

So. Buffalo, NY

New South Park GC

for SBBOA

MARKETING ASSESSMENT

Completed

August 2013



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New South Park GC

TABLE OF CONTENTS

1) Statement of Limitations

2) Marketing Assessment Report

| | |
|--|--------|
| Marketing Assessment Executive Summary | Pg. 1 |
| Marketing Assessment, Body | Pg. 4 |
| Proposed Course type | Pg. 4 |
| Community Profile | Pg. 4 |
| Population Growth | Pg. 5 |
| Current Golf Market Pricing | Pg. 6 |
| Consumer/Facility Demand | Pg. 6 |
| Market Golf Rounds Review | Pg. 7 |
| Market Averages, all 9-hole Courses | Pg. 10 |
| Golf Market Saturation Graph | Pg. 11 |
| Market Facts: Where Statistics Come From | Pg. 11 |
| Primary Demographics Influencing Rounds | Pg. 12 |
| Local Public Access Demand | Pg. 12 |
| Golf Industry Overview; 1950 to Present | Pg. 12 |
| <i>Future of Golf</i> | Pg. 13 |
| Market Facts and Trends | Pg. 16 |
| Population by Race | Pg. 16 |
| Seasonal Market Trends | Pg. 17 |
| General Golf Market Trends | Pg. 17 |
| Opportunity Rounds | Pg. 19 |
| Salesperson Recommendation | Pg. 19 |
| Pass Holder, Player, and e-surveys | Pg. 20 |
| Collateral and Fulfillment Materials | Pg. 20 |

Project Marketing Dimensions to Enhance Revenue:

| | |
|----------------------------------|--------|
| Golf course positioning | Pg. 21 |
| Frequent Player/Affinity program | Pg. 21 |
| New Annual Pass holder survey | Pg. 21 |
| Customer Development programs | Pg. 22 |
| Player Development | Pg. 22 |
| Latent Golf Demand | Pg. 24 |

| | |
|--------------------------------|--------|
| 9-Hole Rounds Testimonials | Pg. 25 |
| Real estate agent partnerships | Pg. 25 |
| Group Business | Pg. 25 |
| Creative Golf Events | Pg. 27 |
| Fundraising Events | Pg. 28 |
| Creative Golf Partnerships | Pg. 28 |
| Basic Marketing Elements | Pg. 28 |

| | |
|---------------------------------|--------|
| Proposed Marketing Plan Outline | Pg. 29 |
| Stable Economy | Pg. 30 |

3) Pellucid Golf Data/Demographics

4) Golf Course Surveys

5) Spear Financial Pages; Referenced



Making the Business of Golf More Profitable

To: Mr. Mark Mistretta - Wendel Companies
For: New South Park GC
Fm: Jack Brennan
Principal, PALADIN Golf Marketing, PALADIN Golf Course Marketing
Re: Statement of Limitations

08.02.13

At your request, PALADIN Golf Marketing has completed the Marketing Assessment for New South Park GC in So. Buffalo, NY. By submitting this Marketing Assessment PALADIN Golf Marketing does not warrant that any projections, suggestions, or inferences will be achieved. Rather, PALADIN implies that these suggestions or estimations, in aggregate, are "achievable" given the proper management, sales, and marketing effort. Management should not view these projections as absolute. There are too many economic variables in every market that make it unrealistic to predict exact round usage on an annual basis.

Possession of this Marketing Assessment does not carry with it the right of publication. Nor may it be used for any purposes by any but the client (SBBOA), clients' legal counsel, client's bank and Mr. Doug Spear without the previous written consent of PALADIN Golf Marketing; and in any event, only with proper qualification.

It is assumed that the golf course and patron facilities will be efficiently managed and maintained, and that the sales efforts referred to in the Marketing Assessment will be properly managed and monitored.

Information, estimates, and opinions contained in this Report, obtained from sources outside of this office, are considered reliable, however, no liability for them will be assumed by PALADIN Golf Marketing; the author.

The authentic copy(s) of this Report will contain the initials "JSB" on the bottom right of every page. Any copy of the Report that does not have our original signature initials is unauthorized, may have been altered, and is considered to be unreliable.

Respectfully submitted,
PALADIN Golf Marketing

John S. Brennan
Principal (Signature and initials)

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Making the Business of Golf More Profitable

NEW SOUTH PARK GC

EXECUTIVE SUMMARY 2013

By PALADIN Golf Marketing (PGM) 2013

A *Marketing Assessment Report* is a factual representation of what play levels are reported in a given market place along with a subjective submission of what business segments represent the greatest opportunities for a course, or a proposed course, to aggressively pursue in order to affect their annual rounds and core revenue positively.

This report will reference all golf facilities but will focus on three categories of public-access courses: "Public Premium" \$42.00+, "Public Value" \$25 - 41.00 and "Public Price" <\$25.

The marketing assessment research to follow will reveal that currently South Park GC ("SP") is positioned as a Public Price course and facility in its marketplace (inexpensive). Based solely on capacity (supply of golf holes) and rounds share (demand for play) this category is faring better than all other categories of public golf in the market. Meaning, golfers in the market are revealing higher demand for the least expensive golf vs. better course conditions/maintenance and higher prices. However, SP reveals play levels at 16,000 9-hole rounds and Cazenovia GC ("Caz") – the other 9-hole course in the 15-minute draw area – reveals 26,000 annual rounds. This Marketing Assessment will also reveal facility-reported annual rounds in the three draw areas (15-, 30-, and 45-minutes) of 87,000 to 1.6M rounds while un-weighted population-based estimated rounds are 418,000 – 2.3M. This is a significant variance in the immediate draw areas and strongly suggests that local golfers are traveling to other areas to play their golf. And, off course, a percentage of this imbalance is likely local golfers playing golf in warmer destinations during the winter.

The three demographics that most impact local golf rounds played are: 1) Household Income (as a golfers income increases so does his/her rounds played – and visa versa), 2) Age (as a golfer gets older he/she plays more often), and 3) Ethnicity. The market research to follow will reveal that local Income is low compared to state averages and will negatively impact golf rounds (-12% in a 15-minute radius, neutral in a 30-minute radius, and +1% (neutral) in a 45-minute radius. See also Pellucid data.) The average age, in relation to the states average age, is virtually the same and will have minimal impact on average rounds. The ethnic make up of this particular market is favorable for average golf rounds. This market is 81% "White" who, as a demographic, play more rounds per golfer than any other ethnic segment. However, this population is projected to increase only slightly (+0.1%) over the next five years while the "black" population (12.7%) and "Hispanic"

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population is projected to grow through 2016. Management needs to factor these demographic considerations while managing the proposed new facility over the next several years.

Other factors that relate to rounds at an individual course are: 1) population growth, 2) effective marketing (lure golfers from choosing competitors with unique and attractive offers - marketing, advertising, and promotions), and 3) player development programs. The market research below will show negative resident population growth over the past 10 years and slightly positive population growth for the next five years; +0.2%. With the new marketing research developed with this assessment, management will be able to target the segments of play most likely to be influenced to South Park's new fairways, upgraded course and extensive practice facility and Community Center. Depending on the market opportunity revealed by the market research, there are many suggested marketing practices outlined in this Marketing Assessment report for management to consider. Player Development programs: in the Player Development section of this marketing assessment, PALADIN Golf Marketing (PGM) has included several suggestions for management to consider. However, all Stakeholders should also consider developing recreational and entertainment alternatives that entice area golfers and non-golfers to the site as Dr. Hurdzan, Chris Hurdzan, PGM and Mr. Spear have commented on. For example: nighttime concerts or fireworks on the driving range. In the winter The Hurdzan's have suggested sledding, renting snowshoes and X-Country skis. These are opportunistic ways to generate income while supporting the Community Center's food and beverage (F&B) operations year round. And, depending on available land, there are a number of summer/winter alternative recreational offerings the Community might benefit from offering: batting cages, pickleball courts, go carts, hockey rink that converts to roller hockey in summer, bowling alley, water park, mountain coaster, zip line tours, etc. PGM's suggested non-golfer survey might reveal these Community recreational opportunities. But, an offshoot of this non-golf recreation offering might be enticing non-golfers and their families to experience the varied golf opportunities that exist on site and for golfers to experience the non-golf activities with their families.

Summary of Market Facts to be detailed in the Marketing Assessment below:

- South Park GC is averaging 16,000 rounds – underperforming based on 9-hole course averages.
- Population growth for 2011 – 2016 is slow, but positive (+0.2); prior two decades have been negative.

Demographics affect on rounds:

- Average Household income is low in the 15-minute radius, but neutral in the 30- and 45-minute radius. (Slightly negative.)
- Average age mirrors that of the State of NY. Neutral, no impact on rounds of golf positively or negatively.
- Ethnicity makeup will impact rounds positively; 81% white population whom play more frequently than any other ethnicity group.

Participation and Frequency:

- Golfer participation rate is 8.5%, just below the national average of 8.8%. Unfavorable, but good.
- Frequency of golf play is 25.4 times per year. Above the national average and very favorable in a short season golf market.
- Estimated play rate (rounds per capita per year) is 2.2. One third again our national average (1.6); favorable.

- These statistics drive consumer-estimated rounds of 418K for the 15-minute radius and 2.3M for the 45-minute radius.

Golf hole supply history vs/ population growth:

- From 1990 to 2000 supply of golf holes increased by 36 holes (compound annual growth rate of 0.5%). During this period annual population growth was -0.2% creating a supply dilution rate for the decade of -6.9% - negative, but exceeding the national average.
- Since 2000, golf hole supply growth has increased to a +1.4% annual rate against -0.3% population growth. In other words, supply growth has increased against a declining population and increased the cumulative supply absorption/dilution to -23.7%. Not healthy, but sustainable.

Conclusion: By all accounts, the market is saturated with golf holes. Yet, Consumer (population-based) demand projections suggest some percent of golfers are leaving the market in search of other golf experiences (Consumer versus Facility-reported demand differences), presumably “better” golf courses. It’s possible – from a marketing standpoint, likely - that a Hurdzan-designed golf facility will recapture some amount of those golfers’ play while losing some amount of existing demand (higher price; albeit a small increase). Course operators are reporting stagnant or declining rounds. Add to that the marginal projected population increase projected for the next five (5) years and it is predicted to take years for the market supply of golf holes to reach balance with the population. However, no course reported themselves in “financial distress”. Since South Park GC (9 holes) is planning on closing once the decision is made to move forward with the New South Park GC and Community Center (9 holes and expansive practice facility), no further supply dilution will take place. A review of all seven (7) 9-hole golf courses reveal average reported annual rounds of 23,086. Spear Consulting is projecting 5.7% less than this average for New South Park GC in year 1 (likely 2016 or 2017) and appears reasonable at a peak average rate of \$31.60. This peak rack rate rate used for the Feasibility Study is \$5.14 higher than the average of the surveyed 9-hole courses; May 2013. However, Mr. Spear is representing his cart fee rates at \$10.00 when the average of our surveyed courses is \$12.60. Two of the courses surveyed (Grandview and Greenwood) are charging \$13.00 and Shawnee charges \$14.00. Plus, Mr. Spear’s rates are being projected for 2016/2017 seasons [two (2) years+ from now]. Mr. Spear’s blended rate seems appropriate as a projection for New South Park GC when it opens and his seven (7) year projections only **increase by a maximum of \$2.59**. As discussed, the New South Park GC will likely be an “above average” golf experience for the area which could command above average fees. Management will need to monitor pricing based on initial and sustained golf rounds demand in 2016/17.

Some marketing concern continues regarding probable deep discounting in the market. It is more the normal for average rounds to decrease as you rise up the public golf value categories: Public Price courses play more average rounds than Public Value courses and they record greater rounds averages than more expensive Public Premium courses. However, the exact opposite occurs in this market leading researchers to believe there is likely significant price compression being realized. (i.e. Public Premium courses charging Public Value pricing and Public Value courses charging Public Price rates forcing Public Price courses to discount even further.)

COURSE and MARKET PROFILE**Course Type:**

Course: Public 9-hole Hurdzan Golf Design "Family Fun Course", par 33, on approximately 62 acres. Proposed 10,000 s.f. Community Center/Clubhouse. 3,800 s.f. open outing and events pavilion. From all sets of tees it will play from 3000 to 3400 yards. The course will have 4 or 5 tees per hole to appeal to all player levels. There will be six (6) par 4's and three (3) par 3's – executive length.

Included will be a full-swing Driving Range, a "chipping" or short course (holes less than 40 yards), and a putting course.

The course is to be built on a landfill as a replacement for the original South Park GC – to be closed. Other recreational, educational, and entertainment amenities are under consideration at this time.

Community**Profile & Location**

South Buffalo is a large community in Buffalo, New York. It is bordered by the suburbs of West Seneca and Lackawanna, and the shores of Lake Erie.

South Buffalo is known for being one of the safest neighborhoods in the City of Buffalo and consequently has some of the strongest property values. The community is filled with beautiful, tree-lined residential streets and busy commercial strips.

The Community of South Buffalo is made up of several smaller neighborhoods that range in age due to South Buffalo's gradual growth.

South Buffalo is the home of two of Buffalo's major parks, Cazenovia and South Parks. The city of Buffalo is proud of its park system that was designed by renowned urban planner, Fredrick Law Olmsted. Olmsted is largely known for designing New York City's Central Park.

Cazenovia Park, located in the heart of South Buffalo, is full of mature trees, large green lawns, a large center casino, playgrounds, tennis and basketball courts, soccer fields and baseball diamonds. Cazenovia creek runs through the center of the park adding the sound of rushing water to this natural environment.

The park is bordered by two of South Buffalo's major Commercial streets Abbott Road and Seneca Street. Located at the Cazenovia Street and Abbott Road corner of the park is a building containing a full ice rink and an Olympic sized swimming pool.

The other major South Buffalo park is South Park. South Park is a large and scenic space. South Park Lake provides a natural habitat for ducks, geese and fish. During the summer it covers over with hundreds of lily pads blooming white flowers all summer long. South Park also contains the Buffalo and Erie County Botanical Gardens in existence for over 100 years. The large, glass, three-domed conservatory shines like a diamond on a green velvet pillow. It feels almost like being transported to an old European city with the Our Lady of Victory Basilica's great presence, quite visible from the park. The park provides area residents with wildlife and beauty all year long while the Botanical Gardens provide a strong bond between South Buffalo and the city's cultural community.

This community is filled with active and retiring residents with a lot of pride and heritage. South Buffalo has always been, and continues to be, a predominantly Irish-American population dating back to Buffalo's early industrial history. Throughout the year shamrocks can be seen proudly displayed on houses, flags, street lights or in the windows of businesses. This strong cultural pride has overflowed into civic pride making South Buffalo streets, some of the most pleasant in the city.

South Park Avenue is South Buffalo's main traffic artery and its largest commercial strip. The avenue contains over 120 businesses, organizations and institutions. Near by high schools, elementary schools, parks, hospitals and churches make South Park Avenue the natural destination for patrons. South Park Avenue begins at the foot of Downtown Buffalo and extends to the area suburbs making the avenue a largely traveled street, making South Park Avenue businesses visible to thousands of people. With a good concentration of taverns and restaurants, South Park Avenue has emerged as South Buffalo's premier business district.

The following Marketing Assessment report will discuss the relationship of "consumer-reported demand" and "facility-reported demand". Each represented form of market golf rounds demand is based on actual surveys of market golfers ("consumer-reported demand") and golf courses (facility-reported demand). Facility-reported demand is considered a more accurate measure of market potential for a golf course or proposed new golf course. On average, it is generally accepted that consumers overstate their market rounds played, as like all consumer product purchases, by roughly 8 - 15%.

Population Growth and Golf Rounds Demand: South Park in South Buffalo, NY

PALADIN's Marketing Assessment report, derived from its research about the southern Buffalo golf market area, will reveal that there appear to be realistic play/revenue opportunities in 15-, 30-, and 45-minute radii (and beyond) for New South Park

to reposition the golf facility and generate, minimally, break-even profitability serving primarily current residents. Resident population, seasonal residents, resident player development, and golfers willing to travel 45+ minutes away from home for a Dr. Hurdzan-designed extensive practice facility and 9-hole golf course will also be marketing targets for New South Park GC.

Resident population growth was negative from 2000 to 2011: -0.27% growth in the cumulative draw area. This is a reversal of the documented trends from 1990 – 2000 (-10.6% in the 15-minute radius, -4.4% in the 30-minute radius, and -1.9% in the 45-minute radius.) From 2011 - 2016 resident population in a 15-minute radius is projected to be positive: +1.5%, +1.9% in a 30-minute radius, and +1.0% in a 45-minute radius revealing greater projected growth than the national average. South Buffalo is in a growth mode, albeit unspectacular. It's still positive growth. However, while mired in diminishing population growth (not nearly what it was from 1990 – 2000) from 2000 – 2011 the South Buffalo market increased its supply of golf holes by 126 (+16.9%); all in the Public Premium (108 holes) and Public Price categories (18 holes). Obviously, this trend is not good for any golf market and is the evident cause for most market area courses reporting a decrease in average rounds. Yet, most courses are still reporting enough rounds to remain self-sufficient.

New South Park's cumulative market area (45-minute) has experienced relatively low population growth and high growth of golf hole supply with nearly all of it in the Public Premium category. This has created a **population versus golf hole supply dilution rate** of -23.7%. In layman's terms: the average 9-hole golf course playing 30,000 rounds in 1990 can expect to be playing, on average, 24,416 rounds today because of the added supply of golf holes* - *Source: Pellucid Corp.* Working in New South Park GC's favor is all but 18 holes of added supply is in the Public Premium price category. Whereas, New South Park GC will be priced at the high end of the Public Price category and growing over the next several years into the low end of the Public Value category. Of concern: while originally completing surveys for 18-hole competition (as defined in the original scope of services), two of the newer courses (Harvest Hill and Diamond Hawk), South Shore and Hamburg Town all reported at, or above, the 30,000 annual rounds levels. However, after discussion, all the courses related that a great plurality, if not majority, of their play is 9-hole rounds usually in the form of leagues. As an example: Hamburg Town's Luke Sullivan, manager, told PGM they opened in 1973 as a 9-hole course. In 1998 they expanded to 18 holes and realized a significant increase in play demand. However, 60%+ of his play "are 9-hole rounds; mostly leagues." This market is, evidently, very competitive with league play and 9-hole rounds demand.

The following generalizations reveal the nature of the golf market surrounding South Park and the average number of annual rounds an 18-hole course can expect:

Rate Ranges per Category Type; Public Access Courses (Source: Pellucid)

| | |
|----------------|----------------|
| Public Premium | \$42.00+ |
| Public Value | \$33 – 41.00 |
| Public Price | \$22 - \$32.00 |

Consumer Demand: "Consumer Demand" is defined as the annual rounds of golf the homesteaded resident population in a specific area will support based on unique local demographics and State of New York play statistics (participation and

annual rounds). These calculations do not include seasonal residents that are not homesteaded, business transients, or tourist play. All average rounds projections are based on eighteen hole equivalents (EHE). For example: two 9-hole courses = one EHE and one 36-hole facility = two EHE's.

Facility-Reported Demand: This is the annual rounds, or starts, actually reported by the golf courses. The difference between Consumer Demand and Facility Demand is usually seasonal resident or tourist play, not so in this market. The two sources of Facility reported demand are Pellucid Corp. and PALADIN Golf Marketing.

| | 15-minute radius | 30-minute radius | 45-minute radius |
|-----------------------------|------------------|------------------|------------------|
| Pellucid Corp (All courses) | 28,833 | 31,458 | 31,092 |

Pellucid Corp. is representing all courses' average "starts" (6-hole, 9-hole, 12-hole or 18-hole rounds). From a comparison sampling of the nearest 9-hole and 18-hole courses, PGM calculated that 18-hole courses are reporting 19.1% more starts than 9-hole courses. If we reduced the averages above to represent likely 9-hole averages it would look like:

| | | | |
|--|--------|---------|---------|
| Pellucid Corp (9-hole avg) | 23,095 | 24,176 | 22,579 |
| PALADIN's survey of 9-hole courses* | 21,000 | 23,086* | 23,068* |

All 9-hole courses in a 45-minute radius were surveyed by PGM and Spear Consultants.

If built, the New South Park GC will undoubtedly pique South Buffalo golfers interest and might outperform the averages of PGM's surveyed courses above. However, there will likely be a two-year (minimum) ramp up to gain awareness of what the true potential is for a New South Park GC. As you will remember, there is a great disparity in population-based rounds potential (rounds that could be supported by the population based on its demographic make-up) and facility-reported rounds. Population-based rounds projections were much greater than the facilities were reporting. PGM does not know how many of those population-based rounds are being played outside the market draw area or on vacation during the cold winters. Management and aggressive marketing will be key to determining what the true potential rounds will be at the New South Park GC. These average figures provide only a "snap shot" of eventual expectations for market demand.

Annual Average Rounds per 18 Holes by Facility Type (Pellucid Corp):

(Refer to Pellucid's Supply Demand Comparison Report)

| | 15-minute radius | 30-minute radius | 45-minute radius |
|----------------|------------------|------------------|------------------|
| Private | NA | 27,892 | 27,760 |
| Public Premium | 49,000 | 42,571 | 35,076 |
| Public Value | NA | 33,312 | 32,993 |
| Public Price | 18,757 | 27,689 | 29,773 |

South Park's market is dominated by Private courses with 35% of the supply (golf holes) in a 30-minute radius and 34% in a 45-minute radius. (As a comparison, the US market as a whole averages 26% Private courses.) However, they are only realizing 25% (30-minute) and 27% (45-minute) percent of demand – a relatively low supply/demand ratio yet rounds levels reported are near national averages for private clubs. If we then look at the total mix of supply (private vs. Public) in a 45-minute draw area we see it at 35%/65% skewed Private from the National average of 26% private, 74% public. Another way to view this market is to look at the “Value-added vs. Value” course percentages since we will be striving to keep the New South Park GC's rates as affordable as possible. “Value-added” combines Private and Public Premium supply. “Value” combines all other supply. The Value-added vs. Value ratio for the 45-minute draw area is 57%/43%; relatively high compared to national averages of 49%/51%. Plus, we normally see a decreasing average rounds curve (annual rounds per 18-hole equivalent or EHE) as we move up the facility classifications (i.e. Public Price reports higher rounds than Public Value which reports greater rounds than Public Premium). In the 45-minute drive area we see just the opposite in the South Park market. All of this is an indication of likely price compression where Premium facilities discount to or below Value facilities and Value facilities discount to or below Price facilities. The “peak” rates reported in Pellucid's and PGM's course surveys are not going to confirm or deny this existence. Management will need to keep a close eye on actual rate offerings during the season. It is recommended to start immediately and keep a log of actual pricing, not published rack rates.

Re: Pellucid's Supply Demand Comparison Report: **%of Holes by Facility Type = SUPPLY**

% of Annual Rounds by Facility Type = DEMAND

From Pellucid's Supply Demand Comparison Report we see that Public Premium and Public Value course are in balance. Yet, Public Price courses have 11% of golf holes supply (30-minute radius) and enjoy 19% of demand. In a 45-minute radius the category maintains 11% of supply and has 16% of demand. If priced correctly the New South Park GC should reap the benefits of the substantial demand for Public Price golf exhibited by the golfers frequenting the South Park market.

Review Market Facts to be Emphasized

- South Park's market area is saturated with Private, Public Premium and Public Value courses and not all of them are getting their “fair” share of golf rounds based on the relationship of capacity and facility-reported usage (supply and demand).
- Overall, consumer-reported demand in a 30-minute radius (1,788,620) is 2.1X that of the facility-reported demand of 817,908 rounds. Some of this disparity is caused by golfers opting for golf facilities outside the draw area. And some is surely accounted for by seasonal residents wintering in warmer climates and playing golf there. A high percentage of it is probably caused by an over abundance of less expensive, or free, recreational alternatives and a population base that never gravitated to the game of golf for whatever reasons (this is more common in metro areas vs./ suburbs).
- Lower priced Public Price courses are a significant factor in the market and command an amount of average play well above their share of supply. If priced strategically there may be reason to consider pricing high demand times

inside the low end of the Public Value price range. This will be largely dependent on the promotion of the facility and how quickly area golfers embrace the new course as their “home” course and become loyal customers. [Caution: if it is proven that price compression (heavy discounting across all public categories) exists we will have to reevaluate pricing for New South Park GC.]

At the time the market research was conducted, no course revealed any active and aggressive local sales/marketing effort. New South Park GC has an opportunity to influence play simply by focusing marketing attention to the business segment(s) other courses are not focusing attention on: local residents, seasonal residents, groups, leagues, business transients and guests of lodging facilities, etc. This is a relatively unsophisticated public golf market except for the private clubs; and private clubs in general are under-performing in this particular market. To ensure success this club will need to be “better” (New South Park is expected to be) than all other local 9-hole Public Price courses in the market. Being “better” does not have to cost excessively. It most likely will pay significant (rounds and revenue) dividends if management plans on simply hiring the best, most qualified, employees that understand how to attract and retain market players (service). A simple facility-reported demand analysis conducted by PALADIN Golf Marketing on site reveals that average play levels for all seven (7) 9-hole golf courses in the 45-minute draw area is 23,086 rounds (this includes the existing South Park GC with the lowest rounds count). Excluding South Park GC’s rounds, the six (6) other 9-hole courses report an average of 24,267 rounds. Referencing a third party golf research company (Pellucid Corp) for all course averages (private and public) in a 45-minute radius, the average facility-reported rounds are 31,092 and in a 30-minute radius they are 31,458. Pellucid also reports that the average Public Price (like courses) segment reports 29,773 rounds in a 45-minute radius and 27,689 rounds in a 30-minute radius. Pellucid’s and PALADIN’s facility-reported rounds confirm that the market should clearly support the reasonable projections in Mr. Spear’s Financial Viability Report if New South Park GC is managed and marketed properly and effectively. As stated before, average rounds are down in this market – and across the country – yet, the courses are reporting enough rounds for viability. However, there is evidence that the golf courses are likely discounting their rates significantly and management will need to confirm the discounting impact on revenue per available round (RevPAR). For these reasons PGM does not have the ability to assess if the course can or will be viable (break even or profitable) only that it appears so. PGM can only avow the likely average rounds to be expected and what the market will likely to bear for pricing. At this time in our analysis, Spear’s financial projections appear reasonable for an upgraded New South Park GC, Community Center and practice facility to be established in this market.

Please remember - all of the above rounds analyses are based on average rounds per eighteen-hole equivalents (EHE). In general, private clubs will play fewer rounds than averages while municipal courses will play a greater number of rounds compared to averages. All other courses in the market normally fall between the spread in most markets. South Park, however, sees a reverse trend indicating the likelihood of price discounting between public categories. For New South Park, it will be the goal of this report to identify market opportunities and recommendations for Management and Sales to solicit and drive to their fairways versus competitors. The “great equalizer” in New South Park GC’s market situation is the likelihood of it being a much better Hurdzan-designed golf and recreational community facility for just a few dollars more per round than its existing rack rate....a “better” and more inviting golf and community experience.

MARKET AVERAGES: A comparison of surveyed courses

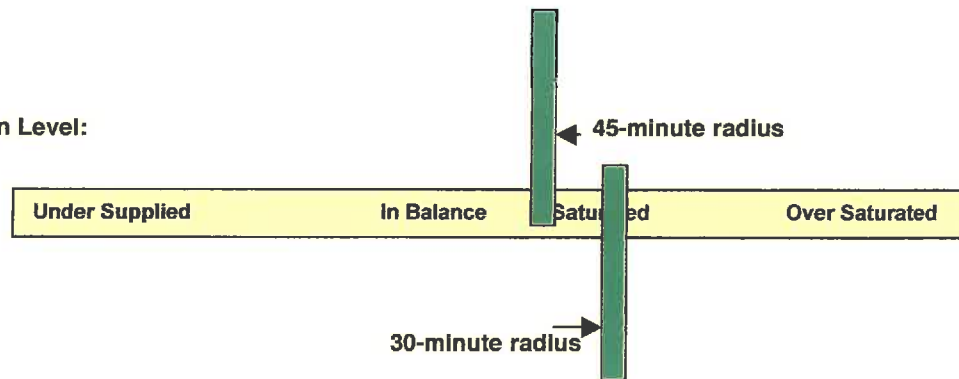
In a 45-minute radius, where the great majority of New South Park's expected rounds will come from, the immediate area 9-hole public course competition has this average profile:

| | |
|--|-------------------|
| Year opened | 1990 |
| Average rounds | 23,086 |
| Weekday peak rate | \$11.71 |
| Weekend peak rate | \$13.86 |
| Cart fee | \$12.60 |
| Average length of course from tips | 2,665 yards* |
| Average slope | NA |
| Average rating | NA |
| Cost of average annual "membership" | Resident oriented |
| Average number of "members" | NA |
| Annual outing or Group rounds reported | 1,650 |
| # of available carts | 22.6 |
| Senior discounts | Srs and Jrs |

The averages above confirm Spear's moderate rounds projections for New South Park GC. If we assume a better than average new golf and community experience at New South Park facility, Spear's projected rounds and rates are below these averages and therefore would be considered "moderate". Of some concern is the average number of carts reported for consumer use. With 22.6 average carts available at 9-hole courses, this would suggest that there is currently ~38.9% less demand for cart usage (37 carts would be expected for near-100% utilization). This also suggests that there is existing demand for walking or pull-cart usage and should be reflected in Spear's analysis. (Mr. Spear reflects 75% cart usage.)

All of the Public Price courses (and 18-hole surveyed courses) in this market revealed to PALADIN that rounds have stagnated or fallen and that the local consumers are proving more price sensitive than in years past. (Another reason to look closely at price compression (discounting) in this market.) The above peak rates are inexpensive even for Public Price courses in the 45-minute radius market and reveal that many course owners are probably discounting their rates because of competition. In reference to the surveyed courses: the average length of the championship tees, the average rating, the average slope rating, and PALADIN's in-person viewing of the courses, they are all "adequate offerings," but will not challenge the quality expected at New South Park facility. New South Park GC has the opportunity to position itself to a competitive "Public Price/Value" market and, at the same time, stand out as an exceptional practice and community facility. Combining that with other recreational amenities and revenue generating opportunities (as outlined in Dr. Hurdzan's narrative and this assessment) the New South Park Golf and Community Center should be able to capture its "fair" share of golf rounds and be a central gathering spot for local non-golfers, and the opportunity revenue they could contribute, at the same time.

Golf Market Saturation Level:



As cautioned before, Management needs to carefully position this facility in its market place. In order to be successful and manage debt, this course and facility should be a superior Public Price course and maintain rates at or just above market averages for like courses until play demand can be measured. Mr. Spear and Mr. Brennan have reviewed these cautions and made numerous adjustments to Mr. Spear's Feasibility Report. The projections in Mr. Spear's report are purposefully moderate relative to PGM's Facility Demand Analysis. Aggressive and consistent marketing to this 15- to 30-minute radius of resident golfers will be a key to New South Park's initial and sustained success in the coming few years. Inevitably, some course has to be the "local" Public Price leader in play, service, and experience that inevitably leads to more profitable play and usage. New South Park GC, as it has been discussed on several occasions, has that opportunity given the quality of design and maintenance. New South Park GC will certainly compete with Cazenovia GC to some extent. But, given that Cazenovia GC is a unique historical golf institution in South Buffalo (current market Head Professionals and very good amateurs started playing golf there) they are unlikely to realize any significant degradation of play because of the New South Park GC. Given the proximity competition to South Park, the proposed repositioning, and local marketing focus, New South Park GC has the ability to exceed Mr. Spear's projections in years three through five (rounds and revenue). (A "caution" remains in place until the probable discounting in all public golf categories is identified and analyzed.)

Pellucid and PALADIN Golf Marketing research included*

**When referencing "consumer demand" or "facility demand" PALADIN will use the more conservative projections for this Summary.*

Market Facts: Where the Statistics Above Were Generated From

- The market research collected by PALADIN Golf Marketing reveals that 8.5% of the population plays golf an average of 25.4 times per year. The market therefore maintains a consumer survey based range of golf demand of 418,298 rounds in a 15-minute radius and 1,788,620 rounds in a 30-minute radius. The golf participation rate of 8.5% is just under the national average of 8.8% yet the golfers frequency of annual play of 25.4 rounds is above the national average of 21.0 rounds (+21.0%). Pellucid offers: "This means that the demand for golf in South Park's market area (2.2 play rate per capita) is about 37.5% above the National Average Play Rate of 1.6 rounds per capita/per year." (See Pellucid *Participation and Frequency Comparison Report*)

Average Household Income, Average Age and Ethnicity: The three local demographics that might affect golf rounds played positively or negatively in a unique market is called the Rounds Potential Index (RPI) by Pellucid. The RPI uses a baseline of 100 (neutral). An RPI of 95 – 105 is neutral meaning that demographic will unlikely affect golf rounds. An RPI of 106+ will positively impact rounds in a market by approximately +6%.

- Household Income: The RPI ranges from 88 – 101. Household income is relatively low in a 15-minute radius; -12% below the average for the state of New York and will negatively impact golf rounds in that area by approximately the same percentage. In the 30- and 45-minute radii income increases from the 15-minute radius, but is only considered neutral to state averages (100 and 101 respectively). Average golf rounds will likely be negatively impacted in the 15-minute radius, but not in the other radii. (See Pellucid's Rounds Potential by HH Income Comparison Report)
- Market average age is very similar to the average age for the State of New York. The RPI for this demographic is 98 – 102. There is virtually no difference in the age dispersion for all three radii. Age will have no effect on demand for golf in New South Park's market. Under "normal" circumstances, as a market golfer ages past 40 years old his/her annual rounds increase. (See Pellucid's Rounds Potential by Pop Age Comparison Report)
- The 'Ethnicity' RPI ranges from 111 – 127. South Park's market area is well above the ethnicity-weighted data that Pellucid uses to calculate market rounds projections. See Pellucid's Rounds Potential by Ethnicity Comparison Report. This report indicates that the ethnicity makeup of the 15-, 30-, and 45-minute radii will positively impact market rounds frequency of play rate.

"Local" Public-Access Demand: In an effort to gauge current market demand, PALADIN Golf Marketing surveyed all seven (7) 9-hole courses in the examined draw area. In a market where the seven (7) most comparable public courses reported an average 23,086 rounds, 24,267 excluding today's South Park GC, any course producing below this market average is floundering in this market place for a specific reason(s). It could be: actual golf participation demand, location, poor maintenance, pricing strategy, playing difficulty (perceived or real), negative past history, design, service, on-site management, maintenance, marketing tactics, etc.

Total golf rounds are down across the country and, as expected, the number of total golfers has declined from a high of 30M (2007) to, some claim, between 24M and 25M (Source: Pellucid 2012). For the benefit of those persons reviewing this Marketing Assessment, it will help to have a historical perspective on the growth and decline of golf rounds in the US.

GOLF INDUSTRY OVERVIEW

A HISTORICAL PERSPECTIVE 1950 TO DATE

From 1950 to 2007, the number of American golfers has grown nearly nine-fold [from 3.5 million to roughly 30 million]. During the same period, the percentage of Americans playing the game had also risen from 3.5% to 12.6%. This expanded

growth means the average American golfer is profiled more like the average American—with more women, juniors, seniors and minorities playing than ever before.

To accommodate the population growth and increased golfer participation rate, the number of golf facilities in the US had more than tripled from approximately 5,000 to 15,500+ (with net losses of course openings beginning in 2006/2007).

In 1986 the NGF sponsored its first Golf Summit and expressed the golf industry needed to “open” a new course per day until the year 2000 to meet expected demand from golfers. In the decade of the ‘90’s the industry realized phenomenal equipment sales and golf course openings in excess of 300, 400, even 500 per year. The golf industry was “booming”; or was it? In 1998 the NGF updated its *Strategic Perspective on the Future of Golf*. It was then realized that rounds of golf had peaked in 1991 (504MM) and declined, then stagnated, at approximately 490MM rounds through 1998. The NGF’s report pointed out that while supply had increased considerably, demand had not kept up as they had predicted. As a result, the situation in the golf industry had switched to one of oversupply of golf holes. For the average golf course that meant declining average market rounds. Those course operators that recognized the oversupply circumstances and refocused their efforts into efficient management, customer service, and proactive marketing fared the competitive “crunch” comparatively well. Those that didn’t, DIDN’T..... or were very lucky.

The supply of golf courses (course openings) continued to grow through 2005 while total rounds played finally reached 1991 levels around 2002. In 2007 the golf industry realized its first negative course openings (number of course closures was greater than course openings) year.

Fifty years ago golf was primarily a “private” recreational activity affordable by wealthy Americans. (In 1950 course types were: 62% private, 23% public, 15% municipal.) As a result of the 1) favorable economic times, 2) televised golf events, and 3) the growing number of middle-income players becoming attracted to the game, public golf grew rapidly in the 1960’s. In 2005 course types were almost completely reversed (private versus public). While municipal courses grew steadily with the course supply at 15% of all courses, daily fee courses grew to 58% of supply and private clubs declined to 27% of all courses.

In 1986, the average number of golfers per course was about 1,900. This ratio grew to a high of 2,250 in 1990 and has retreated to today’s level of approximately 2,000 golfers per course; possibly less with new statistics coming out every quarter.

But, while business is very competitive, there are actually more golfers per course today than 20 years ago. The reason the industry remains so competitive is that today there is a lower percentage of “CORE” golfers, those playing eight or more rounds per year. In the early 1990’s, the percentage of CORE golfers was about 50%; today it is about 45%. However, in 2012, Pellucid has recognized statistics that suggest “Core” golfer play is being eroded at, possibly, a faster rate. (More on “core” golfer statistics when the first half of 2013 data is analyzed.)

The Future of Golf. (2008 forward) Just as the number of golfers grew as a result of overall population growth, the same is predicted in the future. US population is projected to increase by 53 million people over the next 20 years. Golfers will grow

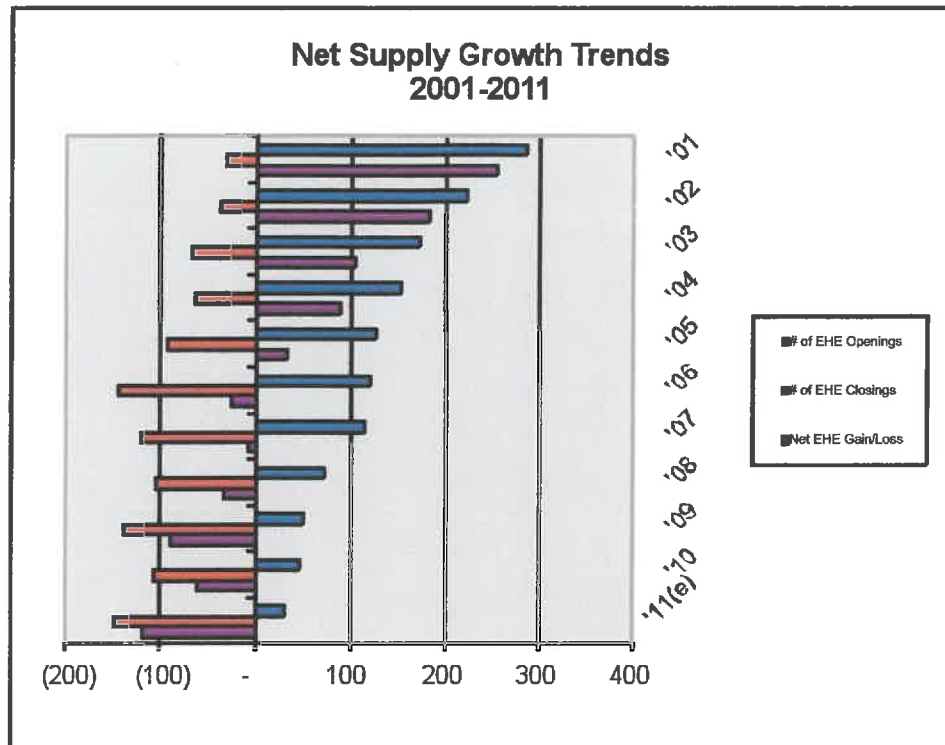
naturally, but differently than in the past. The largest population growth segments will be in demographic groups that historically have not been as predisposed to golf: Hispanic and African-American populations. However, when we assess the impact that the *Baby Boomers* are now contributing to "rounds played" we see those projections of just a few years ago in decline too. Arguably, there is going to be a need to adjust the projections downward of actual rounds played in the US.

Projected growth in course supply is less predictable than even that of demand. Current growth (2007) has slowed to net zero as course closings equal course openings. When closures return to historical levels (about 20-30 18-hole equivalents [EHE] per year) then supply growth should resume. The NGF is projecting zero or negative supply growth for about five years. Afterwards, the NGF projects course supply to increase 0.4% through 2025. Facility development will be driven mainly by real estate, including retirement communities. In 2007, nearly 70% of openings were connected with real estate developments.

In summary, the NGF's 2010 20-year projection for the future is for a gradual modest increase in golfers, facilities and rounds per golf course. However, PALADIN maintained at the time that even these NGF projections should be viewed cautiously. Other research companies, like Pellucid, have already calculated a decrease in actual rounds played and number of golfers playing the game (2012). The golf industry is in a state of contraction currently: we are closing more courses per year than we are opening (since 2007). The number of "golfers" (participation) is on the decline. The frequency at which they play the game is in decline. The number of NGF-defined "avid" Golfers (25 rounds or more p/y) [who reportedly contribute 71% of money spent on rounds, equipment, membership, and associated expenses] have declined by 30% since Y2000. The number of NGF-defined "core" golfers (8 or more rounds p/y) have declined at a similar rate. And NGF-defined "Juniors" have declined by 20% since Y2000. A released 2012 Barney Adams-sponsored study by the mathematics Department at Clarkson University [using NGF data covering 28 years] projected forward and concluded, with 90% confidence levels, the number of golfers overall will decline at a rate of 2% - 5% over the next few years. (At a 70% confidence level that projected decline increases to 12% - 15%.)



Supply Change: Net Reduction Pace is Growing (Source: Pellucid Corp 2012)



| Year | Net EHE Gain/Loss | # of EHE Closings | # of EHE Openings |
|-----------|-------------------|-------------------|-------------------|
| '11(e) | (120) | (150) | 30 |
| '10 | (61) | (107) | 46 |
| '09 | (90) | (140) | 50 |
| '08 | (34) | (106) | 72 |
| '07 | (9) | (122) | 113 |
| '06 | (26) | (146) | 120 |
| '05 | 31 | (94) | 125 |
| '04 | 88 | (63) | 151 |
| '03 | 103 | (68) | 171 |
| '02 | 182 | (38) | 220 |
| '01 | 252 | (32) | 284 |
| 10-Yr Sum | 317 | (1,065) | 1,382 |

[2012 experienced similar closing to openings gain/loss as 2011.]

Pellucid Corp adds: "The stubborn downward trend will not be broken until golf finds scalable solutions to the challenges of time, difficulty and cost and, particularly acute, an ability to connect with and engage Gen X and the Millennials."

MARKET FACTS AND TRENDS: South Park

Population by Race: (45-minute radius of development) Source: Claritas
2011 estimate

| | |
|------------------|-----------|
| Total | 1,070,453 |
| Total Households | 446,607 |
| White | 81.0% |
| Black | 12.7 |
| American Indian | 0.7 |
| Asian | 2.4 |
| Other | 1.4 |
| Two or more | 1.8 |
| Hispanic | 4.5 |

Observation: With the resident population base today and the projected base in 2016 (1,080,683) both revealing low to negative population growth relative to this area and therefore net-zero demand for golf, those golf course managers that are not strategically pursuing all of the play opportunities in the market will likely lose local market share to those that are marketing more effectively. As you will note in the "Golf Market Trends" section, the average annual rounds for 9-hole courses in the area (23,086 - PALADIN) is below the national averages (27,000 rounds, Source: NGF 2009). Because none of the public courses surveyed has a specific marketing plan in place, I see an opportunity for New South Park GC to garner more than their "fair share" of local and seasonal residents by offering a quality product and service while monitoring demand and pricing closely.

Seasonal Trends

Average Annual Air Temperature:

| | |
|---|-----------|
| Average winter temperature (Jan)..... | 19 - 31° |
| Average spring temperature (April)..... | 37 - 55° |
| Average summer temperature (July)..... | 62 - 80° |
| Average fall temperature (October)..... | 43 - 59° |
| Total Precipitation..... | 39.5" |

Peak Golf Season:

The area's peak golf season begins in June and runs through September. Reduced rates are applied in May and October and discounted rates are used for the shoulder seasons of Mar/April and November (weather permitting). Worth noting again, the participation rate (golfers to population) is 8.5% (average), but they are playing 25.4 times per year (above average). This is very healthy to see in what is considered a short season market.

General Golf

Market Trends:

Within a 45-minute radius of the site there are 50 golf facilities with 873 golf holes (48.5 EHE's).

Source, Pellucid:

| | <u>#</u> | <u>%</u> |
|--------------------------|----------|----------|
| Private | 17 | 34.0% |
| Public Premium (\$54+) | 11 | 22.0% |
| Public Value (\$34 - 53) | 13 | 26.0% |
| Public Price (\$17 - 33) | 7 | 14.0% |
| Learning & Practice | 2 | 4.0% |

PGM and Spear Consultants surveyed all seven (7) 9-hole courses in a 45-minute radius from South Park in April/May 2013 and PALADIN conducted in-person surveys in May. Of the seven (7) courses surveyed in an attempt to gauge rounds demand, one was designated Public Premium, two were Public Value, three were Public Price and one was a Learning and Practice facility and referenced throughout this Marketing Assessment. NOTE: Short of auditing the surveyed courses' accounting records, PALADIN never relies 100% on the accuracy of the individual total rounds counts. However, PALADIN is viewing these aggregate numbers as to the "potential" for New South Park GC to draw from the existing demand in a market. The average rounds of all 9-courses surveyed are reported to be 23,086 rounds. The range of reported 9-hole rounds is from 16,000 (South Park GC) to 29,600 (Greenwood GC). The local golf course industry is an "Open the Doors and They Will Play" industry, relying on resident play, seasonal resident play, and some business transients/tourism (undefined by the area's Visitors Bureau) without regard to any measurable and sustained marketing efforts.

When surveyed if non-member corporate and social outings, excluding summer leagues, played a role in the number of rounds attained, the courses reported:

| Courses Surveyed | T/O Rounds |
|------------------|--------------|
| South Park | 750 |
| Cazenovia | 3,000 |
| Harris Hill | ? |
| Oakwood | 2,500 |
| Grandview | 1,500 |
| Greenwood | 2,000 |
| Shawnee | 1,000 |
| Average | 1,792 |

PALADIN views group outings (single day events) as a way of gauging a market and a relative identifier on which courses have a preferred local status by either price or quality of course.

Locally driven Group Outings are relatively low, but healthy in this 30-mile radius and do represent opportunity rounds that New South Park GC should not ignore. (League rounds represented in "Group Business" are very healthy.) Although local charities and fund raising organizations have been utilizing golf outings for years other traditionally outing-receptive companies and organizations have only begun to recognize a golf outing as a means to raise money or entertaining. In order to capture some of this business a sales person should be considered for employment to solicit the same business away from their local market while educating the local companies, charities and fundraising organizations about "golf" as a means of entertaining and fund raising. Hiring a sales person is a significant investment, but it is the most effective marketing tool to determine the opportunity "group" business in a market. (See "Opportunity Rounds" just below and "Group Business" section to follow on Pg 25.)

If marketed and sold properly, an abnormally high percentage of revenue generated from outings, and certain other targeted group segments, will be profit (NOI). Given the proximity of the course to the primary markets the right marketing/sales person, trained properly, could have a significant impact in soliciting "Opportunity" group business: outings, outside play, golf visitor groups, leagues, lodging partnerships, and non-golf group business while catering to annual pass and loyal local play.



Surveys of

Competition: See "SURVEY" section as a reference.

Opportunity

Rounds:

Opportunity rounds are defined as those rounds that are targeted and solicited by a salesperson that normally would not necessarily book at your golf course. They include, but are not limited to, social tournaments/outings, corporate tournaments/outings, golf packages, partnerships with golf packagers, tourism, lodging rounds, fund raising events, and league play. These are the business segments that a public-access course can most readily increase through strategic and targeted marketing sales efforts. Though not one course reported an active direct local sales program all of the courses revealed that there are opportunities to gain additional play in the above categories.

Sales Person:

Annual Pass, Tournaments, Outings, Hotel, and League Play:

In order to take advantage of the opportunities revealed in this Marketing Assessment, it is recommended that the course consider hiring a dedicated sales person to be responsible for selling incremental play (see "Opportunity Rounds") while promoting (marketing) the course and other non-golf functions.

The course surveys conducted reveal that adequate "opportunity" rounds currently exist in the market, and no courses revealed that they actively and aggressively pursue these segments of business. PALADIN has proven marketing strategies and tactics to effectively create the desire and demand for these rounds with the addition of a dedicated sales and marketing person.

It should be emphasized here that a sales/marketing person's job is NOT to indiscriminately sell outings, leagues or other targeted play and non-golf events into the facility. It is to sell group business and other business segments targeted in the marketing plan during times that historically and predictably will be slow on the tee sheet and low-demand times in the Center. The only exception to this philosophy is when the facility clearly benefits financially from displacing loyal annual pass play, public play or "other" non-golf activities.

Ideally, it is best to begin a sales person prior to Thanksgiving for the coming year. Thanksgiving through New Years has proven to be a relatively slow sales time and provides a new sales person time to organize their overall marketing efforts. The next best time to begin a sales persons employ is approximately 4 months prior to your courses "in-season".



Needed for effective sales person: job description, weekly-monthly-quarterly-annual outline of tasks and objectives, calendarized sales plan, tournament and outing in-house forms, sample sales letters, tournament and outing agreement form, daily/monthly sales report forms, collateral and fulfillment materials (see below).

**Annual Pass, Player,
and e- Surveys**

Prepare to get feedback from your annual pass players and the golfers on your course. Every quarter survey your players to gain positive and negative feedback on the course design, course conditions, service, fees, practice facilities, clubhouse, grille, etc. A simple, quick, and inexpensive way to determine why demand for outside play is low or uneven, and what you should focus management attention on, is to ask your patrons through a survey. An Annual Pass Player Survey can be thorough (read, long), but your Player Survey (public golfer) has to be brief; just long enough to get relevant information, but short enough for them to fill out while they are there at the course. The Player Survey should be distributed over a 7-day period and conducted at least once a quarter (in season). The entire staff needs to support the survey effort. From counter people, to starters, rangers, marshals, and food and beverage personnel, everyone has to encourage patrons to fill out the surveys "as a way of helping us better serve your golf needs and to provide you a great golf experience."

For nearly immediate feedback from golfers in your market, e-surveys can be used. Many e-marketing companies exist now and you are able to rent their "opt-in" list of golfer e-mail addresses for varied marketing reasons: coupons, special offers, surveys, new product introductions, etc.

PALADIN has all these surveys in template form and can provide them when they are needed.

**Collateral and
Fulfillment
Materials:**

Collateral and Fulfillment Materials include all of the sales materials you will need to implement a sales campaign and the effective solicitation of "opportunity" rounds not listed above: direct mail post cards, tournament/outing brochure, member documents, rack cards (general & lodging), stock photos, advertising layouts, brochures, thank you cards, business cards, etc. PALADIN can assist in the copy writing, design and printing of all of these materials.

Based on PALADIN's market research and 29-year history in golf marketing, New South Park's feasibility objective to increase the number of resident rounds with its new course and price repositioning has merit based on Mr. Spear's recommended debt coverage. Through aggressive marketing, management, and customer service New South Park GC

could create a stable source of: 1) revenue, 2) repeat rounds, and 3) referral rounds. Marketing should be targeted to: residents, families, seniors, juniors, latent golfers, high schools, middle schools, elementary schools, youth organizations, charities, fraternal organizations, etc.

To strategically plan to increase net revenues, New South Park GC should focus its marketing attention on drawing resident rounds to the golf course and continue to develop the "sense of belonging" and "sense of community," with the clubhouse and community center being used for social and non-golf events. PALADIN recommends that management begin its intended transition by surveying loyal players, infrequent players, and visitors/seasonal residents (if applicable). For your "loyal players" and Annual Pass holders the survey can be complete (read, extensive). You will be asking them for their opinions on every aspect of the Club and their input for future possible capital investments. However, for those identified as "infrequent" or "guests," your survey needs to be brief, but meaningful to the growth of New South Park. (PALADIN has examples of all these surveys.)

Once you have conducted these surveys, management will have a clearer idea of what your customers would like (sense of belonging) from their affiliation with New South Park GC & Community Center. Create a Marketing Committee of stakeholders and begin assessing golfers wants, in order of importance and cost to the Club. The more dimensions of recreation and entertainment that you can provide residents, seasonal residents and non-golfers the more they will participate at New South Park GC and your facility.

NEW SOUTH PARK GC

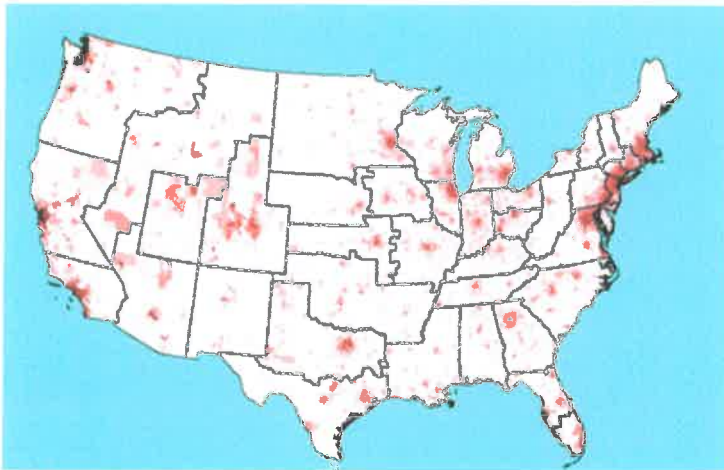
MARKETING DIMENSIONS to ENHANCE REVENUE

- **Dedicated Sales & Marketing person:** (See section this report.)
- **Frequent Player/Resident/Affinity Programs:** In order to attract more resident golfers to New South Park GC and have them play more frequently, an affinity program could be devised to provide them an earned discount based on their frequency of play while maintaining the integrity of the Annual Pass and rack rate. Some local or seasonal residents that may not perceive value in an Annual Pass may perceive value in an affinity program, whereby they earn a certain "value" (read, discount or perceived discount) the more they play and they also feel a similar "sense of belonging" normally associated with membership/Annual Pass holders which encourages them to play or frequent the same facility more often. (The same kind of program can be exclusively designed for outing coordinators. As part of the presentation, New South Park's sales and marketing representative will offer the coordinator "credits" towards free green fees. Example: if the affinity program were based on earning 9 "points" for every paid 9-hole green fee (100 points = free green fee), New South Park would offer 9 points for every player in the outing. If there are 72 people participating, the coordinator would earn 648 points to be used in any way the coordinator chooses: use them him/herself, use as prizes, give them away to friends, etc.)
- **"New Annual Pass Survey":** Unlike your Annual Pass Survey (long and detailed about every aspect of the Club), a "New Member" Survey would survey the newest Annual Pass holders for a two-year period, requesting their input of Club services based on their early expectations of annual participation at the Club. Often new "members" quickly acclimate to the Club's routine. By prompting them for information regarding "their wish list" for Club

offerings, the General Manager or Annual Pass Committee will be able to react to their demand or expectations. It might not always be to accept their every "wish," but by reacting to them it keeps them feeling involved in Club & Community Center decisions on golf functions or community activities.

- **Customer Development Programs:** Create programs that are geared to driving first-time players to the facility (Member-Guest days, Kids Play Free with Paying Adult, Free Resident Clinics, Welcome Center Day, etc). Once there, be able to identify them as new to the facility and systematically "serve" them to maintain their desire to return.
- **Player Development Programs:** There may be an opportunity for New South Park GC to create "player development" programs and capture incremental play as players move from a learning mode to an accomplished golfer (meaning: being able to get the ball airborne consistently and beginning to enjoy the sport without the innate fear of slowing other players.) Other than marketing rounds away from existing Clubs, a way to grow local golf (Men, Seniors, Juniors & Ladies) in the market is with Player Development programs. Reminder: The National Golf Foundation (NGF), founded as the statistical arm of the golf Industry, projects a 41% possible increase in golfers from those wanting to learn the game or from those that have tried the game but didn't pursue it ("latent demand"). The greatest barrier for these people to entry or reentry is that they don't know the fundamentals of the game. There are many forms of Player Development, but suffice it to say here that Management would be well served to conceive of programs appropriate to this market and implement them. True Player Development programs require a culture of 'learning the game' in a pleasant, non-threatening setting. With an extensive practice facility at New South Park GC, it could be the area's leading player development facility if demand and/or latent demand can be confirmed. The USGA Foundation (Colorado) offers grants for Player Development (up to two \$50,000 grants per facility, per year). See www.usga.org for more information.

- **Latent Golf Demand:** Historically, South Park GC has been generating around 16,000 (2012) 9-hole rounds of golf per year. This puts them in a position to, at least, continue generating the same annual rounds while they introduce a new course/Community Center and new rates to drive additional rounds into periods that historically and predictably are available on their tee sheet. With net population growth negative for the past two decades, and projected population growth only slightly positive (+0.2%) for the next five years, management needs to identify where new players might come from. One area, not yet mentioned in this assessment, is “latent golf demand”.



The areas highlighted in red on the map above indicate high concentrations of expected latent demand. White indicates the lowest levels of expected latent demand.

Source: Golf 20/20, 2010

- Latent demand is defined as “people wanting to learn the game of golf, but not knowing how to begin and/or those golfers who once played and would like to start playing again.” There are currently (approximately) 27MM golfers in the US (some golf organizations assert 24-25MM golfers). The NGF reports that there is the potential for 41% more golfers interested in taking up the game or resuming their attempts from earlier. Sportromics (Charleston, SC market research company) reports there is approximately 23% latent demand. Other sources* in the industry have stated the number at between 27MM and 41MM potential new “latent” golfers. If we look at the smallest two estimates (NGF and Sportromic’s) and compare Pellucid’s consumer demand analysis, there are approximately 16,437 resident golfers playing an average of 25.4 rounds each per year in just a 15-minute radius of New South Park GC. If Sportromics projections (lower) are correct then New South Park has the market opportunity to satisfy up to 3,781 potential new golfers, representing up to 96,025 rounds, once they have mastered the game to their personal satisfaction. If the NGF’s latent demand figures are correct for this market, New South Park has the opportunity to satisfy up to 6,739 potential new golfers wishing to take up the game or resume learning the game, representing up to 171,175 new market rounds (potential new golfers X 25.4 [market average rounds per golfer: Pellucid]).

• **Various participating organizations within GOLF 20/20.*

The above projections have nothing to do with population increases. Latent demand exists in every market. A Club simply needs to identify ways to attract these people desirous of learning the game and introduce them. And, as you can readily see, if only a fraction of this potential were influenced to play and learn the game it could substantially increase the number of rounds at a golf course.

- **9-hole Rounds Testimonials:** Two examples of successful nine-hole operations and promotions (provided by Mr. Spear, Spear Consultants, Ltd.). In today's golf market people are looking for alternatives to 5 hour+ rounds.

1) This Week at TravelGolf.com: August 23, 2008

Why no respect for nine-hole courses?

One of the biggest complaints lodged about the game of golf is that it just takes too long to play. Golfers moan to their buddies that if only it didn't take five hours, they could talk their wife into letting them out of the house for a round more than once every millennium. Head pros groan that an army of Ben Cranes who swing like Charles Barkley and think their every putt is more important than the ones Tiger Woods lines up are crippling the industry.

Yet, no one makes the easy leap to a clear solution: Just play nine. And more importantly, just encourage time or attention-strapped golfers to keep it to nine.

When's the last time you walked into a clubhouse and saw a nine-hole rate posted? When told that you want to play only nine, most big name courses will give you a "that's nice" and charge the full 18-hole rate. And if a club happens to actually have a nine-hole rate, it's hidden away behind the counter like the hard porn at a convenience store.

Forget about any real nine-hole golf courses either. Courses where the par 4 doesn't come in at 178 yards. I played one in the Lake Placid, N.Y. region recently - almost 3,000 yards and real par 5s - and it was like being caught in a golf museum.

You weren't quite sure it was still 2006 or 1951.

For nobody plays on a nine-hole course anymore. That would be like actually talking to someone when you could text message. Part of it's a macho golfer thing. But a bigger part of it is an industry so rigid thinking that it believes "outside the box" is putting a few free tees in the carts.

"If the golf industry was serious about attracting new players, almost every course would encourage nine-hole play," said Tim Hurja, a pro who's taught celebrities such as Mel Gibson and sees golf in anything but conventional ways. "It's not that hard to do logistically."

2) Dear Parks & Recreation expert: Q&A

As part of our master plan for our 144-acre landfill site, we are entertaining the idea of developing a 9-hole golf course, driving range, and practice area. Can a 9-hole golf course be a financial success for a park and recreation department?

Chuck Gardiner, Director Munster (Ind.) Parks and Recreation

Dear Chuck:

The city of Madison (Wis.) currently operates four golf courses, two of which are 9-hole facilities. The most profitable is regulation 9-hole Monona Golf Course, which features a large practice facility. The course is quite busy with junior, senior, and afternoon leagues. More than 600 kids participate in various lesson programs, along with some 1,000 high-school rounds. The course is a par-36 and is well bunkered and tree-lined.

We hire PGA professionals to run the clubhouse operations, and city staff maintain the facility. The course operates as an enterprise, and is self-supporting without general tax revenue.

I believe that a 9-hole course is a good investment. If managed correctly, it can be a productive and profitable operation.

Ray Shane Director of Golf Operations City of Madison

- **Internet/Social Media Marketing:** Too numerous to detail in this report. Internet marketing should play a key role in marketing New South Park GC and should be an entire section of the marketing plan.
- **Real Estate Broker/Agent Partnerships:** A simple, non-formal partnership could be arranged by providing the more active Realtors in your area specific information regarding Club information, activities, etc. Also, an open invitation for them to use the services at the Community Center: grill, snack, beverages, a place to sit and discuss sales issues with clients is always a welcomed offering. It might be possible for them to use New South Park's grille area for business reasons while they are away from their office or home office: wireless connectivity or just a phone to use while they are "in the field" after their cell phone battery has been exhausted. With this partnership created you are more likely to get referrals of new people entering the housing market and their interest levels in membership or seasonal membership from the Realtor.
- **Opportunity/Group Business:** In aggregate, there is enough significant demand for outings in the peripheral markets to warrant special marketing attention. If a dedicated sales person or "marketing assistant" is hired for the

marketing function, PALADIN can train them in how to target, solicit, and capture this segment of opportunity business. (This segment includes summer league play and non-golf events.)

“Group Business” is defined as organized: tournaments, fund raising events, social outings, corporate business outings, league play, advanced group bookings through the course’s hotel/motel/resort partnerships and non-golf events. PALADIN has identified that very few golf courses in a 45-minute market radius are proactive with these business segments. With the existence of a dedicated marketing person to solicit group business and create special partnerships, New South Park will set itself apart as a “tournament, outing and event headquarters” actively pursuing this business segment rather than waiting until the business/organization/association selects a course and or function Center. People, by nature, do business with people they are familiar with. The sales and marketing persons job is to identify group business coordinators and make them familiar with their facility’s offerings.

The sales and marketing person should develop this business segment in three specific ways:

1) Cold calling on acquired priority lists. PALADIN Golf Marketing will provide an outline of lists, here, for the sales person to acquire. The lists: charities, fraternal organizations, fund raising organizations, alumni associations (Booster Clubs, Fraternity’s, etc.), churches, the Top 200 employers a) by revenue, & b) by number of employees, and the Chamber of Commerce members. (Note: It may be worthwhile to acquire several Chamber lists from your facility’s surrounding markets.) These lists and proper networking by the sales and marketing person will be the primary resource of leads for the course and Center in the first few years.

A presentation book (or Power Point disk/CD) should be created that will include pictures of the course, grounds, practice area, outing staging area, score board, clubhouse, event center, price list, food and beverage options, an outing check list, and testimonial letters; as you receive them. The sales and marketing person will use this tool while networking or on set appointments to give the client or prospect a feeling of being at the facility and how well they can expect the staff to host their groups event.

2) Direct Mail. A direct mail post card program will be planned for the primary group business targets: Clubs and Associations, Fundraising Organizations, identified Tournament and Outing Coordinators, Chamber of Commerce members, etc. The mailings, four to six per year, will include a message unique to the list being used. For example, if the Chamber list is being mailed to, the message will begin with “Dear Fellow Chamber Member,” and might continue talking about something relevant to Chamber Members.” But its ultimate intention is to continually remind these business owners/presidents that you want to host their next tournament, outing, business meeting or social event at your course and Community Center. PALADIN will assist the sales person in developing these messages while the salesperson builds their marketing timeline for success.

Needed: 20,000 post cards 4-color over 4-color---Cost: ~ \$ 1,100.00

Golf Examples:

Post Card 1: Winter mailing

New South Park GC Wants to Host Your Next Outing

It's never too early for you to start planning your company/organizations golf outing. And what better course to hold your event than New South Park GC? Our Golf Staff will put together a unique tournament format and awards ceremony that will truly impress you and your players and one that is tailored to fit your budget. New South Park has set aside select days during the week and a few on weekends for hosting important events like yours. So call today and see if we can accommodate your special day. Don't forget to ask for our free Tournament and Outing brochure.

Contact: _____ Address & Phone

Post Card mailing 2: Spring mailing

New South Park GC,

South Buffalo's TOURNAMENT & OUTING HEADQUARTERS

Spring is just around the corner and you haven't yet called New South Park GC to book this year's company/organizations golf outing. Our Golf Staff is waiting to help you select a unique tournament format and awards ceremony to fit your budget. Call us and ask for our free Tournament & Outing brochure and see if your selected day is available. At New South Park GC, our goal is to provide your group with an exceptional golf experience from start to finish.

Contact: _____ Address & Phone

3) Coordinators Outings. Twice a year, Spring and Fall, the course will hold a complimentary Coordinators Outing to showcase the golf course, facility, and the tournament services that can be expected from the course's professional golf staff.

- **Creative Golf Events:** In some markets the most effective means of creating several hundred rounds (if not thousands of rounds) is to appeal to the Community's "sense of belonging" and create events to honor the uniqueness of the community. For example:

- Erie County Corporate Cup
- New South Park Birdie Barrage
- "Irish-German" Invitational
- Lake Erie Stableford
- Chamber of Commerce Golf Event
- North Shore vs South Shore Golf Challenge: Pro and Amateur Divisions

For the community-created events, add other activities for non-golfers--BBQ, volleyball, horseshoes, long putting contests--anything to get the local non-golfers interested in using the facilities and, of course, increasing the participation of golfers to the event. Make it fun. Take pictures. Submit the pictures and

activities review to the local and regional papers along with contest winners (public relations). In the first year don't be overly concerned about a limited turnout for the event. Make a big publicity deal about it and immediately publish the date for next year. Try to get people to sign up early.

This can be done for many other themed events, too: Take a Daughter (Granddaughter) to Golf, Introduce a Kid to Golf, Kids Play Free days, Learn to Play Golf days. There are many opportunities to return something to the community and create player development opportunities for future golfers at the Club.

- **Fundraising Events:** Create partnerships with fundraising organizations. Put displays up offering to accept donations for these worthy projects. Offer to host a fundraiser for them where \$3-5.00 per golfer will be donated by the course to the fundraising cause. Teach the groups to sell mulligans, raffle tickets, silent auction items, hole sponsorship signs, etc. to raise even more money for their cause(s).
- **Creative Golf Partnerships:** Golf Packagers, Realtors, Medical Community, Resorts, Community VIP's, Media, Schools, Churches, P.A.'s (legal, dental, insurance, etc), etc.

Other basic marketing elements that South Park' Management should consider:

- Signage. In particular: parking lot signage, on-course signage and County Road directional signage--Parks & Recreation Department or D.O.T.)
- New South Park GC web site, interactive, and search optimized (J2Golf Marketing affiliate of PGM)
- e-Marketing:
 - e-Newsletters for members and loyal players
 - e-golf site listings (i.e. Golf.com, GolfBuzz.com, GolfLink.com, etc)
 - Interactive web site
- Publicity/News releases
 - Newsworthy happenings at the Club
 - National & Regional acknowledgements/awards
 - Golf Digest "Places to Play"
 - Local/regional golf publications
 - Local lifestyle publications
- Database collection (name, address, phone, e-mail address)
- Holiday Golf Specials
- Industry Specials: Medical, Teachers, Fraternal, etc.
- Tournament Coordinators Day; Spring and Fall
- Family Days
- Civil Service Days
- Seniors, Ladies and Juniors Days (as applicable)
- Press Day
- Counter up-selling



- Player Development Programs
 - Golf Welcome Center: the goal is to turn non-golfers into beginning golfers, beginning golfers into more experienced golfers, and your casual once-a-month player into a more frequent player.
 - Golf Clinics

NEW SOUTH PARK GC

PROPOSED MARKETING PLAN OUTLINE 2015

- I Purpose Statement
- II 2015 Daily Sales Objectives and Tasks
- III Golf Market Overview
- IV Primary Business Targets
 - A. Geographic:
 - 1. Local
 - 2. Regional
 - 3. Feeder markets
 - B. Marketing Programs (forms and letters included)
 - 1. Founders Club
 - 2. Group Business
 - 3. Marketing to Tournament and Outing coordinators
 - 4. Frequent Player program
 - 5. Outside play
- V Competitor Analysis
- VI 2015 Sales and Marketing Strategies and Tactics
- VII 2015 Sales and Marketing Revenue Plan
- VIII 2015 Calendarized Incremental Revenue Plan
- IX 2015 Advertising and Promotions
 - A. Advertising and Promotion Overview
 - B. Advertising and Promotion Plan/Budget
 - C. Marketing Budget Rationale
 - D. Research; quarterly survey
 - E. Evaluation of Marketing Goals
- X 2015 Pre-Planning Calendar



Stable Economy: Mr. Spear has shared his projections with PALADIN. Both he and PALADIN agree that our reports assume a continued stable US golf industry and US economy. Almost any economic change could hurt or improve these assumptions, projections, and calculations. In particular, the economic changes being implemented by our new Administration can affect the economy positively or negatively and there is still worldwide concern for what is occurring in the Middle East and North Africa and its potential to destabilize oil prices, which has already elevated construction and operating costs for golf courses in the past decade+. Mr. Spear's projections appear moderate and reasonable for a Public Price/Value course located in Erie County, NY.

A written Business Plan and Marketing Plan with expressed strategies, tactics, goals and contingency plans, are advised along with the hiring of a dedicated sales person to assist with marketing initiatives.

~ ~

8.2.2013





Golf Local Market Analyzer Report

**New South Park Golf Project
Buffalo, NY**

Date: Aug. 3, 2013

Prepared by:
Harvey Silverman
Jim Koppenhaver
Pellucid Corp.

Jack Brennan of Paladin Golf Marketing requested Pellucid to provide a Golf Local Market Analysis for the area surrounding a proposed golf facility in Buffalo, NY.

The Pellucid Golf Local Market Analysis (GLMA) answers 10 primary questions:

1. How many golfers are in the local draw area?
2. What is their average frequency in rounds per year?
3. What is the per capita “play rate” (combines population, participation and frequency measures)?
4. Does factoring in the local draw area demographics (HH Income, Pop Age, and Ethnicity) suggest higher or lower rounds potential than the basic projection?
5. Has historical supply growth relative to population trends produced supply dilution or absorption since 1990 and how much?
6. What is the supply level and mix by access type and price class in the draw area?
7. How many annual rounds in total and by type of supply are the facilities reporting?
8. What is the average “velocity” (rounds per 18 holes) for the subject facility’s peer group (access, experience, price classification)?
9. Does the market show a normal “demand curve” (i.e. lower-priced facilities get higher rounds-per-18 holes than higher priced facilities)?
10. What is the relative affordability of mid-range, public access golf ?

The GLMA uses 3 primary sources:

1. Pellucid licensed annual consumer survey (2011), state-level facts on participation and frequency
2. Pellucid licensed database of over 15,000 US golf facilities (Q4 2012, not including stand-alone driving ranges)
3. Licensed US Census data, 2000 actual, 2011 estimate (based on 2010 actual) and 2016 projection

Pellucid’s historical consumer research and analysis suggest that, for most locally-served golf facilities, over 85% of customers are found within 30 minute drive time of the facility. At the client’s request, for this analysis we used 15, 30, and 45 drive times surrounding the proposed facility address, 1200 Furhmann Blvd, Buffalo, NY 14203, as the draw area.

Summary Facts

The basic demographics of the three draw areas for this facility are:

- 5-yr. annual projected population growth = 0.2%
- Population Density = 891 people per square mile
- HH Income, 2011 Median \$45K
- HH Income, 2011-2016 Comp. Ann. Growth Rate (CAGR) +1.3%
- Pop. Age: 2011 Median Age 40.6
- Ethnicity: 2011 level 81% White

The market golfer base metrics:

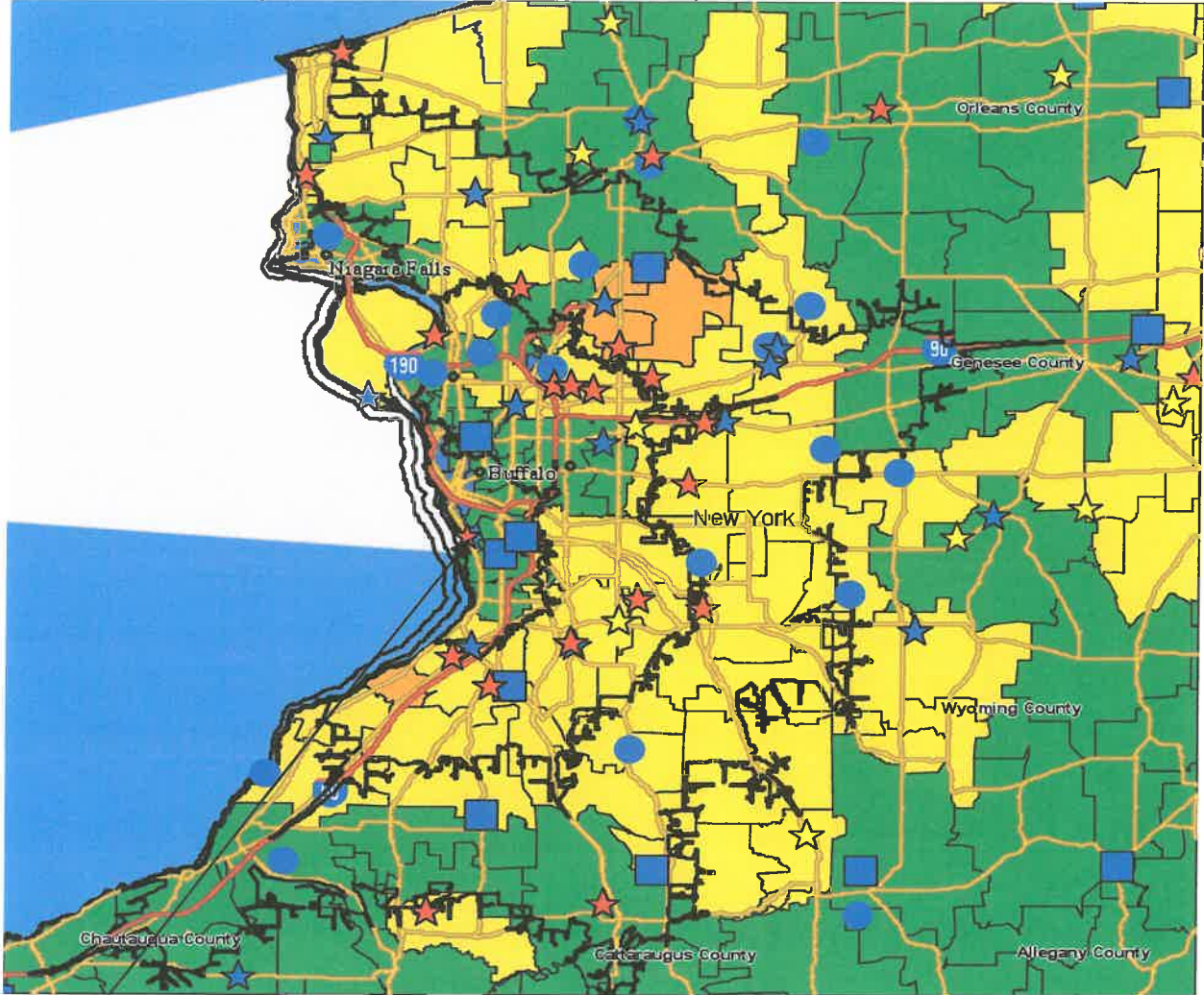
- Participation rate: 8.5%
- Frequency rate: 25.4 rds/golfer/yr
- Play rate: 2.2 rds/capita/yr
- HH-Income factored RPI: 88-101, negative in 15-minute radius, neutral otherwise
- Pop. Age factored RPI: 98-102 is neutral Neutral
- Ethnicity factored RPI: 111-127 is positive

The highlight observations on historical supply build for the Buffalo South Shore draw area are:

- From 1990 to 2000 increased by 36 holes, growing at a compound annual growth rate of 0.5%.
- During the same period, annual population growth was -.2% annually, creating supply dilution for the decade of -6.9%, better than the national average.
- Growth during that period is attributed to Private (18 new holes), and Public-Value (18 holes).
- Since 2000, supply growth has increased to a +1.4% annual rate against -0.3% population growth.

Detailed Analysis

We start the detailed analysis with a map showing the draw area populated with the existing supply of golf. The client facility is indicated by the red star, not to be confused with a Private facility (we use the NGF course database).



Median household income by county:

Red: >\$62K, Orange: \$48.5K-\$62K, Yellow: \$38K-\$48.5K, Green: \$30K-\$38K, Blue: <\$30K

Facility classifications are by type (Private in red, Public in blue, Learning & Practice in yellow, Future supply in green) as well as by consumer value groups within Public. In creating the consumer value groups, we start by establishing the Public-Value segment,

calculated to be the middle range of highest weekend greens fee specific to the Designated Market Area (or DMA). We then classify Public-Premium as those facilities falling above the mid-range and Public-Price as those facilities falling below the mid-range. The price parameters used for each of the three Public facility classifications is shown in the map legend above. Please note that the values are skewed somewhat due to the mixing of data from more than one DMA.

Current Demographics and Future Projections on the key measures of population growth, population density, median household income and distribution, median age and distribution and ethnic composition of the draw area surrounding the proposed facility:

Date: August 2, 2013

Current Geography Selection: 15, 30, 45 minute drive times: 1200 FUHRMANN BLVD, BUFFALO, NY 14203*

Your title for this geography: South Park GC Buffalo NY 15_30_45_DT

Lat: 42.845979 Long: -78.860615

City: Buffalo Pop: 262,853

County: Erie Pop: 921,196

Zip: 14203 Pop: 1,664

Demographic Detail Summary Report

Population Demographics

| | 2000 Census | 2011 Estimate | 2016 Projection | 90-00 CAGR | 00-11 CAGR | 11-16 CAGR |
|-----------------------------------|------------------------|--------------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| Total Population | 1,100,449 | 1,070,453 | 1,080,683 | -0.2% | -0.3% | 0.2% |
| Population Density (Pop/Sq Mi) | 916.4 | 891.4 | 899.9 | -0.2% | -0.3% | 0.2% |
| Total Households | 443,511 | 446,607 | 442,618 | 0.1% | 0.1% | -0.2% |

Population by Gender:

| | | | | | | |
|--------|---------|-------|---------|-------|---------|-------|
| Male | 524,199 | 47.6% | 513,935 | 48.0% | 518,766 | 48.0% |
| Female | 576,229 | 52.4% | 556,513 | 52.0% | 561,912 | 52.0% |

Population by Race/Ethnicity

| | 2000 Census | 2011 Estimate | 2016 Projection | | | | | | |
|-------------------------------------|------------------------|--------------------------|----------------------------|-------|-----------|-------|-------|-------|-------|
| White | 917,059 | 83.3% | 866,800 | 81.0% | 872,118 | 80.7% | -0.6% | -0.6% | 0.1% |
| Black | 133,427 | 12.1% | 136,334 | 12.7% | 139,249 | 12.9% | 1.1% | 0.2% | 0.4% |
| American Indian or Alaska Native | 6,839 | 0.6% | 7,397 | 0.7% | 7,471 | 0.7% | 0.1% | 0.8% | 0.2% |
| Asian or Pacific Islander | 15,046 | 1.4% | 25,784 | 2.4% | 26,726 | 2.5% | 3.4% | 5.5% | 0.7% |
| Some Other Race | 13,701 | 1.3% | 14,498 | 1.4% | 14,911 | 1.4% | 2.1% | 0.6% | 0.6% |
| Two or More Races | 14,378 | 1.3% | 19,628 | 1.8% | 20,205 | 1.9% | | 3.2% | 0.6% |
| Hispanic Ethnicity | 32,288 | 2.9% | 48,257 | 4.5% | 62,602 | 5.8% | 3.3% | 4.1% | 5.3% |
| Not Hispanic or Latino | 1,068,157 | 97.1% | 1,022,193 | 95.5% | 1,018,086 | 94.2% | -0.3% | -0.4% | -0.1% |

Population by Age

| | 2000 Census | 2011 Estimate | 2016 Projection | | | | | | |
|--------|------------------------|--------------------------|----------------------------|------|--------|------|-------|-------|------|
| 0 to 4 | 66,707 | 6.1% | 57,192 | 5.3% | 57,652 | 5.3% | -1.5% | -1.5% | 0.2% |

| | | | | | | | | | |
|-------------------------|---------|-------|---------|-------|---------|-------|-------|-------|------|
| 5 to 14 | 155,260 | 14.1% | 129,394 | 12.1% | 130,326 | 12.1% | 0.8% | -1.8% | 0.1% |
| 15 to 19 | 75,214 | 6.8% | 77,249 | 7.2% | 78,445 | 7.3% | 0.1% | 0.3% | 0.3% |
| 20 to 24 | 66,010 | 6.0% | 79,210 | 7.4% | 80,611 | 7.5% | -2.6% | 1.8% | 0.4% |
| 25 to 34 | 135,806 | 12.3% | 124,286 | 11.6% | 125,639 | 11.6% | -3.0% | -0.9% | 0.2% |
| 35 to 44 | 174,111 | 15.8% | 130,293 | 12.2% | 131,428 | 12.2% | 0.8% | -2.9% | 0.2% |
| 45 to 54 | 150,787 | 13.7% | 166,095 | 15.5% | 167,397 | 15.5% | 3.0% | 1.0% | 0.2% |
| 55 to 64 | 99,708 | 9.1% | 136,959 | 12.8% | 138,026 | 12.8% | -1.2% | 3.2% | 0.2% |
| 65 to 74 | 88,980 | 8.1% | 81,972 | 7.7% | 82,613 | 7.6% | -1.4% | -0.8% | 0.2% |
| 75 to 84 | 66,274 | 6.0% | 59,971 | 5.6% | 60,426 | 5.6% | 2.1% | -1.0% | 0.2% |
| 85+ | 21,572 | 2.0% | 27,838 | 2.6% | 28,105 | 2.6% | 3.2% | 2.6% | 0.2% |
| Median Age | 38.1 | | 40.6 | | 40.6 | | | | |
| Median Age Index vs. US | | | 109 | | 110 | | | | |

Households by Income

| | 2000 Census | | 2011 Estimate | | 2016 Projection | | | | |
|---------------------------------|----------------|-------|------------------|-------|--------------------|-------|-------|-------|-------|
| \$0 - \$15,000 | 82,971 | 18.7% | 69,591 | 15.6% | 65,655 | 14.8% | -3.5% | -1.7% | -1.2% |
| \$15,000 - \$24,999 | 63,406 | 14.3% | 55,299 | 12.4% | 51,638 | 11.7% | -2.1% | -1.4% | -1.4% |
| \$25,000 - \$34,999 | 57,901 | 13.1% | 51,497 | 11.5% | 48,186 | 10.9% | -2.0% | -1.2% | -1.3% |
| \$35,000 - \$49,999 | 71,956 | 16.2% | 65,774 | 14.7% | 61,917 | 14.0% | -1.0% | -0.9% | -1.2% |
| \$50,000 - \$74,999 | 83,828 | 18.9% | 83,408 | 18.7% | 81,076 | 18.3% | 3.3% | -0.1% | -0.6% |
| \$75,000 - \$99,999 | 43,146 | 9.7% | 53,067 | 11.9% | 56,157 | 12.7% | 9.2% | 2.1% | 1.1% |
| \$100,000 - \$149,999 | 28,092 | 6.3% | 44,918 | 10.1% | 51,051 | 11.5% | 13.6% | 4.8% | 2.6% |
| \$150,000 + | 12,203 | 2.8% | 23,057 | 5.2% | 26,934 | 6.1% | 11.8% | 6.6% | 3.2% |
| Average Hhld Income | \$49,423 | | \$58,748 | | \$63,620 | | 3.7% | 1.7% | 1.6% |
| Median Hhld Income | \$38,364 | | \$45,188 | | \$48,264 | | 3.2% | 1.7% | 1.3% |
| Per Capita Income | \$19,919 | | \$25,554 | | \$27,247 | | 4.0% | 2.5% | 1.3% |
| Median Hhld Income Index vs. US | | | 91 | | 90 | | | | |

*** Reports requiring summarization use only the largest Radius or Drive Time around each center point to calculate results.**

Current year data is for the year **2011**, 5 year projected data is for the year **2016**. More [About Our Data](#).
 Demographic data © 2011 by Experian/Applied Geographic Solutions.
 Golf Participation and Frequency Data Licensed from National Sporting Goods Association (NSGA)
 Golf Facility Data Licensed from National Golf Foundation (NGF)
 All analytics (Facility rounds estimates, price segments, opportunity rounds calculations etc.) are property of Pellucid Corp.

Golfer Participation and Frequency of Play

Pellucid Part and Frequency Comparison Report

| | 15 Minutes: | 30 Minutes: | 45 Minutes: |
|--|-------------|-------------|-------------|
| Total Population | 194,037 | 829,701 | 1,070,453 |
| Total Households | 86,295 | 352,686 | 446,607 |
| State Participation Rate (% of Tot. Pop) | 8.50% | 8.50% | 8.50% |
| Estimated Number of Golfers | 16,437 | 70,281 | 90,668 |
| State Frequency Rate (Rounds per Golfer per Year) | 25.4 | 25.4 | 25.5 |
| Estimated Play Rate (Rounds per Capita per Year) | 2.2 | 2.2 | 2.2 |
| Cons. Survey-based Annual Rounds Est. | 418,298 | 1,788,620 | 2,307,620 |

The Participation and Frequency analysis assumes that the draw areas are similar to the state in demographics and doesn't factor in local variances in the key variables of Household Income, Age and Ethnicity. The below series of data points are calculations to incorporate these local nuances.

Household Income

Pellucid Rounds Potential by HH Income Comparison Report

| | 15 Minutes: | 30 Minutes: | 45 Minutes: |
|--|-------------|-------------|-------------|
| Total Households | 86,295 | 352,686 | 446,607 |
| HH Counts - By Income Group | | | |
| \$ 0 - \$34,999 | 47,496 | 146,870 | 176,387 |
| \$35,000 - \$74,999 | 26,336 | 118,656 | 149,182 |
| \$75,000 + | 12,461 | 87,173 | 121,042 |
| All Income Groups | 86,293 | 352,699 | 446,611 |
| Play Rate (Rds per HH per Year) - By Income Group | | | |
| \$ 0 - \$34,999 | 2.3 | 2.3 | 2.3 |
| \$35,000 - \$74,999 | 5.5 | 5.5 | 5.5 |
| \$75,000 + | 9.1 | 9.1 | 9.1 |
| All Income Groups | 4.3 | 5.1 | 5.2 |
| Income-weighted Consumer-based Annual Rounds Estimate | | | |
| \$ 0 - \$34,999 | 111,575 | 345,001 | 414,329 |
| \$35,000 - \$74,999 | 144,350 | 650,348 | 817,661 |
| \$75,000 + | 113,185 | 791,788 | 1,099,413 |
| All Income Groups | 369,110 | 1,787,137 | 2,331,403 |
| Rounds Potential Index | 88 | 100 | 101 |

After factoring in Household Income skews for the draw area relative to the state(s), the rounds projection is 369K–2.3M. This produces a negative Rounds Potential Index range of 88 - 101 across the draw area (95-105 is considered Neutral, 106 and above is positive).

Average Age

Pellucid Rounds Potential by Pop Age Comparison Report

| | 15 Minutes: | 30 Minutes: | 45 Minutes: |
|---|-------------|-------------|-------------|
| Total Population | 194,037 | 829,701 | 1,070,453 |
| Pop Counts - By Age Group | | | |
| Age 0 - 34 | 92,225 | 370,397 | 467,331 |
| Age 35 - 54 | 52,451 | 223,321 | 296,388 |
| Age 55 + | 49,359 | 235,988 | 306,740 |
| All Age Groups | 194,035 | 829,706 | 1,070,459 |
| Play Rate (Rds per Capita) - By Age Group | | | |
| Age 0 - 34 | 1.3 | 1.3 | 1.3 |
| Age 35 - 54 | 2.4 | 2.4 | 2.4 |
| Age 55 + | 3.4 | 3.4 | 3.4 |
| All Age Groups | 2.1 | 2.2 | 2.2 |
| Age-weighted Consumer-based Annual Rounds Estimate | | | |
| Age 0 - 34 | 119,648 | 480,551 | 606,312 |
| Age 35 - 54 | 125,887 | 535,987 | 711,351 |
| Age 55 + | 167,827 | 802,353 | 1,042,911 |
| All Age Groups | 413,362 | 1,818,891 | 2,360,574 |
| Rounds Potential Index | 98 | 102 | 102 |

After factoring in Age skews for the draw areas relative to the state, the annual rounds projection is 413K–2.4M. This produces a neutral Rounds Potential Index range of 98-102.

Finally, we analyze a third critical demographic variable for golf: Ethnicity. The below table produces a Rounds Potential Index based on the ethnic distribution in the local area vs. the US ethnic composition (annual rounds estimate cannot be correlated back to the Participation & Frequency estimate because we're creating this number based on variance vs. US not state). The key indicator is the direction (>100 or <100) and magnitude (e.g. 120 vs. 101) of this RPI:

Pellucid Rounds Potential by Ethnicity Comparison Report

| | 15 Minutes: | 30 Minutes: | 45 Minutes: |
|--|-------------|-------------|-------------|
| Total Population | 194,037 | 829,701 | 1,070,453 |
| Pop Counts - By Ethnic Group | | | |
| White, non-Hispanic | 120,902 | 628,468 | 841,354 |
| Hispanic | 22,854 | 43,473 | 48,257 |
| Black | 42,177 | 123,739 | 136,334 |
| Asian | 5,252 | 21,276 | 25,528 |
| All other | 2,852 | 12,744 | 18,980 |
| Play Rate (Rds per Capita per Year) - By Ethnic Group | | | |
| White, non-Hispanic | 2.5 | 2.5 | 2.5 |
| Hispanic | 0.8 | 0.8 | 0.8 |
| Black | 0.8 | 0.8 | 0.8 |
| Asian | 1.8 | 1.8 | 1.8 |
| All other | 0.5 | 0.5 | 0.5 |
| All Ethnic Groups | 1.9 | 2.1 | 2.2 |
| Ethnic-weighted Consumer-based Annual Rounds Estimate | | | |
| White, non-Hispanic | 302,255 | 1,571,170 | 2,103,385 |
| Hispanic | 18,283 | 34,778 | 38,605 |
| Black | 33,742 | 98,991 | 109,067 |
| Asian | 9,454 | 38,297 | 45,951 |
| All other | 1,426 | 6,372 | 9,490 |
| Total | 365,160 | 1,749,609 | 2,306,499 |
| Rounds Potential Index | 111 | 124 | 127 |

Factoring in Ethnicity skews for the draw areas relative to the nation produces rounds projections of 365K–2.3M. Ethnicity creates a favorable Rounds Potential Index range of 111-127.

Pellucid Supply History Summary Comparison Report

| | 1980 | 1990 | CAGR | 2000 | CAGR | 2011 | CAGR |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Holes | Holes | | Holes | | Holes | |
| Private | 288 | 288 | 0.00% | 306 | 0.60% | 306 | 0.00% |
| Public Premium | 81 | 81 | 0.00% | 81 | 0.00% | 189 | 8.00% |
| Public Value | 216 | 234 | 0.70% | 252 | 0.70% | 252 | 0.00% |
| Public Price | 81 | 81 | 0.00% | 81 | 0.00% | 99 | 1.80% |
| Learning & Practice | 18 | 27 | 3.80% | 27 | 0.00% | 27 | 0.00% |
| Total | 684 | 711 | 0.40% | 747 | 0.50% | 873 | 1.40% |
| Pop % Chng-CAGR | | | | | -0.20% | | -0.30% |
| Ann Supp. Absorp/Dilution* | | | | | -0.70% | | -1.70% |
| Cume Supp. Absorp/Dilution | | | | | -6.90% | | -23.70% |

* Reports requiring summarization use only the largest Radius or Drive Time around each center point to calculate results.

Golf Hole Supply vs Golfer Rounds Demand

Pellucid Supply Demand Comparison Report

| | Nat'l Avg. | 15 Minutes: | 30 Minutes: | 45 Minutes: |
|---|---------------|-------------|-------------|-------------|
| # of Facilities by Type | | | | |
| Total Number of Facilities | | 3 | 26 | 50 |
| Private | | 0 | 9 | 17 |
| Public-Premium | | 1 | 5 | 11 |
| Public-Value | | 0 | 6 | 13 |
| Public-Price | | 2 | 4 | 7 |
| Learning & Practice | | 0 | 2 | 2 |
| % of Facilities by Type | | | | |
| Private | 26% | 0% | 35% | 34% |
| Public-Premium | 20% | 33% | 19% | 22% |
| Public-Value | 28% | 0% | 23% | 26% |
| Public-Price | 18% | 67% | 15% | 14% |
| Learning & Practice | 8% | 0% | 8% | 4% |
| % of Holes by Facility Type | | | | |
| Total Number of Holes | | 36 | 477 | 873 |
| Private | 27% | 0% | 34% | 35% |
| Public-Premium | 23% | 50% | 19% | 22% |
| Public-Value | 28% | 0% | 30% | 29% |
| Public-Price | 16% | 50% | 11% | 11% |
| Learning & Practice | 6% | 0% | 6% | 3% |
| % of Annual Rounds by Facility Type | | | | |
| Total Number of Rounds | | 86,514 | 817,908 | 1,554,600 |
| Private | 21% | 0% | 25% | 27% |
| Public-Premium | 23% | 23% | 19% | 21% |
| Public-Value | 30% | 0% | 30% | 31% |
| Public-Price | 18% | 77% | 19% | 16% |
| Learning & Practice | 8% | 0% | 8% | 4% |
| Annual Avg. Rounds per 18 Holes by Facility Type | | | | |
| All Facilities Average | 26,700 | 28,838 | 31,458 | 31,092 |
| Private | 24,096 | N/A | 27,892 | 27,760 |
| Public-Premium | 25,873 | 49,000 | 42,571 | 35,076 |
| Public-Value | 29,319 | N/A | 33,312 | 32,993 |
| Public-Price | 26,684 | 18,757 | 27,689 | 29,773 |
| Learning & Practice | 26,865 | N/A | 29,750 | 29,750 |

Current Supply of Golf Holes

Golf Courses List Report

| Facility Name | State | Street | City | Zip | Pellucid Type | Weekend GF | Total Facility Holes | Dist.* | Dir.* |
|--|-------|------------------------|---------------|------------|---------------------|------------|----------------------|--------|-------|
| South Park Golf Course | NY | 2535 S Park Ave | Buffalo | 14218-1501 | PUBLIC PRICE | 22 | 9 | 2.13 | SE |
| Cazenovia Golf Course | NY | 1 Willink Ave | Buffalo | 14210-2629 | PUBLIC PRICE | 22 | 9 | 3.00 | E |
| Delaware Park Golf Course | NY | 84 Parkside Ave | Buffalo | 14214-2653 | PUBLIC PRICE | 25 | 18 | 6.00 | N |
| South Shore Country Club | NY | 5076 Southwestern Blvd | Hamburg | 14075-3502 | PUBLIC PREMIUM | 42 | 18 | 6.65 | S |
| Brierwood Country Club | NY | 5324 Rogers Rd | Hamburg | 14075-3595 | PRIVATE | 70 | 18 | 7.24 | S |
| Grover Cleveland Golf Course | NY | 3781 Main St | Amherst | 14226-3236 | PUBLIC PREMIUM | 42 | 18 | 8.37 | NE |
| Orchard Park Country Club | NY | 4777 S Buffalo St | Orchard Park | 14127-3233 | PRIVATE | 60 | 18 | 8.59 | SE |
| Harvest Hill Golf Center | NY | 3052 Old Transit Rd | Orchard Park | 14127 | PUBLIC PREMIUM | 59 | 18 | 8.78 | SE |
| Wanakah Country Club | NY | S5161 Lake Shore Rd | Hamburg | 14075 | PRIVATE | 65 | 18 | 9.10 | S |
| Diamond Hawk Golf Course | NY | 255 Sonwil Dr | Cheektowaga | 14225-5517 | PUBLIC PREMIUM | 59 | 18 | 9.31 | NE |
| 18 Mile Creek Golf Course (Hamburg Town Golf Course) | NY | 6374 Boston State Rd | Hamburg | 14075-6602 | PUBLIC PRICE | 30 | 18 | 9.43 | S |
| Bob-O-Link Golf Club | NY | 4085 Transit Rd | Orchard Park | 14127-2019 | LEARNING & PRACTICE | 16 | 18 | 9.74 | SE |
| Sheridan Park Golf Course | NY | 490 E Park Dr | Tonawanda | 14150-6629 | PUBLIC VALUE | 40 | 18 | 9.91 | N |
| Beaver Island State Park Golf Course | NY | 2136 W Oakfield Rd | Grand Island | 14072-3008 | PUBLIC PREMIUM | 44 | 18 | 10.05 | NW |
| Crag Burn Golf Club | NY | 1231 N Davis Rd | East Aurora | 14052-9487 | PRIVATE | 150 | 18 | 10.12 | E |
| Westwood Country Club | NY | 772 N Forest Rd | Williamsville | 14221-4421 | PRIVATE | 60 | 18 | 10.29 | NE |
| Park Country Club | NY | 4949 Sheridan Dr | Williamsville | 14221-4599 | PRIVATE | 94 | 18 | 10.71 | NE |
| Brighton Park Golf Course | NY | 70 Brompton Rd | Tonawanda | 14150-4400 | PUBLIC VALUE | 39 | 18 | 10.99 | N |
| Amherst | NY | 500 Maple Rd | Amherst | 14221- | PUBLIC | 33 | 27 | 11.09 | NE |

| | | | | | | | | | | |
|---------------------------------|----|-----------------------------|-----------------|------------|---------------------|-----|----|-------|----|--|
| Audubon Golf Course | | | | 3207 | VALUE | | | | | |
| Country Club of Buffalo | NY | 250 Youngs Rd | Williamsville | 14221-5833 | PRIVATE | 100 | 18 | 11.20 | NE | |
| Harris Hill Golf Center | NY | 5352 Genesee St | Bowmansville | 14026-1035 | LEARNING & PRACTICE | 14 | 9 | 11.37 | NE | |
| River Oaks Golf Club | NY | 201 Whitehaven Rd | Grand Island | 14072-1940 | PRIVATE | 55 | 18 | 12.32 | N | |
| Lancaster Country Club | NY | 6061 Broadway St | Lancaster | 14086-9528 | PRIVATE | 65 | 18 | 12.53 | E | |
| Elma Meadows Golf Club | NY | 1711 Girdle Rd | Elma | 14059-9267 | PUBLIC VALUE | 33 | 18 | 13.02 | E | |
| Deerwood Golf Course | NY | 1818 Sweeney St | North Tonawanda | 14120-4523 | PUBLIC VALUE | 35 | 27 | 13.41 | N | |
| East Aurora Country Club | NY | 300 Girdle Rd | East Aurora | 14052-1599 | PRIVATE | 66 | 18 | 13.66 | E | |
| Brookfield Country Club | NY | 5120 Shimerville Rd | Clarence | 14031-1492 | PRIVATE | 70 | 18 | 13.93 | NE | |
| Transit Valley Country Club | NY | 8920 Transit Rd | East Amherst | 14051-1804 | PRIVATE | 75 | 18 | 14.15 | NE | |
| Fox Valley Club | NY | 6161 Genesee St | Lancaster | 14086-9722 | PRIVATE | 55 | 18 | 14.62 | E | |
| Tan-Tara Golf Club | NY | 4391 Tonawanda Creek Rd | North Tonawanda | 14120-9548 | PRIVATE | 58 | 18 | 15.31 | N | |
| Buffalo Tournament Club | NY | 6432 Genesee St | Lancaster | 14086-9303 | PUBLIC PREMIUM | 44 | 18 | 15.68 | E | |
| Holland Hills Country Club | NY | 10438 Holland Glenwood Rd | Colden | 14033 | PUBLIC VALUE | 35 | 18 | 15.85 | SE | |
| Glen Oak Golf Course | NY | 711 Smith Rd | East Amherst | 14051-1102 | PUBLIC PREMIUM | 53 | 18 | 16.00 | NE | |
| Eden Valley Golf Course | NY | 10401 Sisson Hwy (route 75) | Eden | 14057 | PUBLIC PRICE | 26 | 18 | 16.99 | S | |
| Oakwood Golf Course | NY | 3575 Tonawanda Creek Rd | Buffalo | 14228-1506 | PUBLIC VALUE | 40 | 9 | 17.53 | NE | |
| Grandview Golf Course | NY | 444 Central Ave | Angola | 14006-9660 | PUBLIC VALUE | 37 | 9 | 18.13 | SW | |
| Greenwood Golf Course | NY | 8499 Northfield Rd | Clarence Center | 14032-9117 | PUBLIC PRICE | 30 | 9 | 18.97 | NE | |
| The Links At Ivy Ridge | NY | 12089 Main Rd | Akron | 14001-9304 | PUBLIC PREMIUM | 55 | 18 | 19.49 | NE | |
| Hyde Park Municipal Golf Course | NY | 4343 Porter Rd | Niagara Falls | 14305-3325 | PUBLIC VALUE | 41 | 36 | 19.58 | NW | |
| Rothland Golf Course | NY | 12089 Clarence Center Rd | Akron | 14001-9332 | PUBLIC VALUE | 35 | 18 | 20.06 | NE | |
| Bright | NY | 12287 | Akron | 14001- | PUBLIC | 38 | 18 | 20.33 | NE | |

| | | | | | | | | | |
|---|----|--------------------------|--------------|------------|----------------|----|----|-------|----|
| Meadows Golf Course | | Clarence Center Rd | | 9334 | VALUE | | | | |
| Arrowhead Golf Club | NY | 12292 Clarence Center Rd | Akron | 14001-9334 | PUBLIC PREMIUM | 62 | 18 | 20.35 | NE |
| Kis-N-Greens Golf Course | NY | 13822 North Rd | Alden | 14004-9779 | PUBLIC VALUE | 34 | 18 | 20.41 | E |
| Shawnee Country Club | NY | 6020 Townline Rd | Sanborn | 14132-9489 | PUBLIC PREMIUM | 42 | 9 | 20.76 | N |
| Rose Brook Golf Course | NY | 12486 Bebee Road | Irving | 14081 | PUBLIC VALUE | 35 | 18 | 22.12 | SW |
| Concord Crest Golf Course | NY | 9255 Genesee Rd | East Concord | 14055-9765 | PUBLIC PRICE | 29 | 18 | 22.74 | SE |
| Springville Country Club Inc | NY | South Cascade Drive | Springville | 14141 | PRIVATE | 70 | 18 | 23.53 | SE |
| Niagara Falls Country Club | NY | 505 Mountain View Dr | Lewiston | 14092-1907 | PRIVATE | 80 | 18 | 23.60 | NW |
| Seneca Hickory Stick Golf Course | NY | 4560 Creek Rd | Lewiston | 14092-2327 | PUBLIC PREMIUM | 95 | 18 | 25.30 | NW |
| Niagara Frontier Country Club | NY | 1058 Lake Rd | Youngstown | 14174-1127 | PRIVATE | 52 | 18 | 30.02 | N |
| * Distance and Direction are only available for Radius and Drivetime Geographies. | | | | | | | | | |

END Pellucid GLMA Data Information

| Course Name | South Park | Cazenovia | Harris Hill | Oakwood |
|--|--|--------------------------------|---------------------|---|
| web site: www. | | | | |
| Miles from proposed site | 1.5 | 3 E | 11.4 NE | 17.5 NE |
| City | South Park/Bufalo | Buffalo | Bowmansville | Amherst |
| GM / Director of Golf | Dave Hoover | Dave Hoover | Camille Surowick | Tom Mellen |
| Owner | City | City | " | City |
| Type | Muni | Muni | Exec | Muni |
| Year Started | 1929 | 1929 | 1990 | 1953 |
| # of Holes and Par | 9/35 | 9/36 | 9/27 | 9/35 |
| Annual Rounds 18-holes | 16,000 | 26,000 | 24,500 | 20,000 |
| League Rounds | | | | 12.50% |
| WD Greens Fees | \$11.00 | \$11.00 | \$13.00 | \$12.00 |
| WE Green Fees | \$14.00 | \$14.00 | \$13.00 | \$12.00 |
| Average Green Fees | | | | |
| Cart Rental--Avg | \$12.00 | \$12.00 | N | N |
| Total w cart: WD / WE | \$23 / \$26 | \$23 / \$26 | \$13 / \$13 | \$12 / \$12 |
| Designer | | | | |
| Length--Champion | 2875 | 3124 | 1334 | 2700 |
| Type Greens | bent | bent | Bent | bent |
| Rating--Champion | 65 | 68.5 | n | n |
| Slope--Champion | 104 | 105 | n | n |
| Driving Range | n | Practice | Y - 25 tees | N |
| Clubhouse | golf house | golf house w/concession | Y | small |
| Pool | N | N | N | N |
| Tennis Courts | N | N | N | N |
| Other Features | PG | PG, CG | PG | PG, CG |
| # of Members | 950 season passes | Season Pass 950 | N | Res only - pay \$85, golf half price |
| Season Pass | \$185 = 7day, \$150 = SRs, \$125 = Jrs | Same as South Park | N | |
| | \$90 = Sr 5-day | | N | |
| Overseed?/ When? | little | little | N | N |
| % Play Seasonal/Tourism | | | | |
| # carts | 14 | 28 | | 0 |
| Frequent Player Card | Season pass | Season Pass | | Resident special |
| Non-member T/O rounds | 750 | 3000 | Not really | 2500 (leagues) |
| Hotel Packages | n | N | N | N |
| Seniors, Jrs, Ladies | n | N | Srs, Jrs | Srs 60+ |
| Discount Golf | n | N | N | N |
| Dedicated sales person | n | N | N | N |
| Golf School/Player Dev. | n | TP | N | Y |
| Comments | nickname "SP" | Summer camps nickname "Caz" | Doug Spear surveyed | Season: April - Oct Twilight rate 4pm \$8.00 |
| Internal Rating | | | | |
| GPS street address/zip | 2535 S. Park Ave | 1 Willink Ave | 5352 Genesee St. | 3575 Tonawanda Creek Rd |
| phone | | | 716-684-4653 | 716-689-1421 |
| Zip | 14218 | 14210 | 14026 | 14228 |
| Other discounts | | | | |

| Course Name | Grandview | Greenwood | Shawnee | Averages |
|--------------------------|----------------------|---------------------|---|---|
| web site: www. | | | | |
| Miles from proposed site | 18.1 SW | 19 NE | 20.1 | |
| City | Angola | Clarence Center NY | Wheatfield NY | |
| GM / Director of Golf | Bob Beardsley | Ellen | Glen | |
| Owner | Bob B and Board | Kevin Bilger | Individual | |
| Type | Public | Public | Semi Private | |
| Year Started | 1920's | 1966 | 1965 | 1950 |
| # of Holes and Par | 9/33 | 9/ 36 | 9/36 | 9/34 |
| Annual Rounds 9-holes | 24,000 | 29,600 | 21,500 | 23,086 |
| League Rounds | 55% | 35% | 40% | |
| WD Greens Fees | \$12.00 | \$12.00 | \$11.00 | \$11.71 |
| WE Green Fees | \$13.00 | \$18.00 | \$13.00 | \$13.86 |
| Average Green Fees | | | | |
| Cart Rental--Avg | \$12.00 | \$13.00 | \$14.00 | \$12.60 |
| Total w cart: WD/WE | \$24 / \$25 | \$25 / \$31 | \$25 / \$27 | \$24.31 / \$26.46 |
| Designer | Bob's Grandfather | Kevin Bilger | Bob Lorenz | |
| Length--Champion | 2,000 | 3,341 | 3,280 | 2,665 |
| Type Greens | bent | Bent | Bent | Bent |
| Rating--Champion | NA | 36 | 36 | |
| Slope--Champion | NA | 130 | 113 | |
| Driving Range | N | N | N | N |
| Clubhouse | Y | Y | N | small |
| Pool | N | N | N | N |
| Tennis Courts | N | N | N | N |
| Other Features | N | N | N | PG, CG |
| # of Members | 200+ | 150 | 75 | Residents |
| Initiation Fees--Avg | | \$300.00 | \$140 | \$219 7-day |
| Monthly Dues | WD \$380, Full \$430 | n/a | n/a | |
| Overseed?/ When? | N | N | N | N |
| % Play Seasonal/Tourism | | | | |
| # carts | 20 | 25 | 26 | 22.6 |
| Frequent Player Card | N | N | N | N |
| Non-member T/O rounds | 1,500 | 2000 | < 1000 | 1,650 |
| Hotel Packages | N | N | N | N |
| Seniors, Jrs, Ladies | Srs | N | N | N |
| Discount Golf | N | | | N |
| Dedicated sales person | N | | Glen Gau | N |
| Golf School/Player Dev. | TP | TP | TP | TP or N |
| Comments | | Doug Spear surveyed | Also has 18 hole Doug Spear surveyed | Season: April - Oct or May - Sept depending on weather |
| Internal Rating | | | | |

GPS street address/zip

phone

Zip

444 Central Ave

716-549-4930

14006

8499 Northfield Rd

716-741-3395

14032

6020 Townline Rd

716 731 5177

14132

South Buffalo Golf Course

COSTS

Golf Course Owner: **SBBOA**

9-hole course

The following are general costs associated with course construction in this market area. Does not include any off-site infrastructure. Because of different terrains and designers, the costs of Bldg & Equip, Loan & Others may differ, but the total should be in the same range.

PURCHASE COSTS

| | | | |
|----------------------|--------|---|------------------------------------|
| City's landfill site | 50,000 | BUDC leased 100 acres from Steelsfields for 9-hole golf course. | |
| | | | <i>Land Lease Sub Total</i> 50,000 |

CONSTRUCTION

| | | | |
|--------------------|-----------|---|---|
| Construction Cost* | 2,941,600 | Build 9 hole public course (tees, greens, fairways, cart paths, irrigation system and landscaping). | |
| Community Center* | 2,950,000 | Build 10,000sf Center w/ pro shop, grill, restrooms, meeting rooms, etc. | |
| Maintenance Bldg* | 1,250,000 | Metal building 5,000sf parking, chemical storage, store all maintenance equipment. | |
| Cart Storage | 175,000 | Build 4,000sf wood building for golf carts. | |
| Pavilion | 75,000 | Build 3,800sf open shelter for outdoor outings and events. | |
| | | | <i>Construction Sub Total</i> 7,391,600 |

EQUIPMENT

| | | | |
|-----------------------|---------|---|------------------------------------|
| Maintenance Equipment | 100,000 | Buy equipment (tractors, blowers, sprayers, tools etc.) and lease \$400,000 in mowers, etc. | |
| Golf Carts | 0 | Lease 30 electric Golf Carts over four years. | |
| | | | <i>Equipment Sub Total</i> 100,000 |

SOFT COSTS

| | | | |
|--------------------|---------|--|-------------------------------------|
| Engineering | 250,000 | Necessary engineering and environmental consultant services. | |
| Architectural | 250,000 | Design of buildings and master landscaping. | |
| Golf Course Design | 250,000 | Cost to design a 9-hole course (blueprints & specs, etc.) | |
| Other Soft Costs | 200,000 | Legal, Accounting, Permits, Environmental | |
| | | | <i>Soft Costs Sub Total</i> 950,000 |

OTHER COSTS

| | | | |
|---------------------|--------------------|---|--------------------------------------|
| Golf course signage | 11,400 | Course setup - flags, hole signs, washers, onsite and offsite signs, etc. | |
| FF&E | 75,000 | Counters, chairs / stools, and office equipment (computers, phones, fax, copier). | |
| Contingency | 50,000 | For unknowns and price adjustments. | |
| Working Capital | 35,000 | Funds needed during the first months of operation and maintain thereafter. | |
| Pre-Opening Costs | 28,400 | Labor, pro shop inventory, office and marketing materials prior to opening. | |
| | \$8,691,400 | | <i>Other Costs Sub Total</i> 199,800 |

* Note: July 26, 2013 Hurdzan Design stated the construction costs for a 9-hole course will be in the range of \$7 to \$8m
Does not include any closing costs, attorney fees or prevailing rates.

Lease Maintenance Equip \$51,650 as reflected on Operations page
Lease 30 Golf Carts \$28,900 as reflected on Operations page

| | | | |
|--|--|----------------------------------|------------------|
| Example: Owner may choose to finance a portion of Costs | | Total Costs | 8,691,400 |
| | | Less donations | -3,391,400 |
| | | New Loan | \$5,300,000 |
| | | <i>Estimated Annual payments</i> | <i>\$322,252</i> |

South Buffalo Golf Course

ROUNDS, RATES and FEES

Management: **Buffalo Olmsted Parks**

In the following projections: Total rounds increase and stabilize within four years with slight increases thereafter. However, the rates and fees also increases as the economy and market allows and the type of rounds changes. Over the years there are less discounted rounds and more "full rate" rounds, therefore increasing income and at the same time establishing rates at a more profitable level. Rounds used below are conservative and projections are AFTER the course has completed and opened.

Public Rounds paid rounds from walk-in county residents.
 Annual Pass Rounds purchase each year for unlimited green fees, but pay Cart fee.
 Opportunity Rounds rounds which are solicited by an on-site marketing salesperson.
 Discounted Rounds rounds such as; club events, special promotions, twilight, etc.

| ROUNDS | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
|--------|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | Public | 13,600 | 13,872 | 14,149 | 14,432 | 14,577 | 14,723 |
| | Annual Pass | 4,000 | 5,600 | 7,200 | 8,400 | 9,200 | 9,600 | 10,000 |
| | Opportunity | 750 | 1,000 | 1,250 | 1,500 | 1,750 | 2,000 | 2,000 |
| | Discounted | 2,040 | 1,836 | 1,652 | 1,487 | 1,338 | 1,205 | 1,084 |
| | Total Paid Rounds | 20,390 | 22,308 | 24,252 | 25,820 | 26,865 | 27,527 | 27,954 |
| | Rounds Growth | | 9% | 9% | 6% | 4% | 2% | 2% |

← Stabilization →

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
|-------------------|--------|--------|--------|--------|--------|--------|--------|
| Total Paid Rounds | 20,390 | 22,308 | 24,252 | 25,820 | 26,865 | 27,527 | 27,954 |

| GREEN Fee | Average Rack | \$18.00 | \$18.18 | \$18.36 | \$18.55 | \$18.73 | \$18.92 | \$19.11 |
|-----------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | Discounted | \$13.50 | \$13.64 | \$13.77 | \$13.91 | \$14.05 | \$14.19 |
| CART Fee | for 9 holes | \$10.00 | \$10.00 | \$10.40 | \$10.61 | \$10.82 | \$11.04 | \$11.26 |
| | RACK RATE | \$28.00 | \$28.18 | \$28.76 | \$29.15 | \$29.55 | \$29.95 | \$30.36 |

| Annual Members* | Avg Fee | \$300 | \$300 | \$320 | \$320 | \$326 | \$326 | \$326 |
|-----------------|---------------|----------|----------|----------|----------|----------|----------|----------|
| | # members | 100 | 40 | 40 | 30 | 20 | 10 | 10 |
| | Total Passes | 100 | 140 | 180 | 210 | 230 | 240 | 250 |
| | Pass Revenues | \$30,000 | \$42,000 | \$57,600 | \$67,200 | \$75,072 | \$78,336 | \$81,600 |

| OTHER Avg | Replay Fee | \$16.00 | \$16.00 | \$16.16 | \$16.32 | \$16.48 | \$16.65 | \$16.82 |
|-----------|-------------------------------|---------|---------|---------|---------|---------|---------|---------|
| | Driving Range | \$1.00 | \$1.03 | \$1.06 | \$1.09 | \$1.13 | \$1.16 | \$1.19 |
| | Pro Shop Sales | \$3.20 | \$3.30 | \$3.39 | \$3.50 | \$3.60 | \$3.71 | \$3.82 |
| | Food & Beverage | \$3.10 | \$3.19 | \$3.29 | \$3.39 | \$3.49 | \$3.59 | \$3.70 |
| | Pitch & Putt / Putting Course | \$1.50 | \$1.53 | \$1.56 | \$1.59 | \$1.62 | \$1.66 | \$1.69 |
| | Misc. Events | \$0.35 | \$0.36 | \$0.37 | \$0.39 | \$0.40 | \$0.42 | \$0.43 |

| | | | | | | | |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Published Rack Rate (Green & Cart) | \$28.00 | \$28.18 | \$28.76 | \$29.15 | \$29.55 | \$29.95 | \$30.36 |
| Average Rack Rate per Round | \$21.52 | \$20.74 | \$20.40 | \$20.20 | \$20.20 | \$20.39 | \$20.53 |
| Total revenue per Round | \$36.63 | \$36.49 | \$36.93 | \$37.26 | \$37.77 | \$38.36 | \$38.92 |

* Annual Passes are discounted prepaid annual Green Fees (cart fees are optional).

South Buffalo Golf Course

GOLF OPERATIONS

Management: Buffalo Olmsted Parks

| | | ← Stabilization → | | | | | | |
|-------------------------------------|---|-------------------|----------------|----------------|----------------|------------------|------------------|------------------|
| | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
| Green Fees | | 244,800 | 252,193 | 259,809 | 267,655 | 273,035 | 278,523 | 284,122 |
| Annual Pass | | 30,000 | 42,000 | 57,600 | 67,200 | 75,072 | 78,336 | 81,600 |
| Opportunity Rounds | | 13,500 | 18,180 | 22,952 | 27,818 | 32,779 | 37,836 | 38,215 |
| Discounted Rounds | U | 27,540 | 25,034 | 22,756 | 20,685 | 18,803 | 17,092 | 15,536 |
| Cart Fees (75% ride) | N | 152,925 | 167,310 | 189,164 | 205,421 | 218,014 | 227,854 | 236,014 |
| Driving Range | D | 20,390 | 22,977 | 25,729 | 28,214 | 30,237 | 31,911 | 33,378 |
| Pro Shop Sales | E | 65,248 | 73,527 | 82,332 | 90,284 | 96,758 | 102,117 | 106,811 |
| F&B Sales | R | 63,209 | 71,229 | 79,759 | 87,463 | 93,735 | 98,926 | 103,473 |
| Pitch & Putt / Putting Course | | 30,585 | 34,131 | 37,847 | 41,100 | 43,620 | 45,588 | 47,221 |
| Replay (25% usage) | C | 81,560 | 89,232 | 97,977 | 105,354 | 110,717 | 114,579 | 117,519 |
| Use of Center by others | O | 10,000 | 10,300 | 10,609 | 10,927 | 11,255 | 11,593 | 11,941 |
| Misc. Events | N | 7,137 | 7,964 | 9,004 | 9,970 | 10,788 | 11,496 | 12,142 |
| | S | | | | | | | |
| GROSS REVENUES | T | 746,894 | 814,078 | 895,540 | 962,091 | 1,014,814 | 1,055,851 | 1,087,971 |
| Pro Shop Costs | R | 45,674 | 51,469 | 57,632 | 63,199 | 67,731 | 71,482 | 74,768 |
| F&B Costs | U | 25,284 | 28,492 | 31,904 | 34,985 | 37,494 | 39,570 | 41,389 |
| TOTAL Cost of SALES | C | 70,957 | 79,961 | 89,536 | 98,184 | 105,225 | 111,052 | 116,157 |
| | T | | | | | | | |
| OPERATING INCOME | I | 675,936 | 734,117 | 806,004 | 863,907 | 909,589 | 944,799 | 971,814 |
| EXPENSES: Clubhouse (inside) | O | 173,906 | 179,993 | 186,292 | 192,813 | 199,561 | 206,546 | 213,775 |
| Course Maintenance (outside) | N | 242,390 | 250,874 | 259,654 | 268,742 | 278,148 | 287,883 | 297,959 |
| G & A (incl. mgmt) | | 92,012 | 95,232 | 98,566 | 102,015 | 105,586 | 109,281 | 113,106 |
| Golf Carts lease (30 carts) | | 28,900 | 28,900 | 28,900 | 28,900 | 32,368 | 32,368 | 32,368 |
| Equipment Lease | | 51,650 | 51,650 | 51,650 | 51,650 | 41,600 | 46,176 | 46,176 |
| TOTAL EXPENSES | | 588,858 | 606,649 | 625,062 | 644,120 | 657,263 | 682,254 | 703,384 |
| NOI (Available Cash Flow) | | 87,078 | 127,468 | 180,941 | 219,787 | 252,326 | 262,545 | 268,430 |

Annual payments \$28,900 *Golf cart lease (30 electric carts) included in operational expenses.*
Annual payments \$51,650 *Equipment lease (mowers, blowers, sprayers, etc.)*
Community Center \$10,000 *Income (rent) from use of Clubhouse by others*



Making the Business of Golf More Profitable

PROPOSED SOUTH BUFFALO GC

MARKETING ASSESSMENT RESEARCH REVIEW

JULY 1, 2013

PRIVATE & CONFIDENTIAL

As a reference:

EHE = eighteen-hole equivalent [two 9-hole courses = one EHE, one 36-hole course = 2 EHE's]

NGF = National Golf Foundation

PGM = PALADIN Golf Marketing

A **Marketing Assessment Report** is a factual representation of what play levels are reported in a given market place along with a subjective submission of what business segments represent the greatest opportunities for a course, or a proposed course, to aggressively pursue in order to affect their annual rounds and core revenue positively. PALADIN Golf Marketing's (PGM) marketing assessment report is not complete, but this "Marketing Assessment Research Review" will provide the key points to assessing the proposed golf projects' chance of success and profitability for the July 10th SBBOA Golf Course Stakeholder's Meeting. This report is NOT represented as a "Draft" Marketing Assessment. The "Draft" designation is a nearly completed Marketing Assessment submitted for clients' review. Once the client has reviewed the report, and agreed to its marketing direction, the "Final" designation is submitted. The Final Marketing Assessment report will also include marketing suggestions that will assist the proposed owners/management entity with increasing golf opportunity revenue and non-golf opportunity revenue after a review of the research focused on golf rounds/revenue success only.

Consumer Reported Demand vs Facility Reported Demand

[The following market analysis will discuss the relationship of "consumer reported demand" and "facility reported demand". Each represented form of golf rounds demand are based on actual surveys of market golfers ("consumer reported demand" [or the average rounds per course that can be supported by the 2010 Census-based unique population in the market]) and golf courses (facility reported demand). Facility reported demand is considered a more accurate measure of market potential for a golf course or proposed new golf course. On average it is generally accepted that consumers overstate their market rounds played by approximately 8 - 15%.]

PALADIN's Marketing Assessment report, derived from its research about the greater south Buffalo, NY golf market area, will reveal that there are favorable play/revenue opportunities in a 15-, 30-, and 45-minute radii to invest in the proposed 18-hole South Buffalo GC (SBGC) after closing South Park's 9-hole course. Based on the proposed site location it is likely that the vast majority of rounds will be derived from a 15- and 30-minute radii. To date, the primary factors opposing the golf course investment are land acquisition costs and potential landfill "clean-up" costs (TBD). This report will not attempt to address those cost issues. Its focus will be on golf rounds demand in the local market and the realistic opportunity for this new golf course to attract enough rounds to reach sustainability and profitability. Based on industry-sourced consumer reported golf rounds demand, industry-sourced facility reported demand, and facility-reported demand to PALADIN Golf Marketing (PGM) average Eighteen-Hole Equivalent (EHE) rounds are promising for the new proposed course yet PALADIN Golf Marketing will include some industry "CAUTIONS" with this report for the edification and consideration of the Stakeholders.

Industry-sourced Consumer Demand

The two industry sources used for this marketing analysis are Pellucid Corp and the National Golf Foundation (NGF). Both sources, using proprietary data and formulas, reflect substantial 18-hole golf rounds projections based on population size and demographics in a 15-, 30-, and 45-minute drive of the proposed site.

| | 15 minutes | 30 minutes | 45 minutes |
|------------------|---------------|----------------|----------------|
| Pellucid | 418,298 rnds* | 1,788,620 rnds | 2,307,620 rnds |
| # EHE in radii | 2 | 25.5 | 48.5 |
| Avg rnds per EHE | 209,149 rnds | 67,495 rnds | 47,580 rnds |

*rnds = golf rounds

The two demographics that impact golf rounds the most, either positively or negatively, in all unique markets are Income and Age. Pellucid has provided the above projections based on New York state average participation rates and average frequency of play without making demographic adjustments for Income and Age. Using Pellucid's data the Age demographic for this market is neutral; meaning it mirrors the States average. However, average Income is negative and will impact projected consumer rounds down.

| | | | |
|----------------------------|--------------|-------------|-------------|
| Avg Income | -24% | -10% | - 8% |
| Demographic adjustment/EHE | 158,953 rnds | 60,745 rnds | 43,773 rnds |

The National Golf Foundation's (NGF) formulas produce lower, but similar population-based rounds projections. The NGF formula used does include adjustments for Income and Age.

| | | | |
|------------------------------|--------------|----------------|----------------|
| NGF avg w. demo adj's | 235,236 rnds | 1,195,353 rnds | 1,596,015 rnds |
| Avg rnds per EHE | 117,618 rnds | 46,876 rnds | 32,907 rnds |

In both of these industry-sourced projections of Consumer-surveyed golf rounds demand (population-based demand) we can see an extraordinarily high rounds support per eighteen hole equivalent (EHE) in the 15-minute radius. Normally, this would represent that a very high percentage of market golfers are leaving the 15-minute radius in search of "other" golf experiences. And this might be the situation here, to some degree. However, it is more likely that this metro-area contains very high populations that have never gravitated to golf as recreation. When you look at the 30- and 45-minute radii you will note that the average rounds per EHE are leaping down to more realistic play levels as you will see in the next section of the report. In the 15-minute radius there is a population that experiences 24% less income than the average for the state of NY. This alone is an indication that the population has gravitated to other, probably less expensive, forms of recreation.

To be noted: both industry-sourced market research companies data/formulas reveal that the population in a 15-, 30-, and 45-minute radii can support golf rounds in excess of Mr. Spears latest Feasibility analysis. However, PGM suspects that the golf rounds projected by both sources' formulas are inflated, in particular in the 15-minute radius, because actual participation rates and frequency of play are most probably below state averages.

Facility Reported Golf Rounds Demand

Since inflated consumer-surveyed golf rounds demand is suspected, we turn to facility reported golf rounds demand for verification. For Facility-reported demand we have two sources: Pellucid and PALADIN Golf Marketing.

Pellucid reports EHE rounds:

| | Nat'l avg | 15-mins | 30-mins | 45-mins |
|---|-----------|---------|---------|---------|
| Annual Avg. Rounds per 18 Holes by Facility Type | | | | |
| All Facilities Average | 26,700 | 48,530 | 35,210 | 32,674 |
| Private | 24,096 | N/A | 27,892 | 27,701 |
| Public-Premium | 25,873 | 33,928 | 38,084 | 33,495 |
| Public-Value | 29,319 | N/A | 33,917 | 33,108 |
| Public-Price | 26,684 | 55,832 | 49,235 | 40,743 |
| Learning & Practice | 26,865 | N/A | 38,720 | 38,720 |

(Public Premium = \$42 – 95, Public Value = \$33 – 41, Public Price = \$22 – 32, Learning & Practice = less than \$22)

As a reference: All of the City's golf courses are in the Public Price category. And, for the purpose of understanding Pellucid's EHE (eighteen hole equivalent) facility-reported demand assessment, all 9-hole courses' reported rounds are combined with another 9-hole course in close proximity or doubled.

Pellucid's average rounds per public golf category are also significantly above the rounds reflected in Mr. Spear's Feasibility report and, therefore, indicate support for Mr. Spear's projections.

PALADIN Golf Marketing's Facility-Reported Demand:

PALADIN surveyed the five (5) closest similarly conditioned EHE's in a 20-MILE radius to the proposed site based on what Feasibility Team members represented. Courses surveyed:

| | Annual Rounds Reported |
|------------------|------------------------|
| South Shore GC | 33,200 |
| Hamburg Town GC | 23,800 |
| Harvest Hill GC | 31,500 |
| Delaware Park GC | 15,000 |
| Diamond Hawk GC | <u>28,500</u> |
| Average | 26,400 |

Grover Cleveland GC and Elma Meadows GC&P (County courses) annual rounds should be public knowledge and will be added to the Marketing Assessment when course positioning decisions have been decided and confirmed.

Four (4) of the courses surveyed above are in the lower end of the Public Premium category (as is Grover Cleveland GC) reflecting the maintenance positioning discussed for the proposed course. Pricing, however, is to remain "affordable"; a slightly greater rate than currently being charged at the City's golf courses (defer to Mr. Spear's Feasibility Study).

Average peak rates for the courses listed above are: \$42.60 Weekday
\$49.00 Weekend

Mr. Spear is attempting to keep the peak pricing at the higher end of the Public Price range (\$22.00 – 32.00) without entering the Public Value range (\$33 – 41). Four (4) courses in the lower end of the Public Premium category were surveyed because it is generally accepted that Public golf rounds decrease in relation to higher pricing: Public Price courses would outperform Public Value courses, while Public Premium course would have less annual rounds than Public Value courses. The goal was to survey courses with good maintenance practices and very conservative market rounds counts relative to what the proposed course would likely experience if built.

Given the above promising annual rounds demand analysis for a course located at the geo center used, it is safe to say market rounds will not be a problem to project and account for. Of more concern at this time is rate. Given the project costs associated and the product being proposed for introduction, there obviously needs to be a rate increase. But, how much? And, will the market respond favorably? More research time is necessary to make more definitive estimates and or conclusions. To date, as a consulting team being charged with determining the viability of a "golf course" – and if not a golf course, "what"? – our direction isn't specific enough. 18-hole? 9-hole with community center? XX-hole with community center and "other" recreational amenities to attract non-golfer revenue? It is our intent that the Stakeholder meeting on July 10 will be able to answer these questions. Still, with any golf amenity associated with the project, there are some golf industry concerns PGM shared with other team members during a conference call on June 24. When asked if I had these

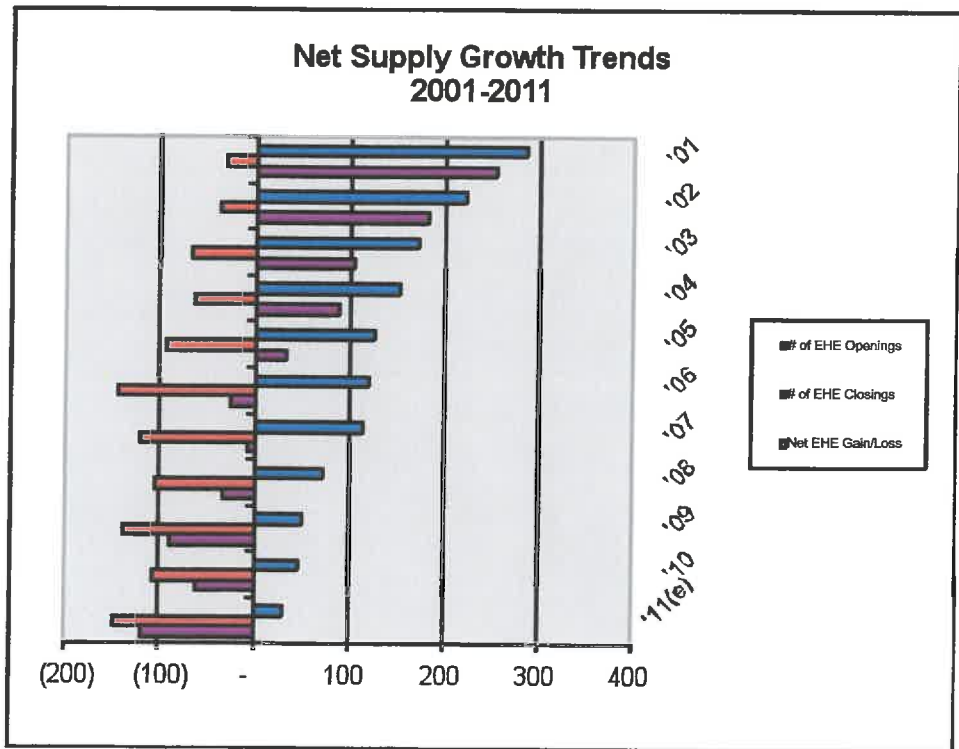
concerns written in my report the answer was “No, they don’t belong in a Marketing Assessment attempting to support a Feasibility Study. They are simply a knowledge base accumulated over the past decade plus.”

Golf Industry Concerns

Let me reiterate: these are not my “concerns”, per se, as a 30-year marketing veteran in the golf industry. These are industry “concerns”. And for many of the negative industry data points I can (most probably) provide an “industry source” that contradicts or refutes that data, albeit in limited amounts.

The facts are: our golf industry is in contraction: we are closing more courses per year than we are opening (since 2006). The number of “golfers” (participation) is on the decline. The frequency at which they play the game is in decline. The number of NGF-defined “avid” Golfers (25 rounds or more p/y) [who reportedly contribute 71% of money spent on rounds, equipment, membership, and associated expenses] have declined by 30% since Y2000. The number of NGF-defined “core” golfers (8 or more rounds p/y) have declined at a similar rate. And NGF-defined “Juniors” have declined by 20% since Y2000. An NGF-sponsored study by the mathematics Department at Clarkson University [using NGF data covering 28 years] projected forward and concluded, with 90% confidence levels, the number of golfers overall will decline at a rate of 2% - 5% over the next few years. (At a 70% confidence level that projected decline increases to 12% - 15%.)

Supply Change: Net Reduction Pace is Growing (Source: Pellucid Corp 2012)



| Year | Net EHE Gain/Loss | # of EHE Closings | # of EHE Openings |
|-----------|----------------------|----------------------|----------------------|
| '11 (e) | (120) | (150) | 30 |
| '10 | (61) | (107) | 46 |
| '09 | (90) | (140) | 50 |
| '08 | (34) | (106) | 72 |
| '07 | (9) | (122) | 113 |
| '06 | (26) | (146) | 120 |
| '05 | 31 | (94) | 125 |
| '04 | 88 | (63) | 151 |
| '03 | 103 | (68) | 171 |
| '02 | 182 | (38) | 220 |
| '01 | 252 | (32) | 284 |
| 10-Yr Sum | 317 | (1,065) | 1,382 |

[2012 experienced similar closing to openings gain/loss as 2011.]

The above “concerns” are not intended to paint a “doom and gloom” picture of the golf industry. They are, however, concerns of which anyone introducing – or proposing to introduce – a new supply of golf holes to a market should be aware of. Our nation still maintains approximately a 10% participation average. The South Buffalo market maintains something above that percentage per the NGF and something slightly below that percentage per Pellucid Corp. You can still find markets (states) where the participation rates are 16, 17, 18, and 19%. The industry is healthy, but going through a corrective stage in many markets. The “Baby Boomers” today aren’t playing golf with the frequency they played 10 – 12 years ago. Gen X is not participating like the “Boomers” did. Gen Y even less. And the new “Millennials”? Even less than Gen Y. Pellucid Corp adds: “The stubborn downward trend will not be broken until golf finds scalable solutions to the challenges of time, difficulty and cost and, particularly acute, an ability to connect with and engage Gen X and the Millennials.”

In an effort to lighten the reading from my introduction of industry concerns above (negative), I’d like all the Stakeholders reading this to imagine watching TV six – 10 years ago and a Buick (automobile) commercial runs. What is the backdrop to this commercial? More likely than not it was a golf course, or people playing golf, or people in golf attire sitting around the country club. Now, take notice the next time you see a Buick TV ad on a non-golf telecast. The backdrop is more likely than not to be 30-something’s mountain climbing, 20-something’s kayaking or mountain biking or 40/50 something’s boating. Where did “golf” go?

That’s what we, as an industry, are focusing considerable attention on right now and for the last 8 - 10 years (at least).

Personal Marketing Notation:

At a time when I believed all of the outlined "landfill" land was owned by the Conservancy or the City and we began questioning whether 18-holes was ideal for the land and this market, I was nearly excited to begin exploring other recreational uses for the land in combination with a less than 18-hole golf amenity. My mental marketing goal was to look for other recreational amenities that would compliment the demographic make-up of the market. Older, blue collar, moderate income levels, etc. My thought was: if we could attract certain demographics (latent golfers, Mom's and families) to a property in proximity to golf, putt putt course, pitch & putt course, putting greens, etc we might be able to convert some people to the game. I thought about skateboard parks, iceless hockey rinks, go carts, rock climbing walls, softball cages, jet pools, bouncy houses, bowling alley, and many others that would not heavily burden the project in debt. Even today I have no idea what recreational amenities would produce the desired results of driving residents to a recreational community center for golfers and non-golfers alike. The additional profit center is obvious though: rental time for use of the facilities, food and beverage revenue, and a place for the community to gather; golfers and non-golfer residents alike. (Latent golfers, Mom's and family's being obvious targets for new golfers.) Converting non-golfers to the game of golf would be a welcomed by-product, but not necessary to the feasibility of the project.

Dr. Hurdzan [and son Chris] and Mr. Spear have been discussing and emphasizing "added recreational dimensions" from the beginning of my involvement. Mr. Spear and I engaged in lengthy discussions of these added dimensions during my first marketing research visit to South Buffalo. Here, I have only added slightly to the marketing dimensions already touched on by the Feasibility Team.

So. Buffalo Market Concerns

- The market we are reviewing is relative low income, aged, and blue collar. This golfer population is typically enticed by inexpensive golf in the summer, bowling in the winter and canned LaBlatt's.
- Harvest Hill GC was built in 2007 for \$5 or 6MM and recently sold for \$950K. (Management issues? Debt issues? Both?)
- Two 18-hole courses reported their annual rounds as ~ 40,000 and 50,000. Upon additional inquiry they revealed that 60 – 67% of those rounds are 9-hole (mostly league) rounds. They charge 60 – 75% of the 18-hole rate and league rounds are often discounted. (Lower Revenue Per Annual Round.)
- State of NY taxes carts, but not green fees (just an interesting note).
- Evergreen GC: Did it close as one GM believed it did/would? Amherst, NY 9-hole par 35.

To be included in Marketing Assessment "Draft" at a time when facility positioning is complete and confirmed.

Population Growth Review:

Compound Annual Growth; Population vs Golf Hole Growth:

A Review of Demographics and Golf Demographics:

Market Averages of Surveyed Courses

Golf Market Saturation Level:

Other Market Facts of Note (contributions by PGM and Pellucid):

Stable Economy:

US Golfer Base: Up or Down in the Next Decade?

The Good, the Bad, and the Ugly

5 Diverse Projections (Pellucid Corp. Reveals)

It's interesting to note here that the five organizations making projections (below) regarding our golfer base do so from 2009 forward. None of them use the 2002 high of 30MM+. So, we have three organizations projecting a much higher golfer base growth as we are currently in a decline. (Hint: the three organizations projecting an increase in the golfer base all have significant, and expensive, initiatives "to grow the game" in place as this is being written.)

Topline summary of industry initiatives:

- NGF – Starting from a baseline of 27M golfers in 2009, they're projecting the golfer base to reach 30M in 2020.
- PGA of America – Starting from a baseline of 27M golfers in 2010, they're projecting to be at 32M golfers in 2016 and 40M in 2020.
- Pellucid Corp. – Starting from a baseline of 26M golfers in 2010, they're projecting to be at 26M golfers in 2020. (Not a typo.)
- World Golf Foundation – Starting from a 26M baseline in 2011, they're projecting the golfer base to grow to 30M by 2016.
- Barney Adams/Clarkson University – Starting at 26M golfers in 2011, they're projecting to be at 22M in 2020 (and continuing down from there).
- Pellucid's current estimation, as published in its 2012 Consumer Franchise Scorecard last month, is that the current golfer base is roughly 24M (to view a sample of the scorecard, go to: <http://www.pellucidcorp.com/purchase=reports/online-store>)

Highlights of Pellucid's scorecard on the health of golf consumers at the national level are:

- By gender, the golfer loss was all attributable to males (females increased slightly).
- By involvement, the golfer loss was concentrated in "Involveds" (10 – 39 rnds/y)
- By lifestage, the largest drop (total numbers) was in mid-Career (35 – 54), the largest percentage decline was in juniors (despite our continued concentrated industry efforts and tens of millions of dollars spent, spending, and to be spent.)
- By income, the golfer decline was concentrated in the \$75 – 99.9K group.
- By frequency, the largest declines were seen in the 18 – 34 age group and the \$0 – 34.9K income group.

June 17, 2013 **White Population shrinks; what are Implications for golf?**

The population of white Americans has officially begun to shrink, a fact that has vast implications for the future of the golf business, Bob Vasilak writes. During the year ending on July 1, 2012, in what the New York Times calls "a benchmark that heralds profound demographic change," more white Americans died than were born. What's more, the population decline among whites won't be reversed, because these days the majority of US children are being born to Hispanics, Black and Asian mothers.

As a result of all this, The Times concludes, “white Americans will become a minority nationwide within about three decades.” Our ever-smaller industry’s bread and butter demographic won’t be able to carry us for very much longer, Vasilaks observes. If our industry expects to thrive in the years to come, we have only two choices: We can make a diligent effort to attract the minorities we’ve heretofore shunned (as well as women and children), or we can begin to import white people from nations with a penchant for golf. The sensible choice seems obvious, says Vasilak.

(PGM knows Bob Vasilak personally, but doesn’t know how “tongue-in-cheek” this article was written for Golf Inc. It is well documented how much resources (time and money) has been spent attempting to attract minorities, women, children, etc. We have seen a minor tick upwards in the percent of women playing golf recently, but not even close to their 1995 percentage levels. However, the white population shrinking, in aggregate, will be of concern to the industry.)