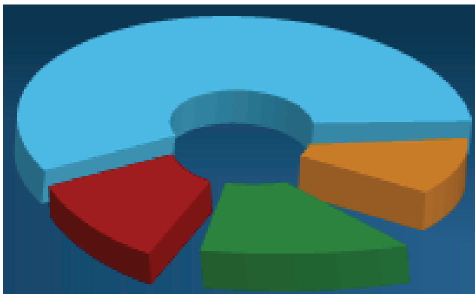
May, 2012

PREPARED BY:

The Chesapeake Group, Inc.

Economic Development Program for Cadillac & Wexford County, Michigan



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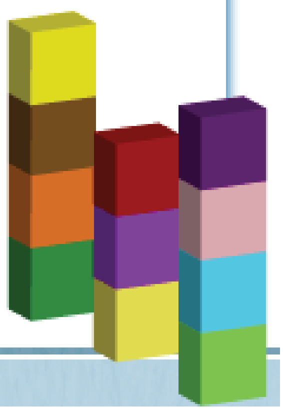


INTRODUCTION

The following document is an analysis of marketable opportunities associated with the Cadillac Micro Area, composed of the City of Cadillac, Wexford and Missaukee Counties, and smaller communities within those counties. It was prepared by The Chesapeake Group, Inc., a nationally recognized economic analysis, economic and community development, and planning consulting firm established in 1974, with significant experience throughout much of the country, Michigan, West Michigan and Cadillac. It was prepared under contract to the City of Cadillac. The effort is being accomplished in support of the Grand Vision project and is funded in part through a Community Growth Grant from the Northwest Michigan Council of Governments, with support from the W. K. Kellogg Foundation.

All estimates of potential defined in the analyses are conservative in nature, tending to understate demand and activity. The estimates and suggested activity are based on conservative assumptions for the markets potentially served and represent only The Chesapeake Group's opinion based on the analyses and experiences of the organization. Throughout the document, specific names of organizations and businesses are mentioned. This neither reflects any endorsement by The Chesapeake Group, its contractor, or funders for the project; nor any expression of interest by the entities.

The analyses indicate that there is ample opportunity to expand economic activity in the Cadillac area through agricultural income enhancement, recruitment and development of select manufacturing and product assemblage, product research and development based on the area's natural resources and agricultural production, tourism, and traditional commercial activity. The indicated specific activity identified in the document has symbiotic relationships with existing activity and will enhance non-invasive use of the areas natural resources. These resources are the keys to the history and future of the Cadillac area. They are its "DNA."

Pursuit of economic activity and the indicated local proactive role is essential. Without such pursuit and as a result of the "youth brain drain," the aging of the population, economic factors well beyond the control of the Cadillac area employers, diminished local ownership in the industrial sector, and decline in employment by area businesses; Cadillac will change in form and function over the next 10 to 20 years, likely resulting in declines in economic activity.

In identifying implementation components, careful consideration was given to existing human and fiscal resources and those that are obtainable from the local population. The actual implementation will require cooperation of the various communities; their governments; local business organizations, including the Chamber of Commerce; public and private area educational institutions; the Visitors Bureau; and others, such as Michigan State University's Extension Service. Pursuit of the opportunities will result in economic diversification, sustainable investment, and enhancement of the economic climate in the area well into the future.

Opportunities Synopsis and Strategic Implementation Program

The following is a synopsis of the opportunities identified in the market analysis for the Cadillac area, including the City of Cadillac and Wexford and Missaukee Counties.

The activity opportunities are broken down by industrial, related R & D and other product development, commercial activity including retail and office generated by demand from residents and visitors, and housing.

Opportunities – Industrial Sector

There are several areas where identified gaps likely represent opportunities whether for expansion of existing industry and operations or the recruitment of new operations. Many take advantage of assets such as the transportation network; the ability to serve the larger northwest area of Michigan because of the strategic location; the economic history of the community; the current continued agricultural production in the area; and the decline in some economic activity that likely went from having too many operations to having too few when contraction occurred. The following areas for additional business development include:

- Trucking
- Farm & garden machinery wholesaling
- Contractors (plumbing, heating and air conditioning)

In addition and based on many of the similar factors as noted above, there are several assembly or light manufacturing focuses for either expansion of existing operations or the recruitment of new operations. These include:

- Bicycle manufacturing/assemblage.
- Scooter and skateboard manufacturing/assemblage
- Kayaks and canoes
- Light aircraft assemblage

The Cadillac area owes its very existence to the abundance of natural resources. Even today, those resources are the foundation of visitation to the area and extraction processes in some cases. Yet, the natural resources are a critical tool when coupled with the agricultural production to be utilized for research and related product development, opening an entirely new economic arena and engine for the area. Expanded participation in emerging areas of research and global technology could have a substantial impact on employment, income, and economic opportunity in the Cadillac area. There are multiple purposes for targeted research and product development activity, including:

- Agricultural land preservation.
- Opportunities to increase farm income to maintain farm viability.
- Expansion of employment opportunity for those with educations, increasing the viability of the region.

- Expansion of local higher education opportunities.
- Affording the opportunity to link with synergistic employers outside the region.
- Expansion and attraction of entrepreneurship.

Numerous prospective research and development programs can be gleaned from agricultural production in the area as well as the area's natural resources. Research associated with the agricultural production and natural resources would be non-exploitive and non-invasive to those activities and resources and would be compatible with the potential to expand visitor activity to and through those same resources. The wealth of biodiversity and agricultural products provide resources leading to potentially new pharmaceutical and medical advances, electronics research, water ecosystems and evaluation, monitoring and mitigation, and other activity.

This following is a list of area concentrations for which there are many national and international interests, including some of the largest corporate entities in the world to start-up operations. Research and potentially product development activity for Cadillac associated with the natural resources could include:

1. Biomass for fuel: forest and Christmas tree crop detritus, garlic mustard and other invasive weeds. (One operation in the area is already involved, selling power to the grid.)
2. Invasive Aquatic Fish Species: Zebra Mussels.
3. Invasive Plant Species: garlic mustard; Eurasian Milfoil.
4. Indigenous Aquatic Plant Species: blue green algae; Duckweed.
5. Invasive Pest: Gypsy Moth.
6. Indigenous Forest Flora: mosses.
7. Morel and other Mushrooms: the harvesting, processing and marketing of mushrooms could create a niche industry for Cadillac.

There are also numerous recruitment opportunities for companies and others developing, manufacturing or researching products based upon some of the more important crops. These crops are:

1. Soy beans.
2. Corn.
3. Corn and Soybeans combined.
4. Wheat.
5. Alfalfa.
6. Potatoes.

Also, there is evolutionary activity in product development associated with the creation of new materials to replace those currently used to build many of the products with which Cadillac manufacturing is involved. The fabrication is being revolutionized by emerging materials science. Engineers are now beginning to design and build from the molecular level, thereby optimizing features, creating new materials, radically improving quality, and reducing waste. This is being done based on computationally engineered materials that did not previously exist, novel metal alloys, graphene instead of silicon transistors, and meta materials that possess properties not possible in nature. (Graphene and carbon are beginning to be used in a new class of electronic and structural materials.)

Most recently engineers have developed a new type of glass made from metals that doubles the combined strength and toughness of the best-performing steel with the attributes of glass. It could be used to make vehicle bumpers and other formed metal impervious to dents and nearly indestructible airplane parts.

The era of new materials is likely to be economically explosive when combined with "3-D printing" or "direct-digital manufacturing." This literally involves "printing" parts and devices from potentially wheels, to washing machines and almost every other product. The "printing" uses computational power, lasers and basic powdered metals and plastics. Currently, being employed in "high value" applications such as hip joints and teeth; it is likely to be only a matter of time until employed elsewhere because of the benefits associated with "near-perfect" computational design and production.

Opportunities – Agriculture Sector

Beyond the noted R & D enhancement activity that can generate increased farm revenue, there are several other areas of opportunities for the agricultural activity. These are:

1. Agitourism, agritainment and agri-education.
2. Aquaculture with contained water systems.
3. Hydroponic and indoor farming of vegetables and fruit, such as "tomatoes on the vine."

(Currently, Baker College is offering training in aquaculture.)

Opportunities – Multi-tenant Office Space

The area's changing demographics and the anticipated growth in households raises the opportunity to meet employment needs of the households and changes in service activity. Assuming a conservative scenario that would involve no growth in the industrial and retail sectors of the Cadillac area economy in the foreseeable future; in order to maintain current area employment levels and meet demand generated by household growth, about 60,000 square feet of multi-tenant office activity would be generated in the market. In addition, there is a defined gap in elderly and child care services.

Opportunities – Retail & Related Services Activity

Information on locally generated demand indicates:

- ✓ Proximity to trafficked arterials is and will be essential for most traditional retail. Future development plans should support continued growth of retail in such areas.
- ✓ Operations that create their own market and destinations, such as restaurants, will be capable of expanding or multiplying in the future and have a broader range of location options. The general area will support roughly seven additional restaurants in the foreseeable future.

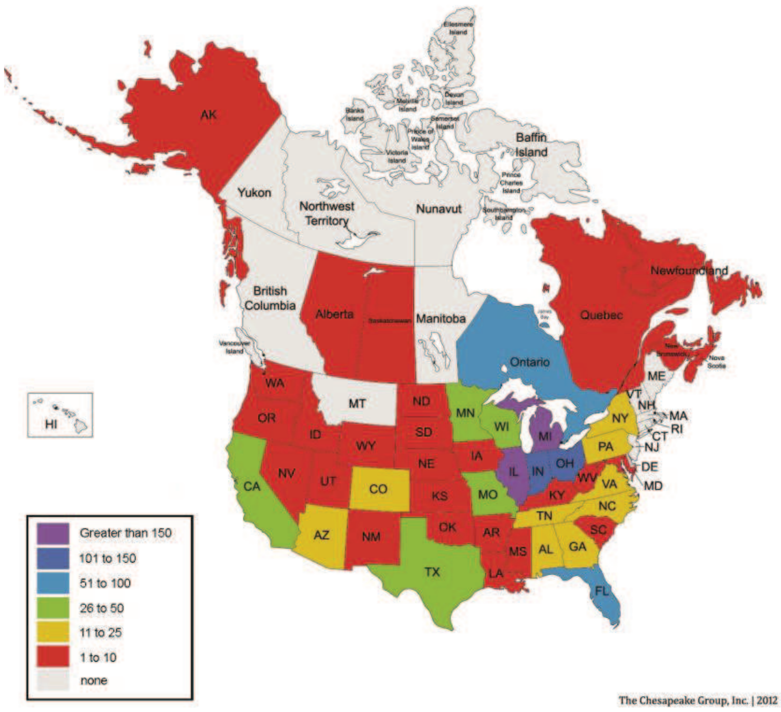
- ✓ There will be some market growth in apparel and other categories and sub-categories of space that could create some expansion of retail both in downtown Cadillac and in other areas in need of reinvestment. Such reinvestment or redevelopment will need to create “reasons for people to come” through atmosphere, activity and tenant mix to attract reasonable market share.
- ✓ There is also an identified gap that could be met for electronics.

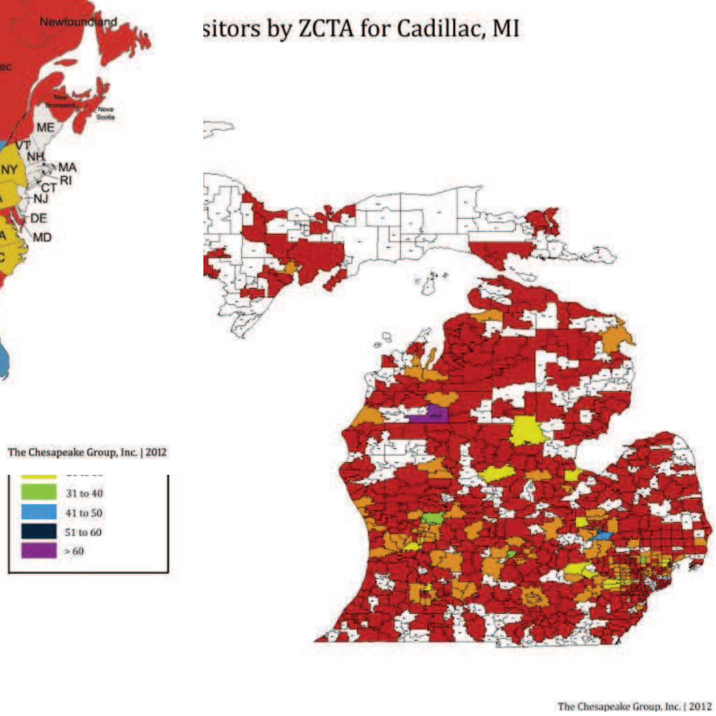
There are potential “anchor” retail goods and related services opportunities that are identified that will meet expanding needs of the local population. These include:

1. The potential for an additional supermarket, an expansion of an existing operation, or the development of an additional “box” operation with a supermarket component.
2. Seven to twelve (number depends on average size) additional food service establishments, including those that might act as anchor activity, such as a beer garden with substantial glass viewing areas.
3. Two to three added drugstores with at least one potentially adding general merchandise space.
4. One or two gifts and novelty operations.

The Cadillac area draws visitors from various parts of the United States and Canada in addition to many areas in Michigan that provided a secondary market for activity.

Michigan Visitors by States, Provinces and Territories
in the United States of America and Canada





Based on the average length of stays, the types of activities in the area, estimates of per night expenditures, sizes of visitor parties and other factors; it is estimated that current visitors from outside the Cadillac Micro Area, but inclusive of those from both within and outside of Michigan, contribute about $6.67 million to $10.6 million in revenues to the local economy for shopping and other activities in 2011. This is a conservative estimate based on assumptions that likely understate the current level of economic contribution.

Assuming a marginal increase of about 5% in the market penetration rate of all visitors to this area of the state (which is a very conservative assumption), this contribution could easily double. On the other hand and while of importance to the current and future economy, it should be a secondary but often important income for most retail business operations with the exception of hotel, motel, or resort related operations. The opportunities that exist for growing visitor activity in Cadillac and Wexford County are to:

1. Extract greater dollars from those coming, but accepting that visitors will be a secondary market in most cases.
2. Target new markets outside of Michigan.
3. With changing regional and national demographics, with most population growth in two ends of the age spectrum, target and provide activity geared toward young children and empty nester populations.

To increase market share and market penetration by non-residents, there are improvements indicated by the visitors that include the following in order of the proportion noting the improvements.

- Better dining, entertainment and shopping.
- Better accessibility of shopping for tourists, such as transit and sidewalks.
- Better tourism information and directions.
- More and better bike trails.
- More downtown activities.
- Better road signage.
- More info and maps on outdoor recreation and activities.

Opportunities – Housing

A survey performed for the market analysis indicates that while there will be outmigration from the Cadillac area; there is also likely to be matching in-migration that offsets the outmigration. Thus, there is no reason to believe that growth in new housing will cease, being generated at least by new internal household growth. Based on the rate of new housing unit permits issued in the Cadillac area over the past five years, it is conservatively estimated that the micro area will grow by about 600 new units by 2022.

Strategic Development and Implementation Program

A substantial effort is required by most often the public and private sectors to take advantage of opportunities. With some of the opportunities, there are certain locations that are more appropriate than others. For industrial activity, any properly zoned site with utilities is appropriate for most but not all. The exceptions would be the light aircraft assembly and the trucking. The light aircraft assembly is most appropriate near the airport while the trucking is most appropriate to either facilities with a rail linkage, reasonable highway access, or both.

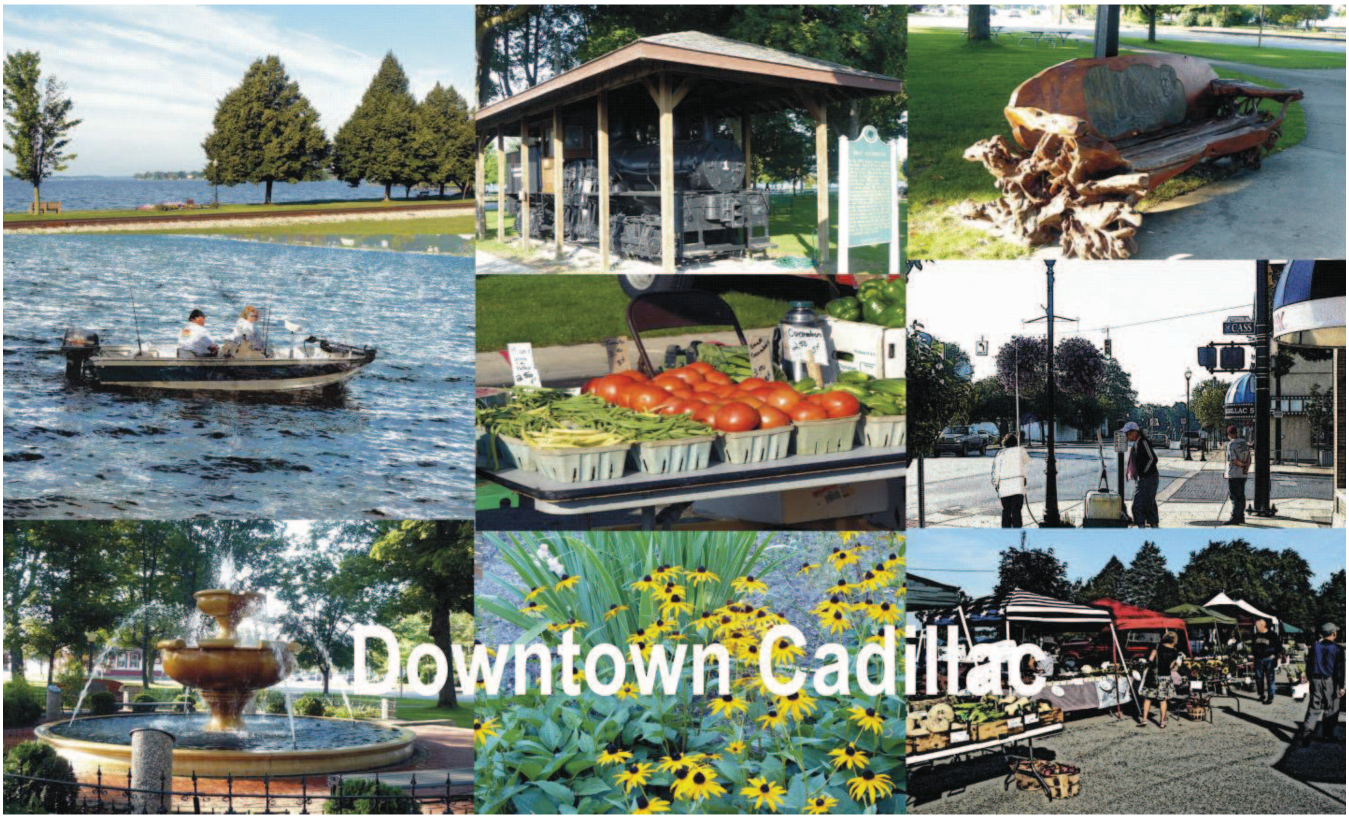
Several other of the suggested industrial activity could be advantageously situated near the central core of either downtown Cadillac or smaller community downtowns in the area, such as Manton, Mesick or Harrietta, if a showroom that becomes an attraction is included or tours of the factory are provided.

R & D related activity and potential related tenants that could include major corporate interests, start-ups and higher education institution interests would likely be located in structures near the lakes. R & D related to agricultural development would be blended with agriculture. There are some fine examples in Michigan and near Cadillac and Wexford County that depict such blending. These include Monsanto and Pioneer operations in St. Joseph County and the combined wind development-agricultural use of land just outside of Wexford County.

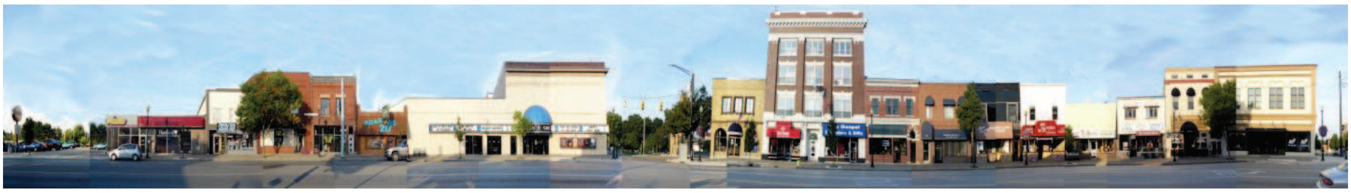
There are a number of strategic sites for additional retail in the area. These include the traditional downtowns of smaller population centers, downtown Cadillac as well as key intersections on major thoroughfares.

Of the traditional downtowns, Cadillac is the largest and most central to the largest proportion of population in the general area. Because of this advantage as well as a number of other factors, it has maintained viability over the years. Downtown Cadillac has many attributes, including those that follow.

- Lakeside location.
- Substantial available public off-street parking.
- Public and private sector signs of investment and reinvestment.
- Historic character.
- Continued operation of a movie theater, which is an increasing anomaly in downtowns.
- Organizational commitment through offices and activities by downtown business operators, the Chamber of Commerce and the City of Cadillac.
- Activities such as the farmers market.
- Facilities for outdoor events and places.
- Opens space adoring the lakefront.
- Areas designated for fishing and boating.
- Few vacancies.
- A walkable scale and environment in general.



The character of downtown is enhanced by its range of building structures and their character. Each block face differs from the other. Most structures are reasonably well maintained.



Continued strengthening of the downtown in Cadillac is of critical importance to all sectors of the economy. While its viability is largely dependent upon the viability of other sectors of the local economy; those sectors viability is also impacted by it. A dying downtown is not conducive to the image of the general community, to recruiting additional industrial activity, to expanding visitations, or to fostering and nurturing entrepreneurship.

The downtown provides an excellent opportunity for strategic location of additional retail that will serve both the resident and visitor markets. The strengthening can come through:

- Expanding retail choices.
- Expansion of restaurants and other food service establishments.
- Expanding housing opportunities and office space.

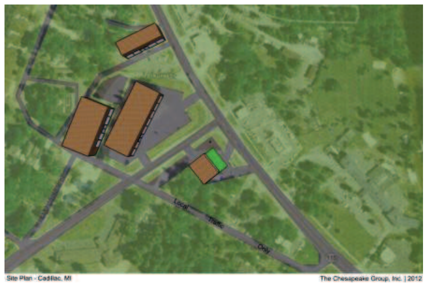
The avenues for creating such include rehabilitation of existing structures, filling vacancies, and through appropriate redevelopment. New retail in downtown could be a composite of recruited national chains and independent operations. The types of national chains that are appropriate, although their naming does not represent any expression of interest or their part nor endorsement by either the community or the authors of this strategy, include a Microsoft store, an Apple store, The Green Turtle, Qdoba's Mexican Grill, Smashburger, and Meatheads Burgers and Fries.

There are several sites whose redevelopment would enhance downtown activity. These sites are lakeside and are currently owned and used by the public sector. They are identified on the graphic to the right. Sale, land swaps, or other means could facilitate redevelopment of these valuable parcels and intensify activity in the downtown. Uses could include a mixture of residential, office and retail. First or upper floor retail might include a beer garden that looks out on the lake.

In addition to the traditional downtowns in Cadillac and the smaller communities, there are other areas that are quality strategic locations for retail and thereby enhancing the investment patterns in those areas. The juncture of 55 and 115 is a significant one. The area is situated between Wexford county's two largest lakes – Lakes Mitchell and Cadillac.

Redevelopment of the sites is the most advantageous option to increase return on investment. The opportunities for the sites include modernization of retail accompanied by either or both housing with some office space or an additional boutique hotel operation. The following are illustrative site plans for the development. It is noted that the increased use will likely result in added paving in the area. However, pervious parking surfaces could be part of the site and plan design.

Site Plan - Cadillac, MI The Chesapeake Group, Inc. | 2012



Types of entities that are appropriate, although their naming does not represent any expression of interest or their part nor endorsement by either the community or the authors of this strategy, include Aldi's, Whole Foods, Walmart Express, The Green Turtle, Qdoba Mexican Grill, or a number of quality "sports" food service establishments.

In addition to the other locations, commercial activity within the Downtown Development Authority's area in Clam Lake Township immediately adjacent to the City of Cadillac along 55 is also possible. This area has seen and continues to see investment in tourist activity, retail and medical offices. Activity potential for this location would include, although their naming does not represent any expression of interest or their part or endorsement by either the community or the authors of this strategy, Aldi's, Whole Foods, American Freight Furniture & Mattress, new reduced version of Office Depot and Chipolte's.

To capitalize on opportunities, whether expanded industrial, commercial, or housing activity, will require a concerted effort and strategic investment by both the public and private sectors. Activity to seize the opportunities will include:

- Various types of business and developer recruitment.
- Entrepreneurship.
- Business development through increased tourism.
- Infrastructure enhancement.
- Resources to effectuate the change.

The following are activities that can assist in the above. All consider the resources that exist in the community or can be reasonably developed.

Outstanding Economic Opportunity

In St. Louis, Missouri

Aerial View of "Magic Chef" in St. Louis, MO

Property Associated with Expressions of Interest

The properties for which expressions of interest are sought is known as the Magic Chef site, named for its former industrial use.

The general boundaries of the property are Wilson Avenue, Daggett Avenue, Kings Highway and Hereford Street. Technically, the property includes land and developed structures generally known and numbered 2122 Hereford Street, 4946 to 5030 Daggett Avenue, and 5005 to 5019 Daggett Avenue in the City of St. Louis.

The property consists of about 14 acres, making it arguably the largest single greatest opportunity site for redevelopment, rehabilitation, or combination of both in the City.

Recruitment

Recruitment is the most critical component of the economic development program in general. Without it, it is highly unlikely that a number of opportunities will be seized. It cannot be assumed that because opportunities exist, people will naturally seek those opportunities. Rather, they can only seek opportunities of which they are aware.

The following recruitment-related actions should be taken to assume a more proactive role. It is important to note that none of the individual localities that compose the micro area or other quasi-public or public sector entities that own an individual property or collection of properties is likely to effectively promote their reuse or their development. Also, traditional means of marketing, such as ”multiple listing,” does not reach target audiences well or stimulate interests from those outside of the area that often prove to make initial investments. The Cadillac area is not necessarily seeking someone who is “looking” to invest; rather for the right parties that may not even know of the opportunities exist at this time or in the foreseeable future.

1) Developer Recruitment - Four types of recruitment efforts should be pursued. The first type is developer/investor recruitment. In many cases, this will be more cost-effective and less time-consuming than individual tenant recruitment. Redevelopment of some parcels and development of other parcels in all of the communities may require partnerships between the current owners and others, someone to buy the property, and/or other investors to bring it to fruition.

There are some fundamental considerations associated with a developer recruitment process. These include the availability of fiscal and human resources. The following are preliminary steps to establish a successful recruitment effort that should be considered for developers as well as others.

1a) Decide who will administer and provide staff support for the recruitment effort in general. The assumption is that such activity will be done in cooperative effort between the City of Cadillac, the Chamber, Wexford and Missaukee Counties, and others. Furthermore and within this context, a separate committee structure should be set up to oversee the recruitment effort. This would involve:

- Creating a coordinating team consisting of representatives of those noted above and “consultants” (only if necessary to supplement the professional staff);
- Identifying “qualified” developers based on specific projects or areas and like experience and fiscal capacity;
- Developing marketing materials (including direct mail materials, ads, public relations releases, and materials distributed electronically);
- Reviewing and evaluating submittals that may be received; and
- Assuring those interested that the coordination and selection process is non-biased.

1b) Assure the ability to reproduce the materials on demand via internal computer capabilities and internal printing capacity.

1c) Develop a set schedule for phasing of the recruitment process.

1d) Establish an "Ambassador Program," composed of business interests to meet with recruited interests as needed.

> For Release: Wednesday, October 12, 2011
>
> Cloverleaf Mall Sale Paves the Way for Mid-Atlantic's Largest Kroger
>
> CHESTERFIELD, Va. – Stonebridge Realty Holdings purchased 28.4 acres of the former Cloverleaf Mall site from the Chesterfield County Economic Development Authority for $5.7 million. This transaction will allow the demolition of the Cloverleaf Mall and construction of a flagship Kroger with fuel pumps and additional retail shops. Work on the site is scheduled to begin the week of October 17th.

The initial developer recruitment effort should take about six months from inception. The associated marketing activity would include:

- Preparation of Request for Qualifications or Proposals for areas and sites.
- Distribution of developed materials via direct mail; establishing international contacts and networks; posting information on web sites; advertising in select trade journals, if affordable; and internet contact.
- Follow-up contact via telephone and internet to answer questions, gauge interest, etc.
- Review and evaluation of the responses, and establish relationships (such as between the development interest and the private property owner).
- Continued follow-up, acting as an "ombudsman" for the process.

Limited expertise, experience, staff, and fiscal resources may be available for recruitment activity. Therefore, contracting of services to facilitate a timely and competent process should be considered if necessary. Initial costs of doing such developer recruitment are estimated at about $17,000, including printing. Should electronic dissemination of materials be the only means utilized, the out-of-pocket costs would likely be about $13,000 if services are contracted. However, each subsequent effort will likely cut this cost in half. Staff assistance can also lower this out-of-pocket cost substantially.

The need for and level of "pre-screening" potential contacts for any recruitment is a fundamental issue in the process. Consideration must be given to:

- Available data bases.
- The cost-effectiveness of the "pre-screening".
- The likelihood of success with obtaining accurate information for a "pre-screening" process.

The following is noted with respect to developer recruitment:

1e) Generation of the initial list of developers essentially involves pre-qualification, as the developers sought should have experience doing similar projects as well as appropriate fiscal capacity. Thus, the research involves identifying developers through their projects. The most appropriate ways of doing this are through:

- Contact with professional organizations that track creative development like the Council for Economic Development, the National Trust for Historic & Architectural Preservation, etc.
- Tapping libraries associated with professional organizations that deal with unique situations like the American Planning Association.
- Review of focused development publications.
- Internet research based on articles about desired types of efforts from around the country.

2) ***Individual Business Recruitment*** – The second type of recruitment indicated is that of individual businesses. The public and quasi-public sectors will continue to have limited staff and fiscal resources available for this process. Therefore:

- Only limited activity can be expected, whether monthly or quarterly. The area should establish priorities and allocate the limited resources accordingly.
- One group involved could focus on one component of recruitment at a time (such as industrial assembly operations or light aircraft aviation development) or focus on a variety of commercial opportunity areas (specific retailers or restaurants as examples) at one time. Other business-oriented groups (such as Chamber) should assist in the process as well, focusing on others to be recruited, work load distribution, or development of the written materials. The amount of activity will largely depend upon the allocation of staff and volunteer resources; but it is strongly suggested that there be partnership with those that share common interests.

The retail/restaurant recruitment process in the future should focus on data and site reconnaissance for non-chains for traditional downtowns and for chains in downtowns and other defined commercial opportunity areas.

3) ***Professional and Service Organization Recruitment*** - The third type of recruitment will be for professional and service organizations to serve the growing needs of residents of the area. With respect to professional recruitment lists, information can be generated from three primary sources. These are:

- Professional associations.
- Other Chambers of Commerce's membership lists.
- Often state regulatory agencies.

It is not cost-effective to dissect, pre-qualify, or pre-select the professionals. Mass "mailings," even if performed over time, will inevitably have greater cost-effectiveness than any pre-qualification effort.

4) ***Recruitment of R & D Activity*** - The fourth recruitment effort is associated with establishing the niches for R & D activity. There are three possible methods for pursuing research and development. The first method is to directly recruit individual companies through a coordinated, continual process identical to the process just described. The second method is to form a partnership or consortium. The third also involves forming a partnership or consortium, but additionally calls for the inclusion of outside expertise with a track record in the industry. A combination of the latter two methods is preferred.

4a) Fundamental to R & D recruitment activity would be the establishment of a "blue ribbon" committee, composed of national or international business interests in the area, County agricultural interests; MSU extension services; the area's community college; utility companies; and other interests involved with related or other areas of research at the present time. The area's Baker College or State institutions could coordinate the activities.

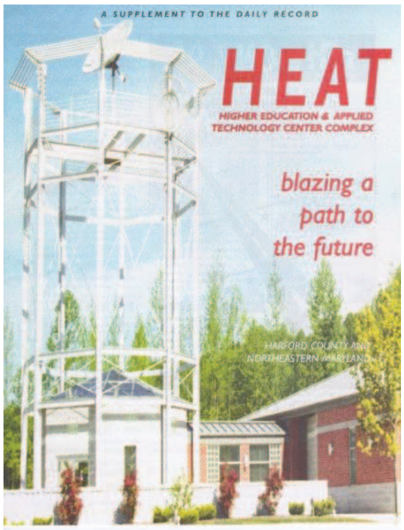
This methodology and partnership is suggested because:

- It can help to form and solidify a partnership between the Federal and State levels of government, with greater contact than now occurs and expanded relationships.
- It may help to expand local higher education opportunities which may help to retain and potentially increase the proportion of residents seeking higher education within the community.
- It potentially brings in larger interests and dollars.
- It has staying power. (Often research, if and when it turns into product "development," takes fifteen or more years.)
- It is likely to yield high levels of employment for highly skilled individuals in the future, increasing the potential to expand a "permanent younger resident" base and utilize the skills of an educated work force that exists in the area or nearby.
- The approach has proven to be successful elsewhere.

Centreville, Mich. —

Trine University representatives will speak about their proposed partnership with St. Joseph County at 7 p.m. Thursday at the St. Joseph County Intermediate School District on Shimmel Road.
Community members may attend, along with the target audience of business leaders.
It will mark the fourth time Trine leaders have visited St. Joseph County in recent weeks to promote a financial partnership. Trine is a private university in Angola, Ind.
Thursday's discussion is expected to explore the benefits to St. Joseph County economically and to local manufacturers and businesses.

Because of the costs and time frame for success with R & D activity in particular, the consortium approach might also require one or more partner local foundations or other area institutions along with Baker College. Federal and State government funding and involvement would have increased promise if such an approach is pursued.



4b) While the committee/commission would define the scope of the effort, implementation would be greatly enhanced by the establishment of a relationship with an entity with a proven track record in taking the concept and bringing the R & D activity to fruition and commercialization. Research indicates that The Incubation Factory has a proven track record at doing precisely this. (Contact information: Bill Rowe, The Incubation Factory, bill.rowe@incubationfactory.com, 314.450.5914.)

The Incubation Factory leverages a proven "Commercialization Platform" that utilizes industry experts, experienced executive management, and network business professionals to identify, acquire, accelerate and launch new companies, accomplishing its mission to reduce risk, maximize opportunity, and shorten the time to maturity of new technologies by leveraging core strategies developed though nearly two decades of experience. The Incubation Factory serves as the "Commercialization Agent" worldwide. They remove many of the pitfalls of start-up operations by utilizing structured, proven processes that result in faster time to market, lower commercialization risk, and high returns to technology partners. They:

- License high-potential technologies.
- Form companies around technologies.
- Build management teams with executives that possess requisite experience.
- Provide all requisite funding.
- Accelerate growth in the marketplace.
- Govern for market acceleration using specialized tools, people, and infrastructure.
- Manage companies to maturity or successful exit.

Entrepreneurship

Entrepreneurship has always been and continues to be a mainstay in all sectors of the area's economy. Entrepreneurs are primarily derived from two sources. These are existing residents of the area and those that come to visit and make the community the home for their venture. Creating new ownership for existing and new businesses and franchises through entrepreneurship is both an adjunct and an alternative to recruiting new activity.

5) ***A Local Entrepreneurship Program*** **-** An entrepreneurship program with a possible apprenticeship component serves several purposes for increasing business opportunities. It can be effectuated through community colleges; other regional area universities; Baker College; local artist connections with other areas; local, regional and national chapters of AARP; accountants and financial advisors in the area; and technical-oriented higher education schools in the larger region. Relationships with such institutions could be established on a one-to-one basis or collectively through one catalytic institution.

5a) Through the organizations or institutions, "students" or participants can be identified with potential entrepreneurship profiles and interests. (Baker College is already attempting to focus on entrepreneurship training which provides a head-start in the process.) A "training" process could be developed that would include:

- Certain business curricula courses.
- An internship with introduction and at least part-time work while attending the program.
- An apprenticeship of 1 to 3 years working and learning in the businesses if dealing with existing operations.
- Purchase, with previous ownership staying on in some capacity for 1 to 3 years, where applicable and possible.
- Creating new businesses at the culmination.

Business scholarships to attend business management courses, acquire specific industry skills, or acquire entrepreneurship skills could be arranged through cooperative partnerships. These partners could sponsor student apprenticeships, assist with financial planning, assist with housing, sharing of needed equipment through incubator activity (if appropriate), and procure resources for the purchase and financing of businesses if dealing with existing operations and change of ownership or for start-up. Business scholarships would be provided to those who make a commitment to establish a new entity or purchase an existing entity and remain for a minimum number of years (such as 5 years).

Financing for existing operations may be through current owners "taking paper" as well as other consortium sources. It is noted that current owners of operations could also identify current employees with potential.

There is a second way to spur entrepreneurship. This is through property owners and related investors/developers foregoing short-term returns for greater longer-term rewards. There are communities, for example, where interests arrange deals with entrepreneurs offering dramatically reduced to virtually no rent for the first year; but with agreement to "open the books" of the business so that when certain revenue levels are reached, rents are paid based on normal percentages. When entrepreneurship is fostered and emerges in one geographic area, investment and new start-up businesses develop. In the short-term, income from the property is sometimes lower. However, the impact of the activity substantially modifies that formula quickly, so that over a longer term, rents rise above levels not likely to be achieved if only short-term return is achieved.

Business Development through Increased Tourism & Retail Branding

It is highly unlikely that the area's retailers will be able to increase their collective penetration into local markets. Therefore, expansion of sales beyond those projected through increased household growth is most likely to come through increased extraction of sales from visitors and creation and attraction of new markets. The first is related to tourism, while the latter is related to potentially tourism, expansion of non-retail economic activity leading to substantial new job growth, or tapping markets that do not come to Cadillac at this time.

Current visitors identified the following enhancements.

- Better dining, entertainment and shopping.
- Better accessibility of shopping for tourists, such as transit and sidewalks.
- Better tourism information and directions.
- More and better bike trails.
- More downtown activities.
- Better road signage.
- More info and maps on outdoor recreation.

Increased extraction of dollars can result in some of the above changes but will also require attracting new visitors and enhancing the number and repeat visitors or their frequency. The three target markets with the greatest potential are empty nesters, families (parents or grandparents) with children between the ages of six and eleven, and those that simply enjoy outdoor recreation. Attracting any and all three will involve:

6) ***Targeted Ads*** - Placement of ads in publications and media (examples include AARP and Nickelodeon) directed at these markets.
7) ***Increased Viewing of Nature*** - Expanding upon the attraction of natural resources in the area without exploiting such resources (example would be offering a broader array of bear viewing in the forests in cooperation with the forest service)
8) ***Extending the Summer and Fall Seasons*** - through added event activity.

9) ***Manufacturing Based Events*** - Creating events that are based on the area's manufacturing activity and visualization of that activity.

10) ***Agritourism*** - Exploring and creating the integration of agri-tourism into the urban setting beyond the farmers' market.

    10a) Activities that could be enhanced and promoted to increase farm revenues and foster agricultural preservation in the area are often seasonal, but include:

    - Animal husbandry education
    - Education of farm operations
    - Tractor rides
    - Hay rides
    - Mazes
    - Petting zoos
    - Tours
    - Fruit and vegetable pick-your-own experiences

11) ***Increased Promotion of the Winter Sports Resources*** - to populations in Colorado, Oregon, Washington, and Utah resulting in increased efficient use of "resources/assets" (Skiing and skier population bases potentially seeking differing experiences).

12) ***Collective Online Marketing*** - In addition to expansion through tourism, consideration should be given to the collective marketing and "branding" commercial ventures in the area. The purchase of goods and services is increasingly done "online." Such purchases are likely to grow exponentially. Creating an area-wide cooperative internet and social media-based program in which products sold by local merchants are directly linked and sold through the media will afford potential expansion of the markets served well beyond the locality. (Such a program would operate much like Amazon.com, in which almost every product that one wants can be found, with many of the products associated with independent operations but sold through Amazon.com). The program could begin by sharing multiple address and email lists and by marketing collectively. This could evolve into a permanent cooperative "site" that handled all transactions, etc., much like the previously noted online operator. For the arts community, individual and collective use of a rapidly expanding www.etsy.com should be used. (This is an online crafts market site.)

Infrastructure Enhancement

There is some needed infrastructure to foster one or more types of economic development. These follow.

13) ***A Consistent Enhanced "Wayfinding" Sign System*** **-** If people are not comfortable in finding a location, a collection of businesses, other activity, or even parking; they will not come back if they in fact come the first time. User friendliness will be important to attracting larger visitor populations that can yield significant economic benefit. A uniform and systematic "wayfinding" signage system for the Cadillac area's economic activity is important. The signage system should direct people to:

- Key areas of the community, commercial concentrations, the lakefronts, potential employment centers, the airports, etc.
- Certain activities, such as areas for recreation, boating, fishing, and shopping.
- Public services offices.
- Historic and cultural institutions, places, and activities.
- Public parking, where appropriate, such as in the downtown area of Cadillac.

13a) In order to create the directional or "wayfinding" signage system, first the goals and what are the most important criteria for signage must be identified. Many would think that the goals are simple. Yet, because each person views things differently; the goals are not necessarily simple.

No one wants the person visiting to have to verbalize or think "where do I go now?" The signage system should let them know at each significant "decision point," such as significant intersections, in which direction they should go to find the desired location or activity. Thus, good signage at significant or critical intersections helps them and allows the community to direct traffic flow in the most advantageous direction.

The quality "wayfinding" or directional sign system should:

- Be easy to read when driving at speeds associated with the various roads.
- "Keep It Simple" in providing information.
- Be consistent in message, lettering, color, and other components of the sign.
- Make it recognizable as a system.
- Have tiers, providing different levels of information. (An example would be simply identifying lake areas at one level and then at a second level as one is closer such elements of access like boat ramps, fishing area, picnic areas, trails, etc.)
- Make the user feel as comfortable leaving as they do coming, avoiding unwanted traffic flow through neighborhoods.

13b) Several "tiers" of signage are necessary. What is conveyed or the level of detail changes for each tier. The first tier, conveying the most generic information, should be employed on main routes coming into Wexford County. There are several other tiers because of the location of recreational areas, other attractions, communities, or other points of interest. Once inside an area like the downtown in Cadillac, the "signage" gets increasingly individualized.

14) ***State-of-the-Art Communications*** - Whether the pursuit and viability of retailing serving a broad market online, R & D activity linkages, or industrial consumer product assemblage activity; high standard communications technology is essential. In addition, many people conduct business from home; the proportion nationally is growing and is expected to continue to grow with staggered working hours and other factors. Thus, the desirability of the area not just as a place to conduct business but to live will increasingly be dependent upon affordable state-of-the-art communications. To facilitate such activity:

- Area-wide high-speed connection to the internet should be as affordable as possible for small business activity and to households.
- There should be an examination of collective purchasing of such by the Chamber, downtown interests, or others.
- While individual marketing efforts via the internet should be encouraged, attempts should be made to establish the defined collective marketing effort for non-chain retailers, promoting merchandise sold within the Cadillac area much like Amazon.com has relationships with merchants.
- The governments and Chamber must pursue state-of-the-art (which will change over time) distribution of highest-speed broadband and future technology to proposed suburban or urban development areas. (Some smaller communities, such as Wilson in North Carolina, have gone as far as to develop their own service and have found it to be revenue-enhancing and acting as a business location incentive.)

15) ***Back-up Power Generation*** – On-site back-up power generation should be considered for the airport and other concentrations of potential industrial activity. Options include storage through fuel cells, on-site generators, and alternative energy formats existing in the area already with storage through batteries.

Resources to Effectuate Change

16) ***Focus on Local Controlled Incentives*** - Incentives are, for better or worse, often employed to stimulate economic development. Many quality measures that can be applied and that are available and controlled at the local level are often key tools. These include:

- Control, use, and pricing of utilities and utility hook-ups.
- Zoning regulations and expedited processing for desired projects.
- A "one stop" ombudsman process.
- Seeking long-term return on investment versus short-term return.
- Sharing of payment of off-site and on-site improvements.
- Provision or assistance with parking.
- The means of paying or contributing to infrastructure costs, such as special benefit or taxing districts like DDA's and reallocation of resources to an area.
- Expediting capital budget projects.
- Utility rates and agreements.
- Cooperative training of a labor force for individual operations.
- Property tax incentives, including abatement and phasing of the investment in improvements.
- Local micro loan programs.

Each of the above impacts the "bottom line" of a development or business operation. There is a tendency to forget the accumulated impact that the above can have in favor of simply the availability of state and federal financial injections into a project or projects.

17) ***Expansion of Fiscal Resources*** - While many times the "financial injections" come from outside sources in many communities around the country, that does not have to be the case. There is an option which could have a much greater positive impact on Cadillac in general, and on economic development efforts in particular. That would be to pursue an "Economic Development Capital Fund" that is similar in concept, if not identical to, the following options. It is noted that:

- Available private sector resources, if marshaled, will always be greater than public sector grant resources.
- The proposal is not based on a contribution or "angel" fund, nor is anyone is asking to "donate money." It is an investment mechanism like many others. The difference is that a portion or all funds would be invested in the Cadillac area, thereby providing a direct return to the investor and an indirect or "spin-off" return to investors and their community, whether they reside in, frequent, own property, and/or operate a business in the area.

An Economic Development Capital Fund would be identical to any traditional "mutual fund," with a few critical exceptions. The fund would be established by and part of any traditional brokerage or mutual fund manager, such as T. Rowe Price, Vanguard, a local investment firm, etc. Money is invested, not "given" to the fund. It can be removed by the individual investors after a set time frame or at any time and replaced by other investor funds. However, unlike other funds, either (a) a proportion of the earned income is "given" to a designated 501(c)(3) organizations that would invest the money in economic development activity in the area; or (b) all funds would be used directly for such purposes. If partial dollars go to a tax exempt organization, the investors would get annual tax deductions for the contribution as well as the return on the remainder not given to the tax exempt entity.

If a portion of the funds did go to the tax-exempt organization, the direct funds reinvested would be lower than in a traditional fund, but the total "return" is only marginally different because of the accrued tax benefit.

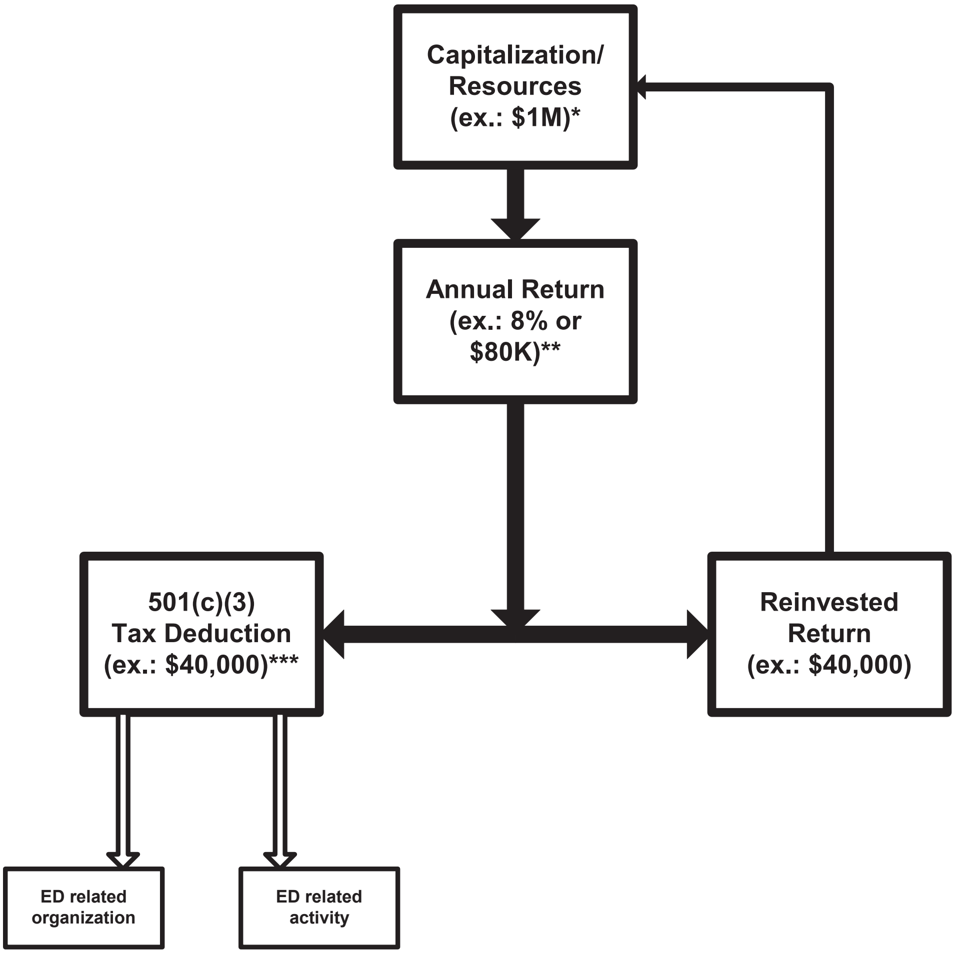
The illustration that follows assumes the tax exempt methodology with only a portion for the return on funds used locally for economic development purposes. In the illustration, a "capitalization" of $1 million is used only for example purposes. These funds could come from individual investors, corporate interests, pension funds, private pension resources, etc. The fund could have a very low investment threshold, such as $500, making it available to almost all segments of the population. The illustration assumes an annual return of 8%.

As stated above, this figure is conservative, well below returns recorded in the past fifteen years by managed funds. Assuming only an 8% return and a 50% split (could be any percentage or flexible or fixed proportion), $40,000 would be earmarked for the non-profit, with the tax benefit of the contribution accruing; and the other one-half would be reinvested or returned to the investor. Capital could continue to accumulate, but the "gift" amount would hold constant in this scenario. Thus, the proportion of the return, but not the actual dollar amount "granted" to the non-profit of the total resources and earned income, could diminish annually. The cap of dollars could be "set" from the onset, so that returns greater than 8%, if achieved, would resort in greater capital accumulation, not added "grants."

The new resources could be used for a variety of purposes, including but not limited to, any of the program elements, such as capitalization of small, entrepreneurial businesses through a micro loan program; purchase of property; assistance with creating redevelopment; assistance with rehabilitation; assistance with financing the described apprenticeship program; etc.

The advantages are numerous and include being able to seek long-term returns versus short-term returns on the investment, financing entrepreneurship that otherwise could not be financed. Hudsonville is one of a number of communities with a similar investment program, but one that is "closed" versus "open" to all.

Economic Development Capital Fund



*Considered minimal initial capitalization amount. Amount capitalized grows annually based on reinvestment.

**Return estimates likely to be understated significantly. Dollar amount could be capped or percentage.

***Resources available for community and economic development activity

Business Conditions & Related Non-Commercial Opportunities

Analyses of current conditions in the Cadillac area business community was performed to define existing activity that could result in additional opportunities. Included was a review of:

- Existing released statistics from the federal government.
- A survey of area businesses.
- A gap analyses.
- Research into linked Research & Development potential derived from natural and agricultural production resources.

As most are aware, the past few years and in the case of Michigan, the past ten years has been a difficult period for economic activity in general. However, during that time in terms of the number of operations, the Cadillac area has faired relatively well. According to Bureau of the Census information, Wexford County, including the City of Cadillac, lost about 5% of its operations from 2000 to 2009. In total, the number of reporting operations in Wexford County declined from 864 in 2000 to 820 by 2009, the last years for which reported information is available.

Much of the loss was in the construction and retail trade industries. The greatest loss was within the construction sector, which lost thirty-seven (37) establishments, and was followed by retail, with a loss of twenty-nine (29) establishments.

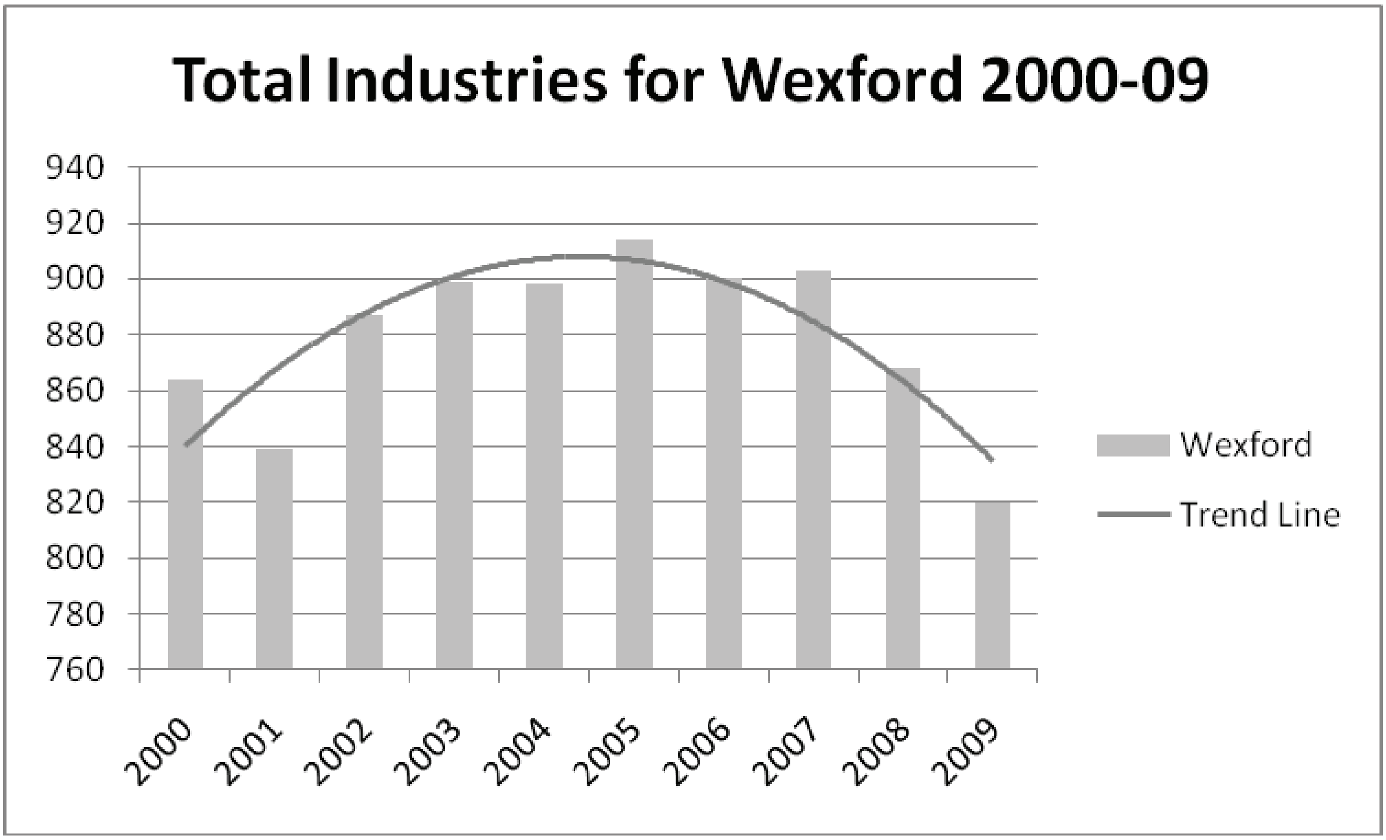
On the other hand, there was also growth in a number of areas. The largest growth in operations came in the sector that includes health care where an increase of thirteen (13) establishments occurred.

*Table 1 - Wexford Count, NAICS for Select years & Change 2000 to 2009**

		2000	2005	2009	Number Change 2000-09	% change
11	Forestry, fishing, hunting, and agriculture support	10	12	10	0	0%
21	Mining	2	6	4	2	100%
22	Utilities	4	3	3	-1	-25%
23	Construction	95	99	58	-37	-39%
31	Manufacturing	53	60	52	-1	-2%
42	Wholesale trade	32	29	32	0	0%
44	Retail trade	185	183	156	-29	-16%
48	Transportation & warehousing	30	33	35	5	17%
51	Information	12	16	16	4	33%
52	Finance & insurance	52	56	53	1	2%
53	Real estate & rental & leasing	31	31	25	-6	-19%
54	Professional, scientific & technical services	53	54	54	1	2%
55	Management of companies & enterprises	3	2	9	6	200%
56	Admin, support, waste mgt, remediation services	23	23	26	3	13%
61	Educational services	6	7	3	-3	-50%
62	Health care and social assistance	80	97	93	13	16%
71	Arts, entertainment & recreation	18	18	16	-2	-11%
72	Accommodation & food services	82	92	84	2	2%
81	Other services (except public administration)	85	90	91	6	7%
95	Unclassified establishments	8	3	0	-8	-100%
99	Total	864	914	820	-44	-5%

*Developed by The Chesapeake Group, Inc, 2012.

The peak for the number of reporting establishments was in 2005.

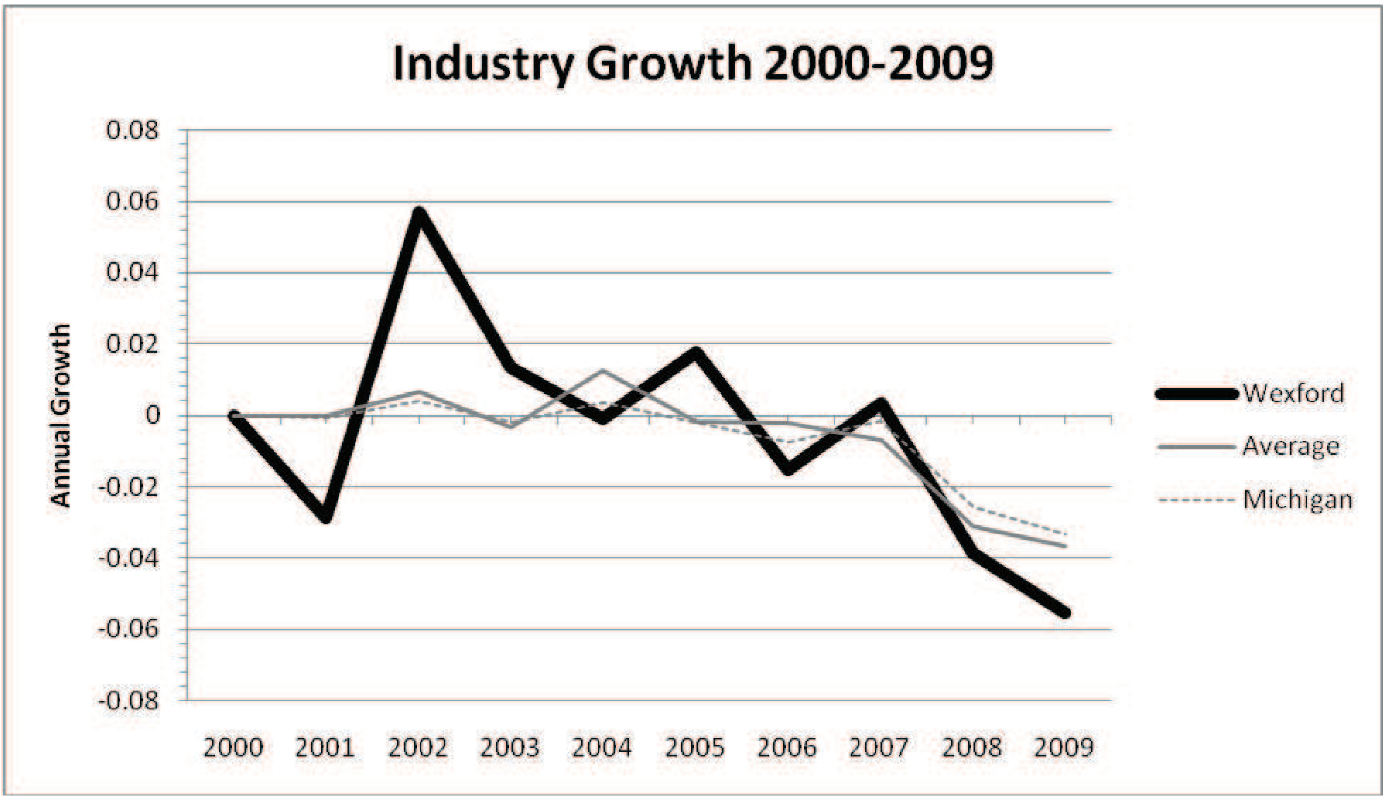


The rate of decline in the total number of establishments within Wexford County was comparable to the average decline within six nearby counties, as well as the statewide rate. On average, the six nearby counties lost thirty-four (34) construction sector establishments, or 24%, and twenty-four (24) retail establishments, or 13%, between 2000 and 2009.

*Table 2 - NAICS for Wexford, Missaukee & Change from 2000 through 2009**

	2000	2005	2009	Change
Wexford	864	914	820	-5%
Grand Traverse	3,568	3,627	3,419	-4%
Manistee	612	667	579	-5%
Lake	175	168	165	-6%
Benzie	469	499	436	-7%
Mason	853	819	762	-11%
Missaukee	341	283	272	-20%
Average	983	997	922	-6%
Michigan	236,912	237,523	221,682	-6%

*Developed by The Chesapeake Group, Inc, 2012.



Between 2000 and 2008 (2008 being the most recent available zip code data), the total number of establishments within zip code tabulation area 49601 associated with Cadillac fluctuated but essentially had the same number at the beginning and end years.

- In total the number of NAICS establishments declined by eleven (11) from 709 in 2000 to 698 in 2008.
- The construction sector lost fifteen (15) establishments or roughly 27%.
- In 2000, construction represented 8% of the total industries in ZCTA 49601. In 2008, Construction represented only 6% of the total.
- The number of retail establishments declined by twenty-four (24) or 15%.
- In 2000, retail represented 22% of the total industries in ZCTA 49601. That representation dropped to 19% in 2008.
- The manufacturing sector experienced a modest gain as did transportation and warehousing, information, health care and social services, and accommodation and food service.

The following lengthy table contains a breakdown of the Cadillac zip code establishments for each year from 2000 through 2008 by primary sector and sub-sectors within the sector for which operation numbers changed.
3A

*Table 3 – NAICS for Zip Code 4960 from 2001 through 2008**

Cadillac, ZCTA 49601	2000	2001	2002	2003	2004	2005	2006	2007	2008
Ag., Forestry, Fishing, Hunting, Sector 11									
Logging	4	4	3	3	3	4	3	3	3
Sector 11, Subtotal	5	5	4	4	4	5	4	4	4
Utilities, Sector 22									
Sector 22, Subtotal	**3**	**3**	**3**	**4**	**4**	**3**	**4**	**4**	**3**
Construction, Sector 23									
New single-family general contractors	20	19	19	14	14	13	10	7	8
New housing operative builders	0	0	0	1	1	3	3	4	3
Residential remodelers	0	0	0	4	3	3	4	4	4
Water and sewer system construction	0	0	1	2	2	2	2	2	2
Poured concrete structure contractors	3	3	2	1	1	1	1	2	2
Electrical contractors	4	4	5	5	3	4	1	2	2
Plumbing and HVAC contractors	6	5	4	5	5	5	5	4	4
Drywall and insulation contractors	2	2	1	1	1	2	3	2	2
Finish carpentry contractors	6	2	2	1	1	0	0	1	1
Site preparation contractors	1	2	2	6	5	6	6	5	4
Sector 23, Subtotal	**55**	**47**	**45**	**48**	**46**	**47**	**43**	**42**	**40**
Manufacturing, Sector 31-33									
Confectionery mfg from purchased chocolate	0	0	0	0	1	1	1	1	1
All other miscellaneous textile product mills	0	0	0	0	0	0	0	0	1
Sawmills	2	2	1	2	1	1	1	1	1
Quick printing	1	1	1	1	1	1	1	1	3
Rubber product mfg for mechanical use	4	4	3	3	3	3	3	3	3
Ready-mix concrete mfg	1	1	1	1	1	2	2	2	2
Machine shops	5	5	5	4	4	4	4	5	5
Precision turned product mfg	1	1	1	0	0	0	0	0	0
Bolt, nut, screw, rivet & washer mfg	1	1	1	0	0	0	0	0	0
Metal heat treating	1	1	1	0	1	0	0	0	0
Industrial valve mfg	1	1	0	0	0	0	0	0	0
All other misc fabricated metal product mfg	1	1	1	1	1	2	2	2	2
Industrial mold mfg	1	2	3	3	2	3	3	3	3
Cutting tool & machine tool accessory mfg	0	0	1	2	2	2	2	2	1
Showcase, partition, shelving & locker mfg	1	1	2	1	0	0	0	0	0
Sector 31-33, Subtotal	**42**	**44**	**47**	**47**	**46**	**49**	**47**	**46**	**46**
Wholesale trade, Sector 42									
Mtr vehicle supplies & new parts mer. whsle	0	1	3	1	2	2	2	2	2
Home furnishing whsle	1	1	0	0	0	0	0	0	0
Other electronic parts & equipment whsle	1	1	0	0	0	0	0	0	0
Other miscellaneous durable goods whsle	1	1	0	0	0	0	0	0	0
Stationery & office supplies whsle	2	1	1	0	0	0	0	0	0
Industrial & personal service paper whsle	1	1	1	0	0	0	0	0	0
General line grocery whsle	1	1	1	0	0	0	0	0	0
Farm supplies whsle	1	1	1	0	0	0	0	0	0
Book, periodical & newspaper whsle	1	1	1	0	0	0	0	0	0
Other miscellaneous nondurable goods whsle	1	1	0	0	0	0	0	0	0
Tire & tube merchant wholesalers	0	0	0	2	2	2	2	2	2
Lumber, plywood, & wood panel mer. whsle	0	0	0	1	1	1	1	2	1
Medical equipment merchant wholesalers	0	0	0	0	0	0	0	0	1
Elec appar & equip & wiring supp mer. whsle	2	2	1	3	3	3	3	3	3
Hardware merchant wholesalers	3	3	2	1	1	2	1	1	1
Industrial machinery & equipment merchant wh	3	4	3	2	1	1	1	1	0
General line grocery merchant wholesalers	0	0	0	0	0	0	0	0	1
Other grocery & related products merchant wh	2	2	2	3	2	2	2	4	3
Petroleum bulk stations & terminals	1	1	0	0	1	2	2	3	2
Wholesale trade agents and brokers	0	0	0	0	0	0	0	0	2
Sector 42, Subtotal	**29**	**30**	**24**	**24**	**24**	**25**	**24**	**25**	**28**
Retail trade, Sector 44-45									
New car dealers	8	7	6	4	5	5	5	6	5
Used car dealers	8	9	10	10	9	9	9	10	6
Boat dealers	0	0	0	0	0	1	1	1	1
Automotive parts, accessories & tire store	9	11	9	6	8	8	7	5	5
Furniture stores	5	6	5	5	6	5	5	4	3
All other home furnishings stores	2	1	1	2	2	4	2	2	1
Household appliance stores	3	4	4	4	3	3	4	6	5
Other building material dealers	11	11	11	8	8	8	7	7	4

Outdoor power equipment stores	0	0	0	0	0	0	0	1	1
Nursery & garden centers	0	0	1	3	3	4	4	4	4
Supermarkets & other groc. (ex. convenience)	3	3	4	5	5	4	4	4	5
Convenience stores	5	4	5	2	3	3	3	4	1
Baked goods stores	2	1	1	1	1	1	0	0	0
Beer, wine & liquor stores	1	1	2	1	1	2	2	2	3
All other health and personal care stores	0	0	0	0	0	0	0	3	4
Women's clothing stores	3	3	4	3	3	3	3	2	2
Children's & infants' clothing stores	0	0	0	0	0	1	1	1	1
Family clothing stores	6	8	6	4	4	4	4	4	4
Clothing accessories stores	0	0	0	0	0	0	0	1	1
Other clothing stores	0	0	1	0	1	1	1	1	2
Shoe stores	3	3	3	3	3	1	1	1	1
Sporting goods stores	9	9	9	9	9	9	9	7	6
Book stores	3	4	2	1	1	1	1	2	2
Florists	4	2	2	1	1	1	1	1	1
Used merchandise stores	6	4	4	5	5	5	4	4	4
Pet & pet supplies stores	2	1	1	1	1	0	0	0	0
Manufactured (mobile) home dealers	2	2	5	3	3	3	3	3	2
Sector 44-45, Subtotal	**159**	**155**	**156**	**145**	**146**	**150**	**144**	**148**	**135**
Transportation & Warehousing, Sector 48-49									
General freight trucking, long-distance	8	7	5	6	6	6	6	6	7
Specialized freight (exc used) trucking, local	1	1	1	2	2	2	2	3	3
Couriers	1	2	2	3	3	3	3	4	4
Local messengers and local delivery	0	0	0	0	0	0	0	0	2
General warehousing and storage	0	0	0	0	0	0	0	1	1
Sector 48-49, Subtotal	**21**	**18**	**15**	**17**	**20**	**20**	**20**	**23**	**25**
Information, Sector 51									
Television broadcasting	2	1	1	1	1	1	1	1	0
Wired telecommunications carriers	2	2	5	6	6	6	6	6	7
Sector 51, Subtotal	**10**	**9**	**12**	**14**	**15**	**15**	**15**	**14**	**16**
Finance & Insurance, Sector 52									
Commercial banking	10	11	11	13	13	11	13	13	10
Savings institutions	2	3	3	1	1	1	1	1	3
Sales financing	0	0	0	0	0	0	0	1	2
Real estate credit	0	0	1	1	1	1	2	2	0
Mortgage & nonmortgage brokers	1	1	2	3	3	4	3	2	2
Other credit intermediation activities	0	0	2	2	4	4	4	3	3
Securities brokerage	4	3	3	3	3	3	3	2	2
Portfolio management	0	0	0	0	0	0	0	1	1
Miscellaneous intermediation	1	1	0	0	0	0	0	0	0
Investment advice	0	0	0	0	1	2	2	1	1
Direct property & casualty insurance carrier	2	0	0	0	0	1	1	1	1
Insurance agencies & brokerages	19	14	15	15	16	17	18	19	16
Sector 52, Subtotal	**48**	**43**	**43**	**43**	**46**	**48**	**50**	**52**	**49**
Real Estate & Rental & Leasing, Sector 53									
Offices of real estate agents & brokers	8	9	11	11	10	11	9	8	8
Residential property managers	4	3	2	1	1	1	1	1	2
Offices of real estate appraisers	2	2	2	2	2	2	1	1	0
Other activities related to real estate	0	0	0	0	1	1	1	4	3
General rental centers	4	2	4	3	2	3	3	3	2
Office machinery & equipment rental & leasing	0	0	0	0	0	0	1	2	0
Sector 53, Subtotal	**29**	**26**	**29**	**31**	**29**	**30**	**29**	**31**	**26**
Professional, Scientific & Technical, Sector 54									
Offices of lawyers	18	21	17	16	16	17	14	13	13
Offices of certified public accountants	1	1	1	1	1	1	1	2	2
Tax preparation services	1	1	1	1	1	2	2	3	3
Architectural services	1	2	2	2	3	3	3	3	3
Landscape architectural services	0	0	0	0	0	1	1	1	1
Engineering services	6	6	5	4	4	3	3	4	3
Graphic design services	1	1	1	1	1	1	1	0	0
Computer systems design services	2	2	3	3	3	3	3	4	3
Admin & gen management consulting services	1	2	1	1	4	4	4	0	1
Sector 54, Subtotal	**50**	**57**	**50**	**47**	**48**	**53**	**53**	**55**	**50**
Mgmt. of Companies & Enterprises, Sector 55									
Offices of other holding companies	1	1	0	0	0	0	1	3	3
Corp, subsidiary & regional managing offices	2	2	2	2	2	2	3	5	7
Sector 55, Subtotal	**3**	**3**	**2**	**2**	**2**	**2**	**4**	**8**	**10**
Admin, Support, Waste, Remed., Sector 56									
Facilities support services	0	0	0	0	0	0	0	0	2
Temporary help services	4	4	2	3	1	2	4	4	4

Janitorial services	6	5	6	6	5	3	4	4	5
Landscaping services	1	2	2	1	2	2	2	5	2
Sector 56 Subtotal	**19**	**21**	**22**	**21**	**20**	**17**	**19**	**23**	**22**
Educational Services, Sector 61									
Sector 61, Subtotal	**6**	**7**	**6**	**7**	**7**	**7**	**8**	**6**	**6**
Health Care and Social Assistance, Sector 62									
Offices of PT, OT, speech therapy & audio.	1	1	1	3	3	3	4	0	0
Offices of specialty therapists	0	0	0	0	0	0	0	5	5
Kidney dialysis centers	0	1	1	1	1	1	1	1	2
Home health care services	2	3	3	3	3	3	3	4	5
Nursing care facilities	2	2	2	2	2	2	2	2	4
Residential mental retardation facilities	0	0	0	0	0	0	0	1	2
Homes for the elderly	2	2	3	2	2	3	3	2	1
Other individual & family services	5	6	6	4	4	3	3	4	2
Child day care services	4	4	6	8	8	7	7	4	5
Sector 62, Subtotal	**71**	**75**	**78**	**82**	**86**	**82**	**81**	**85**	**84**
Arts, Entertainment & Recreation, Sector 71									
Promoters of entertainment events without fac.	1	1	1	1	1	0	0	0	0
Golf courses & country clubs	3	2	2	2	1	1	1	1	1
Fitness & recreational sports centers	3	1	2	4	6	7	7	6	5
All other amusement & recreation industries	4	4	3	2	1	1	1	0	0
Sector 71, Subtotal	**15**	**12**	**12**	**14**	**13**	**13**	**12**	**10**	**10**
Accommodation & Food Services, Sector 72									
Hotels (exc casino hotels) & motels	11	11	8	12	12	11	12	14	12
Bed & breakfast inns	1	1	2	0	0	0	0	0	0
Full-service restaurants	20	18	21	20	22	23	21	21	22
Limited-service restaurants	21	19	16	24	22	20	23	24	23
Snack & nonalcoholic beverage bars	5	5	4	2	2	3	4	2	3
Food service contractors	0	0	1	1	1	1	1	2	2
Sector 72, Subtotal	**62**	**59**	**58**	**65**	**66**	**65**	**67**	**70**	**68**
Other svcs. (except public admin.), Sector 81									
General automotive repair	7	6	7	4	4	5	6	6	8
Automotive body, paint & interior R&M	2	2	4	4	4	4	3	3	3
Automotive glass replacement shops	2	1	1	1	1	1	2	3	2
Car washes	4	3	2	1	1	0	0	1	1
Commercial equipment (exc auto & elec) R&M	1	1	1	3	2	2	0	1	3
Beauty salons	8	9	10	11	10	11	13	14	13
Other personal care services	2	1	3	4	4	2	2	2	3
Drycleaning & laundry services (exc coin-op)	2	2	3	3	2	1	1	1	1
Pet care (except veterinary) services	0	0	1	1	1	1	1	1	2
Sector 81, Subtotal	**74**	**70**	**78**	**76**	**70**	**70**	**68**	**72**	**74**
Totals	**709**	**689**	**688**	**698**	**698**	**705**	**696**	**721**	**698**

*Developed by The Chesapeake Group, Inc, 2012.

In addition to published information, the business survey conducted as part of this effort indicates the following. It is noted that a wide array of types of operations responded.

- ✓ Almost six in ten of the businesses in the area have been in operation for 20 years of more. About 4% have been in operation for two years or less.

Length of Time Located in General Area

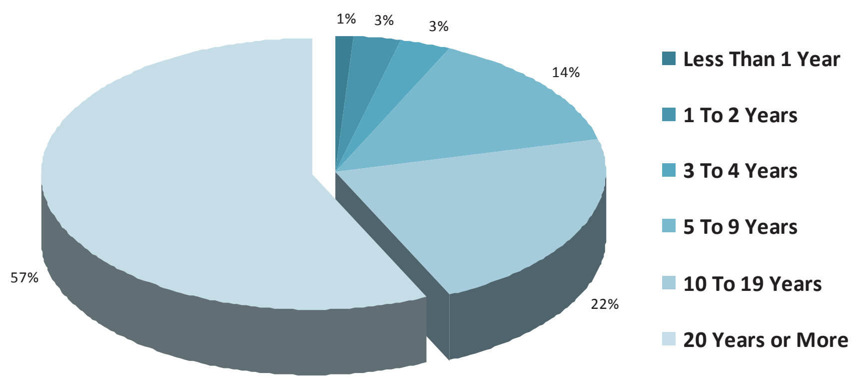


Table 4 - Tenure in General Area

Length	%
Less Than 1 Year	1
1 To 2 Years	3
3 To 4 Years	3
5 To 9 Years	14
10 To 19 Years	22
20 Years or More	57
Total	100

*Developed by The Chesapeake Group, Inc, 2012.

✓ There were a variety of reasons for choosing the specific community and location for those who came to the area in the last ten years. The opportunity to purchase or own the building was the reason for about four in ten operations. However, other significant reasons include having obtained the business from someone else, vehicular traffic in the area, affordable rents and the character of the buildings and area.

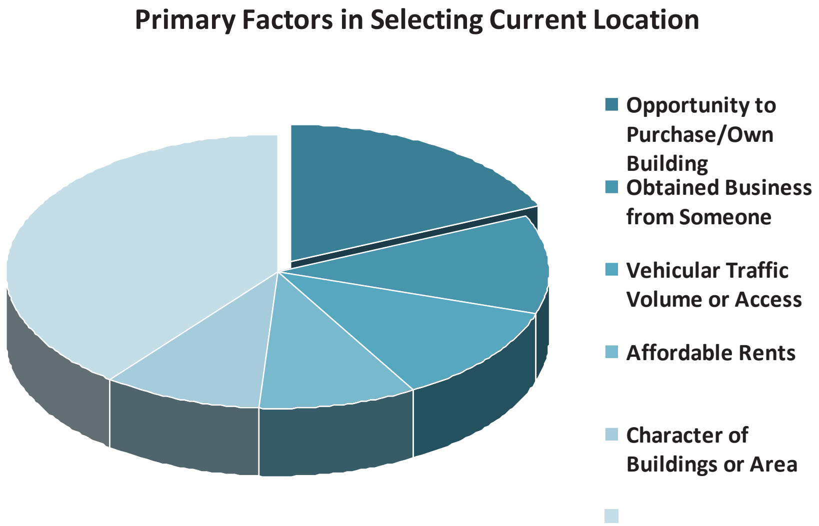


*Table 5 – Primary factors for Selecting the Location**

Factors	%
Opportunity to Purchase/Own Building	39
Obtained Business from Someone	25
Vehicular Traffic Volume or Access	25
Affordable Rents	20
Character of Buildings or Area	20
Other Reasons	84

*Developed by The Chesapeake Group, Inc, 2012.

✓ About seven of the ten operations have 10 or less employees during a full year. On the other hand, 14% have 21 or more such employees.

*Table 6 – Number of Year Round Employees**

Number of Year Round Employees	%
1 To 2	19
3 To 5	30
6 To 10	24
11 to 20	13
21 or more	14

*Developed by The Chesapeake Group, Inc, 2012.

✓ About eight of ten operations have 10 or less full-time employees year-around.

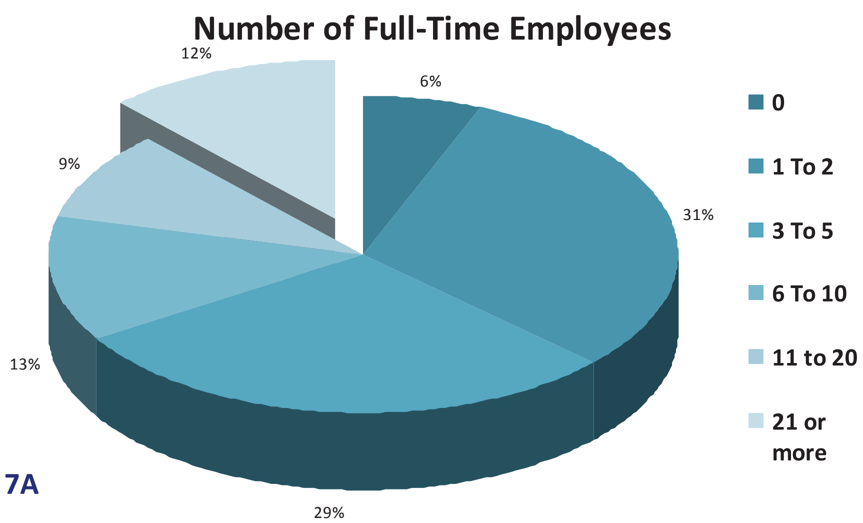


*Table 7 – Number of Full-time Employees**

Number of Full-time Employees	%
0	6
1 To 2	31
3 To 5	29
6 To 10	13
11 to 20	9
21 or more	12

*Developed by The Chesapeake Group, Inc, 2012.

✓ One-third of the operations at least occasionally if not regularly hire additional workers on a seasonal basis.

*Table 8 – Hiring on a Seasonal Basis**

Seasonal Increases	%
Yes	21
Sometimes/Maybe	13
No	66
Total	100

*Developed by The Chesapeake Group, Inc, 2012.

✓ Importantly, only about one-third of the operations report sales or revenues having declined in the past two years.

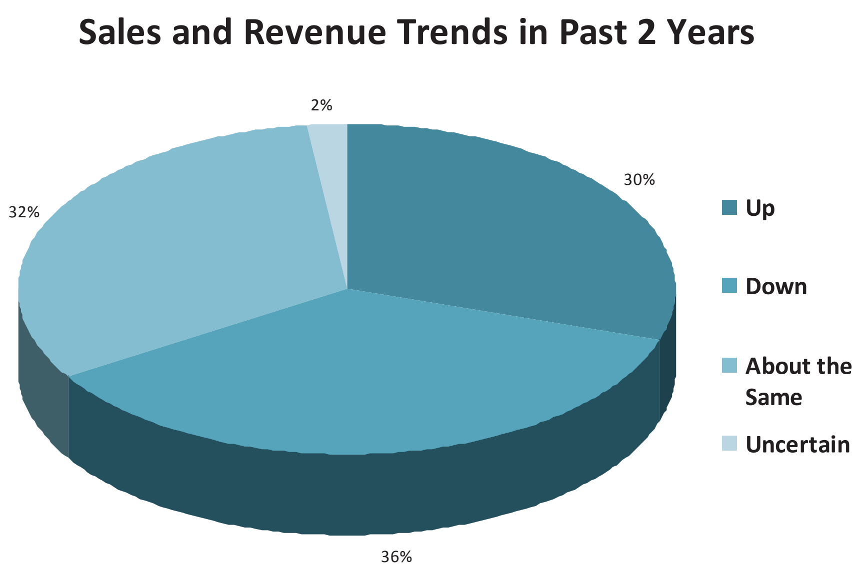


*Table 9 – Trends in Sales or Revenues**

Sales / Revenues	%
Up	30
Down	36
About the Same	32
Uncertain	2
Total	100

*Developed by The Chesapeake Group, Inc, 2012.

✓ While the majority of operations consider competition to be within the immediate neighborhood or elsewhere in the Cadillac area; about one-third of all operations consider their competitors to be elsewhere in Michigan, other places in this country or around the world.

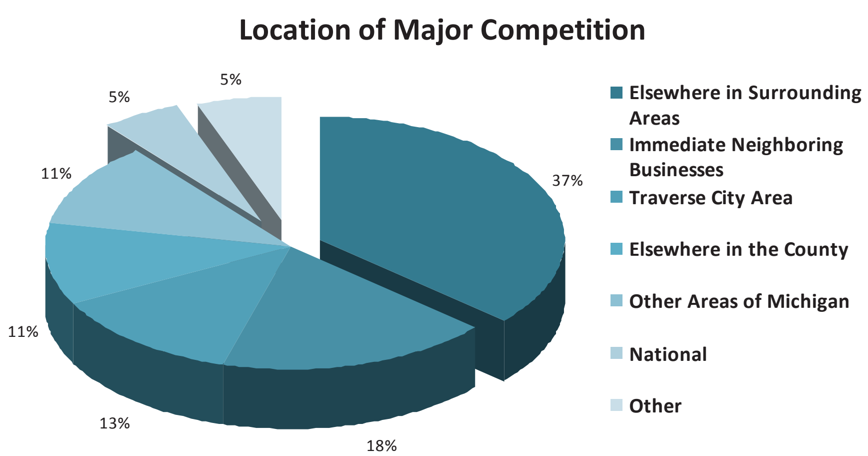


*Table 10 – General Location of Competition**

Location	%
Elsewhere in Surrounding Areas	40
Immediate Neighboring Businesses	20
Traverse City Area	14
Elsewhere in the County	12
Other Areas of Michigan	12
National	6
Other	6

*Developed by The Chesapeake Group, Inc, 2012.

While there are many challenges to business today; the national and regional economies are identified by most operations as being the most significant. On the other hand, insurance, utility costs, laws and regulations, and the cost of materials are each identified as being also significant by roughly one-third or more of the operations.

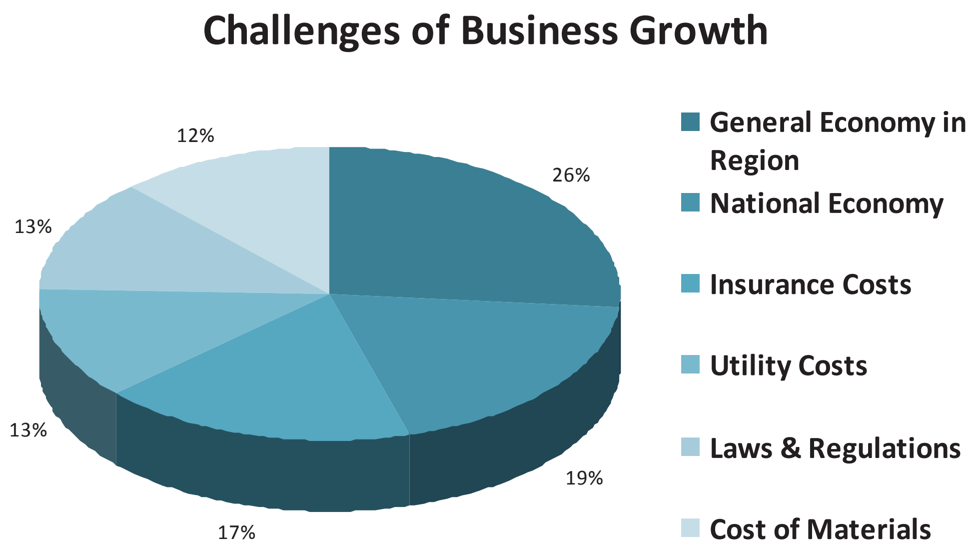


Table 11 – Challenges to Growing Business*

Challenges	%
General Economy in Region	67
National Economy	49
Insurance Costs	44
Utility Costs	32
Laws & Regulations	32
Cost of Materials	30

*Developed by The Chesapeake Group, Inc, 2012.

Gap Analysis to Identify Potential Opportunities

A comparative assessment or gap analysis was performed to identify business "gaps" and related potential opportunities. The U. S. Census Bureau provides annual information on Business Patterns throughout the nation in three different geographic formats. These are by: county, zip code, or by Metropolitan Statistical Areas. This assessment includes analysis associated with: Wexford County, Cadillac and Missaukee County.

While the identified business gaps defined in this process may or may not be appropriate because of the nature of operations, scale, or other factors; each identified as under-represented should be viewed as having some potential.

The business structure in the larger Wexford County was compared to business structures in communities that are similar. In determining communities for which the comparison was made, the following criteria were used.

- ✓ The population size and household numbers had to be similar to those associated with Wexford County, since often demand for goods and services is dependent largely upon the size of the market served.
- ✓ The selected areas all have median household incomes that are comparable to Wexford County reported incomes.
- ✓ The selected counties are all located inland.
- ✓ The counties are all located in proximity to state or national parks, forests, or recreational areas.
- ✓ Transportation and interstate highway access had to be similar.

Based on the criteria, nine counties were identified for which the comparison in economic structure of was made. These counties are:

Vernon County, WI	Montgomery County, IL	Daviess County, IN
Clark County, WI	Van Wert County, OH	Stone County, MO
Becker County, MN	Hocking County, OH	Wyoming County, PA

It is noted that all population and household estimates upon which the comparisons are made were derived from the same source for comparability. That source was the 2010 U.S. Census Bureau data. For consistency purposes, a single source, the U. S. Census Bureau's County Business Patterns, was employed to define the business structure and activity within all areas.

The North American Industry Classification System (NAICS) was introduced in 1997 as a more effective business classification system that identifies and groups establishments according to the activities in which they are primarily engaged. NAICS identifies and groups 1,170 different types of "industries" or establishments into twenty major industry sectors ranging from Agriculture (Sector 11) to Public Administration (Sector 92). This analysis examined and extracted data for all twenty sectors for all areas. These twenty sectors are:

- ✓ **Agriculture, Forestry, Fishing and Hunting (Sector 11)**: Crop and animal production, forestry and logging, fishing, hunting, trapping, support activities for agriculture and forestry.
- ✓ **Mining (Sector 21)**: oil and gas extraction, mining, support activities for mining.
- ✓ **Utilities (Sector 22)**: power generation, transmission, and distribution, water, sewage, and other systems.
- ✓ Construction (Sector 23): building, developing, general contracting, heavy construction, special trade contractors.
- ✓ **Manufacturing (Sector 31-33)**: food, beverage and tobacco product, textile and textile product mills, apparel, leather and allied products, wood product, paper, printing and related support activities, petroleum and coal products, chemicals, plastics and rubber products, nonmetallic mineral products, primary metals, fabricated metal products, machinery, computer and electronic products, electronic equipment, appliances, and components, transportation equipment, furniture and related products.
- ✓ **Wholesale Trade (Sector 42)**: durable and nondurable goods.
- ✓ **Retail Trade (Sector 44-45)**: Motor vehicle and parts, furniture and home furnishings, electronics and appliances, building material and garden equipment and supplies, grocery and beverage, health and personal care, gasoline stations, clothing and accessories, sports, hobby, books and music, general merchandise and miscellaneous store retailers.
- ✓ **Transportation and Warehousing (Sector 48-49)**: air, rail, water, and truck transportation, transit and ground passenger transportation, pipeline transportation, scenic and sightseeing transportation, support activities for transportation, postal service, couriers and messengers, warehousing and storage.
- ✓ **Information (Sector 51)**: Publishing, motion picture and sound recording and exhibition, broadcasting and telecommunications, information services and data processing.
- ✓ **Finance and Insurance (Sector 52)**: Monetary authorities, credit intermediation, securities, commodities, insurance, funds, trusts, and other financial vehicles.
- ✓ **Real Estate, Rental and Leasing (Sector 53)**: Real estate, rental centers and leasing services.
- ✓ **Professional, Scientific and Technical Services (Sector 54)**: Lawyers, accountants, engineers, computer services, veterinary services, etc.

- ✓ **Management of Companies and Enterprises (Sector 55)**: Management, holding companies, corporate and regional offices.
- ✓ **Administrative and Support, Waste Management and Remediation Services (Sector 56)**: Administrative and facilities support services, employment and business support services, travel arrangements, investigative and security systems and other business services.
- ✓ **Educational Services (Sector 61)**: Public sector schools, business, technical, trade schools and instruction.
- ✓ **Health Care and Social Assistance (Sector 62)**: Ambulatory health care services, hospitals, nursing and residential care facilities and social assistance.
- ✓ **Arts, Entertainment, and Recreation (Sector 71)**: Performing arts, spectator sports, museums, historical sites, amusement, gambling and recreation industries.
- ✓ **Accommodation and Food Services (Sector 72)**: Accommodations, food service and drinking places.
- ✓ **Other Services (Sector 81)**: Repair and maintenance, personal and laundry services, and religious, grant making, civic and professional organizations.
- ✓ **Public Administration (Sector 92)**: executive, legislative, and other general government support, justice, public order, and safety activities, administration of human resource programs, administration of environmental quality programs, administration of housing programs, urban planning, and community development, administration of economic programs, space research and technology, national security and international affairs.

Under-represented "industries" were then defined as those where Wexford County had a lesser number of businesses than seven of the other nine counties. Thus, the number of businesses in Wexford County compared to the other communities was below what might be expected. It is also noted that in some cases, the differences are great, or no businesses in the under-represented categories were identified in Wexford County.

The following are the majority of the "industries" or businesses identified as being under-represented in Wexford County. Thirty-seven (37) are identified in total.

*Table 12 – Under-represented Operations in Wexford County**

NAICS Code	Type of Business
221122	Electric Power Distribution
236118	Residential Remodelers
236220	Commercial and Institutional Building Construction
238110	Poured Concrete Foundation and Structure Contractors
238130	Framing Contractors
238210	Electrical Contractors and Other Wiring Installation Contractors
238220	Plumbing, Heating, and Air Conditioning Contractors
238310	Drywall and Insulation Contractors
238350	Finish Carpentry Contractors
238910	Site Preparation Contractors
337110	Wood Kitchen Cabinet & Counter Top Manufacturing
423820	Farm and Garden Machinery and Equipment Merchant Wholesalers
423830	Industrial Machinery and Equipment Merchant Wholesalers

*Table 12 – Under-represented Operations in Wexford County Continued**

NAICS Code	Type of Business
425120	Wholesale Trade Agents and Brokers
443112	Radio, Television and Other Electronic Stores
444190	Other Building Material Dealers
445210	Meat Markets
447190	Other Gasoline Stations
453110	Florists
454390	Other Direct Selling Establishments
484121	General Freight Trucking, Long Distance, Truckload
484220	Specialized Freight (except Used Goods) Trucking, Local
484230	Specialized Freight (except Used Goods) Trucking, Long Distance
488510	Freight Transportation Arrangement
531320	Offices of Real Estate Appraisers
541211	Offices of Certified Public Accountants

*Developed by The Chesapeake Group, Inc, 2012.

The second analysis involved comparing the business structure of zip code tabulation area (ZCTA) 49601, which encompasses Cadillac, to that associated with other ZCTAs and cities that are "similar". In determining communities for which the comparison was made, the following criteria were used.

- ✓ The selected areas all have population size and household numbers similar to those associated with ZCTA 49601.
- ✓ The selected areas all have median household incomes comparable to ZCTA 49601.
- ✓ Transportation and interstate highway access had to be somewhat similar.
- ✓ The communities are located inland

Based on the criteria, nine cities defined by ZCTA were identified for which the comparison in economic structure of was made. These nine communities are:

01440, Gardner, MA
14456, Geneva, NY
14830, Corning, NY
15801, Du Bois, PA
54501, Monico, WI
55744, Grand Rapids, MN
56201, Willmar, MN
81504, Fruitvale, CO
47129, Clarkville, IN

Under-represented "industries" were then defined as those where ZCTA 49601 had a lesser number of businesses than seven of the other nine communities. Thus, the number of businesses in Zip Code 49601 compared to the other communities was below what might be expected.

The following are the majority of the "industries" or businesses identified as being under-represented in ZCTA 49601. Thirty (30) are identified in total.

*Table 13 – Under-represented in Cadillac**

NAICS Code	Type of Business
237310	Highway, Street, and Bridge Construction
238140	Masonry Contractors
238160	Roofing Contractors
238210	Electrical and Wiring Contractors
238220	Plumbing, Heating, and Air-Conditioning Contractors
238320	Painting and Wall Covering Contractors
238350	Finish Carpentry Contractors
423820	Farm and Garden Machinery and Equipment Merchant Wholesalers
423830	Industrial Machinery and Equipment Merchant Wholesalers
443112	Radio, Television, and Other Electronics Stores
445310	Beer, Wine, and Liquor Stores
446110	Pharmacies and Drug Stores
446130	Optical Goods Stores
448210	Shoe Stores
451140	Musical Instrument and Supplies Stores
452112	Discount Department Stores
454390	Other Direct Selling Establishments
541211	Offices of Certified Public Accountants
541511	Custom Computer Programming Services
561730	Landscaping Services
611620	Sports and Recreation Instruction
624120	Services for the Elderly and Persons with Disabilities
624410	Child Day Care Services
712110	Museums
722213	Snack and Nonalcoholic Beverage Bars
812210	Funeral Homes and Funeral Services

*Developed by The Chesapeake Group, Inc, 2012.

A total of twelve business types were found to be under-represented in both the zip code and County analyses. Those industries are identified in the following table.

*Table 14 – Under-represented in Both Wexford County and Cadillac**

NAICS Code	Type of Business
238210	Electrical Contractors and Other Wiring Installation Contractors
238220	Plumbing, Heating, and Air-Conditioning Contractors
238350	Finish Carpentry Contractors
423820	Farm and Garden Machinery and Equipment Merchant Wholesalers
423830	Industrial Machinery and Equipment Merchant Wholesalers
443112	Radio, Television and Other Electronic Stores
454390	Other Direct Selling Establishments
541211	Offices of Certified Public Accountants
561730	Landscaping Services
611620	Sports and Recreation Instruction
624190	Other Individual and Family Services
812210	Funeral Homes & Funeral Services

*Developed by The Chesapeake Group, Inc, 2012.

Based upon population, households, and median household income, inland location, and highways; Missaukee County's business structure was compared to 7 similar counties. These are:

Union Co., KY	Greene Co., IL	Crockett Co., TN
Floyd Co., VA	Gasconade Co., MO	
Price Co., WI	Monroe Co., OH	

The following are under-represented in Missaukee County.

*Table 15 - Under Represented in Missaukee County**

NAICS code	Type of Business
221122	Electric power distribution
236118	Residential remodelers
238220	Plumbing, heating, and air-conditioning contractors
442110	Furniture stores
443112	Radio, television, and other electronics stores
444220	Nursery, garden center, and farm supply stores
445110	Supermarkets and other grocery (except convenience) stores
446110	Pharmacies and drug stores
447110	Gasoline stations with convenience stores
452990	All other general merchandise stores
517110	Wired telecommunications carriers
522110	Commercial banking
531110	Lessors of residential buildings and dwellings
531210	Offices of real estate agents and brokers
541110	Offices of lawyers
541213	Tax preparation services
541511	Custom computer programming services
621111	Offices of physicians (except mental health specialists)
621210	Offices of dentists
621320	Offices of optometrists
811121	Automotive body, paint, and interior repair and maintenance
812210	Funeral homes and funeral services

*Developed by The Chesapeake Group, Inc, 2012.

Common under-represented operations in Cadillac and Missaukee County are found in Table 16.

*Table 16 - Common Under Represented in both Cadillac (ZCTA 49601) and Missaukee County**

NAICS code	Type of Business
238220	Plumbing, heating, and air-conditioning contractors
443112	Radio, television, and other electronics stores
446110	Pharmacies and drug stores
541511	Custom computer programming services
812210	Funeral homes and funeral services

*Developed by The Chesapeake Group, Inc, 2012.

Common under-represented operation in Wexford and Missaukee County are found in Table 17.

*Table 17 - Common Under Represented in both Wexford County and Missaukee County**

NAICS code	Type of Business
221122	Electric power distribution
236118	Residential remodelers
238220	Plumbing, Heating, and Air Conditioning Contractors
443112	Radio, Television and Other Electronic Stores
812210	Funeral Homes & Funeral Services

*Developed by The Chesapeake Group, Inc, 2012.

Implications from the Business Survey and Gap Analysis

There are several areas where identified gaps likely represent opportunities whether for expansion of existing operations or the recruitment of new operations. Many take advantage of assets, such as the transportation network, the ability to serve the larger northwest area of Michigan because of the strategic location, the economic history of the community, the current continued agricultural production in the area, and the decline in some economic activity that likely went from having too many operations in the market to having to few when contraction occurred. The following are those with additional potential.

- Trucking
- Farm & Garden Machinery wholesaling
- Contractors (plumbing, heating and air conditioning)
- Electronics store
- Pharmacy/drugstore
- Elderly and child care services

Additional Manufacturing Based on Reputation and Resources

There are more than 50 manufacturing operations in the Cadillac area at present involved with a range of activity. In addition and based on many of the similar factors as noted above, there are several assembly or light manufacturing potential focuses for either expansion of existing operations or the recruitment of new operations. These include:

- Bicycle manufacturing/assemblage.
- Scooter and skateboard manufacturing/assemblage
- Kayaks and canoes
- Light aircraft assemblage

The following is additional information on each.

Bicycle manufacturing/assemblage. Future assemblage activity that is linked to the image of the Cadillac area as a passive recreational area based on its natural, cultural, and historic resources involves two-wheeled and other vehicles. Bicycle production is worldwide, with the potential to serve the visitors from outside of Michigan, visitors from Michigan, visitors from Midwest communities in general and residents from the Cadillac Micro Area. It is noted that opportunity may exist to assemble a wide brand of bicycles at one facility, generating an additional "visitor" interest if the assembly process includes tours, a possible museum associated with various manufacturers, and showroom.

Scooter and skateboard manufacturing/assemblage. Relative to its population when compared to much of the developing and developed nations, the United States has always been a proportionately lesser market for scooters. Yet, with the advent of economic changes, rising gasoline prices, a push toward new urbanism type development in certain areas, and increased use for rentals in visitor dominated communities; scooter demand in the United States has grown and is likely to continue to grow. Most production or assemblage is either done overseas, in countries like China where demand has traditionally been high for the product, or on the West Coast in this country. Assemblage, rental, and sales of scooters is yet another opportunity for the Cadillac area that could be pursued through attracting an existing assembler/manufacturer from other parts of this country or from another country in the world.

Kayaks and canoes. Manufacturing or finishing of kayaks and canoes represents an additional opportunity and one that, like bicycle assemblage, is linked to potential niche tourism activity and could also involve tours and a showroom. Opportunities exist for possible recruitment of operations in other parts of the country as well as those overseas.

Light aircraft assemblage. While most of the aircraft industry product development and production has been negatively impacted by the current "great recession;" those conditions have opened the door for the expansion of the "light aircraft" development and production niche. As a result of affordability and other factors, the development opportunity for light aircraft in the Cadillac, with its municipal airport, adjacent underutilized land, and multiple means of arriving and departing via air and land, presents an opportunity upon which the area could capitalize. The opportunities range from attracting an existing assembler/manufacturer from other parts of this country or from another country altogether, to the evolution of an existing company in the region, or to developing a start-up operation based on existing skills and talents.

Additional R & D Activity

The Cadillac area owes its very existence to the abundance of natural resources. Even today, those resources are the foundation of the visitation to the area or "extraction" and farming processes in some cases. Yet, the natural resources are a critical tool when coupled with the agricultural production to be utilized for research and related product development, opening an entirely new economic arena and engine for the area.

Expanded participation in emerging areas of research and global technology could have a substantial impact on employment, income, and economic opportunity in the micro area. There are multiple purposes for targeted research and product development activity, including:

- Agricultural land preservation.
- Opportunities to increase farm income to maintain farm viability.
- Expansion of employment opportunity for those with educations, increasing the viability of the region.
- Expansion of local higher education opportunities.
- Affording the opportunity to link with synergistic employers outside the region.

Numerous prospective research and development programs can be gleaned from agricultural products associated with area production as well as the area's natural resources. Research associated with the agricultural production and natural resources would be non-exploitive and non-invasive to those activities and resources and would be compatible with the potential to expand visitor activity to and through those same resources. The wealth of biodiversity and agricultural products provide resources leading to potentially new pharmaceutical and medical advances, electronics research, water ecosystems and evaluation, monitoring and mitigation, and others. Pursuit of the activity would afford an opportunity to carve out a niche to recruit major "players," including private companies and a range of public entities and institutions, and to develop expanded entrepreneurship.

Many of the detailed potentials for development include, but are not limited to: biomedical therapies, invasive species solutions, environmental impacts and alternative fuel sources. The information was generated from on-line resources and through actual conversations and e-mail exchanges with several scientists and government agency representatives.

The Manistee National Forest, Pere Marquette and other State Forests covers much of Wexford County and the area, thereby providing many of the natural resources including, but not limited to: trees, plants, water and wildlife. Wexford County's list of invasive species includes, but is not limited to: Garlic Mustard, Eurasian Water-milfoil, Zebra Mussels and gypsy moth. Wexford County's and the City of Cadillac's agricultural crops include, but are not limited to: corn, soy beans, alfalfa, winter/spring wheat, dry beans, sugar beets, potatoes, oats, grapes, clover/wildflowers, barley, rye, other hays, Christmas trees, peas, sunflowers, sorghum, speltz (wheat), watermelon, canola, millet and animal husbandry.

This following is a list of area concentrations for which there many national and international players in the private, higher education and public sector that are either conducting current research into the products or for which there are likely to be interest in such research. (Those entities include some of the largest corporate entities in the world to start-up operations.)

Research and potentially product development activity for Cadillac associated with the natural resources could include:

1. Biomass for fuel: forest and Christmas tree crop detritus, garlic mustard and other invasive weeds.
2. Invasive Aquatic Fish Specie: Zebra Mussels.
3. Invasive Plant Species: garlic mustard; Eurasian Milfoil.
4. Indigenous Aquatic Plant Species: blue green algae; Duckweed.
5. Invasive Pest: Gypsy Moth.
6. Indigenous Forest Flora: mosses.
7. Morel and other Mushrooms: the harvesting, processing and marketing of mushrooms could create a niche industry for Cadillac.

There are also numerous recruitment opportunities for companies and others developing, manufacturing or researching products based upon some of the more important noted crops. These crops are:

1. Soy beans.
2. Corn.
3. Corn and Soybeans combined.
4. Wheat.
5. Alfalfa.
6. Potatoes.

Additional Advanced Industrial Activity Applications

There is evolutionary activity in product development associated with the creation of new materials to replace those currently used to build many of the products with which Cadillac manufacturing is involved. The fabrication of physical things is being revolutionized by emerging materials science. Engineers are now beginning to design and build from the molecular level, thereby optimizing features, creating new materials, radically improving quality, and reducing waste. This is being done based on computationally engineered materials that did not previously exist, novel metal alloys, graphene instead of silicon transistors, and meta materials that possess properties not possible in nature. (Graphene and carbon are beginning to be used in a new class of electronic and structural materials.)

Most recently engineers have developed a new type of glass made from metals that doubles the combined strength and toughness of the best-performing steel with the attributes of glass. It could be used to make vehicle bumpers and other formed metal impervious to dents and nearly indestructible airplane parts. Substantial research needs to be done with different metals to diminish the cost. In the short-term, initial uses are likely for dental implants that resist scratching and never need replacement.

The era of new materials is likely to be economically explosive when combined with “3-D printing” or “direct-digital manufacturing.” This literally involves “printing” parts and devices from potentially wheels to washing machines and almost every other product. The “printing” uses computational power, lasers and basic powdered metals and plastics. Currently, being employed in “high value” applications, such as hip joints and teeth; it is likely to be only a matter of time until employed elsewhere because of the benefits associated with “near-perfect” computational design and production.

Multi-tenant Office Space

The area’s changing demographics and the anticipated growth in households based on current new housing unit permits issued, raises the opportunity to meet employment needs of the growing households and changes in service activity. Assuming a conservative scenario that would involve no growth in the industrial and retail sectors of the Cadillac area economy in the foreseeable future or next ten years; in order to maintain current area employment levels and meet demand generated by the slow growth in households, about 60,000 square feet of multi-tenant office activity would need to be generated in the market. This assumes an average gross square feet per employee of 250, construction of 600 new housing units throughout the entire two-county area in the next ten years, and the bulk of new household employment associated with replacement of existing household employees in the industrial, medical, educational, and agricultural sectors. Implementation of opportunities identified in this analysis would result in higher supportable square footage than 60,000 square feet.

Commercial and Residential Assessment and Implications

Key to continued economic health is also the ability of residents and visitors to purchase goods and services locally.

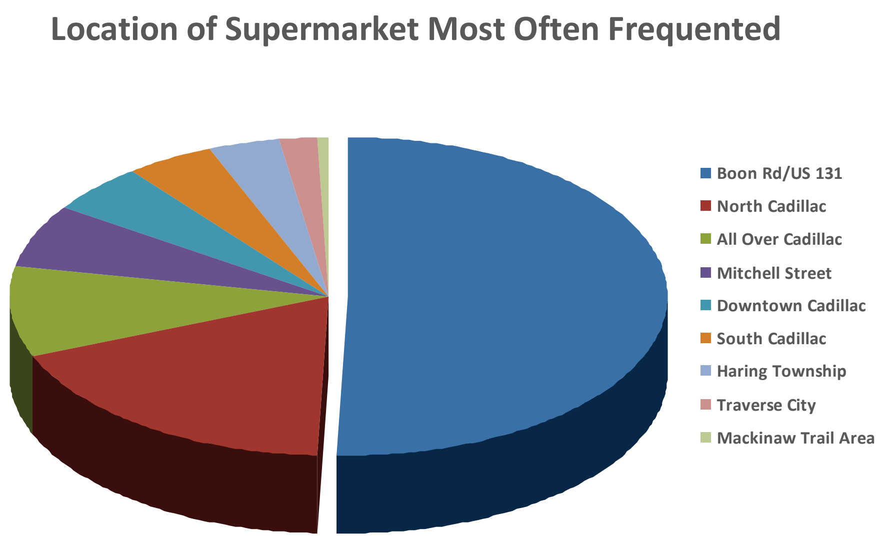
Input for Local Demand Generation

Support for area goods and services and related businesses is generated by essentially two general market clusters. These are residents of the geographic area and visitors to the area. Most often, employees of operations generally live within the general area in which they are employed and are a sub-market of the residential market with greater and lesser likely penetration levels.

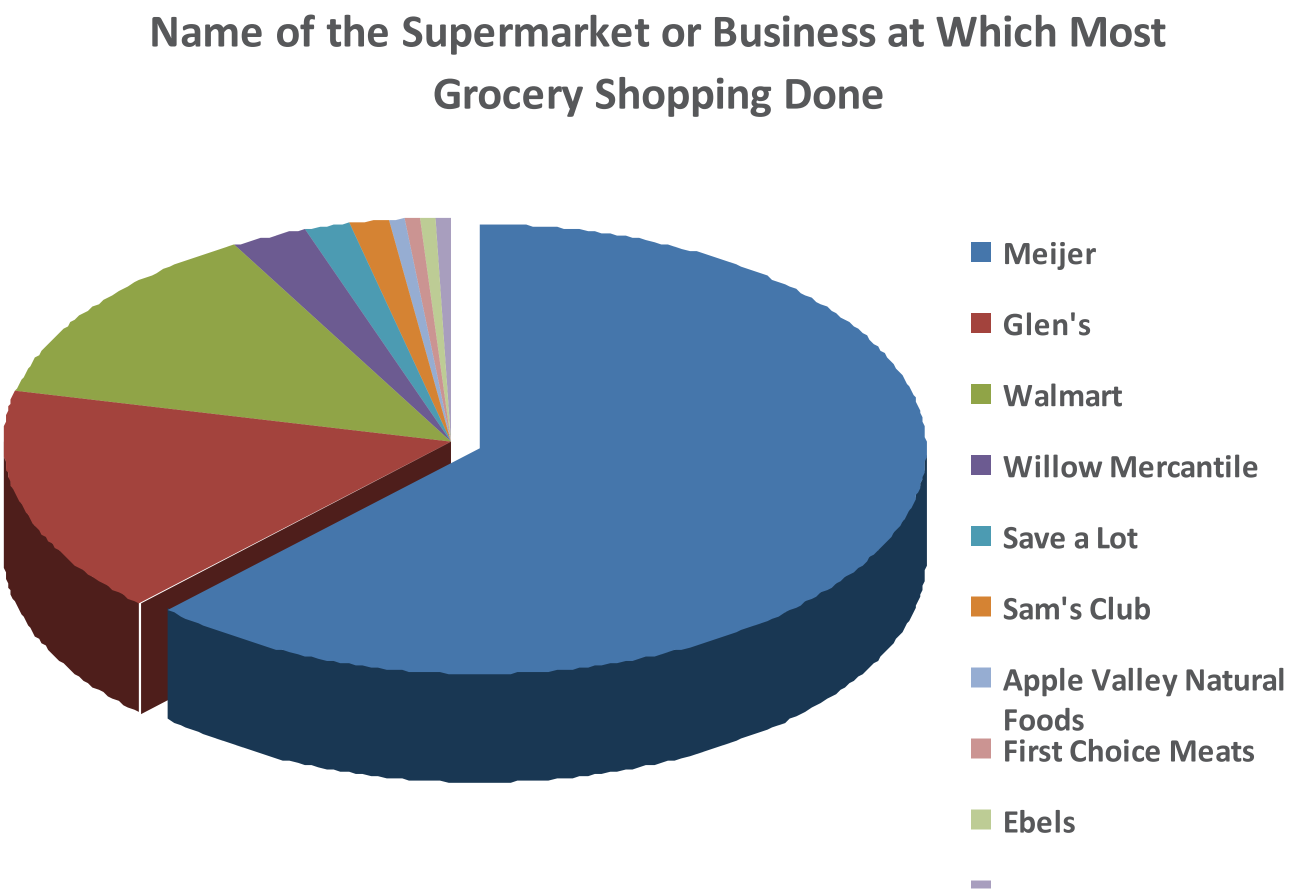
To facilitate data that can be used to project demand for goods and services in computer modeling, a survey of residents was conducted. It is noted that:

- ✓ All survey methodologies, including those employed by the U. S. Census Bureau, have inherent biases. Online surveys have a tendency to be biased toward higher income households.
- ✓ Grocery shopping is used as a surrogate for convenience shopping in general; while apparel shopping is used for non-convenience shopping.
- ✓ Food is generally purchased for home consumption from supermarkets or box operations containing food space.
- ✓ People also purchase food from food service establishments. There is a relationship between the type of food service establishment and the typical price of the meal.
- ✓ There are certain forms of entertainment, such as trips to the movies, which are often associated with food consumption at food service establishments.
- ✓ Regardless of income, most households spend the majority of the income on three basic commodities. These are food, housing or shelter and transportation.

The following are highlights of the survey of residents.



- ✓ Most people shop for groceries at operations in the Boon Road/US 131 area.
- ✓ A reasonable proportion shop in the "North Cadillac" area.
- ✓ The overwhelming majority of responding residents in the Cadillac area shop at Meijer, Glen's or Walmart for the groceries for home consumption.



- ✓ The average (mean) amount spent on groceries each week by responding residents of the Cadillac area is estimated at $109. The majority of responding residents spend more than $100 each week.

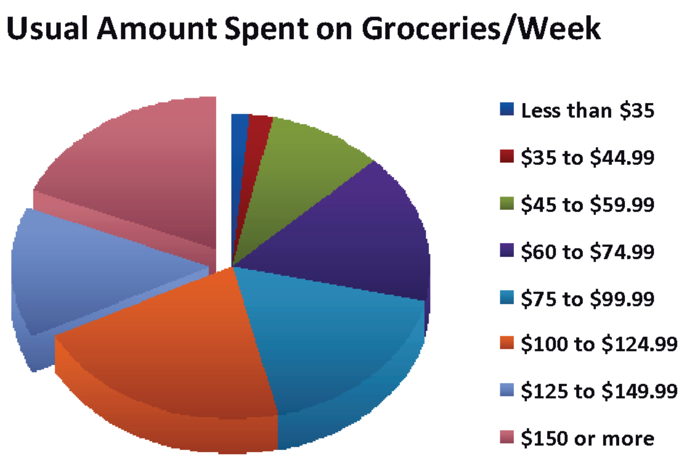


*Table 18 - Average Amount Spent on Groceries Per Week**

Answer Options	Percent
Less than $35	1.3%
$35 to $44.99	1.9%
$45 to $59.99	9.6%
$60 to $74.99	15.9%
$75 to $99.99	17.8%
$100 to $124.99	21.0%
$125 to $149.99	14.0%
$150 or more	18.5%

*Developed by the Chesapeake Group, Inc., 2012.

✓ About two-thirds of the responding residents eat lunch outside of their place of employment or home at least once per week.

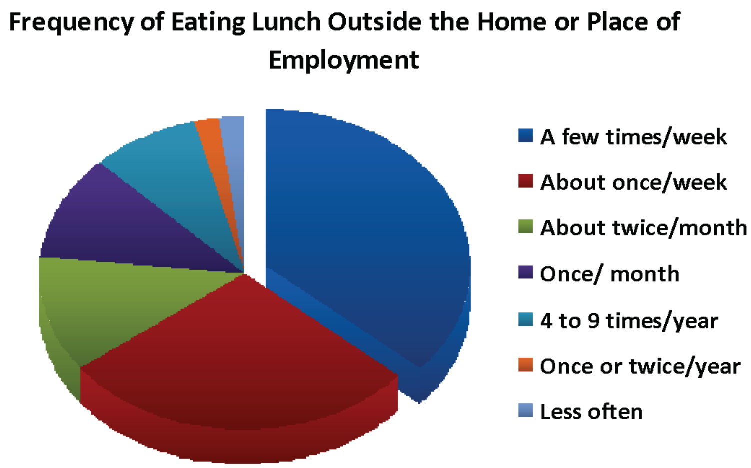


*Table 19 - Frequency of Lunch Trips to Food Service Establishments**

Answer Options	Percent
A few times/week	36.5%
About once/week	28.3%
About twice/month	11.9%
Once/ month	10.7%
4 to 9 times/year	8.8%
Once or twice/year	1.9%
Less often	1.9%

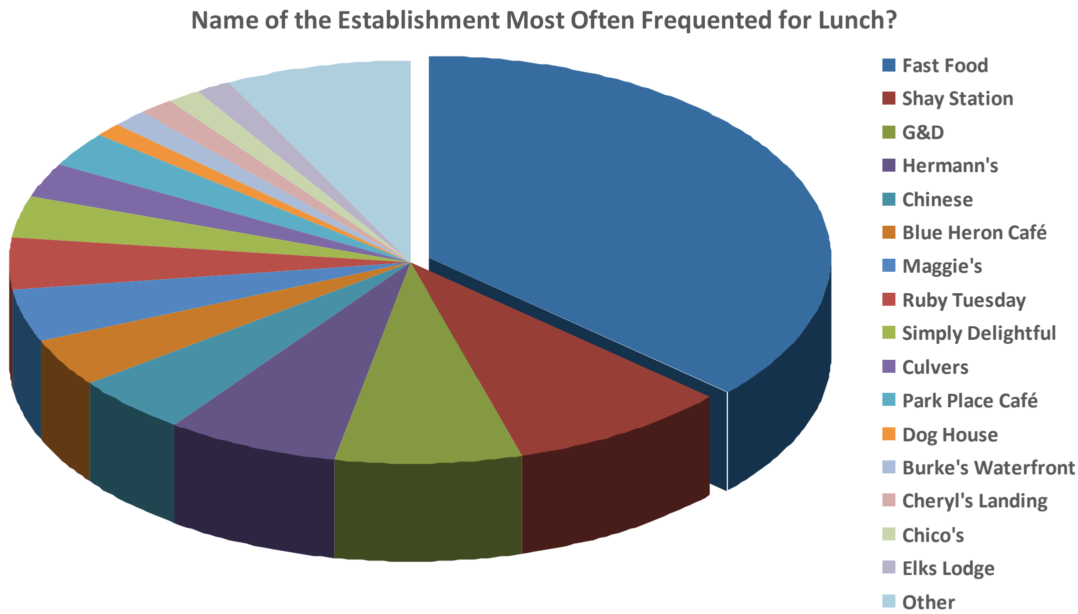
*Developed by the Chesapeake Group, Inc., 2012.

✓ Full-service restaurants are the type of food service establishment most often frequented for lunch by about 44% of the respondents. About one-third most often frequents fast food establishments.

*Table 20 - Type of Food Establishment Most Often Frequented for Lunch**

Answer Options	Percent
Full-service restaurant	43.5%
Fast food operation	31.1%
All you can eat buffet	1.2%
Sub shop	12.4%
Other	11.8%

*Developed by the Chesapeake Group, Inc., 2012.



✓ Residents go out to dinner frequently as well although slightly less frequently than lunch. Roughly 57% go out to dinner at least once per week.

*Table 21 - Frequency Dinner Consumed at Food Service Establishment**

Answer Options	Response Percent
A few times/week	18.7%
About once/week	38.7%
About twice/month	21.3%
Once/ month	10.3%
4 to 9 times/year	4.5%
A few times/year	4.5%
Less often	1.9%

*Developed by the Chesapeake Group, Inc., 2012.

✓ 80% of the respondents most often frequent full service restaurants when eating dinner at a food service establishment.

Description of the Food Service Establishment Most Often Frequented for Dinner

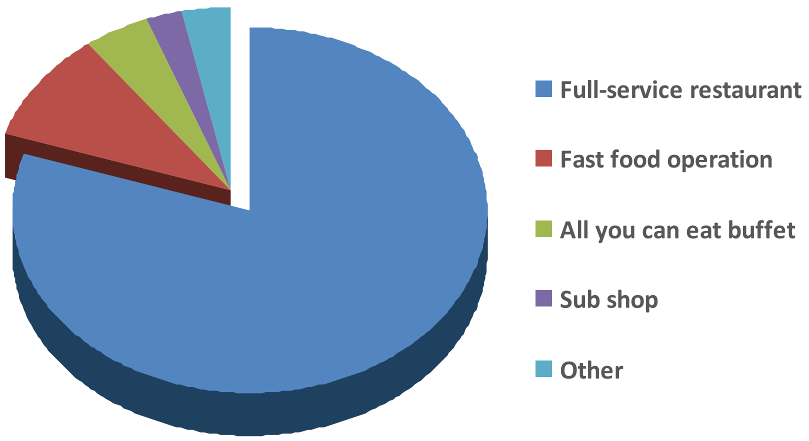


*Table 22 - Type of Food Service Establishment Most Often Frequented for Dinner**

Answer Options	Percent
Full-service restaurant	80.1%
Fast food operation	9.6%
All you can eat buffet	4.5%
Sub shop	2.6%
Other	3.2%

*Developed by the Chesapeake Group, Inc., 2012.

✓ About six in ten of the responding residents go to the movies no more than twice per year.

*Table 23 - Frequency of Trips to the Movies**

Answer Options	Response Percent
A few times/week	0.6%
About once/week	1.3%
About twice/month	5.7%
Once/ month	9.5%
4 to 9 times/year	22.2%
Once or twice/year	34.8%
Less often	25.9%

*Developed by the Chesapeake Group, Inc., 2012.

✓ About three-quarters of all households own or lease two to three personal vehicles. About one in ten have 4 or more such vehicles.

*Table 24 - Number of Personal Vehicles Owned or Leased (Business vehicles Excluded)**

Answer Options	Response Percent
0	0.6%
1	16.0%
2	55.1%
3	19.2%
4 or more	9.0%

*Developed by the Chesapeake Group, Inc., 2012.

✓ About 20% of the respondents has lived at their current address in the Cadillac area for more than twenty years. An additional one-third has lived at their current address for between 10 and 20 years.

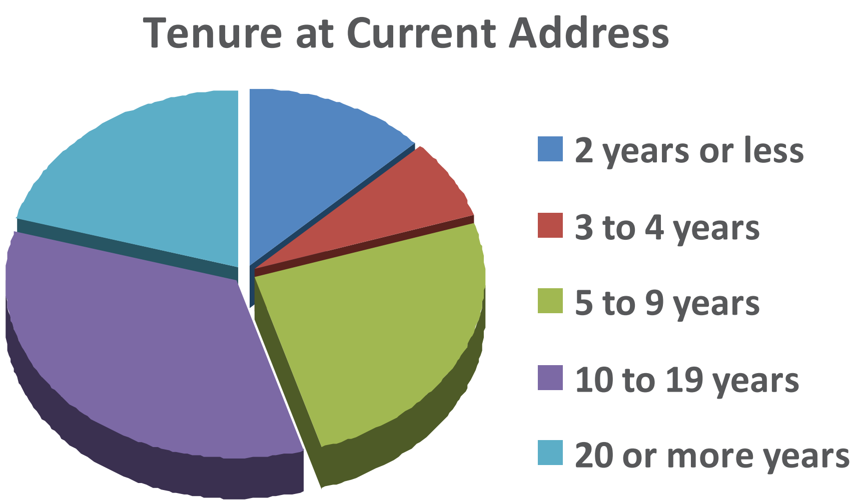


*Table 25 - Tenure at Current Address**

Answer Options	Percent
2 years or less	12.9%
3 to 4 years	7.1%
5 to 9 years	25.2%
10 to 19 years	34.2%
20 or more years	20.6%

*Developed by the Chesapeake Group, Inc., 2012.

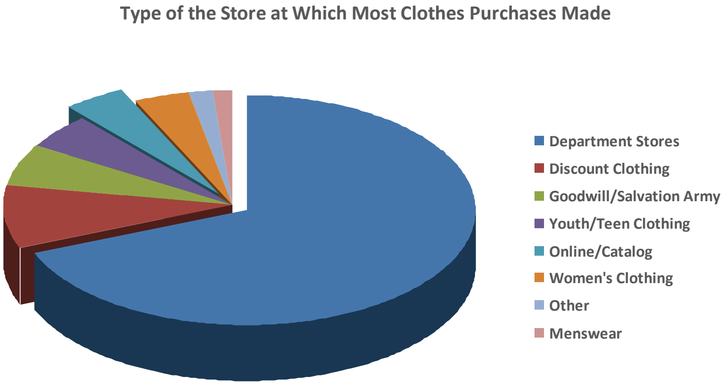
✓ For those with a monthly mortgage or rent payment, the average amount paid each month is $867. When those that have no payments are included; the average household has a monthly payment of about $711. More than one-fourth (28%) have a monthly payment of more than $1,000.

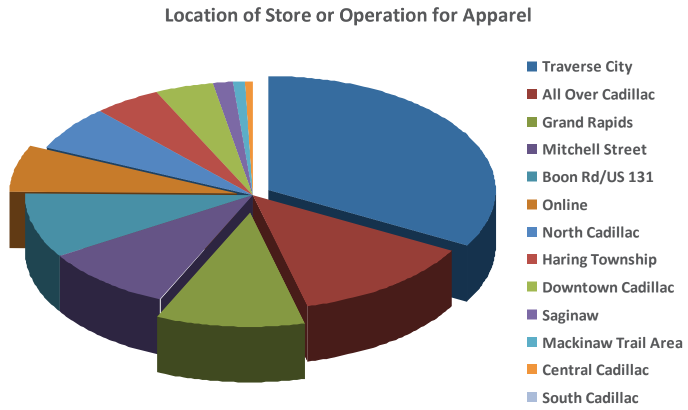
*Table 26 - Amount of Rent or Monthly Mortgage Payment**

Answer Options	Response Percent
None	18.0%
Less than $400/month	6.0%
$400 to $599/month	16.0%
$600 to $799/month	20.7%
$800 to $999/month	11.3%
$1,000 to $1,249/month	17.3%
$1,250 to $1,499/month	2.7%
$1,500 or more/month	8.0%

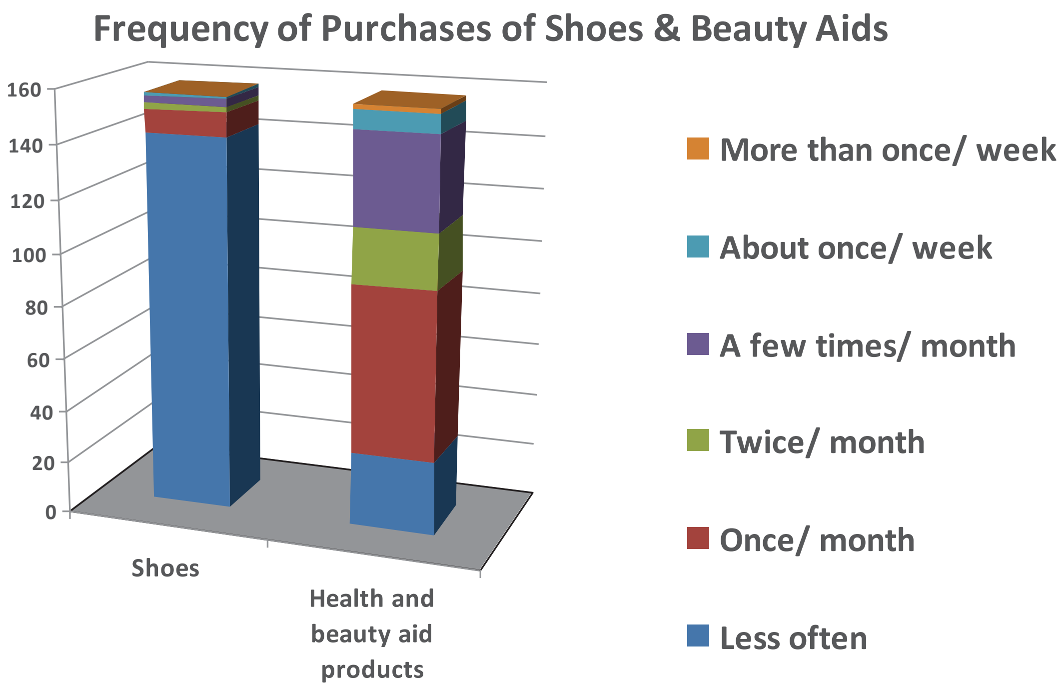
*Developed by the Chesapeake Group, Inc., 2012.

✓ Department stores remain the types of operation at which most people make clothes purchases. Traverse City, Grand Rapids as well as Cadillac are the locations residents go to when shopping for apparel.





✓ The graphic that follows defines purchasing patterns associated with shoes as well as products most often purchased at drugstores and box operations.



✓ Increasingly in this country more sales are being made through the internet or catalogs at the expensive of "bricks and mortar" establishments. Currently, about one-quarter of the responding residents of the Cadillac area make purchases at least twice a month online or through catalogs.

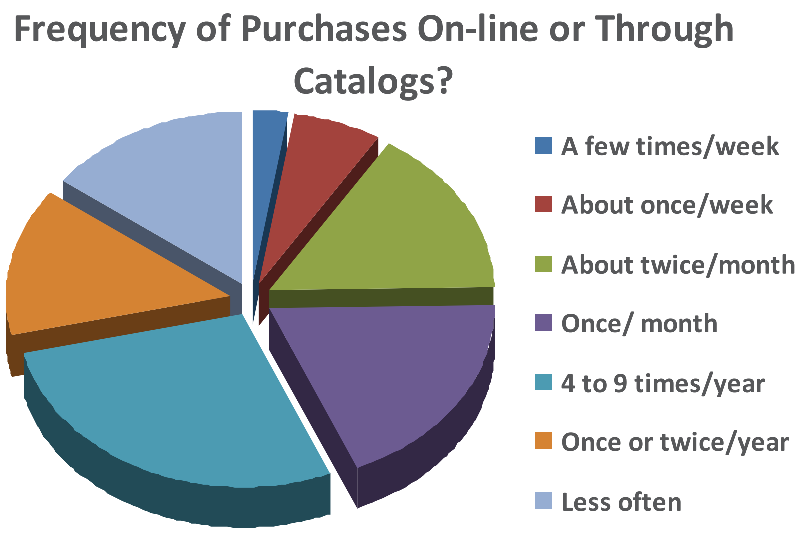


*Table 27 - Frequency of Online or Catalog Purchases**

Answer Options	Percent
A few times/week	2.5%
About once/week	6.3%
About twice/month	15.8%
Once/ month	19.0%
4 to 9 times/year	27.8%
Once or twice/year	13.9%
Less often	14.6%

*Developed by the Chesapeake Group, Inc., 2012.

- ✓ About one-half of the households have 2 people living in the household; while an additional one-third have 3 or 4 members.

*Table 28 - Number of People Living in Household**

Answer Options	Response Percent
1	7.0%
2	52.2%
3	15.9%
4	16.6%
5	4.5%
6 or more	3.8%

*Developed by the Chesapeake Group, Inc., 2012.

- ✓ Only 13% have a pre-school age child living in the household.
- ✓ About 22% of the households have no one employed on a full-time basis. This includes retirees, seniors working part-time, and others. On the other hand, three-quarters have one or two people employed full-time.

*Table 29 - Number in Household Employed Full-time**

Answer Options	Response Percent
0	21.8%
1	34.0%
2	40.4%
3	3.8%
4 or more	0.0%

*Developed by the Chesapeake Group, Inc., 2012.

- ✓ Two-thirds (68%) do not have anyone employed part-time. The remaining third have one or two people employed part-time, with about 85% of those having one person.

- ✓ Two in ten (21%) households have someone working two jobs.

- ✓ Almost 17% of the households have one member either not employed or employed part-time that would like to be employed full-time.

*Table 30 - Number of Persons in Household Not Employed or Employed Part-time that Would Like to be Employed Full-time**

Answer Options	Response Percent
No, none	82.2%
Yes, 1 person	16.6%
Yes 2 or more people	1.3%

*Developed by the Chesapeake Group, Inc., 2012.

- ✓ The preponderance of these has some college or technical training, with many having at least a Bachelor's Degree.

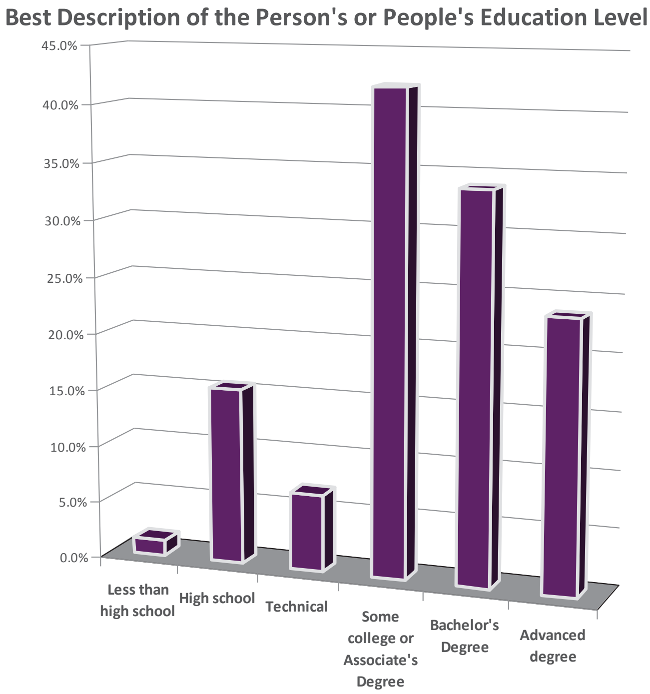


*Table 31 - Education Level of Those Wanting Full-time Employment**

Answer Options	Percent
Less than high school	1.4%
High school	15.5%
Technical	6.8%
Some college or Associate's Degree	41.9%
Bachelor's Degree	33.8%
Advanced degree	23.6%

*Developed by the Chesapeake Group, Inc., 2012.

- ✓ About 40% feel that the lack of jobs near home is a major reason for not having full-time work. Many of those that would like full-time jobs identify the lack of available jobs for their experience level and the pay being insufficient.

*Table 32 - Primary Factors for Not Having the Type of Work Wanted**

Answer Options	Response Percent
No jobs for my skill or education level available	38.5%
No jobs for my experience level	22.9%
Pay insufficient	37.5%
Age factors	18.8%
Child care issues	6.3%
Lack of transportation	3.1%
Other factors	33.3%

*Developed by the Chesapeake Group, Inc., 2012.

✓ At least 16% of the households have a "primary income earner" who is a senior citizen.

*Table 33 - Age of Primary Income Earner**

Answer Options	Response Percent
Under 25	1.9%
25 to 34	8.4%
35 to 44	19.4%
45 to 54	27.1%
55 to 64	29.0%
65 to 74	11.0%
75 or over	5.2%

*Developed by the Chesapeake Group, Inc., 2012.

✓ The average responding household's annual income is $66,100. Between one-fourth and one-third of the responding households have annual incomes in excess of $100,000.

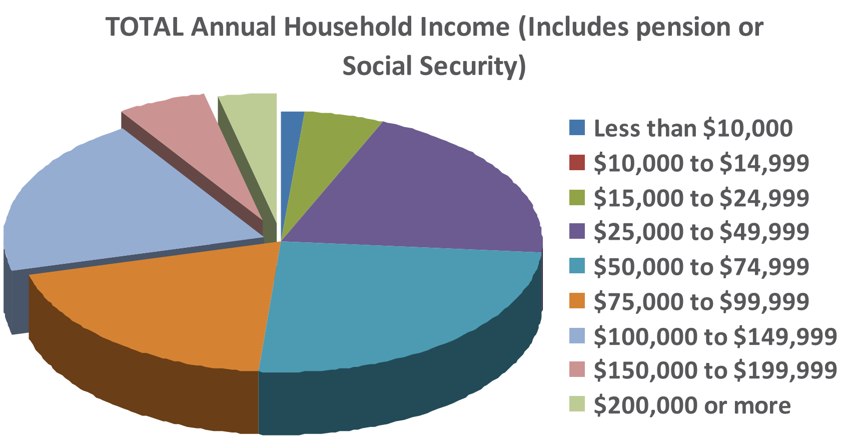


*Table 34 - Total Annual Household Income (Including Pension & Social Security)**

Answer Options	Percent
Less than $10,000	1.4%
$10,000 to $14,999	0.0%
$15,000 to $24,999	4.9%
$25,000 to $49,999	20.1%
$50,000 to $74,999	25.0%
$75,000 to $99,999	19.4%
$100,000 to $149,999	20.1%
$150,000 to $199,999	5.6%
$200,000 or more	3.5%

*Developed by the Chesapeake Group, Inc., 2012.

Local Market Generated Retail Demand

To a large extent and with the exclusion of transient accommodations and industrial activity, business operations need to generate a sustainable revenue flow from the indigenous population base. For Cadillac and Wexford County, in general that market would be defined as the residents of the Cadillac Micro Area, which includes the City of Cadillac, Wexford County and Missaukee County.

The focus of the demand forecasts are on current revenue generation from the local population and new growth in the area. Sales or revenues and related space associated with new growth does not come at the expense of existing operations, assuming existing entities are competitive with any new space or activity. The revenues and sales do not exist at present. Therefore, are not extracted from existing operations.

No matter the success of any region, jurisdiction, commercial center, or any other facility where consumers spend dollars, none will be able to capture all the dollars of market-area residents. As examples, people employed elsewhere often spend resources at or near their places of employment. At other times, people make visits and spend money with relatives and friends living in other locations or while on vacations. The rapidly increasing exportation of dollars today is from “online” or catalog activity, or “non-local bricks and mortar” operations.

It is also noted that:

- All estimates are in 2012 dollars.
- There have been some substantial changes nationally in consumer spending in the past two years that are anticipated to remain relatively constant over the next few years, if not longer.

Aggregate retail sales figures represent a compilation of sales associated with ten major categories and the types of operations within those categories. The ten major categories of retail goods and related services demand are as follows:

- Food, such as groceries and related merchandise generally purchased for home preparation or consumption.
- Eating and drinking, consisting of prepared food and beverages generally consumed on the premises or carried to another location.
- General merchandise, including variety stores, department stores, and large value oriented retail operators.
- Furniture and accessories, including appliances and home furnishings.
- Transportation and utilities, including the sale of new and used automotive and other personal vehicles and parts and basic utilities for the home.
- Drugstores, including those specializing in health and beauty aids or pharmaceuticals.
- Apparel and accessories.
- Hardware and building materials, including traditional hardware stores and garden and home improvement centers.
- Auto services, including gasoline and vehicle repair.
- Miscellaneous, including a plethora of retail goods and services ranging from florists to paper goods.

Many of today's better known operations in fact fall into more than one category. For example, many of the "big box" general merchandisers, such as Wal-Mart, have traditional supermarket components within their operations.

Retail sales and related services revenues are converted to supportable space through the application of sales or revenue productivity levels. A sales or revenue productivity level is the level of sales or revenues per square foot at which it is assumed that the business will generate sufficient revenue to cover all costs of operation as well as provide a reasonable return on investment for the ownership or operating entity.

Sales productivity levels vary for each sub-category, type of business operation, or store-type. The productivity levels vary from low figures for bowling centers to hundreds of dollars for others. Supportable space is derived by dividing the amount of sales by the appropriate productivity level.

The regional population is expected to generate roughly $677 million in retail goods and related services sales in 2012. This is expected to grow by about $216 million over the next ten years.

Currently at any and all locations, the micro area population supports about 1.9 million square feet of space in all categories. Over the next ten years, the supportable space will grow by about 618,000 square feet.

The anticipated increase in space is based upon:

- ✓ A slow but continued regional growth in households based on internally generation of households.
- ✓ Increases in retail spending in the latter years.
- ✓ Small increases in incomes in latter years.

Retail sales and supportable space estimates for the Cadillac Micro Area by major category are found in Table 35.

*Table 35 - Cadillac Micro Area Retail Goods and Related Services Sales and Space Estimates by Category (space in square feet)**

Category	2012 Sales	Ch. 2012-22 Sales	2022 Sales	2012 Space	Ch 2012-22 Sp	2022 Space
Food	$98,204,000	$31,276,000	$129,480,000	183,402	58,409	241,811
Eat/Drink	79,998,000	25,478,000	105,476,000	199,995	63,695	263,690
General Merchandise	107,408,000	34,208,000	141,616,000	350,354	111,583	461,939
Furniture	11,776,000	3,751,000	15,527,000	36,272	11,554	47,826
Transportation	101,452,000	32,311,000	133,763,000	295,211	94,020	389,233
Drugstore	49,880,000	15,886,000	65,766,000	99,760	31,772	131,532
Apparel	25,651,000	8,169,000	33,820,000	79,821	25,419	105,239
Hardware	59,085,000	18,818,000	77,902,000	251,169	79,996	331,159
Vehicle Service	76,005,000	24,206,000	100,211,000	185,033	58,929	243,962
Miscellaneous	67,342,000	21,447,000	88,789,000	260,096	82,836	342,932
TOTAL	$676,801,000	$215,550,000	$892,350,000	1,941,113	618,213	2,559,323

*Developed by the Chesapeake Group, Inc., 2012.

The categorical space is a compilation of various types of operations or sub-categories. Table 36 breaks the sales and supportable space down to the type of operation.

*Table 36 - Cadillac Micro Area Retail Goods and Related Services Sales and Space Estimates by Category and Sub-category (space in square feet)**

Sub-category	2012 Sales	Ch. 2012-22 Sales	2022 Sales	2012 Space	Ch 2012-22 Sp	2022 Space
Food	$98,204,000	$31,276,000	$129,480,000	183,402	58,409	241,811
Supermarkets	82,000,340	26,115,460	108,115,800	138,984	44,263	183,247
Independents	7,856,320	2,502,080	10,358,400	19,641	6,255	25,896
Bakeries	2,160,488	688,072	2,848,560	7,202	2,294	9,495
Dairies	1,276,652	406,588	1,683,240	3,546	1,129	4,676
Others	4,910,200	1,563,800	6,474,000	14,029	4,468	18,497
Eat/Drink	79,998,000	25,478,000	105,476,000	199,995	63,695	263,690
General Merchandise	107,408,000	34,208,000	141,616,000	350,354	111,583	461,939
Dept. Stores	38,022,432	12,109,632	50,132,064	126,741	40,365	167,107
Variety Stores	7,733,376	2,462,976	10,196,352	29,744	9,473	39,217
Jewelry	7,411,152	2,360,352	9,771,504	10,438	3,324	13,763
Sporting Goods/Toys	11,707,472	3,728,672	15,436,144	39,025	12,429	51,454
Discount Dept.	40,278,000	12,828,000	53,106,000	134,260	42,760	177,020
Antiques, etc.	537,040	171,040	708,080	2,335	744	3,079
Others	1,718,528	547,328	2,265,856	7,811	2,488	10,299
Furniture	11,776,000	3,751,000	15,527,000	36,272	11,554	47,826
Furniture	1,778,176	566,401	2,344,577	5,736	1,827	7,563
Home Furnishings	2,449,408	780,208	3,229,616	6,998	2,229	9,227
Store/Office Equip.	1,860,608	592,658	2,453,266	6,202	1,976	8,178
Music Instr./Suppl.	506,368	161,293	667,661	2,532	806	3,338
Radios,TV, etc.	5,181,440	1,650,440	6,831,880	14,804	4,716	19,520
Transportation	101,452,000	32,311,000	133,763,000	295,211	94,020	389,233
New/Used Vehicles	35,508,200	11,308,850	46,817,050	88,771	28,272	117,043
Tires, Batt., Prts.	44,740,332	14,249,151	58,989,483	149,134	47,497	196,632
Marine Sales/Rentals	5,376,956	1,712,483	7,089,439	14,532	4,628	19,161
Auto/Truck Rentals	15,826,512	5,040,516	20,867,028	42,774	13,623	56,397
Drugstore	49,880,000	15,886,000	65,766,000	99,760	31,772	131,532
Apparel	25,651,000	8,169,000	33,820,000	79,821	25,419	105,239
Men's and Boy's	3,360,281	1,070,139	4,430,420	8,401	2,675	11,076
Women's and Girl's	8,516,132	2,712,108	11,228,240	23,017	7,330	30,347
Infants	538,671	171,549	710,220	1,796	572	2,367
Family	7,130,978	2,270,982	9,401,960	23,770	7,570	31,340
Shoes	5,361,059	1,707,321	7,068,380	19,495	6,208	25,703
Jeans/Leather	102,604	32,676	135,280	342	109	451
Tailors/Uniforms	461,718	147,042	608,760	2,309	735	3,044
Others	179,557	57,183	236,740	691	220	911
Hardware	59,085,000	18,818,000	77,902,000	251,169	79,996	331,159
Hardware	28,597,140	9,107,912	37,704,568	114,389	36,432	150,818
Lawn/Seed/Fertil.	1,122,615	357,542	1,480,138	3,302	1,052	4,353
Others	29,365,245	9,352,546	38,717,294	133,478	42,512	175,988
Vehicle Service	76,005,000	24,206,000	100,211,000	185,033	58,929	243,962
Gasoline	25,841,700	8,230,040	34,071,740	17,822	5,676	23,498
Garage, Repairs	50,163,300	15,975,960	66,139,260	167,211	53,253	220,464
Miscellaneous	67,342,000	21,447,000	88,789,000	260,096	82,836	342,932
Advert. Signs, etc.	1,077,472	343,152	1,420,624	3,918	1,248	5,166
Barber/Beauty shop	4,107,862	1,308,267	5,416,129	20,539	6,541	27,081
Book Stores	3,097,732	986,562	4,084,294	8,372	2,666	11,039
Bowling	1,548,866	493,281	2,042,147	15,489	4,933	20,421
Cig./Tobacco Dealer	471,394	150,129	621,523	943	300	1,243
Dent./Physician Lab	2,693,680	857,880	3,551,560	8,288	2,640	10,928
Florist/Nurseries	5,050,650	1,608,525	6,659,175	11,884	3,785	15,669
Laundry, Dry Clean	2,289,628	729,198	3,018,826	7,632	2,431	10,063
Optical Goods/Opt.	1,616,208	514,728	2,130,936	4,618	1,471	6,088
Photo Sup./Photog.	4,646,598	1,479,843	6,126,441	13,276	4,228	17,504
Printing	5,454,702	1,737,207	7,191,909	19,835	6,317	26,152
Paper/Paper Prod.	2,895,706	922,221	3,817,927	14,479	4,611	19,090
Gifts/Cards/Novel.	9,629,906	3,066,921	12,696,827	32,100	10,223	42,323
Newsstands	538,736	171,576	710,312	1,077	343	1,421
Video Rent/Sales	8,754,460	2,788,110	11,542,570	43,772	13,941	57,713
Others	13,468,400	4,289,400	17,757,800	53,874	17,158	71,031
TOTAL	$676,801,000	$215,550,000	$892,350,000	1,941,113	618,213	2,559,323

*Developed by the Chesapeake Group, Inc., 2012.

A reasonable proportion of the population and thus the generated sales from the population are derived from residents of the City of Cadillac. As shown in the table that follows, residents of Cadillac are expected to generate roughly $154 million in sales and support 441,000 square feet of retail goods and related services space at any and all locations for 2012.

*Table 37 - Breakdown of Sales and Space by Category For City of Cadillac and Micro Region for 2012 (space in square feet)**

Category	2012 wo Cadillac Sales	2012 Cadillac Sales	2012 wo Cadillac Sp	2012 Cadillac Space
Food	$75,898,000	$22,306,000	141,745	41,658
Eat/Drink	61,827,000	18,171,000	154,568	45,428
General Merchandise	83,011,000	24,397,000	270,775	79,579
Furniture	9,101,000	2,675,000	28,033	8,240
Transportation	78,408,000	23,044,000	228,157	67,056
Drugstore	38,550,000	11,330,000	77,100	22,660
Apparel	19,824,000	5,826,000	61,686	18,130
Hardware	45,664,000	13,420,000	194,117	57,048
Vehicle Service	58,741,000	17,264,000	143,004	42,029
Miscellaneous	52,046,000	15,296,000	201,021	59,078
TOTAL	$523,070,000	$153,729,000	1,500,206	440,906

*Developed by the Chesapeake Group, Inc., 2012.

The table that follows contains these breakdowns by sub-category. The information indicates:

✓ The need to serve the entire market has impacted the location of retail and the commercial development patterns and will likely continue to do so in the future. Proximity to trafficked arterials is and will be essential for most traditional retail. Future development plans should support continued growth of retail in such areas.

✓ Operations that create their own market and destinations, such as restaurants, will be capable of expanding or multiplying in the future and have a broader range of location options in the future as they have at present. The general area will support seven or more additional restaurants in the foreseeable future.

✓ In addition to the restaurant activity and essentially at the other end of the spectrum with respect to the need for “convenience,” there is a prospect for adding drugstores or drugstore space in the foreseeable future.

✓ There will be some market growth in apparel and other categories and sub-categories of space that could create some expansion of retail both in traditional downtowns and in other areas in need of reinvestment. Such reinvestment or redevelopment must create “reasons” to come through atmosphere, activity and tenant mix to attract reasonable market share from residents living in both counties that are part of the Cadillac Micro Area.

*Table 38 - Breakdown of Sales and Space by Category and Sub-category For City of Cadillac and Micro Region for 2012 (space in square feet)**

Sub-category	2012 wo Cadillac Sales	2012 Cadillac Sales	2012 wo Cadillac Sp	2012 Cadillac Space
Food	$75,898,000	$22,306,000	141,745	41,658
Supermarkets	63,374,830	18,625,510	107,415	31,569
Independents	6,071,840	1,784,480	15,180	4,461
Bakeries	1,669,756	490,732	5,566	1,636
Dairies	986,674	289,978	2,741	805
Others	3,794,900	1,115,300	10,843	3,187
Eat/Drink	61,827,000	18,171,000	154,568	45,428
General Merchandise	83,011,000	24,397,000	270,775	79,579
Dept. Stores	29,385,894	8,636,538	97,953	28,788
Variety Stores	5,976,792	1,756,584	22,988	6,756
Jewelry	5,727,759	1,683,393	8,067	2,371
Sporting Goods/Toys	9,048,199	2,659,273	30,161	8,864
Discount Dept.	31,129,125	9,148,875	103,764	30,496
Antiques, etc.	415,055	121,985	1,805	530
Others	1,328,176	390,352	6,037	1,774
Furniture	9,101,000	2,675,000	28,033	8,240
Furniture	1,374,251	403,925	4,433	1,303
Home Furnishings	1,893,008	556,400	5,409	1,590
Store/Office Equip.	1,437,958	422,650	4,793	1,409
Music Instr./Suppl.	391,343	115,025	1,957	575
Radios,TV, etc.	4,004,440	1,177,000	11,441	3,363
Transportation	78,408,000	23,044,000	228,157	67,056
New/Used Vehicles	27,442,800	8,065,400	68,607	20,164
Tires, Batt., Prts.	34,577,928	10,162,404	115,260	33,875
Marine Sales/Rentals	4,155,624	1,221,332	11,231	3,301
Auto/Truck Rentals	12,231,648	3,594,864	33,059	9,716
Drugstore	38,550,000	11,330,000	77,100	22,660
Apparel	19,824,000	5,826,000	61,686	18,130
Men's and Boy's	2,596,944	763,206	6,492	1,908
Women's and Girl's	6,581,568	1,934,232	17,788	5,228
Infants	416,304	122,346	1,388	408
Family	5,511,072	1,619,628	18,370	5,399
Shoes	4,143,216	1,217,634	15,066	4,428
Jeans/Leather	79,296	23,304	264	78
Tailors/Uniforms	356,832	104,868	1,784	524
Others	138,768	40,782	534	157
Hardware	45,664,000	13,420,000	194,117	57,048
Hardware	22,101,376	6,495,280	88,406	25,981
Lawn/Seed/Fertil.	867,616	254,980	2,552	750
Others	22,695,008	6,669,740	103,159	30,317
Vehicle Service	58,741,000	17,264,000	143,004	42,029
Gasoline	19,971,940	5,869,760	13,774	4,048
Garage, Repairs	38,769,060	11,394,240	129,230	37,981
Miscellaneous	52,046,000	15,296,000	201,021	59,078
Advert. Signs, etc.	832,736	244,736	3,028	890
Barber/Beauty shop	3,174,806	933,056	15,874	4,665
Book Stores	2,394,116	703,616	6,471	1,902
Bowling	1,197,058	351,808	11,971	3,518
Cig./Tobacco Dealer	364,322	107,072	729	214
Dent./Physician Lab	2,081,840	611,840	6,406	1,883
Florist/Nurseries	3,903,450	1,147,200	9,185	2,699
Laundry, Dry Clean	1,769,564	520,064	5,899	1,734
Optical Goods/Opt.	1,249,104	367,104	3,569	1,049
Photo Sup./Photog.	3,591,174	1,055,424	10,260	3,015
Printing	4,215,726	1,238,976	15,330	4,505
Paper/Paper Prod.	2,237,978	657,728	11,190	3,289
Gifts/Cards/Novel.	7,442,578	2,187,328	24,809	7,291
Newsstands	416,368	122,368	833	245
Video Rent/Sales	6,765,980	1,988,480	33,830	9,942
Others	10,409,200	3,059,200	41,637	12,237
TOTAL	$523,070,000	$153,729,000	1,500,206	440,906

*Developed by the Chesapeake Group, Inc., 2012.

There are potential “anchor” retail goods and related services opportunities that are identified that will meet an expansion of needs of the local population. These include:

1. The potential for an additional supermarket, an expansion of an existing operation or the development of an additional “box” operation with a supermarket component.
2. Five to twelve additional food service establishments, including those that might act as anchor activity such as a beer garden with substantial glass viewing areas.
3. Two to three added drugstores with likely added general merchandise space.
4. One or two gifts and novelty operations.

Input for Non-resident Commercial Demand Generation

Tourism and visitors to the Cadillac area are a critical component of the general market and important to the economic structure of the community.

Studies prepared for the Michigan Economic Development Corporation indicate that:

- ✓ In general, the number of visitors to the state from outside the state has remained relatively flat since 2008 largely as a result of smaller party size. Also, the number of visitor days has declined as a result of shortened stays.
- ✓ Northwest Michigan, the region north of Ludington of which the Cadillac area is a part but not including the Upper Peninsula, had roughly 24.8 million visitors staying for 180 million visitor days. This accounts for roughly 12% of Michigan visitors and 13.8% of the visitor days. Essentially, visitors coming to the area have a tendency to stay longer than the average visitor to Michigan.
- ✓ The average household income for the visitors to the region is above $75,000 annually.
- ✓ The average party size is 2.72.

Other studies are also important in assessing tourism impact and opportunities. As previously identified, the Cadillac area recognizes that its very existence has in the past and will in the future continue to be related to the natural resources.

- ✓ The City’s website states “Tourism is a vital component of Cadillac's economic health. Cadillac is a four-season destination for vacationers and outdoor enthusiasts, due in large part to the natural assets found in our area: Lakes Cadillac and Mitchell, state and national forests, recreational trails, etc.” The Cadillac Area Visitors Bureau advertises that it is “surrounded by the exceptional native animals such as the Kirtland's Warbler to the American Black Bear.” “Winter offers snowmobiling, downhill skiing, snowboarding, and year-around fishing, cross-country skiing, snowshoeing, hunting, photographic quests, and camping adventures.” Summer offers fishing, fly-fishing, golfing, horseback riding, kayaking, boating, canoeing, bird watching, hiking, backpacking, camping, etc.

The 2006 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation – Michigan, published by the U.S. Department of the Interior, Fish and Wildlife Service, and U.S. Department of Commerce, U.S. Census Bureau indicates:

- ✓ About 1.4 million people spend about 24.8 million days fishing in Michigan.
- ✓ About 753,000 people spent 11.9 million days hunting in Michigan.

- ✓ More residents participate in wildlife watching than the combined residents that participate in the other two activities. Roughly 3.3 million people spent more than 1 million days away from home and 2.8 million days near home wildlife watching.

Table 39 – Michigan Hunting, Fishing & Wildlife Viewing in 2006

Activities in Michigan	Residents	Visitors	Total
Fishing			
Anglers	1,077,000	318,000	1,394,000
Days of fishing	22,532,000	2,290,000	24,822,000
Average days per angler	21	7	18
Total expenditures	$1,454,182,000	$216,932,000	$1,671,114,000
Trip-related	$436,514,000	$147,516,000	$584,030,000
Equipment and other	$1,017,668,000	$69,416,000	$1,087,084,000
Average per angler	$1,350	$683	$1,193
Average trip expenditure per day	$19	$64	$24
Hunting			
Hunters	721,000	32,000	753,000
Days of hunting	11,735,000	170,000	11,905,000
Average days per hunter	16	5	16
Total expenditures	$843,751,000	$72,133,000	$915,884,000
Trip-related	$241,735,000	$20,591,000	$262,326,000
Equipment and other	$602,016,000	$51,542,000	$653,558,000
Average per hunter	$1,170	$2,263	$1,203
Average trip expenditure per day	$21	$121	$22
Wildlife Watching			
Total wildlife-watching participants	2,946,000	281,000	3,227,000
Away-from-home participants	753,000	281,000	1,034,000
Around-the-home participants	2,826,000	---	2,826,000
Days of participation away from home	8,600,000	1,443,000	10,043,000
Average days of participation			
away from home	11	5	10
Total expenditures	$1,537,965,000	$84,556,000	$1,622,521,000
Trip-related	$277,887,000	$61,301,000	$339,188,000
Equipment and other	$1,260,078,000	$23,256,000	$1,283,334,000
Average per participant	$522	$264	$485
Average trip expenditure per day	$32	$42	$34

- ✓ There were 356,000 resident anglers between the ages of 6 and 15 years old.
- ✓ 571,000 six to fifteen-year olds wildlife watched in Michigan.
- ✓ A large majority of Michigan residents who fished anywhere in the United States did so in their home state.
- ✓ Wildlife watchers spent $1.6 billion on wildlife-watching activities in Michigan.
- ✓ Trip-related expenditures, including food and lodging ($190 million), transportation ($134 million) and other expenses ($16 million), such as equipment rental, amounted to $339 million.
- ✓ The average of the trip-related expenditures for away-from-home participants was $284 per person.
- ✓ Wildlife-watching participants spent $780 million on equipment, or 48% of all their expenditures.

- ✓ Specifically, wildlife-watching equipment (binoculars, special clothing, etc.) expenditures totaled $331 million, which is 42% of the equipment total.
- ✓ Auxiliary equipment expenditures (tents, backpacking equipment, etc.) and special equipment expenditures (campers, trucks, etc.) amounted to $449 million.
- ✓ Special and auxiliary equipment are items that were purchased for wildlife-watching recreation but can be used in activities other than wildlife-watching activities.
- ✓ Other items purchased by wildlife watching participants, such as magazines, membership dues and contributions, land leasing and ownership, and plantings, totaled $503 million, or 31% of all wildlife watching expenditures.

Table 40 - Wildlife-Watching Expenditures in Michigan
(State residents and nonresidents 16 years old and older)

Total	$1.6 billion
Trip-related	$339 million
Equipment	$780 million
Wildlife watching	$331 million
Auxiliary and special	$449 million
Other	$503 million

- ✓ Between fishing, hunting and wildlife watching, the only one growing at a reasonable pace between 2001 and 2006 in terms of persons was wildlife watching. However, in-state expenditures by anglers grew at the fastest pace.

Table 41 – Number and Spending Changes for Michigan Between 2001 and 2006 (Numbers in thousands)

	2001	2006	% Change
Fishing			
Anglers in state	1,354	1,394	*
Days in state	19,320	24,822	*
In-state expenditures by U.S. anglers	$955,956	$1,671,114	75
State resident anglers	1,039	1,098	*
Total expenditures by state residents	$1,094,935	$1,662,875	*
Hunting			
Hunters in state	754	753	*
Days in state	8,994	11,905	*
In-state expenditures by U.S. hunters	$558,890	$915,884	64
State resident hunters	725	721	*
Total expenditures by state residents	$634,843	$846,455	*
Away-From-Home Wildlife Watching			
Participants in state	884	1,034	*
Days in state	13,999	10,043	*
State resident participants	747	827	*
Around-the-Home Wildlife Watching			
Total participants	2,361	2,826	20
Observers	1,566	1,664	*
Feeders	2,078	2,384	*
Wildlife-Watching Expenditures			
In-state expenditures by U.S. wildlife watchers	$789,743	$1,622,521	105
Total expenditures by state residents	$823,114	$1,790,310	118

* Not different from zero at the 10 percent level of significance.

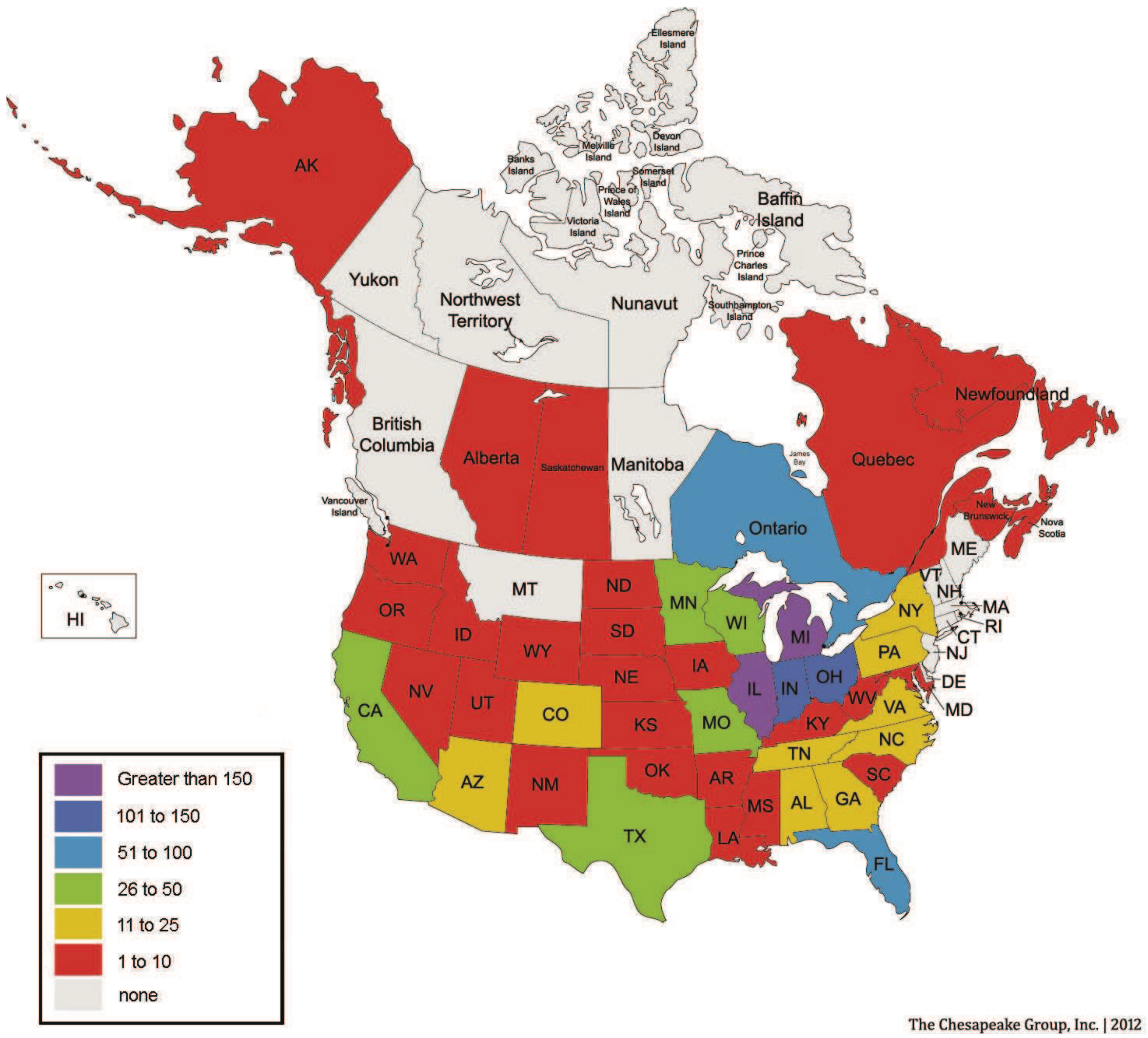
- ✓ While a newer study is yet to be published by the same entity, wildlife watching is likely to have continued to grow and will in the future because of the aging of aging of populations in the United States, and Europe and large parts of Asia from which many non-United States visitors come.

Records of contacts made with the area's Visitor Bureau indicate that there is an interest in or visitation from the preponderance of states in the United States and significant areas of Canada and not just the adjacent province of Ontario. It is noted that:

- ✓ Many contacts or visitors come from five states and one province. These are the states of Michigan, Illinois, Indiana, Ohio and Florida and Ontario Province.

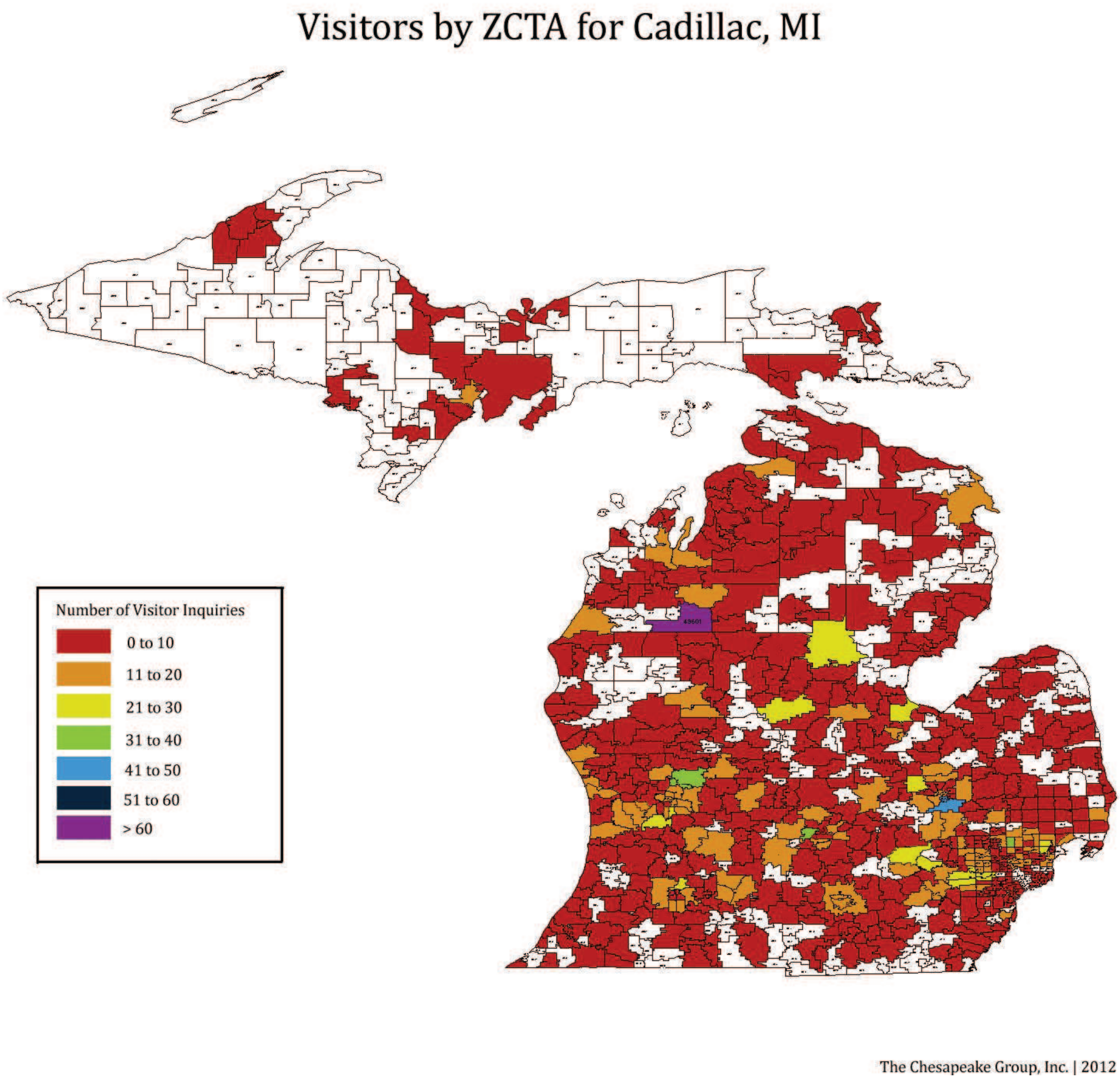
- ✓ In addition, reasonable contacts were made with residents of one of the other neighboring state (Wisconsin) as well as Minnesota, Missouri, Texas and California.

Michigan Visitors by States, Provinces and Territories in the United States of America and Canada



An examination of in-state contacts indicates that:

✓ Interests and likely visitors are dispersed throughout much of the state, including parts of the Upper Peninsula.



To facilitate obtaining further information from those that established contact, a survey was conducted. The survey results indicate:

✓ More than nine out of ten respondents came to visit the Cadillac area. (It is likely that the actual proportion is somewhat smaller.)

*Table 42 - Whether Visited Cadillac or Surrounding Areas in Wexford or Missaukee County**

Answer Options	Response Percent
Yes	92.5%
No	8.8%
Uncertain	2.5%

*Developed by The Chesapeake Group, Inc., 2012.

✓ The majority who comes to the area do so once, twice or a few times each year. About one-quarter comes every couple of years or less often; while about one in ten comes every one or two months.

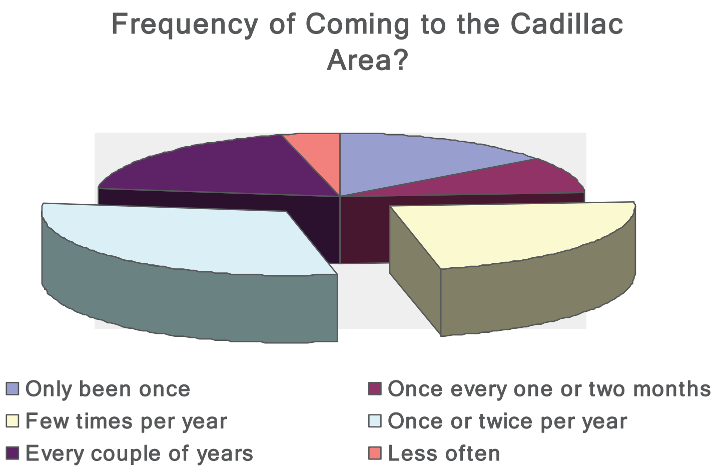


*Table 43 - Frequency of Trips to the Cadillac Area**

Answer Options	Percent
Only been once	14.7%
Once every one or two months	9.3%
Few times per year	22.7%
Once or twice per year	30.7%
Every couple of years	18.7%
Less often	4.0%

*Developed by The Chesapeake Group, Inc., 2012.

✓ While about two-thirds make trips to the Cadillac area during the short summer season and months; a reasonable proportion make trips during the other three seasons of the year.

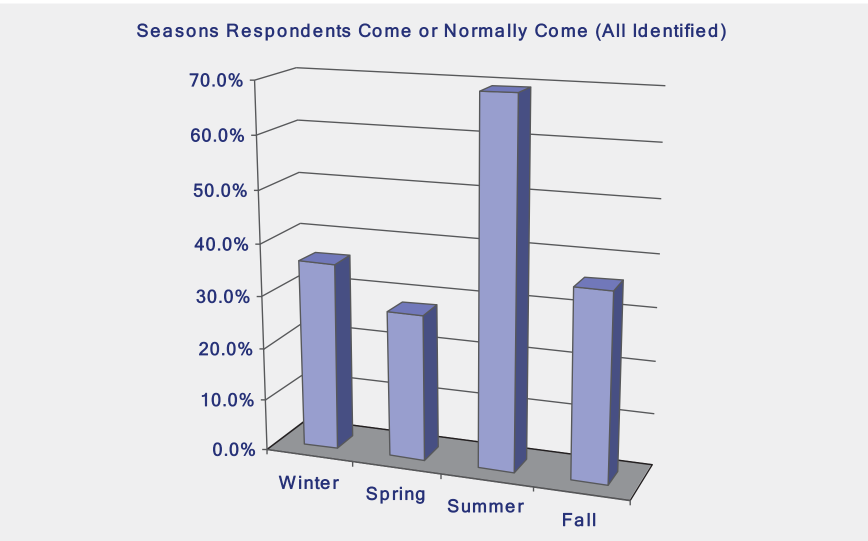


*Table 44 - Season of Trips to Cadillac Area (Multiple Seasons Possible)**

Answer Options	Percent
Winter	36.0%
Spring	28.0%
Summer	69.3%
Fall	36.0%

*Developed by The Chesapeake Group, Inc., 2012.

✓ More than one-half of those that come stay in a hotels, motels, or resorts in the Cadillac area for at least one night.

✓ About one-half dine out when making such trips.

- ✓ There are two activities in which about one-third of the visitors participate. These are shopping and fishing.

- ✓ About one-fourth of the visitors participate in boating and nature walks.

- ✓ There are also linked activities such as boating, fishing and sailing and nature walks, nature photography and hiking.

Table 45 - When Coming to the Cadillac Area, Activities in Which One Participates (Identified All Applicable)

Answer Options	Response Percent
stayed at least one night in a hotel, motel or resort in the Cadillac area	53.3%
dining out	45.3%
shopping	33.3%
fishing	32.0%
boating	28.0%
nature walks	28.0%
swimming	21.3%
visiting family or friends	21.3%
golfing	16.0%
nature photography	14.7%
hiking	14.7%
go to an event	12.0%
just passed through	10.7%
cross country skiing	8.0%
skiing	9.3%
hunting	9.3%
sailing	1.3%
other	25.3%

*Developed by The Chesapeake Group, Inc., 2012.

- ✓ Importantly and related to the rate of return to the area, about 52% describes their experience as being "extremely satisfied." More than an additional one-third describes themselves as being "moderately satisfied" with the experience.

*Table 46 - Description of Experience in the Cadillac Area**

Answer Options	Response Percent
Extremely satisfied	51.9%
Moderately satisfied	37.7%
Slightly satisfied	3.9%
Neither satisfied nor dissatisfied	2.6%
Slightly dissatisfied	1.3%
Moderately dissatisfied	1.3%
Extremely dissatisfied	1.3%

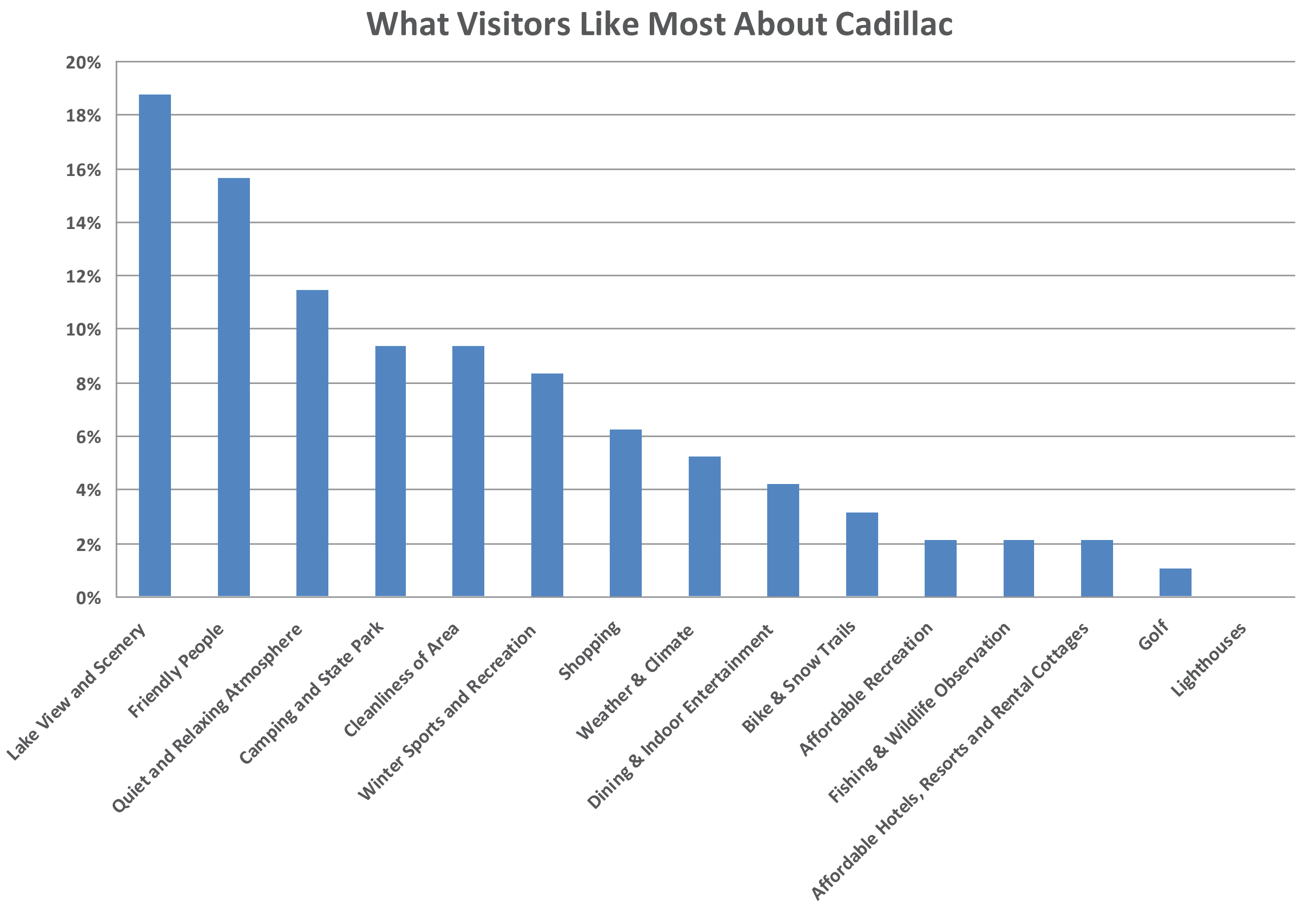
*Developed by The Chesapeake Group, Inc., 2012.

Elements of the Cadillac area most enjoyed or appreciated include lake views and scenery, the friendliness of the people, the quiet and relaxing atmosphere, the camping and state parks, the area's cleanliness and the winter sports and recreation.

Table 47 - Characteristic Most Liked from Your Experience in Cadillac*

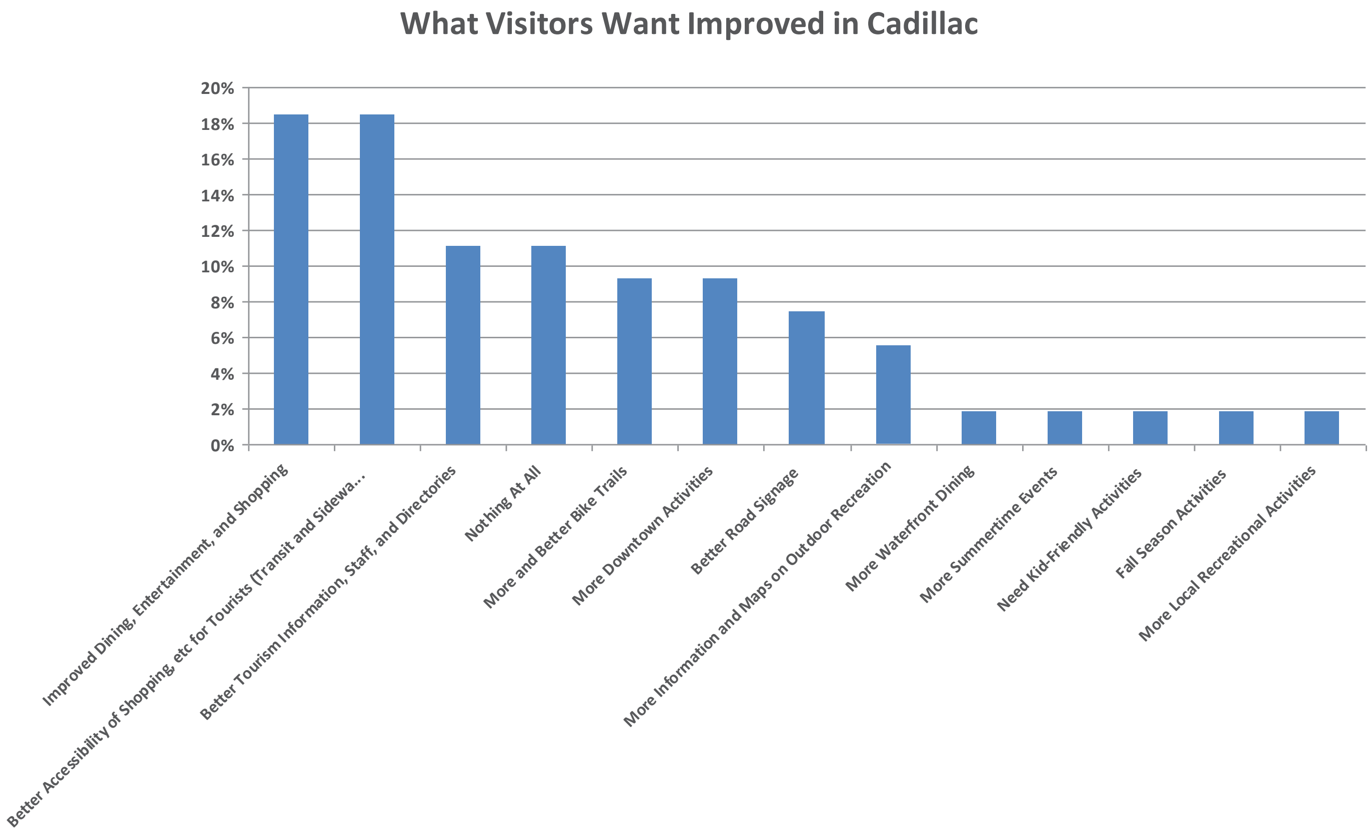
Response	*Lake View and Scenery*	*Friendly People*	*Quiet and Relaxing Atmosphere*	*Camping and State Park*	*Cleanliness of Area*	*Winter Sports and Recreation*	*Shopping*	*Weather & Climate*	*Dining & Indoor Entertainment*	*Bike & Snow Trails*	*Affordable Recreation*	*Fishing & Wildlife Observation*	*Affordable Hotels, Resorts and Rental Cottages*	*Golf*
Percent	**19%**	**16%**	**11%**	**9%**	**9%**	**8%**	**6%**	**5%**	**4%**	**3%**	**2%**	**2%**	**2%**	**1%**

*Developed by The Chesapeake Group, Inc., 2012.



✓ There are improvements indicated by the visitors that include the following in order of the proportion noting the desired improvements.

- Better dining, entertainment and shopping
- Better accessibility of shopping for tourists, such as transit and sidewalks
- Better tourism information and directions
- More and better bike trails
- More downtown activities
- Better road signage
- More info and maps on outdoor recreation.



✓ The majority (two-thirds) is at least "very likely" to recommend the Cadillac area to friends and relatives.

Table 48 - Likelihood of Recommending the Area to Others

Answer Options	Response Percent
Extremely likely	27.2%
Very likely	39.5%
Moderately likely	22.2%
Slightly likely	7.4%
Not at all likely	3.7%

*Developed by The Chesapeake Group, Inc., 2012.

✓ While the majority is satisfied as indicated; there is a minority that is unlikely to return. For those that will not, about one-third have financial concerns impacting visitations. There do not appear to be many reasons given that can be impacted by any changes in Cadillac.

*Table 49 - Primary Reason for Not Returning to the Area**

Answer Options	Response Percent
No good reason to come	20.7%
Satisfied with competing areas available	27.6%
Financial concerns	34.5%
Others	17.2%

*Developed by The Chesapeake Group, Inc., 2012.

- ✓ It is noted that less than one-fourth of those who sought information via electronic media or the internet found the information "extremely" easily. On the other hand, almost one-half found it to be "very easy" to find.

Table 50 - Ease of Finding Information on the Web sites, Facebook, Twitter, or Other Electronic Media or Reading Materials Sent*

Answer Options	Response Percent
Extremely easy	24.4%
Very easy	44.9%
Moderately easy	24.4%
Slightly easy	3.8%
Not at all easy	2.6%

*Developed by The Chesapeake Group, Inc., 2012.

- ✓ Mostly no one came to the Cadillac area on their most recent trip by themselves, with the majority coming with a spouse, significant other, family member or friends.

- ✓ At least one-third came with children or grandchildren.

*Table 51 - Party Associated with Most Recent Trip to the Area**

Answer Options	Response Percent
Came only with spouse or significant other	38.2%
Came with several family members or friends	19.7%
Came with spouse and significant other and with children	18.4%
Came with friends	9.2%
Came with spouse and significant other and children and grandchildren	5.3%
Came with children	3.9%
Came by myself	3.9%
Came with grandchildren	1.3%

*Developed by The Chesapeake Group, Inc., 2012.

- ✓ Respondents are split almost evenly with 45% being male and 55% female.

- ✓ Two-thirds are at least 50 years of age.

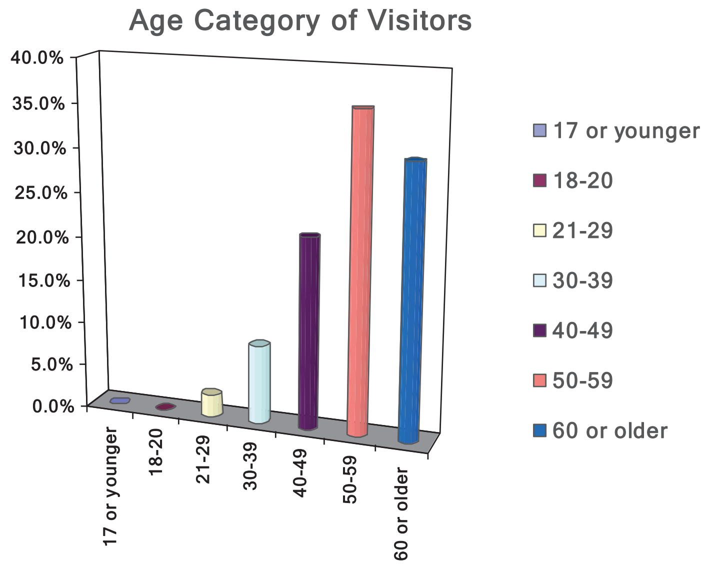


*Table 52 - Age of Respondents**

Answer Options	Percent
29 or Younger	2.6%
30-39	9.0%
40-49	21.8%
50-59	35.9%
60 or older	30.8%

*Developed by The Chesapeake Group, Inc., 2012.

✓ The visitors are generally educated, with 56% having at least an Associates Degree.

*Table 53 - Highest Level of Educational Achievement**

Answer Options	Response Percent
Less than high school degree	0.0%
High school degree or equivalent (e.g., GED)	17.5%
Some college but no degree	26.3%
Associate degree	20.0%
Bachelor degree	20.0%
Graduate degree	16.3%

*Developed by The Chesapeake Group, Inc., 2012.

✓ 56% are employed working 40 or more hours per week; while another 14% are employed working less than 40 hours per week. About one-fourth are retired.

*Table 54 - Current Employment Status**

Answer Options	Response Percent
Employed, working 1-39 hours per week	13.8%
Employed, working 40 or more hours per week	56.3%
Not employed, looking for work	1.3%
Not employed, NOT looking for work	2.5%
Retired	25.0%
Disabled, not able to work	1.3%

*Developed by The Chesapeake Group, Inc., 2012.

✓ 85% are married; and 10% are divorced.

✓ 77% have children. About one-fourth have children 10 years or younger and 22% have children between the ages of 10 and 17. On the other hand, 65% have children over 21 years of age.

*Table 55 - Age of Children**

Answer Options	Response Percent
Under 6	6.5%
6 to 10	19.4%
10 to 12	12.9%
13 to 17	19.4%
18 to 21	14.5%
Over 21	64.5%

*Developed by The Chesapeake Group, Inc., 2012.

Of those with adult children, more than one-half (53%) have grandchildren.

Non-resident Commercial Demand Generation

Based on the average length of stays, the types of activities in the area, estimates of per night expenditures, sizes of visitor parties and other factors; it is estimated that current visitors from outside the Cadillac Micro area, but inclusive of those from both within and outside of Michigan, contribute about $6.67 million to $10.6 million in revenues to the local economy for shopping and other activities in 2011. This is a conservative estimate based on assumptions that could understate the current level of economic contribution.

Assuming a marginal increase of about 5% in the market penetration rate of all visitors to this area of Michigan, which is a very conservative assumption; this contribution could easily double. On the other hand, while of importance to the current and future economy; it should be considered a secondary income for most business operations, with the exception of hotel, motel, or resort related facilities, with the primary source of income being the residents of the two counties and the City of Cadillac.

The opportunities that exist for growing visitor activity in Cadillac and Wexford County are to:

1. Extract greater dollars from those coming, but accepting that visitors will be a secondary market in most cases with the exception of the resorts.
2. Target new markets outside of Michigan, particularly states with known clusters of population interested in outdoor activity.
3. With changing regional and national demographics, with most population growth in two ends of the age spectrum, target and provide activity geared toward young children and empty nester populations.

Fortunately the area's resource base, being composed of continued strong agricultural activity and a variety of natural resources, lends itself individually and collectively to the two market segments.

Future Housing Demand

Information on potential future housing needs was also generated through the survey of residents. The salient information derived follows.

- Because of life-style changes, rental conditions, housing market conditions, employment changes, increase or decrease in family size, changes in physical or fiscal conditions, or for medical or other reasons; many residents will potentially move from their current residence in the next 5 years. About three in ten believe such a move is at least "likely;" and about one-half feel that such a move may occur.

*Table 56 – Potential Move in the Next Five Years for Whatever reasons**

Answer Options	Response Percent
Yes	30.1%
No	51.3%
Maybe	18.6%

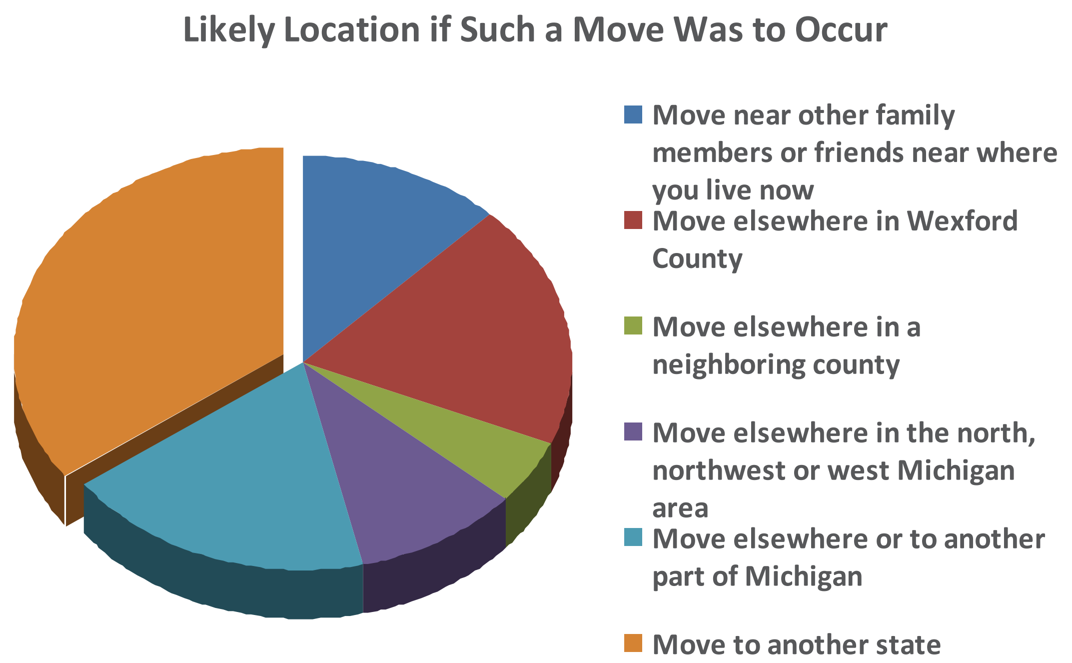
*Developed by the Chesapeake Group, Inc., 2012.

- If such a move occurs, about one-half believe that such a move might be to an area outside of the current town in which you live. For those likely to move, about 35% would be likely to move outside of Michigan.

*Table 57 - Likely Location of Such a Move**

Answer Options	Response Percent
Move near other family members or friends near where you live now	12.1%
Move elsewhere in Wexford County	19.3%
Move elsewhere in a neighboring county	5.0%
Move elsewhere in the north, northwest or west Michigan area	10.0%
Move elsewhere or to another part of Michigan	18.6%
Move to another state	35.0%

*Developed by the Chesapeake Group, Inc., 2012.



- Many believe the next housing unit would differ in size from their present. Of those that do, about two-thirds anticipate a smaller unit.

*Table 58 - Size of Next Unit if Move to Occur in Next Five Years**

Answer Options	Response Percent
Larger	15.1%
Smaller	37.5%
Same	39.5%
Uncertain	7.9%

*Developed by the Chesapeake Group, Inc., 2012.

- 73% of the households have senior family members in other locations, with 57% living near them at the present time. 87% of those senior family members own the units in which they reside. The overwhelming majority live in single-family detached units.

*Table 59 - Current Type of Unit in Which They Reside**

Answer Options	Response Percent
single-family detached	78.8%
town or row house	1.8%
duplex (2 families)	0.9%
single-wide mobile home	3.5%
building with 3 or less units	2.7%
building with 4 or more units	4.4%
mid or high rise structure	5.3%
other structure	2.7%

*Developed by the Chesapeake Group, Inc., 2012.

- Because of lifestyle changes, rental conditions, housing market conditions, employment changes, change in physical or fiscal conditions, or for medical or other reasons; more than one-fourth envision that senior person or those people moving from their current residence potentially in the next 5 years.

*Table 60 – Whether Senior Family Members Are Likely to Move in the Next Five Years**

Answer Options	Response Percent
Yes	28.6%
No	55.4%
Not sure	16.1%

*Developed by the Chesapeake Group, Inc., 2012.

- Important to future demand for housing in the Cadillac area, about one-third of those that anticipate such a move by a family member in the next five years anticipate that the move would be made closer to or nearby the Cadillac area resident.

*Table 61 - If Move Occurs, Likely that the Move Would be Near You**

Answer Options	Response Percent
Yes	33.9%
No	41.3%
Uncertain	24.8%

*Developed by the Chesapeake Group, Inc., 2012.

- The population that anticipates a move of a family member nearby is roughly split between whether or not hat person or people are likely to need assisted or independent living.

*Table 62 - Whether Such a Move Would Likely be to Assisted Living**

Answer Options	Response Percent
Independent living	24.3%
Assisted living	25.2%
Uncertain	50.5%

*Developed by the Chesapeake Group, Inc., 2012.

- There is a substantial portion of the population and those senior households that would move near relatives that would find having features such as recreational facilities on-site, possible physicians' offices, or shopping nearby so that an automobile trip would not be required would be a factor in the decision of where they would live. This has implications to several locations, including the downtown area of Cadillac and the western portions of the city as well as potentially some of the smaller population centers.

*Table 63 - Whether Having Noted Amenities be of Importance in Decision of Where to Live in the Area**

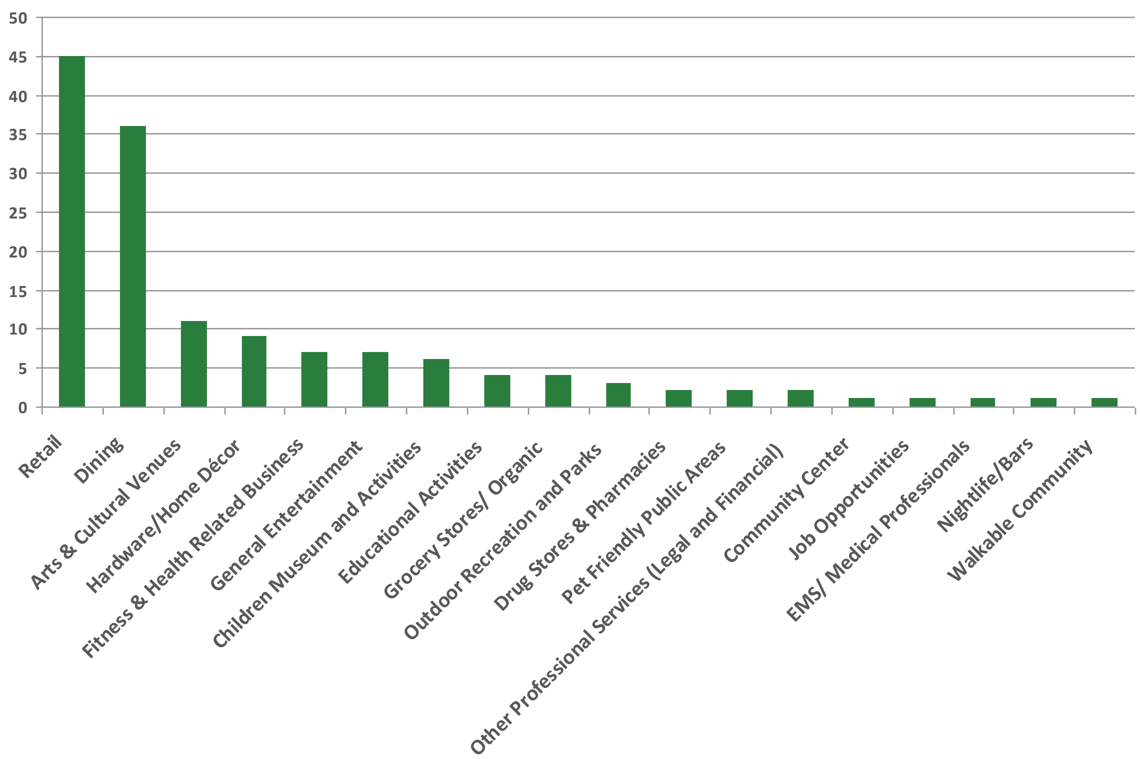
Answer Options	Response Percent
Yes	44.9%
No	19.6%
Uncertain or maybe	35.5%

*Developed by the Chesapeake Group, Inc., 2012.

- Furthermore and whether a current resident or future resident, there are a variety of businesses, services or activities people would like to see near their place of residence. These include but are not limited to:

Retail	A hardware store	Youth (Children) activities
Dining	Fitness and health related operations	
Art & Cultural activities	Entertainment	

Desired Activities, Businesses, or Services Like to See near Home



The survey indicates that while there will be out-migration from the Cadillac area; there is also likely to be in-migration that offsets the out-migration. Thus, there is no reason to believe that growth in new housing will cease, generated at least by new internal household growth.

As would be anticipated, the number of new housing units permitted has declined in recent years. Yet even in 2009 and 2010, the total for the three jurisdictions was 53 and 60, respectively.

*Table 64 – New Housing Unit Permits Issued by Jurisdiction from 2003 through 2010**

Year	2003	2004	2005	2006	2007	2008	2009	2010
Cadillac								
Item	Units	Units	Units	Units	Units	Units	Units	Units
Single Family	15	10	67	16	6	7	4	2
Two Family	6	0	0	2	4	0	0	0
Three and Four Family	8	4	0	0	0	0	0	0
Five or More Family	0	0	72	80	0	0	0	0
Cadillac Total	**29**	**14**	**139**	**98**	**10**	**7**	**4**	**2**
Wexford County								
Item	Units	Units	Units	Units	Units	Units	Units	Units
Single Family	206	212	227	144	93	58	26	39
Two Family	6	0	0	2	4	0	0	0
Three and Four Family	8	4	0	0	0	0	0	0
Five or More Family	0	0	72	80	0	0	0	0
Wexford County Total	**220**	**216**	**299**	**226**	**97**	**58**	**26**	**39**
Missaukee County								
Item	Units	Units	Units	Units	Units	Units	Units	Units
Single Family	90	79	84	51	47	32	20	16
Two Family	0	0	0	2	0	0	0	0
Three and Four Family	0	0	0	0	0	0	3	3
Five or More Family	0	0	0	0	0	0	0	0
Missaukee County Total	**90**	**79**	**84**	**53**	**47**	**32**	**23**	**19**

*Developed by the Chesapeake Group, Inc., 2012, as reported to the U. S. Bureau.

Based on the rate of new housing unit permits issued in the Cadillac area over the past five years and anticipated no upward swing in the future, it is very conservatively estimated that the area will grow by at least 600 new units by 2022.