

APPRAISAL REVIEW

**Seven Selected Properties Located in the
Near Vicinity of the Sunriver Country Mall
Sunriver, Oregon**

Date of Appraisal – March 27, 2007
Date of Review – April 27, 2007

Prepared For:

**William D. Chapman
General Manager
Sunriver Owners Association
57455 Abbot Drive
Sunriver, OR 97707**

Prepared By:

**Dana L. Bratton, MAI
Bratton Appraisal Group LLC
25 NW Hawthorne Avenue
Bend, Oregon 97701**



25 NW Hawthorne Ave.
Bend, Oregon 97701

Dana Bratton, MAI
Mike Caba, MAI
Cal Gabert
Nancy Gabert, SRA
Gregory Jones
Michele Payne
Deborah Schluter
Susan Smith
Scott Thomas
Marie-France
Woods Jones

April 27, 2007

William D. Chapman
General Manager
Sunriver Owners Association
57455 Abbot Drive
Sunriver, OR 97707

RE: Appraisal Review in Regard to Seven Selected Properties Located Near the
Sunriver Country Mall, Sunriver, OR

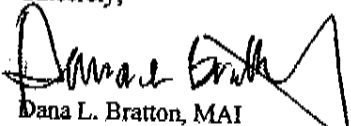
Dear Mr. Chapman:

Enclosed is the appraisal review addressing the content, methodology, and credibility of an appraisal completed by Matthew P. Call, Oregon State Certified General Appraiser #C000759, and Donald R. Palmer, MAI, Oregon State Certified General Appraiser #C000060, with PGP Valuation Inc. of Portland, Oregon. The appraisal estimates a current "as is" value (March 6, 2006) of seven parcels of land owned by the Sunriver Owners Association and located in the near vicinity of the Sunriver Country Mall.

This appraisal review has been written in conformance with the 2006 Edition of the Uniform Standards of Professional Appraisal Practice (USPAP) Standard 3: **APPRAISAL REVIEW, DEVELOPMENT AND REPORTING** with references given to the Dictionary of Real Estate Appraisal; 2002 and the Appraisal of Real Estate, 12th Edition; 2001. I have completed a field review of the subject property and comparable land sales, reverification of sales data, and concluded with an opinion of the adequacy and relevancy of data, appraisal techniques used, and the credibility of the concluded value estimate.

After completing the review process, I have concluded that the appraisal techniques employed are in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP); however, due to limited information in regard to important assumptions, the poor selection of comparable sales, and minimal discussion in regard to important market variables, the writers have not concluded with a "credible" value estimate. Detail in regard to my findings is contained in the following pages.

Sincerely,



Dana L. Bratton, MAI
State Certified Appraiser #C-000021

phone: 541.389.2233

fax: 541.389.6677

PRELIMINARY DATA

SUBJECT OF THE REVIEW ASSIGNMENT

A "*SUMMARY APPRAISAL REPORT*" in regard to land held in title by the Sunriver Owners Association and located around the perimeter of the Sunriver Village Mall. The appraisal identifies seven specific sites that range in size from 4,951 sf to 84,600 sf and are identified on the color coded map located on the following page of this document. The appraisal sets forth values as of March 6, 2006 and notes a total aggregate value of \$1,806,057. The authors of the report are listed as Matthew P. Call, Oregon State Certified General Appraiser #C000759, and Donald R. Palmer, MAI, Oregon State Certified General Appraiser #C000060, with PGP Valuation Inc., 110 SW Yamhill, Suite 200, Portland, OR 97204-3024.

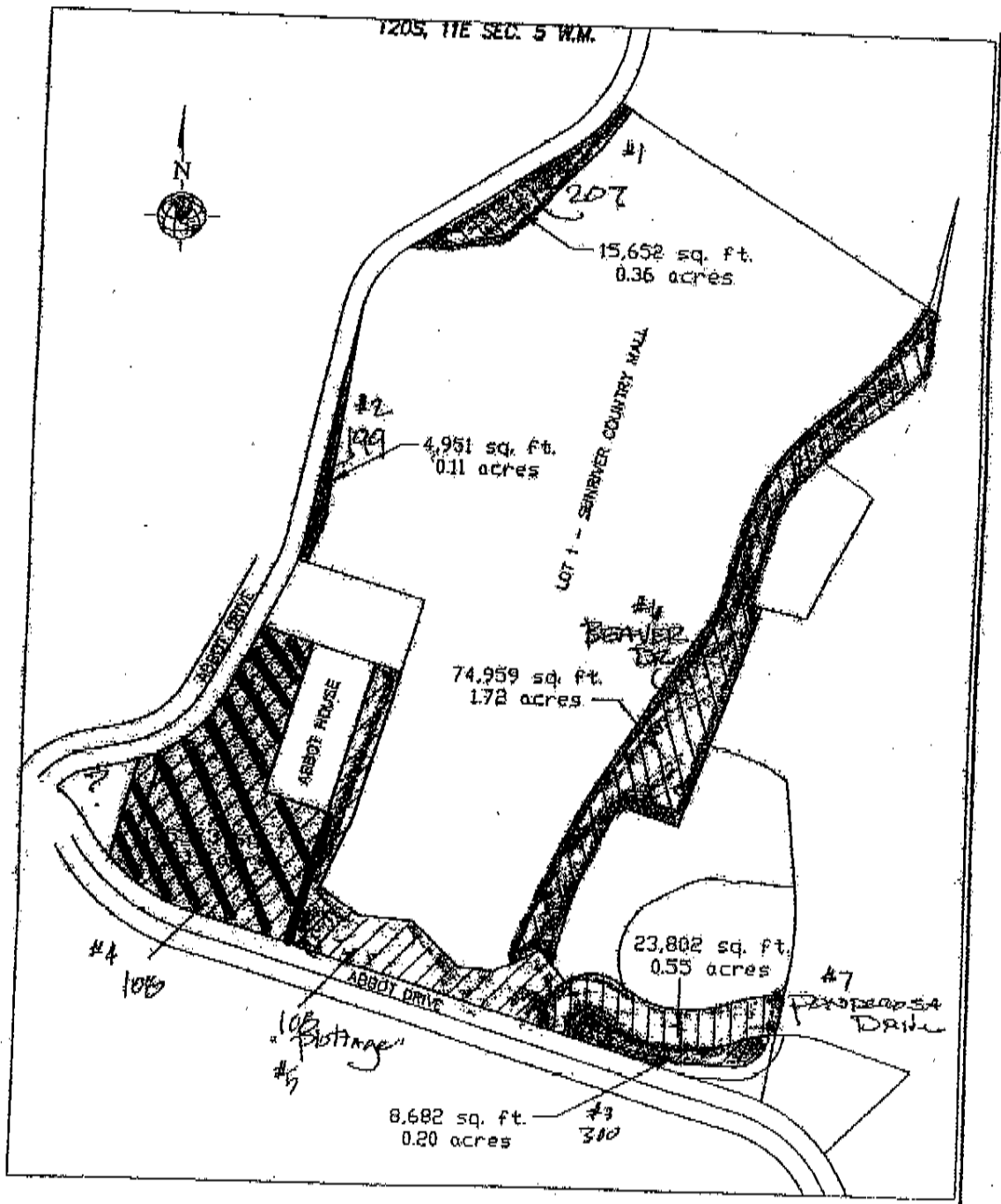
A copy of the appraisal was provided to me by William D. Chapman, general manager, Sunriver Owners Association, 57455 Abbot Drive, Sunriver, OR 97707.

PURPOSE AND INTENDED USE OF THIS APPRAISAL REVIEW

The purpose of this document is to develop an opinion as to the adequacy and relevancy of data, appraisal technique used, and credibility of the concluded value estimate. You will note that within the Scope of Work, this document is identified as a "*Field Review*" and my opinions are contained in the following text.

The intended use of this document is to assist members of the Sunriver Owners Association in making financial decisions in regard to the ongoing ownership and management of this property.

SITE MAP



SL7review: AbbotDrive_SRHOALand



CLIENT AND INTENDED USER OF THIS REPORT

This report has been written at the specific request of William D. Chapman, general manager, Sunriver Owners Association, 57455 Abbot Drive, Sunriver, OR 97707. It is my understanding that Mr. Chapman will review this document and submit it to the negotiating team of the Sunriver Owners Association for further review.

SCOPE OF WORK

The following steps were undertaken in arriving at the conclusions presented within this document:

On April 17, 2007, Dana L. Bratton, MAI received a hand-delivered copy of a communication from William D. Chapman. This communication requested the "field review" and listed specific areas of concern to the Sunriver Owners Association.

On April 19, 2007, I completed a full reading of the appraisal performed by Oregon State Certified General Appraisers employed by PGP Valuation Inc. This included a preliminary investigation of comparable sales used within the document that are identified as properties located in the Central Oregon area.

On April 20, 2007, I held a personal interview with William D. Chapman, general manager of the Sunriver Owners Association, and received information in regard to a change in zoning for the subject property and/or portions of the subject property that will accommodate commercial development within the Town Center District of Sunriver.

On April 23, 2007, I received an additional, hand-delivered communication from William D. Chapman, general manager of the Sunriver Owners Association, with expanded comments in regard to the valuation process which included calculations reflecting the positive impact on the redevelopment of Lot 1 (Sunriver Country Mall) as a result of the assemblage of fragments of land held in ownership by the Sunriver Owners Association.

On April 25, 2007, I completed a field review of the subject properties and comparable sales located within the Central Oregon region (land sales data used from Willamette Valley locations have not been inspected).

On April 27, 2007, I completed a second reading of the summary appraisal report prepared by Oregon State Certified General Appraisers employed by PGP Valuation Inc. in an effort to determine the reasonableness of the appraisal techniques used and the credibility of the concluded value estimate. After completing this final reading, the enclosed document was prepared and delivered to the client.

Note this appraisal review has been written to conform with the 2006 Edition of USPAP Standard 3 (pages 32 – 37) entitled APPRAISAL REVIEW, DEVELOPMENT AND REPORTING as set forth by the Appraisal Foundation and adopted by the State of Oregon. Standard 3, page 34 states *"A reviewer must take appropriate steps to identify the precise extent of the review process to be completed in an assignment. The reviewer must have sound reasons in support of the Scope of Work decision, and the resulting opinions and conclusions developed in the assignment must be credible and consistent with the intended use of the review."*

In making the Scope of Work decision, the reviewer must identify any extraordinary assumptions necessary in the assignment. An extraordinary assumption may be used in an appraisal review assignment only if:

- *It is required to properly develop credible opinions and conclusions;*
- *The reviewer has a reasonable basis for the extraordinary assumption;*
- *The use of the extraordinary assumption results in a credible analysis; and*
- *The reviewer complies with the disclosure requirements set forth in Standard Rules 3-2 (b) for extraordinary assumptions.*

The appraisal review must be conducted in the context of market conditions as of the effective date of opinion of the work being reviewed. Information available to the reviewer that could not have been available to the appraiser as of or subsequent to the date of work being reviewed must not be used by

the reviewer in the development of an opinion as to the quality of the work under review.

When the Scope of Work of the assignment includes a requirement for the reviewer to develop his own opinion of value, the following apply:

- *The reviewer's Scope of Work in developing his or her opinion of value may be different from that of the work under review.*
- *The effective date of the reviewer's opinion of value may be the same or different from the date of work under review.*
- *The reviewer is not required to replicate the steps completed by the original appraiser. Those items in the work under review that the reviewer concludes are credible and in compliance with the applicable standard can be extended to the reviewer's value opinion development process on the basis of an extraordinary assumption by the reviewer. These items not deemed to be credible or in compliance must be replaced with information or analysis by the reviewer, developed in conformance with the applicable standard to produce a credible value opinion.*
- *The reviewer may use additional information available to him that was not available to the original appraiser in the development of his or her opinion; however, the reviewer must not use such information as the basis to discredit the original appraiser's opinion of value.*

Special Note: The review has focused on the adequacy and relevancy of data, appraisal technique used, and credibility of the concluded value estimate.

COMMENT IN REGARD TO EXTRAORDINARY ASSUMPTIONS:

1. The appraisal assumes that the subject parcels have commercial zoning designation. The actual zone is changing to "town center commercial" which is a relatively unique zone that should have been described in further detail. This would have been helpful in analyzing the subject property in relationship to comparable sales. The Highest and Best Use analysis states that the most appropriate use is for plottage to adjacent property owners and commercial development is assumed.

Actually, the town center commercial zone allows for mixed-use development including a residential component, and this is different than many commercial zones in Central Oregon, as well as the commercial zones reflected by comparable sales.

2. Parcels identified as #3 (tax lot 300) and #7 (Ponderosa Drive) could be assembled and identified as a developable parcel rather than plottage land. Parcel #7 (Beaver Drive) has a portion of the land that could be utilized as a developable site, and this should have been analyzed in detail by providing additional engineering or design review. Parcel #4 (tax lot 108) is a developable parcel; however, the total size is in question.
3. An extraordinary assumption has been made that the subject lot sizes and shape provided by W & H Pacific are accurate. W & H Pacific is an engineering firm with an office in Bend, Oregon. Perhaps this engineering firm could be contacted to determine the total size of developable property identified as either part or all of parcels #3, #4, #6, and #7.

The reviewer recommends additional research and site design work to determine if these properties have development potential.

OPINION OF COMPLETENESS OF MATERIAL UNDER REVIEW:

The document as prepared was described as a "*SUMMARY APPRAISAL REPORT*" that was expected to meet appraisal report writing guidelines set forth by the Uniform Standards of Professional Appraisal Practice Standards 1 and 2 as they relate to a "*summary appraisal report*." After reading the appraisal, it is my opinion that it meets the report writing criteria of USPAP. This professional document includes requirements such as identification of the subject property, definition of market value, statement of property rights appraised, exposure time/marketing period, certification, etc. The appraisers have written the document to comply with USPAP requirements for a "*summary appraisal report*."

OPINION AS TO THE APPARENT ADEQUACY AND RELEVANCE OF THE DATA:

Five comparable land sales were set forth in a summary market grid on page 19. These sales are commercially zoned land located in Bend and Redmond. The development zone applicable to these properties is not a direct match to the "town center commercial" as it applies to the Sunriver property. Furthermore, they are located in neighborhoods that have different financial criteria (building rents, etc.). Generally, appraisers consider the most applicable data to be properties located within the immediate area. Preliminary research appears to indicate that there are sales of commercially zoned land located in the immediate vicinity of the subject property that were overlooked. These properties should have been discussed. Also, there are other commercial districts located within close proximity to the Sunriver Business Center. Recent sales in these neighborhoods should have been discussed. Financial conditions within the community of Sisters, Oregon, which has a similar economic base to Sunriver, may have been considered before analyzing land sales in Bend (70,000 people) and Redmond (22,000 people).

The reviewer would recommend additional market research in the immediate vicinity of Sunriver and, perhaps, the community of Sisters as an alternative neighborhood with a similar economic profile.

Page 22 of the summary appraisal report sets forth a market grid with four comparable sales used to document a discount for plottage. These properties are located in St. Helens, Milwaukie, and Redmond, Oregon. Little detail has been given in regard to the sales; however, discounts for plottage are equal to 19%, 57%, 79%, and 84%. The appraiser has concluded with a discount of 80% due to the limited marketability of the subject properties.

I believe that additional analysis of land sales transactions involving the acquiring of plottage land within the Central Oregon area would have been preferred over comparables in the Willamette Valley area. I recognize that the plottage theory remains consistent; however, the local market should have been reviewed thoroughly before expanding the geographical boundaries of the market search to the Willamette Valley area.

The discount for plottage value has been supported; however, a large amount of appraisal judgment is used.

CONCLUSION TO REVIEW:

After completing the review process as described, I have concluded that the appraisal techniques used are appropriate for the valuation process; however, comparable data as included and described does not conclude with a credible value estimate.

RESPONSE TO SUNRIVER OWNERS ASSOCIATION ADDITIONAL QUESTIONS:

This section of the review includes a direct response to written questions provided by William D. Chapman, general manager, Sunriver Owners Association. A response is set forth in the numerical sequence of the questions.

1. Sales of properties located adjacent to the Sunriver Country Mall and acquired by the new owner/developer of the Country Mall should have been considered prior to analyzing commercial land sales in Bend and Redmond. I believe that PGP Valuation Inc. appraisers should have discussed these properties in summary due to the fact that they are located so close, with some contiguous to the properties valued. Although they are currently improved with structures, it appears that the properties are being purchased for redevelopment. If existing structures are to be removed to accommodate redevelopment, it appears that the purchase price could be allocated to the underlying land. Further explanation would be warranted.
2. The question in regard to the highest and best use of individual properties appraised. Are they development parcels or are they "plottage" lands to the adjacent property owner? This is difficult to determine by looking at the properties, and I am not a land surveyor. I would recommend additional research from an appropriate engineering/surveying team that may be able to expand the development portion of parcel #4 (tax lot 108) and create a

development site on parcels #3 and #7 (tax lot 300 and adjacent Ponderosa Drive) and parcel #6 (an expanded portion of the existing Beaver Drive).

3. As stated in the prior paragraph, parcel #3 (tax lot 300) and parcel #4 (Ponderosa Drive) appear to be of an adequate size and configuration that they could be combined to create a development parcel with frontage on Abbot Drive, which is a major arterial into the Sunriver area. Whether or not this land would be valued as a development parcel or as plottage land should be determined by an engineer/surveying team.
4. When plottage land sales are not available in the near vicinity, an appraiser must expand the geographical boundaries of the market search until sufficient market data is available. In an effort to determine an appropriate discount for the limited marketability of a plottage parcel, the appraiser should study the community of Sunriver and then expand the boundaries of the market search to include the communities of Sisters, Redmond, Bend, and other Central Oregon communities before traveling to the Willamette Valley. The "theory" that plottage properties are sold at a discount off of market value due to limited marketability is likely to be consistent throughout all cities. However, the distance between the subject property and comparable land sales used raises the questions as to whether the PGP Valuation Inc. appraisers completed sufficient market analysis within the Central Oregon region. I would recommend additional research.
5. I do not know the basis of the conclusion that the subject parcels provide limited utility. This is not developed within the "summary appraisal report" as provided. This question should be addressed to the original appraisal team.

CERTIFICATE OF APPRAISAL REVIEW

I certify that, to the best of my knowledge and belief:

1. The facts and data reported by the reviewer and used in the review process are true and correct.
2. The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no (or the specified) present or prospective interest in the property that is the subject of the work under review and no (or the specified) personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
7. My analyses, opinions and conclusions were developed, and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
8. I have made a personal inspection of the subject property of the work under review.

The property which is the subject of this appraisal review is:

Sunriver Owners Association Land


Dana L. Bratton, MAI
State Certified Appraiser #C-000021

April 27, 2007