income and expense statements that were provided for the property

and is supported by several courses from our survey, which did report maintenance budget data. Maintenance budgets at the competitive golf courses in the market ranged from \$325,000 at Cypress Point to \$550,000 at Red Wing Lake. These expenditures included labor, payroll taxes, employee benefits, material, equipment leases, and administrative expenses directly associated with the maintenance of the golf courses. Maintenance expenditures at the subject in recent years were estimated at \$618,315, \$534,204 and \$539,855, for 2007, 2008 and 2009, based on our reconstructed income statements for those years. As discussed previously, the maintenance expenditures at the subject property have



HIGHEST AND BEST USE - KEMPSVILLE GREENS

steadily decreased over the past three years. However, it was brought to our attention that the maintenance staff at the subject is paid higher than typical maintenance staff. We have estimated golf course maintenance at **\$450,000**, which is reasonable considering the quality of course conditions expected at the subject, assuming that the maintenance salaries are adjusted to be consistent with the market.

Golf carts: We have estimated cart expenses at a rate that is consistent with market leases. Typically carts will be leased on a full-maintenance basis at a range of \$600 to \$1,000 per cart annually, depending on a number of variables. For the subject property, we estimate the annual lease expense at \$750 per cart for 60 carts. This equates to annual expense from this category of **\$45,000**.

Undistributed Expenses

Administrative and general expenses including administration/office, accounting, telephone expense and staff time are estimated at **\$65,000** annually. According to data from the SGA study, administrative and general expenses for daily fee courses ranged from \$28,748 to \$139,079 annually. Our estimate of \$65,000 annually is within the range presented by the SGA study and considered reasonable.

Management fees are estimated at **\$42,000** annually for the subject at stabilization, based on a survey of professional golf course management companies, which indicates that such contracts vary widely among facilities. Our estimate of \$42,000 is reasonable based on the level of service that is offered at the subject property.

Marketing and promotions expense is estimated at approximately **1.0%** of gross revenue annually. The SGA study indicated that this expense ranged from 0.6% to 2.0% for daily fee facilities. Since the subject property is one of several municipally owned golf courses, the courses could all be marketed effectively together. Therefore, our estimate for this expense is toward the lower end of the range indicated by the SGA study.

Professional Fees (Consultants) are estimated at **\$3,500** annually for the subject property. The SGA study indicated this expense to range from \$5,168 to \$18,170 for daily fee courses. Our estimate of \$3,500 is below this range but still considered reasonable as the subject property is one of three municipally owned golf courses that are all funded by the same source. Therefore, the professional fees would be combined for the three properties and would be lower than what is indicated by the SGA study.

HIGHEST AND BEST USE - KEMPSVILLE GREENS

Utilities include water; trash and electricity are estimated at **\$23,000** for the subject property, which equates to 3.9% of gross revenue annually, which is consistent with the expenses from this category for the subject in the past three years.

Repairs and Maintenance are estimated at **\$2,500** per year for the subject property, which is consistent with the expenses from this category for the subject in the past three years.

Fixed Charges

Taxes The subject property is one of several municipally owned golf courses. There are no property taxes levied on the subject property. Therefore, no taxes were calculated for the analysis of the subject property as continued use as a municipally owned golf course.

Insurance expense has been estimated at **\$15,000** per year. The SGA study indicated that this expense ranged from \$10,282 to \$22,765 for daily fee facilities. Our estimate is within this range and considered reasonable.

Capital improvements and reserve for replacement are estimated at **2.0%** of gross revenues for both the golf course and building improvements.

Total Expenses based on the above income and expense discussion are **111.7%** of gross revenue or **\$663,835**.

Net operating income simply is Gross Income less operating expenses and is shown in the following equation:

$$(\$594,500 - \$663,835 = \$-69,335)$$

HIGHEST AND BEST USE - KEMPSVILLE GREENS

Kempsville Greens Golf Course Stabilized Pro Forma 18-hole Scenario		
Rounds		29,000
Average Green Fee		\$14.00
Green Fee Revenue		\$406,000
Average Cart fee		\$5.00
Cart Fee Revenue		\$145,000
Concession/Round		\$0.50
Concession Revenue		\$14,500
Practice Range Revenue/Round		\$0.50
Practice Range Revenue		\$14,500
Other Revenue/Round		\$0.50
Other Revenue		\$14,500
Gross Annual Revenue/Round		\$20.50
Gross Annual Revenue		\$594,500
Departmental Costs & Expenses		
Maintenance		\$450,000
Carts		\$45,000
Total Departmental Costs & Expenses		\$495,000
Undistributed Expenses		
General & Administrative	10.9%	\$65,000
Management	7.1%	\$42,000
Marketing	1.0%	\$5,945
Professional Fees		\$3,500
Utilities	3.9%	\$23,000
Repairs & Maintenance	0.4%	\$2,500
Total Undistributed Expenses		\$141,945
Fixed Expenses		
Property Taxes		\$0
Insurance	2.5%	\$15,000
Reserves for Replacment	2.0%	\$11,890
Total Fixed Expenses		\$26,890
Total Expenses		\$663,835
Net Operating Income		-\$69,335
Operating Expense Ratio		111.7%

Therefore, continued use as an 18-hole daily fee facility is not financially feasible. Based on the layout of the property which is partially surrounded by residential development, the removal of the entire golf course from the site would

HIGHEST AND BEST USE - KEMPSVILLE GREENS

not be received well by the residents. Given the limited revenue potential, we have analyzed the property as a 9-hole facility, assuming that the holes that have lots adjacent to them would remain intact or be converted to open park space in order to avoid probable political backlash from the local residents, while the portion of the property at the corner of Princess Anne Road and Baxter Road could be converted to an alternative location compatible commercial use.

Kempsville Greens ECONOMIC ANALYSIS - 9-Hole Golf Course Scenario

ECONOMIC ANALYSIS - 9-Hole Golf Course Scenario

In order to analyze the subject property as a 9-hole facility, we analyzed the difference between trends in fees, rounds, and revenue at 18-hole facilities compared to that at 9-hole facilities. A summary of the compiled data is shown below:

Golf Course Statistics			
	Ave 9-holes	Ave 18-holes	Difference
Weekday Green Fees	\$22.04	\$42.75	48%
Weekend Green Fees	\$24.21	\$48.50	50%
Cart Fees	\$7.75	\$12.88	40%
Annual Rounds*	25,235	33,364	24%
Range Revenue/Round*	\$7.95	\$1.75	-354%
Range Revenue*	\$222,652	\$59,320	-275%
Gross Revenue/Round*	\$18.39	\$49.09	63%
Gross Revenue*	\$599,336	\$1,507,915	60%
Maintenance Budget*	\$160,338	\$449,691	64%

Annual Rounds

Annual rounds at 9-hole courses in the state of Virginia averaged 24% lower than the annual rounds generated at 18-hole courses. Assuming that the subject would generate approximately 25% fewer rounds as a 9-hole facility, we have estimated a total of **22,000** annual rounds for the subject as a 9-hole facility (which is the equivalent of 11,000 18-hole rounds).

Green Fees

Currently the published green fee rate at the subject for 9-holes is \$12/\$14 for weekday and weekend. Average green fees for 9-hole rounds are typically not discounted as heavily as 18-hole rounds. Therefore, we have estimated average green fees for the subject at approximately **\$8.00** per round. This indicates total green fees of **\$408,000** (\$8.00 x 22,000 rounds).

HIGHEST AND BEST USE - KEMPSVILLE GREENS

Cart Revenue

For our analysis, we have estimated average cart fees at the subject at **\$3.50** round, taking into consideration that there will likely be a lower ratio of cart rounds at a 9-hole facility. This equates to **\$77,000** (\$3.50 x 22,000 rounds).

Driving Range Revenue

The driving range is located at the corner of Princess Anne Road and Baxter Road, and is the most desirable portion of the subject property due to its location on a major corridor. Therefore, this analysis assumes that the driving range would be sold for an alternative commercial use. Based on the layout of the subject property and design of the golf course, trees, streams, etc, it would not be logical to move the practice range to another location on the site. This analysis assumes no revenue from the driving range.

Concessions

The subject indicated revenue from this source at \$0.54, \$0.55 and \$0.32 per round for 2007, 2008, and 2009, respectively. We have estimated concession sales at **\$0.50** per round. This equates to annual pro shop revenue of **\$11,000** (22,000 rounds x \$0.50/round).

Other Revenue

This revenue source is generated from various sources not indicated above including instruction, locker fees, club rentals, etc. Revenue from this source at the subject property ranged from \$0.02 to \$0.63 per round in the past three years. We have estimated other revenue at **\$0.50** per round or **\$11,000** (\$0.50 x 22,000 rounds).

Gross Revenue

Gross revenue at the 9-hole golf courses in the state of Virginia averaged approximately \$18.00 per round. Based on the previous estimates, gross revenue per round at the subject would be **\$12.50** per round, or **\$275,000** which is below the average revenue at the 9-hole facilities in our study, but considered reasonable as the subject is a municipal facility, and this analysis assumes no revenue from the practice range.

HIGHEST AND BEST USE - KEMPSVILLE GREENS

EXPENSE ANALYSIS

Departmental Costs and Expenses (Including Costs of Sales)

Golf course maintenance expenses were approximately 60% lower at the 9-hole golf courses than at the 18-hole golf courses. This is most likely due to decreased staff, equipment needs, and supply usage. Based on this, we have estimated annual maintenance expenses at the subject if it were converted to a 9-hole facility at **\$180,000**.

Golf carts: For the subject property, we estimate the annual lease expense at \$750 per cart for 30 carts. This equates to annual expense from this category of **\$22,500**.

Undistributed Expenses

Administrative and general expenses including administration/office, accounting, telephone expense and staff time are estimated at **\$50,000** annually.

Management fees are estimated at **\$30,000** annually for the subject at stabilization, based on a survey of professional golf course management companies, which indicates that such contracts vary widely among facilities. Our estimate of \$30,000 is reasonable based on the level of service that is offered at the subject property.

Marketing and promotions expense is estimated at approximately **1.0%** of gross revenue annually.

Professional Fees (Consultants) are estimated at **\$3,500** annually for the subject property.

Utilities include water; trash and electricity are estimated at **\$14,000** for the subject property, which equates to 5.1% of gross revenue annually, which is consistent with the expenses from this category for the subject in the past three years.

Repairs and Maintenance are estimated at **\$2,000** per year for the subject property.

Fixed Charges

Taxes The subject property is one of several municipally owned golf courses. There are no property taxes levied on the subject property. Therefore, no taxes were calculated for the analysis of the subject property as continued use as a municipally owned golf course.

HIGHEST AND BEST USE - KEMPSVILLE GREENS

Insurance expense has been estimated at **\$10,000** per year.

Capital improvements and reserve for replacement are estimated at **2.0%** of gross revenues for both the golf course and building improvements.

Total Expenses based on the above income and expense discussion are **116.6%** of gross revenue or **\$320,750**.

Net operating income simply is Gross Income less operating expenses and is shown in the following equation:

$$(\$275,000 - \$320,750 = -\$45,750)$$

HIGHEST AND BEST USE - KEMPSVILLE GREENS

Kempsville Greens Golf Course Stabilized Pro Forma		
Rounds		22,000
Average Green Fee		\$8.00
Green Fee Revenue		\$176,000
Average Cart fee		\$3.50
Cart Fee Revenue		\$77,000
Concession/Round		\$0.50
Concession Revenue		\$11,000
Other Revenue/Round		\$0.50
Other Revenue		\$11,000
Gross Annual Revenue/Round		\$12.50
Gross Annual Revenue		\$275,000
Departmental Costs & Expenses		
Maintenance		\$180,000
Carts		\$22,500
Total Departmental Costs & Expenses		\$202,500
Undistributed Expenses		
General & Administrative	18.2%	\$50,000
Management	10.9%	\$30,000
Marketing	1.0%	\$2,750
Professional Fees		\$3,500
Utilities	5.1%	\$14,000
Repairs & Maintenance	0.9%	\$2,500
Total Undistributed Expenses		\$102,750
Fixed Expenses		
Property Taxes		\$0
Insurance	3.6%	\$10,000
Reserves for Replacment	2.0%	\$5,500
Total Fixed Expenses		\$15,500
Total Expenses		\$320,750
Net Operating Income		-\$45,750
Operating Expense Ratio		116.6%

Based on the negative cash flows projected above, the conversion of Kempsville Greens to a 9-hole golf course is not financially feasible. The existing golf course is partially surrounded by residential development. The removal of the entire golf course from the site would not be received well by the residents. However, the economic repercussions of the continued operation of a business with negative cash flow appear to be prohibitive of the continued use of the subject property as either an 18-hole golf course or a 9-hole golf course. The conversion of the majority of the property to open park space in order to mitigate probable political backlash from the local residents is a logical solution. The elimination of the golf course in its entirety allows for the sale of the clubhouse site (along with the segment of land at the corner of Princess Anne Road and

HIGHEST AND BEST USE - KEMPSVILLE GREENS

Baxter Road), which, due to its location would be conducive for a more intensive commercial use

Maximally Productive

The projections for the subject property as both an 18-hole golf course and as a 9-hole golf course indicate negative cash flows. Converting the entire site into an alternative use is not feasible due to the political backlash from the surrounding property owners. Therefore, the highest and best use of the subject property is the conversion of the majority of the site without frontage on Princess Anne Road and Baxter Road to open park space, and selling the remaining approximate 20 acres for a commercial use that is compatible with its location.

CONCLUSION

The highest and best use of the subject property, both as vacant and as improved, is as open park land, with approximately 20 acres located at the corner of Princess Anne Road and Baxter Road available for a more intensive alternate use.

HIGHEST AND BEST USE - BOW CREEK

Physically Possible

The subject property contains approximately 115 acres on an irregularly shaped parcel. The physically possible uses on the site are vast and could include the current use as a golf course, residential development, industrial development, commercial development, retail development, open space, or various recreational uses. The property is located both within the 500-year flood zone and the 100-year flood zone. The location within the flood zone could be prohibitive to most types of commercial, industrial, and retail developments. The location in the flood zone could also limit the number of lots that could be developed in a residential project.

Legally Permissible

The subject is zoned P-1, according to the zoning officer of Virginia Beach. Principle permitted uses in the district are as follows:

- Antennas, building-mounted
- Fish hatcheries and fish ponds
- Forests and forestry; provided that the harvesting of timber shall be in accordance with the requirements of subsection (a1)
- Game preserves
- Open agricultural and horticultural uses, provided that intensive cultivation shall not be allowed
- Public parks, recreational areas, botanical and zoological gardens, golf courses, marinas and other public buildings and uses
- Public utility installations and substations; provided offices, storage or maintenance facilities shall not be permitted; and provided, further, that utilities substations other than individual transformers, shall be surrounded by Category V screening, solid except for entrances and exits; and provided also, transformer vaults for underground utilities and the like shall require Category I screening, solid except for access openings
- Watersheds, wells, water reservoirs and water control structures

HIGHEST AND BEST USE - BOW CREEK

Financial Feasibility

The determination of the highest and best use is dependent primarily on the relationship of supply and demand for the legally permissible and physically possible uses.

The subject site is improved as and being used as an 18-hole daily fee golf course that is located within a neighborhood. However, the subject property does not generate positive cash flows. We will analyze the subject properties income and expenses to determine if the line items are consistent with typical income and expenses for daily fee facilities. For those items that are not consistent with market trends, we will adjust them in order to determine if the subject could generate positive cash flows as an 18-hole golf course in its current condition.

Based on our analysis of the golf market, the market demographics, and the property's operating history a small positive cash flow can be expected. Therefore, based on the subject's improvements, and its location within a flood zone and adjacent to the Oceana Naval Air Station, where the noise from the jets would prohibit most types of development, it would not seem logical to remove or change the current improvements from the site for another type of use. The next step in analyzing the financial feasibility of the subject property is to determine if the current fee structures and expenses are typical of other daily fee facilities. This has been done through surveying the area golf market, and estimating income and expenses from this data. If it is determined that any of the income or expense line items are not typical of the market, an adjustment is made so that we can determine if the property should continue to operate with positive cash flows.

Reconstructed income and expenses for the subject property for 2007, 2008, and 2009 are shown on the following page and indicate a positive cash flow.

HIGHEST AND BEST USE - BOW CREEK

Bow Creek Golf Course Reconstructed Income and Expenses						
	2007		2008		2009	
Rounds		32,000		32,000		29,172
Average Green Fee		\$13.57		\$13.50		\$12.21
Green Fee Revenue		\$434,276		\$432,136		\$356,059
Average Cart fee		\$5.92		\$6.19		\$5.54
Cart Fee Revenue		\$189,392		\$197,966		\$161,592
Concession/Round		\$0.39		\$0.38		\$0.41
Concession Revenue		\$12,552		\$12,000		\$12,000
Practice Range Revenue/Round		\$0.87		\$0.96		\$0.83
Practice Range Revenue		\$27,781		\$30,562		\$24,218
Other Revenue/Round		\$0.00		\$0.00		\$0.05
Other Revenue		\$18		\$0		\$1,475
Gross Annual Revenue/Round		\$20.75		\$21.02		\$19.04
Gross Annual Revenue		\$664,019		\$672,663		\$555,343
Departmental Costs & Expenses						
Maintenance		\$494,159		\$458,839		\$424,953
Carts		\$0		\$0		\$0
Total Departmental Costs & Expenses		\$494,159		\$458,839		\$424,953
Undistributed Expenses						
General & Administrative	7.9%	\$52,718	9.5%	\$63,630	8.1%	\$44,879
Management	6.3%	\$42,000	6.2%	\$42,000	7.6%	\$42,000
Marketing	1.0%	\$6,640	1.0%	\$6,727	1.0%	\$5,553
Professional Fees	0.0%	\$3,500	0.0%	\$3,500	0.6%	\$3,500
Utilities	1.2%	\$8,090	2.3%	\$15,352	2.3%	\$12,544
Repairs & Maintenance	0.0%	\$317	0.3%	\$2,049	0.5%	\$2,813
Total Undistributed Expenses		\$113,265		\$133,258		\$111,289
Fixed Expenses						
Property Taxes		\$0		\$0		\$0
Insurance	2.3%	\$15,000	2.2%	\$15,000	2.7%	\$15,000
Reserves for Replacment		\$0		\$0		\$0
Total Fixed Expenses		\$15,000		\$15,000		\$15,000
Total Expenses		\$622,424		\$607,097		\$551,242
Net Operating Income		\$41,595		\$65,566		\$4,101
Operating Expense Ratio		93.7%		90.3%		99.3%

HIGHEST AND BEST USE - BOW CREEK

Bow Creek ECONOMIC ANALYSIS - 18-Hole Golf Course Scenario

The following analysis summarizes our survey of those golf courses surveyed, which we have used as units of comparison for the subject. We have based our assumptions both on the historical data from the subject, which was reconstructed on the previous page, and the data obtained from our most current survey of the local market.

Annual Rounds

The number of 18-hole-equivalent annual rounds at those courses considered directly competitive to the subject range from a low of 25,000 at Hell's Point Golf Course to a high of 75,000 rounds at Aeropines Golf Course (a 36-hole facility). Annual rounds at the subject were reported at 29,172 for 2009. The annual rounds for 2007 and 2008 were not provided, and were estimated by Golf Property Analysts.

We believe that the subject property is currently stabilized and will continue to generate approximately **30,000** annual rounds, which is the amount that we have used in our pro forma.

Green Fees

Green fees at the most competitive courses range from a low of \$17/\$21 at the subject to a high of \$75/\$75 at Virginia Beach National. Average greens fees in the competitive market are 9% to 50% less than published green fees, due to discounted, off season, and twilight rounds, with most in the range of 20-25% below published rates. Average green fees at the subject have been estimated at \$13.57, \$13.50 and \$12.21 for 2007, 2008, and 2009, respectively. Currently the published green fee rate at the subject for 18-holes is \$22/\$26 for weekday and weekend. For our analysis, we have estimated average green fees for the subject at approximately **\$13.00** per round. This indicates total green fees of **\$390,000** (\$13.00 x 30,000 rounds).

Cart Revenue

Carts are included in the green fees at all but three of the golf courses in our survey. Those courses charging a separate cart fee is displayed in the adjacent chart. Average cart fees for the subject were estimated at \$5.92, \$6.19, and \$5.54 for 2007, 2008, and 2009, respectively. For our analysis, we have estimated average cart fees at the subject at **\$5.50** per round, which equates to **\$165,000** (\$5.50 x 30,000 rounds).

HIGHEST AND BEST USE - BOW CREEK

Driving Range Revenue

Driving range revenue per round at the subject property has ranged from \$0.871, \$0.962, and \$0.83 per round in 2007, 2008, and 2009, respectively. Practice range revenue in the market ranged from \$0.53 per round at Kempsville Greens to \$1.80 per round at Hell's Point. For this analysis, we have estimated stabilized driving range revenue at **\$1.00** per round, which equates to **\$30,000** (\$1.00 per round x 29,000 rounds).

Concessions

The subject indicated revenue from this source at \$0.39, \$0.38 and \$0.41 per round for 2007, 2008, and 2009, respectively. We have estimated concession sales at **\$0.50** per round. This equates to annual pro shop revenue of **\$15,000** (30,000 rounds x \$0.50/round).

Other Revenue

This revenue source is generated from various sources not indicated above including instruction, locker fees, club rentals, etc. Revenue from this source at the subject property was indicated at \$0.05 / round for 2009. We have estimated other revenue at **\$0.05** per round or **\$1,500** (\$0.05 x 30,000 rounds).

Gross Revenue

Gross revenue ranged from \$18.08 to \$200.00 per round at the courses in the market. Based on the previous estimates, gross revenue per round at the subject would be **\$20.05** per round, or **\$601,500** which is within the range presented by the market, as illustrated in the adjacent chart.

HIGHEST AND BEST USE - BOW CREEK

EXPENSE ANALYSIS

At the subject property, overall operating expenses have ranged from 93.7%, 90.3% and 99.3%, for 2007, 2008, and 2009, respectively, based on our reconstructed income statements from those years. The expenses discussed below are those that are assumed for the subject property as an affordable daily fee facility. Typical expenses for the subject course would include:

Departmental Costs and Expenses (Including Costs of Sales)

Golf course maintenance expenses are divided into four categories. They include labor and associated taxes; equipment repairs and maintenance; irrigation water, and materials. The maintenance budget for the subject property was extrapolated from the income and expense statements that were provided for the property and is supported by several courses from our survey, which did report maintenance budget data. Maintenance budgets at the competitive golf courses in the market ranged from \$325,000 at Cypress Point to \$550,000 at Red Wing Lake. These expenditures included labor, payroll taxes, employee benefits, material, equipment leases, and administrative expenses directly associated with the maintenance of the golf courses. Maintenance expenditures at the subject in recent years were estimated at \$494,159, \$458,839 and \$424,953, for 2007, 2008 and 2009, based on our reconstructed income statements for those years. As discussed previously, the maintenance expenditures at the subject property have steadily decreased over the past three years. However, according to the report conducted by Golf Convergence, the maintenance salaries at the subject property are higher than other maintenance salary levels in the market, while the conditions are inferior. We have estimated golf course maintenance at **\$375,000**, which is reasonable considering the quality of course conditions expected at the subject and the relatively small size of the site.

Golf carts: We have estimated cart expenses at a rate that is consistent with market leases. Typically carts will be leased on a full-maintenance basis at a range of \$600 to \$1,000 per cart annually, depending on a number of variables. For the subject property, we estimate the annual lease expense at \$750 per cart for 60 carts. This equates to annual expense from this category of **\$45,000**.

HIGHEST AND BEST USE - BOW CREEK

Undistributed Expenses

Administrative and general expenses including administration/office, accounting, telephone expense and staff time are estimated at **\$50,000** annually. According to data from the SGA study, administrative and general expenses for daily fee courses ranged from \$28,748 to \$139,079 annually. Our estimate of \$50,000 annually is within the range presented by the SGA study and considered reasonable.

Management fees are estimated at **\$42,000** annually for the subject at stabilization, based on a survey of professional golf course management companies, which indicates that such contracts vary widely among facilities. Our estimate of \$42,000 is reasonable based on the level of service that is offered at the subject property.

Marketing and promotions expense is estimated at approximately **1.0%** of gross revenue annually. The SGA study indicated that this expense ranged from 0.6% to 2.0% for daily fee facilities. Since the subject property is one of several municipally owned golf courses, the courses could all be marketed effectively together. Therefore, our estimate for this expense is toward the lower end of the range indicated by the SGA study.

Professional Fees (Consultants) are estimated at **\$3,500** annually for the subject property. The SGA study indicated this expense to range from \$5,168 to \$18,170 for daily fee courses. Our estimate of \$3,500 is below this range but still considered reasonable as the subject property is one of three municipally owned golf courses that are all funded by the same source. Therefore, the professional fees would be combined for the three properties and would be lower than what is indicated by the SGA study.

Utilities include water; trash and electricity are estimated at **\$13,000** for the subject property, which equates to 2.2% annually, which is consistent with the expenses from this category for the subject in the past three years.

Repairs and Maintenance are estimated at **\$2,500** per year for the subject property, which is consistent with the expenses from this category for the subject in the past three years.

Fixed Charges

Taxes The subject property is one of several municipally owned golf courses. There are no property taxes levied on the subject property.

HIGHEST AND BEST USE - BOW CREEK

Therefore, no taxes were calculated for the analysis of the subject property as continued use as a municipally owned golf course.

Insurance expense has been estimated at **\$15,000** per year. The SGA study indicated that this expense ranged from \$10,282 to \$22,765 for daily fee facilities. Our estimate is within this range and considered reasonable.

Capital improvements and reserve for replacement are estimated at **2.0%** of gross revenues for both the golf course and building improvements.

Total Expenses based on the above income and expense discussion are **94.6%** of gross revenue or **\$569,045**.

Net operating income simply is Gross Income less operating expenses and is shown in the following equation:

$$(\$601,500 - \$569,045 = \$32,455)$$

HIGHEST AND BEST USE - BOW CREEK

Bow Creek Golf Course Stabilized Pro Forma			
Rounds			30,000
Average Green Fee			\$13.00
Green Fee Revenue			\$390,000
Average Cart fee			\$5.50
Cart Fee Revenue			\$165,000
Concession/Round			\$0.50
Concession Revenue			\$15,000
Practice Range Revenue/Round			\$1.00
Practice Range Revenue			\$30,000
Other Revenue/Round			\$0.05
Other Revenue			\$1,500
Gross Annual Revenue/Round			\$20.05
Gross Annual Revenue			\$601,500
Departmental Costs & Expenses			
Maintenance			\$375,000
Carts			\$45,000
Total Departmental Costs & Expenses			\$420,000
Undistributed Expenses			
General & Administrative	8.3%		\$50,000
Management	7.0%		\$42,000
Marketing	1.0%		\$6,015
Professional Fees			\$3,500
Utilities	2.2%		\$13,000
Repairs & Maintenance	0.4%		\$2,500
Total Undistributed Expenses			\$117,015
Fixed Expenses			
Property Taxes			\$0
Insurance	3.3%		\$20,000
Reserves for Replacment	2.0%		\$12,030
Total Fixed Expenses			\$32,030
Total Expenses			\$569,045
Net Operating Income			\$32,455
Operating Expense Ratio			94.6%

HIGHEST AND BEST USE - BOW CREEK

Maximally Productive

The layout, design and quality of the subject property are consistent with other daily fee golf courses in the market. Therefore, it would not seem prudent to convert the facility to a private club. Given the current small positive cash flows, and the style and quality of the improvements, the maximally productive use of the subject property as vacant is as a daily fee golf course.

CONCLUSION

The highest and best use of the subject property, both as vacant and as improved, is as an 18-hole affordable daily fee golf course.

CONCLUSIONS KEMPSVILLE GREENS

PROJECT SUMMARY:

- The subject site consists of approximately 105 acres.
- The property is currently improved with an 18-hole golf course and associated buildings.
- The property is zoned PD H2 (Planned Development) which allows for residential development, recreational development, and limited commercial development. Residential development is not considered feasible due to lack of demand and existing inventory in the market.
- Possible commercial use was analyzed as a possible alternative use for the subject property. Although not currently permissible under the zoning ordinance, we feel that a change or variance would be achievable given the ownership of the property.
- The entire property is located outside of the flood zone, which is conducive for an alternative, more intensive use of the site.
- The current use of the subject property as a municipal golf course is not providing positive cash flows. The golf course is losing money.
- The solution that should result in the highest financial return would be to sell the entire property to a developer for an alternative purpose, such as commercial development.
- Conversion of the entire property to an alternative use is not considered a viable option as it would be severely objected to by the residents who currently have lots with golf course views. Therefore, we feel that the conversion of the majority of the acreage to open park space while selling approximately 20 acres for a more intensive commercial use.
- Our analysis of the subject property as a 9-hole facility indicated that there would be negative cash flows. Therefore, this use is not considered financial feasible.
- The highest and best use of the subject property has been determined to be the conversion of the majority of the site to open parkland and selling the approximate 20 acres with frontage on Princess Anne Road and Baxter Road (including the clubhouse site) for a more intensive, commercial use that is compatible with its location. Under this scenario, there should be funds available to pay down debt on Red Wing Lake Golf Club.

CONCLUSIONS - BOW CREEK

PROJECT SUMMARY:

- The subject site consists of approximately 115 acres.
- The property is currently improved with an 18-hole golf course and associated buildings.
- The property is zoned "Preservation District", which prohibits most types of industrial, commercial and residential development.
- Almost the entire property is located within a flood zone, which does not have a negative impact on the current use of the property as a golf course.
- The site is located adjacent to the Oceana Naval Air Base and experiences the extremely loud noises associated with the take off and landing of the jets at the air base.
- The current use of the subject property as a municipal golf course provides an affordable recreational outlet for local residents.
- The property enjoys small positive cash flows.
- The highest and best use of the subject property has been determined to be the continued use as an 18-hole golf course.

Appendix 6 –
Golf Course Competitive List

In Season - Carts Excluded														
CARTS OPTIONAL		Highest		Resident		All		Non-resident						
Golf Course	Fee Range			W/D	W/E	W/D	W/E	W/D	W/E	Carts	GPS	Range	# of Rates	Senior
Aeropines Golf Course-Hornet	25.01-50	34	1948	17	18			22	26	13			15	
Aeropines Golf Course-Tomcat	25.01-50	36	1948	17	18			22	26	13			15	
Bay Creek Resort and Club - Nicklaus	100.01 - 125.00	115	2001			95	115			Included	Included	Included	90	
Bay Creek Resort and Club - Palmer	100.01 - 125.00	115	2001			95	115			Included	Included	Included	90	
Bow Creek Golf Course	25.01-50	33	1961	16	21			20	24	12			44	
Cypress Point Country Club	25.01-50	45	1987	36	42			52	65	Included			9	
Hell's Point Golf Club	25.01-50	49	1982	35	39			45	49	Included			10	
Heron Ridge Golf Club	50.01-75	69	1999	52	62			69	69	Included			9	
Honey Bee Golf Course	25.01-50	40	1989	25	35			40	55	Included			44	
Kempsville Greens Golf Course	25.01-50	32	1987	19	23			22	26	12			24	
Ocean View Golf Course	25.01-50	42	1926	32	40			34	42	Included				
Red Wing Lake Golf Course	25.01-50	40	1971	30	35			42	52	12			44	
Riverfront Golf Club	50.01-75	59	1999	49	59			59	69	Included			23	
Stumpy Lake Golf Course	25.01-50	40	1958	25	35			40	55	Included			6	
The Signature at West Neck	75.01-100	80	2001	64	70			80	80	Included	Included		10	60
Virginia Beach National	50.01-75	75	1999	55	65			75	75	Included			34	60
In Season - Carts Included														
CARTS INCLUDED		Highest		Resident		All		Non-resident						
Golf Course	Fee Range			W/D	W/E	W/D	W/E	W/D	W/E	Carts	GPS	Range	# of Rates	Senior
Aeropines Golf Course-Hornet	25.01-50	34	1948	29	30			34	38	13	0	0	15	0
Aeropines Golf Course-Tomcat	25.01-50	36	1948	29	30	0	0	34	38	13	0	0	15	0
Bay Creek Resort and Club - Nicklaus	100.01 - 125.00	115	2001	0	0	95	115	0	0	Included	Included	Included	90	0
Bay Creek Resort and Club - Palmer	100.01 - 125.00	115	2001	0	0	95	115	0	0	Included	Included	Included	90	0
Bow Creek Golf Course	25.01-50	33	1961	28	33			32	36	12	0	0	44	0
Cypress Point Country Club	25.01-50	45	1987	36	42			52	65	Included	0	0	9	0
Hell's Point Golf Club	25.01-50	49	1982	35	39			45	49	Included	0	0	10	0
Heron Ridge Golf Club	50.01-75	69	1999	52	62			69	69	Included	0	0	9	0
Honey Bee Golf Course	25.01-50	40	1989	25	35			40	55	Included	0	0	44	0
Kempsville Greens Golf Course	25.01-50	32	1987	31	35			34	38	12	0	0	24	0
Ocean View Golf Course	25.01-50	42	1926	32	40			34	42	Included	0	0	0	0
Red Wing Lake Golf Course	25.01-50	40	1971	42	47			54	64	12	0	0	44	0
Riverfront Golf Club	50.01-75	59	1999	49	59			59	69	Included	0	0	23	0
Stumpy Lake Golf Course	25.01-50	40	1958	25	35			40	55	Included	0	0	6	0
The Signature at West Neck	75.01-100	80	2001	64	70			80	80	Included	Included	0	10	60
Virginia Beach National	50.01-75	75	1999	55	65			75	75	Included	0	0	34	60

Appendix 7 –
Virginia Beach Golfer Preferences

GLMA

Technology

Facilities

Surveys

Start

Finish

1

2

3

4

5

6

7

8

Weather
Impact

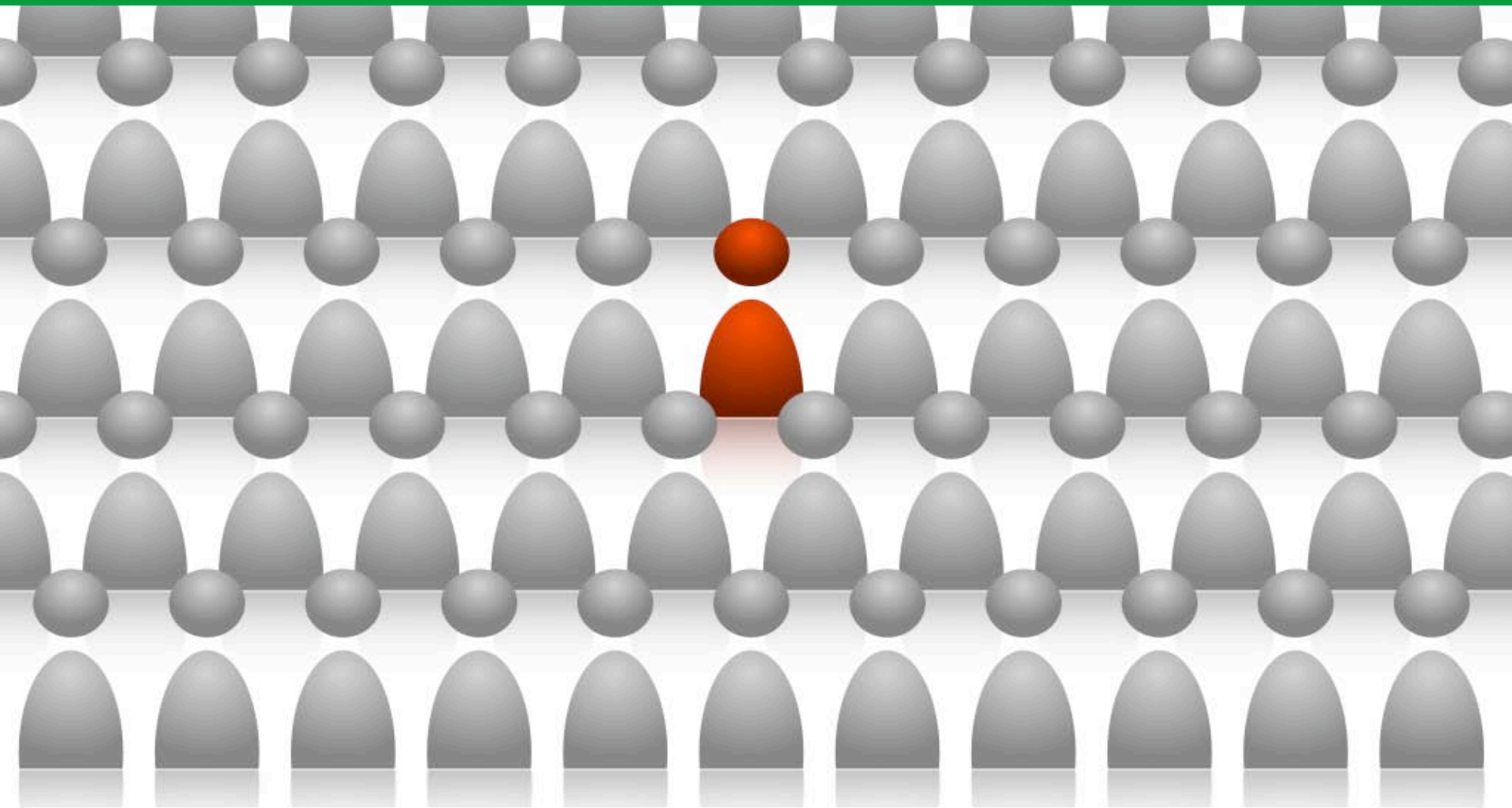
Financial
Metrics

Operations

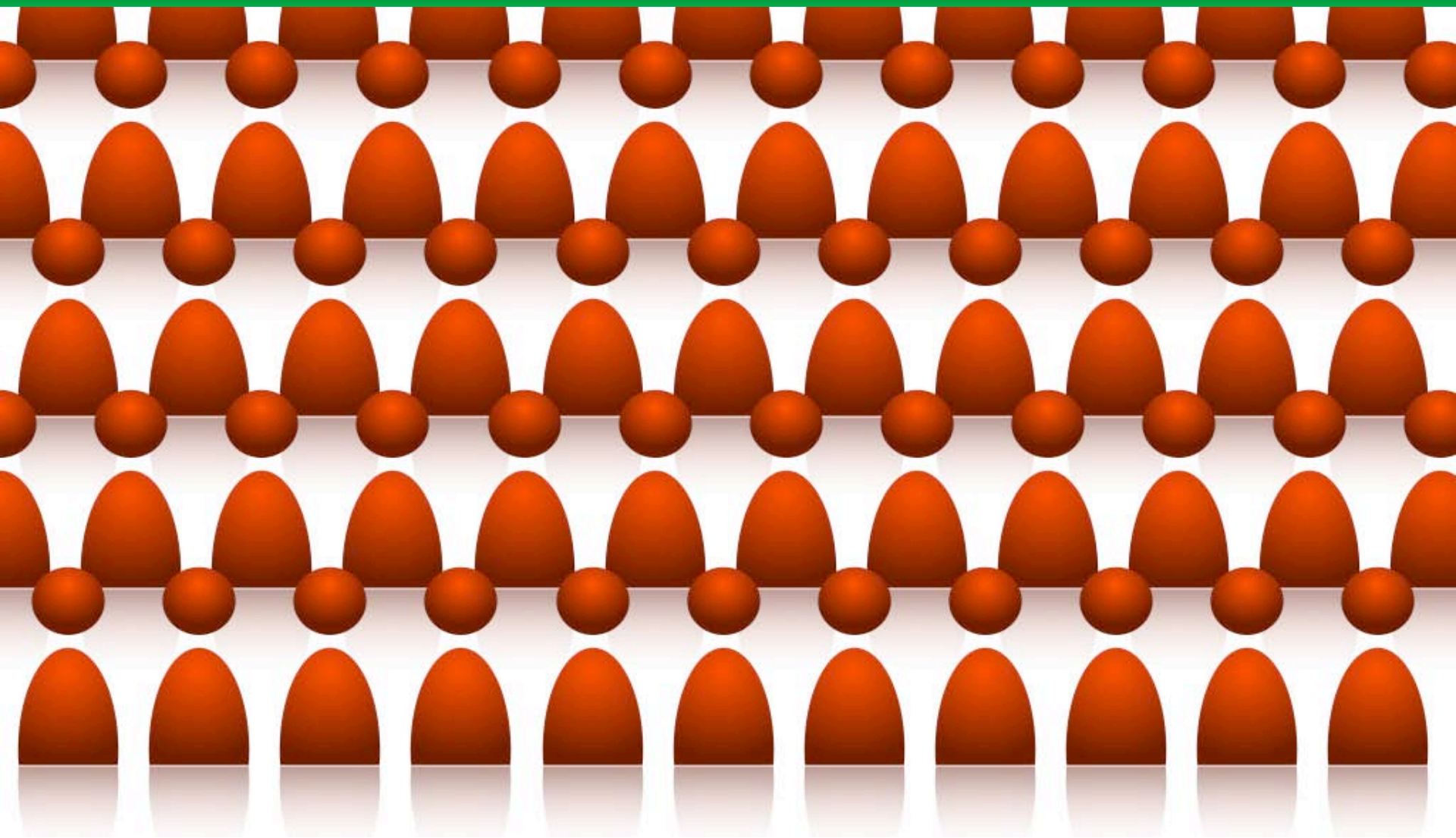
Loyalty



1. City of Virginia Beach are typical of all golfers regarding “demographics” and their “playing habits”
2. Price and course condition are important to them.
3. Conditioning, Pace of play and Price at Red Wing Lake were rated as areas requiring improvement.



Survey Sample:	8,000+ individuals emailed
Survey Response:	648 responses
Survey Completion:	83.5%

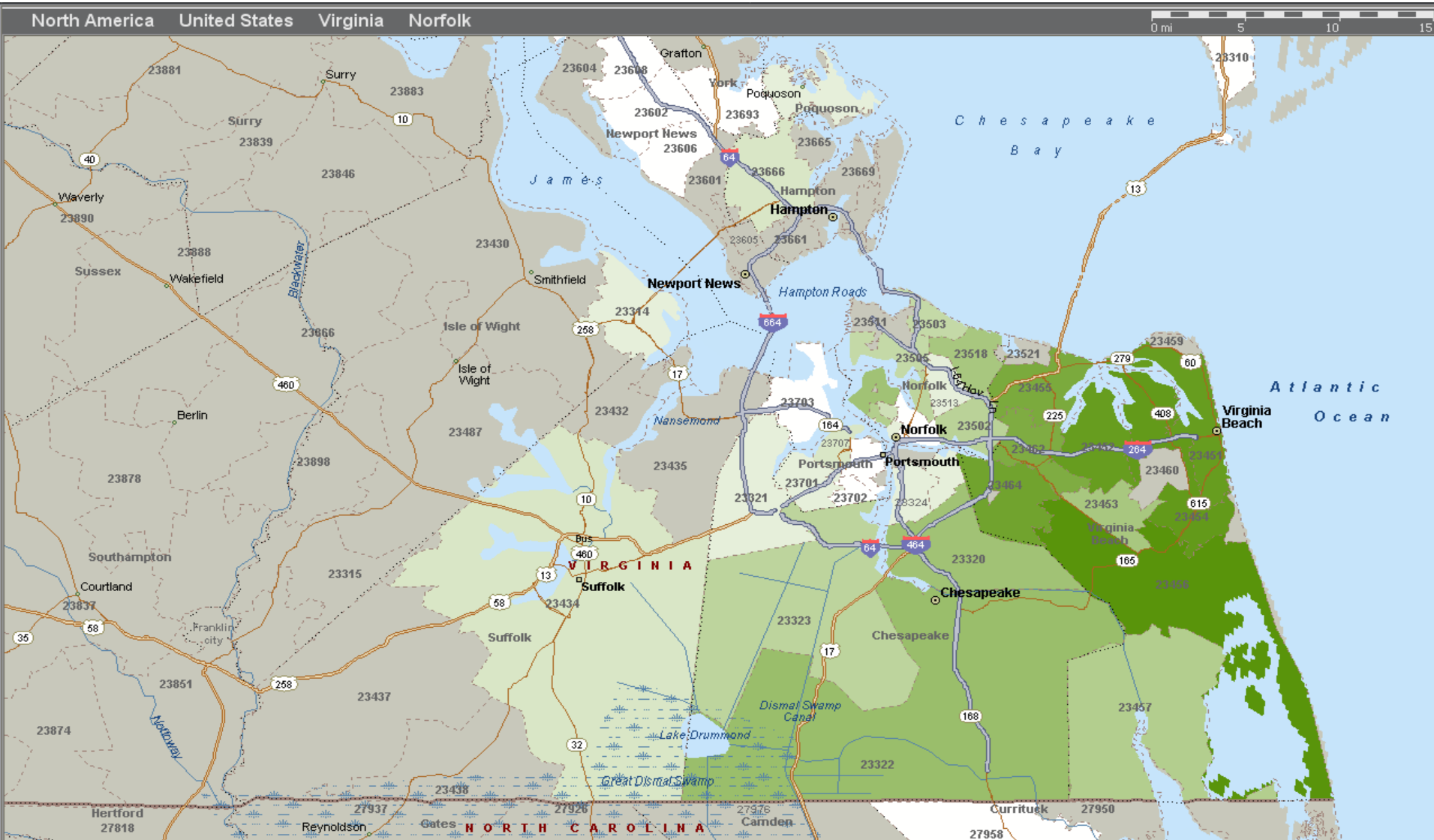


Confidence Level:
Margin of Error:

99%
+- 1%



Respondents by Zip Code



Who Is Your Customer?

City of Virginia Beach

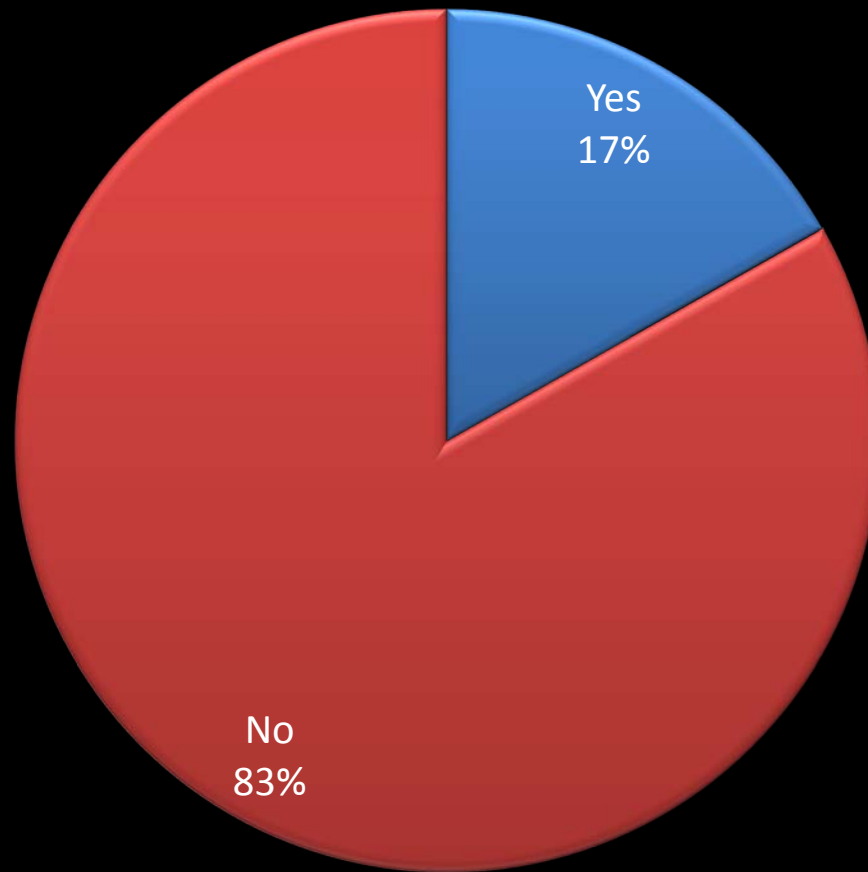
Gender Demographics			
Gender	Survey Response	National Average	Index
Male	77%	55%	140
Female	23%	45%	51

Household Income Demographics			
Household income (\$s)	Survey Response	National Average	Index
0 - 34,999	5%	5%	90
35,000 - 49,999	10%	10%	96
50,000 - 74,999	20%	25%	79
75,000 - 99,999	22%	35%	63
100,000 - \$249,999	41%	23%	176
\$250,000 or more	3%	2%	170

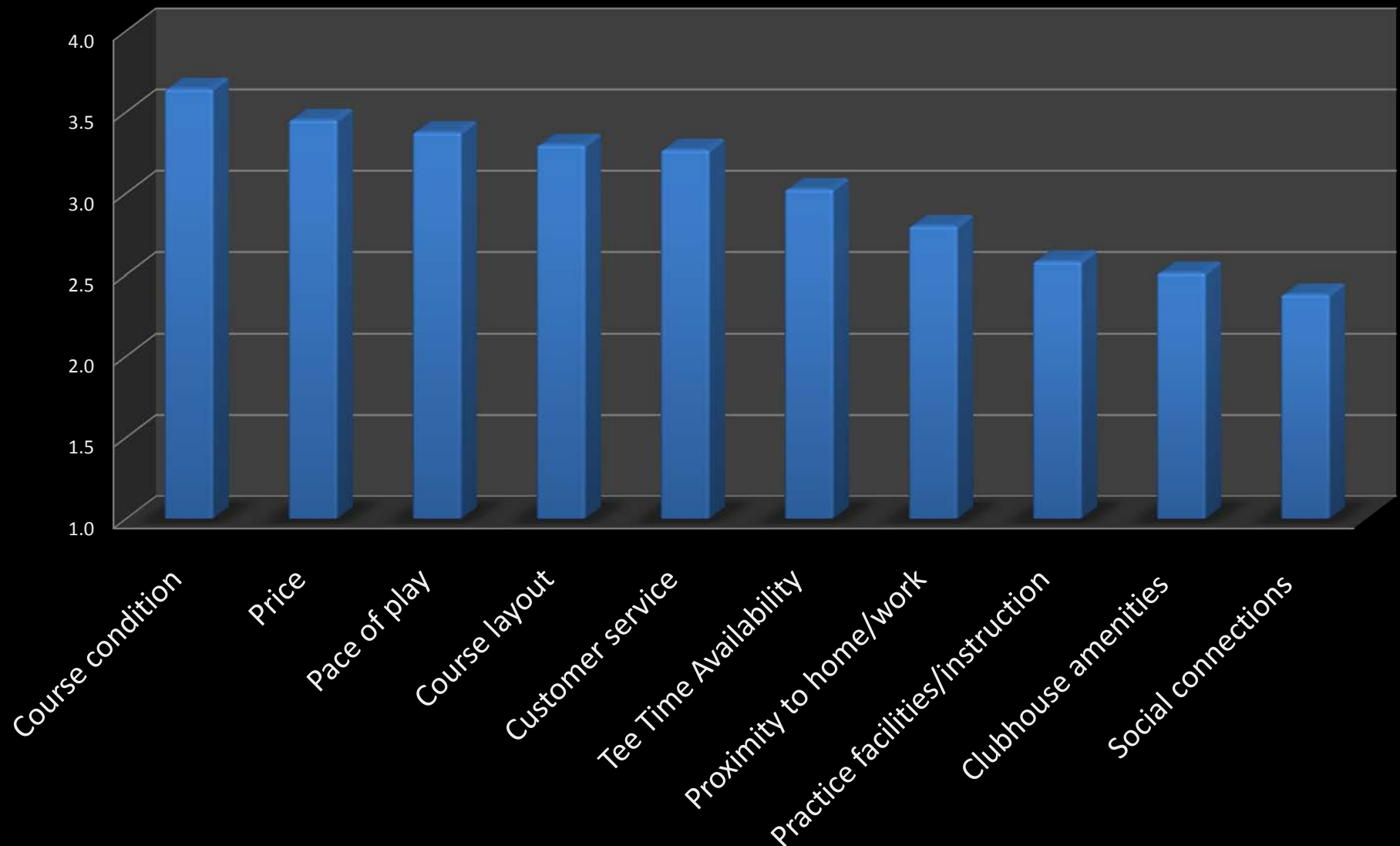
Age Demographics			
Age group	Survey Response	National Average	Index
Junior (up to age 17)	0%	24%	1
Student (18-23)	1%	8%	14
Young Adult (24-34)	8%	15%	51
Adult (35-59)	55%	35%	157
Senior (60 and older)	36%	18%	200

Race/Ethnicity			
Race/Ethnicity	Survey Response	National Average	Index
White, Non-Hispanic	92%	69%	133
African-American	3%	12%	26
Hispanic	1%	13%	11
Asian or Pacific Islander	2%	4%	51
Other	2%	3%	62

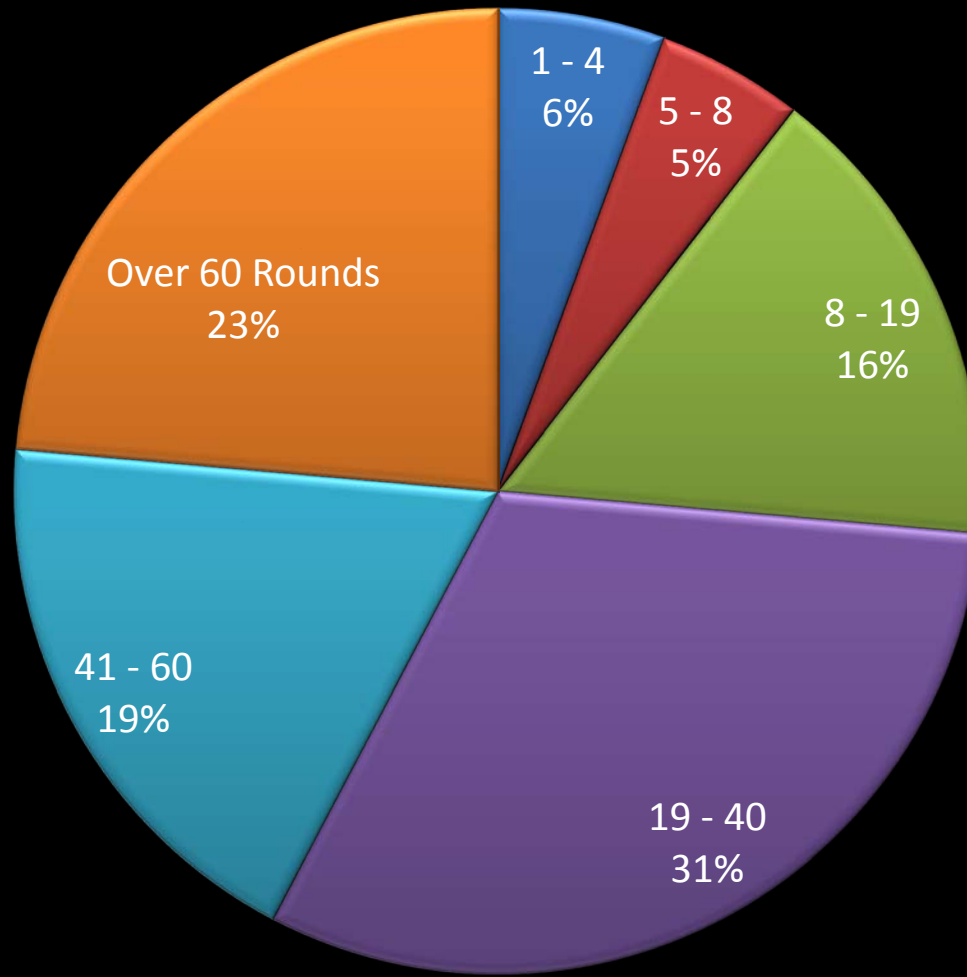
Are you currently on active duty or have you retired from the military?



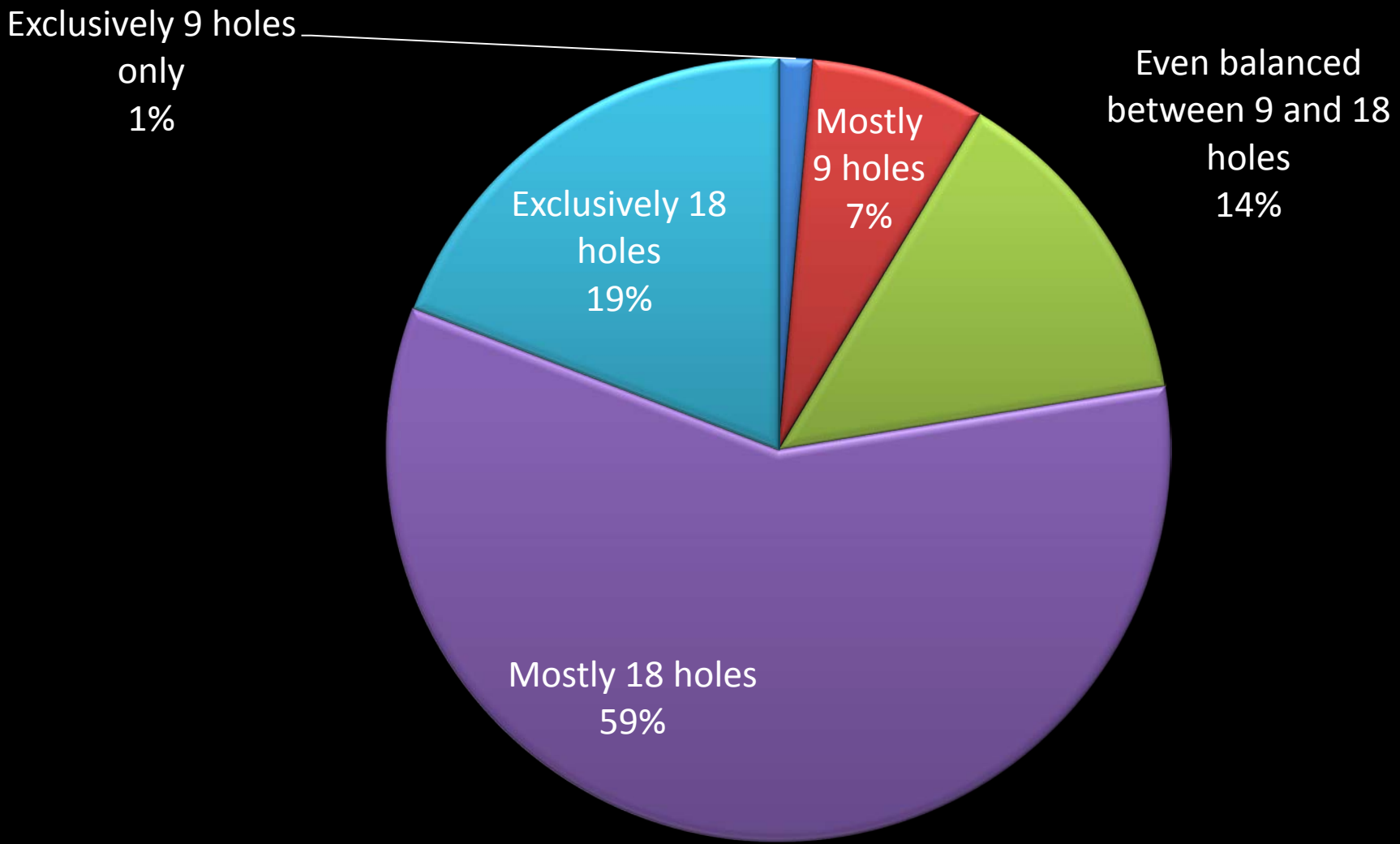
What is Important



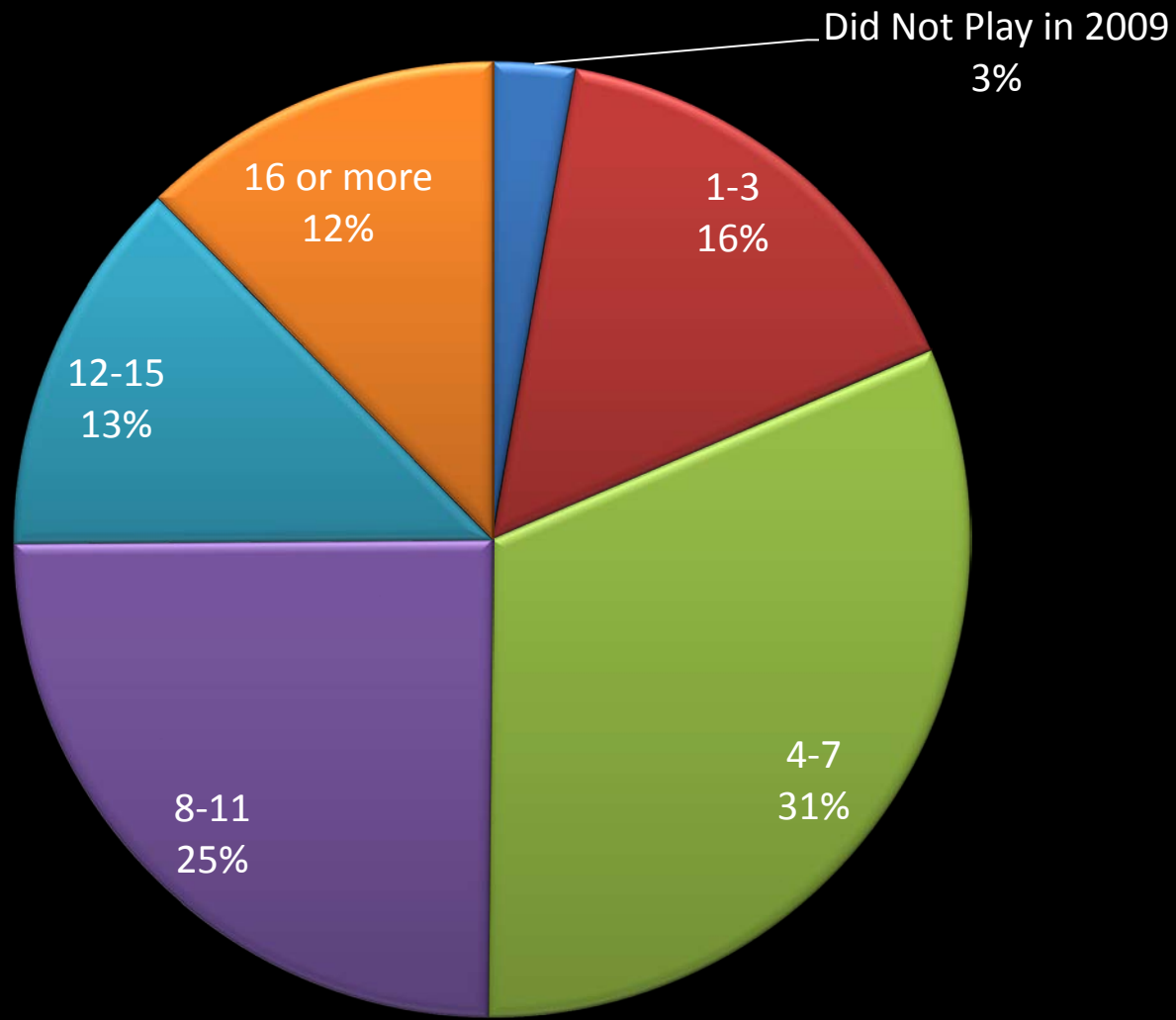
Play a lot



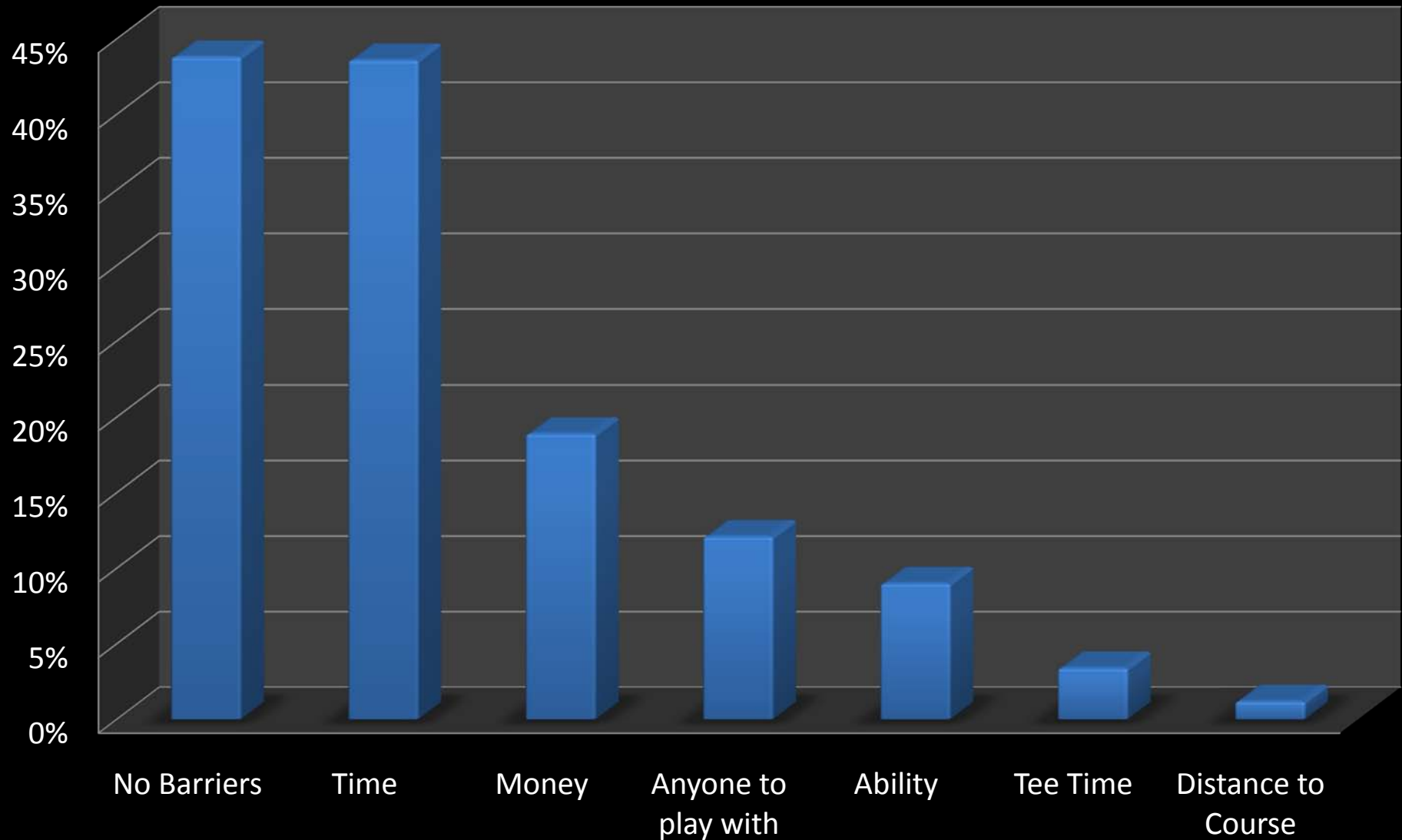
Mostly 18 holes



Play a Lot of Different Courses



Barriers to Playing



Appendix 8 – Virginia Beach Franchise Analysis and Loyalty

GLMA

Technology

Facilities

Surveys

Start

Finish

1

2

3

4

5

6

7

8

Weather
Impact

Financial
Metrics

Operations

Loyalty



1. Golfers are not loyal to Bow Creek and Kempsville
2. Play City courses because of affordability and proximity.
3. Conditioning, pace of play, on-course service issues.

Who Is Your Customer?

City of Virginia Beach

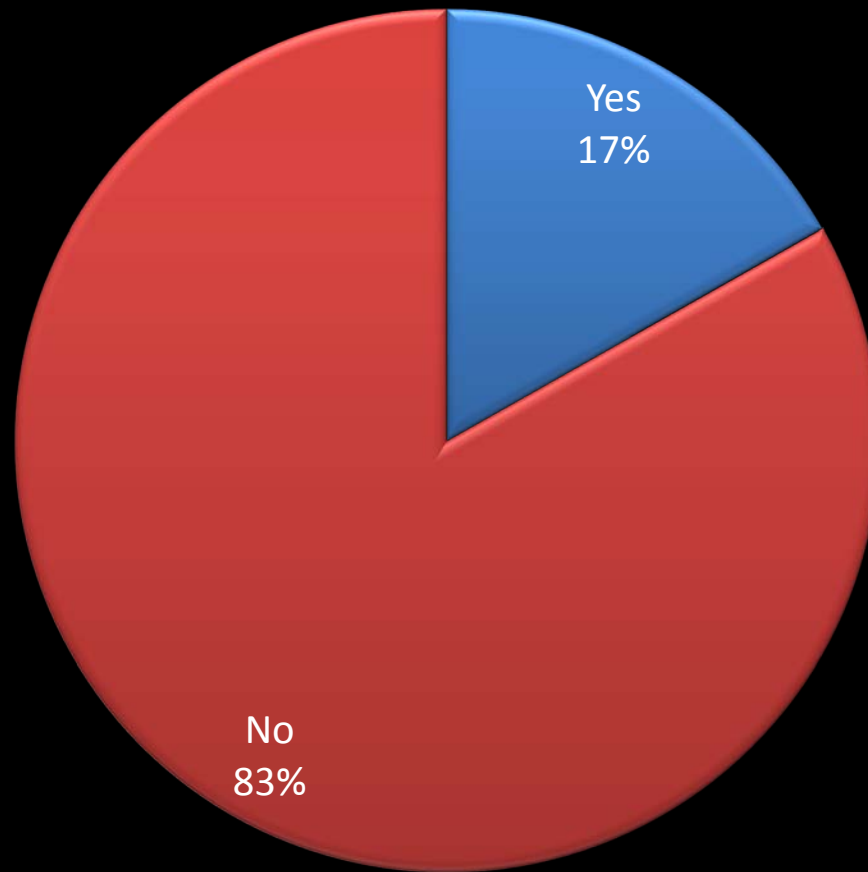
Gender Demographics			
Gender	Survey Response	National Average	Index
Male	77%	55%	140
Female	23%	45%	51

Household Income Demographics			
Household income (\$s)	Survey Response	National Average	Index
0 - 34,999	5%	5%	90
35,000 - 49,999	10%	10%	96
50,000 - 74,999	20%	25%	79
75,000 - 99,999	22%	35%	63
100,000 - \$249,999	41%	23%	176
\$250,000 or more	3%	2%	170

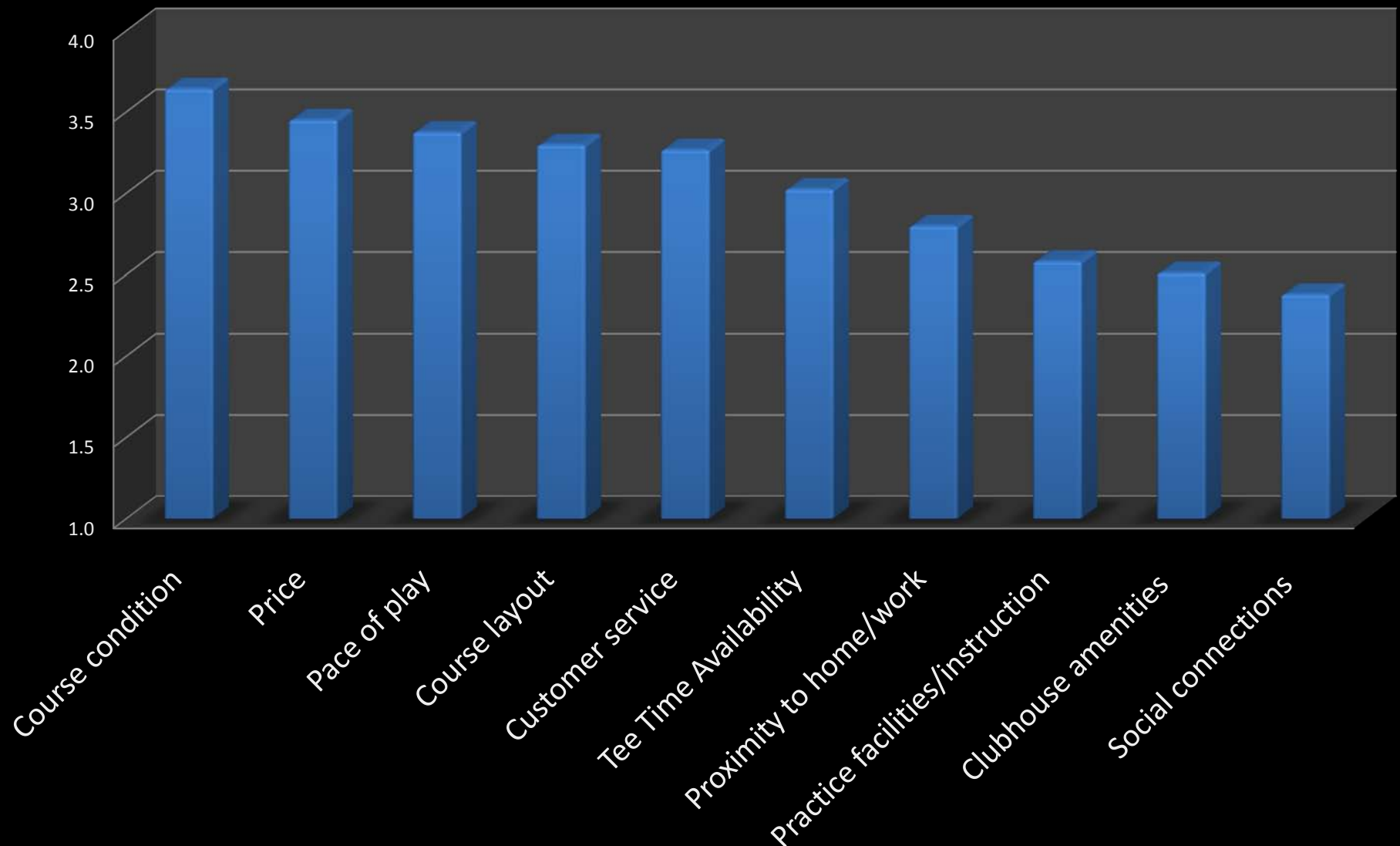
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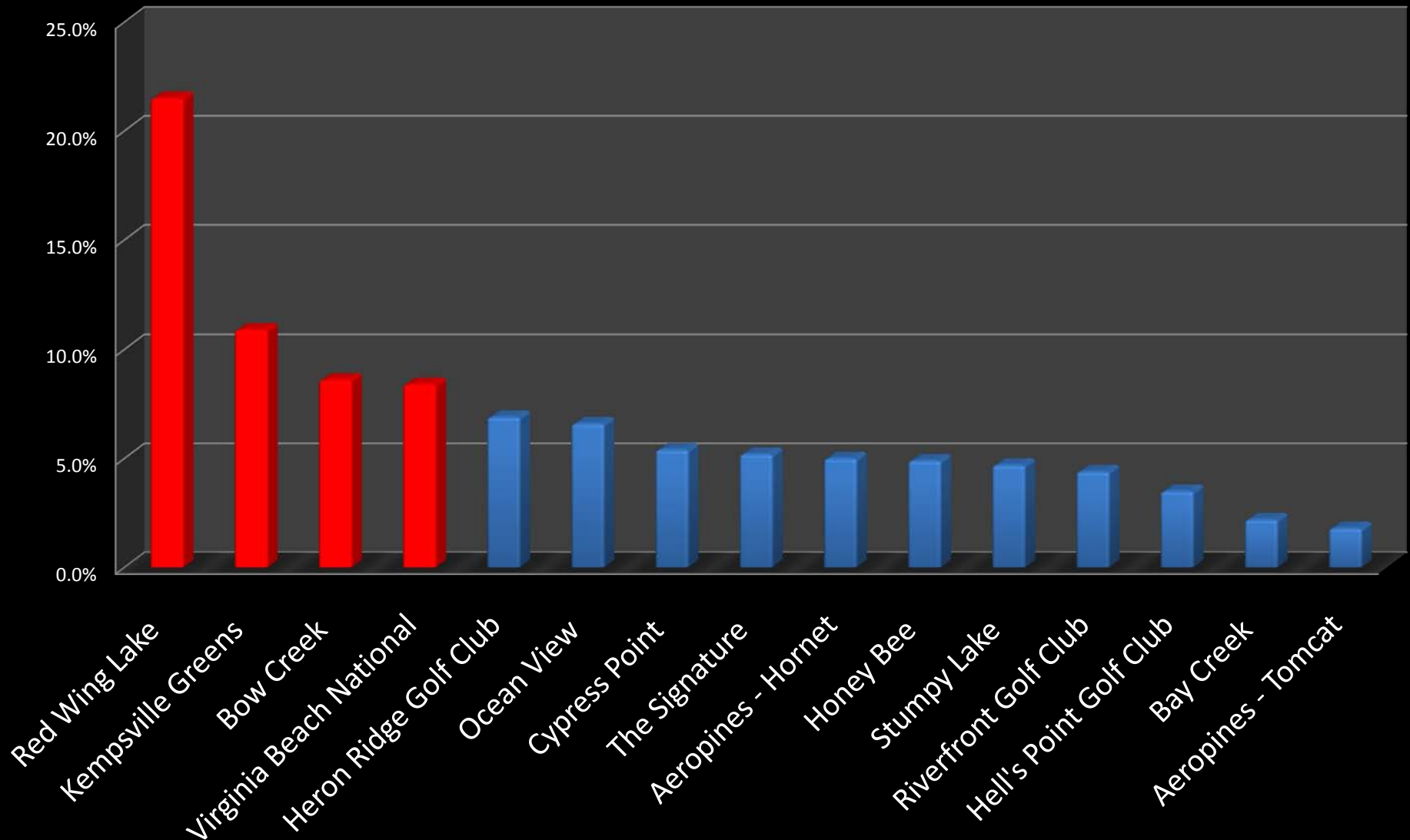
Are you currently on active duty or have you retired from the military?



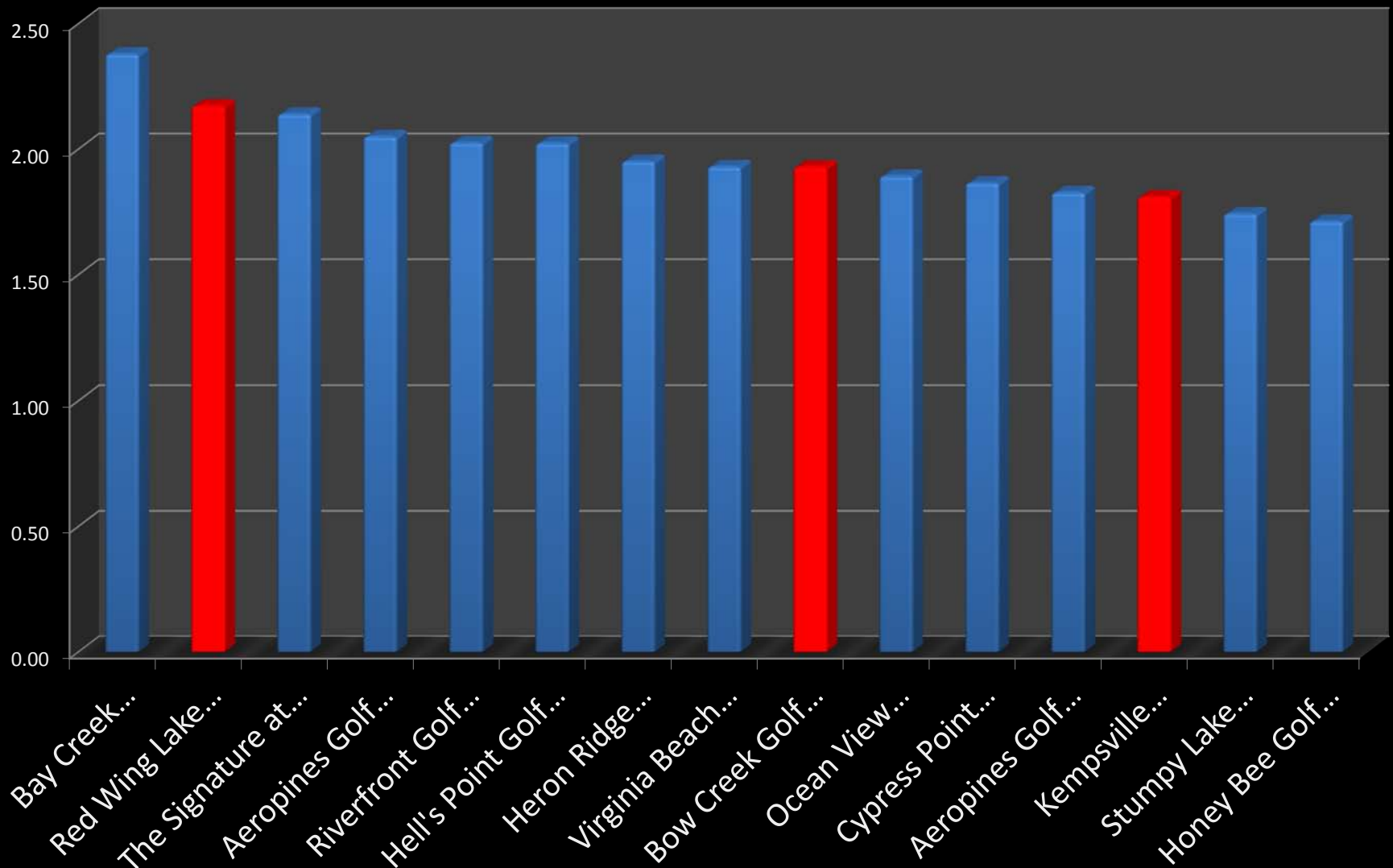
What is Important



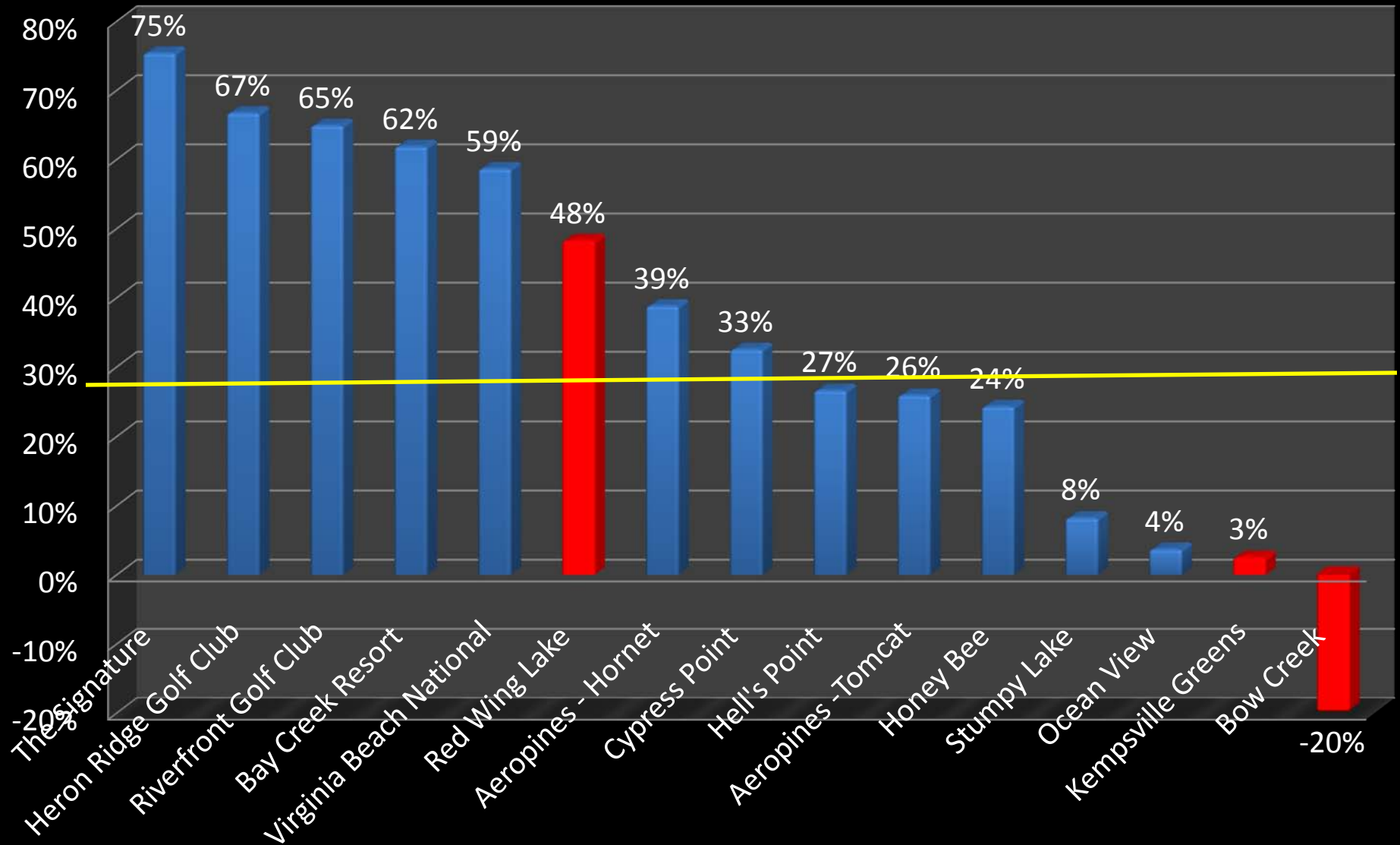
Play Most Often



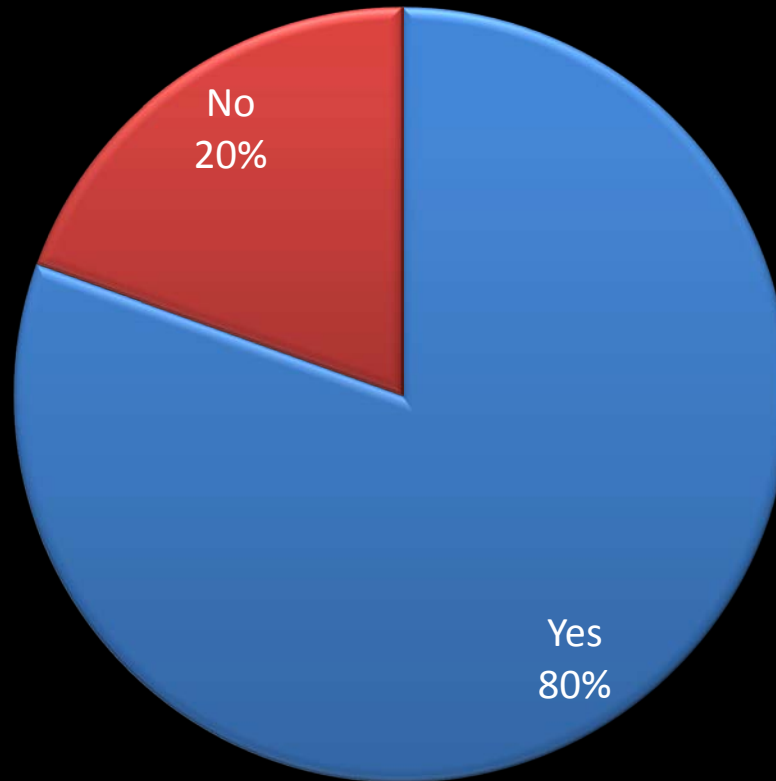
Favorite



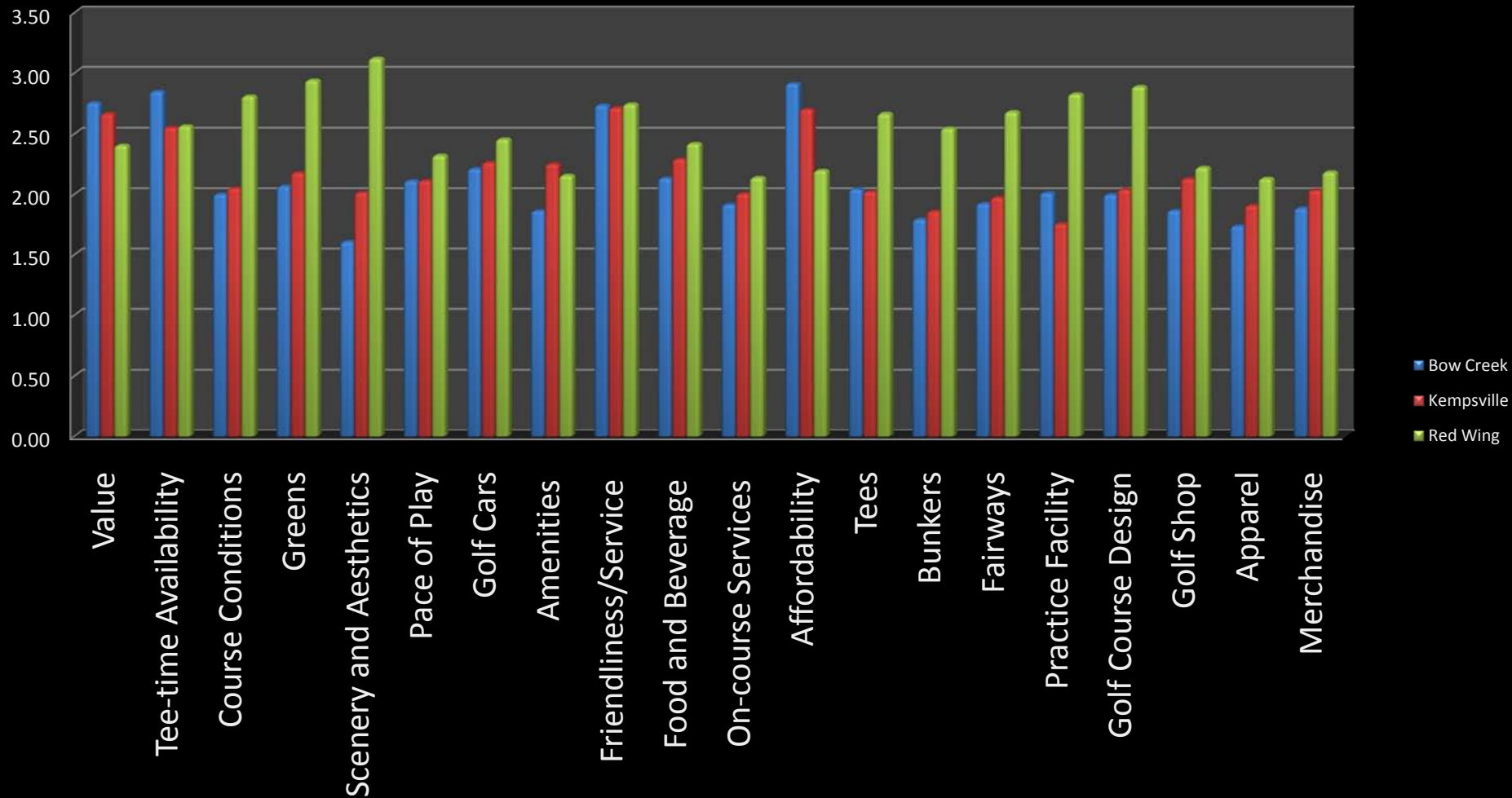
Net Promoter



Have you played any Bow Creek, Kempsville Greens, or Red Wing Lake in the past 12 months?

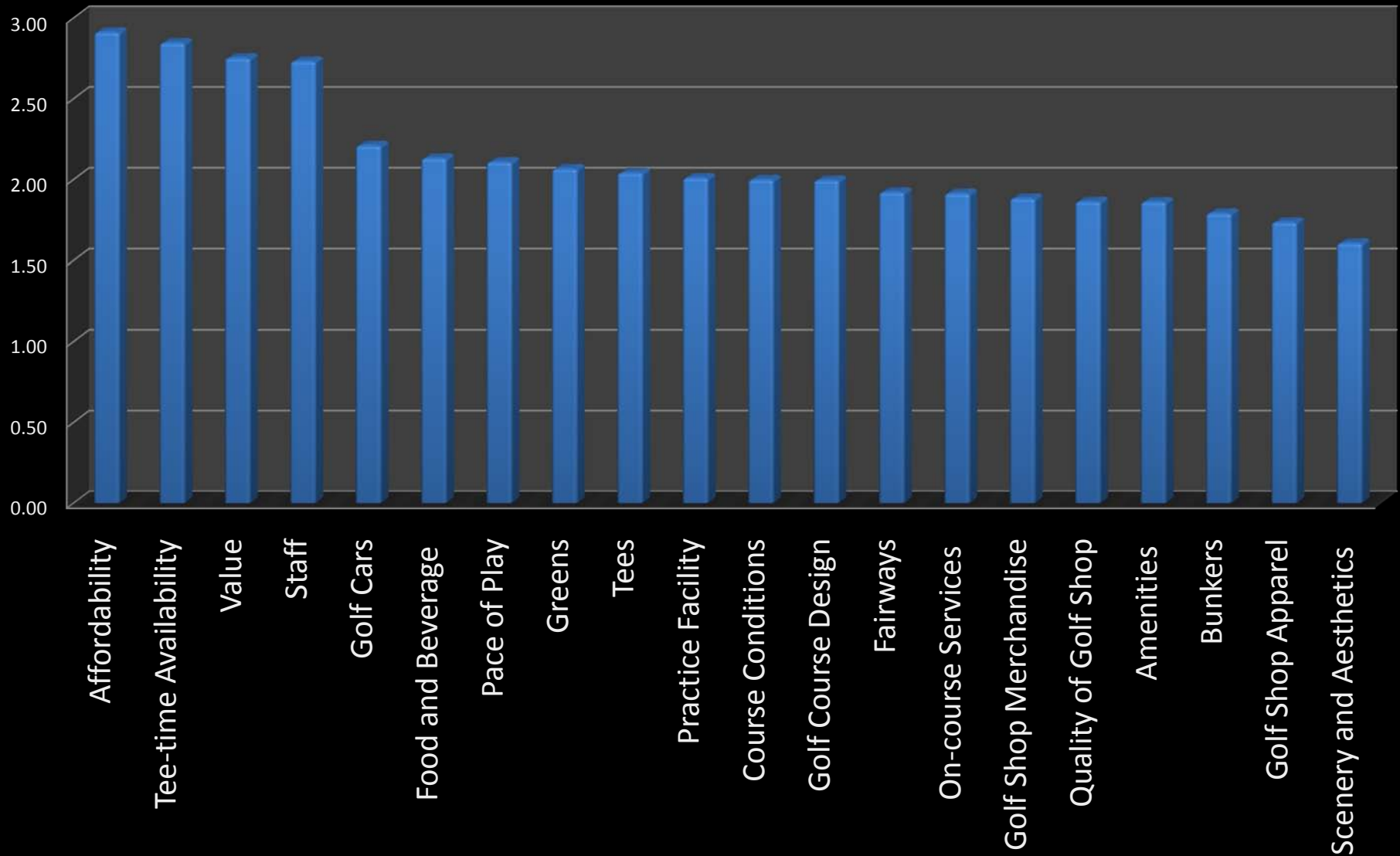


Course Comparison

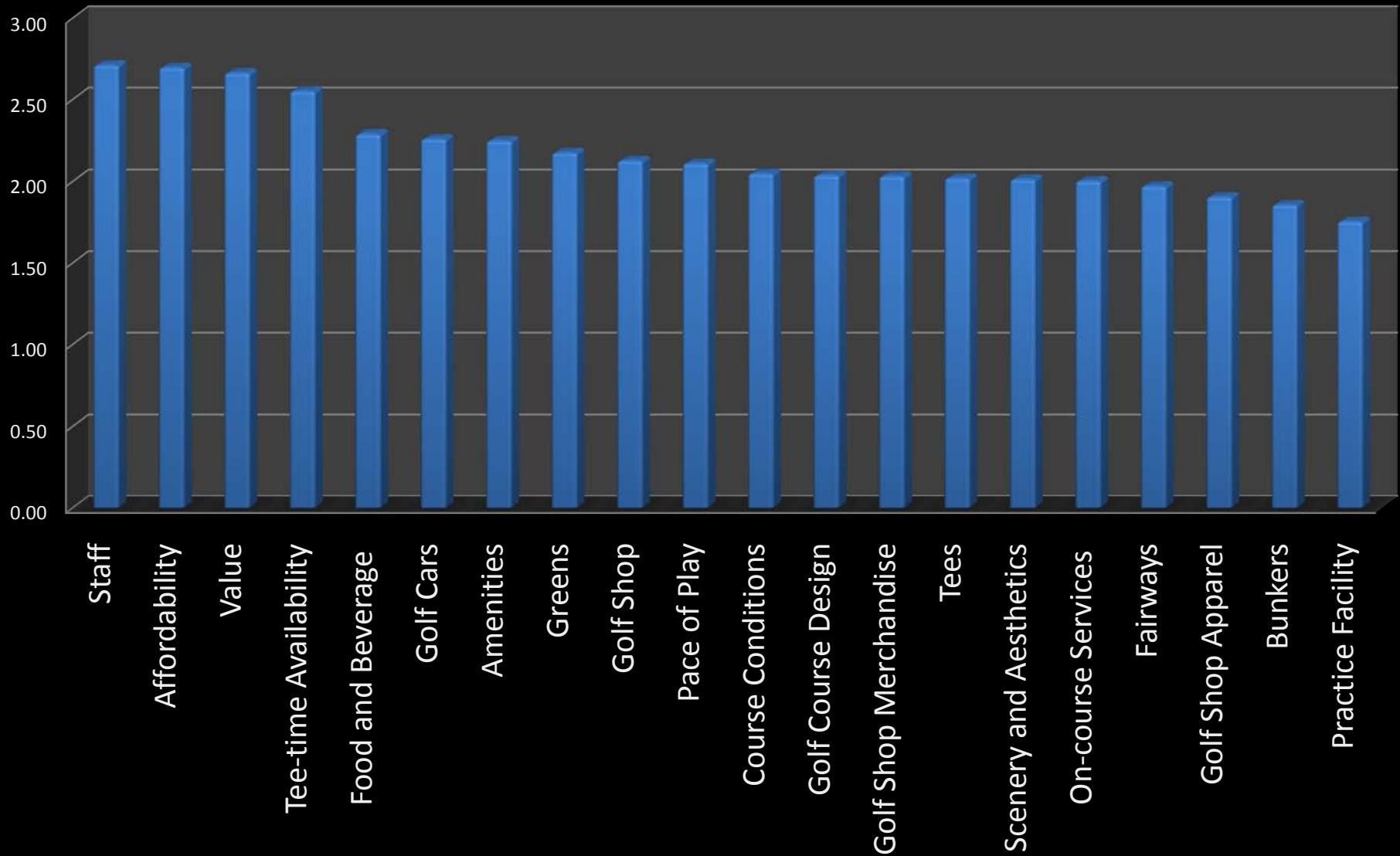


Bow Creek 4 Firsts, Kempsville 1, Red Wing 14

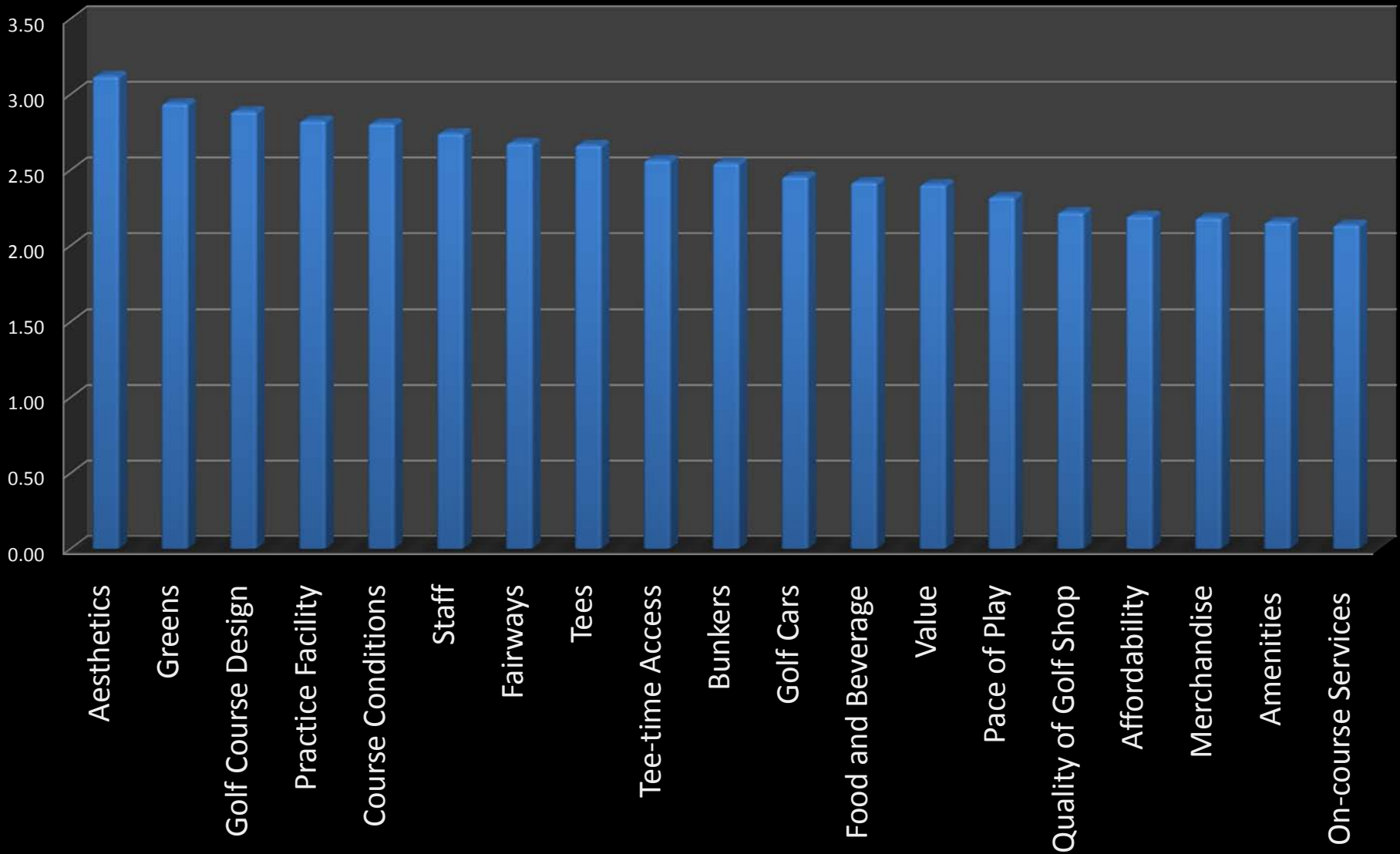
Bow Creek Rating



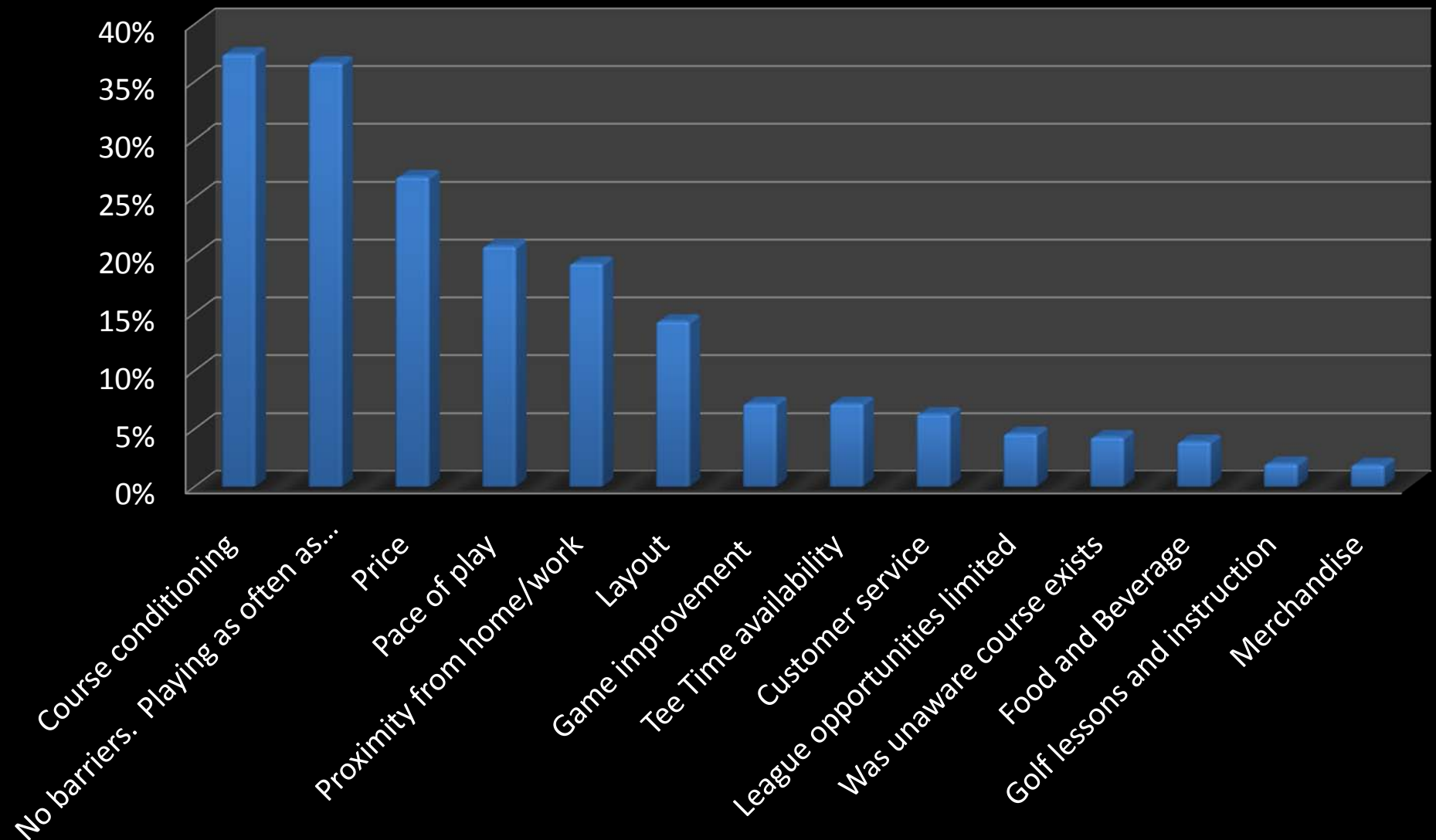
Kempsville Green



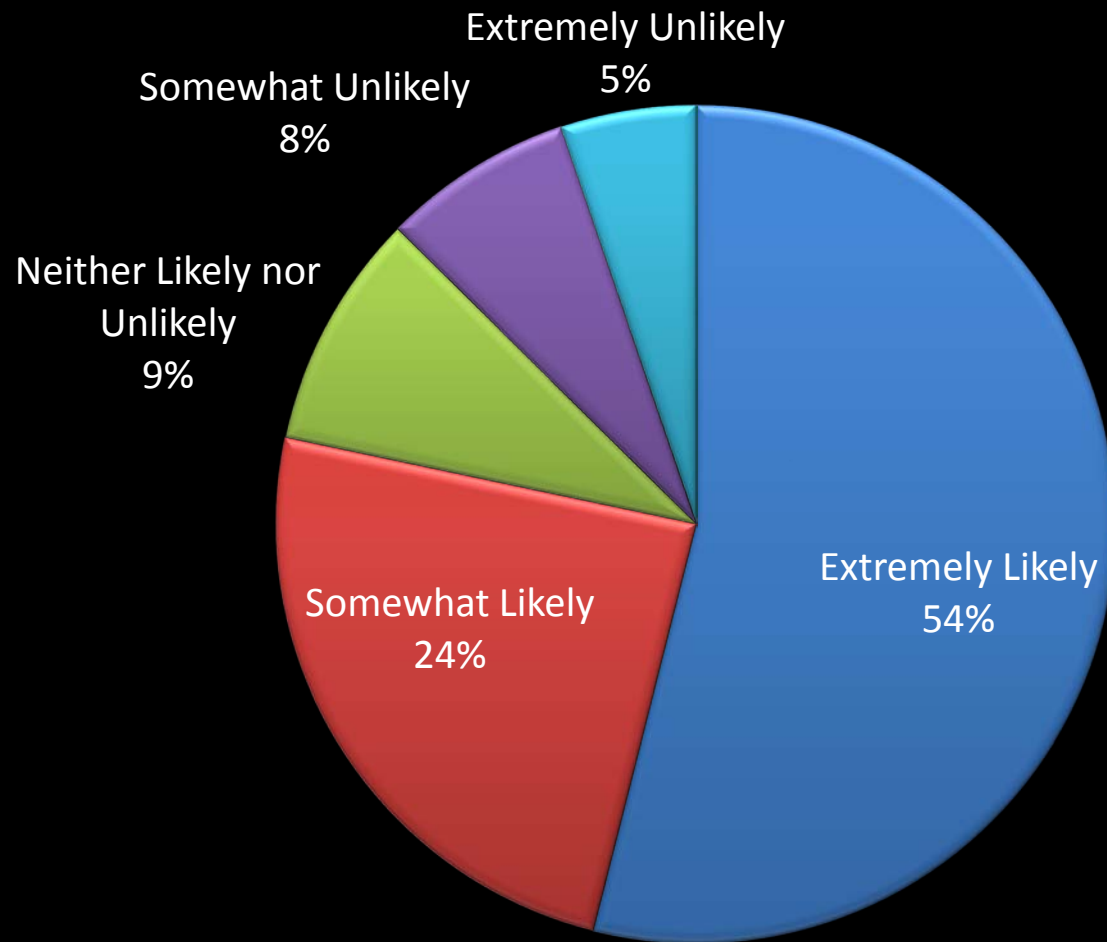
Red Wing Lake Rating



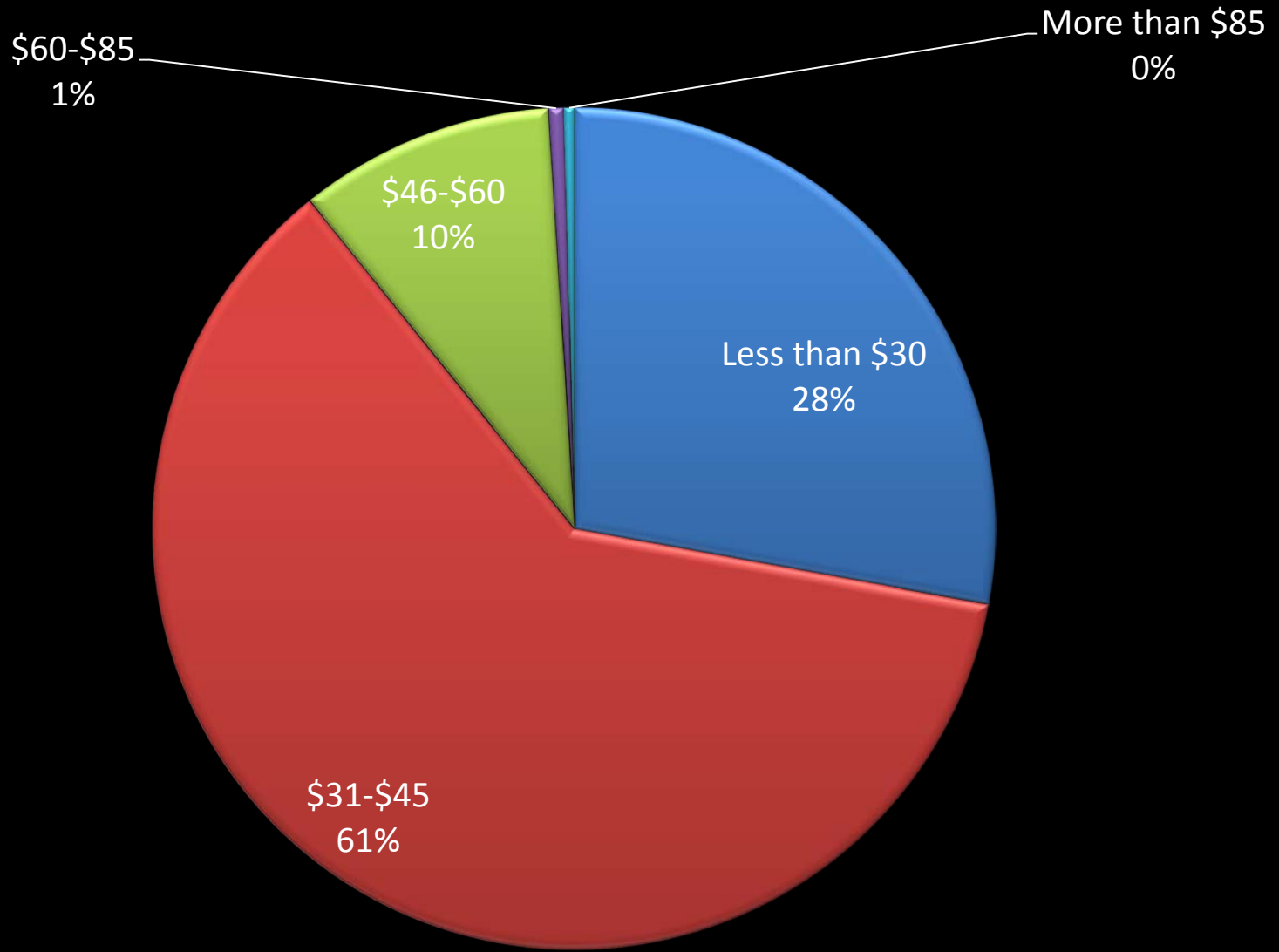
Barriers to Playing City Courses



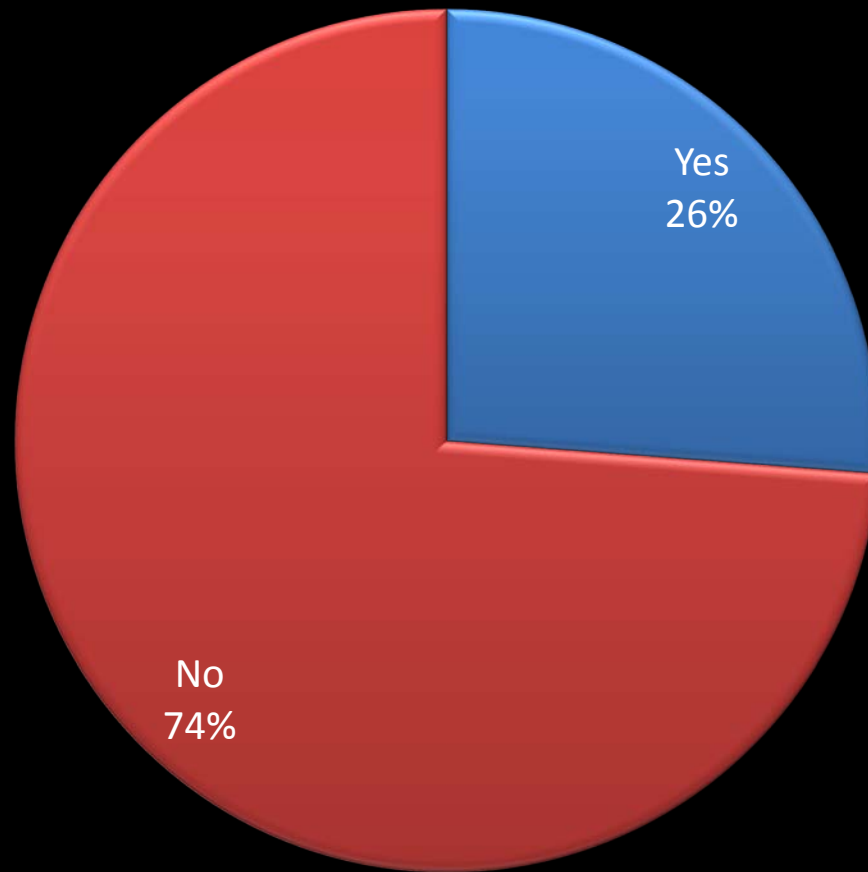
Likely to Play



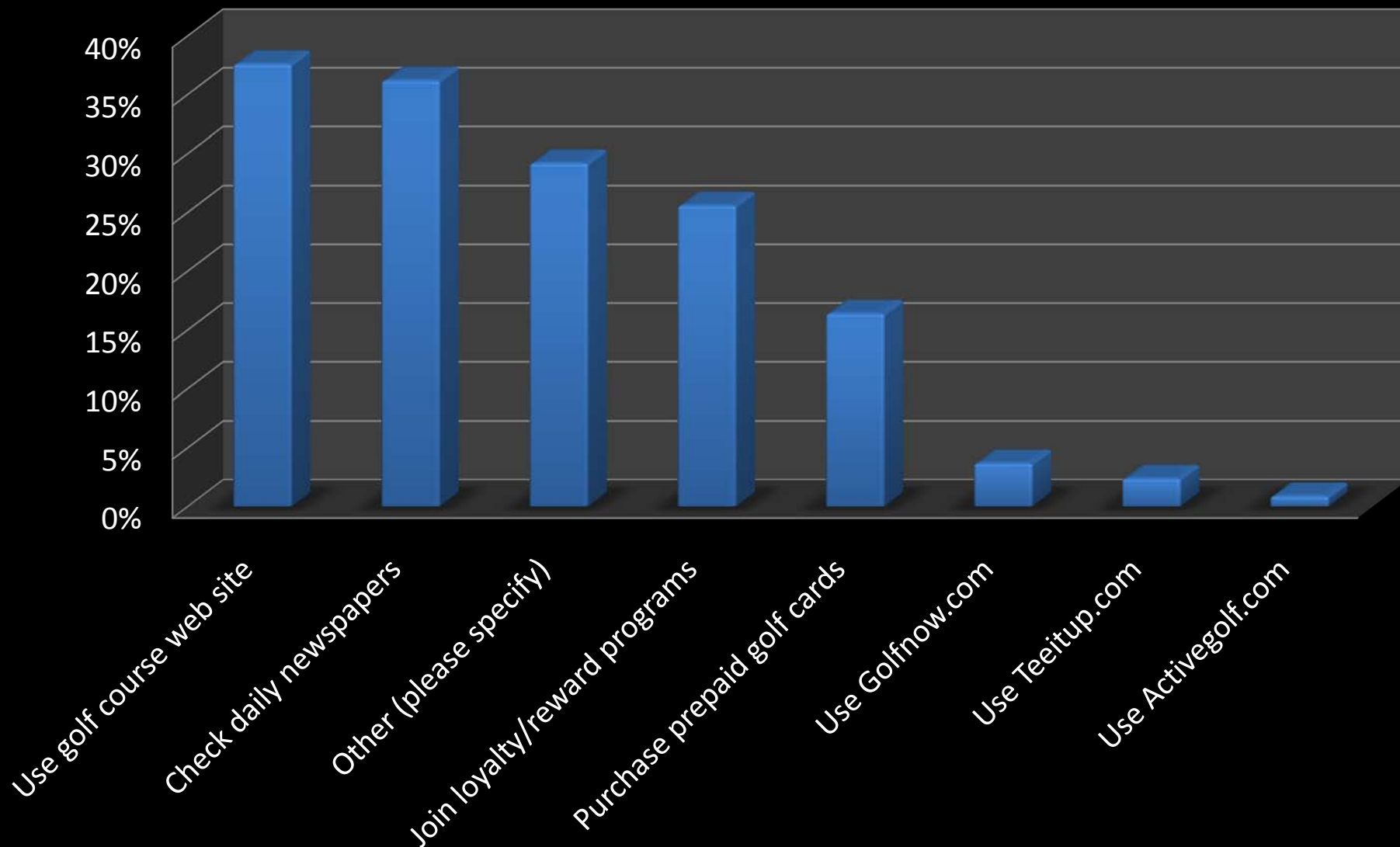
Value: 18 holes + Cart



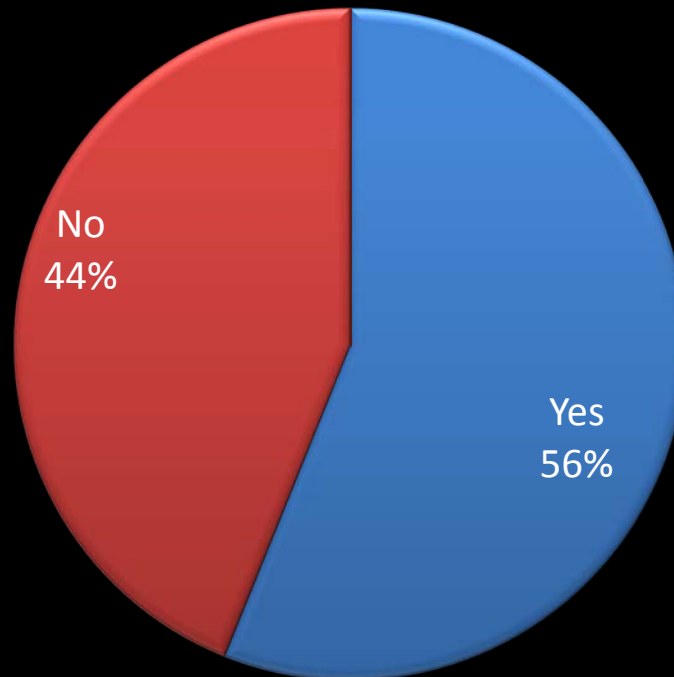
Do you make tee time reservations on the Internet?



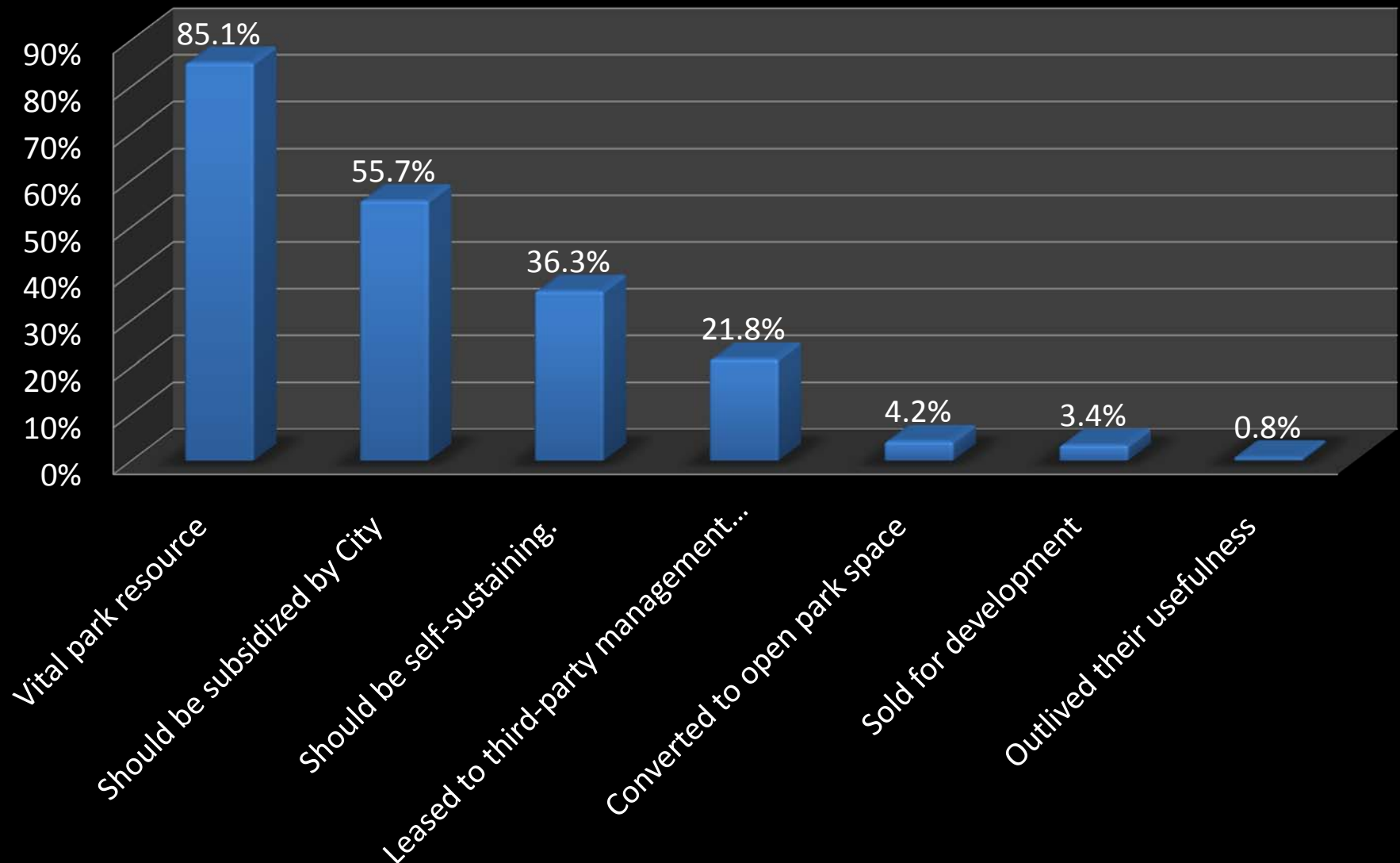
Discounts



Would you be willing to pay \$5.00 more per round for improvements to the City of Virginia Beach's Golf Courses?



City of Virginia Beach courses...



THOUGHTS

What Do You Like	What Would You Improve
Affordability	Conditions
Availability	Pace of Play
Convenience	Prices (VA rate)
Cost	Prices – Lower Red Wing
Price	On course services