**DEVELOPMENT APPROACH ASSUMPTIONS (AFTER CONDITION)**

**SCENARIO 1 - LOT SALES MODEL**

| | | | |
|---|---|---|---|
| **Phase I** | | **Timing & Absorption** | |
| Number Lots | 21 | Absorption Rate (Per Quarter) | 3 |
| Average Lot Price | $1,636,905 | Initial Delivery (Quarter) | 1 |
| | | Phase II Entitlements & Planning (Quarters) | 6 |
| **Phase II** | | Land Development Duration (Quarters) | 4 |
| Number Lots | 23 | Close-Out (Quarter) | 18 |
| Average Lot Price | $2,193,478 | | |
| | | **Totals** | |
| **Costs & Expenses** | | Phase I Revenues | $34,375,000 |
| Acquisition & Professional Costs | $200,000 | Phase II Revenues | $50,450,000 |
| Land Development Costs (Phase II) | $4,717,951 | Total Revenues | $84,825,000 |
| Land Development Costs (Per Lot) | $205,128 | Less Total Costs & Expenses | $13,141,673 |
| Off-Site Affordable Housing Allowance | $1,000,000 | Less Land Cost (Residual Land Value) | **$59,589,965** |
| General & Administrative (% Sales) | 1.50% | Profit | $12,093,362 |
| Sales-Closings-Legal (% Sales) | 3.00% | | |
| Advertising-Marketing (% Sales) | 1.00% | **Trending & Yield** | |
| Miscellaneous-Contingency (% Sales) | 1.00% | Lot Revenue Trending (Annual) | 7.00% |
| Property Taxes (Tax Rate) | 1.22% | Cost Trending (Annual) | 3.00% |
| | | Target IRR (Non-Leveraged) | 15.00% |
| | | Quarterly IRR (Compounding) | 3.56% |
| | | Static Profit (% of Sale Revenues) | 14.26% |
| | | Static Profit (% of Total Costs) | 16.63% |

## AFTER CONDITION (LOT SALES MODEL)

| | Untrended Totals | Qtr 0 | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Qtr 5 | Qtr 6 | Qtr 7 | Qtr 8 | Qtr 9 | Qtr 10 | Qtr 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **SALES DATA** | | | | | | | | | | | | | |
| Phase | | | One | One | One | One | One | One | One | | | | Two |
| Cumulative Closings | | 0 | 3 | 6 | 9 | 12 | 15 | 18 | 21 | 21 | 21 | 21 | 24 |
| Quarterly Closings | | 0 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 0 | 0 | 0 | 3 |
| Average Price | | $0 | $1,636,905 | $1,665,551 | $1,694,698 | $1,724,355 | $1,754,531 | $1,785,235 | $1,816,477 | $1,848,265 | $1,880,610 | $1,913,521 | $2,609,021 |
| **TOTAL PROCEEDS** | $84,825,000 | $0 | $4,910,714 | $4,996,652 | $5,084,093 | $5,173,065 | $5,263,593 | $5,355,706 | $5,449,431 | $0 | $0 | $0 | $7,827,062 |
| Revenue Trending Factor | | 1.0000 | 1.0000 | 1.0175 | 1.0353 | 1.0534 | 1.0719 | 1.0906 | 1.1097 | 1.1291 | 1.1489 | 1.1690 | 1.1894 |
| **LESS COSTS & EXPENSES** | | | | | | | | | | | | | |
| Acquisition & Professional | $200,000 | $200,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Phase II Land Development | 4,717,951 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,242,822 | 1,252,143 | 1,261,534 | 1,270,995 | 0 |
| Off-Site Affordable Housing | 1,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 351,232 | 353,866 | 356,520 | 0 |
| General & Aministrative | 1,272,375 | 0 | 70,688 | 71,218 | 71,752 | 72,290 | 72,832 | 73,378 | 73,929 | 74,483 | 75,042 | 75,605 | 76,172 |
| Sales-Closings-Legal | 2,544,750 | 0 | 147,321 | 149,900 | 152,523 | 155,192 | 157,908 | 160,671 | 163,483 | 0 | 0 | 0 | 234,812 |
| Advertising-Marketing | 848,250 | 0 | 47,125 | 47,478 | 47,835 | 48,193 | 48,555 | 48,919 | 49,286 | 49,655 | 50,028 | 50,403 | 50,781 |
| Misc.-Contingency | 848,250 | 0 | 47,125 | 47,478 | 47,835 | 48,193 | 48,555 | 48,919 | 49,286 | 49,655 | 50,028 | 50,403 | 50,781 |
| Property Taxes | 1,710,097 | 0 | 181,749 | 169,357 | 156,965 | 144,573 | 132,181 | 119,789 | 107,397 | 95,005 | 95,005 | 95,005 | 95,005 |
| **TOTAL COSTS & EXPENSES** | $13,141,673 | $200,000 | $494,008 | $485,431 | $476,909 | $468,442 | $460,031 | $451,677 | $1,686,202 | $1,872,174 | $1,885,503 | $1,898,932 | $507,551 |
| Cost Trending Factor | | 1.0000 | 1.0000 | 1.0075 | 1.0151 | 1.0227 | 1.0303 | 1.0381 | 1.0459 | 1.0537 | 1.0616 | 1.0696 | 1.0776 |
| **NET PROCEEDS** | $71,683,327 | ($200,000) | $4,416,706 | $4,511,220 | $4,607,184 | $4,704,623 | $4,803,563 | $4,904,030 | $3,763,229 | ($1,872,174) | ($1,885,503) | ($1,898,932) | $7,319,511 |
| **NET PRESENT VALUE** | **$59,589,965** | **15.00%** IRR | | | | | | | | | | | |

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## AFTER CONDITION (LOT SALES MODEL)

| | Untrended Totals | Qtr 12 | Qtr 13 | Qtr 14 | Qtr 15 | Qtr 16 | Qtr 17 | Qtr 18 | Qtr 19 | Qtr 20 | Qtr 21 | Trended Totals | % of Sales |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **SALES DATA** | | | | | | | | | | | | | |
| Phase | | Two | Two | Two | Two | Two | Two | Two | Two | Two | Two | | |
| Cumulative Closings | | 27 | 30 | 33 | 36 | 39 | 42 | 44 | 44 | 44 | 44 | 44 | --- |
| Quarterly Closings | | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 0 | 0 | 0 | 44 | --- |
| Average Price | | $2,654,678 | $2,701,135 | $2,748,405 | $2,796,502 | $2,845,441 | $2,895,236 | $2,945,903 | $0 | $0 | $0 | $2,269,916 | --- |
| **TOTAL PROCEEDS** | $84,825,000 | $7,964,035 | $8,103,406 | $8,245,216 | $8,389,507 | $8,536,323 | $8,685,709 | $5,891,806 | $0 | $0 | $0 | $99,876,320 | 100.00% |
| Revenue Trending Factor | | 1.2103 | 1.2314 | 1.2530 | 1.2749 | 1.2972 | 1.3199 | 1.3430 | 1.3665 | 1.3904 | 1.4148 | | |
| **LESS COSTS & EXPENSES** | | | | | | | | | | | | | |
| Acquisition & Professional | $200,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $200,000 | 0.20% |
| Phase II Land Development | 4,717,951 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,027,494 | 5.03% |
| Off-Site Affordable Housing | 1,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,061,619 | 1.06% |
| General & Aministrative | 1,272,375 | 76,743 | 77,318 | 77,898 | 78,483 | 79,071 | 79,664 | 80,262 | 0 | 0 | 0 | 1,356,827 | 1.36% |
| Sales-Closings-Legal | 2,544,750 | 238,921 | 243,102 | 247,356 | 251,685 | 256,090 | 260,571 | 176,754 | 0 | 0 | 0 | 2,996,290 | 3.00% |
| Advertising-Marketing | 848,250 | 51,162 | 51,546 | 51,932 | 52,322 | 52,714 | 53,110 | 53,508 | 0 | 0 | 0 | 904,551 | 0.91% |
| Misc.-Contingency | 848,250 | 51,162 | 51,546 | 51,932 | 52,322 | 52,714 | 53,110 | 53,508 | 0 | 0 | 0 | 904,551 | 0.91% |
| Property Taxes | 1,710,097 | 82,613 | 70,221 | 57,829 | 45,437 | 33,045 | 20,653 | 8,261 | 0 | 0 | 0 | 1,710,097 | 1.71% |
| **TOTAL COSTS & EXPENSES** | $13,141,673 | $500,601 | $493,733 | $486,949 | $480,249 | $473,635 | $467,108 | $372,293 | $0 | $0 | $0 | $14,161,427 | 14.18% |
| Cost Trending Factor | | 1.0857 | 1.0938 | 1.1020 | 1.1103 | 1.1186 | 1.1270 | 1.1354 | 1.1440 | 1.1525 | 1.1612 | | |
| **NET PROCEEDS** | $71,683,327 | $7,463,434 | $7,609,673 | $7,758,267 | $7,909,258 | $8,062,689 | $8,218,601 | $5,519,513 | $0 | $0 | $0 | $85,714,892 | 85.82% |
| **NET PRESENT VALUE** | **$59,589,965** | **15.00%** IRR | | | | | | | | | | | |



 

## SCENARIO 2 (HOME SALES PROGRAM)

Scenario 2 involved a home build-out and sale program to derive a land residual. The first step was to estimate the retail market value of 44 homes.

### TRUMP NATIONAL ESTATES HOME PRICING & SALE REVENUES

Having researched and analyzed the competitive data set, the subject homes were priced accordingly. Pricing incorporates lot size and premium potential for the lots. The 21 Phase 1 homes (Tract 50667) were priced at $3,900,000 on average, or $696 per square foot. The Phase 2 after condition home size is smaller than in the before condition, reflecting the smaller average lot size and CC&R product size constraints. Further, the Phase 2 after condition lots would have lower overall premium potential due to the loss of the 16 driving range lots. In this analysis, an average 6,600 square foot home was priced at $4,500,000, or $682 per square foot.

**RECONCILED HOME SALE REVENUES SUMMARY**

| | | | Home Pricing | | | |
|---|---|---|---|---|---|---|
| Phase | Tract No. | No. Lots | Avg Price | Avg Size | PSF | Total |
| 1 | 50667 | 21 | $3,900,000 | 5,600 | $696 | $81,900,000 |
| 2 | 50666 | 23 | $4,500,000 | 6,600 | $682 | $103,500,000 |
| 1 & 2 | 50667 & 50666 | 44 | $4,213,636 | 6,123 | $688 | $185,400,000 |

### REVENUE TRENDING

As previously discussed, home price trending of 5.00 percent (compounded annually) was scheduled for the second year and thereafter.

### DEVELOPMENT/CONSTRUCTION COSTS & EXPENSES

Several of the cost estimates (methodology) are similar to those in the before condition. An allowance of $500,000 was included for architecture, professional fees, due diligence, research, escrow, title, closing costs, and legal fees for an initial acquisition of the property in bulk. The appraiser utilized the provided engineering budget for Phase 2 (Tract 50666) direct land development costs, excluding the 16 driving range lots, which total $4,717,952. An allowance of $1,000,000 was included for off-site affordable housing. Permits and fees were estimated at $55,000 per unit and direct construction at $200 per square foot (excluding indirect and soft costs).

Indirect costs were calculated at $150,000 per quarter and non-house construction costs at $150,000 per home. An allowance of $1,000,000 was included for an upgraded model home and/or onsite sales center. The appraiser estimated an allowance of 2.0 percent of sales revenues for general & administration/overhead costs and/or equivalent management fee. Marketing/advertising and sales/closing costs were estimated at 1.0 and 3.0 percent of home sale revenues respectively. Property taxes were calculated assuming a 1.22 percent tax rate and initial purchase at the indicated land basis with subsequent diminishing inventory as homes are sold.

### COST TRENDING

As previously discussed, costs for labor and materials were projected to remain flat the first year but increasing 3.00 percent per annum (compounded annually) in subsequent years.

### DEVELOPMENT TIMING AND ABSORPTION

Phase 1 (Tract 50667) consists of recorded final lots and thus construction could commence rather quickly. Assuming a 9-month home construction cycle, initial Phase 1 homes could be delivered in Quarter 4. As previously discussed, initial Phase 2 homes were scheduled for delivery in Quarter 13. A sustained overall absorption rate of 3 homes per quarter was deemed reasonable. Given the development critical path and absorption assumptions, Phase

1 homes would close-out in Quarter 10. Close-out of Phase 2 home sales would occur in Quarter 20. Thus, the total development and sell-out period is 5.00 years for the 44 homes.

### DISCOUNT RATE (NON-LEVERAGED IRR)

As previously discussed, a non-leveraged discount rate of 18 percent was deemed appropriate for Scenario 2 (Home Sales Program).

### SUMMARY OF DISCOUNTED CASH FLOW (SCENARIO 2 – HOME SALES PROGRAM)

The foregoing assumptions relative to lot sale revenues, absorption, costs, trending, and discount rate were integrated into a 20-quarter discounted cash flow. The indicated land value of **$66,638,510** is reflective of the subject before condition value via the development approach (Scenario 2 – Home Sales Program). At an 18 percent non-leveraged internal rate of return, static profit (un-trended dollars) would total $30,399,666, or 16.40 percent of total revenues and 19.61 percent of total costs (non-leveraged). These rates of return are market supported. The discounted cash flow follows.

**AFTER CONDITION STATIC MODEL**

**Trump National Estates**
**Scenario 2 - Home Sales Model**

| | Non-Leveraged | |
|---|---|---|
| **Aggregate Retail Revenues** | | **% Sales** |
| Phase I Homes | $81,900,000 | 44.17% |
| Phase II Homes | 103,500,000 | 55.83% |
| **Total Revenues** | **$185,400,000** | **100.00%** |
| **Less Costs & Expenses** | | |
| Acquisition & Professional | $500,000 | 0.27% |
| Phase II Land Development | 4,717,951 | 2.54% |
| Off-Site Affordable Housing | 1,000,000 | 0.54% |
| Phase I Direct Construction | 23,520,000 | 12.69% |
| Phase II Direct Construction | 30,360,000 | 16.38% |
| Permits & Fees | 2,420,000 | 1.31% |
| Indirect Construction | 2,850,000 | 1.54% |
| Non-House Construction | 6,600,000 | 3.56% |
| Model / Sales Center | 1,000,000 | 0.54% |
| General & Aministrative | 3,708,000 | 2.00% |
| Sales-Closings-Legal | 5,562,000 | 3.00% |
| Advertising-Marketing | 1,854,000 | 1.00% |
| Misc.-Contingency | 1,854,000 | 1.00% |
| Property Taxes | 2,415,873 | 1.30% |
| **Total Costs & Expenses** | **$88,361,824** | **47.66%** |
| **Less Land Basis (See DCF)** | **$66,638,510** | **35.94%** |
| **Indicated Profit** | **$30,399,666** | **16.40%** |

| **Indicated Rates of Return** | **Non-Leveraged** |
|---|---|
| Profit as Percentage of Aggregate Retail Revenues: | 16.40% |
| Profit as Percentage of Costs: | 19.61% |
| Internal Rate of Return (See DCF): | 18.00% |

## DEVELOPMENT APPROACH ASSUMPTIONS (AFTER CONDITION)
### SCENARIO 2 - HOME SALES MODEL

| | | | |
|---|---|---|---|
| **Phase I New Construction** | | **Timing & Absorption** | |
| Number Lots | 21 | Absorption Rate (Per Quarter) | 3 |
| Average New Home Size (sf) | 5,600 | Initial Delivery (Quarter) | 1 |
| Total New Construction (sf) | 117,600 | Phase II Entitlements & Planning (Quarters) | 6 |
| Average Home Price | $3,900,000 | Land Development Duration (Quarters) | 4 |
| Price Per Square Foot | $696 | Home Construction Cyles (Quarters) | 9 |
| | | Close-Out (Quarter) | 20 |
| **Phase II New Construction** | | | |
| Number Lots | 23 | **Totals** | |
| Average New Home Size (sf) | 6,600 | Phase I Revenues | $81,900,000 |
| Total New Construction (sf) | 151,800 | Phase II Revenues | $103,500,000 |
| Average Home Price | $4,500,000 | Total Revenues | $185,400,000 |
| Price Per Square Foot | $682 | Total Costs & Expenses | $88,361,824 |
| | | Land Cost (Residual Land Value) | **$66,638,510** |
| **Costs & Expenses** | | Profit | $30,399,666 |
| Acquisition & Professional Costs | $500,000 | | |
| Land Development Costs (Phase II) | $4,717,951 | **Trending & Yield** | |
| Land Development Costs (Per Lot) | $205,128 | Home Revenue Trending (Annual) | 5.00% |
| Off-Site Affordable Housing Allowance | $1,000,000 | Cost Trending (Annual) | 3.00% |
| Permits & Fees (Per Lot) | $55,000 | Target IRR (Non-Leveraged) | 18.00% |
| Direct Construction (psf) | $200 | Quarterly IRR (Compounding) | 4.22% |
| Indirect Construction (Per Quarter) | $150,000 | Static Profit (% of Sale Revenues) | 16.40% |
| Non-House Construction (Per Lot) | $150,000 | Static Profit (% of Total Costs) | 19.61% |
| Model(s) and/or Sales Center | $1,000,000 | | |
| General & Administrative (% Sales) | 2.00% | | |
| Sales-Closings-Legal (% Sales) | 3.00% | | |
| Advertising-Marketing (% Sales) | 1.00% | | |
| Miscellaneous-Contingency (% Sales) | 1.00% | | |
| Property Taxes (Tax Rate) | 1.22% | | |

## AFTER CONDITION (HOME SALES MODEL)

| | Untrended Totals | Qtr 0 | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Qtr 5 | Qtr 6 | Qtr 7 | Qtr 8 | Qtr 9 | Qtr 10 | Qtr 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **SALES DATA** | | | | | | | | | | | | | |
| Phase | | | One | One | One | One | One | One | One | One | One | One | --- |
| Cumulative Closings | | 0 | 0 | 0 | 0 | 3 | 6 | 9 | 12 | 15 | 18 | 21 | 21 |
| Quarterly Closings | | 0 | 0 | 0 | 0 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 0 |
| Average Price | | $0 | $3,900,000 | $3,948,750 | $3,998,109 | $4,048,086 | $4,098,687 | $4,149,920 | $4,201,794 | $4,254,317 | $4,307,496 | $4,361,339 | $0 |
| **TOTAL PROCEEDS** | $185,400,000 | $0 | $0 | $0 | $0 | $12,144,257 | $12,296,060 | $12,449,761 | $12,605,383 | $12,762,951 | $12,922,487 | $13,084,018 | $0 |
| Revenue Trending Factor | | 1.0000 | 1.0000 | 1.0125 | 1.0252 | 1.0380 | 1.0509 | 1.0641 | 1.0774 | 1.0909 | 1.1045 | 1.1183 | 1.1323 |
| **LESS COSTS & EXPENSES** | | | | | | | | | | | | | |
| Acquisition & Professional | $500,000 | $500,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Phase II Land Development | 4,717,951 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,242,822 | 1,252,143 | 1,261,534 | 1,270,995 | 0 |
| Off-Site Affordable Housing | 1,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 356,520 | 359,194 |
| Phase I Direct Construction | 23,520,000 | 0 | 2,613,333 | 2,632,933 | 2,652,680 | 2,672,575 | 2,692,620 | 2,712,814 | 2,733,161 | 2,753,659 | 2,774,312 | 0 | 0 |
| Phase II Direct Construction | 30,360,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,247,187 | 3,271,541 |
| Permits & Fees | 2,420,000 | 0 | 165,000 | 166,238 | 167,484 | 168,740 | 170,006 | 171,281 | 172,566 | 0 | 0 | 176,478 | 177,801 |
| Indirect Construction | 2,850,000 | 0 | 150,000 | 151,125 | 152,258 | 153,400 | 154,551 | 155,710 | 156,878 | 158,054 | 159,240 | 160,434 | 161,637 |
| Non-House Construction | 6,600,000 | 0 | 0 | 0 | 456,775 | 460,201 | 463,653 | 467,130 | 470,634 | 474,163 | 477,719 | 0 | 0 |
| Model / Sales Center | 1,000,000 | 0 | 0 | 0 | 1,015,056 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| General & Aministrative | 3,708,000 | 0 | 185,400 | 186,791 | 188,191 | 189,603 | 191,025 | 192,458 | 193,901 | 195,355 | 196,820 | 198,297 | 199,784 |
| Sales-Closings-Legal | 5,562,000 | 0 | 0 | 0 | 0 | 364,328 | 368,882 | 373,493 | 378,161 | 382,889 | 387,675 | 392,521 | 0 |
| Advertising-Marketing | 1,854,000 | 0 | 92,700 | 93,395 | 94,096 | 94,801 | 95,512 | 96,229 | 96,951 | 97,678 | 98,410 | 99,148 | 99,892 |
| Misc.-Contingency | 1,854,000 | 0 | 92,700 | 93,395 | 94,096 | 94,801 | 95,512 | 96,229 | 96,951 | 97,678 | 98,410 | 99,148 | 99,892 |
| Property Taxes | 2,415,873 | 0 | 203,247 | 203,247 | 203,247 | 203,247 | 189,390 | 175,532 | 161,674 | 147,816 | 133,959 | 120,101 | 106,243 |
| **TOTAL COSTS & EXPENSES** | $88,361,824 | $500,000 | $3,502,381 | $3,527,124 | $5,023,885 | $4,401,698 | $4,421,150 | $4,440,875 | $5,703,697 | $5,559,435 | $5,588,079 | $6,120,829 | $4,475,984 |
| Cost Trending Factor | | 1.0000 | 1.0000 | 1.0075 | 1.0151 | 1.0227 | 1.0303 | 1.0381 | 1.0459 | 1.0537 | 1.0616 | 1.0696 | 1.0776 |
| **NET PROCEEDS** | $97,038,176 | ($500,000) | ($3,502,381) | ($3,527,124) | ($5,023,885) | $7,742,559 | $7,874,910 | $8,008,886 | $6,901,686 | $7,203,515 | $7,334,408 | $6,963,190 | ($4,475,984) |
| **NET PRESENT VALUE** | **$66,638,510** | **18.00%** IRR | | | | | | | | | | | |

## AFTER CONDITION (HOME SALES MODEL)

| | Untrended Totals | Qtr 12 | Qtr 13 | Qtr 14 | Qtr 15 | Qtr 16 | Qtr 17 | Qtr 18 | Qtr 19 | Qtr 20 | Trended Totals | % of Sales |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **SALES DATA** | | | | | | | | | | | | |
| Phase | | --- | Two | Two | Two | Two | Two | Two | Two | Two | | |
| Cumulative Closings | | 21 | 24 | 27 | 30 | 33 | 36 | 39 | 42 | 44 | 44 | --- |
| Quarterly Closings | | 0 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 44 | --- |
| Average Price | | $0 | $5,223,395 | $5,288,688 | $5,354,796 | $5,421,731 | $5,489,503 | $5,558,122 | $5,627,598 | $5,697,943 | $4,853,462 | --- |
| **TOTAL PROCEEDS** | $185,400,000 | $0 | $15,670,186 | $15,866,063 | $16,064,389 | $16,265,194 | $16,468,509 | $16,674,365 | $16,882,795 | $11,395,887 | $213,552,306 | 100.00% |
| Revenue Trending Factor | | 1.1464 | 1.1608 | 1.1753 | 1.1900 | 1.2048 | 1.2199 | 1.2351 | 1.2506 | 1.2662 | | |
| **LESS COSTS & EXPENSES** | | | | | | | | | | | | |
| Acquisition & Professional | $500,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $500,000 | 0.23% |
| Phase II Land Development | 4,717,951 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,027,494 | 2.35% |
| Off-Site Affordable Housing | 1,000,000 | 361,888 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,077,603 | 0.50% |
| Phase I Direct Construction | 23,520,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24,238,088 | 11.35% |
| Phase II Direct Construction | 30,360,000 | 3,296,077 | 3,320,798 | 3,345,704 | 3,370,797 | 3,396,077 | 3,421,548 | 3,447,210 | 3,473,064 | 0 | 33,590,001 | 15.73% |
| Permits & Fees | 2,420,000 | 179,135 | 180,478 | 181,832 | 183,195 | 184,569 | 123,969 | 0 | 0 | 0 | 2,568,772 | 1.20% |
| Indirect Construction | 2,850,000 | 162,850 | 164,071 | 165,302 | 166,541 | 167,790 | 169,049 | 170,317 | 171,594 | 0 | 3,050,802 | 1.43% |
| Non-House Construction | 6,600,000 | 488,549 | 492,213 | 495,905 | 499,624 | 503,371 | 507,146 | 510,950 | 343,188 | 0 | 7,111,222 | 3.33% |
| Model / Sales Center | 1,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,015,056 | 0.48% |
| General & Aministrative | 3,708,000 | 201,282 | 202,792 | 204,313 | 205,845 | 207,389 | 208,944 | 210,511 | 212,090 | 213,681 | 3,984,472 | 1.87% |
| Sales-Closings-Legal | 5,562,000 | 0 | 470,106 | 475,982 | 481,932 | 487,956 | 494,055 | 500,231 | 506,484 | 341,877 | 6,406,569 | 3.00% |
| Advertising-Marketing | 1,854,000 | 100,641 | 101,396 | 102,156 | 102,923 | 103,694 | 104,472 | 105,256 | 106,045 | 106,840 | 1,992,236 | 0.93% |
| Misc.-Contingency | 1,854,000 | 100,641 | 101,396 | 102,156 | 102,923 | 103,694 | 104,472 | 105,256 | 106,045 | 106,840 | 1,992,236 | 0.93% |
| Property Taxes | 2,415,873 | 106,243 | 106,243 | 92,385 | 78,527 | 64,670 | 50,812 | 36,954 | 23,096 | 9,239 | 2,415,873 | 1.13% |
| **TOTAL COSTS & EXPENSES** | $88,361,824 | $4,997,306 | $5,139,492 | $5,165,734 | $5,192,307 | $5,219,212 | $5,184,468 | $5,086,684 | $4,941,607 | $778,477 | $94,970,424 | 44.47% |
| Cost Trending Factor | | 1.0857 | 1.0938 | 1.1020 | 1.1103 | 1.1186 | 1.1270 | 1.1354 | 1.1440 | 1.1525 | | |
| **NET PROCEEDS** | $97,038,176 | ($4,997,306) | $10,530,694 | $10,700,329 | $10,872,083 | $11,045,982 | $11,284,041 | $11,587,681 | $11,941,188 | $10,617,410 | $118,581,882 | 55.53% |
| **NET PRESENT VALUE** | **$66,638,510** | **18.00%** | IRR | | | | | | | | | |

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## RECONCILIATION (AFTER CONDITION)

The subdivision development approach was used to value the residential development property in its after condition. Scenario 1 (Lot Sales Program) indicated an after condition value of $59,589,965. Scenario 2 (Home Sales Program) indicated an after condition value of $66,638,510. Similar to the before condition analyses, the variance in the results of the two approaches, although not extreme, is not unexpected.

| DEVELOPMENT APPROACH RECONCILATION (After Condition) | | | |
|---|---|---|---|
| **Development Property** | **Scenario 1[(1)]** | **Scenario 2[(2)]** | **Reconciled** |
| 44 Residential Lots | $59,589,965 | $66,638,510 | $66,000,000 |

(1) Lot sales development model.

(2) Home sales development model (rendered highest and best use).

For similar reasons presented in the before value reconciliation, strongest emphasis was placed on the homebuilding scenario, which indicated the most feasible and maximally productive use of the residential development property. The after condition value was reconciled at **$66,000,000** (rounded). This figure does not include the golf course which was valued separately.

# GOLF CLUB VALUATION

## INCOME CAPITALIZATION APPROACH

### METHODOLOGY

The Income Capitalization Approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over period of time. The two common valuation techniques associated with the Income Capitalization Approach are direct capitalization and the discounted cash flow (DCF) analysis.

Market value of income producing real estate is typically determined by the amount of net income the property can be expected to generate over a projected investment holding period, as well as the rates of return available to potential buyers on alternative investments. An analysis of the income generating characteristics of the property and how they impact the net income available for providing a return on, and a return of, the original investment is typically considered paramount to a potential buyer. Since the Income Approach technique is that appraisal procedure and analysis which converts anticipated benefits, in terms of dollar income to be derived from the ownership of a property, into a value estimate, this procedure has been utilized as the primary analysis for purposes of this report. The steps utilized in the Income Approach are as follows:

- Determination of the projected investment holding period and appropriate growth rate for income and expenses;
- Estimation of annual operating income and expenses during the holding period;
- Valuation analysis, and selection of capitalization method and rates;
- Conversion of projected income benefits into value.

### APPROPRIATE VALUATION METHOD

In this case, we have utilized the Direct Capitalization Technique for both the Before Condition Property and the After Condition Property. It is important to note that the subject has been operating with the driving range in full operations, thus, it has been operating the same as in the After Condition Property.

Given the quality, location and operating performance of the Trump National Golf Club, it is our opinion that the Direct Capitalization Technique would be employed by a potential purchaser of the property. The property is essentially operating at a stabilized level at this time. Furthermore, the green fees are considered to be at market levels given the current condition of the club. Given the property type and the fact that the property is stabilized, we believe that the marketplace would utilize the Direct Capitalization method by a potential purchaser of the subject. The lack of forecast fluctuation in net operating income would cause less reliance to be placed on the Discounted Cash Flow; thus, we have not used that technique for this analysis.

The subject is a daily fee golf club considered in the upper end of the competitive set in terms of location, quality and pricing. The golf course and clubhouse opened in 1999. We have analyzed the operating history from 2012 through the Trailing Twelve Months ending October 2014. Based on the financial information provided, we have attempted to separate and analyze each operating income and expense item as they relate to typical golf course operations. Given the historical performance of the property, we have modeled our As Is Value analysis using a one year stabilized operating statement. The competitive golf marketplace displayed earlier in this report suggests there is ample demand to support the subject as a high end daily fee golf club.

It is important to note that our analysis of market value assumes that an investor would purchase the club and continue to offer daily fee play, as the subject is currently being operated. Our analysis assumes that the property will continue to be operated for profit.

### POTENTIAL GROSS REVENUE

Revenue to the golf course is generated from many sources. Revenue sources vary depending on the type of operation such as daily fee or public course, semi-private or private. The daily fee or public facility generally derives the majority of its income from the greens fees, cart fees and food and beverage.

We have been provided historic income and expense information and have analyzed the income/expense information to conform generally to AICPA reporting standards. For consistency, our forecasts of revenue and expenses were made on the same basis. The owner's historical income and expense information appears to generally conform to golf accounting standards and is summarized later in this section.

### ESTIMATED DEPARTMENTAL REVENUE AND EXPENSES

The next step in this approach is to estimate departmental revenues and expenses generated by the club. For daily fee golf clubs, revenue and expense departments typically include the following.

| REVENUE | EXPENSES |
|---|---|
| Green Fees | Cost of Sales – Merchandise |
| Cart Fees | Cost of Sales – Food and Beverage |
| Range Fees | Golf Club Operations |
| Other Income | Course Maintenance |
| Food and Beverage Sales | Food and Beverage |
| Merchandise Sales | General and Administrative |
| | Building Occupancy |
| | Management |
| | Real Estate Taxes |
| | Insurance |

The revenue departments noted above relate to the daily fee golf club operation. Each revenue and expense item assumes prudent management for the subject in the future. Following is a chart summarizing the subject property's operations for fiscal 2012 through TTM 2014, along with our Year One projections, both with and without the driving range. Additional narrative on these revenue and expenses follows later in this section of the report.

## Trump National Golf Club Los Angeles
## Historical Revenues

| | 2012 | | 2013 | | TTM Ending Sept 2014 | | Year 1 Forecast - After Condition (w DR) | | Year 1 Forecast - Before Condition (w/o DR) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Per Round | Total | Per Round | Total | Per Round | Total | Per Round | Total | Per Round |
| **POTENTIAL GROSS REVENUE** | | | | | | | | | | |
| **Average Golf Membership** | | | | | | | | | | |
| **Daily Fee Rounds** | **26,939** | | **26,503** | | **26,705** | | **27,000** | | **26,750** | |
| Golf Revenue | | | | | | | | | | |
| Green Fees | $4,329,480 | $160.71 | $4,397,886 | $165.94 | $4,481,198 | $167.80 | $4,590,000 | $170.00 | $4,440,500 | $166.00 |
| Cart Fees | $2,090 | $0.08 | $10,417 | $0.39 | $5,697 | $0.21 | $5,400 | $0.20 | $5,350 | $0.20 |
| Range Fees | $102,242 | $3.80 | $82,929 | $3.13 | $65,113 | $2.44 | $81,000 | $3.00 | $0 | $0.00 |
| Other Income | $765,359 | $28.41 | $669,119 | $25.25 | $732,958 | $27.45 | $756,000 | $28.00 | $749,000 | $28.00 |
| Food and Beverage Sales | $7,046,383 | $261.57 | $6,752,796 | $254.79 | $6,765,277 | $253.33 | $6,912,000 | $256.00 | $6,848,000 | $256.00 |
| Merchandise Sales | $937,783 | $34.81 | $1,011,179 | $38.15 | $912,190 | $34.16 | $945,000 | $35.00 | $936,250 | $35.00 |
| **Potential Gross Revenue** | $13,183,337 | $489.38 | $12,924,326 | $487.66 | $12,962,433 | $485.39 | $13,289,400 | $492.20 | $12,979,100 | $485.20 |
| LESS: COST OF GOODS SOLD | | | | | | | | | | |
| Food & Beverage | $1,745,155 | $64.78 | $1,777,267 | $65.97 | $1,805,291 | $67.01 | $1,797,120 | $66.56 | $1,780,480 | $65.94 |
| % of Sales | 24.8% | | 26.3% | | 26.7% | | 26.0% | | 26.0% | |
| Pro Shop Merchandise | $397,751 | $14.76 | $467,348 | $17.35 | $429,276 | $15.94 | $425,250 | $15.75 | $421,313 | $15.60 |
| % of Sales | 42.4% | | 46.2% | | 47.1% | | 45.0% | | 45.0% | |
| TOTAL COST OF GOODS SOLD | $2,142,906 | $79.55 | $2,244,615 | $83.32 | $2,234,567 | $82.95 | $2,222,370 | $82.31 | $2,201,793 | $81.55 |
| **NET REVENUE** | $11,040,431 | $409.83 | $10,679,711 | $396.44 | $10,727,866 | $398.23 | $11,067,030 | $409.89 | $10,777,308 | $399.16 |
| **Operating Expenses** | | **% of PGR** | | **% of PGR** | | **% of PGR** | | **% of PGR** | | **% of PGR** |
| **DEPARTMENTAL EXPENSES** | | | | | | | | | | |
| Golf Club Operations-Payro | $651,990 | 4.9% | $637,861 | 4.9% | $643,525 | 5.0% | $650,000 | 4.9% | $625,000 | 4.8% |
| Golf Club Operations-Other | $308,001 | 2.3% | $294,493 | 2.3% | $219,244 | 1.7% | $250,000 | 1.9% | $225,000 | 1.7% |
| Course Maintenance-Payrol | $1,032,616 | 7.8% | $1,079,020 | 8.3% | $1,090,942 | 8.4% | $1,100,000 | 8.3% | $1,050,000 | 8.1% |
| Course Maintenance-Other | $1,212,378 | 9.2% | $1,324,930 | 10.3% | $1,332,205 | 10.3% | $1,350,000 | 10.2% | $1,300,000 | 10.0% |
| Food & Beverage - Payroll | $2,461,027 | 34.9% | $2,328,515 | 34.5% | $2,379,312 | 35.2% | $2,419,200 | 35.0% | $2,396,800 | 35.0% |
| Food & Beverage - Other | $633,881 | 9.0% | $578,960 | 8.6% | $640,026 | 9.5% | $622,080 | 9.0% | $616,320 | 9.0% |
| Amenities Expense | $0 | 0.0% | $0 | 0.0% | $0 | 0.0% | $0 | 0.0% | $0 | 0.0% |
| TOTAL DEPARTMENTAL EXPE | $6,299,893 | 47.8% | $6,243,779 | 48.3% | $6,305,254 | 48.6% | $6,391,280 | 48.1% | $6,213,120 | 47.9% |
| **UNDISTRIBUTED EXPENSES** | | | | | | | | | | |
| G&A Payroll | $399,781 | 3.0% | $458,475 | 3.5% | $377,227 | 2.9% | $380,000 | 2.9% | $380,000 | 2.9% |
| G&A - Expenses | $1,027,967 | 7.8% | $1,163,124 | 9.0% | $1,222,098 | 9.4% | $1,150,000 | 8.7% | $1,150,000 | 8.9% |
| Building Occupancy | $971,628 | 7.4% | $1,022,683 | 7.9% | $1,099,272 | 8.5% | $1,100,000 | 8.3% | $1,100,000 | 8.5% |
| Management | $0 | 0.0% | $0 | 0.0% | $0 | 0.0% | $265,788 | 2.0% | $259,582 | 2.0% |
| TOTAL UNDISTRIBUTED EXPE | $2,399,376 | 18.2% | $2,644,282 | 20.5% | $2,698,597 | 20.8% | $2,895,788 | 21.8% | $2,889,582 | 22.3% |
| **FIXED EXPENSES** | | | | | | | | | | |
| Real Estate Taxes | $266,826 | 2.0% | $125,960 | 1.0% | $152,530 | 1.2% | $160,000 | 1.2% | $150,000 | 1.2% |
| Insurance | $160,950 | 1.2% | $109,351 | 0.8% | $56,883 | 0.4% | $100,000 | 0.8% | $100,000 | 0.8% |
| Non-Recurring | $0 | 0.0% | $0 | 0.0% | $0 | 0.0% | $0 | 0.0% | $0 | 0.0% |
| TOTAL FIXED EXPENSES | $427,776 | 3.2% | $235,311 | 1.8% | $209,413 | 1.6% | $260,000 | 2.0% | $250,000 | 1.9% |
| **TOTAL EXPENSES** | $11,269,951 | 85.5% | $11,367,987 | 88.0% | $11,447,831 | 88.3% | $11,769,438 | 88.6% | $11,554,495 | 89.0% |
| **NET OPERATING INCOME** | $1,913,386 | 14.5% | $1,556,339 | 12.0% | $1,514,602 | 11.7% | $1,519,962 | 11.4% | $1,424,606 | 11.0% |
| **NOI AS % OF NET REVEN** | 17.33% | | 14.57% | | 14.12% | | 13.73% | | 13.22% | |

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### PROJECTED GOLF ROUNDS

At a daily fee golf club, the number of rounds has a larger impact on the course cash flow than a private club that collects dues. The number of rounds played at a daily fee club generally contributes to daily and tournament green fees, cart revenue, pro shop sales and food and beverage sales. The primary unit of comparison and analysis for golf courses is the revenue/expense per round. Therefore, the projected round counts are important to the overall analysis. The competitive area continues to increase in terms of population, while the immediate area is relatively stable.

In the fiscal years available from 2012 to 2014, historical annual golf rounds, inclusive of daily fee, member, guest and tournaments, rounds played ranged from 26,503 to 26,939 with a fluctuating trend. This level is within the competitive set and considered stable. We have projected that in year one in the After Condition (with the driving range), rounds played at the property will equal 27,000 rounds, which is similar to historical rounds. Based on our conversations with golf operators in the industry, the lack of a driving range can have an impact on golf activity at a club, measured in the form of rounds played. The subject is a desirable gofl venue, and will have demand regardless of whether a range is available. However, we believe some impact would be felt. We estimate that the subject would lose 250 rounds or less than 1 percent of total golf activity without a driving range (After Condition). We forecast stabilized rounds in the Before Condition (without a driving range) at 26,750.

### GREEN FEES

The subject's greens fee revenue relates to golf fees paid by daily fee golfers. The current quoted green fees are the same all days of the week, only varying by time of day. Quoted fees, inclusive of cart and range balls, are as follows:

| | |
|---|---|
| Daily Fee (7:00am - 8:50am) | $280 |
| Mid-Morning (9:00am - 9:50am) | $250 |
| Midday (10:00am - 11:50am) | $215 |
| Afternoon (12:00pm - 2:20pm) | $160 |
| Sunset (2:30pm - close) | $80 |

The actual historical revenue for this category has been between $160.71 and $167.80 per round from 2012 to 2014. In the After Condition Property, which is the same as the current operation, we project green fees to be $170.00 per round in Year One, consistent with historical performance. The Before Condition Property would command a slightly lower average green fee due to the lack of a driving range. For the Before Condition Property, which is the not the same as the current operation, we project the average green fee to be $166.00 per round in Year One.

### CART FEES

Cart fees are included in the green fees discussed above. However, the course has some minimal revenue from carts used by non-golfers from time to time. Total cart fees have ranged from $0.08 to $0.39 per round over the past three years with no discernable trend. Our opinion of cart revenue per round in Year One is $0.20 per round.

### RANGE INCOME

The club derives additional revenues from the driving range. The club has an unlit 40 station range that allows for full shots. Range access for those playing golf is included in the quoted green fees above. The fees in this category are from range users not paying a daily green fee for golf. Historically, these fees have ranged from $2.44 to $3.80 per round with a downward trend. Consistent with historical operations, range revenue in the After

Condition Property, the stabilized year one projection is $3.00 per round. In the Before Condition Property, this revenue source is eliminated and would be $0.

### OTHER INCOME

The club derives additional fees from Tournament Income, Club Storage, Locker Rental, Handicap Income, etc. This category also includes Site Rental fees. Historically, these fees have ranged from $25.25 to $28.41 per round with no discernible trend. Our stabilized year one projection is $28.00 per round.

### FOOD AND BEVERAGE INCOME

This category differs considerably based on the different types of courses (private, semi-private and municipal) and their locations. Even as a daily fee club, the subject has a fairly complex and extended food and beverage operation containing one primary dining area and a banquet venue. The club can host various functions and small banquets. The views of the Pacific Ocean from the club make it very desirable location for weddings and other events.

The subject's historical food and beverage revenue has ranged from $253.33 to $261.57 per round over the last three years with an increasing trend. in total dollars, food and beverage revenue at the club has been $7.046 million in 2012, $6.753 million in 2013 and $6.765 million over the trailing twelve months ending October 2014. We have forecast food and beverage revenue of $256.00 per round in year one.

### GOLF SHOP MERCHANDISE

Merchandise sales represent all sales through the pro shop or club for any apparel or golf items. The actual historical revenue for this category has been between $34.16 and $38.15 per round from 2012 and 2014 with a fluctuating trend. We project merchandise sales to be $35.00 per round in year one.

### TOTAL REVENUES

Based upon our projections, we have forecast total revenue at the subject in the After Condition Property to be approximately $13,289,400 in stabilized Year One. The subject has historically been operating with the driving range, so the historical operations are consistent with the After Condition Property. As shown on the chart below, historical revenues with the range have ranged from $12.9 to $13.2 million with a fluctuating trend. The chart also shows the corresponding Revenue per Round.

| | 2012 | | 2013 | | 2014 | | Yr 1 - After | | Yr 1 - Before | |
|---|---|---|---|---|---|---|---|---|---|---|
| **PGR** | $13,183,337 | $489.38 | $12,924,326 | $487.66 | $12,962,433 | $485.39 | $13,289,400 | $492.20 | $12,979,100 | $485.20 |

Our Year One estimate for the After Condition Property is consistent with the historical trends. For the Before Condition Property, we forecast total revenue of $12,979,100. This represents a $310,300 difference in total revenue between the After Condition Property and Before Condition Property.

### COST OF SALES

Most clubs account for the cost of food and beverage sales as a separate line item under a cost of goods sold category. The subject's historical food and beverage cost of sales has ranged from 24.8 percent to 26.7 percent. We have projected cost of food and beverage sales to be 26.0 percent in year one of our cash flow and continuing at this level throughout the cash flow.

Merchandise cost of goods has ranged from 42.4 percent to 47.1 percent over the last three years. We estimate this item at 45.0 percent of merchandise revenue.

### OPERATING EXPENSES

We have relied on the historical expenses of the subject property primarily in estimating the revenue for the various departments. We have estimated the operating expenses also relying on the operating statements of other similar private golf clubs, and statistical expense information obtained from the National Golf Foundation (NGF).

The following chart contains the historical and projected Year 1 Forecast expense levels with and without the driving range.

| EXPENSE | 2012 | 2013 | TTM 2014 | TNGC - After Condition (w/ range) | TNGC - Before Condition (w/out range) | ANALYSIS |
|---|---|---|---|---|---|---|
| Golf Club Operations-Payroll | $651,990 | $637,861 | $643,525 | $650,000 | $625,000 | This category covers the payroll for all golf operations that are non-maintenance related, including pro shop and golf cart operations. This department would have a reduction in expenses in the Before Condition (without a driving range). |
| Golf Club Operations-Other | $308,001 | $294,493 | $219,244 | $250,000 | $225,000 | This broad golf expense includes items not payroll related such as pro shop and golf cart supplies. Also included are golf supplies on the golf course such as flags, range balls, etc. The golf cart lease is included in this category. This department will have a reduction in the Before Condition (without a driving range). |
| Course Maintenance-Payroll | $1,032,616 | $1,079,020 | $1,090,942 | $1,100,000 | $1,050,000 | This category covers the payroll and payroll related expenses for all golf course maintenance operations. This would include the superintendent and all full-time and seasonal course maintenance staff. This department would have a slight reduction in expenses in the Before Condition (without the maintenance expense of the driving range). |
| Course Maintenance-Other | $1,212,378 | $1,324,930 | $1,332,205 | $1,350,000 | $1,300,000 | This expense involves all non-payroll maintenance related costs including course materials, chemicals, fertilizer, equipment parts and supplies. The lease expense for any leased course mainenance equipment is also included in this category. This department will have a reduction in the Before Condition (without the maintenance expense of the driving range). |
| Food & Beverage - Payroll | $2,461,027 | $2,328,515 | $2,379,312 | $2,419,200 | $2,396,800 | This category includes all payroll, taxes, workers comp, and retirement expenses associated with the operations that are F&B related, including dining/banquet facility, the grill, snack bar and the on-course operations. Lack of a range will have a slight negative impact on F&B revenue, and thus variable F&B expenses. |
| Food & Beverage - Other | $633,881 | $578,960 | $640,026 | $622,080 | $616,320 | This is the non-payroll F&B operations expense that consists mainly of supplies for food and beverage service. This includes kitchen equpment maintenance and any leased equipment, and serving supplies such as paper goods and linens. Lack of a range will have a slight negative impact on F&B revenue, and thus variable F&B expenses. |
| G&A - Payroll | $399,781 | $458,475 | $377,227 | $380,000 | $380,000 | This is the payroll expense involving general & administrative fees and marketing. It is a very broad category including administration, marketing and member services including the general manager and all office staff. |
| G&A - Expenses | $1,027,967 | $1,163,124 | $1,222,098 | $1,150,000 | $1,150,000 | This represents a narrow non-payroll category that includes software, accounting, administration, professional fees and membership marketing materials. This also includes all outside services related to the administration of the club. |
| Building Occupancy | $971,628 | $1,022,683 | $1,099,272 | $1,100,000 | $1,100,000 | This category covers the cost to operate the building improvements of the golf operation, including all utilities, janitorial and maintenance serving the building improvements, including both payroll and supplies. |
| Management | $0 | $0 | $0 | $265,788 | $259,582 | This category is for the overall management, which would be considered normal for third party management and operation of a golf course (no management fee is collected by the current owner). We have estimated a management fee of 2 percent of gross revenue based on expense comparables and known management costs for similar sized daily fee or semi-private golf courses. |
| Real Estate Taxes | $266,826 | $125,960 | $152,530 | $160,000 | $150,000 | Our estimate is based on the actual and projected assessment as previously discussed in this report. |
| Insurance | $160,950 | $109,351 | $56,883 | $100,000 | $100,000 | Our estimate is based on the historical trends of the subject. |

### TOTAL EXPENSES

Our year one pro forma for the After Condition Property reflects total expenses approximating $11,769,438 or 88.6 percent of gross revenue. In the Before Condition Property, we estimate total expenses to be $11,554,495 or

89.0 percent of total gross revenue. These operating ratios are appropriate based upon the property's current performance.

## INVESTMENT CONSIDERATIONS

### OVERVIEW

The U.S. economy recorded its fourth strong growth quarter of the last five in Q3-2014. U.S. real gross domestic product (GDP) expanded at a 3.9 percent annual rate in the third quarter of 2014, the fourth time in the last five quarters that growth exceeded 3.5 percent (the only exception was the weather-induced decline registered in Q1-2014). The sources of growth were broad based with increases in consumer spending, business investment, exports and government outlays all contributing to the expansion. Importantly, inflation adjusted after-tax income increased at a 2.7 percent annual rate and stood 2.6 percent above the year-earlier level, the strongest increase in nearly two years. With labor markets tightening, we anticipate that income growth will accelerate in the coming year, leading to continuing strong consumer spending growth.

The strong Q3 GDP growth was reflected in job growth. In December, payroll employment increased by 252,000 jobs. In addition, employment in both October and November was revised upward. October job growth, first estimated at 214,000 is now 243,000; November first reported at 321,000 is now 353,000. As a result of these revisions, the average job growth over the last three months was 282,000, the highest since March 2006. As of December, average hourly earnings had fallen by $0.05, which nearly erased gains seen in November and took some shine off the otherwise upbeat report. Over the past year, earnings rose only 1.7 percent, the weakest 12-month showing since October 2012. December marked the 11th straight month of payroll increases above 200,000, the longest stretch since 1994. However, Economists are struck by the weakness in wages given the tightening jobs market. Even so, Economists expect to see a spark soon as the labor market continues to tighten.

In response to the strengthening of economic activity, the Federal Reserve wound down its security purchase program in 2014. The next major step for monetary policy will be to raise interest rates; a monetary policy statement made by the Federal Open Market Committee in December gave its clearest indication yet that the Central Bank will begin to raise interest rates in 2015. Overall, we expect interest rates to gradually increase more in response to improving economic conditions than to changes in Fed policy.

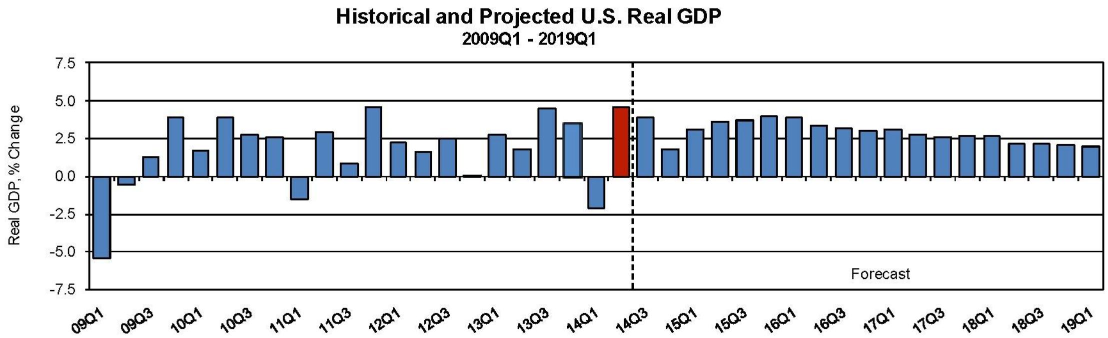
For 2014 as a whole GDP growth is projected at 2.2 percent, roughly the same pace as it has been throughout the current expansion. However, because GDP contracted in the first quarter, in order to achieve 2.2 percent for the full year, GDP growth will need to exceed 3.5 percent for the fourth quarter. We expect strong growth to continue in 2015 with GDP expanding by approximately 3.3 percent for the full year.

### CURRENT ECONOMIC CONDITIONS

The evidence of a stronger economy prompted the Federal Reserve's Open Market Committee (FOMC) to announce that the Central Bank would gradually reduce its purchases of long-term Treasury securities and mortgage backed securities widely referred to as quantitative easing. During 2014, the FOMC continued to reduce the amount of bonds purchased each month, indicating the Central Bank's confidence that the economy does not require the additional stimulation that this policy has been providing. A statement released after the FOMC meeting in December was the clearest indication that the Central Bank will begin to raise interest rates in 2015, most likely in the first half of the year. Strong economic growth will be the main factor pushing rates higher, and although wages are lagging many feel the jobs numbers are good enough to allow the Central Bank to stay on course in terms of adjusting policy.

The biggest surprise of the year has been the nearly 50.0 percent decline in oil prices, which caught many by surprise and the ramifications are just starting to be debated. The lower oil prices set the economy up for stronger growth in 2015 as it will stimulate consumer spending, cut costs in manufacturing and transportation and lower the trade deficit, all of which are likely to boost GDP even more than is currently anticipated. The U.S. will be the global growth leader in 2015.

The following graph displays historical and projected U.S. Real GDP percent change (annualized on a quarterly basis) from first quarter 2009 through first quarter 2019 (red bar highlights the most recent quarter-14Q3):



Source: Historical Data Courtesy of the Bureau of Economic Analysis; Forecast Data Courtesy of Moody's Economy.com

Notable concerns regarding current economic conditions are as follows:

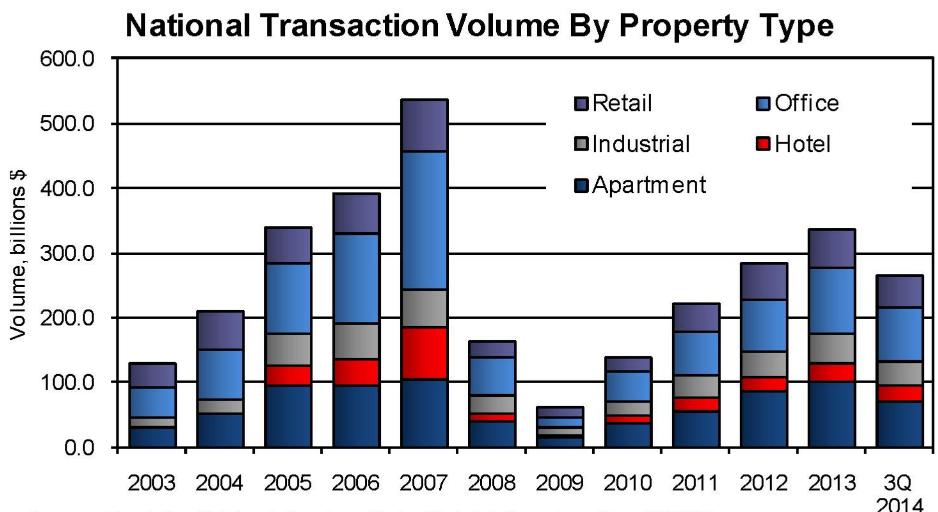
- The latest numbers from the BEA show that the U.S. GDP contracted at a 2.1 percent annual rate during the first quarter, far worse than the initial estimate of a 0.1 percent increase, and the second estimate of negative 1.0 percent. Since, there has been positive news from the Labor Department though, which announced that the U.S. economy added 353,000 jobs in November; the largest increase since the beginning of 2012. Further, this marks the first time since the 1999-2000 period that the U.S. economy has generated such sustained strong job growth. As a result, unemployment has dropped to 5.8 percent as of November 2014.
- In addition to a liquid CMBS market, life companies, banks, debt funds and mortgage REITs are all very actively originating loans. The increased competition continues to increase financing options for transitional assets and new developments and allow for more flexible terms on cash flossing deals. There is also a deep market for subordinate debt options for both cash flowing and transitional properties up to 90.0+ percent LTV.
- As employment continues to rise, the odds that the Federal Reserve will start to raise short term interest rates increases as well. The timing and extent of the interest rate increases will depend on how the economy performs over the next several months, but there seems to be a consensus that the Fed will start to test rate increases in the first half of 2015.
- Morgan Stanley estimates $125.0 billion of private-label CMBS issuance for 2015 comprised of $80.0 billion conduit and $45.0 billion SASB (Sustainability Accounting Standards Board) and floaters. A bear case scenario where insurance companies are more competitive for larger loans is estimated to be $100.0 billion and a bull case scenario where M&A activity drives SASB and floaters is estimated to be $140.0 billion.

## US Real Estate Market Implications

The commercial real estate market started to pick up in 2012 and continued to progress in 2013. According to Real Capital Analytics, 23,015 properties traded hands in 2013 for a total transaction volume of approximately $355.3 billion. This was a 19.0 percent increase from year-end 2012, and was driven primarily by strong sales in office and apartment properties; these sectors recorded a transaction volume of $101.5 billion and $103.5 billion, respectively. Commercial real estate sales volume remained strong through three quarters of 2014, as transaction volume totaled $265.9 billion. The hotel and apartment sectors posted the largest volume gains in third quarter. The office sector also recorded strong volume gains while retail and industrial recorded declines due primarily to portfolio acquisitions.

Cap rates continued to trend lower, with the apartment and CBD office sectors experiencing the sharpest declines. Across the property types, cap rates are closing in or are even lower than the previous market lows, generating speculation of a bubble. Real estate investors are speculating on central bank policy as much as on market fundamentals. This factor alone may be enough to cause the widespread between cap rates and interest rates in the current market. The current equity and debt spreads appear to be wide enough to absorb a fairly large near-term spike in interest rates without cap rates changing too much. Although the longer interest rates remain low, this spread will begin to erode and so will the market's ability to absorb an interest rate increase.

The following graph compares national transaction volume by property between 2003 and third quarter 2014:




Source: Real Capital Analytics, Inc. Note: Hotel data not avail. until 2005,

**CONCLUSIONS**

Despite the slower economic growth in the early part of 2014, the commercial real estate investment market did not skip a beat. Transaction volume totaled $265.9 billion through three quarters of 2014, up from the same time last year, as the access to capital continues to be relatively easy for most investors. What's more, transaction volume might have been higher, if not for the lack of quality offerings in the marketplace. Real estate markets are now in a sweet spot in the cycle. Demand is rising. Supply is beginning to increase, but is still contained. As a result, when vacancy rates continue to decline across markets and property types, it will tend to put upward pressure on rents. The next year should continue to see steady improvement in real estate markets across the U.S.

Going forward, prices for prime assets are expected to stay high, as the competition among buyers remains fierce, especially in core markets. Even though many foresee rising interest rates, it is widely believed that the commercial real estate industry can handle the anticipated increased in rates without serious disruption to its recovery and sales activity, according to PriceWaterhouseCoopers Fourth Quarter 2014 Investment Survey. As a result, competition among buyers is likely to remain strong and keep prices elevated for the best properties offered for sale.

## CAPITALIZATION RATE SELECTION

Our projections indicate that the cash flow will remain positive over the holding period. Value is determined by estimating the present value of that cash flow over the holding period as well as the present value of the reversion at the hypothetical sale of the property. To convert cash flow to value, we will consider current and historic capitalization rates due to their relation to internal rates of return. The selection of these the club discount rate has been supported by two main sources as well as interviews with market participants. Our first source of golf capitalization rates is from an internet based service named realtyrates.com. Their quarterly survey provides capitalization rates for various property types including the golf sector. The second is the capitalization rates derived from the presented sales.

## REALTYRATES.COM

Direct capitalization is a method used to convert an opinion of a single year's income expectancy into an indication of value. The single year's income is typically designed to reflect a subject property's Year One level of operation and revenue potential. The conversion into a value indication is accomplished in one direct step by dividing the income by an appropriate capitalization. The selection of the capitalization rate has been supported by three main sources. First, a good source of golf capitalization rates is from an internet based service named RealtyRates.com. Their quarterly survey of investment parameters provides capitalization rates for various property types including the golf sector. As can be seen below in the 4th Quarter 2014 the average golf cap rate for golf clubs was 11.86 percent. It appears based on this information that overall capitalization rates for golf properties have generally fluctuated between 11.00 to 12.00 percent in the recent years, but have generally risen over the last ten years. Interestingly, actual sales transactions do not concur with this trend. It should be noted that the rates here reflect all golf property classes. The subject is considered superior to the average quality reflected in this chart.

**RealtyRates.com INVESTOR SURVEY - 4th Quarter 2014***

**CURRENT & HISTORICAL CAP RATE INDICES**

| | Method-Weighted* Property Category Indices | | | | | | | | | | | | | | | | | | | | | | Weighted^ Composite Indices | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Apts | | Golf | | Healthcare Senior Housing | | Industrial | | Lodging | | MH/RV Park | | Office | | Retail | | Restaurant | | Self Storage | | Special Purpose | | | |
| Year | Rate | BP Chg | Rate | BP Chg | Rate | BP Chg | Rate | BP Chg | Rate | BP Chg | Rate | BP Chg | Rate | BP Chg | Rate | BP Chg | Rate | BP Chg | Rate | BP Chg | Rate | BP Chg | Rate | BP Chg |
| 2014 | 8.27 | -12 | 11.86 | -6 | 8.91 | 1 | 9.05 | -2 | 10.44 | -15 | 9.20 | -2 | 9.07 | -21 | 9.28 | 17 | 11.82 | -3 | 9.77 | -18 | 11.26 | 17 | 9.54 | -5 |
| 3rd Qtr. | 8.19 | -7 | 11.78 | -9 | 8.85 | -6 | 8.99 | -5 | 10.38 | -6 | 9.12 | -7 | 9.01 | -5 | 9.22 | -5 | 11.76 | -7 | 9.70 | -7 | 11.19 | -7 | 9.47 | -6 |
| 2nd Qtr. | 8.26 | -8 | 11.87 | -7 | 8.91 | -5 | 9.04 | -7 | 10.44 | -7 | 9.19 | -8 | 9.06 | -9 | 9.27 | -7 | 11.83 | -5 | 9.77 | -8 | 11.27 | -7 | 9.53 | -7 |
| 1st Qtr. | 8.34 | -4 | 11.94 | -5 | 8.96 | -5 | 9.11 | 2 | 10.51 | -10 | 9.27 | -6 | 9.15 | -19 | 9.34 | 2 | 11.88 | -7 | 9.85 | -8 | 11.34 | 24 | 9.60 | -4 |
| 2013 | 8.39 | 14 | 11.92 | -14 | 8.90 | 5 | 9.07 | -2 | 10.60 | 3 | 9.22 | 14 | 9.28 | -19 | 9.11 | -4 | 11.86 | 9 | 9.95 | -24 | 11.10 | 1 | 9.58 | -2 |
| 2012 | 8.25 | -35 | 12.07 | 6 | 8.85 | -36 | 9.09 | -40 | 10.57 | -24 | 9.08 | -39 | 9.47 | 3 | 9.15 | -13 | 11.77 | 6 | 10.19 | -49 | 11.09 | -4 | 9.60 | -21 |
| 2011 | 8.60 | -29 | 12.00 | -22 | 9.21 | -40 | 9.49 | -11 | 10.81 | -24 | 9.48 | -8 | 9.44 | -10 | 9.28 | -26 | 11.70 | -14 | 10.69 | -3 | 11.12 | -17 | 9.81 | -19 |
| 2010 | 8.89 | 4 | 12.22 | 5 | 9.62 | 15 | 9.60 | 12 | 11.05 | 7 | 9.55 | 22 | 9.54 | 16 | 9.54 | 25 | 11.84 | 12 | 10.72 | 21 | 11.30 | 0 | 10.00 | 13 |
| 2009 | 8.85 | 8 | 12.17 | 16 | 9.47 | 10 | 9.48 | 10 | 10.98 | -7 | 9.33 | 1 | 9.38 | 29 | 9.29 | 20 | 11.72 | 15 | 10.50 | 37 | 11.30 | 8 | 9.87 | 14 |
| 2008 | 8.77 | -4 | 12.01 | 29 | 9.37 | -16 | 9.38 | -14 | 11.05 | 56 | 9.32 | -5 | 9.09 | -16 | 9.09 | -11 | 11.57 | -28 | 10.13 | 20 | 11.22 | -7 | 9.74 | -1 |
| 2007 | 8.81 | -45 | 11.72 | -21 | 9.53 | -65 | 9.52 | -25 | 10.49 | -28 | 9.37 | -26 | 9.25 | -47 | 9.20 | -12 | 11.85 | 61 | 9.93 | -38 | 11.29 | -24 | 9.75 | -28 |
| 2006 | 9.26 | 12 | 11.93 | 47 | 10.18 | 15 | 9.77 | 35 | 10.77 | 27 | 9.63 | 41 | 9.72 | 26 | 9.32 | 30 | 11.24 | 18 | 10.31 | 27 | 11.53 | 9 | 10.03 | 26 |
| 2005 | 9.14 | 14 | 11.46 | 80 | 10.03 | -16 | 9.42 | -30 | 10.50 | -21 | 9.22 | 19 | 9.46 | 6 | 9.02 | 16 | 11.06 | 5 | 10.04 | 13 | 11.44 | -30 | 9.77 | 2 |
| 2004 | 9.00 | -19 | 10.66 | 28 | 10.19 | -37 | 9.72 | 19 | 10.71 | -98 | 9.03 | -48 | 9.40 | -4 | 8.86 | -19 | 11.01 | -15 | 9.91 | -13 | 11.74 | -30 | 9.75 | -19 |
| 2003 | 9.19 | -2 | 10.38 | -32 | 10.56 | 64 | 9.53 | 33 | 11.69 | 56 | 9.51 | -11 | 9.44 | 1 | 9.05 | -18 | 11.16 | 8 | 10.04 | -53 | 12.04 | 105 | 9.94 | 12 |
| 2002 | 9.21 | -40 | 10.70 | 18 | 9.92 | -39 | 9.20 | -61 | 11.13 | 26 | 9.62 | -60 | 9.43 | -35 | 9.23 | -62 | 11.08 | -3 | 10.57 | -12 | 10.99 | -177 | 9.82 | -41 |
| 2001 | 9.61 | 64 | 10.52 | 133 | 10.31 | 90 | 9.81 | 16 | 10.87 | 98 | 10.22 | -68 | 9.78 | -35 | 9.85 | -53 | 11.11 | 47 | 10.69 | 13 | 12.76 | 32 | 10.23 | 21 |
| 2000 | 8.97 | | 9.19 | | 9.41 | | 9.65 | | 9.89 | | 10.90 | | 10.13 | | 10.38 | | 10.64 | | 10.56 | | 12.44 | | 10.01 | |

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

^ Further weighted by property category

The realtyrates.com survey is based on the investment parameters used in the debt coverage ratio technique and the Band of Investment techniques of estimating overall capitalization rates and not actual transactions. This method is valid from the standpoint of real time or current investment criteria of investors. The problem is the theoretical nature of the analysis. However, it provides the most current assessment of rates for this asset class available in the market. The following charts show the specific investment parameters of all golf properties, showing a low, high and average capitalization rate.

| RealtyRates.com INVESTOR SURVEY - 4th Quarter 2014* GOLF COURSES & COUNTRY CLUBS - ALL TYPES | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Item** | **Input** | | | | | | **OAR** |
| **Minimum** | | | | | | | |
| Spread Over 10-Year Treasury | 1.19% | **DCR Technique** | | 1.20 | 0.047282 | 0.80 | **4.54** |
| Debt Coverage Ratio | 1.20 | **Band of Investment Technique** | | | | | |
| Interest Rate | 3.61% | Mortgage | | 80% | 0.047282 | 0.037826 | |
| Amortization | 40 | Equity | | 20% | 0.095532 | 0.019106 | |
| Mortgage Constant | 0.047282 | OAR | | | | | **5.69** |
| Loan-to-Value Ratio | 80% | **Surveyed Rates** | | | | | **5.41** |
| Equity Dividend Rate | 9.55% | | | | | | |
| **Maximum** | | | | | | | |
| Spread Over 10-Year Treasury | 11.50% | **DCR Technique** | | 2.25 | 0.159165 | 0.50 | **17.91** |
| Debt Coverage Ratio | 2.25 | **Band of Investment Technique** | | | | | |
| Interest Rate | 13.92% | Mortgage | | 50% | 0.159165 | 0.079582 | |
| Amortization | 15 | Equity | | 50% | 0.222775 | 0.111388 | |
| Mortgage Constant | 0.159165 | OAR | | | | | **19.10** |
| Loan-to-Value Ratio | 50% | **Surveyed Rates** | | | | | **18.14** |
| Equity Dividend Rate | 22.28% | | | | | | |
| **Average** | | | | | | | |
| Spread Over 10-Year Treasury | 5.04% | **DCR Technique** | | 1.60 | 0.091285 | 0.66 | **9.62** |
| Debt Coverage Ratio | 1.60 | **Band of Investment Technique** | | | | | |
| Interest Rate | 7.21% | Mortgage | | 66% | 0.091285 | 0.060476 | |
| Amortization | 22 | Equity | | 34% | 0.165516 | 0.055862 | |
| Mortgage Constant | 0.091285 | OAR | | | | | **11.63** |
| Loan-to-Value Ratio | 66.3% | **Surveyed Rates** | | | | | **12.74** |
| Equity Dividend Rate | 16.55% | | | | | | |

The above survey data for all golf properties provides an extremely wide range for overall rates and indicates a range of between 5.41 and 18.14 percent with an average of 12.74 percent.

The following charts show the specific investment parameters of public daily fee golf clubs only reflecting a similar low, high and average capitalization rate.

| RealtyRates.com INVESTOR SURVEY - 4th Quarter 2014* | | | | | | | |
|---|---|---|---|---|---|---|---|
| GOLF COURSES & COUNTRY CLUBS - PUBLIC DAILY FEE COURSES | | | | | | | |
| **Item** | **Input** | | | | | | **OAR** |
| **Minimum** | | | | | | | |
| Spread Over 10-Year Treasury | 1.29% | **DCR Technique** | | 1.36 | 0.070897 | 0.65 | **6.28** |
| Debt Coverage Ratio | 1.36 | **Band of Investment Technique** | | | | | |
| Interest Rate | 3.71% | Mortgage | | 65% | 0.070897 | 0.046083 | |
| Amortization | 20 | Equity | | 35% | 0.095532 | 0.033436 | |
| Mortgage Constant | 0.070897 | OAR | | | | | **7.95** |
| Loan-to-Value Ratio | 65% | **Surveyed Rates** | | | | | **7.55** |
| Equity Dividend Rate | 9.55% | | | | | | |
| **Maximum** | | | | | | | |
| Spread Over 10-Year Treasury | 10.86% | **DCR Technique** | | 1.80 | 0.154047 | 0.50 | **13.86** |
| Debt Coverage Ratio | 1.80 | **Band of Investment Technique** | | | | | |
| Interest Rate | 13.28% | Mortgage | | 50% | 0.154047 | 0.077023 | |
| Amortization | 15 | Equity | | 50% | 0.216775 | 0.108388 | |
| Mortgage Constant | 0.154047 | OAR | | | | | **18.54** |
| Loan-to-Value Ratio | 50% | **Surveyed Rates** | | | | | **17.61** |
| Equity Dividend Rate | 21.68% | | | | | | |
| **Average** | | | | | | | |
| Spread Over 10-Year Treasury | 6.08% | **DCR Technique** | | 1.48 | 0.109942 | 0.58 | **9.36** |
| Debt Coverage Ratio | 1.48 | **Band of Investment Technique** | | | | | |
| Interest Rate | 8.50% | Mortgage | | 58% | 0.109942 | 0.063217 | |
| Amortization | 18 | Equity | | 43% | 0.150091 | 0.063789 | |
| Mortgage Constant | 0.109942 | OAR | | | | | **12.70** |
| Loan-to-Value Ratio | 58% | **Surveyed Rates** | | | | | **12.19** |
| Equity Dividend Rate | 15.01% | | | | | | |

The above rates for daily fee golf clubs indicates an OAR range of between 7.55 and 17.61 percent with an average of 12.19 percent. The specific risk characteristics of the subject indicate a capitalization rate to the middle or below the middle of the range.

Another correlation that is relevant to our capitalization rate discussion is the average rates for the hospitality or lodging industry. Since golf and hospitality both have similar going-concern components, it is reasonable to compare these asset classes with golf. For instance, in the RealtyRates.com survey, lodging is running about 140 basis points below golf and restaurants are approximately 30 basis points below golf; however, still well above the non-going-concern asset classes like office and retail. Similarly, in the most current (3rd Qtr 2014) PWC Korpacz lodging segment, National Full-Service Hotels are averaging 8.04 percent while the National Luxury Lodging segment is averaging 8.05 percent. It is important to note that this represents a decrease from the 1st Qtr 2014 of 8.79 percent for Full Service and 8.28 percent for the Luxury segment. This lends further support to the golf capitalization rates utilized by C&W.

## MARKET CAPITALIZATION RATES

*MARKET PARTICIPANT INTERVIEWS*

We have consulted several brokers and investors that are specifically involved in golf properties and include: Jeff Woolson, CBRichard Ellis, Ken Arimitsu with PM Realty Advisors, Chris Charnas, Links Capital Advisors, Keith Cubba with Colliers International – PMRG, Jeff Davis with Fairway Advisors and Steven M. Ekovich, Marcus & Millichap. Their responses do not reflect specific transactions but their perception of the current market for underwriting golf course transactions. At present, the golf course transaction market consists of underperforming properties that have been taken back by lenders or are in a position to be lost by the current owner. Hundreds of golf courses are either formally or informally listed by owners throughout the United States. The vast majority, according to our discussions with brokers, are operating at a deficit. The deterioration of the golf market due to the economy has been reflected in decreased membership, the reduction and/or suspension of initiation fees, decreased rounds and an overall decrease in revenue and net operating income.

Most current operators are only willing to sell if they are compelled to dispose of the property or lose it to foreclosure. Up until a few months ago, potential buyers recognized that owners considering disposition are likely compelled to sell their properties and look for the lowest possible transaction price. In fact, major operators in the market indicated that they would not purchase a property without at least a 20 internal rate of return, and in some cases, a 25 percent IRR. They acknowledged that a healthy operator would not sell at such a low price, but that companies in a position of strength can look for a “steal”. The debt market for golf properties has been severely curtailed over the last six years. As discussed in the national market overview, traditional golf course lenders left the market in 2008 and 2009, leaving a serious void in debt funds for golf acquisition. These factors lead to a decline in prices, an increase in rates of return and an extension of marketing periods. However, recent improvements in market fundamentals have placed emphasis on the acquisition of healthy properties. Some buyers are considering purchasing proven cash flow at more stabilized returns. The recent purchase of several portfolios is an indicator that the market has bottomed out at least for those types of assets.

Some regional banks and national banks have been lending on selective deals where previous relationships exist and the underwriting criteria are conservative. However, several golf lending groups have entered the market, at least on a test basis, with the target deal of $3M to $10M and an LTV of no greater than 70 percent. Debt is back in the market for stabilized deals of a certain size.

Brokers we spoke to indicate a fairly wide range of capitalization rates that generally follow the other indices, noting ranges from approximately 9.00% all the way up to 15.00%, based on the property’s location, course quality, income stability and durability. According to one broker, his company’s research showed that the sales of courses with a stable, positive cash flow have capitalization rates of approximately 10.0 to 11.0%. However, many of the most recent transactions are either closed courses, bank owned or distressed sales, and even if a cap rate can be extracted, the terms of the sale have a large impact on the rate. Overall, market participants are sensing a more competitive environment for stable deals, and downward pressure on capitalization rates.

Brokers have indicated that over the past couple years; discount rates were quoted generally from about 10% up to 25%. Again, the wide range is the result of an extremely inefficient and fragmented market, with a relatively small number of sophisticated investors and operators with cash. The vast majority of golf operators are single course operators that have little previous golf course experience. These operators tend to lose their properties in time of economic downtown because of their inability to adapt to lower revenues and a more competitive environment. Again, market fundamentals and new debt funds in the market are putting downward pressure on rates of return. These ranges of capitalization and discount rates generally support the ranges provided by the market indices and the comparable sales that we have assembled.

## Direct Capitalization Technique

### *Summarizing Capitalization Rates*

In summarizing our capitalization rate study, the average golf capitalization rate from the three sources is as follows:

| GOLF COURSE CAP RATES | |
|---|---|
| **Source** | **Cap Rate Average** |
| RealtyRates.com-4th Quarter 2014 (Daily Fee): | 11.86% |
| Average Cap Rate from Sales: | 3.90% |
| Average Cap Rate from Stabilized Sales: | 9.42% |
| Market Participant Interviews: | 9.00% to 15.00% |

It should be emphasized that the survey results reference a wide range of golf course properties. We believe the general golf course quality and current and forecasted cash flow characteristics of the subject are superior to the type of course assumed in the surveys highlighted above.

### Capitalization Rate Selection

Several factors come into play in estimating the appropriate capitalization and discount rates for the subject. Primary emphasis is placed on the actual transactions, which are shown later in this report. The average cap rate for the available sales is 3.9 percent, which includes several sales with negative net operating income. Sales 1, 4, 10, 11 and 12 are considered stabile in their operations, and have an average cap rate of 9.42 percent. It is our opinion that the quality of the subject's physical plant and income characteristics are superior to the overall quality of the data set at this time, mostly attributable to the excellent demographics of the subject and its patrons, its excellent location and good quality of the improvements. However, the highly competitive nature of the daily fee golf club fees in the Los Angeles MSA tempers the expectations of the subject.

Rates for golf properties appear to have increased based on realtyrates.com; however, hotel rates based on Korpacz, which represents a much more efficient market and data source, have declined from 23 to 73 basis points over the last year. Therefore, considering all data sources and current market phenomenon, it is our opinion that the appropriate going in capitalization rate for the subject is **9.50** percent.

### DIRECT CAPITALIZATION – "AS IS" WITH AND WITHOUT DRIVING RANGE

Direct capitalization is a method used to convert an opinion of a single year's income expectancy into an indication of value under both scenarios. The single year's income is typically designed to reflect a subject property's stabilized level of operation and revenue potential. The conversion into a value indication is accomplished in one direct step by dividing the income by an appropriate capitalization rate. In the Direct Capitalization Method, we developed an opinion of market value by dividing the stabilized year's net operating income by an overall capitalization rate of 9.5 percent. Our conclusion via the Direct Capitalization Method is as follows:

| DIRECT CAPITALIZATION - BEFORE CONDITION PROPERTY | YEAR 1 | |
|---|---|---|
| **NET OPERATING INCOME** | **$1,424,606** | **$79,145** |
| **Sensitivity Analysis (0.25% OAR Spread)** | **Value** | **$/Hole** |
| Based on Low-Range of 9.25% | $15,401,141 | **$855,619** |
| Based on Most Probable Range of 9.50% | $14,995,847 | **$833,103** |
| Based on High-Range of 9.75% | $14,611,338 | **$811,741** |
| **Reconciled As Is Value** | $14,995,847 | **$833,103** |
| **Rounded to nearest $50,000** | **$15,000,000** | **$833,333** |

*Cushman & Wakefield of Texas, Inc.*

| DIRECT CAPITALIZATION - AFTER CONDITION PROPERTY | YEAR 1 | |
|---|---|---|
| **NET OPERATING INCOME** | **$1,519,962** | **$84,442** |
| **Sensitivity Analysis (0.25% OAR Spread)** | **Value** | **$/Hole** |
| Based on Low-Range of 9.25% | $16,432,022 | **$912,890** |
| Based on Most Probable Range of 9.50% | $15,999,600 | **$888,867** |
| Based on High-Range of 9.75% | $15,589,354 | **$866,075** |
| **Reconciled As Is Value** | $15,999,600 | **$888,867** |
| **Rounded to nearest $50,000** | **$16,000,000** | **$888,889** |

*Cushman & Wakefield of Texas, Inc.*

Under this analysis, the value of the driving range is the variance between the value of the club with the driving range and without the driving range, which is $1,000,000.

## SALES COMPARISON APPROACH

### METHODOLOGY

We have relied primarily on the Income Approach for the golf course valuation. However, we have included an abbreviated form of sales comparison approach to lend support of our conclusions via the Income Approach.

In the Sales Comparison Approach, we developed an opinion of value by comparing the subject property with similar, recently sold properties in the surrounding or competing area. Inherent in this approach is the principle of substitution, which states that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

By analyzing sales that qualify as arm's-length transactions between willing and knowledgeable buyers and sellers, we can identify value and price trends. The basic steps of this approach are:

- Research recent, relevant property sales and current offerings throughout the competitive area;
- Select and analyze properties that are similar to the property appraised, analyzing changes in economic conditions that may have occurred between the sale date and the date of value, and other physical, functional, or location factors;
- Identify sales that include favorable financing and calculate the cash equivalent price;
- Reduce the sale prices to a common unit of comparison such as price per hole and net income;
- Make appropriate comparative adjustments to the prices of the comparable properties to relate them to the property being appraised; and
- Interpret the adjusted sales data and draw a logical value conclusion.

In this instance, the sale prices of the list of golf sales were reduced to those common units of comparison used by purchasers, sellers, brokers and appraisers to analyze improved properties that are similar to the subject. Of the available units of comparison, the sales price per hole (used by buyers, sellers, and brokers), as well as the gross income multiplier (GIM) are most commonly used in the market. On the following pages we present a summary of the improved properties that we compared to the subject property and the valuation process using sales of other golf properties. We have used the sales comparison approach only as a test of reasonableness for the Income Capitalization Approach.

In our research, we found no transactions of truly comparable golf properties. Trump National Golf Club is very unique in its location. In our research, we located other good to high quality golf club sales. Those sales and our analysis of them are shown on the following pages.

## GOLF COURSE SALES

| Sale No. | Course Name | Course Location | Sale Date | Sale Price | No. of Holes | Clubhouse Size (SF) | Par | Yardage | Acres | Revenue/ Hole | NOI/ Hole | Sale Price/ Hole | OAR | Exp Ratio | GIM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Coyote Creek Golf Club | Morgan Hill, CA | Sep-14 | $19,000,000 | 36 | 17,000 | 72 | 7,027/7,066 | 400.0 | $147,222 | $36,111 | $527,778 | 6.8% | 75.5% | 3.58 |
| 2 | Ruby Hill Golf Club | Pleasanton, CA | Apr-14 | $12,000,000 | 18 | 45,000 | 72 | 7,400 | 225.0 | $461,111 | $13,333 | $666,667 | 2.0% | 97.1% | 1.45 |
| 3 | Dragon Ridge Country Club | Las Vegas, NV | Mar-14 | $11,550,000 | 18 | 40,000 | 72 | 7,032 | 170.0 | $305,556 | $27,778 | $641,667 | 4.3% | 90.9% | 2.10 |
| 4 | Tartan Fields Country Club | Dublin, OH | Dec-13 | $5,950,000 | 18 | 16,000 | 72 | 7,119 | 160.0 | $277,778 | $27,778 | $330,556 | 8.4% | 90.0% | 1.19 |
| 5 | Southern Highland Country Club | Las Vegas, NV | Dec-12 | $15,000,000 | 18 | 12,000 | 72 | 7,381 | 170.0 | $555,556 | -$72,222 | $833,333 | -8.7% | 113.0% | 1.50 |
| 6 | Dove Canyon Country Club | Dove Canyon, CA | Dec-13 | $20,000,000 | 18 | 30,000 | 72 | 6,902 | 170.0 | $555,556 | -$55,556 | $1,111,111 | -5.0% | 110.0% | 2.00 |
| 7 | Confidential portolio | Texas | Apr-13 | $34,000,000 | 108 | 20,000 | 72 | 7,000 | 900.0 | $265,333 | $7,505 | $314,815 | 2.4% | 97.2% | 1.19 |
| 8 | Snowmass Golf club | Snowmass, CO | Mar-13 | $9,100,000 | 18 | 45,000 | 72 | 7,008 | N/A | $430,817 | $400 | $505,556 | 0.1% | 99.9% | 1.17 |
| 9 | Ford's Colony Golf Club | Williamsburg, VA | November-12 | $7,650,000 | 18 | 30,000 | 72 | 6,794 | N/A | $353,833 | $48,722 | $425,000 | 11.46% | 86.2% | 1.20 |
| 10 | Abacoa Golf Club | Jupiter, FL | August-12 | $8,250,000 | 18 | 13,559 | 72 | 7,209 | 133.5 | $204,889 | $46,834 | $458,333 | 10.22% | 77.1% | 2.24 |
| 11 | Horseshoe Bend Country Club | Alpharetta, GA | Jun-11 | $6,150,000 | 18 | 28,386 | 72 | 6,629 | 208.0 | $212,801 | $34,803 | $341,667 | 10.2% | 83.6% | 1.61 |
| 12 | Hamlet Portfolio - 3 Courses | Long Island, NY | June-11 | $18,725,599 | 54 | 69,405 | 70/71/72 | 6,462/6,611/6,700 | 297.0 | N/A | N/A | $346,770 | 4.27% | 94.7% | 1.25 |
| | Trump National Golf Club Los Angeles | Ranch Palos Verdes, CA | | | 18 | | | | | $342,768 | $10,499 | $541,938 | 3.88% | 92.94% | 1.71 |

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## IMPROVED SALES ANALYSIS

In the analysis of golf course sales, several comparative factors can be extracted. These include relationships to income that are utilized in the income approach, and relationships to physical characteristics that can be analyzed and adjusted for dissimilar qualities.

The Sales Comparison Approach to value is based upon the principle of substitution. In theory, the purchaser of a property will pay no more than the cost of acquiring an equally desirable substitute property without undue delay. To estimate the degree of comparability between two golf courses, many judgment decisions are required. In our opinion, the most appropriate method of measuring the physical, location and operational differences is through a comparison of NOI. A search was made throughout the U.S. market to obtain golf course sales that provided meaningful income relationships that could be used for the subject.

In choosing comparable golf course or country club sales, it should be noted that unlike other real estate investments, intangible qualities contribute to the financial capabilities of a golf course. Because golf demand is an emotional and discretionary activity, demand for play at certain facilities may be based on the course architect, such as a Jack Nicklaus, Pete Dye, Donald Ross or Robert Trent Jones. It can be based the prestige of hosting a national golf tournament or PGA event. This can be true on a regional level, such hosting a U.S. Open qualifier or PGA sectional event. It may be due to the course's items that cannot be adjusted for in a purely physical sense. They can only be measured through market acceptance in the form of revenue and net operating income. The subject is somewhat affected by emotional characteristics such as these. The subject course designer was golf course architectural firm of Pete Dye and Donald J. Trump Signature Design. The subject has several characteristics that are scenic and enjoyable. For the most part, it is considered to be a good golf course with an excellent location. Therefore, the sales comparison analysis for golf courses is heavily weighted to income and revenue comparisons.

In the preceding comparable sales, several potential relationships have been presented. Methods of comparison include the relationship of revenue sources to total revenue utilized in the Income Approach (Capitalization Rate); between sale price and revenue (Gross Revenue Multiplier or GRM); and price per hole and price per acre. The final two, while physical comparisons, are only meaningful when compared with income per hole. Given the variances in physical characteristics and the difficulty in making adjustments, emphasis is placed on the income related characteristics of the property. Following is a summary of the various indicators provided by the comparable data:

**SALES COMPARISON INDICATORS***

| SALE INDICATORS | LOW | HIGH | AVERAGE |
|---|---|---|---|
| DATE OF SALE | June-11 | September-14 | March-13 |
| NUMBER OF HOLES | 18 | 108 | 32 |
| NET OPERATING INCOME PER HOLE | -$72,222 | $48,722 | $10,499 |
| OVERALL RATE | -8.67% | 11.46% | 3.88% |
| EXPENSE RATIO | 75.47% | 113.00% | 92.94% |
| GROSS INCOME MULTIPLIER | 1.17 | 3.58 | 1.71 |
| SALES PRICE PER HOLE | $314,815 | $1,111,111 | $541,938 |
| ***Number of Transactions** | **12** | | |

### PRICE PER HOLE

The sales used in this report range in price per hole from $314,815 to $1,111,111 with an average of $541,938 per hole. The subject is clearly superior to the majority, if not all sales presented. The upper end sale at over $1 million per hole, was purchased by Pacific Links, which had a unique business model. In our opinion, this sale sets the upper limit for pricing.

In making our forecast of the subject's "as is" value, we have also relied upon the projected year one PGR of $13,289,400 or $738,300 per hole, and net operating income which is projected to be $1,519,962 or $84,442 per hole. The comparable sales Potential Gross Revenue (PGR), for those with reported PGR, average $342,768 per hole while the comparables NOI per hole average is $10,499 per hole, which is skewed downward due to the negative NOI's in the data set. Certainly the subject is far superior to the middle-level or average performing courses in the sales set. It is our opinion that the subject would have a price per hole between the middle and top end of the range of price per hole of the sales based upon the comparables NOI indicators.

Thus, our estimate of value for the subject property is between $850,000 and $900,000 per hole, as follows:

| SALES PRICE PER HOLE VALUE ESTIMATE | | | | | | |
|---|---|---|---|---|---|---|
| Price per Hole | | No. Holes | | Value | Rounded | |
| $850,000 | x | 18 | = | $15,300,000 | $15,300,000 | Low |
| $900,000 | x | 18 | = | $16,200,000 | $16,200,000 | High |
| Sales Price per Hole Conclusion | | | | | **$15,800,000** | |

### RECONCILATION

The Income Capitalization Approach indicated values of $16,000,000 and $15,000,000 for the golf course with and without the driving range. The sales comparison approach was supportive, indicating a range of $15,300,000 to $16,200,000 with the driving range. As income is the primary factor in purchasing decisions, we have reconciled the golf course values at **$16,000,000** with the driving range and **$15,000,000** without the driving range. The variance in the two values, $1,000,000, is indicative of the contributory value of the driving range property.

# AFTER CONDITION EASEMENT PARCEL VALUATION

On December 26, 2014, the Conservation Easement was placed over the 11.54-acre Easement Parcel. The purpose of the easement is assure that the property be maintained solely as an area of open space for the scenic enjoyment of the general public and for the regular and substantial use of the general public for outdoor recreation. Such scenic enjoyment shall include, but is not limited to, views of the Pacific Ocean, which lies south and west of the property. Such recreational uses shall include, but are not limited to, a golf course and driving range, a public park, soccer fields, hiking trails, baseball diamonds, picnic areas, or any other recreational use consistent with the restrictions of the easement. The easement prohibits residential or commercial use other than as a golf course and driving range or other public recreational uses as described above.

As previously presented in the Golf Course Valuation section of this report, the golf course value differential, with and without the driving range, was $1,000,000 ($16,000,000 vs. $15,000,000). The $1,000,000 figure, or $86,655 per acre, inherently demonstrates the income and amenity attributable to the Trump National Golf Club driving range and putting green. Hence, it is a form of Income Approach that reflects the only feasible "economic" use of the conservation easement property.

The Sales Comparison Approach was considered but not used as competitive open market trades of conservation easements and/or easement properties were not available. Further, no recent open market trades of competitive driving ranges were found and the analysis and comparison of such properties to the subject driving range would be unreliable. Hence, the comparison of the two golf course values, with and without the driving range, was deemed indicative of the after condition easement parcel value, or **$1,000,000**.

# FINAL RECONCILATION

The Subdivision Development Approach was applied in the valuation of the before condition residential development property. The before condition residential development property fair market value, reflecting 60 residential lots, was reconciled at $92,000,000. This value includes the 16 potential lots on the Easement Parcel. The Income and Sales Comparison Approaches were applied in the valuation of the Trump National Golf Club excluding the driving range. The results of the Income Approach were deemed the most reliable indicator of value and the fair market value was reconciled at $15,000,000. The two figures were combined to indicate total Before Condition Property value given the relationship between the golf club and residential development and a potential buyer of the total property would very likely want to own all property prior to undertaking a build-out of the project. Thus, the combined total Before Condition Property value is $107,000,000.

The Subdivision Development Approach was applied in the valuation of the after condition residential development property. The after condition residential development property fair market value, reflecting 44 residential lots, was reconciled at $66,000,000. Again, the Income and Sales Comparison Approaches were applied in the valuation of the Trump National Golf Club. The results of the Income Approach were deemed the most reliable indicator of value and the fair market value was reconciled at $16,000,000, including the Easement Property. Thus, the combined total After Condition Property value is $82,000,000.

The final step in the valuation was to deduct the After Condition Property value from the Before Condition Property value.

**VALUATION SUMMARY**

| | ID | Property | Appraised Value |
|---|---|---|---|
| a | --- | Before Condition Property[(1)] | $107,000,000 |
| b | --- | After Condition Property[(2)] | $82,000,000 |
| c | (a-b) | Before Value - After Value | $25,000,000 |
| d | --- | Less Value Enhancement to Non-ECP Holdings[(3)] | n/a |
| e | (c-d) | Conservation Easement | **$25,000,000** |

(1) 60 lots, TNGC, 4 affordable housing units, and other Donor Holdings.
(2) 44 lots, TNGC, 4 affordable housing units, and other Donor holdings.
(3) After Condition Property value reflects any value enhancement w ithin ECP.

Final consideration was given to the possibility that the conservation easement may enhance the value of other land or property holdings owned by the property Donor and/or its affiliates. The value of any enhancement would be a deduction in the calculation of the Conservation Easement value. Trump National Estates and Trump National Golf Club are contiguous to the Easement Parcel and both were valued in the after condition with consideration of the Conservation Easement being in-place. Other properties contiguous and in the general area are not Donor holdings. There is no value enhancement to any contiguous or non-contiguous property or holdings owned by the Donor or any related party, hence no enhancement value was deemed appropriate or applied in the calculation. Accordingly, the fair market value of the Conservation Easement was reconciled at **$25,000,000**.

# ASSUMPTIONS AND LIMITING CONDITIONS

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. C&W assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.
- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.
- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.

- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. C&W recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.
- If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- In the event of a claim against C&W or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by C&W or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.
- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and C&W, its employees and the Appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party that retained C&W to prepare the Report.
- Any estimate of insurable value, if included within the agreed upon scope of work and presented within this report, is based upon figures derived from a national cost estimating service and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, we make no warranties regarding the accuracy of this estimate.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.