

RIVERTOWN LELAND PUD



PREPARED FOR: CHET JANIK, COUNTY ADMINISTRATOR
LEELANAU COUNTY
8527 EAST GOVERNMENT CENTER DRIVE, SUITE 101
SUTTONS BAY, MICHIGAN 49682

PROPERTY IDENTIFICATION: RIVERTOWN LELAND PUD
LELAND TOWNSHIP, LEELANAU COUNTY
MICHIGAN

OWNER OF RECORD: LEELANAU COUNTY BROWNFIELD
REDEVELOPMENT AUTHORITY

INTEREST APPRAISED: FEE SIMPLE ESTATE

DATE OF APPRAISAL: DECEMBER 4, 2013

PROPERTY INSPECTION DATE: DECEMBER 4, 2013

TYPE OF REPORT: SUMMARY APPRAISAL REPORT

APPRAISERS: WILLIAM MUHA
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December 4, 2013

*Chet Janik, County Administrator
Leelanau County
8527 E. Government Center Drive, Suite 101
Suttons Bay, Michigan 49682*

RE: The appraisal of Rivertown Leland PUD, a 24 unit development plus the site adjacent to the fire station, Leland Township, Leelanau County, Michigan

Dear Mr. Janik;

The following appraisal report has been prepared in accordance with your request for an estimate of the market value of the fee simple title to the above captioned real property. William Muha personally inspected the property and has made a careful and detailed analysis of factors pertinent to the estimate of value. We have provided professional services regarding the subject, within the last three years.

This is a Summary Appraisal Report prepared under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice, Appraisal Standards Board of the Appraisal Foundation, effective as of the date of this appraisal.

The subject property is an approved Planned Unit Development (PUD) for 24 detached and duplex style single-unit residences plus an additional lot that is not in the PUD located adjacent to the fire station. Two of the PUD units are improved with a side-by-side duplex. The remaining 22 units are vacant. The property includes frontage along the Leland River. This is the former site of the Leelanau County Governmental Center and jail. The property is located in the heart of Leland's residential area.

The three traditional approaches to value have been considered: the Cost Approach, the Sales Comparison Approach and the Income Approach. Typically, in the Cost Approach, the cost to improve the subdivision (or site condominium) is estimated and added to the estimated land value. The result is an indication of the subject's value. Since the development is complete, this approach is not applicable.

The Sales Comparison Approach is utilized to estimate the value of the individual units. The retail value of the individual units is estimated. This approach does not result in an indication of value for the entire subject property because one value is desired for the subject. This means one buyer who purchases the entire property at one time. The property's bulk nature is considered in the Income Approach. In the Income Approach the individual retail unit values are discounted to a bulk value for the entire property considering market absorption, holding costs and an entrepreneurial profit.

Supplemental analyses are presented in order to estimate values for the subject PUD property and the parcel adjacent to the fire station as standalone properties in accordance with your request.

Market value is defined as follows:

As defined in the Agencies' appraisal regulations, the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Source: Interagency Appraisal and Evaluation Guidelines from the Comptroller of the Currency, the Federal Reserve System, the Federal Deposit Insurance Corporation, the Thrift Supervision Office, and the National Credit Union Administration on 12/10/2010, Administration on 12/10/2010, Paragraph Citation 75 FR 77472 Page 77472

Nothing in this appraisal shall create a contractual relationship between the appraiser or client and any third party. The client's acceptance of this appraisal provides prima facie evidence of their acceptance and agreement with the results of this appraisal by this appraiser and provides no cause of action in favor of any third party.

This appraisal shall not be construed to render any person or entity a third party beneficiary of this appraisal including, but not limited to, the property owner or any third party.

NMREC, William Muha and Michael Tarnow, MAI, SRA accepts no responsibility for damages suffered by any third party as a result of reliance on or decisions made or actions taken based on this appraisal by this firm or this appraiser.

The client's acceptance of this appraisal provides prima facie evidence of the acknowledgement that the appraiser has duty to the client cited herein only and only said client can place reliability on any of its contents. There is no duty to any third party and any third party cannot place reliance on any of its contents.

To the best of our knowledge and belief, this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and with the requirements of the code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

Our opinion of the subject's market value of its fee simple interest, as of the 4th day of December 2013 is contained within the body of the attached report.

Respectfully submitted,



*William Muha
Cert. General Appraiser #1201003234*



*Michael Tarnow, MAI, SRA
Supervising Appraiser; I did not recently inspect the
subject property.
Certified General Appraiser #1201000638*

Grand, Rivertown Leland, Leelanau Co, 10-13

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SUMMARY OF SALIENT FACTS

LOCATION:	GRAND AVENUE, CHANDLER STREET & CEDAR STREET LELAND, MICHIGAN 49654
TYPE OF PROPERTY:	PUD FOR 24 FREE STANDING AND DUPLEX UNITS & ONE PARCEL NOT INCLUDED IN PUD
ZONING:	R-2
HIGHEST AND BEST USE:	SINGLE-UNIT RESIDENTIAL & SINGLE-UNIT RESIDENTIAL DEVELOPMENT
COST APPROACH VALUE:	NOT DEVELOPED
SALES COMPARISON APPROACH VALUE:	NO VALUE CONCLUSION (ENTIRE PROPERTY)
SALES COMPARISON APPROACH VALUE (value of site adjacent to fire station):	\$181,400
INCOME APPROACH VALUE (including site adjacent to fire station):	\$1,493,000
INCOME APPROACH VALUE (excluding site adjacent to fire station):	\$1,421,000
CONCLUSION OF VALUE (vacant parcel adjacent to fire station):	\$181,400
CONCLUSION OF VALUE (including site adjacent to fire station):	\$1,493,000
CONCLUSION OF VALUE (excluding site adjacent to fire station):	\$1,421,000
DATE OF VALUE:	DECEMBER 4, 2013
DATE OF INSPECTION:	DECEMBER 4, 2013

SUMMARY OF SALIENT FACTS (continued)

APPRAISERS:

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SPECIAL ASSUMPTIONS:

The property and market data information within this analysis is primarily based upon written documents and verbal information supplied by the Client and from appraisal files contained within this office. Information and confirmation of the information gathered in the development of this value estimate, in some instances, has been provided by other appraisers, real estate brokers, developers, property managers, and city and/or township, county and state officials.

ADDRESS

115 & 121 S. Grand Avenue
Cedar Street, Grand Avenue & Chandler Street
Leland, Michigan 49654

LEGAL DESCRIPTION

UNITS #1 – 6 OF RIVERTOWN LELAND SITE CONDOMINIUM
UNITS #1 – 13 RIVERTOWN COTTAGES SITE CONDOMINIUM
LOT 9, BLOCK 1 & PART COMMENCING NE CORNER OF LOT 8; THENCE N 60 FEET;
THENCE W ALONG S LINE CEDAR ST. 126 FEET; THENCE S 60 FEET; THENCE EAST 126
FEET TO POB, BROWN'S ADDITION TO VILLAGE OF LELAND, SECTION 9, T30N, R12W
ALL IN LELAND TOWNSHIP, LEELANAU COUNTY, MICHIGAN

ASSESSED VALUATION AND TAXES

The assessment information was obtained from Leelanau County online information. All but three of the subject units are in the name of the Leelanau County Brownfield Redevelopment Authority at this time and are exempt from property taxes. Unit #5, Rivertown Leland Condominium; and Units #1 and #2, Rivertown Cottages Condominium were transferred to the Leelanau County Brownfield Redevelopment Authority in October 2013, but remain taxable parcels for the 2013 tax year. The parcels will be exempt for the 2014 tax year. The following chart displays the current assessed values, millage rate and zoning for the parcel numbers comprising the subject of this report.

The amount of taxes for the individual sites in the Discounted Cash Flow analysis, are based on the estimated unit values developed within this report. Leland Township levies a 1% administration fee in addition to base tax amounts.

ASSESSED VALUATION AND TAXES (continued)

PARCEL CODE NUMBERS	PROPERTY ADDRESS	2013 ASSESSED VALUE	2013 TAXABLE VALUE	2013 MILLAGE RATE	2013 ESTIMATE TAXES	ZONING
RIVERTOWN LELAND						
45-009-800-001-00	S. Chandler St.	\$0	\$0	0.0298972	Exempt	PUD in R-2 Zoning
45-009-800-002-00	S. Chandler St.	\$0	\$0	0.0298972	Exempt	PUD in R-2 Zoning
45-009-800-003-00	S. Chandler St.	\$0	\$0	0.0298972	Exempt	PUD in R-2 Zoning
45-009-800-004-00	S. Chandler St.	\$0	\$0	0.0298972	Exempt	PUD in R-2 Zoning
45-009-800-005-00	E. Cedar St.	\$75,000	\$47,720	0.0298972	\$2,242.29	PUD in R-2 Zoning
45-009-800-006-00	S. Grand Ave.	\$0	\$0	0.0298972	Exempt	PUD in R-2 Zoning
RIVERTOWN COTTAGES						
45-009-810-001-00	115 S. Grand Ave.	\$112,600	\$112,537	0.0298972	\$3,366.42	PUD in R-2 Zoning
45-009-810-002-00	121 S. Grand Ave.	\$112,600	\$112,537	0.0298972	\$3,366.42	PUD in R-2 Zoning
45-009-810-003-00	S. Grand Ave.	\$0	\$37,500	0.0298972	Exempt	PUD in R-2 Zoning
45-009-810-004-00	S. Grand Ave.	\$0	\$37,500	0.0298972	Exempt	PUD in R-2 Zoning
45-009-810-005-00	S. Grand Ave.	\$0	\$37,500	0.0298972	Exempt	PUD in R-2 Zoning
45-009-810-006-00	S. Grand Ave.	\$0	\$37,500	0.0298972	Exempt	PUD in R-2 Zoning
45-009-810-007-00	S. Grand Ave.	\$0	\$37,500	0.0298972	Exempt	PUD in R-2 Zoning
45-009-810-008-00	S. Grand Ave.	\$0	\$37,500	0.0298972	Exempt	PUD in R-2 Zoning
45-009-810-009-00	S. Grand Ave.	\$0	\$37,500	0.0298972	Exempt	PUD in R-2 Zoning
45-009-810-010-00	S. Grand Ave.	\$0	\$37,500	0.0298972	Exempt	PUD in R-2 Zoning
45-009-810-011-00	S. Grand Ave.	\$0	\$37,500	0.0298972	Exempt	PUD in R-2 Zoning
45-009-810-012-00	S. Grand Ave.	\$0	\$37,500	0.0298972	Exempt	PUD in R-2 Zoning
45-009-810-013-00	S. Grand Ave.	\$0	\$37,500	0.0298972	Exempt	PUD in R-2 Zoning
45-009-580-109-00	E. Cedar St.	\$0	\$0	0.0298972	Exempt	PUD In R-2 Zoning
						R-2 Minimum Lot Size 15,000 SF

ZONING

Article 11 RESIDENTIAL DISTRICTS

Section 11.04 R-2: MEDIUM DENSITY VILLAGE RESIDENTIAL DISTRICT

A. Intent: It is the intent of the Medium Density Village Residential District to provide opportunities for primarily single family residential development of a more urban pattern reflective of the existing character of the Township's unincorporated village areas. This District includes existing neighborhood areas associated with the unincorporated villages of Leland and Lake Leelanau in addition to limited areas of nearby vacant land suitable for accommodating additional similar village residential development provided adequate public facilities are provided. This District is intended to accommodate new residential development while similarly preserving the residential character of the existing neighborhoods in this District. The existing character of this

Leland Township Zoning Ordinance
Article 11: Residential Districts
11-4

District is based upon, in part, individual dwellings placed upon two or more small previously platted lots covering 5,000 to 6,000 square feet each, and this District encourages the combined use of these multiple lots as a single dwelling site to strengthen the existing character of the village areas. The Medium Density Village Residential District is intended to implement, in part, the Mixed Use Area(s) component of the Leland Township Comprehensive Development Plan.

B. Uses Permitted By Right:

1. Single family dwelling.
2. Day care, family home.
3. Foster care facility, family home; provided it is not located within one thousand five hundred (1,500) feet of another such facility.
4. Accessory uses and structures customarily incidental to and subordinate to the permitted principle use, including home occupations.

C. Special Land Uses Permitted By Special Approval:

1. Public facilities, including parking lots, cemeteries, parks, schools, libraries, and similar uses and activities excluding administrative buildings; and substations, or structures associated with public utilities, and enclosures or shelters for service equipment and maintenance depots.
2. Churches and religious institutions, including housing for religious personnel affiliated with the church or religious institution.
3. Day care, group home.
4. Foster care facility, group home.
5. Bed and breakfast.
6. Schools under private sponsorship offering primarily elementary and/or secondary curriculum.
7. Cottage Industries. (Amendment 04-01)
8. Planned Unit Development. (Amendment 2007-03)

ZONING (continued)

D. Site Development Requirements:

The following minimum and maximum standards shall apply to all uses and structures in the Medium Density Village Residential District unless otherwise modified by the provisions of Article 16, Standards for Special Land Uses; Article 18, General Conditions; or as varied pursuant to Article 4; Zoning Board of Appeals.

1. **Minimum Lot Area:** 15,000 square feet or previously platted Lot of record. (Amendment 2013-03)
2. **Minimum Lot Frontage and Lot Width:** 80 feet or previously platted Lot of record. (Amendment 2013-03)
3. **Yard and Setback Requirements:**
 - a. **Front (street) Setback:** 25 feet. (Amendment 2013-03)
 - b. **Rear Setback:** 10 feet. (Amendment 2013-03)
 - c. **Side Setback:** One side—minimum 5 feet; combined two sides—minimum 15 feet. (Amendment 2013-03)
4. **Maximum Lot Coverage:** Forty (40) percent.
5. **Maximum Height:** Thirty-five (35) feet. (Amendment 2013-07)
6. Applicable provisions of **Article 19:** Nonconforming Uses; **Article 20:** Access Control and Private Roads; **Article 21:** Off-Street Parking and Loading; **Article 22:** Signs; **Article 23:** Landscaping and Screening; **Article 24:** Environmental Standards, and other provisions of this Ordinance as may be applicable.

SALES HISTORY OF PROPERTY

The subject property last sold in its entirety via land contract for \$2,400,000. The vendor was the Leelanau County Brownfield Redevelopment Authority and the vendee was Varley-Kelly Properties II, LLC. While it is recognized that the property went under contract at a much earlier date and the transaction had been modified several times, the actual land contract was dated October 28, 2008. The contract required \$100,000 as a down payment, interest at 4% with interest only payments made monthly. The contract was to be paid off within six months. This was an arm's length sale of the subject property subsequent to the removal of the former Leelanau County Courthouse and Jail.

Because of delays in making the property ready for construction and the downturn in the market, the project failed. All but unit #5, Rivertown Leland Condominium; and units #1 and #2 Rivertown Cottages Condominium reverted back to Leelanau County ownership in 2012. The individual units had been offered for sale by the land contract vendee prior to the reversion. The parcels were listed at prices from \$159,000 for the Cedar Street parcels (not in PUD) to \$198,000 for Grand Avenue parcels; to \$489,000 and \$499,000 for the Chandler Street sites with across the road Leland River frontage. Leelanau County placed the property up for bid that same year. Only one bid was received. It met the required \$1,407,000 minimum bid amount set by the county (excluding the property outside of the PUD), but the bid required the county to finance \$950,000 of the purchase price for up to 15 years at no interest. The bid was ultimately rejected. The minimum bid amount required for the property outside of the PUD was \$125,000 at the time.

Leelanau County reacquired title to Unit #5, Rivertown Leland Condominium; and Units #1 and #2 Rivertown Cottages Condominium through a settlement with the original developer/owners. The transfer closed on October 30, 2013 for an indicated consideration of \$586,000. The consideration paid is based on negotiations during the settlement process. The transaction is considered less than arm's length. Units #1 and #2 Rivertown Cottages Condominium are improved with a side-by-side duplex residential improvement. These units had been offered for sale by the original land contract vendee, Varley-Kelly Properties II, LLC since December 2009. Unit #1 was last offered for sale beginning on July 6, 2013 for \$389,000; up from a previous listing at \$319,900 that expired on April 12, 2012 after 366 days on the market. The unit had been reportedly sold by the developer however; the purchaser backed out of the deal due to family health issues. The last asking price for Unit #2 was \$299,900; down from an original asking price of \$319,000. Unit #5 was last offered for sale as MLS #1734744 beginning on April 11, 2012. The asking price was \$79,900 and the listing expired after 366 days on the market.

The property is not now offered for sale, in whole or in part and there are no known offers to purchase existing on it. This appraisal is being prepared in order to suggest an asking price to sell the property.

PRESENT USE OF THE PROPERTY

The improved subject Unit #1, Rivertown Cottages Condominium is unoccupied and not used at present. Construction of improved Unit #2 is incomplete (shell structure). The remaining units and parcel outside of the PUD are primarily vacant and unused. The parcel outside of the PUD appears to be being used for vehicle parking. The historic jail is sited on Unit #2 Rivertown Leland Condominium. It is vacant and not used.

SCOPE OF WORK

INTENDED USE AND USERS OF THIS REPORT

- The intended use of this report is to provide the client, Leelanau County, with an opinion of market value of the subject property.
- The only intended users of this report are Leelanau County and its advisors; only this client.
- This appraisal has been developed and prepared per the specific appraisal requirements of the client; Leelanau County.
- It is not the intent of this report to estimate a value for any other use or by any other users or any other person or entity; and it is not appropriate for mortgage purposes.
- This report and its contents cannot be relied upon by any other party or entity for any use.
- Any other use of this report in whole or in part by anyone other than the client cited herein renders it invalid and null and void.
- Nothing in this appraisal or in the engagement agreement shall create a contractual relationship between the appraiser or client and any third party. The client's acceptance of this appraisal provides prima facie evidence of their acceptance and agreement with the results of this appraisal and provides no cause of action in favor of any third party.
- This appraisal shall not be construed to render any person or entity a third party beneficiary of this appraisal, including, but not limited to, the property owner or any third party.
- NMREC, William Muha and Michael Tarnow, MAI, SRA accepts no responsibility for damages suffered by any third party as a result of reliance on or decisions made or actions taken based on this report.
- The client's acceptance of this appraisal provides prima facie evidence of the acknowledgement that the appraiser has duty to the client cited herein only and only said client can place reliability on the contents in this appraisal. There is no duty to any third party and any third party cannot place reliance on any of its contents.

EFFECTIVE DATE OF APPRAISAL

The effective date of value is December 4, 2013, the date of the property inspection.

SCOPE OF WORK (continued)

PROPERTY RIGHTS APPRAISED

The property is appraised on the basis of a Fee Simple Estate. A Fee Simple Estate is defined in Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010):

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

EXCLUSIONS FROM VALUE

This appraisal does not include any value for mineral rights.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumption: an assumption, that is directly related to a specific assignment, as of the effective date of the assignment result, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

The following are extraordinary assumptions of this appraisal:

- 1. The PUD is recorded and units may be sold at any time.**
- 2. The sewer lines are in to the edge of the unimproved property.**
- 3. All sewer fees have been paid.**
- 4. The water system is complete with the exception of one water treatment building and equipment; and pipes from the existing location of the wells to the unimproved property. Any additional cost for water softening and/or filtration will be borne by the purchaser.**
- 5. Additional active remediation will not be required and that any "due care" obligation expenses will be insignificant. This appraisal does not consider any future unknown significant remediation work.**
- 6. The jail may be removed without any historical approvals being necessary.**

SCOPE OF WORK (continued)

Hypothetical Condition: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

No hypothetical conditions exist.

APPRAISAL PROBLEM

The appraisal assignment is to estimate the market value of the subject property, the Rivertown Leland and Rivertown Cottages site condominiums, plus the vacant lot next to the fire station. Four of the sites, facing Chandler Street, are single-unit residential building sites with associated parcels across the street with frontage on the Leland River (aka Carp River). Unit #7 is approved for 11 detached single-unit residences and two attached (duplex) single-unit residences. One duplex residence has been built and the other half is a shell structure. Unit #6 is approved for three duplexes (6 units). Unit #5 is a single unit residential site. The lot at the southeast corner of Grand and Cedar may, according to the zoning administrator, be divided into two single-unit sites. The development includes the former sites of the Leelanau County Courthouse and Jail. This development is located in the eastern portion of Leland between M-22 and Lake Leelanau. This is primarily a single-unit residential neighborhood, plus the Leelanau Country Club and schools.

The Cost Approach is not applicable because no improvements will be made. This is an existing PUD.

In the Sales Comparison Approach, comparable competitive properties that have sold recently are compared with the subject property. This approach develops indications of how much the subject units should sell for based on the sales of the comparable competitive properties. Various techniques are used to make adjustments for the differences between the subject and the comparable properties. Dollar or percentage adjustments are made for these differences. Then the adjustments are totaled and added to their sale prices to indicate a probable sale price for the subject units. The retail values of the individual units will be utilized in the Income Approach. An estimate of value for the property adjacent to the fire station as a standalone parcel is concluded within this approach in accordance with the client's instructions.

SCOPE OF WORK (continued)

The value of the entire subject is not the simple sum of the retail value of the individual units. The bulk nature of the property must be considered. The theory of this analysis is based on how much the market (one buyer) would justify paying to purchase all of the units in anticipation of selling them for a profit. The analysis must consider development costs, sales cost, holding costs, and an entrepreneurial profit.

In the Income Approach, a Discounted Cash Flow (DCF) analysis is applied to the retail market value of the individual units that was estimated in the Sales Comparison Approach. A second DCF analysis is performed excluding the property adjacent to the fire station in order to develop an estimate of value for the subject PUD property only in accordance with the client's instructions.

This is a Summary Appraisal Report prepared under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice, effective as of the date of value.

The data utilized for this value estimate is limited to the market conditions which were in effect as of December 4, 2013. Data collected for the basis of this value estimate includes the sales and listings of vacant and improved properties within the market. The sales records of the Northern Great Lakes Realtors' (NGLR) Multiple Listing Service (MLS), associate appraisers and this firm's files have been researched for the current and most similar sales of properties that would be similar to the subject.

REGIONAL DATA

Regional data is contained in the Addenda.

NEIGHBORHOOD DATA

This neighborhood is Leland, an unincorporated community located on the west shoreline of Leelanau County. It is located about 25 miles northwest of Traverse City on Lake Michigan. Traverse City is the regional center for commerce, education, and medical services. Leland is a very small, rural community. There is very limited local shopping. The only local industries are fruit growing and packing (mostly cherries, apples and wine grapes) and tourism. Leelanau County is a major tourist and fruit farming area. The Villages of Suttons Bay (7 miles southeast) and Empire (25 miles southwest); and the unincorporated community of Glen Arbor, (15 miles southwest) attract a significant number of affluent tourists. Tourists are drawn to the many miles of inland lake frontage (Lake Leelanau, Glen Lake, Little Traverse Lake and Lime Lake) and to Lake Michigan.

Leland is very tourist dependent, like most of the county. Its downtown consists of small stores that sell tourist related items. To a minor extent, this area is a bedroom community for Traverse City. The downtown area appears to be healthy economically.

NEIGHBORHOOD DATA (continued)



Tourist amenities available in the village include boat access to Lake Michigan, restaurants, and some local shopping. There are many cottages along the shore of Lake Michigan. The cottages are slowly being replaced with larger residences that are still only used seasonally.

The Peshawbestown Indian Reservation is located about 10 miles east of the village, between Northport and Suttons Bay. The reservation includes a large modern casino that offers blackjack, slot machines, and other games of chance. It also includes a restaurant/lounge area, a motel and a large stage area for major entertainers. This is helping to bring tourists to the area.

The Homestead Resort is located about three miles north of Glen Arbor. This destination resort lies on the shore of Lake Michigan. It has a downhill ski area and considerable Lake Michigan shoreline. The Sleeping Bear Dunes National Park surrounds the Village of Glen Arbor and traverses the western Lake Michigan shoreline north and south of Glen Arbor. For the most part, this is a residential area. Most uses along the lakes in this area are residential and recreational.

Many wineries have been built over the last decade and the Leelanau Wine Trail has become very popular with tourists who travel from one tasting room to the next around the county.

These attractions bring many tourists to the area.

MARKET CONDITIONS

A significant draw to Leelanau County and the Grand Traverse Region is the large amount of Great Lake shoreline and forest lands in the area. These factors, coupled with the region's low resident population base, numerous inland lakes, snowmobiling and sand dunes have identified it as a tourist destination location. These economic generators, however beneficial, have failed to completely shelter the subject's market from the economic woes felt throughout the nation and state. Overall, this area has fared better economically, though, than the rest of the state.

Many factors led to weak demand for real estate in the subject's market, both commercial and residential. The decline in the overall real estate market began with the financial meltdown in 2008 followed by the state and national recessions. The extended period of high unemployment along with very strict lending standards has depressed demand in that there were fewer potential buyers. Added to this is the overall trend away from homeownership over the past few years due to foreclosures, tight lending regulations and homebuyers pushing owning a home back to later in life. Market conditions appear to be improving for certain sectors of the residential market in the Traverse City region.

SINGLE UNIT RESIDENTIAL HOME SITE MARKET

The following table shows the changes in market conditions since 2006 and the large number of building sites that are currently on the market. This table displays the compilation of sales and listings of building sites reported to the NGLR MLS priced between \$25,000 and \$200,000 in the townships bordering Lake Michigan: Elmwood, Bingham, Suttons Bay, Leelanau, Leland, Cleveland, Glen Arbor, Empire and Peninsula Townships. The data in the table excludes water frontage parcels, and parcels over two acres.

Year	# of Sales	% Chng	Median								
			Ask Price	Sold Price	% Chng	Size	Price Per Acre	% Chng	DOM	% Chng	%Sale/Ask
2006 Sales:	43		\$75,000	\$75,000		0.770	\$104,500		165		100.0%
2007 Sales:	34	-20.9%	\$55,950	\$54,875	-26.8%	0.760	\$100,000	-4.3%	161	-2.4%	98.1%
2008 Sales:	14	-58.8%	\$63,825	\$55,375	0.9%	0.670	\$97,784	-2.2%	257	59.6%	86.8%
2009 Sales:	20	42.9%	\$52,900	\$43,950	-20.6%	0.370	\$89,729	-8.2%	179	-30.4%	83.1%
2010 Sales:	17	-15.0%	\$69,900	\$60,000	36.5%	0.680	\$98,775	10.1%	274	53.1%	85.8%
2011 Sales:	14	-17.6%	\$59,900	\$55,000	-8.3%	0.990	\$62,571	-36.7%	299	9.1%	91.8%
2012 Sales:	18	28.6%	\$51,700	\$47,200	-14.2%	0.920	\$67,949	8.6%	193	-35.5%	91.3%
2013 Sales:	42	133.3%	\$49,950	\$47,500	0.6%	0.780	\$74,207	9.2%	157	-18.7%	95.1%
Active Listings:	236		\$67,500			0.715	\$102,401		370		

MARKET CONDITIONS (continued)

The number of sales per year has fluctuated since the financial crisis in late 2008 and ensuing market crash. It appears that this market segment has reached bottom of the trough in values with median selling prices holding steady at close to \$47,000 in 2012 and 2013. A notable observation is the spike in sales activity in 2013; now approaching a sales velocity not experienced since 2006, though at median selling prices 36.7% lower than those achieved in that year. With the current inventory of 236 sites, it is unlikely that prices will increase anytime soon. Since 2009, there has been an average of 22.2 sales per year. At the current level of inventory and the average number of sales since 2009, there is roughly 11 years worth of inventory. Even if sale volumes can be sustained at the current level of 42 sales, there is still enough available supply to last 5.6 years. With marketing times now over one year and median asking prices 42% higher than 2013 median selling prices, it is apparent that most sellers have yet to accept the new norm in reduced site values.

Since January 1, 2009, there have been 13 vacant lot sales, based on the criteria used for the previous analysis, in Leland Township. They had a median sale price of \$98,900 and a median marketing time of 151 days. Based on the same criteria, there are currently 24 lots for sale with a median asking price of \$92,258. This represents over seven years supply of building sites for sale in the township. The subject sites are not currently listed for sale. There are seven lots for sale in the immediate Leland Village area; priced from \$95,000 to \$140,000. Two of these lots (currently priced at \$120,000 and \$135,000) have been listed for sale since 2009. Two of the seven lots for sale in the Leland Village area are also offered as a package; two lots, side-by-side for \$189,000. They are priced individually at \$95,000 and \$99,000 respectfully.

While the market has experienced a significant downturn over the last five years, market activity indicates that values have leveled off. However, with the extremely large current inventory of building sites for sale in the local market, it is unlikely that there will be any rebound in values in the short term future.

CONDOMINIUMS

The following table displays the compilation of sales and listings of off-water condominiums reported to the NGLR MLS priced less than \$700,000 in the same townships boarding Lake Michigan.: Elmwood, Bingham, Suttons Bay, Leelanau, Leland, Cleveland, Glen Arbor, Empire and Peninsula Townships.

MARKET CONDITIONS (continued)

Condominiums			Median								
Year	# of Sales	% Chng	Ask Price	Sold Price	% Chng	Size	Price Per Sq.Ft.	% Chng	DOM	% Chng	%Sale/Ask
2006 Sales:	19		\$290,000	\$270,000		1,232	\$146.67		215		93.1%
2007 Sales:	34	78.9%	\$184,250	\$165,000	-38.9%	1,225	\$106.65	-27.3%	103	-52.1%	89.6%
2008 Sales:	24	-29.4%	\$229,500	\$223,500	35.5%	1,246	\$107.44	0.7%	116	12.6%	97.4%
2009 Sales:	18	-25.0%	\$174,900	\$171,250	-23.4%	1,382	\$92.74	-13.7%	164	41.4%	97.9%
2010 Sales:	25	38.9%	\$156,000	\$146,000	-14.7%	1,300	\$109.89	18.5%	131	-20.1%	93.6%
2011 Sales:	30	20.0%	\$206,950	\$194,500	33.2%	1,365	\$93.87	-14.6%	183	39.7%	94.0%
2012 Sales:	52	73.3%	\$114,950	\$109,250	-43.8%	1,250	\$72.61	-22.6%	84	-54.1%	95.0%
2013 Sales:	33	-36.5%	\$228,900	\$213,000	95.0%	1,418	\$101.41	39.7%	90	7.1%	93.1%
Active Listings:	25		\$250,000			1,250	\$180.92		175		

This condominium market displays a significant drop in selling prices per square foot from 2006 to 2007. The reduced number of sales at a lower median price per square foot in 2009 is considered attributable to the financial crisis in late 2008 and ensuing uncertainty in the marketplace. Sales activity and median selling prices per square have been fairly stable since 2010 with the exception of a spike in sales in 2012 at a notably lower median selling price per square foot. This is likely due in part to nine sales, including three estate sales of condominiums at the long-shuttered Sugar Loaf Resort selling at prices ranging from \$26 to \$36 per square foot; along with two other corporate owned sales (foreclosures.) at other developments. The current inventory suggests that supply and demand are approaching equilibrium however, also noted is the lengthening median marketing time now approaching six months and the overly aggressive median asking price per square foot of \$180.92; 78% higher than the median selling price per square foot thus far in 2013.

Conclusion

The conclusion drawn from these data and analyses; and similar analyses performed by the analysts is that the market has reached its bottom as a result of the "Great Recession" and is now considered stable. Considering the current, large supply of available single-unit residential building sites currently available in this market, it is likely that prices will not increase within the foreseeable future.

EXPOSURE AND MARKETING TIME

Marketing time is the time from the date of value, forward, until it is anticipated that the subject would sell, at its estimated market value. Exposure time is the time from the date of value, backward, that it would have taken to sell the subject property, anticipating a closing as of the date of value, at its estimated market value.

Based on the comparable data and general market information analyzed within this appraisal it is estimated that there would be a marketing time of six months to one year to sell the property in its entirety. The sellout times for the individual sites will be more specifically discussed in the Absorption Section of the Discounted Cash Flow (DCF) analysis in the Income Approach. Exposure time is estimated to have been 12 to 18 months.

SITE DATA

The subject is located on the east and west side of Chandler Street; and runs east to Grand Avenue. Cedar Street, between Chandler and Grand, has been abandoned and is now part of the project. The unit at the northeast corner of Grand Avenue and Cedar Street is the site of the existing, partially finished duplex. Access to vacant Unit #5 will be from Cedar Street. The parcel with the x shown in the plan illustrated below is owned by the Township and held as public river access and for the fire department to draw water. Also, along the south side of the duplex parcel and vacant Unit #5, are the two wells that service the project. One of the wells is complete with a well house and water treatment equipment. The other is in place however, there is no power to it nor any well house or water treatment equipment. At the southeast corner of Grand Avenue and Cedar Street is the site next to the fire station that has the potential to be divided into two single-unit sites. There are a few scattered trees, otherwise the sites are open and undulating in topography. The portion of the property along the Leland River is more heavily vegetated and slopes down from the elevation of the road to the water. Each unit will have access to the township's sewer and be serviced by the common wells. Utilities available in the area are electricity, telephone, cable TV, and natural gas.



SITE DATA (continued)

Unit #	Size in Sq. Ft
1	8,320.00
1A	1,152.90
2	6,680.60
2A	2,167.50
3	6,344.10
3A	2,748.50
4	6,249.10
4A	3,817.20
5	4,234.80
6	22,408.70
7	34,332.00
7L & 7M	5,987.20
Lots 9 & 10	15,120.00
Total	119,562.60

The sizes are based on the Jozwiak C-2 plan dated 12/14/09 and information from the plat of Brown's Addition. The two improved units (7L & 7M) total 5,987.2 square feet of site area. Based on the subject's potential of 24 unimproved building sites (fire station site divided into two units); each vacant site averages 4,732 square feet.

SITE DATA (continued)



Unit #1 Viewing Easterly



Unit #2 Viewing Northeasterly



Viewing Westerly Along Leland River (Unit #2A)



Unit #3 & #4 Viewing Northeasterly



Viewing Southerly Along West Side Of Chandler



Viewing Easterly Thru Parcel North of Fire Station

SITE DATA (continued)



Viewing Northerly Along Grand



Viewing Southerly Along Grand



Viewing Easterly Along Cedar



Unit #6 Viewing Westerly



Viewing Northerly Along Chandler



Viewing Southerly Along Chandler

SITE DATA (continued)



Unit #7 Viewing Westerly



Unit #5 Viewing North



Completed Well House Viewing Easterly



Incomplete Well House

HAZARDOUS WASTE OR PROPERTY CONTAMINATION

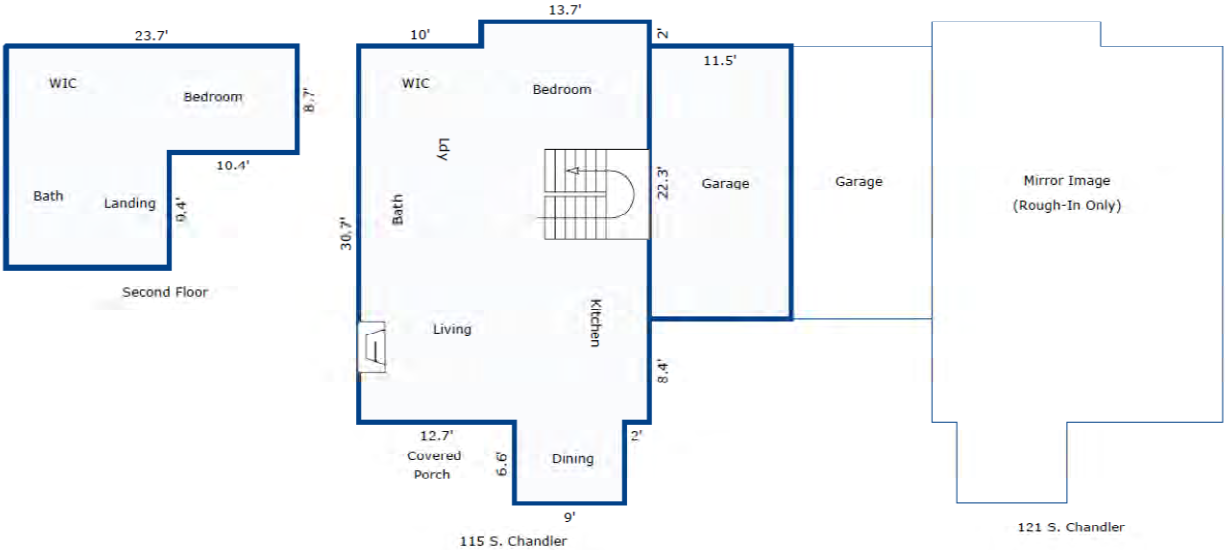
Property address 201 Chandler Street, and former location of the Leelanau County Sheriff's Department is identified in the Michigan Department of Environment Quality (MDEQ) Storage Tank Information Database as the location of a leaking underground storage tank (LUST) site. The Sheriff Department was formerly located at the southeast corner of Chandler Street and Cedar Street extended. This portion of Cedar Street has since been abandoned, vacated and removed. The Facility ID is 00001379. The tanks have been removed and the release status is closed as of August 1996. The database shows a Tier I evaluation was performed and there are no known land use restrictions as a result of the release discovery. Based on subsequent data collection related to redevelopment activities at the site, some isolated, residential impact remains which can be managed with proper due care. The MDEQ continues to consider the release "closed".

The location of the former Leelanau County Complex is identified as a "Part 201 Site"; or a "facility" where a hazardous substance in excess of established state cleanup standard for residential property is located. Brownfield funds were utilized to clean up the former county courthouse campus however, it is the appraiser's understanding that additional work may be required to deal with surface soils around the old county jail (Units #1 - #4 Rivertown Leland Condominium). According to Mr. Brian Flickinger, MDEQ Cadillac Office, active remediation may not be required in this area providing due care obligations are met, i.e. not worsening the existing contamination and preventing unacceptable human exposure. This has been achieved at similar developments through the use of ground cover barriers, filling; allocated garden space tied to ownership association guidelines, etc. The appraisal assumes that active remediation will not be required nor significantly expensive for any "due care" obligations that may be required. It is further understood that all of the issues related to water quality on the site have been resolved.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, or petroleum leakage, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraisers become aware of such during the inspection. The appraisers, however, are not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde, foam insulation, or other hazardous substance or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate if so desired.

IMPROVEMENTS

The improvements on the subject property consist of the duplex residential structure located at 115 and 121 S. Chandler Street and the historical jail building. 115 S, Chandler Street is Unit #1 (7l), Rivertown Cottages Condominium and 121 S. Chandler is Unit #2 (7m) of Rivertown Cottages Condominium. The duplex building improvement is side-by-side design with the units sharing a common wall between the one-car attached garages. The dwellings are wood frame, 1.5 story "cottage" style units built in 2011 according to MLS records. Each unit contains 1,146 square feet of above grade space over full, unfinished concrete block constructed basements. The interior floor plans are a mirror image of one another. The exterior is beveled lap siding and the roofs are gable style with a composition covering. The windows are double hung style with insulated glass and screens. There are covered entry porches to each unit.



Front (street side)



Rear

IMPROVEMENTS (continued)

The interior of Unit #1 (115 S. Chandler Street) is complete. The interior room count includes a combination living, kitchen and dining room; two bedrooms and two full baths. There is a second floor landing open to the great room below. There are laundry hookups in the first floor bath and there is a one-car attached garage. Interior finishes consist of wood and ceramic tile floor coverings; and finished drywall walls and ceilings. The great room living-kitchen area features two-story vaulted ceilings and there is a natural gas fired fireplace with built-in cabinetry surround. The unit is heated by three, air-to-air heat exchangers. The full basement is unfinished and there is one egress window well and a sump pit and pump. Water is provided by the common Type III water well and treatment system; and the municipal sewer provides for waste water disposal. The interior displays good quality and the interior is in like new condition overall.



Living & Dining



Kitchen



1st Floor Bath



2nd Floor Landing

IMPROVEMENTS (continued)

Additional features include walk-in closets, custom cabinets, island cabinetry in the kitchen and an insulated and drywalled garage.

The interior of Unit #2, Rivertown Cottages Condominium (121 S. Chandler Street) is unfinished. The interior is partitioned; and the windows and exterior doors have been installed however, there is no rough electrical, rough plumbing or rough heating installed as of the date of value.



Unit #2 Living



Unit #2 Partitioning

Painting of the exterior of the duplex structure (Units #1 & #2) is incomplete and the landscaping is unfinished.

IMPROVEMENTS (continued)

The other improvement is the historical jail building. The building is listed on Michigan State Housing Development Authority's Historic Sites Online. The site was registered on July 26, 1974; Site ID# P23875, with a period of significance from 1901-1930. Unless some society steps forward and wants to purchase this property for the value of the site, this building does not add any value to the land. For analysis purposes, no value is added for this building and the cost of demolition is not subtracted.



DEFINITION AND DISCUSSION OF HIGHEST AND BEST USE

HIGHEST AND BEST USE. The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property-specific with respect to the user and timing of the use-that is adequately supported and results in the highest present value.

HIGHEST AND BEST USE OF LAND OR A SITE AS THOUGH VACANT. Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

HIGHEST AND BEST USE OF PROPERTY AS IMPROVED. The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

Highest and best use analysis is a three-step process. The first step involves the highest and best use of a site as though vacant. The determination must be made to leave the site vacant or to improve it. If the conclusion is to improve the site, the second step is to determine the ideal improvement. The final step is a comparison between the ideal improvement and the existing improvement. At this point, the determination must be made to maintain the property in its present form or to modify the improvements to more closely conform with the ideal.

Report Writing and Valuation Analysis, Copyright, 2006, published by the Appraisal Institute.

The subject property consists of an existing PUD that is approved for 24 units plus a lot that can be divided into two building sites. Market research has disclosed a mixed reaction to the attached and proposed clustered units within the subject project. Market demand would be higher for standalone units with attached garages; however, the existing density for the attached and clustered units within the project would be significantly reduced if the current plan was changed to incorporate attached garages. Based on the research done for this appraisal, it is the opinion of the appraisers that the subject's highest and best use is its future utilization based on the existing approved PUD.

COST APPROACH

In the Cost Approach, an estimate of the replacement cost new is made. The cost of the site improvements are estimated and added to the replacement cost. The observed depreciation is estimated and subtracted. The estimated market value of the land is added in to arrive at an indication of the value. This approach is most important when the subject of the appraisal is a service property, such as an operating industrial plant (appraised for a continuation of its present use), or a public building, such as a school.

REPLACEMENT COST: The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout.

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

The Cost Approach is not developed in this report. The subject PUD is essentially complete and there are no anticipated improvements other than completion of one well house and related equipment. Thus, the Cost Approach is not applicable to the appraisal problem.

SALES COMPARISON APPROACH

In the Sales Comparison Approach, comparable competitive properties that have sold recently are compared with the subject property. This approach develops indications of how much the individual units should sell for based on the sales of these comparable competitive properties. Dollar or percentage adjustments are made for the differences between the subject and the comparable properties. Then the adjustments are totaled and added to their sale prices to indicate a probable sale price for the subject property.

The appraisal principle that states that when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution. This is the primary principle upon which the cost and sales comparison approaches are based.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

The Sales Comparison Approach will result in the value of a single average vacant unit. After this analysis is completed, the values of the individual vacant units will be discussed and analyzed further to provide estimated values for each vacant unit. Following the analysis of the subject vacant units, this approach is also utilized to develop estimated values for the improved Rivertown Cottage Condominium Units #1 and #2 as if completed and ready to sell. The value for the subject in its entirety is not the sum of the individual unit values. The subject's bulk value must be considered. That will be done in the Income Approach. The cost to complete the subject improved units will be deducted in the Income Approach as a cost of development.

An estimate of value for the property adjacent to the fire station and outside of the PUD is concluded at the end of this approach in accordance with the client's instructions.

SALES COMPARISON APPROACH

Comparable #101 is a mostly rectangular shaped site located three blocks north of the subject on Second Street, Section 9, Leland Township, Leelanau County. The site is along a paved road at the corner of Williams Street. The lot backs to Grand Avenue and Leland Public School is located east across Grand Avenue. It is 50' wide with an average depth of 115'; 5,750 square feet. Municipal sewer service is available. The lot is primarily level and wooded with hardwoods. It was listed on July 7, 2011 for \$149,900. The asking price at the time of sale was \$99,000. It is MLS #1728512. The site is deed restricted to a maximum building height of 32 feet. The sales agent, Judy Levin confirmed the sale. The property sold on August 16, 2013 for \$90,000 cash after being on the market for 771 days.



SALES COMPARISON APPROACH (continued)

Comparable #102 is a rectangular shaped site located four blocks southeast of the subject on Fifth Street, Section 9, Leland Township, Leelanau County. The site is along a paved road just north of the intersection of Fifth Street with Juniper Trail. This location is one block away from the Fourth Street road end access to North Lake Leelanau. It measures 60' x 120'; 7,200 square feet. Municipal sewer service is available. The lot is primarily level and wooded with hardwoods. It was listed on August 3, 2013 for \$139,900. It is MLS #1749806. The seller was the Gloria Steel Trust and the purchaser was the Allard Trust. The property sold on August 23, 2013 for \$125,000 cash after being on the market for 20 days.



SALES COMPARISON APPROACH (continued)

Comparable #103 is located on South Edward Avenue about two blocks southwest of the subject. The same seller has two adjacent lots for sale at this time; and also combined as a larger parcel. This lot includes a well and has credit for the sewer hookup fee. It is MLS #171741246 and it is a part of parcel code number 45-009-600-509-00, Section 9, Leland Township, Leelanau County. It is on a public paved road. This is a rectangular site that is 50; x 107.5'; a total of 5,375 square feet. The site is level and open. It is served by an existing well, municipal sewer, electricity, telephone and natural gas. It was listed on March 7, 2012 for \$99,000 as MLS #733756. This listing expired on December 1, 2012. The property was re-listed that same day as MLS #1741246. The asking price is \$99,000 and the lot has been on the market for 357 days. The asking price for the combined lots is \$189,000. The combined lots total 10,750 square feet (100' x 107.5').



*image is of the larger parcel offering

SALES COMPARISON ANALYSIS GRID

ITEM	SUBJECT Grand Avenue Leland, MI	COMPARABLE #101 N. Second Street Leland, MI	COMPARABLE #102 S. Fifth Street Leland, MI	COMPARABLE #103 S. Edward Avenue Leland, MI
Sale Price:		\$90,000	\$125,000	\$99,000
Property Rights:	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjusted Sale Price:		90,000	125,000	99,000
Financing:		Cash	Cash	Cash/Conv.
Adjusted Sale Price:		90,000	125,000	99,000
Conditions of Sale:		Arm's Length	Arm's Length	Arm's Length
Adjusted Sale Price:		90,000	125,000	99,000
Market Conditions:	Dec-13	Aug-13	Aug-13	Current Listing
Adjusted Sale Price:	0%	90,000	125,000	89,100
Price/SQ. FT.:	4,097	5,750 \$15.65	7,200 \$17.36	5,375 \$16.58
Location:	Urban - Leland	Similar	Superior	Similar
Size:	4,097	5,750 (\$413)	7,200 (\$776)	5,375 (\$320)
Access:	Paved	Similar	Similar	Similar
Improvements:	None	None	None	None
View:	Urban	Similar	Similar	Similar
Topography:	Mostly Level	Similar	Similar	Similar
Functional Utility:	Average	Similar	Similar	Similar
Utilities:	All Urban	Inferior	Similar	Similar
Cover:	Open	5,000 Wooded (4,500)	(6,250) Wooded	Similar
Total Adjustments:		\$87	(\$19,526)	(\$320)
Indicated Value:		\$90,087	\$105,474	\$88,781

COMMENTS ON COMPARABLE DATA

The comparables are residential sites located close to the subject in Leland. They were all verified through the Multiple Listing Service and with a sales agent. These sales are similar to the subject in that they all are sites for single-unit residences. They are the best comparables available.

Property Rights: All of the comparable sales sold in fee simple estate. No adjustments are warranted.

Financing: The comparable sales were traded for cash (United States tender) or equivalents thereof. Either the grantors or grantees in these transactions made no special financing. No adjustments are necessary.

Conditions Of Sale: Comparables #101 and #102 are arm's length negotiated sales and do not require adjustments. Comparable #103 is a current listing; this is adjusted for on the Market Conditions line.

SALES COMPARISON APPROACH

COMMENTS ON COMPARABLE DATA (continued)

Market Conditions/Date Of Sale: The subject's marketing area and this portion of northwestern Michigan reflect a limited number of sales that transpire annually. This market had been distressed, but now appears stable. The sales are recent and occurred during current market conditions and do not require adjustments. Comparable #103 is a current listing. It is adjusted by minus 10%, based on observations of the typical discount from list price to sale price of the potential comparables researched for this appraisal and the data presented previously in **Market Conditions**.

Location: The subject has an urban location in Leland. Comparables #101 and #103 are located within a few blocks and have similar locations that do not require adjustments. Comparable #102 is within easy walking distance to public access on North Lake Leelanau. This is superior to the subject and a minus 10% adjustment is made for this difference.

Size: The subject vacant units and each of the comparables is one single-unit building site. The variance in size is not a significant factor because each is large enough to easily accommodate a house of a size (cost) that would be in ratio with the lot size. The difference in size is adjusted for at \$0.25 per square foot.

Access: The subject and each of the comparables are easily accessed off of a paved public road. No adjustments are necessary for this factor.

Improvements: Neither the subject or the comparables had any building improvements on them at the time of sale. No adjustments are necessary for this item.

View: The subject and each of the comparables have typical neighborhood views. Neither have a water view. No adjustments are required for this item.

Topography: The subject and each of the comparables is level to undulating. No adjustments are necessary for this item.

Functional Utility: The sales agent interviewed for comparable #101 felt that the deed restriction limiting future building height to 32' may have had an adverse effect on the marketability of the property because taller heights might provide for a limiting, distant view of the water (Lake Michigan). However, this property is zoned R-2, Village Residential similar to the subject. The R-2 zone dictates a maximum height of 2.5 stories, but not to exceed 35 feet. This is similar enough to the subject that adjusting for this difference is unwarranted in this analysis. The subject and comparables #102 and #103 are rectangular in shape and have similar utility. No adjustments are necessary.

**SALES COMPARISON APPROACH
COMMENTS ON COMPARABLE DATA (continued)**

Utilities: The subject has access to all urban utilities and the hookup fees have been paid. The additional costs for the second well house building and equipment is treated as a cost of development in the Discounted Cash Flow (DCF) analysis presented in the **Income Approach**. Comparable #101 does not have a well and will have to pay to hook up to the sewer. The adjustment made is based on the premium of \$5,000 that is placed on the price of comparable #103 that has a well and has paid the hookup fee compared to the current offering for sale of the lot next door that does not have these items. The sewer fee for comparable #102 had been paid.

Cover: The subject is mostly open. Comparable #101 and #102 are wooded. This is superior in this market and a minus adjustment of 5% is made for this factor.

CONCLUSION

	Sale Price	Indicated Value
COMPARABLE #101	\$90,000	\$90,087
COMPARABLE #102	\$125,000	\$105,474
COMPARABLE #103	\$99,000	\$88,781
Average	\$104,667	\$94,781

The comparables were chosen for their locations in Leland, similar use and recent sale dates. Comparable #101 is a very recent sale of a lot in Leland; it is a very influential comparable. Comparable #102 is also a very recent sale of a lot on Leland. It required an adjustment for its superior location closer to public lake access. It is an influential comparable for the subject. Comparable #103 is a current offering for sale of a very similar site in Leland. It tends to set the upper limit of value because it is currently available for sale as an alternative to the subject. However, the indicated value developed from comparable #103 is considered slightly low based on the indications of value of the other two comparables; and the fact that it is a listing and not a closed transaction. Based on this analysis of these comparable sales, it is estimated that a typical site in the subject project would be worth \$90,000. The subject sites that are typical of these lots is Unit #5, Rivertown Leland Condominium and the site on Cedar Street outside of the PUD. The site outside of the PUD is 60' x 252'; 15,120 square feet. It is effectively two sites and is valued this way for the DCF in the Income Approach. These two parcels are valued at the base rate of \$90,000 each and adjusted for the difference in size from the average of 4,732 square feet to their actual size of 7,560 square feet. The chart at the end of this analysis will display these factors and the indicated values.

SALES COMPARISON APPROACH

CONCLUSION (continued)

None of the other subject vacant parcels is typical. Unit #6 is planned to have three duplexes; six total units. It is noted that a commercial lot on Main Street sold on August 11, 2009 for \$80,000 cash. This lot is 100' x 90'; 9,000 square feet or 4,500 square feet per unit. This is very similar to the average size of the subject units. This sale implies a rate of \$40,000 per unit for the subject units, but it is also recognized that this is an inferior location for residential uses being on the main street through the area. Based on this reasoning, \$40,000 is too low and \$90,000 is too high.

There are other listings that point toward the bottom of the range. MLS #1735341 is a duplex lot at 721-723 Eastgate Place, Traverse City, Michigan, off Airport Access Road. This lot has been for sale for at least three years. The current asking price is \$25,000 or \$12,500 per unit. MLS #1715744 through #1715747 are four offerings of duplex sites in the Lone Tree Development, Garfield Township, Grand Traverse County off Long Lake Road near the Traverse City West High School. The current asking prices range from \$29,900 to \$34,900; or \$14,950 and \$17,450 per unit. All of these offerings have access to all utilities. While the subject's location in Leland is superior to these locations in the metropolitan Traverse City area, market indicators like these apply downward pressure on the analysis. Based on this research and analysis, the six sites that make up Unit #6 are estimated to be worth \$60,000 each, and then adjusted for the difference in size from the base area.

Unit #7 includes 11 vacant sites. These are freestanding cottage sites with detached garages. The 11 vacant sites total 34,332 square feet or 3,121 square feet per unit. A discount is appropriate for their higher density (smaller affective size). A discount is also necessary for their inferior functional utility of requiring detached garages. This discount is estimated to be 10%. The chart at the end of this analysis will display these factors and the indicated values.

The subject's four units with across the road frontage on the Leland River are large sites that have the added amenity of the river frontage. There have been no recent sales of lots with Leland River frontage. The most recent sale found dates back to July 30, 2007. This is MLS #1677667. It is located along Main Street and has 19 feet of direct frontage that is not visible from most of the site. The main portion of the site is 70' x 165'. This lot sold for \$300,000 with conventional financing. The market was significantly better then. Based on the data shown in the **Market Conditions** section, a reduction of at least 15% is warranted. This adjusts the price down to \$255,000. The main portion of this parcel is larger than the subject sites. The subject sites will be valued in the following chart based on the base value of \$255,000 with adjustments for differences in size.

**SALES COMPARISON APPROACH
CONCLUSION (continued)**

The only other waterfront comparable of interest is a recent sale of a 4.4 acre site located just north of Leland with shared frontage on Lake Michigan and Lake Leelanau. It has a Lake Leelanau view from its hillside location across the road from the lake. It sold for \$210,000 cash on August 22, 2013 after 91 days on the market. The parcel previously sold on March 5, 2009 for \$235,000 cash to a new mortgage.

Unit #	Size	Base Value	Adjustment for Size	Adjusted Value	Number of Sites	Indicated Value
1	8,320.00	\$255,000	\$1,185	\$256,200	1	\$256,200
1A	1,152.90					
2	6,680.60	\$255,000	\$1,029	\$256,000	1	\$256,000
2A	2,167.50					
3	6,344.10	\$255,000	\$1,090	\$256,100	1	\$256,100
3A	2,748.50					
4	6,249.10	\$255,000	\$1,333	\$256,300	1	\$256,300
4A	3,817.20					
5	4,234.80	\$90,000	(\$124)	\$89,900	1	\$89,900
6	22,408.70	\$60,000	(\$249)	\$59,800	6	\$358,800
7	34,332.00	\$81,000	(\$403)	\$80,600	11	\$886,600
Lots 9 & 10	15,120.00	\$90,000	\$707	\$90,700	2	\$181,400
Total	113,575.40		Average Value Per Site		24	\$105,888

The average value of \$105,888 will be used in the Discounted Cash Flow (DCF) in the Income Approach.

SALES COMPARISON APPROACH (continued)

UNITS #1 & #2 LELAND RIVERTOWN COTTAGES CONDOMINIUM

The following analysis estimated values for Unit #1 and #2 of Leland Rivertown Cottages Condominium, the improved units within the residential duplex structure. The units are essentially identical. One analysis is performed to estimate the value of each unit. The analysis is made as if the units were complete in the current market. A discount, or development cost will be taken in DCF presented in the Income Approach section of this report for the estimated cost to complete the units.

Comparable #104 is the sale of the condominium located at 499 S. Main Street (M-22), Leland. This location is about 0.3 mile southwest of the subject in a commercially developed area on the main street through Leland. This is Unit #2 of Main Street Condominium built in 2012. The development consists of two units in a side-by-side duplex structure. The units are two-story, cottage style over crawl space foundations. There is a large, detached garage for car storage; one stall per unit. This unit contains 1,491 square feet of above grade space with three bedrooms and 2.5 bathrooms. The unit displays very good quality and features custom millwork, tile and hardwood floor coverings; high end plumbing fixtures and quartz countertops. The exterior is cement fiber lap; and the gable style roof has a composition covering. Additional features include a covered porch and a natural gas fireplace. The unit is heated and cooled by a natural gas fired forced warm air furnace with central air conditioning. The unit was listed for sale in the NGLR MLS as #1734448 on April 2, 2012. The asking price was \$389,900. The sale closed 478 days later for \$360,000 cash including furnishings. The selling agent, Don Fedrigo believed the furnishings contributed roughly \$10,000 to value. This unit was in like new condition at the time of sale. The land for this development sold on August 11, 2009 for \$80,000 cash as previously discussed in the conclusion of values for the subject vacant units.



SALES COMPARISON APPROACH

UNITS #1 & #2 LELAND RIVERTOWN COTTAGES CONDOMINIUM (continued)

Comparable #105 is the sale of the condominium located at 5833 S. Lake Street, Glen Arbor. This location is just north of the village commercial strip along Western Avenue (M-22) and it is about 800 feet south of public access to Lake Michigan. This is Unit #4-D, Lake Street Condominium built in 2007. The development consists of four units in a quad-plex structure. Unit #4-D is an end unit (north end). The units are two-story, cottage style over crawl space foundations. Each unit has a one car attached garage. This unit contains 1,650 square feet of above grade space with two bedrooms and 2.5 bathrooms. The unit displays good quality and features maple wood floors, granite countertops and a central vacuuming system. The exterior is board and batten; and the gable style roof has a composition shingle or metal covering. Additional features include a covered porch, patio and a gas fired fireplace/stove. The unit is heated and cooled by a natural gas fired forced warm air furnace with central air conditioning. The unit was listed for sale in the NGLR MLS as #1737119 on June 18, 2012. The original asking price was \$369,000. The sale closed 130 days later for \$340,000 cash to a new mortgage. The asking price at the time of sale was \$358,400. The unit was reported to be in good condition at the time of sale.



SALES COMPARISON APPROACH

UNITS #1 & #2 LELAND RIVERTOWN COTTAGES CONDOMINIUM (continued)

Comparable #106 is the sale of the condominium located at 510 Main Street, in the Lake Michigan port city of Frankfort, Benzie County. This location is within Frankfort's Central Business District (CBD). This is Unit #500M Harbor View Condominium built in 1997. The development consists of 15 units in two buildings. Unit #500M is a second floor, corner unit (east end of east building). The building has an elevator and the units share the basement level including one built-in garage space per unit and secure storage. This unit faces Betsie Bay and overlooks the city marina and park. This unit contains 1,146 square feet on one level with two bedrooms and one bath. The unit displays average quality and features cathedral ceilings, solid surface counter tops, and an inland kitchen. The building exterior is vinyl lap and the gable style roof has a composition covering. Other features include a balcony/deck and a natural gas fireplace. The unit is heated and cooled by a natural gas fired forced warm air furnace with central air conditioning. The unit was listed for sale in the NGLR MLS as #1739194 on August 30, 2012. The original asking price was \$295,000. The sale closed 218 days later for \$204,000 cash to a new mortgage. The asking price at the time of sale was \$240,400. The unit was reported to be in average to good condition at the time of sale.



SALES COMPARISON (continued)
ANALYSIS GRID

ITEM	SUBJECT Units #1 & #2 Rivertown Cottages	COMPARABLE #104 499 S. Main Street Leland	COMPARABLE #105 5833 S. Lake Street Glen Arbor	COMPARABLE #106 510 Main Street Frankfort
Sale Price:	N/A	\$360,000	\$340,000	\$204,000
Property Rights:	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjusted Sale Price:	N/A	\$360,000	\$340,000	\$204,000
Financing:	N/A	Cash	Conventional	Conventional
Adjusted Sale Price:	N/A	\$360,000	\$340,000	\$204,000
Conditions of Sale:	N/A	Arms Length	Arms Length	Arms Length
Adjusted Sale Price:	N/A	\$360,000	\$340,000	\$204,000
Market Conditions:	Dec-13	Jul-13	Oct-12	Apr-13
Adjusted Sale Price:	0%	\$360,000	\$340,000	\$204,000
Sale Price/SF		\$241.45	\$206.06	\$178.01
Location:	Leland	Inferior	Superior	Inferior
View:	Neighborhood	Inferior	Similar	Superior
Design and Appeal:	1.5 Sty Cottage/Avg	Similar	Similar	Inferior
Quality of Construction:	Good	Superior	Superior	Inferior
Effective Age:	0	0	3	8
Condition:	Like New	Similar	Inferior	Inferior
Above Grade Rm Count:	Total Beds Baths	Rm Bd Bth	Rm Bd Bth	Rm Bd Bth
	3 2 2	4 3 2.1	4 2 2.1	4 2 1
Above Grade SF:	\$50 1,146	1491	1650	1146
Below Grade SF:	\$12 814	0	0	0
Below Grade Fin SF:	\$0 0	0	0	0
Functional Utility:	Average	Similar	Similar	Similar
Heating/Cooling:	Elect Heat/AC Pumps	NGasFWA/AC	NGasFWA/AC	NGasFWA/AC
Energy Eff Systems:	Average	Similar	Similar	Similar
Garage:	1 Car Att.	1 Car Det/Lrge	1 Car Att.	1 Car B-I
Porch/Patio/Deck:	Coverage Porch	Similar	Superior	Inferior
Fireplaces:	1	1	1	1
Amenities:	None	Similar	Similar	Similar
Other:	None	Furnishings	None	None
Net Adjustment:		(\$44,000)	(\$56,400)	\$75,300
Indicated Value:		\$316,000	\$283,600	\$279,300
Net Adjustments:		-12.22%	-16.59%	36.91%
Gross Adjustments:		27.67%	24.12%	48.68%

SALES COMPARISON APPROACH

UNITS #1 & #2 LELAND RIVERTOWN COTTAGES CONDOMINIUM (continued)

COMMENTS ON COMPARABLE DATA

Property Rights: All of the comparables sold in fee simple estate. No adjustments are warranted.

Financing: The comparable sales were traded for cash (United States tender) or equivalents thereof. No special financing was made by either the grantors or grantees in these transactions. No adjustments are necessary.

Conditions of Sale: The sales are arm's length transactions through the local area multiple listing service. No adjustments are required.

Market Conditions: The data presented in the Market Conditions section of this appraisal indicates that prices have fluctuated since the significant decline in values following the market crash in late 2008. The trend in this market is considered stable. The comparables are the most recent and reflect the current conditions of the market. No adjustments are necessary to the comparables due to their recent sale dates.

Unit Of Comparison/Size: Typically, single-unit residences are sold on a total sale price per property basis. This analysis follows the market.

Location: The subject is located in a residential area in Leland. Comparable #104 is located in Leland however, its proximity to commercial properties is inferior to the subject's. A plus \$10,000 adjustment is made for this difference. Comparable #105 is located close to Lake Michigan beaches in Glen Arbor. This is a superior location to the subject's requiring a minus \$20,000 adjustment for comparison purposes. Comparable #106 has a highly inferior location within Frankfort's CBD requiring a plus \$40,000 adjustment for this difference.

View: The subject and comparable #105 have typical views of the surrounding residential area. Comparable #104 has an inferior view of passing traffic and commercial properties along the highway. A plus \$10,000 is made to this comparable for comparison with the subject's superior view amenity. Comparable #106 has a superior view of the city marina, park and Betsie Bay off Lake Michigan requiring a minus \$10,000 adjustment for comparison purposes.

SALES COMPARISON APPROACH

UNITS #1 & #2 LELAND RIVERTOWN COTTAGES CONDOMINIUM

COMMENTS ON COMPARABLE DATA (continued)

Design and Appeal: The subject is a 1.5 story cottage style attached unit in a duplex structure. Comparable #104 is similar and does not require an adjustment. Comparable #105 is a two-story end unit in a four unit building. This is similar to the subject and no adjustment is necessary. Comparable #106 is an end unit however, it is an apartment style unit on the second floor of the building. This is inferior to the subject in design and appeal and a plus \$10,000 adjustment is made for this difference.

Quality of Construction: The subject displays good quality. Comparable #104 is a superior, higher end quality unit. The minus adjustment is based on a rate \$25 per square foot of above grade area based on the difference in depreciated costs. Comparable #105 displays superior quality compared to the subject. It is adjusted for at \$10 per square foot of above grade area based on depreciated costs. Comparable #106 is an inferior quality unit. It receives a plus \$10 per square foot of area for comparison with the subject's superior overall quality.

Effective Age: Effective age considers the remodeling and repairs that have been done over the years. They modify actual age. The subject and comparable #104 are essentially new units. No adjustments are necessary. The effective ages of comparables #105 and #106 are based on the appraiser's inspection and other available information. The adjustments made for the differences in effective ages between these two comparables and the subject are based on a rate of \$500 per year difference in effective age.

Condition: The subject and comparable #104 are in like new condition. No adjustment is required for this comparable. The subject is superior condition to comparables #105 and #106. They receive plus \$3,000 and \$8,000 adjustments respectfully for comparison with the subject superior condition.

Room Count: This line of adjustments considers the number of bedrooms and bathrooms. The difference in half baths is adjusted for at \$3,000 and the difference in full baths is adjusted for at \$6,000. Comparable #104 receives an additional \$1,000 minus adjustment for its superior third bedroom.

Above Grade Size: The difference in size between the subject and the comparables is adjusted for at \$50 per square foot. This rate considers depreciation and considers that the difference in size is surplus size. This difference in size does not require more kitchens, bathrooms or mechanicals, just more area.

Below Grade Size: The difference in below grade size between the subject and the comparables is adjusted for at \$12 per square foot.

Below Grade Finish: The subject has no below grade finish. No adjustments are necessary.

SALES COMPARISON APPROACH
UNITS #1 & #2 LELAND RIVERTOWN COTTAGES CONDOMINIUM
COMMENTS ON COMPARABLE DATA (continued)

Functional Utility: The subject's functional utility is considered to be similar to comparables. No adjustments are necessary.

Heating/Cooling: The subject utilizes three, electric and ductless air-to-air heat pumps for heating and cooling. The comparables feature conventional natural gas fired forced warm area furnaces with central air conditioning. This is superior to the subject's electric heat pumps and minus \$5,000 adjustments are made to the comparables for this difference.

Energy Efficient Systems: The subject is considered to be similar to the comparables for this item.

Garage: The subject has a one car attached garage. Comparable #104 has a one car detached garage however, its larger size and storage above are considered offsetting and no adjustment is warranted. Comparable #105 has a one car attached garage similar to the subject and comparable #106's built-in garage is similar enough that no adjustment is required.

Porch/Patio/Deck: The subject and comparable #104 have similar covered porches. Comparable #105 has a similar covered porch and a superior outdoor patio. A minus \$1,000 adjustment is made for this difference. Comparable #106 features an open deck/balcony. This is considered inferior and a plus \$1,000 adjustment is made for comparison with the subject.

Fireplaces: The subject and the comparables feature fireplaces. No adjustments are required.

Amenities: The subject and the comparables have no amenities such as clubhouse or swimming pool. No adjustments are necessary.

Other: Comparable #104 sold nicely furnished. A minus \$10,000 adjustment is made for the furnishings based on their contributory value as reported by the selling agent. The subject and comparables #105 and #106 are similar and do not require any adjustments.

SALES COMPARISON APPROACH

UNITS #1 & #2 LELAND RIVERTOWN COTTAGES CONDOMINIUM (continued)

CONCLUSION

	Indicated Value
COMPARABLE #104	\$316,000
COMPARABLE #105	\$283,600
COMPARABLE #106	\$279,300
AVERAGE	\$292,967

Comparable #104 is presented as a comparable because it is a recent sale of a condominium unit in a similar duplex structure in Leland. It is a larger unit and superior in quality to the subject. Its similar design and appeal; and Leland location make it a very influential comparable to the subject. Comparable #105 is a recent sale of an end unit condominium in Glen Arbor, a competing location to Leland. The unit is larger and superior in overall quality, but has a similar two bedroom room count. It is an influential comparable for the subject. Comparable #106 is utilized as a comparable because it is a recent sale of an equal size corner (end) unit in Frankfort, a similar Lake Michigan community. Its design and appeal is inferior to the subject and it is inferior in overall quality. It is an average comparable for the subject. Based on this analysis of these comparable sales, Units #1 and #2, Leland Rivertown Cottages Condominium are estimated to be worth **\$300,000 each** as if complete in the current market giving comparables #104 and #105 primary consideration in the final value estimate.

The \$300,000 value per unit will be used in the Discounted Cash Flow (DCF) in the Income Approach. The costs to complete the units will be treated as a development cost in the DCF.

The subject parcel adjacent to the fire station and outside of the PUD, as a standalone parcel in accordance with the client's instructions is estimated to have the following value. The site outside of the PUD is 60' x 252'; 15,120 square feet. It is effectively two sites averaging 7,560 square feet of land area per site. The parcels are valued at \$90,700 per site based on the vacant site analysis presented previously in this section of the report.

INDICATED VALUE OF SITE ADJACENT TO THE FIRE STATION AS A STANDALONE PARCEL VIA THE SALES COMPARISON APPROACH: \$181,400

INCOME APPROACH

In the Income Approach, typically, the rent is estimated by comparison to like rental properties in the market, by the same process used in the Sales Comparison Approach. Expenses are then calculated and deducted from the rent to arrive at the Net Operating Income. The Net Operating Income is then processed into indications of value based on different methods.

The method most often used is by an Overall Capitalization Rate. The rate is developed from the market by finding similar rental properties that have sold recently and dividing their Net Operating Income by their cash equivalent sale price to arrive at a Capitalization Rate. The subject's Net Operating Income is then divided by the rate developed in market.

The Income Approach is most applicable to investment properties. This is generally any property held as an investment, such as offices, apartments, and retail stores. In the case of the subject, the use of the Income Approach is applied by taking the estimated market values of the individual units from the Sales Comparison Approach and processing them as follows. The market is analyzed in order to estimate the likely absorption of the units (how quickly will they sell?). The future value of the units (their sale prices when they sell in the future) is discounted to a present value. Development costs, holding costs through the anticipated sellout period, sales costs and entrepreneurial profit are estimated or calculated and deducted from the present value of the unit sales.

BULK VALUE ANALYSIS

The value of the subject is not the simple sum of the value of the individual units. The bulk nature of the property must be considered. The theory of this analysis is based on how much the market (one single purchaser) would justify paying to purchase all of the units, in anticipation of selling them for a profit. The analysis must consider development costs, sales cost, holding costs, and an entrepreneurial profit.

UNIT VALUES

The unit values were estimated in the Sales Comparison Approach. Since it is not possible to predict in what order the vacant units will sell, an average unit value is used. The average value estimated earlier in the Sales Comparison Approach is \$105,888. The estimate value per improved unit of \$300,000 each is also used in the analysis to estimate the present value of all of the units in a bulk sale. Considering current market conditions, it is projected that vacant unit prices will remain stable during the first two years of sellout period and then increase by 5% in the fourth year. No price increases are projected for the subject improved units.

INCOME APPROACH (continued)

ABSORPTION

This is the estimate of how long it will take to sell the individual portions of the subject; not the subject as a whole that was discussed and estimated in the **Exposure and Marketing Time** section of this report. This is always a very difficult prediction.

Vacant Units: Listings for the subject go back to about May 2007 with no sales reported, though portions were under contract at one time or another. This had been a time period of oversupply and very low demand for real estate. Much of the property that had been for sale in Leland is now sold and there is a more even balance between supply and demand. However, there are still seven vacant sites with proximate locations to the subject currently offered for sale. There is a wide range in days on market for the recent vacant sales utilized in the Sales Comparison Approach. Comparable #101 was on the market for 771 days prior to its sale on August 16, 2013. This comparable was originally priced at \$149,900. However, when the asking price was eventually reduced to \$99,000 on July 1, 2013, it went under contract for sale just 25 days later on July 26, 2013. Comparable #102 sold after 20 days on the market. However, a previous listing beginning on May 8, 2012 expired after 238 days on the market. It sold for 10% less than its asking price at the time of sale. The values for the subject estimated in this Sales Comparison Analysis reflect the current market as supported by these comparables and other comparables. It is anticipated that at the price level estimated for the subject sites in this analysis a swifter marketing time will be possible. The following chart displays data on how many vacant lots have sold per year in Leland over the last two years, the total projected inventory and a mathematical projection of absorption of the subject units.

ABSORPTION - Vacant Units	Vacant Lot	
	Year	Sales
	2012	2
To Date	2013	3
Projected	2013	4
Total		6
Historical Sales/Year (includes projected 2013)		3.00
Current Active Listings For Sale		7
Subject Vacant Units		24
Total Projected Inventory		31
Sellout of Subject Units and Inventory in Years		10.33
Projected Subject Units Absorption Per Year		2.32

INCOME APPROACH (continued)

Adding the subject vacant units to the current inventory of seven lots and dividing by the average number of lots per year (three) indicates that it will mathematically take over ten years for the market to absorb the subject units and current available inventory. This projection equates to 2.32 subject units selling per year.

However, based on the discussion in the **Market Conditions** section of this report and the price level estimated for the subject units discussed previously, it is estimated that three subject unit sales can be achieved each year; selling out the vacant units in the eighth year.

Improved Units: The improved comparables presented in the Sales Comparison Approach reflect marketing times ranging from 130 to 478 days. They average 275 days on the market or about nine months. However, the median days on market for active listings of improved condominiums presented previously in **Market Conditions** is 175 days, or just under six months. Demand and supply for this market segment are approaching equilibrium and there are no competitive offerings currently listed for sale in the immediate marketing area. Based on these data and observations, the sellout model projects that one subject improved unit will be sold in six month with the following unit being absorbed in the twelfth month of the sellout model priced at their estimated values developed in this report.

INCOME APPROACH (continued)

DISCOUNT FACTOR AND ENTREPRENEURIAL PROFIT



TM

4th Quarter, 2013

Market Commentary

RealtyRates.com™ *Developer Survey* Reports Decreased Discount Rates For Most Subdivisions, Increased Rates For All Condos During 3rd Quarter 2013

Reflecting increasing prices and demand, together with a dearth of new product still largely unable to compete price wise with existing stock, average discount rates decreased for most subdivision types, but increased rates for all condominium types during 3rd Quarter 2013.

Overall, Site-Built Residential Subdivision and PUD Rates decreased an average 39 basis points, but Manufactured Housing rates increased an average 14 basis points, while Business and Industrial Park rates decreased an average 44 basis points during the 3rd Quarter. Residential Condominium and Co-Op rates, on the other hand, increased an average 59 basis points during the same period.

Overall, pro-forma discount rates again declined somewhat less than actual rates, indicating a less positive outlook by developers than has been noted in the recent past.

INCOME APPROACH (continued)

DISCOUNT FACTOR AND ENTREPRENEURIAL PROFIT

There was no data found in the research that would support the selection of a discount rate from the market. Due to the lack of market data, the 4th quarter, 2013 RealtyRates.com Developer's Survey from the Great Lakes region (Illinois, Indiana, Michigan, Ohio & Wisconsin) is presented as support in the selection of a discount rate for the subject. The survey below quotes an average discount rate (IRR), including developer's profit of 26.43% for subdivision and PUDs.

RealtyRates.com DEVELOPER SURVEY - 4th Quarter 2013 ^a						
Great Lakes - Subdivisions & PUDs						
	Actual Rates			Pro-Forma Rates		
	Min	Max	Avg	Min	Max	Avg
Site-Built Residential	17.97%	41.73%	27.66%	17.25%	40.06%	26.56%
-100 Units	17.97%	35.97%	26.43%	17.25%	34.53%	25.37%
100-500 Units	18.41%	39.57%	27.83%	17.68%	37.99%	26.72%
500+ Units	18.86%	41.37%	28.31%	18.11%	39.71%	27.18%
Mixed Use	19.31%	41.73%	28.08%	18.54%	40.06%	26.95%
Manufactured Housing	18.31%	44.08%	28.92%	17.58%	42.32%	27.76%
-100 Units	18.31%	38.33%	27.75%	17.58%	36.80%	26.64%
100-500 Units	18.77%	42.17%	29.25%	18.02%	40.48%	28.08%
500+ Units	19.22%	44.08%	29.75%	18.46%	42.32%	28.56%
Business Parks	18.27%	41.03%	27.52%	17.54%	39.39%	26.42%
-100 Acres	18.27%	35.68%	26.43%	17.54%	34.25%	25.38%
100-500 Acres	18.72%	39.25%	27.83%	17.98%	37.68%	26.71%
500+ Acres	19.18%	41.03%	28.30%	18.41%	39.39%	27.17%
Industrial Parks	18.38%	35.52%	25.09%	17.64%	34.10%	24.08%
-100 Acres	18.38%	30.89%	24.14%	17.64%	29.66%	23.18%
100-500 Acres	18.84%	33.98%	25.35%	18.09%	32.62%	24.34%
500+ Acres	19.30%	35.52%	25.77%	18.53%	34.10%	24.74%

^a3rd Quarter 2013 Data

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INCOME APPROACH (continued)

The 4th quarter 2013 RealtyRates.com Developer's Survey, Great Lakes region for condominiums and cooperatives is presented next. The survey below quotes an average discount rate (IRR), excluding developer's profit of 17.60% for primary residential and 18.67% for resort & second home.

RealtyRates.com DEVELOPER SURVEY - 4th Quarter 2013*						
Great Lakes - Condominiums & Co-Ops						
	Actual Rates			Pro-Forma Rates		
	Min	Max	Avg	Min	Max	Avg
Primary Residential	12.49%	23.91%	17.60%	11.99%	22.95%	16.81%
Hi-Rise/Urban Townhouse	13.32%	23.91%	18.24%	12.79%	22.95%	17.51%
Garden/Suburban Townhouse	12.49%	22.62%	16.85%	11.99%	21.71%	16.18%
Mixed Use	13.13%	23.77%	17.71%	12.08%	22.82%	16.75%
Resort & Second Home	14.19%	25.93%	18.67%	13.62%	24.89%	17.92%
Hi-Rise	14.33%	25.93%	19.73%	13.76%	24.89%	18.94%
Garden/Townhouse	14.19%	22.50%	17.61%	13.62%	21.60%	16.91%
Commercial/Industrial	10.73%	23.70%	16.15%	10.30%	22.75%	15.50%
Urban Office	11.84%	21.85%	16.51%	11.37%	20.97%	15.85%
Suburban Office	10.78%	21.48%	15.48%	10.35%	20.62%	14.86%
Retail	11.51%	23.70%	16.90%	11.05%	22.75%	16.23%
Industrial	10.73%	22.00%	15.71%	10.30%	21.12%	15.08%

*3rd Quarter 2013 Data

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ENTREPRENEURIAL PROFIT

The condominium and cooperative rate do not incorporate developer's profit. The discount rate chosen for the subject is the average actual rate displayed for site built residential development less than 100 units of 26.43%. For analysis purposes, entrepreneurial profit is broken out from the average discount rate for subdivisions and PUDs presented on the preceding page so that it can be timed with the sales. The entrepreneurial profit is 15% resulting in 11.43% being utilized for the discount rate in this analysis.

INCOME APPROACH (continued)

REAL ESTATE TAXES

The majority of the subject units are not assessed. For analysis purposes, the real estate taxes are based on one-half of the individual retail unit values estimated within this report multiplied by the current non-principle residence Millage rate for the township, plus the 1% administration fee. In this analysis, the unit taxes are anticipated to be level for the analysis period. The analysis anticipates that the developer will pay for the taxes on unsold units during the sellout period.

REAL ESTATE COMMISSIONS & CLOSING COSTS

Real estate commissions and other sales costs including recording fees and title insurance will be 8.0% of the total value of the unit. Co-broker commissions for the vacant and improved comparable sales ranged from a low of 2.5% to 4.0%. These rates would typically be half of the total commission paid by the seller. Based on this, a total commission is estimated to be 6% plus 2% for all closing costs including transfer taxes produces a total sales cost of 8.0%.

TIMING OF SALES

Discounted Cash Flow (DCF) analyses typically are performed on an annual basis with sales recorded at the end of the period. This analysis starts with the first group of vacant sales and one improved sale occurring in six months. The analysis anticipates the second improved sale occurring in the twelfth month of the sellout period. The remaining groups of vacant sales are projected to be absorbed every 12 months from the initial group sale occurring in six months. This smoothes out the analysis considering that vacant unit sales will take place from time to time during the year.

DEVELOPMENT EXPENSES

The development expenses to be borne by the purchaser include completion of the second well house and related equipment, build-out of the interior of Unit #2 Leland Rivertown Cottages Condominium, complete exterior painting of Units #1 and #2 Leland Rivertown Cottages Condominium and landscaping (Units #1 and #2).

The estimated cost to complete the second well house is \$36,000 based on the work plan approved by the MDEQ for the well house that is completed. This cost includes building construction, central water softener system, management, etc.

INCOME APPROACH (continued)

The 2013 Marshall Valuation Service cost manual is relied upon to estimate the cost to build-out the interior of Unit #2, Leland Rivertown Cottages Condominium. The Marshall Valuation Service publishes rates per square foot for interior build-out for town houses ranging from \$54.19 per square foot for good quality to \$76.51 per square foot for excellent quality. A rate at the top of the range is chosen because these rates exclude rough electrical and plumbing. The exterior painting cost is estimated at \$15,000. Landscaping costs including underground sprinkling is projected to be \$25,000 based on rates published by the Marshall Valuation Service. Added to the development costs is an additional 15% for contingencies. The math follows:

Estimated Development Cost Schedule		
Item		Estimated Cost
Completion of Second Well House		\$36,000
Interior Build-Out of Unit #2	1146 SF @ \$76.51	\$87,680
Exterior Painting		\$15,000
Landscaping		\$25,000
SUB-TOTAL		\$163,680
Contingencies		\$24,552
TOTAL		\$188,233
ROUNDED		\$189,000

The development expenses would be incurred before sales took place. If there are any additional development expenses that will have to be borne by the purchaser, those expenses should reduce the estimated value.

INCOME APPROACH (continued)
DISCOUNTED CASH FLOW ANALYSIS

Total Estimated Sell Out Value		Discounted Cash Flow Analysis									
\$1,493,000		Unit Sell Out Discounted Cash Flow Analysis									
Total Number of Units	26										
Number of Months		6	12	18	30	42	54	66	78	90	TOTALS
Vacant Units Sold	24	3	0	3	3	3	3	3	3	3	24
Improved Units Sold	2	1	1	0	0	0	0	0	0	0	2
Cumulative Units Sold		4	5	8	11	14	17	20	23	26	26
Average Vacant Unit Price	\$105,888	\$105,888	\$105,888	\$105,888	\$105,888	\$111,182	\$116,741	\$122,578	\$128,707	\$135,142	
Improved Unit Price	\$300,000	\$300,000	\$300,000								
Total Monthly Income		\$617,663	\$300,000	\$317,663	\$317,663	\$333,546	\$350,223	\$367,734	\$386,121	\$405,427	
Cumulative Income		\$617,663	\$917,663	\$1,235,325	\$1,552,988	\$1,886,533	\$2,236,756	\$2,604,490	\$2,990,611	\$3,396,038	
Income Growth Rate	5.00%										
Expenses											
Millage											
Real Estate Taxes	0.0298972	\$40,680	\$4,529	\$31,175	\$26,379	\$21,582	\$16,786	\$11,990	\$7,194	\$2,398	
Entrepreneurial profit	15%	\$92,649	\$45,000	\$47,649	\$47,649	\$50,032	\$52,533	\$55,160	\$57,918	\$60,814	
Cost of Sales	8.00%	\$49,413	\$24,000	\$25,413	\$25,413	\$26,684	\$28,018	\$29,419	\$30,890	\$32,434	
SUB TOTAL EXPENSES		\$182,742	\$73,529	\$104,237	\$99,441	\$98,298	\$97,338	\$96,569	\$96,002	\$95,646	
Net Income		\$434,921	\$226,471	\$213,426	\$218,222	\$235,248	\$252,885	\$271,165	\$290,119	\$309,781	
Expense Ratio		29.6%	24.5%	32.8%	31.3%	29.5%	27.8%	26.3%	24.9%	23.6%	
Discount Rate	11.43%										
Development Costs	\$189,000										
Present Value of Cash Flow		\$410,873	\$202,119	\$179,945	\$164,205	\$157,982	\$151,566	\$145,046	\$138,498	\$131,983	\$1,682,216
Present Value Factor		0.94471	0.89247	0.84313	0.75247	0.67156	0.59935	0.53490	0.47738	0.42605	

INCOME APPROACH (continued)

The discounted cash flow analysis is utilized to recognize that, based on the definition of market value, anyone purchasing the subject as a group of units would expect to be able to purchase them at a lower price than the sum of the value of each individual unit. The sellout period is deemed reasonable based on the current market conditions, the estimated unit values and the comparables analyzed. The discount rate recognizes the current cost of funds and the subject's moderate risk and the rates provide an adequate return to an investor.

Indicated Value Via the Income Approach:
(including parcel adjacent to the fire station) \$1,493,000

A second DCF is developed excluding the parcel adjacent to the fire station in accordance to the client's instructions. This reduces the total number of vacant units in the analysis to 22 units. The average size of the 22 vacant units is slightly smaller; now 4,475 square feet. The DCF analysis excluding the parcel adjacent to the fire station is presented on the following page.

INCOME APPROACH (continued)

DISCOUNTED CASH FLOW ANALYSIS - EXCLUDING PARCEL ADJACENT TO THE FIRE STATION

Total Estimated Sell Out Value		Discounted Cash Flow Analysis									
\$1,421,000		Unit Sell Out Discounted Cash Flow Analysis									
		6	12	18	30	42	54	66	78	90	TOTALS
Total Number of Units	24										
Number of Months											
Vacant Units Sold	22	3	0	3	3	3	3	3	3	1	22
Improved Units Sold	2	1	1	0	0	0	0	0	0	0	2
Cumulative Units Sold		4	5	8	11	14	17	20	23	24	24
Average Vacant Unit Price	\$105,888	\$105,888	\$105,888	\$105,888	\$105,888	\$111,182	\$116,741	\$122,578	\$128,707	\$135,142	
Improved Unit Price	\$300,000	\$300,000	\$300,000								
Total Monthly Income		\$617,663	\$300,000	\$317,663	\$317,663	\$333,546	\$350,223	\$367,734	\$386,121	\$135,142	
Cumulative Income		\$617,663	\$917,663	\$1,235,325	\$1,552,988	\$1,886,533	\$2,236,756	\$2,604,490	\$2,990,611	\$3,125,753	
Income Growth Rate	5.00%										
Expenses											
Millage											
Real Estate Taxes	0.0298972	\$37,482	\$4,529	\$27,977	\$23,181	\$18,385	\$13,589	\$8,793	\$3,997	\$799	
Entrepreneurial profit	15%	\$92,649	\$45,000	\$47,649	\$47,649	\$50,032	\$52,533	\$55,160	\$57,918	\$20,271	
Cost of Sales	8.00%	\$49,413	\$24,000	\$25,413	\$25,413	\$26,684	\$28,018	\$29,419	\$30,890	\$10,811	
SUB TOTAL EXPENSES		\$179,545	\$73,529	\$101,040	\$96,244	\$95,101	\$94,140	\$93,372	\$92,805	\$31,882	
Net Income		\$438,118	\$226,471	\$216,623	\$221,419	\$238,445	\$256,083	\$274,362	\$293,316	\$103,260	
Expense Ratio		29.1%	24.5%	31.8%	30.3%	28.5%	26.9%	25.4%	24.0%	23.6%	
Discount Rate	11.43%										
Development Costs	\$189,000										
Present Value of Cash Flow		\$413,894	\$202,119	\$182,640	\$166,611	\$160,129	\$153,482	\$146,757	\$140,024	\$43,994	\$1,609,650
Present Value Factor		0.94471	0.89247	0.84313	0.75247	0.67156	0.59935	0.53490	0.47738	0.42605	

INCOME APPROACH

EXCLUDING PARCEL ADJACENT TO THE FIRE STATION (continued)

The total indicated sellout value excluding the parcels adjacent to the fire station is \$1,421,000

Indicated Value Via the Income Approach:

(excluding parcel adjacent to the fire station)

\$1,421,000

CORRELATION & CONCLUSION OF VALUE

The Cost Approach was not developed. This approach can provide valuable insights into the valuation question, but for a situation like the subject, where the development is already completed and there are few other proposed improvements, this approach is not applicable. In any case, the market, a potential purchaser of all of the units, would not be interested in how much they cost to produce. An investor would be interested in how much they could sell the units for, how much it would cost to sell them, and how long it would take to sell them. These questions are all answered in the Discounted Cash Flow analysis used in the Income Approach.

The Sales Comparison Approach is utilized to estimate the value of the subject units. Since the subject's value is not the sum of the values of the units, this approach does not produce an indication of value for the subject as a whole. A value conclusion for the parcel adjacent to the fire station and outside of the PUD is made within this approach. The estimated value of the parcel adjacent to the fire station as a standalone parcel is \$181,400.

The indicated value by the Income Approach for the entire subject property, including the parcel adjacent to the fire station is \$1,493,000. This is the bulk value of the future unit sales. This is the most appropriate method for appraising a group of condominiums and building sites. The subject's potential unit values are discounted to a present value. A second indication of value within this approach is made for the subject excluding the parcel adjacent to the fire station in accordance with the client's instructions. The indicated value for the subject, excluding the parcel adjacent to the fire station is \$1,421,000.

In our opinion, subject to the Limiting Conditions and Assumptions contained herein, the market value of the fee simple estate of the vacant parcel adjacent to the fire station, as of the 4th day of December 2013 was **One Hundred Eighty One Thousand Four Hundred Dollars (\$181,400)**.

In our opinion, subject to the Limiting Conditions and Assumptions contained herein, the market value of the fee simple estate of the entire subject property, including the parcel adjacent to the fire station was **One Million Four Hundred Ninety Three Thousand Dollars (\$1,493,000)**.

In our opinion, subject to the Limiting Conditions and Assumptions contained herein, the market value of the fee simple estate of the subject property, excluding the parcel adjacent to the fire station was **One Million Four Hundred Twenty One Thousand Dollars (\$1,421,000)**.

CORRELATION & CONCLUSION OF VALUE (continued)

Respectfully submitted,



William H. Muha
Cert. General Appraiser #1201003234



Michael Tarnow, MAI, SRA
Certified General Appraiser #1201000638
Supervising Appraiser, I have not recently
inspected the subject property.

ASSUMPTIONS AND LIMITING CONDITIONS

1. The owner of the fee simple estate is assumed to have a free and clear interest with no encumbrances that cannot be cleared through normal channels.
2. The information on which this appraisal is based has been obtained from sources normally used by Northern Michigan Real Estate Consultants and is considered to be reliable, but is not guaranteed.
3. Northern Michigan Real Estate Consultants reserves the right to alter the opinion of value on the basis of information withheld or not discovered in the normal course of its investigation.
4. The appraiser assumes no responsibility for matters of a legal nature affecting the property or the title thereto. The appraiser does not render any opinion as to title, which is assumed to be good and marketable.
5. It is assumed that there is full compliance by the property and owner with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.
6. The appraiser is not required to give testimony or appear in court because of having made this appraisal with reference to the property in question, unless arrangements have been previously made therefore. The fee charged for this appraisal does not include payment for court testimony or for further consultation.
7. No opinion of an engineering nature is intentionally expressed or implied and no responsibility is assumed for matters concerning engineering of the property in its entirety.
8. No survey has been made especially for this appraisal. Property lines, area size, survey and other documents either of record or otherwise provided, are assumed to be correct.
9. Maps, plats and exhibits are for illustration only, as an aid in visualizing matters discussed within the report. They should not be relied upon for any other purpose.
10. Unless otherwise stated, the appraisers make no representation or warranties as to the adequacy or condition of appliances, electrical systems, plumbing and heating, air conditioning, the presence of insulation, adequacy or condition of structural systems or any other subsystem within the property. The appraisers assumes no responsibility for any costs incurred to discover or correct any deficiencies present in the property.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

11. The forecasts, projections or operating estimates are based upon current market conditions, anticipated short term supply and demand factors and a continued stable economy. These forecasts are, therefore, subject to changes in future conditions. The appraiser cannot be held responsible for unforeseeable events that alter market conditions after the effective date of the appraisal.
12. The overall condition of the improvements was based upon the appraiser's visual inspection. Should a qualified structural engineer make a determination on the improvements than what is contained within the report, we reserve the right to alter the value conclusions contained herein.
13. The Market Value is based upon current and expected market conditions as of the date specified. Therefore, based upon this assumption, we cannot be held reliable for unforeseeable events that may alter market conditions subsequent to the effective date of the appraisal.
14. On January 26, 1992, the Americans with Disabilities Act (ADA) took affect. This report has not considered this act and the impact it may have on the subject with respect to renovation cost and general compliance. Should a report be provided which indicates a possible renovation, I reserve the right to amend this report.
15. Possession of this report, or a copy, does not carry with it the right of publication. None of this report shall be conveyed to any person or entity other than the appraisers' or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the previous written consent and approval of the authors or firm with which the appraiser is connected, or any reference to the Appraisal Institute or designation. Further, the appraisers or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make such party aware of all the assumptions and limiting conditions of the assignment.
16. This appraisal is to be used in whole, not in part. The contents and any reference to the Appraisal Institute, or the MAI designation, shall not be used in connection with any other appraisal or disseminated to the public through advertising, public relations, news, sales or other media without the prior written permission of Northern Michigan Real Estate Consultants.
17. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
18. Disclosure of the contents of the appraisal is governed by the Bylaws and Regulations of the professional organizations with which the appraiser (s) and/or Northern Michigan Real Estate Consultants are affiliated.
19. Acceptance of and/or use of this report constitutes acceptance of these conditions.
20. On all appraisals, subject to satisfactory completion, repairs or alternation, the appraisal report and value conclusion are contingent upon completion of the improvements in a timely and workmanlike manner.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

21. The information and opinions contained in this appraisal are set forth in my best judgment in light of the information available at the time of the preparation of this report. Any use of this report by any other person or entity, or any reliance or decisions based on this appraisal are the sole responsibility and at the sole risk of the third party. We accept no responsibility for damages suffered by any third party as a result of reliance on or decisions made or actions taken based on this report. Furthermore, we reserve the right to alter my opinion of value on the basis of information withheld or not discovered in the course of my investigation. Acceptance of and/or use of this report constitutes agreement with these terms and conditions.

22. The client hereby guarantees to NMREC and the appraiser signing this report that if this appraisal is given in whole or in part to any third party that the client cited herein will, in writing, declare to said third party to not to place any reliance on anything contained in said appraisal or parts thereof and that NMREC and the appraiser has duty to the client cited herein only and not to any third party.

CERTIFICATION

We certify that, to the best of our knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and they are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.

We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;

We have performed services, as appraisers, regarding the property that is the subject of this report within the three-year period immediately preceding the acceptance of this assignment.

We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.

I, William Muha have made a personal inspection of the property that is the subject of this report.

I, Michael Tarnow, have not made a personal inspection of the property that is the subject of this report.

No one provided significant real property appraisal assistance to the persons signing this certification.

The appraiser's analysis, opinions, and conclusions were developed, and the report has been prepared in conformity with the code of Professional Ethics and *Standards of Professional Appraisal Practice* of the Appraisal Foundation and the Appraisal Institute.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

CERTIFICATION (continued)

As of the date of this report, I, Michael Tarnow, MAI, SRA, have completed the Continuing Education program of the Appraisal Institute.

In Michigan, appraisers are required to be licensed/certified and are regulated by the Michigan Department of Licensing and Regulatory Affairs, P.O. Box 30018, Lansing, MI 48909.

The appraisers' qualification sheets are contained in the Addenda of this report.



William Muha
Appraiser



Michael Tarnow, MAI, SRA
Supervising Appraiser, I have not recently
inspected the subject property.

February 3, 2014

ADDENDA

REGIONAL DATA

Leelanau County is one of five counties located within "The Grand Traverse Area" which also includes the counties of Antrim, Benzie, Grand Traverse, and Kalkaska. This area has been one of the fastest growing regions of Michigan. According to the U.S. Census statistics for 2000, the population of the five-county region grew 11% from 147,740 in 1999 to 163,452 in 2000. The 2000 population of the five-county area is contained in a total of 2,165 square miles. This results in there being an average of only 75.50 people per square mile. Leelanau County grew 28% from the 1990 population count of 16,527 to the 2000 Census count of 21,119 persons.



REGIONAL DATA (continued)

Leelanau County is a peninsula in Lake Michigan. There are at least 85 miles of Lake Michigan shoreline plus many miles of shoreline on inland lakes, most notably Glen Lake and Lake Leelanau. This is a popular vacation area. There are a large variety of sizes and values in the waterfront properties. Many are only used seasonally. Off-water, this area has a very low population density. The Sleeping Bear Dunes National Lakeshore, a part of the National Park system, owns most of the vacant land. The Park is located along the Lake Michigan shoreline in Leelanau and Benzie Counties. The park includes several thousand acres of wilderness area and over 50 miles of Lake Michigan shoreline.



Leelanau, an Indian word meaning: "Delight of Life," certainly reflects what can be seen when traveling this peninsula, one of Michigan's gems. This name, suggested by Henry Schoolcraft, Michigan's Indian agent during the mid 1800s, aptly fits the feeling one gets when looking over the pristine waters, clear blue sky and forested coastlines of Grand Traverse Bay and Lake Michigan.

Leelanau County was officially established in 1863 with Northport as the County Seat until 1882, when it was transferred to Leland. The County Seat moved to Suttons Bay Township in 2008. The lighthouse, at the peninsula's northernmost point, (currently a museum open in the summer), was first constructed in 1858 to guide freighters through the Manitou Passage, and marks the entrance to the Grand Traverse Bay. Leelanau County's scenery is hard to beat: from the Sleeping Bear Dunes just north of Empire, to inland Lake Leelanau, to the calm waters of Omena and Suttons Bays, there is plenty to do. Not to mention the vineyards and wineries, cherry orchards, or taking the summer ferry from Leland to North Manitou Island. Traverse City, located in neighboring Grand Traverse County, is the regional center for shopping, employment, and medical services.

REGIONAL DATA (continued)

Sleeping Bear Dunes National Lakeshore

Though located in Leelanau County, Sleeping Bear Dunes National Lakeshore, tucked in the northwest corner of Michigan's Lower Peninsula, won the title of "Good Morning America's" Most Beautiful Place in America in August 2011. http://abcnews.go.com/Travel/best_places_USA/sleeping-bear-dunes-michigan-voted-good-morning-americas

The dunes are 35 miles of Lake Michigan coastline and tower as high as 460 feet above Lake Michigan. The Lakeshore also includes North and South Manitou Islands. The Sleeping Bear Dunes National Lakeshore was primarily established to include natural features, such as; forests, beaches, dunes and ancient glacial phenomena. It also includes an 1871 lighthouse, three former Coast Guard Stations and a historic farm district.

The dunes are open year-round and offer cross-country skiing, hiking and dune climbing. These are just a few of the activities available to do in this beautiful area.

The Legend Of Sleeping Bear

Long ago a great famine had spread over the land. Longingly, a mother bear and two famished cubs walked the shore on the Wisconsin side, gazing wistfully across the great lake at Michigan, which in those days was the land of plenty, as it is today. Finally, hunger overcame them and the bears launched out, trying to swim to Michigan. As they got closer and closer to the Michigan shore, the mother's words of encouragement urged on the weary cubs. When only twelve miles from the land of plenty, the mother's heart was rent as she saw a babe sink and drown. With the remaining cub she struggled to gain the beach. Two miles of slow dragging and the second of her beloved cubs also perished.

The mother reached the beach, alone, and crept to a resting place where she lay down facing the restless waters that covered her lost ones. As she gazed, two beautiful islands slowly rose to mark the graves of the cubs. The Great Spirit Manitou created two islands (North and South Manitou Islands) to mark the spot where the cubs disappeared and then created a solitary dune to represent the faithful mother bear. (<http://www.geo.msu.edu/geogmich/bearlegend.html>)

REGIONAL DATA (continued)

Suttons Bay

Suttons Bay is located in the township of the same name on Grand Traverse Bay on the east side of the Leelanau Peninsula. Suttons Bay today has become an adjunct community to Traverse City as well as a tourist destination.

Northport

Northport is situated in Leelanau Township near the tip of Leelanau County's Peninsula, overlooking Grand Traverse Bay. Today, Northport remains a picture-perfect town, with tourism as its main business. Northport boasts a fine harbor and park, full service grocery and many other stores, including six antique shops and even more art galleries.

The hills around Northport are filled with cherry and apple orchards. Leelanau State Park at the northern tip of the Leelanau Peninsula is home to the historic and well restored Grand Traverse Lighthouse and Peterson Park. Leelanau Conservancy's Kehl Lake Natural Area is a hundred acre preserve, which includes about 1700 feet of the southwest shoreline of Kehl Lake, Leelanau County's only undeveloped private lake.

Empire

Empire is located on Lake Michigan coastline in the southwest corner of Leelanau County. Today, Empire retains its small town atmosphere and is primarily a tourist area. It is the gateway to the Sleeping Bear Dunes, which can be seen from its beach to the north

Glen Arbor

The community of Glen Arbor is situated within the Township of Glen Arbor and is within the Sleeping Bear Dunes National Shoreline. Glen Arbor today is a popular tourist spot, because of its location between Glen Lake and the Sleeping Bear Dunes.

Glen Arbor is a popular tourist area for a few months during the summer when the local merchants and year-round inhabitants watch the population nearly triple. It has several specialty shops, resorts and restaurants for visitors. Residents of Detroit, Chicago, and many other parts of the Midwest travel to Northern Michigan to enjoy the warm weather and scenic beaches. Glen Arbor is situated on a small strip of land directly between the Glen Lakes and Lake Michigan which allows visitors to choose from two different bodies of water from which to waterski, fish, or sunbathe. The community sits in the middle of Sleeping Bear Dunes National Lakeshore, a federally protected park.

During the winter months, mostly year-round inhabitants remain in the area to take advantage of outdoor winter sports. Both downhill skiing and cross-country skiing are popular pastimes along with hiking and hunting. Locals typically enjoy the cold and quiet of the winter over the crowds and noise of the summer months.

The Homestead Resort is located about three miles north of Glen Arbor. This destination resort lies on the shore of Lake Michigan. It has a downhill ski area and considerable Lake Michigan shoreline. The Sleeping Bear Dunes National Park surrounds the Village of Glen Arbor and traverses the western Lake Michigan shoreline north and south of Glen Arbor. For the most part, this is a residential area. Most uses along the lakes in this area are residential and recreational.

REGIONAL DATA (continued)

Lake Leelanau

Lake Leelanau is located in the central portion of the county. It is an unincorporated community in Leland Township, Leelanau County, Michigan, near the lake of the same name. It is situated along M-204 at the "narrows" that separate North and South Lake Leelanau. The village of Lake Leelanau includes its hearty year-round residents; however, as summer comes to the Leelanau Peninsula, vacationers flock to the area to enjoy its scenic beauty, boating, fishing, friendly restaurants, quaint shops and quiet charm along the 'narrows'. This tranquil life was celebrated in a series of essays written by Kathleen Stocking.

Leland

Leland is a picturesque little community located on a sliver of land between Lake Michigan and Lake Leelanau, on the west shoreline of the beautiful Leelanau Peninsula. It is about 25 miles northwest of Traverse City. This uncommon and charming community is mesmerizing with its beauty and amenities.

The local industries are fruit growing and packing (mostly cherries, apples and wine grapes) and tourism. Leelanau County is a major tourist and fruit farming area. The Villages of Glen Arbor, (15 miles southwest), Suttons Bay (7 miles southeast) and Empire (25 miles southwest) attract a significant number of affluent tourists.

Visitors arrive by car, boat, and bicycle. Once here, Leland is a great "walking around" town. All of the shops, restaurants, galleries, and museums are located within a short distance. There is easy access to public beaches, boat launches on each lake, and a river connecting the two.

Leland's historical district, known as 'Fishtown', features rustic shanties and docks reminiscent of life and commercial fishing one hundred years ago. Today, galleries and unique shops fill their walls, and charter fishing trips and the only public ferry to the popular Manitou Islands depart from those same docks. The adjacent full service marina is the perfect place for launching and mooring boats on Lake Michigan.

The Peshawbestown Indian Reservation is located about 10 miles east of the village, between Northport and Suttons Bay. The reservation includes a large modern casino, a restaurant/lounge area, a motel and a large stage area for major entertainers. This is helping to bring tourists to the area.

REGIONAL DATA (continued)

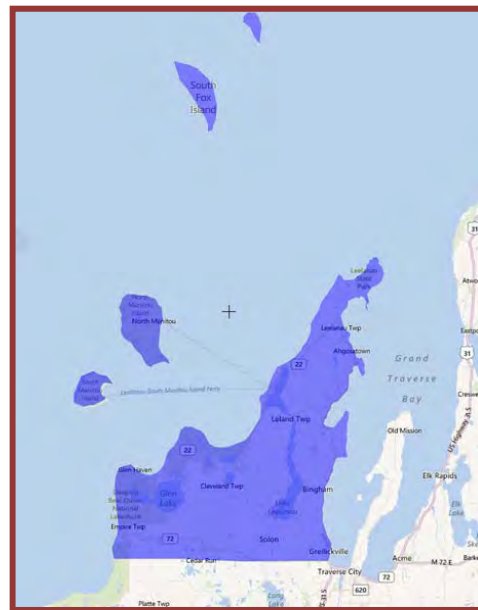
Profile of Leelanau County

The only local industry is fruit packing. Leelanau County is a major tourist and fruit farming area. The Villages of Suttons Bay and Northport attract a significant number of wealthy tourists. This area is attractive during all four seasons. During the winter months, there is sufficient snow for all winter recreational activities. During the spring season, tourist activity is usually at its lowest level. The main spring attractions are cherry blossoms, morel mushrooms and trout fishing. The summer is the busiest season because of the water related activities available in the area. Fall is a popular season for color tours and hunting.

Many secondary roads are gravel and winter access is difficult to some of the more remote locations in the county.

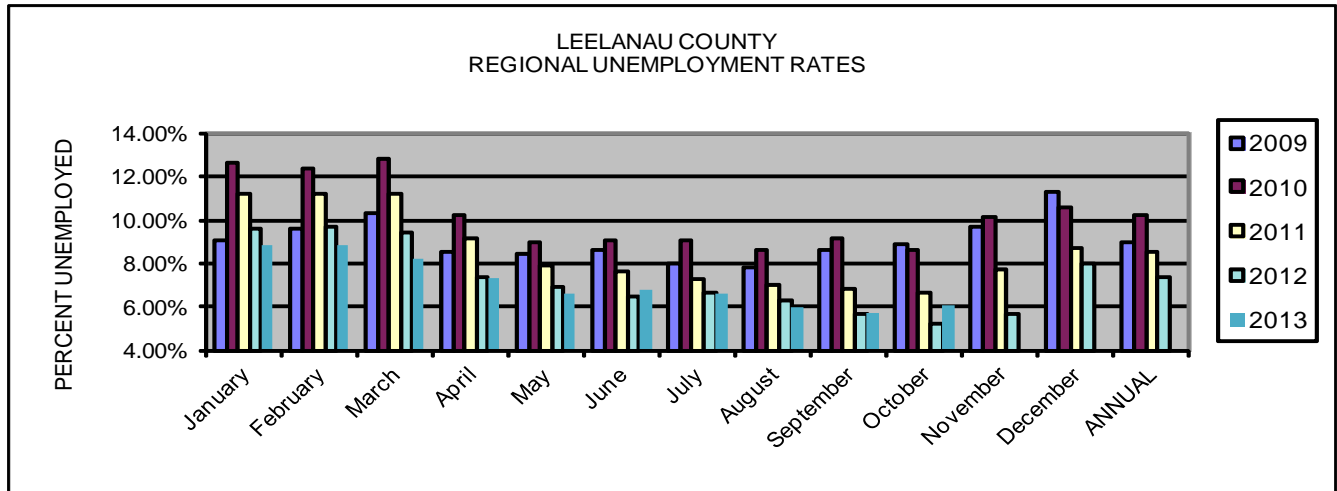
Leelanau County			
	%	SQ. MILES	KM
Total Area	100.00%	2,532.38	6,559
Land	13.76%	348.47	903
Water	86.24%	2,183.91	5,656
Michigan		58,110 SQ. MILES	
United States		3,531,905 SQ. MILES	

10/2012 en. wikipedia. org/wiki/Airegan_County,_MI



REGIONAL DATA (continued)

As of October 2013, the labor force was 10,335 people of which 9,702 were employed; this left 633 idled and created Leelanau County's average unemployment rate for October of 6.1%. This average jobless rate was lower than the rates for the years 2009 through 2011, but was higher than the rate for 2012 for the same time period. *(These rates are Not Seasonally Adjusted.)* Source: milmi.org



Statistical information for Leelanau County follows:

LEELANAU COUNTY	2009	2010	2011	2012	2013
	<i>Annual</i>	<i>Annual</i>	<i>Annual</i>	<i>Annual</i>	<i>October</i>
Total Labor Force:	10,767	10,545	10,343	10,292	10,335
Employed:	9,794	9,474	9,463	9,527	9,702
Unemployed:	973	1,071	880	765	633
Unemployment Rate:	9.0%	10.2%	8.5%	7.4%	6.1%

milmi.org

The next chart shows how Michigan's unemployment rate compares with the unemployment rate for the United States.

UNEMPLOYMENT RATE													
	Annual 2011	Annual 2012	12-Aug	Jan-13	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct
MI	10.3%	9.1%	9.2%	8.9%	8.8%	8.5%	8.4%	8.40%	8.7%	8.8%	9.0%	8.3%	8.3%
US	8.9%	8.1%	8.2%	7.9%	7.7%	7.6%	7.5%	7.60%	7.60%	7.40%	7.30%	7.00%	7.00%

milmi.org Not Seasonally Adjusted

REGIONAL DATA (continued)

The business employment by sector is broken into the categories below. There are 10,160 civilian employees aged 16+ in Leelanau County. The Manufacturing and Service Industries make up the majority of the employers in the county.

LEELANAU COUNTY 2010 Employed Civilians 16+	Percentage of Employees Per Industry
Agriculture; Forestry; Fishing; Hunting	3.5%
Mining	0.6%
Construction	8.8%
Manufacturing	6.5%
Wholesale Trade	2.1%
Retail Trade	10.7%
Transportation; Warehousing	2.1%
Utilities	0.4%
Information	1.6%
Finance; Insurance	3.7%
Real Estate; Rental; Leasing	3.2%
Professional, Scientific; Technical Services	6.0%
Management of Companies; Enterprises	0.0%
Administration; Support; Waste Management Services	1.9%
Educational Services	12.2%
Health Care; Social Assistance	15.6%
Arts; Entertainment; Recreation	3.9%
Accommodation; Food Services	7.5%
Other Services	4.6%
Public Administration	4.9%
TOTAL EMPLOYEES AGED 16+	10,160

REGIONAL DATA (continued)

Below is the list of the top employers for Leelanau County.

PRINCIPAL EMPLOYERS IN LEELANAU COUNTY 45 + EMPLOYEES		
Business	# Employees	Product
Grand Traverse Band of Ottawa Indians	1,000	Gaming Commission
Grand Traverse Band of Economic	300	Hotel/Motel Operation, Real Estate Agent/Manager
Grand Traverse Band of Ottawa	290	Hotel/Motel Operation
Suttons Bay Public School District	213	Elementary/Secondary School
Leelanau Memorial Health Center	140	General Hospital Skilled Nursing Care Facility Specialty Hospital
Easling Construction Company	95	General Contractor: Commercial Buildings /Residential Homes
National Park Service	81	National Park (Sleeping Bear Dunes Nat'l Lakeshore)
Glen Lake Community School	80	Elementary/Secondary School
Luminant Energy Company, LLC	75	Natural Gas Marketing
Cherry Republic, Inc.	75	Retail: Miscellaneous Foods
Sunshine Fruit Farms	75	Deciduous Tree Fruit Farm
Schefko, Inc.	75	Eating Place
Traverse Barrington City, LLC	65	Television Station
Miltz Properties, Inc.	60	Resort Hotel
Paul W. Maurer, General Contractor	60	Contractor: Single Family Homes/Commercial Buildings
Leland Public Schools	55	Elementary/Secondary School
Willow Vineyards, Inc.	52	Vineyard/Winery/Retail Sales
Camp Leelanau & Kohahna Fndtn.	50	Sports/Recreation Camp
Leelanau Fruit Company	50	Wholesale, Packaged, Frozen Goods
County of Leelanau	50	Police Protection
Bluebird of Leland, Inc.	47	Eating Place, Drinking Place
Northport Public Schools	45	Elementary/Secondary School
		<i>Source: Harris Publishing Company, 2008 InfoSource</i>

06-15-2012 <http://ref.michigan.org/medc/miinfo/places/>

OTHER TOP EMPLOYERS IN LEELANAU COUNTY		
Business	# Employees	Product
SYB, Inc.	350	Hotels and Motels
Grand Traverse Band of Ottawa	250	Legislative Chamber
Suttons Bay Public School District	178	Schools/Education
Leelanau Memorial Hospital	140	Health Care
National Park Service	81	Amusement/Recreation
Glen Lake Community School District	80	Education
Leelanau County	75	Legislative Chamber
Western Avenue Grill	55	Eating & Drinking Places
Leland Public Schools	55	School/Education
		<i>Source: Harris Publishing Company, 2008 InfoSource</i>

REGIONAL DATA (continued)

According to the 2000 census, the population for Leelanau County was 21,119; this was an increase from the 1990 census. The 2010 median age was 42.5 years old, with a median income of \$47,119 per year.

POPULATION STATISTICS				
LEELANAU COUNTY	1990	2000	2012	2015
	CENSUS	CENSUS	ESTIMATE	ESTIMATE
Total Population	16,527	21,119	22,119	21,371
Median Age	36.5	42.5	51.0	48.1
Total Households	6,274	8,436	9,316	8,770
Male Population	8,236	10,532	10,932	10,784
Median Age	U/A	41.9	50.5	47.6
Female Population	8,291	10,587	11,187	10,587
Median Age	U/A	43.0	51.5	48.7

Source: CCIM stdbonline

	1990	2000	2010	2012	2015
POPULATION					ESTIMATE
MICHIGAN	9,295,304	9,938,444	98,883,635	9,887,588	10,039,343
UNITED STATES	248,710,012	281,421,906	308,745,538	313,129,017	323,209,391

The following chart and graph show the household income trends for Leelanau County.

HOUSEHOLD INCOME TRENDS				
Leelanau County	1990	2000	2012	2015
	CENSUS	CENSUS	CENSUS	ESTIMATE
Median HH Income	\$28,589	\$47,119	\$52,770	\$59,003
Average HH Income	\$34,630	\$60,884	\$71,052	\$71,685
Per Capita Income	\$13,307	\$24,686	\$30,113	\$29,583
Median Home Value	\$73,082	\$164,914	\$163,085	\$192,838
Average Home Value	\$98,120	\$233,016	\$207,125	\$279,098

stdbonline.esri.com

REGIONAL DATA (continued)

Travel

The regional airport is located in Traverse City. It is serviced by a number of feeder airlines, which are affiliated with major airlines. They generally will coordinate their schedules so the passenger can continue to their destination after a stop at a hub airport. Nonstop flights are available to Grand Rapids, Lansing, Saginaw, Detroit, Chicago and Milwaukee. Most of the metropolitan cities are also located within driving distances.

LEELANAU County		
DISTANCES	Miles	KM
Chicago	370	595
Cleveland	430	691
Detroit	270	434
Indianapolis	400	643
Lansing	200	321
Pittsburgh	540	869

ref.michigan.org/medc/miinfo/places/

Leelanau County	TRANSPORTATION
Main Highways	M-109; M-22; M-204; M-209; M-72; M-201
Rail Lines	Leelanau Transit
Ports	Traverse City (20 mi-Lake Michigan)
Airports	Sugar Loaf Resort Airport; Cherry Capitol Airport, Traverse City
Airlines	American Eagle; Northwest, United Express; Northwest Airlin; Midwest Express
<i>Source: MI State Transportation Commission, 1995</i>	

10/2012 ref.michigan.org/medc/miinfo/places/

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SKETCH/AREA TABLE ADDENDUM

SUBJECT	Property Address	City	State	Zip
	Borrower			
	Lender/Client			
	Appraiser Name			

IMPROVEMENTS SKETCH



Scale: 1 = 15'

AREA CALCULATIONS

AREA CALCULATIONS SUMMARY			
Code	Description	Net Size	Net Totals
GLA1	First Floor	814.4	
	Second Floor	331.2	1145.6
GAR	Garage	257.6	257.6
	Net LIVABLE Area	(rounded)	1146

LIVING AREA BREAKDOWN		
	Breakdown	Subtotals
First Floor		
	9.0 x 6.6	59.4
	2.0 x 13.7	27.4
	36.7 x 23.7	727.6
Second Floor		
	23.7 x 8.7	206.2
	9.4 x 13.3	125.0
	5 Items	(rounded)
		1146

HMREC
APEX SOFTWARE 800-555-9888
Apv7100w Apex Modis

Storage Tank Facilities List

Facility and Tank Details

Facility Information:

Facility ID:00001379
 Leelanau County Sheriff's Dept
 201 CHANDLER, LELAND, MI 49654
 Phone#: (616) 256-2261

Owner Information:

Leelanau County Sheriff's Dept
 201 CHANDLER ST, LELAND, MI 49654
 Phone#: (616) 256-2261

Tank ID	Tank Status	Capacity (in gallons)	Installation Date	Substance Stored	Tank Release Detection	Piping Release Detection	Piping Material	Piping Type	Construction Material	Impressed Device
1	Removed from Ground	2000	3/17/1978 12:00:00 AM	Gasoline			Unknown		Asphalt Coated or Bare Steel	No
2	Removed from Ground	1000	3/17/1978 12:00:00 AM	Gasoline			Unknown		Asphalt Coated or Bare Steel	No
3	Removed from Ground	275	3/17/1978 12:00:00 AM				Unknown		Asphalt Coated or Bare Steel	No
4	Removed from Ground	2000	3/17/1978 12:00:00 AM	Diesel			Unknown		Asphalt Coated or Bare Steel	No

Release Information

Leak ID	LUST Site Name	Discovery Date	Substance Released	Release Status	Closed Date	Evaluation	Land Use Restrictions
C-1178-93	Leelanau County Sheriff's Department	09/24/1993	Gasoline,Unknown	Closed	08/27/1996	Tier 1 Evaluation	NONE

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Michael Tarnow, MAI, SRA



Northern Michigan Real Estate Consultants
413 North Division Street
Traverse City, Michigan 49684
Phone 231-941-1001 ext. 11 Fax 231-941-5334
mtarnow@nmrec.com www.nmrec.com

November 18, 2013

Chet Janik
County Administrator
Leelanau County
8527 E. Government Center Drive
Suite 101
Suttons Bay, MI 49682
By email

RE: Appraisal of Rivertown Leland PUD

Pursuant to your request, we are happy to submit a proposal for the appraisal of the property located at Chandler Street, Leland, MI.

The appraisal shall be prepared for Leelanau County as client and is for the sole and exclusive use of the client as the intended user of the appraisal report. The intended use of the appraisal is to estimate the subject property's market value to help set an asking price for the property. The appraisal is not intended for any other use or user. The legal form of ownership in the property appraised will be the fee simple interest. The property will be valued based on the existing PUD or per your directions and as of the date of inspection.

Market Value is defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to buyer under conditions whereby:

1. *Buyer and seller are typically motivated.*
2. *Both parties are well informed or well advised, and each acting in what he considers his own best interest.*
3. *A reasonable time is allowed for exposure in the open market.*
4. *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.*

5. *The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4th ed. (Chicago: Appraisal Institute, 2002):

The appraisal will be prepared in accordance with the Uniform Standards of Professional Appraisal Practice. Attached to this letter is a copy of our Statement of Limiting Conditions and Appraiser's Certification which are attached to all appraisals prepared by this office. Please review and initial each attached page and return the executed copy to us indicating your acceptance and approval of our Limiting Conditions and Appraiser's Certification.

The estimated completion date of the appraisal is 45 days from our receipt of your acceptance of this agreement. We can only complete the appraisal by this date if we receive from you in a timely manner any relevant information needed for the preparation of the report. In order to complete this appraisal, the following information will be needed: access to the two townhouses.

We will furnish you with six hard copies and a pdf copy of the appraisal report. Our fee for this appraisal will be \$3,885 for a summary appraisal. The appraisal will include the valuation of the individual parcels and include a discounted cash flow (DCF) analysis in order to estimate the value of the entire property. This fee includes the cost of all expenses that may be incurred in the preparation of the report. A bill for the appraisal fee will be presented and immediate payment will be requested at the time the report is completed.


I will proceed with the preparation of this appraisal upon receipt of a signed copy of this letter and an initialed copy of the Statement of Limiting Conditions and Appraiser's Certification. If you have any questions about anything contained in this letter or in any of the attachments, please give us a call.

Sincerely,



Michael Tarnow, MAI, SRA

Engagement Letter Accepted:


(client signature)

11-19-13
(date)

COMPARABLE #101



Property Identification

Record ID	684
Property Type	Vacant Land
Address	304 N Second Street, Leland, Leelanau County, Michigan
Location	Section 9
Tax ID	45-009-750-261-02
MSA	Leland Township
Market Type	In Town

Sale Data

Grantor	Edward Mantey
Sale Date	August 16, 2013
Property Rights	Fee Simple
Marketing Time	771 DOM
Conditions of Sale	Arm's Length
Financing	Cash
Verification	NGLR MLS#1728512; Judy Levin, Sales Agent

Sale Price	\$90,000
Cash Equivalent	\$90,000

Land Data

Zoning	Residential
Topography	Level & Wooded
Utilities	Electric, Natural Gas, Telephone, Municipal Sewer is available
Dimensions	50' x 115'
Shape	Irregular
Corner Location	Yes
Type of Road	Paved
Environmental Contamination	Unknown

Land Size Information

Gross Land Size	0.132 Acres or 5,750 SF
------------------------	-------------------------

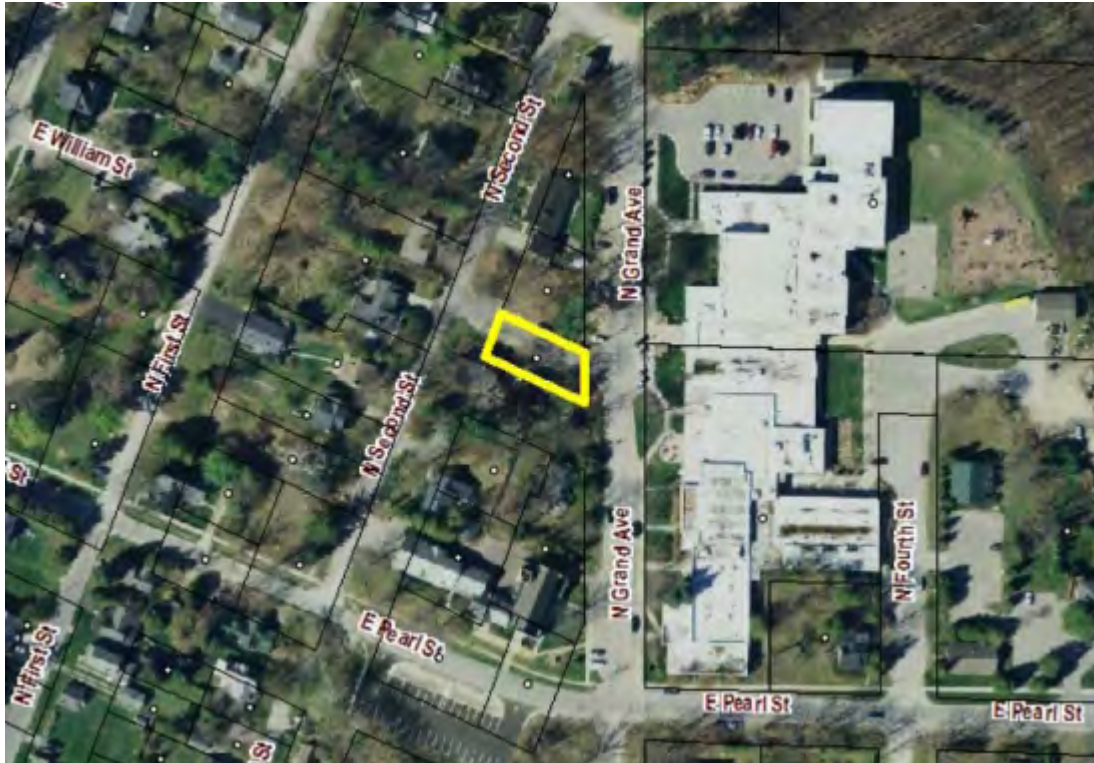
COMPARABLE #101 (continued)

Indicators

Sale Price/Gross Acre	\$681,809
Sale Price/Gross SF	\$15.65

Remarks

This site is deed restricted to a maximum building height of 32 feet.



COMPARABLE #102



Property Identification

Record ID	685
Property Type	Vacant Land
Address	S Fifth Street, Leland, Leelanau County, Michigan
Location	Section 9
Tax ID	45-009-550-907-00
MSA	Leland Township
Market Type	In Town

Sale Data

Grantor	Gloria Steel Trust
Grantee	Allard Trust
Sale Date	August 23, 2013
Property Rights	Fee Simple
Marketing Time	20 DOM
Conditions of Sale	Arm's Length
Financing	Cash
Verification	NGLR MLS# 1749806

Sale Price	\$125,000
Cash Equivalent	\$125,000

Land Data

Zoning	Residential
Topography	Level & Wooded
Utilities	Electric, Natural Gas, Telephone & Municipal Sewer available
Dimensions	60' x 120'
Shape	Rectangular
Corner Location	Yes
Type of Road	Paved
Environmental Contamination	Unknown

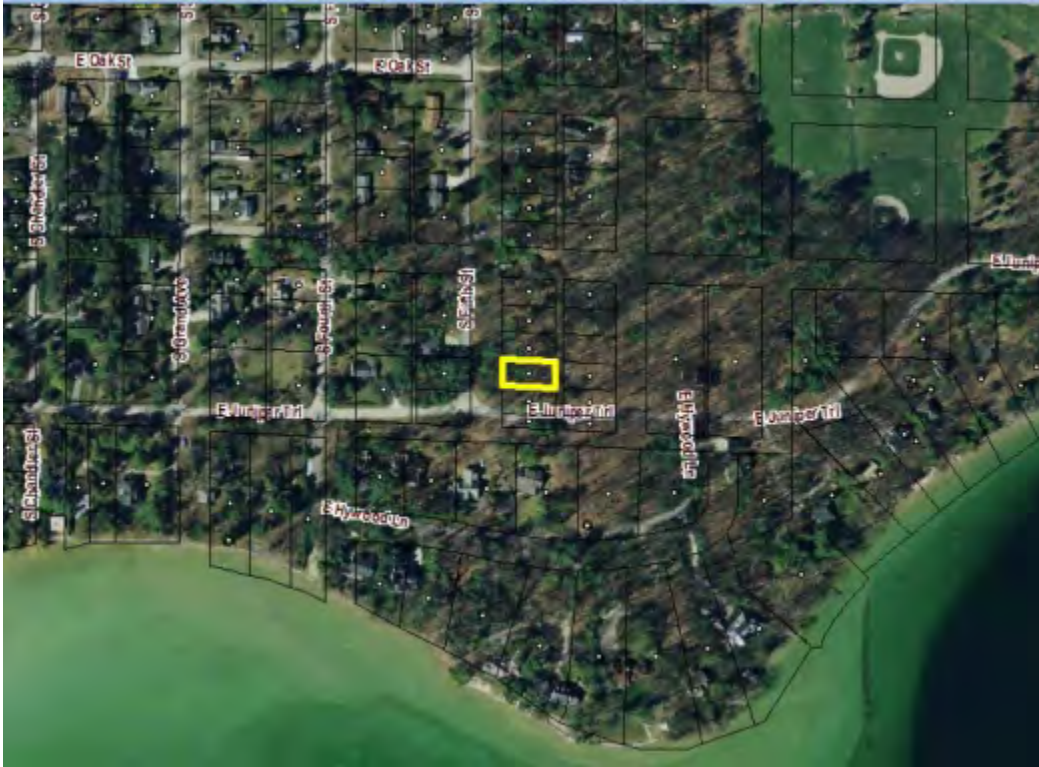
Land Size Information

Gross Land Size	0.165 Acres or 7,200 SF
------------------------	-------------------------

COMPARABLE #102 (continued)

Indicators

Sale Price/Gross Acre	\$756,250
Sale Price/Gross SF	\$17.36



COMPARABLE #103



Property Identification

Record ID	318
Property Type	Residential
Address	South Edward Avenue, Leland, Leelanau County, Michigan 49654
Tax ID	45-009-600-509-00
Comment	Section 9
MSA	Leland Township

Sale Data

Grantor	Boone
Sale History	Listed on March 5, 2012
Verification	MLS #1733756

Listing Price	\$99,000
Cash Equivalent	\$99,000

Land Data

Zoning	Vacant Land
Topography	Level, Open
Utilities	Private Well & Municipal Sewer Options, Natural Gas, Electricity, Telephone
Dimensions	50' x 107.5'
Shape	Rectangular
Type of Road	Paved Municipal Road
Environmental Contamination	Unknown

Land Size Information

Gross Land Size	0.123 Acres or 5,375 SF
------------------------	-------------------------

COMPARABLE #103 (continued)

Indicators

Sale Price/Gross Acre	\$802,314
Sale Price/Gross SF	\$18.42

Remarks

This property is located in an area of beautiful homes, in the Village of Leland. This lot is within walking distance to public access on North Lake Leelanau, Leland Country Club and Fishtown. This parcel has an existing well, septic tank and Township sewer hookup.



COMPARABLE SALES



0 mi 0.2 0.4 0.6

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COMPARABLE #104



Property Identification

Record ID	791
Property Type	Apartment - Condominium
Address	499 S Main Street, Leland, Leelanau County, Michigan
Location	Unit #2 Main Street Condominium
Tax ID	45-009-730-201-00
MSA	Leland Township

Sale Data

Grantor	Leland Partners
Grantee	Buck Trust, Bill B
Sale Date	July 24, 2013
Deed Book/Page	1130:996
Property Rights	Fee Simple
Marketing Time	478 DOM
Conditions of Sale	Arm's Length
Financing	Cash
Verification	NGLR MLS# 1734448; Don Fedrighon, Listing Agent

Sale Price	\$360,000
Cash Equivalent	\$360,000

Land Data

Zoning	PUD
Topography	Level
Utilities	Electric, Natural Gas, Telephone, Municipal Sewer
Corner Location	Yes
Type of Road	Paved
Environmental Contamination	Unknown

Remarks

This unit's development consists of two units in a side-by-side duplex structure. It is a two-story unit with three bedrooms and 2.5 bathrooms. There is a detached garage.

The selling agent stated that the furnishings contributed roughly \$10,000 to the value.

COMPARABLE #105



Property Identification

Record ID	792
Property Type	Apartment - Condominium
Address	5833 S Lake Street, Glen Arbor, Leelanau County, Michigan
Location	Unit #4-D, Lake Street Condominium
Tax ID	45-006-722-004-00
MSA	Glen Arbor Township

Sale Data

Grantor	Barry Ransick
Grantee	Laurence & Li-mon Cheung
Sale Date	October 26, 2012
Deed Book/Page	1142:59
Property Rights	Fee Simple
Marketing Time	130 DOM
Conditions of Sale	Arm's Length
Financing	Conventional
Verification	NGLR MLS# 1737119

Sale Price	\$340,000
Cash Equivalent	\$340,000

Land Data

Zoning	Residential
Topography	Mostly Level
Utilities	Electric, Natural Gas, Telephone
Corner Location	No
Type of Road	Paved
Environmental Contamination	Unknown

Remarks

This development consists of four units in a quad-plex structure. This unit is an end unit and is a two story cottage style unit. It has a one car attached garage. It has two bedrooms and 2.5 bathrooms.

COMPARABLE #106



Property Identification

Record ID	793
Property Type	Apartment - Condominium
Address	510 Main Street, Frankfort, Benzie County, Michigan
Location	Unit #500M Harbor View Condominium
Tax ID	10-51-175-001-13
MSA	Crystal Lake Township

Sale Data

Grantor	White, Sanford B & Cindy M Etal
Grantee	Stuart Scripps
Sale Date	April 05, 2013
Deed Book/Page	2013R:02135
Property Rights	Fee Simple
Marketing Time	218 DOM
Conditions of Sale	Arm's Length
Financing	Conventional
Verification	NGLR MLS# 1739194

Sale Price	\$204,000
Cash Equivalent	\$204,000

Land Data

Zoning	Residential
Utilities	All Urban
Dimensions	200' x 200'
Shape	Square
Corner Location	Yes
Type of Road	Paved
Environmental Contamination	Unknown

Remarks

This unit is part of a development that consists of 15 units in two buildings. Units share the basement level, including one built-in garage space and secure storage. This unit has two bedrooms and one bath. It is a second floor, corner unit. There is an elevator.

COMPARABLE SALES



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QUALIFICATIONS OF THE APPRAISER

WILLIAM MUHA

Associated with Northern Michigan Real Estate Consultants, Inc.
State Certified Real Estate Appraiser (State of Michigan) #1201003234

EDUCATION

COLLEGE

- Michigan State University, East Lansing, Michigan
 - Bachelor of Science Degree, 1982

APPRAISAL EXPERIENCE

- Garfield Charter Township Staff Appraiser, 1990-1992
- Garfield Charter Township Deputy Assessor, 1992-1994
- Associated with Northern Michigan Real Estate Consultants, Inc., 1994-present

STATE LICENSES

- State of Michigan State Assessor Board Level I Certification, December 1988
- State of Michigan State Assessor Board Level II Certification, April 1989
- State of Michigan State Assessor Board Level III Certification, March 1994

APPRAISAL EDUCATION

- Basic Assessment Administration Course I – 1988
- Michigan Assessors Association, Income Approach I – 1989
- IAAO Course 301 Mass Appraisal of Residential Property – 1990
- Michigan Assessors Association, Personal Property I – 1990
- Michigan Assessors Association, Computer Literacy - 1991
- Michigan Assessors Association, Michigan Tax Tribunal – 1991
- Michigan Assessors Association, Personal Property II – 1991
- USPAP, American Society of Appraisers – 1991
- IAAO Course 2 Income Approach to Value – 1992
- Michigan Assessors Association, Tax Law and Exemptions – 1992
- IAAO Course 1 Fundamentals of Real Property Appraisal – 1993
- Michigan Assessors Association, Narrative Appraisal Writing – 1993
- IAAO Course 202 Income Approach to Value II – 1994
- Stratford Institute Inc., Introduction to Small Business Valuation – 1996
- Northern Michigan University, Capitalization 301 – 2001
- Basics of Assessing & Beyond – August 2004
- Appraisal 302 – Commercial Cost Approach – March 2007
- APNC 1093 – Appraisal Current Events – May 2009
- APNC 162 – Appraisal of Mixed Use Properties – May 2009
- NMU #1315 – Intro. To Income Approach for Non-Residential Properties – April 2011

PROFESSIONAL DESIGNATION

- State Certified Real Estate Appraiser (State of Michigan) #1201003234

PROFESSIONAL AFFILIATION

- Traverse Area Association of Realtors

PARTIAL CLIENT LIST

- Alpena Public Schools
- American Community Mutual Insurance Company
- American Hotel Motel Brokers
- Appraisal Management Company, Inc.
- Chase Manhattan Mortgage Company
- Citizens Bank
- Comerica Mortgage Company
- Executive Relocation
- Bank One
- First Federal of Michigan
- First of America Bank
- Fifth Third Bank
- GMAC Mortgage
- Grand Traverse County Road Commission
- Grand Traverse Regional Land Conservancy
- HFS Mobility Services
- Huntington Bank
- Interlochen Center for the Arts
- Leelanau Conservancy
- Legal Services of Northern Michigan, Inc.
- Marriott International Corporation
- Merrill Lynch Credit Corporation
- Michigan Department of Natural Resources
- Michigan Department of Transportation
- Mellon Mortgage Company
- Munson Medical Center
- National Park Service
- Nature Conservancy
- North American Capital Advisors
- Northern Michigan Land Brokers
- Northwestern Michigan Community College
- Northwestern Bank
- Norwest Mortgage
- Prudential Relocation Management
- Republic Bank
- Standard Federal Bank
- Traverse City Area Public Schools
- Traverse City Community Hospital
- United Way – Grand Traverse Area

QUALIFIED AS AN EXPERT WITNESS

- Michigan Tax Tribunal

RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

A1556234

CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU
CERTIFIED GENERAL APPRAISER
LICENSE



WILLIAM HUGH MUHA
413 N DIVISION ST
TRAVERSE CITY MI 49684

PERMANENT LIC. NO.
1201003234

EXPIRATION DATE
07/31/2015

ALERT NO.
2673161

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UNDER THE LAWS OF THE STATE
OF MICHIGAN.

QUALIFICATIONS OF THE APPRAISER

MICHAEL TARNOW, MAI, SRA

Co-Owner and Founder of Northern Michigan Real Estate Consultants, Inc.
(formerly Michael Tarnow & Associates, P.C.)
State Certified General Real Estate Appraiser (State of Michigan) #1201000638

PROFESSIONAL DESIGNATIONS

- **RM** now **SRA** (Residential Member) Appraisal Institute since November 13, 1978 -#1223
- **MAI** (Member, Appraisal Institute) Appraisal Institute since September 22, 1989 - #8261
- State Certified General Real Estate Appraiser (State of Michigan) #1201000638
- NAR Green Designation, as of August 13, 2010

Michael Tarnow has also successfully completed the Appraisal Institute's Professional Development Programs for the Valuation of Conservation Easements (2007) and Litigation (2010). He is included in the Appraisal Institute's Program's Registry located on the Appraisal Institute's website (www.appraisalinstitute.org). Completion of a program shows that participants have completed education and passed related course exams in the particular specialized topic.

REAL ESTATE AND APPRAISAL EDUCATION

UNIVERSITY OF MICHIGAN EXTENSION

- Real Estate Business III
- Real Estate and the Government
- Real Estate Law
- Principles of Appraisal I (residential), Spring 1975
- Principles of Appraisal II (commercial), Spring 1976

APPRAISAL INSTITUTE CLASSES

- Single-Family Residential Appraisal, Course VIII, 1976
- Basic Appraisal Principles, Methods & Techniques, Class I-A, 1977 - (Successful Challenge)
- Capitalization Theory & Techniques, Class I-B, 1979 – (Successful Challenge)
- Litigation Valuation, February 1980
- Case Studies in Real Estate Valuation, February 1984
- Valuation Analysis and Report Writing, March 1984 (Successful Challenge)
- Computer Assisted Investment Analysis, March 1991
- Standards of Professional Practice, June 1993
- Highest and Best Use & Market Analysis, October 1996
- Appraising Conservation Easements, October 2007
- Condemnation Appraising: Principles & Applications, Sponsored by Appraisal institute, June 2010, Grand Rapids, Mi
- The Appraiser as an Expert Witness: Preparation & Testimony, November 2010 Flint, Michigan
- Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets, April 2012 Flint, Michigan

SEMINARS

- Seminars prior to 2000 are not shown.
- Valuation of Partial Interests (divided & undivided), June 2000
- Symposium, Environmental & Property Damages: Standards, Due Diligence, Valuation & Strategy, April 2002, Toronto, Canada
- Eminent domain conference, Sponsored by CLE, September 2002, Novi, MI
- Law of Easements, Sponsored by Lorman Education Services, June 2003, Traverse City, MI
- Uniform Appraisal Standards for Federal Land Acquisitions, Sponsored by Appraisal Institute, October 2003
- National Uniform Standards of Professional Appraisal Practice, Sponsored by ASA, December 2003
- Reducing Real and Personal Property Tax, Sponsored by Lorman Education Services, July 2004, Traverse City, MI
- Real Estate Finance, Value & Investment Performance, Sponsored by Appraisal Institute, May 2005, Flint, MI
- Analyzing Distressed Real Estate, Sponsored by Appraisal Institute, May 2005, Flint, MI
- Subdivision Valuation, Sponsored by Appraisal Institute, December 2005, Livonia, MI
- Eminent Domain National Conference, Sponsored by Eminent Domain Institute, May 2005, Las Vegas, NV
- Michigan Laws and Rules, Sponsored by Appraisal Institute, June 2007, Dearborn, MI
- 7 Hour National USPAP Course, Sponsored by Appraisal Institute, June 2007, Dearborn, MI
- Litigation Appraising: Specialized Topics and Applications, Sponsored by Appraisal Institute, May 2009, Grand Rapids, MI
- Michigan Economy 2009, Sponsored by Appraisal Institute, May 2009, Grand Rapids, MI
- Business Practices and Ethics, Sponsored by Appraisal Institute, June 2010, Flint, MI
- Michigan Laws and Rules, Sponsored by Appraisal Institute, May 2012, Grand Rapids, MI
- 7 Hour National USPAP Course, Sponsored by Appraisal Institute, May 2012, Grand Rapids, MI
- Marketability Studies: The Six-Step Process and Basic Applications, April 2013, Flint, MI

PROFESSIONAL EXPERIENCE

- Entered Real Estate profession in 1968 as a salesperson
- Received Brokers License in 1970
- Worked in sales in Detroit until 1971
- Moved to Traverse City in 1971
- Worked for new home builder in sales until 1973
- Worked as a broker in general real estate sales office until 1975 – (started doing appraisal work at this time)
- Started working as an independent Fee Appraiser in 1975

PROFESSIONAL AFFILIATIONS

- Traverse Area Association of Realtors
- Michigan Association of Realtors
- National Association of Realtors
- Traverse City Multiple Listing Service
- Appraisal Institute

PARTIAL CLIENT LIST

- Michigan Department of Natural Resources (M-DNR)
- Michigan Department of Transportation (M-DOT)
- Federal Deposit Insurance Corporation (FDIC)
- Northwestern Bank
- PNC Bank – Michigan
- Fifth Third Bank
- Bank One
- Huntington National Bank
- Comerica Bank
- City of Traverse City
- Traverse City Light & Power
- United States Department of Agriculture – Forestry Division
- United States Department of the Interior – National Park Service
- United States Coast Guard
- Garfield Township, Grand Traverse County
- Chase Bank
- Melrose Township, Charlevoix County
- Leelanau County
- Grand Traverse County

MAJOR APPRAISAL ASSIGNMENTS (partial list)

Alpena	Gaylord	Manistee
Boyer City	Grand Rapids	Petoskey
Cadillac	Grayling	Rogers City
Charlevoix	Kalamazoo	Sault Ste. Marie
Cheboygan	Livonia	Traverse City
Elk Rapids	Ludington	

Additional information on major appraisal assignments is available upon request.

QUALIFIED AS EXPERT WITNESS

- Grand Traverse County Circuit Court
- Grand Traverse County District Court
- Michigan Tax Tribunal
- Leelanau County District Court
- United States Bankruptcy Court
- Other Courts

MAI DESIGNATION

The MAI membership designation is held by appraisers who are experienced in the valuation and evaluation of commercial, industrial, residential and other types of properties, and who advise clients on real estate investment decisions.

The current requirements for the MAI designation are:

- Pass rigorous education requirements
- Pass a final comprehensive examination
- Submit specialized experience which must meet strict criteria
- Receive credit for a demonstration appraisal report
- Conduct his or her professional activities in accordance with the Appraisal Institute's Code of Professional Ethics and are subject to a peer review process, which enforces the Code of Professional Ethics
- Appraisal Institute MAI members are required to adhere to strict continuing education requirements to ensure they are up-to-date with the evolving real estate field.

SRA Designation

The SRA professional membership designation is held by real estate solutions providers who are experienced in the analysis and valuation of residential real property.

The current requirements for the SRA designation are:

- Pass rigorous education requirements
- Submit residential experience which must meet strict criteria
- Receive credit for a demonstration appraisal report
- Conduct his or her professional activities in accordance with the Appraisal Institute's Code of Professional Ethics and are subject to a peer review process, which enforces the Code of Professional Ethics
- Appraisal Institute SRA members are required to adhere to strict continuing education requirements to ensure they are up-to-date with the evolving real estate field.

The Appraisal Institute conducts a program of continuing education for its designated members. MAIs and SRAs who meet the minimum standards of this program are awarded periodic educational certification.

I am currently certified under this program.

The Appraisal Institute is the oldest organization of professional appraisers in the United States. The Appraisal Institute is the result of the 1990 merger of the American Institute of Real Estate Appraisers and the Society of Real Estate Appraisers. It is the largest organization of Real Estate Appraisers.

Founded in 1932, the Appraisal Institute has, during its 77-year history, attained a national reputation for professional service to the public. Courts, government agencies, lending institutions, developers and real estate brokers have relied upon – and in many cases sought out – reports prepared by appraisers who hold the MAI and RM designation. With the merger, the designations include the SRA, which is equivalent to the RM.

The Appraisal Institute has an intensive program designed to test knowledge, experience and judgment in the field of real estate appraising, and membership in the Institute is awarded only to those who have demonstrated their ability to meet these stringent requirements. These standards demand that a member have years of practical appraisal experience, pass extensive written tests, and submit numerous appraisal reports demonstrating the ability to render competent service to clients. Moral character, ethical conduct and professional services are always subject to review by the Appraisal Institute.

Over the years The Appraisal Institute has been a pioneer in the field of continuing appraisal education. Its first case study course was presented in 1935. Today, the Institute offers a series of thirteen different intensive one and two week courses ranging from basic appraisal principles and techniques to more technical subjects. It is also a major publisher of appraisal textbooks, monographs and periodicals.

All members must subscribe to the Institute's rigid Code of Ethics and Standards of Professional Conduct.

RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

A1401718

BUREAU OF COMMERCIAL SERVICES
CERTIFIED GENERAL APPRAISER
LICENSE

MICHAEL ALLEN TARNOW
413 N DIVISION STREET
TRAVERSE CITY MI 49684

PERMIT NO.
1201000638

EXPIRES DATE
07/31/2014

AGENCY NO.
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