

Makefield Highlands Golf Club

Capital Investment Proposal

2011

Overview

After reviewing the overall operations for the past year we would like to continue to reinvest in the facility infrastructure through a long range capital program. The initial capital investment in 2010 allowed us to make substantial gains in improving operations. Our strategy in 2011 includes, includes updating of the physical plant (ie. Bunker renovations, landscape plan, irrigation, wells and bathrooms, In addition, begin replacement of maintenance equipment and the updating of clubhouse infrastructure including remodeling bathrooms and the addition of a storage area to satisfy the needs of the board of health dept by being able to properly store dry and cold goods.

Based on the recent visit of Rick Jacobson, we have revised the master landscape plan, which greatly reduced the overall cost and established a prioritized list for course renovation in line with the original design.

In 2010 we believe we improved the overall experience and presentation of the course and facilities. With the additional allocation of \$100,000 in the fourth quarter for the Capital purchase of 2 triplex mower, 1 aerator, upgrades in the kitchen and carpeting of the pro shop/office we will be in a better position to start the season by continuing to provide the best golfing conditions as well as improving the facilities for our customers.

Moving ahead in 2011 we will continue investment in grounds equipment ,including (1) rough mowers, enhanced landscaping plan to include addition of trees, renovation of the clubhouse men's bathroom, irrigation and well refracting. We have also included a \$60,000 contingency for the repair to the pond liner. In the event the liner does not require this substantial of a repair we would respectfully request we excel the purchase of the first on-course bathroom. Other items include the purchase of Highway Destination sign on route 95 in order to provide the facility with better directional and marketing opportunity.

By providing the capital investment requested we will see a direct savings to our repairs and maintenance, sand and range expenses line items. These current expense lines currently include extra dollars that are needed to maintain the current equipment.

The golf course improvements, equipment to maintain the course and updating of the infrastructure are our priority over the long term and we should focus our resources on them in order to continue to build on our position as the price leader in the market and live up to our positioning statement of "Redefining Public Golf".

2011 CAPITAL PLAN

Maintenance Equipment

The current turf equipment, for the most part, is all original from grow-in. We understand there have been prior discussions on how to handle the replacement of the equipment. In an effort to prioritize the needs we have outlined the most critical needs first and created a matrix of what the cost would verses the value and benefits that will be achieved by having the equipment replaced.

Bunker Renovations

Bunker renovations are a high priority capital item that should be budgeted for in the Spring of 2011. From discussions with Rick Jacobson, original photos and site plans experience we have been able to complete a bunker renovation of this size in-house in two to three years during the spring and fall season. The renovation work to be completed would include the building and stabilization of the bunker faces, removal of old sand, replacing drainage, and adding new sand. We understand the importance of maintaining the integrity of the design features, but in some instances we believe it would be prudent and reduce maintenance cost if we eliminated some of the steep faces by rolling down grass and reducing the steep faces. Not knowing at this time how much sand could be salvaged and how much would need to be replaced does make it difficult to pinpoint an estimate as the cost of sand is a big variable. Once our superintendent has the opportunity to take measurements and probe the sand we will be able to make a more accurate estimate. We believe we should be prepared to spend \$60,000 to \$100,000 to renovate the bunkers. We would recommend at this time that we renovate a few of the more damaged bunkers in the spring which will help us determine the overall cost, as well as provide the customer with a positive feeling from seeing the bunkers problem being addressed by the club.

2011 expense - \$22,000 Long range plan phase 1

Rough Mower

The rough mowers are also original from the grow in of 2004 and are in need of replacement. Repairs to the current equipment are increasing operating expenses and the replacement of 1 mower in 2011 will assist in providing better playing condition in the coming years.

2011 Expense - Rough Mower - \$30,000 - Improves cultural practices, long term solution, second tee and approach mower. Replaces original equipment

Jacobson Tree/Landscape Plan

The present course layout was reviewed by course architect Rick Jacobson and a revised tree and landscape plan was developed. Based on this plan, trees will be planted to protect dangerous parallel fairway situations as well as native fescue will be planted and groomed to enhance the aesthetic of the property.

2011 Expense - \$20,000 Long Range Plan phase 2

Irrigation/Pump House/Wells

Updating of tee irrigation and range target areas, purchase of a new jockey pump (for pump house) and the refracking of the wells will assist in improving the course conditions and allow us to reduce the need to purchase city water too properly maintain excellent course conditions.

2011 Expense - \$29,000

Pond Liner Repair

We have built in a \$60,000 contingency plan for the pond liner. With the uncertainty of the current liner we feel it is prudent to prioritize the repair to the liner so that we can save the expense of purchasing city water. We are currently in the investigative phase and may find that the liner only needs to be patched which would be a substantial savings from the \$60k we are allocating. If this is the case we would like to reallocate the purchase of the on-course bathroom.

2011 Expense - \$60,000

Men's Bathroom - Clubhouse

Renovation of the men's bathroom facility to improve the functionality, amenities and overall appearance set forth by the overall facility.

2011 Expense - \$18,000

Pro Shop Fixtures

Replace outdated and damaged pro shop fixtures to improve the overall look and feel of pro shop.

2011 Expense - \$2,000

Bathroom – On Course (reallocated from 2012 budget if pond liner cost are under \$30k)

Replace Portable Bathroom (#14) with permanent structure to enhance the aesthetic value of the course as well as providing a higher level of comfort to players.

2011 Expense - \$28,000

Highway Signage

Have "attraction" signage installed on I-95 N/S to better alert customers to Makefield Highlands Golf Club and heighten awareness of the facility to those travelling the local highway.

2011 Expense - \$15,000

Storage Room

Installation of new storage room in the basement will allow us to properly store our cold and dry goods. This new area will help us improve the efficiency of the current kitchen as well as eliminate many of the issues that have arisen over the years with the board of health department.

2011 Expense - \$20,000

Total Capital - \$216,000

Makefield Highlands Golf Club

2011

CAPITAL EXPENSE PLAN

| | 2011 | 2012 | 2013 | 2014 | 2015 | Five Year Total |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|----------------------------|
| COURSE AND GROUNDS | | | | | | |
| Bunker Renovations | \$ 22,000 | \$ 18,000 | | | | \$ 40,000 |
| Jacobson Renovations (Trees/Landscape) | \$ 20,000 | \$ 40,000 | \$ 40,000 | \$ 40,000 | \$ 40,000 | \$ 180,000 |
| Irrigation/Pump House/Wells | \$ 29,000 | | | | | \$ 29,000 |
| Pond Liner repair | \$ 60,000 | | | | | |
| Cart bridge (#18) | | \$ 35,000 | | | | \$ 35,000 |
| On Course Bathrooms #4,13 | | \$ 28,000 | \$ 28,000 | | | \$ 56,000 |
| Tri-Plex Mowers | | \$ 33,000 | | | \$ 33,000 | \$ 66,000 |
| Sand Pro | | | \$ - | 16000 | | \$ 16,000 |
| Rough mower | \$ 30,000 | | | | | \$ 30,000 |
| Aerator | | | | | 25,000 | \$ 25,000 |
| Fairway Mowers (Jacobson) | | | \$ 50,000 | 50,000 | | \$ 100,000 |
| Tee Expansion hole 1-4-5-13-18 | | \$ 15,000 | \$ 15,000 | | | \$ 30,000 |
| Utility Carts | | | | 70,000 | | \$ 70,000 |
| SUBTOTAL | \$ 161,000 | \$ 169,000 | \$ 133,000 | \$ 176,000 | \$ 98,000 | \$ 607,000 |
| OTHER | | | | | | |
| Highway Signage | \$ 15,000 | \$ 450 | \$ 450 | \$ 450 | \$ 450 | \$ 16,800 |
| CLUBHOUSE | | | | | | |
| Computers | | | \$ 3,000 | | \$ 3,000 | \$ 6,000 |
| Pro Shop Fixtures | \$ 2,000 | | | | | \$ 2,000 |
| Phone System | | \$ 6,000 | | | | |
| Bathrooms - Clubhouse | \$ 18,000 | | \$ 18,000 | | | \$ 36,000 |
| Storage area | \$ 20,000 | | | | | \$ 20,000 |
| Dining Room Furniture | | | | | \$ 25,000 | \$ 25,000 |
| Kitchen Equipment | | | \$ 15,000 | | | \$ 15,000 |
| clubhouse renovation | | | | | \$ 50,000 | \$ 50,000 |
| SUBTOTAL | \$ 40,000 | \$ 6,000 | \$ 36,000 | \$ - | \$ 78,000 | \$ 154,000 |
| RANGE | | | | | | |
| Range Picker Assbly. | | \$ 5,000 | | | | \$ 5,000 |
| Range Machine | | | \$ 7,000 | | | \$ 7,000 |
| SUBTOTAL | | \$ 5,000 | \$ 7,000 | | | \$ 12,000 |
| GRAND TOTAL | \$ 216,000 | \$ 180,450 | \$ 176,450 | \$ 176,450 | \$ 176,450 | \$ 789,800 |

| |
|--------------|
| course equip |
| \$ 307,000 |

**Makefield Highlands Golf Club
2011
BUDGET**

| Rounds of Golf | 250 | 250 | 1000 | 4600 | 5750 | 6000 | 6000 | 6000 | 5000 | 2800 | 900 | 150 | 38700 | | | | |
|------------------------------------|--------------------|--------------------|--------------------|------------------|------------------|--------------------|------------------|------------------|------------------|------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--|
| | Jan | Feb | March | April | May | June | July | Aug | Sept | Oct | Nov | Dec | 2011 | 2010 Projected | 2010 Budget | 2009 Actual | |
| REVENUES | | | | | | | | | | | | | | | | | |
| - Greens Fees | \$6,438 | \$6,438 | \$33,380 | \$172,725 | \$229,440 | \$251,999 | \$243,009 | \$243,009 | \$186,119 | \$100,944 | \$31,440 | \$3,891 | \$1,508,832 | \$1,472,074 | \$1,500,340 | \$1,427,129 | |
| - Golf Cart Fees | \$2,782 | \$2,782 | \$11,924 | \$55,128 | \$70,334 | \$74,956 | \$73,955 | \$73,955 | \$61,149 | \$34,505 | \$11,129 | \$1,678 | \$474,277 | \$420,029 | \$410,095 | \$410,095 | |
| - Pro Shop Merchandise | \$1,000 | \$1,000 | \$3,500 | \$16,100 | \$20,125 | \$24,000 | \$24,000 | \$24,000 | \$17,500 | \$9,800 | \$3,150 | \$600 | \$144,775 | \$134,333 | \$131,300 | \$120,056 | |
| - Food & Beverage | \$7,475 | \$7,475 | \$15,875 | \$51,675 | \$67,550 | \$86,325 | \$68,475 | \$68,475 | \$59,625 | \$42,875 | \$22,250 | \$12,575 | \$510,650 | \$484,959 | \$505,158 | \$485,986 | |
| - Food & Bev Other Revs | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,050 | |
| - Range | \$1,000 | \$1,250 | \$10,000 | \$21,000 | \$27,000 | \$29,000 | \$28,000 | \$24,000 | \$20,000 | \$11,600 | \$5,500 | \$1,200 | \$179,550 | \$175,555 | \$167,780 | \$164,718 | |
| - Other Pro-Shop Rev | \$32 | \$32 | \$136 | \$632 | \$18,426 | \$897 | \$913 | \$913 | \$521 | \$406 | \$116 | \$19 | \$23,043 | \$14,809 | \$14,809 | \$14,523 | |
| -Gratuity F&B | \$153 | \$153 | \$191 | \$268 | \$459 | \$880 | \$344 | \$344 | \$421 | \$574 | \$383 | \$306 | \$4,475 | | \$0 | \$0 | |
| -Scoring /Gratuity Golf | \$0 | \$0 | \$0 | \$400 | \$1,400 | \$3,800 | \$1,000 | \$1,000 | \$1,200 | \$1,600 | \$400 | \$0 | \$10,800 | | \$0 | \$0 | |
| -Lesson Income | \$500 | \$300 | \$500 | \$1,322 | \$4,783 | \$12,849 | \$17,433 | \$16,433 | \$4,222 | \$2,661 | \$2,600 | \$1,500 | \$65,103 | | \$0 | \$0 | |
| Pre-Paid Green Fees | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0 | | | | |
| TOTAL REVENUE | \$19,381 | \$19,431 | \$75,506 | \$319,250 | \$439,517 | \$484,706 | \$457,129 | \$452,129 | \$350,756 | \$204,965 | \$76,967 | \$21,770 | \$2,921,505 | \$2,701,759 | \$2,729,482 | \$2,623,557 | |
| COST OF SALES | | | | | | | | | | | | | | | | | |
| - COGS - Pro Shop | \$720 | \$720 | \$2,520 | \$11,592 | \$14,490 | \$17,280 | \$17,280 | \$17,280 | \$12,600 | \$7,056 | \$2,268 | \$432 | \$104,238 | \$90,451 | \$83,751 | \$77,961 | |
| - COGS - Food | \$1,819 | \$1,819 | \$3,910 | \$12,852 | \$16,762 | \$21,318 | \$17,034 | \$17,034 | \$14,790 | \$10,540 | \$5,440 | \$3,043 | \$126,361 | \$100,506 | \$93,295 | \$95,716 | |
| - COGS - Beverage | \$638 | \$638 | \$1,313 | \$4,163 | \$5,475 | \$7,088 | \$5,513 | \$5,513 | \$4,838 | \$3,563 | \$1,875 | \$1,088 | \$41,700 | \$78,107 | \$75,976 | \$74,137 | |
| TOTAL COST OF SALES | \$3,177 | \$3,177 | \$7,743 | \$28,607 | \$36,727 | \$45,686 | \$39,827 | \$39,827 | \$32,228 | \$21,159 | \$9,583 | \$4,563 | \$272,299 | \$269,064 | \$253,022 | \$247,814 | |
| GROSS INCOME | \$16,204 | \$16,254 | \$67,763 | \$290,643 | \$402,790 | \$439,020 | \$417,303 | \$412,303 | \$318,528 | \$183,806 | \$67,384 | \$17,207 | \$2,649,206 | \$2,432,695 | \$2,476,460 | \$2,375,743 | |
| OPERATING EXPENSES | | | | | | | | | | | | | | | | | |
| - Golf Operations Expense | \$9,851 | \$13,180 | \$21,069 | \$24,226 | \$24,517 | \$40,596 | \$40,695 | \$38,332 | \$30,076 | \$21,398 | \$14,059 | \$13,271 | \$291,270 | \$227,108 | \$176,430 | \$217,953 | |
| - General & Administrative Expense | \$20,262 | \$19,763 | \$23,354 | \$24,903 | \$24,364 | \$28,742 | \$26,095 | \$26,153 | \$28,259 | \$23,339 | \$20,376 | \$23,041 | \$288,650 | \$309,570 | \$299,836 | \$269,212 | |
| - Golf Course Maintenance Expense | \$22,816 | \$24,816 | \$62,548 | \$65,632 | \$81,442 | \$89,792 | \$93,732 | \$64,842 | \$64,162 | \$50,047 | \$33,923 | \$28,334 | \$682,089 | \$568,690 | \$728,832 | \$623,692 | |
| - Food & Beverage Expense | \$10,139 | \$8,589 | \$12,822 | \$18,078 | \$18,330 | \$18,457 | \$20,557 | \$18,891 | \$20,790 | \$15,812 | \$12,621 | \$13,654 | \$188,739 | \$188,414 | \$171,399 | \$152,394 | |
| - Marketing Expense | \$6,600 | \$3,350 | \$6,350 | \$3,150 | \$4,100 | \$4,650 | \$4,800 | \$4,650 | \$3,400 | \$750 | \$1,000 | \$750 | \$43,550 | \$31,960 | \$76,646 | \$72,200 | |
| - Golf Cart Lease | \$5,775 | \$5,775 | \$5,775 | \$5,775 | \$5,775 | \$5,775 | \$5,775 | \$5,775 | \$5,775 | \$5,775 | \$5,775 | \$5,775 | \$69,300 | \$69,292 | \$77,650 | \$77,473 | |
| -Management Fee | \$8,000 | \$8,000 | \$8,000 | \$8,000 | \$8,000 | \$8,000 | \$8,000 | \$8,000 | \$8,000 | \$8,000 | \$8,000 | \$8,000 | \$96,000 | \$102,334 | \$104,004 | \$101,400 | |
| payroll taxes a | 0 | 7090 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$123,372 | |
| | | 7049 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| TOTAL OPERATING EXPENSE | \$83,443 | \$83,473 | \$139,919 | \$149,764 | \$166,528 | \$196,012 | \$199,654 | \$166,643 | \$160,463 | \$125,121 | \$95,753 | \$92,825 | \$1,659,598 | \$1,497,368 | \$1,634,797 | \$1,536,296 | |
| EBITDA | (\$67,239) | (\$67,219) | (\$72,155) | \$140,879 | \$236,262 | \$243,009 | \$217,648 | \$245,659 | \$158,066 | \$58,685 | (\$28,369) | (\$75,618) | \$989,608 | \$935,327 | \$841,663 | \$839,447 | |
| -Loan Repayment | | | | | | \$380,000 | | | | | | | \$380,000 | \$420,000 | \$420,000 | \$415,000 | |
| -Loan Interest Expense | \$40,541 | \$40,541 | \$40,541 | \$40,541 | \$40,541 | \$40,541 | \$40,541 | \$40,541 | \$40,541 | \$40,541 | \$40,541 | \$40,541 | \$486,493 | \$225,279 | \$564,706 | \$378,993 | |
| - Capital | | | | | | | | | | | | | \$216,000 | \$200,000 | | | |
| NET OPERATING INCOME | (\$107,780) | (\$107,760) | (\$112,696) | \$100,338 | \$195,721 | (\$177,532) | \$177,107 | \$205,118 | \$117,525 | \$18,144 | (\$68,910) | (\$116,159) | (\$92,885) | \$90,048 | (\$143,043) | \$45,454 | |

Makefield Highlands Golf Club

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| REVENUES | | | | | | | |
| - Greens Fees | \$1,508,832 | \$1,554,097 | \$1,600,720 | \$1,648,741 | \$1,698,204 | \$1,749,150 | \$1,801,624 |
| - Golf Cart Fees | \$474,277 | \$488,505 | \$503,160 | \$518,255 | \$533,802 | \$549,817 | \$566,311 |
| - Pro Shop Merchandise | \$144,775 | \$149,118 | \$153,592 | \$158,200 | \$162,946 | \$167,834 | \$172,869 |
| - Food & Beverage | \$510,650 | \$525,970 | \$541,749 | \$558,001 | \$574,741 | \$591,983 | \$609,743 |
| - Food & Bev Other Revs | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| - Range | \$179,550 | \$184,937 | \$190,485 | \$196,199 | \$202,085 | \$208,148 | \$214,392 |
| - Other Pro-Shop Rev | \$23,043 | \$23,734 | \$24,446 | \$25,180 | \$25,935 | \$26,713 | \$27,515 |
| -Gratuity F&B | \$4,475 | \$4,610 | \$4,748 | \$4,890 | \$5,037 | \$5,188 | \$5,344 |
| -Scoring /Gratuity Golf | \$10,800 | \$11,124 | \$11,458 | \$11,801 | \$12,155 | \$12,520 | \$12,896 |
| -Lesson Income | \$65,103 | \$67,056 | \$69,068 | \$71,140 | \$73,274 | \$75,472 | \$77,736 |
| Pre-Paid Green Fees | | | | | | | |
| TOTAL REVENUE | \$2,921,505 | \$3,009,150 | \$3,099,425 | \$3,192,407 | \$3,288,180 | \$3,386,825 | \$3,488,430 |
| | | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| COST OF SALES | | | | | | | |
| - COGS - Pro Shop Mar 0.72 | \$104,238 | \$107,365 | \$110,586 | \$113,904 | \$117,321 | \$120,840 | \$124,466 |
| - COGS - Food 0.728 0.34 | \$126,361 | \$130,152 | \$134,056 | \$138,078 | \$142,220 | \$146,487 | \$150,882 |
| - COGS - Beve 0.272 0.3 | \$41,700 | \$42,951 | \$44,240 | \$45,567 | \$46,934 | \$48,342 | \$49,792 |
| TOTAL COST OF SALES | \$272,299 | \$280,468 | \$288,882 | \$297,548 | \$306,475 | \$315,669 | \$325,139 |
| GROSS INCOME | \$2,649,206 | \$2,728,682 | \$2,810,543 | \$2,894,859 | \$2,981,705 | \$3,071,156 | \$3,163,290 |
| OPERATING EXPENSES | | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% |
| - Golf Operations Expense | \$291,270 | \$295,639 | \$300,074 | \$304,575 | \$309,143 | \$313,781 | \$318,487 |
| - General & Administrative Expense | \$288,650 | \$292,979 | \$297,374 | \$301,835 | \$306,362 | \$310,958 | \$315,622 |
| - Golf Course Maintenance Expense | \$682,089 | \$692,320 | \$702,705 | \$713,246 | \$723,944 | \$734,803 | \$745,825 |
| - Food & Beverage Expense | \$188,739 | \$191,570 | \$194,444 | \$197,361 | \$200,321 | \$203,326 | \$206,376 |
| - Marketing Expense | \$43,550 | \$44,203 | \$44,866 | \$45,539 | \$46,222 | \$46,916 | \$47,619 |
| - Golf Cart Lease | \$69,300 | \$70,340 | \$71,395 | \$72,466 | \$73,552 | \$74,656 | \$74,656 |
| payroll taxes and benefits | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| TOTAL OPERATING EXPENSE | \$1,563,598 | \$1,587,052 | \$1,610,858 | \$1,635,020 | \$1,659,546 | \$1,684,439 | \$1,708,586 |
| EBITDA | \$1,085,608 | \$1,141,630 | \$1,199,685 | \$1,259,838 | \$1,322,159 | \$1,386,717 | \$1,454,705 |
| | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| - Capital | \$216,000 | \$180,450 | \$176,450 | \$176,450 | \$176,450 | \$176,450 | \$176,450 |
| NET OPERATING INCOME | \$1,085,608 | \$1,141,630 | \$1,199,685 | \$1,259,838 | \$1,322,159 | \$1,386,717 | \$1,454,705 |