

Diamond Peak Master Plan Steering Committee Report

June 2015



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Executive Summary

This report assumes the reader is familiar with SE Group's July 2014 Diamond Peak Master Plan.

Background: In Sept 2014 the IVGID Board of Trustees (the "IVGID BOT") asked General Manager Pinkerton to form a committee of local residents that would review and provide feedback on the Diamond Peak Master Plan. The 13-member committee met 10 times from Jan through June 2015.

What is a Master Plan?: A Master Plan is a 20-year road map for long-term planning. A Master Plan is required by permitting agencies such as TRPA and the USFS prior to implementing major improvements. This Master Plan is a list of *possible* future projects whose timing is uncertain and some of which may never be built. Each project would come back to the IVGID BOT for review and approval prior to implementation.

General Findings and Beliefs: The committee discussed a broad range of topics, including the value of Diamond Peak to the community, the state of the resort industry, as well as the proposed summer and winter activities and their related opportunities, impacts and sensitivities. We believe Diamond Peak is a valuable resource for our community and that cannot be sustained by local business alone. Diamond Peak has excess capacity and can potentially benefit from better year round utilization.

Summer Activities: Summer Activities would be a new business for IVGID leveraging the facilities at Diamond Peak that sit idle outside of ski season. One of the primary reasons for the addition of summer activities is to improve Diamond Peak's annual revenue and profit potential. In the past decade, many ski resorts have started to offer summer activities. This trend is increasing as these activities have proven to be profitable. In 2011 the USFS allowed ski areas on federal public land to offer summer recreation activities.

There are many concerns about summer activities at Diamond Peak. Key concerns include the financial viability of summer activities at Diamond Peak, the fit with the community, and the capital costs (risk).

Diamond Peak is in a strong competitive position as a summer attraction versus other resorts. Most of the customers for summer activities will come from people living in or visiting the IV/CB area. Diamond Peak's proximity to the lake is a competitive advantage in the summer versus other resorts. Summer business is local. It's an activity "you do" when you "are there" versus a destination business.

Snowflake Lodge: The existing Snowflake Lodge is undersized, dated and has reached the end of its useful life. It is in dire need of replacement. Snowflake's tremendous views make it a unique community asset that could be used for far more year-round activities than it is today. A new Snowflake would alleviate the severe lunchtime overcrowding Diamond Peak currently experiences on busy winter days. The committee's discussions and review of comparable new facilities led us to conclude the costs for a new lodge could be reduced by 30% from those in the original plan. A new Snowflake Lodge would require additional planning.

Ongoing Winter Activities: These Master Plan projects are additional snowmaking, trail work and grading. Snowmaking is vital to Diamond Peak – enhancing operations, enabling on-time season openings and allowing it to operate in poor snow years (when other ski resorts have not). The trail improvements are a well thought out series of minor improvements that will "fix" many of the current issues at Diamond Peak.

New Winter Activities: These projects consist of a new Spillway Lift to expand terrain for novice skiers (Diamond Peak 's primary customer) and a new Backside Lift that will broaden the family ski experience and attract and retain advanced skiers.

Recommendations:

IVGID should utilize Diamond Peak for a variety of Summer Activities – but Phase 1 in the Master Plan should be split into "Phase 1a" and "Phase 1b" (putting the Alpine Coaster in Phase 1b). This lowers financial risks by significantly reducing Phase 1's capital costs and allows an evaluation of Phase 1a (are summer activities working and a good fit?) prior to proceeding with additional implementation and investment in

summer activities.

The location of the Alpine Coaster should be moved to the far left of the Lodgepole Lift (vs. left of Lakeview Lift in the original plan). This currently unused terrain offers superior views for the riders, segregation from ski runs, and is barely visible from the ski area base or nearby residential areas.

Snowflake Lodge should be renovated or replaced.

The existing Lakeview Lift should NOT be replaced but should be upgraded for summer foot traffic.

The snowmaking and ski trail improvements in the plan should be implemented.

A new (or used) novice lift for the Spillway trail should be included as a medium-term option.

The Backside Lift should be in the plan as a long-range option but its feasibility requires additional study.

Revised Financials: Appendix A contains a detailed financial model of the committee's recommended plan. The committee devoted a great deal of time and study to analyzing the financial elements of the Master Plan. The committee's recommended Master Plan reduces the total capital outlay by 20%, reduces initial debt by 40%, and lowers the total project debt by 35%. Additionally, a sensitivity analysis was performed (reducing revenues by 25%) under multiple scenarios. It found that the recommended projects still remain viable albeit at lower returns.

The model shows \$23MM of cash flow available after debt service over 12 years. \$9.4MM of this amount is used to fund phases 1b, 2, 3 and 4 of the plan with the remaining \$13.4 MM available for other uses.

Summer activities are 27% of the capital expenditures in the revised Master Plan with Snowflake Lodge (37%) and Winter improvements (36%) making up the remainder.

Dissenting Opinion (see p. 15): While the majority of the committee felt the elected IVGID BOT should make the decisions regarding the Plan, 4 of the 13 committee members raise a number of questions the IVGID BOT should consider. They encourage the IVGID BOT to poll the property owners before proceeding with summer activities. If the property owners support summer activities at Diamond Peak, the minority group believes the Committee's recommended plan is superior to the SE Group's original Master Plan.

Conclusion: The committee recommends the IVGID BOT direct the SE Group to revise the Diamond Peak Master Plan to reflect the Committee's recommendations and bring the revised plan back to the IVGID BOT for review and approval.

Diamond Peak Master Plan Steering Committee Report

1. Purpose

- The purpose of this report is to communicate the observations, findings, beliefs and recommendations of the Diamond Peak Master Plan Steering Committee to the IVGID Board of Trustees (the "IVGID BOT"), General Manager Pinkerton and members of the public.

- This report assumes the reader is familiar with SE Group's July 2014 Diamond Peak Master Plan. *Copies of this plan are available on both the IVGID and Diamond Peak websites.*

- The Committee would like to thank the IVGID Trustees, the IVGID staff and members of the public for their careful consideration of this report.

2. Background

- April 24, 2013: The IVGID BOT awarded a professional services contract to SE Group to develop a ski area Master Plan Update and summer activities assessment for Diamond Peak.

- During the development of the plan IVGID Staff and SE Group staff participated in five public meetings, conducted a nonscientific community survey and met with the US Forest Service, TRPA and Washoe County planning teams.

- Sept 10, 2014: The IVGID BOT voted to "receive" SE Group's completed Diamond Peak Master Plan dated July 2014 and authorized IVGID to form a steering committee of local residents to review the plan and bring back recommendations to IVGID's General Manager and the IVGID BOT.

- The IVGID BOT has received a significant amount of public correspondence concerning this project. Copies of that correspondence is available online in a number of the IVGID BOT meeting packets.

Committee Members: Bill Echols, Liz Harrell, Brian Hrindo, Jessica Jameson, Andrew Jaine, Shane Johnson, Judy Miller, Al O'Connor, Robert Olmer, Steve Pulver, Eric Severance, Bruce Simonian and Charlie White. Brief bios of all committee members are in Appendix B at the end of this report.

Committee Process

The 13 member committee held ten bi-weekly two-hour meetings from January through June 2015. All the meetings were open to the public. Video archives of each meeting are available on the IVGID website.

The Diamond Peak Master Plan along with information pertaining to the plan is featured on the Diamond Peak and IVGID websites.

IVGID General Manager Steve Pinkerton, Diamond Peak Manager Brad Wilson, IVGID Director of Finance Gerry Eick and other IVGID staff supported the committee.

Deborah Prout of Sierra Nevada College acted as a facilitator for all of the committee's meetings. IVGID General Manager Pinkerton asked her to facilitate the first meeting, but made it clear the committee was free to operate as it desired - with no facilitator, with another facilitator of its choosing, or to continue to use Ms. Prout. The committee asked Ms. Prout to facilitate all future meetings.

The committee discussed the following broad topics:

- Key drivers for the Master Plan
- Value of Diamond Peak to the community

- Financials for Diamond Peak and IVGID
- State of the ski industry and potential implications for Diamond Peak
- Proposed plan for summer
- Proposed plan for winter
- Synergies between winter and summer
- Future of Snowflake Lodge

Why do we need a Master Plan and what is its purpose?

- Serves as a road map for long-term planning and future development.
- Required by governing permitting agencies such as TRPA and the USFS prior to implementing major improvements.
- Diamond Peak currently operates with a 29-year-old Master Plan. This plan included the development of the upper mountain and the addition of the snowmaking system.
- Each capital project in the plan comes back to the IVGID BOT for review and approval prior to being implemented.
- Planning is a 20-year ongoing process. Nothing in the Master Plan is a final decision.

3. General Findings and Beliefs

- It is our view that Diamond Peak is a valuable winter resource for our community and is viewed as such by the majority of Incline residents.
- Diamond Peak cannot be sustained by local resident business alone.
- IVGID manages recreational facilities for residents/property owners and sells excess capacity at those facilities to visitors.
- Diamond Peak has a large amount of excess capacity over what is required for resident use.
- The majority of Diamond Peak’s revenue comes from visitors.
- Many property owners are not full-time residents. For them Incline is a second home and a vacation spot. They are similar to the “visitor market” in that they are looking for things to do when they are here.
- IVGID subsidizes Diamond Peak through the Recreation Fee.
- Historically, Diamond Peak has not been charged for its share of IVGID Central Services work.
- One of the primary drivers of the addition of summer activities to the Master Plan was to introduce a new profit center that could improve Diamond Peak’s annual revenue and profit potential and in turn reduce the amount of the subsidy IVGID provides to Diamond Peak.
- Diamond Peak’s skier visits have been constant (approximately 105,000 annual skier visits) for decades. Up or down years are driven primarily by the timing and amount of snowfall. Skier visits have been down the past few years due to limited snowfall.
- The ski industry as a whole is not growing. We assume that average annual skier visits to Diamond Peak going forward will remain close to the historical average of about 105,000 skier visits per year.

- Diamond Peak's "niche" among the Tahoe ski resorts is a low cost value resort focused on families and beginner through advanced-intermediate skiers.

4. Summer Activities

Scope

- Alpine Coaster
- Canopy Course
- Challenge Course
- Mountain Bike Trails (Above and below Flume Trail)
- Hiking Trails
- Family/Kid's Base area
- Climbing Wall
- Pump Track
- Bike Skills Park
- Segway Tours
- Entitlement and Permitting

Findings and Beliefs

- "Summer activities" would be a new business for IVGID that leverages the current facilities at Diamond Peak. These facilities sit idle outside of ski season.
- The USFS has finalized the implementation of the Ski Area Recreational Opportunity Enhancement Act of 2011, which allows ski areas on federal public land to offer summer recreation activities.
- In the past decade, the ski industry has become a year-round business as many resorts have started to offer summer activities. This trend is increasing as many resorts have found these activities to be profitable.
- The proposed summer activities are not "bleeding edge." Other resorts have implemented similar programs, the technology and operational procedures have evolved, and the industry "knows how to do it." Diamond Peak can leverage that accumulated knowledge and expertise.
- Location matters. We believe that Diamond Peak's summer business will attract many of the tourists already in the Tahoe Basin, with the majority of guests coming from those already in the Incline Village area, because Diamond Peak is close and easy to get to.
- A successful summer operation requires a "critical mass" of activities to attract users. It would risk failure if IVGID was to start too small.
- Any summer activities need to fit with Incline Village's "quality mountain community" image. The community does not want an outdoor amusement park at Diamond Peak.
- Projected revenues are driven primarily by the Canopy Tour (\$945K), the Alpine Coaster (\$743K) with Lift Rides (\$441K) and the Challenge course (\$283K) being the other key revenue drivers.
- Summer chairlift revenues are driven primarily by mountain bike riders using the lifts to ascend.
- The Alpine Coaster will also operate in the winter. The \$743K revenue projection is split 80/20 summer/winter.

- The Alpine Coaster (\$1,656,390) represents 42% of the \$3,932,390 anticipated capital expenditures for the Summer Activities in the Master Plan and represents 22% of the revenue.
- The Alpine Coaster is the most controversial summer activity. It is viewed by some as an amusement ride rather than a mountain resort activity.

Opportunities and Concerns

- The financial projections for summer activities assume that IVGID can successfully enter a new business.
 - IVGID has no experience implementing or operating summer activities at a ski resort.
 - Implementation complexity and risk increase when many new activities are introduced at once.
- Placing an Alpine Coaster in the middle of the Diamond Peak's ski runs (as presented in the current version of the Master Plan) may negatively impact the mountain experience for the resort's winter guests.
- Some of the most profitable activities are targeted primarily at visitors, but will also be used by residents and guests.
- The projections in the report are driven by the expectation that Diamond Peak will capture a percentage of the large number of summer visitors already in the Incline Village region. It is difficult to evaluate this expectation against comparable ski areas across the US. Lake Tahoe ski resorts are unique as they are located in an area with more summer tourists than winter tourists.
- Spreading the usage load (from beaches) is a potential benefit to the community if summer operations are implemented at Diamond Peak.
- The presidents of both the Bitterbrush and Tyrolian homeowner's associations were on the committee. They confirmed that Diamond Peak's management has worked closely with them in the past to address any concerns they have had with traffic, parking, noise and other issues.
- Summer operations have the potential to produce positive cash flows and could help Diamond Peak's annual P&L or offset future Diamond Peak or IVGID capital expenses.

Recommendations

1. IVGID should utilize Diamond Peak for a variety of summer activities.
2. Phase 1 in the Master Plan should be split into "Phase 1a" and "Phase 1b"

Phase 1a consists of all of the summer activities in the Master Plan except for the Alpine Coaster.

Phase 1a should be implemented first:

- Significantly lowers financial risks by substantially reducing Phase 1's capital costs.
- Lowers implementation risk by reducing the complexity of the initial project implementation.
- Allows a multi-year evaluation of Phase 1a prior to proceeding with additional investment
- Allows the community to evaluate (some) summer activities prior to full project implementation

Phase 1b consists of the Alpine Coaster. This phase should be implemented after it has been determined that Phase 1a is both successful and consistent with community values.

If Phase 1a is not successful, the future of the summer activities effort could be delayed, re-evaluated, etc.

3. The location of the Alpine Coaster should be moved to the “far left” of the Lodgepole Lift.
 - This area is superior for views and the Alpine Coaster ride experience
 - Away from all active ski runs and lifts.
 - Hardly visible from the base or nearby residential units
 - Eliminates the poor location of the loading station in the current plan; no need to cross active ski traffic areas for winter access.
 - Allows easy access with the possibility of integrating the loading station area near the base lodge.
 - IVGID staff agrees that this is a superior location to what is shown in the original plan

5. Snowflake Lodge & The Lakeview Lift

The committee addressed the Snowflake Lodge and Lakeview Lift upgrade *together* because the primary reason for the proposed upgrade of the Lakeview Lift from a fixed grip chair to a high-speed (detachable) quad is to improve uphill/downhill transport of pedestrians to Snowflake Lodge.

Scope

- Snowflake Lodge Replacement
- Snowflake Deck
- Lakeview Lift upgrade

Findings and Beliefs

- Snowflake Lodge’s location has tremendous views.
- A quality facility at Snowflake’s location would be a unique community asset.
- The existing Snowflake Lodge has reached the end of its useful life. Snowflake is undersized, dated and in dire need of renovation or replacement.
- Ignore the lodge design shown the Master Plan - it is a conceptual rendering. No design work for this facility has been done.
- Of the \$18.3 MM of total capital expenditures in the Master Plan, \$10.7 MM or 58%, is allocated to Snowflake Lodge (\$6.3 MM) and the Lakeview Lift (\$4.4 MM).
- The Lakeview Lift can be modified to allow downloading of passenger traffic for \$350,000 or less.
- A high-speed (detachable) Lakeview Lift upgrade is not necessary to support summer activities. Both the SE Group and Diamond Peak management agree with this assessment.
- A high-speed Lakeview Lift is of limited value in the winter. The lift ride would only be reduced by approximately one minute because of the lift’s short length.

Opportunities and Concerns

- An SE Group survey of several recently built comparable on-mountain lodge facilities shows a construction cost of approximately \$400/sq ft. One comp that many will be familiar with is the new Winter Creek Lodge on the Slide side of Mt Rose. This 7,865 sq ft lodge cost \$3.2MM or \$407/sq ft.
- The Snowflake lodge costs estimates in the original plan calls for a 8,500 sq ft facility with an estimated cost of \$6.3 MM or \$708/sq ft. This is 85% higher than the survey of comparable facilities. *Note:* IVGID Staff

indicated that these cost estimates includes allowance for infrastructure upgrades with not yet known/defined requirements and costs (fire suppression, etc.).

- The improved economics (revenue/profit improvements) of upgrading Snowflake lodge may not be strong enough to provide *sole* justification for the upgrade.

- While winter lunch business does provide modest incremental revenue improvement, it primarily transfers some of the existing lunch business from the base lodge - which helps ease overcrowding (indoor seating shortage) at the base lodge.
- Wedding and Event Business is modest. While this is an additional revenue source for existing facilities, it should not be a rationale for IVGID constructing new facilities.
- Summer lunches can be currently offered outdoors on the deck (BBQ fare) and do not alone require a new facility subject to obtaining the proper permits.

- The Master Plan shows a deficit (+- 700) of inside seating at Diamond Peak. A new Snowflake Lodge will address some of this deficit.

Recommendations

1. The existing Lakeview Lift should be modified to allow summer downloading of foot passengers.
2. The upgrade of the Lakeview Lift to a high-speed detachable lift should be removed from the Master Plan.
3. IVGID should operate a summer lunch program on the deck of the existing Snowflake Lodge. The summer lunch market is an “outdoor” market. The experience gained by IVGID with this summer lunch program will help IVGID estimate the “size” of the summer market prior to finalizing the plans for a new Snowflake.

4. Snowflake Lodge should be renovated or replaced:

- The current building is outdated and at the end of its useful life.
- This is a prime view location in Incline Village.
- Incline Village has and should have quality facilities

- Based on comparable projects, the committee believes the cost of an appropriately designed Snowflake Lodge could be approximately 1/4 to 1/3 lower than the \$6.3 MM in the Master Plan.

- The scope, requirements and design for a new Snowflake Lodge need further development before proceeding

- Should the current deck be saved/reused?
- What should the uses and capacity of a new facility be?
- What size of investment is IVGID willing to make in Snowflake Lodge?

6. Ongoing Winter Activities

Scope

- Snowmaking on Diamondback
- Snowmaking on Freeway
- Ridge Trail Grading
- Beginner Route Grading
- FIS Traverse Extension

Findings and Beliefs

- Diamond Peak has been able to operate in “bad” winters due to its snowmaking system. Comparable resorts without Snowmaking have been unable to open, opened late or closed early in bad snow years.
- The total estimated costs of these upgrades is \$1,077,570 with 79% of that amount, or \$853,500, allocated to the addition of snowmaking on Diamondback and Freeway.
- The trail improvements are a well thought out series of minor improvements that will “fix” many of the current operational issues at Diamond Peak.

Opportunities and Concerns

- Snowmaking allows Diamond Peak to operate in low snow years.
- It is difficult to quantify the economic return from additional snowmaking.

Recommendations

1. These improvements should be included in the Master Plan.

7. New Winter Activities

Scope

- Lakeview Lift Replacement
- Spillway Lift
- Backside Lift
- Backside Trail Construction

Findings and Beliefs

- We recommend not replacing the Lakeview Lift with a detachable lift (*see the Snowflake Lodge/Lakeview Lift section of this report*).
- Diamond Peak’s primary target market is families with young children and lower level skiers.
- Diamond Peak has a deficit of novice terrain that reduces its ability to offer a quality product to its target market.
- Spillway run was originally built to provide novice terrain. The Spillway Lift was removed when the upper mountain was opened. Novice skiers cannot access Spillway without first having to negotiate higher-level terrain above their ability level.
- Spillway is the only location for Diamond Peak to add novice terrain due to the resort’s topography.
- The Master Plan calls for the current Lakeview Lift to be moved to Spillway when it is replaced by a high-speed lift. We recommend that the Lakeview Lift not be replaced.
- If Lakeview Lift is not replaced, the new Spillway Lift will require the purchase of a new or used lift.

Opportunities and Concerns

- Spillway Lift and run will offer another novice "progression" area (a step up from Lodgepole) and help alleviate the significant overcrowding problem Diamond Peak has on its novice terrain on busy days. Many of Diamond Peak's customers are new skiers or novices.
- The Backside Lift primarily targets a segment of the skier market that does not currently use Diamond Peak. While it is a nice amenity for Diamond Peak's higher-level skiers, it may not be substantial enough to attract significant amount of new high-level skiers. It may, however, round out the family ski experience by offering more advanced terrain. Industry experts believe this lift has the potential to increase the amount of skiers at Diamond Peak. It is difficult to quantify the economic justification for the Backside Lift.
- There is ample time to study the snowfall and terrain on the backside before proceeding to add a new lift.
- The Backside Lift may be unable to operate in low snow years. It does benefit from good (East/Northeast) exposure and snow loading being on the lee side of the ridge.
- There are additional operational costs associated with opening the backside lift (some avalanche control, brush clearing, management time, extra patrol work, etc.)

Recommendations

1. The addition of a new Spillway Lift should be include in the Master Plan.
 - The Spillway Lift will be a short beginner lift that could be a less expensive, used lift instead of a new lift.
 - Relocate the Terrain Park to accommodate the new lift.
 - Separate expert skier traffic (to the Crystal Quad base) from novice traffic on Spillway.
2. The addition of the Backside Lift should be included in the Master Plan as a long-range option.
 - No upfront permitting expenses for the Backside Lift other than that what is required to get the Master Plan approved.
 - Monitor and record backside snow levels for a minimum of five years to determine the feasibility of using the terrain serviced by the backside lift in an area without snowmaking.

8. Revised Master Plan Financial Model

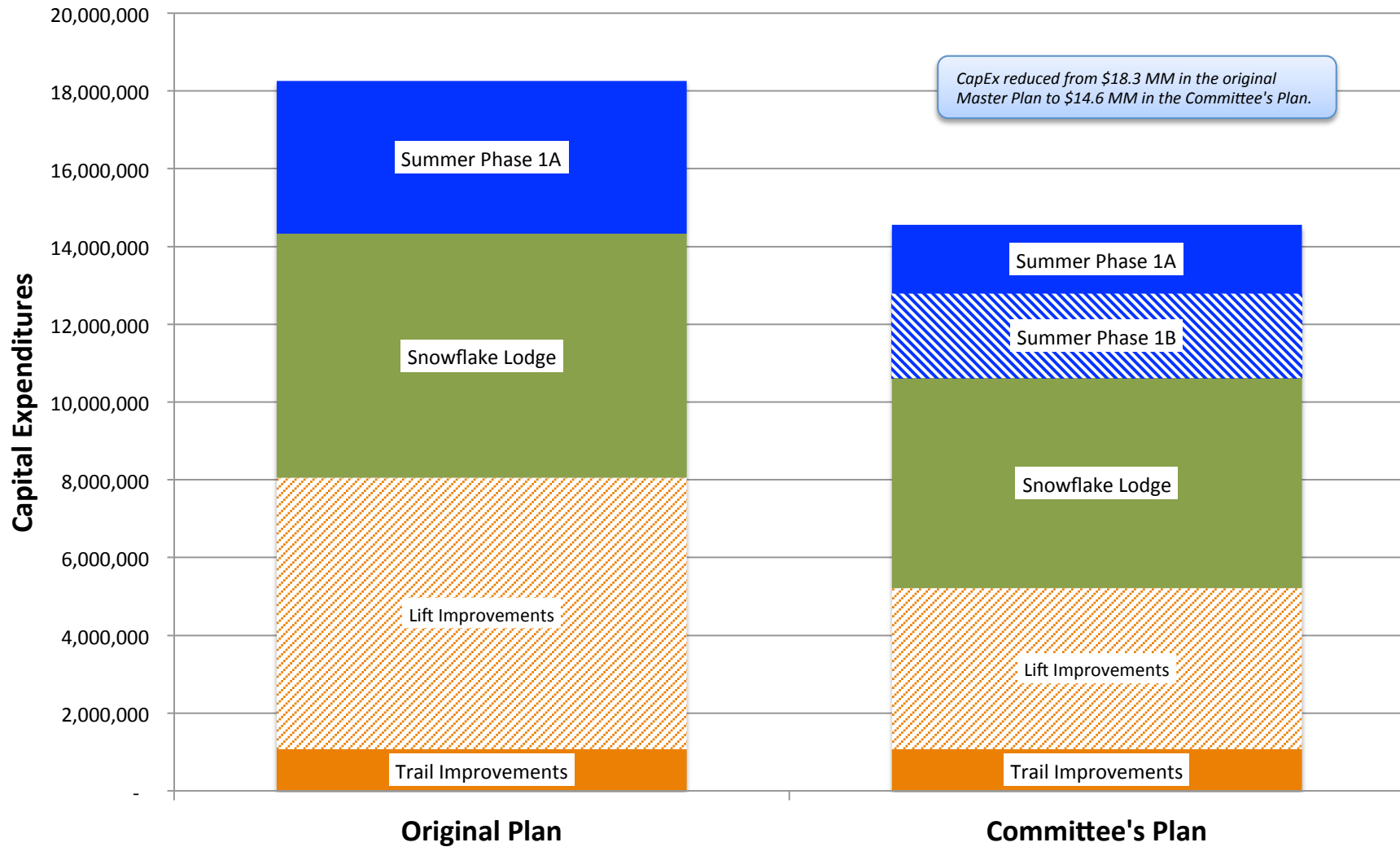
- A full set of financial projections for Committee's recommended Master Plan are found in Appendix A
- All Capital Expenditures are in 2015 dollars

Observations

- Summer activities are a small part of the capital expenditures in the Master Plan (see Figure 1)
 - Summer Activities are 22%
 - Snowflake Lodge replacement is 34%
 - Winter Improvements (Trails and Lifts) are 44%
- The Committee's recommended Master Plan includes the following major changes
 - Splitting Phase 1 into Phase 1a and Phase 1b
 - Dropping the upgrade of Lakeview to a detachable lift
 - Adding a new/used Spillway lift as the old Lakeview lift will not be available
 - "Right-sizing" and "re-costing" the Snowflake Lodge replacement

Committee's Plan Reduces Total Capital Expenditures

Figure 1



- Financial benefits of the Committee's approach significantly lowers the Master Plan risk
 - Lowers the initial debt from \$4MM to \$2.3MM
 - Lowers the total project debt from \$8.1MM to \$5.1MM
 - Allows evaluation of Phase 1a results before proceeding
 - Lowers the Master Plan's capital expenditures from \$18.3MM to \$14.6MM.
- Cash Flow from Phase 1a would be available to fund Phase 1b
 - Increases Master Plan IRR and expected return
 - Lowers the Master Plan's total capital expenditures
- Approval of the Master Plan is not an approval of the Master Plan's total capital expenditures (See Figure 2)
 - The Master Plan is a series of independent projects that may or may not be built
 - Each project will require future IVGID BOT approval
 - Timing of future projects is not yet determined
 - The plan serves as a "roadmap" for possible future projects

Sensitivity analysis shows viability of Master Plan under multiple scenarios (see Figure 3)

- Project has positive IRR and NPV even if revenues cut by 25%
 - Project viable (at lower return) without Alpine Coaster
 - Project viable (at similar return) without new Snowflake Lodge
 - Future IVGID BOT could assess performance of initial Phases before proceeding with later Phases
- Snowflake Lodge is a major future financial decision
 - The cost estimates in the plan are uncertain as the size and design of a new Snowflake is not yet known.
 - The requirements and design for a "new" Snowflake will need to be carefully thought out in the future
 - Diamond Peak is a strong competitive position as a summer attraction versus other resorts
 - Most of the customers for summer activities will come from people living in or visiting the IV/CB area.
 - Diamond Peak's proximity to the lake is a competitive advantage in the summer versus other resorts.
 - Summer business is local. It's an activity "you do" when you "are there" versus a destination business.
 - The Master Plan's financial model shows "summer profits" being used to pay for subsequent phases of the Master Plan.
 - The Phasing of the individual projects in the Master Plan allows enormous flexibility.
 - Each project can be built at any point in the future or not built at all.
 - Allows future IVGID BOT ability to make decisions based upon current information.
 - We believe the decision to build Phase 1b (the alpine coaster) should be based upon the performance of phase 1a (the initial summer activities).

- The Master Plan's revised financial model shows:

- Earnings (EBITDA) totaling \$28.5 million over 12 years.
 - Two ten year bonds (\$2.4 MM and \$2.7MM) at 3.5%, each amortizing over ten years.
 - Debt service costs (principle and interest) totaling \$5.5 million over 12 years.
 - \$23 Million available for "other uses" after debt service.
 - \$9.4 Million of the above \$23 Million is used to fund the capital costs of phases 1b, 2, 3 and 4
 - \$13.4 Million of "Excess Cash Flow" or "Rolling Cumulative NOI" for IVGID or Diamond Peak's use (See Figure 4)
 - Excess cash flow exceeds \$3.5 million per year after year 12
- There is no requirement that excess cash flow be reinvested back into Diamond Peak.

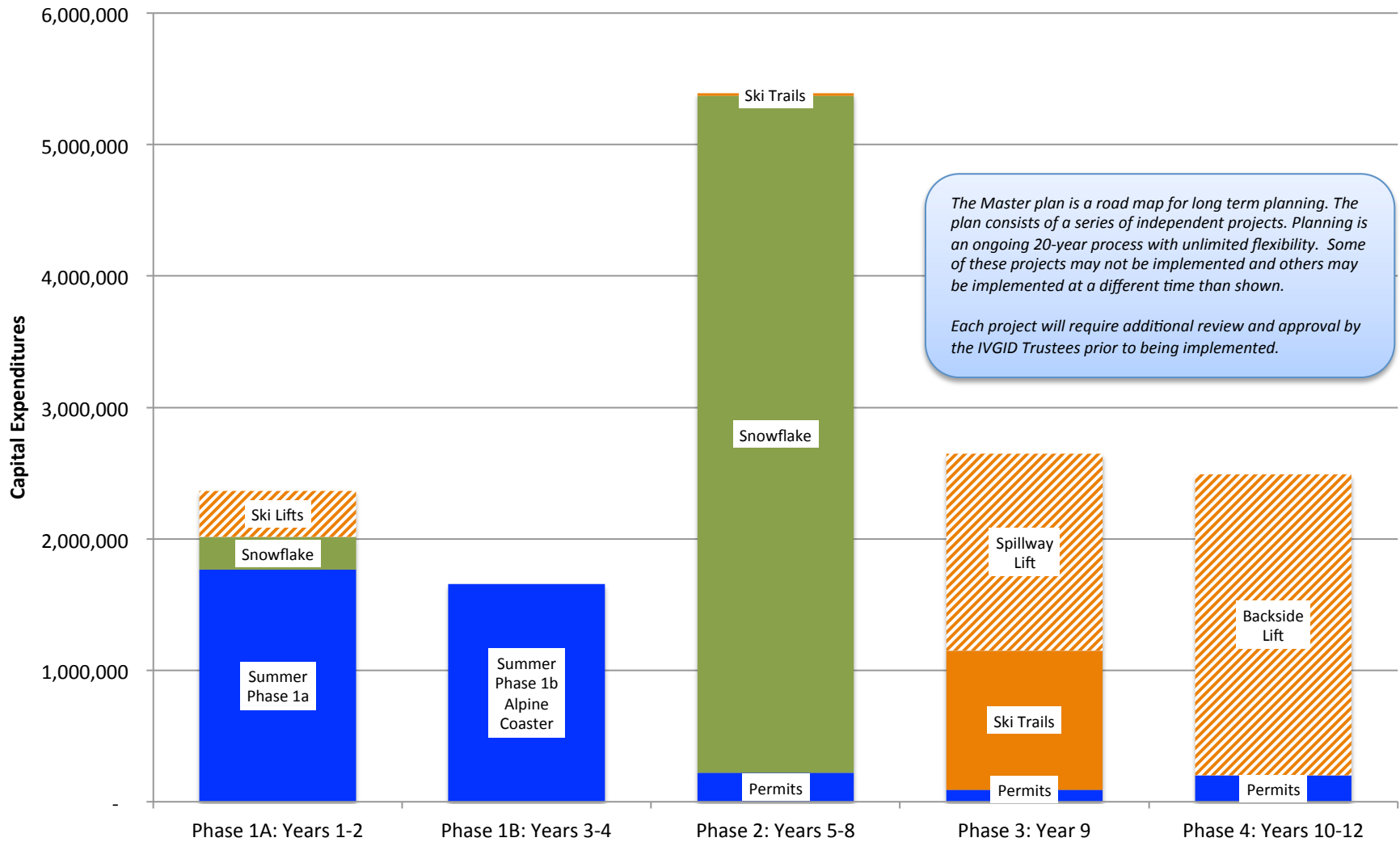
9. Other

- Climate change and global warming is a potential long-term threat to the ski industry including Diamond Peak. The Committee did not feel qualified to address climate change.
- Most of the discussion of the Diamond Peak Master Plan has focused on summer activities. However, the ski area will continue to operate with or without summer activities. If the summer business is not implemented or if it is not profitable, some of the winter improvements should still be done to keep Diamond Peak competitive in the market.
- A minority (4 of 13 members) of the committee felt strongly that the IVGID BOT should conduct a poll of the property owners prior to implementing summer activities. The majority of the committee felt the elected IVGID BOT should make all decisions concerning the plan but respects the minority's opinion. Our goal was to build consensus where possible but where that was not possible we believe it is important to share the strong opinions of our diverse group. The dissenting opinion on page 15 covers areas where the committee remained divided.
- The minority favoring the poll believes that the committee's recommended plan presented in this report is superior to the SE Group's original master plan.

10. Recommended Next Steps

- Direct SE Group to revise the Diamond Peak Master Plan to reflect the Committee's recommendations and bring the revised plan back to IVGID staff and the IVGID BOT for review and approval.

Capital Expenditures by Master Plan Phases Figure 2



Sensitivity Analysis Figure 3

	IRR W/ Debt Service	NPV W/ Debt Service	5 Year Avg EBITDA (Earnings)	12 Year Total NOI After Debt Svc ⁴	Year 12 NOI After Debt Svc ⁵	Total Master Plan Capital Expenditures ⁶	Initial (at risk) Debt ⁷	Total Debt for Capital Expenditures ⁸	Capital Expenditures Paid from Earnings ⁹	Total Snowflake Capital Expenditures ¹⁰
Original Master Plan ¹	39.0%	12,148,425	2,013,663	6,001,404	2,409,510	18,257,584	4,022,390	8,133,952	10,123,632	6,267,444
Adjusted Plan ²	44.0%	13,018,898	2,016,480	6,879,095	2,520,324	17,391,159	4,022,390	7,267,527	10,123,632	5,401,019
Committee's Plan: Phase 1 split into Phases 1a/1b³	49.2%	14,525,547	1,551,459	13,614,733	3,257,385	14,551,159	2,366,000	5,104,789	9,446,370	5,401,019
Committee's plan with revenues cut by 25%	15.7%	3,171,778	896,659	5,250,879	1,901,479	14,543,284	2,358,125	7,675,593	6,867,690	5,401,019
Committee's plan without the Alpine Coaster	39.4%	8,178,388	1,193,419	9,361,350	2,569,191	12,894,769	2,366,000	4,526,699	8,368,070	5,401,019
Committee's plan without Snowflake Lodge	73.5%	14,549,241	1,437,582	14,165,224	2,862,084	9,150,140	2,116,000	2,399,057	6,751,083	-
Committee's plan without the Coaster & Snowflake	85.1%	9,291,627	1,155,001	8,682,699	1,765,881	7,493,750	2,116,000	2,116,000	5,377,750	-

Notes

¹Same as the Master Plan numbers in July 2014 Report corrected for an input error

²All Cap Ex in 2015 Dollars, Snowflake Costs reduced

³Committee's Recommended Plan

⁴The cumulative amount of Net Operating Income after all debt service payments in year 12. This is available for use by IVGID or Diamond Peak as it is generated in years 1 through 12.

⁵The Net Operating Income after all debt service payments for year 12 only. This allows comparison of the long term projected annual available cash flows between the Master Plan options.

⁶The total estimated Capital Expenditures for all of the projects contained in the Master Plan. Future IVGID Trustees will have to decide if and when various projects are implemented.

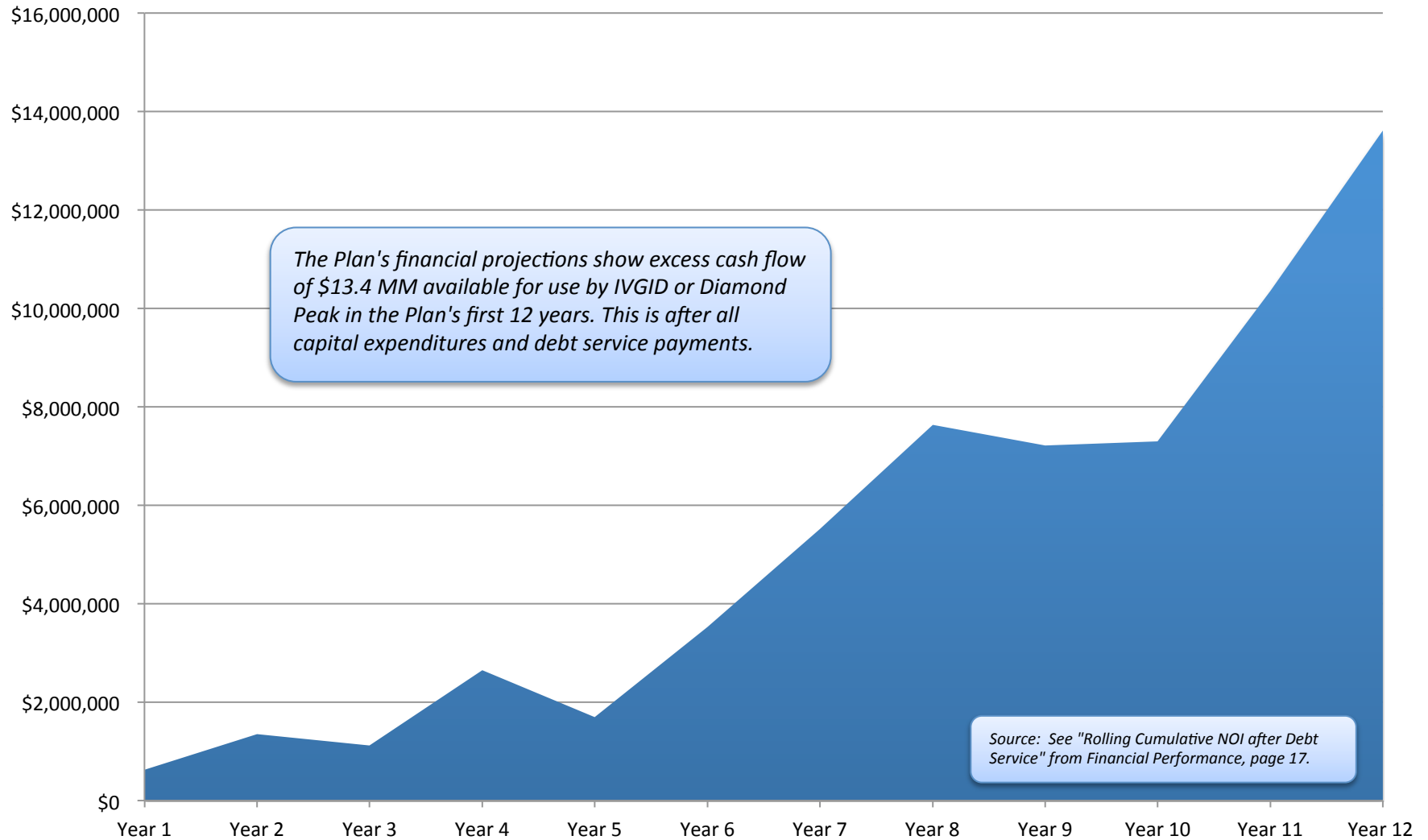
⁷The debt required to fund the initial phase of Summer Activities. This is the "riskiest" debt as the initial phase of Summer Activities is when revenue projections are uncertain.

⁸The total amount of debt needed if all of the projects in the Master Plan are implemented as scheduled.

⁹The Amount of Master Plan Capital Expenditures projected to be paid out of earnings from Summer Activities.

¹⁰The Total amount estimated to rebuild Snowflake Lodge. This amount will vary depending on the design and size of the future lodge.

Cumulative Excess Cash Flow available for use by Diamond Peak Figure 4



11. Dissenting Opinion and Concerns

A minority of the Steering Committee asks the Board of Trustees (BOT) and the property owners these very basic questions related to the proposed summertime activity at Diamond Peak (DP):

1. **Is it IVGID's role to be in the business of business?** Are the proposed summertime amenities the role of Government / a GID? Is this a role better served by the private sector, or public-private partnership?
2. **Do the property owners and the Board of Trustees want to risk changing forever the character of Incline Village?** Incline Village is unique. Many property owners bought homes in Incline Village because it is a quiet, alpine bedroom community, not a tourist mecca. We question if the proposed summertime activities fit with the character of our community. Summer is already crowded. Summertime activities at DP will compound this problem.
3. **Are property owners willing to bear this potential additional burden?** IVGID operates 5 business units: ski, golf, the Chateau, the Rec Center and tennis. All lose money and are subsidized by the property owners' Rec Fee (currently \$730 / year, which totals nearly \$6MM across all property owners). There are no assurances that the proposed summer amenities at DP will not operate at a loss.
4. **Can IVGID stay competitive in the summertime activity business?** We are concerned about the competitive response by the other ski areas in the Basin. Any market can be over supplied.
5. **Can the BOT know what property owners think without asking them?** The majority report makes assertions that we cannot verify related to how property owners "value" DP and how non-resident property owners view IVGID provided amenities.

While we have views on the above questions we do not pretend to know the will of the property owners. We request that the BOT commission a detailed poll, highlighting the costs and potential risks and benefits, to determine if the property owners support summertime activities. There were no Crystal Bay or non-resident property owners on the Steering Committee. These groups represent approximately 2/3 of all the property owners. As fiduciaries, the Board has a duty to all property owners even if they do not live and vote here.

We have not delved into each individual proposed amenity. The main report discusses the pros and cons of each attraction.

Our overarching concern is very basic: should the IVGID Board of Directors proceed with an investment in summertime activity at Diamond Peak? We encourage the BOT to conduct a poll to determine the course of action that is consistent with the desires and risk tolerances of the property owners.

Appendix A

Financial Backup for Committee's Recommended Approach

- a) New Amenities Anticipated Financial Performance
- b) Master Plan Capital Expenditures by Phases
- c) Master Plan Activity Capacity and Utilization Assumptions
- d) Master Plan Anticipated Revenue by Phase
- e) Master Plan Direct Expenses
- f) Master Plan O&M Expenses

a) New Amenities Anticipated Financial Performance

Diamond Peak Master Plan - Financial Analysis Ver. 9.0												
Anticipated Financial Performance												
New Amenities Anticipated Performance												
	Phase 1A		Phase 1B		Phase 2				Phase 3	Phase 4		
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Phase 1A Revenue	\$1,739,592	\$1,932,880	\$2,147,644	\$2,255,026	\$2,367,777	\$2,486,166	\$2,610,475	\$2,740,998	\$2,878,048	\$3,021,951	\$3,173,048	\$3,331,701
Phase 1B Revenue			\$643,658	\$715,176	\$794,640	\$834,372	\$876,091	\$919,895	\$965,890	\$1,014,184	\$1,064,894	\$1,118,138
Phase 2 Revenue					\$1,375,987	\$1,528,874	\$1,698,749	\$1,783,687	\$1,872,871	\$1,966,515	\$2,064,840	\$2,168,082
Phase 4 Revenue										\$512,325	\$569,250	\$632,500
Total Revenue	\$1,739,592	\$1,932,880	\$2,791,302	\$2,970,202	\$4,538,404	\$4,849,413	\$5,185,314	\$5,444,580	\$5,716,809	\$6,514,975	\$6,872,032	\$7,250,421
Phase 1A Operating Expenses	\$777,080	\$863,423	\$870,166	\$913,675	\$959,358	\$1,007,326	\$1,057,693	\$1,110,577	\$1,166,106	\$1,224,412	\$1,285,632	\$1,349,914
Phase 1B Operating Expenses			\$132,882	\$147,646	\$164,051	\$172,254	\$180,867	\$189,910	\$199,406	\$209,376	\$219,845	\$230,837
Phase 2 Operating Expenses					\$967,631	\$1,075,146	\$1,194,606	\$1,254,337	\$1,317,053	\$1,382,906	\$1,452,051	\$1,524,654
Phase 3 Operating Expenses									\$15,890	\$16,684	\$17,518	\$18,394
Phase 4 Operating Expenses										\$292,435	\$307,057	\$322,410
Operating Expenses	\$777,080	\$863,423	\$1,003,048	\$1,061,321	\$2,091,041	\$2,254,726	\$2,433,166	\$2,554,824	\$2,698,455	\$3,125,813	\$3,282,103	\$3,446,208
Operating Margin	\$962,511	\$1,069,457	\$1,788,254	\$1,908,881	\$2,447,363	\$2,594,687	\$2,752,149	\$2,889,756	\$3,018,354	\$3,389,162	\$3,589,929	\$3,804,213
Operating Margin %	55%	55%	64%	64%	54%	54%	53%	53%	53%	52%	52%	52%
Capital Maintenance Reserve (3% of Reven)	\$52,188	\$57,986	\$83,739	\$89,106	\$136,152	\$145,482	\$155,559	\$163,337	\$171,504	\$195,449	\$206,161	\$217,513
EBITDA on New Activities/Amenities	\$910,324	\$1,011,471	\$1,704,515	\$1,819,775	\$2,311,211	\$2,449,204	\$2,596,589	\$2,726,419	\$2,846,850	\$3,193,713	\$3,383,768	\$3,586,700
Debt Service Phase 1A	\$284,491	\$284,491	\$284,491	\$284,491	\$284,491	\$284,491	\$284,491	\$284,491	\$284,491	\$284,491		
Debt Service Phase 1B			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service Phase 2					\$329,316	\$329,316	\$329,316	\$329,316	\$329,316	\$329,316	\$329,316	\$329,316
Debt Service Phase 3									\$0	\$0	\$0	\$0
Debt Service Phase 3									\$0	\$0	\$0	\$0
Net Operating Income after Debt Svc.	\$625,832	\$726,979	\$1,420,024	\$1,535,284	\$1,697,404	\$1,835,397	\$1,982,782	\$2,112,612	\$2,233,043	\$2,579,906	\$3,054,452	\$3,257,385
Rolling Cumulative NOI after Debt service	\$625,832	\$1,352,812	\$1,116,446	\$2,651,730	\$1,697,404	\$3,532,802	\$5,515,584	\$7,628,196	\$7,212,990	\$7,302,896	\$10,357,348	\$13,614,733
Capital Expense by Phase	\$2,366,000		\$1,656,390		\$5,390,519				\$2,648,250	\$2,490,000		
NOI Contribution to Capital on Phase	\$0		\$1,656,390		\$2,651,730				\$2,648,250	\$2,490,000		
Net New Capital Requirement by Phase	\$2,366,000		\$0		\$2,738,789				\$0	\$0		
Total Capital & Debt Service	\$2,448,810	\$75,751	\$68,445	\$60,884	\$2,887,704	\$132,644	\$115,803	\$98,373	\$80,333	\$61,661	\$42,336	\$32,292
EBITDA - Total Capital & Debt Service	(\$1,538,486)	(\$602,767)	\$1,033,303	\$2,792,194	\$2,215,702	\$4,532,262	\$7,013,048	\$9,641,094	\$12,407,611	\$15,539,663	\$18,881,095	\$22,435,504
EBITDA - Capital & Debt Svc	(\$1,538,486)	\$935,719	(\$20,320)	\$1,758,891	(\$3,228,223)	\$2,316,560	\$2,480,786	\$2,628,046	\$118,267	\$642,052	\$3,341,432	\$21,454,878
			5 YR Avg EBITDA	1,551,459		Total Cap Ex paid from Earnings	\$9,446,370					
IRR w Debt Service	49.2%		Total Debt	\$5,104,789								
NPV w Debt Service	\$14,525,547		Debt Coverage Ratio Year 4	6.4		12 Yr Total NOI After Debt	\$13,614,733					

b) Master Plan Capital Expenditures by Phases

Diamond Peak Master Plan - Financial Analysis Ver. 9.0							Project Phase				
Anticipated Financial Performance							Phase 1A	Phase 1B	Phase 2	Phase 3	Phase 4
New Amenities							Years 1-2	Years 3-4	Years 5-8	Year 9	Years 10-12
Category	Description	Unit Cost	Unit Measure	Units	Design Cost	Total Project Cost					
Activities											
Challenge Course	Prelim cost from Jesse	\$300,000	each	1.0	Inc in Cost	\$300,000	\$300,000				
Canopy Tour - Crystal to Base	Prelim cost from Dave	\$900,000	each	1.0	\$24,000	\$924,000	\$924,000				
MTB Trails - below the Incline Flume	Professional trail construction	\$40,000	per mile	5.0	\$34,000	\$234,000	\$234,000				
MTB Trails - above the Incline Flume	Volunteer supported construction	\$10,000	per mile	2.8		\$28,000	\$28,000				
Family/Kid's Base Area Bike Loop	Professional trail construction	\$40,000	per mile	0.7		\$28,000	\$28,000				
Kids Pump Track	Pre-fab Features-Bikeparkitect Basic	\$24,000	each	1.0		\$24,000	\$24,000				
Bike Skills Park	Pre-fab Features-PBR Skills Course 2	\$16,000	each	1.0		\$16,000	\$16,000				
Hiking Trails - Snowflake to Base (east side)	Trail construction	\$10,000	per mile	1.1	\$1,000	\$12,000	\$12,000				
Hiking Trails - Snowflake to Base (west side)	Trail construction	\$10,000	per mile	1.1	\$1,000	\$12,000	\$12,000				
Interpretive Signage		\$10,000	program	1.0		\$10,000	\$10,000				
Alpine Coaster		\$1,656,390	each	1.0	Inc in Cost	\$1,656,390		\$1,656,390			
Climbing Wall	Snowflake Bldg. Wall	\$80,000	each	1.0	Inc in Cost	\$80,000			\$80,000		
Play Area	Playground Equipment	\$30,000	each	1.0		\$30,000		\$30,000			
Rental Equipment	Mountain Bikes	\$1,200	each	15.0		\$18,000	\$18,000				
Entitlement and Permitting	TRPA Etc...		Estimate			\$560,000	\$160,000	\$110,000	\$90,000	\$200,000	
Activities Total	Total					\$3,932,390	\$1,766,000	\$1,656,390	\$220,000	\$90,000	\$200,000
Snowflake Lodge									\$3,187,500		
FFE	Construction	\$375	SF	8,500		\$3,187,500			\$159,375		
Design Fees	A&E	8%			\$371,000	\$371,000			\$371,000		
Kitchen Equipment	Construction	\$1,000,000	Each	1.0		\$1,000,000	\$250,000		\$750,000.00		
Snowflake Outdoor Deck	Construction	\$100	SF	4,500		\$450,000			\$450,000		
Removal of existing Snowflake Building	Construction	\$20	SF	1,200		\$24,000			\$24,000		
Removal of existing Snowflake Deck	Construction	\$6	SF	3,500		\$21,000			\$21,000		
Contengency	Construction	5%				\$188,144			\$188,144		
Total	Total					\$5,401,019	\$250,000		\$5,151,019		
On-mountain Trail Improvements											
Snowmaking on Diamondback	air/water/hydrants/guns	\$67,500	Acre	10.0		\$675,000			\$675,000		
Snowmaking on Freeway	air/water/hydrants	\$70	LF	2550.0		\$178,500			\$178,500		
Ridge trail grading	Trail grading	\$13,000	Acre	1.5		\$19,500		\$19,500			
Beginner route grading	Trail construction (range \$75-\$130)	\$130	LF	645.0		\$83,850			\$83,850		
FIS Traverse Extension	Trail construction (range \$75-\$130)	\$130	LF	930.0		\$120,900			\$120,900		
On-mountain Trail Improvements Total	Total					\$1,077,750		\$19,500	\$1,058,250	\$0	
On-mountain Lift Improvements											
Lakeview Improve lift download capacity	Doppelmayr cost estimate \$300 to \$400k for 75% downc	\$350,000				\$350,000	\$350,000				
Spillway lift replacement		\$250,000				\$1,500,000			\$1,500,000		
Backside Lift	POMA Bid - C4 - 1800pph					\$2,140,000				\$2,140,000	
Backside Trail Work/Construction						\$150,000				\$150,000	
Lift Improvements Total	Total					\$4,140,000	\$350,000		\$1,500,000	\$2,290,000	
Total Improvements						\$14,551,159	\$2,366,000	\$1,656,390	\$5,390,519	\$2,648,250	\$2,490,000

c) Master Plan Activity Capacity and Utilization Assumptions

Diamond Peak Master Plan - Financial Analysis Ver. 9.0																			
Anticipated Financial Performance																			
	Activity																		
	Challenge Course	Canopy Tour (Snowflake)	Canopy Tour (Crystal)	Lift Ride Only (Lakeview)	Summer Breakfast	Summer Lunch - Phase 1A	Summer Lunch - Phase 1B	Summer Dinner	Winter Breakfast	Winter Lunch	Winter Dinner	Lift Rides Only (Crystal)	MTB Lift Access (Lakeview)	MTB Lift Access (Crystal)	Pump Track	Skills Park	Climbing Wall	Segway Tours	Alpine Coaster
Capacity at One Time	45	40	60	1000				100	100		100	1000	1000	1000	7	24	6	8	250
Ave Length of Visit (hours)	1.5	1	1	2				2.5	1		2.5	2	2	2	0.75	1	0.25	2	0.5
Ave Hourly Visitation	30	40	60	500				40	100		40	500	500	500	9	24	24	4	500
Hours of Operation	8	7	6	10				4	2		4	8	8	8	8	8	8	8	8
Daily Visitation Potential	240	280	360	5000				160	200		160	4000	4000	4000	74.7	192	192	32	4,000
Daily Utilization (%)	25%	0%	25%	1.0%				30%	25%		20%	1.0%	2.0%	2.0%	50%	20%	20%	60%	12%
Adjusted Daily Potential Utilization	60	0	90	50	100	220	137	48	50	250	32	40	40	80	37	38	38	19	480
Planned Operating Days	105	105	105	105	16	105	105	105	50	110	50	105	105	105	105	105	105	105	105
Summer Physical Visitation Potential	6,300	0	9,450	5,250	1,600	23,064	14,400	5,040	2,500	27,500	1,600	4,200	4,200	8,400	3,920	4,032	4,032	2,016	50,400

Activity	Group Size	Groups/Yr.	Total Guests
Weddings - Summer	100	30	3,000
Weddings - Winter	100	5	500
Kid's Mtn Day Camps	20	40	800
Other Spec. Events (races, recreation, etc)	150	5	750

d) Master Plan Anticipated Revenue by Phase

Diamond Peak Master Plan - Financial Analysis Ver. 9.0									
Anticipated Financial Performance									
Activity/Revenue Outlet	Annual Visits	Revenue Per Visit	Anticipated Revenue						
				Phase 1A					
				Phase 1B					
				Phase 2					
				Phase 3					
				Phase 4					
				Years 1-2					
				Years 3-4					
				Years 5-8					
				Year 9					
				Years 10-12					
Challenge Course	6,300	\$45.00	\$283,500	\$283,500					
Canopy Tour (Crystal)	9,450	\$100.00	\$945,000	\$945,000					
Lift Ride Only (Lakeview)	5,250	\$8.00	\$42,000	\$42,000					
Lift Ride Only (Crystal)	4,200	\$8.00	\$33,600	\$33,600					
Lift Service for MTB Access (Lakeview)	4,200	\$25.00	\$105,000	\$105,000					
Lift Service for MTB Access (Crystal)	8,400	\$40.00	\$336,000	\$336,000					
Bike Skills Park/Pump Track	7,952	\$0.00	\$0	\$0					
Climbing Wall	4,032	\$15.00	\$60,480			\$60,480			
Alpine Coaster (Summer)	50,400	\$12.00	\$604,800		\$604,800				
Alpine Coaster (Winter)	11,500	\$12.00	\$138,000		\$138,000				
Mtn. Segway Tours (rev share)	2,016	\$55.00	\$55,440	\$55,440					
MTB Rentals	3,150	\$45.00	\$141,750	\$141,750					
MTB Instruction	630	\$90.00	\$56,700	\$56,700					
Kid's Mountain Camps	800	\$75.00	\$60,000	\$60,000					
Retail Sales - Winter	115,000	\$2.50	\$287,500			\$287,500			
Retail Sales - Summer	61,625	\$2.00	\$123,250			\$123,250			
Incremental Increase in Winter Revenue (Phase 1A)	11,500	\$55.00	\$632,500						\$632,500
Snowflake Food & Beverage Operations									
Summer Breakfast	1,600	\$12.00	\$19,200			\$19,200			
Summer Lunch - Phase 1A	23,064	\$12.00	\$276,763	\$83,029.0		\$193,734.24			
Summer Lunch - Phase 1B	14,400	\$12.00	\$172,800		\$51,840.0	\$120,960.00			
Summer Dinner	5,040	\$50.00	\$252,000			\$252,000			
Winter Breakfast	2,500	\$12.00	\$30,000			\$30,000			
Winter Lunch (Revenue Improvement)	27,500	\$3.00	\$82,500			\$82,500			
Winter Dinner	1,600	\$60.00	\$96,000			\$96,000			
Special Events									
Weddings - Summer	3,000	\$120.00	\$360,000			\$360,000			
Weddings - Winter	500	\$120.00	\$60,000			\$60,000			
Other Spec. Events (races, recreation)	750	\$25.00	\$18,750	\$5,625.0		\$13,125			
Total Revenue			\$5,273,533	\$2,147,644	\$794,640	\$1,698,749	\$0	\$632,500	

e) Master Plan Direct Expenses

Diamond Peak Master Plan - Financial Analysis Ver. 9.0

Anticipated Financial Performance

Expenses by Activity/Amenity	Phase 1A	Phase 1B	Phase 2	Phase 3	Phase 4
	Years 1-2	Years 3-4	Years 5-8	Year 9	Years 10-12
Challenge Course	\$54,789				
Canopy Tour (Crystal)	\$219,324				
Lift Ride Only (Lakeview)	\$7,733				
Lift Ride Only (Crystal)	\$9,553				
Lift Service for MTB Access (Lakeview)	\$17,391				
Lift Service for MTB Access (Crystal)	\$26,600				
Bike Skills Park/Pump Track	\$7,121				
Climbing Wall			\$26,736		
Alpine Coaster (Summer)		\$69,930			
Alpine Coaster (Winter)		\$38,664			
Mtn. Segway Tours (rev share)	\$30,146				
MTB Rentals	\$23,672				
MTB Instruction	\$15,942				
Kid's Mountain Camps	\$17,171				
Retail Sales - Winter			\$161,417		
Retail Sales - Summer			\$78,269		
Incremental Increase in Winter Expenses (Ph 4)					\$277,495
Snowflake Food & Beverage Operations					
Summer Breakfast			\$13,350		
Summer Lunch - Phase 1A	\$50,703		\$118,307.60		
Summer Lunch - Phase 1B		\$27,958	\$65,234.40		
Summer Dinner			\$193,925		
Winter Breakfast			\$20,860		
Winter Lunch (Revenue Improvement)			\$45,309		
Winter Dinner			\$65,245		
Special Events					
Weddings - Summer			\$217,440		
Weddings - Winter			\$36,240		
Other Spec. Events (races, recreation, etc.)	\$3,457		\$8,066		
SS Dir./Profit Center Manager	\$49,920				
Ski Patrol/Safety Director	\$40,560				
Kids Camp Director	\$39,000				
Rental Shop Manager	\$28,080				
F&B Manager	\$15,748		\$36,746		
Facility Sales	\$22,495.2				
Marketing	\$29,998.8				
Janitorial/Bldg. Maintenance	\$16,104.0		\$37,576		
Utilities/Fuel	\$12,000.0				
Lift Operating Costs (elec. & Maint)	\$63,000.0				
Banking Fees/Processing	\$47,462.9	\$17,561.5	\$37,542		
Insurance	\$14,196.0	\$9,938.3	\$32,343	\$15,890	\$14,940
Supplies (Shop, Maint, Office, etc.)	\$8,000.0				
Total Expenses	\$870,166	\$164,051	\$1,194,606	\$15,890	\$292,435

f) Master Plan Operating Expenses

Diamond Peak Master Plan - Financial Analysis Ver. 9.0

Anticipated Financial Performance

Operating Expense	Labor	COGS	PR Tax & Benefits	Total Labor / Revenue	Operations -Other	Maintenance @3% of Revenue	Total Operating Expenses	Operating Margin \$	Operating Margin %
Summer/New Operations									
Challenge Course	\$33,784		\$12,500			\$8,505	\$54,789	\$228,711	81%
Canopy Tour (Crystal)	\$139,397		\$51,577			\$28,350	\$219,324	\$725,676	77%
Lift Ride Only (Lakeview)	\$4,725		\$1,748			\$1,260	\$7,733	\$34,267	82%
Lift Ride Only (Crystal)	\$6,237		\$2,308			\$1,008	\$9,553	\$24,047	72%
Lift Service for MTB Access (Lakeview)	\$10,395		\$3,846			\$3,150	\$17,391	\$87,609	83%
Lift Service for MTB Access (Crystal)	\$12,058		\$4,462			\$10,080	\$26,600	\$309,400	92%
Bike Skills Park/Pump Track	\$5,198		\$1,923			na	\$7,121	na	na
Climbing Wall	\$18,191		\$6,731			\$1,814	\$26,736	\$33,744	56%
Alpine Coaster (Summer)	\$37,800		\$13,986			\$18,144	\$69,930	\$534,870	88%
Alpine Coaster (Winter)	\$25,200		\$9,324			\$4,140	\$38,664	\$99,336	72%
Mtn. Segway Tours (rev share)	\$20,790		\$7,692			\$1,663	\$30,146	\$25,295	46%
MTB Rentals	\$14,175		\$5,245			\$4,253	\$23,672	\$118,078	83%
MTB Instruction	\$10,395		\$3,846			\$1,701	\$15,942	\$40,758	72%
Kid's Mountain Camps	\$11,220		\$4,151			\$1,800	\$17,171	\$42,829	71%
Weddings - Summer	\$72,000	\$108,000	\$26,640			\$10,800	\$217,440	\$142,560	40%
Weddings - Winter	\$12,000	\$18,000	\$4,440			\$1,800	\$36,240	\$23,760	40%
Other Special Events	\$8,000		\$2,960			\$563	\$11,523	\$7,228	39%
Retail Sales - Winter	\$6,600	\$143,750	\$2,442			\$8,625	\$161,417	\$126,083	44%
Retail Sales - Summer	\$9,450	\$61,625	\$3,497			\$3,698	\$78,269	\$44,981	36%
F&B Operations Snowflake									
Summer Lunch - Phase 1A	\$56,700	\$83,029	\$20,979	28%		\$8,303	\$169,011	\$107,752	39%
Summer Lunch - Phase 1B	\$26,400	\$51,840	\$9,768	21%		\$5,184	\$93,192	\$79,608	46%
Winter Lunch	\$13,200	\$24,750	\$4,884	22%		\$2,475	\$45,309	\$37,191	45%
Summer Breakfast	\$5,120	\$5,760	\$1,894	37%	\$3,200	\$576	\$13,350	\$5,850	30%
Winter Breakfast	\$8,000	\$9,000	\$2,960	37%		\$900	\$20,860	\$9,140	4%
Summer Dinner	\$80,850	\$75,600	\$29,915	44%	\$36,750	\$7,560	\$193,925	\$58,076	23%
Winter Dinner	\$24,500	\$28,800	\$9,065	35%	\$30,000	\$2,880	\$65,245	\$30,755	32%
SS Dir./Profit Center Manager	\$33,280		\$16,640				\$49,920		
Ski Patrol/Safety Director	\$27,040		\$13,520				\$40,560		
Kids Camp Director	\$26,000		\$13,000				\$39,000		
Rental Shop Manager	\$18,720		\$9,360				\$28,080		
F&B Manager	\$34,996		\$17,498				\$52,494		
Facility Sales	\$14,997		\$7,498				\$22,495		
Marketing	\$19,999		\$10,000				\$29,999		
Janitorial/Bldg. Maintenance	\$29,120		\$14,560		\$5,000		\$48,680		
Utilities/Fuel					\$12,000		\$12,000		
Lift Operating Costs (elec. & Maint)					\$63,000		\$63,000		
Banking Fees/Processing					\$116,545		\$116,545		
Insurance					\$87,307		\$87,307		
Supplies (Shop, Maint, Office, etc.)					\$8,000		\$8,000		
Total Sumer/New Operations Expenses							\$2,268,632		

Appendix B

Diamond Peak Master Plan Steering Committee Members

Bill Echols: Bill retired in 2011 after 33 years in various aspects of the financial industry. Bill holds a BBA in Marketing and an MBA in Finance from Texas A&M University. Bill is also a Chartered Financial Analyst. Bill is active in all manner of summer and winter sports and is a volunteer ski patroller at Diamond Peak. He is a full time resident of Incline Village.

Liz Harrell: Liz has lived in Incline Village since 1998 and she has taught at both Incline Elementary and Incline Middle School for the last 17 years. Currently she is the librarian at IMS and she teaches 7th grade writing. She and her husband have two boys ages 8 and 13. They enjoy skiing and many outdoor activities.

Brian Hrindo: An avid backcountry skier and mountain biker, Brian has been in Tahoe for 13 years and an Incline resident since 2009. He practices locally as a Physical Therapist Assistant at the Incline Village Community Hospital Physical Therapy clinic and volunteers with the Diamond Peak Ski Patrol on winter weekends. Brian, along with his wife and 2 young children, is involved with the Incline public schools and his family enjoys spending time participating in the many small-town community activities and opportunities that Incline has to offer.

Jessica Jameson: Since moving to Incline three years ago, this former East Coast urbanite has fully embraced Tahoe living by exploring local trails and engaging with the community. Jess graduated from the University of Pennsylvania and served as a Teach for America corps member, teaching 7th, 10th, and 11th grade history in Brooklyn, New York, while earning her Master of Science for Teachers. Building on her time as an educator, she became a Human Capital consultant at Deloitte, where she led a communications team focused on strategic planning and operational excellence. One will often find her photographing the sunset down at Incline Beach.

Dr. Andrew Jaine: Andy has worked for over 40 years in development of advanced artificial intelligence computer simulation models for the evaluation and mitigation of risk. Andy's work has included projects with the British Atomic Energy Research Authority, the South African Diamond Research Laboratories, the Canadian Banking industry, the U.S. Food and Drug Administration, and the US Department of Homeland Security. Andy is co-founder of Intalex Corporation, a Toronto based technology that is North America's leading provider of Sustainable Business Management Systems. He also founded Mediabase Inc., a Nevada company that develops systems to evaluate and mitigate the risk of various forms of terrorism. Mediabase has performed a wide range of counter-terrorism activities in the U.S. including the design and implementation of the risk assessments of key parts of the U.S. National Terrorism Risk Assessments for 2007 and 2008. Andy has a B.Sc. in Pure Mathematics and Physics and a Ph.D. in Theoretical Solid State Physics. Andy has been a resident of Incline Village for 10 years. He is the President of Tyrolian Village Homeowners Association and a Volunteer Washoe County Deputy Sheriff.

Shane Johnson: Shane owns PaintBrush Capital Advisors, a strategic advisory firm that works with startup companies, principally in the life sciences sector. Shane sits on the Boards of several privately held companies and also non-profits, including the Incline Village Hospital Foundation. He enjoys a variety of mountain and water sports, is an avid traveler, and loves cooking and fine wine. Shane holds both a B.A. in Studio Art and B.S. in Neuroscience from Brown University, and an M.D. from Stanford.

Judith Miller: Judith loves the active Tahoe lifestyle. Two younger generations of her family also make Tahoe their home. She has a bachelor's degree in mathematics and managed the IT department for San Jose International Airport. She also owned and operated a West Shore motel business for many years. She is a member of the Washoe County Citizens Advisory Board and serves as the webmaster for the Tahoe Nevada branch of AAUW, supporting its efforts to encourage young women to pursue careers in technology.

Al O'Connor: An avid hiker and skier, Al has lived in Incline since 1993. A long-time entrepreneur, Al is the

retired founder of an Incline based money management firm, the founder of the ILP Group, a San Francisco based Investment Group and a co-founder of Opportunity for All, which builds primary schools in third world countries. Al earned a B.S and M.S. in engineering at MIT and an MBA from Harvard.

Robert J. Olmer: Robert began his career in NY as a manager for several tour operators and travel consortiums. Building upon this experience he became a Director of Sales and Marketing for Air France/Jet Vacations. Robert represented Air France/Jet Vacations in Val D'Isere France, where he was responsible for the oversight of American Air France/Jet Vacation clients that booked winter packages to French and Swiss ski resorts. In 1989 Robert moved to Incline Village where he became the Senior Sales Manager for the Hyatt Regency Lake Tahoe Resort and Casino. Here he established relationships and created Group Meeting and Incentive revenues by developing programs for the Hyatt with Fortune 500 companies. In 1992 Robert became the Director of Sales and Marketing for Alpine Meadows Ski Resort where he oversaw all public relations and sales. In 2002 Robert founded Sierra Adventure Marketing. Robert produced the Inside Tahoe Truckee and Around Reno TV shows, consulted for the San Francisco Giants Marketing Group, Lincoln-Mercury, and Anheuser Busch. Robert served as the Finance Director for Governor Jim Gibbons re-election campaign and worked as an advisor to Governor Gibbons and his staff during Gibbons time as Governor of Nevada. Robert owns multiple properties in Incline Village and has been a part-time ski instructor at Diamond Peak.

Steve Pulver: An active member of the Incline Village community, serving as President of the Bitterbrush II HOA, Vice President of Incliners, and a member of the Tahoe Incline Golf Club. Steve is an active skier, hiker, and road biker. Professionally, he is President of Value Creation, LLC an intellectual asset management, licensing, and commercial development company. He is the retired Director of Licensing at Michigan Molecular Institute, and held many managerial and executive positions at The Dow Chemical Company, including Director of Out-Licensed Technology and Director of New Ventures- Dow Plastics. He also served on the board of directors at Field Neurosciences Institute. Steve received a BS in Chemistry at the University of California, Berkeley and a MS and PhD in Chemistry from Yale University.

Eric Severance: Eric is an avid sports enthusiast and active member of Incline Village where he and his family have lived for 25 years. Currently an Investment Manager and Business Consultant, Eric also has deep roots in the resort industry; serving as GM for Northstar-at-Tahoe, Diamond Peak Ski Resort, and Ski Ashland. Eric has also served in executive roles in other industries, including; co-founder and CEO of SoundPix (software); CEO, CKP/Alta Funds (a hedge fund); COO, Corporate Visions (corporate training); and COO, REO (software).

Bruce Simonian: Bruce established Simonian Flooring in Incline in 1979. He is an author, a water sports enthusiast, skier, snowboarder and enjoys biking and hiking. He served on the Board of Trustees for four years.

Charlie White: Charlie learned to ski at Diamond Peak at 3 years old. In 2006, he moved to Incline full time. He is an educator, father and local business owner. Charlie works with the youth of the community and conducts adventures to promote healthy relationships. Charlie earned his B.A. in Psychology and his M.A. in Education, both from Lehigh University.