NATIONAL GOLF & RESORT PROPERTIES GROUP

A DIVISION OF Marcus & Millichap

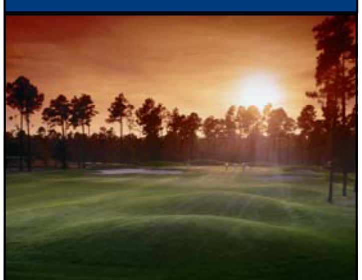
GOLF & RESORT INVESTMENT REPORT

Semi-Annual Market Update

1st Half 2013

INSIDE THIS ISSUE:

RECENTLY SOLD



Sea Trail Golf Resort & Convention Center Sunset Beach, NC

ROUNDS YTD
April 2013

U.S. TOTAL YTD:	- 15.1%
PUBLIC ACCESS:	- 14.2%
PRIVATE:	- 18.2%

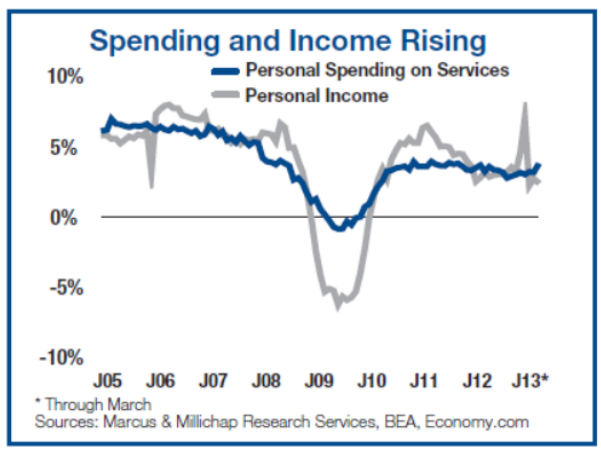
The Economy & Golf — Even as Golf's Governing Bodies Make Moves That Could Hurt Owners, Economic Tailwinds Are Providing Lift

By Steve Ekovich ◊ Steven.Ekovich@MarcusMillichap.com

Despite a number of influences which seem intent on holding back the golf industry, things appear to be improving. Financing is returning, distressed assets are becoming less common, and investor sentiment is up. That being said, golf investors have a multitude of factors, both positive and negative, currently affecting their businesses. Staying informed of the changes taking place in this constantly-evolving golf economy is paramount for golf course owners and operators trying to adapt and succeed. This Investment Report will look to address as many of these issues as possible in an effort to give golf owners the necessary data to achieve their investment goals.

USGA Ruling—Not Good

In spite of Golf 2.0, the NGCOA, Golf 2020, Get Golf Ready, Tee it Forward, The NGF and World Golf Reports all trying to come up with solutions for the golf industry by promoting ideas and research to attract more players, the USGA decides on a policy that could (and in my opinion will) hurt golf by driving away players, e.g. golfers with bad backs, seniors and people that just enjoy playing with a long putter. Apparently, the USGA doesn't care about growing golf. If it is a rule that is applied on The Tour, the average golfer will think that the rule has to be applied everywhere, as they try to emulate what they see on The Tour. As a result of the ruling, golf club manufacturers have already reduced or dropped their production of long putters. In a few years, try to find a long putter. While the NGCOA, NGF, and the PGA all try to grow golf, the USGA is making a difficult game more difficult for the non-tour player and that just isn't helping! The USGA needs to get its head out of the clouds and help 99.9% of golfers, not the elite 0.1% (Tour Professionals). *Are we not all in this together?* The more people that play golf, the more viewers will watch professional tournaments, the more advertisers will spend, and the more purses will go up.



The Economy & Golf

If the USGA isn't doing enough to make it harder for golf owners, the weather sure is doing its part to hold them back, as the first half of this year was far rainier and colder than in 2012. <u>The good news is that our economy is getting stronger, thereby providing more stability for people in the work force – more jobs, more money and more discretionary</u>

Continued on page 4

Golf Operations: Driving Your Range Revenue

By Rob Waldron ◊ Robert.Waldron@MarcusMillichap.com

Golf course operators throughout the U.S. are constantly seeking new revenue streams. There may be a good solution within a wedge shot of their golf shop… The Driving Range. Historically many driving ranges have been underutilized, merely serving as a place for golfers to warm up prior to a round or a convenient tee for the Pro to make a couple extra bucks by giving a few lessons.

According to the NGF, the number of freestanding driving ranges throughout the U.S. has decreased by 36% since 2000. In recent years, golf course owners have addressed increased demand by devising creative ways to transform their driving ranges into practice centers, golf academies and social hubs offering golf related entertainment. Driving ranges have become ripe targets for both promotions and programming, generating windfall revenue as well as a source of new members and players.

Player Practice Programs

The introduction of programming has become a very well received trend at many driving ranges with large practice tee areas. Player Practice Programs ("PPP") a.k.a Player Development Programs ("PDP"), which are essentially range membership programs on steroids, have become very popular among value conscience golfers with time constraints.

These programs typically offer participants unlimited range balls with additional privileges such as merchandise and food discounts, advanced twilight and super twilight rates, advanced starting times, discounted professional instruction, and cart and green fee discounts at specified times of the day. In exchange, participants make an annual commitment to the program and either pay in advance or provide a credit card which can be charged at the beginning of each month. The monthly fees for the programs can vary based on the amount of privileges and number of free rounds offered each month.

Besides attracting more golfers to their facilities, there are other benefits to the course owner, such as guaranteed revenue regardless of weather. PPP participants enjoy a feeling of inclusion and become very loyal to their "home" course, which is demonstrated by bringing guests and increasing their playing frequency, as well as their F&B and merchandise spending. By offering PPP participants the opportunity to pay twilight and super twilight rates an hour prior to the public, the owner can fill starting times which would otherwise go unused.

Golf as Entertainment

In an attempt to grow the game among families, many operators are transforming their driving ranges into golf themed entertainment centers. Lighted driving ranges complete with music, contests and F&B service have become very attractive to families seeking an afternoon or evening of fun.

Driving ranges can also serve as social centers for young adults through a variety of promotions such as long drive contests, happy hours, demo days and ladies nights. Positioning the beverage cart nearby the range tee is a great way to generate supplemental F&B sales if the clubhouse operation is not conveniently located near the driving range.

Golf Instruction Programs

Golf instruction programs serve as another alternative use for driving ranges by offering golf education and catering to golfers of both genders and all ability levels. Instruction programs serve as a valuable amenity by generating additional revenue, lending credibility to the facility, and increasing the golfing customer base. As golfers improve their skills, they tend to enjoy the game more and want to practice and play more often. Some courses have their pro walk the line and offer tips for free. The pros can generate additional lesson business, the ball beaters improve their game and everyone wins.

Don't Forget the Kids

There is nothing quite like the sight of 50 junior golf bags lined up along a driving range on a weekday summer morning. It often amazes me how much money parents are willing to spend on their children's sports activities. The days of cutting down adult clubs are long gone. All the major golf club manufacturers now offer sets of junior golf clubs in a variety of sizes.

Golf instruction programs geared towards children provide wonderful revenue opportunities for golf course operators. Kids camps during the summer and after school programs not only teach youths a lifetime sport but also provide the all-important day care for working parents. Strong Junior programs are the foundation for our future golfers.

Creating Value

Owners who are not taking advantage of the numerous revenue opportunities provided by their driving range are simply leaving money on the table. Remember, based on an EBITDA multiplier of 6x to 8x, adding $100,000 to your net can increase the value of your golf asset by $600,000 to $800,000. Not bad for utilizing the existing space of an amenity you already possess. ■

BUYER SENTIMENT—1ST HALF 2013

By Chris Karamitsos ◊ Christopher.Karamitsos@MarcusMillichap.com

In today's uncertain economic environment, one must determine an investor's motivation and strategy associated with their commercial real estate investments. When it comes to investing in golf assets, are buyers seeking income, capital appreciation, or pure safety? After all, real estate has long since been a hedge against inflation and with the Federal Reserve's stimulus policy of adding $85B per month into the economy, any hedge looks attractive. Yet it would be counterintuitive to suggest golf assets as a flight to safety, especially given the availability of attractive financing and strong financial performance of core real estate assets, such as multifamily and retail buildings.

That leaves income and capital appreciation. It can be said that we will never again see gross revenue multipliers (GRMs) compressed to this degree (that is until the next cycle runs its course). However, the buyers' sentiment is not that they are paying well below market value. They have redefined market value. Investors live in a world where perception is reality. Many buyers are acquiring courses at a multiple of one times gross revenue (or lower) and they know that it will be a long time before two times gross revenue looks attractive to anyone. Capital appreciation will have to be considered a more long-term approach, with certain exceptions.

Examining the income approach to commercial real estate investments, data from Moody's Analytics predicts that if the current economy experiences a rebound, income will out-perform appreciation by 1.3%. Should the economy slip into recession, income could out-perform appreciation by as much as 11%.With respect to this class of investment, one might be inclined to ask *"What income? Wasn't it a lack of income that drove these assets to become distressed?"* Not necessarily. Many assets experienced a lack of income due to any number of variables. Some simply were not viable and were a result of the over-saturation of courses built from 1997 onward. Others simply experienced poor management or were overleveraged and victims of maturing debt. The excess inventory is slowly being converted to other uses, which is healthy for the golf industry as a whole.

We believe that golf investments provide for a multi-pronged opportunity. Capital appreciation, in the long term, may prove better than more stabilized core real estate assets. Capitalization rates on golf assets are far higher than that of their core asset counterparts. It is also likely that when the exit is realized, the percentage of capital appreciation will be higher as well. As an example, if an investor purchased a course with $200K of EBITDA at a cap rate of 12%, the value would be $1.6M. If that investor increased the EBITDA by 50% (totaling $300K) via expense reduction or revenue increases, that same 12% cap rate would represent a 64% gain in capital appreciation. We have also seen short-term capital appreciation in excess of 50-75% associated with the purchase of distressed debt, followed by foreclosure and an immediate exit.

A strategy of investing that balances income with both long and short-term capital appreciation represents proper diversification within the asset class, and it is a strategy that we believe will be more prevalent as the economy continues its slow recovery.

CAPITAL MARKETS / COURSE FINANCING

By Steve Ekovich ◊ Steven.Ekovich@MarcusMillichap.com

Federal Reserve Board Chairman Ben Bernanke stated on June 19 that "the downside risks to the outlook for the economy and the labor market have diminished". Bond Investors had already begun bidding up rates in recent weeks, anticipating the Fed might signal a policy change, and continued doing so after Bernanke's announcement. The benchmark 10-year Treasury yield hit a low of 1.66% on May 2 and rose to 2.6 in June, a 94 basis point swing.

So what do rising rates mean for golf investors?

In short, the higher interest-rate environment will benefit savers, but can be a mixed bag for golf investors, as money becomes more expensive. If interest rates soar, it will reduce the value of all real estate, including golf courses, because of the increased cost of capital.

How fast and how far rates will actually go up is an open question, but the consensus is that U.S. Treasury yields and rates on credit cards, mortgages, auto loans and other consumer loans will rise slowly.

Moody's Analytics predicts 10-year Treasury yields will go from today's 2.6% to 3.5% in 2014 and to 4.5% by the end of 2015. James Paulson, chief investment strategist at Wells Capital Management, offers a similar forecast, looking for the 10-year bond yields to reach 4% in 2014.

Conventional	Interest: 5-6.5%, points: 1%, term: 3-7 yrs., amortization: 20-25 yrs., LTV: 60-70%, DCR: 1.3-1.4, loan size: $750,000 plus
SBA Guaranteed Loan 7A Program:	Interest: 1.5-2.75% over prime, points: 0%, term: 25 yrs., loan size up to $5M, amortization: 25 years (possible to $8M with USDA program). Contacts for SBA loans: Chris Balantre, Park Place Financing 212-729-5802, Robert D. Kelley, Jr. Kelley Consulting Inc. 561-704-8479
Life Company:	Interest: 6.5-7.5%, points: 1%, term: 3,5,10 yrs., amortization: 15, 20 or 25 yrs., loan size: $1.5M plus, escrow for cap-ex
Bridge Loan:	Interest: 9-14%, term: 1-2 years, LTV: up to 65%, desire primary markets, cash flowing product
Hard Money:	Interest: 12-15% including points, term: 1-3 yrs., LTV: 50-60%, usually interest only
Private Equity:	Interest: 0%, unleveraged IRR: 20%, preferred returns 8.8-12%, LTV: 60-70%, waterfall structure: deal by deal on profit splits
Updated 6/24/13	

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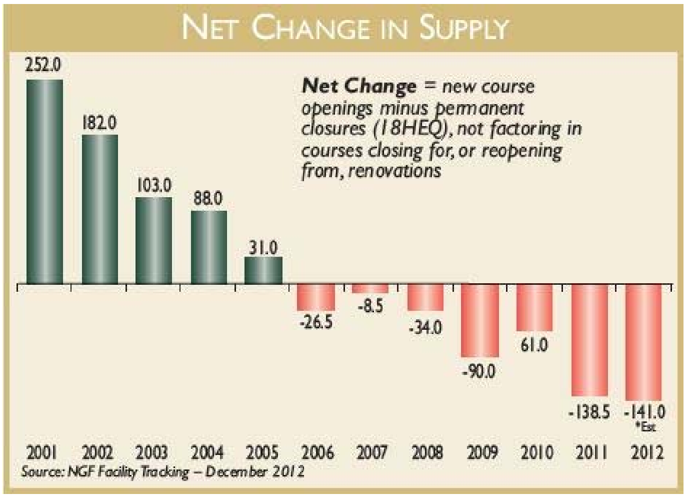
THE ECONOMY & GOLF (CONT. FROM PG 1)

dollars to spend on golf. The thriving energy and auto manufacturing sectors, new vigor in the housing market, and extraordinary stock market gains are boosting prospects for economic growth that will in turn support more players, grow rounds and increase revenue at the nation's golf facilities. On top of that, with the golf course development in the U.S. anemic and golf courses averaging 150 net closures annually over the last several years, we are creating a future environment of stability and growth as we fight against demographic shifts in golf, weather and even some of golf's governing bodies.



Lending—Getting Better

The National Golf Foundation estimates that 1,300 golf courses have traded hands since 2007. During that period there has been little-to-no debt available for new golf course acquisitions. The Federal Reserve's policy of low interest rates will assure a prolonged period of attractively priced acquisition debt for all forms of commercial real estate, and that policy will begin to bleed more and more into golf lending moving forward. *If 1,300 courses have traded with limited financing available, what will the market look like when traditional debt comes back?* Although The Fed announced in mid-June that it would stop or slow its monthly buying of $85 Billion worth of bonds (Quantitative Easing), which keeps interest rates artificially low, that is not necessarily a bad thing. Interest rates are at historically low levels and the small projected increases will still result in golf interest rates well-below historical levels. This change may cause buyers to get off of the fence and act while debt is still cheap. Small Business Administration loans are available for golf investors without a lot of equity, while conventional and conduit lenders, which offer about 65 percent leverage, promise competitive rates and fairly quick execution. A new lender has also emerged in the golf air-space: Leisure Financial Group. (For more information read the Financing article on page 3.) The capital stack continues to add layers in the golf sector, marked by the emergence of Private Equity, small life companies, hard money lenders, mezzanine lenders, the SBA, and local conventional lenders.

Weather—Worse

Fresh indicators of a strengthening economy have emerged in the first half of 2013, lifting prospects for additional gains in rounds and revenue from greens fees, memberships, banquets, and golf outings in the months ahead without accounting for weather. (For more ideas on growing revenue, see Driving Range Revenue article on page 2.) We have to separate weather from the economy. It is true last year we had approximately 7% more play days and corresponding increases in both rounds and revenue, but the increase in revenue was not 100% attributable to the availability of more days. The health of the economy has more impact than any other single factor like weather. If you are reading this and saying to yourself, the weather through May of this year has not been good, you would be right. According to the PGA Performance Trak in cooperation with NGCOA, a poor weather pattern has resulted in significantly fewer rounds YTD than in 2012, an unusually good year for golf weather. Through the first four months of 2013, the days open for play were the lowest in the history of the PGA Performance Trak in cooperation with the NGCOA (*est. 2005*). While this is true, the NGCOA also reports that the YTD 2013 Performance Factor (i.e. the amount of play relative to the number of available days) indicates the second best score since 2006. YTD 2013 Performance Factor is 101.6, indicating that YTD rounds played per day open was up. As much as we talk about general weather patterns, it affects different areas of the country quite differently. Last year, the northeast was up, but it took rounds away from the south as people didn't travel to Florida and Myrtle Beach to escape a brutal winter. So while weather is specific to certain regions, the country's economy affects all of us in all markets.

Personal Income—Up

Through the first half of this year, personal income is up, personal spending is up and businesses continued to invest in new equipment, suggesting that the recovery is gaining momentum. The housing market is also lifting the economy after weighing it down for several years. Home sales are up nationally (9.4 % over the past 12 months), with construction and residential land values increasing as well. With the stock market rising 10% this year, together they are bolstering consumer confidence and spending. Consumers' purchasing power has also benefited from higher incomes. Despite an increase in payroll taxes, personal income rose 2.8% during the 12-month span ending in April 2013. With personal income improving steadily, it provides a foundation for spending on leisure and travel and that means hotel rooms and golf. Year-over-year, spending on services rose 1.7%, indicating that consumers are beginning to loosen their purse strings once again and head into the peak summer travel season with a positive outlook. I stayed at a Renaissance hotel in Raleigh mid-June and the GM said he sells out the hotel 3-4 days a week and ADR is over $200. That is something no one expected just a few years ago.

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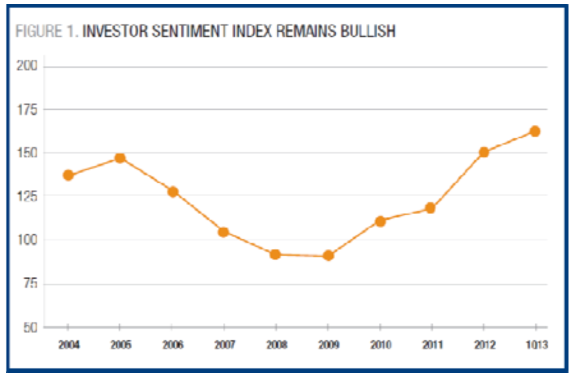
Investor Confidence—High



Investor confidence in commercial real estate continues to climb to new heights. The NREI/Marcus & Millichap Investor Sentiment Index rose to another record high in the first quarter of 2013—up 3 points to 174 **[Figure 1]**. That is a strong vote of confidence, especially given the timing. Respondents were surveyed in late December and early January—in the midst of uncertainty surrounding how the fiscal cliff debate in Washington, D.C. would be resolved. However, those concerns did not derail the enthusiastic outlook for real estate investment that has been building since the fourth quarter 2010. "The great news is that investors continue to be optimistic about commercial real estate," says Hessam Nadji, a senior vice president and Managing Director of Research and Advisory Services at Marcus & Millichap in Calabasas, Calif. "That is even better news for the broader U.S. economy as we know that the Investor Sentiment Index has proved to be a very accurate foreteller of economic direction."

While we have weather that affects different parts of the country at different times and a golf governing body making decisions that are not helping golf course owners, things are still improving, due in large part to the strengthening economy. With increasing rounds, revenue and even greens fees that we are seeing in select markets, golf asset values will begin to slowly rise again. We said in January that the bottom of the golf market had passed. We think that there is ample evidence to support this, demonstrated by 2012's performance in terms of rounds and revenue, increases in greens fees in certain markets and more competition for good golf assets, resulting in buyers throwing unsolicited offers at owners once again. Furthermore, the numbers of buyers bidding on each property is up when compared to just a few years ago. We expect these trends to continue moving forward, as the U.S. golf economy continues to adapt and improve. ■

The Impact of Weather on Financial Performance and Course Values—2012 vs 2013

By Raymond Demby ◊ Raymond.Demby@MarcusMillichap.com

When looking at the number of playable days for golfers (i.e. appropriate temperature and lack of precipitation), 2012 may have been an anomaly, providing a boost to the golf industry when it needed one most. That being said, we cannot rely on Mother Nature alone to carry golf investors through the economic downturn of recent years. Thankfully, there are a number of factors outside of weather having a positive effect on the golf industry as a whole. These include several years of net course closures, a recovering national economy with slowly shrinking unemployment rates, broad debt restructuring among course owners/lenders and improved operating fundamentals from course owners/managers. As a result of these (and several other) factors, we are seeing the golf market continue to improve, despite a dramatic decline in weather conditions through the first half of 2013. This article will look to explore the depth of the year-over-year change in golf playable days/hours and how this affects course owners/operators throughout the United States in both the short and long-term.

By the end of 2012, it became clear that most regions of the U.S. had experienced an unusually perfect year with regard to weather. Earlier this year, **Pellucid Corporation* released its "State of the Industry 2012" report, which contained an extensive section regarding weather patterns from the previous year. They determined that Golf Playable Hours (GPH) were up 7.9% for the year, with 36 out of 45 regions posting year-over-year gains. The report makes a compelling case that the 6.8% gain in rounds played across all U.S. facilities (according to PGA Performance Trak in cooperation with the NGCOA) is a direct result of this (temporary) increase in playable hours. Furthermore, this increase resulted in a 4.4% increase in total revenue across all golf facilities in the U.S. <u>Not all regions experienced the same type of gains in GPH in 2012.</u> While the Northeast and Midwest experienced significant increases, both Florida and California saw little-to-no improvement in GPH.

It became clear that some regions experienced record breaking years, and we used this data to advise our clients in 2013. For example, throughout the first quarter of the year we warned several clients that "2012 may have been an unusually good year for The Club." In one specific case, this was evidenced by an increase of 14.76% in total rounds played in 2012 versus the average from the previous six years at that facility. We continued to inform that client that "2012 was the third driest year in Maryland… [which resulted in] 8.0% more playable days in 2012" and that "as a result of the unusually good weather experienced in 2012, it is extremely likely that The Club's financial performance could decline in 2013, which would significantly impact the trade value of this asset."

Halfway through 2013, it seems appropriate to follow-up on how the weather has impacted course owners so far this year. We once again turned to the **Pellucid Corporation* and their June issue of "The Pellucid Perspective." In a follow-up article focusing on May 2013 YTD Golf Playable Hours (GPH), their research indicates that "For the YTD period, the measure is slightly more favorable, with rounds declines (-15%) less than the unfavorable comparative weather (-25%)..." While most areas are experiencing a significant decline in supply (i.e. playable hours), golf courses are experiencing a disproportionate decline in

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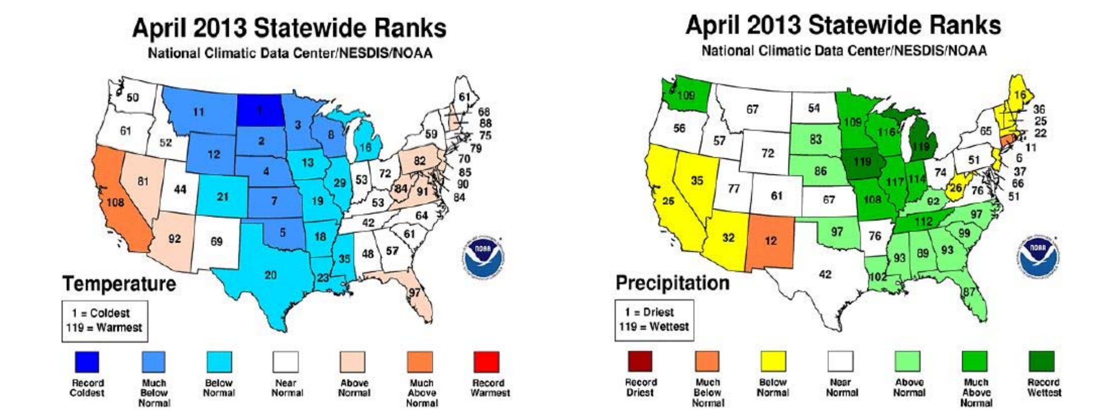
The Impact of Weather (cont. from pg 5)

demand (i.e. rounds played). This would imply that if the weather this year had been exactly the same as 2012, we would be experiencing a significant increase in both rounds played and total revenue. For more detail on specifics of this report, visit www.pellucid.com



For the maps above: The numeric value within an area represents where it falls within the rank from 1 to 119 which covers the historical period of record-keeping (119 years). It is sorted from highest to lowest value (Coldest/Driest to Warmest/Wettest). For example, if the value equals 18 on the 1 to 119 scale, it represents the 18th coldest / driest period on record. A value of 117 would represent the 3rd warmest / wettest.

So what does all of this mean for golf course owners and operators today? To put it simply, I have good news and bad news. First, the bad: rounds played are down at least 15% this year and revenue has dropped 5%. And the good? There are several indicators which imply that the overall golf economy is improving, and that considering the drop in weather, things could be much worse. Revenue per round played actually increased 11%, helping to offset the large drop in rounds played. Utilization is up, meaning that golfers are playing more often, as long as the weather permits. Indicators such as these help demonstrate that slowly but surely, things are getting better for course owners.

How does this affect course values, both short and long-term? Knowing that golf investors base their valuations on trailing-12 month financial data, what are the implications of selling now versus holding onto an asset? Earlier this year, the answer was simple: your financials are temporarily boosted from the weather in 2012, so if you're considering selling, now is the time to do so. Assuming an optimistic scenario, where the year-over-year decline in revenue stays at -5% through December 2013, what is the impact on course values for waiting this one year? With breakeven or positive cash flow, golf properties trading (on average) between 1.0 times and 1.5 times gross revenue, this translates to an average decrease in course values of between -5.0% and -7.5%. Looking long-term, owners that have been able to endure the economic storm of recent years have reason for optimism, although they aren't out of the woods quite yet. Weather in 2013 is projected to continue to be a letdown when compared to 2012, and most regions should expect a corresponding decrease in both rounds played and gross revenue.

Savvy golf investors can take advantage of the resources around them to plan their business decisions moving forward. Whether you're a buyer, seller or operator, weather predictions appear to finally be advanced enough to provide you with accurate data to make informed decisions about your business. With the economic climate constantly changing throughout the U.S. golf market, now is the time to utilize all of the resources available to help plan for the future of your business.

**Thanks to Jim Koppenhaver and the Pellucid Corportation for the research used herein. Other statistics provided by the NGF (National Golf Foundation), PGA Performance Trak in cooperation with the NGCOA and Golf Datatech.*

Capital Markets / Course Financing (cont. from pg 3)

The reason they expect a muted rate increase is that U.S. economic fundamentals are improving at a grinding pace. Unemployment is still as high as 7.6% and the overall economy is growing by only 2%. Most telling is that inflation was merely 1.4% over the past 12 months.

"Interest rates won't go up fast unless inflation goes up fast and inflation won't go up fast with the economy as weak as it is," says Meir Statman, professor of finance at Santa Clara University. What this means to the golf investor/owner is that if you are thinking of refinancing, do it now. If you are thinking of selling, do it now, as a 100 basis points rise in interest rates has about a 9% reduction in commercial real estate values in general. If you are a buyer, do it now to lock in lower rates for the long term.

Who is currently lending in golf? The answer: banks with and without SBA guarantees, bridge loan lenders, private equity, insurance companies, and hard money lenders. Who is not lending in golf? National lenders (i.e. lenders that formally had a golf division willing to lend in any geography such as Textron and Capmark) and conduits. There are very smart people who

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are working on the golf financing piece, and in January I stated that "I expect for national golf lenders to emerge in the next few years, but selectively. They won't be able to finance everyone, but if you have the right loan to value, the experience as an operator, and the required debt coverage ratio, it will get done."

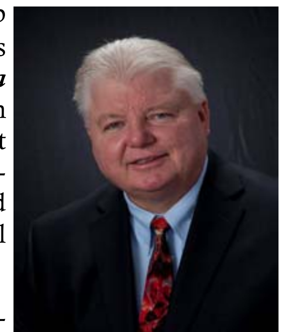
Well, the first to emerge is Leisure Financial Group, headed by Ramon Munoz. Ray, who was the past Golf Division President of Textron and is very well known and respected in the golf industry. Their platform can finance transactions $10M and above, 5-10 year terms, 25-30 year amortization, and fixed 450-525 basis points over the treasuries with no recourse! I know it is not for everyone, but it is a start. If Ray's credentials and expertise in the financial markets allow him to get traction, others will follow his model and the transaction size will drift down.

The one common thread with all lenders who are willing to lend was a good borrower. Commercial banks have shown a willingness to lend without substantial cash flow, as long as there is a good sponsor. With insurance company loans, the asset has to be one they want in the portfolio and must have cash flow. Bridge loans need to have a yield the lender wants. Hard money loans for non-stabilized deals have quick turnaround times but have the highest interest rates. Private equity is concerned with the relationship between the investor and lender and works well when an IRR hurdle rate can be reached, but it is usually not about one transaction, as it usually starts before an asset is located and is for multiple purchases over time.

The National Golf & Resort Properties Group — Update

By Matt Putnam ◊ Matthew.Putnam@MarcusMillichap.com

Building on a trend that started in the 2nd half of 2012, the National Golf & Resort Properties Group continued to see and be heavily involved in the further clearing of many distressed golf assets across the county during the last 6 months. In that time period, the group successfully closed among others, ***a loan sale, two lender approved short sales, and a bank owned*** deal along with private seller transactions. In addition, the group successfully completed a ***"363 Bankruptcy Auction"*** that will close mid-July and put a third lender approved short-sale in contract to close in the third quarter. Finally, the group successfully closed ***two land lease*** golf course transactions in the past six months. The experiences gained and contacts made while working on this variety of institutional deals continues to serve the group well when it comes to underwriting and marketing deals for our clients.



Rob Waldron
Investment Advisor

As the market continues on the path towards normalcy, the group continued to list good quality inventory in the first two quarters of 2013. As opposed to recent history where much more than half of the group's available inventory was distressed in some capacity, the group's nearly $40M in current listing inventory is almost 80% private seller/non-distressed.

With the demand for our services continuing to build, the group expanded again in March. The addition of Rob Waldron now gives the NG&RPG five full time golf course brokers. Rob came to the group from Billy Casper Golf, where he served for seven years, as a Manager of Acquisitions & Business Development. Rob has more than 25 years of experience in the golf and hospitality arena, including management positions with Marriott Corporation and Legg Mason Real Estate Services.

In addition to staying busy listing and selling golf courses, many of the group's members spent time at some of the golf industry's educational and networking opportunities across the country. These events included the PGA Merchandise Show in Orlando in January, the NGCOA Conference and GIS in San Diego in February and the NGF Golf Conference in April. In the coming months, many of our brokers will be attending and speaking at the annual Crittenden Conference in Phoenix in October along with many of the annual meetings of the NGCOA chapters across the country.

Over the past several months, the NG&RPG has made a concerted effort to expand and update our presence on Facebook. As technology and social media continue to emerge within the industry, we wanted to have a way to share **new deals listed, closings, research, upcoming speaking engagements** and more in real time. Be sure to visit and "Like" our page at www.facebook.com/nationalgolfgroup as a great supplement to this report throughout the year.

2013 Calendar Year Sales Activity— Historical Perspective

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The NG&RPG tracked 55 golf course transactions during the first half (1H) of 2013, of which 46 were made available with price and sales information, signaling a return to normal from the unexpected 86 transactions during the 1H 2012. The spike last year was credited to an inventory clear out of smaller rural and agricultural golf assets, with an unusual 35% of all deals trading at less than $1M. 1H 2013 saw only 20% of transactions trading in the <$1M tranche. (A number of those smaller 2012 deals were repositioned into better land use, i.e. parks, farmland, residential development etc.)

And even though total transactions fell, total dollar volume traded remained flat. While the recorded figure fell from $409M to only $214M in 1H 2013, that number is misleading. Two 1H 2012 sales – Doral Golf Resort & Grand Cypress – accounted for $207M of the total, and three major 1H 2013 transactions – Omni's purchase of the KSL 12-course resort collection, Escalante's purchase of the 6-course Redstone Portfolio and SunCal's purchase of Savannah Quarters – were protected under confidentiality.

Most importantly, the market continued offering signs of stabilization. Removing outliers, if we focus on the $1M - $10M sales tranche, positive signs continued as the average price per transaction increased from $3,145,963 in 2011 and $3,022,400 in 2012 to $3,334,543 in 1H 2013. This 10.33% increase over last year offers further support of the price stabilization that began to take shape during the latter half of 2012, and gives us all hope for a rebound in the near future – a welcome sign compared to the double digit price declines of 2008 & 2009. Days on Market for the 1H 2013 averaged 337 days, compared to 309 & 348 during 2012 & 2011, respectively.

RECENT SALES

Course Name	Sale Price	Sale Date	Market	State	# Holes	Acres	Club Type	Gross Revenue - EBITDA
Sarasota National	$ 48,520,000	4/25/2013	Venice	FL	18	2400	Private	Confidential
The Club at Spanish Peaks	$ 26,100,000	6/18/2013	Big Sky	MT	18	5700	Resort	Confidential
Dove Canyon Country Club/Golf Course	$ 20,000,000	4/16/2013	Dove Canyon	CA	18	255	Private	Confidential
Oak Tree Country Club	$ 10,400,000	5/30/2013	Edmond	OK	36	180	Private	Confidential
Woodcrest Country Club	$ 10,100,000	5/20/2013	Cherry Hill	NJ	18	155	Private	Confidential
Snowmass Club	$ 9,100,000	3/8/2013	Snowmass Village	CO	18	208	Private	Confidential
Link-N-Greens	$ 9,000,000	4/25/2013	Fort Collins	CO	18	100	Daily Fee	Confidential
Sea Trail Golf Resort & Conference Center	$ 8,500,000	6/17/2013	Sunset Beach	NC	54	N/a	Resort	Confidential
Long Island National	$ 6,000,000	6/28/2013	Riverhead	NY	18	N/a	Private	Confidential
Emerald Greens Golf Resort & Country Club	$ 6,000,000	5/4/2013	Tampa	FL	27	241	Resort	Confidential
Montgomery Village GC	$ 5,050,000	3/19/2013	Gaithersburg	MD	18	147	Daily Fee	Confidential
Chevy Chase Golf Club	$ 3,900,000	2/15/2013	Glendale	CA	18	N/a	Private	Confidential
Belleview Biltmore Golf Club	$ 3,500,000	2/8/2013	Belleair	FL	18	135	Daily Fee	Confidential
Rancho Duarte Golf Course	$ 3,300,000	4/3/2013	Duarte	CA	9	35	Daily Fee	Confidential
Prairie View Golf Club*	$ 3,000,000	5/21/2013	Carmel	IN	18	206	Semi-Private	Confidential
Elks Run Golf Club	$ 2,650,000	5/1/2013	Batavia	OH	18	163	Semi-Private	Confidential
The Golf Club at Fleming Island	$ 2,500,000	4/9/2013	Orange Park	FL	18	226	Semi-Private	Confidential
Magnolia Plantation Golf Club	$ 2,270,000	4/9/2013	Lake Mary	FL	18	189	Daily Fee	Confidential
River Pointe Country Club	$ 2,250,000	2/7/2013	Hobart	IN	27	190	Private	Confidential
Etowah Valley Country Club	$ 2,202,500	3/28/2013	Etowah	NC	27	174	Resort	Confidential
Wentworth Hills Golf Club	$ 2,100,000	5/8/2013	Plainville	MA	18	N/a	Daily Fee	Confidential
Fore Lakes Golf Club	$ 2,000,000	3/22/2013	Port Huron	MI	18	230	Daily Fee	Confidential
Wildwood Resort	$ 1,750,000	3/1/2013	Crawfordville	FL	18	161	Daily Fee	Confidential
Riverwood Golf & Country Club	$ 1,700,000	2/19/2013	Port Charlotte	FL	18	N/a	Daily Fee	Confidential
Water Gap Country Club	$ 1,550,000	4/2/2013	Wallingford	PA	18	160	Resort	Confidential
Summer Grove Golf Club	$ 1,516,952	2/15/2013	Newnan	GA	18	174	Private	Confidential
Stonebridge Golf Club	$ 1,515,000	4/23/2013	Lakeland	TN	18	98	Semi-Private	Confidential
Merrimack Valley Golf Club	$ 1,475,000	6/11/2013	Methuen	MA	18	108	Semi-Private	Confidential
Boothbay Harbor Country Club	$ 1,400,000	2/1/2013	Boothbay	ME	18	N/a	Semi-Private	Confidential
Four Bridges Country Club	$ 1,250,000	1/30/2013	Liberty Township	OH	18	197	Private	Confidential
Indigo Lakes Golf Club	$ 1,250,000	5/24/2013	Daytona Beach	FL	18	262	Daily Fee	Confidential
Lake Chesdin Golfer's Club	$ 1,200,000	3/27/2013	Chesterfield	VA	18	210	Private	Confidential
Pine Canyon	$ 1,145,000	4/9/2013	Flagstaff	AZ	18	650	Semi-Private	Confidential
Spring Hills Golf Course	$ 1,100,000	2/23/2013	Hanover	IN	18	115	Daily Fee	Confidential
Olde Highlander Golf Club	$ 1,000,000	3/13/2013	Oconomowoc	WI	18	146	Daily Fee	Confidential
Mission Hills Country Club	$ 1,000,000	3/28/2013	Northbrook	IL	18	N/a	Semi-Private	Confidential
D'Andrea Golf Club	$ 1,000,000	2/26/2013	Sparks	NV	18	N/a	Semi-Private	Confidential
High CliffGolf Course	$ 768,700	3/28/2013	Sherwood	WI	18	176	Daily Fee	Confidential
Springbrook Golf Club	$ 752,000	4/4/2013	Lima	OH	18	139	Public	Confidential
Arrowhead Golf Course/Rothlands Golf Course	$ 735,000	3/20/2013	Akron	NY	18	448	Semi-Private	Confidential
Union Hills County Club	$ 725,000	5/8/2013	Sun City	AZ	18	158	Private	Confidential
Centerpointe Golf Club	$ 700,000	3/1/2013	Canandaigua	NY	18	N/a	Public	Confidential
Black Hawk Run Country Club	$ 660,000	5/22/2013	Stockton	IL	18	120	Daily Fee	Confidential
Timber Lake Golf Course / Elk Creek Golf Club	$ 600,000	1/15/2013	Moberly	MO	18	160	Daily Fee	Confidential
Lancaster Country Club	$ 576,883	2/27/2013	Lancaster	OH	18	189	Private	Confidential
Cedar Trace Golf Club	$ 535,000	4/5/2013	Batavia	OH	18	198	Daily Fee	Confidential
The Omni Portfolio	Undisclosed	6/12/2013	Multiple	Multiple	216	N/a	Varies	Confidential
Redstone Golf Portfolio	Undisclosed	4/19/2013	Houston Area	Multiple	108	N/a	Varies	Confidential
Savannah Quarters	Undisclosed	3/22/2013	Pooler	GA	18	1800	Private	Confidential
Winchester Country Club	Undisclosed	1/18/2013	Meadow Vista	CA	18	225	Daily Fee	Confidential
Country Club of Tuscaloosa	Undisclosed	6/4/2013	Tuscaloosa	AL	18	92	Private	Confidential
Seven Canyons	Undisclosed	6/4/2013	Sedona	AZ	18	N/a	Resort	Confidential
Woodridge Golf Club	Undisclosed	5/15/2013	Mineral Wells	WV	18	130	Daily Fee	Confidential
Mannitto Golf Club	Undisclosed	6/12/2013	New Alexandria	PA	18	N/a	Daily Fee	Confidential
Aliso Creek	Undisclosed	6/28/2013	Laguna Beach	CA	9	N/a	Resort	Confidential

**Price Shown is NG&RPG List Price - Final Sales Price is Confidential*

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