An appraisal of Olympia Resort and Spa, Olympia, Wisconsin.

Landmark Research, Inc.
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AN APPRAISAL OF

OLYMPIA RESORT AND SPA

Landmark Research Inc.

AN APPRAISAL OF

OLYMPIA RESORT AND SPA
OLYMPIA, WISCONSIN

PREPARED FOR

MARIETTE BAYSARI

PREPARED BY

LANDMARK RESEARCH, INC.

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Landmark Research Inc.

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Jean B. Davis, M.S.

June 26, 1984

Mariette Baysari
Olympia Resort & Spa
1350 Royale Mile Road
Oconomowoc, WI 53066

Dear Mariette:

At your request we have prepared an appraisal of the market value of a fee simple interest of a portion of the property known as the Olympia Resort and Spa, located in the City of Oconomowoc, Wisconsin. The appraisal is made retrospective to the date of January 1, 1984, and is subject to the general assumptions and limiting conditions presented herein. The brief report transmitted herewith describes our data, analysis, and conclusions relative to this appraisal.

It is our opinion that the market value of the subject real estate as defined by the _1980 Wisconsin Assessment Manual_, as of January 1, 1984, is:

TEN MILLION THREE HUNDRED THOUSAND DOLLARS
($10,300,000)

The value of the subject property is allocated as follows:

	REAL ESTATE	PERSONAL PROPERTY	TOTAL
Hotel	$ 8,200,000	$1,300,000	$ 9,500,000
Timeshare	1,300,000	225,000	1,525,000
Apartments	322,800	2,200	325,000
Surplus land	450,000	-----	450,000
TOTAL	$10,272,800	$1,527,200	$11,800,000
Rounded to	$10,300,000		

Mariette Baysari
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June 26, 1984

Based upon these values and a net mill rate of $2.21 per $100 of assessed value, the property taxes for the subject property would be approximately as follows:

	REAL ESTATE	PERSONAL PROPERTY	TOTAL
Hotel	$181,220	$28,730	$209,950
Timeshare	28,730	4,973	33,703
Apartments	7,134	49	7,183
Surplus land	9,945	----	9,945
TOTAL	$227,029	$33,752	$260,781

This appraisal was requested to assist in evaluating the assessment placed upon the property by the City of Oconomowoc. Given our conclusions, we believe that the City's $13,122,300 assessed value is very high and a substantial reduction should be made.

We are pleased to have been of service to you and remain available to answer any questions you may have regarding our appraisal.

FOR LANDMARK RESEARCH, INC.

James A. Graaskamp, Ph.D., SREA, CRE
Urban Land Economist

Frederick A. Rendahl
Analyst/Appraiser

Enclosure

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Purpose of the Appraisal

The purpose of this appraisal is to estimate the market value of a fee simple interest in the subject real estate as of January 1, 1984. The term market value is used herein is defined as follows:

> The highest price in terms of money which a property will 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. Thus, the goal of the assessor is to estimate the full or market value of the real property.
>
> There are certain conditions that are necessary for a sale to be considered a "market value" transaction. These are:
>
> 1. It must have been exposed to the open market for a period of time typical of the turnover time for the type of property involved.
> 2. It presumes that both buyer and seller are knowledgeable about the real estate market.
> 3. It presumes buyer and seller are knowledgeable about the uses, present and potential, of the property.
> 4. It requires a willing buyer and a willing seller, with neither party compelled to act.
> 5. Payment for the property is in cash, or typical of normal financing and payment arrangements prevalent in the market for the type of property involved.

Source: 1980 Wisconsin Property Assessment Manual, Volume I, page 7-2.

This appraisal is made subject to the General Assumptions and Limiting Conditions presented in Appendix A.

The Subject Property

The subject of this appraisal is that portion of the property, known as the Olympia Resort and Spa, which lies within the City of Oconomowoc, Wisconsin. The facility is comprised of 377 hotel units, 30 timeshare resort units, and 11 apartment units. Ancillary facilities which are valued with the hotel include a ski hill, lodge, an 18 hole golf course, an indoor tennis/racquetball facility, a theatre, a Sentry Food Store, an exposition center, and a small man-made lake. However, it does not include the riding stable which is in an adjacent township. The address of the property is 1350 Royale Mile Road, and it is identified as City of Oconomowoc tax parcel numbers 614-984 and 614-984-001. Since the subject operations cannot be separated, these tax parcels should be merged. This property is depicted in Figures 1 and 2.

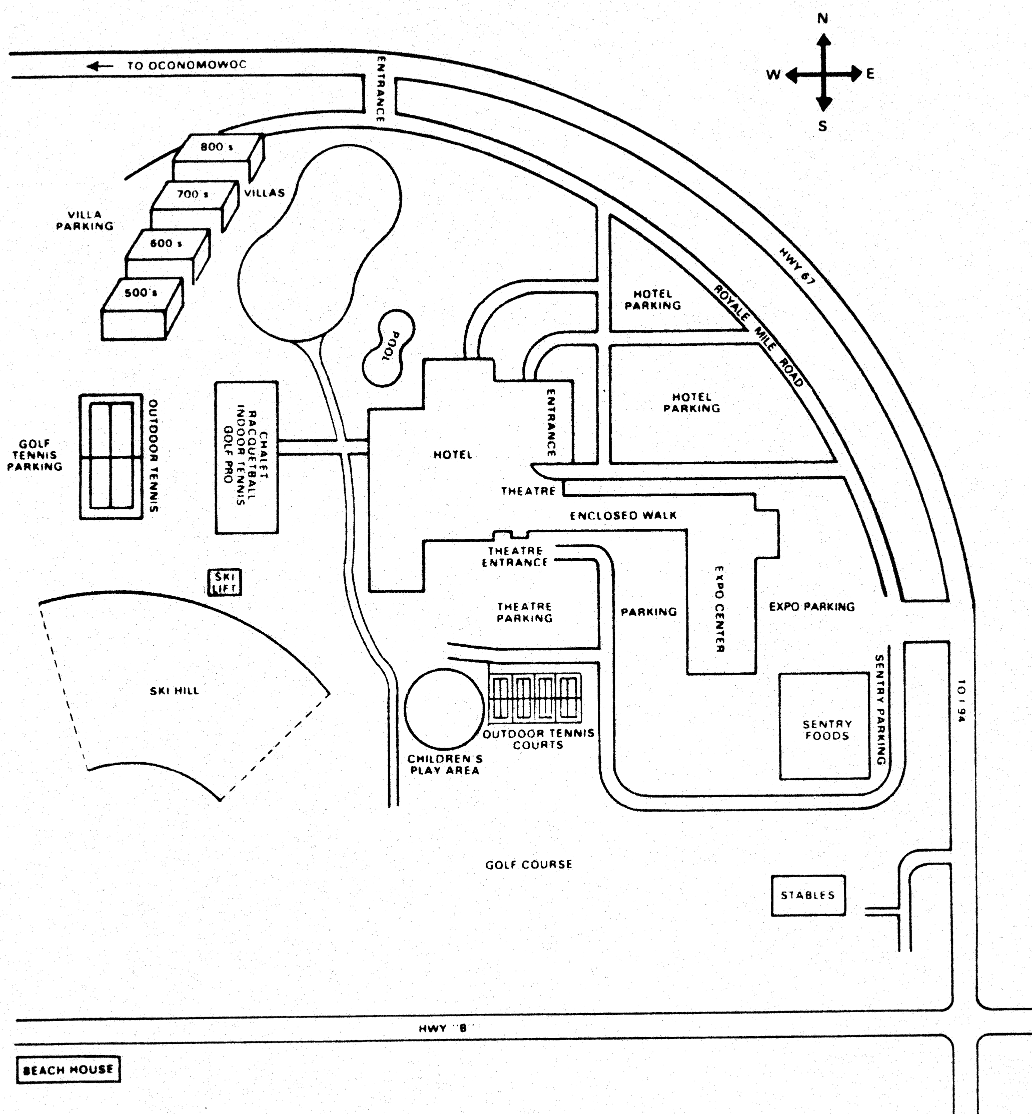
The subject property contains approximately 282 acres of land and is served by all municipal services and utilities. Downtown business and single family residential zoning classifications are present on the site.

The hotel and ancillary facilities were constructed in the early 1970s and have been reasonably well maintained despite a long history of marginal operations.

The highest and best use of this property is for continued operation as a resort hotel. Those apartment units now in the

FIGURE 1

LAYOUT OF OLYMPIA RESORT



PLAN OF THE HOTEL BUILDING

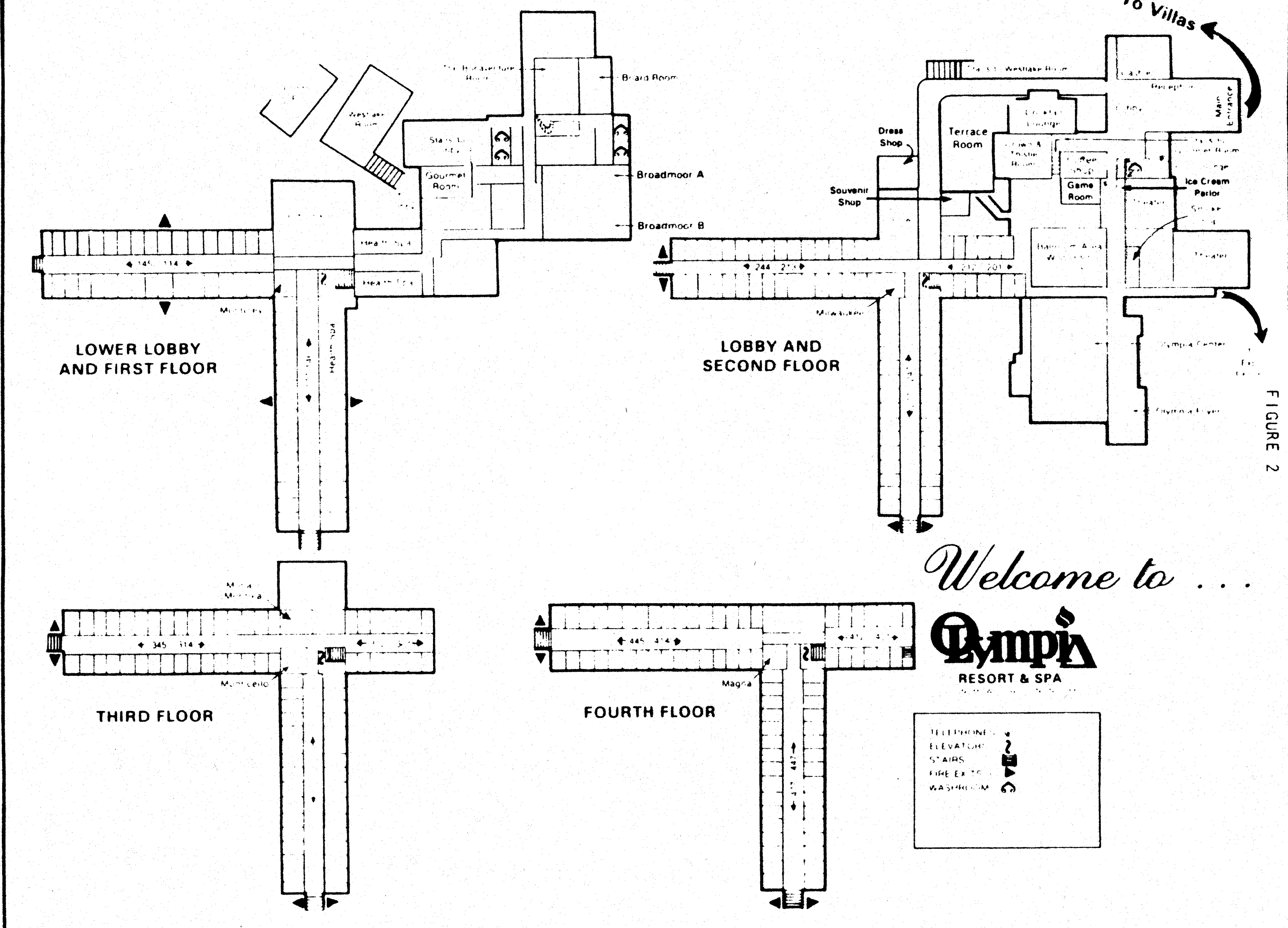


FIGURE 2

timeshare resort program should continue to be marketed in that manner.

Valuation of the Subject Property

The conventional appraisal process provides three standard approaches to value: The Comparable Sales Approach, the Income Approach, and the Cost Approach. Each is based upon a somewhat different set of assumptions and, therefore, arrives at a value estimate from a somewhat different path. When these approaches are independently applied, each may reasonably serve as a check upon the other two. If the values derived through application of the approach differ, as they generally do, the appraiser must weight the respective strengths and weaknesses of each approach as applied to this valuation problem and select a single value estimate that best represents all of the available information.

As applied to this valuation problem, only the Income Approach to Value is found to be applicable. This approach derives a value estimate that is based upon the subject property's expected performance as an investment vehicle and the investment parameters required by typical investor/purchasers.

The Cost Approach is not applicable because it is impossible to adequately support an estimate of the obsolescence that is clearly present within the subject property. It would clearly not be feasible to reconstruct the subject property in today's market and the current reproduction costs, therefore, bear little direct relationship to the property's value.

The comparable sales approach cannot be applied to the entire subject property because of insufficient market data. Resort properties are not frequently sold, so little comparable sales data exists. Those properties that do sell tend to be dissimilar and provide little data that gives a clear indication of the price that the subject would bring. As a result, it cannot be reliably applied to the hotel. However, sufficient data does exist for the 11 apartment units contained within the subject property and the comparable sales approach is used to value these units.

The valuation process for the hotel, the timeshare units, and the apartment units are summarized in the following sections of this report.

HOTEL VALUATION

OLYMPIA RESORT AND SPA
STABILIZED ANNUAL OPERATING STATEMENT

	$	% OF TOTAL REVENUE	PER AVAIL-ABLE ROOM (a)
REVENUES			
Rooms and Villas [1]	$4,175,000	42.9	$11,074
Food & Other Income [2]	3,100,000	31.8	8,223
Beverage [3]	850,000	8.7	2,255
Telephone [4]	200,000	2.1	531
Rentals & Related Income [5]	230,000	2.4	610
Recreation [6]	1,075,000	11.0	2,851
Exposition Center [7]	110,000	1.1	292
TOTAL REVENUE	$9,740,000	100.0	$25,836
DEPARTMENTAL OPERATING EXPENSES			
Rooms and Villas [8]	$ 975,000	10.0	2,586
Food [9]	2,250,000	23.1	5,968
Beverages [10]	400,000	4.1	1,061
Telephone [11]	280,000	2.9	743
Rentals & Related Income [12]	165,000	1.7	438
Recreation [13]	790,000	8.1	2,095
Exposition Center [14]	60,000	0.6	159
TOTAL DEPARTMENTAL EXPENSES	$4,920,000	50.5	$13,050
TOTAL OPERATING DEPARTMENT INCOME	$4,820,000	49.5	$12,785
UNDISTRIBUTED OPERATING EXPENSES			
Replacement (F,F&E) [15]	$ 300,000	3.1	$ 796
Administration & General [16]	780,000	8.0	2,069
Management Fee - Base [17]	490,000	5.0	1,300
Advertising/Promotion [18]	630,000	6.5	1,671
Repairs & Maintenance [19]	630,000	6.5	1,671
Energy Cost [20]	280,000	2.9	743
TOTAL UNDISTRIBUTED EXPENSES	$3,110,000	31.9	$ 8,249
GROSS OPERATING (HOUSE) PROFIT	$1,710,000	17.6	$ 4,536
MANAGEMENT FEE - INCENTIVE [17]	200,000	2.1	531
PROPERTY TAXES & INSURANCE			
Real Estate Taxes	N/A		
Personal Property Taxes	N/A	N/A	N/A
Insurance [21]	150,000	1.5	398
NET OPERATING INCOME	$1,360,000	14.0	$ 3,607

(a) Based upon 377 hotel rooms.

FOOTNOTES TO STABILIZED INCOME STATEMENT

[1] Room Revenue. Olympia currently has 377 rentable rooms comprised of 261 rooms in the hotel and 116 villa rooms which were converted from residential apartments. As shown in Exhibit 1, these units provide 137,605 room nights which have been occupied at a rate of slightly more than 50 percent over the past three years. However, conversion of 30 hotel units to 20 timeshare apartment units over the past three years has reduced the number of available hotel rooms and served to stabilize the occupancy rate while the actual number of room nights rented declined from 77,249 in 1981 to 70,179 in 1983.

The average rate per occupied room has, however, increased by 15 percent over the past three years and offset the declining occupancy to keep total room revenues increasing slightly. However, the largest portion of this increase (11 percent) occurred between 1981 and 1982 and only 3 percent to $55.95 per night between 1982 and 1983. However, when room revenues are expressed in constant 1983 dollars, as shown in Exhibit 2, room revenues have actually declined steadily over the three-year period.

The rental rates for Olympia's rooms are below normal for comparable operations. According to Trends in the Hotel Industry 1983, the average daily rate for all occupied rooms in resort hotels, Exhibit 4, was $64.50 in 1982. The best of these hotels showed rates of $81.29 while all establishments with more than 250 guest rooms averaged $66.03 per occupied room. The northcentral portion of the country was slightly higher than the national average with a rate of $68.85. This rate is 127 percent of the subject's 1982 rate, which was $54.07 per occupied room night.

The historic occupancy rate for the subject property, which has hovered at just over 50 percent for the past three years, is slightly lower than the 1982 national average, but is approximately equal to the 1982 northcentral average of 50.5 percent. Even the top 25 percent of all resort hotels showed occupancy rates of just over 70 percent. These rates are low relative to conventional hotel and motel properties, undoubtedly because of the seasonal nature of their business.

In general, resort properties tend to be fully occupied during their peak seasons, then suffer very low off-season droughts. As a result, a reduction in the number of available rooms would not materially affect the occupancy rate.

In conclusion, the subject property appears to have reached a relatively stable point with respect to occupancy levels and the rental rates that can be achieved. The stabilized occupancy is approximately 71,000 room nights per year. In 1983 the average room revenue per occupied room was $55.95. Allowing for a 5 percent per year increase, the current rate is estimated to be $58.75 per occupied room night and total room revenue is estimated to be (71,000 occupied room nights x $58.75 per room night) $4,171,250. For purposes of this appraisal, the forecast room rental is rounded to $4,175,000.

[2] Food and Other Income. Actual revenues from food and beverage sales over the past three years are shown in Exhibit 1. These have decreased steadily over the three-year period. This decline is even more pronounced when the food sales and other income is expressed in 1983 constant dollars (Exhibit 2). As one might expect, this decline appears to parallel the occupancy levels of hotels. In fact, the actual results are very consistent when computed as follows:

YEAR	FOOD SALES AND OTHER INCOME (1983 CONSTANT DOLLARS)	OCCUPIED ROOM NIGHTS	SALES PER OCCUPIED ROOM
1981	$3,196,650	77,249	$41.38
1982	2,991,556	71,540	41.82
1983	2,899,022	70,179	41.31

The average food sales per occupied room in 1983 dollars is $41.50 per night. Allowing for a 5 percent inflation rate, the 1984 sales are expected to be $43.58 per occupied room night. Assuming 71,000 room nights per year, the stabilized food and other income revenue is estimated to be ($43.58/room night x 71,000 room nights) $3,094,180, which is rounded to $3,100,000.

This figure translates to $8,223 per available room. While this figure is lower than that for other north-central area resort hotels (see Exhibit 4), it is higher than the average for all resort hotels.

[3] Beverage Revenue. Actual beverage sales declined rapidly from a peak in 1981, but have remained relatively constant over the past two years. This is shown in Exhibits 1 and 2 for both actual and 1983 constant dollars. Part of this decline results from a decline in hotel occupancy, but is also part of a national trend which may signal an overall shift in tastes towards lower priced beer and wine as well as tough drunk driving laws. To offset the effects of both changes in the general price level and declining occupancies, the 1983 constant dollar beverage sales for the past three years can be expressed as an average sale per occupied room night. These sale volumes are as follows:

YEAR	BEVERAGE SALES (1983 CONSTANT DOLLARS)	OCCUPIED ROOM NIGHTS	SALES PER OCCUPIED ROOM
1981	$970,900	77,249	$12.57
1982	801,297	71,540	11.20
1983	792,691	70,179	11.30

Based upon these figures, average beverage sales in 1983 dollars is reasonably estimated at $11.50 per occupied room. Adding a 5 percent allowance for inflation results in a stabilized figure of $12 per occupied room. Based upon the previously estimated 71,000 occupied room nights, an overall stabilized beverage sales volume of ($12/occupied room night x 71,000 room nights) $852,000 results. This is rounded to $850,000.

This beverage sales figure translates to $2,255 per available room per year. This is, as shown in Exhibit 4, lower than the average for resort hotels even when those comparable property reports are lagged by two years. This may be due to the nature of Olympia's clientele which seems to include families with children and health spa users; both of these groups may be less inclined to drink than the typical resort visitor.

[4] Telephone Income. Telephone income increased dramatically in 1983 as a result of deregulation which allowed hotels to place a surcharge on telephone calls. Due to this change, prior years' results are relatively unimportant. The 1983 results indicate ($190,000/70,179 room nights) $2.71 per occupied room night. Again, allowing for sales of 71,000 room nights per year and 5 percent inflation, the forecast of stabilized telephone revenue is (71,000 nights x $2.85) $202,350, which is rounded to $200,000.

[5] Rentals and Related Income. The Olympia property derives additional income from a gift shop, a dress shop, a souvenir shop, and an ice cream parlor. All of these spaces are contained within the hotel facility. Once again, this income is best viewed in terms of 1983 constant dollas per rented room night.

YEAR	RENTALS & OTHER INCOME (1983 CONSTANT DOLLARS)	OCCUPIED ROOM NIGHTS	INCOME/ OCCUPIED ROOM
1981	$250,976	77,249	$3.25
1982	203,831	71,540	2.85
1983	217,557	70,179	3.10

This income has averaged $3.07 per occupied room night in 1983 constant dollars. Allowing for a 5 percent rate of inflation, the stabilized (1984) rental and other revenue is $3.22 per occupied room or ($3.22 x 71,000 occupied room nights) $228,620, which is rounded to $230,000.

[6] Recreational Revenue. Olympia derives revenue from ski, golf, tennis, and spa operations. A detailed breakdown of the past three year's revenue by each category is presented as follows:

REVENUE SOURCE	1983	1982	1981
Ski	80,024	127,199	161,853
Golf	228,395	242,231	230,448
Tennis	145,681	146,862	103,800
Spa	513,215	396,687	148,320
TOTAL	$967,315	$912,979	$644,421

As can be seen, ski revenue is highly variable, presumably dependent upon weather related conditions. Golf has been relatively stable, but dropped during 1983. Tennis has improved over 1981, but has been stable the past two years. The biggest change has occurred in spa income. Due to improvements in the spa and aggressive marketing, this segment of the hotel's operation has increased by approximately 350 percent since 1981. Moreover, spa revenues can be expected to remain at approximately this level.

Based upon this analysis, the expected stabilized revenue from the recreational operations are as follows:

Ski	$ 135,000
Golf	255,000
Tennis	145,000
Spa	540,000
TOTAL	$1,075,000

[7] Exposition Center. Income from the exposition center includes the rental from the exhibition space plus rental received from the Sentry Food Store and the movie theatre. The food store provides a base rental of $48,349 per year plus a percentage rental equal to one percent of sales over $2.5 million. This percentage rental currently added $9,391 to last year's revenues for a total of $57,740 from the food store. The theatre currently pays a fixed rental of $2,400 per month, or $28,800. Together, the food store and theatre contribute $86,540 to the project's revenues. Several smaller tenants and income from the exposition space itself contribute some additional revenue. The income from the Exposition Center has declined steadily over the past three years. However, recent changes to what was formerly the shopping center area should increase the desirability of the facility to larger exhibitors and maintain income at the price level adjusted average of the previous three year's actual experience, or $110,000.

[8] Rooms and Villas Department Costs. Nationally, and for resort hotels with more than 250 rooms, rooms department costs are in the neighborhood of 15 percent of total revenue, while resorts in the northcentral region average about 10 percent (P,K&F). Over the past three years, Olympia rooms department costs have been in the 9.9 to 10.4 percent rage, and averaged 10.1 percent of total revenue over the past three years. Applying this ratio to the stabilized total revenue forecast yields a rooms and villas department expense of ($9,740,000 x 10.1%) $983,740.

Alternatively, these costs may be considered as a percentage of their corresponding department revenue. This is computed as follows:

YEAR	ROOMS DEPARTMENT REVENUE	ROOMS DEPARTMENT EXPENSES	EXPENSE RATIO
1981	$3,759,761	$861,299	22.9%
1982	3,868,027	916,610	23.7
1983	3,926,470	896,325	22.8

These figures show a very consistent relationship, averaging 23.1 percent between room department revenues and room department expenses. Applying this figure to the subject's forecast room and villa revenue results in estimated expenses of ($4,175,000 x 23.1%) $964,425.

Each of these approaches is given approximately equal weight in arriving at departmental operating expenses of $975,000 for the rooms and villas department.

[9] Food and Other Income Department Costs. From 1981 through 1983, Olympia's experience has been that food and other income department costs have run about 23 to 24 percent and averaged 23.4 percent of total revenue. This compares well with the 22 percent experienced nationally in resorts (P,K&F). Using this average, a food and other income expense of $2,279,160 would be applicable to the stabilized revenue and expense statement.

Once again, this expense item can also be viewed as a percentage of its corresponding department revenue.

YEAR	FOOD & OTHER DEPARTMENT REVENUE	FOOD & OTHER DEPARTMENT EXPENSES	EXPENSE RATIO
1981	$2,906,045	$1,986,474	68.4
1982	2,876,496	2,110,494	73.4
1983	2,899,022	2,112,908	72.9

These figures show food expenses ranging from 68.4 to 73.4 percent of food revenues with an average figure of 71.6 percent. Applying this average to the stabilized food and other revenue forecast yields a food and other expense of $2,219,600.

Giving approximately equal weight to each of these approaches yields a stabilized food and other expense charge of $2,250,000.

[10] Beverage Expense. Over the past three years, beverage expenses ranged from 4.0 to 4.5 percent of total hotel revenue, with a 4.2 percent average. Based upon the estimate of stabilized revenue, this indicates a beverage cost of $409,080.

Beverage expenses as a percentage of beverage sales for the past three years are as follows:

YEAR	BEVERAGE DEPARTMENT REVENUE	BEVERAGE DEPARTMENT EXPENSES	EXPENSE RATIO
1981	$882,636	$392,072	44.4%
1982	770,478	364,762	47.3
1983	792,691	367,463	46.4
Average			46.0%

Applying this average to the stabilized forecast of beverage revenue yields an estimated expense of ($850,000 x 46.0%) $391,000.

Again giving equal weight to each of these methodologies yields an estimated beverage expense of $400,000, noting that a $60,000 increase in sales is offset by a $40,000 increase in the cost of goods.

[11] Telephone Expense. Hotel telephone operations have traditionally seen operating expenses which exceed revenues. However, recent deregulation legislation has, to some degree, reduced these losses. In 1983, telephone expenses at Olympia were approximately 140 percent of revenues (down from approximately 200 percent in 1981 and 1982). This 1983 ratio is expected to continue and, based upon stabilized telephone department sales of $200,000, will result in a stabilized department expense of $280,000.

[12] Rentals and Related Income Expenses. The expenses associated with rentals and related income have ranged from 1.6 to 1.9 percent of total revenue with an average of 1.7 percent. Applying this average to the forecast of stabilized revenue yields an estimated expense of ($9,740,000 x 1.7%) $165,580.

The results of a comparison of operating expenses with the associated operating revenue shows much more consistent results.

YEAR	RENTAL & OTHER DEPARTMENT INCOME	RENTAL & OTHER DEPARTMENT EXPENSES	EXPENSE RATIO
1981	$228,160	$161,920	71.0%
1982	195,991	140,876	71.9
1983	217,557	155,561	71.5
Average			71.5%

Assuming department expenses of 71.5 percent of stabilized department revenues, a stabilized department expense of ($230,000 x 71.5%) $164,450 results.

Based upon this analysis, a Rental and Other Income Department expense of $165,000 will be used in the stabilized income statement.

[13] Recreation Department Costs. As shown in Exhibit 1, recreation department costs have gone up dramatically over the past three years from $382,806 in 1982 to $735,839 in 1983. During this same period they have increased from 4.4 to 8.1 percent of total revenue, and the expenses are also increasing as a percentage of recreational revenue. In 1981 expenses were 59.4 percent of revenue while in 1983 these had risen to 76.1 percent in 1983. This shift is related to the increase in the spa business and can be expected to remain at current levels.

At 8 percent of total revenues, these expenses would be ($9,740,000 x 8%) $779,200. Alternatively, at 75 percent of recreational revenue they would be ($1,075,000 x 75%) $806,250. Giving equal weight to these techniques, the stabilized recreation department costs are estimated to be $790,000.

[14] Exposition Center Costs. The exposition space is quite valuable to the hotel operation in that it helps attract convention business. In this sense, it acts as a loss leader. In the last several years more of the retail space has been utilized as exposition space and costs have increased during the shakedown following the conversion from one use to another. Therefore, the exposition center costs have been stabilized at 1981 and 1982 percentage levels rather than the higher 1983 percentage costs.

[15] Replacement Costs. Olympia management has been allocating just over 3 percent of total revenue for replacement of furniture, fixtures, and equipment (FF&E). This is appropriate and is within the range for resorts and hotels regionally and nationally (P,K&F). The quality of the hotel is largely reflected by the quality, upkeep, and newness of its furnishings. Any budget which does not, over time, allow these items to be maintained in a near "like-new" condition, will cause the facility to lose occupancy, image, and reputation which will further result in a loss in revenue. Replacement costs (FF&E) are stabilized at 3.1 percent of total revenue.

[16] Administration and General Costs. The 1983 actual experience was 7.5 percent of total revenue. This is consistent with national norms of 7.5 to 9.8 percent of total income (PK&F). If anything, the Olympia is efficient in this category since resorts in the north-central part of the country average 9.8 percent of total revenue as administrative and general costs. Stabilized Administration and General Cost are estimated at 8 percent of total revenue, or $780,000.

[17] Management Fees. Management fees generally include a base fee plus an incentive fee. The base fee is a percentage of total revenue and the incentive fee is a percent of gross operating profit. This management fee's structure is well supported in the market. Recent interviews with executives of active management companies indicate that resort properties would typically be managed for a basic fee of 5 percent of gross revenue plus an incentive fee of 10 percent of gross operating profit. This 5 and 10 percent structure is, therefore, employed in this analysis. It must be remembered that for purposes of computing management fees, gross operating profit is adjusted to exclude charges for replacement of furniture, fixtures, and equipment. The sources for verifying the appropriate resort management contract fee were by published reference and by telephone interviews.

The principal text on the subject is The Negotiation and Administration of Hotel Management Contracts, 2nd edition, James J. Eyster, 1980, Hotel Administration, Cornell University, Ithica, New York. The Eyster text gives the appropriate 1980 management fee structures as being from 2 to 5 percent of gross plus 5 to 15 percent of gross operating profit (page 44). This typical fee structure is well within the description provided by Stephen Rushmore, MAI, SRPA, in Rushmore on Hotel Valuations, Fall 1979.

Mr. Frederick Eydt, Executive Vice President, Rock Resorts, New York, reported in a recent telephone interview that the management agreements which they are involved with and which they see in the course of their business are typically 5 percent of gross plus 10 percent of gross operating profit. Rock Resorts is an active manager and developer of resort properties.

Mr. John Fedorko, Assistant to the Chairman of the Board, Mariner Corporation, Houston, Texas, reports two structures for management fees with regard to the commercial hotels which they manage. A few management fees are structured at 3 to 4 percent of gross plus the direct cost of corporate staff and support functions. More frequently, the fee is a percentage of gross plus an incentive fee of a percent of gross operating profit. Typically these are in the 2 to 3 percent of gross and 10 to 20 percent of gross operating profit range. The Mariner Corporation operates 25 hotels across the nation including eight Marriott's, seven Holiday Inn's, five

Hilton's, one Sheraton, one Ramada, and one independent. These are commercial hotels rather than resort properties as is the subject. The properties managed by Mariner are owned by such organizations as Prudential, Aetna, Metropolitan Life, and a variety of equity syndications. Mariner has a minority ownership interest in virtually all of the properties which it manages.

The current managers of the Olympia facility have a management contract that calls for a base payment of 3 percent of total revenue plus 25 percent of Gross Operating (House) Profit. Since 1981 the actual dollar amount of these fees has been as follows:

	1981	1982	1983
Base Fee	$279,603	$294,665	$363,386
Incentive Fee	462,650	403,431	587,717
TOTAL	$742,253	$698,096	$951,103

Based upon this data, the base management fee for the subject property is estimated at 5 percent of total revenue, or ($9,740,000 x 5%) $487,000, rounded to $490,000.

The incentive component of the management fee is estimated to be 10 percent of gross operating profit without deduction for F,F&E expenses. This is estimated at (($1,720,000 + $300,000) x 10%) $202,000, which is rounded to $200,000.

[18] Advertising/Business Promotion Costs. Historic advertising and business promotion costs at Olympia are higher than the 4.5 to 5 percent that national experience shows to be appropriate (P,K&F). The 1983 advertising/business promotion costs are 7.1 percent of total revenue, which is a smaller percentage than either 1981 or 1982 and is smaller in terms of both nominal dollars and constant dollars than either previous year. This decline has paralleled a decline in occupied room nights. Resort businesses typically need to maintain a high level of advertising and business promotion, particularly those which have had image problems due to

foreclosure and past occupancy problems. Additionally, Olympia must draw its clientele without reliance upon other nearby attractions to generate a significant portion of its demand. Advertising/Business Promotion must therefore remain somewhat above normal and will stabilize at 6.5 percent of total revenue, or ($9,740,000 x 6.5%) $633,100, which is rounded to $630,000.

[19] Repairs and Maintenance Costs. The repairs and maintenance budgets have been decreasing in each of the last three years, both in terms of percentages and in terms of nominal and constant dollars (see Exhibits 1 and 2). Nationally, experience for resorts indicates appropriate property operation and maintenance budgets of 6.2 to 6.5 percent of total revenue. Several large capital expenditures over the last few years may, for the moment, allow a moderation in the repairs and maintenance budgets, but over the long run the repairs and maintenance budget should be approximately 6.5 percent of total revenue. Accordingly, the stabilized budget item reflects this change. The estimated dollar expense is then ($9,740,000 x 6.5%) $633,100, which is rounded to $630,000.

[20] Heat, Power, and Gas Costs. The 1983 heat, power, and gas expenses represent a 20 percent increase over the prior year which was a 20 percent increase over the 1981 budget. The 1984 projections for energy costs involve much more moderate increases (in the neighborhood of 5 to 6 percent). Therefore, the stabilized energy costs are estimated in the neighborhood of 1983 costs at $280,000. The appropriate stabilized energy cost percentage would be approximately 2.9 percent. Although this is significantly lower than the approximately 5 percent experienced (P,K&F), it appropriately reflects the Olympia experience and characteristics.

[21] Insurance. Fire, extended coverage, and liability insurance premiums for the Olympia property over the past three years are as follows:

1981	$150,376
1982	$146,000
1983	$144,154

While these premiums have shown a downward trend over the past three years, it is not likely that this trend will continue. In general, fire and extended coverage insurance policies require that the property be insured to some percentage of its replacement costs. Since the replacement costs for the improvements can be expected to increase, and the premium rate is not expected to decline, the overall premium will undoubtedly rise. As a result, the stabilized insurance charge is estimated to be $150,000.

EXHIBIT 1

OLYMPIA RESORT
OPERATING HISTORY FOR 1981, 1982, AND 1983
(Excluding the Beach House)

	1983	% OF TOTAL INCOME	1982	% OF TOTAL INCOME	1981	% OF TOTAL INCOME
Revenue						
Rooms and Villas	$3,926,470	43.2%	$3,868,027	43.8%	$3,759,761	43.6%
Food and Other Income	2,899,022	31.9	2,876,496	32.6	2,906,045	33.7
Beverage	792,691	8.7	770,478	8.7	882,636	10.2
Telephone	184,744	2.0	97,471	1.1	91,490	1.1
Rentals and Other Income (Gift Shop, Treasure Cove, Dress Shop, Souvenir Shop, Ice Cream Shop)	217,557	2.4	195,991	2.2	228,160	2.6
Recreation (Ski, Golf, Tennis, Spa)	967,315	10.7	912,979	10.3	644,421	7.5
Exposition Center	92,624	1.0	99,974	1.1	107,983	1.3
TOTAL REVENUE	$9,080,423	100.0%	$8,821,416	100.0%	$8,620,496	100.0%
Departmental Operating Expenses						
Rooms and Villas	$ 896,325	9.9%	$ 916,610	10.4%	$ 861,299	10.0%
Food and Other Income	2,112,908	23.3	2,110,494	23.9	1,986,474	23.0
Beverage	367,463	4.0	364,762	4.1	392,072	4.5
Telephone	256,923	2.8	196,010	2.2	178,778	2.1
Rentals and Other Income (Gift Shop, Treasure Cove, Dress Shop, Souvenir Shop, Ice Cream Shop)	155,561	1.7	140,876	1.6	161,920	1.9
Recreation (Ski, Golf, Tennis, Spa)	735,839	8.1	562,129	6.4	382,806	4.4
Exposition Center	73,055	0.8	53,118	.6	47,976	.6
TOTAL DEPARTMENTAL EXPENSES	($4,598,074)	50.6%	($4,343,999)	49.2%	($4,011,325)	46.5%
TOTAL OPERATED DEPARTMENTAL INCOME	$4,482,349	49.4%	$4,477,417	50.8%	$4,609,171	53.5%
Undistributed Operating Expenses						
Replacement Costs (F,F&E)	$ 278,478	3.1%	$ 269,859	3.1%	$ 264,258	3.1%
Administration and General	680,999	7.5	960,672	10.9	860,513	10.0
Advertising/Promotion	552,437	6.1	627,820	7.1	561,458	6.5
Repairs and Maintenance	366,173	4.0	410,408	4.7	434,794	5.0
Heat Power and Gas	278,030	3.1	228,176	2.6	189,932	2.2
Total Undistributed Operating Expenses	($2,156,117)	23.7%	($2,496,935)	28.3%	($2,310,955)	26.8%
GROSS OPERATING (HOUSE) PROFIT	$2,326,232	25.6%	$1,980,482	22.5%	$2,298,216	26.7%
Administration, Insurance, and Property Taxes						
Management Compensation	$ 587,717	6.5%	$ 403,431	4.6%	$ 462,650	5.4%
Property Taxes and Insurance	545,068	6.0	464,767	5.3	420,538	4.9
Total Administration, Insurance, and Property Taxes	($1,132,785)	12.5%	($ 868,198)	9.8%	($ 883,188)	10.2%
NET OPERATING INCOME	$1,193,447	13.1%	$1,112,284	12.6%	$1,415,028	16.4%

EXHIBIT 2

OLYMPIA RESORT
OPERATING HISTORY FOR 1981, 1982, AND 1983
IN 1983 CONSTANT DOLLARS
(Excluding Beach House)

	1983	1983 % OF TOTAL INCOME	1982	1982 % OF TOTAL INCOME	1981	1981 % OF TOTAL INCOME
Revenue						
Rooms and Villas	$ 3,926,470	43.2%	$4,022,748	43.8%	$4,135,738	43.5%
Food and Other Income	2,899,022	31.9	2,991,556	32.6	3,196,650	33.6
Beverage	792,691	8.7	801,297	8.7	970,900	10.2
Telephone	184,744	2.0	101,370	1.1	100,639	1.1
Rentals and Other Income (Gift Shop, Treasure Cove, Dress Shop, Souvenir Shop, Ice Cream Shop)	217,557	2.4	203,831	2.2	250,976	2.6
Recreation (Ski, Golf, Tennis, Spa)	967,315	10.7	949,498	10.4	730,863	7.7
Exposition Center	92,624	1.0	103,973	1.1	118,781	1.3
TOTAL REVENUE	$9,080,423	100.0%	$9,174,273	100.0%	$9,504,547	100.0%
Departmental Operating Expenses						
Rooms and Villas	$ 896,325	9.9%	$ 953,275	10.4%	$ 947,429	10.0%
Food and Other Income	2,112,908	23.3	2,194,914	23.9	2,185,121	23.0
Beverage	367,463	4.0	379,352	4.1	431,279	4.5
Telephone	256,923	2.8	203,850	2.2	196,656	2.1
Rentals and Other Income (Gift Shop, Treasure Cove, Dress Shop, Souvenir Shop, Ice Cream Shop)	155,561	1.7	146,511	1.6	178,112	1.9
Recreation (Ski, Golf, Tennis, Spa)	735,839	8.1	584,614	6.4	421,087	4.4
Exposition Center	73,055	0.8	55,243	.6	52,774	.6
TOTAL DEPARTMENTAL EXPENSES	($4,598,074)	50.6%	($4,517,759)	49.2%	($4,412,458)	46.5%
TOTAL OPERATED DEPARTMENTAL INCOME	$4,482,349	49.4%	$4,656,514	50.8%	$5,092,089	53.6%
Undistributed Operating Expenses						
Replacement Costs (F,F&E)	$ 278,478	3.1%	$ 280,653	3.1%	$ 290,684	3.1%
Administration and General	680,999	7.5	999,099	10.9	946,564	10.0
Advertising/Promotion	552,437	6.1	652,933	7.1	617,604	6.5
Repairs and Maintenance	366,173	4.0	426,824	4.7	478,273	5.0
Heat Power and Gas	278,030	3.0	237,303	2.6	208,925	2.2
Total Undistributed Operating Expenses	($2,156,117)	23.7%	($2,596,812)	28.4%	($2,542,050)	26.8%
GROSS OPERATING (HOUSE) PROFIT	$2,326,232	25.6%	$2,059,702	22.5%	$2,550,039	26.7%
Administration, Insurance, and Property Taxes						
Management Compensation	$ 587,717	6.5%	$ 419,568	4.6%	$ 508,915	5.4%
Property Taxes and Insurance	545,068	6.0	483,358	5.3	462,592	4.9
Rental and Management Fees	32,400	.4	33,696	.4	167,640	1.8
Total Administration, Insurance, and Property Taxes	($1,165,185)	12.9%	(936,622)	10.2%	(1,139,147)	12.0%
NET OPERATING INCOME	$1,161,047	12.7%	$1,123,080	12.2%	$1,410,892	14.8%

EXHIBIT 3

OLYMPIA RESORT
OCCUPANCY AND AVERAGE RATE

	1983	1982	1981
Available Rooms [1] (x 365)	377	392	407
Available Room Nights	137,605	143,080	148,555
Percent Occupancy [2]	51%	50%	52%
Room Nights Rented	70,179	71,540	77,249
Rooms Revenue [3]	$3,926,470	$3,868,027	$3,759,761
Average Rate per Rented Room Night	$55.95	$54.07	$48.67

[1] Available rooms per Olympia management. Decreases because of timeshare sales.

[2] Reported by Olympia management.

[3] Olympia Resort Income Statement

[4] Calculated

EXHIBIT 4

100 RESORT HOTELS - 1982
SUMMARY - DOLLARS PER AVAILABLE ROOM

	ALL RESORT HOTELS		AVERAGE FOR TOP 25% [a]		OVER 250 ROOMS		NORTH CENTRAL	
	$	%	$	%	$	%	$	%
REVENUES:								
Rooms	$15,624	53.6%	$20,906	52.5%	$16,342	53.9%	$12,675	43.0%
Food-Including Other Income	7,780	26.7	10,487	26.3	8,013	26.4	9,317	31.6
Beverages	2,643	9.1	3,683	9.2	2,698	8.9	3,324	11.3
Telephone	455	1.6	654	1.6	464	1.5	354	1.2
Other Operated Departments	1,560	5.3	2,715	6.8	1,605	5.3	3,292	11.2
Rentals and Other Income	1,106	3.8	1,407	3.5	1,225	4.0	518	1.8
Total Revenues	$29,168	100.0%	$39,851	100.0%	$30,347	100.0%	$29,480	100.0%
DEPARTMENTAL COSTS AND EXPENSES:								
Rooms	$ 4,423	15.2	$ 5,246	13.2	$ 4,684	15.4	$ 2,946	10.0
Food and Beverages	8,386	28.8	10,690	26.8	8,563	28.2	8,442	28.6
Telephone	613	2.1	806	2.0	620	2.0	547	1.9
Other Operated Departments	945	3.2	1,490	3.7	905	3.0	2,812	9.5
Total Costs and Expenses	$14,367	49.3%	$18,232	45.8%	$14,772	48.7%	$14,747	50.0%
Total Operated Departmental Income	$14,801	50.7%	$21,619	54.2%	$15,575	51.3%	$14,733	50.0%
UNDISTURBED OPERATING EXPENSES:								
Administrative and General	$ 2,223	7.6%	$ 2,586	6.5%	$ 2,183	7.2%	$ 2,854	9.7%
Management Fees [b]	731	2.5	1,227	3.1	839	2.8	466	1.6
Marketing	1,304	4.5	1,502	3.8	1,307	4.3	1,505	5.1
Franchise Fees [b]	42	0.1	11	0	26	0.1	71	0.2
Guest Entertainment [b]	48	0.2	12	0	58	0.2	81	0.3
Property Operation and Maintenance	1,883	6.5	2,538	6.4	1,940	6.4	1,836	6.2
Energy Costs	1,519	5.2	1,643	4.1	1,551	5.1	1,545	5.2
Total Undistributed Expenses	$ 7,750	26.6%	$ 9,519	23.9%	$ 7,904	26.0%	$ 8,358	28.4%
Income Before Fixed Charges	$ 7,051	24.2%	$12,100	30.4%	$ 7,671	25.3%	$ 6,375	21.6%
PROPERTY TAXES AND INSURANCE:								
Property Taxes and Other Municipal Charges	$ 581	2.0%	$ 782	2.0%	$ 602	2.0%	$ 578	2.0%
Insurance on Building and Contents	102	0.3	115	0.3	93	0.3	135	0.5
Total Property Taxes and Insurance	$ 683	2.3%	$ 897	2.3%	$ 695	2.3%	$ 713	2.4%
Income Before Other Fixed Charges [c]	$ 6,386	21.9%	$11,203	28.1%	$ 6,976	23.0%	$ 5,662	19.2%
PERCENTAGE OF OCCUPANCY	66.4%		70.5%		67.8%		50.%	
AVERAGE DAILY RATE PER OCCUPIED ROOM	$64.50		$81.29		$66.03		$68.85	
AVERAGE SIZE (ROOMS)	349		510		586		258	

[a] Averages for top 25% based on Income per Available Room Before Other Fixed Charges.
[b] Averages based on total groups although not all establishments reported data.
[c] Income before deducting Depreciation, Rent, Interest, Amortization and Income Taxes.

NOTE: Payroll Taxes and Employee Benefits distributed to each department.

Source: Pannell, Kerr, Forster, Trends in the Hotel Industry, 1983, p. 53-54.

CAPITALIZATION RATE

The capitalization rate for the hotel facility will be based upon a survey of mortgage commitments made by 20 life insurance companies throughout the United States in the fourth quarter of 1983. These are published quarterly in the Investment Bulletin of the American Council of Life Insurance. The date on hotel loans for the preceding five year period is shown in Exhibit 5. While this data has numerous limitations, it represents the best available data for this appraisal problem.

As can be seen, the capitalization rate has remained relatively stable over the past year. Based upon this, a 12.2 percent capitalization rate is believed to be appropriate.

The Net Operating Income (NOI) is, however, prior to deduction of real estate and personal property taxes. Since the 12.2 percent capitalization rate is applicable after deductions for these expense items, which are a function of value and, therefore are unknown, the 12.2 percent capitalization rate must be adjusted to reflect this discrepancy. The appropriate amount of this adjustment is the ratio of property taxes to value and that figure must be added to the capitalization rate. The City of Oconomowoc currently charges both real estate and personal property taxes at 2.21 percent. After adjustment, the appropriate capitalization rate is then (12.20% + 2.21%) 14.41%.

EXHIBIT 5

COMMITMENTS OF $100,000 AND OVER OF MORTGAGES ON HOTELS
MADE BY 20 LIFE INSURANCE COMPANIES

YEAR	QUARTER	INTEREST RATE BY # LOANS	INTEREST RATE BY $ LOANS	LOAN/VALUE RATIO	DEBT COVER RATIO	PERCENT CONSTANT	MATURITY (YEARS/MONTHS)	CAPITALIZATION RATE	EQUITY DIVIDEND RATE [a]
1979	1	10.43	10.43	72.3	1.38	10.9	19/3	11.4	12.7
	2	10.67	10.61	71.3	1.42	11.9	18/2	11.9	11.9
	3	10.84	10.74	72.2	1.41	11.7	17/1	12.0	12.8
	4	11.19	11.21	73.3	1.36	12.0	18/2	12.1	9.9
1980	1	11.89	11.84	72.1	1.39	12.4	20/0	12.4	12.4
	2	13.42	13.05	74.1	1.34	14.1	15/0	14.0	13.7
	3	12.91	12.95	71.4	1.41	13.2	15/1	13.4	13.9
	4	12.92	12.75	70.9	1.39	13.3	17/6	13.0	12.3
1981	1	14.26	13.87	68.8	1.49	14.7	16/1	14.2	13.1
	2	14.47	13.99	65.3	1.29	14.9	14/3	13.4	10.6
	3	15.38	15.10	62.5	1.40	15.7	10/0	13.7	10.4
	4	NR	NR	NR	NR	NR	NR/NR	NR	NR
1982	1	15.62	14.54	59.6	1.75	16.0	8/3	14.5	12.3
	2	NR	NR	NR	NR	NR	NR/NR	NR	NR
	3	14.75	14.49	64.9	1.28	15.1	10/0	12.0	6.3
	4	15.38	15.30	61.6	1.43	15.9	10/8	14.1	5.8
1983	1	13.50	13.40	73.4	1.29	13.8	8/6	12.3	8.2
	2	12.94	12.61	70.6	1.44	13.0	17/8	12.3	10.6
	3	12.85	12.85	65.2	1.42	13.3	9/11	12.2	10.1
	4	13.11	12.92	70.9	1.34	13.2	10/1	12.2	9.5

NR = No Report

[a] Computed as [Capitalization Rate - (Loan/Value Ratio x Percent Constant)] / (1 - Loan/Value Ratio)

Source: Investment Bulletin, American Council of Life Insurance, Table L

TIMESHARE UNIT VALUATION

EXHIBIT 6

TOTAL TIMESHARE UNITS BY TYPE AND SEASON

NO. OF UNITS	UNIT TYPE	RED (12 WEEKS)	WHITE (20 WEEKS)	BLUE - LOW (4 WEEKS)	BLUE - OFF (15 WEEKS)	TOTAL
9	One bedroom	108	180	36	135	459
15	Two bedroom	180	300	60	225	765
6	Three bedroom	72	120	24	90	306
30		360	600	120	450	1,530

Source: Primary

EXHIBIT 7

AVERAGE ANNUAL TIMESHARE UNIT SALES BY
UNIT TYPE AND SEASON [a]

	SEASON				
			BLUE		
UNIT TYPE	RED	WHITE	LOW	OFF	TOTAL
One bedroom	44	49	5	65	163
Two bedroom	59	33	1	17	110
Three bedroom	9	2	0	2	13
TOTAL	112	84	6	84	286

[a] Based on 1982 and 1983 sales volumes.

Source: Primary

EXHIBIT 8

SALES PRICES BY UNIT TYPE & SEASON

UNIT TYPE	RED	WHITE	BLUE-LOW	BLUE-OFF	MAIN. FEE
ONE BEDROOM	9500	5500	4600	3300	125
TWO BEDROOM	10500	5750	5100	3900	175
THREE BEDROOM	11500	6250	5600	4500	225

EXHIBIT 9

Landmark Research, Inc.

SUMMARY OF TIMESHARE UNIT SALES AND INVENTORY

SALES AND INVENTORY	1	2	3	4	5	6	7	8	9	10	11	12
ONE BEDROOM UNITS												
RED SEASON												
UNITS B.O.Y.	108	64	20	0	0	0	0	0	0	0	0	0
UNITS SOLD	44	44	20	0	0	0	0	0	0	0	0	0
UNITS E.O.Y.	64	20	0	0	0	0	0	0	0	0	0	0
WHITE SEASON												
UNITS B.O.Y.	180	131	82	33	0	0	0	0	0	0	0	0
UNITS SOLD	49	49	49	33	0	0	0	0	0	0	0	0
UNITS E.O.Y.	131	82	33	0	0	0	0	0	0	0	0	0
BLUE-LOW SEASON												
UNITS B.O.Y.	36	31	26	21	16	11	6	6	6	6	6	6
UNITS SOLD	5	5	5	5	5	5	0	0	0	0	0	0
UNITS E.O.Y.	31	26	21	16	11	6	6	6	6	6	6	6
BLUE-OFF SEASON												
UNITS B.O.Y.	135	70	5	0	0	0	0	0	0	0	0	0
UNITS SOLD	65	65	5	0	0	0	0	0	0	0	0	0
UNITS E.O.Y.	70	5	0	0	0	0	0	0	0	0	0	0
TWO BEDROOM UNITS												
RED SEASON												
UNITS B.O.Y.	180	121	62	3	0	0	0	0	0	0	0	0
UNITS SOLD	59	59	59	3	0	0	0	0	0	0	0	0
UNITS E.O.Y.	121	62	3	0	0	0	0	0	0	0	0	0
WHITE SEASON												
UNITS B.O.Y.	300	234	168	102	36	0	0	0	0	0	0	0
UNITS SOLD	66	66	66	66	36	0	0	0	0	0	0	0
UNITS E.O.Y.	234	168	102	36	0	0	0	0	0	0	0	0
BLUE-LOW SEASON												
UNITS B.O.Y.	60	58	56	54	52	50	48	48	48	48	48	48
UNITS SOLD	2	2	2	2	2	2	0	0	0	0	0	0
UNITS E.O.Y.	58	56	54	52	50	48	48	48	48	48	48	48
BLUE-OFF SEASON												
UNITS B.O.Y.	225	191	157	123	89	55	21	21	21	21	21	21
UNITS SOLD	34	34	34	34	34	34	0	0	0	0	0	0
UNITS E.O.Y.	191	157	123	89	55	21	21	21	21	21	21	21
THREE BEDROOM UNITS												
RED SEASON												
UNITS B.O.Y.	72	54	36	18	0	0	0	0	0	0	0	0
UNITS SOLD	18	18	18	18	0	0	0	0	0	0	0	0
UNITS E.O.Y.	54	36	18	0	0	0	0	0	0	0	0	0
WHITE SEASON												
UNITS B.O.Y.	120	116	112	108	104	100	96	96	96	96	96	96
UNITS SOLD	4	4	4	4	4	4	0	0	0	0	0	0
UNITS E.O.Y.	116	112	108	104	100	96	96	96	96	96	96	96
BLUE-LOW SEASON												
UNITS B.O.Y.	24	24	24	24	24	24	24	24	24	24	24	24
UNITS SOLD	0	0	0	0	0	0	0	0	0	0	0	0
UNITS E.O.Y.	24	24	24	24	24	24	24	24	24	24	24	24
BLUE-OFF SEASON												
UNITS B.O.Y.	90	88	86	84	82	80	78	78	78	78	78	78
UNITS SOLD	2	2	2	2	2	2	0	0	0	0	0	0
UNITS E.O.Y.	88	86	84	82	80	78	78	78	78	78	78	78

EXHIBIT 10

DISCOUNTED CASHFLOW MODEL FOR TIMESHARE UNITS

YEAR	1	2	3	4	5	6	7	8	9	10	11	12
SALES REVENUE												
ONE BEDROOM UNITS	925000	925000	727000	204500	23000	23000	0	0	0	0	0	0
TWO BEDROOM UNITS	1141800	1141800	1141800	553800	349800	142800	0	0	0	0	0	0
THREE BEDROOM UNITS	241000	241000	241000	241000	34000	34000	0	0	0	0	0	0
TOTAL SALES	2307800	2307800	2109800	999300	406800	199800	0	0	0	0	0	0
LESS: SALES EXPENSES												
FIXED EXPENSES	240000	240000	240000	240000	180000	120000	0	0	0	0	0	0
VARIABLE EXPENSES	646184	646184	590744	279804	113904	55944	0	0	0	0	0	0
TOTAL SALES EXPENSES	886184	886184	830744	519804	293904	175944	0	0	0	0	0	0
NET SALES REVENUE	1421616	1421616	1279056	479496	112896	23856	0	0	0	0	0	0
HOLDING COSTS												
ONE BEDROOM UNITS	37000	16625	6750	2000	1375	750	750	750	750	750	750	750
TWO BEDROOM UNITS	105700	77525	49350	30975	18375	12075	12075	12075	12075	12075	12075	12075
THREE BEDROOM UNITS	63450	58050	52650	47250	45900	44550	44550	44550	44550	44550	44550	44550
	------	------	------	------	------	------	------	------	------	------	------	------
TOTAL HOLDING COSTS	206150	152200	108750	80225	65650	57375	57375	57375	57375	57375	57375	57375
NET OPERATING INCOME	1215466	1269416	1170306	399271	47246	-33519	-57375	-57375	-57375	-57375	-57375	-57375
PV OF FUTURE HOLDING COST	1649200	1217600	870000	641800	525200	459000	459000	459000	459000	459000	459000	459000
REDUCTION OF HOLDING COST	0	431600	347600	228200	116600	66200	0	0	0	0	0	0
NOI + REDUC. IN HLD. COST	1215466	1701016	1517906	627471	163846	32681	-57375	-57375	-57375	-57375	-57375	-57375

Valuation of the Timeshare Units

The value of the timeshare units is then computed as follows:

YEAR	NET OPERATING INCOME (NOI)	PRESENT VALUE @ 35%	PRESENT VALUE OF NOI
1	$1,215,466	0.7407	$900,296
2	1,269,416	0.5487	696,529
3	1,170,306	0.4064	475,613
4	399,271	0.3011	120,220
5	42,246	0.2230	9,421
6	33,519	0.1652	5,537

PRESENT VALUE OF NET OPERATING INCOME	$2,196,542
LESS: PRESENT VALUE OF HOLDING COSTS [a]	(476,672)
LESS: CONVERSION COSTS [b]	(185,000)
PRESENT VALUE OF TIMESHARE UNITS	$1,534,870
ROUNDED TO	$1,500,000

This value is allocated as follows:

Personal Property (30 units x $7,500/unit)	$ 225,000
Real Estate ($1,500,000 - $225,000)	1,275,000

[a] At the end of six years, only slow selling units remain and due to fixed marketing costs, it is no longer viable to maintain a sales effort since sales revenues and the reduction in holding cost together do not justify the marketing activities. The following units (see Exhibit 9) will remain in inventory.

	RED	WHITE	BLUE/LOW	BLUE/OFF	TOTAL
One Bedroom	0	0	6	0	6
Two Bedroom	0	0	48	21	69
Three Bedroom	0	96	24	78	198
TOTAL	0	96	72	99	273

These units will generate holding costs (see Exhibit 9) as follows:

	NO. UNITS	MAINTENANCE FEE	TOTAL
One Bedroom	6	$125	$ 750
Two Bedroom	69	$175	12,075
Three Bedroom	198	$225	44,550
TOTAL	273		$57,375

These costs will continue undefinitely. If we assume a 50-year remaining live for the project and a 12 percent investment rate, a fund of ($57,375 x 8.3080) $476,672 must be established by the seller to meet this liability.

[b] Ten prospective timeshare units have not at this time been converted from hotel operation and remodeled for use in the timeshare program. Actual costs to accomplish this conversion have been reported to be $18,500 per unit, including extensive furnishng costs. The cost to convert these remaining units is then (10 unis x $18,500/d.u.) $185,000.

APARTMENT VALUATION

EXHIBIT 11

VALUE OF APARTMENT UNITS

NO. OF APTS.	TYPE	ESTIMATED MARKET RENT MONTHLY	ESTIMATED MARKET RENT ANNUALLY	GROSS INCOME MULTIPLIER	ESTIMATED UNIT VALUE	TOTAL VALUE BY UNIT TYPE
4	One Bedroom	$325	$3,900	6.5	$25,350	$101,400
4	Two Bedroom	$400	4,800	6.5	31,200	124,800
3	Three Bedroom	$425	5,100	6.5	33,150	99,450
		TOTAL PROPERTY VALUE				$325,650
		ROUNDED TO				$326,000
		LESS: PERSONAL PROPERTY VALUE [a]				2,200
		REAL ESTATE VALUE				$323,800

[a] Based upon one range and one refrigerator per apartment valued at $100 per appliance.

COMPARABLE RENTAL SUMMARY

	ONE BEDROOM	TWO BEDROOM	THREE BEDROOM	HEAT	ELEC.	WATER	
208 Locust Street Oconomowoc, WI	---	$265-$275	---	T	T	T	No appliances
328 S. Main Oconomowoc, WI	---	$345	---				
1033 Lowell Drive Oconomowoc, WI	---	$390-$405	---	L	T	L	
912 Hancock Court Oconomowoc, WI	---	---	$460 *	T	T	L	
874 Hancock Court Oconomowoc, WI	---	---	$525 *	T	T	L	

* Townhouse

EXHIBIT 13

SUMMARY OF COMPARABLE APARTMENT SALES DATA

SALE NO.	NAME AND ADDRESS	NO. OF UNITS	YEAR BUILT	SALE DATE	POTENTIAL GROSS INCOME	NOMINAL SALE PRICE			CASH EQUIVALENT SALE PRICE		
						$	$/SF	GIM (a)	$	$/SF	GIM (a)
1	LOOMIS APARTMENTS 4340-56 W. Loomis Rd Greenfield, WI	40	1973	10/83	$157,200	$1,000,000	$39.46	6.36	$1,000,000	$39.46	6.36
2	621 S. 92nd St West Allis, WI	16	1978	5/83	60,480	400,000	49.60	6.61	400,000	49.60	6.61
3	PARK SIDE PLAZA 11616 W. Greenfield West Allis, WI	36	1979	8/82	133,680	915,000	44.25	6.84	893,000	43.18	6.68
4	HARBOR VIEW VILLAGE APARTMENTS 3725-95 Denton 4145, 4155 S. Lake Dr St. Francis, WI	150	1971	7/81	550,000	3,900,000	40.88	7.09	3,520,000	36.90	6.02

(a) Gross Income Multiplier (GIM) is the ratio between the sale price and the annual potential gross income.

VALUATION OF THE HOTEL

The estimated value of the hotel property is then as follows:

$$V = NOI/R$$
$$= \$1,360,000/0.1441$$
$$V = \$9,437,890$$

Rounded to: $9,500,000

This value includes both real and personal property. It is allocated as follows:

Personal Property	$1,300,000
Real Estate	$8,200,000

VALUATION OF EXCESS LAND

The hotel operation includes 75 acres of excess land area. The value of this area is not considered by the income which the property will produce and must be added to the value derived above. This property is estimated to have a value of $6,000 per acre, or ($6,000 per acre x 75 acres) $450,000.

Reconciliation and Final Value Estimate

Each of the phases of the Olympia facility has been analyzed and appraised. The results are as follows:

	REAL ESTATE	PERSONAL PROPERTY	TOTAL
Hotel	$ 8,200,000	$1,300,000	$ 9,500,000
Timeshare	1,300,000	225,000	1,525,000
Apartments	322,800	2,200	325,000
Surplus land	450,000	-----	450,000
TOTAL	$10,272,800	$1,577,200	$11,800,000
Rounded to	$10,300,000		

Based upon this analysis, the estimated market value of a fee simple interest in the subject real estate as of January 1, 1984, is:

TEN MILLION THREE HUNDRED THOUSAND DOLLARS

($10,300,000)

CERTIFICATE OF APPRAISAL

We hereby certify that we have no interest, present or contemplated, in the property and that neither the employment to make the appraisal nor the compensation is contingent on the value of the property. We certify that we have personally inspected the property and that according to our knowledge and belief, all statements and information in the report are true and correct, subject to the underlying assumptions and limiting conditions.

Based on the information, and subject to the limiting conditions contained in this report, it is our opinion that the market value, as defined herein, of this property as of January 1, 1984, is:

TEN MILLION THREE HUNDRED THOUSAND DOLLARS

($10,300,000)

____

James A. Graaskamp, Ph.D., SREA, CRE
Urban Land Economist

____

Frederick A. Rendahl, Appraiser/Analyst

____

Date

APPENDIX A

Statements of General Assumptions and Limiting Conditions

This appraisal is made subject to and is conditioned upon the following General Assumptions and Limiting Conditions.

1. Contributions of Other Professionals

- Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by the appraisers.
- Because no legal advice was available, the appraiser assumes no responsibility for legal matters.
- All information furnished regarding property for sale or rent, financing, or projections of income and expenses is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and it is submitted subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, financing, or withdrawal without notice.

2. Facts and Forecasts Under Conditions of Uncertainty

- The comparable sales data relied upon in this appraisal is believed to be from reliable sources. Though all the comparables were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.
- Forecasts of the effective demand for space are based upon the best available data concerning the market, but are projected under conditions of uncertainty.

APPENDIX A (Continued)

- Engineering analyses of the subject property were neither provided for use nor made as a part of this appraisal contract. Any representation as to the suitability of the property for uses suggested in this analysis is therefore based only on a rudimentary investigation by the appraiser and the value conclusions are subject to said limitations.

- Although the mathematics of the computer output has been hand checked for accuracy, no guarantee is made of the program's infallibility.

- Sketches in this report are included to assist the reader in visualizing the property. These drawings are for illustrative purposes only and do not represent an actual survey of the property.

3. Controls on Use of Appraisal

- Values for various components of the subject parcel as contained within the report are valid only when making a summation and are not to be used independently for any purpose and must be considered invalid if so used.

- Possession of this report or any copy thereof does not carry with it the right of publication nor may the same be used for any other purpose by anyone without the previous written consent of the appraiser or the applicant and, in any event, only in its entirety.

- Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the author, particularly regarding the valuation conclusions and the identity of the appraiser, of the firm with which he is connected, or any of his associates.

APPENDIX A (Continued)

- This report shall not be used in the client's reports or financial statements or in any documents filed with any governmental agency, unless: (1) prior to making any such reference in any report or statement or any document filed with the Securities and Exchange Commission or other governmental agency, the appraiser is allowed to review the text of such reference to determine the accuracy and adequacy of such reference to the appraisal report prepared by Landmark Research, Inc.; (2) in the appraiser's opinion the proposed reference is not untrue or misleading in light of the circumstances under which it is made; and (3) written permission has been obtained by the client from the appraiser for these uses.

APPENDIX B

QUALIFICATIONS OF THE APPRAISERS

J A M E S   A.   G R A A S K A M P

PROFESSIONAL DESIGNATIONS

SREA, Senior Real Estate Analyst, Society of Real Estate Appraisers

CRE, Counselor of Real Estate, American Society of Real Estate Counselors

CPCU, Certified Property Casualty Underwriter, College of Property Underwriters

EDUCATION

Ph.D., Urban Land Economics and Risk Management - University of Wisconsin
Master of Business Administration Security Analysis - Marquette University
Bachelor of Arts - Rollins College

ACADEMIC AND PROFESSIONAL HONORS

Chairman, Department of Real Estate and Urban Land Economics, School of Business, University of Wisconsin
Urban Land Institute Research Fellow
University of Wisconsin Fellow
Omicron Delta Kappa
Lambda Alpha - Ely Chapter
Beta Gamma Sigma
William Kiekhofer Teaching Award (1966)
Urban Land Institute Trustee

PROFESSIONAL EXPERIENCE

Dr. Graaskamp is the President and founder of Landmark Research, Inc., which was established in 1968. He is also co-founder of a general contracting firm, a land development company, and a farm investment corporation. He is formerly a member of the Board of Directors and treasurer of the Wisconsin Housing Finance Agency. He is currently a member of the Board and Executive Committee of First Asset Realty Advisors, a subsidiary of First Bank Minneapolis. He is the co-designer and instructor of the EDUCARE teaching program for computer applications in the real estate industry. His work includes substantial and varied consulting and valuation assignments to include investment counseling to insurance companies and banks, court testimony as expert witness and the market/financial analysis of various projects, both nationally and locally, and for private and corporate investors and municipalities.

F R E D E R I C K   A.   R E N D A H L

EDUCATION

Bachelor of Business Administration - Real Estate and Urban Land Economics, University of Wisconsin

Master of Science - Real Estate Appraisal and Investment Analysis, University of Wisconsin

PROFESSIONAL EDUCATION

<u>Society of Real Estate Appraisers</u> (SREA)

Course 101: Appraising Real Property
Course 201: Principles of Income Property Appraising
R-2 Examination

<u>American Institute of Real Estate Appraisers</u> (AIREA)

Course 1A: Principles of Appraising
Course 1B: Capitalization Theory and Techniques
Course 2: Urban Properties
Course 6: Introduction to Real Estate Investment Analysis

PROFESSIONAL EXPERIENCE

Mr. Rendahl is currently associated with Landmark Research, Inc. as an appraiser and consultant. He has over ten years experience in a variety of valuation, marketability, land use and project feasibility studies. He has served individual, corporate, and governmental clients, concerning commercial, industrial, and residential properties throughout the United States. These services include court testimony as an expert witness. Mr. Rendahl has been a member of the Society of Real Estate Appraisers, Young Advisory Council and an instructor of the SREA's 101 and 201 courses.