

February 20, 2006

Mr. Paul A. Leonard  
**The Township of Upper Dublin**  
801 Loch Alsh Avenue  
Fort Washington, PA 19034

Ref: Limited Appraisal &  
Restricted Report  
**Twining Valley Golf & Fitness Club**  
1400 Twining Road  
Dresher, Upper Dublin Township,  
Montgomery County, PA

Dear Mr. Leonard:

At your request, we have appraised the property referenced above to estimate the value of the leasehold interest in the subject property. Laurence A. Hirsh and Shaun A. Henry inspected the subject on September 16, 2005, with the assistance of Hugh Reilly, Sr. We have appraised the property as of September 16, 2005, the most recent date of inspection.

We have considered location, condition, size, functional utility, operating costs, and other pertinent data.

It is our opinion, and we hereby certify, that as of September 16, 2005 the "in use" value of the leasehold interest in Twining Valley Golf and Fitness Club was:

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**SEVEN HUNDRED SEVENTY THOUSAND (\$770,000) DOLLARS**

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This letter does not make up a complete report. The accompanying report follows this letter. Please note the certification, assumptions and limiting conditions on the following pages.

This appraisal has been performed in conformity to the Uniform Standards of Professional Appraisal Practice and the Code of Ethics of the Appraisal Institute. Laurence A. Hirsh is presently certified under the voluntary continuing education program of the Appraisal Institute.

Laurence A. Hirsh and Shaun A. Henry have made a personal inspection of the property, and 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 report 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.

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

The following is a report of data and analysis upon which the preceding conclusions are predicated.

Respectfully submitted,  
**Golf Property Analysts**



Laurence A. Hirsh, CRE, MAI, SGA, President  
Pennsylvania State Certified General Real Estate Appraiser, License # GA000019L



Shaun A. Henry  
Assistant to the State Certified General Real Estate Appraiser

## ACKNOWLEDGMENT



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Golf Property Analysts wishes to acknowledge the contribution made to this report by Ms. Stacey Ervin. Ms. Ervin assisted in research and assemblage of data; however, the appraisers signing this report have developed the conclusions reported, and assume full responsibility for such conclusions.



## SCOPE OF THE APPRAISAL

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This is a limited appraisal and restricted report.

The subject property is an existing 18-hole daily fee golf and fitness center facility owned by The Township of Upper Dublin and leased to Links Management, Inc.

The purpose of this appraisal is to estimate the “in use” value of the leasehold interest in the subject property as of September 16, 2005. The intended use of this appraisal is to serve as a guide for strategic planning. The intended user of this appraisal is the client, The Township of Upper Dublin.

The scope of this appraisal involved an inspection of the subject property, a review of financial data, and all other pertinent data supplied to us concerning the subject property. We have researched and visited competing clubs, as well as conducted personal interviews and telephone interviews. Data gathered as a result of this research was combined with information already on file which includes published data from Pellucid, Professional Golfers Association of America (P.G.A.), The Society of Golf Appraisers (SGA), The Golf Course Superintendents Association of America (G.C.S.A.A.) and information generated through prior appraisals and feasibility studies.

We have researched pertinent economic and demographic statistics for the surrounding area. Information was also obtained from various organizations including various Internet websites, and Pellucid demographic analyzer.

The purpose of this appraisal is to estimate the “in use” value of the leasehold interest in Twinning Valley Golf and Fitness Club; therefore, the highest and best use of the property has not been developed for the purpose of the valuation. However, in order to assist the client in strategic planning, we have analyzed the current use as a daily fee golf course and fitness club against the four tests for highest and best use: Physically Possible, Legally Permissible, Financially Feasible and Maximally Productive.

The three recognized approaches to value have been considered in this valuation. The income approach is considered the most reliable approach for estimating the value of leasehold interest in the subject property, as this approach takes into consideration the income generated from the golf course and fitness club.



## SCOPE OF THE APPRAISAL (CONTINUED)

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This is a limited appraisal and the appraisers have invoked the departure rule by not developing the sales comparison and cost approaches. Additionally we were unable to identify comparable golf course lease sales in the local and regional markets. Furthermore, due to the income producing nature of the subject, a value solely by the income approach is considered credible.

The cost approach is most reliable in estimating the value of new or recently constructed improved properties. The cost approach is less reliable than the income approach for large-scale projects like golf courses due to environmental and legal circumstances that accrue. Plans, specifications and construction costs for the golf course and building improvements were not available. The golf course is approximately 74 years old, while the clubhouse is approximately 14 years old. Due to the lack of plans, specifications and qualified construction cost estimates for the golf course and building improvements, an accurate estimate of reproduction cost new is difficult. Due to the age of the subject golf course and building improvements, an estimate of accrued depreciation is considered unreliable. For the reasons cited, the cost approach, although considered, was not developed.

In addition to the research described above, we have consulted our own library of golf publications and reference materials and used our database of golf property sales and operating information. We have also conducted interviews with real estate professionals in the area surrounding the subject regarding comparable sales, as well as the desire for quality golf in the area. We have used our experience as golf course appraisers and when possible have consulted with golf course designers, architects, engineers and planners both connected with and outside of this development.

## SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS



**Location:** The subject property is located at 1400 Twining Road, Dresher, Township of Upper Dublin, Montgomery County, PA

**Ownership:** The subject property is owned by The Township of Upper Dublin.

**Land Area:** The site contains approximately 103.563± acres.

**Identification of Property Rights:** We are appraising the leasehold interest in the subject property.

**Purpose of the Appraisal:** The purpose of this appraisal is to estimate the value of the leasehold interest in the subject property.

**Function of the Appraisal:** The function, or use, of this appraisal is to serve as a guide for strategic planning.

**Intended User(s) of the Appraisal:** The intended user of the appraisal is the client, The Township of Upper Dublin.

**Appraisal Date:** The date of the value estimate is September 16, 2005, the date of our most recent inspection.

**Definition of Market Value:**

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- a. buyer and seller are typically motivated;
- b. both parties are well informed or well advised, and each acting in what he considers his own best interest;
- c. a reasonable time is allowed for exposure in the open market;
- d. payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and
- e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."<sup>1</sup>

**Zoning:** The subject property lies within the "A Residential" zoning district of Upper Dublin Township. The current use as a daily fee golf course and fitness center is not a legal conforming permitted use or special exception under current zoning. However, according to the code enforcement director of Upper Dublin Township, uses of township owned properties are not subject to zoning district restrictions. Additionally, due to the subject properties enrollment in PA Act 515 (since 1994), the subject property is designated as open-space.

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<sup>1</sup>Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA") (Pub. L. 101-73, 103 Stat. 183, 12 U.S.C. 3331 *et seq.* (1989)).  
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# SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS



**Highest and Best Use:** The purpose of this appraisal is to estimate the leasehold value in Twining Valley Golf and Fitness Club; therefore, the highest and best use of the property is not applicable for determination of this value.

**Assessment:** The subject property is assessed as follows:

Twining Valley Golf & Fitness Club 2005 Tax Assessment Summary						
Parcel Number	Assessment	School District of Upper Dublin Millage Rate	School District of Upper Dublin RE Taxes	Montgomery County & Upper Dublin Twp. Millage Rate	Montgomery County & Upper Dublin Twp. RE Taxes	Total RE Taxes
16225-00-2	\$2,469,550	19.099	\$47,165.94	6.620	\$16,348.42	\$63,514.36
						<b>\$63,514.36</b>

## Value of the Leasehold Interest in Twining Valley Golf & Fitness Club

(Rounding Applies)

<b>Income Approach</b> .....	<b>\$770,000</b>
<b>Sales Comparison Approach</b> .....	<b>n/a</b>
<b>Cost Approach</b> .....	<b>n/a</b>

# CERTIFICATION



Laurence A. Hirsh, CRE, MAI, SGA, and Golf Property Analysts certify that, except as otherwise noted in this appraisal report:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported qualifying conditions and are our personal, professional analyses, opinions and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
4. Our compensation is not contingent upon an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report. This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
5. This appraisal assignment was performed for an agreed upon fee that is/was not contingent upon the results or conclusions in this appraisal. No other compensation besides the contract fee and the reimbursement of expenses was made to the appraisers.
6. Our analyses, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of The Appraisal Institute, and the use of this report is subject to the requirements of the Institute relating to review by its duly authorized representatives.
7. As of the date of this report, I, Laurence A. Hirsh have completed the requirements under the continuing education program of the Appraisal Institute.
8. Our contractual arrangement with the client does not authorize the out-of-context quoting from or partial reprinting of this appraisal report, nor does it permit all or any part of this appraisal report to be disseminated to the general public by the use of media for public communication without our written consent.
9. I have made a personal inspection of the appraised property.
10. No one provided significant professional appraisal assistance to the appraisers signing this report.
11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraisers have not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraisers have no direct evidence relating to this issue, possible noncompliance with the requirements of ADA in estimating the value of the property has not been considered.

A handwritten signature in black ink, appearing to read "Laurence A. Hirsh".

Laurence A. Hirsh, CRE, MAI, SGA, President February 22, 2006  
Pennsylvania State Certified General Real Estate Appraiser, License # GA000019L



## CERTIFICATION

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Shaun A. Henry certifies that, except as otherwise noted in this appraisal report:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported qualifying conditions and are our personal, professional analyses, opinions and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
4. Our compensation is not contingent upon an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report. This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
5. This appraisal assignment was performed for an agreed upon fee that is/was not contingent upon the results or conclusions in this appraisal. No other compensation besides the contract fee and the reimbursement of expenses was made to the appraisers.
6. Our analyses, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of The Appraisal Institute, and the use of this report is subject to the requirements of the Institute relating to review by its duly authorized representatives.
7. Our contractual arrangement with the client does not authorize the out-of-context quoting from or partial reprinting of this appraisal report, nor does it permit all or any part of this appraisal report to be disseminated to the general public by the use of media for public communication without our written consent.
8. I have made a personal inspection of the appraised property.
9. No one provided significant professional appraisal assistance to the appraisers signing this report.
10. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraisers have not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraisers have no direct evidence relating to this issue, possible noncompliance with the requirements of ADA in estimating the value of the property has not been considered.

Shaun A. Henry, February 22, 2006

Assistant to the State Certified General Real Estate Appraiser



## STATEMENT OF LIMITING CONDITIONS

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This appraisal is to be used in whole and not in part. No part of it shall be used in conjunction with any other appraisal.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraisers or firm with which we are connected, or any other reference to the American Society of Real Estate Counselors or to the CRE designation, the Appraisal Institute or to the MAI designation, or the Society of Golf Appraisers or the SGA designation.

Possession of this report, or a copy thereof, does not carry with it the right of publication. Nor may it be used for any purposes by any but the client, without the previous written consent of the appraisers or the client; and in any event, only with proper qualification.

The appraisers for matters, which are of legal nature, assume no responsibility nor is any opinion on the title rendered. Good title is assumed.

This property has been appraised as though free of liens and encumbrances, except as herein described.

It has been assumed that the property will be efficiently managed and properly maintained.

The appraisers herein, by reason of this report, are not required to give testimony in court with reference to the property appraised, unless arrangements have been previously made.

Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing that would affect the subject property.

The current (as of the date of appraisal) purchasing power of the dollar is the basis for the value estimates; no extreme fluctuations in economic cycles are anticipated.

Any plans in this report are included to assist the reader in visualizing the property. The appraisers have made no survey of the property and assume no responsibility in connection with such matters.

Information, estimates and opinions contained in this report, obtained from sources outside of this office, are considered reliable, however, the appraisers can assume no liability for them.



## STATEMENT OF LIMITING CONDITIONS (CONTINUED)

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The value estimate is subject to these and to any other assumptions set forth in the body of this report.

Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective.

It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use, on which the value estimate contained in this report is based.

Unless otherwise stated in this report, the existence of hazardous substances in the soil, subsoil, water or structures on the property, including, without limitation, asbestos, polychlorinated biphenyls, petroleum leakage, agricultural chemicals, or chemical discharges from mining or manufacturing operations, or other environmental conditions, were not called to the attention of the appraisers, nor did the appraisers become aware of such during the inspection. We have no knowledge of the existence of such materials on or in the property unless otherwise stated. We, however, are not qualified to test for such substances or conditions. If the presence of substances such as urea formaldehyde foam insulation, asbestos, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss of value. No responsibility is assumed for any such conditions, nor any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate if so desired.

Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing assumptions and limiting conditions.

Prior to entering into the agreement to perform this assignment, we have carefully considered the knowledge and experience that will be required to complete this assignment competently, and have the knowledge and experience necessary to complete the assignment competently. Additionally, sufficient time has been spent to understand the nuances of the local market and the supply and demand factors relating to specific property type and the location involved.



**Bunker**—An area of bare ground, often a depression, which is typically covered with sand.

**Capacity**—The total volume of play, typically measured in rounds per year, which a course may physically accommodate without regard to other factors such as waiting time and course maintenance. Capacity is constrained only by sunlight hours and weather conditions. (see also *desired capacity*)

**Championship Course**—Usually used to describe a course on which championship tournaments are held. Often reserved for courses that, according to the NGF, by virtue of their design and maintenance are capable of providing an exacting challenge for superior golfers in regional, state and national competitions. Never used to describe the caliber of a course.

**Clubhouse**—Typically a building that serves as the central gathering area for the golf facility. This building houses any pro shop, food and beverage or locker facilities that may be on site

**Course Rating**—The evaluation of playing difficulty of a course compared with other rated courses. Courses are rated to provide a uniform basis for establishment of handicaps. (see also *slope rating*)

**Daily Fee Facility**—A golf facility, available for public access where players pay a daily fee for each daily use. These have also been segregated into categories based on the normal, published weekday daily fee as follows:

Affordable Daily Fee	<\$30
Affordable Upscale Daily Fee	\$30-\$60
Upscale Daily Fee	>\$60

**Demand**—The desire and ability to purchase or lease goods and services. In this report this term is typically used to describe the level of such desire and ability relative to joining private golf clubs and utilizing daily fee golf facilities.

**Desired Capacity**—The ideal number of rounds (usually expressed annually) which will allow a course to meet its physical and financial objectives. This is formulated in consideration of quality of golfing experience, course maintenance, desired profits and speed of play which the particular course can accommodate.

**Driving Range**—see *Practice Fairway*

**Executive Course**—A course made up exclusively of par-3 and shortish par-4 holes, with a total par of 55-66 strokes. Also known as a precision course.

**Fairway**—An area between tee and green defining the desired route between those two points. The fairway is manicured with the shortest cut grass between tee and green facilitating play. Fairway is usually bounded by higher grass called *rough*.

**Features**—Those elements of a golf course which distinguish it from others, such as bunkers, hazards, natural beauty or strategic or penal highlights of the course.

**Golf Accessibility Rate**—The total population of a defined area expressed as the number of persons per each 18 holes available for play.

**Golf Capacity Utilization**—The actual rounds achieved divided by the desired capacity. Private clubs may express this in terms of members divided by desired members.

**Golf Car**—A motorized form of transportation around the golf course which carries player(s) and equipment. Golf cars usually are designed for two players and are either electrically or gas powered. Often referred to as golf carts.

**Golf Corridor**—The land area where a golf course will be located.

**GCSAA**—Golf Course Superintendents Association of America. The professional association of golf course caretakers and managers. A source of research information on golf course maintenance.

**Golf Frequency Rate**—The frequency with which the population or segments thereof play golf, usually expressed in rounds per year.

**Golf Participation Rate**—The percentage of the total population (over age 12) that plays golf at least once per year.

**Golf Revenue Multiplier (GRM)**—Sale Price divided by Total Golf Revenue. A unit of comparison which can be used in the sales comparison approach.

**Golfer**—One who has played golf at least once during the past year.

**Grassing**—The types of grass planted in the different areas of the golf course.



**Green**—see *putting green*

**Green Fee Multiplier (GFM)**—Sale price divided by annual number of rounds played, then divided by average green fee ( $SP/rds./GF = GFM$ ). A unit of comparison which can be used in the sales comparison approach.

**Green Speed**—The relative speed at which a ball rolls on the putting surface, normally measured with a device called a Stimpmeter.

**Grow-in**—The period of time after a course is seeded but before it is ready for play.

**Hazard**—Features or situations that complicate the golf shot and are to be avoided, if possible. Hazards can be in the form of a bunker, long grass, non-turf vegetation, slopes, mounds, rocks, trees, water and other hazards.

**Heroic Design**—A philosophy of golf course design where the golfer can decide on his/her level of risk. If more risk is taken and the player chooses to “bite off” as much of the hazard as possible, success is rewarded with a shorter, unobstructed shot to the green. Less risk means a longer shot to the green, often with additional hazards.

**Links**—A seaside golf course constructed on naturally sandy ground with undulations formed by wind and receding tides.

**Membership Dues**—Annual dues paid by members to belong to a golf club, usually private or semi-private.

**Membership Dues Multiplier (MDM)**—Sale price divided by number of members, then divided by average dues ( $SP/\# \text{ mbrs./annual dues} = GFM$ ). A unit of comparison which can be used in the sales comparison approach.

**Municipal Course**—A golf course which is owned by a public entity, i.e., a city, township, county or other public authority.

**NGF**—National Golf Foundation. A source of research and information on the US golf market with membership of over 6,000. The NGF’s stated purpose is to promote the development of the game.

**Par**—The score an expert player is expected to make for a given hole. Par assumes errorless play and allows two strokes per putting green.

**Penal Design**—A philosophy of golf course design which demands error-free play with severe penalties for mishit shots.

**PGA**—Professional Golfers Association of America. The largest sports association in the United States with membership of more than 20,000.

**Hole Location**—The area(s) on the putting green where holes may be fairly located.

**Practice Facility**—An area of the property dedicated to golf practice and learning. Also called a driving range, practice range or practice fairway.

**Price Per Membership (PPM)**—Sale price divided by number of members ( $SP/\# \text{ members}$ ). A unit of comparison which can be used in the sales comparison approach.

**Price Per Round (PPR)**—Sale price divided by annual number of rounds played ( $SP/\# \text{ of rounds}$ ). A unit of comparison which can be used in the sales comparison approach.

**Primary Market**—The area from which it is anticipated the golf course will draw most of its patrons or members.

**Private Club**—A golf club where use is restricted to the members and their guests.

**Putting Green**—The portion of each golf hole where the cup is located and play on the hole is concluded. This area typically has a very closely mowed surface and is expected to be true and smooth.

**Regulation Course**—Typically, a regulation course is one that plays to at least 6,000 yards from the men’s tees (18 holes) with a minimum par of 70, consisting of par 3, par 4 and par 5 holes.

**Redesign**—To deliberately change the design of a hole or course.

**Restoration**—The redesign of a course with the intention of returning its holes to their original form and character.

**Roughs**—The unmanicured area typically surrounding tees, greens, fairways and hazards. Roughs are characterized by long grass which is difficult to play from and are normally not in the desired line of play.

**Round**—One golfer playing 18 holes. If a nine hole course is surveyed, a round *can* consist of 9 holes, however, this definition should be limited to the analysis of nine hole courses. If a nine hole course is being compared to an 18 hole course, 18 hole equivalents should be calculated.



**Routing**—The positioning and sequence of holes on the site.

**Semi-Private Facility**—A golf course facility which allows daily fee play and annual memberships.

**Shoulder Season**—The period of time between the prime season and the off-season. This is typically during the early spring and late fall in the colder climates and the late spring and early fall in the warmer climates.

**Signature Golf Course/Architect**—Those golf courses and architects, which by nature of their notoriety and reputation are recognizable by their architect or name. The architects are usually well known and either successful golfers or prolific golf course architects, or both.

**Signature Hole**—A hole of unusual or exceptionally dramatic or challenging design that creates a lasting and memorable impression and identity for a golf course.

**Slope Rating**—A measure of course difficulty which allows players from different courses to “equalize” their handicaps based on the slope rating of the course where the handicap is established and the slope rating of the course being played.

**Stimpmeter**—A device used to measure green speed.

**Strategic Design**—A golf course design philosophy which affords the golfer alternative routes to the green. Each route has hazards of different severity requiring golfers to decide at the tee which route best suits their game.

**Teeing Ground**—The marked area on each hole from which a player begins play on that hole. Most holes have multiple tee areas for players of different skill levels.

**Tee**—A wooden peg used by players to elevate their ball prior to the “tee shot” on each hole.

**USGA**—United States Golf Association, the ruling body of golf in the United States. The USGA sets forth the rules of the game and establishes player handicaps, as well as supporting championships and golf courses, through its “Green Section.”

**USGA Green**—A putting green constructed in accordance with USGA specifications.



## REGIONAL ANALYSIS



The subject property is located southeast of the Pennsylvania Turnpike and north of Philadelphia at 1400 Twining Road, Dresher, in Upper Dublin Township, Montgomery County, Pennsylvania. We have analyzed the demographics for a 20-minute drive radius, this area is considered the primary golf market, from where the subject draws the majority of its members/patrons.

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.



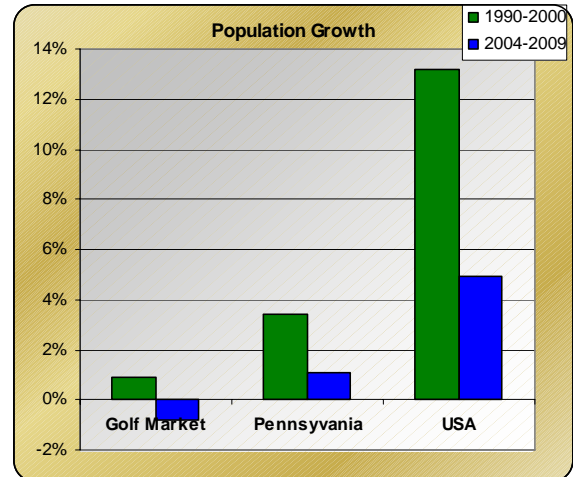
# LOCATION ANALYSIS (CONTINUED)

## SOCIAL TRENDS

### Population

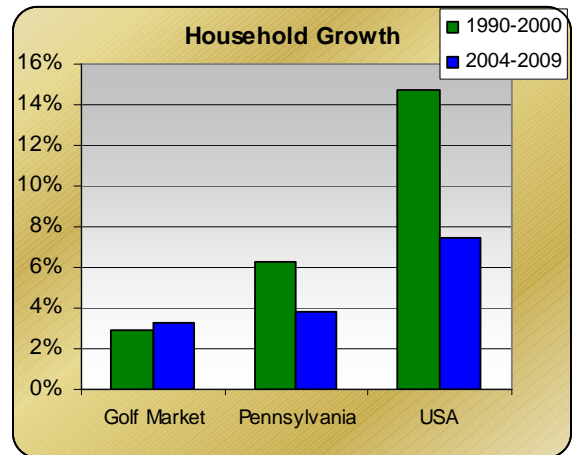
Population characteristics define social forces that affect the subject property. We have analyzed the demographic composition of the region to estimate future trends. This data and our projections reveal the basic demand for real estate.

Population in this market area is estimated at 1,856,159, compared to the State of Pennsylvania at 12,525,381, estimated for 2004. Population growth for the subject market is expected to be negative through 2009 declining by an overall .8% while both the state of Pennsylvania and the United States as a whole are expecting growth of 1.1% and 4.9% respectively. The growth indicated since 1990 and projected for 2009 are illustrated in the adjacent chart.



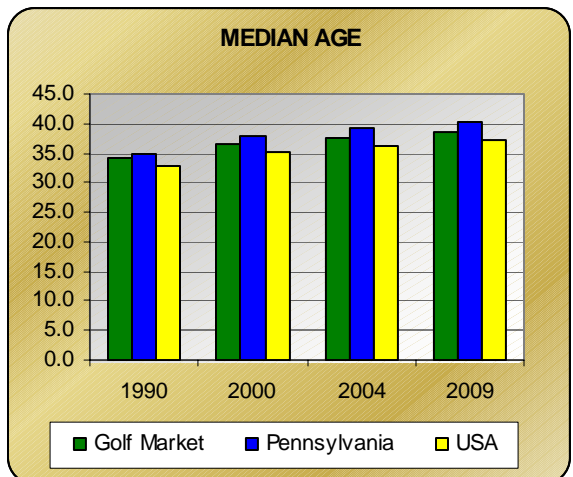
### Household Formation

We have compared household formations in the golf market to other areas, using United States Census figures. The formation of households in market area increased at a slightly higher rate than its population growth from 1990 to 2000. This is consistent with the national trend toward smaller household sizes. The adjacent chart illustrates projected household growth in golf market compared to Pennsylvania and the United States.



### Age

As in most areas of the country, the population in the golf market continues to age. The median age in market area was 36.4 years in 2000 compared to 37.5 in 2004.



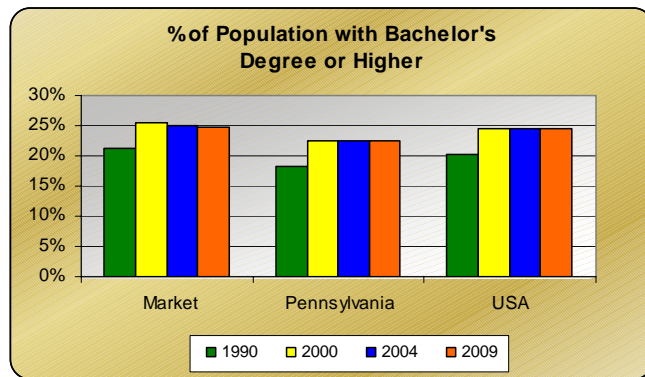


## LOCATION ANALYSIS (CONTINUED)

The median age for the State of Pennsylvania was 38 years in 2000, compared to 39.1 in 2004. For the United States as a whole, the median age in 2000 was 35.3 years, compared to 36.2 in 2004.

### Education

Higher education in Montgomery County is offered through a wide variety of colleges and technical schools, including, Bryn Athyn College, Arcadia University, Gwynedd Mercy College, Harcum College, Pennsylvania State University Abington-Ogontz Campus Bryn Mawr College, Haverford College and Ursinus College. Additional sources of higher education in the greater Philadelphia area include Princeton University, Temple University, Villanova University, University of Pennsylvania, LaSalle University, Valley Forge Military Academy, St. Joseph's University, Swarthmore College, Delaware Valley College, Thomas Jefferson Medical University, Widener University, Drexel University and Haverford College, among others. The subject lies within easy access of all of the institutions via the area's highway and public transportation systems. Public libraries also are available and include Upper Dublin Public Library and Norristown Public Library, among others. Public education is available from many area school districts, including Upper Dublin School District.



As shown in the chart, 27.6% of the golf market population held bachelor's degrees or higher in 2004, compared to 22.4% in Pennsylvania and 24.5% in the United States.

### Cultural and Recreational Resources

The subject's location, in close proximity to Philadelphia, and surrounding areas affords numerous cultural and recreational resources. They include a number of parks, natural areas, historic sites and museums. Outdoor activity opportunities are numerous and include: boating, fishing, biking, hiking, and golfing. There are many venues in the region that offer concerts, spectator sporting events, festivals, and theater.



## LOCATION ANALYSIS (CONTINUED)

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### ***Summary of Social Trends***

Based on this data we believe that the market area will grow at a rate that is lower than the State of Pennsylvania and the United States as a whole.

### **ECONOMIC CIRCUMSTANCES**

#### ***Employment***

Unemployment rates for the market area, the State of Pennsylvania and the United States as a whole, estimated for 2004 were 7.3%, 5.6% and 5.7%, respectively.

#### ***Economic Development***

The Market area is served by several organizations that help encourage business activity from businesses and corporations from outside the area, including the local chambers of commerce and governmental departments and agencies.

#### ***Median Household Income***

The median household income in the market area is estimated at \$45,873 for 2004, an increase of 7.8% from 2000. The 2004 median household income for Pennsylvania is estimated at \$43,311, an increase of 8.0% from 2000. The 2004 United States median household income is estimated at \$45,660, an increase of 8.1% from 2000.

Census figures show that 28.2% of market area households have income over \$75,000 in 2004, while 23.5% of all Pennsylvania households, and 26.3% of all United States households, have incomes over \$75,000.

The 2004 average household income for the market area is estimated at \$61,490; for Pennsylvania \$56,547; and for the United States \$63,396. The average household income of golfers is \$68,209. Based on the percentage of the population fitting the income profile of the average United States golfer, the market area could contain a percentage of golfers higher than Pennsylvania and the United States as a whole.

### ***Summary of Economic Circumstances***

In summary, compared to the national economy, the subject market area is experiencing minimal problems. The local economy is considered diverse and stable with a favorable mix of industries that should help to insulate the community from potential recessionary impact.

### **GOVERNMENT CONTROLS AND REGULATIONS**



## LOCATION ANALYSIS (CONTINUED)

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Governmental, political, and legal forces have important influences on property values. The legal climate can overshadow the natural market forces of supply and demand. The government provides many necessary facilities and services that affect land-use patterns. We have examined the influences of public service, local zoning and building codes (especially those that obstruct or support land use), national, state and local fiscal policies, and special legislation that influences property values (rent control, etc.).

We have concluded that generally the political environment for real estate development in the golf market in the future is favorable. This fact is demonstrated by continued commercial and industrial development, however many municipalities are beginning to covet open space and in some cases development is hindered by these changing attitudes.

Other governmental factors influencing growth in the area include zoning, public water and sewer availability and environmental limitations. Other than those discussed, no factors that could enhance or limit growth appear to be present.

### ENVIRONMENTAL CONDITIONS

Both natural and man-made environmental forces contribute to the nature and desirability of an area. The terrain is gentle rolling to rolling. These geographical features allow area residents to take advantage of many outdoor recreational activities.

The region surrounding the subject market contains an excellent primary highway system. Route 611, Route 309, Route 202, Route 63 and Route 1 are major routes through the area lending access to the area's highway system, including I-95, the Pennsylvania Turnpike (I-276) and the Pennsylvania Turnpike Northeast Extension/Blue Route (I-476).

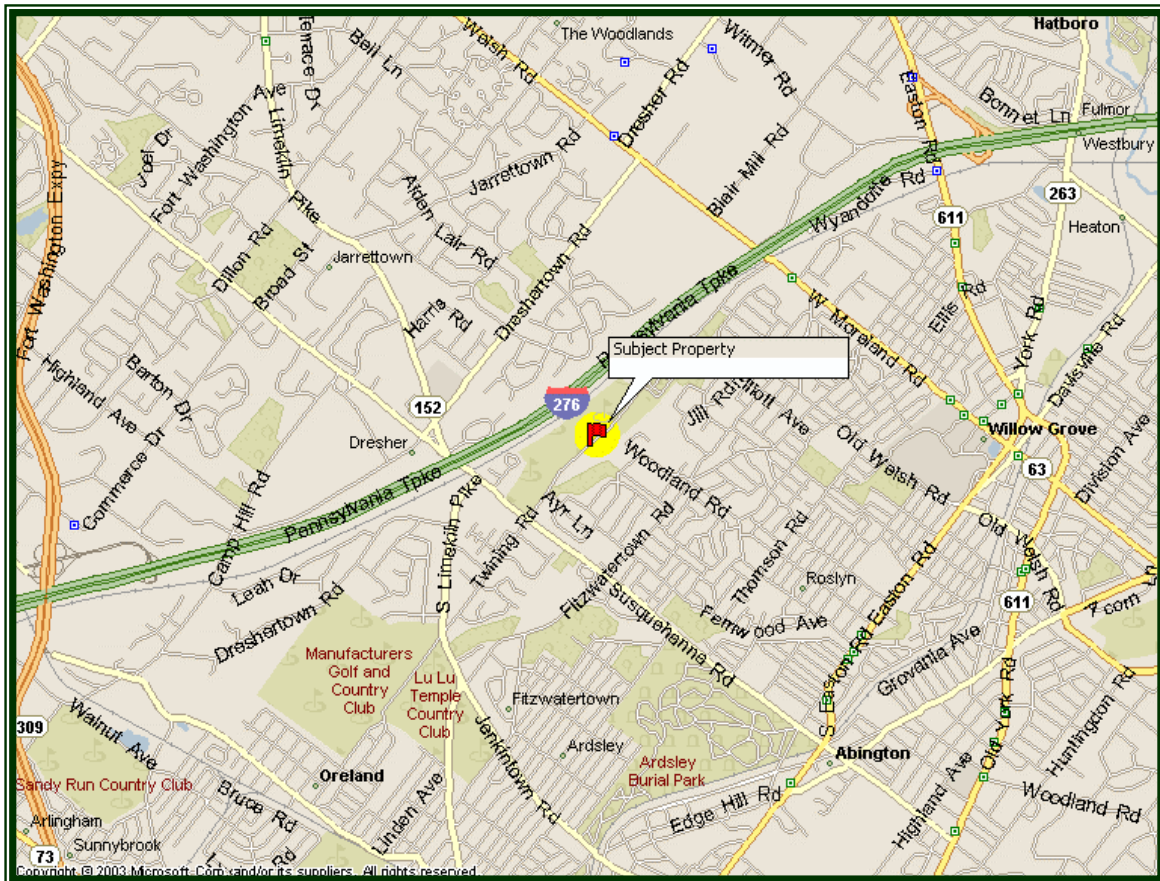
In the golf market section of this report, the subject's primary competitive market area has been defined as a 20-minute drive radius from the subject property, although many golfers come from outside this area as well.

### Conclusion

The region's desirable attributes include an excellent transportation system, positive income growth, a high rate of educational attainment, and a variety of cultural, recreational and educational opportunities. The significance of Philadelphia as a major metropolitan center, along with climate, topography, scenic, and historic character of the area, provides economic, recreational and cultural opportunities that attract visitors. A statistical analysis of the region is contained in the addenda of this report.



Neighborhood Analysis



The subject property fronts Twining Road, Susquehanna Road is along the south portion of the property, Norfolk Southern Railroad and the Pennsylvania Turnpike are north of the property. The property is located in the southeastern portion of Montgomery County.

The neighborhood is characterized as suburban residential with areas of commercial and industrial development.

Transportation services, schools, retail establishments, recreational facilities, places of worship and employment centers are within 5 to 20 minutes drive of the subject.



### WEATHER

Weather is an important factor in the analysis of a golf facility because golfers favor warm temperatures and rain-free days. The subject property is located in the semi-cool humid zone for cultivation of turf grass as defined by turf management for golf courses.<sup>2</sup> Moderate temperatures and moderate humidity, with warm, humid summers and variable but normally cold winters, and average temperatures ranging from 45°f to 60°f characterize semi-cool humid. Golf weather can be defined as being rain-free with high temperatures in excess of 40 degrees Fahrenheit. The normal daily maximum temperature exceeds 40°F the months of March through November, a total of 270 days<sup>3</sup>. Therefore, the prime-season, when maximum temperatures are in the 60°f to 90°f range, could last from April through October, a total of approximately 210 days.

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<sup>2</sup> James A. Beard, *Turf Management for Golf Courses* (New York: Macmillan Publishing Company, 1982), p. 26.

<sup>3</sup> National Climatic Data Center, Ashville, NC, via internet: <http://www.ncdc.noaa.gov/cgi-win/wwcgi.dll?wwnolos~Product~PB-016>. The data reported for Philadelphia, Pennsylvania, was used as the basis for the estimate of climatic conditions at the subject site as this is the closest location available.



The demographics of the area surrounding the subject, that were discussed in the location analysis section of this report, and summarized in the addenda of this report, suggest that the area is likely to have a percentage of individuals fitting the golfer profile higher than the estimates for the state of Pennsylvania and the United States as a whole.

As shown in the location analysis, the rate of population in the market area is expected to decrease, unlike the state of Pennsylvania, and the entire United States. Based on an assumed correlation between population increase and golf participation rates, the golf participation rate among primary market residents could increase at a lower rate than for the state of Pennsylvania and the United States.

Additionally, the percentage of the golf market family households with income over \$75,000 for 2004 at 28.2% is higher than that of Pennsylvania and the United States, which are at 23.5% and 26.3% respectively. Therefore, the market area could contain a percentage of golfers higher than that of Pennsylvania and the United States as a whole.

Participation Rates/Annual Rounds Played			
	Participation Rate	Annual Rounds	Number of Golfers
Golf Market	8.20%	19.15	151,284
Pennsylvania	8.20%	19.15	1,009,957
USA	9.10%	20.83	26,597,100

Analysis of golfer demographics provided by Pellucid show that market area and the state of Pennsylvania have a golf participation rate of 8.20%, while the United States as a whole has a golfer participation rate of 9.10%. Based on the population of the market area that equates to a potential golfer population of 151,284 as shown in the above chart.

In the subject primary geographical market there are a total of approximately 981 golf holes, or 54.5 18-hole equivalent facilities. Of these courses total number, 62.4% of the holes are private, 27.5% are public holes and 10.10% are learning and practice holes. Based on the estimated primary market 2004 estimated population for market area of 1,856,159, for each 18-hole-equivalent facility there are approximately 34,058 residents.

However, there are other golf course facilities available and accessible to the primary market population beside these 55 facilities (not including the subject and proposed facilities) in the subject primary geographical market. They are facilities outside the primary geographical market, but within a 30 to 60 minute driving distance to any of the courses within the primary geographical market, as well as other tourist destinations available to the population in the geographic region.



## GOLF MARKET ANALYSIS (CONTINUED)

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Although not considered to be in the primary geographical market for the subject, these facilities are in the primary geographical market for some of the subject's competitive facilities. This would indicate that the number of residents for each 18-hole-equivalent course in the primary market actually is somewhat lower than as calculated above. Offsetting that somewhat is the fact that the tourism and business traveler market which provides a secondary market for golf course play.

There are an estimated 12,525,381 residents in Pennsylvania, and 644 eighteen-hole equivalent golf courses, or one golf course per 19,449 residents. Based on the estimated 2004 United States population of 293,686,994 and the estimated 14,723 eighteen-hole equivalent golf courses in the United States, there is one golf course per 19,948 residents.<sup>4</sup> Therefore, the subject primary market (at one golf course per 34,058 residents) has fewer courses available to its population, than the state of Pennsylvania the United States as a whole.

A summary of the golf facilities in the golf market, the State of Pennsylvania, and the United States as a whole, are shown in the graphic following. In the golf market the number of daily fee golf courses is approximately 54.2% lower than the number of private golf courses. This is not the case with the State of Pennsylvania and the United States, which both have a higher percentage of daily fee courses than private clubs. The number of rounds played in the subject's market was significantly lower at the daily fee courses than at the private facilities. Again, this was not the case with the State of Pennsylvania and the United States as a whole.

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<sup>4</sup> *Pellucid 2004 demographics estimate*  
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<b>Golf Facilities</b>						
	<b>Golf Market</b>		<b>Pennsylvania</b>		<b>USA</b>	
<b>Total Facilities</b>		<b>55</b>		<b>682</b>		<b>15,763</b>
Private Holes	62.4%	612	29.9%	3,466	27.1%	71,823
Public Holes	27.5%	270	62.3%	7,222	64.2%	170,150
Learning and Practice Holes	10.1%	99	7.8%	904	8.7%	23,058
<b>Total Holes</b>		<b>981</b>		<b>11,592</b>		<b>265,031</b>
Private Rounds	52.8%	826,896	25.7%	4,766,418	24.8%	126,845,072
Public Rounds	27.1%	424,411	67.8%	12,574,442	67.4%	344,732,172
Learning and Practice Rounds	10.0%	156,609	6.4%	1,186,968	7.9%	40,406,293
<b>Total Rounds</b>		<b>1,566,091</b>		<b>18,546,374</b>		<b>511,472,066</b>
<b>Average Rounds</b>		<b>28,736</b>		<b>28,799</b>		<b>34,737</b>
<b>Source: Pellucid</b>						

**GOLF MARKET SURVEY AND ANALYSIS**

In the golf market section of the location analysis the subject primary geographical market was defined as a 20-minute drive radius.

Courses within approximately 10-20 miles beyond the defined area are within the subject secondary geographical market, from which play at the subject 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 private, semi-private, and daily fee golf courses surveyed within the surrounding area follows shortly. Of the courses included in the survey, we believe the following courses to be the most competitive to the subject:

- Center Square Golf Club
- Horsham Valley Golf Course
- Island Green Country Club
- Limekiln Golf Club
- Valley Forge Golf Course
- Warminster's Five Ponds Golf Club

A summary of the survey is shown on the following page:



# GOLF MARKET ANALYSIS (CONTINUED)

Competitive Market Summary																					
Name of Course	City	State	County	# of Holes	Type	Back Tee Ydg.	Par	# of Rounds	Wkday GF 18	Wkend GF 18	Cart Fee/18	Cart Inc	Single Dues	Annual Mbrshp.	# of Golf Mbrs.	Driving Range	Range Fees	Range Memb (Single)	% of Member Rnds	% of Cart Rnds	% of Outing Rnds
Center Square GC	Center Square	PA	Montgomery	18	DF	6342	71	40,000	\$41.00	\$57.00	\$15.00	Yes		\$350		Yes	\$4		50%	75%	25%
Cobb's Creek	Philadelphia	PA	Philadelphia	36	DF	5762/ 6202	72/ 72	90,000	\$18.00	\$23.00	\$10.00	No									
Franklin D Roosevelt Golf Club	Philadelphia	PA	Philadelphia	18	DF	6004	69	30,000	\$35.00	\$40.00	\$12.00	Yes		\$1,000		Yes	\$5/\$8/\$11			33%	
Horsham Valley Golf Course	Ambler	PA	Montgomery	18	DF	5115	66	34,000	\$25.00	\$33.00	\$12.00	No	\$1,350	\$995	150	Yes	\$2/\$4/\$6		15%	40%	20%
Island Green Country Club	Philadelphia	PA	Philadelphia	18	DF	6615	72	40,000	\$47.00	\$55.00	\$13.00	Yes				Yes	\$5, \$7, \$9			75%	
John F. Byrne GC	Philadelphia	PA	Philadelphia	18	DF	5189	72	32,000	\$35.00	\$40.00	\$12.00	Yes		\$1,000		No			33%	60%	20%
Juniata GC	Philadelphia	PA	Philadelphia	18	DF	5275	66	15,000	\$28.00	\$33.00	\$10.00	Yes		\$1,000		No			15%	80%	
Limekiln GC	Ambler	PA	Montgomery	27	DF	6176	70	50,000	\$42.00	\$51.00	\$12.00	Yes		\$1,650	12				5%	75%	30%
Twin Woods Golf Course	Hatfield	PA	Montgomery	9	DF	3600			\$14.00	\$16.00	\$18.00	No		\$625		No					
Valley Forge Golf Course	King of Prussia	PA	Montgomery	18	DF	6317	71	30,000	\$20.00	\$30.00	\$13.00	No				Yes	\$4 small/\$7 large	\$80.00			
Walnut Lane Golf Course	Philadelphia	PA	Philadelphia	18	DF	4509	62	25,000	\$28.00	\$33.00	\$10.00	Yes		\$1,000		No					
Warminster's Five Ponds GC	Warminster	PA	Bucks	18	DF	6681	71	40,000	\$33.00	\$50.00	\$13.00	No				Yes	\$5/\$9			70%	



## GOLF MARKET ANALYSIS (CONTINUED)

Competitive Market Economic Summary																
Name of Course	City	State	# of Holes	Type	# of Rounds	# of Golf Mbrs	Cart Rev.	Cart Rev/Cart Round	Pro Shop Rev.	Food & Beverage Rev.	Green Fee Rev.	Mmbrshp. Rev.	Range Rev.	Gross Annual Revenue	Exp % of Gross Rev	Maint. Budg.
Center Square GC	Center Square	PA	18	DF	40,000											
Cobb's Creek Karakung Course	Philadelphia	PA	18	DF												
Franklin D Roosevelt Golf Club	Philadelphia	PA	18	DF	30,000		\$150,000	\$15.15	\$ 60,000	\$100,000	\$ 150,000		\$60,000	\$ 500,000		
Horsham Valley Golf Course	Ambler	PA	18	DF	34,000	150	\$120,000	\$8.82	\$175,000	\$120,000	\$ 520,000	\$160,000	\$10,000	\$1,100,000	80%	\$325,000
Island Green Country Club	Philadelphia	PA	18	DF	40,000				\$100,000				\$300,000		65%	\$450,000
John F. Byrne GC	Philadelphia	PA	18	DF	32,000		\$190,000	\$9.90	\$ 38,000	\$ 70,000	\$ 400,000			\$ 750,000		\$152,000
Juniata GC	Philadelphia	PA	18	DF	15,000		\$120,000	\$10.00			\$ 270,000			\$ 465,000	66%	\$150,000
Limekiln GC	Ambler	PA	27	DF	50,000	12	\$300,000	\$8.00	\$100,000	\$200,000	\$ 800,000	\$ 19,000		\$2,000,000		\$400,000
Twin Woods Golf Course	Hatfield	PA	9	DF												
Valley Forge Golf Course	King of Prussia	PA	18	DF	30,000											
Walnut Lane Golf Course	Philadelphia	PA	18	DF												
Warminster's Five Ponds GC	Warminster	PA	18	DF	40,000		\$360,451	\$12.87	\$110,637	\$382,225	\$1,141,843		\$90,206	\$2,093,924		\$735,134



### Trends in the Market Area

In addition to the subject facility, we have discovered 5 planned or in-progress new 18-hole golf facilities (1 private, 2 municipal and 2 daily fee). A summary of these projects is illustrated on the following page. These courses, if constructed, could have some effect on play at the subject.

**GOLF MARKET ANALYSIS (CONTINUED)**



Planned / In-Progress Golf Course Projects												
Status	Type of Project	Name of Course	City	State	County	Construction Costs	# of Holes	Type	Designer	# of Acres	Driving Range	Practice Area
Proposed/ Planned	New	Overlook Golf Club	Downingtown	PA	Chester	\$25,000,000	18	PR	Nicklaus Design, LLC			
Proposed/ Planned	New	East Rockhill Golf Course	Perkasie	PA	Bucks	\$4,000,000	18	MU	Jim Blaukovitch Associates	150	Yes	1-2
Proposed/ Planned	New	Normandie Golf Course	Salford	PA	Montgomery	\$15,000,000	18	DF	Kelly Blake Moran	190	Yes	yes
Under Construction	New	Lederach Golf Club	Harleysville	PA	Montgomery	\$25,000,000	18	MU	Kelly Blake Moran	250	Yes	2-3
Proposed/ Planned	New	Heritage Creek Golf Course	Jamison	PA	Bucks	\$5,000,000	18	DF	Kelly Blake Moran Golf Course	170	Yes	Yes



### **Exposure Time**

Exposure time is defined by the Uniform Standards of Professional Appraisal Practice (USPAP) as “The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.” As a stabilized 18-hole semi-private golf course, reasonable exposure time for the subject is estimated at 8 to 12 months.

### **Marketing Time:**

According to USPAP, “The reasonable marketing time is an estimate of the amount of time it might take to sell a property interest in real estate at the estimated market value level during the period immediately after the effective date of an appraisal.” For the subject property, marketing time is estimated at 8 to 12 months.



**GOLF COURSE and IMPROVEMENTS**

<b>Facility Type:</b>	Daily Fee	<b>Year Developed:</b>	1931
<b>No. Holes:</b>	18	<b>Architect:</b>	Zach Melville
<b>Course Design:</b>	Strategic	<b>Course Layout:</b>	Core
<b>Practice Range:</b>	No	<b>Green Construction:</b>	Native Soil
<b>Practice Green:</b>	Yes	<b>Grassing/Size:</b>	
<b>Putting Green:</b>	Yes	<b>Tees:</b>	Ryegrass, <i>Poa annua</i> / 2 acres
<b>Amenities:</b>	Fitness Center	<b>Greens:</b>	Bentgrass, <i>Poa Annua</i> / 2 acres
<b>Clubhouse:</b>	Yes	<b>Fairways:</b>	Perennial Ryegrass, <i>Poa annua</i> / 20 acres
<b>Tourney Pavilion:</b>	Tent	<b>Primary Roughs:</b>	Mixed Cool Season Grasses Approx. 10 acres
<b>Restaurant:</b>	Snack Bar Only, Commercial kitchen supports events held in the tournament tent	<b>Cart Paths:</b>	Asphalt Paved and Asphalt Millings
<b>Lounge:</b>	Yes	<b>Path Coverage:</b>	Slopes and High Traffic Areas
<b>Snack Bar:</b>	Yes	<b>Irrigation:</b>	
<b>Swimming Pool:</b>	No	<b>Oper./Config.:</b>	Toro Vari-Time II Central-Satellite Hydraulic Controlled
<b>Tennis Courts:</b>	No	<b>Make/Type:</b>	Toro Heads
<b># of Courts:</b>	N/A	<b>Max. Output:</b>	500 GPM Diesel Pump
<b>Surface:</b>	N/A	<b>Coverage:</b>	Center Row
<b>Other:</b>	N/A	<b>Water Source:</b>	Spring Fed Pond, 60 GPM Well
		<b>Water Storage:</b>	3 Million Gallons

<b>Tees</b>	<b>Yardage</b>	<b>Slope</b>	<b>USGA Rating</b>
<b>Blue</b>	6014	<b>116</b>	66.3
<b>White</b>	5582	<b>114</b>	64.7
<b>Red</b>	4826	<b>114</b>	65.4

The subject is an 18-hole daily fee par 70 golf facility. Zach Melville designed the original nine holes in 1931 with the second nine being built six years later. The subject site contains a total of approximately 103.563 ± acres, which by today’s standards is very small to safely accommodate an 18-hole regulation golf course.

## SUBJECT PROPERTY ANALYSIS (CONTINUED)



The subject property is located at 1400 Twining Road, Dresher, Upper Dublin Township, Montgomery County, Pennsylvania, and is currently owned by The Township of Upper Dublin and leased to Links Management, Inc. Pursuant to a series of lease agreements with the Township, Links has leased and operated the Twining Valley Golf Club since 1982. The lease agreement currently in effect runs until March 31, 2009 and gives Links the option to renew for two additional terms of five years each, extending until 2019. There appears to be a dysfunctional relationship between the lessee and the lessor that became very obvious during our interviews with both parties.



The site contains natural features including but not limited to mature trees, ponds and generally rolling topography. We were not furnished with either a soils map or a topographical map.

The subject property is improved with an 18-hole golf course, clubhouse with fitness center, tournament tent, maintenance building and pump house.



The clubhouse



is a 14,000 SF (approximately) 2-story steel frame structure with stucco exterior and shingle roof covering. It was constructed in 1991 and the overall condition is good. The upper level contains a commercial kitchen and fitness center while the lower level houses a pro shop, snack bar, and fitness room.



Parking at the clubhouse is served by an asphalt-paved parking lot that accommodates approximately 110 vehicles.

The maintenance building is a 1-story metal building with a concrete slab floor and 2 overhead doors containing approximately 2,400± SF. There is an office, a restroom and several partitioned storage rooms as well as an equipment lift within the building. Located in the maintenance yard

are three above ground fuel tanks (2 gasoline and 1 diesel) and two metal storage units. Although the maintenance yard has a fence on the east side, it is highly visible from the parking lot and first tee due to the elevation of these areas relative to the maintenance facility and irrigation storage pond.



The cinder block constructed irrigation

## **SUBJECT PROPERTY ANALYSIS (CONTINUED)**

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pump house is located adjacent to the maintenance building. An additional above ground diesel storage tank is located near this structure, providing fuel for the diesel powered irrigation pump.



**Golf Course**

The total acreage of the facility (103.563 +/- acres), which is extremely small by today's standards to safely accommodate an 18-hole regulation golf course. The par 70- course measures 6,014, which is considered rather short by today's standards.



The size of the site creates some safety hazards due to a lack of ample space and corridor width between some of the golf holes.

The golf course was in overall poor condition at the time of inspection. Many areas of dead turf, thin turf or lack of turf altogether were observed on the courses tees, fairways and rough. While the greens were overall in acceptable condition for the subject's market position, the turf quality, density and resulting lie of the tees fairways and rough left much to be desired. The present irrigation system and water supply is inadequate by today's standards, resulting in the previously mentioned level of conditioning.



The subject does not have 100% cart path coverage. Asphalt paved cart paths are present on some slopes and high traffic areas while other areas have paths constructed from asphalt millings. In the absence of actual cart paths, dirt paths have formed on many holes as a





result of concentrated cart traffic.

The fifteenth hole was unplayable at the time of inspection due to lack of turf cover and the resulting washouts on the fairway. Turf cover was not grown-in to the point of establishment that would provide stabilization to the bare soil after the renovations to this hole. Additionally, several haul roads traversing fairways (#1) and rough areas (to the right of the 15<sup>th</sup> tee, extending to the firehouse) remain unrepaired from the construction project on the fifteenth hole.



**Irrigation System-** Although, we did not perform a system audit and evaluation, our recommendations are based on field observations, information obtained during our interviews with Links Management and our review of the irrigation evaluation performed by Jim Blaukovitch Associates, dated July 31, 2002 .



The irrigation system at Twining Valley was reportedly installed sometime in the early 1970's and at the time of inspection was observed in very poor condition. The design, condition, and functional utility of the system are not adequate to deliver irrigation where it is required in a timely manner. Furthermore, leaks are common and becoming more frequent as the irrigation system continues to age, causing wet areas subject to turf damage and rutting when subjected to golf cart, mower or foot traffic.





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Water storage capacity and supply is another limiting factor at Twining Valley. Links Management reports that the irrigation storage pond presently holds a maximum of 3 million gallons of irrigation water with recharge via springs, surface runoff and a 60-gallon per minute well in the parking lot area. Links reported that the storage capacity of this pond was greatly reduced by silt deposits resulting from storm damage in 1996 and 2001. While it is difficult to estimate the recharge rate of the springs without an in-depth hydrologic study, it is not difficult to determine that the recharge rate and storage capacity is inadequate given the fact that irrigation practices have been reportedly discontinued on all areas except greens due to the dwindling water supply, during dry periods in recent past, as was the case at the time of inspection.

At the time of inspection the irrigation storage pond was approximately 2 feet below the top of the standpipe and a significant amount of algae was present on the pond surface. The algae reportedly clogs the pump station intake screen as well as the irrigation heads on the golf course resulting in uneven and unreliable irrigation applications.



### Practice Facilities

Practice facilities at the subject include a small putting green, the old number 8 hole (currently being played as a substitute for # 15) and a small practice area between the 3<sup>rd</sup> and 4<sup>th</sup> holes. This practice area is set up like a grass driving range tee with teeing station dividers. However, due to its close proximity to the holes 3 and 4 and the lack of netting, use of this area as a driving range during golfing hours would pose serious safety concerns.





Basic to the determination of a property's value is its "highest and best use." This is "the reasonable and probable use that supports the highest present value, as of the date of the appraisal." Definitions used in determining the highest and best use of a property are as follows:

- *The reasonably probable and legal use of vacant land or an improved parcel that is physically possible, appropriately supported, and financially feasible and that results in the highest value.*<sup>5</sup>

These definitions indicate that there are two types of highest and best use. The first highest and best use is of the property if vacant. The second type of highest and best use is of the property as improved. The highest and best use as both vacant and improved will be tested and determined based on the following elements.

- **Physically Possible:** The use must be physically possible on the site or in the improvements planned or existing.
- **Legally Permissible:** The use must be permitted under zoning and other municipal, county, state, and federal regulations.
- **Financially Feasible:** The use must be capable of producing a positive return.
- **Maximally Productive:** The use must represent the most maximally productive use for the subject property.

When a site contains improvements, the highest and best use may be determined to be different from the existing use. This is most likely to occur for older properties, where market conditions and neighborhood changes have been significant since the period when originally constructed. The existing use will continue unless land value in its highest and best use exceeds the sum of the value of the entire property in its existing use and the cost to remove the improvements.

Based on the premise that physical condition of improvements and neighborhood characteristics are possibly changing, the definitions of highest and best use indicate that there are two types of highest and best use. The first type is highest and best use of the property as though vacant. The second type of highest and best use of the property is as though improved.

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<sup>5</sup>*The Appraisal of Real Estate*, 11th Edition, Appraisal Institute, Chicago: 1996, page 297.



The purpose of this appraisal is to estimate the leasehold value in Twining Valley Golf and Fitness Club; therefore, the highest and best use of the property is not applicable for determination of this value. However, for the purpose of assisting the client with strategic planning, we will analyze the current use of the subject property against the four tests for Highest and Best Use; physically possible, legally permissible, financially feasible and maximally productive.

### **Physically Possible**

*As vacant*, the property contains approximately 103.563 +/- acres and has gently rolling to rolling topography. The shape and terrain to the property would most likely not inhibit development. Therefore, the physically possible uses of the site are many and varied. The physically possible uses are those that are conducive with the topography and shape, such as residential, commercial, industrial, recreational and agricultural uses. However, as mentioned previously, the acreage of the subject property, by present day standards, is not adequate to accommodate a safe 18-hole regulation golf course.

*As improved*, the property is an 18-hole daily fee golf course with fitness center. Physically possible uses as improved would be for a golf course or for some other type of development to be constructed on top of the golf course, as mentioned above.

### **Legally Permissible**

The current zoning ordinance and regulations largely controls legally permissible uses. The subject property lies within the "A Residential" zoning district of Upper Dublin Township. The current use as a daily fee golf course and fitness center is not a legal conforming permitted use or special exception under current zoning. However, uses of township owned properties are not subject to zoning district restrictions. Additionally, due to the subject properties enrollment in PA Act 515 (since 1994), the subject property is designated as open-space.

*As Vacant*, assuming the township retains ownership of the property legally permissible uses would include various types of recreational facilities.

*As improved*, the current use of the subject property as a golf course and fitness center is a legally permissible use under the current zoning (under township ownership) and the PA Act 515 enrollment which designates the property as open-space.

### **Financially Feasible**



Based on our analysis of the golf market and market demographics as well as the subject property's form, condition and operating history, a positive cash flow cannot be expected, as will be shown shortly. This has been done through surveying the golf market, and estimating income and expenses from this data.

### **Golf Market Survey and Analysis**

Of the courses surveyed in the primary market, we believe those listed in the golf market section are most similar in terms of quality, greens fees, and annual rounds. The entire market area was defined as a 20-minute drive time radius around the subject property.

Based on discussions with real estate and golf industry professionals, and on our demographic study and physical inspection of the area, and of the courses within the regional market, those deemed to be the most competitive for the subject, as mentioned in the golf market section of this report, will be analyzed in detail.

A survey of the most competitive golf facilities follows. Survey questions included number of rounds played in the most recent year for which statistics were available, green fees, percentage of cart rounds, cart fees, and golf course designer, among others. Conclusions derived from this survey include total market supply, number of rounds served, capacity of rounds available, number of cart rounds played, greens and cart fee levels. We have given consideration to the typical revenue sources for all types of facilities. These include greens fees, cart income, pro shop revenue and food and beverage revenue.

# HIGHEST AND BEST USE (CONTINUED)



Competitive Market Summary																					
Name of Course	City	State	County	# of Holes	Type	Back Tee Ydg.	Par	# of Rounds	Wkday GF 18	Wkend GF 18	Cart Fee/18	Cart Inc	Single Dues	Annual Mbrshp.	# of Golf Mbrs.	Driving Range	Range Fees	Range Memb (Single)	% of Member Rnds	% of Cart Rnds	% of Outing Rnds
Center Square GC	Center Square	PA	Montgomery	18	DF	6342	71	40,000	\$41.00	\$57.00	\$15.00	Yes		\$350		Yes	\$4		50%	75%	25%
Cobb's Creek	Philadelphia	PA	Philadelphia	36	DF	5762/ 72/ 6202	72	90,000	\$18.00	\$23.00	\$10.00	No									
Franklin D Roosevelt Golf Club	Philadelphia	PA	Philadelphia	18	DF	6004	69	30,000	\$35.00	\$40.00	\$12.00	Yes		\$1,000		Yes	\$5/\$8/\$11			33%	
Horsham Valley Golf Course	Ambler	PA	Montgomery	18	DF	5115	66	34,000	\$25.00	\$33.00	\$12.00	No	\$1,350	\$995	150	Yes	\$2/\$4/\$6		15%	40%	20%
Island Green Country Club	Philadelphia	PA	Philadelphia	18	DF	6615	72	40,000	\$47.00	\$55.00	\$13.00	Yes				Yes	\$5, \$7, \$9			75%	
John F. Byrne GC	Philadelphia	PA	Philadelphia	18	DF	5189	72	32,000	\$35.00	\$40.00	\$12.00	Yes		\$1,000		No			33%	60%	20%
Juniata GC	Philadelphia	PA	Philadelphia	18	DF	5275	66	15,000	\$28.00	\$33.00	\$10.00	Yes		\$1,000		No			15%	80%	
Limekiln GC	Ambler	PA	Montgomery	27	DF	6176	70	50,000	\$42.00	\$51.00	\$12.00	Yes		\$1,650	12				5%	75%	30%
Twin Woods Golf Course	Hatfield	PA	Montgomery	9	DF	3600			\$14.00	\$16.00	\$18.00	No		\$625		No					
Valley Forge Golf Course	King of Prussia	PA	Montgomery	18	DF	6317	71	30,000	\$20.00	\$30.00	\$13.00	No				Yes	\$4 small/\$7 large	\$80.00			
Walnut Lane Golf Course	Philadelphia	PA	Philadelphia	18	DF	4509	62	25,000	\$28.00	\$33.00	\$10.00	Yes		\$1,000		No					
Warminster's Five Ponds GC	Warminster	PA	Bucks	18	DF	6681	71	40,000	\$33.00	\$50.00	\$13.00	No				Yes	\$5/\$9			70%	

# HIGHEST AND BEST USE (CONTINUED)



Competitive Market Economic Summary																
Name of Course	City	State	# of Holes	Type	# of Rounds	# of Golf Mbrs	Cart Rev.	Cart Rev/Cart Round	Pro Shop Rev.	Food & Beverage Rev.	Green Fee Rev.	Mmbrshp. Rev.	Range Rev.	Gross Annual Revenue	Exp % of Gross Rev	Maint. Budg.
Center Square GC	Center Square	PA	18	DF	40,000											
Cobb's Creek Karakung Course	Philadelphia	PA	18	DF												
Franklin D Roosevelt Golf Club	Philadelphia	PA	18	DF	30,000		\$150,000	\$15.15	\$ 60,000	\$100,000	\$ 150,000		\$60,000	\$ 500,000		
Horsham Valley Golf Course	Ambler	PA	18	DF	34,000	150	\$120,000	\$8.82	\$175,000	\$120,000	\$ 520,000	\$160,000	\$10,000	\$1,100,000	80%	\$325,000
Island Green Country Club	Philadelphia	PA	18	DF	40,000				\$100,000				\$300,000		65%	\$450,000
John F. Byrne GC	Philadelphia	PA	18	DF	32,000		\$190,000	\$9.90	\$ 38,000	\$ 70,000	\$ 400,000			\$ 750,000		\$152,000
Juniata GC	Philadelphia	PA	18	DF	15,000		\$120,000	\$10.00			\$ 270,000			\$ 465,000	66%	\$150,000
Limekiln GC	Ambler	PA	27	DF	50,000	12	\$300,000	\$8.00	\$100,000	\$200,000	\$ 800,000	\$ 19,000		\$2,000,000		\$400,000
Twin Woods Golf Course	Hatfield	PA	9	DF												
Valley Forge Golf Course	King of Prussia	PA	18	DF	30,000											
Walnut Lane Golf Course	Philadelphia	PA	18	DF												
Warminster's Five Ponds GC	Warminster	PA	18	DF	40,000		\$360,451	\$12.87	\$110,637	\$382,225	\$1,141,843		\$90,206	\$2,093,924		\$735,134



### ECONOMIC ANALYSIS

Financial information provide to us was incomplete and lacking detail. Therefore, cash flow for the subject property was reconstructed based on several documents provided by Links Management and Nawn and Company CPA's, Ltd. Revenues from Links Management sales reports provided detailed golf course revenues; while we relied upon the fitness center revenues documented in monthly reports prepared by Links, as this was the only source of revenue reporting we were provided for this department. Additionally, expense information was extracted from "Links Management, Inc. and Subsidiary Financial Statements," prepared by Nawn and Company, CPA's, Ltd. These financial statements include a real estate holding company owned by Links. However, according to Chris Nawn, "No inter-company interest income or expense is reflected in the financial statements." While this eclectic approach to compiling income and expense data provides the most detailed components of the financial information provided to us, it should be noted that income and expense totals vary between sources. Additionally, at the time of this report, financial statements including expenses for 2004/2005 were not yet available. Links Management utilizes an April 1 - March 31 fiscal year. We have not observed any evidence that would lead us to believe that revenues are going unreported by Links Management.

There is a dysfunctional relationship between the lessee and the lessor that became very obvious during our interviews with both parties. Our analysis, projections and conclusions are independent of this relationship and the resulting effect on operations at the subject property. Our analysis assumes competent, normal and prudent management as well as no significant changes to the form, function and condition of the subject from those observed at the time of inspection.

The following charts and analysis summarize our survey of the most competitive courses surveyed, which we have used as units of comparison for the subject. Given that this appraisal assignment is providing an "in use" value we have based our assumptions for the subject property at stabilization heavily on the historical data obtained from the subject property and have utilized our most current survey of the market for comparison purposes.

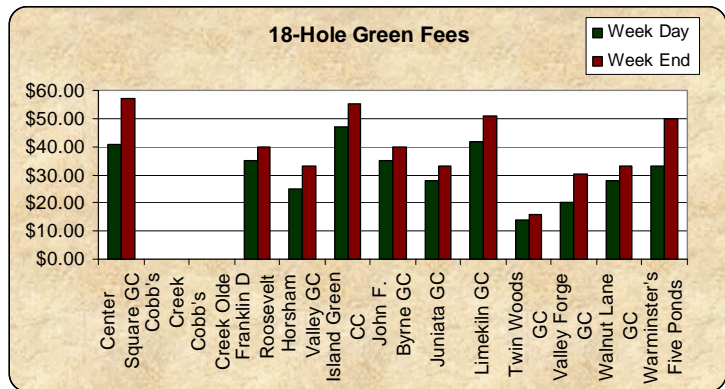


# HIGHEST AND BEST USE (CONTINUED)

**Membership/Play History** - The club's play comes from daily fee patrons, outings, league play and limited "annual fee members."

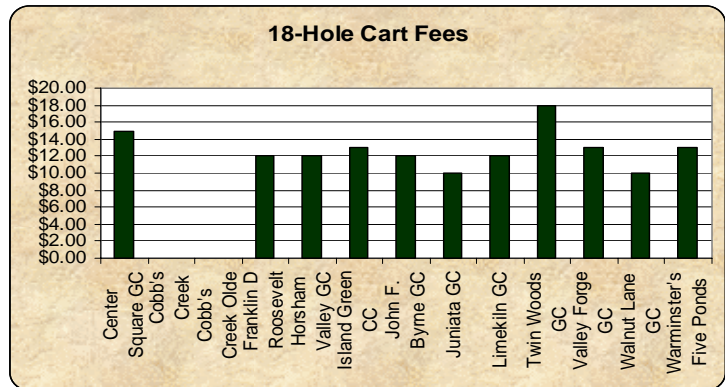
## Annual Rounds

The number of 18-hole-equivalent annual rounds at those clubs considered directly competitive to the subject ranges from 15,000 rounds at Juniata GC to a high of 45,000 at Cobb's Creek (36 holes). Rounds at the subject were reported at 19,755, 19,756 and 20,533 for fiscal years ending 2003, 2004 and 2005, respectively. The subject is not attaining its fair share of the market. This could be attributed to many factors including but not limited to the size, form and condition of the golf course relative to competing course. We projected that the subject will have an estimated **20,000** 18-hole equivalent rounds in the 2005/2006 fiscal year.



## Green Fees

Published green fees at the competitive courses range from a low of \$14/\$16 at Twin Woods to \$47/\$55 at Island Green. Published greens fees at the subject were \$22/\$26 in 2005. We have estimated average green fees **\$14.50**, for the subject in 2005/2006, which is considered





## HIGHEST AND BEST USE (CONTINUED)

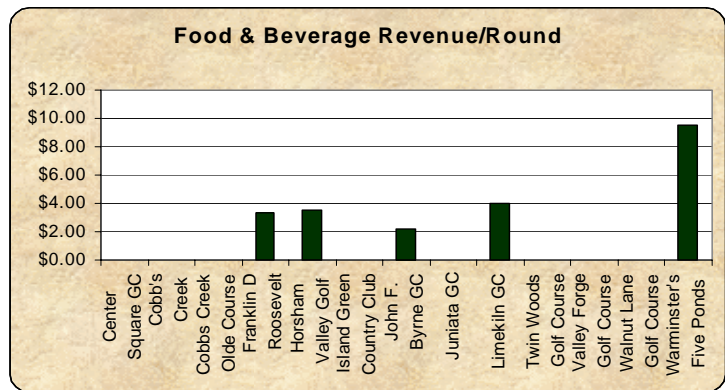
reasonable. This equates to green fee revenue at **\$240,700** (\$14.50 per round x 16,600 daily fee rounds).

### Cart Fees

Cart fees at the competitive courses ranges from \$10.00 to \$18.00 per person, as shown in the adjacent chart. Annual cart rounds at the comparable clubs ranged from 33% to 80%, with most courses at the high end of this range. Cart rounds at the subject property are estimated at 80% of total rounds. Normal, weekday and weekend published 18-hole cart fees at the subject were \$14 with average cart fees per person estimated at \$9.00 (including discounting). Therefore, annual revenue from carts is estimated at **\$144,000** (\$9.00 x 80% x 20,000 rounds).

### Food and Beverage Revenue

Food and beverage revenue ranged from \$2.19/round at Franklin D. Roosevelt GC to \$9.56/round at Warminster's Five Ponds. We have estimated income from this source at the subject at **\$2.40** per round, based on historical data and the limited nature of the food and beverage services offered at the subject.



This equates to annual revenue from food & beverage sales to **\$48,000** (\$2.40 per round x 20,000 rounds).

### Pro Shop Sales

Pro shop revenue per round ranged from \$1.19 at John F. Byrne GC to \$5.15 at Horsham Valley GC. We have estimated income from this source at the subject at **\$1.50** per round, this equates to annual revenue from pro shop merchandise sales to **\$30,000** (\$1.50 per round x 20,000 total rounds).





**Fitness Club Revenue**

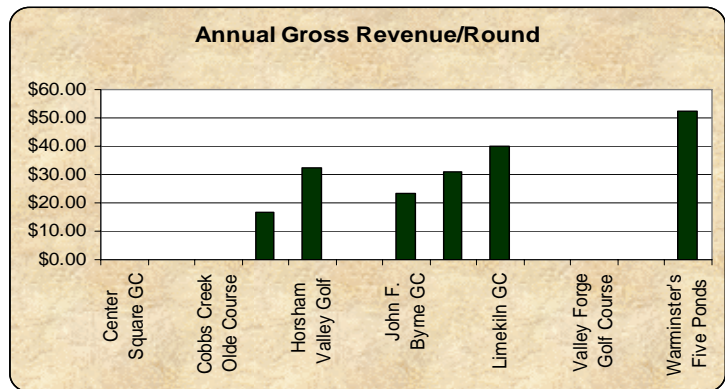
Revenue from this department includes membership fees, guest fee, personal trainer fees, babysitting and other fees/sales generated by the fitness club. Detail of this revenue category was not provided to the appraisers. A study published by the International Health, Racquet & Sportsclub Association (IHRSA) indicates mean revenue per individual member at \$592.40 for fitness and sports clubs with less than 20,000 square feet. For the subject we have estimated revenue from this source, based on historical data, at \$350 per member, or \$431,200 (\$350/member x 1,232 members). Furthermore, we feel that this projection is reasonable based on the subject’s published individual monthly fitness membership fee of \$29.95 per month (\$360/year) combined with discounting and a number of partial year members.

**Other Revenue**

This revenue category is generated from various sources not indicated above including gift certificates and golf handicap fees, etc. We do not have information available for this income source from our survey. For the subject, we have estimated (from previous revenue history) this income to be **\$0.30** per round, or **\$6,000** (\$0.30 x 20,000 rounds).

**Lesson Revenue**

Lesson revenue is usually included in the “Other Revenue” category described above. However, for the subject property we have illustrated this revenue source separately in order to simplify calculation of the percentage lease rent, which does not include revenue from this source. We do not have



information available for this income source from our survey. For the subject, we have estimated (from previous revenue history) this income to be **\$1.75** per round, or **\$35,000** (\$1.75 x 20,000 rounds).

## HIGHEST AND BEST USE (CONTINUED)

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### Gross Revenue

Gross revenue at the comparable courses ranged from \$16.67/round at Franklin D. Roosevelt GC to \$52.35/round at Warminster's Five Ponds GC. Gross revenue at the subject is the sum of the previously discussed categories and equates to **\$968,900** or **\$48.45** per round, which is within the range presented by the market and considered reasonable. However, this number is misleading as it includes fitness facility revenue. Therefore, we have also calculated golf facility revenue (total revenue minus fitness center revenue), which equates to **\$537,700** or **\$26.89** per round and is also within the range presented by the market.

# HIGHEST AND BEST USE (CONTINUED)



## EXPENSE ANALYSIS

The projected expenses for a daily fee golf facility will be analyzed and are based on the income assumptions indicated on the previous pages. Since this assignment is an “in use” value appraisal, we have relied heavily on historical data for the subject property. For comparison purposes, we have also 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, as well as other golf courses we have appraised. Expenses for this analysis are being projected in 2005 dollars, and assume stabilization.

2004 SGA DAILY FEE STUDY								
	LOWER QUARTILE		MEDIAN		UPPER QUARTILE		AVERAGE	
	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total
<b>INCOME:</b>								
Annual Membership Fees	\$ 56,241	2.5%	\$ 65,818	5.3%	\$ 186,000	7.4%	\$ 112,772	5.2%
Public Greens Fees	\$ 925,750	58.7%	\$ 1,243,446	67.1%	\$ 1,777,734	73.8%	\$ 1,468,245	64.5%
Cart Fees	\$ 92,438	6.4%	\$ 208,970	13.8%	\$ 504,001	21.9%	\$ 321,707	15.3%
Range Fees	\$ 22,688	1.4%	\$ 37,954	2.0%	\$ 71,692	3.1%	\$ 49,877	2.3%
Food & Beverage Sales	\$ 153,229	8.7%	\$ 261,423	12.2%	\$ 386,176	14.5%	\$ 288,951	12.6%
Pro Shop Sales	\$ 85,413	5.7%	\$ 155,453	7.7%	\$ 250,173	9.2%	\$ 236,135	8.6%
Tennis Sales	\$ 97,004	2.3%	\$ 100,171	2.6%	\$ 103,338	2.9%	\$ 100,171	2.6%
Other	\$ 4,266	0.3%	\$ 13,742	0.7%	\$ 40,330	1.8%	\$ 39,037	1.6%
<b>Total Income</b>	<b>\$ 1,386,865</b>	<b>100.0%</b>	<b>\$ 1,900,537</b>	<b>100.0%</b>	<b>\$ 3,123,469</b>	<b>100.0%</b>	<b>\$ 2,302,153</b>	<b>100.0%</b>
<b>DEPARTMENTAL COSTS &amp; EXPENSES:</b>								
Golf Course	\$ 285,266	27.2%	\$ 474,686	31.5%	\$ 634,167	40.9%	\$ 475,008	36.9%
Golf Carts	\$ 52,508	9.9%	\$ 58,775	29.5%	\$ 65,194	65.3%	\$ 66,862	46.4%
Range	\$ 3,103	12.1%	\$ 8,089	36.9%	\$ 33,311	69.7%	\$ 17,917	11104.0%
Food & Beverage	\$ 110,944	58.4%	\$ 169,660	73.5%	\$ 302,266	81.8%	\$ 219,207	73.5%
Pro Shop	\$ 137,230	110.4%	\$ 225,374	145.7%	\$ 347,490	176.0%	\$ 246,812	155.3%
Tennis	\$ 80,667	81.3%	\$ 102,667	100.1%	\$ 124,667	118.9%	\$ 102,667	100.1%
Other	\$ 5,351	57.3%	\$ 13,160	64.6%	\$ 54,653	139.8%	\$ 29,829	86.6%
<b>Total Depart. Costs &amp; Exps:</b>	<b>\$ 622,813</b>	<b>36.4%</b>	<b>\$ 932,029</b>	<b>46.5%</b>	<b>\$ 1,247,652</b>	<b>54.0%</b>	<b>\$ 1,003,491</b>	<b>45.9%</b>
<b>UNDISTRIBUTED EXPENSES:</b>								
Administrative & General	\$ 116,755	7.4%	\$ 177,500	8.8%	\$ 267,331	11.9%	\$ 211,264	10.2%
Management Fees	\$ 43,000	2.7%	\$ 60,000	3.5%	\$ 83,000	4.0%	\$ 76,041	3.3%
Marketing & Entertainment	\$ 16,850	0.8%	\$ 27,833	1.8%	\$ 50,100	2.4%	\$ 41,346	1.9%
Professional Fees	\$ 1,300	0.1%	\$ 7,138	0.3%	\$ 26,466	0.7%	\$ 16,029	0.8%
Utilities	\$ 24,824	1.5%	\$ 40,000	2.1%	\$ 72,619	2.7%	\$ 59,006	2.5%
Repairs & Maintenance	\$ 14,947	0.8%	\$ 28,740	1.4%	\$ 50,745	2.0%	\$ 37,276	1.7%
<b>Total Undistributed Expenses</b>	<b>\$ 259,977</b>	<b>14.5%</b>	<b>\$ 356,668</b>	<b>17.6%</b>	<b>\$ 479,224</b>	<b>22.3%</b>	<b>\$ 405,136</b>	<b>18.8%</b>
<b>INCOME BEFORE FIXED CHARGES:</b>	<b>\$ 413,182</b>	<b>26.0%</b>	<b>\$ 652,044</b>	<b>36.7%</b>	<b>\$ 1,261,616</b>	<b>45.6%</b>	<b>\$ 893,526</b>	<b>35.3%</b>
<b>FIXED CHARGES:</b>								
Property Taxes	\$ 34,970	1.6%	\$ 50,914	2.8%	\$ 82,981	4.0%	\$ 67,556	3.1%
Property Insurance	\$ 18,188	0.7%	\$ 27,390	1.4%	\$ 34,425	2.2%	\$ 29,061	1.5%
Land Lease (See Recap)	\$ 104,370	3.8%	\$ 133,379	4.7%	\$ 174,683	5.2%	\$ 141,575	4.5%
Reserves for Replacement	\$ 31,669	2.1%	\$ 46,000	2.7%	\$ 70,213	2.9%	\$ 52,892	2.5%
<b>Total Fixed Charges</b>	<b>\$ 83,902</b>	<b>4.7%</b>	<b>\$ 114,856</b>	<b>6.2%</b>	<b>\$ 178,353</b>	<b>8.3%</b>	<b>\$ 137,915</b>	<b>6.5%</b>
<b>INCOME AFTER RESERVES BUT BEFORE OTHER CHARGES</b>	<b>\$ 287,048</b>	<b>18.0%</b>	<b>\$ 521,462</b>	<b>29.4%</b>	<b>\$ 1,196,787</b>	<b>39.3%</b>	<b>\$ 763,000</b>	<b>29.2%</b>



### EXPENSES

Total stabilized operating expenses for a daily fee course are typically between 70-90% of gross revenue, depending on the quality of the course and the management style. The subject property is not operating at critical mass; that is, operating expenses are disproportionately high compared to revenues. The expenses discussed below are those that are assumed for the subject property as a daily free golf facility and fitness center. For the purpose of this appraisal assignment, we are providing an "in use" value; therefore, we have utilized historical expense data for the subject property and projected expenses based on the reporting categories used at the subject property. Typical expenses for the subject course would include:

#### **Departmental Costs and Expenses (Including Costs of Sales)**

**Fuel Expense (golf carts and maintenance equipment)** was reportedly \$18,255, \$8,413 and \$8,333 in years ending 2002, 2003, and 2004, respectively. We have projected this expense at **\$10,000** in year ending 2006.

**Personnel Expense** includes payroll, applicable taxes, fees and benefits. This expense was reported as \$346,718, \$366,904 and \$373,700 in years ending 2002, 2003, and 2004, respectively. We have projected this expense at **\$380,000** in year ending 2006.

**Purchase Operations Expense** includes supplies and cost of goods sold for all departments and was reported as \$102,437, \$100,845 and \$87,553 in years ending 2002, 2003, and 2004, respectively. We have projected this expense at **\$100,000** in year ending 2006.

#### **Undistributed Expenses**

**Administrative and general expenses** including administration/office, accounting, telephone expense and staff time are estimated at **\$40,000** in year ending 2006. This expense was reportedly \$36,348, \$60,252 and \$39,335 in years ending 2002, 2003, and 2004, respectively.

**Marketing and promotions** expense is estimated at approximately 1.1% of gross revenue or **\$11,000** for the subject property. The subject reported expense for this category at \$11,857, \$10,891 and \$10,082 in years ending 2002, 2003,



## HIGHEST AND BEST USE (CONTINUED)

and 2004, respectively. The SGA study indicates expenses from this category from 0.8% to 2.4% of gross revenues at daily fee golf courses.

**Professional fees (consultants)** are estimated at **\$35,000** based on operating history.

**Utilities** include water; sewer, natural gas/propane and electricity are estimated at **\$52,000** for the subject property based on operating history.

**Repairs and maintenance** is estimated at **\$75,000** for the subject in year ending 2006. Reported expense from this category was \$37,606, \$66,324 and \$74,405 in years ending 2002, 2003, and 2004, respectively.

### Fixed Charges

**Real estate taxes** for the subject are estimated at **\$63,514** for year ending 2006.

**Property insurance** is estimated at **\$45,000** based on operating history and commensurate with inflation.

**Total expenses** based on the above income and expense discussion are approximately **83.8%** of gross revenues. As stated previously, total stabilized operating expenses for a

Operating Expense Ratios	
Horsham Valley GC	80%
Island Green CC	65%
Juniata GC	66%

daily fee course are typically between 70-90% of gross revenue, depending on the quality of the course and the management style. The subject property is not operating at critical mass; that is, operating expenses are disproportionately high compared to revenues due to insufficient revenue levels to support operating overhead.

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

$$(\$968,900 - \$811,514 = \$157,386)$$

### Conclusion

The projection assumptions could produce revenues of \$968,900 and expenses of \$811,514 for a positive net operating income of **\$157,386**, indicating that a golf



course and fitness center operation based on these assumptions is financially feasible.

**Lease rent** consists of an annual base rent, and percentage rent. The base rent for the current lease term, through 2009, is \$61,962. If links exercises its option to extend the lease agreement, the base rent for the additional term will be increased by the percentage increase in the consumer's price index for the city of Philadelphia for all urban consumers, if any.

The additional percentage rent is equal to 5% of gross receipts in excess of \$300,000, but not exceeding \$350,000, 4% in gross receipts in excess of \$350,000, but less than \$400,000, and 3% of all gross receipts in excess of \$400,000. As per the lease agreement, gross receipts does not include sales of merchandise normally sold at the pro shop and professional services, such as golf lessons and club rental and repairs.

Based on these parameters and the revenue projections discussed previously, we estimate lease rent for 2005/2006 at **\$81,579** increasing to **\$91,843** in year 2018/2019, the final year of the current lease and extension options.

A summary of projected revenues and expenses is displayed on the following page.

# HIGHEST AND BEST USE (CONTINUED)



		Twining Valley Golf & Fitness Club Cash Flow																	
		2005/2006 YTD (April 1, 2005-Sept. 30, 2005)				2005/2006 to 2018/2019													
		2001/2002	2002/2003	2003/2004	2004/2005	2005/2006 (pro.)	2006/2007 (pro.)	2007/2008 (pro.)	2008/2009 (pro.)	2009/2010 (pro.)	2010/2011 (pro.)	2011/2012 (pro.)	2012/2013 (pro.)	2013/2014 (pro.)	2014/2015 (pro.)	2015/2016 (pro.)	2016/2017 (pro.)	2017/2018 (pro.)	2018/2019 (pro.)
<b>Total No. of Golf Rounds</b>		19,755	19,756	20,533	15,263	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
<b>Non-Member Rounds</b>		14,267	16,386	16,940	12,950	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600
<b>Member Rounds</b>		5,488	3,370	3,593	2,313	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400
<b>Cart Rounds</b>		14,913	15,628	16,836	12,773	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
<b>Total Golf Members</b>		18	35	77	85	85	85	85	85	85	85	85	85	85	85	85	85	85	85
<b>Total Fitness Members</b>		933			1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232
<b>Revenue Multiplier 102.50%</b>		OPERATING STATISTICS (18-Hole Equivalent) INCOME																	
<b>Average Annual Golf Membership Fee</b>		\$1,652.22	\$2,495.03	\$390.00	\$43,688	\$400	\$410	\$420	\$431	\$442	\$453	\$464	\$475	\$487	\$500	\$512	\$525	\$538	\$551
<b>Golf Membership Fee Revenue</b>		\$29,740	\$87,326	\$38,030	\$3,713	\$34,000	\$34,850	\$35,721	\$36,614	\$37,530	\$38,468	\$39,430	\$40,415	\$41,426	\$42,461	\$43,523	\$44,611	\$45,726	\$46,869
<b>Average Green Fee</b>		\$17.03	\$14.99	\$15.71	\$14.75	\$14.50	\$14.86	\$15.23	\$15.61	\$16.01	\$16.41	\$16.82	\$17.24	\$17.67	\$18.11	\$18.56	\$19.03	\$19.50	\$19.99
<b>Green Fee Revenue</b>		\$242,962	\$245,583	\$266,175	\$196,984	\$246,700	\$246,718	\$252,885	\$259,208	\$265,688	\$272,330	\$279,138	\$286,117	\$293,270	\$300,601	\$308,116	\$315,819	\$323,715	\$331,808
<b>Cart Rental Revenue</b>		\$112,834	\$132,682	\$148,800	\$115,563	\$144,000	\$147,600	\$151,290	\$155,072	\$158,940	\$162,923	\$166,996	\$171,174	\$175,450	\$179,830	\$184,332	\$188,940	\$193,664	\$198,506
<b>Food &amp; Beverage Sales/Round</b>		\$2.42	\$2.21	\$2.02	\$2.37	\$2.40	\$2.46	\$2.52	\$2.58	\$2.65	\$2.72	\$2.78	\$2.85	\$2.92	\$3.00	\$3.07	\$3.15	\$3.23	\$3.31
<b>Food &amp; Beverage Sales</b>		\$47,724	\$43,719	\$41,410.58	\$36,100.31	\$48,000	\$49,200	\$50,430	\$51,691	\$52,983	\$54,308	\$55,665	\$57,057	\$58,483	\$59,945	\$61,444	\$62,980	\$64,555	\$66,169
<b>Pro Shop Sales/Round</b>		\$1.79	\$1.44	\$1.49	\$1.43	\$1.50	\$1.54	\$1.58	\$1.62	\$1.66	\$1.70	\$1.74	\$1.78	\$1.83	\$1.87	\$1.92	\$1.97	\$2.02	\$2.07
<b>Pro Shop Sales</b>		\$35,293	\$26,388	\$30,548	\$21,849	\$30,000	\$30,750	\$31,519	\$32,307	\$33,114	\$33,942	\$34,791	\$35,661	\$36,552	\$37,466	\$38,403	\$39,363	\$40,347	\$41,355
<b>Driving Range Revenue/Round</b>																			
<b>Driving Range Revenue</b>		\$344.06			\$128.23	\$350	\$359	\$368	\$377	\$386	\$396	\$406	\$416	\$426	\$437	\$448	\$459	\$471	\$482
<b>Fitness Club Revenue (Including Memberships)</b>		\$321,006	\$331,528	\$318,361	\$157,978	\$431,200	\$441,980	\$453,030	\$464,355	\$475,964	\$487,863	\$500,060	\$512,561	\$525,375	\$538,510	\$551,972	\$565,772	\$579,916	\$594,414
<b>Other Revenue-Golf/Round</b>		\$0.14		\$0.27	\$0.40	\$0.30	\$0.31	\$0.32	\$0.32	\$0.33	\$0.34	\$0.35	\$0.37	\$0.38	\$0.38	\$0.38	\$0.38	\$0.40	\$0.41
<b>Other Revenue-Golf</b>		\$2,696	\$5,329	\$8,177	\$4,087	\$6,000	\$6,150	\$6,304	\$6,461	\$6,623	\$6,788	\$6,958	\$7,132	\$7,310	\$7,493	\$7,681	\$7,873	\$8,069	\$8,271
<b>Lesson Revenue-Golf/Round</b>			\$0.71	\$1.09	\$1.90	\$1.75	\$1.79	\$1.84	\$1.88	\$1.93	\$1.98	\$2.03	\$2.08	\$2.13	\$2.19	\$2.24	\$2.30	\$2.35	\$2.41
<b>Lesson Revenue-Golf</b>			\$14,088	\$22,297	\$29,019	\$35,000	\$35,875	\$36,772	\$37,691	\$38,633	\$39,599	\$40,589	\$41,604	\$42,644	\$43,710	\$44,803	\$45,923	\$47,071	\$48,248
<b>Total Golf Revenue</b>		\$471,248	\$543,028	\$526,141	\$372,296	\$537,700	\$551,143	\$564,924	\$579,044	\$593,520	\$608,356	\$623,567	\$639,156	\$655,135	\$671,514	\$688,301	\$705,509	\$723,147	\$741,225
<b>Total Fitness Revenue</b>		\$321,006	\$331,528	\$318,361	\$157,978	\$431,200	\$441,980	\$453,030	\$464,355	\$475,964	\$487,863	\$500,060	\$512,561	\$525,375	\$538,510	\$551,972	\$565,772	\$579,916	\$594,414
<b>Total Revenue</b>		\$792,254	\$874,556	\$844,502	\$530,275	\$968,900	\$993,123	\$1,017,954	\$1,043,399	\$1,069,484	\$1,096,221	\$1,123,627	\$1,151,718	\$1,180,511	\$1,210,023	\$1,240,274	\$1,271,281	\$1,303,063	\$1,335,639
<b>Total Revenue/Round</b>		\$40.10	\$44.27	\$41.13	\$34.74	\$48.45	\$49.86	\$50.90	\$52.17	\$53.47	\$54.81	\$56.18	\$57.59	\$59.03	\$60.50	\$62.01	\$63.56	\$65.15	\$66.78
<b>Total Golf Revenue/Round</b>		\$23.85	\$27.49	\$25.62	\$24.39	\$26.89	\$27.56	\$28.25	\$28.95	\$29.68	\$30.42	\$31.18	\$31.96	\$32.76	\$33.58	\$34.42	\$35.28	\$36.16	\$37.06
<b>Expense Multiplier 103%</b>		DEPARTMENTAL COSTS & EXPENSES																	
<b>Equipment Rental</b>		\$56,500				\$10,000	\$10,300	\$10,609	\$10,927	\$11,255	\$11,593	\$11,941	\$12,299	\$12,668	\$13,048	\$13,439	\$13,842	\$14,258	\$14,685
<b>Fuel (Carts &amp; Equip.)</b>		\$18,265	\$9,413	\$8,333		\$300,000	\$301,400	\$409,142	\$415,236	\$427,693	\$440,524	\$453,740	\$467,352	\$481,373	\$495,814	\$510,680	\$526,009	\$541,799	\$558,043
<b>Personnel Expenses</b>		\$346,718	\$369,904	\$373,700		\$100,000	\$103,000	\$106,000	\$109,273	\$112,651	\$116,134	\$120,727	\$126,437	\$132,267	\$138,227	\$144,427	\$150,877	\$157,587	\$164,557
<b>Purchase Operations</b>		\$102,437	\$100,845			\$400,000	\$504,700	\$519,841	\$535,436	\$551,499	\$568,044	\$585,086	\$602,638	\$620,717	\$639,339	\$658,519	\$678,275	\$698,623	\$719,582
<b>Total Dept. Costs &amp; Expenses</b>		\$523,910	\$476,162	\$469,586		\$900,000	\$910,700	\$925,552	\$940,665	\$956,043	\$971,787	\$987,915	\$1,004,447	\$1,021,387	\$1,038,744	\$1,056,521	\$1,074,758	\$1,093,463	\$1,112,637
		UNDISTRIBUTED EXPENSES																	
<b>Administrative &amp; General Management Fee</b>		\$36,348	\$60,252	\$39,335		\$40,000	\$41,200	\$42,436	\$43,709	\$45,020	\$46,371	\$47,762	\$49,195	\$50,671	\$52,191	\$53,757	\$55,369	\$57,030	\$58,741
<b>Marketing &amp; Promotion</b>		\$11,857	\$10,891	\$10,082		\$11,000	\$11,330	\$11,670	\$12,020	\$12,381	\$12,752	\$13,135	\$13,529	\$13,934	\$14,353	\$14,787	\$15,237	\$15,683	\$16,144
<b>Proffess'nl Fees (Consultants)</b>		\$15,268	\$24,994	\$35,192		\$35,000	\$36,050	\$37,132	\$38,245	\$39,389	\$40,575	\$41,792	\$43,046	\$44,337	\$45,667	\$47,037	\$48,448	\$49,902	\$51,399
<b>Utilities</b>		\$44,326	\$53,130	\$48,069		\$52,000	\$53,560	\$55,167	\$56,822	\$58,526	\$60,280	\$62,091	\$63,953	\$65,872	\$67,849	\$69,884	\$71,980	\$74,140	\$76,364
<b>Repairs &amp; Maintenance</b>		\$37,606	\$66,324	\$74,405		\$75,000	\$77,250	\$79,588	\$81,955	\$84,413	\$86,944	\$89,554	\$92,241	\$95,008	\$97,858	\$100,794	\$103,818	\$106,932	\$110,140
<b>Total Undistributed Exp.</b>		\$152,995	\$215,591	\$207,883		\$213,000	\$219,390	\$225,972	\$232,751	\$239,733	\$246,925	\$254,333	\$261,963	\$269,822	\$277,914	\$286,254	\$294,842	\$303,687	\$312,798
<b>I.I.C. BF Fixed Charges</b>		\$100,501	\$197,087			\$265,900	\$269,033	\$272,138	\$275,212	\$278,252	\$281,251	\$284,208	\$287,116	\$289,971	\$292,768	\$295,501	\$298,164	\$300,753	\$303,260
		FIXED CHARGES																	
<b>Real &amp; Pers. Property Taxes</b>		\$32,747	\$34,983	\$43,102		\$63,514	\$65,420	\$67,382	\$69,404	\$71,486	\$73,631	\$75,839	\$78,115	\$80,458	\$82,872	\$85,358	\$87,919	\$90,556	\$93,273
<b>Property Insurance</b>		\$32,747	\$34,983	\$43,102		\$45,000	\$46,950	\$47,741	\$48,173	\$48,508	\$48,847	\$49,191	\$49,539	\$49,891	\$50,247	\$50,607	\$50,971	\$51,339	\$51,711
<b>Total Fixed Charges</b>		\$65,494	\$69,966	\$86,204		\$108,514	\$112,370	\$115,123	\$117,577	\$120,014	\$122,134	\$124,298	\$126,572	\$128,959	\$131,453	\$134,056	\$136,764	\$139,587	\$142,524
<b>Total EXPENSES</b>		\$709,562	\$726,716	\$728,571		\$1,011,514	\$1,025,860	\$1,040,675	\$1,055,921	\$1,071,617	\$1,087,781	\$1,104,323	\$1,121,249	\$1,138,587	\$1,156,340	\$1,174,515	\$1,193,117	\$1,212,150	\$1,231,627
<b>Operating Expense Ratio</b>		83.3%	84.2%	84.7%		83.3%	84.2%	85.0%	85.8%	86.6%	87.4%	88.2%	89.0%	89.8%	90.6%	91.4%	92.2%	93.0%	93.8%
<b>Net Operating Income (NOI)</b>		\$83,278	\$82,431	\$80,321		\$157,386	\$157,263	\$157,015	\$156,636	\$156,118	\$155,454	\$154,636	\$153,657	\$152,588	\$151,481	\$149,666	\$147,955	\$146,337	\$144,903
<b>Lease Rent</b>		\$83,278	\$82,431	\$80,321		\$81,579	\$82,257	\$82,952	\$83,664	\$84,394	\$85,142	\$85,909	\$86,696	\$87,501	\$88,327	\$89,174	\$90,042	\$90,931	\$91,843



### Maximally Productive

The maximally profitable use of the subject as improved should conform to the neighborhood trends and be consistent with existing land uses. Although several uses may generate sufficient revenue to satisfy the required rate of return on investment and provide a return on the land, the single use that produces the highest price or value is typically the highest and best use. As stated previously, our projections of income and expenses for the subject property will produce positive cash flows. However, the present and improvements at the subject property **do not** meet and/or exceed what is typical at affordable daily fee golf courses in the market. Therefore, we feel that use of the subject property, as an affordable daily fee golf course and fitness center may not be the maximally productive use of the site.

### Summary

As *improved*, use as an 18-hole affordable daily fee golf course and fitness center is physically possible, legally permissible and financially feasible (based on “in use”, historical income and expense data) but may not be maximally productive. Consequently, although determining the feasibility of alternative uses of the site is outside of the scope of this assignment, we feel that use of the subject property, as an affordable daily fee golf course and fitness center may not be the highest and best use of the site.

As *vacant*, the acreage of the subject property, by present day standards, is not adequate to accommodate a safe 18-hole regulation golf course and therefore, use as such is not physically possible. Accordingly, as vacant, use as an 18-hole regulation golf course is not the highest and best use of the site.

Furthermore, we would suggest exploring alternative recreational uses for the site that may include golf and provide: additional revenues, recreation opportunities for township residents and a facility that emulates the pride of the community. A quality 9-hole golf course with a first class practice facility including driving range and short game area with the remaining acreage available for non-golf recreation such as: little league, soccer and other sports fields, walking/biking paths, sledding hill, community center, etc. would be one possibility.



The purpose of this appraisal is to estimate the leasehold value in Twining Valley Golf and Fitness Club. We have considered all three approaches to value: the income approach, the sales comparison approach, and the cost approach.

The income approach is considered the most reliable approach for estimating the value of leasehold interest in the subject property, as this approach takes into consideration the income generated from the golf course and fitness club.

The sales comparison and cost approaches to value are not applicable to estimating the value of leasehold interest in the subject property. Therefore, these approaches were not developed.



## Income Approach

The income approach is based upon the premise that value is measured by the present worth of future benefits, which are typically derived from the property's income potential.

In order to accurately measure this income stream, it is necessary to compare the subject property with similar properties to estimate and to substantiate revenues, operating expenses, capitalization rates and methodology.

Definitions for some of the terms used are included in the box below.

In addition to the traditional value influences such as physical condition and location, there are several items that influence income, such as desirability of the property, management and surrounding properties.

Other considerations such as transportation, employment opportunities and competitive rental or income generators are pertinent. The latter is extremely important and by comparing the properties to their competition, the principle of substitution is utilized to develop economic rental or gross income estimates.

**Income Approach:** Estimating value by capitalization - converting future net income into an indication of present value.

### INCOME APPROACH DEFINITIONS

**Gross Revenues:** Income generated by all sources, including rooms revenue, merchandise sales, food and beverage revenue, meeting and convention room rental, equipment rental, and other sales.

**Stabilization:** The point at which the property reaches peak operating efficiency.

**Operating Expenses:** Expenses directly related to the operation of the property. Does **not** include depreciation, interest or amortization.

**Net Operating Income (NOI):** Gross Revenues less operating expenses, before debt service and recapture. Also called Cash Flows.

**Capitalization Rate (OAR):** The rate at which cash flows (NOI projections) are discounted to estimate value.

**Source:** Real Estate Appraisal Dictionary



## INCOME APPROACH (CONTINUED)

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The income approach is typically developed in the following order:

- **Effective Gross Income (EGI)** will be developed by estimating potential gross income (gross revenue) from comparable properties and operating history.
- **Net Operating Income (NOI)** will be developed by estimating operating expenses and deducting this estimate from effective gross income.
- **Capitalization** of net operating income will be done by the division of the net operating income by a rate selected through the band of investment method to arrive at a conclusion of value by the income capitalization approach.
- **Discounting** of cash flows (NOI) will be done by a rate developed through a band of investment technique.

The highest and best use of the subject property has not been analyzed for the purpose of this valuation, as we were asked to estimate the value of the leasehold interest in the subject property "in use" which is as a daily fee golf course and fitness center.

First to be estimated in the income approach is the effective gross income. Next, we developed the net operating income. This is the annual net income remaining after deducting stabilized operating expenses, but before deducting finance charges such as recapture or debt service. Then we developed the capitalization rate. The quality and quantity of the income stream, risk, and time were important considerations in constructing the capitalization rate. We based our selection of the capitalization rate on the actions of investors in the marketplace, representing the current rate necessary to attract capital. Finally, we would calculate value by dividing the net operating income by the capitalization rate.

### Value Estimate

The final step in estimating the value by the Income Approach is that of processing the projected income stream in an indication of value. There are several methods by which this may be accomplished. All of these are based on the appraisal theory that the value of the property is the present worth of the future benefits that may be derived from ownership. The methods that may be used include the Discounted Cash Flow Analysis and/or Direct Capitalization.



## INCOME APPROACH (CONTINUED)

For this appraisal assignment we are valuing the leasehold interest in the subject property. Leasehold interest can be derived by subtracting the leased fee interest from the fee simple interest in a property. This procedure is illustrated in the equation below.

$$\text{Fee Simple Interest} - \text{Leased Fee Interest} = \text{Leasehold Interest}$$

We have utilized the Direct Capitalization method in arriving at the indicated “in use” value of the fee simple interest via the Income Approach, as the subject is currently operating at stabilized levels. Additionally, we have discounted the projected lease rent for the remainder of the current lease and extension options to arrive at the “in use” leased fee interest in the subject property.

### Direct Capitalization

Direct capitalization is a method used to convert a single year’s estimated stabilized net operating income into a value indication. The following subsections represent different techniques for deriving an overall capitalization rate for direct capitalization.

<b>Definitions</b>
<b>Fee Simple Estate</b> Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.
<b>Leasehold Interest</b> The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. See also negative leasehold; positive leasehold.
<b>Leased Fee Interest</b> An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.
<b>Source: Appraisal Institute, Dictionary of Real Estate Appraisal, 4<sup>th</sup> Edition</b>

### Band of Investment

First, we have applied a Band of Investment analysis to calculate an overall rate. This analysis looks at the return requirements to satisfy debt and equity investments in a property. The most probable, current mortgage terms for this type of property are shown below, along with a summary of the calculations.

Band of Investment						
	Rate	Term	Constant	L/V	Component	
Mortgage	8.00%	20	10.037%	70%	7.026%	
Equity Dividend	12.00%			30%	3.600%	
Overall Rate (OAR)	10.63% Rounded To:				10.60%	

### Discount Rate Selection



## INCOME APPROACH (CONTINUED)

As mentioned previously, in order to determine the “in use” value of the leased fee interest in the subject property we must discount the sum of the projected lease rent paid to the landlord (Upper Dublin Township) for the remaining years of the current lease and extension options.

The discount method indicates a present value of anticipated future cash flows. Real Estate investors base their offers on forecast benefits and their judgment of the risk involved. In order to convert cash flows to an indication of value that is reflective of market conditions, a discount rate that is also reflective of the market must be used. The discount rate is then calculated by the formula below:

Band of Investment - Discount Rate					
	Rate	Term	Constant	L/V	Component
Mortgage	8.00%	20	10.037%	70%	7.03%
Equity Yield	27.00%			30%	8.10%
Discount Rate:			15.13% Rounded To:		15.00%

### Conclusion

The unique aspects of each real estate asset must be considered when comparing real estate investments with other investment vehicles. The performance of real estate is dependent upon and tends to fluctuate with the degree and quality of management, changes in the competitive environment, changes or cycles in the economy and the condition of the property.

In addition to the assumptions discussed previously, other assumptions used in performing this direct capitalization follow:

- There is a dysfunctional relationship between the lessee and the lessor that became very obvious during our interviews with both parties. Our analysis, projections and conclusions are independent of this relationship and the resulting effect on operations at the subject property.
- Financial information provide to us was incomplete and lacking detail. Therefore, cash flow for the subject property was reconstructed based on several documents provided by Links Management and Nawn and Company CPA's, Ltd. Revenues from Links Management sales reports provided



detailed golf course revenues; while we relied upon the fitness center revenues documented in monthly reports prepared by Links, as this was the only source of revenue reporting we were provided for this department. Additionally, expense information was extracted from "Links Management, Inc. and Subsidiary Financial Statements," prepared by Nawn and Company, CPA's, Ltd. These financial statements include a real estate holding company owned by Links. However, according to Chris Nawn, "No inter-company interest income or expense is reflected in the financial statements."

While this eclectic approach to compiling income and expense data provides the most detailed components of the financial information provided to us, it should be noted that income and expense totals vary between sources. Additionally, at the time of this report, financial statements including expenses for 2004/2005 were not yet available. Links Management utilizes an April 1 - March 31 fiscal year. We have not observed any evidence that would lead us to believe that revenues are going unreported by Links Management.

- It is estimated that there will be 20,000 rounds in fiscal year ending 2006.
- The annual increase in operating expenses is estimated at 3.0%. This rate of increase is based on the annual increase in the consumer price index (CPI). The CPI increase over the last 30 years has averaged around 3.0%. The rate of income growth is expected to be lower, based on market observation, about 2.5% per year.

# INCOME APPROACH (CONTINUED)



## Twining Valley Golf & Fitness Club Cash Flow

	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
<b>Total No. of Golf Rounds</b>	19,755	19,756	20,533	15,263	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
<b>Non-Member Rounds</b>	14,267	16,386	16,940	12,950	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600
<b>Member Rounds</b>	5,488	3,370	3,593	2,313	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400
<b>Cart Rounds</b>	14,913	15,628	16,836	12,773	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
<b>Total Golf Members</b>	18	35	77	85	85	85	85	85	85	85	85	85	85	85	85	85	85	85
<b>Total Fitness Members</b>	933			1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232
<b>OPERATING STATISTICS (18-Hole Equivalent) INCOME</b>																		
<b>Revenue Multiplier</b>	102.50%																	
<b>Average Annual Golf Membership Fee</b>	\$1,652.22	\$2,495.03	\$390.00	\$43.88	\$400	\$410	\$420	\$431	\$442	\$453	\$464	\$475	\$487	\$500	\$512	\$525	\$538	\$551
<b>Golf Membership Fee Revenue</b>	\$29,740	\$49,326	\$30,030	\$3,713	\$34,000	\$34,850	\$35,721	\$36,614	\$37,530	\$38,469	\$39,430	\$40,415	\$41,426	\$42,461	\$43,523	\$44,611	\$45,726	\$46,869
<b>Average Green Fee</b>	\$17.03	\$14.99	\$15.71	\$14.75	\$14.50	\$14.86	\$15.23	\$15.51	\$16.01	\$16.41	\$16.82	\$17.24	\$17.67	\$18.11	\$18.56	\$19.03	\$19.50	\$19.99
<b>Green Fee Revenue</b>	\$242,962	\$245,583	\$266,475	\$196,984	\$240,700	\$246,718	\$252,885	\$259,288	\$265,688	\$272,330	\$279,138	\$286,117	\$293,270	\$300,601	\$308,116	\$315,819	\$323,715	\$331,888
<b>Cart Revenue/Cart Round</b>	\$7.57	\$9.49	\$9.05	\$9.05	\$9.00	\$9.23	\$9.46	\$9.69	\$9.93	\$10.18	\$10.44	\$10.70	\$10.97	\$11.24	\$11.52	\$11.81	\$12.10	\$12.41
<b>Cart Rental Revenue</b>	\$112,834	\$132,682	\$149,800	\$115,563	\$144,000	\$147,600	\$151,290	\$155,072	\$158,940	\$162,923	\$166,996	\$171,171	\$175,450	\$179,836	\$184,332	\$188,940	\$193,664	\$198,506
<b>Food &amp; Beverage Sales/Round</b>	\$2.42	\$2.21	\$2.02	\$2.37	\$2.40	\$2.46	\$2.52	\$2.58	\$2.65	\$2.72	\$2.78	\$2.85	\$2.92	\$3.00	\$3.07	\$3.15	\$3.23	\$3.31
<b>Food &amp; Beverage Sales</b>	\$47,724	\$43,719	\$41,410.58	\$36,106.31	\$48,000	\$49,200	\$50,430	\$51,691	\$52,983	\$54,308	\$55,665	\$57,057	\$58,483	\$59,945	\$61,444	\$62,980	\$64,555	\$66,169
<b>Pro Shop Sales/Round</b>	\$1.79	\$1.44	\$1.49	\$1.43	\$1.50	\$1.54	\$1.58	\$1.62	\$1.66	\$1.70	\$1.74	\$1.78	\$1.83	\$1.87	\$1.92	\$1.97	\$2.02	\$2.07
<b>Pro Shop Sales</b>	\$35,293	\$28,388	\$30,548	\$21,840	\$30,000	\$30,750	\$31,519	\$32,307	\$33,114	\$33,942	\$34,791	\$35,661	\$36,552	\$37,466	\$38,403	\$39,363	\$40,347	\$41,355
<b>Driving Range Revenue/Round</b>																		
<b>Fitness Club Revenue/Fitness Club Member</b>	\$344.06		\$128.23		\$350	\$359	\$368	\$377	\$386	\$396	\$406	\$416	\$426	\$437	\$448	\$459	\$471	\$482
<b>Fitness Club Revenue (Including Memberships)</b>	\$321,006	\$331,528	\$318,361	\$157,978	\$431,200	\$441,980	\$453,030	\$464,355	\$475,964	\$487,863	\$500,060	\$512,561	\$525,375	\$538,510	\$551,972	\$565,772	\$579,916	\$594,414
<b>Other Revenue-Golf/Round</b>	\$0.14	\$0.27	\$0.40	\$0.27	\$0.30	\$0.31	\$0.32	\$0.32	\$0.33	\$0.34	\$0.35	\$0.36	\$0.37	\$0.38	\$0.39	\$0.40	\$0.41	\$0.42
<b>Other Revenue-Golf</b>	\$2,696	\$5,329	\$8,177	\$4,087	\$6,000	\$6,150	\$6,304	\$6,461	\$6,623	\$6,788	\$6,958	\$7,132	\$7,310	\$7,493	\$7,681	\$7,873	\$8,069	\$8,271
<b>Lesson Revenue-Golf/Round</b>	\$0.71	\$1.09	\$1.90	\$1.90	\$1.75	\$1.79	\$1.84	\$1.88	\$1.93	\$1.98	\$2.03	\$2.08	\$2.13	\$2.19	\$2.24	\$2.30	\$2.35	\$2.41
<b>Lesson Revenue-Golf</b>	\$14,088	\$22,297	\$29,019	\$29,019	\$35,000	\$35,875	\$36,772	\$37,691	\$38,633	\$39,599	\$40,589	\$41,604	\$42,644	\$43,710	\$44,803	\$45,923	\$47,071	\$48,248
<b>Total Golf Revenue</b>	\$471,248	\$543,028	\$526,141	\$372,296	\$537,700	\$551,143	\$564,921	\$579,044	\$593,520	\$608,358	\$623,567	\$639,156	\$655,135	\$671,514	\$688,301	\$705,509	\$723,147	\$741,225
<b>Total Fitness Revenue</b>	\$321,006	\$331,528	\$318,361	\$157,978	\$431,200	\$441,980	\$453,030	\$464,355	\$475,964	\$487,863	\$500,060	\$512,561	\$525,375	\$538,510	\$551,972	\$565,772	\$579,916	\$594,414
<b>Total Revenue</b>	\$792,254	\$874,556	\$844,502	\$530,275	\$968,900	\$993,123	\$1,017,951	\$1,043,399	\$1,069,484	\$1,096,221	\$1,123,627	\$1,151,718	\$1,180,511	\$1,210,023	\$1,240,274	\$1,271,281	\$1,303,063	\$1,335,639
<b>Total Revenue/Round</b>	\$40.10	\$44.27	\$41.13	\$34.74	\$48.45	\$49.66	\$50.90	\$52.17	\$53.47	\$54.81	\$56.18	\$57.59	\$59.03	\$60.50	\$62.01	\$63.56	\$65.15	\$66.78
<b>Total Golf Revenue/Round</b>	\$23.85	\$27.49	\$25.62	\$24.39	\$26.89	\$27.56	\$28.25	\$28.95	\$29.68	\$30.42	\$31.18	\$31.96	\$32.76	\$33.58	\$34.42	\$35.28	\$36.16	\$37.06
<b>DEPARTMENTAL COSTS &amp; EXPENSES</b>																		
<b>Expense Multiplier</b>	103%																	
<b>Equipment Rental</b>	\$56,500																	
<b>Fuel (Carts &amp; Equip.)</b>	\$18,255	\$8,413	\$8,333		\$10,000	\$10,300	\$10,609	\$10,927	\$11,255	\$11,593	\$11,941	\$12,299	\$12,668	\$13,048	\$13,439	\$13,842	\$14,258	\$14,685
<b>Personnel Expenses</b>	\$346,718	\$366,904	\$373,700		\$380,000	\$391,400	\$403,142	\$415,236	\$427,693	\$440,524	\$453,740	\$467,352	\$481,373	\$495,814	\$510,688	\$526,009	\$541,789	\$558,043
<b>Purchase Operations</b>	\$102,437	\$100,845	\$87,553		\$100,000	\$103,000	\$106,090	\$109,273	\$112,551	\$115,927	\$119,405	\$122,987	\$126,677	\$130,477	\$134,392	\$138,423	\$142,576	\$146,853
<b>Total Dept. Costs &amp; Expenses</b>	\$523,910	\$476,162	\$469,586		\$490,000	\$504,700	\$519,841	\$535,436	\$551,499	\$568,044	\$585,086	\$602,638	\$620,717	\$639,339	\$658,519	\$678,275	\$698,623	\$719,582
<b>UNDISTRIBUTED EXPENSES</b>																		
<b>Administrative &amp; General Management Fee</b>	\$36,348	\$60,252	\$39,335		\$40,000	\$41,200	\$42,436	\$43,709	\$45,020	\$46,371	\$47,762	\$49,195	\$50,671	\$52,191	\$53,757	\$55,369	\$57,030	\$58,741
<b>Marketing &amp; Promotion</b>	\$7,500																	
<b>Professional Fees (Consultants)</b>	\$11,857	\$10,891	\$10,082		\$11,000	\$11,330	\$11,670	\$12,020	\$12,381	\$12,752	\$13,135	\$13,529	\$13,934	\$14,353	\$14,783	\$15,227	\$15,683	\$16,154
<b>Utilities</b>	\$15,268	\$24,984	\$35,192		\$35,000	\$36,050	\$37,132	\$38,245	\$39,393	\$40,575	\$41,792	\$43,046	\$44,337	\$45,667	\$47,037	\$48,448	\$49,902	\$51,399
<b>Repairs &amp; Maintenance</b>	\$44,326	\$53,130	\$48,889		\$52,000	\$53,560	\$55,167	\$56,822	\$58,526	\$60,282	\$62,091	\$63,953	\$65,872	\$67,848	\$69,880	\$71,980	\$74,140	\$76,364
<b>Total Undistributed Exp.</b>	\$37,600	\$66,324	\$74,405		\$75,000	\$77,250	\$79,588	\$81,955	\$84,411	\$86,968	\$89,524	\$92,181	\$94,940	\$97,801	\$100,774	\$103,818	\$106,932	\$110,140
<b>Net Operating Income (NOI)</b>	\$454,654	\$408,194	\$370,097	\$297,881	\$493,900	\$486,893	\$485,373	\$487,944	\$492,029	\$499,659	\$509,643	\$521,479	\$534,777	\$549,544	\$565,827	\$583,434	\$602,455	\$622,945
<b>Net Operating Income (NOI) Ratio</b>	83.8%	84.2%	84.6%	84.6%	85.0%	85.4%	85.4%	85.4%	85.8%	86.2%	86.7%	87.1%	87.5%	87.9%	88.4%	88.8%	89.2%	89.6%
<b>Lease Rent</b>	\$83,278	\$82,431	\$80,321		\$81,579	\$82,257	\$82,952	\$83,664	\$84,394	\$85,142	\$85,909	\$86,696	\$87,501	\$88,327	\$89,174	\$90,042	\$90,931	\$91,843

Fee Simple Value Capitalized @ 12.50% \$1,259,085  
 Leased Fee Value Discounted @ 15.00% \$485,382  
**Leasehold Value \$773,704 Rounded To: \$770,000**



## **INCOME APPROACH (CONTINUED)**

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The unique aspects of each real estate asset must be considered when comparing real estate investments with other investment vehicles. The performance of real estate is dependent upon and tends to fluctuate with the degree and quality of management, changes in the competitive environment, changes or cycles in the economy and the condition of the property.

Based on the above calculations as well as our information obtained in our investor's survey, we consider a capitalization rate of 12.50%, to be reasonable for the direct capitalization of subject's golf course and fitness operations. Additionally, we consider a discount rate of 15.00% to be reasonable for the lease rent income associated with the remaining term of the current lease and extension options. Based on this analysis, value of the leasehold interest in the subject property the income approach as of September 16, 2005 is \$773,704:

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**SEVEN HUNDRED SEVENTY THOUSAND (\$770,000) DOLLARS**

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The sales comparison approach is a process of comparing market data, that is, the prices paid for similar properties, prices asked by owners, offers made by prospective purchasers willing to buy, and rents and leases.

In applying the sales comparison approach, various appraisal principles are applied ensuring that all relevant issues have been included in the analysis. The principles of primary importance are supply and demand, balance, substitution, and externalities. Additionally, a fundamental premise of the sales comparison approach is the concept that from analysis of sales of reasonably similar properties, an appraiser has a factual basis upon which to estimate the value of his subject. Proper application of the sales comparison approach requires that:

- Only market transactions be weighed, and the data of each transaction be confirmed to the greatest extent possible.
- The degree of comparability of each sale to the subject be considered.
- The value conclusion be consistent with the analysis of the sales data.

A definition of market value is "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus." For conveyance to qualify as a market transaction", four factors must be present.

1. The conveyance must be "arm's length" that is, it must either be between two non-related parties or between related parties who have negotiated a price at a level that, if the buyer were the seller, the price he is paying is also the price he would accept for the property; and conversely, if the seller were the buyer the price he is accepting is also the price he would pay for the property. To this extent, a conveyance resulting from a buy-sell agreement, right of first refusal agreement, or lease/purchase optional agreement could be arm's length even though the buyer and seller are not entirely non-related.
2. Neither the buyer nor seller would have been under compulsion to act.
3. The property should be available on the open market to the class of purchasers best able to utilize the facility.
4. The price must be expressed in the equivalent of cash, adjusted for any special financing, concessions, or terms.



The degree of comparability that exists between a sale and the subject is often a function of the volume of sales activity in a market. For any class of real estate, if sales are infrequent, the market area must be expanded in scope of time and or geography to whatever extent is necessary to accumulate sufficient data on which to base a judgment. To judge the degree of comparability between a sale and the subject, several guidelines can be applied.

- The sale should be in the same market as the subject. To the extent that a market is a meeting place for buyers and sellers of real estate of a given type, the participants in merchandising and absorbing competitive properties set the boundaries of the market. The boundaries of a market area are consequently economic in character and not purely physical or geographic.
- Physical characteristics of the sale and subject should be as similar as possible in terms of size and amenities customarily found within the applicable class of real estate.
- Real estate price trends over time must be taken into consideration.
- The functional adequacy of the sale property and the subject should be competitive in terms of the ability of each to support similar functions.

This is a limited appraisal and the appraisers have invoked the departure rule by not developing the sales comparison approach. Additionally we were unable to identify comparable golf course lease sales in the local and regional markets.



In order to estimate the value of the subject property by the cost approach, we must do the following things:

1. Estimate the value of the site to its highest and best use as though vacant, which we have done.
2. Estimate the reproduction or replacement cost of the improvements on the effective date of the appraisal. This includes direct (hard) and indirect (soft) costs.
3. Estimate other costs (indirect costs) incurred after construction to bring the new, vacant building up to market conditions and occupancy levels.
4. Estimate entrepreneurial profit, when appropriate, from an analysis of the market.
5. Add estimated replacement or reproduction cost, indirect costs, and entrepreneurial profit, often expressed as a percentage of total direct and indirect costs and sometimes land value, to arrive at the total replacement or reproduction cost of the primary structure(s).
6. Estimate the amount of accrued depreciation in the structure, which is divided into three major categories: physical deterioration, functional obsolescence, and external obsolescence.
7. Deduct the estimated depreciation from the total reproduction or replacement cost of the structure to derive an estimate of the structure's depreciated reproduction or replacement cost.
8. Estimate reproduction or replacement costs and depreciation for any accessory buildings and site improvements, and then deduct estimated depreciation from the reproduction or replacement costs of these improvements. Site improvements and minor building improvements are often appraised at their net value, i.e., directly on a depreciated cost basis.
9. Add the depreciated reproduction or replacement costs of the structure, the accessory buildings, and the site improvements to obtain the estimated total depreciated reproduction or replacement cost of all improvements.
10. Add the land value to the total depreciated reproduction or replacement cost of all improvements to arrive at the indicated value of the fee simple interest in the property.



11. Adjust the indicated fee simple value to reflect the property interest being appraised, if necessary, to produce an indicated value for the interest in the subject property.<sup>6</sup>

Comparison is the essence of the cost approach to value, similar to the sales comparison and income approaches. Construction costs, plus land values, are compared to the values of existing improved properties. The four principles used for the sales comparison approach (substitution, supply and demand, balance, and externalities), are also applicable to the cost approach.

In addition, the highest and best use of the underlying land is analyzed as both vacant and as improved in the cost approach. A site may have one highest and best use as if vacant, and the existing combination of site and improvements may have another highest and best use. Existing improvements have value in an amount equal to their contribution to the site, or may create a penalty on value by an amount of the cost to remove them from the site.

In order that the cost approach to value can be derived and equitably compared with the other approaches to value, adjustments for accrued depreciation from all causes are deducted from the reproduction cost.

**DEPRECIATION SOURCES**

**Physical Deterioration**—Physical wearing out of property.

**Functional Obsolescence**—Lack of desirability in terms of layout, style and design as compared to that of a new property serving the same function.

**External (or Environmental) Obsolescence**—Loss of value from causes outside the property.

The cost approach is considered less reliable than the income approach for estimating the value of large-scale projects like golf courses, where environmental and legal circumstances are involved. It is most valid when applied to somewhat newer properties where components of physical deterioration and functional and external obsolescence are minimal.

The cost approach is most reliable in estimating the value of new or recently constructed improved properties. The cost approach is less reliable than the income approach for large-scale projects like golf courses due to environmental and legal circumstances that accrue. Plans, specifications and construction costs for the golf course and building improvements were not available. The golf course is approximately 74 years

<sup>6</sup>*The Appraisal of Real Estate*, 11th edition, American Institute of Real Estate Appraisers, Chicago: 1995, page 350-51.

## **COST APPROACH (CONTINUED)**

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old, while the clubhouse is approximately 14 years old. Due to the lack of plans, specifications and qualified construction cost estimates for the golf course and building improvements, an accurate estimate of reproduction cost new is difficult. Due to the age of the subject golf course and building improvements, an estimate of accrued depreciation is considered unreliable. For the reasons cited, the cost approach, although considered, was not developed.

# FINAL VALUE ESTIMATE



We have considered all three approaches to value and have developed the income approach.

The three approaches to value have indicated the following estimates for the “in use value of the leasehold interest in Twining Valley Golf and Fitness Club, as of September 16, 2005. The indicated values are:

### Leasehold Interest Value Estimates

<b>Income Approach</b> .....	<b>\$770,000</b>
<b>Sales Comparison Approach</b> .....	<b>n/a</b>
<b>Cost Approach</b> .....	<b>n/a</b>
<b>Final Value</b> .....	<b>\$770,000</b>

Estimated cash flows and expenses are the basis for developing a value by the income approach. The income approach for the subject property was developed upon the premise that the facility would be operated as an affordable daily fee golf facility and fitness center. We have developed the leasehold interest value by first developing the “In Use” Fee Simple value and subtracting the Leased Fee value (lease rent paid to landlord) and is shown in the following equation.

$$\text{Fee Simple Interest} - \text{Leased Fee Interest} = \text{Leasehold Interest.}$$

In developing the value of the fee simple interest we estimated expenses based on operating history commensurate with inflation. The income approach is considered the most reliable approach for estimating the value of leasehold interest in the subject property, as this approach takes into consideration the income generated from the golf course and fitness club.

This is a limited appraisal and the appraisers have invoked the departure rule by not developing the sales comparison approach. Additionally we were unable to identify comparable golf course lease sales in the local and regional markets. Furthermore, due to the income producing nature of the subject, a value solely by the income approach is considered credible.

The cost approach is most reliable in estimating the value of new or recently constructed improved properties. The cost approach is less reliable than the income approach for large-scale projects like golf courses due to environmental and legal circumstances that accrue. Plans, specifications and construction costs for the golf



course and building improvements were not available. The golf course is approximately 74 years old, while the clubhouse is approximately 14 years old. Due to the lack of plans, specifications and qualified construction cost estimates for the golf course and building improvements, an accurate estimate of reproduction cost new is difficult. Due to the age of the subject golf course and building improvements, an estimate of accrued depreciation is considered unreliable. For the reasons cited, the cost approach, although considered, was not developed.

In summation, due to the income producing nature of the subject property, we have relied upon the income approach to value.

### **Allocation of Value**

An allocation of value has been considered for the subject, however, since the purpose of this appraisal assignment is to value the leasehold interest in the subject, real estate is not included in this valuation. Therefore, an analysis separating the value of the real estate from the value of the personal property is not applicable. Accordingly, an allocation of value was not developed for the subject property.



### *Recommendations*

- As mentioned previously Twining Valley is not attaining its fair share of market rounds. Based on the competitive nature of the local golf market the subject's inability to meet/exceed what is typical at area daily fee courses, we believe that large scale capital improvements such as the completion of a 100% asphalt paved cart path network and replacement of the irrigation system would not significantly enhance the subject's ability to attract additional rounds and the associated revenue and lease rent.
  - As discussed previously the antiquated irrigation system is in poor condition. Combined with the inadequate water supply, the irrigation system is a major limiting factor for maintenance and condition of the golf course. However, replacing the irrigation system is estimated at \$625,000-\$675,000 in a report prepared by Jim Blaukovitch Associates, dated July 31,2002. Based on the projected minimal impact on golf rounds and associated revenue as well as the current percentage lease rates, the township could not expect a significant return on this investment.
  - Days that may normally be lost due to wet conditions may, with "wall to wall" cart path coverage, become somewhat playable without imposing unnecessary damage to the golf course from cart traffic. The completion of the paths and repair of damaged turf areas would enhance the golf experience at Twining Valley by improving course conditions, projecting a well-kept appearance, and most importantly increasing player comfort and safety. Costs for this improvement is estimated by Jim Blaukovitch Associates, in a report dated July 31,2002 at \$200,000 for 20,000 linear feet of 8' wide asphalt paved cart path. We feel that this estimate is reasonable based on unit rates we have witnessed at other golf course renovation and construction projects regionally. Once again, based on the current percentage lease rates and the minimal impact this improvement would have on revenue, it is not possible for the township to recuperate a sizeable investment in cart paths.

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- The addition of a lighted grass and artificial surface driving range that is open to the public could enhance Twining Valley's ability to compete for market rounds as an affordable daily fee golf facility as well as create a new revenue source from use of the driving range alone. Furthermore, we believe that the potential synergy created between the proposed driving range, existing golf course and fitness center could result in increase use of all the facilities at Twining Valley.

Assuming that the township remains in control of the project through the submittal, review and approval of the necessary plans and permitting and Links completes the project solely at their expense, we believe that such a facility would benefit Twining Valley from an operational standpoint, area residents from a recreational standpoint and to a lesser extent, the township as increased lease rent revenue.

We have considered the additional cash flow and associated lease rent income to the township that could be generated by the proposed driving range. A survey by the Society of Golf Course Appraisers reports annual driving range revenue for daily fee courses ranging between \$19,943 and \$31,243 or 2.2% to 2.3% of gross revenue. Recently we have worked with several daily fee courses reporting approximately \$1.00 per round from this revenue source. Our survey of competitive courses in the market indicated driving range revenue between \$0.29 and \$7.50 per round. We acknowledge the fact that driving ranges at a majority of the properties participating in these studies are primarily operated for the use of golf course patrons. However, the practice facility at Island Green Country Club, which reported \$7.50 per round or \$300,000 in driving range revenue in 2004, includes bentgrass and artificial tees with over 70 teeing stations, and lighting. In the case of Twining Valley the proposed driving range will be an elaborate practice facility designed for use in all weather and lit for after dark

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use, more in line with commercial driving ranges found independent of golf courses, often as part of recreational and sports centers. Accordingly, patrons of the driving range at the subject would not be limited to those playing golf or using the fitness facilities at the subject and therefore, revenue projections should be greater than illustrated by both the SGA survey and the local market, with the exception of Island Green. Based on this information, it is reasonable to believe that the subject property could achieve in excess of \$150,000 in annual revenue from the proposed driving range, which equates to \$4,500 in additional annual lease rent revenue for the township. Additionally, we believe that the synergistic affect of this amenity on the use of the overall facility would result in increased revenues of other departments as well. Thus, further increasing lease rent revenues for the township.

However as proposed by Links, the modest increase in revenue and lease rent associated with this improvement comes with a price, two additional 5-year extensions of the lease. The following bullet point explains our concerns regarding lease extensions.

- We do not recommend extending the term of the current lease beyond the existing extensions in which Links has the option to exercise, as this would further extend the period in which the township is limited to the current use as a daily fee golf course and fitness center, which may not be the highest and best use of the subject property. Additionally, the dysfunctional nature of the lessee/lessor relationship makes cooperation for the betterment of the property and associated benefits to both parties very difficult.
- Explore alternative recreational uses for the site that may include golf and provide: additional revenues, recreation opportunities for township residents and a facility that emulates the pride of the community. A quality 9-hole golf course with a first class practice facility including driving range

and short game area with the remaining acreage available for non-golf recreation such as: little league, soccer and other sports fields, walking/biking paths, sledding hill, etc. would be one possibility. The feasibility of alternative uses of the subject is beyond the scope of this assignment.

**LIMITED APPRAISAL  
&  
RESTRICTED REPORT  
TWINING VALLEY GOLF & FITNESS CLUB  
1400 TWINING ROAD  
DRESHER, PA 19025**



**AS OF SEPTEMBER 16, 2005**

**AT THE REQUEST OF**

**MR. PAUL A. LEONARD  
TOWNSHIP OF UPPER DUBLIN  
801 LOCH ALSH AVENUE  
FORT WASHINGTON, PA 19034**

**B Y**

**GOLF PROPERTY ANALYSTS  
LAURENCE A. HIRSH, CRE, MAI, SGA  
SHAUN A. HENRY, ASSISTANT APPRAISER**

**PREPARED ON FEBRUARY 22, 2006**

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