PROJECT OBJECTIVES

APRIL 2013:

• Chart a Course for the Future of Diamond Peak
• Winter Experience Improvements
• Evaluate Summer Opportunities
• Ensure Projects Provide a Strong ROI
• Ensure Projects Fit within Community Character
• Continue or Improve Revenue Stream for IVGID without Need to Increase the Recreation Fee

1. Introduction
OPERATIONAL CONSIDERATIONS

- For the community!
  - An under-utilized IVGID asset 7 months of the year
- Reduce financial risk of poor winter business
  - Not be 100% dependent on winter ski operation
  - Summer weather is more reliable
  - Add revenue sources that also operate in winter (and offset poor snow years!)
- NO increase in Recreation Fees

2. Analysis “Refresh”
COMMUNITY SURVEY

- Available on the website
- Emailed invitation through Diamond Peak list
- Advertised in the newspaper and PW newsletter
- Flyers distributed at the Rec Center

- 700+ took part in all or a portion of the survey
- 500+ completed it in its entirety

3. Community Input

3. Community Input
COMMUNITY INPUT

CONCERNS

– **Crowds, noise, and traffic** congestion
– **Costs** of operation vs. revenue – do not pass on costs to the residents!
– Fire **safety**
– Increased liability and insurance costs
– **Conflicts** between bikers and hikers
– On-mountain **environmental impacts** (erosion from mountain biking)
– **Protect** the existing hiking
– There are **already enough** summer activities in the Tahoe basin
– IVGID already has a **Rec Center** – fitness programs should be there
– Want **expanded use but not intensive use**!
– Keep Diamond a **local** resort.
– Focus on mountain/forest type recreation NOT amusement park themes. Beauty and nature, NOT glitz and thrills. **Do not want Disney**!
Incline is a *family destination* and summer activities should be based on this.

*Improving ski facilities should be secondary* until revenue can be earned all year.

Need more seating!

Need to provide accessible hang out areas for the non-skiers.

I would love to see *Snowflake open year round*.

Interested in walking/hiking the area with dogs *without going straight up*.

I see nothing wrong with summer use of the ski area.

I say focus on a few things and do them really well and they will come in droves. I am super excited about the potential here and I see *summer being a better financial win* at Diamond Peak than winter ever will be.

We would participate in all summer activities, frequently. *The more action, the better*. 

3. Community Input
A Community Resource First! The community:

- Is interested in recreation-based activities, particularly trail-based recreation and connecting to the larger regional trail networks (Rim/Flume trails);
- Recognize the beauty of the Snowflake Lodge location and support enhancement of the facility;
- Feel very strongly that the natural beauty is maintained, and the area not become a high-energy, amusement-oriented destination;
- Are concerned about traffic and noise issues
- Do not want to pay for additional facilities.
Positioning

Balance:

- Focus on mountain recreation that supports an active lifestyle;
- Maintain and enhance the community use of the facility;
- Preserve the scenic beauty of Diamond Peak;
- Balance community use with additional tourism visitation to provide revenue for continued viability.

Diamond Peak Mountain Park:

Active mountain recreation showcasing the scenic beauty of the Lake Tahoe region.
Note: Each demographic has a unique set of criteria that also factored into the larger equation, such as season length and occupancy rate.

DAILY VISITATION
TO DIAMOND PEAK
430-680 people

Visitors to North Lake Tahoe
- Volume: 750,000
- Capture: 2-3%
- Total: 15,000-22,500
- Per day: 140-210

Visitors to Incline Village
- Volume: 210K hotel visits, 84K rental visits
- Capture: 7-12% hotel, 3-5% rental
- Total: 14,700-25,200 hotel, 2,500-4,200 rental
- Per day: 160-280

Residents (FT & PT)
- Volume: 921K FT days, 194K PT days
- Capture: 1-1.5% FT, 2-3% PT
- Total: 9,200-13,800 FT, 3,800-5,800 PT
- Per day: 130-190

7. Financial Feasibility
PHASING STRATEGY

Phase One
- Provide new amenities & activities for the community/guests
- Prioritize revenue-generating activities to generate up-front NOI to offset the capital costs of subsequent phases

Phase Two
- Prioritize Snowflake Lodge and base area activities
- Timing triggered by cumulative operating income from Phase 1
- Allows for hospitality-oriented revenue generation

Phase Three
- Focus on improvements for winter operations
- Funded by cumulative operating income from Phases 1 and 2

7. Financial Feasibility
**PHASING**

1. **Phase 1** – Capital = $3.9m
   - Challenge Course
   - Crystal Canopy Tour
   - MTB Trails above and below the Incline Flume
   - Family/Kid’s Base Area Bike Loop
   - Kid’s Pump Track
   - Bike Skills Park
   - Hiking Trails – Snowflake to Base
   - Alpine Coaster
   - Interpretive Signage
   - Rental Equipment (bikes)
   - Kitchen Equipment (BBQ)
   - Upgrade the download capacity on Lakeview to accommodate walk-abouts
   - Formalize Golden Eagle Bowl egress
   - Entitlement Costs for all three phases

7. **Financial Feasibility**
PHASING

Phase 2 – Capital = $5.7m
- Snowflake Lodge Replacement
- Segway Tours
- Climbing Wall
- Play Area (in base area)
- Ridge Trail Grading

7. Financial Feasibility
PHASING

3. Phase 3 – Capital = $5.4M
   - Replace Lakeview Lift (DC4)
   - Install current Lakeview Lift Equipment on Spillway
   - Snowmaking on Diamondback
   - Snowmaking of Freeway
   - Beginner Route Grading
   - FIS Traverse Extension

7. Financial Feasibility
## 7. Financial Feasibility

### Anticipated Financial Performance

<table>
<thead>
<tr>
<th>Summer Amenities Anticipated Performance</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year 1</td>
<td>Year 2</td>
<td>Year 3</td>
</tr>
<tr>
<td>Phase 1 Revenue</td>
<td>$2,383,250</td>
<td>$2,048,056</td>
<td>$2,942,286</td>
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<tr>
<td>Phase 2 Revenue</td>
<td>$1,375,987</td>
<td>$1,526,874</td>
<td>$1,688,749</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>$2,383,250</td>
<td>$2,648,056</td>
<td>$4,318,271</td>
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<tr>
<td>Phase 1 Operating Expenses</td>
<td>$837,317</td>
<td>$930,352</td>
<td>$1,033,726</td>
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<tr>
<td>Phase 2 Operating Expenses</td>
<td>$970,789</td>
<td>$1,078,655</td>
<td>$1,198,505</td>
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<td>Phase 3 Operating Expenses</td>
<td></td>
<td></td>
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<tr>
<td><strong>Operating Expenses</strong></td>
<td>$837,317</td>
<td>$930,352</td>
<td>$2,004,514</td>
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<tr>
<td>Operating Margin %</td>
<td>65%</td>
<td>65%</td>
<td>54%</td>
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<tr>
<td>Capital Maintenance Reserve (3% of Revenue)</td>
<td>$71,498</td>
<td>$79,442</td>
<td>$129,548</td>
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<tr>
<td><strong>EBITDA on New Activities/Amenities</strong></td>
<td>$1,474,436</td>
<td>$1,638,262</td>
<td>$2,184,209</td>
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<tr>
<td>Debt Service Phase 2</td>
<td>$491,305</td>
<td>$491,305</td>
<td>$491,305</td>
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<tr>
<td>Debt Service Phase 3</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td><strong>Net Operating Income after Debt Svc.</strong></td>
<td>$990,778</td>
<td>$1,154,604</td>
<td>$1,209,156</td>
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<tr>
<td>Rolling Cumulative NOI</td>
<td>$990,778</td>
<td>$2,145,382</td>
<td>$1,209,156</td>
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<tr>
<td>Capital Expense by Phase</td>
<td>$4,022,390</td>
<td>$6,232,119</td>
<td>$5,488,250</td>
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<tr>
<td>NOI Contribution to Capital on Phase</td>
<td>$0</td>
<td>$2,145,382</td>
<td>$5,488,250</td>
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<tr>
<td>Net New Capital Requirement by Phase</td>
<td>$4,022,390</td>
<td>$4,086,737</td>
<td>$0</td>
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<tr>
<td><strong>Total Capital &amp; Debt Service</strong></td>
<td>$4,163,174</td>
<td>$12,873</td>
<td>$4,346,135</td>
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<tr>
<td><strong>EBITDA - Total Capital &amp; Debt Service</strong></td>
<td>($2,688,736)</td>
<td>($1,179,260)</td>
<td>($3,341,186)</td>
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<tr>
<td>IRR w Debt Service</td>
<td>46.6%</td>
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<td>NPV w Debt Service</td>
<td>$15,900,086</td>
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Financial Results Summary

- Project infuses Diamond Peak with $15.7m of new capital
- Return On Investment achieved by year 5
- Average annual NOI (after debt service):
  - Phase 1 = $1m
  - Phase 2 = $1.4m
  - Phase 3 = $1.9m
- Phase 3 incurs no debt
- Cumulative NOI through first 10 years = $7.7m
- Affords the opportunity for early debt retirement (approx. year 8)