

Integra Realty Resources
Fort Worth

Appraisal of Real Property

Mill Creek Golf Club
A Public Golf Course
1610 Club Circle
Salado, Bell County, Texas 76571

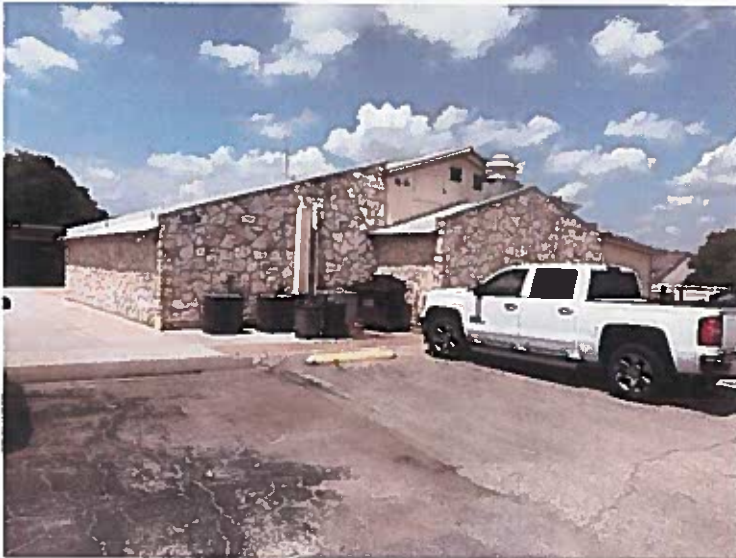
Prepared For:
Village of Salado

Effective Date of the Appraisal:
May 4, 2018

Report Format:
Appraisal Report – Comprehensive Format

IRR - Fort Worth
File Number: 195-2018-0117





Mill Creek Golf Club
1610 Club Circle
Salado, Texas



June 3, 2018

**Mr. Don Ferguson
Village Administrator
Village of Salado
301 North Stagecoach
Salado, TX 76571**

**SUBJECT: Market Value Appraisal
 Mill Creek Golf Club
 1610 Club Circle
 Salado, Bell County, Texas 76571
 Client Reference: Mr. Ferguson
 IRR - Fort Worth File No. 195-2018-0117**

Dear Mr. Ferguson:

Integra Realty Resources – Fort Worth is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property. The client for the assignment is Village of Salado, and the intended use is for property acquisition purposes.

The subject is an existing 27-hole public golf course situated on 224.932 acres or 9,798,038 square feet. Additional site improvements include a clubhouse, cart storage, maintenance facility and swimming pool.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and the applicable state appraisal regulations. The appraisal is also prepared in accordance with the appraisal regulations issued in connection with the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we

adhere to the Integra Realty Resources internal standards for an Appraisal Report – Comprehensive Format. This format contains the greatest depth and detail of IRR’s available report types.

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusion			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value	Fee Simple	May 4, 2018	\$2,540,000

Allocation of Going Concern Value			
	Amount	% of Total	
Tangible Property			
Land & Improvements	\$2,445,000	96.3%	
Tangible Personal Property (FF&E)	\$95,000	3.7%	
Total Tangible Property	\$2,540,000	100.0%	
Intangible Assets	\$0	0.0%	
Market Value*	\$2,540,000	100.0%	

*Specifically excluded from the valuation are cash and equivalents and current liabilities.

The allocation of value components is based on the going-concern premise, which holds that the value of a business as a going-concern is equal to the sum of the values of the tangible and intangible assets. The allocation assumes continued operation of the golf business. Were the golf business to cease operations, the values of the individual components would likely be different from the allocated values of the going concern.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None

The opinions of value expressed in this report are based on estimates and forecasts that are prospective in nature and subject to considerable risk and uncertainty. Events may occur that could cause the performance of the property to materially differ from our estimates, such as changes in the economy, interest rates, capitalization rates, financial strength of tenants, and behavior of investors, lenders, and consumers. Additionally, our opinions and forecasts are based partly on data obtained from interviews and third-party sources, which are not always completely reliable. Although we are of the opinion that our findings are



Mr. Don Ferguson
Village of Salado
June 3, 2018
Page 3

reasonable based on current market conditions, we are not responsible for the effects of future occurrences that cannot be reasonably foreseen at this time.

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

Integra Realty Resources - Fort Worth

A handwritten signature in black ink, appearing to read "Jason", written over a light grey rectangular background.

Jason S. Jackson, MAI
State Certified General Appraiser
Texas Certificate # 1336282
Telephone: 817-969-4627
Email: jsjackson@irr.com



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Summary of Salient Facts and Conclusions

Property Name	Mill Creek Golf Club
Address	1610 Club Circle Salado, Bell County, Texas 76571
Property Type	Hotel - Golf Course
Owner of Record	MCCC, LLC
Tax ID	453962, 74148, 206140, 207412, 400432, 400434, 400438, 206142, 453961, 453960, 336124, 336123, 74147 and 74149
Land Area	441.300 acres; 19,223,028 SF
Gross Building Area	3,850 SF
Year Built; Year Renovated	1981/2000; 2015
Zoning Designation	SF-7, Single-family Residential
Highest and Best Use - As if Vacant	Recreational use
Highest and Best Use - As Improved	Continued use as a golf course
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	May 4, 2018
Date of the Report	June 3, 2018
Property Interest Appraised	Fee Simple
Market Value Indications	
Cost Approach	Not Used
Sales Comparison Approach	\$2,510,000
Income Capitalization Approach	\$2,550,000
Market Value Conclusion	\$2,540,000

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than Village of Salado may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None

Executive Summary

The subject property is the Mill Creek Golf Club located in the Village of Salado, Bell County, Texas. The club includes a clubhouse with pro shop, dining and locker rooms, cart storage area and swimming pool. Improvements are in average to good condition and rate well among area competition. The club has undergone an extensive renovation in the last three years. The clubhouse has been expanded and the pool updated. In addition, the cart storage has been increased. According to the owner, the courses have undergone extensive updating as well. The club has been operating with two nines for the last several years. The third nine or "Creeks" course recently opened. The bridges and walls on the course have been fortified. Many of the greens have been reconstructed and the irrigation system has been nearly completely updated. A breakdown of capital projects with costs is included in the Addendum.

We were provided with profit/loss statements for years 2016-March 2018 and rounds figures for 2014-2017. Over the last two years, total rounds have ranged from 16,034 to 17,332 rounds. Figures for 2014-15 are given little emphasis because the course was recovering from a substantial flood. We have reconciled a stabilized rounds figure of 33,000 based on the course's potential according to demographics as well as comparable clubs in the area.

Total gross revenue is projected to be \$1,657,750 in the pro forma. This is about a 50% increase over 2017 figures. The owner has reported a 10-15% increase month over month for 2018. In addition, the opening of the "Creeks" nine is a positive factor and should result in an increase in rounds. Overall, the projections are considered reasonable.

It should be noted that the subject property includes a building formerly utilized as a restaurant as well as about 8 acres utilized as a park (Sherrill Park). These properties do not generate any revenue; the restaurant has been vacant for a number of years and has not been maintained. As we have appraised the subject "as if sold to a single-purchaser," we have considered these components in the selection of the capitalization rate and gross revenue multiplier.

Quality Assurance

Delivering superior value is a top priority at IRR and we place a premium on feedback from our valued clients. By learning more about your experience with IRR, we will be better able to serve your needs – to enhance our products, service offerings, and client communications.

Attached is a short survey applicable to this appraisal report and the service that you received. Please take a few minutes to share your experience of IRR with us. Your feedback will be reviewed by our Quality Control team. If you desire a follow-up telephone call, please provide your contact information and a member of our Quality Control team will contact you.

Access the online survey here: quality.irr.com.

Thank you in advance for assisting us with this important endeavor. Please feel free to contact your Local Office using the contact information provided within the letter of transmittal or our Quality Control team at quality@irr.com, with any questions or suggestions you may have.

General Information

Identification of Subject

The subject is an existing 27-hole public golf course situated on 224.932 acres or 9,798,038 square feet. Additional site improvements include a clubhouse, cart storage, maintenance facility and swimming pool. A legal description of the property is included in the report.

Property Identification

Property Name	Mill Creek Golf Club
Address	1610 Club Circle Salado, Texas 76571
Tax ID	453962, 74148, 206140, 207412, 400432, 400434, 400438, 206142, 453961, 453960, 336124, 336123, 74147 and 74149
Owner of Record	MCCC, LLC

Sale History

The subject is owned by MCCC, LLC. It has been owned by this entity since 2011. According to the owner, there have been two additional purchases (park land and To the best of our knowledge, no other sale or transfer of ownership has taken place within a three-year period prior to the effective appraisal date.

Pending Transactions

The property is not under contract of sale as of the effective appraisal date.

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property as of the effective date of the appraisal, May 4, 2018. The date of the report is June 3, 2018. The appraisal is valid only as of the stated effective date or dates.

Definition of Market Value

Market value is defined as:

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;

- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Definition of Going-Concern Premise

Going-Concern Premise is defined as, “one of the premises under which the total assets of a business can be valued; the assumption that a company is expected to continue operating well into the future (usually indefinitely). Under the going-concern premise, the value of a business as a going concern is equal to the sum of the value of the tangible assets and the value of the intangible assets, which may include the value of excess profit, where asset values are derived consistently with the going-concern premise.”

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)

Definition of Property Rights Appraised

Fee simple estate is defined as, “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)

Intended Use and User

The intended use of the appraisal is for property acquisition purposes. The client and intended user is –. The appraisal is not intended for any other use or user. No party or parties other than Village of Salado may use or rely on the information, opinions, and conclusions contained in this report.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal requirements of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), revised June 7, 1994;

- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010;
- Appraisal guidelines of Village of Salado.

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Comprehensive Format. This format contains the greatest depth and detail of IRR's available report types.

Prior Services

USPAP requires appraisers to disclose to the client any services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Applicable	Utilized

The **income capitalization approach** is the most reliable valuation method for the subject due to the following:

- The probable buyer of the subject would base a purchase price decision primarily on the income generating potential of the property and an anticipated rate of return.
- Sufficient market data regarding income, expenses, and rates of return, is available for analysis.

The **sales comparison approach** is an applicable valuation method because:

- There is an active market for similar properties, and sufficient sales data is available for analysis.
- This approach directly considers the prices of alternative properties having similar utility.

The cost approach is not applicable to the assignment considering the following:

- The age of the property would limit the reliability of an accrued depreciation estimate.
- There are limited land transactions in the market area of the subject, making estimates of underlying land value subjective.
- This approach is not typically used by market participants, except for new or nearly new properties.

Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

Inspection

Jason S. Jackson, MAI, conducted an interior and exterior inspection of the property on May 4, 2018.

Economic Analysis

Bell County Area Analysis

Bell County is 1,051 square miles in size and has a population density of 330 persons per square mile. Bell County is part of the Killeen-Temple, TX Metropolitan Statistical Area, hereinafter called the Killeen MSA, as defined by the U.S. Office of Management and Budget.

Population

Bell County has an estimated 2018 population of 346,795, which represents an average annual 1.4% increase over the 2010 census of 310,235. Bell County added an average of 4,570 residents per year over the 2010-2018 period, and its annual growth rate exceeded the Killeen MSA rate of 1.1%.

Looking forward, Bell County's population is projected to increase at a 1.3% annual rate from 2018-2023, equivalent to the addition of an average of 4,796 residents per year. Bell County's growth rate is expected to exceed that of the Killeen MSA, which is projected to be 1.2%.

Population Trends					
	Population			Compound Ann. % Chng	
	2010 Census	2018 Estimate	2023 Projection	2010 - 2018	2018 - 2023
Bell County, TX	310,235	346,795	370,777	1.4%	1.3%
Killeen-Temple, TX (Metro)	405,300	443,509	470,490	1.1%	1.2%
Texas	25,145,561	28,531,603	30,558,741	1.6%	1.4%

Source: Envirionics Analytics

Employment

Total employment in Bell County is currently estimated at 117,456 jobs. Between year-end 2007 and the present, employment rose by 17,612 jobs, equivalent to a 17.6% increase over the entire period. There were gains in employment in seven out of the past ten years despite the national economic downturn and slow recovery. Bell County's rate of employment growth over the last decade surpassed that of the Killeen MSA, which experienced an increase in employment of 16.2% or 19,403 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Bell County has had a 5.9% average unemployment rate, which is the same as the rate for the Killeen MSA. The two areas are performing similarly according to this measure.

Recent data shows that the Bell County unemployment rate is 4.2% in comparison to a 4.1% rate for the Killeen MSA, a negative sign that is consistent with the fact that Bell County has underperformed the Killeen MSA in the rate of job growth over the past two years.

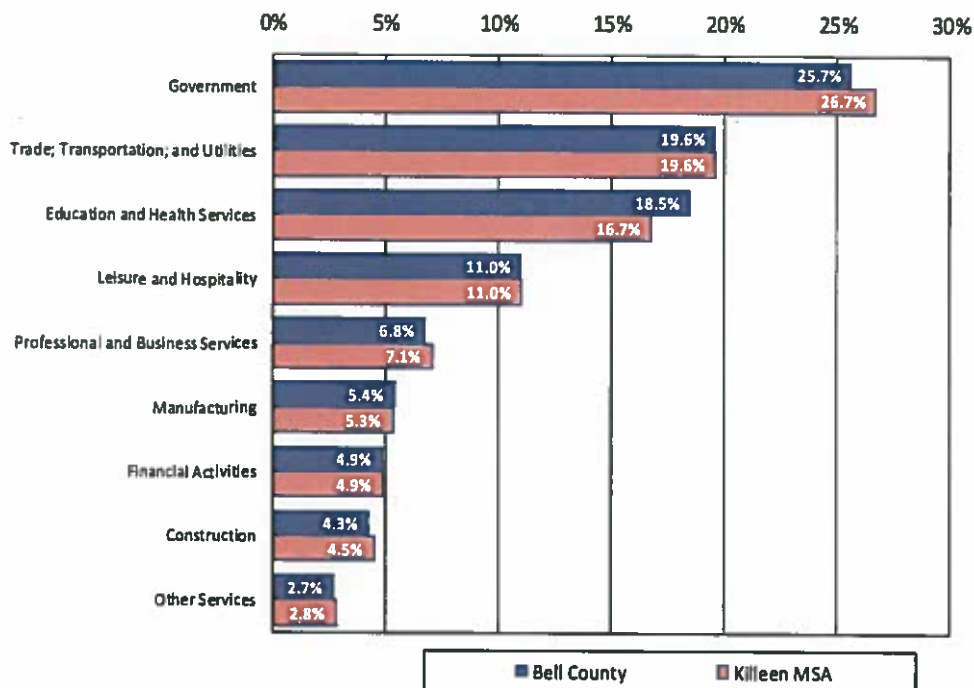
Employment Trends						
Year	Total Employment (Year End)				Unemployment Rate (Ann. Avg.)	
	Bell County	% Change	Killeen MSA	% Change	Bell County	Killeen MSA
2007	99,844		119,998		4.4%	4.6%
2008	104,180	4.3%	124,610	3.8%	4.9%	5.0%
2009	103,553	-0.6%	123,289	-1.1%	6.7%	6.8%
2010	106,928	3.3%	126,622	2.7%	7.7%	7.7%
2011	108,102	1.1%	127,811	0.9%	8.0%	8.0%
2012	109,469	1.3%	128,761	0.7%	7.4%	7.4%
2013	111,919	2.2%	130,874	1.6%	6.9%	6.9%
2014	112,923	0.9%	132,672	1.4%	5.8%	5.8%
2015	119,682	6.0%	140,013	5.5%	4.6%	4.7%
2016	118,112	-1.3%	139,616	-0.3%	4.4%	4.4%
2017*	117,456	-0.6%	139,401	-0.2%	4.2%	4.2%
Overall Change 2007-2017	17,612	17.6%	19,403	16.2%		
Avg Unemp. Rate 2007-2017					5.9%	5.9%
Unemployment Rate - January 2018					4.2%	4.1%

*Total employment data is as of September 2017; unemployment rate data reflects the average of 12 months of 2017.
Source: Bureau of Labor Statistics and Economy.com. Employment figures are from the Quarterly Census of Employment and Wages (QCEW).
Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

Employment Sectors

The composition of the Bell County job market is depicted in the following chart, along with that of the Killeen MSA. Total employment for both areas is broken down by major employment sector, and the sectors are ranked from largest to smallest based on the percentage of Bell County jobs in each category.

Employment Sectors - 2017



Source: Bureau of Labor Statistics and Economy.com

Bell County has greater concentrations than the Killeen MSA in the following employment sectors:

1. Education and Health Services, representing 18.5% of Bell County payroll employment compared to 16.7% for the Killeen MSA as a whole. This sector includes employment in public and private schools, colleges, hospitals, and social service agencies.
2. Manufacturing, representing 5.4% of Bell County payroll employment compared to 5.3% for the Killeen MSA as a whole. This sector includes all establishments engaged in the manufacturing of durable and nondurable goods.

Bell County is underrepresented in the following sectors:

1. Government, representing 25.7% of Bell County payroll employment compared to 26.7% for the Killeen MSA as a whole. This sector includes employment in local, state, and federal government agencies.
2. Professional and Business Services, representing 6.8% of Bell County payroll employment compared to 7.1% for the Killeen MSA as a whole. This sector includes legal, accounting, and engineering firms, as well as management of holding companies.

3. Construction, representing 4.3% of Bell County payroll employment compared to 4.5% for the Killeen MSA as a whole. This sector includes construction of buildings, roads, and utility systems.
4. Other Services, representing 2.7% of Bell County payroll employment compared to 2.8% for the Killeen MSA as a whole. This sector includes establishments that do not fall within other defined categories, such as private households, churches, and laundry and dry-cleaning establishments.

Major Employers

Major employers in Bell County are shown in the following table.

Major Employers - Bell County, TX	
Name	Number of Employees
1 Baylor Scott & White Healthcare	8,290
2 McLane Company, Inc.	1,600
3 Wilsonart International	895
4 Walmart Distribution Center	645
5 Pactiv Corporation	600
6 H-E-B Retail Distribution Center	500
7 Artco- Bell Corporation	441
8 Performance Food Group	405
9 Texas Hydraulics, Inc.	400
10 Scott & White Health Plan	392

Source: ChooseTemple

Gross Domestic Product

Gross Domestic Product (GDP) is a measure of economic activity based on the total value of goods and services produced in a defined geographic area. Although GDP figures are not available at the county level, data reported for the Killeen MSA is considered meaningful when compared to the nation overall, as Bell County is part of the MSA and subject to its influence.

Economic growth, as measured by annual changes in GDP, has been considerably lower in the Killeen MSA than the United States overall during the past eight years. The Killeen MSA has grown at a 0.2% average annual rate while the United States has grown at a 1.9% rate. As the national economy improves, the Killeen MSA has recently performed better than the United States. GDP for the Killeen MSA rose by 4.0% in 2016 while the United States GDP rose by 1.5%.

The Killeen MSA has a per capita GDP of \$36,290, which is 28% less than the United States GDP of \$50,708. This means that Killeen MSA industries and employers are adding relatively less value to the economy than their counterparts in the United States overall.

Gross Domestic Product				
Year	(\$ Mil)		(\$ Mil)	
	Killeen MSA	% Change	United States	% Change
2009	15,639		14,320,114	
2010	15,427	-1.4%	14,628,165	2.2%
2011	15,502	0.5%	14,833,679	1.4%
2012	15,246	-1.7%	15,126,281	2.0%
2013	14,961	-1.9%	15,348,034	1.5%
2014	14,822	-0.9%	15,717,536	2.4%
2015	15,212	2.6%	16,148,378	2.7%
2016	15,817	4.0%	16,385,170	1.5%
Compound % Chg (2009-2016)		0.2%		1.9%
GDP Per Capita 2016	\$36,290		\$50,708	

Source: Bureau of Economic Analysis and Economy.com; data released September 2016. The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted "real" GDP stated in 2009 dollars.

Household Income

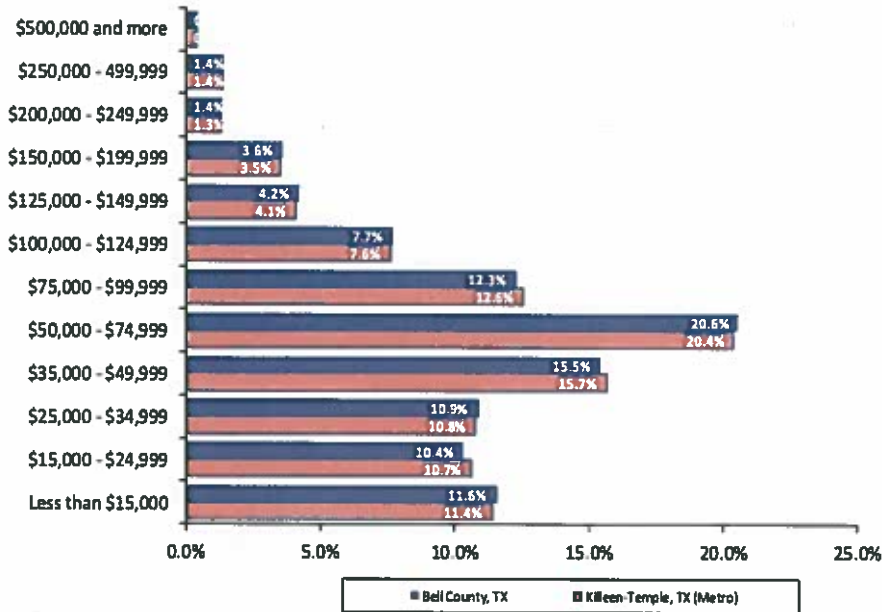
Bell County has a slightly higher level of household income than the Killeen MSA. Median household income for Bell County is \$51,750, which is 0.6% greater than the corresponding figure for the Killeen MSA.

Median Household Income - 2018	
	Median
Bell County, TX	\$51,750
Killeen-Temple, TX (Metro)	\$51,452
Comparison of Bell County, TX to Killeen-Temple, TX (Metro)	+ 0.6%

Source: Environics Analytics

The following chart shows the distribution of households across twelve income levels. There do not appear to be any significant differences between Bell County and the Killeen MSA in the distribution of households within the broad categories of upper, middle, and lower income. The percentage of Bell County households in the upper income ranges (\$75,000 or greater), is similar to that of the Killeen MSA. The percentages of households in the middle (\$35,000 - \$75,000) and lower (under \$35,000) income ranges are similar as well.

Household Income Distribution - 2018

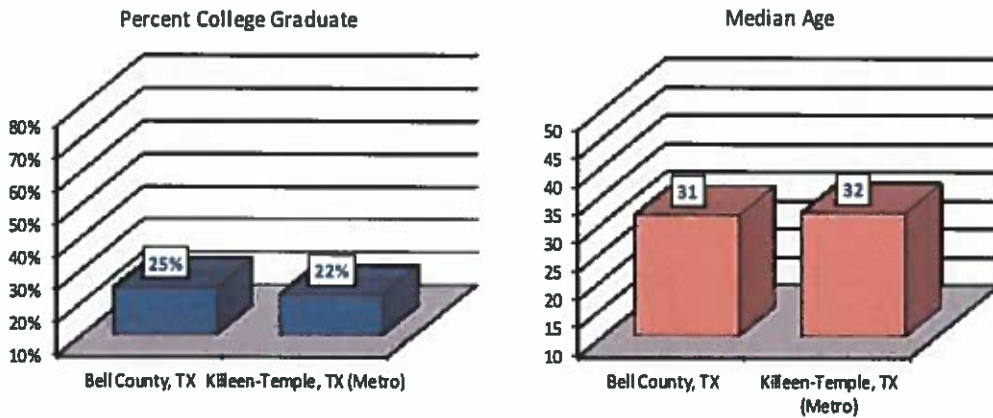


Source: EnviroNics Analytics

Education and Age

Residents of Bell County have a higher level of educational attainment than those of the Killeen MSA. An estimated 25% of Bell County residents are college graduates with four-year degrees, versus 22% of Killeen MSA residents. People in Bell County are slightly younger than their Killeen MSA counterparts. The median age for Bell County is 31 years, while the median age for the Killeen MSA is 32 years.

Education & Age - 2018



Source: EnviroNics Analytics

Conclusion

The Bell County economy will benefit from a growing population base and higher income and education levels. Bell County experienced growth in the number of jobs over the past decade, and it is reasonable to assume that employment growth will occur in the future. We anticipate that the Bell County economy will improve and employment will grow, strengthening the demand for real estate.

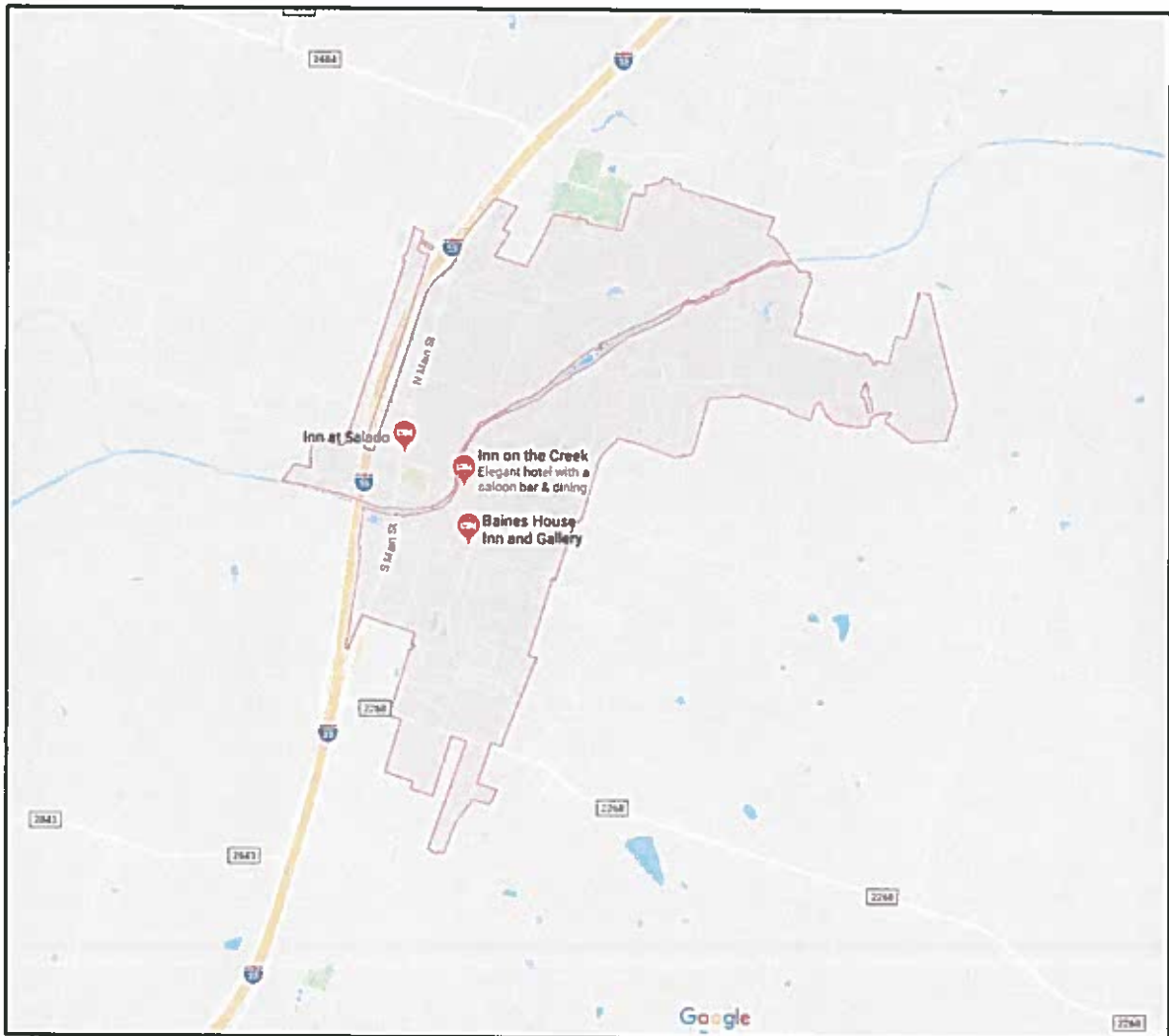
Area Map



Surrounding Area

Boundaries

The subject is located in the Village of Salado, Bell County, Texas. This area generally is delineated as follows:



Access and Linkages

Primary access to the area is provided by IH35W. Access is considered excellent.

Demand Generators

Major employers include Baylor Scott & White and McLane Company, Inc. These are located within 20 miles of the property and represent significant concentrations in the oil and gas industries. In addition

to its strong employment base, the area is easily accessible to the Austin submarkets, within 60 minutes driving time. Access to employment centers in other submarkets is a major demand driver.

Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics					
2018 Estimates	5-Minute Drive Time	10-Minute Drive Time	15-Minute Drive Time	Bell County, TX	Killeen-Temple, TX (Metro)
Population 2010	329	2,192	3,443	310,235	405,300
Population 2018	339	2,421	3,764	346,795	443,509
Population 2023	352	2,598	4,022	370,777	470,490
Compound % Change 2010-2018	0.4%	1.2%	1.1%	1.4%	1.1%
Compound % Change 2018-2023	0.8%	1.4%	1.3%	1.3%	1.2%
Households 2010	136	893	1,390	114,035	144,119
Households 2018	144	997	1,543	128,259	159,333
Households 2023	151	1,073	1,658	137,534	169,795
Compound % Change 2010-2018	0.7%	1.4%	1.3%	1.5%	1.3%
Compound % Change 2018-2023	1.0%	1.5%	1.4%	1.4%	1.3%
Median Household Income 2018	\$97,876	\$91,692	\$90,491	\$51,750	\$51,452
Average Household Size	2.4	2.4	2.4	2.6	2.7
College Graduate %	47%	44%	43%	25%	22%
Median Age	54	50	50	31	32
Owner Occupied %	93%	86%	86%	56%	57%
Renter Occupied %	7%	14%	14%	44%	43%
Median Owner Occupied Housing Value	\$322,346	\$279,928	\$282,079	\$147,221	\$143,206
Median Year Structure Built	1995	1994	1994	1992	1990
Avg. Travel Time to Work in Min.	26	26	26	22	23

Source: Envrionics Analytics

As shown above, the current population within a 10-minute drive time of the subject is 2,421, and the average household size is 2.4. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to Bell County overall, the population within a 10-minute drive time is projected to grow at a faster rate.

Median household income is \$91,692, which is higher than the household income for Bell County. Residents within a 10-minute drive time have a considerably higher level of educational attainment than those of Bell County, while median owner occupied home values are considerably higher.

Services and Amenities

The nearest commercial area with restaurants, convenience stores and support services is located within five minutes drive time from the property. The closest lodging facilities are located within the same vicinity. The nearest fire and police stations are within 15 miles of the property on the northeast side of Beaumont.

Land Use

In the immediate vicinity of the subject, predominant land uses are primarily single-family in nature. Land uses along IH35W west of the subject are largely commercial/retail. Other land use characteristics are summarized in the following table.

Surrounding Area Land Uses	
Character of Area	Small town
Predominant Age of Improvements	50 years
Predominant Quality and Condition	Average
Approximate Percent Developed	80%
Infrastructure/Planning	Average
Predominant Location of Undeveloped Land	West of IH35W

Subject's Immediate Surroundings	
North	Residential; there is a new development just north of the subject
South	Residential
East	Residential
West	Commercial (IH35W)

Development Activity and Trends

During the last five years, there has been little to no development in the subject area.

Outlook and Conclusions

The area is in the stabilized stage of its life cycle. Given the history of the area and the growth trends, it is anticipated that property values will remain the same in the near future.

In comparison to other areas in the region, the area is rated as follows:

Surrounding Area Attribute Ratings	
Highway Access	Good
Demand Generators	Average
Convenience to Supporting Land Uses	Average
Convenience to Public Transportation	Average
Employment Stability	Average
Police and Fire Protection	Average
Property Compatibility	Average
General Appearance of Properties	Average
Price/Value Trend	Average



Surrounding Area Map



Golf Market Analysis

National Overview

According to the National Golf Foundation, there were 23.80 million golfers in the U.S in 2016. It has been trending downward for the last few years as indicated in the following table.

Total Golfers by Year (in millions)		
Year	# of Golfers	% Change
2000	25.40	-
2001	25.80	1.57%
2002	26.20	1.55%
2003	28.40	8.40%
2004	27.30	-3.87%
2005	30.00	9.89%
2006	29.80	-0.67%
2007	29.50	-1.01%
2008	28.60	-3.05%
2009	27.10	-5.24%
2010	26.10	-3.69%
2011	25.70	-1.53%
2012	25.30	-1.56%
2013	24.70	-2.37%
2014	24.70	0.00%
2015	24.10	-2.43%
2016	23.80	-1.24%

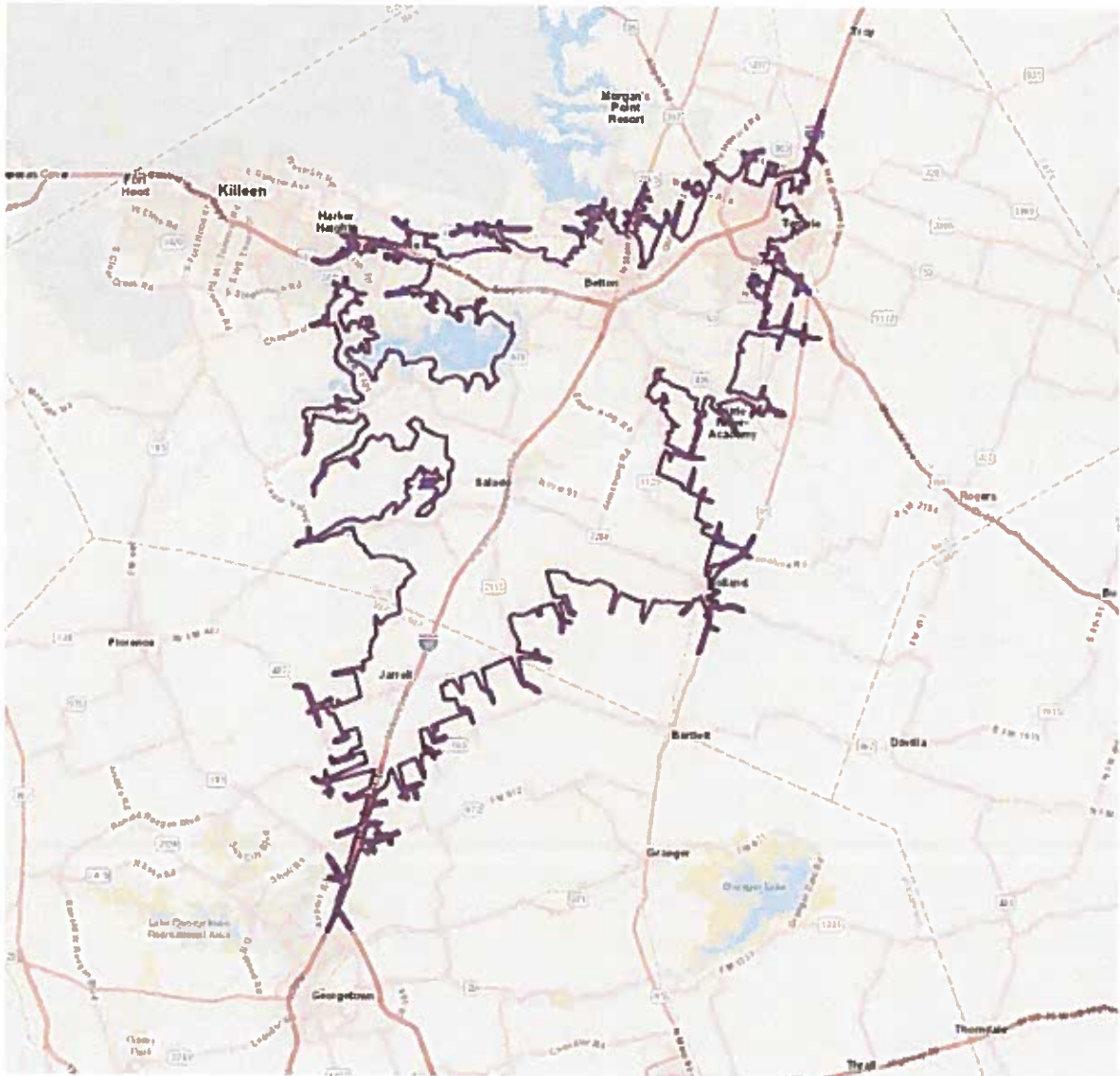
According to the most recent National Golf Foundation data, golf participation has decreased the last two years and nine out of the last 10 years. It reached a peak in 2005 with 30 million golfers. Despite the number of golfers not increasing, there were some positives in the report. The NGF reported that the number of new golfers increased 14% to 2,500,000, an all-time high figure. This broke the previous record of 2,400,000 new golfers set in the year 2000. Second, the number of "committed golfers" increased as well. A "committed golfer" is one who calls golf either their favorite activity or one of several recreational pursuits. According to the NGF, the committed golfer number rose to 20.1 million golfers, the first year-over-year increase in five years

In addition to the golf participation rates, the recent NGF study reported some key demographic highlights related to golfers. First, the highest percentage of core golfers is in the 30-39 group (20%). The 40-49 group followed closely behind. Overall, there is a larger percentage of golfers in the <40 category than there are in the >50 category. According to the report, the household income for the average golfer is \$90,000-95,000 per year, but nearly 40% of all golfers have household incomes less than \$75,000. As it has been in the past, the largest percentage of all golfers (26%) have a household income >\$125,000.

Market Boundaries

The subject property is located in Bell County, Texas in the Village of Salado city limits. A 25-minute drive time ring around the subject property will be used for the primary market boundaries. The following map illustrates the boundaries of the subject's primary market area.

MARKET BOUNDARY 25-MINUTE RING



Forecasting Demand/Rounds

Rounds - Historical and Projected					
Year	Pro Forma	2017	2016	2015	2014
Total	30,000	17,332	16,034	8,058	5,199

Over the last two years, total rounds have ranged from 16,034 to 17,332 rounds. Figures for 2014-15 are given little emphasis because the course was recovering from a substantial flood that required significant renovations and repairs.

The following is a Statistical Demand Analysis for rounds of golf within a 25-minute drive time of the subject facility based on population, household income, and age.

Statistical Demand Analysis Projection 15-minute drive time to golf course					
15-minute drive time					
Demand by population	rounds/capita		target population		potential rounds
2018 Population	1.96916	x	85,738	=	168,832
2023 Population	1.96916	x	90,639	=	178,483
25-minute drive time					
Demand by age	rounds/capita		target population		potential rounds
0-34	0.78	X	42,417	=	33,085
35-54	1.85	X	19,882	=	36,782
55+	3.5	X	23,438	=	82,033
			85,737		151,900
25-minute drive time					
Demand by Income	rounds/household		target population		potential rounds
Under \$34,999	1.42	X	10,910	=	15,492
\$35,000-74,999	5.47	X	10,838	=	59,284
\$75,000+	8.26	X	11,549	=	95,395
			33,297		170,171
Conclusion					
Range		2018	151,900	to	170,171 Rounds
Mean		2018		=	163,634 Rounds
Median		2018		=	168,832 Rounds
Indicated potential rounds		2018		=	160,000 Rounds
Indicated potential rounds		2023		=	175,000 Rounds

Based on the preceding analysis, there is an estimated demand for about 160,000 rounds of golf per year in the subject market over the next five years. The population within the market area is projected to remain stable to slightly increasing over this period.

The subject is one of four courses within this market area. The clubs are generally similar to the subject course and are fair to average quality. The estimated demand by demographics suggests a "fair share" capture of 41,250 rounds for the subject property (165,000/4 courses).

The subject has reported rounds in the 18,000 range the last two years and Stonetree GC in Killeen reported 35,000-40,000 rounds per year. Assuming 30,000 rounds for Wildflower Country Club, a ClubCorp owned private club in Temple and Sammons Golf Course, this results in about 115,000 rounds for the subject market which is significantly lower than the demographics would suggest. This can be attributed to the following:

1. **Lack of Supply** – As previously mentioned, there are only four courses within the market boundaries; all of which are fair to average quality. As such, a significant number of the demand most likely plays golf at facilities located outside of the market area. The Georgetown/Austin area to the south has a significant number of quality golf courses. This could likely be cured by increased marketing and maintenance, etc. We have projected a 20% impact to demand for this factor.

We have utilized a pro forma rounds figure of 33,000. This includes the impact considered for the lack of core golfers and quality of supply in the area. The calculations are as follows:

Adjusted Demand - Mill Creek GC		
Projected "Fair Share" Capture by Demographics		41,250
Impact due to lack of supply	20%	<u>(8,250)</u>
Total Actual Demand		<u>33,000</u>

While rounds have increased the last three years, it is likely the course has not reached its maximum potential with regard to rounds because 1) the third nine, or "Creeks" nine, has been closed for several years and only recently opened, 2) the club was closed regularly in 2015-2015 due to heavy flooding that required a substantial amount of repairs, and 3) highway construction in recent years has limited access in and around the Salado area.

Stonetree Golf Club is a city-owned golf course located in Killeen about 18 miles northwest of the subject. Stonetree GC is similar to the subject with regard to course quality and amenities. It has similar demographics to the subject area. According to Andre Sanders with the parks department, Stonetree GC typically does between 35,000-40,000 rounds per year. Mr. Sanders reported that the most recent figures were towards the lower end of the range. Green fees are \$38 for weekdays and \$46 for weekends which is similar to the subject.

Based on the subject's condition and quality with consideration of its historical rounds as well as rounds of the comparable course in Killeen, a stabilized rounds figure of 33,000 rounds is considered to be achievable. This represents a significant increase from current levels, but is considered reasonable given the opening of the "Creeks" nine and recent improvements by the current owner.

Property Analysis

Land Description and Analysis

Mill Creek Golf Club			
Site Summary			
Location	Salado TX	Shape	Irregular
Size (Gross Acres)	224.932	Topography	Rolling and open
FEMA Map Panel No.	8027C0510E, dated September 26, 200	Zoning	SF-7; single-family
Flood Zone*	A; X (40% flood-impacted)	Surrounding Uses	Single-family
Golf Course Summary			
Type	Daily Fee	Greens	Tif Dwarf
Number of Holes	27	Fairways	419 Bermuda
Design	Core/Subdivision	Tees	419 Bermuda
Year Constructed	1981/2000	Bunkers	70-80
Architect/Designer	Robert Trent Jones	Irrigation	Double-row; new pumps and heads; two pump houses; water source is Pevitot Gully
Water Hazards	Yes; multiple holes	Practice Facility	Driving range; short game area
Cart Paths	Concrete; fair condition	Parking	Asphalt; fair to average condition
Cart Path Coverage	100%	Other Amenities	Clubhouse; restaurant; swimming pool

The golf course is a 27-hole, semi-private, core golf course with residential along the outer boundaries that was constructed in two phases; 18 holes in 1981 and nine holes in 2000. The "Creeks" or 1st nine has been closed for 4+ years, but has recently re-opened. The course is in overall average condition and quality. The greens were constructed to USGA specs and have a Tif Dwarf Bermuda surface. There are sand traps and water hazards on the course. It is a combination core/subdivision design with a men's par ranging from 69-71 depending on which nines are combined, slope of 128 from the back tees, and a maximum length of 6,436 yards from the back tees. The location just east of IH35 is considered very good.

Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

Ground Stability

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support the existing improvements.

Easements, Encroachments and Restrictions

We were not provided a current title report to review. We are not aware of any easements, encroachments, or restrictions that would adversely affect value. There is a 100' Oncor easement that

bisects the 6th hole of the “Springs” nine or #3 course. It is not overly adverse; there are similar easements on other courses. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

Conclusion of Site Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including its current use as a golf course.

Aerial Photograph



Improvements Description and Analysis

Overview

The following description is based on our inspection of the property, discussions with ownership and a review of tax records.

Improvement Analysis			
	Clubhouse	Cart Storage	Maintenance
Size (SF)	3,850	3,700	NA
Year Built	1980/2015	1980/2015	1980s
Stories	One	One	One
Construction	Metal; stone veneer; pitched metal roof	Steel frame; metal panels	Steel frame; metal walls
Division of Space	Dining; pro shop; grill; administrative office; kitchen; restrooms; locker room	Clear span warehouse; minimal office	Clear span covered storage
Site Improvements	Asphalt parking; landscaping; swimming pool	None	Above ground storage
Quality Rating	Good	Average	Average
Condition	Average	Average	Average
Deferred Maintenance	None	None	None
Actual Age (years)	38	38	30
Economic Life (years)	45	45	50
Effective Age (years)	20	20	20
Remaining Life (years)	25	25	30
Physical Depreciation	44%	44%	40%

Improvements Analysis

Quality and Condition

The improvements are of average quality construction and are in average to good condition. The quality of the subject is considered to be consistent with that of competing properties, and maintenance appears to have been consistent with that of competing properties. Overall, the market appeal of the subject is consistent with that of competing properties.

Functional Utility

The improvements appear to be adequately suited to their current use. Our inspection did not reveal any significant items of functional obsolescence.

Deferred Maintenance

No deferred maintenance is apparent from our inspection, and none is identified based on discussions with the contract buyer.

Hazardous Substances

An environmental assessment report was not provided for review and environmental issues are beyond our scope of expertise. No hazardous substances were observed during our inspection of the improvements; however, we are not qualified to detect such substances. Unless otherwise stated, we assume no hazardous conditions exist on or near the subject.

Conclusion of Improvements Analysis

Overall, the quality, condition, and functional utility of the improvements are average for their age and location. The course and clubhouse/improvements are in average condition and are adequate relative to the fee structure of the course and competition in the area.















Real Estate Taxes

Taxing jurisdictions include city, county and school districts. The subject property is in the taxing jurisdiction of Bell County and the Salado Independent School District. The following tables illustrate the estimated ad valorem taxes for the subject property based on 2018 assessed values and tax rates.

Taxes and Assessments -						
Tax ID	Assessed Value			Taxes and Assessments		
	Land	Improvements	Total	Tax Rate	Taxes	Total
453962	\$186,524	\$6,391	\$192,915	2.214950%	\$4,273	\$4,273
74148	\$687,525	\$622,762	\$1,310,287	2.214950%	\$29,022	\$29,022
206140	\$137,185	\$234,155	\$371,340	2.214950%	\$8,225	\$8,225
207412	\$2,522		\$2,522	2.214950%	\$56	\$56
400432	\$33,830		\$33,830	2.214950%	\$749	\$749
400434	\$11,760		\$11,760	2.214950%	\$260	\$260
400438	\$1,385		\$1,385	2.214950%	\$31	\$31
206142	\$192,130		\$192,130	2.214950%	\$4,256	\$4,256
453961	\$25,395	\$165,913	\$191,308	2.214950%	\$4,237	\$4,237
453960	\$50,050	\$8,937	\$58,987	2.214950%	\$1,307	\$1,307
336124	\$60		\$60	2.214950%	\$1	\$1
336123	\$445		\$445	2.214950%	\$10	\$10
74147	\$6,563		\$6,563	2.214950%	\$145	\$145
74149	\$515		\$515	2.214950%	\$11	\$11
	\$1,335,889	\$1,038,158	\$2,374,047		\$52,584	\$52,584

The golf course has an assessed value of \$2,374,047. Therefore, the tax expense in the Income Capitalization Approach has been forecasted at \$52,584. This is discussed in further detail in the Income Approach.

Highest and Best Use

Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Physically possible.
- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

Highest and Best Use As If Vacant

Physically Possible

The land associated with the subject property consists of 224.932+/- acres with an irregular configuration. The course can be described as partially wooded, rolling, and improved with multiple small lakes and ponds. According to FEMA maps, the subject is about 40% affected by floodplain. Public utilities are available. Physical characteristics, particularly its shape and flood influence, place significant restrictions on development of the subject.

Legally Permissible

The subject is zoned SF-7 Single-family Residential by the Village of Salado. The SF-7 district is intended to provide for development of primarily low- density detached, single family residences on lots of at least 7,000 square feet in size. From a legally permissible standpoint, development is restricted to a residential use or recreational use such as a golf course.

Financially Feasible

The legal restrictions and physical restrictions on the land place few restrictions on the development possibilities. The subject does not have the locational attributes traditionally required for commercial development. Single-family and recreational uses would be the most likely options; however, single-family development is not currently feasible in the area. The land is well suited for a golf course; however, current supply and demand factors for golf will not currently support new construction.

Maximally Productive

The previous analysis of financially feasible uses indicates that the only possible use of the subject property would be for a recreational type use. An alternative use would be to hold as an investment.

As Improved

The subject property is presently improved with a 27-hole golf course. The improvements are in average to good condition.

The following alternatives have been considered in estimating the highest and best use "as improved":

-
- 1) operation as a daily-fee golf course
 - 2) operation as a private, equity, non-profit club
 - 3) operation as a private, for-profit club
 - 4) demolition of the existing improvements and an alternative use for the land.
 - 5) utilization as 18-hole facility and redevelopment of excess land

Physically Possible:

The first test applied to the subject property includes the physically possible uses of the subject property site. All of the alternatives are physically possible.

Legally Permissible:

The next step in this analysis is to examine which of the alternatives are legally permissible. All of the alternatives are considered to be legally permissible.

A title policy was not made available to the appraiser; therefore, no liability is assumed for deed restrictions that were not brought to the appraiser's attention during the scope of this investigation.

Financially Feasible Alternatives:

All alternatives are physically possible and legally permissible. The improvements associated with the facility contribute a substantial amount of value and demolition would not be financially feasible.

The subject property does not have the amenities typically required for a private for-profit or non-profit club such as tennis and fitness sufficient for membership. As such, daily fee is the most likely option.

With rounds currently in the 18,000 range and stabilized rounds in the 30,000 range, it is likely that the club would be more profitable as an 18-hole facility. This would mitigate maintenance expenses associated with the 3rd nine. Redevelopment of the holes not utilized is a physical option; however, without an engineer's report, we are unable to evaluate the feasibility of such an option.

Maximally Productive:

As long as the golf course is not overcrowded, it makes sense to offer memberships at various levels that allow unlimited play. This is in line with its current strategy.

Conclusion:

The highest and best use "as improved" is to continued use as a daily-fee golf club.

Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Applicable	Utilized

Income Capitalization Approach

A golf course facility is an income-producing property. Investment in such a property represents the exchange of present dollars for the right to receive future benefits. The Principle of Anticipation and Change states that value is created by the expectation of benefits to be derived in the future. All income capitalization methods, techniques, and procedures attempt to forecast future benefits and to estimate their present value.

Various measures of future benefits are used in the Income Capitalization Approach. Gross revenue is the income from all operations including green fees, cart rental, merchandise, food and beverage, practice range, services, etc. Cost of goods sold pertains to the cost of the merchandise, food and beverage, and range balls. Gross profit is simply the gross revenue less the cost of goods sold. Net operating income (NOI) is the income leftover from the gross profit after deducting all operating expenses required to continue and maintain the operation. The operating expenses include salaries, maintenance, management, general and administrative, marketing, taxes and insurance.

There are numerous methods of converting net operating income into present value. One of the most common methods of arriving at an estimate of market value by the Income Capitalization Approach is by Direct Capitalization. Direct Capitalization is defined as:

- 1) *The method used to convert an estimate of a single year's income expectancy or an annual average of several years' expectancies into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor.*
- 2) *A capitalization technique that utilizes capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied but not identified.*

The Income Capitalization Approach to value by the Direct Capitalization Approach basically involves the following steps:

1. Estimating gross revenues by comparison of revenue from competing courses and an in-depth study of the golf market supply and demand trends, as well as historical figures from the club.
2. Estimating operating expenses that are to be deducted from the EGI to arrive at net operating income.

Selecting an appropriate capitalization rate and technique, and converting the estimated net operating income into an indication of value by dividing the estimated net income by the appropriate capitalization rate.

Discussion of the SGA Operating Income and Expense Comparisons:

The Society of Golf Appraisers compiles one of the most current and comprehensive data bases of actual operating summaries of golf courses throughout the country. Information on this sample of golf courses has been categorized and input into the system by the golf analysts associated with SGA according to the Uniform System of Financial Reporting for Clubs (USFRFC) promulgated by the Club Managers Association of America. The SGA database is proprietary and use of this information by anyone other than members of SGA is strictly prohibited.

This information, when applied correctly, is considered to be one of the best methods of supporting and forecasting a facility's operational revenues, costs, and expenses.

The SGA Report includes over 800 entries of individual operating statements. The database has been culled in this instance to use the comparables that are considered most similar to the subject property and provide the market support for the projections contained herein.

The golf courses selected are private, for-profit and daily fee golf courses. The data is summarized into lower quartile, upper quartile, median, and average for comparison purposes. In addition, each category is analyzed based on a % of total, \$ per round, and \$ per hole.

A printout of the statistics for each category according to USFRFC can be found on the following page.

Expense Comparisons 90 Courses Reporting																	
6 Courses Reporting	LOWER QUARTILE				MEDIAN				UPPER QUARTILE				AVERAGE				
	\$	% of Total	\$/Room	\$/Sole	\$	% of Total	\$/Room	\$/Sole	\$	% of Total	\$/Room	\$/Sole	\$	% of Total	\$/Room	\$/Sole	
INCOME:																	
Initiation Fees	\$ 0	0.0%	\$ -	\$ -	\$ 0	0.0%	\$ -	\$ -	\$ 0	0.0%	\$ -	\$ -	\$ 0	0.0%	\$ -	\$ -	
Annual Pines Fees	\$ 181,988	6.9%	\$ 4.91	\$ 5,666	\$ 149,895	15.9%	\$ 14.10	\$ 9,430	\$ 348,669	29.2%	\$ 29.19	\$ 19,922	\$ 378,228	28.0%	\$ 21.33	\$ 15,296	
Public Greens Fees	\$ 354,985	21.3%	\$ 12.81	\$ 14,377	\$ 607,260	66.3%	\$ 38.60	\$ 31,311	\$ 974,697	57.2%	\$ 28.54	\$ 54,194	\$ 709,273	64.4%	\$ 27.20	\$ 43,868	
Cart Fees	\$ 97,874	16.3%	\$ 4.79	\$ 5,424	\$ 178,009	18.3%	\$ 7.82	\$ 9,644	\$ 324,166	21.3%	\$ 11.29	\$ 18,129	\$ 238,856	27.0%	\$ 11.11	\$ 13,957	
Range Fees	\$ 12,949	1.0%	\$ 0.47	\$ 770	\$ 23,543	2.6%	\$ 0.83	\$ 1,234	\$ 53,814	2.9%	\$ 1.51	\$ 3,334	\$ 69,311	2.9%	\$ 1.33	\$ 2,756	
Food & Beverage Sales	\$ 122,833	13.4%	\$ 4.57	\$ 8,888	\$ 286,930	17.7%	\$ 9.80	\$ 11,697	\$ 821,429	28.3%	\$ 14.19	\$ 28,769	\$ 418,540	21.3%	\$ 11.87	\$ 22,889	
Pro Shop Sales	\$ 23,872	2.8%	\$ 1.29	\$ 1,837	\$ 76,681	5.6%	\$ 3.64	\$ 4,230	\$ 119,673	7.3%	\$ 4.11	\$ 6,541	\$ 189,314	5.7%	\$ 3.64	\$ 6,884	
Tennis Balls	\$ 1,884	0.1%	\$ 0.07	\$ 89	\$ 1,924	0.3%	\$ 0.11	\$ 197	\$ 3,343	0.4%	\$ 0.19	\$ 134	\$ 6,499	0.9%	\$ 0.33	\$ 583	
Other	\$ 3,976	0.3%	\$ 0.18	\$ 221	\$ 17,863	1.3%	\$ 0.65	\$ 992	\$ 58,640	3.7%	\$ 1.90	\$ 3,780	\$ 98,354	2.4%	\$ 1.55	\$ 3,251	
Total Income	\$ 711,836	100.0%	\$ 31.68	\$ 44,892	\$ 1,518,782	100.0%	\$ 49.15	\$ 72,928	\$ 1,999,348	100.0%	\$ 64.24	\$ 111,153	\$ 1,788,050	100.0%	\$ 53.68	\$ 98,081	
DEPARTMENTAL COSTS & EXPENSES:																	
Golf Carts	\$ 185,464	27.7%	\$ 7.29	\$ 16,384	\$ 254,214	40.3%	\$ 12.73	\$ 19,864	\$ 549,168	68.2%	\$ 17.74	\$ 38,209	\$ 424,899	68.4%	\$ 14.65	\$ 24,189	
Golf Clubs	\$ 36,148	12.9%	\$ 1.86	\$ 2,888	\$ 53,624	24.2%	\$ 3.13	\$ 2,980	\$ 71,292	48.9%	\$ 2.87	\$ 3,964	\$ 54,373	61.8%	\$ 2.16	\$ 3,215	
Range	\$ 1,183	0.9%	\$ 0.09	\$ 46	\$ 3,788	15.4%	\$ 0.18	\$ 110	\$ 48,828	39.2%	\$ 1.19	\$ 3,713	\$ 84,420	69.7%	\$ 2.88	\$ 4,781	
Food & Beverage	\$ 94,263	64.4%	\$ 3.53	\$ 5,217	\$ 146,875	78.8%	\$ 4.13	\$ 9,226	\$ 427,223	92.1%	\$ 12.87	\$ 32,751	\$ 321,444	178.7%	\$ 9.63	\$ 18,414	
Pro Shop	\$ 76,958	144.3%	\$ 3.87	\$ 4,717	\$ 136,853	212.3%	\$ 5.98	\$ 8,284	\$ 272,363	318.6%	\$ 6.89	\$ 15,829	\$ 188,373	346.6%	\$ 6.43	\$ 18,777	
Tennis	\$ 13,481	816.1%	\$ 0.63	\$ 756	\$ 18,867	1113.3%	\$ 1.85	\$ 1,800	\$ 99,897	448.3%	\$ 3.65	\$ 5,980	\$ 83,246	2718.0%	\$ 1.78	\$ 3,363	
Other	\$ 1,742	15.9%	\$ 0.88	\$ 132	\$ 25,416	36.8%	\$ 0.95	\$ 1,413	\$ 62,977	66.7%	\$ 1.93	\$ 3,499	\$ 114,228	187.3%	\$ 2.84	\$ 4,363	
Total Depart. Costs & Exp.	\$ 499,215	54.3%	\$ 17.94	\$ 27,748	\$ 774,149	63.2%	\$ 28.94	\$ 43,888	\$ 1,176,411	78.9%	\$ 44.48	\$ 62,556	\$ 1,844,396	61.7%	\$ 33.19	\$ 66,833	
UNDEDUCTED EXPENSES:																	
Administrative & General	\$ 58,981	5.9%	\$ 1.37	\$ 2,372	\$ 132,469	8.9%	\$ 4.77	\$ 7,399	\$ 284,931	13.9%	\$ 7.91	\$ 15,893	\$ 181,928	12.5%	\$ 6.82	\$ 11,218	
Management Fees	\$ 24,226	2.3%	\$ 0.83	\$ 2,813	\$ 52,963	4.9%	\$ 3.91	\$ 2,923	\$ 92,855	5.9%	\$ 4.91	\$ 3,114	\$ 71,814	6.4%	\$ 2.54	\$ 3,545	
Marketing & Entertainment	\$ 4,958	0.3%	\$ 0.19	\$ 273	\$ 11,970	1.1%	\$ 0.43	\$ 489	\$ 23,387	2.9%	\$ 0.87	\$ 1,410	\$ 26,724	1.7%	\$ 1.01	\$ 1,885	
Professional Fees	\$ 3,312	0.3%	\$ 0.30	\$ 194	\$ 6,189	0.6%	\$ 0.27	\$ 344	\$ 12,818	1.8%	\$ 0.50	\$ 647	\$ 9,510	0.9%	\$ 0.38	\$ 529	
Utilities	\$ 25,468	3.9%	\$ 1.14	\$ 1,415	\$ 47,993	3.9%	\$ 1.76	\$ 2,644	\$ 86,349	5.4%	\$ 3.01	\$ 4,797	\$ 84,381	4.9%	\$ 3.37	\$ 4,693	
Repairs & Maintenance	\$ 18,828	0.9%	\$ 0.29	\$ 357	\$ 17,343	1.3%	\$ 0.65	\$ 950	\$ 36,467	2.7%	\$ 1.37	\$ 2,824	\$ 28,856	2.1%	\$ 1.17	\$ 1,992	
Total Undeducted Expenses	\$ 123,837	14.3%	\$ 4.88	\$ 6,853	\$ 231,843	17.2%	\$ 8.26	\$ 12,888	\$ 464,771	22.9%	\$ 12.91	\$ 23,268	\$ 339,313	21.1%	\$ 11.17	\$ 18,046	
INCOME BEFORE FIXED CHARGES:	\$ 95,080	11.3%	\$ 3.73	\$ 6,317	\$ 197,974	17.9%	\$ 8.39	\$ 11,515	\$ 492,879	25.7%	\$ 11.64	\$ 22,382	\$ 349,049	17.7%	\$ 9.56	\$ 19,426	
FIXED CHARGES:																	
Property Taxes	\$ 22,778	1.4%	\$ 0.72	\$ 1,248	\$ 42,835	3.9%	\$ 1.89	\$ 2,335	\$ 74,880	4.8%	\$ 3.97	\$ 4,159	\$ 62,923	3.9%	\$ 2.83	\$ 3,496	
Property Insurance	\$ 14,173	1.1%	\$ 0.49	\$ 787	\$ 19,823	1.6%	\$ 0.73	\$ 1,183	\$ 38,561	2.5%	\$ 1.16	\$ 1,898	\$ 38,490	2.0%	\$ 0.92	\$ 1,525	
Total Fixed Charges	\$ 36,951	3.9%	\$ 1.37	\$ 2,144	\$ 62,397	5.6%	\$ 2.37	\$ 3,441	\$ 121,579	6.4%	\$ 3.63	\$ 6,743	\$ 97,181	6.0%	\$ 3.23	\$ 4,946	
INCOME AFTER RESERVES BUT BEFORE OTHER CHARGES	\$ 58,129	6.2%	\$ 2.36	\$ 2,952	\$ 149,677	12.7%	\$ 6.22	\$ 8,312	\$ 291,148	20.9%	\$ 6.98	\$ 14,176	\$ 246,577	12.4%	\$ 6.88	\$ 14,818	

(*) All sources are reported on 18-hole equivalent for the purpose of comparison.

Compiled by: Hotel and Club Associates, Inc.



Gross Revenue:

Golf courses have several sources of revenue. Daily-fee courses like the subject earn revenue from green fees, while private courses collect revenue from membership dues and initiation fees. Private clubs earn revenue from both, as well as revenue from cart rentals, food and beverage, and merchandise.

A thorough investigation of competing golf courses in the subject market has been conducted to estimate market green fees and membership revenue and other revenue generated by the golf facility. The following golf courses are located in the subject's market and are considered to provide a good indication of revenue for the subject facility.

We were provided with profit/loss statements for years 2016-March 2018 and rounds figures for 2014-2017. They are summarized on the following page.

Mill Creek Golf Club - Historical Operations			
	Year	2017	2016
Memberships	Total	125	110
Rounds	Total	17,332	16,034
Income			
Membership	<i>Membership Revenue/Member</i>	\$2,162	\$2,318
	Total Membership Revenue	\$270,191	\$254,993
Food and Beverage	Total F & B Revenue	\$227,094	\$222,367
	<i>F & B Revenue/Round</i>	\$13.10	\$13.87
Golf Operations	Green Fees	\$315,273	\$269,513
	<i>Green Fees/Round</i>	\$18.19	\$16.81
	Cart Fees	\$74,698	\$77,899
	<i>Cart Fees/Round</i>	\$4.31	\$4.86
	Pro Shop Merchandise	\$27,890	\$28,828
	<i>Pro Shop Merchandise/Round</i>	\$1.61	\$1.80
	Total Golf Operations	\$417,862	\$376,240
	<i>Total Golf Operations/Round</i>	\$24.11	\$23.47
Other	Range	\$16,276	\$13,342
	Sponsorships	\$73,700	\$2,500
	Miscellaneous	\$2,449	\$7,649
	Total Other Revenue	\$92,425	\$23,491
	<i>Total Other Revenue/Round</i>	\$5.33	\$1.47
	Total Revenue	\$1,007,571	\$877,091
	Total Revenue/Round	\$58.13	\$54.70
Departmental CoGS & Expenses			
Golf Course	Maintenance	\$665,673	\$559,545
Golf Operations	Cost of Goods Sold	\$19,781	\$27,598
	Pro Shop Expenses	\$49,282	\$63,278
	Total Golf Operations	\$69,063	\$90,876
Food and Beverage	Cost of Goods Sold	\$101,180	\$86,126
	Payroll/Operating	\$112,243	\$105,124
	Total Food and Beverage	\$213,423	\$191,250
Other	Total Other Expenses	\$0	\$0
Non-Departmental Expenses			
Non-Departmental Expenses	Management	\$0	\$0
	Facilities/Clubhouse	\$0	\$4,942
	Clubhouse Utilities	\$70,788	\$60,573
	General & Administrative	\$84,236	\$105,381
	Total Non-Departmental	\$155,024	\$170,896
Fixed Expenses			
Fixed Expenses	Property Taxes	\$51,967	\$58,180
	Property Insurance	\$34,475	\$30,476
	Reserves for Replacement	\$0	\$0
	Total Fixed Expenses	\$86,442	\$88,656
	Total Expenses	\$1,189,625	\$1,101,223
	Net Operating Income	-\$182,054	-\$224,132

Gross Revenue:

Golf courses have several sources of revenue. Daily-fee courses earn revenue from green fees, while private courses collect revenue from membership dues and initiation fees. Semi-private clubs such as the subject earn revenue from both, as well as revenue from cart rentals, food and beverage, and merchandise.

Income/Gross Revenue:

The gross revenue earned by the subject property is from annual membership fees, public green fees, tournaments, cart rentals, range fees, food & beverage, pro shop merchandise sales, and other income.

Membership:

The subject offers memberships for residents and non-residents (>10 miles from club) that include unlimited play. There are currently 125 members that pay between \$215 and \$275 per month. Memberships have increased substantially the last 2-3 years. We have reconciled a stabilized figure of 150 memberships and \$345,000 in revenue. This equates to \$2,300 per member which is consistent with historical figures.

Green Fees/Guest Rates:

Mill Creek Golf Club currently charges \$42.00 for a guest green fee during prime times and \$32.00 during non-peak times. The competing clubs rates are as follow:

Mill Creek GC			
Guest Rates			
Club	Weekend Rate	Weekday Rate	Cart Fee
Stonetree Golf Club, Killeen	\$46	\$38	Incl.
Legacy Hills Golf, Georgetown	\$58	\$58	Incl.
Hills of Cove Golf Course, Cop	\$39	\$36	Incl.

Overall, the subject rates are well supported. The competing clubs have nearly identical rack rates. Stonetree is the closest in proximity and is the most similar with regard to quality. There is another course in the area, Sammons Golf Course, but it is currently undergoing renovations and is only charging \$15 per round, including cart, during this period. The following table summarizes total, member and guest rounds for the subject over the last three years.

Rounds - Historical and Projected					
Year	Pro Forma	2017	2016	2015	2014
Total	33,000	17,332	16,034	8,058	5,199

Over the last two years, total rounds have ranged from 16,034 to 17,332 rounds. Figures for 2014-15 are given little emphasis because the course was recovering from a substantial flood.

A projection of 33,000 rounds and \$540,000 is utilized in the pro forma. Based on surrounding demographics and This equates to an effective rate of \$18.00 per round which is in line with historical figures.

Cart Rental:

Cart rental has ranged from \$4.31 to \$4.86 per total round the last two years. A projection of \$4.50 per total round or \$135,000 is reasonable and well supported.

Food and Beverage:

Other revenue attributable to the operation is food and beverage. Although the gross revenue from the food and beverage appears substantial, the net income after cost of goods sold and operating expenses usually ranges from 0-25%. Food and beverage income has ranged from \$13.10 to \$13.87 per round. A projection of \$13.50 per round is utilized in the pro forma. This is considered reasonable.

Pro Shop Sales:

Pro Shop Sales are another form of revenue for golf course facilities. Pro shop income has ranged from \$1.61 to \$1.80 per round. A projection of \$1.75 per round is utilized in the pro forma. This is consistent with the historical figures.

Other –Driving Range:

Range revenue has been minimal over the last three years. A figure of \$10,000 is utilized. This is in line with the most recent year.

The subject generates revenue by offering sponsorships for tournaments as well as individual holes. There was \$73,700 in sponsorship revenue in 2017 which was significantly higher than the 2016 figure of \$2,500. Emphasis is placed on the most recent year; a figure of \$70,000 is utilized in the pro forma.

Total gross revenue is projected to be \$1,657,750 in the pro forma. This is about a 50% increase over 2017 figures. The owner has reported a 10-15% increase month over month for 2018. In addition, the opening of the "Creeks" nine is a positive factor and should result in an increase in rounds. Total revenue is \$50.78 per round. This includes membership revenue and is higher than the overall effective rate per round discussed earlier.

Cost of Goods Sold:

The cost of goods sold applies to the pro shop sales and food and beverage. The cost of goods sold is simply the cost of the food, drinks, and merchandise. The cost of goods sold is calculated as a percentage of the gross revenue. Based on conversations with club managers as well as a review of other operating statements, the cost of goods sold for merchandise is typically 60-80 percent of the revenue, and food and beverage is 20-40 percent.

The following is a summary of the subject's historical and projected cost of goods sold:

Costs of Goods Sold			
Year	Projected	2016	2015
Merchandise Sales	\$57,750.00	\$27,890.00	\$28,828.00
Merchandise Costs	\$46,200.00	\$19,781.00	\$28,598.00
Percentage	80.00%	70.93%	99.20%
F&B Sales	\$445,500	\$227,094	\$222,367
Cost of F&B	\$178,200	\$101,180	\$86,126
Percentage	40.00%	44.55%	38.73%

The subject's cost of goods sold is forecast at 40% for food and beverage. This is a reasonable projection and is well supported by the SGA expense analysis report. Further, the cost of the goods for food and beverage has ranged from 38.73-44.55% over the last two reported years. The projection is considered reasonable.

The cost of the goods for pro shop merchandise has ranged from 70.93-99.20% over the last two reported years. A projection of 80% is utilized in the pro forma.

Expense analysis:

The expense analysis will project estimates of expenses based on historical figures from the subject, as well as the Society of Golf Appraisers (SGA) national/regional survey of public courses and two comparable courses in Texas. The subject's historical expenses as well as the two comparables and median SGA figures are presented below.

Mill Creek Golf Club - Expense Analysis						
	Departmental Costs & Expenses					
	Subject - 2017	Subject - 2016	Comp - Austin, TX	Comp - Beaumont, TX	SGA - Median	Pro Forma
Golf Course						
Maintenance	\$665,673	\$559,545	\$352,270	\$213,796	\$354,314	\$525,000
Cost of Goods Sold	\$19,781	\$27,598	\$0	\$86,615	\$0	\$42,000
Pro Shop Expenses	\$49,282	\$69,278	\$155,750	\$119,784	\$136,693	\$55,000
Golf Operations						
Total Golf Operations	\$69,063	\$90,876	\$155,750	\$206,999	\$136,693	\$97,000
Cost of Goods Sold	\$101,180	\$86,126	\$70,849	\$65,217	\$0	\$162,000
Payroll/Operating	\$112,243	\$105,124	\$60,135	\$51,148	\$166,075	\$202,500
Food and Beverage						
Total Food and Beverage	\$213,423	\$191,250	\$130,984	\$116,365	\$166,075	\$364,500
Non-Departmental Expenses						
Management	\$0	\$0	\$0	\$0	\$0	\$46,875
Facilities/Clubhouse	\$0	\$4,942	\$4,162	\$3,316	\$0	\$5,000
Clubhouse Utilities	\$70,788	\$60,573	\$27,392	\$20,557	\$47,592	\$75,000
General & Administrative	\$84,236	\$105,381	\$152,054	\$30,365	\$132,469	\$105,000
Total Non-Departmental	\$155,024	\$170,896	\$183,608	\$54,238	\$180,062	\$231,875
Fixed Expenses						
Property Taxes	\$51,967	\$58,180	\$51,478	\$15,605	\$42,035	\$52,584
Property Insurance	\$34,475	\$30,476	\$3,000	\$24,487	\$19,852	\$35,000
Reserves for Replacement	\$0	\$0	\$0	\$0	\$0	\$31,250
Total Fixed Expenses	\$86,442	\$88,656	\$54,478	\$40,092	\$61,888	\$118,834
Total Expenses	\$1,189,625	\$1,101,223	\$877,090	\$630,890	\$1,337,213	\$1,337,213
Total Revenue	\$1,007,571	\$877,091	\$1,135,327	\$764,474	\$1,562,500	\$1,562,500
Expenses as a % of Revenue	118%	126%	77%	83%	86%	86%



Overall, expense projections are generally in line with historical figures with the exception of course maintenance. Maintenance for the subject has ranged from \$559,545 to \$665,673 the last two years. This equates to \$373,030 to \$443,782 per 18 holes. The two comparable courses have maintenance figures of \$213,796 and \$352,270. A figure of \$375,000 per 18 holes or \$562,500 is utilized in the pro forma. This is considered reasonable.

Historically, the subject has not had a management expense or reserves expense. Management is an item of expense that an owner of a golf course operation will encounter whether he or she acts as his or her own management company or employs an independent firm to perform this function. This expense is for hiring the necessary staff, bookkeeping, and other general requirements needed to control the investment. Typically, management fees are generated as a percentage of gross revenues or gross profits. As a percentage of revenues, a management fee in the 2-5% range is most common. A management fee of 3.00% of the gross revenue or \$50,273 is considered reasonable.

Reserves for replacement is a sinking fund that allows for the periodic replacement of the short-lived items such as painting, plumbing, HVAC systems, parking lots, roofs, irrigation systems, furniture and fixtures, golf carts and golf maintenance equipment. Reserves have been projected at 2% of gross revenue which equates to \$33,515 in the pro forma. This figure is considered reasonable. It is supported by the Society of Golf Appraiser's Investor Survey which is located in the Addendum.

Based on the preceding analysis, the subject property is projected to have a net operating income of \$254,729 (after reserves). The pro forma is presented on the following page.

Mill Creek Golf Club - Pro Forma			
			Pro Forma
Memberships	Total		150
Rounds	Total		33,000
Income			
Membership	<i>Membership Dues/Member</i>		\$2,300
	Total Membership Revenue		\$345,000
Food and Beverage	Total F & B Revenue		\$445,500
	<i>F & B Revenue/Round</i>		\$13.50
Golf Operations	Green Fees		\$594,000
	<i>Green Fees/Round</i>		\$18.00
	Cart Fees		\$148,500
	<i>Cart Fees/Round</i>		\$4.50
	Pro Shop Merchandise		\$57,750
	<i>Pro Shop Merchandise/Round</i>		\$1.75
	Total Golf Operations		\$800,250
	<i>Total Golf Operations/Round</i>		\$24.25
Other	Range		\$10,000
	Sponsorships		\$70,000
	Miscellaneous		\$5,000
	Total Other Revenue		\$85,000
	<i>Total Other Revenue/Round</i>		\$8.25
Total Revenue			\$1,675,750
Total Revenue/Round			\$50.78
Departmental CoGS & Expenses			
Golf Course	Maintenance	33.57%	\$562,500
	Cost of Goods Sold	2.76%	\$46,200
Golf Operations	Pro Shop Expenses	3.28%	\$55,000
	Total Golf Operations	6.04%	\$101,200
Food and Beverage	Cost of Goods Sold	10.63%	\$178,200
	Payroll/Operating	13.29%	\$222,750
	Total Food and Beverage	23.93%	\$400,950
Other	Total Other Expenses	0.00%	\$0
Non-Departmental Expenses			
Non-Departmental Expenses	Management	3.00%	\$50,273
	Facilities/Clubhouse	0.30%	\$5,000
	Clubhouse Utilities	4.48%	\$75,000
	General & Administrative	6.27%	\$105,000
	Total Non-Departmental	14.04%	\$235,273
Fixed Expenses			
Fixed Expenses	Property Taxes	3.14%	\$52,584
	Property Insurance	2.09%	\$35,000
	Reserves for Replacement	2.00%	\$33,515
	Total Fixed Expenses	7.23%	\$121,099
Total Expenses		84.80%	\$1,421,022
Net Operating Income		15.20%	\$254,729

Capitalization Rate Selection

A capitalization rate is used to convert net income into an indication of value. Selection of an appropriate capitalization rate considers the future income pattern of the property and investment risk associated with ownership. We use the following methods to derive a capitalization rate for the subject: analysis of comparable sales, review of national investor surveys, interviews with market participants, and the band of investment method.

Analysis of Comparable Sales

Capitalization rates derived from comparable sales are shown in the following table.

Capitalization Rate Comparables			
No.	Property Name	Sale Date	Cap Rate
1	The Challenge at the Woods	Cash to seller	3.95%
2	Riverbend Golf & Resort	Cash to seller	–
3	Treasure Hills Golf Club	Cash to seller	–
4	Windrose Golf Club	Cash to seller	10.00%
5	Pine Ridge Golf Course	Cash to seller	–
Average (Mean) Cap Rate:			6.98%

Only two of the courses had a positive net income at the time of sale. Windrose GC is the only sale that was stabilized at the time of the transaction.

National Investor Surveys

We have utilized the Society of Golf Appraiser's 2017 Investor Survey for support of the capitalization rate selected in this analysis. A copy of the survey is located in the Addendum. The survey indicated capitalization rates in the 6% to 15% range with a mean of 10.3%. Given the location and quality of Bayou Din, a rate in line with the mean is reasonable.

Band of Investment

The band of investment method derives a capitalization rate from the weighted average of the mortgage and equity demands on net income generated from the property. This method involves an estimate of typical financing terms as well as an estimated rate of return on equity capital sufficient to attract investors. The rate indicated by this method is shown in the following table.

Band of Investment Method				
Mortgage/Equity Assumptions				
Loan To Value Ratio	70%			
Interest Rate	6.00%			
Amortization (Years)	15			
Mortgage Constant	0.1013			
Equity Ratio	30%			
Equity Dividend Rate	10.00%			
Weighted Average of Mortgage and Equity Requirements				
Mortgage Requirement	70%	x	10.13% =	7.09%
Equity Requirement	30%	x	10.00% =	3.00%
Indicated Capitalization Rate				10.09%
Rounded				10.00%

To conclude a capitalization rate, we consider each of the following investment risk factors to determine its impact on the capitalization rate. The direction of each arrow in the following table indicates our judgment of an upward, downward, or neutral impact of each factor.

Risk Factor	Issues	Impact on Rate
Competitive Market Position	Course quality, appeal, effective age, functional utility.	↔
Location	Market area demographics and life cycle trends; proximity issues; access and support services.	↔
Market	Rounds trends, potential for new supply.	↔
Highest & Best Use	Upside potential from redevelopment, adaptation, expansion.	↔
Overall Impact		↔

Accordingly, we conclude a capitalization rate as follows:

Capitalization Rate Conclusion	
Going-In Capitalization Rate	10.00%

Direct Capitalization Analysis

Net operating income is divided by the capitalization rate. Valuation of the subject by direct capitalization is shown below.

Direct Capitalization	
Effective Gross Income	\$1,675,750
Expenses	\$1,421,022
Net Operating Income	\$254,728
Capitalization Rate	10.00%
Indicated Value	\$2,547,280
Rounded	\$2,550,000

Sales Comparison Approach

The Sales Comparison Approach is a comparison of the subject property to similar recently sold properties or properties for which offers to purchase have been made. These sales are thoroughly analyzed and are compared to the subject property. The sales are verified and analyzed with appropriate adjustments made for the value-related differences. The result is an estimate of market value by the Sales Comparison Approach.

Research into the subject market revealed very few recently closed sales that provide an adequate comparison for the subject property. The sales utilized are considered to provide the best indication of value for the subject property.

The following are the sales that were utilized in arriving at an estimate of value for the subject by the Sales Comparison Approach.

Mill Creek Golf Club

Sale No.	Course Name	Course Location	Sale Date	Sale Price	No. of Holes	Clubhouse (sq ft)	Par	Yardage	Acres	Revenue/Acres	NOI/Acres	Cap. Rate	Op. Exp. Ratio	OMR
1	The Challenge at The Woods	Jacksonville, FL	Dec-13	\$4,500,000.00	18	N/A	71	6,231	380	\$20,888.89	\$6,188.67	1.99%	89.29%	2.71
2	Riverbend Golf & Resort	Brownsville, TX	Feb-13	\$800,000.00	18	16,310	72	6,020	220.79	\$46,886.44	-\$11,111.11	-25.80%	N/A	1.00
3	Treasure Hills Golf Club	Hartington, TX	Oct-13	\$930,000.00	18	2,124	72	6,960	389	\$17,222.22	-\$8,332.32	-17.85%	N/A	1.99
4	Windrose Golf Club	Spring, TX	Dec-15	\$1,500,000.00	18	N/A	72	7,201	N/A	\$12,222.22	\$30,291.36	10.80%	73.00%	2.99
5	Pine Ridge Golf Course	Paris, TX	Apr-17	\$800,000.00	18	2,362	72	5,855	98,919	\$11,111.11	\$9.08	0.00%	100.00%	1.00

	NOI/Acres	Cap. Rate	Op. Exp. Ratio	OMR
Min.	-\$11,111.11	-25.00%	73.00%	1.00
Max.	\$30,355.36	10.80%	100.00%	3.00
Average	\$2,075.36	-1.34%	88.12%	2.84



Discussion:

The preceding comparable sales are considered to be the most similar and recent transactions for comparison with the subject property. The market data was analyzed to determine what features inherent in any given property cause that property's sale price to vary relative to other properties, and to establish representative and realistic measures for adjustment factors. The sales have been analyzed and adjusted for value-related differences when compared to the subject property. The sales have been analyzed and adjusted for:

- (1) Property rights conveyed,
- (2) Financing terms,
- (3) Conditions of sale (motivation),
- (4) Date of sale (market conditions),
- (5) Physical characteristics,
- (6) Income characteristics.

(1) Property rights conveyed: The sales price of a property is always affected by the real property interest conveyed. The ownership interest for all of the comparable sales utilized in this report is fee simple or absolute ownership. Therefore, no adjustments were required for property rights conveyed. All of the sales included land, building, furniture, equipment, and goodwill. Therefore, the concept of going concern value is applicable to the valuation of the subject.

(2) Financing terms: The definition of market value requires a "*most probable price in cash, terms equivalent to cash*" Therefore, any comparables that did not sell on a cash or cash-equivalent basis must be adjusted to a cash basis. All of the sales were cash transactions; therefore, no adjustments for cash equivalency are necessary.

(3) Conditions of sale: The conditions of a sale can often affect the sale price of a property. All sales are considered to represent arm's length transactions that are consistent with the definition of value as defined previously in this report.

(4) Market conditions at time of sale: Differences in market conditions can substantially influence purchase prices and values. The sale dates range from December 2013 to April 2017. During this time period, values are believed to have increased slightly; therefore, consideration was given to the market conditions at the time of sale in the final estimate of value.

(5) Physical characteristics: The physical category includes the comparison of the comparable sales location, age/condition, course quality, and the amenities to the subject property.

(6) Income Characteristics: Income characteristics is a category that basically describes a property's ability to generate income whether it is a public, private, or semi-private facility. This category overlaps to a large degree with the other categories. For example, golf courses with excellent locational characteristics also tend to have better income characteristics.

Units of Comparison (Physical and Economic)

Because golf courses vary in physical and economic characteristics, it is helpful to reduce the sales prices to units of comparison. These units of comparison are as follows:

Economic units of comparison include:

- 1) Gross Revenue Multiplier
- 2) Net Income Multiplier

The Gross Revenue Multiplier is simply a multiple of the number of times the gross annual revenue a typical buyer will pay for this type of property and is derived by dividing the sales price by the gross annual revenue. The Net Income Multiplier is simply a multiple of the number of times the net income a typical buyer will pay for this type of property and is derived by dividing the sales price by the net income. These multipliers are self-adjusting in the sense that current revenues will reflect the differences between the sales comparables in regard to physical and locational differences.

Therefore, it is not necessary to adjust the sales for value related differences. The Net Income Multiplier was not developed due to the wide range of multipliers exhibited by the comparables.

In our analysis, the GRM is considered the most meaningful indicator because it considers future revenue potential for the subject property. The comparable sales have GRMs ranging from 1.00x to 3.00x with a mean of 2.04X. In the selection of an appropriate multiplier, we have considered several factors, including demographic characteristics, supply/demand in the area, course quality, amenities, required capital expenditures and upside potential.

Overall, a revenue multiplier of 1.60X is considered reasonable. This is in the center of the range. The subject has had revenues in the \$1,100,000 range the last two years, but has been operating at a loss. We have projected a stabilized revenue level of \$1,562,500 with a profit margin or NOI of 14%. The selected multiplier is within this range. The calculations are as follows.

GRM	x	Pro Forma Gross Revenues	=	Value Indication
1.50	x	\$1,675,750 (Pro forma)	=	\$2,513,625
				\$2,510,000 (rounded)

Reconciliation and Conclusion of Value

Reconciliation involves the weighting of alternative value indications, based on the judged reliability and applicability of each approach to value, to arrive at a final value conclusion. Reconciliation is required because different value indications result from the use of multiple approaches and within the application of a single approach. The values indicated by our analyses are as follows:

Summary of Value Indications	
Cost Approach	Not Used
Sales Comparison Approach	\$2,510,000
Income Capitalization Approach	\$2,550,000
Reconciled	\$2,540,000

Cost Approach

Due to the age of the subject improvements, estimates of depreciation are subjective, limiting the reliability of this approach. Additionally, the cost approach is not typically used by market participants, except for new properties. Accordingly, the cost approach is not relied upon in this analysis. It does, however, provide general support for the indications developed in the other approaches.

Sales Comparison Approach

The sales comparison approach is most reliable in an active market when an adequate quantity and quality of comparable sales data are available. In addition, it is typically the most relevant method for owner-user properties, because it directly considers the prices of alternative properties with similar utility for which potential buyers would be competing.

Significant adjustments are required for many of the sales because of differences in the various elements of comparison. This reduces the reliability of this approach. As a result, the sales comparison receives considerable emphasis

Income Capitalization Approach

The income capitalization approach is usually given greatest weight when evaluating investment properties. The value indication from the income capitalization approach is supported by market data regarding income, expenses and required rates of return. The Income Approach receives primary emphasis.

Final Opinion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusion			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value	Fee Simple	May 4, 2018	\$2,540,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None

Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local golf market, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 12 months.

Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 12 months.

Allocation of Going-Concern Value

As part of the assignment, we have been asked to separate the tangible, intangible, and real property components of the going-concern value. In performing this analysis, we consider the following definitions from *The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010*.

Going-Concern Value: 1) The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern. 2) The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable.

Tangible Property: Property that can be perceived with the senses; includes land, fixed improvements, furnishings, merchandise, cash, and other items of working capital used in an enterprise.

Real Property: The interests, benefits, and rights inherent in the ownership of real estate.

Furniture, Fixtures and Equipment (FF&E): Business trade fixtures and personal property, exclusive of inventory.

Intangible Property: Nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

In the case of the subject, our opinion of going-concern value reflects the continuing golf operation, including the contributory value of land, building improvements, furniture, fixtures and equipment (FF&E), and intangible property assets. Specifically excluded from the valuation are cash and equivalents and current liabilities.

Allocation of Going-Concern Value

The allocation of value components is based on the going-concern premise, which holds that the value of a business as a going-concern is equal to the sum of the values of the tangible and intangible assets.

Allocation of Going Concern Value		
	Amount	% of Total
Tangible Property		
Land & Improvements	\$2,445,000	96.3%
Tangible Personal Property (FF&E)	\$95,000	3.7%
Total Tangible Property	\$2,540,000	100.0%
Intangible Assets	\$0	0.0%
Market Value*	\$2,540,000	100.0%

*Specifically excluded from the valuation are cash and equivalents and current liabilities.

The preceding allocation of value components assumes continued operation of the golf business. Were the golf business to cease operations, values of the individual components would likely be different from the allocated values of the going-concern.

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Jason S. Jackson, MAI, made a personal inspection of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.

14. As of the date of this report, Jason S. Jackson, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.



Jason S. Jackson, MAI
State Certified General Appraiser
Texas Certificate # 1336282

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
 8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
 9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
 10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
 11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
 12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
 13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
 14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
 15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
 16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
 17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Fort Worth, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. Integra Realty Resources – Fort Worth is not a building or environmental inspector. Integra Fort Worth does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. Integra Realty Resources – Fort Worth, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
28. The Uniform Standards of Professional Appraisal Practice S.R.1-2, of the Appraisal Foundation, state that an appraiser must identify and consider any personal property, fixtures or intangible items that are included in the appraisal.

Furniture, Fixtures, and Equipment (tangible non-realty items)

The FF&E includes all the tangible personal property (non-realty items) that is owned and used in the operation of the golf facility. A comprehensive list of maintenance FF&E was provided and is included in the Addendum. *We must emphasize each piece of FF&E was not inspected.* These items include golf course maintenance equipment, golf carts and clubhouse equipment.

The club leases its golf cart fleet. This is a traditional lease; as such, carts are not considered personal property.

According to the provided asset report and trial balance sheet, the remaining maintenance equipment had a replacement cost of \$94,908. The equipment is predominantly 3-5 years old and 20% depreciated. A value of 80% of the cost new, or about \$75,000 is reasonable.

Finally, the clubhouse FF&E is 3-5 years old and has a cost new of \$26,369. A value of 75-80% of the cost new, or about \$20,000 is reasonable.

Taking all of the above into consideration, an estimated contributory value of the FF&E of \$95,000 is considered reasonable for the subject property.

Addendum A

Appraiser Qualifications

Jason S. Jackson, MAI

Experience

Jason Jackson, MAI has 15 years of experience in Commercial Real Estate appraisal. He is a Texas Certified General Appraiser, and has prepared appraisals in twenty states. Mr. Jackson has experience in appraising all major categories of real estate, including residential, multi-family, commercial, industrial, residential and commercial subdivision developments, special purpose, golf courses, country clubs, golf course planned unit developments, and vacant land for banks, lending institutions, mortgage companies, various government agencies, tax representation agents, developers, brokers, law firms and individual clients. Jason has also appraised in excess of 100 parcels for condemnation purposes, many of which were complex assignments with remainder damages and provided expert witness testimony in court proceedings. His areas of expertise include golf courses, as well as single family subdivisions. Jason graduated from Baylor University with a Bachelor's of Business Administration Degree in Finance with an emphasis in Real Estate and obtained his MAI designation in 2013. Mr. Jackson currently serves as an officer of the Central Texas Chapter of the Appraisal Institute.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute
State of Texas Licensed Real Estate Broker #0598228
Member Greater Fort Worth Association of Realtors
Education Chair-Central Texas Chapter, A.I. (2015)
Secretary/Treasurer-Central Texas Chapter, A.I. (2017)
Vice President-Central Texas Chapter, A.I. (2018)

Licenses

Texas, State Certified General Appraiser, 1336282, Expires July 2018

Education

Graduate of Baylor University (2001) with a Bachelor's of Business Administration Degree in Finance with an emphasis in Real Estate. Graduate of Irving public schools (1996).
Successfully completed the following real estate courses at Baylor University:
Principles of Real Estate
Real Estate Appraisal
Real Estate Investments
Successfully completed all required courses by the Appraisal Institute for professional designation (MAI).
Successfully completed all required courses by the State of Texas for Salesperson and Broker certification.
The Discounted Cash Flow Model: Concepts, Issues & Apps. – A.I.
2016-17 USPAP Update

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Texas Appraiser Licensing and Certification Board

P.O. Box 12188 Austin, Texas 78711-2188

Certified General Real Estate Appraiser

Number: **TX 1336282 G**

Issued: **07/13/2016**

Expires: **07/31/2018**

Appraiser: **JASON SCOTT JACKSON**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Texas Occupations Code, Chapter 1103, is authorized to use this title, Certified General Real Estate Appraiser.


Douglas E. Oldham
Commissioner

About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

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Addendum B
Definitions

Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Deferred Maintenance

Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.

Depreciation

A loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

Entrepreneurial Profit

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.
2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Excess Land; Surplus Land

Excess Land: Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately.

Surplus Land: Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.

Highest and Best Use

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

Investment Value

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

Lease

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.

4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements.

Market Value

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

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Rentable Area (RA)

For office buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.

Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for the building or other improvements, using modern materials and current standards, design and layout.

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.

Stabilized Income

1. An estimate of income, either current or forecasted, that presumes the property is at stabilized occupancy.
2. The forecast of the subject property's yearly average income (or average-equivalent income) expected for the economic life of the subject property.
3. Projected income that is subject to change but has been adjusted to reflect an equivalent, stable annual income.

Stabilized Occupancy

1. The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand.
2. An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life.

Addendum C
Comparable Data

Location & Property Identification

Property Name: The Challenge at the Woods
Sub-Property Type: Sport & Entertainment, Golf Course
Address: 14499 Highway 79 East
City/State/Zip: Jacksonville, TX 75766
County: Cherokee

Market Orientation: Small Town - Non Metro

IRR Event ID: 1944071



Sale Information

Sale Price: \$1,900,000
Effective Sale Price: \$1,900,000
Sale Date: 12/18/2013
Sale Status: Closed
\$/SF GBA: \$113.10
\$/SF NRA: \$113.10
Grantor/Seller: Jacksonville Country Club, LLC

Grantee/Buyer: Rhodes Veterinary Hospital, Inc.
Property Rights: Fee Simple
Financing: Cash to seller
Document Type: Warranty Deed
Recording No.: 2200-643
Verification Type: Secondary Verification

Improvement and Site Data

MSA: Jacksonville, TX Micro MSA
GBA-SF: 16,800
NRA-SF: 16,800
Acres(Usable/Gross): 190.00/190.00
Land-SF(Usable/Gross): 8,276,400/8,276,400
Usable/Gross Ratio: 1.00
Source of Land Info.: Public Records

Operating Data and Key Indicators

Operating Data Type: In Place
Potential Gross Income: \$700,000
Effective Gross Income: \$700,000
Operating Expenses: \$700,000
Expense Ratio: 100.00%
GRM - Derived: 2.71
EGIM - Derived: 2.71
Cap Rate - Reported: 0.00%

Location & Property Identification

Property Name: Riverbend Golf & Resort
Sub-Property Type: Sport & Entertainment, Golf Course
Address: 4541 US281
City/State/Zip: Brownsville, TX 78520
County: Cameron

Market Orientation: Small Town - Non Metro

IRR Event ID: 1944080



Sale Information

Sale Price: \$800,000
Effective Sale Price: \$800,000
Sale Date: 02/06/2015
Recording Date: 02/06/2015
Sale Status: Closed
\$/SF GBA: \$75.92
\$/SF NRA: \$75.92
Grantor/Seller: Riverbend Resort, Inc.
Grantee/Buyer: M&J Development, LLC
Property Rights: Fee Simple
Financing: Cash to seller
Document Type: Warranty Deed
Recording No.: 20744-279
Verification Type: Secondary Verification

Sale Analysis

Current Use at T.O.S.: Golf Course

Improvement and Site Data

MSA: Brownsville-Harlingen, TX
GBA-SF: 10,538
NRA-SF: 10,538
Acres(Gross): 228.79
Land-SF(Gross): 9,966,092
Source of Land Info.: Public Records

Operating Data and Key Indicators

Operating Data Type: In Place
Potential Gross Income: \$800,000
Effective Gross Income: \$800,000
Operating Expenses: \$1,000,000
Net Operating Income: \$-200,000
Expense Ratio: 125.00%
Cap Rate - Derived: -25.00%
GRM - Derived: 1.00
EGIM - Derived: 1.00

Location & Property Identification

Property Name: Treasure Hills Golf Club
Sub-Property Type: Sport & Entertainment, Golf Course
Address: 3009 North August Drive
City/State/Zip: Harlingen, TX 78550
County: Cameron

Market Orientation: Suburban

IRR Event ID: 1944062



Sale Information

Sale Price: \$850,000
Effective Sale Price: \$850,000
Sale Date: 10/30/2015
Recording Date: 10/30/2015
Sale Status: Closed
\$/SF GBA: \$389.19
\$/SF NRA: \$389.19
Grantor/Seller: Valley Baptist Realty Corporation

Grantee/Buyer: Virajgolf, LLC
Property Rights: Fee Simple
Financing: Cash to seller
Document Type: Warranty Deed
Recording No.: 201540679
Verification Type: Secondary Verification

Cap Rate - Reported: 0.00%

Improvement and Site Data

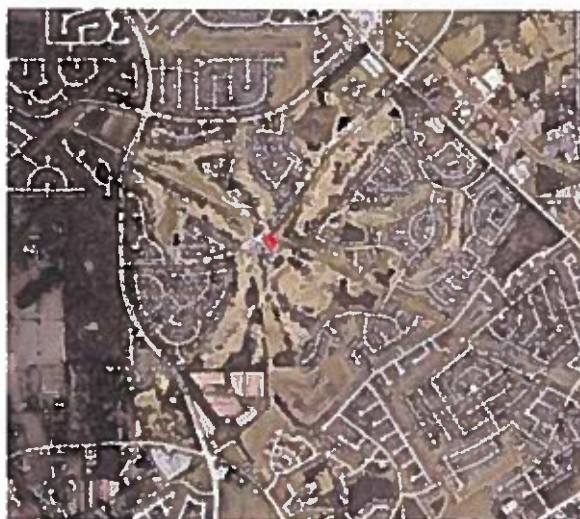
GBA-SF: 2,184
NRA-SF: 2,184
Acres(Gross): 189.00
Land-SF(Gross): 8,232,840
Source of Land Info.: Public Records

Operating Data and Key Indicators

Operating Data Type: In Place
Potential Gross Income: \$850,000
Effective Gross Income: \$850,000
Operating Expenses: \$1,000,000
Net Operating Income: \$-150,000
Expense Ratio: 117.65%
Cap Rate - Derived: -17.65%
GRM - Derived: 1.00
EGIM - Derived: 1.00

Location & Property Identification

Property Name:	Windrose Golf Club
Sub-Property Type:	Sport & Entertainment, Golf Course
Address:	6235 Pinelakes Boulevard
City/State/Zip:	Spring, TX 77379
County:	Harris
Market Orientation:	Suburban
IRR Event ID:	1944085



Sale Information

Sale Price:	\$5,500,000
Effective Sale Price:	\$5,500,000
Sale Date:	12/15/2015
Recording Date:	12/15/2015
Sale Status:	Closed
\$/SF GBA:	\$480.06
\$/SF NRA:	\$480.06
Grantor/Seller:	Austin TX Golf Ventures, LP
Grantee/Buyer:	Windrose Golf, LLC
Property Rights:	Fee Simple
Financing:	Cash to seller
Document Type:	Warranty Deed
Recording No.:	20150576075
Verification Type:	Secondary Verification

Improvement and Site Data

MSA:	Houston-The Woodlands-Sugar Land, TX
GBA-SF:	11,457
NRA-SF:	11,457
Acres(Usable/Gross):	106.29/106.29
Land-SF(Usable/Gross):	4,629,992/4,629,992
Usable/Gross Ratio:	1.00
Year Built:	1988
Source of Land Info.:	Public Records

Operating Data and Key Indicators

Operating Data Type:	In Place
Potential Gross Income:	\$2,200,000
Effective Gross Income:	\$2,200,000
Operating Expenses:	\$1,650,000
Net Operating Income:	\$ 550,000
Expense Ratio:	75.00%
Cap Rate - Derived:	10.00%
GRM - Derived:	2.50
EGIM - Derived:	2.50

Location & Property Identification

Property Name: Pine Ridge Golf Course
Sub-Property Type: Sport & Entertainment, Golf Course
Address: 5615 Pine Mill Road
City/State/Zip: Paris, TX 75462
County: Lamar

Market Orientation: Small Town - Non Metro

IRR Event ID: 1944099



Sale Information

Sale Price: \$600,000
Effective Sale Price: \$600,000
Sale Date: 04/04/2017
Recording Date: 04/04/2017
Sale Status: Closed
\$/SF GBA: \$234.19
\$/SF NRA: \$234.19
Grantor/Seller: Bruce Raney
Grantee/Buyer: On Course Operations, LLC
Property Rights: Fee Simple
Financing: Cash to seller
Document Type: Warranty Deed
Recording No.: 142242-2017
Confirmation Source: Bruce Raney
Verification Type: Confirmed-Seller

Sale Analysis

Current Use at T.O.S.: Golf Course

Improvement and Site Data

MSA: Paris, TX Micro MSA
GBA-SF: 2,562
NRA-SF: 2,562
Acres(Gross): 98.92
Land-SF(Gross): 4,308,911
Source of Land Info.: Past Appraisal

Operating Data and Key Indicators

Operating Data Type: Stabilized
Potential Gross Income: \$345,000
Effective Gross Income: \$345,000
Operating Expenses: \$260,000
Net Operating Income: \$ 85,000
Expense Ratio: 75.36%
Cap Rate - Derived: 14.17%
GRM - Derived: 1.74
EGIM - Derived: 1.74



Capital Improvements

Bridges (5)	\$598,000
Greens (10)	\$270,000
Cart Paths	\$ 68,000
Limestone Walls	\$240,000
Sculpting Fairways	\$175,000
Grass	\$ 50,000
Waterscapes	\$ 375,000
Flood Cleanup	\$ 600,000
Lakes	\$250,000
Wells	\$ 30,000
Buildings	\$585,000
Irrigation	\$ 725,000
Computer System	\$ 48,563
Septic System	\$ 45,000
Pool	\$ 35,000
Awning	\$ 20,000
Tee Markers	\$ 36,000
Total	\$ 4,150,563 **

** Totals do not include the acquisition of three additional parcels of land. Those include Sherrill Park, the Original Club house with parking lot and the Maintenance Area

MCCC MAINTENANCE EQUIPMENT

EQUIPMENT	MAKE	MODEL	QUANTITY
Backhoe	Allmand	TLB 425 ESL	1
Turbine Blower Tractor Mounted	Buffalo	5191	1
Turf Carryall	Club Car		1
Electric 48V	Club Car	President	1
Electric 48VIR	Club Car	Green	3
Turf Truck Ball Picker	Club Car		1
Beverage Cart	Club Car	Carry All	2
Push Mower	Hover		1
Gang Mower Fairway	Jacobson	LF3400	1
Greens Mower	John Deere	2500	2
Gang Mower Fairway	John Deere	3235A	1
Pro Gator 2030	John Deere		1
Tractor 1070	John Deere		1
Backhoe	John Deere	310-D	1
Aercore 800	John Deere		1
Reel Grinder	Neary	SRI555	1
Greens Roller	Salsco		1
Tee Mower	Toro	3150	2
Reelmaster Trim Mower	Toro	2000D	1
Ruff Mower	Toro	4500D	2
Sand Pro	Toro	3040	1
Multi Pro Sprayer 1200	Toro		1
Greens Terra Spike	Wiedenmann	G6/160	1
Backpack Blower			2
Chain Saw			1
Weed Eater			2
Ice Machine			1
Floor Jack			1
Air Compressor (Needs Replaced)			1
Pressure Washer			1
Old Flat Bed Trailer			1
Small Two Wheel Blower			1
Battery Charger			1
Back Lap Reel Machine			1
Drill Press			1

Integra Realty Resources

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www.irr.com



August 1, 2018

Mr. Don Ferguson
Village Administrator
Village of Salado
301 North Stagecoach
Salado, TX 76571

SUBJECT: Addendum Letter
Mill Creek Golf Club
1610 Club Circle
Salado, Bell County, Texas 76571
Client Reference: Mr. Ferguson
IRR - Fort Worth File No. 195-2018-0117

Dear Mr. Ferguson:

At your request, we have completed an Addendum Letter to the appraisal of the aforementioned property that was completed in June 2018. The effective date of the prior appraisal was May 4, 2018.

In the previous appraisal, we were engaged to estimate the market value of the Mill Creek Golf Club, inclusive of all land and improvements, as if sold to a single purchaser. This included a commercial building formerly utilized as a restaurant and an approximately 8-acre parcel of land referred to as Sherrill Park.

As stated in the appraisal, "It should be noted that the subject property includes a building formerly utilized as a restaurant as well as about 8 acres utilized as a park (Sherrill Park). These properties do not generate any revenue; the restaurant has been vacant for a number of years and has not been maintained. As we have appraised the subject "as if sold to a single-purchaser," we have considered these components in the selection of the capitalization rate and gross revenue multiplier."

The intent of this letter is to recognize that the preceding properties, restaurant and land, have value independent of the golf course; however, we have not performed any research in an attempt to estimate the values as stand-alone properties. Further, we recognize that excluding these properties from the golf course *would not result in any measurable change* in the reconciled value of \$2,540,000.

This letter is intended to become a part of the prior appraisal. It is not intended to be a stand-alone document and, as such, does not independently conform to the Uniform Standards of Professional Appraisal Practice.

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

Integra Realty Resources - Fort Worth

A handwritten signature in black ink, appearing to read "Jason S. Jackson". The signature is fluid and cursive, with the first name being the most prominent.

Jason S. Jackson, MAI
State Certified General Appraiser
Texas Certificate # 1336282
Telephone: 817-969-4627
Email: jsjackson@irr.com