Golf Facility Options for Financial Modeling

Options	Option Label	Total Holes Retained and Improved (All/Lester/Enger)	Total Holes Closed and Sold (All/Lester/Enger)	Clubhouses	Projected Capital Expense	Projected Sale Proceeds	Capital Funding Gap Before Bonding
Baseline A	Keep 54 at each course with no capital improvements.	54/27/27	0/0/0	No change	**$750k**	**$0**	**$750K**
Baseline B	Keep and renew 54, critical improvements with basic clubhouse renovations.	54/27/27	0/0/0	Renovate both - $750K each	**$9.8m**	**$0**	**$9.8m**
Option 1A	Keep and renew 36 (18 per course), critical improvements with basic clubhouse renovations.	36/18/18	18/9/9	Renovate both - $750K each	**$7.5m**	**$1.6m**	**$5.9m**
Option 1B	Keep and renew 36 (18 per course), critical improvements with new Enger multi-purpose event clubhouse, and basic Lester clubhouse renovation	36/18/18	18/9/9	New $5m Enger, Renovate Lester $750K	**$11.8m**	**$1.6m**	**$10.2m**
Option 2A	Keep and renew 27 at Enger with basic clubhouse renovation.	27/0/27	27/27/0	Renovate Enger $750K	**$5.7m**	**$1.8m**	**$3.9m**
Option 2B	Keep and renew 27 at Enger. Sell 27 at Lester with assumption that owner will operate 9 or 18 as publicly accessible course. Basic Enger clubhouse renovation.	27/0/27	27/27/0	Renovate Enger $750Km	**$5.7m**	**$1.8m**	**$3.9m**
Option 2C	Keep and renew 27 at Enger with new clubhouse comparable to existing clubhouse without significant event capacity.	27/0/27	27/27/0	New $2.5m Enger	**$7.4m**	**$1.8m**	**$5.6m**
Option 2D	Identical to 2C but with multi-purpose event clubhouse	27/0/27	27/27/0	New $5m Enger	**$9.9m**	**$1.8m**	**$8.1m**
Option 2E	Identical to 2A but with pre-fab clubhouse, value-engineered critical course improvements, and just 18 holes at Enger.	18/0/18	36/27/9	Pre-fab $500K	**$3.4m**	**$1.8 m**	**$1.6m**
Option 2F	Identical to 2A but with pre-fab clubhouse, value-engineered critical course improvements, and reconfiguration of Enger range area.	27/0/27	27/27/0	Pre-fab $500K	**$3.8m**	**$2.2m**	**$1.6m**

Assumptions:

1. Every hole that is closed is sold.
2. The type of organization that owns and manages the course has no effect on business performance (private owner/operator, nonprofit, golf management company, City).
3. The total amount of borrowing that the golf business can finance is fixed and finite regardless of whether multiple parties are bonding (private course lessee and/or city). As a result, long term lease confers no net additional ability for the course to finance borrowing.
4. The total amount of borrowing that the golf business can finance is also fixed and finite regardless of project phasing within the 25-year life of an initial bond. As a result, phasing within the 25-year window of the initial bond confers no additional capacity for the golf business to finance borrowing.
5. Complete critical improvements on all golf assets we retain.
6. Nines imminently ready for development sell for $800,000 each. Nines not plausibly ready for development for several years sell for $500,000 each.
7. Pricing for food, beverage, golf, and retail will be set so as to optimize net annual operating income without limitation. Because of the local oversupply of value golf, the deteriorated condition of Duluth's courses, and the low pricing of competitors, the impact on rates is expected to be moderate.
8. Following completion of renovations, the golf course operator will increase targeted marketing to tourists who are coming to Duluth for a reason other than golf.
9. Costs based on Norby report not including costs for clubhouse renovation and replacement which were derived by JJ Keegan, City and Billy Casper facilities staff.
10. Projected sale proceeds informed by market valuation study of Lester Park for various uses produced by Ramsland and Vigen LLC.
11. Capital expenses include $500K for capital equipment (mostly rolling stock) for one course and $750K for capital equipment for two courses.