



Date of Report:

November 15, 2007

Submitted To:

Rita Rogerson
Contracts and Leasing Manager
Oregon Department of Aviation
3040 25th Street SE
Salem, Oregon 97302-1125

Date of Survey:

October 19, 2007

Submitted By:

Clint C. Becraft
Richard J. Duncan, MAI, SRA
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Duncan & Brown File No. 07-286c

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November 15, 2007

Rita Rogerson
Contracts and Leasing Manager
Oregon Department of Aviation
3040 25th Street SE
Salem, Oregon 97302-1125

Re: Airport Ground Lease Rate Survey
Cape Blanco State Airport
Curry County, Oregon

Dear Ms. Rogerson:

Pursuant to your written authorization, we have completed an airport ground lease rate survey for the purpose of determining the fair market lease rate for runway access land at the Cape Blanco State Airport in Curry County, Oregon, as of October 19, 2007.

After an inspection of the subject property and based on subsequent research and analysis of pertinent market data, it is our opinion the fair market rental rate for runway access land, as of October 19, 2007, was:

\$0.10 Per Square Foot Annually*

**The conclusion of market rent above assumes a periodic escalation based on the Consumer Price Index. Each of the comparables utilized in concluding the fair market rental rate for the subject have provisions for periodic increases.*

In order to arrive at an opinion of fair market rent for the subject property we have surveyed those airports that lease sites that are most similar to the subject in terms of location, city size, airport facilities and activity. Some provide a higher level of facilities and service and some lower. Generally, the fields with more services, facilities and commercial activity command higher lease rates. The comparables were used to establish a reasonable range of rent levels for the subject.

This Summary Report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Report. As such, it presents only summary discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraisers' conclusions. Supporting documentation concerning the data, reasoning and analyses is retained in the

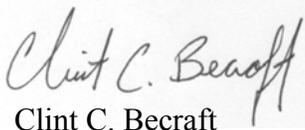
appraisers' file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use. The appraisers are not responsible for unauthorized use of this report.

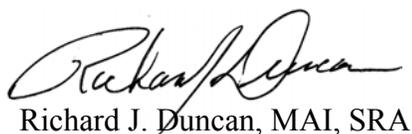
The attached survey report details the basis and reasoning for our conclusions. Please refer to the Summary of Salient Facts on page 5. Your attention is also directed to the statement of Assumptions and Limiting Conditions contained on pages 6 through 7. This report has been made in conformance with the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of Appraisal Foundation.

We certify this survey report has been prepared in accordance with the Code of Professional Ethics and Standards of Professional Practices set forth by the Appraisal Institute. We certify we have no present or contemplated interest in the property and our fee for making this report is not predicated upon reporting any specified value or value range.

Please call at your convenience if any additional data or information is required.

Respectfully submitted,
DUNCAN & BROWN


Clint C. Becraft


Richard J. Duncan, MAI, SRA

CCB, Certification No. C000856, Exp. 04/30/08
RJD, MAI, SRA, Certification No. C000106, Exp. 7/31/09

CCB/RJD/mk

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SUMMARY OF SALIENT FACTS

Name/Location: Cape Blanco State Airport
Airport Road
Curry County, Oregon

FAA Identifier: 5S6

Oregon Functional Category: 5

Service Level: Low Activity General Aviation

NPIAS Role: Not included in NPIAS

Facilities: 5,100' x 150' paved runway, paved taxiways, paved ramp area. No FBO services, control tower or navigation aides.

Current Ground Lease Rate: \$0.07/sf/year

Fair Market Rent Conclusion: \$0.10/sf/year

Date of Report: November 15, 2007

Date of Inspection: October 19, 2007

Appraisers: Clint C. Becraft
Richard J. Duncan, MAI, SRA

ASSUMPTIONS & LIMITING CONDITIONS

General Assumptions and Limiting Conditions

1. This is a Summary Report, which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Report. As such, it may not include full discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraisers' conclusions. Supporting documentation concerning the data, reasoning and analyses is retained in the appraisers' file. The information contained herein is specific to the needs of the client and for the intended use stated in this report. The appraisers are not responsible for unauthorized use of this report.
2. Title to the property is assumed good and marketable unless otherwise stated in this report. No responsibility is assumed for the legal description or for such matters including legal or title considerations.
3. The property is analyzed free and clear of any or all liens or encumbrances unless otherwise stated in this report.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
6. Any plot plans or illustrative material in this report are included only to assist the reader in visualizing the property.
7. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed there is full compliance with all applicable federal, state and local environmental regulations and laws, unless non-compliance is stated, defined and considered in the appraisal report.
9. The appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers that may suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The appraisers' conclusions are predicated on the assumption there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers'

Assumptions & Limiting Conditions

descriptions and comments are the result of the routine observations made during the appraisal process.

10. Compliance with all applicable zoning and use regulations and restrictions is assumed unless a nonconforming use has been stated, defined and considered in the report.
11. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the conclusions contained in this report are based.
12. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless otherwise stated in this report.
13. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
14. It is assumed that, inasmuch as a detailed soils survey was not provided, the soil conditions found within the subject property would not excessively restrict and/or inhibit its development when compared to competing sites.
15. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraisers, and in any event only with proper written qualification and only in its entirety. The appraisers are not required to give further consultation, testimony, or be in attendance in court with reference to the property in question by reason of this appraisal, unless arrangements have been previously made.
16. Neither all nor any part of the contents of this report, including any conclusions, the identity of the appraisers, or the firm with which the appraisers are connected, shall be disseminated to the public through advertising, public relations, news, sales or other media without the prior written consent and approval of the appraisers.

PRELIMINARY INFORMATION

Subject of Survey

The subject of this survey is the land area at the Cape Blanco State Airport that has runway access. This includes the land area to be leased to private hangar owners and any commercial fixed base operators.

Purpose, Function and Intended User of the Report

The purpose of this survey is to estimate the fair market rental rate for runway access land at the subject property, as of the date of property inspection, October 19, 2007. The function of this survey is to assist the client in setting the rental rates for land at the Cape Blanco State Airport. The intended user of the report is the Oregon Department of Aviation.

Fair Market Rent Definition

The rental income that a property would most probably command in the open market; indicated by the current rents paid and asked for comparable space as of the date of the appraisal.¹

Scope of the Assignment

The scope of the assignment has been to collect, confirm, analyze and interpret pertinent market data and other market forces so as to arrive at an estimate of fair market rent for runway access land at the subject property as of the date of inspection. This assignment incorporated an investigation of all pertinent data relating to the subject property, including, but not limited to:

- Personal inspection of the subject property
- Review of public property records
- Review of rules governing use of State-owned airports
- Review of current leasing policies at the subject property
- Research of market conditions
- Research of land lease rates at comparable airports

Information relative to the subject's regional, neighborhood areas and competitive neighborhoods were researched and considered, as well as the current market trends and the competitive position of the subject property.

The client understands and is in agreement with the survey report being conveyed in a summary format.

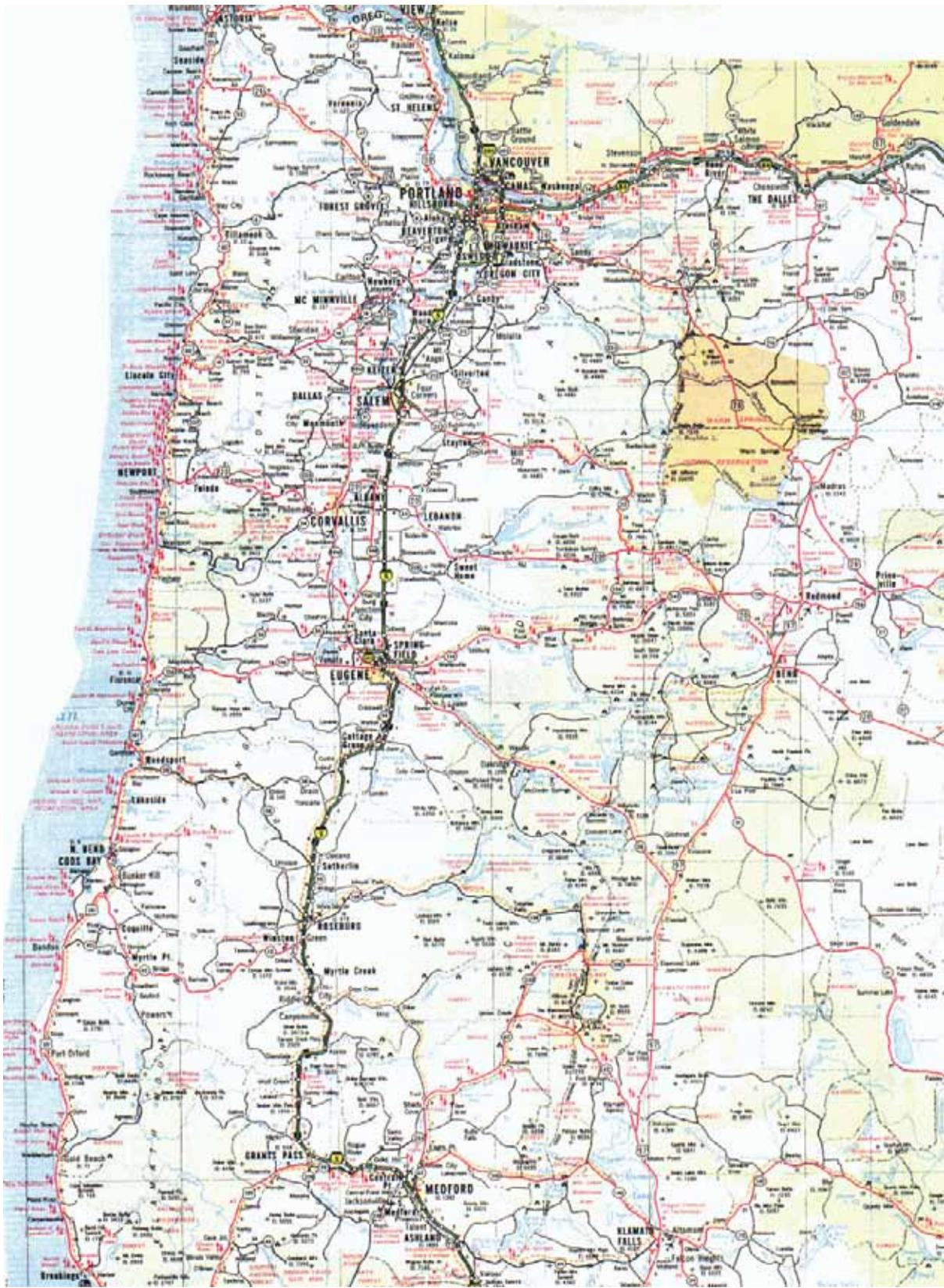
Compliance & Competency Provision

This report has been prepared in compliance with the current edition of the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation. Clint C. Becraft and Richard J. Duncan, MAI, SRA, are certified general appraisers in the State of Oregon, Certification Nos. C000856 and C000106, and have the knowledge and experience to complete this assignment competently, in compliance with the stated regulations.

1. The Dictionary of Real Estate Appraisal, Chicago, 1993, Appraisal Institute, p. 221.

Inspection Data

Date:	October 19, 2007
Owner Representative:	None
Duncan & Brown Representatives:	Clint C. Becraft



Regional Location

ABBREVIATED REGIONAL DESCRIPTION

Curry County, Oregon

Cape Blanco State Airport is located adjacent to Floras Lake State Park in northern Curry County, Oregon. Geographically, Curry County is the southernmost county situated along the Oregon coast and abuts the northwestern corner of California to the South. The Cape Blanco area is the westernmost point in Oregon. Much of Curry County is rugged and steeply sloping with heavily forested hills and mountains that begin a few miles inland from the coastal shore. The majority of Curry County's population lives within a one to five mile-wide strip along the coastline. The primary towns within Curry County are the three incorporated cities of Port Orford, Brookings and Gold Beach, which is the county seat.

The population of Curry County is estimated at 21,365, as of 2006, according to the Population Research Center at Portland State University. This estimate is up 10.5% from the 1990 Census figure of 19,327 and 1% from the 2000 Census figure of 21,137. Of the incorporated cities, Brookings is the largest at 6,315 residents. Gold Beach has 2,445 residents and Port Orford has approximately 1,225 residents. Gold Beach experienced the fastest growth with a 28.9% increase from the 2000 Census figure of 1,897 residents. The 1990 and 2000 Census data shows that the unincorporated areas of the County account for approximately 60% of the population, of which the majority is located with the greater Gold Beach and Brookings areas.

Employment in past years has typically been in such natural-resource industries as wood products and fishing, but employment in these industries has been declining, resulting in increasing employment in other sectors. Retirement income and tourism dollars have become increasingly important to the county's economy. Employment in the retail and trade services, especially health care, has grown as the population has aged. Total non-farm employment for Curry County is 7,070 as of August 2007. Historically, the unemployment rate for Curry County has been higher than the state average. As of August 2007 the unemployment rate for Curry County was 6.1% and the rate for the State of Oregon was 5.4%. The largest employers in the county include South Coast Lumber, Freeman Rock Enterprises, Curry County Government, Central Curry School District, Freeman Marine, U.S. Forest Service Office and State Government Offices.

The climate of Curry County is relatively mild because of warm western winds off the Pacific Ocean that affect much of the county, with the exception of the Brookings area. However, winds of up to 100 knots are not uncommon during the winter months. The noted exception of the Brookings area is due to a phenomenon known as the "Brookings Effect". The primary cause of this effect is that the state's coastline curves east near California bringing the shore closer to the mountains and perpendicular to the interior high-pressure systems. The average temperature for Curry County during the summer months is 68° with the average temperature during the winter months being 45°. Annual rainfall is around 80". The mild climate and generous rainfall to the area has provided commercial grade timber that covers an estimated 75% of the region's total land area of approximately 1,041,000 acres.

Curry County has three primary ports situated along its Pacific Coastline, two of which, Brookings and Gold Beach, are located at the mouths of the Chetco and Rogue Rivers, respectively. The remaining port, Port Orford, takes advantage of the coastline which provides

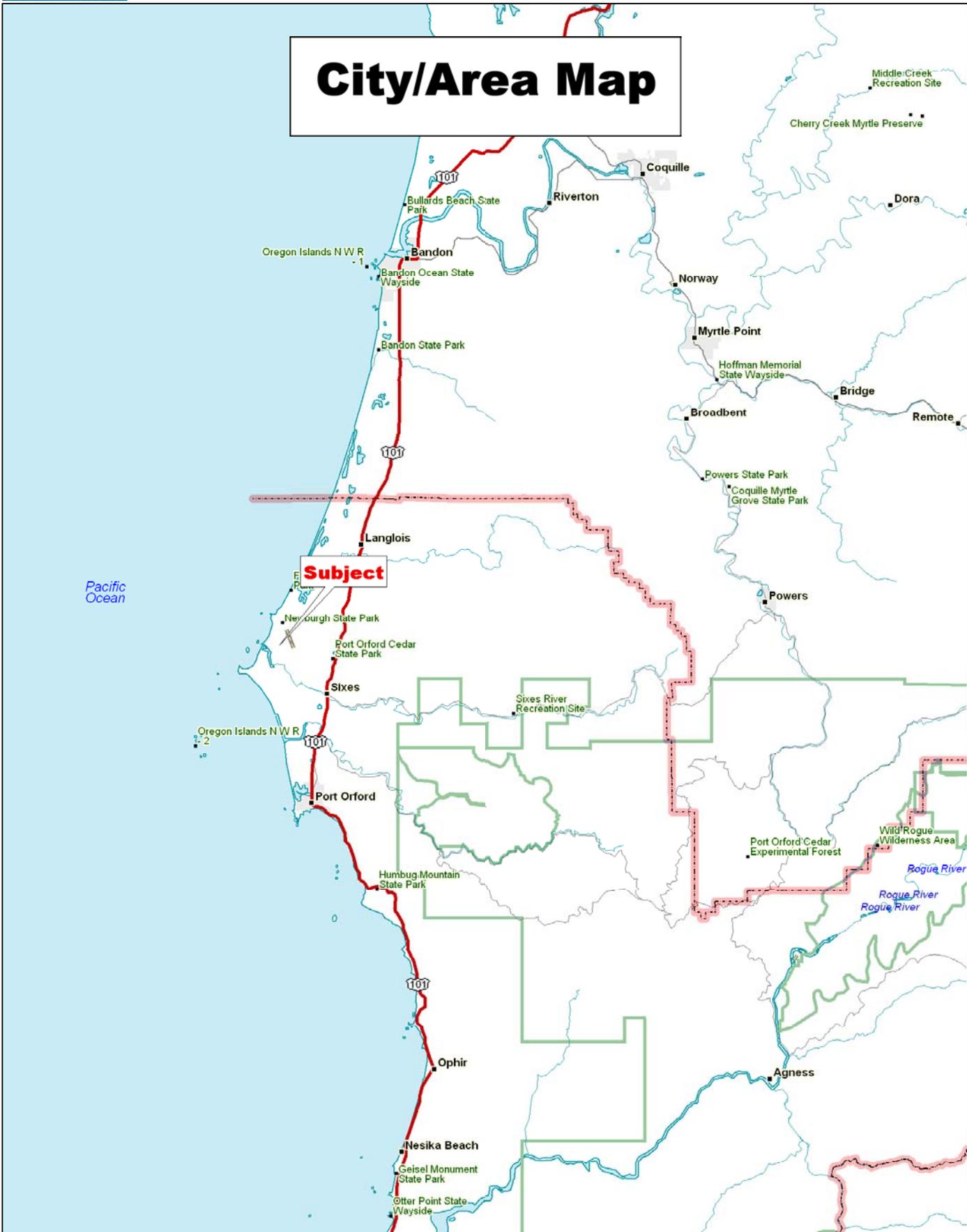
Abbreviated Regional Description

natural relief and harbor from the northerly winds. Historically, these ports have attracted a number of sports fishing enthusiasts. However, past drastic reductions or elimination of summer sport fishing has greatly reduced the use and hurt the economies of these tourist ports. Likewise, there has been a decrease in commercial fishing for salmon and bottom fish.

The Curry County area is connected to the inland population centers by means of U. S. Highway 199, which is a 3- to 4-hour drive to the Rogue Valley (Grants Pass, Medford and Ashland), as well as State Highway 42, a 3- to 4- hour drive to Roseburg, Eugene and the Willamette Valley. The highway transportation situation is still a major barrier to commercial traffic and further economic development for the region. Further, Curry County does not have commercial passenger air traffic. The closest major carrier is located in North Bend where a commuter line connects with Eugene and Portland. North Bend has seen an increase in private aircraft flights due to the continuing development of the Bandon Dunes Golf Resort. Much of the traffic is corporate jets, which goes to North Bend Municipal Airport due to the facilities and services. Some smaller jets and propeller planes use Bandon State Airport, which has a shorter runway. General aviation in Curry County is served by Brookings, Gold Beach and Cape Blanco airports. The nearest rail line is in Coos Bay, requiring all products to travel by truck. The nearest hospitals are in Crescent City and Gold Beach, and there is an air ambulance to Crescent City.

In summary, Curry County is a scenic community with an attractive climate and numerous recreational opportunities consisting of a mix of retirees and working class families. The economic base is limited to mostly the service industries. The economy has diversified somewhat in recent years and it is expected to continue to do so in the future. The local economy generally parallels national trends and the national business cycle, although at a slower pace. Overall, the area is expected to experience stable economic and population growth in the few years. Real estate values have appreciated and depreciated with the swings of the local economy and the amount of in-migration.

City/Area Map



PROPERTY DATA

Ownership

The subject property is owned by the State of Oregon and operated by the Oregon Department of Aviation (ODA).

Current Rental Rates

The current stated rates for the airport are \$0.07 per square foot for both commercial and non-commercial tenants. The ODA defines commercial tenants as any entity that is operating a business at the airport, in addition to the Fixed Base Operator (FBO). This includes owners of hangars that rent space to aircraft owners. This definition of commercial tenant is somewhat unusual in the market where commercial tenants are more commonly defined as those with commercial businesses on the field, primarily FBOs.

The ODA rent charges are based on the building footprint, plus a five-foot setback on the front, sides and rear of the building, which is typical in practice in the market. At some competing airports, however, a larger front setback than the sides and back is required to cover the size of the front apron. Some other airports do not require any setbacks and the lease area is based on the footprint of the building structure. In this analysis, the fair market rent for the subject property will be estimated based on five-foot setbacks on the front, sides and rear.

The ODA also currently offers a lower rate for undeveloped land area. The rental rate for undeveloped land is quoted as \$0.05 per square foot per year. The unimproved land lease rate will be addressed in a later section of the report.

SUBJECT PHOTOGRAPHS



Main entrance from Airport Road.



Hangars and ramp area.



Viewing north toward the field from the ramp area.



Viewing east toward the field from the ramp area.



Viewing south on the taxiway.

SUBJECT DESCRIPTION

Airport Classification

Airports are categorized according to their function in the State and national airport systems. Below, the State classifications system is summarized. The chart below presents the five functional categories for the State of Oregon, their significant function and designation criteria. The subject is not included within the Federal Aviation Administration’s (FAA) National Plan of Integrated Airports Systems (NPIAS), therefore, a description of the NPIAS system has been omitted.

OREGON AIRPORT FUNCTIONAL CATEGORIES

Category²	Significant Function³	Designation Criteria⁴
1	Commercial Service Airports	Accommodate scheduled major/national or regional/commuter commercial air carrier service.
2	Business or High Activity General Aviation Airports	Accommodate corporate aviation activity, including business jets, helicopters, and other general aviation activities.
3	Regional General Aviation Airports	Accommodate a wide range of general aviation users for large service areas in outlying parts of Oregon. Many also accommodate seasonal regional fire response activities with large aircraft.
4	Community General Aviation Airports	Accommodate general aviation users and local business activities.
5	Low Activity General Aviation Airports	Accommodate limited general aviation use in smaller communities and remote areas of Oregon. Provide emergency and recreational use function.

Source: Oregon Aeronautics Oregon Aviation Plan, Page 18, Exhibit III-3

The Cape Blanco State Airport is classified as a Category 5, Low Activity General Aviation Airport. Category 5 airports accommodate limited general aviation use in smaller communities and remote areas of Oregon. Activity levels at these airports are generally lower than community airports and they are not typically included in the FAA’s National Plan of International Airport Systems. Category 5 airports have hard surfaced or unpaved runways (gravel, dirt, or turf). Some

2. Category 1 airports are divided into two groups based on the level of air service provided and the forecast design aircraft.
3. “Significant Function” identifies the most demanding function associated with each airport. Most airports have multiple functions. It is recognized that in addition to the highest primary function identified, each airport also provides many of the functions identified in the subsequent categories.
4. Activity breakdowns or thresholds listed in the “Criteria” column reflect existing distributions among Oregon airports. Among Oregon’s 101 public-use airports, only 22 have more than 30,000 annual operations; nearly half of Oregon’s 101 public-use airports have less than 2,500 annual aircraft operations and ten or fewer based aircraft.

of the runways have lighting. The airports typically only operate with visual flight rules (VFR) capabilities and have runway systems capable of accommodating limited use and general aviation activity. Several Category 5 airports provide an important emergency function due to their location in areas of hazardous terrain or weather conditions. Many of these airports provide access to unique recreational attractions in remote areas of Oregon. Services such as aviation fuel and aircraft maintenance are generally very limited at Category 5 airports.

The facilities and navigation aides for the Cape Blanco State Airport are summarized below.

Airside Facilities

There is one asphalt paved runway (14/32) which is 5,100 feet long and 150 feet wide, which is long for a typical Category 5 airport. There is not a parallel taxiway at this time, but there are two paved taxiways at the mid-field area providing access to the ramp area. The ramp area is asphalt paved but does not include any tie downs.

Navigation Aids

Cape Blanco operates under visual flight rules (VFR) only. There are currently no other navigation aids.

Landside Facilities

Landside facilities refer to all areas not included in the runway and taxiway system. These facilities include the FBO, hangars, taxi-lanes, utility services and vehicular access.

Cape Blanco Airport does not have an FBO. Fuel is not available. The nearest fuel is located at Bandon, 20 miles to the north or Gold Beach, 30 miles to the south. There are no commercial users on the field.

In regard to hangars, there are two located at the west side of the ramp area and one located to the north of the ramp area located at the west side of the taxiway. There is room for several additional hangars to the west of the north taxiway. The field is served by electricity only. There is a portable toilet at the ramp area. There is a security gate at the main entrance but no additional fencing was noted. The airport is surrounded by densely forested areas.

AIRPORT GROUND LEASE SURVEY

Cape Blanco State Airport is classified as a Category 5, Low Activity General Aviation Airport. The most similar airports providing the best ground rent comparables would be other publicly-owned airports with a similar classification located in rural areas. The nearest publicly-owned Category 5 airport with a tenant is the Malin Airport, which is located in rural southern Oregon. Myrtle Creek Municipal and Illinois Valley have also been included, which are Category 4 airports in rural settings, each having a different level of facilities and services. Brookings and North Bend have also been included due to their similar coastal locations, but are both generally superior to the subject. Several other airports were surveyed in western Oregon that are not included in the analysis due to differing characteristics.

Unit of Comparison

Airport land in the Pacific Northwest is typically leased on a per-square-foot basis with the lease amount based on the building footprint area plus setback areas around the building, typically five feet. The tenants are not charged for the taxi lanes or taxi-ways. The exception is Fixed Base Operators (FBOs) which typically have a ramp area in front of their buildings for outside storage of aircraft and for transient aircraft use. The FBOs typically lease that area as well; however, it is common for the FBO to be in control of more ramp area than is actually leased. This is due to the nature of small airports where the FBO is often also the airport manager. At state airports the FBOs are not required to lease the ramp area in the typical fashion according to current lease agreements. They are required to manage the ramp and pay a percentage of the tie down income to the State as rent. Tie down income at small airports is negligible. This arrangement is more favorable for the FBO and, depending on how much ramp area is under control, effectively reduces the FBO rent. In this analysis the ground rent will be estimated based on the five-foot setbacks on each side.

Ground leases are typically based on a triple net expense structure where the tenant is responsible for all expenses relating to the leased area. The structure on the site is the property of the tenant and is maintained by the tenant. Airports are typically publicly owned and are not subject to ad valorem taxation, therefore the airport does not have a tax expense associated with the land. The exceptions are State airports and airports owned by municipalities or ports serving large metropolitan areas. ORS 307.112 states, "Real property owned or leased by a municipality or port is exempt from taxation to the extent that the property is used as an airport owned by and serving a municipality of less than 300,000 inhabitants. Property owned or leased by the municipality or port is used as an airport if the proceeds of the lease or rental are used exclusively for purposes of maintenance and operation of the airport". The result of the statute is that tenants at State airports must pay real estate taxes on the land area whereas tenants at municipal airports do not, except municipal or port-owned airports serving municipalities with populations over 300,000. The statute was written in the 1950s and appears to have been directed at providing economic incentive for locating on municipal airports.

Ground lease terms are typically very long, usually an initial term of 10 years or more with extension clauses. Lease rates are most commonly escalated based on the Consumer Price Index at one, three or five year intervals. However, some airports have more cumbersome re-evaluation procedures before rates can be increased. In addition, there are often political considerations to setting and increasing lease rates. As a result, the lease rates often lag behind market trends.

On the following pages, the data researched from the most comparable airports is presented. For each comparable there is a brief description of the facilities, State functional category, the FAA's NPIAS role (if applicable), services available and the lease rate. In addition, a photograph of the facility is provided. Following the presentation of the data is a ground lease comparable tabulation chart summarizing the data. A regional map, showing the location of each comparable, is also presented.

RENT COMPARABLE 1



Name & Location: North Bend Municipal Airport
North Bend, Oregon

FAA Identifier: OTH

Oregon Functional Category: 1

Service Level: Commercial service airport.

NPIAS Role: Primary commercial service.

Land Lease Rates: \$0.20/sf/year. The land area is based on the building footprint plus typical setbacks. The current rate has not been adjusted for several years.

Increases: Periodic review.

Security: Fenced with gated access.

Utilities: The existing developed areas are served by utilities. New development pays for utility extensions if desired.

FBOs: Two full-service (Ocean Air Aviation and Coos Aviation) including pilot lounge, supplies, fuel, aircraft maintenance, courtesy transportation, charter service and hangar rentals.

Facilities: Three runways (5,330 x 150 feet, 4,471 feet x 150 feet, and 2,320 feet x 150 feet). No control tower. Beacon. Instrument landing system (ILS), Automated Weather Observation System (AWOS), Visual Slope Approach Indicator (VASI), Medium Intensity Approach Lighting System (MASLR). Paved taxiways. Full and self-service fuel.

Aircraft Based on the Field: 62

Average Aircraft Operations: 89 per day as of 5/07.

Comments: Located approximately 40 miles north of the subject. Serves the North Bend/Coos Bay area. Owned by the City of North Bend. Served by Horizon Airlines. There is not much land area available for new development. Demand for new private hangar sites has been limited.

Comparison to the Subject

This comparable is superior to the subject in terms of service level, facilities, available FBO services and location in an urban area. Overall, this comparable is a high indicator for the subject.

RENT COMPARABLE 2



Name & Location: Brookings Airport
Brookings, Oregon

FAA Identifier: BOK

Oregon Functional Category: 4

Service Level: Community general aviation.

NPIAS Role: General aviation.

Land Lease Rates: \$0.20/sf/year. The land area is based on the building footprint only. The rent would be approximately 25% less (\$0.15/sf) if typical setbacks were applied. The current rate was set several years ago and is anticipated to be re-evaluated and increased in the next year.

Increases: Periodic reevaluation.

Security: Fenced with gated access.

Utilities:	Water and electricity are available. Tenants must pay for the costs of extending services to the site. There is a terminal building that is served by a septic and drain field.
FBOs:	None.
Facilities:	One runway (2,900 feet x 60 feet). No control tower. Beacon. Self-service fuel.
Aircraft Based on Field:	29
Average Aircraft Operations:	62 per day (as of 7/02).
Comments:	Located approximately 55 miles south of the subject. Serves Brookings and the southern Curry County area. Owned by Curry County. There has been strong demand for hangar sites. There is a waiting list of approximately 30 people desiring hangars. The county is preparing land area for 2 or 3 new private hangar sites and is also anticipating constructing some new hangar buildings to be owned and operated by the County.

Comparison to the Subject

This comparable is superior to the subject in terms of service level and location in a more urban area. The comparable is inferior in runway length but does have a terminal building and fuel service available on the field. Overall, this comparable is a high indicator for the subject.

RENT COMPARABLE 3



Name & Location: Myrtle Creek Municipal
Myrtle Creek, Oregon

FAA Identifier: 16S

Oregon Functional Category: 4

Service Level: Community general aviation.

NPIAS Role: General aviation.

Land Lease Rates: \$0.14/sf/year. The land area is based on the building footprint only. Adjusting for a five-foot setback indicates a rate of approximately \$0.10/sf.

Increases: Periodic reevaluation.

Security: None

Utilities: Electricity only.

FBOs: None.

Facilities: One runway (2,600 feet x 60 feet). Beacon. No control tower. Precision Approach Path Indicator (PAPI). Self-service fuel available.

Aircraft Based on Field: 8

Average Aircraft Operations: 44 per week as of 6/05.

Comments: Located approximately 60 miles east of the subject. Serves the Tri-City area and the southern Douglas County area. Owned by the City of Myrtle Creek. The runway was recently widened 10 feet and the City intends to lengthen the runway when funds become available. There is an abundant amount of land available for further hangar development at this time, but there have not been any new buildings constructed in approximately three years. There is strong demand to lease existing hangars, but most people are not interested in leasing the land and developing new hangars. There are currently three hangar buildings on the field.

Comparison to the Subject

This comparable is similar to the subject in terms of its role as a general aviation facility with limited facilities, but superior in service level. Regarding facilities, the comparable is inferior in runway length, but does have fuel service available on the field and navigation aids. The location of the comparable is generally less desirable than the coastal areas, but it is located closer to an urban area. Overall, this comparable is a reasonable indicator for the subject with offsetting characteristics.

RENT COMPARABLE 4



Name & Location: Malin Municipal Airport
Malin, Oregon

Oregon Functional Category: 5

Service Level: Low activity general aviation airport.

NPIAS Role: Not included in the NPIAS.

Land Lease Rates: \$0.15/sf/year. The land area is the building footprint only. Adjusting for a five-foot setback indicates a rate of approximately \$0.11/sf. There is only one tenant on the field. The rate has not changed for several years.

Increases: Periodic re-evaluation.

Security: None.

Utilities: Electricity only.

FBOs: None. No fuel.

Facilities: One runway (2,800 feet x 30 feet). Approximately 300 feet is paved with the remainder being gravel. Poorly maintained. No fuel or services.

Aircraft Based on the Field: 4

Average Aircraft Operations: 58 per month as of 7/02.

Comments: Located approximately 160 miles southeast of the subject and 20 miles south of Klamath Falls. Serves the south Klamath County area. Owned by the City of Malin. Low activity field with one tenant.

Comparison to the Subject

This comparable is similar to the subject in terms of the location in a rural low population density area as well as the limited services available and lack of fuel service on the field. It is inferior in terms of the facilities due to the shorter runway and lack of paving. This comparable represents the lower end of the rent range and is a reasonable indicator for rural Category 5 airports, like the subject. The rent appears high as compared to the quality of the field, but there is only one tenant and one building.

RENT COMPARABLE 5



Name & Location: Illinois Valley Airport
Cave Junction, Oregon

FAA Identifier: 3S4

Oregon Functional Category: 4

Service Level: Community general aviation.

NPIAS Role: General aviation.

Land Lease Rates: \$0.383/sf/year for private hangar sites.
\$0.415/sf/year for commercial sites.
The land area is based on the building footprint only. The rates would be approximately 25% less (\$0.29/sf and \$0.31/sf) if typical setbacks were applied. The County also offers a development rate of \$0.25/sf/year for the first five years for new development, which equates to approximately \$0.19/sf/year adjusted for typical setback areas. The rates are adjusted to the prevailing rate at the end of five years.

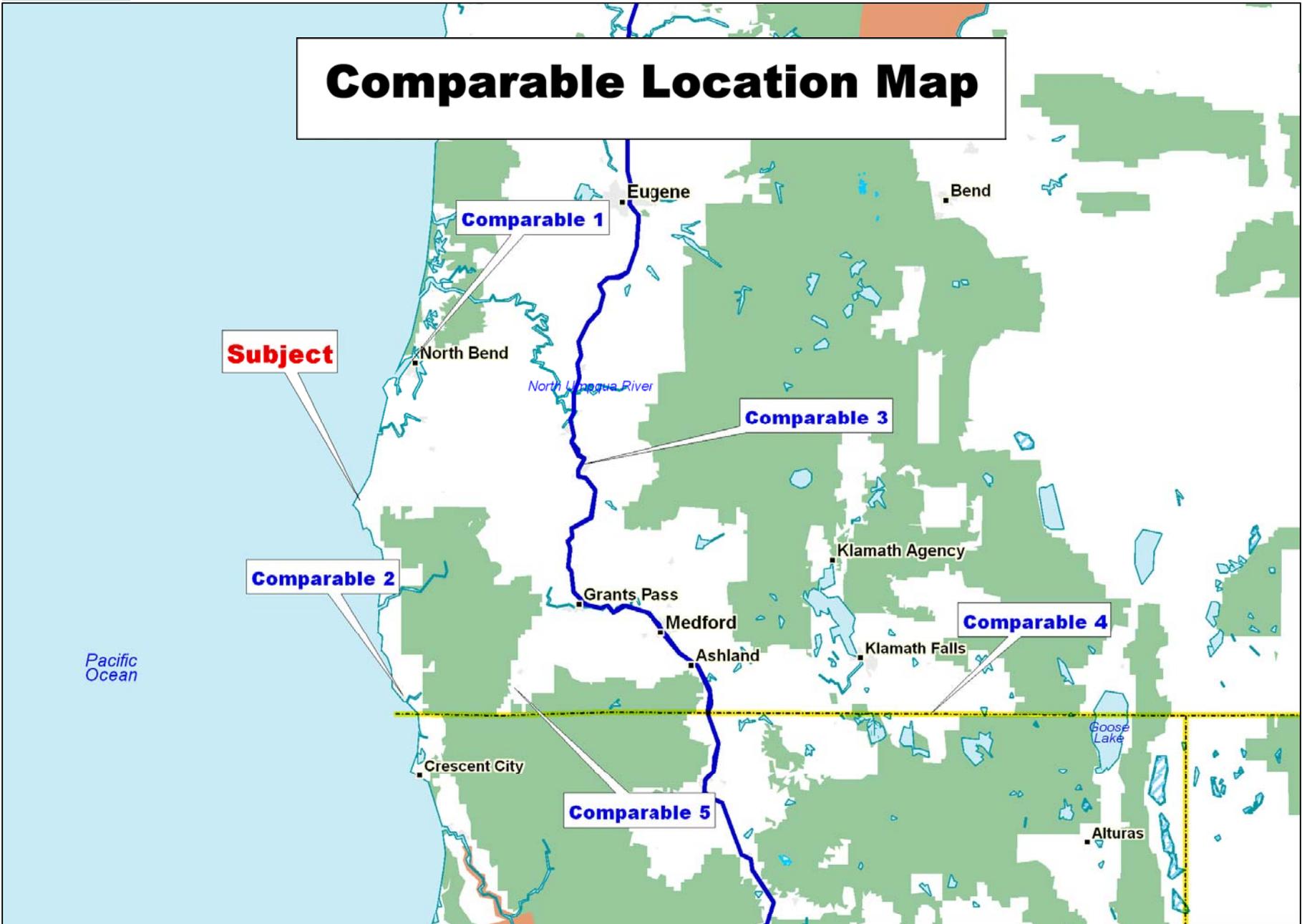
Increases: The prevailing rates are subject to annual CPI adjustments.

Security:	Partially fenced.
Utilities:	Utilities are available.
FBOs:	One full-service (Pacific Aviation Northwest) including fuel, flight training and aircraft maintenance.
Facilities:	One runway (4,807 x 75 feet). No control tower. Beacon. Visual Approach Slope Indicator (VASI).
Aircraft Based on the Field:	22
Average Aircraft Operations:	115 per week as of 12/04.
Comments:	Located approximately 65 miles southeast of the subject. Serves the southern Josephine County area. Owned by Josephine County. Formerly a forest service firefighting field. There has been strong demand for hangar spaces in recent years. There have been approximately 30 new structures constructed on the field within the last 3 to 4 years, according to the airport manager. The County is preparing to construct infrastructure for an additional approximately 9 acres of land for future development.

Comparison to the Subject

This comparable is similar to the subject in terms of general location, but superior regarding service level, facilities and available FBO services. There has been strong demand for hangar sites in recent years, which is further enhanced by the County offering a cheaper initial rate for the first five years for new development. Overall, this comparable is a high indicator for the subject.

Comparable Location Map



LAND LEASE RATE COMPARABLE TABULATION CHART

No.	Airport	Lease Rates	Comments
1.	North Bend Municipal North Bend	\$0.20	Primary commercial service airport. Served by Horizon Air. Beacon. Superior facilities. Two FBOs. High indicator.
2.	Brookings Brookings	\$0.15*	Community general aviation airport. Beacon. No FBO. Superior location. High indicator.
3.	Myrtle Creek Municipal Myrtle Creek	\$0.10*	Community general aviation airport. Beacon. PAPI. No FBO. Reasonable indicator.
4.	Malin Airport Malin	\$0.11*	Low activity general aviation airport. No navigation aids. Rural location. Rent appears high for quality of field.
5.	Illinois Valley Cave Junction	\$0.19* (new development rate)	Community general aviation airport. Beacon. Superior facilities and services. High indicator.

**Lease rate adjusted for setback areas.*

Conclusion

The comparables indicate a range of ground lease rates from \$0.10 to \$0.20 per square foot per year. The rents for comparables 2, 3, 4 and 5 were adjusted as necessary for typical setback areas as compared to the subject. The land areas are based on the building footprints only, which equates to an effectively lower rate if typical setbacks are included, as is the case with the subject property. Comparable 1 includes typical setback areas, like the subject property, therefore, no adjustment was necessary.

The high end of the range is represented by comparable 1, North Bend and comparable 5, Illinois Valley, both at \$0.20/sf. North Bend is a much larger and busier field serving air-carriers, as well as a larger number of private planes. The field is located in close proximity to a population base and has a full range of facilities and services. The rent has also not been increased in years. This comparable is superior and is a high indicator of rent level for the subject. Illinois Valley was also concluded to be a high indicator for the subject considering its superior facilities and available services. There has also been strong demand for hangar site at this field.

The middle of the range is represented by comparable 2, Brookings at \$0.15/sf. This comparable is similar to the subject in general location in the coastal area, but is superior overall considering the size of the surrounding Brookings/Harbor community. The comparable is inferior in runway length but does have a terminal building and fuel service available on the field. Overall, this comparable is a high indicator for the subject.

The remaining indicators are comparable 3, Myrtle Creek and comparable 4, Malin, at \$0.10/sf and \$0.11/sf. These comparables have limited facilities and available services on the field. Myrtle Creek is inferior in runway length as compared to the subject, but does have fuel service available on the field and navigation aids. The location of the comparable is generally less desirable than the coastal areas, but it is located closer to an urban area. Demand for hangar spaces has been limited. Overall, Myrtle Creek is a reasonable indicator for the subject with

offsetting characteristics. Comparable 4, Malin, is a poorly maintained gravel strip that is greatly inferior to the subject and each of the other comparables. The rent appears high for the quality of the field.

The tenants at State-owned airports may also be assessed real estate taxes on the land, which effectively reduces the amount of market rent that could be achieved versus airports that are exempt from taxation. A review of the assessment data for Cape Blanco Airport, however, indicates Curry County is not currently assessing the land at the airport. Therefore, no adjustment for property taxes is necessary as none of the tenants at the comparable airports pay real estate taxes on the leased land area. If Curry County begins assessing the land area, an adjustment may be necessary to the concluded fair market rate conclusion to arrive at the equivalent rent the ODA could charge after the tenant pays the real estate taxes.

The above analysis indicated the market rent for the subject should be near the low end of the range, as indicated by comparables 3 and 4 and substantially below comparable 1, North Bend, comparable 2, Brookings and comparable 5, Illinois Valley. The subject is more similar to the lower activity airports with less available services. Placing primary emphasis on comparable 3 indicates a fair market rental rate of \$0.10/sf, which is an increase over the current rate of \$0.07/sf. An increase in the rental rate is considered appropriate given the increasing demand for general aviation facilities in the southern coast area, which is due in part to the continuing development of the Bandon Dunes Golf Resort. The subject is located within a reasonable proximity to the golf course, and the relatively long runway is attractive for corporate jet traffic.

Based on the above analysis, with consideration of the physical and locational characteristics of the subject and comparables, the fair market ground lease rate for both commercial and private tenants at Cape Blanco State Airport, as of October 19, 2007 was concluded to be:

\$0.10 Per Square Foot Annually*

**The conclusion of market rent above assumes a periodic escalation based on the Consumer Price Index. Each of the comparables utilized in concluding the fair market rental rate for the subject have provisions for periodic increases.*

Marketing/Exposure Time

Marketing and exposure time for the subject property is estimated to be six to twelve months.

Unimproved Land Lease Rate

Per the request of the ODA, the issue of lease rates for undeveloped land will be discussed. The ODA currently quotes a rate of \$0.05 per square foot for undeveloped land. Undeveloped land is generally defined as areas not served by airport infrastructure.

The previously concluded rate of \$0.10 per square foot per year reflects the fair market rental rate for runway access land at the airport. In general terms, it is our opinion there is only one fair market lease rate for runway access land area at Cape Blanco State Airport, which is the previously concluded rate of \$0.10/sf. The runway access land would represent the areas currently in use for airport operations or areas that are anticipated to be developed for airport operations in the near future. In the interest of equity, a tenant who wishes to lease runway access land at the airport and control it should pay the same rate as other tenants. Unimproved land areas represent the future expansion area of the airport in regard to on-field hangars, and Cape Blanco currently has a few parties interested in hangar sites. It is not equitable or efficient

for one tenant to tie up land at a lower rental rate while there is demand for the land at the market rental rate.

If there were, however, an abundant amount of undeveloped surplus land at the airport that was not currently needed to satisfy demand for new hangar site development or expansion of other airport operations, and was not generating income for the ODA, it may be prudent to lease the land area with some level of discount on an interim basis until such time that the area is needed for airport expansion. Such an arrangement would maximize income to the ODA in the interim, while not tying up future airport expansion land for a long-term at a below-market rate. The most obvious example would be for an agricultural use on a tract that would not interfere with airport operations. Other interim uses could also be possible on a case by case basis depending on the amount of land available and the expansion plans for the airport. Ground lease rates are typically based on a 6% to 8% return on the market value of the site. If a larger tract of undeveloped land was leased for an alternate interim use, an appropriate rate should be reflective of the terms of the lease, the impact on the land area from that particular interim use, as well as the effect on the future expansion plans for the airport. Therefore, the appropriate rate for any unimproved surplus land outside of the area currently in airport use should be determined on a case by case basis.

CERTIFICATION

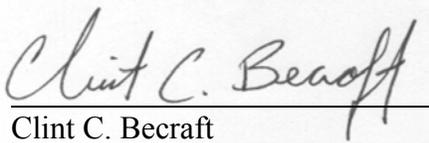
We, Clint C. Becraft and Richard J. Duncan, MAI, SRA, do hereby certify that:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. Clint C. Becraft made a personal inspection of the property that is the subject of this report.
9. No one provided significant professional assistance to the persons signing this report.
10. As of the date of this report, Richard J. Duncan, MAI, SRA has completed the requirements of the continuing education program of the Appraisal Institute.
11. This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute.
12. We have had a level of training and experience considered necessary for the formulation of a reliable opinion of value for the subject property.
13. The use of this report is subject to the requirements of the Appraisal Institute relating to its duly authorized representatives.

14. In our opinion, the fair market ground rental rate for runway access land as of October 19, 2007, was:

\$0.10 Per Square Foot Annually*

**The conclusion of market rent above assumes a periodic escalation based on the Consumer Price Index. Each of the comparables utilized in concluding the fair market rental rate for the subject have provisions for periodic increases.*



Clint C. Becraft

Certification No. C000856
Expiration 4/30/08



Richard J. Duncan, MAI, SRA

Certification No. C000106
Expiration 7/31/09

QUALIFICATIONS OF CLINT C. BECRAFT

APPRAISAL EDUCATION

Appraisal Institute

Apartment Appraisal (Course 330)	2006
National Uniform Standards of Professional Appraisal Practice Update	2006
Advanced Income Capitalization (Course 510)	2005
Highest and Best Use and Market Analysis (Course 520)	2005
Basic Income Capitalization (Course 310)	2003
State of the Valuation Profession	2001
National Uniform Standards of Professional Appraisal Practice	1999
Foundations of Real Estate Appraisal	1993
Appraising the Single Family Residence	1993
National Uniform Standards of Professional Appraisal Practice	1993

College Courses

Real Estate Taxation and Exchange, Lane Community College	2002
Real Estate Investments, Lane Community College	2001
Real Estate Appraisal II, Chemeketa Community College	1994
Real Estate Law, Real Estate School of Oregon	1992
Real Estate Finance, Real Estate School of Oregon	1992
Real Estate Practice, Real Estate School of Oregon	1992

Continuing Education Courses

Board of Property Tax Appeals Training, Oregon Department of Revenue	2004
Magistrate Training, Oregon Department of Revenue	2004
Non-USPAP Regulatory Compliance, Bob Keith Appraiser Seminars	2004
National USPAP (15 Hour), American College of Appraisal	2004
National USPAP Update, American College of Appraisal	2003
Model Appraisal Report, Oregon Department of Revenue	2002
Real Estate Law, American College of Real Estate	2000
Mass Appraisal Principles, Oregon Department of Revenue	2000
Introduction to Review Appraisal, McKissock Data Systems	1998

FORMAL EDUCATION

Associate of Arts Degree	1998
Lane Community College	
Eugene, Oregon	

LICENSES

Certified General Appraiser – State of Oregon, 2006	Certificate No. C000856
Licensed Residential Appraiser – State of Oregon, 1996-2006	License No. L000980

PROFESSIONAL EXPERIENCE

General Appraiser Duncan & Brown Real Estate Analysts	2006 – Present
Appraiser Assistant Duncan & Brown Real Estate Analysts	2005 – 2006
General/Residential Appraiser Lane County Department of Assessment & Taxation	2000 – 2005
Residential Appraiser Becraft Appraisal Service	1999 – 2000
Residential Appraiser R. H. Timpe Real Estate Appraisers	1996 – 1999
Appraiser Assistant R. H. Timpe Real Estate Appraisers	1994 – 1996

QUALIFICATIONS OF RICHARD J. DUNCAN, MAI, SRA

PROFESSIONAL DESIGNATIONS

SRA – Appraisal Institute	1991
MAI – Appraisal Institute, Certificate No. 7961	1988
Eugene Planning Commissioner	

FORMAL EDUCATION

Graduate Study in Real Estate University of Oregon, Eugene, Oregon	1978
Master Degree Business Administration – Quantitative Methods University of Oregon, Eugene, Oregon	1975
Bachelor of Science Degree Business Administration – Marketing University of Nebraska at Lincoln	1973

APPRAISAL EDUCATION

University Courses

Real Estate Principles and Practice
Real Estate Economics
Real Estate Investment Analysis
Real Estate Appraising
Real Estate Finance
Property Taxation
Land Use Planning

Appraisal Institute

Easement Valuation
Standards of Professional Practice
Wetlands Valuation
Litigation and Court Preparation
Developments in Income Property Valuation
Argus Software Training
Contemporary Issues of Appraisal Theory
Management of an Appraisal Office
Subdivision Analysis
Limited Appraisals & Reporting Options
Uniform Standards of Professional Appraisal Practices
High-Tech Appraisal Office
Internet and Appraising
Litigation Skills for the Appraiser
Automated Valuation Models
Standards of Professional Appraisal Practice, Part B
Special Purpose Properties-Greater Oregon Chapter
Partial Interest Valuation

Appraisal Institute, cont'd

Standards of Professional Appraisal Practice – Part A
Industrial Search Strategies for R.E. Appraisers
Feasibility, Market Value, Investment Timing: Option Value
Valuation of Detrimental Condition
Standards of Professional Appraisal Practice – Part B
Analyzing Operating Expenses
Uniform Appraisal Standards for Federal Land
Small Hotel/Motel Valuation
Appraisal Scope of Work: Burden or Blessing
Income Capitalization – Advanced

Appraiser Certification & Licensing Board

Administrative Rule Overview

American Institute of Real Estate Appraisers

Course 1A – Principles of Appraising
Capitalization A&B
Capitalization – Theory and Techniques
Depreciation Analysis
Highest and Best Use Analysis
Case Studies in Real Estate Valuation
Standards of Professional Practice
Valuation Analysis and Report Writing
Cash Equivalency
Analyzing Cash Flows
R/E Investment and Discounted Cash Flow Analysis
Feasibility Analysis – Non-Residential Properties

Society of Real Estate Appraisers

Appraising Residential Condominiums
Income Property Valuation – Course 201/202
Contemporary Appraising of Income Property
Investment Feasibility Analysis
Appraisal Office Management

American Society of Farm Managers and Rural Appraisers

Fractional Interest Seminar
Appraising Undivided Interests in Real Estate

USGA Regional Green Section Conference

Golf Course Construction

EXPERT WITNESS

Lane County Circuit Court
Federal Bankruptcy Court
Lane County District Court

