

## Indian Wells Golf Resort Key Budget Assumptions and Overview 2012-2013

The following summary provides an operational overview and primary budget assumptions by department for Indian Wells Golf Resort for the fiscal year starting July 1, 2012 and ending June 30, 2013. These assumptions are based on communication with City representatives, market research, financial review, historical analysis, corporate resourcing, and proven industry expertise. Consistent with historical reporting, this budget is presented by department.

In addition, the last section of this report is a program schedule that distributes revenues and expenses into each golf resort program cost center to properly account for the revenues and costs associated with each program.

### Key Budget Assumptions

- **Level of Service and Amenities**

The financial projections contained herein are based on an operational model in which Indian Wells Golf Resort continues to be one of the premier golf and culinary destinations in Southern California. While efficiencies will be found as warranted, staffing levels will be such as to provide a higher level of customer service when compared to our competitive set. Our goal is to provide an authentic style of service and “aggressive” hospitality in that guests are greeted and recognized first and needs are regularly anticipated.

From a physical standpoint, preventative repair and maintenance will continue to be a priority as most construction based warranties have expired. Front of the house and heart of the house areas will need greater attention due to age and high traffic use.

- **Rates and Pricing**

2011-12 was a great year of progress for the golf resort with our brand and reputation improving each year as the destination of Indian Wells grows in popularity. We will not exercise a price increase this year due to the aggressive increase experience last year. Our average rate is scheduled to remain relatively flat to prior year and there will be some room for improvement in traffic that will assist us in reaching our revenue and profit goals.

Aggressive dynamic pricing in booking group business will be a major focus in this budget as we seek opportunities during the BNP tennis event and during the Goldenvoice music festivals. The tennis and music events blocked hotel space with non-golfers and restricted our opportunities to attract out of town golf groups. We also plan to pick up some momentum from our new golf programs that are reasonably priced late in the day to attract new golfers in a timeframe that we traditionally have available inventory.

In Food and Beverage, management feels the facility can still maintain its great value perception yet improve profitability through a combination of new product development, aggressive cost management, and an efficient production system. Overall pricing for the F&B operation is relatively flat to prior year. Price increases were introduced in all F&B outlets last year and this year our revenue growth will come from enhanced traffic.

- **Traffic**

Golf rounds will experience an increase of 1.34% over prior year due to group/tournament rounds and enhanced afternoon utilization. Group rounds will enhance as we offer more aggressive and dynamic pricing during strategic times during high season in an effort to get business on the books in advance. We also have an opportunity in golf to enhance traffic by creating programs that make use of the non-utilized times that occur outside of the traditionally popular time slots. Nine hole rounds early in the morning and late in the afternoon provide us with a platform to create various programs that will reach a new audience of golfers and potentially enhance the offerings for guests staying with our resort partners.

Overall F&B covers are increasing by 6,000 with the greatest increase coming in Banquets. Banquet covers vs. current year are up by more than 7%. The Fairway Grill and Beverage Carts covers are up due to the increase in golf rounds over prior year. IW Club is projected for a slight increase and the Café will see an increase of more than 2%.

- **Expenses**

- Overall Cost of Sales stands flat at 19% of total revenues. This is flat to year-end estimates and flat to prior year.
- Payroll is showing a slight savings of \$31K over this year's final estimate. Management has reduced payroll percentage (to revenues) every year since arriving on property and the proposed budget is no exception. Overall payroll as a percentage of total revenue is proposed at 40% vs. this year's estimate of 41%. (Year-end 2010-11 was 45% and Year-end 2009-10 was 49% ). Employee Benefits is showing a 1.12% savings as a result of payroll reductions and management's effort to move associates to part time or seasonal without benefits.
- Operational Expenses are up just over 5% to this year's final year-end estimates. The majority of the increase for the property will be in Golf Course Maintenance with seed and fuel costs.
- COST PER ROUND is estimated at \$71.94. There has been some improvement in this statistic due to the payroll reductions we have managed in an effort to maximize efficiency. Our payroll management has also resulted in a reduction in benefits to help reduce the cost per round as we move towards hiring more part time associates without benefits. This figure includes all IWGR operational expenses with the exception of all F&B expenses, 50% of G&A expenses, and 75% of Building Maintenance expenses.

- **Culture**

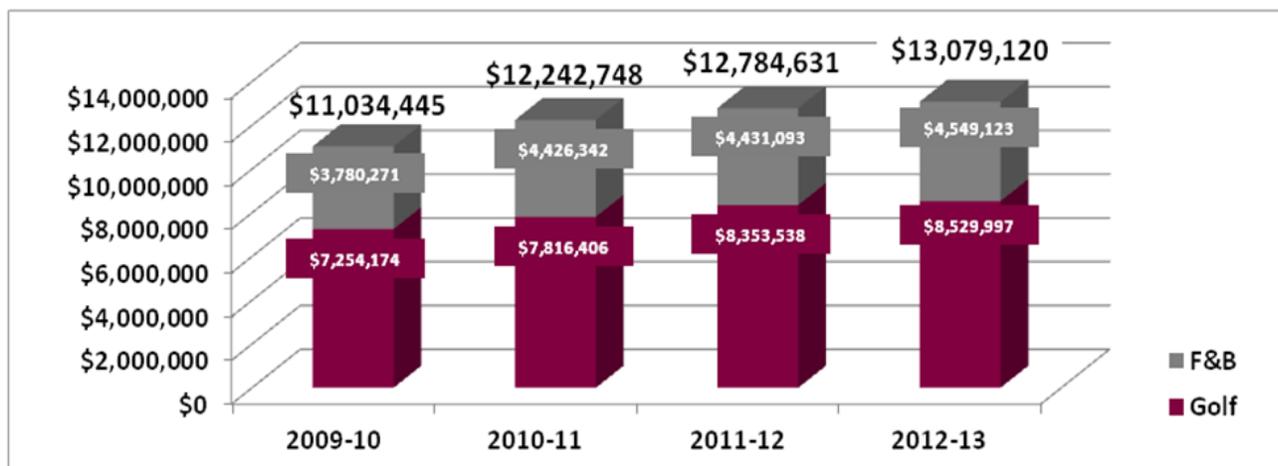
Management will continue to promote a dynamic operating environment to the team on site. Programs to improve areas such as property communication, staff empowerment, defined service expectations, financial ownership, and personal accountability will be reinforced. The goal continues to be to create an atmosphere of genuine hospitality and self-motivation where team members feel proud of the service they provide to our guests and show genuine concern for the well being of the facility and each other. All this is done with the intention of making the Indian Wells Golf Resort the hospitality employer of choice in the valley.

**INDIAN WELLS GOLF RESORT FINANCIAL SUMMARY**

Indian Wells Golf Resort	2012-13	2011-12*	Var.	Var. %	2010-11	2009-10
<b>Rounds</b>	84,496	83,378	1,118	1.34%	83,052	81,102
<b>Total Revenues</b>	\$13,079,120	\$12,784,631	\$294,489	2.30%	\$12,242,748	\$11,034,445
<b>Cost of Sales</b>	\$2,483,076	\$2,401,107	\$81,969	3.41%	\$2,498,676	\$2,202,436
<b>Payroll</b>	\$5,290,348	\$5,321,893	-\$31,545	-0.59%	\$5,535,061	\$5,441,900
<b>Employee Benefits/Related</b>	\$1,585,005	\$1,602,736	-\$17,731	-1.11%	\$1,610,036	\$1,501,448
<b>Operating Expenses</b>	\$2,221,152	\$2,107,616	\$113,536	5.39%	\$2,159,057	\$1,970,495
<b>Fixed Expenses</b>	\$881,746	\$886,431	-\$4,685	-0.53%	\$906,665	\$884,199
<b>GOP</b>	\$617,801	\$464,848	\$152,953	32.90%	-\$466,748	-\$966,339
<b>Other Expenses</b>	\$322,001	\$322,151	-\$150	-0.05%	\$259,786	\$185,197
<b>NOI</b>	\$295,801	\$142,697	\$153,104	107.29%	-\$726,534	-\$1,205,914

\*Year end estimates

- The 2012-2013 budget provides a four year revenue increase of slightly more than \$2 million dollars and an NOI increase of almost \$1.5 million dollars. The resulting flow-through percentage of 73% means that for every \$1 added in revenue, the facility added \$.73 cents in profit. Management has done this through selective and profitable revenue increases in combination with a continual pursuit of operational efficiency.

**Facility Revenue Summary**


### IWGR - Primary Variations

Total Revenues	2012-13	2011-12*	Var.	Var. %	2010-11
	\$13,079,120	\$12,784,631	\$294,489	2.30%	\$12,242,748

The total revenue increase of \$294K resulted from a \$176K increase in Golf Operations and \$118K increase in Food and Beverage. Details on these increases are covered in this report in their respective department.

Cost of Sales	2012-13	2011-12*	Var.	Var. %	2010-11
	\$2,483,076	\$2,401,107	\$81,969	3.41%	\$2,498,676

Facility cost of sales % to revenues are 19% which is flat to prior year. The dollar increase in this line item is a function of higher projected revenue that results in more dollars in cost of sales.

Payroll	2012-13	2011-12*	Var.	Var. %	2010-11
	\$5,290,348	\$5,321,893	-\$31,545	-0.60%	\$5,535,061

Payroll savings at the facility is a result of a slight payroll reduction in F&B, Golf Course Maintenance, and G&A. Details on these savings are covered in this report in their respective department.

Employee Benefits/Related	2012-13	2011-12*	Var.	Var. %	2010-11
	\$1,585,005	\$1,602,736	-\$17,731	-1.12%	\$1,610,036

Savings in this area is a product of the payroll reductions mentioned earlier and an effort to move more associates to part time or seasonal without benefits. Details on these savings are covered in this report in their respective department.

Operating Expenses	2012-13	2011-12*	Var.	Var. %	2010-11
	\$2,221,152	\$2,107,616	\$113,536	5.39%	\$2,159,057

The majority of this increase takes place within Golf Course Maintenance. Seed costs result in a \$52K increase over prior year and fuel costs account for a \$42k increase. Details on these increases are covered in the Golf Course Maintenance area of this report.

Fixed Expenses	2012-13	2011-12*	Var.	Var. %	2010-11
	\$881,746	\$886,431	-\$4,685	-0.53%	\$906,665

Electricity, Water, and Phone make up the categories for fixed expenses. Relatively flat in all departments although there will be a slight savings in electricity use for Golf Course Maintenance.

## GOLF OPERATIONS

### Golf Operations - Financial Overview

GOLF	2012-13	2011-12*		Var.	Var. %	2010-2011	2009-10
<b>ROUNDS</b>	<b>84,496</b>	<b>83,378</b>		1,118	1.34%	<b>83,052</b>	<b>81,102</b>
REVENUES	\$6,940,956	\$6,818,881		\$122,075	1.79%	\$6,306,836	\$5,917,400
COGS	\$124,086	\$113,325		\$10,761	9.50%	\$103,709	\$118,026
<b>TOTAL PAYROLL</b>	<b>\$1,147,190</b>	<b>\$1,093,514</b>		<b>\$53,676</b>	<b>4.91%</b>	<b>\$1,102,320</b>	<b>\$1,076,651</b>
<b>OPS EXPENSES</b>	<b>\$416,024</b>	<b>\$449,759</b>		<b>-\$33,735</b>	<b>7.50%</b>	<b>\$440,325</b>	<b>\$427,993</b>
<b>NOI</b>	<b>\$5,253,613</b>	<b>\$5,162,283</b>		<b>\$91,330</b>	<b>1.77%</b>	<b>\$4,660,473</b>	<b>\$4,294,730</b>

### Golf Operations - Critical Assumptions and Variances

#### Rates

The 2012-13 proposed budget reflects an ongoing strategy put in place three years ago. As we continue to drive demand and slightly level rates, we continue with the strategy of optimizing our round mix percentage in peak times.

With the national exposure in 2011-12, management felt the cause for slight rate increase. As we look into 2013 management feels that we are in a great position with regards to rate and will maintain the same rate structure as 2011-12. As we continue to be more aggressive with online and afternoon rounds, we will see more ancillary rounds; however, this will have an effect on our average rates.

In the coming year, our method will be focused on maximizing peak rate potential in the "prime" time as well as maximizing our "off peak" times through golfer development programs and promotions. We believe the trepidation of corporate travel is beginning to ease; however, with the state of the economy for the last three years group play has become very competitive with regards to rate. The team will actively seek additional tournament/group rounds and continue to monitor our comps in the right area throughout the year. Our wholesaler rate will show a slight drop due to the competitive demands from golfnow.com and the market they (golfnow) are now beginning to corner.

Rates	2012-13	2011-12*	Var.	Var. %	2010-11	2009-10
Regular	\$127.66	\$127.46	\$0.20	0.16%	\$114.80	\$101.32
Tournament	\$97.13	\$99.90	-\$2.77	-2.77%	\$97.95	\$87.47
Resort Guest	\$111.14	\$109.39	\$1.75	1.60%	\$103.78	\$90.19
Afternoon	\$61.32	\$62.83	-\$1.51	-2.40%	\$63.21	\$68.72
Troon Programs	\$90.97	\$97.81	-\$6.84	-6.99%	\$90.89	\$86.87
Junior Rate	\$31.82	\$31.09	\$0.73	2.35%	\$38.61	
IW Card	\$94.14	\$89.70	\$4.44	4.95%	\$86.90	\$80.76
Discount/PGA/Cart Fee	\$36.09	\$51.24	-\$15.10	-29.57%	\$27.53	\$29.40
Wholesaler	\$112.15	\$119.82	-\$7.67	-6.40%	\$112.22	\$105.21
On-Line	\$84.69	\$78.82	\$5.87	7.45%	\$82.65	\$74.00
Resident	\$35.00	\$35.00	\$0.00	0.00%	\$34.72	\$35.11
Resident Guest	\$62.71	\$63.21	-\$0.51	-1.58%	\$59.22	\$61.60
	<b>\$75.76</b>	<b>\$75.86</b>	<b>-\$0.10</b>	<b>-2.77%</b>	<b>\$72.54</b>	<b>\$68.53</b>
(Avg. Rate - Paid Rds)	\$82.14	\$81.78			\$76.89	\$72.84
(Paid Avg. Rate - Non Resident)	\$90.11	\$90.76			\$90.29	\$84.37

### Rounds

There are a few contributing factors for our round count/mix here at IWGR. Below you will find the key indicators for 2013 assumptions.

#### In-Season Availability and Tee Sheet Access

As we enter the 2012-13 year, we will continue with our tee-sheet allocation method which segments three of our main green fee groups; hotel, daily fee, and resident rounds. This method has proven to encourage more peak rate availability in the desired time of day. We are currently holding forty four (44) individual tee times for each category mentioned above.

Management believes 2012-13 will show a slight increase with majority of our growth coming from tournament rounds. We will offer more aggressive and dynamic pricing during strategic times during high season in an effort to get group business on the books in advance. Afternoon rounds will be another segment we are projecting growth as we introduce new programs to optimizing our non-utilized space. We've created promotions and strategic rates to entice rounds/revenues in these off-peak times that we believe will be a positive contributor to the overall bottom line and important in reaching a new audience of golfers.

This proposed budget shows no change to the current booking window or resident programs. Listed below is our 2011-12 structure and scheduled 2012-13 structure:

- Residents and their guests 14 days
- Platinum Card Members 30 days
- Outside Play 60 days
- Resort Guests 90 days
- Tournaments/Groups 1 year (or more based on size, time of year, and rate)

**Current Resident Programs**

City	Facility	Resident Rate	Resident Booking Window	Resident Guest Policy	Resident Guest Rate	Merch. Discount	F&B Discount
Palm Desert	Desert Willow Mission Hills*	\$45	3 days	No Guests	N/A	0%	0%
Rancho Mirage	Hills*	\$68	3 days	3 Guests	\$95	20%	0%
La Quinta	Silver Rock	\$55	3 days	3 Guests	\$115	15%	15% (food only)
Indian Wells	IWGR	\$35	14 days	3 Guests	\$65	20%	20% (w/10 guests)

*\*not city owned*

Off Season Availability

With golf course projects occurring in the summer months, management’s goal is to minimize business disruptions by having course closures during this softer time of year. One course will be closed each week Monday – Thursday from June 20<sup>th</sup> – Sept. 1<sup>st</sup> for project work.

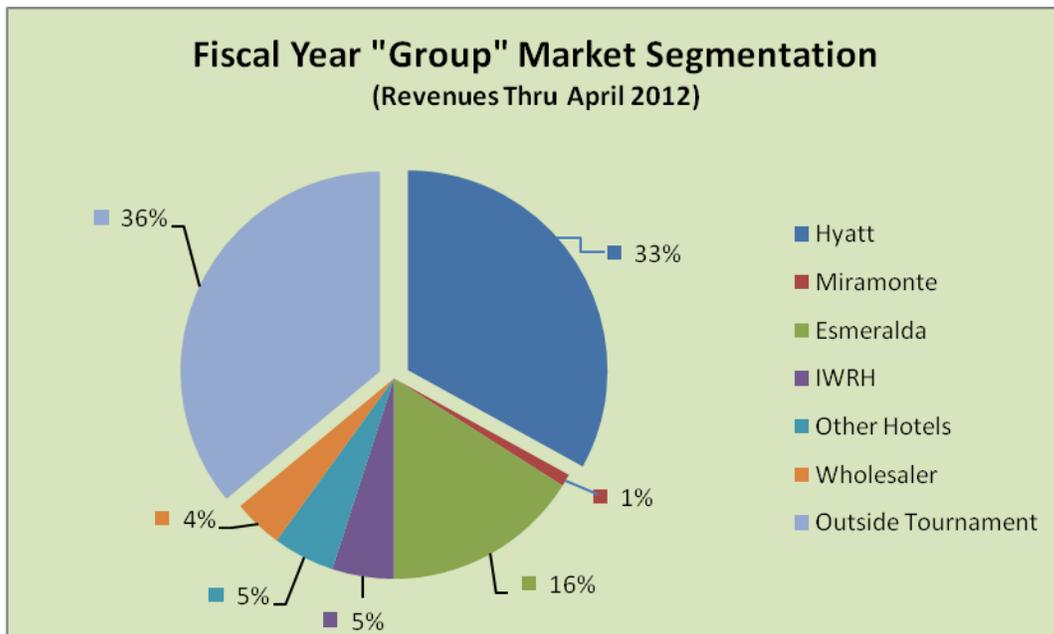
Tournaments and Groups

The team has continued to push rate in this segment over the last three years in spite of continued weakening in resort group contribution, especially during peak season over ten days of Tennis and the three Coachella fest and Stagecoach weekends. Because of this, group rounds have been relatively flat over the same time period. We are expecting a moderate increase in the coming year as management believes corporate travel apprehension may continue to ease and the destination is exposed on a national level. Optimism is controlled, however, sales improvement will depend on a continued economic recovery

On-Site Resort Play and Outside Rounds

In order to facilitate hotel guest and outside round bookings, the team will hold an equal number of times for residents, hotel, and outside rounds until 1 pm and then extend until 2 pm from daylight savings until May 31.

Management expects that our group market segmentation will follow current trends (see pie chart below), a higher percentage of outside and Hyatt group rounds. Management continues to focus on the partnership on Esmeralda group rounds as they continue to trend down sharply from previous years. The team believes this is related to Marriott’s transition to Sales Force One – a centralized sales structure – which makes the JW Marriott an easier sell because of lower golf price points and direct financial benefit to Marriott ownership.



Rounds	2012-2013	2011-2012*	Var.	Var. %	2010-11	2009-10
Regular	4,546	4,395	151	3.44%	3,457	4,471
Tournament	18,975	17,989	986	5.48%	17,807	18,409
Resort Guest	9,428	9,068	360	3.97%	9,843	9,882
Afternoon	8,904	8,384	520	6.20%	8,461	7,511
Troon Programs	944	753	191	25.37%	745	417
Junior Rate	834	892	-58	-6.50%	783	0
IW Card	5,164	5,637	-473	-8.39%	6,325	5,266
Discount/PGA/Cart Fee	1,184	1,420	-236	-16.62%	1,437	1,476
Wholesaler	3,010	2,852	158	5.54%	2,269	2,670
On-Line	5,554	5,394	160	2.97%	5,805	4,985
Comp Rounds**	4,417	3,905	512	13.11%	4,354	4,803
Resident	15,065	15,692	-627	-4.00%	15,282	14,962
Resident Guest	6,471	6,997	-526	-7.52%	6,484	6,250
<b>TOTAL</b>	<b>84,496</b>	<b>83,378</b>	<b>1,118</b>	<b>1.34%</b>	<b>83,052</b>	<b>81,102</b>

**\*\*Comp Rounds** include: trade times, writers and raters, employees, replay rounds (double play), industry times, and donated rounds.

### Golf Operations - Primary Revenue Variations

Green Fees	2012-13	2011-12*	Var.	Var. %	2010-11
	\$6,401,306	\$6,325,483	\$75,823	1%	\$5,851,097

The dollar increase in this line item is a function of higher projected rounds that results in more dollars in green fees as our average golf rate remain relatively flat to prior year.

Range, Rental, Other	2012-13	2011-12*	Var.	Var. %	2010-11
	\$277,000	\$277,828	-\$828	0%	\$253,904

This line item is relatively flat to prior year. Although we plan to see an increase in group rounds that might increase opportunities for rentals, we have created other programs that leverage our "no cost" rentals as an incentive to play.

IWGR Card Programs	2012-13	2011-12*	Var.	Var. %	2010-11
	\$81,000	\$79,424	\$1,576	2%	\$35,362

We are projecting a slight increase in this line item due to the value and growing knowledge of the program.

### Golf Operations - Primary Expense Variations

COS - Group Services	2012-13	2011-12*	Var.	Var. %	2010-11
	\$75,141	\$71,737	\$3,404	5%	\$76,069

Slight increase due to the enhanced group traffic projected this year

Payroll	2012-13	2011-12*	Var.	Var. %	2010-11
	\$869,161	\$834,318	\$34,843	4%	\$860,712

Payroll increase is due to an elevating one of our staff members to salary. This staff member will be assisting with CPC duties and used in other facets of the operation. This increase also reflects the anticipated annual salary increase.

Employee Benefits	2012-13	2011-12*	Var.	Var. %	2010-11
	\$278,028	\$259,197	\$18,831	7%	\$241,608

Increase in employee benefits are a direct relation to anticipated slighter higher rates vs. current year. There will also be an addition of a full time golf professional with benefits that will contribute to this increase.

Advertising	2012-13	2011-12*	Var.	Var. %	2010-11
	\$147,704	\$148,522	-\$818	0%	\$167,515

Marketing costs for Golf Operations are estimated to be relatively flat year over year. Details are highlighted in Sales and Marketing section of these budget assumptions.

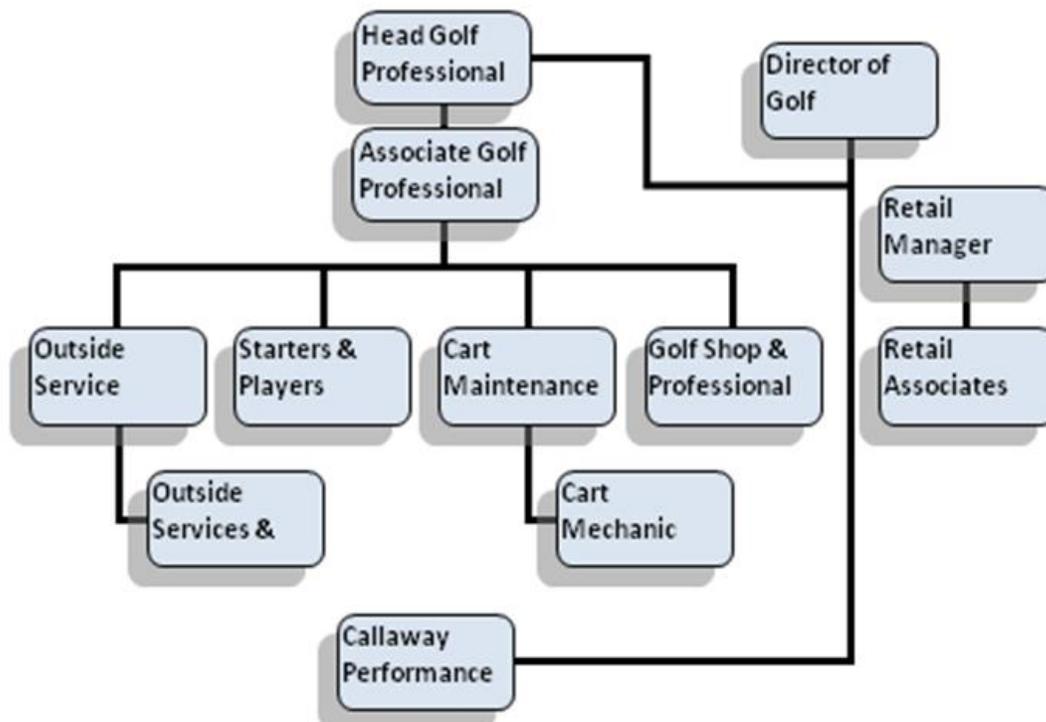
Operating Supplies	2012-13	2011-12*	Var.	Var. %	2010-11
	\$78,650	\$75,651	\$2,999	4%	\$67,213

Operating supplies show a slight increase due to rental bag replacement which is due bi-annually per our national agreement with Callaway as one of the stipulations in receiving 100 complimentary rental sets every two years.

Credit Cards Fees	2012-13	2011-12*	Var.	Var. %	2010-11
	147,230	\$145,127	\$2,103	1%	\$143,160

Calculated at 2.5% of total revenues - increase due to more credit card transactions and reduced group bills charged to hotel master accounts.

### Golf Operations - Organizational Chart



## FOOD & BEVERAGE

### Food & Beverage Operations - Financial Overview

F&B	2012-13	2011-12*		Var.	Var. %	2010-11	2009-10
<b>GROSS REVENUES</b>	\$4,692,854	\$4,558,607		\$101,819	2.37%	\$4,571,096	\$3,997,596
<b>SALES DISCOUNTS</b>	\$143,731	\$127,517		\$16,214	12.72%	\$144,754	\$217,327
<b>NET REVENUES</b>	\$4,549,123	\$4,431,090		\$118,033	2.66%	\$4,426,342	\$3,780,269
<b>COGS</b>	\$1,514,505	\$1,475,064		\$39,441	2.67%	\$1,564,641	\$1,337,565
<b>TOTAL PAYROLL</b>	\$2,209,123	\$2,262,256		-\$53,133	-2.35%	\$2,314,324	\$2,212,831
<b>OPS EXPENSES</b>	\$595,809	\$577,751		\$18,058	3.13%	\$602,978	\$501,466
<b>GOP</b>	\$226,186	\$112,200		\$113,986	101.59%	-\$59,959	-\$271,594
<b>OTHER COSTS</b>	\$27,300	\$26,343		\$957	3.63%	\$16,282	\$20,098
<b>NOI</b>	\$198,886	\$85,857		\$113,029	131.65%	-\$76,241	-\$291,692

### Food & Beverage Operations - Critical Assumptions and Variances

Management is budgeting a significant bottom-line improvement for F&B operations at the IW Club. This will be accomplished through a combination of new product development, aggressive cost management, and the incorporation of a lean overall production system designed to increase efficiency in all areas of F&B activity as well as eliminate waste to the highest degree possible. Moreover, this system will involve the reengineering of all F&B outlets with the aforementioned objectives in mind.

#### IW Club & Outlet Revenues

New revenues will be created through a combination of increased traffic in slower shoulder areas, new product development, and new strategic marketing ideas designed to capture new guest business as well as build guest loyalty. This will be done through:

- New programs such as prix fixe menus and happy hour additions offered at times that have been traditionally slower.
- New products offered for all F&B revenue centers will be designed from analysis of guest surveys and local and/or national trends. Products will be in line with customer preferences and will be value-oriented
- Management intends to incorporate a hoodless pizza oven in the Café as well as new health-conscious products designed primarily for IWGR golfers with limited time frames. Health-conscious artisan pizzas-to-go will now be an option and will increase revenue opportunities.
- Marketing is now completely in-house and will shift from more general campaigns which highlight the overall facility to a more targeted mix designed to highlight specific menus and programs while simultaneously conveying a strong sense of value to guests.

### **Catering Events**

For 2012-2013, we are assuming a 7.33% rise in private event revenue mainly due to the following changes which is expected to increase traffic:

- The Definition Collection Wedding Packages will be developed over the summer with four individual packages strategically designed to meet the needs of discerning brides with specialized tastes.
- The tournament and catering menus will be updated with new and creative offerings designed to stimulate excitement among guests, deliver unparalleled value, and remain competitive.
- The development of a new space, the croquet lawn, will continue which will allow us to book events far above our maximum number in past years. The croquet lawn was used in 2011-2012 for an event of 320 people and the event was a complete success. That one event realized over \$30,000 in revenue we would normally have not been able to generate due to space limitations.

### **Operating Efficiency**

Efficiency will continue to be improved from better hiring practices, continued training with a renewed emphasis on specific service technique and standardization, and the reengineering of best practices that are a fit for the current business model. This would include a new training platform to be initiated in the summer of 2012 that in addition to practical task management will also target the following behavioral aspects of service:

- Effectively dealing with difficult interactions
- Guest recovery techniques
- Effective communication
- The power of positive thinking

All the above will start in late July and continue through September.

### **Payroll**

The portion of payroll directly related to operating the business (excludes associate benefits and taxes), went from \$1,828,107 in 2010-11 to \$1,747,630 for the current year. That's a 1.56% decrease with a 2.66% increase in net revenues during the same period. Operating efficiency and the important practices therein have been the reason for this. Management feels there is still room for improvement and will continue to implement best practices to realize the overall 2.35% payroll improvement in the 2012-13 budget.

### **Operating Expenses**

The 2011-2012 season has realized some compelling improvements in expense management and overall GOP performance. With GOP improvements exceeding \$130,000 vs. 2011-2012 budget, the cost management model that was put into place in July of 2011 will continue for 2012-13. This model calls for aggressive daily tracking and timely adjustments to minimize overspending. This has been done, in part, by analyzing daily inventories for usage variances with the goal to ensure that usage variances are in line with business volume variances. This in conjunction with using inventory turnover ratios (used to highlight how efficient inventory is used) has helped management discover inefficiencies and make the necessary adjustments. Management believes there are still improvements to be made.

Covers	2012-13	2011-12 est.	Var.	Var. %	2010-11
	Total Covers	Total Covers			Total Covers
IW Club	117,800	117,007	793	0.68%	119,472
Beverage Carts (rds)	84,496	83,378	1,418	1.34%	80,350
Café	37,818	36,984	834	2.26%	41,284
Fairway Grille (rds)	84,496	83,378	1,418	1.34%	80,350
Banquets	21,058	19,521	1,537	7.87%	26,759
	<b>345,668</b>	<b>339,668</b>	<b>6,000</b>		<b>348,215</b>

Average Rate per Cover/Round	2012-13	2011-12 est.	Var.	Var. %	2010-11
IW Club	\$23.63	\$23.43	\$.20	.90%	\$22.34
Beverage Carts (rds)	\$4.89	\$4.77	\$.12	2.48%	\$4.49
Café	\$8.22	\$8.14	\$0.08	.98%	\$7.73
Fairway Grille (rds)	\$1.69	\$1.67	\$0.02	1.19%	\$1.69
Banquets	\$37.65	\$38.09	-\$0.44	-1.16%	\$31.39
	<b>\$76.08</b>	<b>\$76.10</b>			<b>\$67.64</b>

### Food & Beverage Operations - Primary Revenue Variations

IW Club	2012-13	2011-12*	Var.	Var. %	2010-11
	\$2,819,761	\$2,783,280	\$36,481	1.30%	\$2,669,531

Modest increase expected primarily in shoulder months due to new programs (early tasting menus) and no highway construction as we experienced last summer.

Beverage Cart	2012-13	2011-12*	Var.	Var. %	2010-11
	\$412,932	\$397,719	\$15,213	3.75%	\$372,616

Increase comes from increased golf rounds as well as new product offerings. The addition of two new beverage carts will also help attendants move around the course faster thus increasing sales opportunities.

Café	2012-13	2011-12*	Var.	Var. %	2010-11
	\$310,771	\$300,959	\$9,812	3.21%	\$319,135

Increase comes from new product offerings including a pizza oven and also projected increase in ADR.

Fairway Grill	2012-13	2011-12*		Var.	Var. %		2010-11
	\$142,633	\$138,660		\$3,973	2.82%		\$114,585

Modest increase related to rise in golf rounds as well as new product offerings.

Banquets	2012-13	2011-12*		Var.	Var. %		2010-11
	\$1,006,678	\$937,910		\$68,768	7.07%		\$1,012,691

Increase due to new wedding menu offerings as well as complete revision of all catering offerings. Also the use of the croquet lawn is projected to bring in additional revenue.

F&B Discounts	2012-13	2011-12*		Var.	Var. %		2010-11
	-\$143,731	-\$127,517		\$16,214	11.96%		-\$144,753

The increase in this line item is a function of an increase in revenues.

#### Food & Beverage Operations - Primary Expense Variations

Cost of Sales	2012-13	2011-12*		Var.	Var. %		2010-11
	\$1,514,505	\$1,475,064		\$39,441	2.67%		\$1,571,048

Estimated relatively flat at 32.3% of gross sales vs current year of 32.4%.

Payroll	2012-13	2011-12*		Var.	Var. %		2010-11
	\$1,719,725	\$1,747,630		-\$27,905	-1.6%		\$1,828,107

Decrease is due to continued efforts to maximize labor efficiency. Labor is 36.69% of gross revenues v. 38.34% PY.

Employee Benefits	2012-13	2011-12*		Var.	Var. %		2010-11
	\$489,398	\$514,626		-\$25,228	-5.03%		\$496,038

Management has made a move to hire more seasonal and part time associate without benefits to experience cost savings.

Advertising & Marketing	2012-13	2011-12*		Var.	Var. %		2010-11
	\$91,258	\$56,657		\$34,601	46.78%		\$34,313

F&B Advertising & Marketing will be managed and funded internally which is the reason for the increase in spending. Management felt an increase was necessary to fuel top-line growth.

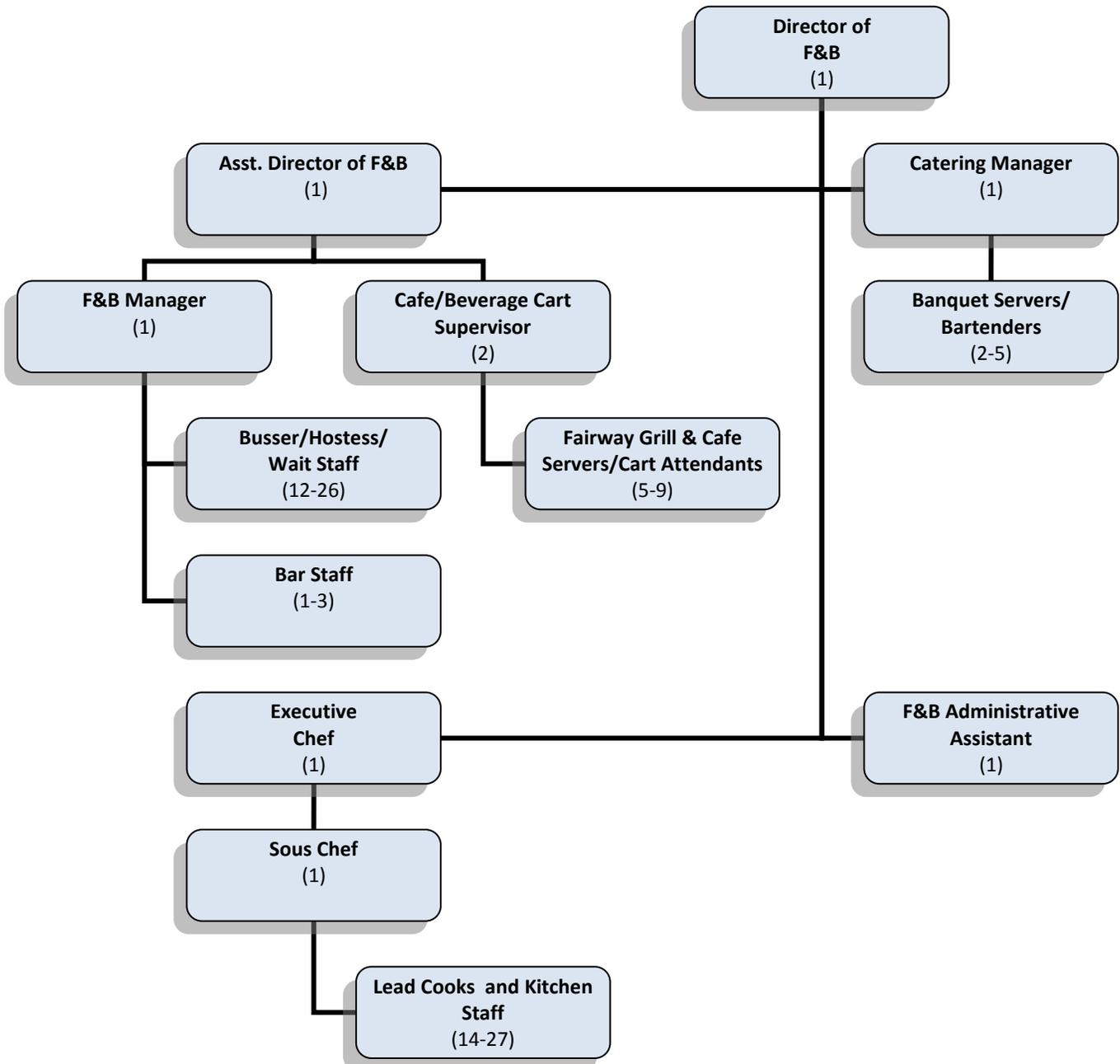
R&M Equipment	2012-13	2011-12*		Var.	Var. %	2010-11
	\$23,600	\$22,335		\$1,265	5.51%	\$22,663

Repairs on major kitchen equipment are expected in 2012-2013 which account for the modest rise.

Operating Expenses	2012-13	2011-12*		Var.	Var. %	2010-11
	\$455,267	\$470,623		-\$15,356	-3.32%	\$504,040

Despite the modest increase in revenues, the continued drive towards maximum efficiency along with aggressive cost management is expected to fuel a slight decline of operating expenses.

### Food & Beverage - Organizational Chart



## GOLF COURSE MAINTENANCE

### Golf Course Maintenance - Financial Overview

Golf Course Maintenance	2012-13	2011-12*	Var.	Var. %	2010-11	2009-10
<b>TOTAL PAYROLL</b>	\$1,897,295	\$1,931,204	-\$33,909	-1.80%	\$1,933,054	\$1,827,584
<b>OPERATING EXPENSES</b>	\$821,076	\$834,943	-\$13,867	-1.07%	\$911,768	\$858,486
<b>FIXED EXPENSES</b>	\$494,213	\$509,280	\$-15,067	-3.00%	\$482,115	\$492,707
<b>NOI</b>	\$3,271,260	\$3,275,427	\$-4,267	-1.02%	-\$3,326,936	-\$3,178,577

### Golf Course Maintenance - Critical Assumptions and Variances

#### Reduction of staff count

A reduction in staff count was necessary to hold our budget number while managing cost increases. Our costs for fuel and fertilizer continue to grow due to the price of oil and manufacturing. Management of mature trees has also added expense to the contract labor line for professional tree trimming on an annual basis. Two staff members have been removed in order to take up the increased costs.

### Golf Course Maintenance - Primary Expense Variations

Payroll	2012-13	2011-12*	Var.	Var. %	2010-11
	\$1,497,160	\$1,557,006	-\$59,846	-3.90%	\$1,573,338

Reduction of two staff greenkeepers.

Employee Benefits	2012-13	2011-12*	Var.	Var. %	2010-11
	\$400,099	\$374,198	\$25,901	6.50%	\$359,715

Increase in employee benefits are a direct relation to anticipated slighter higher rates vs. current year.

R&M Equipment	2012-13	2011-12*		Var.	Var. %	2010-11
	\$62,547	\$50,500		\$12,047	19.30%	\$82,662

Increase reflects the aging equipment and need for preventative maintenance. Prior year included a one-time amount of 10K in promotional parts with the purchase of our new equipment fleet.

Contract Labor	2012-13	2011-12*		Var.	Var. %	2010-11
	\$66,900	\$49,936		\$16,964	24.40%	\$149,222

Increased budget amount for annual crown thinning and reduction of mature Eucalyptus trees throughout the golf courses.

Sod	2012-13	2011-12*		Var.	Var. %	2010-11
	\$0	\$27,852		-\$27,852	-100%	\$2,340

All funds for sod related work have been removed. Management of transition will be done with sod from other areas of the courses or as needed.

Seed and Mulch	2012-13	2011-12*		Var.	Var. %	2010-11
	\$177,000	\$128,800		\$48,200	26.3%	\$178,911

Increased delivery and seed costs for Ryegrass and Poa Trivialis at overseed time. In addition, there is \$38K set aside for hydroseeding the wildflower areas on the Celebrity course which was capitalized the previous year.

Gas, Diesel, Oil, & Lubricants	2012-13	2011-12*		Var.	Var. %	2010-11
	\$183,000	\$156,585		\$26,415	14.5%	\$107,191

Fuel costs are over \$4 per gallon and do not appear to be dropping any time in the near future.

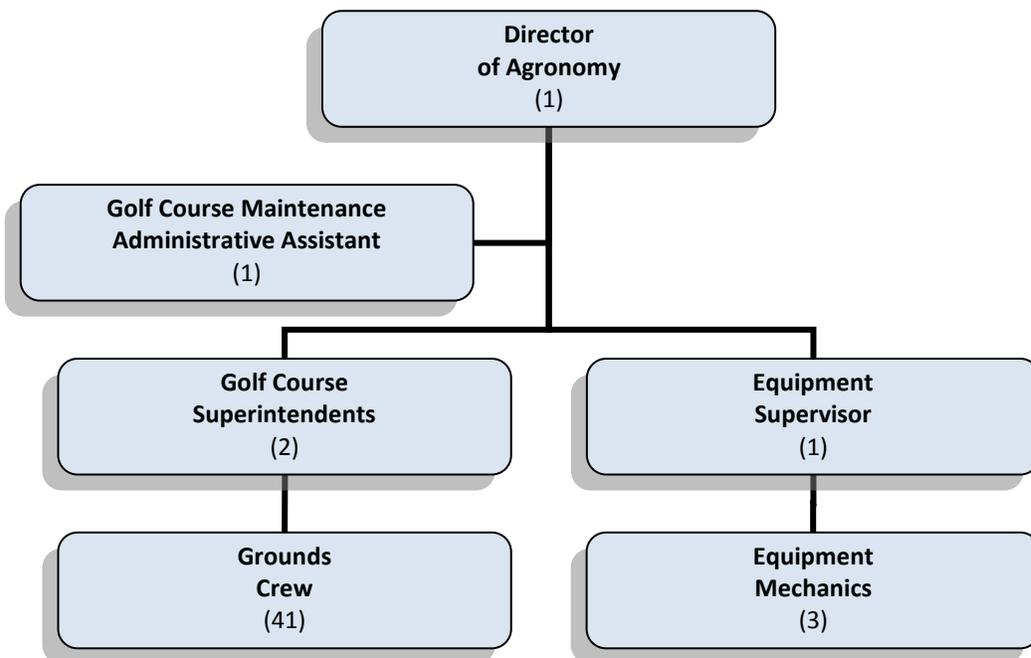
Fertilizers & Chemicals	2012-13	2011-12*		Var.	Var. %	2010-11
	\$243,736	\$201,068		\$42,668	17.5%	\$193,779

Reflective of further increases in weed control along with rising costs for fertilizer products. Fertilizer costs are closely tied to fuel costs for the delivery and manufacturing of product.

Utilities	2012-13	2011-12*		Var.	Var. %	2010-11
	\$494,213	\$432,498*		\$61,715	12.50%	\$495,683

Current year saw a nice savings through increased efficiency and energy management. 2012-2013 shows an increase which may or may not be realized depending on weather patterns and future connection to CVWD mid valley pipeline.

### Golf Course Maintenance – Organizational Chart



## GENERAL & ADMINISTRATIVE

### General & Administrative - Financial Overview

G&A	2012-13	2011-12*	Var.	Var. %	2010-11	2009-10
<b>TOTAL PAYROLL</b>	\$816,316	\$830,536	-\$14,220	-1.71%	\$876,588	\$860,545
<b>OPERATING EXPENSES</b>	\$221,642	\$223,141	-\$1,499	-0.67%	\$224,081	\$251,155
<b>FIXED EXPENSES</b>	\$45,600	\$42,120	\$3,480	8.26%	\$48,946	\$50,743
<b>OTHER EXPENSES</b>	\$292,701	\$293,658	-\$957	-0.33%	\$235,320	\$164,659
<b>NOI</b>	\$1,376,259	\$1,389,455	-\$13,196	-0.95%	\$1,384,935	\$1,327,102

### General & Administrative - Primary Expense Variations

Payroll	2012-13	2011-12*	Var.	Var. %	2010-11
	\$649,723	\$666,323	-\$16,600	-2.49%	\$733,121

This item is reduced by the reduction in salary amounts for the current GM vs. the previous, plus a reduction from the current HR assistant from the previous HR Manager.

Employee Benefits	2012-13	2011-12*	Var.	Var. %	2010-11
	\$166,593	\$164,213	\$2,380	1.45%	\$143,467

This item is increased slightly by the increased cost of health benefits

Employee Related	2012-13	2011-12*	Var.	Var. %	2010-11
	\$85,165	\$107,426	-\$22,261	-20.72%	\$126,737

This item is reduced primarily by no relocation costs vs. previous year and reduced travel expenses.

Operating Expenses	2012-13	2011-12*	Var.	Var. %	2010-11
	\$136,477	\$115,715	\$20,762	17.94%	\$97,347

This item increased primarily due to the addition of approximately \$30K of IT Support expense, offset by savings of \$10K in Corporate Payroll Administration costs.

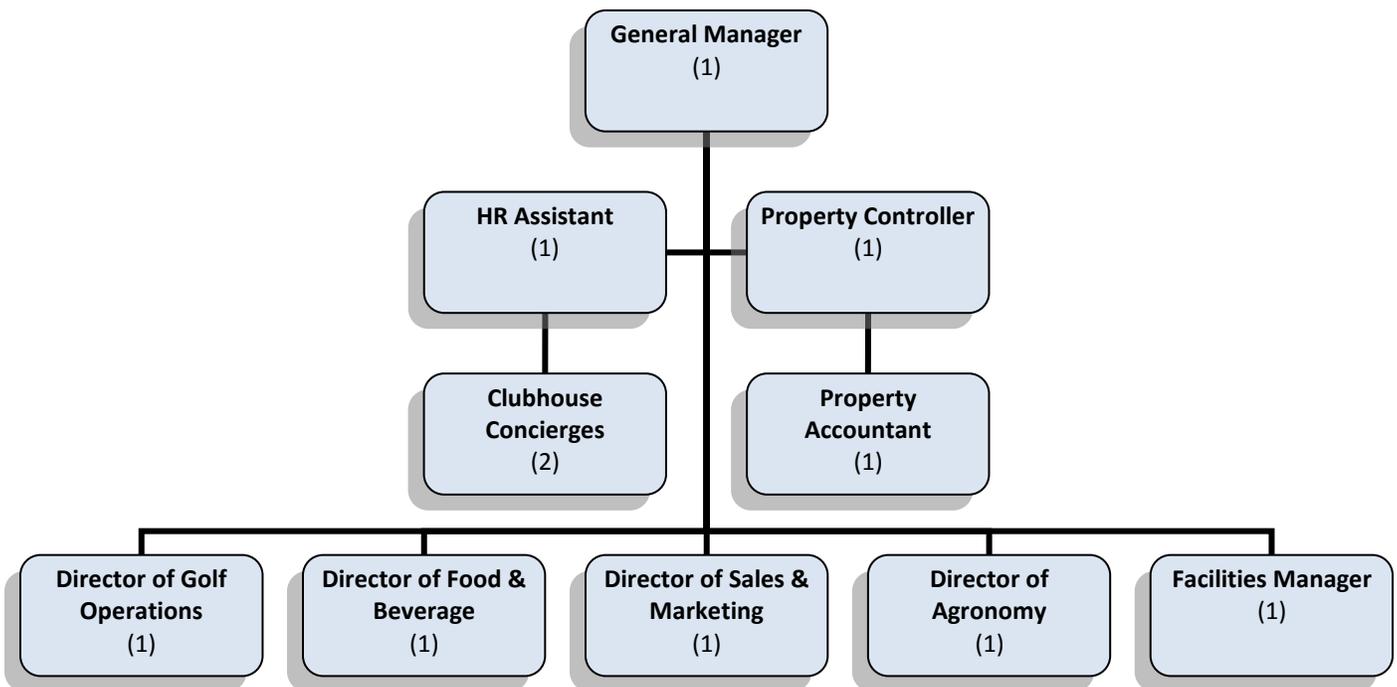
Fixed Expenses	2012-13	2011-12*		Var.	Var. %	2010-11
	\$45,600	\$42,100		\$3,500	8.31%	\$48,946

Telephone Expense is the only item in Fixed Expenses for G&A. Scheduled for a slight increase due to possible enhancement in technology for hotel golf concierge desk to offer direct connects for phone and internet to minimize connection challenges and down time.

Other Expenses	2012-13	2011-12*		Var.	Var. %	2010-11
	\$292,701	\$293,658		-\$957	-0.33%	\$235,320

This item is essentially flat to PY.

**General & Administrative - Organizational Chart**



## SALES & MARKETING

### Sales and Marketing – Overview

Sales and Marketing	2012-13	2011-12*	Var.	Var. %	2010-11	2009-10
<b>Golf Marketing &amp; Promotion</b>	\$155,104	\$152,896	\$2,208	1.4%	\$180,500	\$168,481
<b>F&amp;B Marketing &amp; Promotion</b>	\$95,658	\$71,738	\$23,920	33.3%	\$34,315	\$49,818
<b>TOTAL</b>	\$250,762	\$224,634	\$26,128	11.6%	\$214,815	\$218,299

- Sales & Marketing - GOLF

The strategies for golf sales and marketing include:

- “Campus” Hotel Strategies
  - Proactively contact definite resort groups to inquire about their leisure and group golf needs.
  - Proactively sell catering & events, CPC, merchandise and on course events to hotel golf groups to increase group spend.
  - Increase room nights through golf centric groups through vehicles such as Team Troon, Troon Golf Vacations, SCGA, NCGA and PNGA. We will leverage TGV with a focused campaign to target the neglected 8-20 player groups packaging golf and lodging.
  - Expand Hotel relationships to make operations and sales of all campus facilities more seamless.
  - Leverage Troon Golf’s reach and programs to increase both exposure and traffic to IWGR through Troon Card, Troon Advantage and regionally targeted email blasts to promote Troon Golf Vacations Stay and Play packages.
- Yield manage groups based on off peak times for the club to accommodate various group types.
- Sales Department will follow-up with all group leads within 24 hours.
- The resort sales team will send out a thank you letter/survey to each group coordinator following the event to measure the delivery of our products and services.
- We will continue the sales, execution and recruitment of our loyalty program the IW Platinum Card.
- We will continue to remain committed to driving wholesaler revenues with national, regional and local companies that deliver rounds.
- We will access all existing database information on regional corporations, charities, service organizations, or conventions compiled through the Greater Palm Springs CVB and Local Chambers of Commerce.
- We will ensure our group sales effort is focused on uncovering these groups/tournaments that are playing at our competitors courses.
- Focus out of market efforts on key demographic of avid golfers that are interested in the destination golf market.

- Consistently brand IWGR with the already established branding strategy of the City of Indian Wells and fully utilize marketing vehicles that are already in use.
- Continually improve the functionality and dynamics of the property's website making it IWGR's primary outreach, informational and data capture tool.
- Increase outreach to local area hotels and resorts and to the residents of Indian Wells.
- Expand the use of Search Engine Optimization and Social Media vehicles to produce results that are both measurable and economical.

#### Sales & Marketing - CATERING

The strategies for catering sales and marketing include:

- Target Markets - Continue to identify our target markets and refine by time of year. Example: Target local business meetings with lower cover averages to off-peak times. (Jul-Sep, May-June)

Our target markets include:

- a) Golf /Hotel Groups
  - b) Social Events (birthday/anniversary)
  - c) Corporate Events (Meetings)
  - d) Networking Groups
  - e) Weddings/Receptions
  - f) Charity Groups
- Prospecting - The Director of Catering will be qualifying new leads through networking and canvassing area business as well as contacting past events for repeat business.
  - On Property Hotel Sales and Executive events- We will hold two hotel sales and executive events yearly to further relationships and make IW Club the first point of overflow referral.
  - Concierge Solicitation – Continue to develop relationships with on-property concierge and event planners to not only educate and familiarize them with Indian Wells but also to build a rapport so that these industry professionals will think of IW Club when their clients are looking for a facility to host an event.
  - Direct Sales Calls (phone / visit)
    1. Follow up calls to previous events for repeat business – contacted within one month of original event with thank you letters and group catering satisfaction surveys.
    2. Director of Catering to visit area businesses to hand out collateral and build a rapport with potential clients.
  - Web Site / Internet –Continue Dedicated SEM Program to target Wedding/reception/Catering events. Broadcast e-mails to be sent out whenever necessary promoting special offers, holiday events, themed parties, etc. Catering pages to include photo gallery, inquiry form, sample menus, and general information regarding special events. Utilize Online Bride resources such as Here Comes the Guide etc. Web site to be updated on a regular basis by Catering Dept.
  - IW Club Diners Reward Program – We will leverage IW Club Rewards Members as the best potential catering customers.
  - Public Relations - Twice per year the Sales and Marketing team and F&B team are to strategize about potential media/press opportunities
  - Collateral Needs – updating of catering E-brochures.

- Troon Golf Corporate Programs
  - Indian Wells will utilize the Troon Golf corporate office for additional leads that may come in through troongolf.com as well as for added support and training.
- Special Promotions
  - Special promotions will be offered as needed for slow months and last minute bookings.
  - Promotions will be communicated via broadcast e-mails, thank you notes to IW Club rewards diners and through iwclub.com.
- Database/Internet
  - As needed Indian Wells will utilize the Troon Golf database to send out promotions/special offers & upcoming events via broadcast e-mails.
- Weddings and Receptions
  - IW Club will aggressively pursue the niche destination wedding and reception market.
- Groom's Package
  - IW Club will use the Groom's Package as an added benefit to its wedding packages. Brochures will be placed in wedding packets.

#### Sales & Marketing - IW Club

The strategies for IW Club sales and marketing include:

- Target Markets - Continue to identify our target markets and aggressively compete for the local diner for dinner.
  - Our target markets include:
    - a) Hotel Guests
    - b) Residents of Coachella Valley
    - c) IW Club Rewards Program
    - d) Early Bird Diners
    - e) Social Events (Holidays-special events)
- Concierge Solicitation – Continue and expand On-Property Hotel Concierge referral program to be the first choice for hotel guests that wish to dine “off-property”. Concierges will be invited to new menu tastings and be made aware of all IW Club activities.
- Web Site / Internet - The iwclub.com website will continue to highlight the IW Club Restaurant and Bar, chefs, menus and all of our catering venues and menus. Combined with a targeted SEO/SEM campaign to drive reservations from a SEM site for dining, catering, weddings and receptions, we will aggressively pursue the niche destination wedding market, corporate meetings and events. Broadcast e-mails to be sent out via our newsletter and whenever necessary promoting our target market activities.
- IW Club Diners Reward Program – We will leverage the IW Club Diners Rewards Members to utilize IW Club for all their special occasion dining experiences (Birthdays, Anniversaries, etc.).
- Holiday/Special Events – We will create and promote special events during the year to encourage new guests to discover the IW Club. (Super Bowl at the IW Club, IW Club Rewards Wine Dinners, Easter & Mother's Day Brunch, Chef events, Thanksgiving, Christmas, New Year's Eve, etc)
- Newspaper/Radio/TV- aggressively promote with insertions, special events and dining programs/promotions available at IW Club (Early bird menu, IW Club Rewards program, Wine Dinners, Chef events, etc.)
- Public Relations - Twice per year the Sales and Marketing team and F&B team are to strategize about potential media/press opportunities.

**Sales and Marketing – Cost by Category Overview**

<b>Design</b>	<b>\$2,000</b>	
Ad Insertions	New ad Insertion design for Golf and IW Club- Graphtek	\$2,000

<b>Printing</b>	<b>\$6,600</b>	
Collateral - IW Platinum/Callaway	2012 IW Platinum Card and Callaway Performance Center rack cards	\$750
Collateral - IW Club Rewards	IW Club Rewards Collateral - Gift Certificates and Sign up Pads	\$2,000
Platinum Card Fulfillment	2012-13 IW Platinum Card Fulfillment Piece - Vesta Personalized Letter and Card	\$2,000
Holiday Cards	IWGR Holiday Cards	\$350
Update E-Brochure	Update Online E-Brochure - New Flash Photography -Food Shots Etc.	\$1,500

**Advertising Insertions      \$41,000**

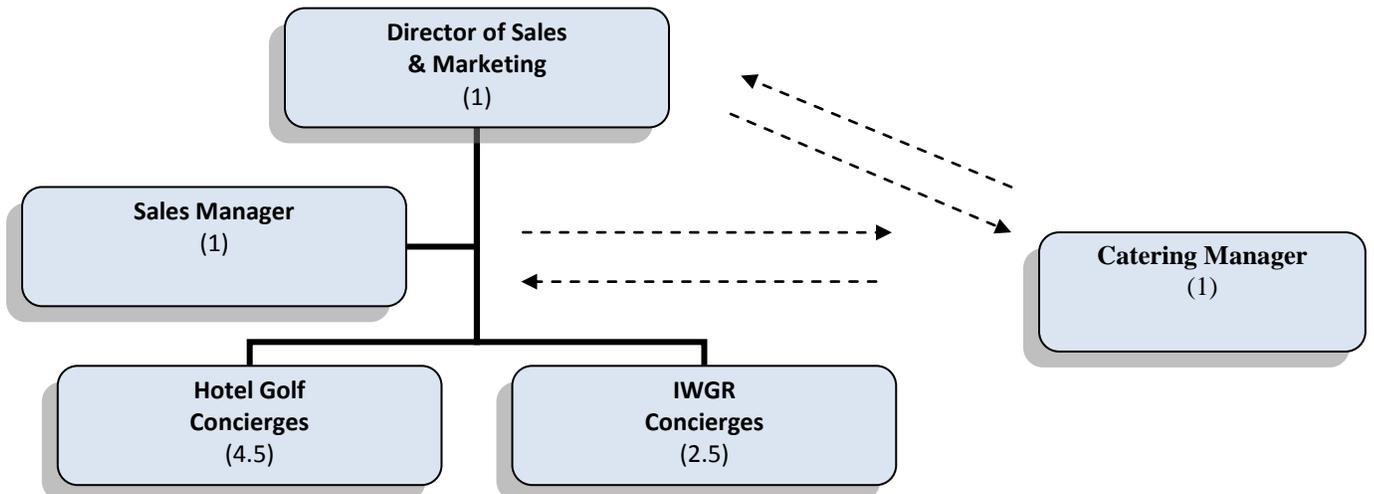
Palm Springs Life - Restaurant Annual	Palm Springs Life Restaurant Annual - Distributed in all Major Coachella Valley Hotel Rooms and to over 3 million readers	\$6,000
Troon Golf and Travel	Full Page Ad in Troon Golf and Travel yearly Print edition. Full Page ad in two Digital Editions of Troon Golf and Travel and Troon Prive	\$6,000
Palm Springs Golf Guide	Over 100,000 copies distributed to key feeder markets in Social and Northwest, online digital golf guide advertised on Click4teetimes and Active Golf Link has preferred hotel link	\$7,500
Golf Week Annual	Golf Week - Annual Golf Course Guide	\$8,500
Discover California Golf	Industry Led Marketing Consortium - 150,000 California Golf Guides distributed throughout the U.S., as well as through Visit California's international offices in China, Japan, Korea, UK, India, Brazil, Germany, Mexico, France and Australia	\$7,000
Desert Golfer	Distributed Throughout the Desert Southwest/Locally during Humana Challenge/Tennis- Ad Insertion In-Season for IW Club Restaurant & Bar Promotion	\$6,000

<b>Web Site</b>		<b>\$63,396</b>
Imavex-IWGR Website Hosting Fee	Imavex - IWGR Website Hosting Fee	\$2,988
Imavex-IW Club Website - Hosting Fee	Imavex - Hosting Fee for IW Club Restaurant and Bar Website.	\$1,620
Imavex-SEM Account Management Fee	Imavex-SEM Account Management Fee	\$3,000
Imavex-SEM PPC Expense-IWGR	Imavex- IWGR SEM PPC Expense	\$39,600
Imavex-SEM PPC Expense - IW Club	Imavex- IW Club SEM Account Management Fee and PPC Expense September Launch with SEM set up fee included	\$16,188

<b>Organization Memberships (CVB, etc)</b>		<b>\$1,820</b>
Convention and Visitors Bureau	Greater Palm Springs Convention and Visitors Bureau Yearly Membership Fee	\$695
La Quinta Chamber of Commerce	La Quinta Chamber of Commerce Yearly Membership Fee	\$600
Palm Desert Chamber of Commerce	Palm Desert Chamber of Commerce Yearly Membership Fee	\$525

<b>Misc Programs</b>		<b>\$89,496</b>
Troon Golf Programs	Troon Golf Marketing Programs	\$33,996
Troon Golf So-Cal Co-op	Troon Social Co-op SEM PPC Fee	\$8,000
Clever Returns - Rewards Program	IW Club Rewards Monthly Administration Fee and Birthday Card Fulfillment	\$7,750
Best Approach - Flyover Licensing Fee	Graphic Flyover Course Annual Licensing Fee	\$1,000
IW Online Group/Leisure Promotions	Online Promotions – SCGA, TGV, NCGA, Westjet/Alaska Air	\$8,750
Television/Radio/Newspaper	Reserve fund for TV/Radio/Newspaper advertising for IW Club Restaurant & Bar Promotions. Happy Hour, Early Diner Specials, Holiday Catering etc.	\$30,000
<b>Other</b>		<b>\$9,250</b>
Hotel Sales Events - Promo	Hotel Sales Office appreciation mixers, Host CVA Fam Trips, client lunches and promo gifts, Prizes and F&B for IW Platinum Card Tournament	\$7,500
Concierge Referral Program	On-Property Hotel Concierge Dinners for Dining Referrals	\$1,750

Sales and Marketing- Organizational Chart



## BUILDING MAINTENANCE

### Building Maintenance - Financial Overview

Building Maintenance	2012-13	2011-12*		Var.	Var. %		2010-11	2009-10
<b>TOTAL PAYROLL</b>	\$430,759	\$427,652		\$3,107	0.73%		\$399,187	\$428,077
<b>TOTAL OPERATING EXPS</b>	\$160,172	\$141,988		\$18,184	12.81%		\$167,203	\$153,279
<b>FIXED EXPENSES</b>	\$338,426	\$337,258		\$1,168	0.35%		\$357,678	\$341,051
<b>NOI</b>	-\$929,357	-\$906,898		\$22,459	2.48%		-\$924,069	-\$922,408

### Building Maintenance - Critical Assumptions and Variances

The majority of the equipment has passed its peak performance and requires more care and maintenance. To offset the cost the department has under taken a comprehensive cross training program with its team enabling more to be completed in house and reduce the cost of expensive outside vendors. Many energy cost saving measures have been implanted.

### Building Maintenance - Primary Expense Variations

Payroll	2012-13	2011-12*		Var.	Var. %		2010-11
	\$337,109	\$337,744		-\$635	-0.19%		\$318,410

Relatively flat to prior year due to efficiency in scheduling to eliminate overtime.

Employee Benefits	2012-13	2011-12*		Var.	Var. %		2010-11
	\$93,650	\$89,908		\$3,742	4.16%		\$80,777

Increase in benefits is a function of rising benefits costs as staffing levels are consistent with prior year.

Repair & Maintenance	2012-13	2011-12*		Var.	Var. %	2010-11
	\$116,872	\$95,367		\$21,505	22.55%	\$108,060

Increase due to aging materials and additional contract labor needed to handle facility upkeep.

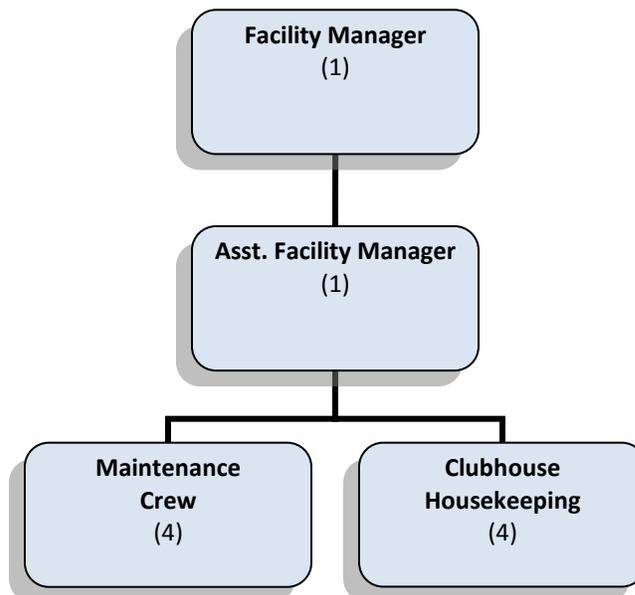
Operating Expenses	2012-13	2011-12*		Var.	Var. %	2010-11
	\$43,300	\$46,621		-\$3,321	-7.12%	\$49,950

Savings over prior year budget due in part to shopping vendor pricing.

Utilities	2012-13	2011-12*		Var.	Var. %	2010-11
	\$338,426	\$337,258		\$1,168	0.35%	\$368,016

Despite increase in utility costs due to aggressively managing of our energy usage we anticipate being relatively flat to prior year in this area.

**Building Maintenance – Organizational Chart**



## RETAIL

### Retail - Financial Overview

RETAIL	2012-13	2011-12*		Var.	Var. %	2010-11	2009-10
<b>GROSS REVENUES</b>	\$1,701,086	\$1,661,873		\$39,213	2.36%	\$1,594,569	\$1,458,248
<b>SALES DISCOUNTS</b>	\$254,195	\$254,481		-\$286	-0.11%	\$251,141	\$299,438
<b>NET REVENUES</b>	\$1,446,891	\$1,407,392		\$39,499	2.80%	\$1,343,328	\$1,158,810
<b>COS</b>	\$757,586	\$735,949		\$21,637	2.94%	\$722,762	\$633,942
<b>TOTAL PAYROLL</b>	\$219,576	\$210,437		\$9,139	4.34%	\$239,473	\$246,588
<b>OPS EXPENSES</b>	\$55,744	\$45,416		\$11,597	27.78%	\$39,548	\$46,947
<b>NOI</b>	\$413,985	\$415,591		\$4,394	1.06%	\$330,999	\$231,333

### Retail - Primary Revenue Variations

Gross Sales	2012-13	2011-12*		Var.	Var. %	2010-11
	\$1,701,086	\$1,661,873		\$39,213	2.36%	\$1,594,569

Increase is directly related to round growth. With the increase in rounds we feel more of an opportunity to capture sales. We also anticipate stronger merchandise support related to the increase in group rounds.

Sales Discounts	2012-13	2011-12*		Var.	Var. %	2010-11
	\$254,195	\$254,481		-\$286	-0.11%	\$251,141

This line item is projected to be relatively flat.

### Retail - Primary Expense Variations

Cost of Sales	2012-13	2011-12*		Var.	Var. %	2010-11
	\$757,586	\$735,949		\$21,637	2.94%	\$722,762

Cost of sales % to gross sales remains flat at 44% and the increase in this line item is a result in more retail sales over prior year.

Payroll	2012-13	2011-12*	Var.	Var. %	2010-11
	\$181,777	\$170,513	\$11,264	6.61%	\$200,820

Increase to compensate for staff shortage in current year as we were 1 person down for the summer and fall.

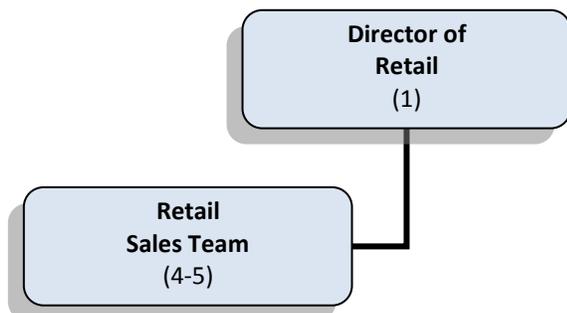
Employee Benefits	2012-13	2011-12*	Var.	Var. %	2010-11
	\$37,800	\$39,923	-\$2,123	-5.32%	\$38,653

Relatively flat to prior year and slight savings is due to the transition of one retail associate from full time with benefits to part time without benefits.

Operational Expenses	2012-13	2011-12*	Var.	Var. %	2010-11
	\$55,744	\$45,416	\$11,597	27.78%	\$39,548

The increase reflects a change in allocation for travel expenses which were previously place in G&A; now in ops expenses. Due to short staffing Retail Manager was unable to utilize travel expenses this year which will show as a savings; plans to resume travel for 2012-13. As some of the fixtures and décor begins to age we will begin the replacement cycle to maintain our shop presentation and these purchases contribute to the increase in this line item.

**Retail – Organizational Chart**



## CALLAWAY PERFORMANCE CENTER

### Callaway Performance Center - Financial Overview

CPC	2012-13	2011-12*		Var.	Var. %		2010-11	2009-10
<b>NET REVENUES</b>	\$142,150	\$117,164		\$24,986	21.33%		\$166,241	\$177,964
<b>COGS</b>	\$86,900	\$71,003		\$15,897	22.39%		\$107,554	\$112,905
<b>TOTAL PAYROLL</b>	\$46,193	\$50,403		-\$4,210	-8.35%		\$47,036	\$31,357
<b>OPS EXPENSES</b>	\$2,612	\$1,845		\$767	41.57%		\$2,869	\$3,330
<b>NOI</b>	\$1,945	-\$6,087		\$8,032	131.95%		\$8,782	\$30,372

### CPC - Primary Revenue Variations

Gross Sales	2012-13	2011-12*		Var.	Var. %		2010-11
	\$171,50	\$145,196		\$25,854	17.81%		\$208,224

Management is working directly with Callaway with co-marketing campaigns and promotional strategies. Management recently had a change in staffing for the center and capture percentage is gradually increasing. The recent addition of "Callaway Performance Center" sign on the exterior of the club house has increased exposure as well. Focus for 2012-13 will be more exposure within the surrounding hotels and additional value adds to entice new business. The transformation of bay #2 to indoor swing studio has also proven to be a great segway for fitting potential and sales.

### CPC - Primary Expense Variations

Sales Discount	2012-13	2011-12*		Var.	Var. %		2010-11
	-\$28,900	-\$28,032		-\$868	3.10%		-\$41,983

Relatively flat to last year. A slight increase in discounts is due to the competitive environment we have with online store and the local retail outlets. The ability to price match and create a loyal customer is a focus for this area.

<b>Merchandise COS</b>	<b>2012-13</b>	<b>2011-12*</b>		<b>Var.</b>	<b>Var. %</b>		<b>2010-11</b>
	\$86,900	\$71,003		\$15,897	22.39%		\$107,554

Related to increased club sales and on-line to prior year.

<b>Payroll</b>	<b>2012-13</b>	<b>2011-12*</b>		<b>Var.</b>	<b>Var. %</b>		<b>2010-11</b>
	\$35,686	\$33,886		\$1,800	5.31%		\$34,427

Increase due to additional coverage needed in season as both bays will be active with lessons and fittings.

<b>Operational Expenses</b>	<b>2012-13</b>	<b>2011-12*</b>		<b>Var.</b>	<b>Var. %</b>		<b>2010-11</b>
	\$2,612	\$1,845		\$767	41.57%		\$2,869

Largest increase is in advertising and freight related to additional sales.

**Callaway Fitting  
Specialist/Instructor  
(1)**

**Indian Wells Golf Resort – Proposed Capital Expenses**  
 2012-2013

**Golf Operations**

<u>Project</u>	<u>Item</u>	<u>Description</u>	<u>Qty</u>	<u>\$\$ Per</u>	<u>Total</u>	<u>Est. Month of Implementation</u>
1	New Picker Gang	New gang for range picker	1	3,500	3,500	July - Sept
<b>Department Total</b>					<b>\$3,500</b>	

**Food and Beverage**

<u>Project</u>	<u>Item</u>	<u>Description</u>	<u>Qty</u>	<u>\$\$ Per</u>	<u>Total</u>	<u>Est. Month of Implementation</u>
1	Tent and Umbrellas	Tent and Umbrellas for outdoor catering	1	30,000	30,000	September
2	Kitchen Equipment	Refrigerator, Pizza Oven, and misc replacement items.	1	8,500	8,500	September
3	Catering supplies	Flat wear & Glass wear for catering	1	25,000	25,000	September
<b>Department Total</b>					<b>\$63,500</b>	

**Golf Course Maintenance**

<u>Project</u>	<u>ITEM</u>	<u>DESCRIPTION</u>	<u>QTY</u>	<u>\$\$ Per</u>	<u>Total</u>	<u>Est. Month of Implementation</u>
1	Cart Paths	Replace or add cart paths as needed	1	16,000	16,000	July - Sept
2	Bunker Sand	Add bunker sand to the Players and Celebrity bunkers as needed	1	30,000	30,000	July - Sept
3	Irrigation Upgrades	Install part circle heads around the greens on both courses	1	8,000	8,000	July - Sept
<b>Department Total</b>					<b>\$54,000</b>	

**Building Maintenance**

<u>Project</u>	<u>ITEM</u>	<u>DESCRIPTION</u>	<u>QTY</u>	<u>\$\$ Per</u>	<u>Total</u>	<u>Est. Month of Implementation</u>
1	Course Ice Machine	Replace with larger capacity machine	1	6,000	6,000	July - Sept
2	Basement Repair	Repair seeping water from water fall feature penetrations	1	5,000	5,000	July - Sept
3	Café steps	Steps and brick work need to be safety compliant	1	5,000	5,000	July - Sept
4	Wine Room Walls	Refinish wine cabinet walls	1	15,000	15,000	July - Sept
5	Energy Window Film	Energy saving window film	1	10,000	10,000	July - Sept
<b>Department Total</b>					<b>\$41,000</b>	

**General and Administrative**

<u>Project</u>	<u>ITEM</u>	<u>DESCRIPTION</u>	<u>QTY</u>	<u>\$\$ Per</u>	<u>Total</u>	<u>Est. Month of Acquisition</u>
1	IT Contingencies	Funds for TV, POS, computer repair/replacement	1	\$5,000	\$5,000	Throughout year
<b>Department Total</b>					<b>\$5,000</b>	

1.3% of Budgeted Revenues

**IWGR Capital Budget Total**      **\$167,000**

**Indian Wells Golf Resort – 5 Year Proforma**  
 2012-2013

	2010-2011	2011-2012*	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
<b>Rounds</b>	83,052	83,378	84,496	84,623	84,707	84,767	84,809
<b>Round Increase %</b>		0.39%	1.34%	0.15%	0.10%	0.07%	0.05%
<b>Total Revenues</b>	\$12,242,748	\$12,784,631	\$13,079,120	\$13,406,098	\$13,741,250	\$14,084,782	\$14,436,901
<b>Revenue per Round</b>	\$147.41	\$153.33	\$154.79	\$158.42	\$162.22	\$166.16	\$170.23
<b>Rev/Rnd Increase %</b>		4.02%	0.95%	2.35%	2.40%	2.43%	2.45%
<b>Cost of Sales</b>	\$2,498,676	\$2,401,107	\$2,483,076	\$2,547,159	\$2,610,838	\$2,676,109	\$2,743,011
<b>% of Revenues</b>	20.41%	18.78%	18.99%	19.00%	19.00%	19.00%	19.00%
<b>Payroll</b>	\$5,535,061	\$5,321,893	\$5,290,348	\$5,429,470	\$5,496,500	\$5,633,913	\$5,774,761
<b>% of Revenues</b>	45.21%	41.63%	40.45%	40.50%	40.00%	40.00%	40.00%
<b>Employee Benefits/Related</b>	\$1,610,036	\$1,602,736	\$1,585,005	\$1,617,982	\$1,637,957	\$1,690,174	\$1,732,428
<b>% of Payroll</b>	29.09%	30.12%	29.96%	29.80%	29.80%	30.00%	30.00%
<b>Operating Expenses</b>	\$2,159,057	\$2,107,616	\$2,221,152	\$2,077,945	\$2,095,541	\$2,147,929	\$2,165,535
<b>% of Revenues</b>	17.64%	16.49%	16.98%	15.50%	15.25%	15.25%	15.00%
<b>Fixed Expenses</b>	\$906,665	\$886,431	\$881,737	\$904,912	\$927,534	\$950,723	\$974,491
<b>% of Revenues</b>	7.41%	6.93%	6.74%	6.75%	6.75%	6.75%	6.75%
<b>GOP</b>	-\$466,747	\$464,848	\$617,802	\$828,631	\$972,881	\$985,935	\$1,046,675
<b>% of Revenues</b>	-3.81%	3.64%	4.72%	6.18%	7.08%	7.00%	7.25%
<b>Other Expenses</b>	\$259,786	\$322,151	\$322,001	\$320,000	\$320,000	\$320,000	\$320,000
<b>NOI</b>	-\$726,533	\$142,697	\$295,801	\$508,631	\$652,881	\$665,935	\$726,675

\* Estimated at current year-end

**Assumptions:**

- Percentages in **RED** reflect assumptions on revenue/expense increases and decreases.
- It is assumed that the facility will operate and services will be provided in line with previous years.