

CLUBCORP®

THE WORLD LEADER IN PRIVATE CLUBS™

**Unaudited Financial Statements
For the Twelve Weeks Ended March 22, 2011**

ClubCorp Club Operations, Inc.
Unaudited Financial Statements
For the Twelve Weeks Ended March 22, 2011

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CLUBCORP CLUB OPERATIONS, INC.

UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

For the Twelve Weeks Ended March 22, 2011 and March 23, 2010

(In thousands of dollars)

	Twelve Weeks Ended	
	March 22, 2011	March 23, 2010
REVENUES:		
Club operations.....	\$107,848	\$105,651
Food and beverage.....	36,106	34,629
Other revenues.....	865	614
Total revenues.....	<u>144,819</u>	<u>140,894</u>
DIRECT AND SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES:		
Club operating costs exclusive of depreciation.....	97,288	97,364
Cost of food and beverage sales exclusive of depreciation.....	12,336	11,534
Depreciation and amortization.....	21,180	21,278
Provision for doubtful accounts.....	856	1,263
Loss on disposals of assets.....	2,195	109
Selling, general and administrative.....	8,995	7,971
OPERATING INCOME.....	<u>1,969</u>	<u>1,375</u>
Interest and investment income.....	33	297
Equity in earnings from unconsolidated ventures.....	259	89
Interest expense.....	(19,982)	(12,587)
Change in fair value of interest rate cap agreements.....	(75)	(2,510)
Other income.....	861	909
LOSS BEFORE INCOME TAXES.....	<u>(16,935)</u>	<u>(12,427)</u>
INCOME TAX BENEFIT.....	6,209	3,338
LOSS FROM CONTINUING OPERATIONS.....	<u>(10,726)</u>	<u>(9,089)</u>
Loss from discontinued Non-Core Entities, net of income tax expense of \$0 and \$(1,610) for the twelve weeks ended March 22, 2011 and March 23, 2010, respectively.....	—	(5,253)
Loss from discontinued clubs, net of income tax (expense) benefit of \$64 and \$(3) for the twelve weeks ended March 22, 2011 and March 23, 2010, respectively....	<u>(130)</u>	<u>(69)</u>
NET LOSS.....	<u>(10,856)</u>	<u>(14,411)</u>
NET INCOME ATTRIBUTABLE TO DISCONTINUED NON-CORE ENTITIES NONCONTROLLING INTERESTS.....	—	4,641
NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS OF CONTINUING OPERATIONS.....	<u>41</u>	<u>(191)</u>
NET LOSS ATTRIBUTABLE TO CLUBCORP.....	<u>\$(10,815)</u>	<u>\$(9,961)</u>
Amounts attributable to ClubCorp		
Loss from continuing operations, net of tax.....	\$(10,685)	\$(9,280)
Loss from discontinued Non-Core Entities, net of tax.....	—	(61)
Loss from discontinued clubs, net of tax.....	<u>(130)</u>	<u>(69)</u>
Net loss.....	<u>\$(10,815)</u>	<u>\$(9,961)</u>

See accompanying notes to unaudited consolidated condensed financial statements

CLUBCORP CLUB OPERATIONS, INC.

UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEETS

As of March 22, 2011 and December 28, 2010

(In thousands of dollars, except share and per share amounts)

	March 22, 2011	December 28, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$72,694	\$56,531
Restricted cash.....	122	525
Receivables, net of allowances of \$3,481 and \$3,594 at March 22, 2011 and December 28, 2010, respectively.....	49,713	53,784
Inventories.....	16,490	15,630
Prepays and other assets.....	11,009	15,042
Deferred tax assets.....	6,378	6,378
Total current assets.....	156,406	147,890
Investments.....	16,422	17,687
Property and equipment, net.....	1,231,844	1,240,577
Notes receivable, net of allowances of \$697 and \$489 at March 22, 2011 and December 28, 2010, respectively.....	2,161	2,547
Goodwill.....	272,000	272,000
Intangibles, net.....	57,423	63,263
Other assets.....	36,101	36,965
TOTAL ASSETS.....	\$1,772,357	\$1,780,929
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt.....	11,749	11,195
Membership deposits—current portion.....	56,219	51,704
Accounts payable.....	21,318	23,837
Accrued expenses.....	38,597	27,081
Accrued taxes.....	21,361	34,675
Other liabilities.....	67,440	53,706
Total current liabilities.....	216,684	202,198
Long-term debt (includes \$1,903 and \$1,971 related to a VIE at March 22, 2011 and December 28, 2010, respectively).....	770,492	772,079
Membership deposits.....	211,752	211,624
Deferred tax liability.....	236,673	244,572
Other liabilities.....	116,762	119,427
Total liabilities.....	1,552,363	1,549,900
Commitments and contingencies (see Note 12)		
EQUITY		
Common stock of ClubCorp Club Operations, Inc., \$1.00 par value, 1,000 shares authorized, issued and outstanding at March 22, 2011 and December 28, 2010.....	1	1
Additional paid-in capital.....	211,118	211,118
Accumulated other comprehensive loss.....	(2,699)	(2,520)
Retained earnings.....	966	11,781
Total stockholders' equity.....	209,386	220,380
Noncontrolling interests in consolidated subsidiaries.....	10,608	10,649
Total equity.....	219,994	231,029
TOTAL LIABILITIES AND EQUITY.....	\$1,772,357	\$1,780,929

See accompanying notes to unaudited consolidated condensed financial statements

CLUBCORP CLUB OPERATIONS, INC.

UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

For the Twelve Weeks Ended March 22, 2011 and March 23, 2010

(In thousands of dollars)

	Twelve Weeks Ended	
	March 22, 2011	March 23, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss.....	\$(10,856)	\$(14,411)
Loss from discontinued Non-Core Entities	—	5,253
Adjustments to reconcile net loss to cash flows from operating activities:		
Depreciation.....	15,364	15,197
Amortization and depletion.....	5,848	6,118
Bad debt expense	857	1,270
Equity in earnings from unconsolidated ventures	(259)	(89)
Distribution from investment in unconsolidated ventures.....	1,524	1,268
Loss on disposals of assets.....	2,480	109
Amortization of debt issuance costs.....	559	783
Accretion of discount on member deposits	4,560	4,653
Amortization of surface rights bonus revenue	(865)	(865)
Amortization of above and below market rent intangibles.....	54	(7)
Deferred income tax benefit.....	(7,836)	(5,540)
Net change in fair value of interest rate cap agreements	75	2,510
Net change in prepaid expenses and other assets	3,155	(639)
Net change in receivables and membership notes	3,866	3,766
Net change in accounts payable and accrued liabilities	8,961	(3,589)
Net change in other current liabilities	371	10,405
Net change in long-term tax liabilities	(96)	(203)
Net change in other long-term liabilities.....	(1,736)	(985)
Net cash provided by operating activities.....	<u>26,026</u>	<u>25,004</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment.....	(7,589)	(7,290)
Proceeds from dispositions	132	166
Net change in restricted cash and capital reserve funds	358	652
Net cash used in investing activities.....	<u>(7,099)</u>	<u>(6,472)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt.....	(2,171)	(2,171)
Change in membership deposits.....	228	160
Net cash used in financing activities.....	<u>(1,943)</u>	<u>(2,011)</u>
CASH FLOWS FROM DISCONTINUED NON-CORE ENTITIES:		
Net cash used in operating activities of discontinued Non-Core Entities.....	—	(708)
Net cash used in investing activities of discontinued Non-Core Entities	—	(977)
Net cash used in financing activities of discontinued Non-Core Entities.....	—	(70)
Net cash used in discontinued Non-Core Entities.....	<u>—</u>	<u>(1,755)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH.....	(821)	(588)
NET INCREASE IN CASH AND CASH EQUIVALENTS.....	16,163	14,178
CASH AND CASH EQUIVALENTS—BEGINNING OF PERIOD.....	56,531	73,964
CASH AND CASH EQUIVALENTS—END OF PERIOD.....	<u>\$72,694</u>	<u>\$88,142</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash and cash equivalents		
Continuing operations	\$72,694	\$87,737
Discontinued Non-Core Entities.....	\$—	\$405

See accompanying notes to unaudited consolidated condensed financial statements

CLUBCORP CLUB OPERATIONS, INC.

**UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) AND
CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**

For the Twelve Weeks Ended March 22, 2011 and March 23, 2010

(In thousands of dollars)

	Total	Common Stock	Additional Paid-in Capital	Comprehensive Income (Loss)	Retained Equity (Deficit)	Noncontrolling Interests in Consolidated Subsidiaries
BALANCE—						
DECEMBER 29, 2009	(244,357)	—	—	(2,709)	(242,716)	1,068
Net income (loss)	(14,411)	—	—	—	(9,961)	(4,450)
Foreign currency translation adjustments	(13)	—	—	29	—	(42)
Comprehensive income (loss)	(14,424)	—	—	29	(9,961)	(4,492)
BALANCE—						
MARCH 23, 2010	(258,781)	—	—	(2,680)	(252,677)	(3,424)
BALANCE—						
DECEMBER 28, 2010	231,029	1	211,118	(2,520)	11,781	10,649
Net income (loss)	(10,856)	—	—	—	(10,815)	(41)
Foreign currency translation adjustments	(179)	—	—	(179)	—	—
Comprehensive loss	(11,035)	—	—	(179)	(10,815)	(41)
BALANCE—MARCH						
22, 2011	219,994	1	211,118	(2,699)	966	10,608

See accompanying notes to unaudited consolidated condensed financial statements

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(amounts in thousands, unless otherwise indicated)

1. ORGANIZATION

ClubCorp Club Operations, Inc. (“ClubCorp”) is a holding company that was formed on November 30, 2010, as part of a reorganization of ClubCorp, Inc. (“CCI”) for the purpose of operating and managing golf, country, business, sports and alumni clubs. ClubCorp has two reportable segments (1) golf and country clubs and (2) business, sports and alumni clubs. ClubCorp is a wholly owned subsidiary of CCA Club Operations Holdings, LLC (“Parent”), which is a wholly owned subsidiary of ClubCorp Holdings, Inc. (“Holdings”). ClubCorp, collectively, may be referred to as “we,” “us,” “our,” or the “Company,” and is principally owned by Holdings which is owned by affiliates of KSL Capital Partners, LLC (“KSL”), a private equity fund that invests primarily in the hospitality and leisure business. For periods prior to November 30, 2010, references to “we,” “us,” “our,” or the “Company” refer to CCI.

Prior to November 30, 2010, CCI was a holding company that through its subsidiaries owned and operated golf, country, business, sports and alumni clubs, two full-service resorts and certain other equity, realty and future royalty interests. The two full service resorts and such other equity, realty and future royalty interests are referred to as the “Non-Core Entities.”

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The consolidated condensed financial statements reflect the consolidated condensed operations of ClubCorp and its subsidiaries. The consolidated condensed financial statements presented herein reflect our financial position, results of operations, cash flows and changes in stockholders’ equity (deficit) in conformity with accounting principles generally accepted in the United States, or GAAP. All intercompany accounts have been eliminated.

The accompanying consolidated condensed financial statements have been prepared by ClubCorp and are unaudited. Certain information and footnote disclosures normally included in financial statements presented in accordance with accounting principles generally accepted in the United States of America have been omitted from the accompanying statements. We believe the disclosures made are adequate to make the information presented not misleading. However, the financial statements should be read in conjunction with the consolidated financial statements and notes thereto of ClubCorp Club Operations, Inc. for the year ended December 28, 2010.

We believe that the accompanying consolidated condensed financial statements reflect all adjustments, including normal recurring items, considered necessary for a fair presentation of the interim periods. Interim results are not necessarily indicative of fiscal year performance because of the impact of seasonal and short-term variations and other factors such as timing of acquisitions and dispositions of facilities.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ materially from such estimated amounts.

Revenue Recognition—Revenues from club operations, food and beverage and merchandise sales are recognized at the time of sale or when the service is provided and are reported net of sales taxes.

Revenues from membership dues are billed monthly and recognized in the period earned. The monthly dues are expected to cover the cost of providing membership services. Prepaid dues are recognized as income over the prepayment period.

The majority of membership deposits sold is not refundable until a fixed number of years (generally 30) after the date of acceptance of a member. We recognize revenue related to deposits over the average expected life of an active membership. For membership deposits, the difference between the amount paid by the member and the present value of the refund obligation is deferred and recognized as membership fees and deposits revenue on a straight-line basis over the average expected life of an active membership, which was seven years for golf and country club memberships and five years for business, sports and alumni club memberships prior to December 28, 2010. Based on our 2011 analysis, the average expected membership life decreased to six years for golf and country club memberships and four years for business, sports and alumni club memberships. This change in expected membership lives was made effective December 29, 2010. The

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

present value of the refund obligation is recorded as a membership deposit liability in the consolidated balance sheets and accretes over the nonrefundable term using the effective interest method with an interest rate defined as our weighted average borrowing rate adjusted to reflect a 30-year time frame. The accretion is included in interest expense.

The majority of membership fees is not refundable and is deferred and recognized over the average expected life of an active membership.

Recently Issued Accounting Pronouncements

Portions of Accounting Standards related to “Improving Disclosures about Fair Value Measurements” became effective for interim and annual reporting periods beginning after December 15, 2009. This standard requires disclosures of significant transfers in or out of Level 1 and Level 2 fair value measurements, as well as the reasons for the transfers. We adopted this portion of the standard with no material impact to our consolidated condensed financial statements. Additionally, a portion of the standard is effective for interim and annual reporting periods beginning after December 15, 2010. This portion requires disclosure of purchases, sales, issuances and settlements in the reconciliation of Level 3 fair value measurements, as well as more detailed disclosures of Level 3 inputs. We adopted this standard with no material impact on the consolidated condensed financial statements.

In July 2010, the FASB released Accounting Standards Update No. 2010-20 (“ASU 2010-20”), *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. The update requires companies to enhance disclosure about the credit quality of financing receivables and the allowance for credit losses, including credit quality indicators, past due information and modifications of financing receivables. ASU 2010-20 became effective for interim and annual reporting periods ending on or after December 15, 2010. We adopted this standard with no material impact on the consolidated condensed financial statements.

3. VARIABLE INTEREST ENTITIES

Consolidated VIEs include three managed golf operations. We have determined we are the primary beneficiary of these VIEs as we have the obligation to absorb the majority of losses from these operations. One of these VIEs is financed through a loan payable of \$1.4 million collateralized by assets of the entity totaling \$4.4 million as of March 22, 2011. The other VIEs are financed through advances from us. Outstanding advances as of March 22, 2011 total \$2.7 million compared to recorded assets of \$6.7 million.

The following summarizes the carrying amount and classification of the VIEs’ assets and liabilities in the consolidated condensed balance sheets as of March 22, 2011 and December 28, 2010, net of intercompany amounts:

	March 22, 2011	December 28, 2010
Current assets.....	\$826	\$807
Fixed assets, net.....	10,203	10,207
Other assets.....	54	54
Total assets.....	<u>\$11,083</u>	<u>\$11,068</u>
Current liabilities.....	\$838	\$763
Long-term debt.....	1,903	1,971
Other liabilities.....	588	582
Noncontrolling interest.....	6,208	6,283
Company capital.....	1,546	1,469
Total liabilities and deficit.....	<u>\$11,083</u>	<u>\$11,068</u>

Recourse of creditors to the three VIEs is limited to the assets of the managed golf operations and their management entities, which total \$11.1 million.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

4. INVESTMENTS

Equity method investments in golf and business club ventures total \$2.1 million and \$2.1 million at March 22, 2011 and December 28, 2010, respectively, and include two golf club joint ventures and one business club joint venture. Our share of earnings in the equity investments is included in equity in earnings from unconsolidated ventures in the consolidated condensed statements of operations. The difference between the carrying value of the investments and our share of the equity reflected in the joint ventures' financial statements at the time of the acquisition of the Company by KSL was allocated to intangible assets of the joint ventures and amortized over approximately 20 years beginning in 2007.

Additionally, we have one equity method investment in a purchasing cooperative of hospitality companies. The carrying value of the investment was \$13.8 million and \$15.0 million at March 22, 2011 and December 28, 2010, respectively. Our share of earnings in the equity investment, excluding amortization of \$0.5 million for each 12 week period, of \$0.7 million and \$0.6 million for the twelve weeks ended March 22, 2011 and March 23, 2010, respectively, is included in equity in earnings in unconsolidated ventures in the consolidated condensed statements of operations. We have contractual agreements with the joint venture to provide procurement services for our clubs for which we received volume rebates totaling \$0.8 million for the twelve weeks ended March 22, 2011, and we did not collect any during the twelve weeks ended March 23, 2010. The difference between the carrying value of the investment and our share of the equity reflected in the joint venture's financial statements at the time of the acquisition of the Company by KSL was allocated to intangible assets of the joint ventures and amortized over approximately 10 years beginning in 2007.

Significant financial information for the investment described in the paragraph above is as follows:

	March 22, 2011	December 28, 2010
Total assets	\$75,399	\$82,400
Total liabilities	\$72,839	\$71,378
Total equity	\$2,560	\$11,022
	Twelve Weeks Ended	
	March 22, 2011	March 23, 2010
Total revenues.....	\$18,198	\$16,160
Net income.....	\$7,232	\$6,992
	Twelve Weeks Ended	
	March 22, 2011	March 23, 2010
ClubCorp's equity in net income, excluding amortization	\$737	\$564

5. FAIR VALUE

FASB ASC Topic 820 establishes a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. The three levels of inputs are defined as follows:

Level 1—unadjusted quoted prices for identical assets or liabilities in active markets accessible by the Company

Level 2—inputs that are observable in the marketplace other than those inputs classified as Level 1

Level 3—inputs that are unobservable in the marketplace and significant to the valuation

FASB ASC Topic 820 requires us to maximize the use of observable inputs and minimize the use of unobservable inputs. If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument is categorized based upon the lowest level of input that is significant to the fair value calculation.

Marketable securities and derivative financial instruments are measured at fair value on a recurring basis. Marketable securities include interest bearing deposits at financial institutions, and investments in money market funds

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

comprised of U.S. treasury bills. Derivative financial instruments include interest rate cap agreements. The carrying value of other financial instruments including cash, cash equivalents, receivables, notes receivable, accounts payable and other short-term assets and liabilities approximate their fair values as of March 22, 2011 and December 28, 2010. We currently do not have non-financial assets or non-financial liabilities that are required to be measured at fair value on a recurring basis.

Marketable Securities—We utilize quoted prices in active markets to measure investments in money market funds comprised of U.S. treasury bills; such items are classified as Level 1 in the hierarchy. Balances of investments in money market funds totaled \$48.8 million as of December 28, 2010, however, we did not hold any such investments as of March 22, 2011.

Derivative Financial Instruments—Derivative financial instruments are valued in the market based on prevailing market data and values are derived from well recognized financial principles and reasonable estimates about relevant future market conditions and certain counter-party credit risk. These inputs are classified as Level 2 in the hierarchy.

A reconciliation of beginning and ending balances of these derivatives is presented in Note 8.

6. PROPERTY AND EQUIPMENT

Property and equipment at cost consists of the following at March 22, 2011 and December 28, 2010:

	March 22, 2011	December 28, 2010
Land and land improvements.....	\$829,550	\$828,564
Buildings and recreational facilities.....	396,706	394,472
Machinery and equipment	136,250	134,246
Leasehold improvements	74,389	72,382
Furniture and fixtures	51,035	49,642
Fixed assets	1,487,930	1,479,306
Accumulated depreciation and amortization.....	(259,565)	(246,133)
Fixed assets, net	1,228,365	1,233,173
Construction in progress	3,479	7,404
Property and equipment, net	<u>\$1,231,844</u>	<u>\$1,240,577</u>

No impairments were recorded during the twelve weeks ended March 22, 2011 or March 23, 2010.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

7. CURRENT AND LONG-TERM LIABILITIES

Current liabilities consist of the following at March 22, 2011 and December 28, 2010:

	March 22, 2011	December 28, 2010
Accrued compensation.....	\$13,717	\$14,764
Accrued interest.....	17,523	4,881
Other accrued expenses.....	7,357	7,436
Total accrued expenses.....	38,597	27,081
Taxes payable.....	21,148	23,799
Taxes payable to Holdings.....	213	10,876
Total accrued income taxes.....	21,361	34,675
Advance deposits from members.....	21,368	14,710
Prepaid dues.....	17,665	10,984
Deferred revenue—initiation deposits/fees.....	12,287	11,860
Insurance reserves.....	9,144	9,144
Advanced surface rights bonus payment.....	3,750	3,750
Other current liabilities.....	3,226	3,258
Total other current liabilities.....	<u>\$67,440</u>	<u>\$53,706</u>

Other long-term liabilities consist of the following at March 22, 2011 and December 28, 2010:

	March 22, 2011	December 28, 2010
Taxes payable.....	\$46,121	\$46,046
Deferred membership revenues.....	38,014	38,666
Casualty insurance loss reserves—long term portion.....	10,951	11,575
Advanced surface rights bonus payment.....	958	1,823
Above market lease intangibles.....	3,702	4,221
Deferred rent.....	15,955	15,991
Other.....	1,061	1,105
Total other long-term liabilities.....	<u>\$116,762</u>	<u>\$119,427</u>

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

8. DEBT AND CAPITAL LEASES

Interest Rate Cap Agreements—As required by the Citigroup debt agreements, at December 26, 2006, an affiliate of CCI (“Borrower”) entered into interest rate cap agreements that limit Borrower’s exposure to increases in interest rates over certain amounts. These interest rate caps matured in January 2010 and had effectively limited the LIBOR rate to 5.50%. In July 2007, Borrower purchased additional interest caps for \$6.6 million. These agreements limited Borrower’s LIBOR exposure to 5.50% and matured in July 2010. All value of matured interest rate caps was expensed at maturity.

In June 2008, Borrower entered into additional interest rate cap agreements with a fair value of \$12.1 million. These agreements limit Borrower’s LIBOR exposure to 5.50% and mature in July 2012. In July 2009, Borrower sold a portion of its interest rate cap agreements in conjunction with a paydown of debt. Borrower received \$0.7 million of proceeds related to this sale.

We allocated the fair value of the interest rate cap agreements between continuing and discontinued Non-Core Entities based on proportional debt allocations for the twelve weeks ended March 23, 2010.

In December 2010, in connection with a reorganization of CCI resulting in the formation of ClubCorp, we sold the remaining interest rate cap agreements for \$0.2 million.

The portion of the interest rate cap agreements allocated to continuing operations in the twelve weeks ended March 23, 2010 is summarized below:

Fair value at December 29, 2009	\$3,609
Loss included in earnings	<u>(2,510)</u>
Fair value at March 23, 2010	<u>\$1,099</u>

In December 2010, in connection with the issuance of the senior secured credit facility with Citigroup (“2010 Citigroup Debt Facility”), we entered into an interest rate cap agreement that limits our exposure to increases in interest rates over certain amounts. The interest rate cap matures in December 2012 and limits the LIBOR rate to 3.0% on a notional amount of \$155 million. The aggregate fair value of the interest rate cap agreement was \$0.1 million and \$0.1 million at March 22, 2011 and December 28, 2010, respectively, and was included in other assets on the consolidated condensed balance sheets.

Fair value at December 28, 2010	\$138
Loss included in earnings	<u>(75)</u>
Fair value at March 22, 2011	<u>\$63</u>

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

Long-term borrowings and lease commitments of the Company as of March 22, 2011 and December 28, 2010, are summarized below:

	March 22, 2011	December 28, 2010	Interest Rate	Maturity
Senior Unsecured Notes	\$415,000	\$415,000	10.00%	2018
Senior Secured Credit Facilities				
<i>2010 Citigroup Debt Facility</i>				
Term Loan	310,000	310,000	Greater of (i) 6.0% or (ii) an elected LIBOR + 4.5% (6.0% at March 22, 2011 and December 28, 2010)	2016
Revolving Notes (\$50,000 capacity).....	—	—	Greater of (i) 6.0% or (ii) an elected LIBOR + 4.5% (6.0% at March 22, 2011 and December 28, 2010)	2015
Mortgage Loans				
General Electric Capital Corporation.....	32,000	32,000	3.25% + 30 day LIBOR (3.50% at March 22, 2011 and 3.56% at December 28, 2010)	2013
Atlantic Capital Bank	3,933	3,973	Greater of (i) 3.0% + 30 day LIBOR or (ii) 4.5% (4.5% at March 22, 2011 and December 28, 2010)	2015
Other notes	4,460	4,209	5.75% - 8.00%	Various
	<u>765,393</u>	<u>765,182</u>		
Capital leases	16,848	18,092		
	<u>782,241</u>	<u>783,274</u>		
Less current portion.....	11,749	11,195		
	<u>\$770,492</u>	<u>\$772,079</u>		

The amount of long-term debt maturing in each of the five years subsequent to 2010 and thereafter is as follows:

Year	Debt	Capital Leases	Total
Remainder of 2011	\$2,875	\$5,949	\$8,824
2012	4,304	6,009	10,313
2013	35,207	3,170	38,377
2014	2,747	1,284	4,031
2015	6,712	423	7,135
Thereafter.....	713,548	13	713,561
Total.....	<u>\$765,393</u>	<u>\$16,848</u>	<u>\$782,241</u>

Fair Value

Management estimates the carrying value approximates the fair value of ClubCorp's long-term debt excluding capital lease obligations at \$765.4 million and \$765.2 million as of March 22, 2011 and December 28, 2010, respectively. We estimated the fair value of long term debt using a market based analysis using current market inputs for similar types of arrangements. Fluctuations in these assumptions will result in different estimates of fair value.

9. INCOME TAXES

The Company joins in the filing of a consolidated federal income tax return with Holdings, the Company's ultimate parent. The Company records income taxes based on the separate return method determined as if the Company was not included in a consolidated return. Income taxes recorded by the Company are further adjusted to the extent losses or other deductions cannot be utilized in the consolidated federal income tax return. The Company files state tax returns on a separate company basis or unitary basis as required by law. Additionally, certain subsidiaries of the Company owned through lower tier joint ventures also file separate tax returns for federal and state purposes.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

The Company's effective income tax rate for the twelve weeks ended March 22, 2011, was 36.67% compared to 26.86% for the twelve weeks ended March 23, 2010. For the twelve weeks ended March 22, 2011, the effective tax rate differed from the U.S. statutory federal income tax rate of 35% primarily due to state taxes, including changes in state valuation allowances, and foreign income taxes. For the twelve weeks ended March 23, 2010, the effective tax rate differed from the U.S. statutory federal income tax rate of 35% primarily due to state taxes.

The Company is subject to taxation in the U.S. federal jurisdiction, as well as various state and foreign jurisdictions. Our annualized effective income tax rate is determined by the level and composition of pre-tax income and the mix of income subject to varying foreign, state and local taxes.

10. CLUB ACQUISITIONS, CLUB DISPOSITIONS, AND DISCONTINUED OPERATIONS

Club Dispositions

Subsidiaries may be divested when management determines they will be unable to provide a positive contribution to cash flows from operations in future periods and/or when they are determined to be non-strategic holdings for the Company. Gains from divestitures are recognized in the period in which operations cease and losses are recognized when we determine that the carrying value is not recoverable and exceeds fair value.

We discontinued one business, sports and alumni club for a pre-tax loss of \$0.2 million in the twelve weeks ended March 22, 2011. We discontinued one business, sports and alumni club for no pre-tax gain or loss in the year ended December 28, 2010.

Discontinued Club Operations

Operations of the clubs that have been disposed were reclassified to discontinued operations on the consolidated condensed statement of operations as follows for all periods presented:

	Twelve Weeks Ended	
	March 22, 2011	March 23, 2010
Revenues.....	\$163	\$355
Loss on disposals and impairment of assets, before income taxes.....	\$(153)	\$0
Loss from discontinued club operations, before taxes.....	\$(194)	\$(72)

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

Discontinued Non-Core Entities

In connection with a reorganization of CCI resulting in the formation of ClubCorp on November 30, 2010, CCI distributed its Non-Core Entities to affiliates of KSL. No gain or loss was recognized as this was a transaction with entities under common control. The operations of the Non-Core Entities have been reclassified to discontinued Non-Core operations on the consolidated condensed statement of operations as follows for all periods presented in our financial statements:

	Twelve Weeks Ended March 23, 2010
Revenues.....	\$12,719
Loss from discontinued Non-Core Entities, before taxes	\$(3,643)

11. SEGMENT AND GEOGRAPHIC INFORMATION

We currently have two reportable segments: (1) golf and country clubs and (2) business, sports and alumni clubs. These segments are managed separately and discrete financial information is reviewed regularly by the chief operating decision maker to evaluate performance and allocate resources. Our chief operating decision maker is the Chief Executive Officer.

Golf and country clubs operations consist of private country clubs, golf clubs and public golf facilities. Private country clubs provide at least one 18-hole golf course and various other recreational amenities that are open to members and their guests. Golf clubs provide both private and public golf play and usually offer fewer other recreational amenities. Public golf facilities are open to the public and generally provide the same services as golf clubs.

Business, sports and alumni club operations consist of business clubs, business/sports clubs, sports clubs and alumni clubs. Business clubs provide a setting for dining, business or social entertainment. Sports clubs provide a variety of recreational facilities and business/sports clubs provide a combination of the amenities available at business clubs and sports clubs. All amenities offered above are available only to members and their guests.

Included within other are revenues from mineral rights and revenues and expenses on corporate overhead and shared services which are not material enough to warrant a separate segment.

We evaluate segment performance and allocate resources based on Adjusted EBITDA. We define Adjusted EBITDA as net income before discontinued operations, interest and investment income, interest expense and the change in fair value of interest rate cap agreements, income taxes, loss on disposal and impairment of assets, depreciation and amortization, translation gain and loss, proceeds from business interruption insurance, severance payments, the negative EBITDA impact related to estimated settlement for unclaimed property accrued during fiscal year 2009, fees and expenses paid to KSL, acquisition costs and amortization on investments in joint ventures. Adjusted EBITDA for all periods presented has been calculated using this definition. Adjusted EBITDA should not be construed as an alternative to, or a better indicator of, operating income or loss, is not based on accounting principles generally accepted in the United States of America, and is not necessarily a measure of our cash flows or ability to fund our cash needs. Our measurements of Adjusted EBITDA may not be comparable to similar titled measures reported by other companies.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

The table below shows summarized financial information by segment for continuing operations for the twelve weeks ended March 22, 2011 and March 23, 2010:

	Twelve Weeks Ended	
	March 22, 2011	March 23, 2010
Golf and Country Clubs		
Revenues.....	\$108,034	\$103,976
Adjusted EBITDA	27,617	25,474
Business, Sports and Alumni Clubs		
Revenues.....	\$38,072	\$37,985
Adjusted EBITDA	4,794	5,263
Other		
Revenues.....	\$414	\$737
Adjusted EBITDA	(6,158)	(6,540)
Elimination of intersegment revenues	\$(1,701)	\$(1,804)
Consolidated		
Revenues.....	\$144,819	\$140,894
Adjusted EBITDA	26,253	24,197
	As of	
	March 22, 2011	December 28, 2010
Total Assets		
Golf and Country Clubs.....	\$1,236,256	\$1,242,173
Business, Sports and Alumni Clubs.....	96,548	103,961
Other	439,553	434,797
Consolidated	<u>\$1,772,357</u>	<u>\$1,780,931</u>

The table below provides a reconciliation of our Adjusted EBITDA to loss before income taxes and discontinued operations for the twelve weeks ended March 22, 2011 and March 23, 2010:

	Twelve Weeks Ended	
	March 22, 2011	March 23, 2010
Total Segment Adjusted EBITDA	\$26,253	\$24,197
Interest and investment income	33	297
Interest expense and change in fair value of interest rate cap agreements.....	(20,057)	(15,097)
Loss on disposals and impairment of assets.....	(2,195)	(109)
Depreciation and amortization.....	(21,180)	(21,278)
Translation gain	1,138	327
Severance payments.....	(195)	(28)
KSL fees and expenses	(259)	(263)
Amortization of step-up in certain equity method investments	(473)	(473)
Loss before income taxes and discontinued operations	<u>\$(16,935)</u>	<u>\$(12,427)</u>

12. COMMITMENTS AND CONTINGENCIES

We routinely enter into contractual obligations to procure assets used in the day to day operations of our business. As of March 22, 2011, we had capital commitments of \$3.7 million at certain of our country clubs.

We currently have multiple sales and use tax audits in progress. Management believes the potential for a liability related to the outcome of these audits may exist. However, we believe that the outcome of these audits would not materially affect our consolidated condensed financial statements.

We are subject to certain pending or threatened litigation and other claims that arise in the ordinary course of business. While the outcome of such legal proceedings and other claims cannot be predicted with certainty, after review and

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

consultation with legal counsel, we believe that any potential liability from these matters would not materially affect our consolidated condensed financial statements.

13. FINANCIAL STATEMENTS OF GUARANTORS

In November 2010, we issued \$415.0 million of Senior Unsecured Notes. The notes are fully and unconditionally guaranteed on a joint and several basis by Guarantor Subsidiaries, each of which is one hundred percent owned by ClubCorp. The notes are not guaranteed by Non-Guarantor Subsidiaries.

Set forth below are consolidating condensed financial statements presenting the results of operations, financial position, and cash flows of ClubCorp Club Operations, Inc., the Guarantor Subsidiaries on a consolidated basis, and the Non-Guarantor Subsidiaries on a consolidated basis, along with the eliminations necessary to arrive at the information for ClubCorp on a consolidated basis.

Eliminations represent adjustments to eliminate investments in subsidiaries and intercompany balances and transactions between or among ClubCorp Club Operations, Inc., the Guarantor Subsidiaries, and the Non-Guarantor Subsidiaries. For this presentation, investments in subsidiaries are accounted for using the equity method of accounting. As described in Note 1, ClubCorp was formed in November, 2010 and is therefore excluded from consolidating condensed financial statements as of and through the twelve weeks ended March 23, 2010.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

Unaudited Consolidating Condensed Statements of Operations
For the Twelve Weeks Ended March 22, 2011

	<u>ClubCorp</u>	<u>Guarantor Subsidiaries</u>	<u>NonGuarantor Subsidiaries</u>	<u>Consolidation Eliminations</u>	<u>Consolidated Condensed</u>
REVENUES:					
Club operations.....	\$—	\$98,494	\$9,751	\$(397)	\$107,848
Food and beverage.....	—	33,775	2,331	—	36,106
Other revenues.....	—	1,366	6	(507)	865
Total revenues.....	—	133,635	12,088	(904)	144,819
DIRECT AND SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES:					
Club operating costs exclusive of depreciation.....	—	91,440	6,752	(904)	97,288
Cost of food and beverage sales exclusive of depreciation.....	—	11,558	778	—	12,336
Depreciation and amortization.....	—	19,806	1,374	—	21,180
Provision for doubtful accounts.....	—	811	45	—	856
Gain on disposals and acquisitions of assets.....	—	2,190	5	—	2,195
Selling, general and administrative.....	—	8,995	—	—	8,995
OPERATING INCOME.....	—	(1,165)	3,134	—	1,969
Interest and investment income.....	12,833	(126)	3	(12,677)	33
Equity in earnings from unconsolidated ventures.....	—	259	—	—	259
Interest expense.....	(14,804)	(16,749)	(1,106)	12,677	(19,982)
Change in fair value of interest rate cap agreements.....	(72)	(3)	—	—	(75)
Other income.....	—	861	—	—	861
INCOME (LOSS) BEFORE INCOME TAXES.....	(2,043)	(16,923)	2,031	—	(16,935)
INCOME TAX BENEFIT.....	670	5,464	75	—	6,209
INCOME (LOSS) FROM CONTINUING OPERATIONS.....	(1,373)	(11,459)	2,106	—	(10,726)
Income (loss) from discontinued operations, net of tax.....	—	(160)	30	—	(130)
Equity in net loss of subsidiaries.....	(9,442)	—	—	9,442	—
NET INCOME (LOSS).....	(10,815)	(11,619)	2,136	9,442	(10,856)
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS.....	—	76	(35)	—	41
NET INCOME (LOSS) ATTRIBUTABLE TO CLUBCORP.....	<u><u>\$ (10,815)</u></u>	<u><u>\$ (11,543)</u></u>	<u><u>\$ 2,101</u></u>	<u><u>\$ 9,442</u></u>	<u><u>\$ (10,815)</u></u>

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

Unaudited Consolidating Condensed Statements of Operations
For the Twelve Weeks Ended March 23, 2010

	Guarantor Subsidiaries	NonGuarantor Subsidiaries	Consolidation Eliminations	Consolidated
REVENUES:				
Club operations.....	\$97,363	\$8,656	\$(368)	\$105,651
Food and beverage.....	32,917	1,712	—	34,629
Other revenues.....	970	3	(359)	614
Total revenues.....	131,250	10,371	(727)	140,894
DIRECT AND SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES:				
Club operating costs exclusive of depreciation.....	91,449	6,642	(727)	97,364
Cost of food and beverage sales exclusive of depreciation.....	10,971	563	—	11,534
Depreciation and amortization.....	20,015	1,263	—	21,278
Provision for doubtful accounts.....	1,249	14	—	1,263
Gain on disposals and acquisitions of assets.....	193	(84)	—	109
Selling, general and administrative.....	7,971	—	—	7,971
OPERATING INCOME.....	(598)	1,973	—	1,375
Interest and investment income.....	637	6	(346)	297
Equity in earnings from unconsolidated ventures.....	89	—	—	89
Interest expense.....	(10,317)	(2,616)	346	(12,587)
Change in fair value of interest rate cap agreements.....	(2,510)	—	—	(2,510)
Other income.....	909	—	—	909
LOSS BEFORE INCOME TAXES.....	(11,790)	(637)	—	(12,427)
INCOME TAX BENEFIT.....	3,134	204	—	3,338
LOSS FROM CONTINUING OPERATIONS.....	(8,656)	(433)	—	(9,089)
Loss from discontinued Non-Core Entities, net of tax....	—	(5,253)	—	(5,253)
Loss from discontinued operations, net of income tax expense of \$5 for Guarantor Subsidiaries and income tax benefit of \$2 for NonGuarantor Subsidiaries.....	(65)	(4)	—	(69)
Equity in net loss of consolidated non-guarantor subsidiaries.....	(9,961)	—	9,961	—
NET INCOME (LOSS).....	(18,682)	(5,690)	9,961	(14,411)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS.....	57	4,393	—	4,450
NET INCOME (LOSS) ATTRIBUTABLE TO CLUBCORP.....	\$(18,625)	\$(1,297)	\$9,961	\$(9,961)

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

Unaudited Consolidating Condensed Balance Sheet
As of March 22, 2011

	ClubCorp	Guarantor Subsidiaries	NonGuarantor Subsidiaries	Consolidating Eliminations	Consolidated Condensed
CURRENT ASSETS:					
Cash and cash equivalents.....	\$—	\$66,195	\$6,499	\$—	\$72,694
Restricted cash.....	—	122	—	—	122
Receivables, net of allowances	—	46,633	3,080	—	49,713
Inventories.....	—	14,732	1,758	—	16,490
Prepays and other assets.....	—	6,469	4,540	—	11,009
Deferred tax assets	—	6,429	(51)	—	6,378
Total current assets.....	—	140,580	15,826	—	156,406
Investments.....	—	16,422	—	—	16,422
Property and equipment, net	—	1,103,364	128,480	—	1,231,844
Notes receivable, net of allowances.....	—	1,653	508	—	2,161
Goodwill.....	—	272,000	—	—	272,000
Intangibles, net	—	56,049	1,374	—	57,423
Investment in subsidiaries.....	260,437	—	—	(260,437)	—
Intercompany receivables.....	676,683	—	61,262	(737,945)	—
Other assets.....	15,351	19,815	935	—	36,101
TOTAL ASSETS	\$952,471	\$1,609,883	\$208,385	\$(998,382)	\$1,772,357
LIABILITIES AND STOCKHOLDERS' DEFICIT					
CURRENT LIABILITIES:					
Current maturities of long-term debt	—	10,294	1,455	—	11,749
Membership deposits—current portion	—	34,018	22,201	—	56,219
Accounts payable	1,375	18,707	1,236	—	21,318
Accrued expenses.....	17,381	20,709	507	—	38,597
Accrued taxes	119	16,024	5,218	—	21,361
Other liabilities.....	—	62,408	5,032	—	67,440
Total current liabilities	18,875	162,160	35,649	—	216,684
Intercompany payables.....	—	666,874	71,071	(737,945)	—
Long-term debt (2010 includes \$2.0 million related to a VIE (see Note 4)).....	725,000	9,097	36,395	—	770,492
Membership deposits.....	—	160,622	51,130	—	211,752
Deferred tax liability	(790)	228,039	9,424	—	236,673
Other liabilities	—	112,044	4,718	—	116,762
Total liabilities.....	743,085	1,338,836	208,387	(737,945)	1,552,363
Commitments and contingencies (see Note 16)					
EQUITY (DEFICIT)					
Common stock, \$1.00 par value, 1,000 shares authorized, issued and outstanding at March 22, 2011	1	—	—	—	1
Additional paid-in capital.....	211,118	231,154	—	(231,154)	211,118
Accumulated other comprehensive loss.....	(2,699)	(2,432)	(267)	2,699	(2,699)
Retained earnings (deficit).....	966	36,119	(4,137)	(31,982)	966
Total stockholders' equity (deficit):.....	209,386	264,841	(4,404)	(260,437)	209,386
Noncontrolling interests in consolidated subsidiaries	—	6,206	4,402	—	10,608
Total equity (deficit).....	209,386	271,047	(2)	(260,437)	219,994
TOTAL LIABILITIES AND EQUITY (DEFICIT).....	\$952,471	\$1,609,883	\$208,385	\$(998,382)	\$1,772,357

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

Unaudited Consolidating Condensed Balance Sheet
As of December 28, 2010

	ClubCorp	Guarantor Subsidiaries	NonGuarantor Subsidiaries	Consolidating Eliminations	Consolidated Condensed
CURRENT ASSETS:					
Cash and cash equivalents.....	\$—	\$51,994	\$4,537	\$—	\$56,531
Restricted cash.....	—	525	—	—	525
Receivables, net of allowances	—	50,686	3,098	—	53,784
Inventories.....	—	13,976	1,654	—	15,630
Prepays and other assets.....	—	10,255	4,787	—	15,042
Deferred tax assets	—	6,429	(51)	—	6,378
Total current assets.....	—	133,865	14,025	—	147,890
Investments.....	—	17,687	—	—	17,687
Property and equipment, net	—	1,111,404	129,173	—	1,240,577
Notes receivable, net of allowances.....	—	1,917	630	—	2,547
Goodwill.....	—	272,000	—	—	272,000
Intangibles, net	—	61,796	1,467	—	63,263
Investment in subsidiaries.....	270,056	—	—	(270,056)	—
Intercompany receivables.....	666,328	—	61,261	(727,589)	—
Other assets.....	15,891	20,115	959	—	36,965
TOTAL ASSETS	\$952,275	\$1,618,784	\$207,515	\$(997,645)	\$1,780,929
LIABILITIES AND STOCKHOLDERS' DEFICIT					
CURRENT LIABILITIES:					
Current maturities of long-term debt	—	9,533	1,662	—	11,195
Membership deposits—current portion	—	31,222	20,482	—	51,704
Accounts payable	2,141	20,595	1,101	—	23,837
Accrued expenses.....	4,754	21,902	425	—	27,081
Accrued taxes	—	28,592	6,083	—	34,675
Other liabilities	—	50,280	3,426	—	53,706
Total current liabilities	6,895	162,124	33,179	—	202,198
Intercompany payables.....	—	653,993	73,596	(727,589)	—
Long-term debt (2010 includes \$2.0 million related to a VIE (see Note 4))	725,000	10,562	36,517	—	772,079
Membership deposits.....	—	160,028	51,596	—	211,624
Deferred tax liability	—	234,638	9,934	—	244,572
Other liabilities	—	114,776	4,651	—	119,427
Total liabilities.....	731,895	1,336,121	209,473	(727,589)	1,549,900
Commitments and contingencies (see Note 16)					
EQUITY (DEFICIT)					
Common stock, \$1.00 par value, 1,000 shares authorized, issued and outstanding at December 28, 2010	1	—	—	—	1
Additional paid-in capital.....	211,118	231,154	—	(231,154)	211,118
Accumulated other comprehensive loss.....	(2,520)	(2,432)	(88)	2,520	(2,520)
Retained earnings (deficit).....	11,781	47,660	(6,238)	(41,422)	11,781
Total stockholders' equity (deficit).....	220,380	276,382	(6,326)	(270,056)	220,380
Noncontrolling interests in consolidated subsidiaries	—	6,281	4,368	—	10,649
Total equity (deficit).....	220,380	282,663	(1,958)	(270,056)	231,029
TOTAL LIABILITIES AND EQUITY (DEFICIT).....	\$952,275	\$1,618,784	\$207,515	\$(997,645)	\$1,780,929

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

Unaudited Consolidating Condensed Statements of Cash Flows
For the Twelve Weeks Ended March 22, 2011

	<u>ClubCorp</u>	<u>Guarantor Subsidiaries</u>	<u>NonGuarantor Subsidiaries</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Condensed</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by operating activities	\$10,358	10,071	\$5,597	\$—	26,026
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment	—	(7,605)	16	—	(7,589)
Proceeds from dispositions	—	112	20	—	132
Net change in restricted cash and capital reserve funds	—	358	—	—	358
Net intercompany transactions	(10,358)	—	—	10,358	—
Net cash used in investing activities	(10,358)	(7,135)	36	10,358	(7,099)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayments of long-term debt	—	(1,832)	(339)	—	(2,171)
Net intercompany transactions	—	12,882	(2,524)	(10,358)	—
Change in membership deposits	—	215	13	—	228
Net cash used in financing activities	—	11,265	(2,850)	(10,358)	(1,943)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	(821)	—	(821)
NET DECREASE IN CASH AND CASH EQUIVALENTS	—	14,201	1,962	—	16,163
CASH AND CASH EQUIVALENTS—BEGINNING OF PERIOD	—	51,994	4,537	—	56,531
CASH AND CASH EQUIVALENTS—END OF PERIOD	\$—	\$66,195	\$6,499	—	\$72,694
Cash and cash equivalents					
Continuing operations	\$—	\$66,195	\$6,499	\$—	\$72,694
Discontinued Non-Core Entities ...	\$—	\$—	\$—	\$—	\$—

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

Unaudited Consolidating Condensed Statements of Cash Flows
For the Twelve Weeks Ended March 23, 2010

	Guarantor Subsidiaries	NonGuarantor Subsidiaries	Consolidating Eliminations	Consolidated Condensed
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net cash provided by operating activities.....	21,074	\$3,930	\$—	25,004
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property and equipment	(7,109)	(181)	—	(7,290)
Proceeds from dispositions.....	156	10	—	166
Net change in restricted cash and capital reserve funds	653	(1)	—	652
Net cash used in investing activities.....	(6,300)	(172)	—	(6,472)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayments of long-term debt	(1,950)	(221)	—	(2,171)
Net intercompany transactions	(1,503)	(261)	1,764	—
Change in membership deposits.....	869	(709)	—	160
Net cash used in financing activities.....	(2,584)	(1,191)	1,764	(2,011)
CASH FLOWS FROM DISCONTINUED NON-CORE ENTITIES:				
Net cash (used in) provided by operating activities of discontinued Non-Core Entities	—	(708)	—	(708)
Net cash (used in) provided by investing activities of discontinued Non-Core Entities	—	(977)	—	(977)
Net cash (used in) provided by financing activities of discontinued Non-Core Entities	—	1,694	(1,764)	(70)
Net cash (used in) provided by discontinued Non-Core Entities	—	9	(1,764)	(1,755)
EFFECT OF EXCHANGE RATE CHANGES ON CASH.....				
	—	(588)	—	(588)
NET DECREASE IN CASH AND CASH EQUIVALENTS				
	12,190	1,988	—	14,178
CASH AND CASH EQUIVALENTS—BEGINNING OF PERIOD				
	66,845	7,119	—	73,964
CASH AND CASH EQUIVALENTS—END OF PERIOD				
	<u>\$79,035</u>	<u>\$9,107</u>	<u>\$—</u>	<u>\$88,142</u>
Cash and cash equivalents				
Continuing operations.....	\$79,035	\$8,702	\$—	\$87,737
Discontinued Non-Core Entities	\$—	\$405	\$—	\$405

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(amounts in thousands, unless otherwise indicated)

14. RELATED PARTY TRANSACTIONS

During 2009, we recorded a note receivable due in 2012 of \$14.0 million from the sale of a business, sports and alumni club to an affiliate of KSL. The note was repaid in June, 2010. We realized \$0.3 million in interest related to this note in the twelve weeks ended March 23, 2010.

During the twelve weeks ended March 22, 2011 and March 23, 2010, we paid KSL approximately \$0.3 million and \$0.3 million in management fees, respectively.

As of March 22, 2011 and December 28, 2010, we had receivables of \$0.2 million and \$0.3 million, respectively, for outstanding advances from golf and business club ventures in which we had an equity method investment. In the twelve weeks ended March 22, 2011 and March 23, 2010, we received \$0.1 million and \$0.1 million, respectively, in management fees from these ventures. As of March 22, 2011 and December 28, 2010, we had a receivable of \$1.4 million and \$1.8 million, respectively, for volume rebates from the supplier firm in which we have an equity method investment. See Note 3.

15. SUBSEQUENT EVENTS

We have evaluated subsequent events through May 6, 2011, the day the financial statements were issued.

In April 2011, we issued certain awards of Class C units under the Management Profits Interest Plan. The new Class C unit awards vest in four equal annual installments, with the first 25% installment vesting on December 31, 2011, and the remaining award vesting in equal installments of 25% on each of the following three anniversaries.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read together with the consolidated financial statements and related notes that are included elsewhere in this report. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors.

ClubCorp Formation

ClubCorp Club Operations, Inc. ("ClubCorp") is a holding company that was formed on November 30, 2010, as part of a reorganization of ClubCorp, Inc. ("CCI") for the purpose of operating and managing golf, country, business, sports and alumni clubs.

Prior to November 30, 2010, CCI was a holding company that through its subsidiaries owned and operated golf, country, business, sports and alumni clubs, two full-service resorts and certain other equity and realty interests. The two full service resorts and certain other equity, realty and future royalty interests are referred to as the "Non-Core Entities." ClubCorp decided to sell the Non-Core Entities to allow management to concentrate on our core business of golf, country, business, sports and alumni clubs. On November 30, 2010, the following transactions occurred (the "ClubCorp Formation") which were structured to complete the contribution of the golf, country, business, sports and alumni clubs into ClubCorp. A summary of the transactions relevant to ClubCorp are described below:

- Fillmore CCA Holdings, Inc. ("Fillmore Inc.") formed two wholly owned subsidiaries, ClubCorp and CCA Club Operations Holdings, LLC ("Parent"), and transferred its interests through a contribution of 100% of the stock of CCI to ClubCorp.
- Investment vehicles controlled by KSL contributed \$260.5 million as equity capital to ClubCorp.
- Fillmore Inc. reincorporated in Nevada through a merger into a newly formed Nevada corporation, ClubCorp Holdings, Inc. ("Holdings"), with Holdings as the surviving entity. CCI merged into ClubCorp USA, Inc. ("CCUSA"), with CCUSA surviving as a wholly-owned subsidiary of ClubCorp.
- ClubCorp issued and sold \$415.0 million of unsecured notes and borrowed \$310.0 million of secured term loans under our new secured credit facilities.
- ClubCorp sold its Non-Core Entities to affiliates of KSL.
- ClubCorp repaid a portion of the loans under its then existing secured credit facilities. The lenders under such facilities forgave the remaining \$342.3 million of debt owed under such facilities and such facilities were terminated.
- ClubCorp settled certain balances owed to affiliates of KSL.

Overview

We are one of the largest owners and managers of private golf, country, business, sports and alumni clubs in North America, with a network of clubs that includes over 146,000 memberships and 350,000 individual members. Our operations are organized into two business segments: (1) golf and country clubs and (2) business, sports and alumni clubs. We operate our properties through sole ownership, partial ownership (including joint venture interests), operating leases and management agreements. As of March 22, 2011, we owned or operated 98 golf and country clubs and 53 business, sports and alumni clubs in 25 states, the District of Columbia and two foreign countries. We believe that our expansive network of clubs and our focus on facilities, recreation and social programming enhances our ability to attract members across a number of demographic groups.

Discontinued Non-Core Entities

In connection with the ClubCorp Formation, ClubCorp sold its Non-Core Entities to affiliates of KSL. The financial results of such entities are presented as discontinued Non-Core Entities.

Factors Affecting our Business

A significant percentage of our revenues are derived from membership dues, and these dues together with the geographic diversity of our clubs, help to provide us with a recurring revenue base that limits the impact of fluctuations in regional economic conditions. The recent economic environment has negatively impacted our business and the private club industry generally, resulting in declines in revenues due to decreased membership and overall visitation and usage. Additionally, in December 2010, we ceased operating the Nashville City Club in Nashville, Tennessee and the Renaissance Club in Detroit, Michigan (however, members of the former Renaissance Club remain members of Skyline Club also in Detroit, Michigan), and we ceased operating First City Club in Savannah, Georgia in February 2011. However, we believe our efforts to position our clubs as focal points for their local communities with offerings that appeal to the entire family of our members has created increased member loyalty which has mitigated attrition rates in our membership base compared to the industry as a whole. We also actively manage our variable costs and focus on labor productivity to maintain profit margins and drive financial performance. We believe the strength of our clubs and the stability of our membership will enable us to maintain our position as an industry leader in the future.

We are in the business of private club ownership and management and, as one of the largest operators of private clubs in the world; we enjoy economies of scale and a leadership position. Going forward we will look to strategically expand and upgrade our portfolio. In fiscal year 2010, we opened a new alumni club at Texas Tech University in Lubbock, Texas and acquired Country Club of the South outside Atlanta, Georgia. Additionally, our targeted capital investment program is expected to yield positive financial results as we upgrade our facilities to improve our members experience and the appearance of our private club product. In addition to renovations made at our clubs we are in the process of updating our website and member relationship management systems.

Enrollment and Retention of Members

Our success depends on our ability to attract and retain members at our clubs and maintain or increase usage of our facilities. Historically, we have experienced varying levels of membership enrollment and attrition rates and, in certain areas, decreased levels of usage of our facilities. Although we devote substantial efforts to ensuring that members and guests are satisfied, many of the factors affecting club membership and facility usage are beyond our control. Significant periods where attrition rates exceed enrollment rates or where facilities usage is below historical levels would have a material adverse effect on our business, operating results and financial position. We have various programs at our clubs targeted at decreasing our future attrition rate by increasing member satisfaction and usage. These programs take a proactive approach to getting current and newly enrolled members involved in activities and groups that go beyond the physical club, in addition to granting members a small number of discounts on meals and other items in order to increase their familiarity with their club's amenities.

Industry and Demographic Trends

The golf industry is characterized by varied ownership structures, including properties owned by corporations, member equityholders, developers, municipalities and others. Data from the National Golf Foundation shows that since 2006, golf industry supply has declined indicating the industry is still overcoming a supply and demand imbalance caused by a dramatic increase in the number of facilities in the 1990s. According to the National Golf Foundation, 2010 represented the fifth consecutive year in which facility closures outnumbered openings with 75 net 18-hole equivalent golf facility closures.

We believe that the golf industry overall will benefit as baby boomers (individuals born between 1946 and 1964) enter the peak leisure phase of their lives. According to publications by the National Golf Foundation the private golf club industry captures a more affluent segment of baby boomers than the industry as a whole. Members of the baby-boomer generation are currently in transition from their professional peak earning years and will soon begin retiring at an unprecedented rate with the first wave of baby boomers reaching the age of 65 in 2011. According to the U.S. Census Bureau, there will be a projected 18% increase in the U.S. population aged 55 to 64 from 2010 through 2020. Data from the Congressional Budget Office and Federal Reserve indicate that baby-boomer households own more than 50 percent of the value of all outstanding financial assets in the U.S. financial market. As a result, the aging of the baby-boomer generation also has potentially favorable implications for the golf industry as the greatest number of rounds played occurs in the 65 and over age category of golfers, based on data collected by the National Golf Foundation.

Seasonality of Demand; Fluctuations in Quarterly Results

Our quarterly results fluctuate as a result of a number of factors. Usage of our country club and golf facilities declines significantly during the first and fourth quarters, when colder temperatures and shorter days reduce the demand for golf and golf-related activities. Our business clubs typically generate a greater share of their yearly revenues in the fourth quarter, which includes the holiday and year-end party season. In addition, the fourth quarter consists of 16 or 17 weeks of operations and the first, second and third fiscal quarters each consist of 12 weeks. As a result of these factors, we usually generate a disproportionate share of our revenues and cash flows in the second, third and fourth quarters of each year and have lower revenues and profits in the first quarter. The timing of purchases, sales, leases of facilities, or divestitures, has also caused and may cause our results of operations to vary significantly in otherwise comparable periods.

Our results can also be affected by non-seasonal and severe weather patterns. Periods of extremely hot, cold or rainy weather in a given region can be expected to reduce our golf-related revenue for that region. Similarly, extended periods of low rainfall can affect the cost and availability of water needed to irrigate our golf courses and can adversely affect results for facilities in the region impacted. Keeping turf grass conditions at a satisfactory level to attract play on our golf courses requires significant amounts of water. Our ability to irrigate a course could be adversely impacted by a drought or other water shortage. A severe drought affecting a large number of properties could materially adversely affect our business and results of operations.

Implications of the ClubCorp Formation

Our future operating results and financial condition will be impacted by the ClubCorp Formation. As a result of the ClubCorp Formation and as discussed in “Unaudited Pro Forma Consolidated Financial Data”, we will incur increased interest expense as a result of higher above aggregate interest rates on our outstanding indebtedness. In addition, our taxpayer status has changed due to taxable gains triggered by the ClubCorp Formation that utilized our net operating loss carryforwards.

Basis of Presentation

Total revenues recorded in our two principle business segments (1) golf and country clubs and (2) business, sports and alumni clubs are comprised mainly of revenues from membership dues, food and beverage operations, golf operations and membership upgrade products. Operating costs and expenses recorded in our two principle business segments primarily consist of labor expenses, food and beverage costs, golf course maintenance costs and general and administrative costs.

Other operations not allocated to our two principle business segments are comprised of primarily income from arrangements with third parties for access privileges, expenses associated with corporate overhead, shared services and intercompany eliminations made in the consolidation between these other operations and our two principle business segments.

We offer a network of products, services and amenities through membership upgrades that provide access to our extensive network of clubs and leverage our alliances with other clubs, facilities and properties. For example, our reciprocal access program allows our members, for incremental monthly dues, to have access to our network of clubs in certain geographical areas, which is arranged by our in-house travel concierge. The membership upgrade revenues associated with our network of clubs are recorded in the two principle business segments (1) golf and country clubs and (2) business, sports and alumni clubs. The membership upgrade revenues associated with access privileges to third party clubs, facilities and properties are recorded in other operations.

We evaluate segment performance and allocate resources based on each Segment Adjusted EBITDA. We consider Segment Adjusted EBITDA an important indicator of our operational strength and performance of our business. We have included Segment Adjusted EBITDA because it is a key financial measure used by our management to (i) assess our ability to service our debt or incur debt and meet our capital expenditure requirements and (ii) internally measure our operating performance. Segment Adjusted EBITDA is defined as net income before discontinued operations, interest and investment income, interest expense and the change in fair value of interest rate cap agreements, income taxes, loss on disposal and impairment of assets, depreciation and amortization, translation gain and loss, proceeds from business interruption insurance, severance payments, the negative EBITDA impact related to estimated settlement for unclaimed property accrued during fiscal year 2009, fees and expenses paid to an affiliate of KSL, acquisition costs and amortization of fair value adjustments in investments in joint ventures. Segment Adjusted EBITDA for all periods presented has been calculated using this definition. Segment Adjusted EBITDA should not be construed as an alternative to, or a better indicator of, operating income or loss, is

not based on accounting principles generally accepted in the United States of America, and is not necessarily a measure of our cash flows or ability to fund our cash needs. Our measurements of Segment Adjusted EBITDA may not be comparable to similar titled measures reported by other companies.

Our fiscal year consists of a 52/53 week period ending on the last Tuesday of December.

The following table presents our financial operating results as a percent of our total revenues for the periods indicated.

Consolidated Statement of Operations	Twelve Weeks Ended			
	March 22, 2011	% of Revenue	March 23, 2010	% of Revenue
	(dollars in thousands)			
Club operations	\$107,848	74.47%	\$105,651	74.99%
Food and beverage	36,106	24.93%	34,629	24.58%
Other revenues	865	0.60%	614	0.44%
Total revenues	144,819		140,894	
Direct and selling, general, and administrative expenses:				
Club operating costs exclusive of depreciation	97,288	67.18%	97,364	69.10%
Cost of food and beverage sales exclusive of depreciation	12,336	8.52%	11,534	8.19%
Depreciation and amortization	21,180	14.63%	21,278	15.10%
Provision for doubtful accounts	856	0.59%	1,263	0.90%
Loss (gain) on disposals/acquisitions of assets	2,195	1.52%	109	0.08%
Selling, general and administrative	8,995	6.21%	7,971	5.66%
Operating income from continuing operations	1,969	1.36%	1,375	0.98%
Interest and investment income	33	0.02%	297	0.21%
Equity in earnings from unconsolidated ventures	259	0.18%	89	0.06%
Interest expense	(19,982)	-13.80%	(12,587)	-8.93%
Change in fair value of interest rate cap agreements	(75)	-0.05%	(2,510)	-1.78%
Other income	861	0.59%	909	0.65%
(Loss) income before income taxes	(16,935)	-11.69%	(12,427)	-8.82%
Income tax benefit (expense)	6,209	4.29%	3,338	2.37%
(Loss) income from continuing operations	(10,726)	-7.41%	(9,089)	-6.45%
(Loss) income from discontinued clubs, net of income tax benefit (expense) of \$64 and \$(3) for the twelve weeks ended March 22, 2011 and March 23, 2010, respectively	(130)	-0.09%	(69)	-0.05%
Loss from discontinued Non-Core Entities, net of income tax (expense) benefit of \$(1,610) for the twelve weeks ended March 23, 2010	—	0.00%	(5,253)	-3.73%
Net (loss) income	(10,856)	-7.50%	(14,411)	-10.23%
Loss attributable to noncontrolling interests	41	0.03%	4,450	3.16%
(Loss) income attributable to ClubCorp	\$(10,815)	-7.47%	\$(9,961)	-7.07%

Critical Accounting Policies and Estimates

The process of preparing financial statements in conformity with GAAP requires us to use estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes included elsewhere in this report. We base these estimates and assumptions upon the best information available to us at the time the estimates or assumptions are made. Accordingly, our actual results could differ materially from our estimates. The most significant estimates made by management includes the average expected life of an active membership used to amortize initiation fees and deposits, our weighted average borrowing rate used to accrete membership initiation deposit liability, and inputs for impairment testing of goodwill, intangibles and long-lived assets. The following is a discussion of our critical accounting policies and the related management estimates and assumptions used in determining the value of related assets and liabilities. A full description of all of our significant accounting policies is included in Note 2 to our audited consolidated financial statements included elsewhere in this report.

Revenue Recognition

Revenues from club operations, food and beverage and merchandise sales are recognized when the service is provided and are reported net of sales taxes. Revenues from membership dues are billed monthly and recognized in the period earned. Service charges in excess of amounts paid to employees are recognized in revenue. The monthly dues are expected to cover the cost of providing membership services and are generally adjusted annually depending on national or regional economic conditions, which could limit our ability to increase revenues from membership dues. Prepaid dues are recognized as income over the prepayment period. Revenue from initiation fees and deposits are recognized as described below.

Average Expected Life of an Active Membership

At the majority of our private clubs, members are expected to pay an initiation fee or deposit upon their acceptance as a member to the club. These initiation fees and deposits vary in amount based on a variety of factors such as the supply and demand for our services in each particular market, number of golf courses or breadth of amenities available to the members and the prestige of the club. In general, initiation fees are not refundable, but initiation deposits are refundable after a number of years. The majority of our initiation fees are deferred and recognized over the average expected life of an active membership which is six years for golf and country club memberships and four years for business, sports and alumni club memberships for the periods presented. The majority of our initiation deposits are refundable after a fixed number of years (generally 30 years), following the date of acceptance of a member. We recognize revenue related to these initiation deposits over the average expected life of an active membership. For initiation deposits, the difference between the amount paid by the member and the present value of the refund obligation is deferred and recognized as initiation fees and deposits revenue on a straight-line basis over the average expected life of an active membership. The present value of the refund obligation is recorded as an initiation deposit liability in our consolidated balance sheet and accretes over the nonrefundable term using the effective interest method with an interest rate defined as our weighted average borrowing rate adjusted to reflect a 30-year time frame. The accretion is included in interest expense.

The calculation of the average expected life of an active membership is a critical estimate in the recognition of revenues and expenses associated with initiation fees and deposits and is used for the amortization associated with our membership relationship intangibles. Average expected life of an active membership is calculated separately for business, sports and alumni clubs and golf and country clubs by taking the inverse of the total number of members lost in a particular period divided by the total number of members at the end of the prior period. This base-level calculation is performed at the end of each fiscal year, using a 10-year rolling average of each year's data to determine the average expected life of an active membership to be used in the upcoming year. Periods in which attrition rates differ significantly from enrollment rates could have a material effect on our consolidated financial statements by decreasing or increasing the average expected life of an active membership, which in turn would affect the length of time over which we recognize revenues and expenses associated with our initiation fees and deposits. Because initiation fees and deposits generally have minimal direct incremental costs associated with them, a change in our average expected life of an active membership would likely materially affect our results of operations. Based on our analysis for 2011, the average expected life of an active membership decreased from seven to six years for golf and country club memberships and five to four years for business, sports and alumni club memberships, which is expected to decrease revenue by approximately \$0.3 million for the fiscal year ended December 27, 2011.

Impairment of Long-Lived Assets

In accordance with FASB ASC Topic 360, accounting standards related to “Accounting for the Impairment or Disposal of Long-Lived Assets,” our long-lived assets to be held and used and to be disposed of are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment charges are recorded as a component of operating income or loss in our consolidated statements of operations.

For assets held for sale, fair value is determined using information on known purchase price commitments from potential buyers, less estimated incremental direct costs to sell the property in question. Changes in purchase prices due to market conditions, a potential buyer’s due diligence process or other factors beyond our control such as the emergence of unanticipated selling costs can materially affect estimates of fair value and the amount of impairment charges recorded in a particular period.

For assets to be held and used, we perform a recoverability test to determine if the future undiscounted cash flows over our expected holding period for the property exceed the carrying amount of the assets of the property in question. If the recoverability test is not met, fair value is determined by comparing the carrying value of the property to its future discounted cash flows using a risk-adjusted discount rate. Future cash flows of each property are determined using management’s projections of the performance of a given property based on its past performance and expected future performance given changes in marketplace, local operations and other factors both within our control and out of our control. Additionally, we review current property appraisals when available to assess recoverability. Actual results that differ from these estimates can generate material differences in impairment charges recorded, and ultimately, net income or loss in our consolidated statements of operations and the carrying value of properties on our consolidated balance sheet.

For the twelve weeks ended March 22, 2011 and March 23, 2010, no impairment charges of long-lived assets were recognized.

Impairment of Goodwill and Intangible Assets

We classify intangible assets into three categories: (1) intangible assets with definite lives subject to amortization, (2) intangible assets with indefinite lives not subject to amortization and (3) goodwill. Intangibles specifically related to an individual property are recorded at the property level. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite lived intangibles are also evaluated upon the occurrence of such costs, but not less than annually. FASB ASC Topic 820 establishes a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. We test our trade name intangible assets, which are indefinite lived, utilizing the relief from royalty method to determine the estimated fair value for each trade name which is classified as a Level 3 measurement under FASB ASC Topic 820. The relief from royalty method estimates our theoretical royalty savings from ownership of the intangible asset. Key assumptions used in this model include discount rates, royalty rates, growth rates, sales projections and terminal value rates. We recorded no impairment of trade names in the twelve weeks ended March 22, 2011 and March 23, 2010.

We evaluate goodwill for impairment at the reporting unit level (golf and country clubs and business, sports and alumni clubs). Goodwill is allocated to each reporting unit based on an estimate of its relative fair value. When testing for impairment, we first compare the fair value of our reporting units to the recorded values. Reporting units are defined as an operating segment or one level below. Valuation methods used to determine fair value include analysis of the discounted future free cash flows that a reporting unit is expected to generate (“Income Approach”) and an analysis is based upon a comparison of reporting units to similar companies utilizing a purchase multiple of earnings before interest, taxes, depreciation and amortization (“Market Approach”). These valuations are considered Level 3 measurements under FASB ASC Topic 820. Management utilizes estimates to determine the fair value of the reporting units. Significant estimates used by management include future cash flows projections, growth rates, capital needs, projected margins and the discount rate, among other factors.

If the carrying amount of the reporting units exceeds its fair value, goodwill is considered potentially impaired and a second step is performed to measure the amount of impairment loss. In the second step of the goodwill impairment test, we compare the implied value of the reporting unit’s goodwill with carrying value of that unit’s goodwill. If the carrying value of the reporting unit’s goodwill exceeds the implied value, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination under FASB ASC Topic 810. Accordingly, the fair value of a reporting unit is allocated to all the assets and

liabilities of that unit, including intangible assets, and any excess of the value of the reporting unit over the amounts assigned to its assets and liabilities is the implied value of its goodwill.

We test goodwill for impairment annually on the first day of our last fiscal quarter. We are not currently aware of any material events that would cause us to reassess the fair value of our goodwill and trade name intangible assets. Estimates utilized in the future evaluations of goodwill for impairment could differ from estimates used in the current period calculations. Unfavorable future estimates could result in an impairment of goodwill. The most significant assumptions used in the Income Approach to determine the fair value of our reporting units in connection with impairment testing include: (i) the discount rate, (ii) the expected long-term growth rate and (iii) future cash flows projections. If we used a discount rate that was 50 basis points higher or used an expected long-term growth rate that was 50 basis points lower or used future cash flows projections that were 50 basis points lower in our impairment analysis of goodwill performed in 2010, then each change individually would not have resulted in any reporting unit's carrying value exceeding its fair value.

As of March 22, 2011, we had allocated \$119.8 million of goodwill to our golf and country club segment and \$152.2 million of goodwill to our business, sports and alumni club segment.

Income Taxes

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. Judgment is required in addressing the future tax consequences of events that have been recognized in our financial statements or tax returns (e.g., realization of deferred tax assets, changes in tax laws or interpretations thereof). In addition, we may be subject to examination of our income tax returns by the Internal Revenue Service and other tax authorities. A change in the assessment of the outcomes of such matters could materially impact our consolidated financial statements. We may be liable for proposed tax liabilities and the final amount of taxes paid may exceed the amount of applicable reserves, which could reduce our profits.

We account for uncertain tax positions in accordance with FASB ASC 740. The guidance prescribes a financial statement recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. Specifically, it clarifies that an entity's tax benefits must be "more likely than not" of being sustained assuming that its tax reporting positions will be examined by taxing authorities with full knowledge of all relevant information prior to recording the related tax benefit in the financial statements. If the position drops below the "more likely than not" standard, the benefit can no longer be recognized. Assumptions, judgment and the use of estimates are required in determining if the "more likely than not" standard has been met when developing the provision for income taxes. A change in the assessment of the "more likely than not" standard could materially impact our financial statements. As of March 22, 2011 and December 28, 2010, we had unrecognized tax benefits of \$53.2 million and \$53.2 million, respectively. We recognize accrued interest and penalties related to uncertain tax positions as a component of income tax expense. Income tax expense includes interest expense and penalties net of tax of \$0.1 million for the twelve weeks ended March 22, 2011. Prior to December 28, 2010, no interest or penalties were recorded related to unrecognized tax benefits.

Results of Operations

Comparison of the Twelve Weeks Ended March 23, 2010 and March 22, 2011

The following table presents key financial information derived from our consolidated statement of operations for the twelve weeks ended March 23, 2010 and March 22, 2011. References in the financial tables to percentage changes that are not meaningful are denoted by “NM”:

	Twelve Weeks Ended		Change	% Change
	Mar. 22, 2011	Mar. 23, 2010		
	(dollars in thousands)			
Total revenues.....	\$144,819	\$140,894	\$3,925	2.8%
Club operating costs and expenses exclusive of depreciation(1).....	110,480	110,161	319	0.3%
Depreciation and amortization.....	21,180	21,278	(98)	-0.5%
Loss on disposals of assets.....	2,195	109	2,086	NM
Selling, general and administrative expenses.....	8,995	7,971	1,024	12.8%
Operating income from continuing operations.....	1,969	1,375	594	43.2%
Interest and investment income.....	33	297	(264)	-88.9%
Equity in earnings from unconsolidated ventures.....	259	89	170	191.0%
Interest expense.....	(19,982)	(12,587)	(7,395)	58.8%
Change in fair value of interest rate cap agreements.....	(75)	(2,510)	2,435	-97.0%
Other income.....	861	909	(48)	-5.3%
Loss before income taxes.....	(16,935)	(12,427)	(4,508)	36.3%
Income tax benefit.....	6,209	3,338	2,871	86.0%
Loss from continuing operations.....	\$(10,726)	\$(9,089)	\$(1,637)	18.0%

(1) Comprised of club operating costs, cost of food and beverage sales and provision for doubtful accounts.

Total revenues of \$144.8 million increased \$3.9 million, or 2.8%, for the twelve weeks ended March 22, 2011 compared to the twelve weeks ended March 23, 2010 primarily due to an increase in golf and country club revenues. Golf and country club revenues increased \$4.1 million, or 3.9%. \$1.4 million of the increase is attributable to a new country club acquired in June 2010. The remaining increase of \$2.7 million is primarily due to increases in golf operations driven by improved weather in the first quarter of 2011 compared to the first quarter of 2010 and member programs driving increased usage.

Loss on disposal of assets for the twelve weeks ended March 22, 2011 and March 23, 2010 were comprised primarily of asset retirements and other transactions in the normal course of business.

Selling, general and administrative expenses increased \$1.0 million, or 12.8%, for the twelve weeks ended March 22, 2011 compared to the twelve weeks ended March 23, 2010 primarily due to increased professional fees in connection with becoming a public filer with the SEC, as well as increased labor costs related to the transition and centralization of club functions to a corporate function, which resulted in an offsetting decrease in labor costs reported in Club operating costs and expenses.

Interest expense increased \$7.4 million, or 58.8%, for the twelve weeks ended March 22, 2011 compared to the twelve weeks ended March 23, 2010 due to higher interest rates on the senior notes and the Senior Secured Credit Facility issued in November 2010 compared to the interest rates applicable to the loans under our prior credit facility.

Segment Operations

Golf and Country Clubs

The following table presents key financial information for our golf and country clubs for the twelve weeks ended March 23, 2010 and March 22, 2011:

	<u>Twelve Weeks Ended</u>		<u>Change</u>	<u>% Change</u>
	<u>Mar. 22, 2011</u>	<u>Mar. 23, 2010</u>		
	(dollars in thousands)			
Number of facilities at end of period	98	97		
Total revenues.....	\$108,034	\$103,976	\$4,058	3.90%
Segment Adjusted EBITDA from continuing operations	27,617	25,474	2,143	8.41%

Total revenues for golf and country clubs increased \$4.1 million, or 3.9%, for the twelve weeks ended March 22, 2011 compared to the twelve weeks ended March 23, 2010 primarily due to increases in golf operations and \$1.4 million in revenues attributable to a new country club acquired in June 2010. The increase in golf operations is driven by a 13% increase in golf rounds resulting in increased member spend. The increase in golf rounds was primarily attributable to improved weather in the first quarter of 2011 compared to the first quarter of 2010, as well as membership programs which increased usage. There was a slight increase in membership revenue compared to the first quarter of 2010. Although overall membership declined 0.5% from the first quarter of 2010, golf memberships increased 1.1% for the same period resulting in increased membership revenue due primarily to a shift to a higher dues paying member category.

Segment Adjusted EBITDA increased \$2.1 million, or 8.4%, for the twelve weeks ended March 22, 2011 compared to the twelve weeks ended March 23, 2010 primarily due to the increase in revenues, partially offset by a related increase in operating costs and expenses. Segment Adjusted EBITDA margin increased 110 basis points for the twelve weeks ended March 22, 2011 to 25.6% compared to 24.5% for the twelve weeks ended March 23, 2010 primarily due to an increase in higher margin golf operations revenue.

Business, Sports and Alumni Clubs

The following table presents key financial information for our business, sports and alumni clubs for the twelve weeks ended March 23, 2010 and March 22, 2011:

	<u>Twelve Weeks Ended</u>		<u>Change</u>	<u>% Change</u>
	<u>Mar. 22, 2011</u>	<u>Mar. 23, 2010</u>		
	(dollars in thousands)			
Number of facilities at end of period	53	55		
Total revenues.....	\$38,072	\$37,985	\$87	0.23%
Segment Adjusted EBITDA from continuing operations	4,794	5,263	(469)	-8.91%

Total revenues for business, sports and alumni clubs increased \$0.1 million, or 0.2%, for the twelve weeks ended March 22, 2011 compared to the twelve weeks ended March 23, 2010 primarily due to an increase in food and beverage revenues offset by a decrease in membership dues. Food and beverage revenues increased 5.1% primarily as a result of increased private party revenue, which increased 7.0% primarily due to an increase in corporate private party events. Membership dues decreased 2.7% due to a decline in overall membership count of 3.1% as compared to March 23, 2010, offset by higher average monthly dues per member. Although memberships declined, we saw an improvement in the rate of decline in membership revenues in the first quarter of 2011 compared to the first quarter of 2010. Member referral programs offered in 2010 that provided dues discounts to referring members began expiring in the first quarter of 2011 and contributed to the increase in average dues per member.

Segment Adjusted EBITDA decreased \$0.5 million, or 8.9%, for the twelve weeks ended March 22, 2011 compared to the twelve weeks ended March 23, 2010. Although total revenue increased, the increase in food and beverage revenue did not offset the decline in higher margin dues revenue. Segment Adjusted EBITDA margin declined 130 basis points for the twelve weeks ended March 22, 2011 to 12.6% compared to 13.9% for the twelve weeks ended March 23, 2010 due to loss of higher margin dues revenue.

Liquidity and Capital Resources

Our primary goal as it relates to liquidity and capital resources is to attain and retain the right level of debt and cash to maintain our properties, fund expansions at our properties, make distributions to our equityholders and be poised for external growth in the marketplace. During the last few years, our focus has been on strengthening our cash position and reducing our debt in order to support these goals. Our cash position has increased to \$72.7 million as of March 22, 2011 compared to \$56.5 million as of December 28, 2010. The primary reason for the increase was cash flow from operations.

Historically, we have financed our operations and cash needs primarily through cash flows from operations and debt. We anticipate using our cash reserves and cash flows from operations in 2011 principally to fund planned capital maintenance, improvements and expansions of existing facilities, club acquisitions and repay debt. Based on our current projections, we believe our current assets and cash flows from operations are sufficient to meet our anticipated working capital and operating needs for the next 12 months as well as to support our anticipated capital expenditures and debt service.

Cash Flows from Operating Activities

Our cash flows from operations were \$26.0 million for the twelve weeks ended March 22, 2011. In addition to our daily operations, a key component of our annual operating cash comes from our membership programs. Initiation deposits and fees represent advance initiation payments when a member joins one of our clubs. Initiation deposits are generally not refundable until a fixed number of years (generally 30 years) after the date of acceptance as a member while initiation fees are typically not refundable. Cash from initiation deposits is used to fund our normal operations. Revenue recognition of these initiation deposits is deferred and amortized as discussed above in “—Critical Accounting Policies and Estimates.” We allow new members to defer and finance a portion of the initiation payments as an incentive for them to join at certain clubs.

Cash Flows from (used in) Investing Activities

During the twelve weeks ended March 22, 2011, we used \$7.6 million, for improving and expanding our existing properties. For the remainder of 2011, we are considering additional investments to improve and expand our existing properties and acquire new properties.

Cash Flows from (used in) Financing Activities

Cash used in financing activities relates primarily to transactions related to our debt, distributions to our owners and the distribution of Non-Core Entities to affiliates of KSL. During the twelve weeks ended March 22, 2011, we decreased our debt by \$2.2 million.

Our cash and cash equivalents excluding discontinued Non-Core Entities increased by \$16.1 million in the twelve weeks ended March 22, 2011.

Capital Spending

The nature of our business requires us to invest a significant amount of capital in our existing properties to maintain them. For the twelve weeks ended March 22, 2011, we expended approximately \$5.3 million in maintenance. We anticipate spending approximately \$34.8 million in capital expenditures relating to capitalized maintenance in the remaining periods in fiscal year 2011.

In addition to maintaining our properties, we also spend discretionary capital to expand and improve existing properties and to enter into new business opportunities. Capital expansion funding totaled approximately \$2.3 million for the twelve weeks ended March 22, 2011. We anticipate spending an additional \$17.6 million in the remaining periods in fiscal year 2011 for expansion and improvement projects we feel have a high potential for return on investment. This amount could increase if acquisition opportunities are identified that fit our strategy to expand our business through select acquisitions.

Debt

Senior Secured Debt

2006 Citigroup Debt Facility—In 2006, an affiliate of ClubCorp, Inc. entered into a debt agreement with Citigroup which resulted in a Mortgage loan, a Senior Mezzanine loan, a Junior Mezzanine loan, and a revolving loan facility

(collectively, the “2006 Citigroup Debt Facility”), which was initially to mature in January 2010. The loans were collateralized by the majority of our owned golf and country clubs, the two full-service resorts that were sold in connection with the ClubCorp Formation, and the operations of the business, sports and alumni clubs. Payments on the notes were interest only during the term of the loans with principal due at maturity; interest rates were variable based on 30 day LIBOR rates.

For all periods presented prior to November 30, 2010, balances under the 2006 Citigroup Debt Facility, as well as related interest expense including loan amortization fees have been allocated between ClubCorp’s continuing and Non-Core discontinued liabilities based on relative asset balances. Management believes such allocations are reasonable.

In July 2008, we paid \$8.0 million in principal on the long term debt facility in conjunction with the refinancing of two properties described below. In October 2008, we voluntarily paid \$12.4 million in principal on the long term debt facility. In May 2009, we paid \$0.7 million in principal on the long term debt facility in conjunction with the sale of one property. In June 2009 and November 2009, we voluntarily paid \$98.8 million and \$20.6 million, respectively, in principal on the long term debt facility. In June 2010 and November 2010, we voluntarily paid \$20.6 million and \$50.4 million, respectively, in principal on the long term debt facility.

On November 30, 2010, in connection with the ClubCorp Formation, we repaid \$826.9 million in principal on the long term debt facility and \$105.3 million on the revolving loan facility and Citigroup forgave the remaining \$342.3 million of debt under 2006 Citigroup Debt Facility thereby terminating the 2006 Citigroup Debt Facility. The resulting gain of \$342.3 million was recorded in gain on extinguishment of debt in our consolidated statement of operations. The refinancing of the 2006 Citigroup Debt Facility as part of the ClubCorp Formation permitted us to address the approaching maturities of a substantial portion of our then existing indebtedness with new financing arrangements that we believe allow us to have the flexibility to continue to operate our business and execute our business strategy.

The debt allocated to the Non-Core discontinued operations of \$266.1 million is included in liabilities of discontinued Non-Core Entities as of December 29, 2009, and was repaid as part of the 2010 net distribution to KSL affiliates attributable to the sale of Non-Core Entities and the ClubCorp Formation.

2010 Citigroup Debt Facility—On November 30, 2010, we entered into the Senior Secured Credit Facility with Citigroup which is comprised of (i) a \$310.0 million term loan facility and (ii) a revolving credit facility with a maximum borrowing limit of \$50.0 million, which includes letter of credit and swing line facilities. The term loan facility matures November 30, 2016 and the revolving credit facility expires on November 30, 2015. Under the credit agreement, ClubCorp has the option to increase the term loan facility by up to \$50.0 million and the revolving credit facility by up to an additional \$25.0 million, both subject to conditions and restrictions in the credit agreement.

All obligations under the Senior Secured Credit Facility are guaranteed by ClubCorp’s immediate parent company, CCA Club Operations Holdings, LLC, and each existing and all subsequently acquired or organized direct and indirect restricted subsidiaries of ClubCorp (collectively, the “guarantors”), other than certain excluded subsidiaries. The Senior Secured Credit Facility is secured, subject to permitted liens and other exceptions, by a first-priority perfected security interest in substantially all the assets of ClubCorp, and the guarantors, including, but not limited to (1) a perfected pledge of all the domestic capital stock owned by ClubCorp and the guarantors, and (2) perfected security interests in and mortgages on substantially all tangible and intangible personal property and material fee-owned property of ClubCorp and the guarantors, subject to certain exclusions.

We are required to make principal payments equal to 0.25% of the original term loan facility on the last business day of each of March, June, September and December beginning in March 2011. Beginning with the fiscal year ended December 27, 2011, we are required to prepay the outstanding term loan, subject to certain exceptions, by an amount equal to 50% of our excess cash flows, as defined by the credit agreement, each fiscal year end after our annual consolidated financial statements are delivered. This percentage may decrease if certain leverage ratios are achieved. Additionally, we are required to prepay the term loan facility with proceeds from certain asset sales or borrowings as defined by the credit agreement. The foregoing mandatory prepayments will be applied to the scheduled principal payments of the term loan facility in inverse order of maturity other than the principal payment due on the maturity date.

We may voluntarily repay outstanding loans under the Senior Secured Credit Facility in whole or in part upon prior notice without premium or penalty, other than certain fees incurred in connection with repaying, refinancing, substituting or replacing the existing term loans with new indebtedness.

The interest rate on the Senior Secured Credit Facility is the higher of (i) 6.0% or (ii) an elected LIBOR plus a margin of 4.5%. We may elect a one, two, three or six-month LIBOR. The interest payment is due on the last day of each elected LIBOR period.

We are also required to pay a commitment fee on all undrawn amounts under the revolving credit facility, payable in arrears on the last business day of each March, June, September and December.

The credit agreement governing the Senior Secured Credit Facility limits ClubCorp’s (and most or all of ClubCorp subsidiaries’) ability to:

- create, incur, assume or suffer to exist any liens on any of their assets;
- make or hold any investments (including loans and advances);
- incur or guarantee additional indebtedness;
- enter into mergers or consolidations;
- conduct sales and other dispositions of property or assets;
- pay dividends or distributions on capital stock or redeem or repurchase capital stock;
- change the nature of the business;
- enter into transactions with affiliates; and
- enter into burdensome agreements.

As of March 22, 2011, we were in compliance with all covenant restrictions under the Senior Secured Credit Facility.

In addition, the credit agreement governing the Senior Secured Credit Facility contains covenants that require ClubCorp and its restricted subsidiaries to maintain specified financial ratios on a rolling four quarter basis beginning with the fiscal quarter ending March 22, 2011 as shown in the following table:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016 and Thereafter</u>
Financial ratios:						
Total adjusted debt to Adjusted EBITDA(1) (“Total Leverage Ratio”)						
Less than:	6.55x	6.15x	5.35x	4.75x	4.50x	4.00x
Adjusted EBITDA(1) to total adjusted interest expense (“Interest Coverage Ratio”)						
Greater than:	1.85x	1.95x	2.15x	2.30x	2.50x	2.75x

The debt covenants became effective beginning with the fiscal quarter ended March 22, 2011. The following table shows the financial ratios as of March 22, 2011, as well as December 28, 2010 for continuing operations:

	<u>Four Quarters Ended March 22, 2011</u>	<u>Fiscal Year Ended December 28, 2010</u>
	(dollars in thousands)	
Adjusted EBITDA(1).....	\$153,303	\$152,242
Total adjusted debt(2).....	\$764,538	\$765,571
Total adjusted interest expense(3)	\$41,411	\$33,405
Financial ratios:		
Total Leverage Ratio	4.99x	5.03x
Interest Coverage Ratio	3.70x	4.56x

- (1) EBITDA is calculated as net income plus interest, taxes, depreciation and amortization less interest and investment income. Adjusted EBITDA (“Adjusted EBITDA”) is based on the definition of Consolidated EBITDA defined in the credit agreement governing our Senior Secured Credit Facility and may not be comparable to other companies. We have included Adjusted EBITDA because the credit agreement governing our Senior Secured Credit Facility has covenants that apply the Total Leverage Ratio and Interest Coverage Ratio described above, which utilize this measure of Adjusted EBITDA. Adjusted EBITDA excludes certain items. Adjusted EBITDA is not a measure determined in accordance with generally accepted accounting principles (“GAAP”) and should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with GAAP) as a measure of our operating results or net cash provided by operating activities (as determined in accordance with GAAP) as a measure of our liquidity.

The reconciliation of our net (loss) income to EBITDA and Adjusted EBITDA is as follows:

	Twelve Weeks Ended March 22, 2011	Four Quarters Ended March 22, 2011
	(dollars in thousands)	
Net (loss) income	\$(10,856)	\$250,920
Interest expense	19,982	64,531
Income tax expense.....	(6,209)	54,391
Interest and investment income	(33)	(357)
Depreciation and amortization.....	21,180	92,538
EBITDA.....	24,064	462,023
Management fees(a).....	258	1,146
Impairments and write-offs(b)	—	9,243
Employee termination costs(c)	195	696
Foreign currency gain(d)	(1,138)	(666)
Noncontrolling interest— expense(e).....	(41)	114
Acquisition transaction adjustment—revenue(f)	1,579	8,324
Acquisition transaction adjustment—equity investment basis(g).....	473	2,048
Discontinued and divested operations loss(h).....	130	8,855
Equity investment expense net of cash distributions(i).....	792	440
Loss/gain on disposals and acquisitions of assets(j)	2,195	(3,265)
Franchise taxes(k).....	57	282
Non-cash gains related to mineral rights(l)	(861)	(3,882)
Change in fair value of interest rate cap agreements(m).....	75	1,094
Costs of surety bonds(n)	3	23
Non-recurring charges(o).....	52	804
Gain on extinguishment of debt(p) .	—	(334,412)
Property tax accrual—California Proposition 13(q)	94	436
Adjusted EBITDA	\$27,927	\$153,303

- (a) Represents management fees and expenses paid to an affiliate of KSL.
- (b) Represents impairment charges related to impairment of trade names and impairment of carrying value of assets.
- (c) Represents employee termination costs from reductions in force.
- (d) Represents currency translation gains and losses.
- (e) Represents income or expense attributable to noncontrolling equity interests of continuing operations.
- (f) Represents revenues relating to initiation deposits and fees that would have been recognized in the applicable period had such deferred revenue not been written off in connection with the purchase of ClubCorp, Inc. by affiliates of KSL on December 26, 2006.
- (g) Represents amortization of step-up in basis of joint venture investments recorded as part of purchase of ClubCorp, Inc. by affiliates of KSL on December 26, 2006.

- (h) Represents income (loss) from discontinued operations and income (loss) from discontinued Non-Core Entities.
- (i) Represents equity investment income or expense less an amount equal to the actual cash distributions from said investments.
- (j) Represents gain or loss on disposals and write-offs or acquisitions of fixed assets and businesses in ordinary course of business.
- (k) Represents franchise and commercial activity taxes for certain states that are based on equity, net assets or gross revenues.
- (l) Represents amortization of deferred revenue related to proceeds received from third parties in connection with certain surface right agreements that allow them to explore for and produce oil and natural gas on certain properties.
- (m) Represents change in the fair value of our interest cap agreements.
- (n) Represents costs of our surety bonds relating to financing activities.
- (o) Represents non-recurring charges in connection with the ClubCorp Formation.
- (p) Represents the gain on extinguishment of debt in connection with the ClubCorp Formation.
- (q) Represents accrual for estimated property tax liabilities related to the state of California's Proposition 13 resulting from the acquisition of ClubCorp, Inc. by affiliates of KSL on December 26, 2006.
- (2) The reconciliation of our long-term debt to adjusted debt is as follows:

	<u>As of</u> <u>March 22, 2011</u>
	<u>(dollars in thousands)</u>
Long-term debt (net of current portion)	\$770,492
Current maturities of long-term debt	11,749
Outstanding letters of credit(a)	17,297
Adjustment per credit agreement(b)	<u>(35,000)</u>
Total adjusted debt	<u><u>\$764,538</u></u>

- (a) Represents total outstanding letters of credit.
- (b) Represents adjustment per the Senior Secured Credit Facility. Long-term debt is reduced by the lesser of (1) \$35.0 million and (2) total unrestricted cash and cash equivalents.
- (3) The reconciliation of our interest expense to adjusted interest expense is as follows:

	<u>Twelve Weeks Ended</u> <u>March 22, 2011</u>	<u>Four Quarters Ended</u> <u>March 22, 2011</u>
	<u>(dollars in thousands)</u>	
Interest expense	\$19,982	\$64,560
Less: Interest expense related to		
Membership deposit liabilities(a)	(4,560)	(20,034)
Less: Loan origination fee		
amortization(b)	(559)	(3,149)
Less: Revolver commitment fees(c)	(57)	(76)
Add: Capitalized interest(d) ..	148	225
Add: Net payments for interest rate		
cap(e)	—	475
Add: Interest income	(11)	(590)
Total adjusted interest	<u>\$14,943</u>	<u><u>\$41,411</u></u>

- (a) Represents amortization of discount on membership deposit liabilities.
- (b) Represents amortization of loan origination fees on long-term debt.
- (c) Represents commitment fees for revolver facility.
- (d) Represents capitalized interest.
- (e) Represents net payments for interest rate cap agreement entered into December 2010.

Subject to certain exceptions, the indenture governing the notes permits us and our restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

Senior Unsecured Notes

On November 30, 2010, we issued \$415.0 million in senior unsecured notes, bearing interest at 10.0% and maturing December 1, 2018. The interest is payable semiannually in arrears on June 1 and December 1 each year, beginning June 1, 2011. The indenture governing the notes limits our (and most or all of our subsidiaries') ability to:

- incur, assume or guarantee additional indebtedness;
- pay dividends or distributions on capital stock or redeem or repurchase capital stock;
- make investments;
- enter into agreements that restrict the payment of dividends or other amounts by subsidiaries to us;
- sell stock of our subsidiaries;
- transfer or sell assets;
- create liens;
- enter into transactions with affiliates; and
- enter into mergers or consolidations.

Subject to certain exceptions, the indenture governing the notes permits us and our restricted subsidiaries to incur additional indebtedness, including secured indebtedness. As of March 22, 2011, we were in compliance with all covenant restrictions under the indenture governing the notes.

Mortgage Loans

In July 2008, we entered into a mortgage loan with General Electric Capital Corporation ("GECC") for \$32.0 million of debt maturing in July 2011 with 25-year amortization. We have the right to extend the term of the loan for successive years up to July 2013 upon satisfaction of certain conditions of the loan agreement. As of March 22, 2011, we meet the conditions and intend to extend the loan to July 2012. The loan is collateralized by the assets of two golf and country clubs.

In October, 2010, we entered into a new mortgage loan with Atlantic Capital Bank for \$4.0 million of debt maturing in 2015 with 25-year amortization. The loan is collateralized by the assets of one golf and country club. Interest rates are variable based on 30-day LIBOR rates.

As of March 22, 2011, our other debt and capital leases totaled \$21.3 million.

Off-Balance Sheet Arrangements, Contractual Obligations and Commercial Commitments

We are not aware of any off-balance sheet arrangements as of March 22, 2011. There have been no material changes outside the normal course of business to our contractual obligations and other commercial commitments since December 28, 2010.

Quantitative and Qualitative Disclosures about Market Risk

Interest rate risk

Our indebtedness consists of both fixed and variable rate debt facilities. The interest rate on our Senior Secured Credit Facility is the higher of (i) 6.0% ("Floor") or (ii) an elected LIBOR plus a margin of 4.5% less the impact of the interest rate cap agreement that limits our exposure on the elected LIBOR to 3.0% on a notional amount of \$155.0 million. As of March 22, 2011, the LIBOR rate was 0.3%; therefore, our interest rate was the Floor. The LIBOR rate would have to exceed 1.5% to overcome the Floor. As of March 22, 2011, our variable rate debt consisted of \$36.0 million of mortgage notes, which carry variable interest rates based on the 30-day LIBOR plus a specified margin. A hypothetical 0.50% increase

in LIBOR rates applicable to borrowings under our variable rate debt instruments would result in an estimated increase of \$0.2 million per year of interest expense.

Foreign currency exchange risk

Our investments in foreign economies includes three golf properties in Mexico and one business club in China. Conducting business in currencies other than U.S. dollars subjects us to fluctuations in currency exchange rates that could have a negative impact on our financial results. We translate the value of foreign currency denominated amounts into U.S. dollars and we report our consolidated financial results of operations in U.S. dollars. Because the value of the U.S. dollar fluctuates relative to other currencies, revenues that we generate or expenses that we incur in other currencies could significantly increase or decrease our revenues or expenses as reported in U.S. dollars. Total foreign currency denominated revenues comprised approximately 2.1% of our consolidated revenues for the twelve weeks ended March 22, 2011. Total foreign currency denominated expenses comprised approximately 0.4% of our consolidated expenses for the twelve weeks ended March 22, 2011.

Fluctuations in the value of the U.S. dollar relative to other currencies could also significantly increase or decrease foreign currency transaction gains and losses which are reflected as a component of club operating costs. Total foreign currency transaction losses for the twelve weeks ended March 22, 2011 were \$1.1 million.