DRAFT

APPRAISAL REPORT

CONSERVATION AND PRESERVATION
EASEMENT
Mar-a-Lago
1100 South Ocean Boulevard
Palm Beach, Florida

Prepared for
Mr. Donald J. Trump
725 Fifth Avenue
New York, NY 10022
Taxpayer Identification Number:
230-50-5640

Fair Market Value as of
April 6, 1995

Submission Date
August 1, 1996

By
Clarion Associates, Inc.
75 East Wacker Drive, Suite 1600
Chicago, IL 60601

August 1, 1996

DRAFT

Mr. Donald J. Trump
725 Fifth Avenue
New York, NY 10022

Dear Mr. Trump:

We are pleased to submit the attached appraisal report concerning the fair market value of the preservation and conservation easement donated on Mar-a-Lago, 1100 South Ocean Boulevard, Palm Beach, Florida, as of April 6, 1995, the effective date of the appraisal. The date of the report is April 12, 1996.

The purpose of this appraisal is to estimate for federal income tax purposes the fair market value of the gift of the preservation and conservation easement. When there are no sales of similar easement-encumbered parcels, this requires comparison of the fair market value of the property prior to donation of the easement and the fair market value of it after donation of the easement as well as consideration of any offsetting increase in other property owned by the donor. The difference is the value of the easement.

This is a qualified appraisal report under the meaning of the Income Tax Regulations and was prepared for your use in connection with the donation. No part of the fee is based on a percentage of the appraised value of the property. This report has been researched and written in conformity with the requirements of the Code of Professional Ethics of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation. The report is subject to a statement of assumptions and limiting conditions which follows the certification of value. Neither the Clarion Associates, Inc. name nor the material submitted in the report may be included in any prospectus or used in offerings or representations in connection with the sale of real estate, securities, or participation interests to the public, without our written consent.

The report, of which this letter is a part, describes in detail the site and methods of appraisal, and contains the pertinent data considered in reaching our value conclusions. As stated in the attached complete, self-contained appraisal report, our estimate of the fair market value of the preservation and conservation easement as of April 6, 1995 is $5,750,000.

This letter of transmittal must remain attached to the report for this value opinion to be considered valid.

Sincerely yours,

CLARION ASSOCIATES, INC.

DRAFT

by Cheryl A. Inghram, MAI

SUMMARY OF SIGNIFICANT FACTS AND CONCLUSIONS

Property Appraised:	Mar-a-Lago, 1100 South Ocean Boulevard, Palm Beach, Florida.
Report Date:	August 1, 1996
Effective Date of Appraisal:	April 6, 1995
Purpose and Intended Use of Appraisal:	To serve as a qualified appraisal for federal income tax purposes, estimating the fair market value of the property prior to donation of a preservation and conservation easement as of April 6, 1995 and after donation of a preservation and conservation easement on April 6, 1995.
Total Site Area:	17.49 acres
Area of Easement:	17.49 acres
Zoning:	R-AA, Large Estate Residential (16.38-acre portion); and R-A, Estate Residential.
Dates of Inspection:	On three occasions in 1990 and 1991 as well as on August 30, September 1, and September 2, 1995
Permanent Index Nos.:	50-43-43-35-00-002-0390

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Conclusions

Highest and Best Use Before Conservation Easement:	Single-family residence; selective removal and sale of interior decorative elements; and subdivision and development of eight additional residences.
Highest and Best Use After Conservation Easement:	One single-family residence; protected open space; and subdivision and development of six additional residences.
Value Before Conservation Easement:	$25,000,000
Estimate of Exposure Time:	Three and one-half to five years.

Value After Conservation Easement:	$19,250,000
Estimate of Exposure Time:	Four and one-half to seven years.
Offsetting Benefit to Adjacent Property:	N/A
Value of the Easement:	$5,750,000

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PHOTOGRAPHS

View of Mar-a-Lago from East

View of Mar-a-Lago from West

PHOTOGRAPHS

View of "Jim's House" North

View of "Frank's House" South

PHOTOGRAPHS

View of Dormitory the East

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EXHIBITS — Following page

ADDENDA

CERTIFICATE OF VALUE

WE HEREBY CERTIFY that to the best of our knowledge and belief the following is true and accurate:

that we have no present or contemplated future interest in the real estate that is the subject of this appraisal report;

that we have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved;

that the fee for this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event; and that no portion of the fee arrangement is based on a percentage of the property's appraised value;

that to the best of our knowledge and belief, the statements of fact contained in this appraisal report, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct;

that this appraisal report sets forth all of the limiting conditions (imposed by the terms of our assignment or by the undersigned) affecting the analyses, opinions and conclusions contained in this report;

that our analysis, opinions and conclusions have been developed and that this appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation;

that the use of this report is subject to the requirements of the Appraisal Institute including possible review by its duly authorized representatives;

that no one other than the undersigned and those acknowledged below prepared the analyses, conclusions and opinions concerning the real estate that are set forth in this appraisal report. Mary Lou Nicholas and Nicholas M. Revill provided significant professional assistance in analyzing the interior decorative elements of the property. Reliance is placed on their work; moreover, the appraiser has thoroughly reviewed their work. Cheryl A. Inghram inspected the property;

that the Appraisal Institute conducts a continuing education program for its members. As of the date of this report, Cheryl A. Inghram, MAI, has completed requirements of the continuing education program of the Appraisal Institute;

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IN OUR OPINION, the fair market value of the fee simple interest in

Mar-a-Lago
1100 South Ocean Boulevard
Palm Beach, Florida

prior to considering the preservation and conservation easement described herein, as of April 6, 1995, subject to the Assumptions and Limiting Conditions stated on the following pages, was

TWENTY-FIVE MILLION DOLLARS
($25,000,000)

IN OUR OPINION, the fair market value of the fee simple interest in the subject property after considering the preservation and conservation easement described herein, as of April 6, 1995, subject to the Assumptions and Limiting Conditions stated on the following pages, was

NINETEEN MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS
($19,250,000)

IN OUR OPINION, the fair market value of the preservation and conservation easement described herein imposed on the subject property, as of April 6, 1995, subject to the Assumptions and Limiting Conditions stated on the following pages, was

FIVE MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS
($5,750,000)

Respectfully submitted,
CLARION ASSOCIATES, INC.

_____

Cheryl A. Inghram, MAI
Illinois Certified General Real Estate
Appraiser # 153-000569
Tax Identification Number: 329-48-2693
Clarion Associates, Inc. Taxpayer Identification Number: 36-3595037
Submission Date: August 1, 1996

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This opinion is expressly subject to the following assumptions and limiting conditions:

1. No responsibility is assumed for matters of a legal nature. It is assumed that title to the property is marketable and the legal description furnished us is correct. The legal description provided herein should be verified by competent legal counsel.

2. The property is treated as though under responsible ownership and competent and efficient management, and free and clear of all liens and encumbrances except as specifically provided herein.

3. The described physical condition of any improvements is based on visual inspection only. It is assumed that there are no hidden or unapparent physical conditions affecting value. No liability is assumed for the soundness of structural members, equipment or soil conditions, since no engineering tests were made.

4. Improvements, if any, are considered to be within lot lines and in accordance with local zoning and building ordinances as well as all applicable federal, state and local environmental laws and regulations, except as noted herein. Any plats, diagrams or drawings provided are intended solely to facilitate understanding and aid the reader in picturing the property, and are not meant to be used as references in matters of survey, as no survey was made, and no liability is assumed regarding questions of survey.

5. It is assumed that all required private, federal, state, or local licenses, certificates of occupancy, consents, or other legislative or administrative permissions required have been or can be readily obtained or renewed for any use on which the value estimate in this report is based.

6. Any information received from others is believed to be reliable; however, no warranty is given for its accuracy.

7. The authors will not be required to give further consultation or testimony, or appear in court, by reason of this report with reference to the property described unless previous arrangements have been made to that effect.

8. Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute and the American Society of Real Estate Counselors. Possession of this report, or a copy thereof, or any part thereof, does not carry with it the right of publication, nor may it be used by anyone but the party for whom it has been prepared without the previous written consent of the

appraisers, and in any event only with proper written qualification and only in its entirety.

9. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) will be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.

10. Any value estimates stated herein are based on the purchasing power of the dollar as of the date of this report, except as otherwise specified.

11. This report is intended to be read and used as a whole and not in parts. Separation of any section or page from the main body of the report is expressly forbidden and will be considered as invalidating the report.

12. Where the property being considered is part of a larger parcel or tract, any values reported relate only to the portion being considered and should not be construed as applying with equal validity to other portions of the larger parcel or tract. Any allocation of value in this report between land and improvements applies only to this report, and must not be used as part of any other appraisal and is invalid if so used. The value reported for any portion appraised plus the value of all other portions may or may not equal the value of the entire parcel or tract considered as an entity.

13. Any projections of future rents, expenses, net operating income, mortgage debt service, capital outlays, cash flow, inflation, capitalization rates, interest rates or discount rates are intended solely for analytical purposes and are not to be construed as predictions or as representing the thinking of the authors of this report or this office. To the extent that they are used in estimating the value of an interest or interests in real property, they represent only our judgment of the assumptions likely to be used by purchasers and sellers active in the marketplace. We can neither guarantee the accuracy of these judgments and projections nor accept any responsibility for their accuracy.

14. No responsibility is assumed for the accuracy of any descriptions of physical materials and conditions pertaining to the property, or for any damages sustained in connection with actual or potential deficiencies or hazards such as, but not limited to, inadequacies or defects in the structure, design, mechanical equipment or utility services associated with the improvements; air or water pollution; noise; flooding, storms or wind; traffic and other neighborhood hazards; radon gas, asbestos, natural or artificial radiation, or toxic substances of any description, whether on or off the premises.

15. The professional fees paid for preparing the appraisal report were not based in whole or in part on the amount of the appraised value of the property, but rather upon a fixed price plus expenses or hourly reimbursement basis.

16. The authors have made inquiries to determine if there are any restrictions upon the use, sale or disposition of the property, and all such restrictions found are described in the appraisal.

17. This report assumes that the donation of an easement on the property qualifies as a charitable contribution for conservation purposes in accordance with the Internal Revenue Code.

PURPOSE AND INTENDED USE OF THE APPRAISAL

The purpose of the appraisal is to estimate for federal income tax purposes the fair market value of the subject property, considered as a whole, before considering a preservation and conservation easement imposed as of April 6, 1995, and after considering the easement imposed as of April 6, 1995. The difference in value is the value of the preservation and conservation easement imposed on the property as of April 6, 1995. This is a qualified appraisal according to the meaning of the Income Tax Regulations. The property is assumed to be free and clear of all liens, special assessments, and other encumbrances not specifically provided for in this report.

SCOPE OF THE ASSIGNMENT

The appraisal assignment began with an inspection of the property and review of building and site plans. We analyzed existing land use regulations, neighborhood trends, anticipated public or private improvements in the vicinity, market demand for single-family homes, the physical characteristics of the property and its highest and best use. We inspected comparable sales from the exterior and interviewed local real estate brokers extensively. We reviewed the conservation easement, and then undertook the cost, sales comparison, and income approaches to value. The assignment began in August 1995 and was completed in August of 1996.

DEFINITION OF VALUE

Section 1.170-1(c) of the U.S. Income Tax Regulations defines fair market value as follows:

> The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts.

This definition is consistent with the Tenth Edition, 1992, of The Appraisal of Real Estate, published by the Appraisal Institute, which defines market value by reference to the Dictionary of Real Estate Appraisal as follows:

> The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self interest, and assuming that neither is under undue duress.

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:

a. buyer and seller are typically motivated;

b. both parties are well informed or well advised, and each acting in what he considers his own best interest;

c. a reasonable time is allowed for exposure in the open market;

d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

e. 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.

The estimate of the market value of the subject property is expressed in terms of cash.

PROPERTY RIGHTS APPRAISED

The real estate appraised both before and after considering the preservation and conservation easement is a fee simple interest in the land subject only to such leases and encumbrances as may be specifically provided for herein. Fixtures and equipment ordinarily considered part of the real estate such as heating and air conditioning systems, electrical systems, general lighting, and domestic plumbing are included.

IDENTIFICATION OF THE PROPERTY

Mar-a-Lago is one of America's most elaborate and recognizable mansions, a 51,770-square-foot Mediterranean-style villa, sprawled around a 75-foot tower. It occupies a 16.38-acre site located between Lake Worth and South Ocean Boulevard, with an additional 39,000-40,000 square-foot oceanfront lot, immedately east of South Ocean Boulevard. Also, adjacent to the property to the north, there is a vacant, 8,250 square-foot parcel.

The main part of the house has approximately 30,410 square feet of gross living area, not including the basement, and a total area of approximately 37,320 square feet of covered area (including covered walkways, loggias, etc.). The service wing has a gross above-ground enclosed area of approximately 12,920 square feet, and a total area of approximately 14,450 square feet of covered area. The main part of the mansion has 33 principal rooms, including 13-16 bedrooms, 14 full and five half-bathrooms.

The site is also improved with numerous outbuildings, including two separate small residences, which are typical for an estate of this size. The site is extensively landscaped and has a nine-hole "pitch and putt" golf course at the west end, as well as a tennis court and outdoor swimming pool.

Mar-a-Lago was created between 1923 and 1927 by Marjorie Merriweather Post and E.F. Hutton, whose other contributions to local and national life are well known. Mar-a-Lago's architects were Joseph Urban of New York and Marion Sims Wyeth of Palm Beach, both designers of acknowledged importance and quality.

The significance of the estate is widely recognized in publications and in its various landmark and historic site designations. In June 1928 the periodical American Architect devoted 12 pages to the recently completed estate. Since then, the house has been widely published in books about American, regional and local architecture and has been featured on the television program, "America's Castles." In 1967-72, the Historic American Buildings Survey documented the estate with 36 pages of text and 111 photographs. The Town of Palm Beach designated Mar-a-Lago as a local landmark on July 11, 1979. Finally, the property was designated a National Historic Landmark on December 30, 1980. National Historic Landmark (NHL) status is reserved for sites of pre-eminent national significance, and NHLs are automatically listed in the National Register of Historic Places.

Finally, on April 6, 1995, the National Trust for Historic Preservation accepted a preservation and conservation easement on the property. It has been the longstanding policy of the National Trust to accept easements only on the most significant of national historic resources. By any well known and objective criteria, Mar-a-Lago, buildings and grounds, qualifies as an important local, regional and national landmark.

LEGAL DESCRIPTION

The legal description for the property is provided in the Addenda.

ENCUMBRANCES

We have reviewed a title report and deed documentation for the property. There are normal easements for utilities and public roads, none of which affect the property's marketability or development potential. The parcel benefits from an access easement via a tunnel and across adjacent property to the oceanfront lot. According to deed documents, no more than two residences can be constructed on the oceanfront lot.

SALES HISTORY OF PROPERTY

There have been no sales of the property in the three years prior to valuation. The owner, Donald J. Trump, purchased the 16.38-acre portion of the property in December 1985 from the Marjorie Merriweather Post Foundation for $8,000,000, including furnishings and decorative arts objects estimated at $3,000,000. Mrs. Post had owned the property from the 1920s until her death in 1973, when she willed it to the U.S. government as a retreat for visiting foreign dignitaries or a presidential retreat. The federal government deemed it too difficult to secure and returned to the Post Foundation. At the time of purchase by Mr. Trump, the house had been vacant and essentially unoccupied for approximately 12 years.

Subsequent to purchasing the 16.38-acre portion of the property, Mr. Trump purchased the oceanfront lot for a reported $2,000,000.

[Paul: I need to know the terms and date of Mr. Trump's purchase of the Woodbridge Road property.]

AREA AND NEIGHBORHOOD DESCRIPTION

The subject property is located in Palm Beach, Palm Beach County, Florida.

Palm Beach County, on the east coast of south Florida, developed as a result of oil, railroad, and real estate entrepreneur Henry Flagler's obsession to transform the swampy

and mosquito-infested island of Palm Beach into a tropical resort paradise. Practically single-handedly spearheading the development of the east coast of south Florida, he extended the Florida East Coast railway from Jacksonville to Key West, in the process establishing St. Augustine, Daytona, Palm Beach, and Miami as destination resorts.

In Palm Beach, Flagler built the Royal Poinciana (1894) and the Palm Beach Inn (1897) hotels. The Morgans, the Wanamakers, the Astors, and Vanderbilts, the Woolworths and the Kennedys, among others, came for the winter season. In 1901, he built his residence, Whitehall, now the Flagler Museum. It was constructed at a cost of $2.5 million and furnished at a cost of $1.5 million.

While developing Palm Beach, Flagler built a workers' community across Lake Worth, in West Palm Beach, and it became established as a commercial center. Today, West Palm Beach is a vibrant center for banking, development, and government and is the seat of government for Palm Beach County. After experiencing substantial growth during the past decade, West Palm Beach is expected to be one of the fastest-growing MSAs in the nation through the remainder of the 1990s.

During the 1980s, Palm Beach County was one of the nation's fastest-growing major metropolitan areas, as employment, income, retail sales, and other economic indicators reached record highs. The population increased by nearly 290,000, or nearly 50%. The economy added jobs at a rapid rate.

Palm Beach County has an estimated 1995 population of 962,802 people, an increase of nearly 12% over 1990. The county estimates that its winter population increases by 10% countywide, as snowbirds flock to Florida seeking relief from northern winters. The county estimates that the Town of Palm Beach experiences a 32% population increase in season.

According to Department of Labor figures, employment in Palm Beach County increased 3.5% between September 1994 and September 1995, which translated into 13,300 new jobs. Unemployment, however, remains relatively high. Employment for 1994 ran 8.5%, and as of September 1995 it was estimated at 7.8%, in comparison to the national average of 5.7% for the same month. Job gains were led by the service sector (6,600 jobs) and retail (2,900).

Major corporate headquarters located in Palm Beach County include W.R. Grace & Company (Boca Raton), Office Depot (Delray Beach), Levitz Furniture (Boca Raton), and the Scott Paper Company, which recently relocated its headquarters to Boca from Philadelphia. In 1995 the broadcasting company Paxson Communications relocated its headquarters from Clearwater to West Palm Beach.

Tourism is an important industry in the county. It is estimated that in fiscal year 1994, Palm Beach County attracted nearly 3.85 million visitors, generating nearly $1.9 billion for the local economy. This helps to explain the large proportion of the labor force employed in the service sector--over 36% as compared to the national norm of 28%. The area's numerous golf courses are important tourism amenities (20 of the generally-recognized top 25 southeast Florida golf courses are located in Palm Beach County).

Agriculture is also an important component in the County's economic picture. Of all the counties in the United States, Palm Beach County leads the nation in the production of sweet corn.

Despite a reputation for relative affluence, Palm Beach County's household income is actually only slightly above the national norm. According to Sales & Marketing Management's *1995 Survey of Buying Power*, the local median household income is $38,200, as compared to $37,100 for the nation.

Palm Beach County is readily accessible by air. Palm Beach International Airport was recently remodelled. Passenger traffic increased 10% from 1993 to 1994, to 5.6 million, but fell slightly in 1995. The airport is served by the major airlines, including U.S. Air, Delta, American Airlines, and United, as well as numerous regional airlines and private aircraft.

The Town of Palm Beach, 14 miles long, ½ mile wide at its widest point, and 3.93 square miles in area, is located between Lake Worth and the Atlantic Ocean. The Town has a year-round population of 9,856 but swells to approximately 13,000 during the winter season. Palm Beach has a reputation as an exclusive--and expensive--island community. To the average visitor, it is not only the impressive size of the seasonal residences, it is the prices to be found in the shops along famed Worth Avenue that highlight the area's enormous wealth. Shops include Saks Fifth Avenue, Ralph Lauren, Chanel, Ungaro, Krizia, Cartier, Tiffany, Valentino, Pratesi Linens, and numerous high-end antique dealers. A few of the shops close and relocate to the north during Palm Beach's off season.

Palm Beach is internationally known for its architectural landmarks designed in the "Palm Beach Style," and the popularizer of the style was the architect Addison Mizner. In 1919, he was commissioned to design El Mirasol for the Stotesbury's, which became the standard by which the great Palm Beach mansions were judged. Mizner completed approximately 45 homes shops and public buildings in Palm Beach from 1918 through 1931, including Via Mizner off of Worth Avenue, an exquisite shopping arcade he designed in 1925. Marion Sims Wyeth, who also had numerous important residential commissions in Palm Beach and who was selected by Mrs. Post as the original architect for Mar-a-Lago, arrived in town in 1919. Joseph Urban, the interior architect for Mar-a-Lago, and Maurice Fatio also contributed a significant legacy to the Palm Beach architectural landscape.

Meanwhile, the development of Palm Beach with expensive homes continues to unfold. In 1994, plans for Phipps Estates were unveiled. The development, currently underway on a 20-acre site, is planned for 32 homes, ranging in price from $2.5 to $3.5 million on lots of from 18,900 to 36,323 square feet.

The 1995 *Mobil Guide* listed 1,816 hotel and motel rooms in Palm Beach, though that number will shrink slightly with the closing of the 134-room Brazilian Court and its conversion to elderly housing. Perhaps the largest and most well-known of the area's hotels is the Breakers resort, a 567-room landmark facility with private beach and 36-hole golf course. Palm Beach also has numerous restaurants.

Palm Beach enjoys a rich cultural life. In addition to performances at the Henry Kravis Center for the Performing Arts in West Palm Beach, the Greater Palm Beach Symphony performs at the Royal Poinciana Playhouse. Exhibits, lecture series and concerts are offered at the Society of the Four Arts in Palm Beach, and the Norton Gallery of Art in West Palm Beach exhibits both its own collections and travelling exhibitions.

Private clubs, many with golf courses, are an important feature of Palm Beach life and contribute to the community's characteristic exclusive air. They include the Everglades Club, the Bath and Tennis Club, the Sailfish Club, the Palm Beach Country Club, and the Poinciana Club, as well as Club Mar-a-Lago.

SITE DESCRIPTION

Location:	1100 South Ocean Boulevard, Palm Beach.
Area:	Site of Main Residence: Approximately 16.38 acres total area, according to a site survey prepared May 17, 1995 by Lawson, Noble & Associates, Inc. Woodbridge Road Property: 8,250 s.f., according to the site survey. Oceanfront Lot: The site survey did not specify the area of this lot, but it is generally acknowledged to have 39,000-40,000 s.f. (one "Palm Beach acre"). Area will vary due to the water frontage.
Shape:	Both the main and oceanfront sites are roughly rectangular. The Woodbridge Road property is "L"-shaped.

Dimensions:	Site of Main Residence: roughly 1,400 feet east to west and 600 feet north to south (see survey). Oceanfront Lot: roughly 150 feet east to west and 350 feet north to south (see survey).
Topography and Floodplain:	The site slopes downward from the oceanfront toward the lake. The site is not subject to flooding, but some fill would be required for new construction at the west end of the property.
Soils and Vegetation:	No soil report was provided in connection with this assignment. From our previous work with the property, we are aware that the main residence is anchored to a coral reef, and that the far west portion of the site (location of golf course) is landfill. We are also aware that more intensive development of the site is possible but that drainage will have to be handled carefully, and certain potential building sites at the west end may require some fill. We understand that the water table is not excessively high. Vegetation consists of native as well as exotic, cultivated species, including buttonwood, gumbo limbo, species of ficus, mastic and cabbage palms, Australian pines, and coconut palms. Shrubs include hibiscus, oleander, seagrape, and bougainvillea among many others.
Utilities:	All available at the site.
Improvements:	Extensive (please refer to Description of the Improvements).
Access:	Via South Ocean Boulevard (State Road A1A) (main entrance) and Southern Boulevard (service entrance).
Adjacent Uses:	Single-family residential and private club (Bath and Tennis Club).

REAL ESTATE TAXES AND ASSESSMENT

The subject is identified for property tax purposes as number 50-43-43-35-00-002-0390. The most recent tax information for the property is as follows:

TAXPAYER OF RECORD:	Donald J. Trump 725 5th Avenue New York, NY 10022
1994 ASSESSED VALUE:	$15,000,000
TAXES PAYABLE IN FOLLOWING YEAR:	$ 335,566.00

In 1993, the property's assessed value was reduced to its current level from $17,482,964 in 1992.

ZONING, SUBDIVISION AND HISTORIC PRESERVATION REGULATIONS

Zoning: The 16.38-acre portion of the property is presently zoned R-AA, Large Estate Residential, according to the Town of Palm Beach zoning code. Permitted uses include single-family dwellings and municipal parks and recreation areas. The purpose and intent of the district is to provide for and protect estate residential uses of a spacious character and to contain vacant land considered appropriate for such development in the future. Planned unit developments may be approved as Special Exception Uses through a planned unit development, PUD-4. Private social clubs may also be approved as Special Exception Uses. In an R-AA district, the minimum lot area for new residential construction is 60,000 square feet. The maximum number of units is 0.667 per acre, and the ordinance specifies that an acre for purposes of this calculation consists of 40,000 square feet, a "Palm Beach acre."

Minimum lot width is 150 feet, and minimum lot depth is 150 feet. The front walls of buildings must be set back two feet from the street for each one foot of building height. Rear yards of 15 feet and side yards of at least 30 feet are required. Maximum lot coverage is 25%. The maximum height of buildings is 30 feet or two stories, plus five feet for flat roofs or 10 feet for all other roof styles.

In the R-AA district, an observation tower may be constructed as an integral part of a single-family dwelling. Its height may exceed the height limitation by 10 feet, but it may not contain habitable space above the second story.

In our opinion, due to the height of the tower and the fact that it has habitable rooms above the second story, the property is a legally nonconforming use. According to the zoning ordinance, the tower could not be enlarged; however, because Mar-a-Lago is a designated landmark, the code provides a special exception, and the tower could be restored if it was substantially destroyed, such as in a hurricaine. In fact, the tower of Mar-a-Lago is one of the town's most widely recognized landmark features.

The oceanfront lot and the Woodbridge Road property are designated R-A, Estate Residential. Minimum lot size is 20,000 square feet. Minimum lot width is 125 feet, and minimum lot depth is 150 feet. The front walls of buildings must be set back two feet from the street for each one foot of building height. Rear yards of 15 feet and side yards of at least 15 feet are required. Maximum lot coverage is 25%. The maximum height of buildings is 25 feet or two stories, plus five feet for flat roofs or 10 feet for all other roof styles. North of Southern Boulevard, no structure may be constructed closer than 50 feet from the designated ocean bulkhead line unless an ocean bulkhead exists or is constructed. In our opinion, the oceanfront lot conforms to zoning and could be developed with a single-family dwelling but the Woodbridge Road lot could not be developed.

Subdivision: The PUD-4 historical preservation residential development is intended to preserve historically or architecturally significant structures by permitting low-density residential development at a density calculated on the area of the entire property, excluding the area of property required by the Town to support the landmark building. When a special exception use, as would be the case with Mar-a-Lago, PUD-4s are subject to the approval of the town council, following review by the landmarks preservation commission and the zoning commission.

In a PUD-4 development, the maximum density is two-thirds unit per acre, based on a 40,000-square foot "acre." Single-family residential developments are permitted as long as they are developed compatibly with the significant historic resource. A minimum of 15% of the site area must be designated as common open space. Planned unit development applications are reviewed according to standards for architectural design, landscape design, circulation, and parking and loading. Applications are also reviewed for consistency with the Town of Palm Beach Comprehensive Plan concerning traffic and other environmental impacts.

In 1991 and 1992, the Planning and Zoning Commission and the Town Council reviewed an application for a proposed nine-lot subdivision of Mar-a-Lago. The application was denied because it did not provide a satisfactory plan for the preservation of the property. In 1985, however, the Town of Palm Beach had approved a subdivision plan for a nine-lot subdivision, which subsequently expired.

Historic Preservation: The Town of Palm Beach also has adopted a Landmarks Preservation Ordinance. Mar-a-Lago was designated as a landmark on July 11, 1979.

Designated properties may not be constructed, altered, restored, moved, or demolished until a certificate of appropriateness has been approved by the landmarks preservation commission. Applications for certificates are reviewed at public meetings. In August 1991, the Commission denied a Certificate of Appropriateness for a proposed nine-lot subdivision of Mar-a-Lago but invited the applicant to resubmit and return with a more detailed preservation plan for the property.

Declaration of Use Agreement: On August 10, 1993, the owner of the property entered into a declaration of use agreement with the Town of Palm Beach, which was recorded on April 6, 1995, following the recording of the easement agreement. The Town of Palm Beach approved a Special Exception for the property to be used as a private social club, an agreement that runs with the land.

According to the agreement, the club may have no more than 10 guest suites, which are not open to the public, and no more than 75 seats in its dining area. Only members and guests may use the club facilities. The site, including the oceanfront lot, may not be subdivided, and the property may not be condominiumized or changed to a cooperative form of ownership. This is a permanent restriction, which will survive the use of the property as a club and applies to future uses. If the club ceases to operate for one year, it will revert to single-family use.

There are also some restrictions on the operations of the club. At least 50% of the members must maintain residences or be employed in the Town of Palm Beach. The club may have no more than 500 members, and if certain traffic criteria are exceeded (313 daily trips), membership will be frozen until measures are taken to reduce traffic. Owners of neighboring property are permitted guest privileges without having to pay membership initiation fees. Special events may occur only on weekends or after 6:00 p.m. on weekdays and are limited to 390 individuals. There are restrictions on which gates must be used for which purposes.

The club must set aside 10% of gross revenues from the rental of the guest suites for maintenance and restoration purposes. The owner was required to construct a turning lane on Ocean Boulevard, and to undertake mitigation to minimize the impact of the development on neighboring Woodbridge Road.

Incorporated by reference into the use agreement are Chapters 2, 3, 5, 6, 10, and 11 of The Mar-a-Lago Club: A Special Exception Use and Preservation Plan. Principles of preservation and critical features set forth in the Preservation Plan for the property must be adhered to. For example, critical features may not be altered; restoration experts and skilled craftsmen must be employed; a maintenance and inspection schedule is established; the critical features must be insured for their full replacement value; and the U.S. Secretary of the Interior's Standards for Rehabilitation must be observed. The property's critical historic features are enumerated, including the walls, floors, ceilings and physically-

attached elements of 21 interior rooms. The buildings on the site and the landscape are inventoried.

DESCRIPTION OF THE IMPROVEMENTS

Mar-a-Lago is one of America's most elaborate and recognizable mansions, a 51,770-square-foot Mediterranean-style villa, sprawled around a 75-foot tower. From its location between the Atlantic Ocean and Lake Worth its name was derived. The main part of the house has approximately 30,410 square feet of gross living area, not including the basement, and a total area of approximately 37,320 square feet of covered area (including covered walkways, loggias, etc.). The service wing has a gross above-ground enclosed area of approximately 12,920 square feet, and a total area of approximately 14,450 square feet of covered area. The main part of the mansion has 33 principal rooms, including 13-16 bedrooms, 14 full and five half-bathrooms. The house has a partial basement and numerous crawl spaces. In its entirety, the mansion has some 122 rooms.

Mar-a-Lago was created between 1923 and 1927 by Marjorie Merriweather Post and E.F. Hutton, whose other contributions to local and national life are well known. Mar-a-Lago's architects were Joseph Urban of New York and Marion Sims Wyeth of Palm Beach, both designers of acknowledged importance and quality.

Appended to this appraisal are a description of the property prepared by the Historic American Buildings Survey and an appraisal of interior decorative elements with extensive textual and photographic documentation. These documents more than adequately describe the property's construction, materials, and design, and we will not attempt to repeat or summarize these descriptions. Rather, in this section of the report we will supplement these descriptions with a summary of the property's principal rooms, its mechanical features, and accessory structures.

PRINCIPAL ROOMS OF MAR-A-LAGO

	Bedrooms	Bathrooms	Fireplaces
FIRST FLOOR			
1. Entrance Hall			1
2. Men's Cloakroom		1 (7 fixtures)	
3. Women's Cloakroom		1 (9 fixtures)	
4. Living Room			1
5. Monkey Loggia			
6. "Tent" Room			
7. Dining Room			1

8. Library			1
9. Deenie's Sitting Room/Playroom			1
10. Nanny's Bedroom, Sitting Room and Bath	1	1 (3 fixtures)	
11. Deenie's Bedroom and Bath	1	1 (3 fixtures)	1
12. Pine Hall			1
13. Master Bedroom and Bath	1	1 (3 fixtures)	2
14. Norwegian Room	1	1 (3 fixtures)	
15. Office (in porte-cochere)		1 (3 fixtures)	
16. Office (in porte-cochere)		1 (3 fixtures)	
SECOND FLOOR			
17. American Bedroom	1	1 (3 fixtures)	1
18. Adam Room	1	1 (3 fixtures)	1
19. Venetian Room			1
20. Sunshine Room			
21. Guest Room	1	1 (3 fixtures)	
22. Seven Windows Sitting Room			
23. Seven Windows Bedroom	1	1 (3 fixtures)	
24. Spanish Bedroom	1	1 (3 fixtures)	1
25. Portuguese Bedroom	1	(shared with below)	
26. Dutch Bedroom	1	1 (3 fixtures)	1
27. Office			
28. Lake Room			
TOWER			
29. Sleeping Area	1	1 (3 fixtures)	
30. Sleeping Area	1	1 (3 fixtures)	
KITCHEN AND SERVICE			
31. Kitchen		2 (12 fixtures)	
32. Office			
DANCE PAVILION			
33. Ballroom		2 (4 fixtures)	
TOTALS	13-16*	19 (74 fixtures)	14

*Depending on use.

The partial basements contain staff lockerooms, a laundry facility, a telephone equipment room, a wine room, and a utility room. Mechanical systems housed in the basement include two Teledyne hot water heaters, a hot water tank, and WeatherKing air conditioning equipment for the dining room. The air conditioning equipment for the living

room is located above the living room ceiling. Guest rooms are cooled by individual, self-contained, wall-mounted units manufactured by Sanyo.

At date of inspection in mid-1995, the kitchen had been completely remodeled into a commercial-style kitchen, with sheet vinyl floors, new ceramic tile, and new commercial food preparation appliances. The Ladies' Cloakroom had been substantially remodeled with four private toilet rooms. Music, security, emergency lighting, and sprinkler systems had been installed throughout the building. The installations of these systems were impressive in terms of their subtle integration into the historic architectural fabric of the interior. Portions of the service area were undergoing conversion to use as a spa.

Other improvements on the property include the following:

Northeast Quadrant
Main Entrance Gate
Asphalt-paved Driveway
"Jim's" House (former property manager's complex, 7-room, 3-bedroom, 2-bath residence, cottage and garage)
Guard House
2-story Garage
Swimming Pool

Southeast Quadrant
Tunnel to Ocean
Guard House
Perimeter Wall

Northwest Quadrant
2 Wood Frame Sheds
2 Wood Green Houses (Slat Houses)
Tennis Court (designed in 1986 by Alan Hughes of Fort Lauderdale)
Cabana (chickee)
2-story dormitory with covered parking below
"Frank's House" (6 rooms with 2 bedrooms and 2 bathrooms)
Driveway of pierced concrete pavers ("Grass-crete" type)
Portion of golf course
Perimeter wall
Seawall

Southwest Quadrant
Cabana
Lift Station
Wood Greenhouse

3 sheds/garages
Portion of golf course
Perimeter wall
Seawall

Oceanfront Lot
Sand-filled Concrete Swimming Pool
Seawall

CONDITION AND FUNCTIONAL QUALITIES

The house was originally constructed between 1923 and 1927 of the finest materials, detailing, and craftsmanship--both American and European. Today, the house ranks among the most impressive of American palaces. Throughout the years, the house and grounds have been maintained with good stewardship. One of the original construction supervisors became Mrs. Post's first property manager, who was later succeeded by his son, Jim Griffin. Mr. Griffin managed to maintain the property and grounds in good condition while it was unoccupied during the years of federal government ownership. And the property is maintenance-intensive. Each season, the window openings must be sealed with metal panels to protect against hurricaine damage. The exterior ironwork must be waxed to protect against corrosion.

After Mar-a-Lago was acquired by Mr. Trump in the mid-1980s, some non-invasive rehabilitation work was undertaken. During 1995, mechanical systems and facilities were upgraded. As of the date of valuation, approximately $1,000,000 had been spent of a $4,000,000 budget to convert the property to club use. We know of no serious items of deferred maintenance or physical deterioration as of the date of valuation.

At date of inspection we would note that some of the recent restoration work, most notably the wood finishing, has been undertaken with poor craftsmanship. However, as of the date of valuation this work had not yet started.

However, the property suffers from some significant functional and economic obsolescence. Lifestyles have changed since the house was completed. When it was constructed, the wealthy entertained frequently on a grand scale. Guests were often invited to stay for extended periods. Today, entertaining is on a more intimate scale and for shorter intervals of time. Thus, at nearly 52,000 square feet in size, the house is expensive to maintain as a single-family residence by today's standards. In addition, the house has approximately 15 landscaped acres and a large expanse of lawn to maintain. Finally, the site is located in the

flight path of the Palm Beach International Airport in West Palm Beach, a situation which results in considerable noise disturbance.

Mar-a-Lago would seem to be well-suited to use as a private social club. The site offers recreational opportunities for tennis, swimming, and pitch-and-putt golf. The living and dining rooms are vast, and the dance pavilion can accommodate entertainment functions. Rooms such as the Monkey Loggia, the Tent Room, and the Library permit more intimate gatherings. There are ample restroom facilities, and, even prior to its recent renovation, the kitchen was designed for producing large quantities of food for parties. The guest rooms on the second floor are arranged to offer maximum privacy to guests. Discerning guests may not appreciate the poor quality of the "restored" wood finishes in some rooms; however, this could not be forseen at the date of valuation.

THE PRESERVATION AND CONSERVATION EASEMENT

A preservation and conservation easement was donated on the entire property (site of main residence, oceanfront lot, and Woodbridge Road lot) by the owner of the subject on April 6, 1995 to the National Trust for Historic Preservation in the United States, a not-for-profit charitable corporation chartered by Congress in 1949. The easement document is recorded as document number 95-106767 in the Official Record Book 8691, Pages 747-801, of the Public Records of Palm Beach County. This easement was donated pursuant to Section 170(h) of the Code and the laws of the State of Florida, in particular Section 704.06, Florida Statutes.

It is unusual for the National Trust to accept a preservation easement, and the agreement is one of the most restrictive preservation and conservation easements that has ever been placed on a historic property in the United States. Most preservation easements address only a building's exterior and its site. Although a significant interior feature, such as a lobby, is often included, only rarely, if ever, has so much of a building's interior been restricted through the gift of an easement. The easement on Mar-a-Lago protects the interior features of 21 of the building's 33 principal rooms, as well as corridors, anterooms, and vestibules. The document is so specific that such items as individual light fixtures that must be retained *in situ* are enumerated in an exhibit.

The easement prohibits demolition or removal of the critical features. All maintenance and repair work on the critical features must be undertaken according to the Secretary of the Interior's Standards for Rehabilitation. The easement places an affirmative obligation on the owner to maintain the property, including the landscape, in substantially the condition they were in as of the date of the gift. Replacement cost insurance must be maintained on

the the mansion and property manager's complex sufficient to replace the critical features in case of damage.

The easement makes construction of additional new single-family residences on the property more difficult (see discussion in Highest and Best Use) because it includes a legally enforceable obligation by the owner in perpetuity to maintain the property in its present state and condition and prohibits the construction of new structures within or upon the critical features. Furthermore, the construction of additional buildings is conditional upon the approval of the National Trust.

The easement grants the public the right of access on certain occasions. The grantor of the easement agrees that on one day each year, not more than 100 visitors may view the exterior of the property from the grounds and that on one day each year, no more than 20 visitors may view the interior for purposes of studying its historic and architectural features. In addition, the views of the mansion may not be obstructed from Ocean Boulevard, Lake Worth, or the Southern Boulevard Bridge.

The grantor of the easement retains some rights in the property. The property may be maintained, in accordance with the Standards. Temporary structures, such as tents, are permitted. The property may be subdivided. Conditional upon the prior written approval of the National Trust, construction of new permanent structures, such as docks or wharves, that are not attached to, a part of, or contained within the Critical Features may occur.

The lender has subordinated its interest in the property to the Deed of Preservation and Conservation Easement.

The National Trust for Historic Preservation, as the grantee of the easement, is given some positive rights in the property. These include the right to enter the property, with prior notice, to monitor compliance with the terms of the easement, and to approve new construction on the property. As the grantee, the National Trust may enforce the terms of the easement by appropriate legal proceedings and require restoration of features of the property if damaged by any prohibited activity or use. To assure that the restrictions imposed by the easement will be "in perpetuity," the easement provides that the National Trust may transfer or assign the easement to another nonprofit entity. This assures that in the unlikely event the National Trust for Historic Preservation ceases to exist, there will be some other qualified preservation conservation group ready to enforce the easement provisions. In addition, in the event of extinguishment through some circumstance such as condemnation, the National Trust is vested with a property right, with a value equal to the ratio of the value of the easement to the value of the property at the date of donation.

The effect of the easement is to transfer a significant portion of the "bundle of rights" that traditionally accompanies fee simple ownership to an independent third party. The National Trust for Historic Preservation has an active easement program and holds

easements on a number of other properties. Each property is inspected annually by a representative of the National Trust. In addition, the National Trust maintains a sizeable endowment and is financially capable of enforcing the terms of the easement agreement.

HIGHEST AND BEST USE

The Tenth Edition, 1992 of the Appraisal of Real Estate, published by the Appraisal Institute, defines highest and best use as follows:

> 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.

Highest and best use analysis requires consideration of the highest and best use of the subject property as vacant and available for development, as well as currently improved, both before donation of the conservation easement and after donation of the conservation easement. In this instance the easement-encumbered portion of the subject property contains no significant improvements, however, the unencumbered portion of the property is improved with a single family residence. Four criteria must be examined to determine whether a use represents a property's highest and best use. These are that the use be legally permissible, physically possible, financially feasible and maximally productive.

Highest and Best Use Prior to Donation of the Preservation and Conservation Easement

Legally Permissible Uses: The R-AA zoning district permits single-family dwellings on sites of 60,000 square feet or more. The subject is 16.38 acres plus the oceanfront lot. Based on this, a maximum of eleven single-family residences could be developed on the 16.38-acre parcel, plus one additional residence on the oceanfront lot.

However, Mar-a-Lago is a designated Palm Beach landmark. Demolition of the mansion is improbable given its national significance and the sentiment of the Palm Beach community. However, the site could be subdivided and developed with additional residences with the approval of the Town of Palm Beach. Although a nine-lot subdivision was approved in 1985 (now lapsed), an application for a nine-lot subdivision of the 16.38-acre portion of the property was denied by the Palm Beach Town Council in 1992.

We, Clarion Associates, Inc., reviewed this most recent proposed subdivision in 1991 and 1992 in a capacity as consultants to the Town of Palm Beach. Our assignment was limited to issues concerning the appropriateness of the proposed subdivision to the historic character of the property and did not involve appraisal or valuation issues. As consultants to the Town, working as part of a team with architects and landscape architects, we concluded that subdivision of the property could be accomplished with sensitivity to the property's historic character. The site offered tree lines and vegetation that could serve as building zones or envelopes, without severe negative impact on the property's critical historic features. (Please refer to site plan on the following page.)

Based partly upon our recommendations, the Town requested that the applicant provide a very specific preservation plan as part of the PUD-4 subdivision application. A preservation plan was submitted, but the Town determined that the document submitted fell short of its requirements and consequently denied the application. The owner of the property and his attorneys felt that he had grounds for litigation against the Town of Palm Beach for the denial and filed suit for relief. As of the date of valuation, there was no pending litigation.

It is our firm opinion that if a carefully-crafted preservation plan had been submitted, that gave the Town certainty about the future preservation of Mar-a-Lago, the Town would have approved a planned unit development for the property. In our opinion and in the opinion of our team of architects and landscape architects, an eight-lot subdivision (one large lot for the main residence and seven additional new single-family lots) would have been supportable.

The owner of the property and the Town of Palm Beach entered into a Declaration of Use Agreement on August 10, 1993, which permits the use of the property as a private social club, a Special Exception Use in Palm Beach. Although the agreement was recorded in the land records of Palm Beach County subsequent to the recording of the gift of the easement, it is reasonable to assume that the property could also be used as a private social club prior to the donation. However, based upon our familiarity with the Palm Beach community, we believe that it is improbable that the Town would permit the development of <u>both</u> a private club and subdivision of the property as Special Exception Uses.

In addition, because the Declaration of Use Agreement, which prohibits the subdivision of Mar-a-Lago, was recorded subsequent to the easement donation, there were no prior private deed restrictions prohibiting the subdivision of the property.

Prior to the donation of the easement, the property owner could remove and sell all of the interior decorative arts features attached to the property. In fact, in an auction held in March 1995 at Christies in New York, a selection of items from Mar-a-Lago, including furnishings, paintings, and light fixtures, were sold for prices that far exceeded their

estimates. The high prices achieved were attributed to the association of the objects with Mrs. Post, Mr. Trump, and the cachet of Palm Beach's glamour and prestige.

The interior of the property was not included in the landmark designation, and therefore the Palm Beach Preservation Commission could not prevent removal of interior elements. The Commission does have review authority over exterior features, such as the eagles, parrots, windows, and ironwork, which could not be removed. However, certain exterior features enclosed on three sides, such as the Spanish tiles located on the wall of the lower loggia, were not protected by the landmark designation and therefore could also be removed and sold.

Physically Possible Uses: The 16.38-acre site is large enough to accommodate seven new single-family residences in addition to the mansion, and the oceanfront lot is of sufficient size for the construction of a single-family residence. Topography of the site is fairly level, and its gentle slope affords views of Lake Worth from the potential building sites. At the west end of the property, some fill would likely be required. Drainage issues would likely be minimal if only seven new houses were to be constructed on the property but would have to be addressed. Access to the site is available from Ocean Boulevard and Southern Boulevard.

It is also physically possible to convert the mansion to use as a private social club, as discussed in the section on condition and functional qualities.

It is physically possible to remove many of the interior decorative features of Mar-a-Lago and to sell them at auction. Although many items such as the "Thousand Wing Ceiling" in the living room would be infeasible to remove, and others, such as clay tile flooring would not be cost-effective, items such as Spanish tiles, parquet floors, mantels, grilles, and lighting fixtures can be readily removed. After removal, some costs would be incurred for repair and replacement. Consideration must also be given to removing so much of the original fabric of the house that it would have a serious impact on value.

Financially Feasible Uses: It is financially feasible to develop the property with seven additional single-family homes on the 16.38-acre property and one home on the oceanfront lot. Building permit activity for Palm Beach is not readily available, however, in 1994 there were at least 23 sales of vacant waterfront property in Palm Beach, reflecting its highly desirable location. Market conditions were highly favorable for single-family residential development in Palm Beach at the time of easement donation. We also believe that the same factors that influenced the unexpectedly high prices at the Christies auction of property from Mar-a-Lago would influence absorption as well as land prices for subdivided lots at Mar-a-Lago.

Furthermore, as of the date of donation of the preservation and conservation easement, it was financially feasible to remove many of the interior decorative elements from the

mansion and sell them at auction. The auction held just prior to the date of valuation demonstrated strong market interest in decorative objects from Mar-a-Lago. The opportunity even existed to sell entire room environments from the property.

It is not financially feasible to develop a private social club on the property. We have reviewed financial projections prepared by management of the Mar-a-Lago Club for the first three years of operations. These are presented in the Addenda and represent management's realistic expections of financial performance. They show a breakeven operation in year 3, with net income of $25,900. We believe that their estimates of gross revenues are realistic, as well as their estimates of building, grounds, operations, and administration, for these are in large part based on historic operating experience at Mar-a-Lago. However, in our opinion their estimates of guest suites and pool and beach departmental expenses, seem high. Although the food and beverage expense also seems high, may not be in light of the fact that Club Mar-a-Lago offers big-name entertainment and will incur fees for appearances. In addition, the statement does not take into account interest income from membership deposits or a management fee. Our reconstructed third year operating statement is as follows:

Gross Revenues		$5,265,000
Plus:	Interest on Membership Deposits	2,920,000
	TOTAL REVENUES	$8,185,000
Less:	Management Fee @ 5%	$ 410,000
Less:	Building, Grounds, Operations, and Administration	2,840,000
Less:	Guest Suite Expense	285,000
Less:	Food and Beverage Expense	1,105,000
Less:	Spa Expense	700,000
Less:	Other Expense	40,000
Less:	Pool and Beach Expense	90,000
	TOTAL EXPENSES	$5,470,000
	NET INCOME	$2,715,000

However, this does not yet take into account the fact that a portion of the net income is attributable to the personalty (furniture, fixtures, and equipment) and a portion is

attributable to the ongoing business. In the case of Club Mar-a-Lago, it is very difficult to make these allocations. There is no inventory of the personalty at Mar-a-Lago. One measure might be provided by the sale of the property in 1985, in which $3,000,000, or 30% of the total purchase price was allocated to furnishings. Since that time, some of the original furnishings have been sold, many new items were acquired for the club operation, and the kitchen has been substantially upgraded. On balance, we will deduct 30% of net income attributable to personalty.

In terms of going-concern value, club operations are highly management-intensive. Under typical management agreements in such industries, management is entitled to share in the net profits of the facility, over and above the basic management fee. In the hotel industry, incentive management fees are frequently 20% of net house profit and can range as high as 25% plus additional 10% "kickers" for prestigious properties operated by leading management organizations. At a successful facility, the upside of such formulas is realized. Therefore, we have deducted 25% of net income attributable to the going concern.

After deducting 60% of net income attributable to personalty and to the ongoing business, the estimated net income of the club operation is $1,221,750. This may be capitalized at a 10% capitalization rate, yielding a value indication of $12,217,500 as of the date of valuation. However, as of the date of valuation, we estimate that at least $2,000,000 in capital improvements remained to complete the renovation of the facility for club use; moreover, operating losses will be incurred in the first two years of operation of the club. Thus, the value of the property exclusively for club use is something less than $10,200,000, which is lower than the value of the property estimated in either the sales comparison or cost approach to value.

However, the owner does maintain additional use of the property. Although a large portion of the property is open to guests, the owner retains the private use of the owners' suite and Deenie's suite, which carries with it an increment of value. One can conclude the the conversion of portions of Mar-a-Lago to a private social club is one particular owner's means of generating some financial support for the maintenance of the house and grounds. However, in our opinion, most potential buyers for a property such as Mar-a-Lago would prefer to retain it as a private residence.

Most Productive Use: Based on the above considerations, we believe that retention of the existing mansion house; selective removal and sale of interior decorative elements; and subdivision and development of seven homes on the 16.38-acre portion of the property plus one additional home on the oceanfront lot would be the most productive use of this site.

Conclusion Concerning Highest and Best Use Prior to Easement Donation: We have examined each of the four criteria that must be met to ensure that a proposed use is, in fact, the highest and best use of this property, prior to the donation of the easement. Our

conclusion is that retention of the existing mansion house, selective removal and sale of interior decorative elements, and subdivision and development of seven homes on the 16.38-acre portion of the property plus one additional home on the oceanfront lot is legally permissible, physically possible, financially feasible and maximally productive, and that market conditions in early 1995 supported this conclusion.

Highest and Best Use After Donation of the Preservation and Conservation Easement

Legally Permissible Uses: The preservation and conservation easement donated on April 6, 1995 does not prohibit the subdivision of the site, nor does it prohibit the construction of additional single-family homes on the 16.38 acres plus one additional home on the oceanfront lot, although subdivision does require approval by the grantee of the easement. However, based on our analysis and interpretation of the critical features enumerated in the easement agreement, no construction could occur in the two building zones within the dense grove of Australian Pines at the southeast corner of the site (shown as Zones 7 and 8 in the site plan on a previous page). Any construction in this area would diminish the "basic quantity and quality of vegetation," which is a critical feature (please refer to aerial view on following page).

In our opinion, the easement does not prohibit construction of single-family homes in Zones 2, 3, 4, 5, and 6 because the sites are not upon or contained within critical features, and construction within these zones would not obstruct views to the house or the open vistas. Neither, in our opinion, does the easement prohibit construction on the oceanfront lot, because the open vista to the house, which is a critical feature, is described as from Ocean Boulevard rather than the Atlantic Ocean. Nonetheless, any new construction that would occur on the property would be subject to the review and approval of the National Trust for Historic Preservation.

In addition, following easement donation, the physically attached interior features (walls, floors, ceilings, and lighting fixtures) of 21 mansion rooms, plus vestibules, anterooms, and corridors, cannot be removed and sold.

For the same reasons presented in the discussion of highest and best use prior to the gift of the preservation and conservation easement, it would be legally permissible to operate portions of the facility as a private social club. However, the Town of Palm Beach would be unlikely to permit both subdivision and club use.

Physically Possible Uses: After donation of the conservation easement, the existing residence can be maintained and additional construction of five residences plus one on the oceanfront lot could occur. It is also physically possible to complete the renovation for purposes of opening various portions of Mar-a-Lago to members of a private social club.

Financially Feasible Uses: For the same reasons presented in the discussion of highest and best use prior to the gift of the preservation and conservation easement, it would be financially feasible to subdivide the property for purposes of constructing five additional single-family residences. It is financially feasible to continue the development of Club Mar-a-Lago on portions of the property to generate revenue to help support the maintenance of the property.

Most Productive Use: After donation of the easement, the most productive use is retention of the existing mansion, and subdivision and development of five homes on the 16.38-acre portion of the property plus one additional home on the oceanfront lot

Conclusion of Highest and Best Use After Donation of the Easement: We have examined each of the four criteria that must be met to ensure that a proposed use is, in fact, the highest and best use of this property, prior to the donation of the easement. Our conclusion is that retention of the existing mansion, and subdivision and development of five homes on the 16.38-acre portion of the property plus one additional home on the oceanfront lot is legally permissible, physically possible, financially feasible and maximally productive, and that market conditions in early 1995 supported this conclusion. As a consequence of the gift of the easement, two additional lots cannot be subdivided and developed with single-family homes and the interior decorative elements of the property cannot be removed and sold.

VALUATION

APPRAISAL METHODOLOGY

Three approaches to value -- the cost, the sales comparison and the income approaches -- may be applied to derive separate indications of real property value, which are then reviewed and reconciled into a final value estimate. One or more approaches to value may be used, depending on the applicability to a particular appraisal assignment, the type and use of the property and the quantity and quality of information available for analysis. One or more of the approaches may also be more appropriate or reliable for a specific appraisal assignment.

Guidelines issued by the Internal Revenue Service require conservation and preservation easements to be appraised using the "before and after" approach, in the absence of direct sales evidence involving easement encumbered properties. The value of the property before considering the terms of the easement is compared to the value of the property after considering the easement. The difference in value, if any, is the value of the easement.

We have made investigations at the local and national levels and have found no sales of properties protected by preservation easements that can be appropriately compared to the subject property. Therefore the "before and after" approach to value has been used.

There are three approaches that may be used to estimate the value of real estate. These are the sales comparison, the cost and the income approaches. One, two, or all three of these approaches may be used, depending on the purpose of the assignment, the characteristics of the property, and the quantity and quality of market-derived information available for analysis. The individual estimates of value which result from the three approaches are then reviewed and reconciled into a single, final value estimate for the property. In doing this, the appraiser takes into consideration the relative applicability and reliability of each approach in the particular situation.

The cost approach produces an indication of value based on the current cost of recreating the property. In the case of existing improved properties, it provides a measure by which prices may be judged. This is accomplished by adding estimated land value to the estimated replacement or reproduction cost of the improvements less any loss in the value of those improvements due to economic or functional obsolescence or physical deterioration. The cost approach is based upon the principle of substitution. A prudent and knowledgeable buyer would pay no more for a property than the comparative cost of purchasing a similar site and constructing improvements of equivalent desirability and utility.

Like the cost approach, the sales comparison approach is based upon the theory that an informed purchaser will pay no more for a property than the cost of acquiring an equally desirable substitute property. The sales comparison approach is also based on the

principles of supply and demand, balance within the market and within properties, and externalities. The approach furthermore is based upon the fundamental economic concepts of anticipation, or the expectation of benefits in the future, and changes in the forces that influence real estate value. The sales comparison approach involves collecting, reviewing, and analyzing sales of properties that are similar to the subject in terms of use, location, physical features, and economic characteristics.

The income approach involves an analysis of a property's capacity to generate income and converts these future economic benefits into an indication of present value, or the price that a knowledgeable investor would pay for the right to receive the expected future stream of income. The principle of anticipation is, thus, fundamental to the approach, as are the principles of change, supply and demand, substitution, balance, and externalities.

In this situation, the income approach is not considered relevant to the valuation of a high-value residential property, since such properties are rarely leased, and since the club use is not the highest and best use of the property as a whole. We have undertaken the cost and sales comparison approaches to value.

VALUATION PRIOR TO CONSIDERING THE EASEMENT

COST APPROACH

Land value is estimated by comparing the property appraised with similar properties recently sold, making adjustments for differences in time, size, location, zoning and other characteristics. A search of the Palm Beach area has revealed a number of sales of vacant land and listings which may be compared to the subject property. They are as follows:

[comparable land sales and discussion to be provided]

Sale No. 1:

Sale Date:
Sale Price:
Site Size (Acres):
Price/Acre:
Zoning:
Grantor:
Grantee:
Permanent Index Number:

Comments:

Land Sales Summary

Sale No.	Sale Date	Sale Price	Site Size (ac.)	Price Per Acre	Zoning
1					

Adjustments must be made to these sales, as appropriate, to reflect changes in market conditions or values since the date of sale; adjustments for location and zoning; and adjustments for other characteristics, such as shape, size, topography and floodplain. No adjustments were made for financing. According to the best information available to us, each of these transactions was financed with market-rate loans and terms.

Adjustments for Market Conditions:

Adjustments for Location:

Adjustments for Physical Characteristics:

All of the listings require downward adjustment to reflect the fact that a price negotiated prior to closing is typically lower than the asking price.

Subdivision Analysis

MAR-A-LAGO SUBDIVISION ANALYSIS--COST APPROACH, BEFORE EASEMENT DONATION

		Year 1	Year 2	Year 3
Lots sold		1, 2, 3	4, 6, 7	5, 8, 9
Price/Lot		(see table)	(see table)	(see table)
Gross Revenue		$12,000,000	$5,600,000	$5,600,000
Less:				
Development Costs		$1,000,000		
Sales Cost		$1,200,000	$560,000	$560,000
Real Estate Tax		$325,000	$175,000	$90,000
Management/Profit		$2,400,000	$1,120,000	$1,120,000
Total Expenses		$4,925,000	$1,855,000	$1,770,000
Net Cash Flow		**$7,075,000**	**$3,745,000**	**$3,830,000**
Discount Term		1	2	3
Present Value		**$6,316,964**	**$2,985,491**	**$2,726,118**
Net Present Value @	**12.00%**	$12,028,574		
		$12,029,000		

Subdivided Lots	Price/Lot
Lot 1: Direct Ocean	$3,250,000
Lot 2: Site of Mar-a-Lago	$6,000,000
Lot 3: Oceanfront Lot	$2,750,000
Lot 4: Lakefront Lot	$2,000,000
Lot 5: Lakefront Lot	$2,000,000
Lot 6: Interior Lot	$1,800,000
Lot 7: Interior Lot	$1,800,000
Lot 8: Interior Lot	$1,800,000
Lot 9: Interior Lot	$1,800,000

Land Value Conclusion

Based on these considerations, we estimate the value of the property on April 6, 1995, 1995, prior to donation of the easement, to be $12,029,000, which may be rounded to $12,000,000.

Improvement Value

Improvement value is arrived at by estimating the current replacement or reproduction cost of the improvements less allowances for physical deterioration and for functional and economic obsolescence. Typically, the cost to replace or reproduce the improvements, new, is estimated based on published construction cost manuals and discussions with architects and developers. Then, based on life expectancy and depreciation guidelines and the subject property's condition and functional qualities, appropriate deductions for observed sources of deterioration or obsolescence are made.

After consulting Marshall Valuation Service, the Residential Cost Handbook, and Exceptional Homes, published by Marshall & Swift, as sources of cost data, we have concluded that the improvements on the subject property are most similar to a single-family, high value dwelling, Class VI. Thus, we have evaluated the improvements applying both the Calculator and Segregated Methods, and estimate the April 6, 1995 cost of reproducing of the improvements, including 10% soft costs, as follows:

Main Structure	
51,770 s.f. @ $151.41/s.f.	$7,838,496
Less:	
Interior ceilings, floor, and wallcover addressed in decorative property appraisal @ $16.87/s.f. over 50% of main house enclosed area, or 15,205 s.f.	256,508
	$7,581,988
Plus:	
Floor Cover	
Custom Carpet and Pad, 25,000 s.f. @ $20.43/s.f.	510,750
Hardwood, 7,720 s.f. @ $10.93/s.f.	84,380
Vinyl Sheet, 5,200 s.f. @ $4.61/s.f.	23,972
Appliance Allowance	24,592
Extra Plumbing Fixture Allowance @ $1,480 per (37 fixtures)	54,760

Fireplaces		
5, one-story @ $3,986 each		19,930
9, two-story @ $4,825 each		43,425
Home Automation System		9,498
Security System		4,834
Sprinkler System, 43,330 s.f. @ $2.12/s.f.		91,860
	TOTAL	$8,449,989
Plus: Soft Costs @10%		844,999
	FINAL TOTAL	$9,294,988

This represents essentially the "shell" of Mar-a-Lago, without the decorative embellishment added by Mrs. Post. The cost of reproducing those decorative elements--Spanish and Delft tiles, hand carvings, elaborate doors, etc.--would be prohibitive today. In our opinion, the best estimate of the "cost" of replacing those embellishments is the appraisal of the fixed decorative elements of Mar-a-Lago prepared by Appraisers International, Inc. and included in the Appendix to this report. This report itemizes all of those items of decoration that would collectors or interior designers would be interested in purchasing from the house and reinstalling into another house.

Appraisers International estimates the total value of these items to be $3,849,200 (after adjusting for a rug that was inadvertently included as item #64A). This may be added to the depreciated value of the improvements, indicating a total value of the improvements as of April 6, 1995 of $13,144,188.

Physical Depreciation: The residence has been well-maintained throughout its life, and the recent renovation work has repaired or replaced most of the items that could be considered deficient by today's standards. Marshall Valuation Service lists a typical life expectancy of a high value, masonry, single-family residence to be 65 years. Given the property's condition, we estimate its remaining economic life at 55 years and the physical depreciation to be about 15% (10/65) of total building costs (not including decorative elements) or $1,394,248.

Functional and Economic Obsolescence: In our opinion the residence suffers from some functional and economic obsolescence. By today's standards, it is too large a building to be manageable by the typical owner of even a high-value residence. For example, as discussed in the sales comparison approach, the typical high-value oceanfront residence in

Palm Beach is in the range of 11,000 to 11,600 square feet. By comparison, Mar-a-Lago has 43,330 square feet of enclosed area. On the other hand, had Mrs. Post and her architect Joseph Urban created a smaller house, it would never have achieved the landmark stature of Mar-a-Lago. Therefore, in order for the cost approach to reflect the historic and architectural significance of the property, an inherent element of its market value, we have made no deduction for functional or economic obsolescence.

The final estimate of the depreciated cost of the residence and improvements at the date of valuation is therefore as follows:

Undepreciated Reproduction Cost	$13,144,188
Less: Physical Depreciation	1,394,248
Depreciated Reproduction Cost	$11,749,940

Estimated Value by the Cost Approach

To arrive at the current value by the cost approach, estimated land value must be added to the estimated improvement value. Therefore, the estimated value of the subject property is as follows:

Land Value	$12,000,000
Plus: Improvements	11,749,940
TOTAL	$23,749,940

Accordingly, our estimate of the market value of a fee simple interest in the subject property under the cost approach prior to the conservation easement on April 6, 1995 is $23,749,940, which we have rounded to $23,750,000.

Sales Comparison Approach

The sales comparison approach to value seeks to identify those sales or offerings which may be comparable in terms of condition, amenities, quality, age, location, type, timing, terms and motivations of buyers and sellers. No two properties are precisely comparable so adjustments must be made to account for discernible differences. The approach

generally depends for its validity on the availability of adequate transaction information derived from a reasonably active marketplace. A search of the Palm Beach area revealed the following sales of residential property which are considered most relevant:

Sale No. 1:	**1565 North Ocean Way, Palm Beach**
Sale Date:	June, 1993
Sale Price:	$4,500,000
Site Size (Acres):	1.2 acres
Ocean Frontage:	Approximately 175'
Gross Living Area:	4,789 sq. ft.
Terms:	Normal
Year Built:	1938, upgraded 1989
Original Architect:	Marion Sims Wyeth
Zoning:	R-A, Estate Residential
Landmark Status:	Under consideration since 9/15/93
Grantor:	Daniel I. and Sheila Colton
Grantee:	Mr. and Mrs. Frank Wilkens
Property Control #:	50-43-42-34-02-000-0031
1995 Assessments:	Building, $359,948; Land, $3,400,000; Total, $3,759,948

Comments: The asking price was $4,950,000 for this direct oceanfront property. The 9-room main house has 3 bedrooms. The property also has a new, 2-bedroom, 2-bath guest house, a 2-car garage with a full bath, and a swimming pool. The property does not have subdivision potential.

Sale No. 2:	**540 South Ocean Boulevard, Palm Beach**
Sale Date:	January, 1994
Sale Price:	$4,400,000
Site Size (Acres):	1.61 acres
Ocean Frontage:	N/A
Gross Living Area:	10,863 sq. ft.
Terms:	Normal
Year Built:	1925
Original Architect:	Marion Sims Wyeth
Zoning:	R-A, Estate Residential
Landmark Status:	Not designated
Grantor:	Robert A. and Muriel Casey Harpen
Grantee:	James W. Buffett Tr.
Property Control #:	50-43-43-26-03-000-0070
1995 Assessments:	Building, $1,500,322; Land, $2,800,000; Total, $4,300,322

Comments: The asking price was $4,950,000 for this property directly across Ocean Boulevard from the Atlantic. The house has 5 bedrooms and separate guest rooms. Staff quarters consist of 3 bedrooms and 1 bath. The property has a pool, tennis court, beach rights, and a 4-car garage. It was extensively remodelled subsequent to the sale. It appears that the property has the potential for subdivision of one additional lot while retaining the existing residence.

Sale No. 3:	**Casa del Sud** **1410 South Ocean Boulevard, Palm Beach**
Sale Date:	January, 1994
Sale Price:	$11,000,000
Site Size (Acres):	2.3 acres
Ocean Frontage:	200' on Ocean Boulevard
Gross Living Area:	9,680 sq. ft.
Terms:	Normal
Year Built:	1926, restored 1990
Original Architect:	Marion Sims Wyeth
Zoning:	R-AA, Large Estate Residential
Landmark Status:	Not designated
Grantor:	1410 South Ocean Blvd. Corp.
Grantee:	Jeffry M. Picower
Property Control #:	50-43-44-02-01-000-0010
1995 Assessment:	Total, $7,186,622

Comments: The asking price was $14,500,000 for this direct oceanfront estate. The main part of the house has 12 rooms and 4 bedrooms. A guest wing has 2 bedrooms, both with bath, and a separate guest loggia also has bath, kitchenette, and laundry. There is also a 2-bedroom staff quarters and a 5-car garage. The property is not subdividable.

Sale No. 4: **710 South Ocean Boulevard, Palm Beach**

Sale Date:	February, 1994
Sale Price:	$6,300,000
Site Size (Acres):	2 acres
Ocean Frontage:	N/A
Gross Living Area:	14,676 sq. ft.
Terms:	Normal
Year Built:	Built in 1920, restored 1992
Original Architect:	Addison C. Mizner
Zoning:	R-A, Estate Residential
Landmark Status:	Not designated
Grantor:	N/A
Grantee:	N/A
Property Control #:	50-43-43-26-00-002-0190
Assessments:	Building, $1,379,005; Land, $3,500,000; Total, $4,879,005

Comments: The asking price was $5,950,000 for this estate located directly across South Ocean Boulevard from the Atlantic. This was one of the first houses Mizner designed and built in Palm Beach, originally for Harold S. Vanderbilt. The mansion features leaded glass windows, Spanish tile, and clay tile floors. The house has approximately 12 principal rooms, including 4 bedrooms with bath, a total of 7 full and 2 half-bathrooms, and a staff/guest wing with 5 bedrooms, sitting room and 2 baths. In addition, there is a 2-story, 6-room guest house with 3 bedrooms and 4 baths, and a pool house with recreation room and kitchen. The site also has a swimming pool, a Har-Tru tennis court, and covered parking for 5 cars.

Sale No. 5: **Casa Apava**
1300 S. Ocean Boulevard, Palm Beach

Sale Date:	February, 1994
Sale Price:	$11,600,000
Site Size (Acres):	7.2
Ocean Frontage:	420'
Gross Living Area:	14,000 sq. ft.
Terms:	Normal
Year Built:	1920, upgraded 1987
Original Architect:	Abram Garfield and Prentice Sanger
Zoning:	R-AA, Large Estate Residential
Landmark Status:	Designated 5/22/80
Grantor:	Palm Beach Estates Corp.
Grantee:	38 East Corporation (Ron Perelman)
Property Control #:	50-43-44-02-11-000-0020 and -0060
Assessments:	N/A

Comments: The asking price was $12,500,000 for this direct oceanfront property (on a 5.25-acre site), also known as the Bolton Estate. The house, though attractive, historically significant, and upgraded in 1987, is extremely narrow. The buyer planned to add two 2-story wings and to significantly upgrade the site. The house has 17 principal rooms, including 7 bedrooms and 7 full and 3 half-bathrooms. The property had a Har-tru tennis court and attractive landscaping.

Subsequent to this purchase, the buyer purchased two additional lots for a total of $5,780,000, for a total acquisition cost of $17,380,000 for the residence and three additional developable lots.

Sale No. 6: **102 Jungle Road, Palm Beach**

Sale Date:	March, 1994
Sale Price:	$4,400,000
Site Size (Acres):	1.5 acres
Ocean Frontage:	328' on Ocean Boulevard
Gross Living Area:	15,992 sq. ft.
Terms:	Normal
Year Built:	1920
Original Architect:	Addison Mizner
Zoning:	R-A, Estate Residential
Landmark Status:	Designated 2/1/90
Grantor:	Herbert S. Pheeney
Grantee:	Ivana Trump
Property Control #:	50-43-43-26-00-002-0110
Assessments:	Building, $1,954,021; Land $1,900,000; Total $3,854,021

Comments: This 12-room residence has 8 bedrooms and 8.5 baths in the main part of the house and a staff quarters with 4 bedrooms, 3 baths, a kitchen and living room. The house has 3 fireplaces, a 4-car garage, a poolhouse, and swimming pool. The property is located across Ocean Boulevard from the Atlantic Ocean. The house features patterned tile floors and hand-painted ceilings in many rooms. Additions to this house have been made by architects Fatio, Wyeth, Volk, and others. The property does not have subdivision potential.

Sale No. 7:	**Woolworth-Donahue Mansion (Casa Nana)** **780 S. Ocean Boulevard, Palm Beach**
Sale Date:	December, 1994
Sale Price:	$12,000,000
Site Size (Acres):	3 acres
Ocean Frontage:	268' on Ocean Boulevard
Gross Living Area:	16,208 sq. ft.
Terms:	Normal
Year Built:	1925, restored in 1991
Original Architect:	Addison Mizner
Zoning:	R-A, Estate Residential
Landmark Status:	Designated 2/1/90
Grantor:	John L. and Laura Pomerantz
Grantee:	Lowell W. Paxson
Property Control #:	50-43-43-35-00-001-0370
Assessments:	Building, $4,452,308; Land, $4,000,000; Total, $8,452,308

Comments: Originally, this property was known as Casa Nana and was built for the Rasmussens of Chicago. Mizner incorporated into the house a number of historic elements imported from Europe, such as an altarpiece from the 1550 Chatean d'Anet in France. It was the last large mansion designed by Mizner in Palm Beach. The asking price was $13,000,000 for this residence with 5 bedrooms and 7.5 baths in the main residence plus a staff quarters. The property has a Har-Tru tennis court, swimming pool, and poolhouse. There is also a separate guest or staff quarters above the three-car garage.

Sale No. 8:	**La Guerida** **1095 N. Ocean Boulevard, Palm Beach**
Sale Date:	May, 1995
Sale Price:	$4,900,000
Site Size (Acres):	1.1 acres
Ocean Frontage:	Approximately 200'
Gross Living Area:	8,194 sq. ft.
Terms:	Normal
Year Built:	1923
Original Architect:	Addison Mizner
Zoning:	R-A, Estate Residential
Landmark Status:	Partial designation 5/16/95, to be fully "landmarked" five years after the date of designation
Grantor:	Patricia K. Lawford Tr. Et. AL
Grantee:	Mr. & Mrs. John K. Castle
Property Control #:	50-43-43-02-00-001-0020
Assessments:	Building, $448,715; Land, $3,600,000; Total, $4,048,715

Comments: The asking price was $7,500,000 for this direct oceanfront property, which Mizner designed for the Wanamaker family but had been owned by the Kennedy family since 1933. The house was used as a winter White House by President John F. Kennedy, and it was there, as a young senator, that he wrote Profiles in Courage. The 11-room house has 6 principal bedrooms and 5.5 bathrooms. A separate wing houses a staff suite with 5 bedrooms and 2 baths, and there is also a 3-room apartment over the garage with 1 bedroom and one bath. The lower level of the house has a wine cellar and 2 cabana baths. The property has a swimming pool, clay tennis court, and 3-car garage. The house was reported to be in poor condition and in need of substantial upgrade at the time of sale. The site does not have subdivision potential.

Sale No. 9: **641 North County Road, Palm Beach**

Sale Date:	July, 1995
Sale Price:	$11,000,000
Site Size (Acres):	2.3 acres
Ocean Frontage:	Approximately 200'
Gross Living Area:	11,000 sq. ft.
Terms:	Normal
Year Built:	1970, renovated 1989
Original Architect:	N/A
Zoning:	R-AA, Large Estate Residential
Landmark Status:	Not designated
Grantor:	Ronald O. Perelman
Grantee:	Oceanic Holding Estates Ltd.
Property Control #:	50-43-43-10-05-000-0054
Assessments:	Building, $1,048,941; Land, $4,600,000; Total, $5,648,941

Comments: The asking price was $12,600,000. The main part of the house has 8 principal rooms, with 2 bedrooms and 3.5 bathrooms. A separate cabana/guest house has 2 bedrooms, 2.5 bathrooms, a family room, and also separate pool dressing rooms. A 2-story guest/staff house has 3 guest suites with full baths, a 2-room staff apartment with bathroom and kitchenette, and a 3-car garage. The property also has a swimming pool. The property does not have subdivision potential.

Sale No. 10: **E.F. Hutton Beach Residence**
1015 Ocean Boulevard, Palm Beach

Sale Date:	July, 1995
Sale Price:	$3,500,000
Site Size (Acres):	1.5 acres
Ocean Frontage:	242'
Gross Living Area:	5,517 sq. ft.
Terms:	Normal
Year Built:	1930, remodelled in 1994
Original Architect:	Maurice Fatio
Zoning:	R-A, Estate Residential
Landmark Status:	Not designated
Grantor:	Robert G. Fessler
Grantee:	Dean Vegosen Tr.
Property Control #:	50-43-43-35-00-002-0120
Assessments:	N/A

Comments: The asking price was $4,100,000 for this direct oceanfront property. It has 9 principal rooms, including 5 bedrooms and 8 full and 2 half-bathrooms. The property features a 3-car garage, basement, and swimming pool. The property does not have subdivision potential.

Listing No. 1: **Villa Flora, Edward Shearson House**
260 North Ocean Boulevard, Palm Beach

Sale Date:	Current
Asking Price:	$9,500,000
Site Size (Acres):	1.46 acres
Ocean Frontage:	202'
Gross Living Area:	11,000 sq. ft.
Year Built:	1923, restored 1982, 1986, and 1995
Original Architect:	Addison Mizner
Zoning:	R-A, Estate Residential
Landmark Status:	Designated 4/17/80

Comments: The asking price is $9,500,000 for this direct oceanfront property. It has 14 principal rooms, including 7 bedrooms and 7 full and 3 half-bathrooms. The property features a 6-car garage, with a 2-room apartment. The property does not have subdivision potential.

Listing No. 2: **801 South County Road, Palm Beach**

Sale Date:	Current
Asking Price:	$13,000,000
Site Size (Acres):	3 acres
Ocean Frontage:	285' (on Ocean Boulevard)
Gross Living Area:	18,172 sq. ft.
Year Built:	1920s
Original Architect:	Maurice Fatio
Zoning:	R-A, Estate Residential
Landmark Status:	Designated 6/11/90

Comments: The asking price is $13,000,000 for this property located directly across Ocean Boulevard from the Atlantic Ocean. It has 10 principal rooms, including 5 bedrooms and 7 full and 2 half-bathrooms. A separate cabana has 2 bedrooms, 2 bathrooms, a living room, and kitchenette. The property features a pool, and a 4-car garage plus carport, and a tennis court. The property appears to have the potential for subdivision of one or two lots along South County Road.

Summary of Improved Sales											
No.	Address	Sale Date	Price	Site Size (ac.)	Ocean-front	G.L.A. (s.f.)	# Rms. # Bed. # Ba.	Date of Const./ Renov.	Architect	Zoning	Landmark Status
1	1565 North Ocean Way	6/93	$4,500,000	1.2	Yes, direct 175'	4,789	9 3+2 guest N/A	1938/89	Wyeth	R-A	Pending
2	540 South Ocean Boulevard	1/94	$4,400,000	1.61	Yes N/A	10,863	N/A 5+ N/A	1925	Wyeth	R-A	No
3	Casa del Sud 1410 South Ocean Boulevard	1/94	$11,000,000	2.3	Yes, direct 200'	9,680	12 4+2 guest N/A	1926/90	Wyeth	R-AA	No
4	710 South Ocean Boulevard	2/94	$6,300,000	2.0	Yes N/A	14,676	12 4+8 guest 13+2 half	1920/92	Mizner	R-A	No
5	Casa Apava 1300 South Ocean Boulevard	2/94	$11,600,000	7.2	Yes, direct 420'	14,000	17 7 7+3 half	1920/87	Garfield & Sanger	R-AA	Yes
6	102 Jungle Road	3/94	$4,400,000	1.5	Yes 328'	15,992	12 8 8.5	1920	Mizner	R-A	Yes
7	Woolworth-Donahue Mansion 780 South Ocean Boulevard	12/94	$12,000,000	3.0	Yes 268'	16,208	N/A 5 7.5	1925/91	Mizner	R-A	Yes

Summary of Improved Sales											
No.	Address	Sale Date	Price	Site Size (ac.)	Ocean-front	G.L.A. (s.f.)	# Rms. # Bed. # Ba.	Date of Const./ Renov.	Architect	Zoning	Landmark Status
8	La Guerida 1095 North Ocean Boulevard	5/95	$4,900,000	1.1	Yes, direct 200'	8,194	11 6+ 5.5+	1923	Mizner	R-A	"Partial"
9	641 North County Road	7/95	$11,000,000	2.3	Yes, direct 200'	11,000	8 2+3 guest 5.5	1970/89	N/A	R-AA	Not Applicable
10	E.F. Hutton Beach Residence 1015 South Ocean Boulevard	7/95	$3,500,000	1.5	Yes, direct 242'	5,517	9 5 8+2 half	1930/94	Fatio	R-A	No
L1	Villa Flora 260 North Ocean Boulevard	N/A	$9,500,000	1.46	Yes, direct 202'	11,000	14 7 7+3 half	1923/95	Mizner	R-A	Yes
L2	801 South County Road	N/A	$13,000,000	3	Yes 285'	18,172	10 5+2 guest 9 + 2 half	1920s	Fatio	R-A	Yes
Sub.	1100 South Ocean Boulevard	4/95	--	17.49	Yes, 600'+	43,330 (enclosed)	33 13-16 19	1923/95	Urban & Wyeth	R-AA & R-A	Yes

Despite the fact that many of the sales found represent some of Palm Beach's most renowned and prestigious properties, none of the sales are closely comparable to the subject, an immense and world-famous estate associated with world-prominent individuals. Some of the best comparables for this unique property might actually be found outside of Palm Beach. For example, nationally, this property would be compared with San Simeon ("Hearst Castle," begun in 1919), the William Randolph Hearst estate on the coast of California, designed by Julia Morgan or Biltmore (1892), the G. W. Vanderbilt estate in Asheville, North Carolina, designed by Richard Morris Hunt. Both are enormous, lavish, indeed flamboyant houses, designed in grand style with extensive use of sumptuous materials. Similarly, some of the grand "cottages" in the summer colony of Newport, Rhode Island could be considered comparable. The Breakers (1895) is a seventy-room mansion designed by Richard Morris Hunt for Mr. and Mrs. Cornelius Vanderbilt; Marble House (1892) was also designed by Hunt for Mrs. William K. Vanderbilt. However, both of the Newport houses have been owned by the Preservation Society of Newport for many years; San Simeon has been owned since Hearst's death by the State of California; and Biltmore continues to be owned by a family corporation of Vanderbilt family descendants and operated as a for-profit house museum.

Therefore, in the absence of even a few closely comparable sales, we have researched and analyzed a sizeable number of sales of important properties in Palm Beach. From 36 sales of oceanfront property occurring between 1986 and 1995, we selected the 10 most comparable sales and two most comparable listings. In the absence a few highly comparable sales, a quantity of information was reviewed to provide support for the value conclusion. The sales require adjustments to account for differences in site size, building size, and condition, and visual appeal and historic significance. In addition, we must take into account the fact that prior to easement donation, the subject could be subdivided to yield seven additional single-family lots in addition to the site of the main house, as well as the fact that the decorative fixtures in the house could be removed and sold at auction. We have evaluated the residence assuming that it occupies an approximately 8.5-acre site, the size that is needed to visually support the extensive improvements of the main house (a minimum of roughly 3.5 acres would be needed under the zoning code to allow for the 25% maximum lot coverage requirement).

Adjustments for Market Conditions: Based on sales histories, the comparables have been adjusted upward at a rate of 3.5% per year through mid-1994 to reflect improving market conditions. In 1994, however, the market for Palm Beach estates heated up. During 1994, three properties (Sale Nos. 3, 5, and 7) sold for more than $10,000,000. We have accordingly increased the sales at a 10% annual rate from mid-1994 through the effective date of appraisal.

Adjustments for Location: A small downward adjustment has been made to each of the sales for location. Mar-a-Lago lies directly beneath the flight path to Palm Beach International airport located in West Palm Beach.

Adjustments for Site Size: Larger sites offer greater privacy, an amenity in the Palm Beach market. In fact, contrary to typical experience in almost every real estate market in the country, in Palm Beach, larger sites typically sell for greater prices on a per unit basis. Therefore, upward adjustments have been made to all the sales to reflect the fact that we are analyzing Mar-a-Lago on an assumed 8.5-acre site.

Adjustments for Ocean Frontage: Although the subject has access to the oceanfront via a tunnel, the main house is separated from the beach by South Ocean Boulevard. An analysis of Sale Nos. 2 and 8 suggests that the market places at least a 10% premium on direct ocean frontage, and the direct oceanfront comparables have been adjusted downward 5%, in recognition of the tunnel access.

Design and Appeal: Mar-a-Lago is unique among Palm Beach residences, having been designed by the architect Joseph Urban for his famed client, Mrs. Post. The exterior of the building is more richly embellished with carvings and Spanish tiles than any other Palm Beach mansion. Mar-a-Lago is the most recognized landmark in the town. Many of the comparable sales are good examples of the work of other prominent Palm Beach society architects but none reach the stature or uniqueness of the subject. Therefore, depending on the relative significance of each of the comparable sales, upward adjustments have been made to reflect the superior design and appeal of Mar-a-Lago.

Age and Quality of Construction: No adjustments have been made for age of quality or construction. The quality of construction of all of the estates is excellent. With the exception of Sale No. 9, all are historic properties, dating from the heyday of the development of Palm Beach. We have made no adjustment for age to Sale No. 9. We have analyzed 36 sales of high-value, oceanfront residential property in Palm Beach for the period from 1986 to the present and can find no evidence that the market recognizes age as a factor in establishing price.

Condition: Mar-a-Lago was nearly fully renovated and in excellent condition at date of appraisal. Some of the comparable sales had not been renovated, and upward adjustments are required to account for their inferior condition at date of valuation.

Room Count/GLA and Functional Utility: The average size of the comparable residences is 11,674 square feet, and the median is 10,863 to 11,000 s.f. In the course of previous assignments, we have analyzed high-value vacation properties to understand market behavior concerning very large residences. We learned that improvements in excess of about 6,000-8,000 square feet have diminishing utility to buyers and that per/unit prices (price/square foot of building area) tend to decline when the optimal size is exceeded. Based on the size of the comparables, the Palm Beach market appears to support a higher utility threshold on the basis of square footage. Consequently, while we have adjusted Sale Nos. 1 and 10 upward to account for their smaller size in comparison to the market norm, on balance, for the remaining properties, an upward adjustment for size

would have to be accompanied by a downward adjustment for diminishing functional utility. Therefore, no adjustment has been made.

Sale Nos. 1 and 10 have been adjusted upward by $150 per square foot of gross living area plus 10% for soft costs up to the 11,000-square-foot norm.

Extra Living Units: It is common in the Palm Beach market to have detached or semi-detached guest quarters. On the 8.5-acre site needed to sustain Mar-a-Lago, there is a property manager's cottage that could be renovated as a guest house. Taking into account the condition of the cottage, we have made an upward adjustment of $250,000 to those comparable sales lacking this amenity.

Conclusion of Sale: As of the effective date of appraisal, List 1 and List 2 reflected asking prices. We reviewed 27 sales of Palm Beach property, and, on average, sale prices are 15% less than list prices. Accordingly the two listings have been adjusted downward by 15%.

Development Potential: [To be provided once information is received from Town.]

Our adjustments are shown in the grid on the following page. After adjustment, the range of values remains rather wide, from $5,761,875 to $15,972,000. Those houses that were not recently renovated (Sale Nos. 2, 6, and 8) and those houses that are significantly smaller than the Palm Beach norm (Sale Nos. 1 and 10) reflect the lowest range of values, required the largest adjustments on both a gross and net basis, and are considered the least comparable to Mar-a-Lago.

The sales requiring the least adjustment, Sale Nos. 3, 5, 7, and 9, indicate a fairly tight range of values from $14,478,750 to $15,952,000. The adjusted price of List No. 2 further supports this range of values. Based on these considerations, we estimate the value of Mar-a-Lago on an 8.5-acre site to be $15,200,000. To this must be added the fair market value of the interior decorative elements and the value of the additional subdividable lots.

Fair Market Value of Interior Decorative Elements

Appended to this appraisal report is an appraisal prepared by Appraisers International, Inc. of the decorative elements that could be removed and sold from Mar-a-Lago prior to the gift of the easement. The total appraised value as of April 6, 1995 is $3,859,200. We have made some adjustments to this total. One item of personal property was inadvertently included (rug, #69A). Certain items cannot be feasibly removed (e.g. ceiling medallion, #85, stone balustrade, #189). Finally, certain items cannot be removed due to Town landmark designation (e.g. french doors, #69, stone parrots, #194). After making these adjustments, the appraised value of the items totals $2,891,400.

MAR-A-LAGO ADJUSTMENT GRID

Adjustment Items	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8	Sale 9	Sale 10	List 1	List 2
Sale Price	$4,500,000	$4,400,000	$11,000,000	$6,300,000	$11,600,000	$4,400,000	$12,000,000	$4,900,000	$11,000,000	$3,500,000	$9,500,000	$13,000,000
Market Conditions (%)	14%	14%	14%	13%	13%	12%	3%	0%	-3%	-3%	0%	0%
$	$623,250	$600,000	$1,500,000	$805,000	$1,485,000	$525,000	$400,000	$0	($275,000)	($87,500)	$0	$0
Time Adjusted Sale Price	$5,123,250	$5,000,000	$12,500,000	$7,105,000	$13,085,000	$4,925,000	$12,400,000	$4,900,000	$10,725,000	$3,412,500	$9,500,000	$13,000,000
Location (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
$	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Site Size (%)	+20%	+20%	+15%	+15%	+5%	+20%	+10%	+20%	+15%	+20%	+20%	+10%
$	$1,024,650	$1,000,000	$1,875,000	$1,065,750	$654,250	$985,000	$1,240,000	$980,000	$1,608,750	$682,500	$1,900,000	$1,300,000
Ocean Frontage (%)	-5%	0%	-5%	0%	-5%	0%	0%	-5%	-5%	-5%	-5%	0%
$	($256,163)	$0	($625,000)	$0	($654,250)	$0	$0	($245,000)	($536,250)	($170,625)	($475,000)	$0
Design and Appeal (%)	+20%	+20%	+10%	+10%	+15%	+15%	+10%	+20%	+20%	+20%	+10%	+15%
$	$1,024,650	$1,000,000	$1,250,000	$710,500	$1,962,750	$738,750	$1,240,000	$980,000	$2,145,000	$682,500	$950,000	$1,950,000
Age and Quality of Construction	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Condition (%)	+5%	+20%	0%	0%	+5%	+20%	0%	+25%	+5%	0%	0%	+10%
$	$256,163	$1,000,000	$0	$0	$654,250	$985,000	$0	$1,225,000	$536,250	$0	$0	$1,300,000
Room Count/GLA	$1,025,000	$0	$0	$0	$0	$0	$0	$0	$0	$905,000	$0	$0
Functional Utility (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
$	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Extra Living Units	$0	$0	$0	$0	$250,000	$250,000	$250,000	$250,000	$0	$250,000	$250,000	$0
Development Potential												
Conclusion of Sale	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-15%	-15%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($1,425,000)	($1,950,000)
Adjusted Sale Price	$8,197,550	$8,000,000	$15,000,000	$8,881,250	$15,952,000	$7,883,750	$15,130,000	$8,090,000	$14,478,750	$5,761,875	$10,700,000	$15,600,000
Net Adjustments	82%	82%	36%	41%	38%	79%	26%	65%	32%	65%	13%	20%
Gross Adjustments	94%	82%	48%	41%	49%	79%	26%	75%	41%	74%	53%	50%

Also included in the Addenda is a report prepared by Nicholas Revill Restoration, which estimates the cost of removing and packing the items and cost of repair or replacement where they have been removed. The estimated cost of the work is $485,000.

Finally, we must consider any other costs that the seller might incur. It is assumed that an auction of the items would occur at Mar-a-Lago and that after items have been packed for shipment the buyer would bear the shipping cost. The seller, however, will incur a sales cost. As of the effective date of appraisal, Christie's charge to the seller for a sale of this type was a 10% commission. Accordingly, the sales commission would amount to $289,140. Accordingly, the fair market value of the decorative elements of Mar-a-Lago as of the date of donation is as follows:

Appraised Value	$2,891,400
Less: Removal and Replacement Costs	485,000
Less: Sales Commission	289,140
TOTAL	$2,117,260

This may be rounded to $2,100,000 and added to the estimated value of Mar-a-Lago on an 8.5-acre site by the sales comparison approach. Although many of the comparable sales include important interior decorative elements such as painted, beamed ceilings, mantelpieces, and medallions, none are so richly embellished as Mar-a-Lago. In making our adjustments to the Appraisers International estimate of value, we have deducted 47 items amounting to $967,800 in value, or 25% of the total. This amount of embellishment is considered comparable to that included in many of the comparable sales.

Further, in our opinion, the sales comparison approach value conclusion remains valid even though we are assuming that these items will be removed from the property. For example, this analysis assumes that the "Thousand-Wing Ceiling" will remain in the living room and that the dining room will remain essentially intact with the exception of the wall murals and fireplace. The signature carved eagle brackets on the upper cloister and stone parrots on the lower cloister would remain. Although it could be argued that a "stripped down" Mar-a-Lago might lose some of its cachet, it could equally be argued that a somewhat simplified interior might have wider market appeal, both visually and in ease of maintenance.

Subdividable Land

In addition to the site of the main house, the property has excess land that can be subdivided and developed with additional residences. In the cost approach, we undertook a subdivision analysis to estimate land value. For this sales comparison approach, we have adapted the subdivision analysis to exclude the 8.5-acre lot occupied by the main

improvement. Our calculations are shown on the following page. The discounted present value of the eight lots that could be subdivided and sold is $8,279,000.

Summary of Sales Comparison Approach

Main Residence	$15,200,000
Plus: decorative elements	2,100,000
Plus: excess land value	8,279,000
TOTAL	$25,579,000

Accordingly, the value of the subject as of April 6, 1995 by the sales comparison approach is rounded to $25,580,000.

Value Conclusion Prior to Considering the Preservation and Conservation Easement

The indications of value by the approaches used were as follows:

Cost Approach	$23,750,000
Sales Comparison Approach	$25,580,000

Taking both approaches into consideration, but giving the most weight to the result of the sales comparison approach, we therefore estimate the value of a fee simple interest in the subject property to be $25,000,000 as of April 6, 1995, before considering the preservation and conservation easement.

VALUATION AFTER CONSIDERING THE EASEMENT

The easement imposed on the property as of April 6, 1995 prohibits the removal of almost all of the interior decorative elements, and eliminates two potential subdividable lots from the property. In addition, the property owner must maintain the property and its historic landscape to standards deemed acceptable by the National Trust for Historic Preservation.

Prior to donation of the easement, it was highly likely that the objects would be removed and sold and that the two sites would be subdivided and developed with new residences. The owner had just concluded an astonishingly profitable auction of original furniture from Mar-a-Lago, at prices far beyond market estimates. Demand for building sites in Palm Beach is strong, and the supply is limited. The prestige of Mar-a-Lago makes it highly likely that the lots would be quickly absorbed by the market.

MAR-A-LAGO SUBDIVISION ANALYSIS--SALES COMPARISON APPROACH, BEFORE EASEMENT DONATION

		Year 1	Year 2	Year 3
Lots sold		1, 3	4, 6, 7	5, 8, 9
Price/Lot		(see table)	(see table)	(see table)
Gross Revenue		$6,000,000	$5,600,000	$5,600,000
Less:				
Development Costs		$1,000,000		
Sales Cost		$600,000	$560,000	$560,000
Real Estate Tax		$325,000	$175,000	$90,000
Management/Profit		$1,200,000	$1,120,000	$1,120,000
Total Expenses		$3,125,000	$1,855,000	$1,770,000
Net Cash Flow		**$2,875,000**	**$3,745,000**	**$3,830,000**
Discount Term		1	2	3
Present Value		**$2,566,964**	**$2,985,491**	**$2,726,118**
Net Present Value @	**12.00%**	$8,278,574		
		$8,279,000		

Subdivided Lots	Price/Lot
Lot 1: Direct Ocean	$3,250,000
Lot 2: Site of Mar-a-Lago	$6,000,000
Lot 3: Oceanfront Lot	$2,750,000
Lot 4: Lakefront Lot	$2,000,000
Lot 5: Lakefront Lot	$2,000,000
Lot 6: Interior Lot	$1,800,000
Lot 7: Interior Lot	$1,800,000
Lot 8: Interior Lot	$1,800,000
Lot 9: Interior Lot	$1,800,000

Cost Approach

Land Value

In the cost approach before the gift of the preservation and conservation easement, we undertook a subdivision analysis to estimate land value. For the cost approach following donation, we have adapted the subdivision analysis to exclude the two lots (lots 2 and 6) that cannot be developed due to the easement agreement. The discounted present value of the eight lots that could be subdivided and sold is $9,305,000. Our calculations are shown on the following page.

Building Value

In the cost approach prior to the imposition of the easement, we estimated the value of the improvements to be $11,750,000. Before the easement, we made no deduction for functional or economic obsolescence. After the easement, the improvements have significant functional and economic obsolescence. The owner no longer has the ability to update the interior to reflect contemporary tastes and lifestyles. In the future, the market may not accept a property that cannot be renovated at will, and where any proposed work must be reviewed by the National Trust for Historic Preservation. For these reasons, we believe that it is appropriate to deduct 25% from the depreciated value of the improvements to reflect functional and economic obsolescence.

Undepreciated Reproduction Cost	$13,144,188
Less: Physical Depreciation	1,394,248
Less: Functional and Economic Obsolescence	2,937,485
Depreciated Reproduction Cost	$ 8,812,455
Rounded	$ 8,810,000

Estimated Value by the Cost Approach after Easement Donation

To arrive at the current value by the cost approach following easement donation, estimated land value must be added to the estimated improvement value. Therefore, the estimated value of the subject property is as follows:

MAR-A-LAGO SUBDIVISION ANALYSIS--COST APPROACH, AFTER EASEMENT DONATION

		Year 1	Year 2	Year 3
Lots sold		1, 2	4, 7	5, 8, 9
Price/Lot		(see table)	(see table)	(see table)
Gross Revenue		$9,250,000	$3,800,000	$5,600,000
Less:				
Development Costs		$1,000,000		
Sales Cost		$925,000	$380,000	$560,000
Real Estate Tax		$325,000	$175,000	$90,000
Management/Profit		$1,850,000	$760,000	$1,120,000
Total Expenses		$4,100,000	$1,315,000	$1,770,000
Net Cash Flow		**$5,150,000**	**$2,485,000**	**$3,830,000**
Discount Term		1	2	3
Present Value		**$4,598,214**	**$1,981,027**	**$2,726,118**
Net Present Value @	**12.00%**	$9,305,359		
		$9,305,000		

Subdivided Lots	Price/Lot
Lot 1: Direct Ocean	$3,250,000
Lot 2: Site of Mar-a-Lago	$6,000,000
Lot 3: Oceanfront Lot	$2,750,000
Lot 4: Lakefront Lot	$2,000,000
Lot 5: Lakefront Lot	$2,000,000
Lot 6: Interior Lot	$1,800,000
Lot 7: Interior Lot	$1,800,000
Lot 8: Interior Lot	$1,800,000
Lot 9: Interior Lot	$1,800,000

Land Value		$ 9,905,000
Plus: Improvements		8,810,000
TOTAL		$18,715,000

Accordingly, our estimate of the market value of a fee simple interest in the subject property under the cost approach after the preservation and conservation easement on April 6, 1995 is $18,715,000, which we have rounded to $18,720,000.

Sales Comparison Approach

Prior to the donation of the easement, the value of the main residence was estimated to be $15,200,000, the value of the decorative elements to be $2,100,000 and the excess land value to be $8,279,000. Following easement donation the universe of potential buyers for the property has diminished. Few buyers would be interested in a property that is so highly restricted. Few buyers would be interested in a property that must be maintained--both building and grounds--to the standards of the National Trust for Historic Preservation, an experienced and exacting steward of historic properties. Potential buyers would anticipate that any renovation work required would need to be undertaken according to the standards of the National Trust, which may demand more costly materials and methods than would typically be used.

Were a buyer to consider purchasing Mar-a-Lago after the gift of an easement, that buyer would discount a purchase price to take into account the extra maintenance costs. In our opinion, an appropriate discount would be 10% of the value of the main residence, or approximately $1,500,000. A 10% discount is essentially analogous to an expectation of an increase in maintenance and renovation costs of $150,000 per year in perpetuity, assuming a 10% annual yield on alternative investments ($150,000/.10= $1,500,000).

The donation of the easement also impacts the fair market value of the decorative arts elements. No longer can they be removed and sold. Whereas may maintain some of their value to a particular owner *in situ*, many buyers would prefer to remove some of them, because to some tastes, Mar-a-Lago is simply too opulent for livability. Furthermore, the terms of the easement agreement mandate that they be maintained according to the standards of the National Trust. Accordingly, in our opinion, the residual value of the decorative fixtures that must be maintained in the house following easement donation is $500,000.

Finally, there is an effect on land value. For the sales comparison approach following donation, we have adapted the subdivision analysis to exclude the the site of the main residence as well as the two lots (lots 2 and 6) that cannot be developed due to the easement agreement. The discounted present value of the eight lots that could be subdivided and sold is $5,555,000. Our calculations are shown on the following page.

Summary of Sales Comparison Approach

Main Residence	$15,200,000
Less: Discount for Maintenance	1,500,000
Plus: decorative elements	500,000
Plus: excess land value	5,555,000
TOTAL	$19,755,000

Accordingly, the value of the subject as of April 6, 1995 by the sales comparison approach is rounded to $19,750,000.

Value Conclusion After Considering the Preservation and Conservation Easement

Tax regulations governing charitable gifts of conservation easements require the taxpayer to offset the value of the easement by any corresponding increase in value to the remaining property or other property owned by the taxpayer. In this case, there is no impact on any other property owned by the donor.

The indications of value by the approaches used were as follows:

Cost Approach	$18,720,000
Sales Comparison Approach	$19,750,000

Taking both approaches into consideration, but giving the most weight to the result of the sales comparison approach, we therefore estimate the value of a fee simple interest in the subject property to be $19,250,000 as of April 6, 1995, after considering the preservation and conservation easement.

MAR-A-LAGO SUBDIVISION ANALYSIS--SALES COMPARISON APPROACH, AFTER EASEMENT DONATION

		Year 1	Year 2	Year 3
Lots sold		1	4, 7	5, 8, 9
Price/Lot		(see table)	(see table)	(see table)
Gross Revenue		$3,250,000	$3,800,000	$5,600,000
Less:				
Development Costs		$1,000,000		
Sales Cost		$325,000	$380,000	$560,000
Real Estate Tax		$325,000	$175,000	$90,000
Management/Profit		$650,000	$760,000	$1,120,000
Total Expenses		$2,300,000	$1,315,000	$1,770,000
Net Cash Flow		**$950,000**	**$2,485,000**	**$3,830,000**
Discount Term		1	2	3
Present Value		**$848,214**	**$1,981,027**	**$2,726,118**
Net Present Value @	12.00%	$5,555,359		
		$5,555,000		

Subdivided Lots	Price/Lot
Lot 1: Direct Ocean	$3,250,000
Lot 2: Site of Mar-a-Lago	$6,000,000
Lot 3: Oceanfront Lot	$2,750,000
Lot 4: Lakefront Lot	$2,000,000
Lot 5: Lakefront Lot	$2,000,000
Lot 6: Interior Lot	$1,800,000
Lot 7: Interior Lot	$1,800,000
Lot 8: Interior Lot	$1,800,000
Lot 9: Interior Lot	$1,800,000

EASEMENT VALUE CONCLUSION

The value of the conservation easement is the difference between the value of the subject property prior to considering donation of the easement and its value after considering the donation, offset by any benefit to the donor. In this case, the value prior to donation was $25,000,000. The value after the donation was $19,250,000. The difference is $5,750,000. The value of the conservation easement, imposing all the restrictions and conditions as set out in the easement document contained in the Addenda, as of April 6, 1995 is

FIVE MILLION SEVEN HUNDRED AND FIFTY THOUSAND DOLLARS
($5,750,000)

EASEMENT VALUATION EXPERIENCE

Clarion Associates, Inc., is one of the most experienced firms in the country in the review, analysis, evaluation, and appraisal of preservation and conservation easements. Clarion consultants have been involved in the evaluation or appraisal of more than 100 conservation and preservation easements for private property owners and government agencies (including the Internal Revenue Service) in about 25 states and 40 cities including Chicago, Minneapolis, St. Louis, Louisville, Cincinnati, Nashville, Memphis, Atlanta, San Antonio, Denver, Los Angeles, Seattle, Cleveland, Omaha, Pittsburgh and Indianapolis.

Members of the firm have appeared nationally on easement valuation programs sponsored by such organizations as the Appraisal Institute, the National Trust for Historic Preservation, The Conservation Foundation, Continuing Legal Education in Colorado, Inc., Texas Historical Commission, Arizona Open Land Trust, Historic Nashville, Inc., the Landmarks Preservation Council of Illinois, the Illinois Institute for Continuing Education, the Boston Bar Association, the Chicago Bar Association, and the American Bar Association.

In virtually all of our easement valuation work, we are asked to consider the value of the property "before and after" the imposition of the easement. That entails carefully considering the development potential of the property, including the relationship between any restrictions imposed by the easement and other restrictions on use such as zoning restrictions, floodplain regulations, coastal zone management, wildlife and habitat protection, and historic preservation regulations.

We have also helped communities and even states establish easement programs. Organizations we have assisted by preparing model easement documents and informational booklets on the easement concept include the Landmarks Preservation Council of Illinois, the Frederick Law Olmsted Society of Riverside, Illinois, the City of Chicago Landmarks Commission, the Trust for Public Land, the Land Trust Exchange, and the City of Lake Forest, Illinois. For the State of South Carolina Department of Parks, Recreation and Tourism and the Heritage Trust Advisory Board, we drafted new state legislation clarifying the legal basis of easements in gross, and prepared a model easement document that could be used to protect natural areas as well as heritage resources.

Richard J. Roddewig, CRE, MAI, President of Clarion Associates, Inc., is both a real estate consultant and an appraiser, as well as an attorney, with extensive experience in the valuation of many types of less-than-fee interests, including easements. Mr. Roddewig is a past chairman of the American Bar Association Land Use, Planning and Zoning Committee, and for it published "Preservation Easement Law: An Overview of Recent Developments" in The Urban Lawyer, Winter 1986, Volume 18, No. 1. Mr. Roddewig is also the co-author of Preservation Easements in Illinois, published by the Landmarks Preservation Council of Illinois, and co-author of a Handbook on Historic Preservation Law, published by the Conservation Foundation and the National Center for Preservation Law which includes his chapter on tax and valuation aspects of easement donations. Mr. Roddewig has written two articles on appraising easements for The Appraisal Journal.

Together with Cheryl Inghram of Clarion Associates, Inc., he recently co-authored The Conservation Easement Handbook published by The Trust for Public Land and The Land Trust Exchange.

Gary Papke, Senior Vice President of Clarion Associates, Inc., is a real estate consultant and urban planner experienced in market analysis, feasibility studies and appraisal of large office, retail, residential, industrial and special purpose properties. He has been involved in easement appraisals in Chicago, Los Angeles, Omaha, Memphis and Minneapolis, and an easement assignment for the National Trust for Historic Preservation.

Christopher J. Duerksen, Senior Vice President of Clarion Associates, Inc., and Director of its Denver office also has considerable experience with conservation easements. He is the principal author of the Illinois Conservation Rights in Real Property Act, 1975 legislation that clarified the legal basis of easements in gross in Illinois. He also has experience in easement valuations on Colorado and as a board member of Scenic America and as a past Senior Associate at the Conservation Foundation in Washington, D.C.

Cheryl Inghram, MAI, Vice President, also has extensive experience with preservation and conservation easements. While on the staff of the Midwest Office of the National Trust for Historic Preservation, Ms. Inghram was responsible for monitoring and enforcing preservation easements held by the National Trust in the midwest. This included an annual inspection of easement protected properties. She also assisted a number of midwestern preservation organizations and local governments in evaluating and establishing easement programs. Ms. Inghram has been involved in the appraisal of more than 25 easements in more than a dozen communities, including a review appraisal of easements affecting 11,000 acres of timber land in New Hampshire. She is the co-author of The Conservation Easement Handbook published by The Land Trust Exchange and the Trust for Public Lands.

Bradford J. White, an attorney and real estate analyst, is also a Vice President of Clarion Associates and has worked on easement appraisal assignments in Chicago, Illinois; Nashville, Tennessee; Louisville, Kentucky; Johnstown, Pennsylvania; and Seattle, Washington. In his legal work, Mr. White has conducted a survey of easement recipient organizations on the administration of easement programs. He currently chairs a subcommittee of the Land Use, Planning and Zoning Committee of the Urban, State and Local Government Law Section of the American Bar Association that often looks at easement valuation issues.

QUALIFICATIONS OF
CHERYL A. INGHRAM
CLARION ASSOCIATES, INC.

PROFESSIONAL HISTORY

Present — Vice President - Clarion Associates, Inc. - 1988-present

Prior — Senior Consultant - Pannell Kerr Forster, 1987-1988

Consultant - Shlaes & Co., 1985-1987

Field Representative and various other positions - National Trust for Historic Preservation, 1973-1985

AREAS OF SPECIAL COMPETENCE

Analyst and appraiser for the real estate industry specializing in appraisal and market analysis, particularly in assignments involving historic structures and land conservation. Valuation and consulting services involve all major property types including office buildings, shopping centers, residential buildings, retirement housing, hotels, commercial recreational facilities, mixed-use developments and industrial properties.

MAJOR PROJECTS

Valuation of over 40 historic preservation easement donations in 16 cities and 13 states for private developers and the Internal Revenue Service.

Open space easement appraisals in suburban Chicago, New York State, and rural New Hampshire.

Appraisal or analysis of specialty shopping centers combining old and new construction in downtown Asheville, North Carolina, Summerville, South Carolina, and Roswell, Georgia.

Market and project analysis for an existing downtown office and retail development project in Fort Collins, Colorado.

Retail market analysis for a 251-acre, mixed-use development in northwest suburban Chicago.

Market analysis of proposed 440,000 square foot mixed-use project in downtown Champaign, Illinois.

Marketing services for a 20-acre lakefront estate and 32,000 square foot residence on Chicago's North Shore.

Appraisal of a television broadcast studio in Chicago, Illinois.

Appraisal of retirement apartment complexes in Illinois, Massachusetts and Arizona.

Appraisal of a 1,173-room convention hotel in downtown Chicago.

Preparation of a major program and policy study to guide an urban preservation commission in establishing an easement program.

Consultation with the City of San Antonio concerning incentives to encourage rehabilitation and reinvestment in the downtown.

EDUCATION

Northwestern University
Master of Management in Finance and Marketing

Smith College
Bachelor of Arts in American Studies

PROFESSIONAL AFFILIATIONS

Member, Appraisal Institute (designated MAI, No. 10260)
Regional Ethics and Counseling Panel (1994-present)

Illinois Certified Real Estate Appraiser (General), License No. 153-000569 through September 30, 1997

Colorado Certified General Appraiser, License No. CG40002965, through December 31, 1998

Affiliate Member, BOMA/Chicago (Building Owners and Managers Association of Chicago)

Member, Ely Chapter, Lambda Alpha International

QUALIFICATIONS OF
CHERYL A. INGHRAM

PUBLICATIONS

Co-author of the 1987 American Planning Association publication, "Creating Workable Transferable Development Rights Programs."

Co-author of the 1988 publication by the Land Trust Exchange and the Trust for Public Land, The Conservation Easement Handbook.

Co-author of 1990 Planning magazine article, "Detecting the Flaws in Market Analysis."

Co-author of forthcoming Appraisal Institute seminar text, "Appraising High-Value and Historic Homes," premiering Fall 1996

OTHER ACTIVITIES

Adjunct Lecturer, University of Illinois at Chicago, School of Urban Planning and Policy. (1987)

Board Member, Friends of Downtown Chicago. (1987-92)

Fund Committee Member, Landmarks Preservation Council of Illinois. (1989-1995)

Board and Executive Committee Member, Landmarks Preservation Council of Illinois. (1990-present)

Member, Illinois Historic Sites Advisory Council. (1993-1995)

ADDENDA