

The Gorman Group, Ltd

1200 West 175th Street
East Hazel Crest, Illinois 60429
708-799-4200
www.gormangrp.com

Summary Report

**Sample Golf Course
Somewhere, SomeState**

**PHOTOGRAPH OF
EXAMPLE CLUBHOUSE**



View of Subject

Arial View of Example Country Club



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ADDENDA

Photographs
Map
Neighborhood Data
Qualifications of Robert C. Gorman

SALIENT FACTS

Location:	Example Country Club
Client:	ABC Bank
Type of Property:	Country Club
Zoning:	County R-3 (single-family residence 40,000 square feet minimum lot size). A very small portion (clubhouse and road) is incorporated and zoned R-1.
Land Area:	151.44 Acres
Highest and Best Use:	Residential Development
Market Value:	\$5,500,000.00* *(allowing for the exposure time estimated in this report – see definition of Market Value)
Date of Valuation:	October 21, 2001
Date of Inspection:	October 21, 2001
Date of Report:	October 21, 2001

Client/Intended User(s): This report is prepared for the exclusive use of XXX Bank.

Intended Use: Mortgage loan underwriting.

Report Format/Type: Summary/Complete

Analysis: Not Limited

Purpose of Report: Estimate Market Value

Interest Appraised: **Assumed** - Fee Simple Title, unencumbered, subject to the Underlying Assumptions and Limiting Conditions contained herein.

This is a very major assumption. Golf clubs have various ownership structures, which include “fee simple,” “equity clubs,” and “non-equity clubs.” In fact, Example is an “equity” club where the ownership is vested in a corporation (LLC), which is owned by about 110 members. Typically, this type of ownership is not operated for profit.

Property Identification: Permanent Tax Index No. 00-00-000-000 & 000 plus 00-00-000-000 & 000

Previous Sales: There has not been a transfer of this property within the past three years.

FIRREA Compliant: Yes

Scope of Appraisal: Information necessary to complete this assignment was obtained from an inspection of the property, documents provided by either the client and/or the occupant of the property, the local Multiple Listing Service, public records and proprietary information either owned by the Gorman Group Ltd., or purchased from outside sources. Within the scope of this appraisal, a complete highest and best use analysis is required. The result of the testing of the two most likely

possibilities indicates the value of the property. The two most likely scenarios are redevelopment for residential use, or preservation of the existing use as a country club.

Tax Comments:

Real Estate taxes were \$130,517.48 for 1999 payable in 2000.

Brief Property Description:

General:

The subject consists of Example Country Club. Example is an 18-hole private country club. As is common to private country clubs in this area, there is a swimming pool (four lanes), outdoor tennis courts (four), a children's playground – with wading pool, and ancillary golf course amenities like a driving range and putting green.



Hole 2

While I am treating the property as being owned in fee simple, the actual ownership is structured around an LLC (Limited Liability Corporation). Although this report does not concern itself with the ownership structure, it should be noted that there are currently around 228 golf memberships (of those 110 are equity members) and 55 social members. The club's goal is to have 250 golf memberships.

A major aspect of the club is the Clubhouse. The clubhouse is masonry constructed, in stages (circa 1940-1970).

The golf course has 18 holes, some with multiple tees. It is well designed and excellently maintained with a double row irrigation system. There did not appear to be any safety issues associated with the golf course design.

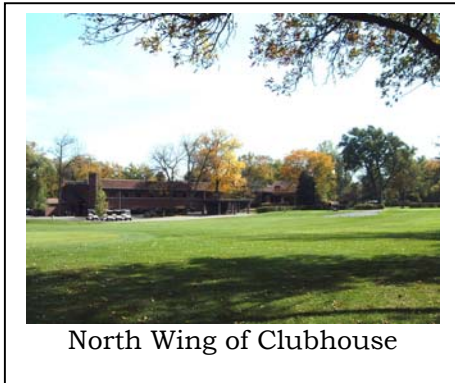
Land: 151.44 acres - The golf course itself is not a part of the renovation program.

Utilities: All available

Buildings: *Main Clubhouse:* The clubhouse is a two-story building containing 48,744 square feet. Originally constructed in the 1940's with an addition added in the late 1960's to early in the 1970's. The main floor consists of a lobby, office area, dining room, women's lounge/locker room, women's and men's washrooms and the main kitchen.



The lower level is divided into the men's locker room/lounge with bar area, a game room, pro shop and bag room with private office, boiler room, secondary kitchen, employee lunchroom, several storage rooms and closets, employee washrooms, boys and girls locker rooms, a barber shop and informal dining area. There is no elevator to the lower level, making the building not handicap accessible.



The women's locker room is divided into a toilet area, a small lounge area, storage room, large locker area, shower room, dressing room, a closet and a storage area.

The men's locker room is divided into a shower room, locker room, toilet area and several lounge and card rooms.

The office area is divided into two general open office areas, a large private office and a smaller private office.

Interior floor finishing's consists primarily of carpet on both levels. The kitchen and work areas have non-slip concrete or exposed concrete flooring. Portions of the women's, boy's and girl's locker rooms have vinyl flooring, while the men's has ceramic tile flooring.



Rear View of Clubhouse
and Pool

Walls are primarily painted plaster or drywall with several areas having high-quality wood paneling or wallpaper. Some areas have glazed block walls and some lower level areas have painted concrete block walls.

Ceilings are primarily suspended acoustical panels. The dining area has vaulted ceilings of stucco over drywall with recessed lighting, chandeliers, paddle fans. Lighting in the other areas consists of exposed or covered fluorescent tubes with some areas having track lighting. Heat is provided by a 1,000,000 BTU gas-fired boiler that dispenses hot water heat through radiators and air handlers. Air conditioning is provided by chillers with roof-mounted condensing units.

The building has a 2,000-ampere circuit breaker electrical system. The only portion of the building which is sprinklered is the women's and girl's locker areas.



Playground Area

The building is constructed upon a concrete foundation with concrete framing. Exterior walls are face brick over concrete block with limited cut stone and stained wood framing. The majority of the roof is a flat single membrane with a pitched, wood beam and deck, asphalt-shingled roof over the dining area. There are galvanized gutters and downspouts, copper flashing and painted wood eaves. There are two terraces off the dining area.

The building is considered to be in good condition with repairs being completed on an "as-needed" basis. The clubhouse is the only portion of the property that is incorporated into the Village (the remainder is in Unincorporated County).

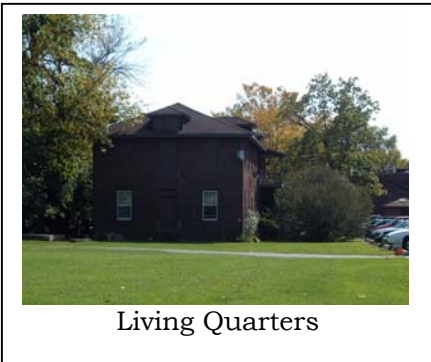
This is also the only building which as public sanitary sewer and water.



Maintenance Building: Constructed in 1972, this is a flat roofed, masonry-constructed building, containing approximately 6,751 square feet, with multiple overhead doors. The building is divided into two sections: a cold storage section and a repair section, with 13 overhead doors, which is heated via space heat. There is an office in this section as well as two miscellaneous rooms. The outdoor service yard contains a state approved rinsate collection pad and approved fuel storage tanks.

Also located in the service yard is a state approved hazardous chemical storage building containing approximately 100 square feet in a pre-fab metal building on a cement containment pad.

Cart Building: This building, containing approximately 3,660 square feet, is a one story, metal-sided building, constructed in 1989, to house and recharge the 54 electric golf carts overnight. The interior is open with incandescent lighting.



Caddy Building: This approximately 807 square foot building was built in the 1930's, has a painted concrete floor, masonry walls. It also includes a washroom and is heated by a suspended gas-fired heating unit.

Living Quarters Building: This two-story, masonry-constructed building, built in the 1930's, contains approximately 4,920 square feet. It has a partial basement and a crawl space. The interior consists of carpeted floors, painted drywall or paneled walls, plaster and acoustical tile ceilings. The second floor is used exclusively for

storage. This building is in fair to poor condition.

Halfway House/Snack Shop: This structure, located by the eight and ninth holes, was built in the 1970's. It contains approximately 591 square feet. Built on a slab with concrete block walls and asphalt-shingle roof. The interior is carpeted, acoustical tile ceiling with recessed lighting. There is a snack shop and kitchen area with paneled walls. This building was in good condition for its age.



Pump houses: The oldest one is a one-story, masonry-constructed, structure, containing a total area of approximately 234 square feet and one 25hp pump. The building is in fair condition. The newer pump house is a wood framed building with an asphalt-shingled roof, containing approximately 100 square feet and a modern skid mounted pumping station with one 25hp pump and two 50hp pumps. This building is also in fair condition. A ten-inch well capable of producing 200 gallons per minute provides recharge to the nearby two acre lake that supplies water for both pumping stations.



Swimming Pools/Playground: There is a 30' x 70' in-ground swimming pool with a filter system which was replaced in 1985. The wading pool is 10' x 10', installed in 1985 with a separate filter system. The nearby playground was also built in 1985.

Highest And Best Use:

Highest and Best use is defined by the Appraisal Terminology and Handbook, published by the American Institute of Real Estate Appraisers, as "the most profitable likely use to which a property can be put." The opinion of such use may be based on the highest and most profitable continuous use to which the

property is adapted and needed, or likely to be in demand, in the reasonably near future.

If elements affecting value depend upon events or a combination of occurrences, which while possible, are not shown to be reasonable or probable, they should be excluded from consideration. Also, if the intended use is dependent upon an uncertain act of a third person, the intention should not be considered.

The criteria for ascertaining the Highest and Best Use of a property are:

1. *The use must be physically possible.*
2. *The use must be legally permissible.*
3. *The use must be financially feasible.*
4. *The use must be maximally productive.*

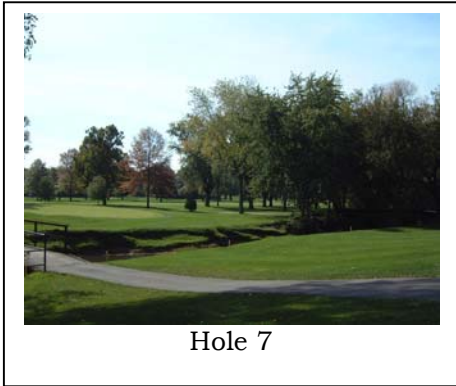
It should be noted the highest and best use of a property can be transitory, that is, highest and best uses of properties can change over time and what is the highest and best use today may not be the highest and best use tomorrow.

Generally, the highest and best use of a property is readily apparent and a detailed highest and best use analysis is not necessary. However, in this case, a detailed analysis was necessary to ascertain whether the highest and best use was for continuation as a private country club, or for possible redevelopment.

Physically possible - The overall site contains 158 acres and has frontage along Highway, Road, Example Lane and limited frontage along Another Road and Ave. All utilities are adjacent to the site – likely in multiple locations. The site is generally flat and there are no adverse conditions of consequence. There is a stream running through the property, but it is more likely



that the stream would be considered an amenity than a nuisance. The site could be developed with any number of properties ranging from single-family homes to industrial types.



Hole 7

Legally permissible – The vast majority of the property is zoned R-1 by County. R-1 allows for development with single-family homes on lots of a minimum of 40,000 square feet. This zoning precludes uses other than those of a residential nature, or those considered to be in harmony with residential development. The small portion that has been incorporated only allows residential development as well. The existing use is permissible. Commercial, industrial and high-density residential uses are not allowed.

In considering legal uses, it is appropriate to explore the feasibility of obtaining rezoning. Example Country Club is held in high esteem by the neighboring communities and its open space is appreciated. It is my opinion that if a rezoning request were to be made both communities would resist it strongly. However, since the vast majority of the club is located in unincorporated County it is unlikely they could stop development compliant with the existing zoning.

Financially feasible - It would be financially feasible to either develop the site with single-family residences or to retain the existing use. To determine which of these alternatives would result in the highest value (the maximally productive use) an investigation of each is appropriate.

Valuation As a County Club

Methodology:

Market Approach: Applicable
Cost Approach: Not Applicable
Income Approach: Applicable

Market Approach:



To develop an opinion of value, I made a survey of properties that have been sold recently or are now offered for sale within the market area of the subject. Consideration was given to the time of sale, size, shape, utility, and location as well as other factors that affected the value of those properties.

The data on the following pages shows some of the properties I considered. They are shown to provide you with a perspective of the market. They do not represent the only information I considered and they should not be construed to be independent evidence of the value of the property being appraised.

SALE NO. 1

Location: S & L Golf Course

Sales Price: \$3,190,000.00

Date Of Sale: January 1999

Land Area: 208 acres

Slope Rating: 115 (average)
Course Rating: 69.5 (average)

Yardage: 6558

Driving Range: No

Fees: \$19.00 Weekday
\$26.00 Weekend

Comments: A 27-hole golf course located in the southern suburbs. 1971 vintage.

Design/Architect: Robert Albert Anderson

Source: Public Records

SALE NO. 2

Location: DC Golf Course

Sales Price: \$3,000,000.00

Date Of Sale: August 1999

Land Area: 144.31 Acres

Slope Rating: 122
Course Rating: 72.4

Yardage: 6755

Driving Range: Yes
Fees: \$19.00 Weekday
\$25.00 Weekend
Comments: An 18-hole golf course located in the southern suburbs. 1972 vintage.
Design/Architect: Larry Packard
Source: Public Records

SALE NO. 3

Location: Park District
Sales Price: \$1,400,000.00
Date Of Sale: September 2000
Land Area: 50 Acres
Slope Rating: 113
Course Rating: 68
Yardage: 3200
Driving Range: No
Fees: \$8.00 Weekday
\$9.00 Weekend
Cart: \$6.00 per person
Comments: A 9-hole golf course located in the southern suburbs. 1989 vintage.
Design/Architect: Ken Killian
Source: Public Records

SALE NO. 4

Location: R & A Golf Course

Sales Price: \$4,127,000.00

Date Of Sale: November 1999

Land Area: 160 acres

Slope Rating: 127
Course Rating: 72

Yardage: 6,859

Driving Range: Yes

Fees: \$33.00/\$38.00

Comments: An 18-hole golf course located in the xxx, Ohio, a northeast suburb of xxxxxx. The course was constructed in 1990.

Design/Architect: Dr. Michael Hurdzan

Source: Public Records

SALE NO. 5

Location: R & M Golf Course

Sales Price: \$3,000,000.00

Date Of Sale: October 2000

Land Area: 173.14 acres

Slope Rating: 109
Course Rating: 67.4

Yardage: 5,991

Driving Range: No

Fees: \$23.00/\$30.00 (carts included in fee)

Comments: A 27-hole golf course constructed in 1930.

Design/Architect: Charles Stayton

Source: Public Records

SALE NO. 6

Location: S & R Golf Course

Sales Price: \$3,000,000.00

Date Of Sale: May 1999

Land Area: 237 acres

Slope Rating: 121
Course Rating: 71

Yardage: 6,103

Driving Range: No

Fees: \$32.00/\$39.00 (carts included in fee)

Comments: An 18-hole golf course constructed in 1994

Design/Architect: Brian Huntley

Source: Public Records

Summary of Analysis of Improved Sales:

Note: I am very familiar with the first three sales listed and none of them are comparable to the subject - it is superior to all three. I did find numerous other sales on a broad national search - about 200 sales, since January of 1999. The average sales price of those sales was \$3,550,000 and the median price was \$2,475,000.00. The higher priced courses tended to be resort courses or courses associated with resorts. Most of them were in "warm weather" states and not directly comparable with the subject for that reason.

General:

The major value influencing factors for this property type include location, overall site configuration, population density, topography, scenic appeal, course difficulty, condition of critical system components such as irrigation, equipment, clubhouse function and course design and commercial amenities such as access to major highways, and expressways.

Size:

Variations in size tend to be influenced by economies of scale, with smaller comparable properties selling at higher unit prices than larger properties, assuming all other factors are equal. Following this line of reasoning, the unit sale prices of the comparable sales, which are larger than the subject should sell for

a lower unit price while the unit prices of the smaller properties should be higher. A major exception to this is where golf courses have excess land that can be utilized for residential development. The subject contains 158 acres and does not have any excess land available for housing development.

Location:

In general, the locational characteristics of a property influence value to a significant degree. Accessibility, visibility, and irregular topography are qualities that typically enhance a property's value when present. Comparable sales possessing superior locations result in higher sale prices while land sales with inferior locations (as related to property exposure, population density) sell for a lower unit price, all other factors being equal.

The location of the subject is excellent and it has good visibility.

Date of Sale:

Typically, an adjustment for a property's date of sale attempts to account for changes in the marketplace, which could potentially impact property values from the date of sale to the date of value.

Market Conclusion:

\$3,750,000.00

Income Approach:



The Income Approach is a method of estimating the Market Value of a property based upon its income producing capabilities over its estimated remaining economic life, with consideration given to current investment requirements.

To use the Income Approach, a stabilized gross income is established from which are deducted all operating expenses to arrive at net income. The net income is then capitalized at an appropriate rate to arrive at an estimate of value.

Income Estimate:

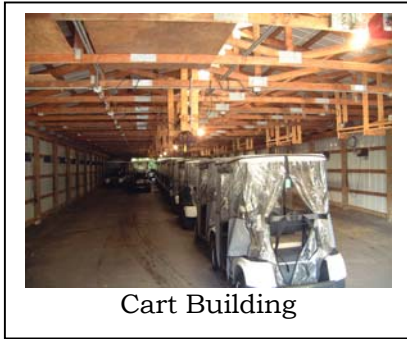


The income estimate is based on analyzing market data and any available historical operating statements for the subject property. This provides a basis for an estimate of the net income that the property will produce in a typical year under ordinary and prudent management.

I was provided with unaudited 1999 and 2000 income and expense statements prepared by Certified Public Accountants, and have relied on these statements in the development of my income analysis.

Income Analysis: I have placed “side by side” the 1999 and 2000 figures so the reader can see where income growth has come from. The percentage increase from 1999 to 2000 is also shown.

Income	12/31/2000	12/31/1999	
Initiation Fees	\$ 95,277.00	\$ 70,710.00	34.7%
Member Dues - Golf	\$ 958,233.00	\$ 705,591.00	35.8%
Member Dues - Social	\$ 58,665.00	\$ 47,588.00	23.3%
Greens fees	\$ 124,487.00	\$ 105,083.00	18.5%
Cart Rentals	\$ 226,002.00	\$ 215,589.00	4.8%
Range Fees	\$ 31,945.00	\$ 1,100.00	2804.1%
Convenient Cart - Food	\$ 5,987.00	\$ 5,371.00	11.5%
Convenient Cart - Beverage	\$ 3,198.00	\$ 2,697.00	18.6%
Club Storage	\$ 30,288.00	\$ 478.00	6236.4%
Locker Annual Rental	\$ 60,180.00	\$ 3,375.00	1683.1%
CCC Sales	\$ 7,891.00	\$ 9,017.00	-12.5%
Trail Fees	\$ 5,050.00	\$ 4,216.00	19.8%
Pool Guest Fees	\$ 580.00	\$ 348.00	66.7%
Merchandise Sales	\$ 127,710.00	\$ 131,615.00	-3.0%
Dining Room Sales	\$ 260,202.00	\$ 244,602.00	6.4%
Dining Beverage Sales	\$ 63,500.00	\$ 67,898.00	-6.5%
Banquet Room Rental	\$ 30,122.00	\$ 17,745.00	69.7%
Banquet Food Sales	\$ 248,674.00	\$ 164,175.00	51.5%
Banquet Beverage Sales	\$ 127,208.00	\$ 106,699.00	19.2%
Banquet Food – Tax Exempt	\$ 50,713.00	\$ 18,582.00	172.9%
Banquet Beverage - Tax Exempt	\$ 11,672.00	\$ 4,031.00	189.6%
Tournament Greens Fees	\$ 82,890.00	\$ 79,330.00	4.5%
Tournament Cart Rentals	\$ 17,253.00	\$ 18,531.00	-6.9%
Tournament Food Sales	\$ 32,153.00	\$ 39,536.00	-18.7%
Tournament Beverage	\$ 13,050.00	\$ 15,907.00	-18.0%
Halfway House Food Sales	\$ 42,116.00	\$ 35,650.00	18.1%
Halfway House Beverage Sales	\$ 3,191.00	\$ 3,315.00	-3.7%
Miscellaneous Income	\$ 54,166.00	\$ 57,347.00	-5.5%
	\$2,772,403.00	\$2,176,126.00	27.4%

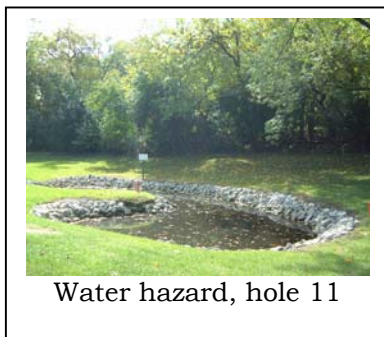


Cart Building

The following expense statement has been revised from the one provided to me. I have “removed” expenses not considered in real estate analysis. The items removed include depreciation, interest and amortization.

I have also placed “side by side” the 1999 and 2000 figures so the reader can see where expense growth has come from. The percentage increase from 1999 to 2000 is also shown.

OPERATING EXPENSES	2000	1999	
Property Tax	\$ 141,533.00	\$ 132,547.00	6.8%
Insurance	\$ 52,346.00	\$ 26,184.00	99.9%
General & Administrative	\$ 264,162.00	\$ 208,384.00	26.8%
Clubhouse Maintenance	\$ 310,143.00	\$ 176,006.00	76.2%
Food & Beverage	\$ 409,078.00	\$ 344,588.00	18.7%
Membership	\$ 8,084.00	\$ 11,394.00	-29.1%
Legal & Professional	\$ 10,903.00		
Greens Fees	\$ 151,314.00	\$ 118,580.00	27.6%
Course Maintenance	\$ 487,197.00	\$ 369,266.00	31.9%
Carts	\$ 91,365.00	\$ 91,761.00	-0.4%
Range	\$ 3,459.00	\$ 1,417.00	144.1%
Locker Room	\$ 81,343.00	\$ 61,652.00	31.9%
Pro Shop	\$ 13,921.00	\$ 18,853.00	-26.2%
Pool	\$ 26,260.00	\$ 29,995.00	-12.5%
Tennis	\$ 2,852.00	\$ 2,737.00	4.2%
Cost of Sales (Merchandise, food, etc.)	\$ 413,784.00	346148	19.5%
Total Expenses	\$2,467,744.00	\$1,939,512.00	27.2%



Water hazard, hole 11

These expenses are very similar to the expenses reported by other private country clubs in the same or similar climates (National Golf Foundation).

The net income is therefore \$304,659 for the year 2000 and \$236,614 for the year 1999.

Capitalization Rate:



Generally, the overall capitalization rate to use, the rate that investors in that type or class of property require as a condition for purchasing, is an appraisal problem. The rate tends to vary from time to time depending on economic conditions. Accordingly, the appraiser must carefully consider competitive market conditions and alternative investment opportunities for the type of investor typically interested in the property being appraised. Market conditions involve the money market.

Investment Alternatives: The following are "Yield Comparisons" as of October 16, 2001, from the Wall Street Journal dated October 17, 2001. All figures are percentages.

	10/16	10/15	52 Week	
			High	Low
Corp.-Govt. Master	4.73	4.76	6.74	4.69
Treasury 1-10 yr	3.34	3.36	6.05	3.30
10+ yr	5.25	5.31	6.09	5.21
Agencies 1-10 yr	3.74	3.77	6.71	3.69
10+ yr	5.83	5.88	6.78	5.81
Corporate				
1-10 yr High Quality	4.57	4.60	7.10	4.52
Med Quality	5.75	5.78	7.80	5.69
10+ High Quality	6.74	6.78	7.74	6.68
10+ yr Med Quality	7.45	7.49	8.38	7.29
Yankee bonds	5.46	5.51	7.49	5.46
Current coupon mortgages				
GNMA 6.00%	5.98	6.04	7.54	5.98
FNMA 6.00%	6.00	6.07	7.59	5.96
FHLMC 6.00%	6.01	6.07	7.61	5.98
High yield Corporates	13.08	13.12	14.17	12.01
New tax-exempts				
7-12-yr G.O. (AA)	3.92	3.92	4.85	3.87
12-22-yr G.O. (AA)	4.82	4.82	5.52	4.67
22+yr revenue (A)	5.06	5.07	5.78	4.96

While interest rates have increased significantly over the past year or two, recent actions by the Federal Reserve Board have reversed the trend. Conventional wisdom now is that they will continue to decline for the near future.



The "safest" rates available are U. S. Government backed securities which range from about 3.3% to 5.8% depending on the term. Corporate rates (rates on corporate issued bonds) are in the 4.5% - 7.4% range, again depending on the term. High yield corporate rates are averaging about 13%, but within that broad category individual companies vary (typically) from about 12% to the mid-teens — some corporate bonds classified as "high-yield" fall outside this range. It should be noted that a significant difference between bonds and the income stream being valued, is that bonds are very liquid, real estate is not.

Derivation Of Overall Capitalization

Rate: An overall capitalization rate is a rate that reflects the direct relationship between a property's net annual income and total value. The overall capitalization rate can be derived from the market by dividing the net income by the sales price of a comparable property, or built up by a mortgage equity technique, which reflects the balance between financing and investment capital.



Mortgages are available in the amount of 70% of the Market Value of properties similar to the subject. These rates vary from approximately 7.5% on up, for terms of 5 to 10 years with amortization periods of up to 20 years.

It is my opinion that the subject property would qualify for one of these loans.

While interest rates have fallen dramatically over the past year, real investors tend to lag a considerable time before reducing their investment requirements. Also, the golf industry has



Hole 13

It is estimated that an investor would require a minimum of a fifteen (15%) percent return on his capital investment. A holding period of 10 years has been assumed. I have assumed that the property will inflate in value over that period of time, albeit not at the same rate as the consumer price index. In fact, it is my opinion that any inflation will be offset by depreciation of the property. The overall capitalization rate derived by the mortgage equity technique is calculated as follows:

70%	Mortgage	7.50%	0.088679	(factor)	= .0620753
30%	Equity @	15.00%			= .0450000
					<u>.1070753</u>
	Less credit for equity build-up				
0.202825	x 0.70		x 0.049252		= -.0069927
					=
					<u>.1000826</u>

Based upon the consideration of all available information as well as judgment, knowledge and experience as a real estate appraiser, it is my opinion that the following rate applies to the subject property: OVERALL RATE 10%

Capitalization Process: \$304,659 .00 / .10 = \$3,046,590.00

Income Approach

Conclusion: \$3,000,000.00

**Reconciliation
(as a County Club):**



Correlation may be defined as "the bringing together of parts in a proper relationship." The parts of this appraisal report are the following approaches to value your appraisers used.

Market Approach: \$3,750,000.00
Income Approach: \$3,000,000.00
Cost Approach: Not Applicable

These approaches are representative of the market value of the property. I have carefully re-examined each step in each method and believe the conclusions accurately reflect the attitude of typical purchasers of this type of property.

The Market Approach was based on several sales of properties somewhat similar to our subject. It reflects the actions of buyers and sellers in the marketplace. The market approach was considered to be the best indicator of value.



The Income Approach is an accurate method of measurement of investment properties. It is an accurate method of measurement of investor properties. The subject property is an investment type property in the classic sense and accordingly its value can be driven by the income it is capable of generating. The income approach can also be a very strong indicator of value, but the present ownership form dictates that the club be operated as a non-profit organization and accordingly it is not likely that maximum revenues are being obtained. I gave the income approach less consideration than the market approach.

The Cost Approach did not seem applicable and was not developed.

**Conclusion As A
Country Club:**

After careful consideration, it is my opinion that the Market Value of the subject property, as of October 21, 2001, in Fee Simple ownership subject to the contingent, and limiting conditions contained herein is:

\$3,500,000.00

As Vacant Land

Methodology:

Market Approach: Applicable
Cost Approach: Not Applicable
Income Approach: Not Applicable

Market Approach:

To arrive at an opinion of the value of the subject property for development with single-family homes, I made a survey of properties that have been sold recently or are now offered for sale within the market area of the subject.



Sales, terms of sale, price, and exterior appointments were researched utilizing data acquired from Real Estate Data Information (REDI), Appraisal Institute Market Data Center, local real estate multiple listing services (MLS), from other appraisers, or from our own files. When possible, each sale was verified by a personal examination and/or an interview with a person knowledgeable about the transaction (i.e., appraiser).

As it was impossible to find an identical property to that of the subject, since no two properties are ever identical, it was necessary to consider the differences between the properties that were sold and the subject property. Consideration was given to the time of sale, the size, location, utility, and to other factors that affect value.



A resume' of some of the sales or offerings for sale considered follows. This market data is not offered as independent evidence of the value of the subject property, but rather as some of the transactions I have taken into consideration in arriving at an opinion of value.

LAND SALE NO. 1

Location: xxxrd Avenue
Sales Price: \$829,521.00
Date Of Sale: June 1996
Price/Acre: \$27,020.00
Land Area: 30.7 acres
PIN Number: 00-00-000-000 (portion)
Comments: This is the sale of land that is now part of xxxxxxxxx Lakes. This parcel was to be improved with 39 single-family homes and 60 townhomes.
Source: Public Records

SALE NO. LAND 2

Location: xxx Avenue
Sales Price: \$3,555,000.00
Date Of Sale: February 1997
Price/Acre: \$109,919.00
Land Area: 32.342 acres
PIN Number: 00-00-000-000
Comments: This is the sale of land that is now part of xxxxxxxx Meadows. This parcel was to be improved with 79 single-family homes.
Source: Public Records

SALE NO. LAND 3

Location: xxxxx Avenue

Sales Price: \$1,927,310.00

Date Of Sale: January 2000

Price/Acre: \$72,412.00

Land Area: 26.616 acres

PIN Number: 00-00-000-000, 0

Comments: This is the sale of "open space" for use as a recreation park and reserve.

Source: Public Records

SALE NO. LAND 4

Location: xxxxx Avenue

Sales Price: \$7,853,840.00

Date Of Sale: April 2001

Price/Acre: \$65,449.00

Land Area: 120 acres

PIN Number: 00-00-000-000 through 000

Comments: The property is to be developed with 186 single-family homes and 14 townhomes.

Source: Public Records

SALE NO. LAND 5

Location: xxxx Street East

Sales Price: \$2,920,000.00

Date Of Sale: January 1999

Price/Acre: \$36,730.00

Land Area: 79.5 acres

PIN Number: 00-00-000-00, 000, et al

Comments: The property is to be developed with single-family residences. At the time of sale the property was zoned B-3.

Source: Public Records

SALE NO. LAND 6

Location: xxxx Road

Sales Price: \$1,250,000.00

Date Of Sale: March 2000

Price/Acre: \$50,000.00

Land Area: 25 acres

PIN Number: 00-00-000-000 (portion)

Source: Public Records

Conclusion as Vacant Land:

This data is not offered as independent evidence of the value of the subject property, but rather as some of the transactions I have taken into

consideration in arriving an opinion of value.

The major factor impacting value is the current zoning. The subject is zoned R-3 by xxxx County. This zoning restricts the potential density by requiring 40,000 square foot lots. If the zoning allowed for a higher density, the value could be significantly higher. While I could hypothesize a greater zoning density, this appraisal is governed by bank lending rules, therefore it would not be appropriate.



Therefore, after giving consideration to each sale as to the date of sale, size of site, location, and utility, as well as other factors that affect value, I have concluded that the subject has a value of:

**Market Value
As Vacant Land:** \$5,500,000.00

**Highest And Best Use
Conclusion and
Final Values:** Since redevelopment as a single-family subdivision results in a higher value than the existing use as a private country club, the highest and best use is for redevelopment and the market value is:

**MARKET VALUE
FIVE MILLION FIVE HUNDERD THOUSAND DOLLARS*
(\$5,500,000.00)**

*(allowing for the exposure time estimated in this report – see Definition of Market Value)

Definition Of Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: 1. Buyer and seller are typically motivated; 2. Both parties are well informed or well advised, and each acting in what they consider their own best interests; 3. A reasonable time is allowed for exposure* in the open market; 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and 5. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

From 12 CFR 323, Revised as of January 1, 1997 TITLE 12--BANKS AND BANKING, CHAPTER III--FEDERAL DEPOSIT INSURANCE CORPORATION, PART 323--APPRAISALS

*A reasonable time is estimated to be between 24 to 36 months. There is no statistical data to support or contend this estimate; it is made on the basis of my observations of the market. For property, such as the subject, "exposure" is referred to as the period of time that the property is openly exposed to prospective purchasers, actively and aggressively offered for sale, either by listing the property with real estate marketing professionals, and/or utilizing commonly used marketing advertising methods such as newspaper and other distributed print media, air media and/or listing services. By definition, this time precedes the date of valuation.

Underlying Assumptions And Limiting Conditions

- It is assumed that the construction and use of the appraised property, if improved, complies with all public authorities having jurisdiction, including but not limited to the National Environmental Protection Act and any other applicable federal, state, municipal, and local environmental impact of energy laws or regulations.
- The Americans with Disabilities Act ("ADA") became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not

consider possible non-compliance with the requirements of ADA in estimating the value of the property.

- It is assumed that the title to this property is good and marketable. No title search has been made, nor have I attempted to determine ownership of the property. The value estimate is given without regard to any questions of title, boundaries or encroachments. It is assumed that all assessments are paid. I assume the property to be free and clear of liens and encumbrances except as noted.
- The legal description, if included herein, should be verified by legal counsel before being relied upon or used in any conveyance or other document.
- I am not familiar with any engineering studies made to determine the bearing capacity of the land. Improvements in the area appear to be structurally sound. It is therefore assumed that soil and subsoil conditions are stable unless specifically outlined in this report.
- Any exhibits in the report are intended to assist the reader in visualizing the property and its surroundings. The drawings are not intended as surveys and no responsibility is assumed for their cartographic accuracy. Drawings are not intended to be exact in size, scale or detail.
- Areas and dimensions of the property may or may not have been physically measured. If data is furnished by the principal or from plot plans or surveys furnished by the principal, or from public records, I assume it to be reasonably accurate. In the absence of current surveys, land areas may be based upon representations made by the owner's agents or the client. No attempt has been made to render an opinion or determine the status of easements that may exist. No responsibility is assumed for discrepancies that may become evident from a licensed survey of the property.
- The value estimate involves only the real estate and all normal building equipment if any improvements are involved. No consideration was given to personal property, (or special equipment), unless stated.
- It is assumed that the property is subject to lawful, competent and informed ownership and management unless noted.
- Information in this report concerning market data was obtained from buyers, sellers, brokers, attorneys, trade publications or public records. To the extent possible, this information was examined for

accuracy and is believed to be reliable. Dimensions, areas or data obtained from others is believed correct; however, no guarantee is made in that the appraiser did not personally measure same.

- Any information, in whatever form, furnished by others is believed to be reliable; however, no responsibility is assumed for accuracy.
- The physical condition of any improvements described herein was based on visual inspection only. Electrical, heating, cooling, plumbing, sewer and/or septic system, mechanical equipment and water supply were not specifically tested, but were assumed to be in good working order, and adequate, unless otherwise specified. No liability is assumed for the soundness of structural members, since no engineering tests were made of same. The roof(s) of structures described herein are assumed to be in good repair unless otherwise noted. The existence of potentially hazardous material used in the construction or maintenance of the building, such as urea formaldehyde foam insulation and/or asbestos insulation, which may or may not be present on the property, has not been considered. In addition, no deposits of toxic wastes, unless specifically mentioned herein, have been considered. The appraiser is not qualified to detect such substances and suggests the client seek an expert opinion, if desired.
- It is specifically noted that the appraiser(s) have not conducted tests to determine the presence of, or absence of Radon. I am not qualified to detect the presence of Radon gas, which requires special tests and therefore must suggest that if the buyer is suspect as to the presence of Radon or any other potentially hazardous substances, he or she should take steps to have proper testing done by qualified firms who have the equipment and expertise to determine the presence of this substance in the property.
- In addition, if the client has any concern regarding the structural, mechanical or protective components of the improvements described herein, or the adequacy or quality of sewer, water, or other utilities, it is suggested that independent contractors or experts in these disciplines be retained by said client, before relying upon this appraisal.
- The separate allocations between land and improvements, if applicable, represents my judgment only under the existing utilization of the property. A re-evaluation should be made if the improvements are removed or substantially altered, and the land utilized for another purpose.

- All information and comments concerning the location, neighborhood trends, construction quality and costs, loss in value from whatever cause, condition, rents, or any other data for the property appraised herein, represents the estimates and opinions of the appraiser formed after an examination and study of the property.
- Any valuation analysis of the income stream has been predicted upon financing conditions as specified herein, which I have reason to believe are currently available for this property. Financing terms and conditions other than those indicated may alter the final value conclusions.
- Expenses shown in the Income Approach, if used, are estimates only, and are based on past operating history if available, and are stabilized as generally typical over a reasonable time period.
- The appraiser is not required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been made previously thereto. If the appraiser(s) is subpoenaed pursuant to court order, the client will be required to compensate said appraiser(s) for his time at his regular hourly rates, plus expenses.
- All opinions, as to values stated, are presented as the appraiser's considered opinion based on the information set forth in the report and his experience. I assume no responsibility for changes in market conditions or for the inability of the client or any other party to achieve their desired results based upon the appraised value. Further, some of the assumptions made can be subject to variation depending upon evolving events. I realize some assumptions may never occur and unanticipated events or circumstances may occur. Therefore, actual results achieved during the projection period may vary from those in this report.
- Appraisals made subject to satisfactory completion of construction, repairs, alterations, remodeling or rehabilitation, are contingent upon completion of such work in a timely manner using good quality materials and workmanship and in substantial conformity to plans or descriptions or attachments made hereto.
- It is agreed that the liability of the appraiser/consultant to the client is limited to the amount of the fee paid as liquidated damages. The Appraiser/consultant responsibility is limited to the client, and use of this appraisal by third parties shall be solely at the risk of the client and/or third parties.

- A signatory of this appraisal is a member of the Appraisal Institute. The Bylaws and Regulations of the Institute require each member and candidate to control the use and distribution of each appraisal report signed by such member or candidate. Therefore, except as hereinafter provided, the party for whom this appraisal report was prepared may distribute copies of this appraisal report, in its entirety, to such third parties as may be selected by the party for whom this was prepared. Selected portions of this appraisal report, however, shall not be given to third parties without prior written consent of the signatories of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communication without the prior written consent of the signatories of this appraisal report. This restriction applies particularly as to the valuation conclusions, the identity of the appraisers, or any reference to the Appraisal Institute, or the MAI designation.
- Disclosure of the contents of this appraisal report is governed by the Bylaws and Regulations of the Appraisal Institute.

CERTIFICATE OF APPRAISAL

I certify that, to the best of my knowledge and belief:

1. This appraisal report has been prepared for the exclusive benefit of the client noted herein. It may not be used or relied upon by any other party.
2. The statements of fact contained in this report are true and correct.
3. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, unbiased professional analyses, opinions, and conclusions.
4. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The appraisal assignment was not based on developing or reporting predetermined results, or a requested minimum valuation, a specific valuation, or the approval of a loan.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of:
 - USPAP Uniform Standards of Professional Appraisal Practice, and
 - SPP-AI Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute; and, except as noted in the Scope of Appraisal (and/or transmittal letter, if any), in conformity with specific implementation rules of the following agencies:
 - FIRREA Title XI of the Financial Institutions Reform, Recovery and Enforcement Act and section 5(b) of the Bank Company Holding Act.
 - FRB - Federal Reserve Board RTC - Resolution Trust Corporation
 - OTS - Office of Thrift Supervision FDIC - Federal Deposit Insurance Corporation
 - OTC - Office of the Comptroller NCUA - National Credit Union Association
9. The use of this report is subject to the requirements of the Appraisal Institute relating to its review by duly authorized representatives.
10. Robert C. Gorman has made a personal inspection of the property that is the subject of this report.
11. No one provided significant professional assistance to the person(s) signing this report.
12. I do not authorize the out-of context quoting from or partial reprinting of this appraisal report. Further, neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser nor the name of the firm with which he is connected, or any reference to the Appraisal Institute) shall be reproduced, published, or disseminated to the public through advertising media, public relations media, news media, or another public means of communication, without the prior written consent of the appraiser signing this report.
13. The Appraisal Institute conducts a continuing education program for its designated members. As of the date of this report, Robert Gorman has completed the requirements of the continuing education program of the Appraisal Institute.

The Gorman Group Ltd., an Illinois Corporation

by: _____

Robert C. Gorman, MAI
 President
 Illinois Certified General Appraiser
 License Number 153-000002
 Expires September 30, 2003