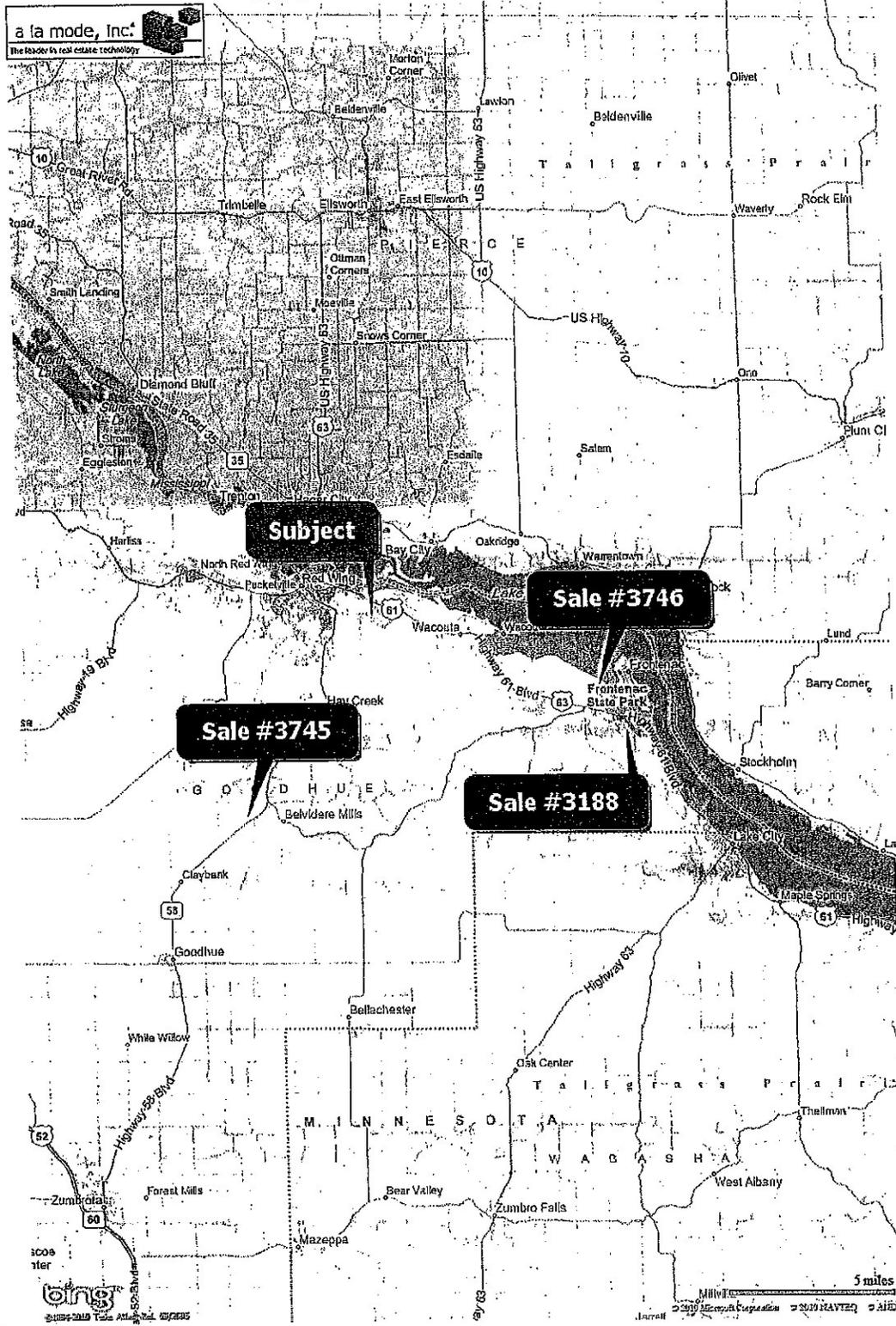


# LAND SALES LOCATION MAP



J. C. NORBY & ASSOCIATES, INC.  
Real Estate Valuation & Consultation

## Land Sales Data # 3745

**Type of Property**

6 - Vacant, Recreational 7 - Vacant, Agricultural

**Buyer**

Gradient

**Seller**

Evenson

**Street Address**

CR 4/Hwy 58

**City:**

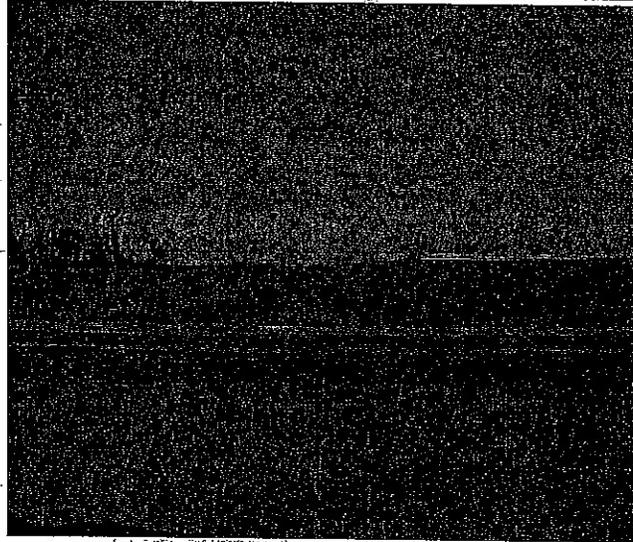
Red Wing

**State:**

MN

**Legal Description**

NE 1/4 of Section 35, Twn 112N, Range 15 W, county of Goodhue, excepting 8.10 acres located in Section 35.



**Verification**      MLS & New World Realty

**Conveyance**      Deed

**Recording Data**

**Size (Acres)**      151.90

**Size (Square feet)**

**Size (F.Feet)**

**Shape**              Rectangular

**Topography**      Rolling

**Site Improvements**      None

**Zoning**              Agricultural

**Access**              CR 4/Hwy 58

**Visibility**              Good

**Sale Price**              \$560,000

**Sale Date**              12/15/2009

**SP/Unit**              \$3,687/Acre

**Remarks**              Located near intersection of Highway 58 and west of its intersection with CR 4. Not buildable land. 147 acres tillable, balance wooded & pasture. 64 days on market.

**File Location**              Vacant - Other

**Provided By**              JCN

Thursday, October 21, 2010

Page 1 of 1

**Land Sales Data # 3188**

**Type of Property**  
5 - Vacant, Residential

**Buyer**  
Eve White

**Seller**  
Scott & Jim Selkirk

**Street Address**  
Circle S Road

**City:**  
Red Wing

**State:**  
MN



**Legal Description**

Very lengthy - Part of Sections 1 and 10, T112N, R14W, Town of Florence, Goodhue County, Minnesota

<b>Verification</b>	Realtor	<b>Conveyance</b>	Warranty deed
<b>Recording Data</b>		<b>Size (Acres)</b>	220
<b>Size (Square feet)</b>		<b>Size (F. Feet)</b>	
<b>Shape</b>	Irregular	<b>Topography</b>	Various - Relatively flat bluff top to
<b>Site Improvements</b>	None		
<b>Zoning</b>	Agricultural District	<b>Access</b>	Adequate
<b>Visibility</b>	Excellent	<b>Sale Price</b>	\$913,545
<b>Sale Date</b>	3/23/2005	<b>SP/Unit</b>	\$4,152/acre

**Remarks** This property is located just south of USH 61/USH 63 about 5 miles southeast of Red Wing. Property includes both bluff top and bluff ridges. The bluff top has some open land covered with wild grasses and the ridges are heavily wooded. Offers a very panoramic view of Lake Pepin and the river valley below. Property located along gravel road. Realtor indicated there are 3 good building sites on the property. Purchased for possible future development. Was on the open market for 34 days.

**File Location** Vacant Land - Other      **Provided By** GJH

Land Sales Data # 3746

**Type of Property:**

5 - Vacant, Residential

**Buyer:**

Cannon

**Seller:**

Cooper

**Street Address:**

34022 Hill Avenue Trail

**City:**

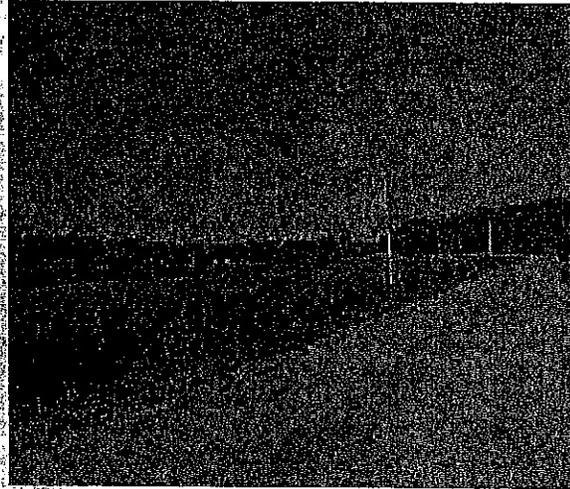
Red Wing

**State:**

MN

**Legal Description:**

PID #321000030



**Verification** MLS, Edina Realty-Trulen

**Conveyance** Deed

**Recording Data**

**Size (Acres)** 140.0

**Size (Square feet)**

**Size (F.Feet)**

**Shape** Irregular

**Topography** Sloping

**Site Improvements** None

**Zoning** Residential

**Access** Gravel road

**Visibility** Good

**Sale Price** \$588,000

**Sale Date** 7/28/2008

**SP/Unit** \$4,200/Acre

**Remarks**

Rolling property, 50% wooded. Balance is cropland. Sloping hillside with views. Near Frontenac State Park. Gravel road. Buildable land. 15 days on market.

**File Location** Vacant Res - Other

**Provided By** JCN

Thursday, October 21, 2010

Page 1 of 1

**Discussion:**

**Sale #3745** is located about eight miles south of Red Wing near the intersection of Highway 58 and west of its intersection with County Road 4. This property sold in December of 2009 for the equivalent of \$3,687 per acre.

The property contains 151.90 acres. 147 acres is tillable with the balance wooded and pasture. The land is not buildable and would be utilized for agricultural purposes only. The building rights had been transferred previous to the sale. The property was on the market for 64 days.

**Sale #3188** is located just south of US Highway 61/US Highway 63 about three miles southeast of the subject property. This property sold in March of 2005 for the equivalent of \$4,152 per acre.

The property contains 220 acres. Most of it is blufftop and bluff ridges. Some of the land is open where other parts are heavily wooded. It has a view of Lake Pepin and the river valley. Three building sites are located on the property.

**Sale #3746** is located on Hill Avenue Trail. It is approximately seven miles west of the subject property. This property sold in July of 2008 for \$588,000. The property contains 140 acres. The sale price is equivalent to \$4,200 per acre.

This property consists of rolling/sloping land. It is approximately 50% wooded with the balance cropland. The hilltops had Lake Pepin and valley views. This property is located near Frontenac State Park. It was on the market for 15 days.

**Discussion of Adjustments:**

**Market Conditions:**

Over the past five years, land values have changed dramatically. Property values tended to increase 3-5% per year until 2007 when they leveled off. In 2008, values began declining at about the same rate.

Sales #3745 and #3746 are more recent sales. A negative 5% adjustment per year is appropriate. The adjustment for Sale #3188 would show an increase in 2005 and 2006, a leveling in 2007. In 2008 and 2009, the value would decrease. The net adjustment is zero.

**Location:**

The subject property is located just outside Red Wing. The sale properties are all in close proximity but not in the City. Generally, this would be more desirable. However, a parcel the size of the subject considering its topography and development potential, would not command a higher price. Therefore, no adjustment for location is necessary.

**Size:**

The subject contains 425 acres. Sale #3188 is the largest of the three comparable properties and sold close to the high end of the sale price per acre range. Sale #3745 is at the smaller end of the range and sold for the lowest price. Overall, an adjustment based on the three comparable sales cannot be determined.

It is appropriate that larger parcels tend to sell for less on a per unit basis. A negative adjustment to the above three sales would be appropriate.

**Zoning:**

The subject property and the three sales were zoned either agricultural or residential. No adjustment is necessary.

**Topography:**

The subject property has a very irregular topography. The sale properties also had irregular topographies. No adjustment is necessary.

**Cover:**

The subject has heavily wooded areas and also open areas. The sale properties were similar. No adjustment is necessary.

**Access:**

The subject property has access by several public roadways. The sale properties also had public access. No adjustment is necessary.

**Building Sites:**

The subject property has limited development potential. Sale #3745 was non-buildable land. Sales #3188 and #3746 were buildable. Therefore, a negative adjustment to these two sales would be appropriate.

After making adjustments to the three sales, it appears that the difference between a property which is unbuildable (Sale #3745) and the balance of the sales is approximately 10%.

The above sales indicate an adjusted range of \$2,990 to \$3,322 per acre. All three are good representatives of the subject property. No one sale has been given more or less weight in the final analysis.

The value of the land is as follows:

Size (acres)	x	Unit Basis	=	Value
425 acres	x	\$3,100/Acre	=	\$1,317,500
Round to.....				\$1,315,000

The Fee Simple Market Value of the subject's land is estimated at \$1,315,000.

**VALUATION BY COST APPROACH:**

Underlying the theory of the Cost Approach to Value is the principle of substitution which suggests that no prudent person will pay more for a property than the amount for which he can obtain, by purchase of a site and construction of improvements without undue delay, a property of equal desirability and utility. Consequently, current reproduction cost, prior to any deduction for accrued depreciation, plus land value, plus entrepreneurial profit, provide a measure against which prices for already improved properties may be judged. For the Cost

Approach to produce a valid indication of market value, it is necessary to consider the accrued depreciation evident in the property being appraised due to all causes; physical, functional, and economic.

The steps taken by the appraiser in deriving an indication of value through application of the Cost Approach are:

1. Estimate the value of the land as though vacant and available to be developed to its highest and best use.
2. Estimate the reproduction or replacement cost of the improvement on the effective appraisal date.
3. Estimate the amount of accrued depreciation of the improvements, categorized by three major types:
  - a. Physical Deterioration
  - b. Functional Obsolescence
  - c. Economic Obsolescence
4. Deduct the appropriate estimated depreciation from the reproduction or replacement cost of the improvements to derive an estimate of the improvements' contribution to total value.
5. Add the depreciated reproduction or replacement cost of the improvements to obtain an estimated value by the Cost Approach.

The Cost Approach for the subject property is as follows:

ITEM	SIZE (SF)	PRICE/UNIT	COST NEW	LIFE	AGE	PRESENT VALUE
CLUBHOUSE	13,096	\$114.73	[REDACTED]	45	22	[REDACTED]
CART SHED	5,544	\$39.80	[REDACTED]	25	18	[REDACTED]
EQUIP. SHED	4,000	\$8.52	[REDACTED]	20	10	[REDACTED]
MAINT. BUILDING	2,380	\$22.49	[REDACTED]	20	15	[REDACTED]
DRIVING RANGE BDG	420	\$49.96	[REDACTED]	25	15	[REDACTED]
TEE HOUSE	400	\$49.96	[REDACTED]	25	15	[REDACTED]
GOLF COURSE	36	160,000.00	[REDACTED]	60	20	[REDACTED]
SITE IMPROVEMENTS parking, walks, ls, etc	1	292,400.00	[REDACTED]	20	10	[REDACTED]
TOTAL			[REDACTED]			[REDACTED]
LAND VALUE						[REDACTED]
FURNITURE, FIXTURES, EQUIPMENT						[REDACTED]
TOTAL						[REDACTED]
LESS, ECONOMIC OBSOL.						[REDACTED]
VALUE BY COST APPROACH ROUND TO						[REDACTED]

f:\excel\jim\ mississippi national cost-depre schedule

**Discussion:**

**Clubhouse:**

The estimated cost new of the clubhouse is based on Marshall Valuation Service. The entire building contains approximately 13,096 square feet, of which about 50% is on the main level and the balance on the lower level.

The main level price per square foot is higher, as the finish and the quality are considerably superior to the lower level. Combining the two indicates a blended base cost of approximately \$100.35 per square foot. After applying adjustment factors such as local multipliers, current cost indexes, area/perimeter multipliers, and story height adjustments, the blended adjusted base cost for the subject's clubhouse is estimated at [REDACTED] per square foot of gross building area, which is equivalent to a replacement cost new estimate of [REDACTED]

Physical depreciation is defined as a loss in value due to wear and tear on the property, and/or its age. The majority of the clubhouse has an actual age of 24 years. The banquet hall addition has an actual age of 18 years. When combined, the actual blended age of the subject property is estimated at 22 years. This is also its effective age. According to Marshall Valuation Service, this type of property has a life expectancy of 45 years. Therefore, physical depreciation for the clubhouse is calculated at 49%. This is equivalent to a physical, incurable depreciation estimate of [REDACTED]

The building appears well maintained. Deferred maintenance is not an issue.

Functional obsolescence is defined as a loss in value caused by a functional deficiency or super-adequacy due to size, style, utility, etc. In the case of the subject, it appears that the clubhouse is well planned and has a good floor plan. The clubhouse appears to be adequately sized to handle the business that it generates. In my opinion, the subject clubhouse does not suffer from any significant functional obsolescence.

The golf course itself is easily accessible from US Highway 61/US Highway 63. The location of the clubhouse on the golf course is also good and provides easy access to both the Tournament and Highlands courses. In my opinion, the subject clubhouse and overall property does not suffer from any significant external obsolescence from the above items.

An additional consideration of economic obsolescence refers to current economic conditions and issues related to the cost of golf course construction versus the income that it generates. Over the past 5-10 years, average golf course revenues and rounds played have decreased. Conversely, golf course construction costs have either remained the same or increased. Many golf courses have sold for less than their cost to develop. This would indicate that the revenues generated, or the perception of golf course value, is less than their cost to build.

It is difficult to accurately estimate the impact of economic conditions on the value of the golf course property. One indication would be the differences of value between that indicated by the Cost Approach and those indicated by the Market Data Approach and Income Approach. For this reason, economic obsolescence has not been estimated in the Cost Approach.

The depreciated value estimate of the clubhouse is calculated at [REDACTED].

### Outbuildings:

In addition to the clubhouse are several outbuildings. They consist of:

- Cart shed
- Equipment shed
- Maintenance building
- Driving range building
- Tee House

The contributing value of each of these buildings is also based on their estimated cost new less depreciation, based on data provided by Marshall Valuation Service. Each building was depreciated based on its age and economic life.

### Golf Course:

According to Marshall and Swift, a national cost estimating provider, the subject property is described as a Class III type course. It is described as "a course on undulating terrain, bunkers at most greens, average elevated tees and greens, some large trees moved in or clearing of some wooded areas, driving range."

On the other hand, a Class IV golf course is described as "a better championship type course on good undulating terrain, fairways and greens bunkered and contoured, large tees and greens, driving range, may have named architect...." Clearly, the subject property does not fall into this classification.

Also considered are the construction costs of 11 golf courses that range in quality from very simple, low quality courses to high quality, championship-style courses. Each property is adjusted for time based on the date of construction of the course to the present time. They ranged from a low of \$92,000 per hole to \$450,000 per hole.

The subject's estimated costs range from \$129,750 to \$191,500, as indicated by Marshall Valuation Service, appears to be in line, based on the above construction costs of other courses. In my opinion, the estimated cost of construction for the Mississippi National Golf Course property is near the middle of the range indicated by Marshall Valuation Service. Therefore, a typical cost of \$ [REDACTED] per hole is utilized in this analysis and shown as follows:

36 holes @ [REDACTED] = [REDACTED]

Generally, most parts of a golf course will not depreciate. From the time of construction, a golf course will usually take five or more years to mature. Following IRS guidelines, fairways, roughs, tees, and greens generally are not depreciable. However, items such as drainage features, structures, or items not considered a part of the land may be depreciated.

The irrigation system and some drainage are items of the golf course which can be depreciated. The pumps, pump house, control systems, piping, and heads will age and need replacing or updating.

An irrigation system can cost up to 30% of a golf course construction budget. Therefore,

[REDACTED] x 30% = [REDACTED]

The next step is to depreciate the irrigation system based on its effective age and economic life. The economic life of an irrigation system is approximately 15 years. Underground piping has a life longer than 15 years and controllers, pumps, heads, etc. have a life less than 15 years. The subject's irrigation system has a blended effective age estimate of approximately 50% or [REDACTED]. In addition to the irrigation system are site improvements, buildings, etc. which also depreciate and are part of the golf course. The total depreciation of the golf course, including the irrigation, is estimated at [REDACTED]

The present value of the golf course is summarized as follows:

Cost New.....	.....
Less: Depreciation.....	.....
Present Value of Golf Course .....	.....

**Site Improvements:**

The site improvements include items such as the paved parking lot with parking lot lighting, walkways, landscaping, gazebo, patios, and decks. Most of the site improvements are located in the immediate vicinity of the clubhouse. The cost new for each item was estimated and then depreciated based on its overall age and condition. The present depreciated value of the site improvements combined is estimated at [REDACTED]

**Furniture, Fixtures & Equipment:**

The furniture, fixtures and equipment valuation is based on the cost new less depreciation for the items. According to the current depreciation schedule for the subject's furniture, fixtures & equipment, the estimated cost new is approximately [REDACTED]. This figure represents the total cost new less disposition items, golf course improvements, and land improvements which are not considered furniture, fixtures & equipment. A copy of the FF&E is included in the addendum of this report.

The majority of the items included in this analysis have a life expectancy of five to 15 years. An average economic life expectancy of 10 years would be applicable. Although a significant number of items on the current depreciation schedule are fully depreciated, they are still utilized in the operation of the subject property and continue to have some useful life remaining. The blended effective age of all the furniture, fixtures & equipment is estimated at five years. Therefore, depreciation of the furniture, fixtures & equipment is estimated at 50% of cost new ( $5 \div 10 = 50\%$ ).

The current depreciated value of the furniture, fixtures & equipment is calculated as follows:

Cost New	-	Depreciation	=	Value
[REDACTED]	-	[REDACTED]	=	[REDACTED]
Round to.....				[REDACTED]

The depreciated value of the Furniture, Fixtures & Equipment is estimated at [REDACTED]

**Economic Obsolescence:**

Economic (external) obsolescence is a loss in value caused by factors outside a property. It is often incurable. It generally affects land, buildings, and furniture, fixtures, and equipment components of the property's value.

In the case of the subject, an excess of golf courses and a drop in the number of players has resulted in less rounds played. This equates to less revenue.

A method of determining economic obsolescence is comparing the actual number of course rounds played to the average number of rounds played. According to the Professional Golf Association (PGA), the average golf course reports 22,400 18 hole equivalent rounds of play. Comparing this to the subject's 36 holes would double the rounds to 44,800. The subject property reports 29,810 rounds for the two golf courses. The difference is multiplied by the average price per round. That amount is the loss of revenue per year. Please see the income information under "Valuation by Income Capitalization Approach".

Economic obsolescence is the present worth of the loss of revenue. In this case, it was calculated over the remaining term of the lease. I have used the remaining term (28 years) as both buyer and seller are locked into the agreement. I have also projected that the variance between the actual and average number of rounds remains relative. Economic obsolescence has been estimated at [REDACTED]. The calculation is as follows: