

Beaver Creek Community Development Corporation

Ranch House Coalition

EXECUTIVE SUMMARY & DEVELOPMENT PLAN

Beaver Creek, Arizona

Updated February 2013



Contact Information: Kala Pearson

Beaver Creek Community Development Corporation

P.O. Box 376 – Rimrock, Arizona 86335

928 567-4048 – 928 301-9317 – Mobile

Email: Member@RanchHouseCoalition.com

Beaver Creek Community Development Corporation

Executive Summary

The Beaver Creek Community Development Corporation, (BCCDC) is an Arizona based non-profit corporation established in April 2010. BCCDC is the owner and operator of a single unit, medium-size casual dining restaurant and an 18 hole golf course. The restaurant is located at 4250 Montezuma Avenue in Lake Montezuma, Arizona. BCCDC has purchased the parcel in July 2011 from the then owner Beaver Creek Land and Water LLC for \$970,000.00. A \$770,000 note at 6% interest is held by Beaver Creek Land and Water LLC with a graduating monthly payment terms and a balloon payment due in 2015.

During the period July 2011 to July 2012, BCCDC worked to restore the lake and irrigation ditches, the restroom and pro-shop buildings for the golf course and the historical Ranch House Restaurant building using volunteer labor and discounted building materials. With restroom renovations complete the golf course's driving range was opened for play in October 2011. Extensive design and remodel work delayed the opening of the restaurant to July 2012 with little working capital necessary for its operation. The golf course is planned for restoration during the winter and spring of 2013 for the front 9-holes and winter 2014 for the back 9. Opening for play can be realized by fall 2013 for the front 9,

The historic Ranch House Restaurant of Lake Montezuma, Arizona has been in operation since 1965. The building dates back to 1932 serving as a country home for a variety of high profile millionaires. Owners where often host to guests from the golden Hollywood era inclusive of Frank Sinatra, John Wayne, Clark Gable and Bette Davis who regarded it as a charming countryside getaway.

The restaurant and golf course has had many owners through the years. In 2009, the facility closed its doors and once again is being offered for sale. The residents of the Beaver Creek communities, an unincorporated area of the Verde Valley in Yavapai County, Arizona, were highly concerned about the closing's drastic effect on economic stability and viability of the community. Homeowners realized the negative impact to the community and the surrounding properties as a result of the closing. An aggressive plan to purchase the property, renovate the facilities, establish its businesses then establish it as a community facilities district evolved. Initial funds for the purchase and renovation were raised by local community residents forming a financing limited liability company and a membership coalition.

The restaurant and bar at 4250 North Montezuma Avenue is a 7300 square foot space. The facility accommodates 175 seats for inside dining and 150 seats for outdoor patio dining. The restaurant serves a limited moderately priced lunch and dinner menu and a Sunday brunch. As a popular country venue, hosting of weddings and catered events is ideal.

The restaurant building was in extremely poor condition as a result of its age and little or no maintenance in recent years. The repairs needed to the kitchen in order for permitting and licensing was extensive and gravely contributed to delays in opening and availability of adequate working capital for operations. Community residents providing resources and manpower participated in an old fashion barn raising effort to bring the pro-shop and restaurant back on line.

Over a two year period, the initial capital was raised through the formation of a limited liability corporation totaling \$295,000 used for financing the purchase and some renovation costs. Sales of memberships at \$89,000 from the Ranch House

Coalition covered additional renovation costs of the water and irrigation systems, the pro-shop and restaurant building, property maintenance and debt service. Equipment and final renovations of the restaurant, start-up capital and operating shortfalls were covered by loans from officers and members totaling \$126,000, \$52,000 from fundraisers and \$5,000 in gifts/donations. The total investment in the project over the two year period was approximately \$567,000.

Five month sales for 2012 from the restaurant and bar totaled \$137,000. One year sales from the pro-shop for the driving range and apparel sales totaled just under \$5,000. Income derived from rental property amounted to \$10,500.

Full year operating sales for the restaurant are projected at \$400,000 a year. Sales from the golf course are projected at \$650,000. Sales of membership are projected at \$97,000. A 9% profit margin is projected. It is proposed that a significant portion of revenues in excess of operating costs be used to cover the debt service and reduce the principal of the properties. Additional profits are scheduled for re-investment in future community development projects.

Phase II of the Ranch House Coalition project is set to commence in early January 2013. This phase includes reconstruction of the BCCDC board of directors recruiting members with skill sets capable of phase II implementation; the full scale marketing and operation of the restaurant; additional LLC unit offering for the golf course and working capital; restoration, build-out and alternative uses of the golf course property; and organization of a facilities district committee. Phase II is projected for completion by mid-2014.

Phase III of the Ranch House Coalition project is projected to commence in 2015. This phase includes the establishment of a quasi-governmental facilities district for the long term operation and control of the golf course and restaurant. A community financial district is well defined and legally appropriate to this use. Optionally, the sale of the property at a reasonable profit over and above the investments and debt is to be considered if the district fails to be approved. Additionally, Phase III includes the payout and dissolution of the RHC Community Development LLC, set to dissolve in 2016.

BEAVER CREEK COMMUNITY DEVELOPMENT CORPORATION RANCH HOUSE COALITION DEVELOPMENT PLAN

Company Description

Vision Statement

A sustained community owned and operated restaurant and golf club serving as an economic engine for community development.

Mission Statement

The Ranch House Coalition is a community-based, member owned initiative creating a restaurant and recreational facility, serving the entire community by providing jobs community assets and open space.

Goals & Objectives

The company's goal is multi-faceted. The first priority is the financial well-being of the Beaver Creek Beaver Creek Golf Course and the restaurant through pooled resources. The five year goal established in 2010 for the BCCDC Ranch House Coalition project is to be an economic engine for future growth:

- Contributing to the building of a Beaver Creek economy.
- Establishing the golf course and restaurant as a tourist destination driver for Beaver Creek.
- Restoring 40 jobs to the Beaver Creek area.
- Realizing an annual profit of approximately \$100,000.00 a year to cover debt service and community project reinvestments.
- Preserving the historic Ranch House Restaurant.
- Professional management in the Beaver Creek Golf Course generating a minimum 20,000 rounds of golf per year.
- Operating as a community foundation, supporting area non-profit organizations and community economic development.
- Establishment of a facilities district or other options to ensure the long term maintenance of the golf course.

Organizational Structure & Management Team

The Beaver Creek Community Development Corporation, (BCCDC), is a not for profit State of Arizona chartered organization. BCCDC is operated by a board of directors responsible for establishing and implementing the development and operation plan for the Ranch House Restaurant and Beaver Creek Golf Course. Additionally, the board is responsible for identifying and reviewing additional economic development opportunities for the Beaver Creek area. An executive board is responsible for the oversight of the operation and supervision of the day to day golf and restaurant general managers.

The initial board of directors and advisory committees were constructed of individuals capable of real estate transactions, communication of the coalition's objectives, and construction / renovation skills. With Phase I of the project completed; that of the establishment of the Coalition, asset purchase and its facility renovation; the Board of Directors will be reconstructed, recruiting members with skill sets capable of the project's Phase II implementation. These skill sets include restaurant operations management; golf course development, operation and maintenance, finance and business administration; marketing and sales; and municipal district development & finance. The reconstruction of the BCCDC Board of Directors is targeted for the first quarter of 2013 with active recruitment currently underway.

The RHC Community Development LLC is an Arizona registered limited liability corporation established as an investment group to provide finance guarantees for bank loans for the purchase and operation of the restaurant and golf course project. The LLC operates as a separate and independent entity from the BCCDC and maintains an arms-length distance during all business transactions of the BCCDC.

The first investments round was the issuance of up to \$300,000 of Limited Liability Company Units ("Units"), offered in 60 Units of \$5,000.00 Per Unit. This allowed for individual community member investment of funds used to obtain and/or secure financing and/or funds, and/or pledge as collateral or guarantees for the leasing, purchasing or otherwise acquiring and improving properties and real estate in the Lake Montezuma / Rimrock area and for the purpose of improving the Lake Montezuma / Rimrock community and quality of lives of residents in the area. Such properties include the Beaver Creek Golf Course, restaurant, clubhouse, and associated improvements.

Sales of the initial 60 units were used for the property acquisition down payment, property taxes and a portion of the renovation costs for the Pro-Shop and restaurant. Individual member investment of funds to the RHC Community Development, LLC is deposited by the LLC with National Bank of Arizona in the form of one or more secured savings deposits. Said deposit(s) were further pledged by the LLC, as a third party guarantor, so an approved entity can obtain a line of credit or other financing for the purposes set forth above.

A second round of units is proposed for issuance in early 2013. Proposed is 100 Units of \$2,000 Per Unit for a total of \$200,000 for the development of the renovation of the golf course, repair to the irrigation system and provision of short term working capital for the restaurant.

All investments in the Fund involve a high degree of risk. An investment in the Company is available to "Sophisticated" "Accredited and Non-accredited Investors," as defined by applicable securities laws. As a long term, illiquid investment directly or indirectly in support of real estate, the investment is only suitable for investors who can bear the risk of limited or nonexistent cash distributions or a loss of all or a portion of their investment. As a result, investors are urged to be actively involved in the promotion and utilization of the restaurant and golf course and assisting in its sustainability.

Investments in the LLC are not registered under the Securities Act of 1933, as amended (or the securities laws of any state, and is offered and sold in reliance on exemptions from the registration requirements of the Act and such laws. The investment is subject to restrictions on transferability and resale and cannot be transferred or resold except as permitted under applicable law. The LLC is scheduled to dissolve or liquidate by December 31, 2016.

The Ranch House Coalition, (RHC), is a pool of volunteers working with the BCCDC developed for the exclusive purpose of building, renovating, promoting and supporting the restaurant and recreational facility. Operating as a community coalition, the RHC offers various levels of membership for the restaurant and overall project, providing an opportunity for broad base community support and quick fund raising: Gold Business & Industry Membership – Silver Non-Profit Membership – Copper Family and Individual Memberships.

Members are assessed a small one-time initiation fee of \$100 to \$150 for Copper Members. Silver Membership set at \$1,200 targeted not-for-profit organizations supporting the project. Gold Membership was set at \$3,000 giving individuals an opportunity to make direct contributions without becoming an LLC member. A value

commensurate with service provided was offered on a bartered basis to businesses and skilled professionals involved in the renovation process. Additionally, members are assessed yearly dues, an amount set by the RHC membership. Direct member benefits included cooperative advertising arrangements, free venue use with catering, meal discounts and preferred vendor treatment. Indirect community wide benefits is the increase of area property values as a result of bringing the golf course and restaurant on line along with building a commercial tax base for the area.

Membership fees collected assists in the initial development and maintenance costs of the restaurant and golf course and the administrative costs of the BCCDC. Members can routinely join or resign without disrupting ongoing operations. Membership benefits include free or reduced rates for facility use for events, product discounts, cooperative advertising and limited voting rights. The coordination of the RHC is responsibility of the BCCDC Board of Directors. The RHC elects a representative that serves on the BCCDC Board of Directors.

A Core Action Team serves as an advisory group to the BCCDC Board of Directors. The team serves on committees of the Board that carry out various services and functions of the project on a voluntary basis. Core Action Team committees include marketing, CID Committee, fundraising committees and other services as needed.

Hired and Contract Personnel are hired to serve in their professional capacity at the restaurant and the golf course. Management of the restaurant is by the Chef and a Front of the House Manager. The Chef is responsible for the kitchen and kitchen staff, menu development, food purchasing, catering and food handling & safety procedures and training. The Front of the House Manager, a position currently not filled, is responsible for the lounge and dining room staffing and operations, restaurant marketing coordination & sales, budgeting, and management of the daily restaurant operations.

Once operational, the golf course will employ the following personnel: a Golf Course Superintendent responsible for overall course management; a Pro Shop Manager responsible for sales and purchasing of goods and services generated in the Pro Shop; a Greens Keeper responsible for field and course maintenance; and a Shop Mechanic responsible for equipment purchasing and maintenance. Presently, the Pro Shop Manager is a volunteer position, responsible for its volunteer staffing and retail sales.

Property Purchase and Pricing

BCCDC purchased the property in July 2011. Included in the purchase was 120 acre golf course with 2600 acre feet of water and irrigation rights. Four acres of commercial property including the 7,354sf full service restaurant – built around a 1094sf single family dwelling built 1939, the 1239sf Pro-Shop & office built 1995, a 392sf restroom building built 1985; a 1929sf single family dwelling built 1991, and garage workshop (the original ranch stables) converted in 1985.

After a 15 month period of negotiations, the property was purchased for \$970,000 with a \$770,000 note held by Beaver Creek Land and Water LLC, Seth Williams, Managing Partner. Although, not the ideal purchase price for its condition, the terms of payment were acceptable, being 5.5% interest, 66 month terms at \$0 / 6mo, \$1500 / 18 mos., \$3000 / 24 mos., \$5000 / 12 mos.; with a five (5) year call on the note. The LLC Collateral fund provided for the property's down payment, which ultimately went to pay off \$192,800 in tax liens held by Yavapai County and the IRS and \$4,600 in transfer fees and other closing costs.

Property Conditions & Accomplishments

The historic Ranch House Restaurant was built and established in 1939. In October 2009, the restaurant closed after nearly 70 years of continuous operation. The restaurant is located on a semi-public golf course which currently only operates a limited stocked Pro-Shop operated by volunteers and a driving range.

The restaurant building and grounds was in extremely poor condition as a result of its age and little or no maintenance in past decades. Over a one year period, volunteers and construction contractors undertook massive renovations as a "Barn Raising" project. The accomplishments were many and included:

- Identification and recruitment of over 300 volunteers and Coalition members to work various aspects of the project; establishment of a limited liability company and sale of 60 LLC units for partial finance of the project. Organize and sponsor 2 major and 4 minor fundraising events.
- Obstructions to a 2 mile irrigation ditch were removed and repaired including the removal of fallen trees, breached canals, rebuilding of ditch dams and locks, removal of concrete and tree root barriers and creation of diversion ditches for controlled water flow.
- Montezuma Lake was filled after evaporation of 90% of its water creating environmental hazards and restored its fish and wildlife eco-system.
- 120 acres of wild grasses and weeds were removed and/or mowed to reduce fire hazards throughout the golf course.
- Over 2 dozen dead and/or diseased matured trees were removed and/or replaced.
- A new cook area, new flooring and walls, major electrical rewiring and plumbing, installation of grease traps and a fire suppression system were mandatory to pass health and safety permit requirements in the kitchen area.
- The roofline above the new cook area was structurally reconstructed.
- The entire roof of the restaurant was re-shingled.
- Repairs to the roof, walls and ceiling in the catering hall damaged by a fallen tree were also necessary.
- Plumbing repairs and ADA compliant renovations to bathrooms in both the restaurant and the Pro-Shop were made.
- New and refinished flooring throughout the dining, lounge and reception areas, repairs to ceilings, broken windows and misaligned doors.
- Repairs and redirection of the ductwork throughout the restaurant and repairs to the heating and cooling units upgraded the HVAC system's efficiency.
- Interior painting of the restaurant and exterior painting of restaurant and Pro-Shop buildings and gazebo was a much needed facelift.
- Structural reinforcement of the restaurant exterior porches, patios and the gazebo assured their structural safety and visual appeal.
- Refurbishing of dining room chairs, tables, lounge back-bar and bar counters.
- Fireplace and planter rockwork were repaired and restored.
- Designer wall treatment was applied to a main dining area and hallway.
- Massive cleaning and polishing added the final touches.
- Kitchen equipment was antiquated and in very poor condition. Deep cleaning of major kitchen equipment in working condition and replacement of non-working equipment was necessary. As recommended in the 2010 Business Development Plan, consideration for the purchase of used equipment as replacements at discounted prices was implemented. The original pre-opening costs for equipment cleaning, repair and replacement was estimated at \$40,000. The actual costs were \$28,000 with \$14,000 traded for donated assets, \$6,000 paid out as a capital expenditures and an \$8,000 balance currently a short term liability.
- Building permits and licensing required extensive professional architectural and engineering services which were donated and traded for memberships.

The extensive renovations were delayed as a result of a 6 month design and approval process, however, a \$25,000 cost savings was realized to its initial 2010 projected costs of \$35,000.

Products & Related Services

The Ranch House Restaurant hereto referred to as the Ranch House, offers a full service menu of food and beverages with a distinctive image. It holds a Class 12 liquor license enabling it to serve wine, beer and alcohol on premises and outside patio. There are three ways to purchase these products; table service at the restaurant and bar, take-out from the restaurant, and catered events.

The Menu

The Ranch House serves a limited lunch and dinner menu, moderately priced offering a collection of items with a common theme -- healthy (low-fat, low sodium, no or reduced preservative ingredients), visually appealing, and quality foods. Our goal is to provide moderately priced quality fine dining in a historic and appealing location.

Dinner menus are limited to signature dishes and a daily chef's special. Main course dishes consisting of a choice steak, chicken dishes, fresh fish, BBQ spare ribs, pasta dishes and vegetarian selections. The famous All You Can Eat Friday Night Fish Fry is a favorite among its customers. Main dishes may be prepared differently from time to time keeping the menu fresh and interesting. The menu also consists of homemade desserts and breads, locally grown seasonal vegetables and fresh homemade side dishes that compliments the main course. A Sunday brunch buffet is offered featuring home cooked seasonal items and a made to order Chef prepared omelet bar. Holiday and special event buffets are offered on a regular basis.

Inexpensive and local wines compliment the menu. Domestic and imported beers, along with popular drink menus are offered in the lounge and dining areas. Local wine tasting will be featured on a monthly basis. A limited lounge menu of fresh made pizzas, appetizers and sandwiches are available anytime and after regular dining hours. Happy hour serving reduced price beers, wines, well drinks and appetizers are promoted on Mondays through Thursdays from 4:00–6:00 pm.

Production

Food production and preparation takes place in a newly remodeled kitchen of the restaurant. Locally grown and obtained fresh vegetables, herbs, meat and dairy products when available are used to create most dishes from scratch. The chef exercises strict standards of sanitation & safety and quality food and trains the service staff on its presentation.

Service

The restaurant is currently open Tuesday through Sunday offering lunch and dinner. At the opening and operation of the golf course, a breakfast menu will be added. Winter hours have been established for January and February, known as the slow season in the Verde Valley, opened Thursdays through Sundays for lunch and dinner.

The restaurant accommodates various combinations of full table service and buffet service. The main dining room, a casual dining area called the Copper Room, has a 60 seat capacity. A smaller but more formal dining room featuring a grand fireplace, called the Cattleman's Room, seats 30. Two private dining areas, each with a fireplace, seat 10-12 persons each labeled the Poker Room and the Bette Davis Room (so named as the wedding reception location for Hollywood film actress Bette Davis). A dance or catering hall adjacent to the lounge seats 50 and accommodates a performing band and dance floor, (70 without band).

An informal dining patio area partially under awning located at the rear of the restaurant facing the golf course driving range seats up to 70. This area is expandable to accommodate larger parties and festivals. An outside courtyard adjoining the dance hall has the capacity for 150 seated guests, a dance floor and performance stage. This area requires further renovation, needing some surface leveling, lighting and tenting.

Take-out food ordered either by telephone or in person during normal restaurant operating hours is prepared in the main kitchen. A snack room take-out counter services fundraiser attendees and the occasional driving range golfer. It is proposed to expand the utilization of the snack room by providing take out and Ranch House pizza delivery services to a local market. Additionally, the snack room will have greater utilization by hungry and thirsty golfers.

There is a market segment void of permitted venues for catered events in the Beaver Creek area. The restaurant will promote use of the patio areas and dining hall for wedding, meetings and events. Catering for those events will be provided by the restaurant. It is anticipated that wedding and special events sales can result in 25% of sales. This opportunity should be aggressively developed and marketed. Its development would require limited need for additional staffing and equipment and essentially no additional production space.

Guest Chef Program

A guest chef program for special community fund-raising events will be instituted. As a guest, chefs would buy their own ingredients and prep 3-4 signature dishes. Same-day prep can be done in the kitchen, but as much prep as possible should be done in advance in their off-site commercial kitchen. Money earned from guest chef dishes will be theirs to keep, less 30% for shared costs. For example, if 50 orders of a \$10 dish are sold, the guest chef would receive \$350 to cover their time and food costs and the restaurant would receive \$150 for overhead expenses. The restaurant would staff the front of the house and would have one or more cooks available if needed to help serve up the dishes. The restaurant and guest chef could then donate a portion of the proceeds to a charity of their choice.

Community Cooking Classes

Cooking classes could be offered at a modest fee to Members offering instruction in desserts, specialty dishes, nutrition and food safety. These classes could be held during the days the restaurant is closed to the public. The restaurant's chef in addition to guest chefs could facilitate the classes. Classes could be televised for local airing and promotion of the restaurant.

Future Opportunities

Opportunity for additional sales is tied directly to the development of the Beaver Creek golf course. Service to golfers and co-sponsorship of golf tournaments is a huge source of additional revenue for the restaurant.

The Target Market

The market for the restaurant products is regional covering first the Beaver Creek community residents, tourists and visitors to the area. Residents of Camp Verde, Cornville, Village of Oak Creek and Sedona are also markets seeking good healthy foods, reasonably priced and respectable service. Although it will be located in the bedroom community of Lake Montezuma, it is an area where people travel to eat out and one that has the potential to be frequented by tourists. Families and retired members of the community are becoming more health conscious and yearn for a moderately priced quality product.

Market Location & Customers

The Beaver Creek area is one of the most affordable and fastest growing area within the Verde Valley of Yavapai County, Arizona. The customer base will come from the following market segments;

- **Local & Regional Population** -- the community of Beaver Creek with a projected current year-round population of about 4,000 is located off Arizona's main north / south interstate of I-17. It is a 15 - 20 minute drive to neighboring communities of Big Park (Village of Oak Creek), Cornville, Camp Verde and Sedona. The Camp Verde recorded population of 2008 was 11,580. The 2008 residential population of the greater Sedona area is 11,372.
- **Community Seniors** – Making up nearly 22% of the population, seniors over 65 can be served specially prepared dishes meeting special or restrictive diets with nostalgic atmosphere and attentive service.
- **Private Schools** -- Beaver Creek is host to an international school serving approximately 40 students and a nationally renowned therapeutic boarding school with a student population of approximately 125 students. Families, staff and other visitors to the school come mainly from other states and abroad. Many visit 10 – 12 times during an 18 month semester.
- **Tourist** -- The Beaver Creek community is located between Montezuma Castle and Well National Monument Parks serving approximately 200,000 visitors per year. A local bed and breakfast services high end visitors to the area. A new 25 room motel, new townhouses and planned condominiums offer additional tourist lodging opportunities. Sedona is a tourist destination driver attracting nearly 4 million visitors per year.
- **Visiting golfers** -- The restaurant is located adjacent to an 18-hole golf course, once a thriving club. The potential re-opening of the club is projected to bring an additional 100 visitors per day to the community. During the winter months, golfers from Flagstaff, Prescott and surrounding areas traveling to Lake Montezuma for an occasional game of golf would stay for either breakfast before or lunch or dinner thereafter.

The Ranch House Restaurant concept potentially attracts different customer profiles;

- **HEALTHY - The health conscious persons** -- this includes anyone on a restricted or prescribed diet or those committed to a healthy & safe food diet. Nutritious food can be tasty, fun, convenient, and inexpensive.
- **QUALITY - Food critics with discriminating palates** – this includes those appreciative of good tasting, fresh foods at reasonable prices. Not gourmet – just good quality!
- **AFFORDABLE – Groups, Families, Seniors & Fixed Income** - conscientious of affordable pricing and appropriate portions.
- **CIVIC & ECONOMY BUILDING** – Residents of the Beaver Creek community anxious to support local businesses contributing to the health and welfare of the community.
- **CONVIENIENCE – Residents and visitors** to the area wanting to limit travel to satisfy their dining experience.
- **THEME & ESTHETICS – Groups, Special Event Planners and individuals** wanting a full service / fine dining / country club experience at affordable pricing. Those wanting a western themed event and/or dining experience.
- **TOURIST & HISTORIANS** – Groups & Individuals interested in the historic nature of the Ranch House and its relationship during the days of the Dude Ranch and the Golden Days of Hollywood. Lake Montezuma is situated between Montezuma Castle and Montezuma Well, two popular Verde Valley attractions.

The Competition

Restaurants Within Beaver Creek Area

There are four restaurants in the Beaver Creek area in addition to the Ranch House. A 25 seat neighborhood breakfast and lunch facility, Cricket's Sandwich Shop, is frequented by many of the locals but not available for dinner. Another, Vintages Grill, offers full service lunch and dinner menus with a sports bar atmosphere. Creek Side Café offers a diner breakfast, lunch and dinner low end menu from an esthetically undesirable location. El Patio, a Mexican ethnic restaurant offers a limited menu at reasonable pricing with a very casual atmosphere. The Ranch House fills the void of esthetically pleasing, affordable full service mid-high end dining, catering and special events venue.

Restaurants Outside Beaver Creek Area

The closest competitor outside the Beaver Creek community is located 10 miles away in the unincorporated area of Cornville, the Manzanita Inn. The Manzanita is an established restaurant operating for over 15 years in the area offering a lunch and dinner menu. It is doing well. Another Cornville restaurant operating since 2011 is Harry's Hideaway, a full service lunch and dinner mid-high end restaurant with extremely limited seating for 20 patrons. This restaurant is doing well due to its food quality, aggressive marketing and location in relation to local wineries.

Several fast food and chain restaurants are located in the Camp Verde area near the I-17 Interstate including Wendy's, McDonalds, Subway, Dairy Queen, Denny's and Sonic to name a few. The Cliff Castle Casino hosts the Storyteller Restaurant featuring high-end, high priced formal dining and bar. The Gallery and Johnny Rockets restaurant in the casino also offers reasonably priced buffet and fast dining options. The casino's hotel features a full service restaurant, The Gathering, serving breakfast, lunch and dinner along with meeting rooms and a large banquet hall. Camp Verde also offers several ethnic and specialty independent table service restaurants, however, none have similar event venue capabilities as the Ranch House. The closest facility offering pizza delivery to the Beaver Creek area is located in Camp Verde – a 12 mile drive.

There are a variety of restaurants located in the Sedona area, however none are considered as direct competitors for dining due to their distance from the Beaver Creek community and primary target market. Sedona golf courses and restaurants however are the major competitors for wedding and event venues, albeit at much higher costs.

Golf Courses

There are 8 golf courses serving the Verde Valley. Most located in Sedona are public courses ranging in membership structure and services offered. The Beaver Creek Golf Course is the oldest facility in the area.

- **Oak Creek Country Club** – a property association owned and operated 18 hole championship par 72 course located on 142 acres in the Village of Oak Creek near Sedona. Designed by Robert Trent Jones Sr. and Robert Trent Jones Jr., the course was recently renovated to include brand new concrete cart paths and all the greenside bunkers rebuilt under the watchful eyes of the designers. The restaurant associated with the golf course was renovated in 2012. The over-budgeted costs of the renovation resulted in a temporary closure of the restaurant. The owners contracted with a professional management team to operate the restaurant in hopes to gain increased sales and regain solvency.

- **Seven Canyons Golf Resort** – a private 18 hole par 70 golf club built in the around 2003, located on 200 acres in Sedona. The Tom Weiskopf design has been acclaimed as one of America's 50 Greatest Golf Retreats by *Golf Digest Index*, rated one of the Best Residential Golf Courses and one of the Top 100 Modern Courses by Golf-Week Magazine. The high price of golf membership and cost per round limits its availability to non-professional golfers.
- **Canyon Mesa Country Club** – a public 9 hole Executive course with a par 28 located in the Village of Oak Creek. The course is short and narrow making it ideal for novice golfers yet challenging enough for experienced golfers working on target golf.
- **Verde Santa Fe Golf Club** – a public 18 hole over 6,038 yards with par 71 located in Cornville, built mid-2000. This course is part of the open space for a new housing development which contributes to its maintenance expenditures. Additionally, due to its age, the course lacks mature foliage appeal and shaded areas.
- **Pine Shadows Golf Course** – a public 9 holes, par 33 course located in Cottonwood at the base of Mingus Mountain. The course offers some of the lowest rates in the Verde Valley. It features mature foliage and has an abundance of wildlife throughout the area.
- **Sedona Golf Resort** – a public 18 holes over 6,646 yards with par 71. The championship course features spectacular Sedona views with a Golf Digest 4 star rating. The course and its facilities are one of Sedona's premier wedding and banquet venue.
- **Poco Diablo Resort Sedona** – a public 9 holes over 777 yards with par 27 covering 8 acres. The golf course is featured as one of several amenities offered by the resort. The course was designed by Arthur Jack Snyder, ASGCA, same designer of the Beaver Creek Golf Course, and was first opened in 1966.

Competitive Strategy

There are 3 major ways in which we will create an advantage over our competitors;

- product identity, quality, and novelty
- high employee motivation and good sales attitude
- innovative and aggressive service options.

What distinguishes the Ranch House Restaurant from the competition is its focus on a variety menu and specials, quality dining at affordable prices and pleasantly appealing surroundings. Additionally, its historic and esthetic values and its location on a golf course appeals to a wide range of groups and tourists. The target market will perceive Beaver Creek Ranch House as the destination location for good food, friendly service and pleasant atmosphere. Once they have tried the restaurant, their experience will be reinforced by friendly, efficient, knowledgeable service. Return and repeat business will be facilitated by accessible take-out and delivery options as well as an area special event and wedding destination.

The location, condition and age of the Beaver Creek golf course makes it difficult to compete with other Verde Valley courses for national and international tournaments. For this reason, it is recommended that the golf course target regional golfers from the Verde Valley, Flagstaff and Phoenix. It offers a well-designed challenging course with mature foliage and affordable fees and membership. It shares with other Verde Valley golf courses in its appealing moderate temperatures for summer and winter visitors and golfers. Its moderate winter temperatures appeals to Northern Arizona golfers, while its cooler summer temperatures appeal to visitors from Southern Arizona. The mature tree lined streets and valleys with its autumn colors are another attractive feature. The waterways, lakes, ponds and the wildlife they attract is yet another attractive feature of the area.

Development Plan & Marketing Strategy

Market Penetration

The restaurant and golf course is well known in the community and surrounding areas. The local residents have always supported the restaurant when it was operational. Tourists do not have fixed preferences but find it as a reasonable dining option when visiting the area. An aggressive marketing campaign throughout the year should be targeted to the Flagstaff, Phoenix and Verde Valley market.

Marketing Strategy - Restaurant

Focusing on the unique aspect of the product theme of locally sourced healthy quality menu, historic values and western themed (refined rustic) esthetics should be created to convey our presence, our image, and our message.

- **Print media** – ads in newspapers, magazines and newsletter publications.
- **Broadcast media** – Verde & Flagstaff radio, local TV & special interest shows.
- **Internet marketing** – website, email notices, social media advertising.
- **Tourist & Special Interest guides & websites**, Join Chamber of Commerce, Visitor Bureaus, restaurant, meeting planning & wedding professional associations for exchange referrals & advertising.
- **Signage** – billboard at the McGuireville I-17 exit, ADOT guide signs along I-17 and at the McGuireville exit 293, maintenance of the restaurant / golf course / inn sign at the “Y” along Beaver Creek Rd. and Montezuma Avenue.
- **Word of Mouth** - announcements at community meetings, membership & dining referral incentives.
- **Mailings & Leaflets** –local postal area mailings, Money in the mail ad, blanket distribution on cars, door knobs, festival goers.
- **Misc.** -- yellow pages, charity event donations.

Public relations volunteers will be recruited to create special events and solicit print and broadcast coverage, especially at the start-up of each phase.

At Opening -- An advanced notice (press release) to all media, printed announcement ads in key places and email announcements through community e-newsletters. Budget - \$1,200

Ongoing -- A flexible but aggressive campaign using a blend of the above marketing strategies. Effectiveness should be measurable and assessed regularly. Budget - \$14,000/year

At Point of sale -- A well-trained friendly & efficient staff can increase the average check as well as enhance the customer's overall experience by offering attentive service and up-sales. RHC Member discounts, frequent diner cards, coupons can generate word-of-mouth referral and an important of building a loyal customer base.

Catering to offices (even outside of our local area) can become a large part of gross sales for the restaurant. A special events/meeting planning and sales agent should be employed for direct marketing of the Ranch House as a venue and catered functions.

Development and Marketing Strategy – Golf Course

Detailed marketing strategies for the golf course should be developed by its golf professionals immediately prior to its operation. However, an important overall strategy is to target primarily regional markets (Verde Valley residents & visitors,

Flagstaff & Phoenix golf players). Additional uses by a complimentary market segment are recommended.

The course needs to be a semi-public facility open to members and non-members alike. With a minimum of 20,000 rounds played per year to meet the break-even point for the golf course, the Lake Montezuma / Beaver Creek area golfers alone cannot support the golf course. Affordable golf course membership dues of \$1500 to \$2,400 per year targeted at an average of 50 members can generate approximately \$97,000 in revenue. Competitive cost golf rounds set at \$28.00 per round can generate \$560,000 per year. The annual maintenance, administration and management cost of an 18-hole course is in excess of \$600,000 per year.

Golf Course Restoration – Adopt-A-Hole

Renovation of the golf course is essential for the success of the Ranch House Coalition Project. This renovation will combine advertising and fundraising campaigns. An Adopt-A-Hole program has been designed to fulfill this goal. In exchange for sponsorship of a specific hole, a sponsoring company would receive the following:

- Company's name and logo on a given hole advertising the business
- Company's name and business information displayed on an electronic marquee located in the Pro Shop
- Name and business information included in the course's general advertising campaigns including print ads, the course website and the internet
- Three-year course membership for two for each participating company

For seventeen holes, sponsorship cost is \$8,000 to \$12,000 each. The # 3 Signature Hole (old # 12) sponsorship cost could be as high as \$16,000. The funds raised are to be used for equipment, supplies and labor required in restoring each hole to a suitable level of play by rebuilding the greens, traps, and water features. In addition, each sponsor's name and logo would be erected on a new golf-hole marker for their designated hole.

A one year build out renovation budget of \$160,000 is projected, covering, equipment leasing, material, utilities labor and management.

Golf Course Irrigation

BCCDC maintains 2+ miles of irrigation canals, the lake of Lake Montezuma, a large irrigation pond and several ponds throughout the golf course. Approximately 2600 acre feet of water rights from Beaver Creek granted to the property is the main source feeding these gravity fed water systems and used for the watering of the golf course.

The three main irrigation pumps for the golf course is an outdated system dating back to the original construction of the course in 1959. The pumps require extensive repair or replacement. One pump has a seized motor, the other has fire damage to the motor and all three have leaky valves and seals. The pump condition results in unsafe operation requiring them to be turned off by killing high voltage electrical power from a pump house exterior source. This also results in high maintenance and utility costs.

Replacement estimates for pumps range from \$90 to \$125K from golf course irrigation suppliers. Meanwhile, repairs to the pumps are estimated at \$25 to \$35K depending on the method of repair and costs of replacement parts. With limited capital and the need to expedite the opening of the course, advisory teams

recommend creative and economical repair options rather than replacement to serve as a short term stop gap solution. For example, the use of retired wastewater and/or municipal fresh water pumps and pump parts could be retrofitted. Rebuilding the heads and motors and replacing the seals are another option. A combination of these two options is yet another option. Whichever option is decided as the most viable, the work must be done prior to any reseeding of the course.

Repairs to the pumps should realize a significant savings in lower utility bills, reduced by about 10%, and more efficient use of water. By comparison, a modern pump station may lower electricity usage 30 - 40 % per year. Even the cost of fertilizer can be reduced with a new system that delivers better water placement.

The long range goal is to replace the pumps with a system designed for efficient delivery of water for a standard 18-hole golf course. This goal may not be realized for several years until round sales can prove to support the debt service for its financing.

The balance of the system, pvc pipes, valves, sprinkler heads, etc. has been salvaged but will need replacing as part of on-going maintenance.

Golf Course Stay and Play Packages

Partnering with area hotels (the Beaver Creek Inn) Camp Verde hotel chains and the Cliff Castle Casino should be developed as additional amenities offered. Contracts for discounted golf rounds and/or coupons directly offered to hotel guests can increase the rounds played on the golf course by 20%.

Golf Course Pro-Shop Sales

Merchandise sales offered through the Pro-Shop should focus on logoed apparel and basic golf utility items such as balls, buckets, discs, specialty, personal care and emergency items and non-alcoholic beverages. Competition with large retail sport stores and on-line golf equipment outlets should be avoided. Services offered should include golf lessons, club enhancement and repair, swing analysis. Annual sales of \$36,000 are projected.

Golf Course Alternative Uses – Disc Golf

Alternative uses for the golf course property will be essential to the short and long term profitability of the project, providing additional sources of revenue with minimal investments and an expanded target market. One such alternative use is the development of an 18-hole disc golf course on 9-holes of the property.

Disc golf is a fun, inexpensive, healthy and environmentally friendly game that can be enjoyed by people of all ages and abilities. It is played much like traditional golf, only instead of hitting a ball into a hole a Frisbee is tossed into an elevated metal basket. As players progress from the "tee" to the "hole," the trees, shrubs and terrain changes in and around the "fairways" providing challenging obstacles. Ultimately, the "putt" is tossed into the basket and the hole is completed. The goal of disc golf is the same as traditional golf: to complete the course in the fewest number of shots.

Disc golf is a sport that is growing in popularity across the United States, and especially in Northern Arizona. There are currently more than 1700 disc golf courses in the United States and Canada, nearly all installed by city and county parks departments. Studies have found that there are few recreational activities that offer the high benefit-to-cost ratio of disc golf. Disc golf has low capital and maintenance costs, is environmentally sound, is played year-round in all climates and is enjoyed immediately even by beginners. A disc golf course at Beaver Creek will provide an

inexpensive form of recreation for people of all age and skill levels and be a welcome addition to the recreational facilities in the community.

Since the installation of the Riverfront Park Disc Golf Course in Cottonwood, the popularity of the sport has increased dramatically. The numbers of recreational and tournament players has exhibited a steady increase. An estimated 150 players complete 18 holes at Riverfront Park during summer days. Disc golf is becoming a popular part of the athletic curriculum of elementary and high schools across the country. Given the amount of middle and high schools in the vicinity of the BC Golf Course, the installation of the disc golf course can provide an important recreational resource for these schools, as well as for the wider community.

The Verde Valley and Arizona Disc Golf Clubs have organized numerous local, state-wide, and national tournament events since its introduction in the Verde Valley. Flagstaff hosted the Professional Disc Golf Association sanctioned Professional World Championships. For this week-long event brought approximately 1000 visitors from the U.S., Canada, and abroad to Flagstaff for an average of ten days. It is estimated that the revenue generated from this event exceeded one million dollars for the city. The Beaver Creek Golf Course could realize a significant portion of this economic benefit as an additional tournament sponsor site.

A nominal fee of between \$5-8 to the players and can be open year-round. Discs can be made available for sale and rent in the pro shop and retail items may be sold to help generate additional revenue. The Ranch House Restaurant and lounge would realize additionally benefits of increased sales from this new target market. The initial investment in establishing an 18-hole disc golf course integrated into the back 9 holes of the golf course is projected at \$9,000 to \$10,000.

Golf Course Alternative Uses – Other

Use of the golf course and restaurant facilities for fundraising tournaments is another opportunity for expansion, i.e., tournaments for physically disabled, cancer victims, children programs, wildlife protection, etc..

Non-revenue generating uses include use of cart paths as bicycling, walking and running paths for local residents. Free use of the course by local high school golfing students and training camps is another good will activity.

Exit Strategy

The pending 2016 \$770,000 balloon payment for the property along with the dissolution of the RHC Community Development LLC dictates that a time driven Phase III exit strategy for the project be adhered to. This strategy is based on the establishment of a quasi-governmental facilities district for the long term operation and control of the golf course and restaurant. The sale of the property to a private entity needs to be considered as a viable alternative to the improvement district.

County Improvement Districts (CID)

CIDs give communities outside of municipal boundaries the opportunity to purchase, construct or maintain properties and systems with a combined financial effort. It establishes an authority that is responsible for these improvements. Decisions are made locally and in open meetings to allow public input and notification to property owners of the status of the district's operation.

An improvement district is considered a political subdivision of the State of Arizona, which is a governmental agency and cannot profit. Inter-Governmental Improvement

districts can assess properties and impose taxes to allow for equal financial contributions from properties receiving a benefit from the improvement.

CIDs are created by the Board of Supervisors for the purpose of making street, sewer, or other local improvements, and for the acquisition and operation of a community center, park, or recreational area. The Board of Supervisors sits as the managing board of the district.

An improvement district has the ability to acquire the property by gift, purchase or otherwise and provide for its maintenance and improvement by going to bond. Property assessments and system revenues are ways to repay the bond. The district also has the authority to assess properties and impose ad valorem property taxes to distribute the cost of improvements among the properties benefited. (The county collects taxes on behalf of the district in a similar manner as property taxes.) Improvement districts do not pay property or income tax. They are, however, required to pay sales tax on purchases.

Typically a district charges a monthly or quarterly user fee. These fees can cover the cost for administration, operation, and maintenance of the improvement. Most districts also have the authority to impose an ad valorem tax to cover costs not recovered in user fees. The fees charged to the properties benefited by the improvement cover the financing of a district. It is the responsibility of the Board of Directors to establish these fees, but it is the obligation of the users of the system to pay for the construction and operations of the improvements.

Sixty percent of the property owners in a geographically delineated district must approve the creation of the district through a formalized petition process. A proposed district for the Beaver Creek Golf Course would require a \$2 million bond covering the costs of the balloon payment in excess of \$770,000, repayment of the LLC investments at approximately \$500,000, loans and outstanding liabilities of \$200,000 and approximately \$530,000 of development and maintenance costs.

By nature of its complexity, CID typically takes 18 to 24 months to develop. Therefore, a CID coordinating committee is to be established as a committee of the BCCDC board during Phase II of the project, activated early in the first quarter of 2013. Its potential success or failure should be known by 4th quarter 2013.

Property For Sale By Owner

In the event that a proposed CID does not obtain the required approval of 60% of the area property owners identified in a delineated area, sale of the property becomes the most viable alternative. The sale price pre-set at \$2,000,000 would cover the investment and notes placed on the property. It is anticipated that the area's property values and overall economy will have improved by the successful restoration and operation of the golf course and restaurant outlined in this development plan. It is also anticipated that the appraised value of the property would exceed the \$2.0 million asking price.

Potential buyers could include private golf course management companies, the Cliff Castle Casino, private investment groups, golf professionals and individual entrepreneurs.

LISTING OF ATTACHMENTS

Map of Beaver Creek Golf Course

Beaver Creek Golf Course Build Out Budget and Schedule

BCCDC Balance Sheet – 2011

BCCDC Profit & Loss Statement – 2011

BCCDC Balance Sheet – 2012

BCCDC Profit & Loss Statement – 2012

Restaurant Income Projections – 2013

RHC Community Development Balance Sheet – 2011

RHC Community Development Balance Sheet – 2012

Articles of Incorporation – Beaver Creek Community Development Corporation

Articles of Organization – RHC Community Development LLC

Operation Agreement – RHC Community Development LLC

Power Point Presentation – Ranch House Coalition January 2013

Power Point Presentation – CID Development

Website Link – Ranch House Restaurant: www.RanchHouseAZ.com

Website Link – Ranch House Coalition: www.RanchHouseCoalition.com