APPRAISAL REPORT

OF

BANDON STATE NATURAL AREA
COOS COUNTY, OREGON

FOR

OREGON PARKS & RECREATION DEPT.
ATTN: ALICE M. BEALS, PROPERTY AGENT
725 SUMMER ST., N. E. , SUITE C
SALEM, OREGON 97301-1266

BY

TED. D. FOSTER, MAI

TED D. FOSTER & ASSOCIATES
1915 LIBERTY STREET, N. E.
SALEM, OREGON 97301

DATE OF VALUATION: APRIL 7, 2011

Ted D. Foster & Associates

Ted D. Foster & Associates
Real Estate Appraisal & Analysis
1915 Liberty St., N. E.
Salem, Oregon 97301

April 25, 2011

Oregon Parks & Recreation Dept.
Attn: Alice M. Beals, Property Agent
725 Summer St., N. E., Suite C
Salem, Oregon 97301-1266

Re: Appraisal Report of Bandon State Natural Area, Coos County, Oregon

Dear Ms. Beals:

As you have requested a self-contained appraisal report has been completed on the Bandon State Natural Area, proposed acquisition by Bandon Dunes for a possible golf course. There are two given scenarios. Scenario 1, as shown by Exhibit A, is a 208 acre parcel and Scenario 2, as shown in Exhibit B, showing a 358 acre parcel, out of State ownership due West of the Bandon Dunes ownership. In addition, there is a hypothetical assumption given in the Scope of Work that the appraiser is to assume a highest and best use of a possible golf course.

After considering all of the information which affects market value, including the type, use and physical characteristics of the property, the sale and asking prices of the comparable properties and the trend of the area, the estimated market value, under the given assumptions of the Scope of Work, as of April 7, 2011, is:

Scenario 1	$1,456,000
Scenario 2	$2,506,000

The subject property is a division out of a larger State ownership of the adjoining properties. There are several assumptions given to the appraiser, both verbally and written. A copy of the Scope of Work is included in the appraisal. In addition, the verbal instructions are that the appraiser is not to consider any special benefits or damages to the remainder property of the State ownership. In addition It is recommended that a forester look at the subject to see if a compete timber report is required.

Thank you for the opportunity of submitting this appraisal. If you have any questions do not hesitate to contact me.

Respectfully submitted,

Ted D. Foster & Associates

Ted D. Foster, MAI
TDF:bc

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CERTIFICATION

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

The statements of facts contained in this report are true and correct.

The reported analyses, opinions and conclusions were developed and this report was prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, the American Society of Farm Managers and Rural Appraisers, include the Uniform Standards of Professional Appraisal Practice as well as the Uniform Appraisal Standards for Federal Land Acquisitions.

The use of this report is subject to the requirements of the Appraisal Institute and the American Society of Farm Managers and Rural Appraisers relating to review by their duly-authorized representatives.

As of the date of this report, Ted D. Foster, MAI, SRA has completed the continuing education programs of the Appraisal Institute and the American Society of Farm Managers and Rural Appraisers.

The reported analysis, opinions and conclusions are limited only by the reported Assumptions and Limiting Conditions and is my personal, unbiased professional analysis, opinions and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.

My engagement in this assignment was not contingent upon developing or reporting pre-determined results.

My compensation for completing this assignment is not contingent upon the development or reporting of a pre-determined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.

I have made a personal inspection of the property that is the subject of this report.

No one provided significant professional assistance to the person signing this report.

I am of the opinion that the estimated market value, in fee simple, as of April 7, 2011, of Scenario 1 is $1,456,000 and Scenario 2 is $2,506,000.

Ted D. Foster, MAI
Lic. No. C000035

CONTINGENT CONDITIONS, LIMITING CONDITIONS AND SPECIAL ASSUMPTIONS

(Unless specifically stated otherwise in this report)

That title to the property appraised is good and marketable.

The management of the property is assumed to be competent and the ownership in responsible hands.

That the property is free and clear of any mortgage, trust deed, lien or other encumbrance.

Value is reported in dollars on the basis of the currency prevailing on the date of the appraisal.

The distribution of value between land and building applies under the present program of utilization and is invalid if used in making a summation appraisal.

The value premises cited in this report are considered foundational and basic to the value opinions reported herein, and the right is hereby reserved by Ted D. Foster & Associates to alter, revise and/or rescind any of the value opinions that should any subsequent or additional data be found, or in the event the conditions are modified to any extent.

No responsibility for legal matters is assumed and no right to expert testimony is included.

No survey has been made. Valuation is reported without regard to questions of title, boundaries, encumbrances and encroachments.

It is assumed that the property is free of insect infestation, dry rot and fungus growth, except those items found by the dry rot and pest inspection. It is assumed that there are no additional hidden or unapparent conditions of the property, including the presence of asbestos, polychlorinaped biphenyl and polyurethane or other proven or potentially hazardous material, which would render it more or less valuable.

This appraisal is not based upon completion of projected public or private improvements.

Information furnished by others is assumed to be true, correct and reliable. A reasonable effort has been made to verify such information. However, no responsibility for its accuracy is assumed by the appraiser.

Contingent Conditions, Limiting Conditions and Special Assumptions Contd.

The appraiser has no present or contemplated future interest in the property, which is not specifically disclosed in this report. Neither the employment to make the appraisal nor the compensation is contingent upon the amount of the valuation reported, and that to the best of his knowledge and belief, all statements and opinions in this report are true and correct and no important relevant facts have been withheld.

Neither all or any part of the contents of this report shall be conveyed to the public, public relations, news, sales or other media, without the written consent and approval of the author, particularly as to valuations, conclusions or any reference to the Appraisal Institute or to the MAI designation.

Refer to the Scope of Work provided by the State of Oregon for this project. There is a hypothetical assumption that the appraisal should have a highest and best use for a proposed golf course. In addition there are verbal instructions given by Alice Beals that the appraiser is not to consider any special benefits or damages to the Remainder property of the State ownership to the west and to the north of either Scenario 1 or 2. A value of the areas intended to be sold will only be considered and a Before and After value will not be completed.

SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS

Property Identification:	The property is known as the Bandon State Natural Area and is located south of Bandon in Coos County.
Legal Description:	The property to be appraised is located in Township 29 South, Range 15 West, Sections 14, 23 and 26. (See attached map.) No formal metes and bounds or legal description has been provided to the appraiser. The property is referenced by the provided maps, as given to the appraiser, and shown in this report. The size given on the maps will be utilized for the appraisal purposes.
Ownership and History:	The subject property is under the ownership of the State of Oregon. They acquired the property in the 1960s. The total parcel acquired is about 650 acres. There has not been any economic use or any known uses on the property over that time period. The property has not been known to be marketed, other than the current time to Bandon Dunes for a proposed golf course. No specific plans for development have been provided to the appraiser.
Location:	The property is located south of Bandon and west of Highway 101. There is no physical road development to the property. There are no public services, such as sewer or water and there is no power or telephone development to the subject property. Surrounding development is of agricultural, small acreage homesites, public lands and vacant, undeveloped parcels.
Size and Shape:	The larger parcel has over 600 acres. However, the areas being appraised are illustrated in Exhibits A and B. Parcel A is a long, triangular shaped parcel with a club shape at the northern end of it. It has a reported size of 208 acres. Parcel B is a long, triangular shaped parcel with a club shape at the north end and is a little over two miles long and about one half mile wide at the south end. Exhibit B shows a total size of 358 acres.

Summary of Salient Facts and Important Conclusions Contd.

Topography: The south portion of the property has rolling sand dune topography covered with a variety of vegetation. Some of it is open and some of it is heavily covered and difficult to walk through. Elevation ranges from a low of about 40' to a high of about 120'. There are some large mounds, or small hills, in the southern portion of the property that provide for some major steep areas on the property. The northern portion has a somewhat more gentle rolling terrain and is heavily covered with Gorse, which is a thorny bush with yellow blooms. Along the western portion of the property there is some potential commercial timber value in the southern portion of the property. The northern portion of the property, because of the more gentle terrain, has a lower cost of development than the southern portion. However, the southern portion, because of the open areas and mature trees, has a better visual appeal.

Zoning: The zoning on the property, as provided by Staci Leep, Planner with the Coos County Planning Dept., is REC, which stands for Recreational. The most westerly boundary of Exhibit B is the approximate zoning line for Recreational zoning. The property boundary to the east is also the zoning boundary for recreational use. Permitted uses within a Recreational zone are general agricultural, timber production, all recreational use and structures and facilities associated with a recreational use, golf courses and subdivisions down to two acres minimum size are permitted. A single family residence, by itself, for the whole parcel, is not an outright permitted use. There are no minimum lot size requirements for a Recreational zoning district. However, the minimum lot size for a subdivision is two acres.

Public Services: There are no immediate public services available to the subject property. The closest power would be to the east to the adjoining bog farms, to the south to the recreational homesites, which is about one half mile south of the subject. Power service is also available around the north end of Laurel Lake, southeasterly of the subject. There is no public sewer or water

Summary of Salient Facts and Important Conclusions Contd.

available in the area. The closest would be the city of Bandon.

Existing Use: The existing use is a vacant parcel of land that has not been utilized for any economic use in the known history of the property. The State of Oregon acquired the property in the 1960s and it has been maintained as a natural site ever since.

Wetlands: A biological assessment report has been submitted to the appraiser and completed by John A. Christy in October 2007. The report shows, on Pages 13 and 14, that the subject property is affected some by wetlands. However, the majority of the wetlands are on adjoining property to the east of the target area which, according to the report, is only about 11%, or 80 acres of confirmed wetlands. The report also says that there may be some undetermined amount of wetlands in the cross-hatch area in the Sitka Spruce area in the western portions of the subject, which could restrict the use of the property.

Flood Plain: The property is not identified within any 100 Year Flood Plain. New River runs close to the subject property to the west but there are no identified flood boundaries on the property.

Endangered Species: A biological assessment has been provided to the appraiser and completed by John A. Christy, dated October 2007. It covers the southern portion of the subject and some of the adjoining properties. The report identifies that there are rare, threatened, and endangered species on the property. The report identifies that there are eleven known occurrences of these species. Pages 15 and 16 of the report identifies those species. It also identifies the Western Snowy Plover, which is a small bird generally nesting around the water frontage area. The report states that it is unlikely that the subject area contains suitable habitat for the Western Snowy Plovers because of dense vegetation and distance from the beach. (See report for complete identification.)

Summary of Salient Facts and Important Conclusions Contd.

Timber:	No forestry report has been completed on the property. There appears to be some mature timber in the western portions of the property that may be beneficial for development of the property in offsetting some of the development costs. The timber also adds amenity value for any potential economic use, such as a golf course or subdivision development. A large area of the property is improved with Gorse, which is a thorny, yellow blossomed bush, and European beach grass. The Sitka Spruce and the Gorse area encompass over 50% of the area. (See Page 10 of the report.)
Improvements:	There are no improvements on the property. It has been vacant for a long period of time. It has had no known use on the property.
Mineral Rights:	Mineral rights are assumed to be included with the purchase of the property.
Highest and Best Use:	There is a hypothetical assumption given to the appraiser that the highest and best use is for future golf course use. Design and quality of the development is unknown.
Assumptions:	There is a hypothetical assumption in this appraisal that the property has a highest and best use of a proposed golf course. No design or stipulation of quality of the course has been provided to the appraiser.
Environmental Issues:	As previously stated a biological assessment has been provided to the appraiser. It addresses mainly plant species and wildlife habitat. It does not address other environmental, man-made hazards such as hazardous material. Upon inspection of the subject properties by the appraiser, no hazardous materials were observed on the subject property or on the adjoining properties. The closest uses are small acreage homesites and cranberry bog farms. These uses would entail fertilizers and septic and drainfield systems. There are no other uses that were apparent on or near the subject.

Summary of Salient Facts and Important Conclusions Contd.

Indicated Values:

Cost Approach:	Not Applicable
Sales Comparison Approach:	Scenario 1 - $1,456,000
	Scenario 2 - $2,506,000
Income Approach:	Not Applicable
Final Conclusion of Value:	Scenario 1 - $1,456,000
	Scenario 2 - $2,506,000
Date of Valuation:	April 7, 2011
Date of Inspection:	April 7, 2011

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate market value of the subject property. Market value is defined as follows.

Definition of Market Value

> The most probable price in cash, or terms equivalent to cash, the lands, or interest in lands, should bring in a competitive and open market under all conditions requisite to a fair sale, where the buyer and seller each acts prudently and knowledgeably, and the price is not affected by undue influence. (43CFR2200.0-5).

Note: There is a hypothetical assumption in this appraisal that the property has a highest and best use of a proposed golf course. No design or stipulation of quality of the course has been provided to the appraiser.

SCOPE OF THE APPRAISAL

The subject property consists of a large acreage tract of land located south of Bandon, Oregon in Coos County, in a recreational resort and tourist area. There is a proposed golf course, of unknown design and quality, for a portion of the subject property. There is a hypothetical assumption in the appraisal that the highest and best use of the subject is for a proposed golf course.

Several sources have been considered for preparation of this appraisal. Market information has been considered in all of the counties that border the Pacific Ocean and other counties that may have pertinent recreational acquisitions. Commercial sales services, multiple listing services, brokers, other appraisers and on-line web services have been utilized to assist in finding market information in preparation of this appraisal.

Bandon Dunes Golf Course Resort, also known as Bandon Biota, LLC, is the proposed purchaser of a portion of the subject property in two different scenarios. They have purchased surrounding ownership over the years since 2003. These acquisitions will be considered in conjunction with any market evidence in the area and competing properties along the Oregon Coast. Because of the weak economy, there are very few recent sales that have transpired. Consequently, a bracketing process is considered the best approach to arriving at a value, finding sales that are superior and inferior that bracket the subject. The differences of the properties, such as zone, topography, access, availability of public services and water rights will all be considered when arriving at a value.

INTENDED USE AND INTENDED USERS OF THE REPORT

The intended use of the report is for possible acquisition by Bandon Dunes for a proposed golf course on the subject property, which is owned by the State of Oregon. Two value scenarios have been requested and will be reported in the report. The intended user of the report is the State of Oregon.

DATE OF INSPECTION

The subject property was inspected on April 7, 2011 with Park Manager, Ben Fisher, and an Park Ranger. No other State employee wished to inspect the property with me.

DATE OF VALUATION

The date of valuation is the date of inspection, which is April 7, 2011.

TITLE REPORT

No Title Report on the property has been provided to the appraiser. Consequently, it is assumed that there are no encumbrances or clouds on the Title that will affect the marketability of the property.

PROPERTY RIGHTS APPRAISED

Title is considered to be held in fee simple, meaning without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

MINERAL RIGHTS

It is assumed that all mineral rights will be included with the purchase.

ASSUMPTIONS

There is a hypothetical assumption in the appraisal that the highest and best use for the subject property is a proposed golf course. It will be of an unknown design and quality. (See Statement of Work for the appraisal included in the Addenda.)

There were also verbal instructions that this will not be a Before and After appraisal and will consider the property as a part taken only as it contributes value to the adjoining property. No special benefits or damages to the Remainder of the State ownership will be considered.

AREA AND NEIGHBORHOOD DESCRIPTION

Location

The subject property is located south of Bandon, Oregon in Coos County. It is located in a recreational, tourist, agricultural and small acreage homesite area. The area generally has access along Highway 101, which is the main arterial along the Oregon Coast, running in a north-south direction, connecting all of the major urban areas on the west coast.

The area is primarily a recreational tourist area with tourism one of the main industries in the area. Limited agricultural and wood products are other industries for the area. The city of Bandon, a short distance to the north of the subject, has a large base of retirement age persons who use the area as a summer residence, and some use it year-round.

Climate

The subject property is located along the southern Oregon coast and just south of Bandon and the Coos Bay area in Coos County. The climate for the area is considered wet and mild. There are no major hot days and there are no major cold days and the temperature range generally is from the mid 30s to 40s in the winter time and 60s and 70s in the summer time.

The area typically does not get any snowfall in the winter time because of its lower elevation and milder temperatures. Annual precipitation is quite heavy, generally in the November-December-January winter months. Spring time in March and April also can be very heavy, with the summer and fall having considerably less precipitation and several sunny days.

The climate is ideal for a certain amount of agriculture crops, such as cranberries, and Bandon has an annual Cranberry Festival. The climate is also very suitable for commercial timber production in the foothills with a majority of the hills being developed and zoned for Commercial Timber Forest.

Topography

Topography on the southern Oregon coast is gentle rolling and in particular, around the subject property, has both stabilized and unstabilized sand dunes. The subject area is made up of a very sandy soil and sub-surface as elevation ranges from about 40' to 120'. The topography is suitable for limited agriculture use, such as cranberry bogs, recreational use, such as golf courses, hiking, camping and fishing along the rivers. The higher foothills are best suited for commercial timber production and limited acreage homesites.

Area and Neighborhood Description Contd.

Population

The subject property is located just south of the city of Bandon a short distance. The city of Bandon is primarily a small resort town having a large segment of the population for retirement or recreational homes. The population in 1990 was 2,214. In 2000 it was 2,833 and in 2009 is was estimated at 3,213. This indicates a growth for the last nine years of about 13.4%, which is higher than most small communities. Coos Bay had actually a minus population growth. In 2000 the population was 15,374 and for 2009 it was 2 persons less at 15,372. In 1990 it was 15,076, showing little to no growth over the nineteen year period. Coos County, for the same time period, also did not grow at a very fast rate. In 1990 the population was 60,273, in 2000 it was 62,779 and in 2009 it was 63,795, only a 1.62% growth for the last nine years.

This illustrates that the small community of Bandon has received the majority of the growth, which is in double digits. It is a small resort, retirement community which appeals to a larger market than just the local citizens.

Education

The counties and cities in the area provide for Kindergarten through 12th grade with higher education provided throughout Oregon and Northern California at a variety of different universities and community colleges.

Employment

The southern Oregon coast economy, as reported by the Labor Trends from the State of Oregon, has had a few bad years with the unemployment rate typically increasing. It is in the double-digit range and is at about 12% for Coos County, as of February 2011. Curry County shows 13.3% and Oregon, for the same time period, shows 11%. The previous amount, one year ago, was at 13.7% for Coos County and 13.9%. The U. S. as a whole, for the same time period, declined from 10.4% to 9.5% for February 2011.

The current total labor force for Coos County is 28,811, of which 20,860 is non-farm payroll employment. Government services make up the majority of the employment sector, from Federal, State, City, County and School Services. These services, because of the tight budget crunches, have actually declined in employment of about 300 persons over the past year.

There are no large manufacturing businesses in the area. Government services, agricultural, timber and tourism make up the majority of the employment.

Area and Neighborhood Description Contd.

Surrounding Development

Surrounding development is of recreational, agricultural and small acreage homesites. This is because of the zoning and limited public services. Zoning limits the use generally to agricultural or recreational use and small acreage homesites. Public services are limited to power and telephone as there is no public sewer or water. The closest public sewer and water would be in the city of Bandon, several miles away from the subject property.

Recent development activity in the area has been a golf course in Bandon Crossing, on the east side of Highway 101, due west of the subject property. It was constructed in 2007. There has been limited residential development and limited development of new agricultural services. The primary agricultural use in the immediate area is cranberry bogs.

Real Estate Trends

Most of the demand for the southern Oregon coast is for recreational and residential use, with limited agricultural use, primarily orientated towards cranberry bog farming. The foothills are primarily used for commercial timber production and have limited acreage homesites on the fringes.

The country has gone through a major boom/bust period in the housing sector and has had somewhat of a domino affect on other major real estate developments. A high number of the subdivision properties that have been on the market are under foreclosure possibilities. Some of them are currently bank-owned. There is no recent sales activity of properties purchased for residential subdivisions.

The housing market in the city of Bandon has not been hurt as badly because of the larger market it appeals to, rather than just the local market. Bandon has a high number of retirees and recreational home buyers who use it as a seasonal recreational homesite.

The Bandon Dunes Golf Resorts has developed four major golf courses just north of the city of Bandon. They are the intended buyers of the subject property. These courses are all nationally ranked and recognized as some of the top public courses in the nation. The original Bandon Dunes Golf Course is ranked the Number 1 public golf course in the nation. The other three courses are in the top fifteen. This development brings in additional tourism nationally and internationally. These are top-flight courses and are bringing a lot of attention world-wide. This brings in more potential demand for property in the area, especially the properties that are within a close proximity for potential retirement or seasonal homesites.

Area and Neighborhood Description Contd. .

This recreational demand for golf courses is somewhat like a shopping center in that the four Bandon Dunes golf courses are like the anchor tenants and all other recreational uses and other golf courses are like a satellite tenant within the shopping center. There is one newer golf course, constructed in 2007. It is due west of the subject property across Highway 101, and is named Bandon Crossing. It is an 18 hole golf course with generally cheaper green fees and will tend to get some of the overflow from the Bandon Dunes development.

There is one additional proposed development. The proposed construction is to start in 2011 of Crook Point which is down by Gold Beach. It is a proposed 18 hole golf course, supposed to be of the same quality of the development at Bandon Dunes Golf Courses.

Summary

In summary the subject property is located on the southern Oregon coast in a mild climate area with no major temperature swings, but has many cloudy days and high precipitation in the winter and spring months, with the summer and fall generally very mild and is the dry season.

The area is generally very appealing for recreational use and retirement and seasonal homes. The city of Bandon, even though it is very small, has been growing at a very high rate in comparison to the rest of the county and the city of Coos Bay, growing at a rate of about 13.5% versus very little to none for Coos County and the city of Coos Bay and Northbend.

The Bandon Dunes Golf Courses have been a major positive impact on the area. They have attracted additional tourism and national and international attention to the area. All four golf courses are nationally ranked in the top fifteen, with the first course, Bandon Dunes, ranked Number 1 public course in the nation, with Pebble Beach being the Number 2. There are only two other courses in Oregon ranked in the top 100.

A majority of the demand for property is from recreational/tourism type use. Tourism is one of the major industries in the area, with Government services, agricultural and wood products the other industries.

The area is accessed by Highway 101, which is the main coastal highway running north and south through Oregon, Washington and California. Because of the high gas prices, tourism and the demand for recreation and travel are down. There is a recent report in the Oregonian that tourism at the national parks is down 10% because of the rising gas prices. This should have an effect on the tourism industry on the southern Oregon coast area as well.

LOCATION MAP
SUBJECT
Bandon
Bandon Marsh NWR
Oregon Islands NWR
Face Rock State Scenic Viewpoint
Bandon State
Bandon State Park
Bandon State Natural Area
Riverton
Beaver Hill
COOS BAY-ROSEBURG HWY
COQUILLE-BANDON HWY
Langlois
Sixes
25 Sixes
Newburgh State Park
Cape Blanco State
Cape Blanco State Park
Cape Blanco SP
Round Top
Colton Butte
Calf Ranch Mountain
White Mountain
Grousious Mountain
Edson Butte
Little Edson Butte
Madden Butte
Sugarloaf Mountain
Big Peak
New River
Sixes River
Crystal Creek
Elephant Rock Creek
Edson Creek
Geyer Creek
Willow Creek
Haras Creek
Langlois Creek
Butte Creek
Connor Creek
Little Creek
North Fourmile Creek
Knight Creek
Bill Creek
Hill Creek
Alder Creek
Lower Creek
Boulder Creek
Crafton Creek
Roberts Creek
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Data Zoom 10-0

SITE LOCATION
SUBJECT
Bandon State Park
Bandon State Natural Area
Bandon SNA
Twomile
Dew Valley
Dew Valley
BRADLEY LAKE LN
BOAK LN
Twomile Creek
South Twomile Creek
BOYD LN
GOSS LN
CRANBERRY LN
DEW VALLEY RD
HOLLY LN
Laurel Grove
MCTIMMONS RD
MC TIMMONDS LN
WOODS WAY
Lost Lake
Laurel Lake
MCTIMMONS LN
CHERRY LN
LOWER FOUR MILE RD
RUDY LN
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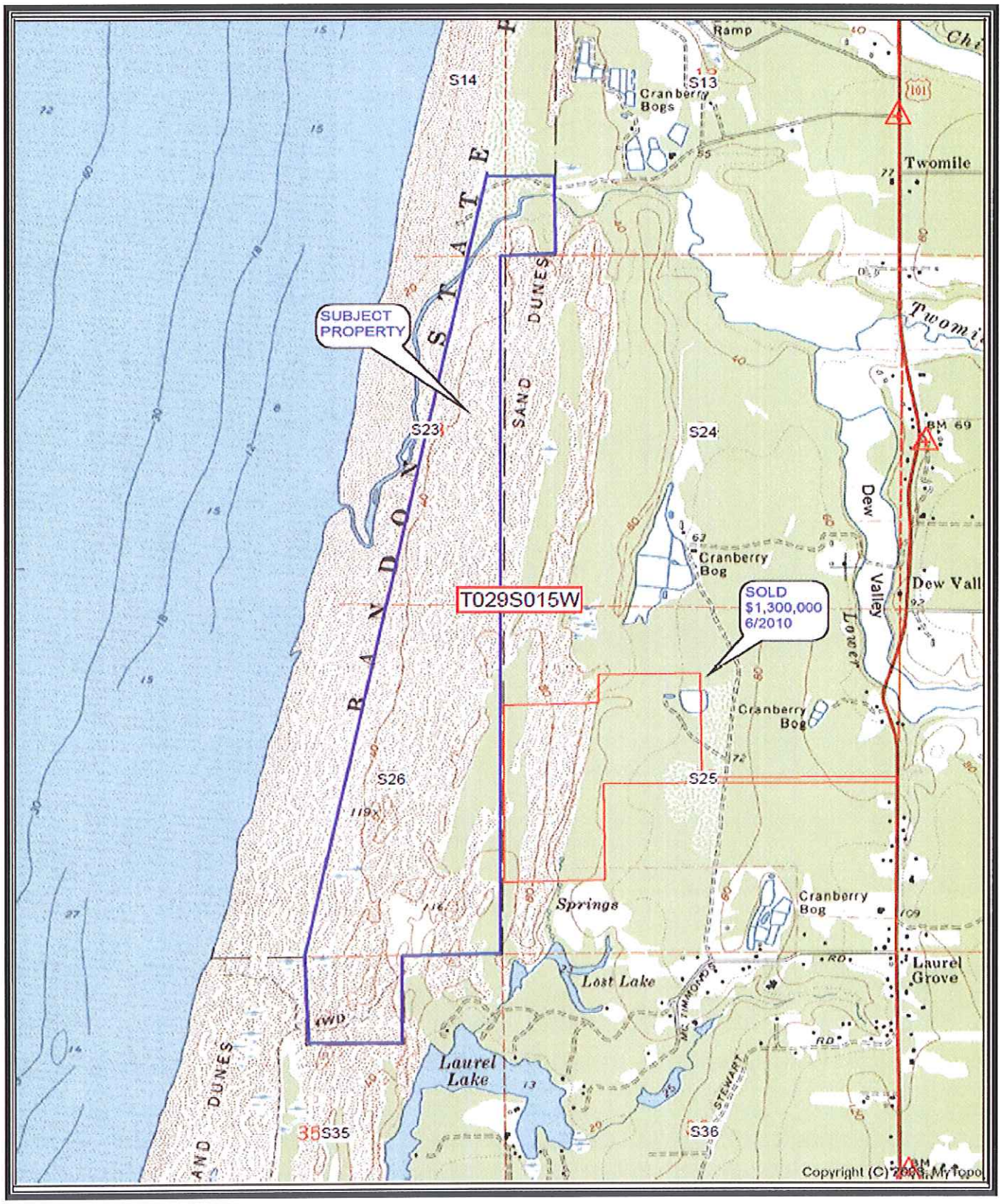
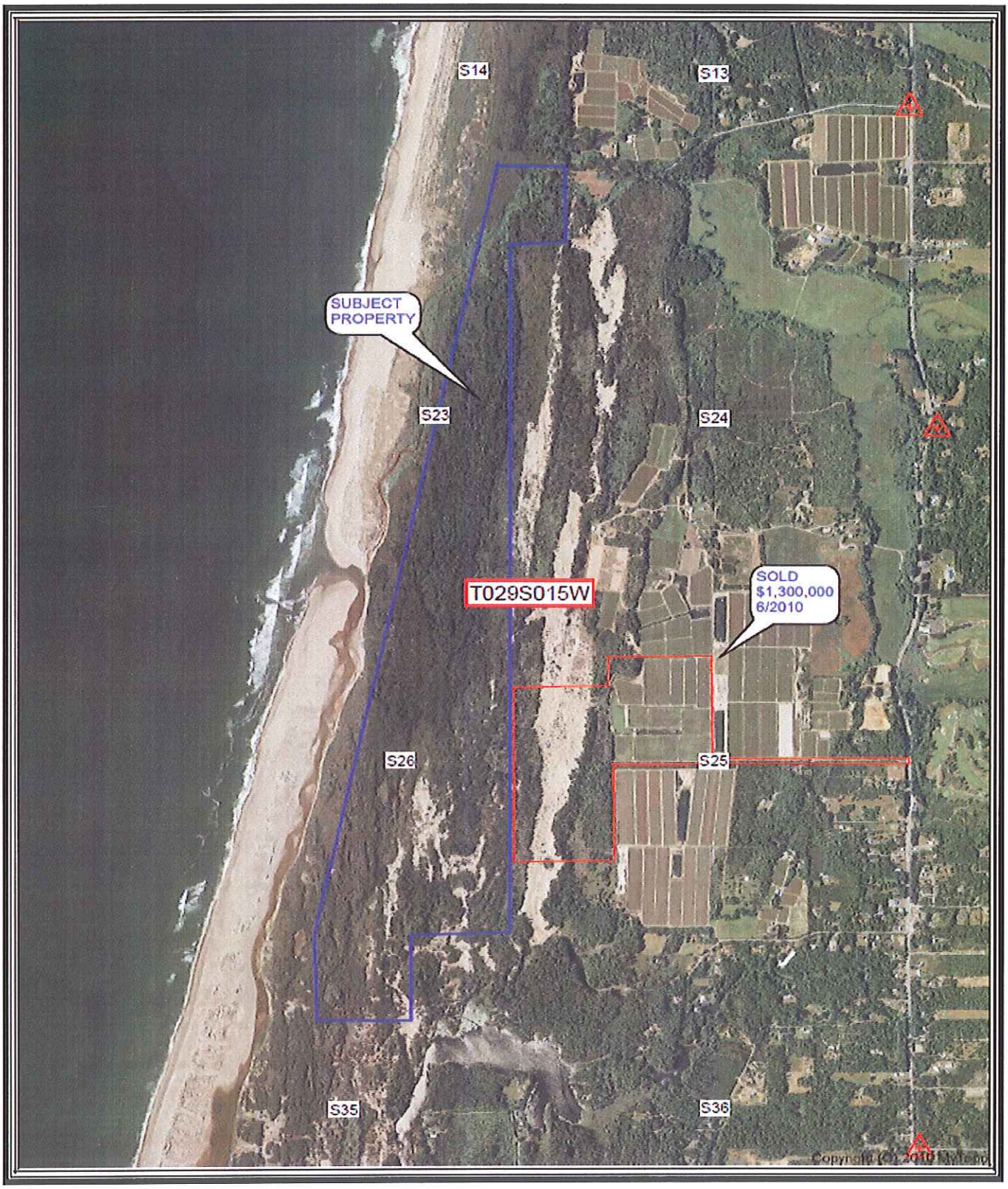
Data Zoom 13-0



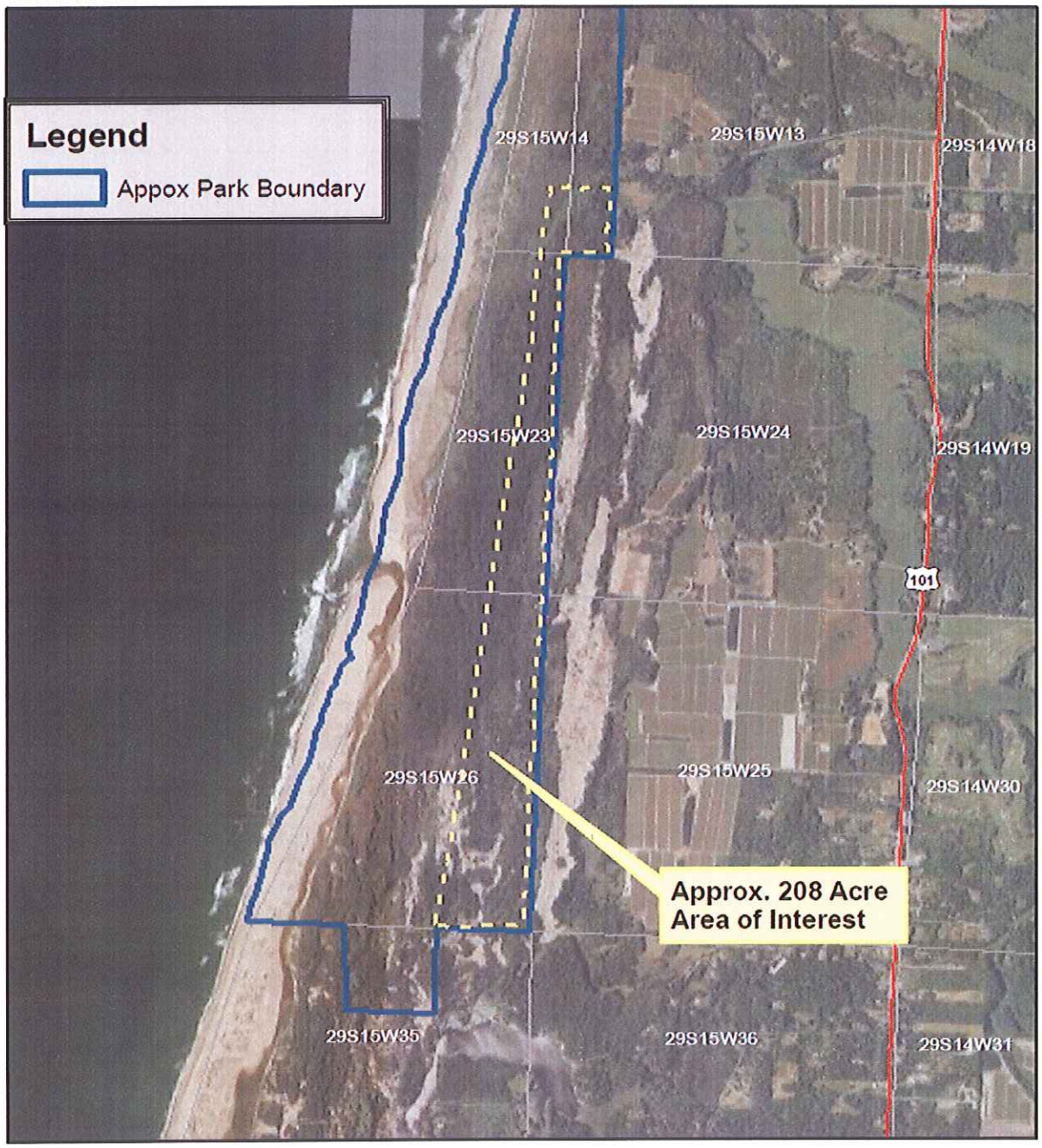
TOPOGRAPHY MAP


S14
S13
SUBJECT PROPERTY
S23
S24
T029S015W
SOLD
$1,300,000
6/2010
S26
S25
S35
S36

AERIAL VIEW

BANDON SNA
EXHIBIT A

Oregon Parks & Recreation Dept.
725 Summer St. NE, Suite C
Salem OR, 97301



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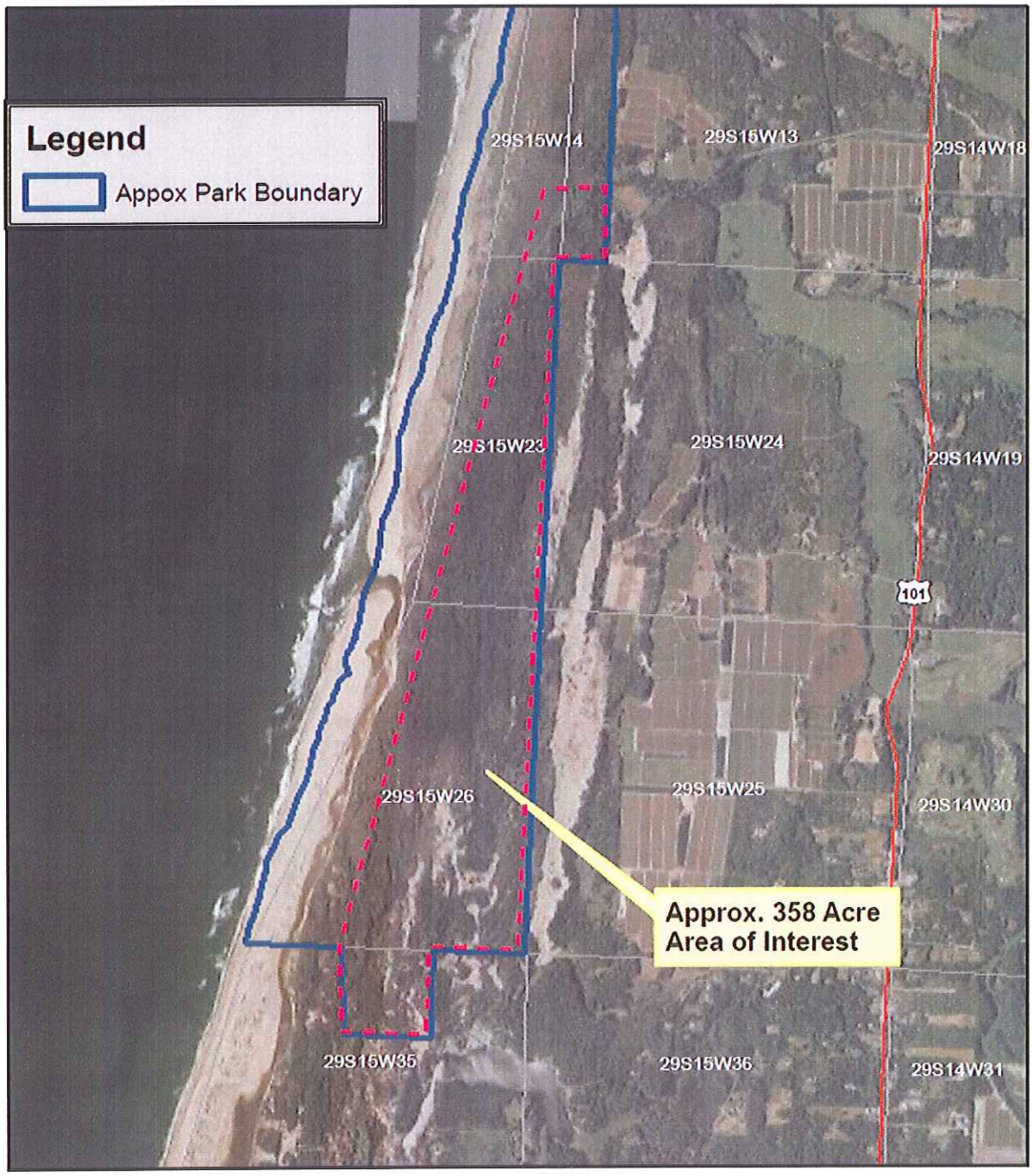
Oregon Lambert Projection
Datum NAD 83

0 1,300 2,600 Feet

amb 10/29/2010

BANDON SNA
EXHIBIT B

Oregon Parks & Recreation Dept.
725 Summer St. NE, Suite C
Salem OR, 97301



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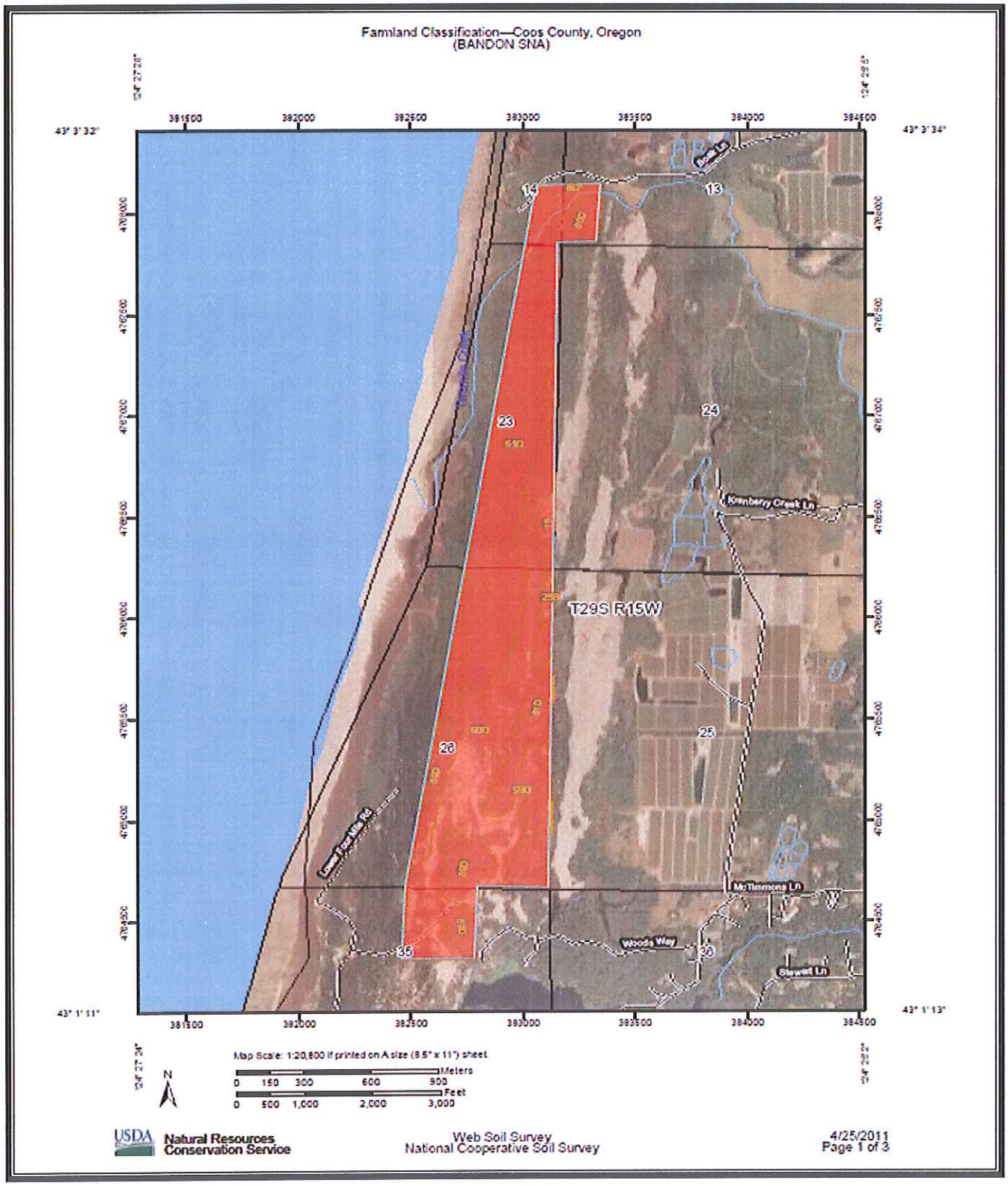
Oregon Lambert Projection
Datum NAD 83

0 1,300 2,600 Feet

amb 10/29/2010


Farmland Classification—Coos County, Oregon
(BANDON SNA)
T29S R15W
Kimberly Creek Ln
McTimmons Ln
Woods Way
Stewart Ln
Map Scale: 1:20,800 if printed on A size (8.5" x 11") sheet.
Meters
Feet
USDA Natural Resources Conservation Service
Web Soil Survey
National Cooperative Soil Survey
4/25/2011
Page 1 of 3

SOILS MAP

Farmland Classification

Farmland Classification— Summary by Map Unit — Coos County, Oregon				
Map unit symbol	Map unit name	Rating	Acres in AOI	Percent of AOI
8C	Bullards sandy loam, 7 to 12 percent slopes	Farmland of statewide importance	0.5	0.1%
16	Dune land	Not prime farmland	9.0	2.5%
29B	Heceta-Waldport fine sands, 0 to 7 percent slopes	Farmland of statewide importance	0.2	0.1%
59D	Waldport fine sand, 0 to 30 percent slopes	Not prime farmland	66.4	18.6%
60D	Waldport-Dune land complex, 12 to 30 percent slopes	Not prime farmland	123.9	34.7%
61D	Waldport-Heceta fine sands, 0 to 30 percent slopes	Not prime farmland	157.2	44.0%
Totals for Area of Interest			357.2	100.0%

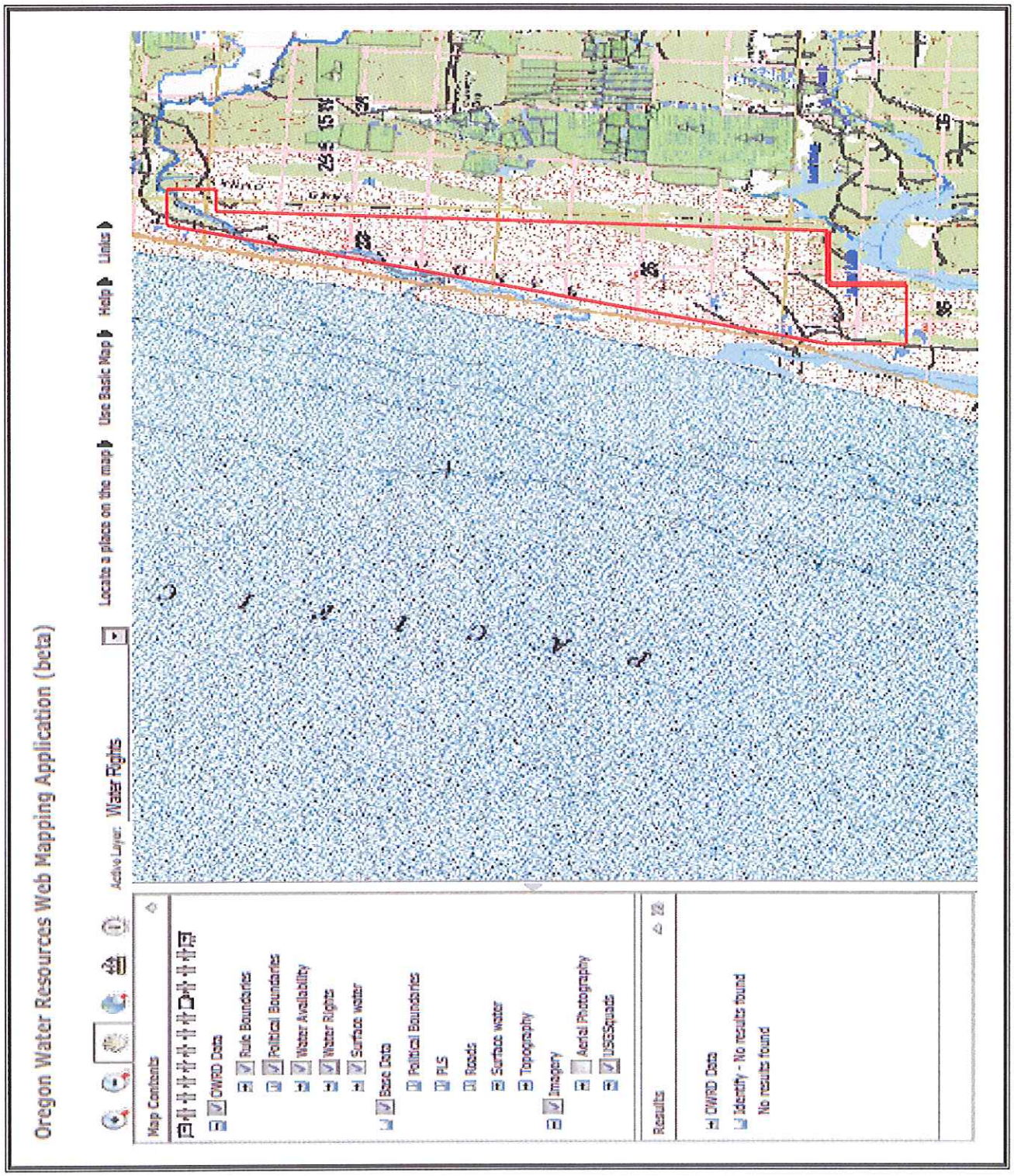
Description

Farmland classification identifies map units as prime farmland, farmland of statewide importance, farmland of local importance, or unique farmland. It identifies the location and extent of the soils that are best suited to food, feed, fiber, forage, and oilseed crops. NRCS policy and procedures on prime and unique farmlands are published in the "Federal Register," Vol. 43, No. 21, January 31, 1978.

Rating Options

Aggregation Method: No Aggregation Necessary

Tie-break Rule: Lower



WATER RIGHTS SHOWN IN DARKER GREEN AREA

SUBJECT PROPERTY PHOTOGRAPHS

Photo No. 17 – Shows Topography and Vegetation on Southeast Corner

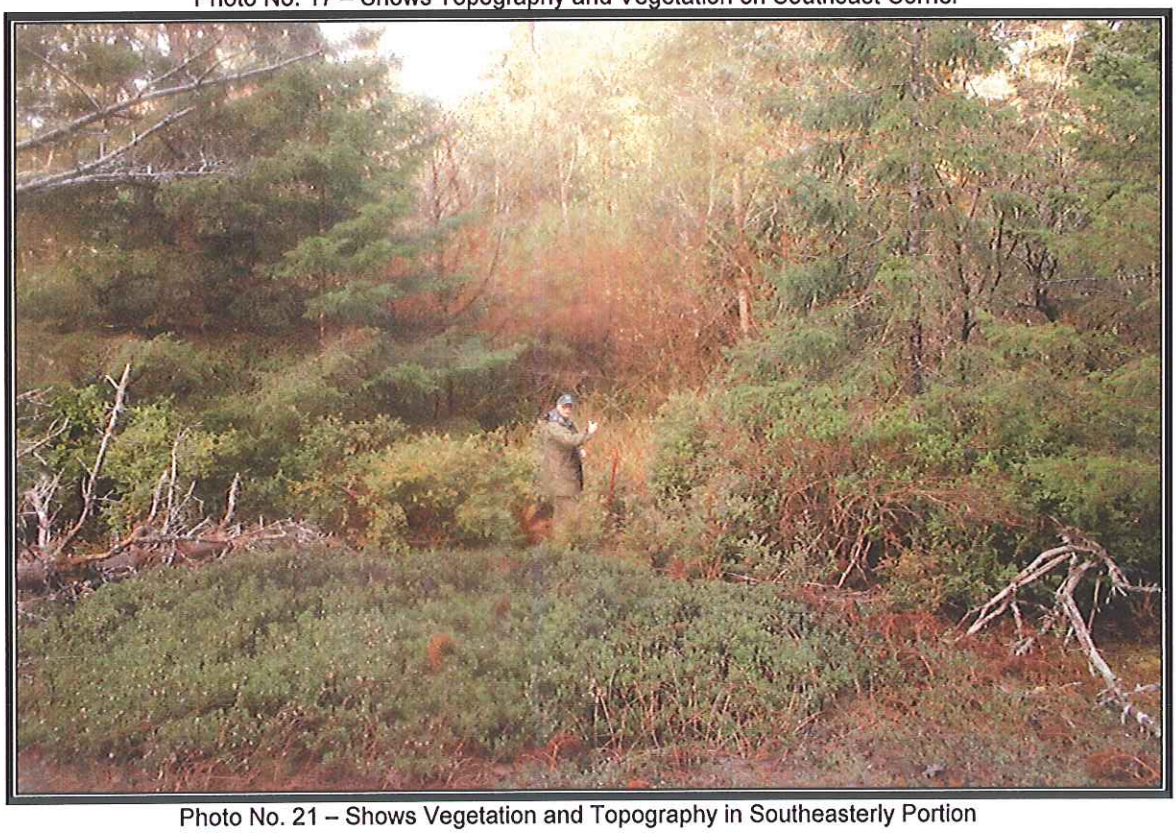


Photo No. 21 – Shows Vegetation and Topography in Southeasterly Portion

SUBJECT PROPERTY PHOTOGRAPHS

Photo No. 22 – Shows Potential Access from Woods Way

Photo No. 25 – Shows Vegetation and Topography on Eastern Boundary

SUBJECT PROPERTY PHOTOGRAPHS

Photo No. 28 – Shows Vegetation and Topography in Eastern Portion of Property

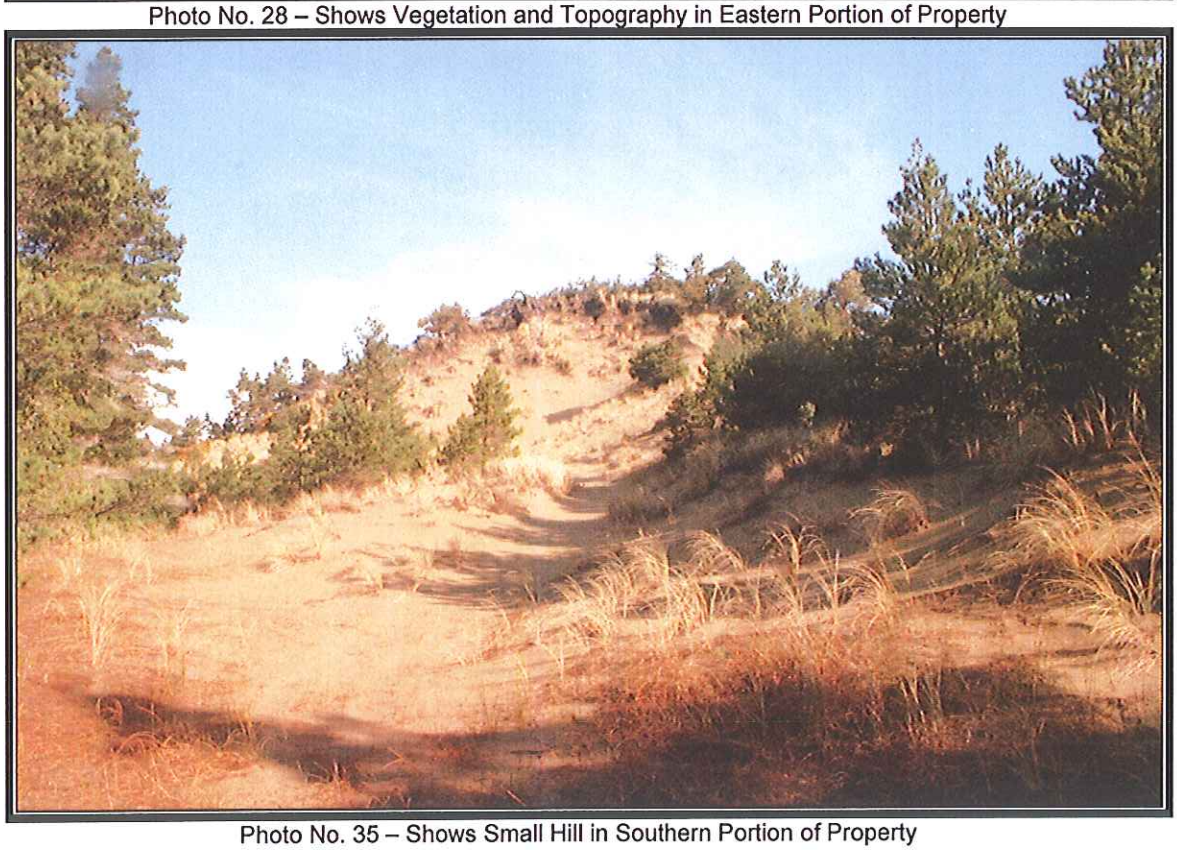


Photo No. 35 – Shows Small Hill in Southern Portion of Property

SUBJECT PROPERTY PHOTOGRAPHS

Photo No. 37 – Shows Mature Timber on Property

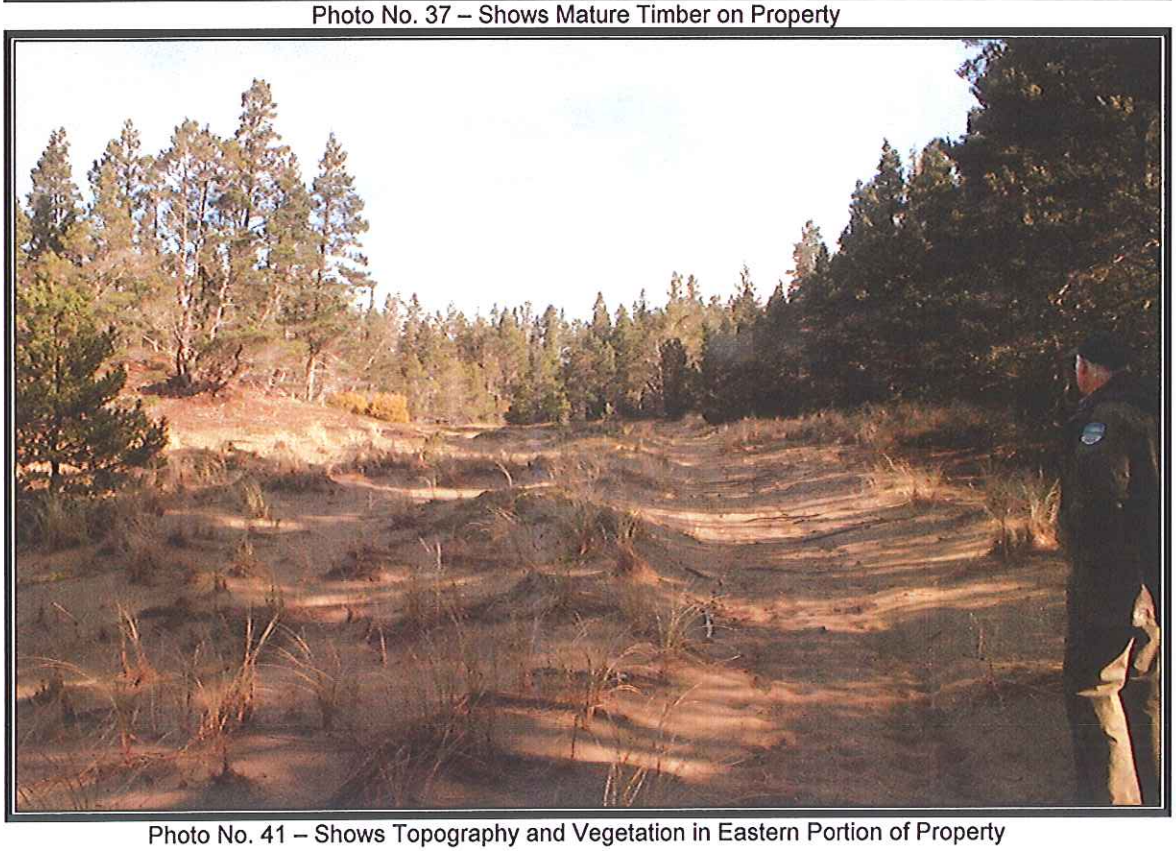


Photo No. 41 – Shows Topography and Vegetation in Eastern Portion of Property

SUBJECT PROPERTY PHOTOGRAPHS

Photo No. 54 – Shows Low, Wet Pond in Center of Property

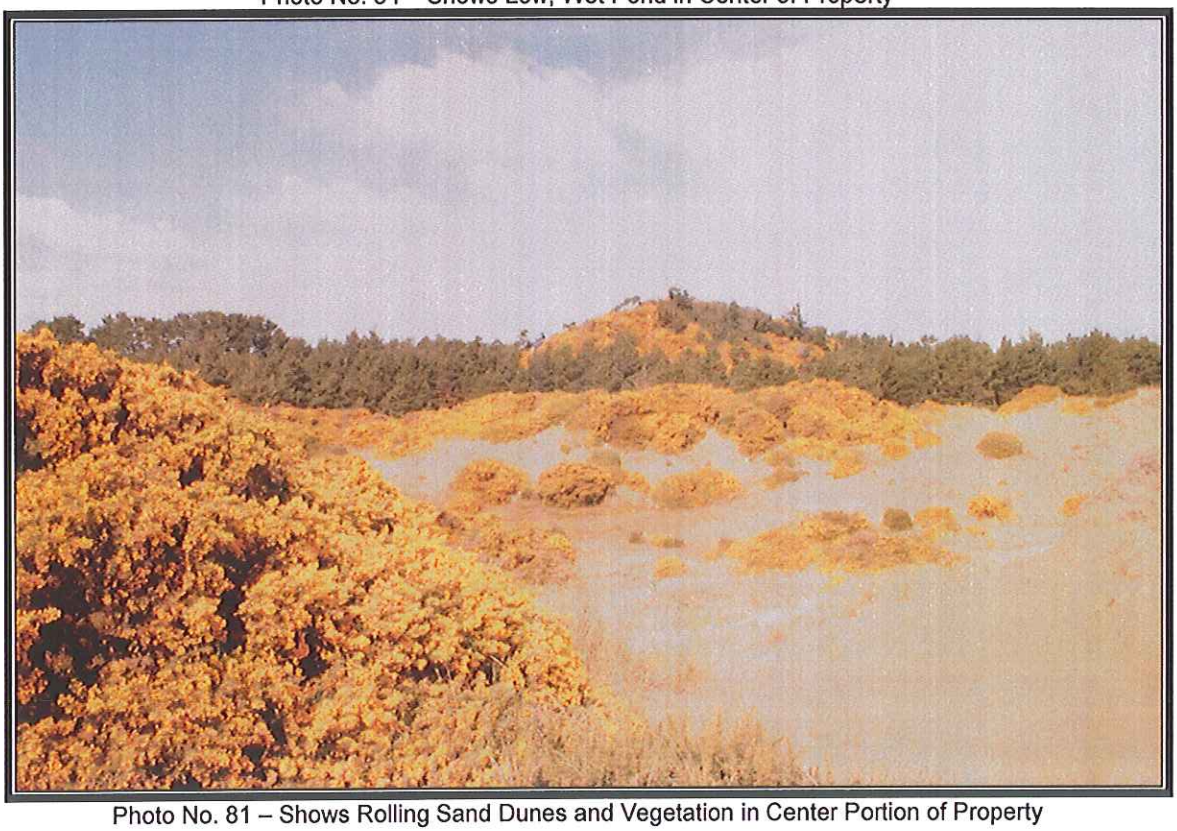


Photo No. 81 – Shows Rolling Sand Dunes and Vegetation in Center Portion of Property

SUBJECT PROPERTY PHOTOGRAPHS

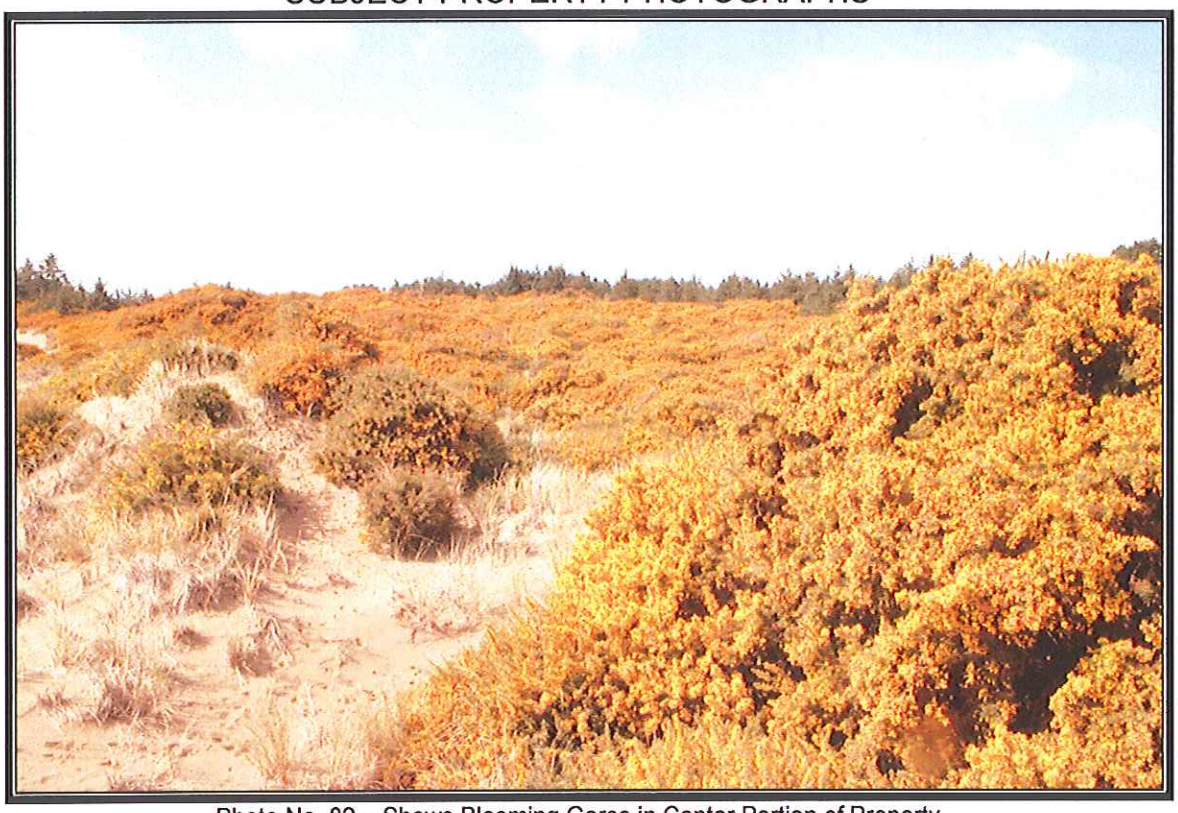


Photo No. 82 – Shows Blooming Gorse in Center Portion of Property

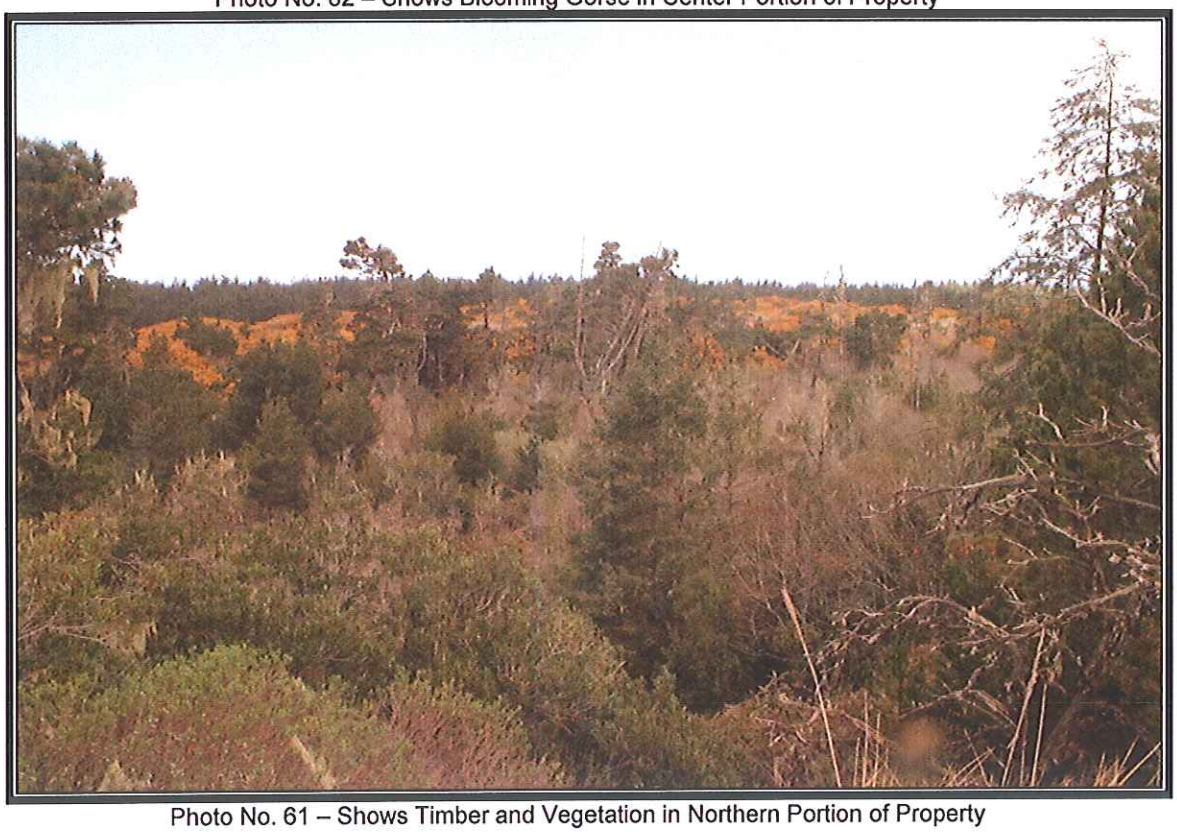


Photo No. 61 – Shows Timber and Vegetation in Northern Portion of Property

SUBJECT PROPERTY PHOTOGRAPHS

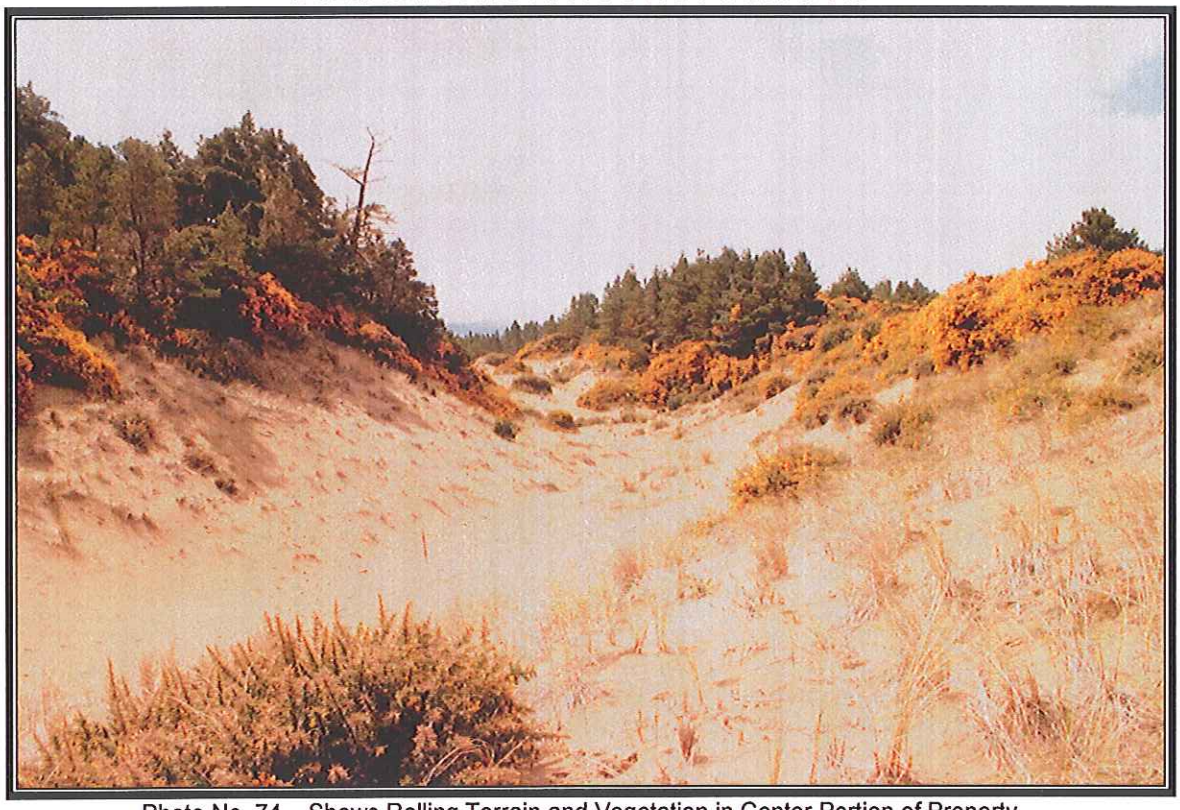


Photo No. 74 – Shows Rolling Terrain and Vegetation in Center Portion of Property

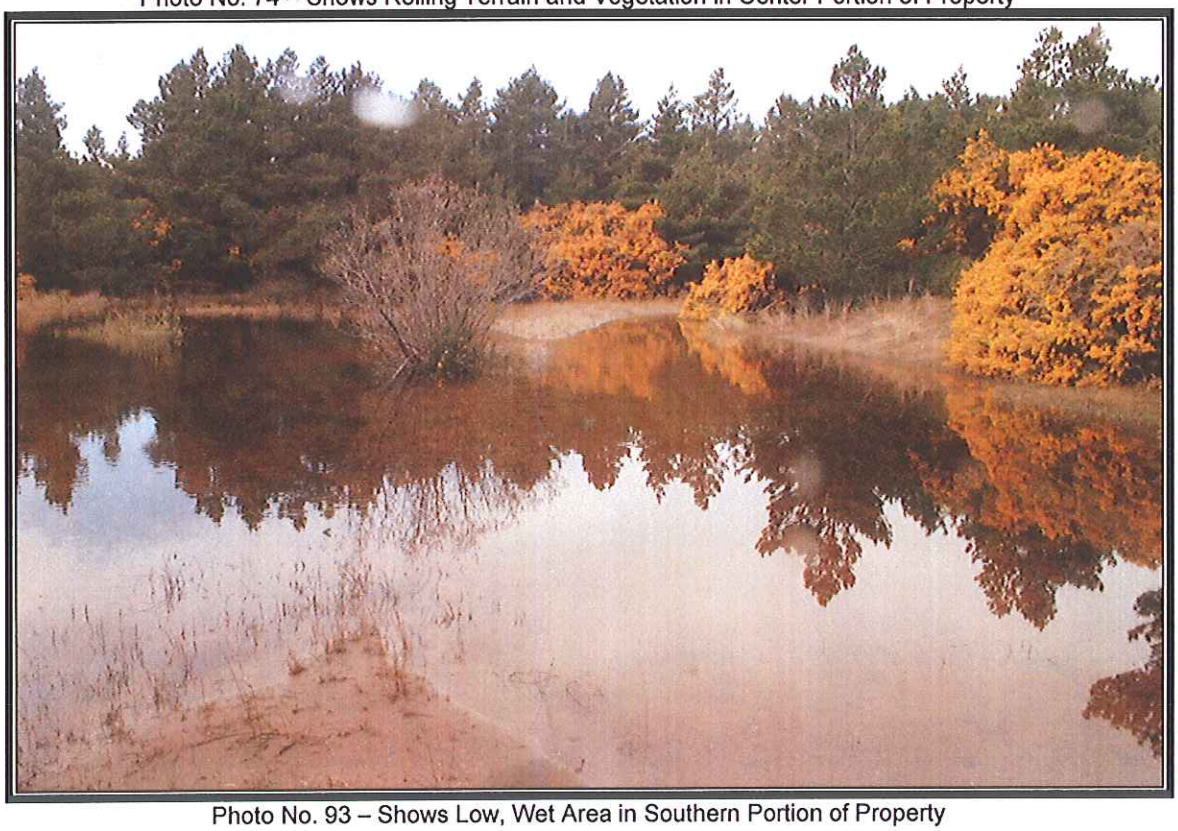


Photo No. 93 – Shows Low, Wet Area in Southern Portion of Property

SUBJECT PROPERTY PHOTOGRAPHS

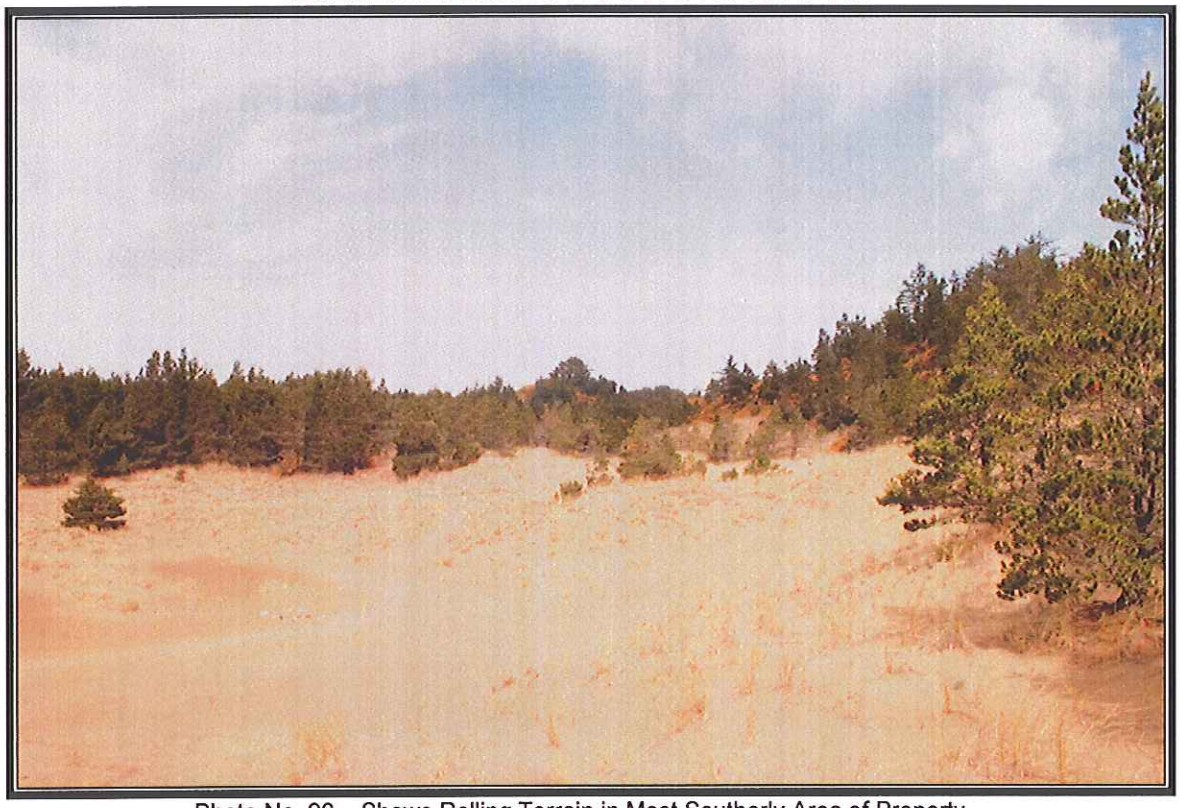


Photo No. 96 – Shows Rolling Terrain in Most Southerly Area of Property

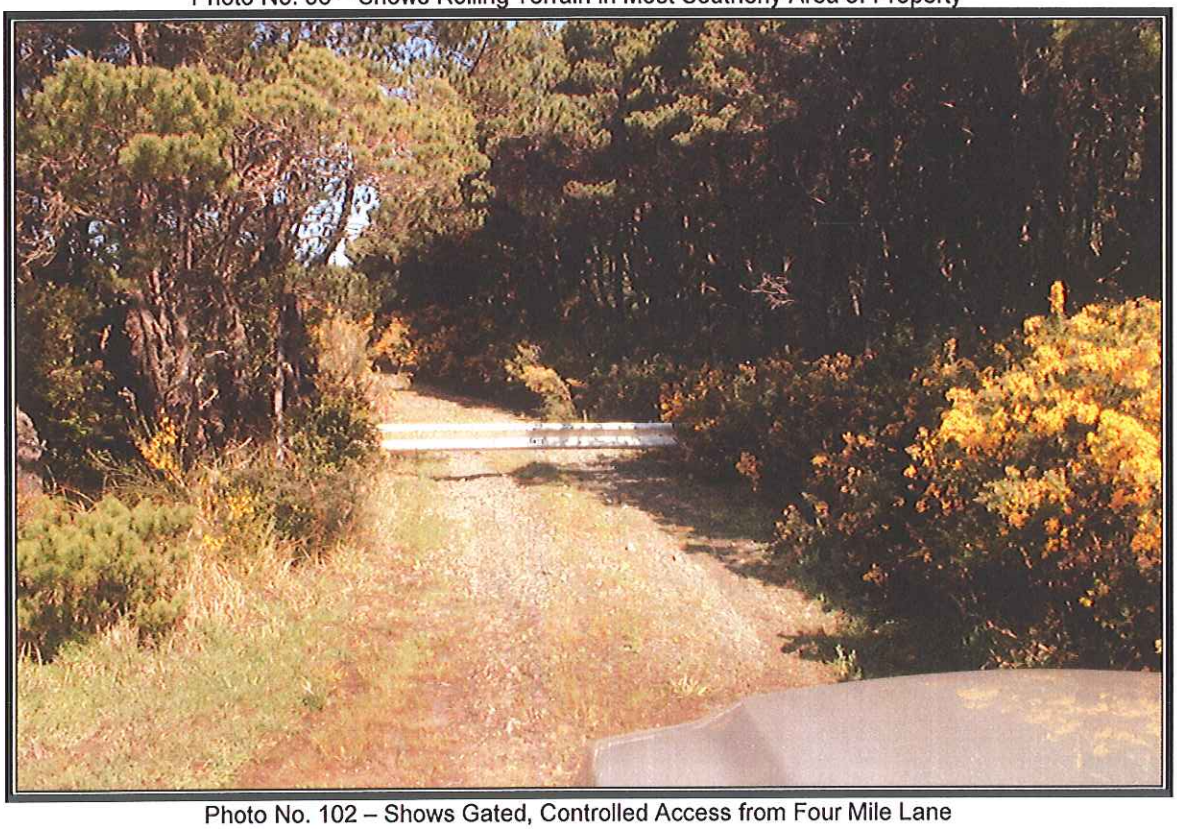


Photo No. 102 – Shows Gated, Controlled Access from Four Mile Lane

SUBJECT PROPERTY DESCRIPTION

Location

The subject property is located south of the city of Bandon in Coos County, Oregon. It is a large tract of land owned by the State of Oregon with the anticipation of potential purchase by the adjoining property owner, Bandon Biota, LLC, which is the developer of Bandon Dunes Golf Resort just north of Bandon.

The area is mainly developed with agricultural, recreational and small acreage homesites. The topography is rolling sand dunes with a variety of vegetation. Agricultural development is mainly cranberry bogs. Recreational development is golf courses, camping, hiking and fishing. The housing development is primarily small acreage homesites orientated towards recreational and lake or ocean front properties.

The area is located very close to the ocean and is a strong motivator for purchase of properties in the area. The city of Bandon, located a short distance to the north, is a strong recreational, tourist area and has been one of the stronger growth areas on the southern Oregon coast.

Zoning

According to Staci Leep, Planner with the Coos County Planning Department, in Coquille, Oregon, the subject property is zoned REC, which is a Recreational zoning district. She has provided a fact sheets on the permitted uses within a Recreational zoning. Agricultural/forestry uses is a permitted use, as well as all related recreational uses. High to low density recreational uses are permitted along with marinas, hunting and fishing preserves and campgrounds. Residential subdivisions with minimum lots of two acres are also permitted. A family dwelling is a conditional use for a homesite on the property. A single family residence is permitted only if it is directly orientated towards recreational use. Other permitted uses are related to recreational, such as off-road vehicle rental, golf courses, Circus, and carnivals.

Both scenarios 1 and 2, as shown in Exhibits A and B, are within the Recreational zoning. The most westerly boundary of the area under appraisal appears to fall in line directly with the most westerly recreational zoning boundary. The area west of that boundary has a different zoning on it. It is designated MES, which is a more restrictive zoning as it is along the beach front and the river frontage area. It is a more sensitive development area. The zoning to the east of the subject property is EFU, which is a farm use zoning.

Subject Property Description Contd.

Size and Shape

There are two requested appraisal scenarios for this report. Scenario 1 is identified in Exhibit A and is a 208 acre parcel having a long, triangular shaped site, located in Sections 26, 23 and 14, with a club shape in the northern portions of Section 14. The width at the bottom, or southern, end of the property is approximately ¼ mile. The overall length is a little over two miles. The Exhibit A parcel, identified under Scenario 1, is not a very functional site by itself. The purpose of the irregular shape is because of the lot line adjustment and to be acquired by the adjoining property owner to the east.

Scenario 2 is identified as Exhibit B. It is a larger tract, having 358 acres. It is located in Sections 35, 26, 23 and 14. It is also a triangular shaped site with a club shape at the most northern end in Section 14. It is approximately one half mile wide at the widest point at the southern end, with a 40 acre tract out of Section 35 in the NW1/4 of the NE1/4. This property, by itself, is more functional but represents, again, a lot line adjustment for development with the adjoining property to the east for a proposed golf course.

Water Rights

In checking with the State of Oregon website for the Sections in which the subject property is located, there are no shown water rights for any use or anywhere within those Sections. Also, in checking with Alice Beals, Real Estate Agent with the State of Oregon, she has indicated that she is not aware of any water rights available on the subject property.

Topography

The topography on the property is rolling sand dunes with a variety of vegetation. The lowest elevation is about 40' in the center of the property with two ridges running north and south on the westerly and easterly sides of the property. The northern portion has a more gentle sloping terrain. It has Gorse brush primarily on the northern section. The southern section has more mature Evergreen trees, mostly Sitka Spruce and a variety of other trees. The two largest areas, according to the biological report, are Gorse and European Beach Grass and Sitka Spruce. It consists of about 54% of the area. Some of the area is open, rolling sand dunes. The highest elevation is about 120'. There are two small hills located in the south center portion of the property.

Subject Property Description Contd.

Endangered Species

A biological report has been submitted to the appraiser and was authored in 2007. It shows that there are rare, threatened and endangered species on the property. It lists eleven different plant species and one bird named Western Snowy Plover. However, the report states it is unlikely that the subject property contains any suitable habitat for these birds because of the dense vegetation and distance from the beach. They generally prefer a close proximity to the beach and a more open, sandy area. The report further says that there are also a large variety of other amphibians, reptiles, birds and mammals that are not listed on the endangered species list.

Soils

The Soils Map provided in this report covers both Scenarios 1 and 2, as shown by Exhibits A and B. The primary and largest area of soil type on the property is classified as 61D. It is a Walldport-Heceta Fine Sand with 0-30% slopes and consists of about 44% of the area. It is primarily in the northern and central portion of the subject. The next largest consists of about 35%. It is identified as 60D and is a Waldport-Dune Land Complex with 12-30% slopes and is also considered Not Prime Farm Land. This area is in both the north and south center portion of the property. The other areas are considerably less and are considered Not Prime Farm Land and are basically also of a Waldport Sandy Loam type soil. The subject does have some farm land adjoining to the north and to the east. There are no ideal farm land areas on the subject property. For forest land production the area has no Site Index rating.

Access

The property has more than one potential access point. However, there is no actual physical access developed to the subject area under appraisal. The larger parcel of the State ownership extends farther north. It has access from a public park about one mile north. Some of the adjoining properties on the east, which front on the property, have developed access from Highway 101 which potentially could be used for the subject. Also, to the southeast Woods Way is about one-eighth mile away from the southeasterly portions of the subject and north of the Laurel Lake area. Also, Lower Four Mile Road dead-ends about one-quarter mile away from the most southerly point of the subject. From that point there is a lower quality physical road that extends north and does turn east and connect up with the subject, but it is not a usable road, especially during the rainy season. It would need grading and clearing for potential use. Any road to the subject would incur additional development cost.

Subject Property Description Contd.

Public Services

There are no public services directly available to the subject property. The closest would be to the south or east, where the farms or small acreage homesites are located. The closest distance would be about one-eighth mile away from Woods Way or Lower Four Mile Lane. There would be additional cost to extend the power and telephone service to the property. This cost would entail purchase of easements and physically extending the services to any area of development on the property.

Public sewer and water is also not available, nor is it close by. The closest would be the city of Bandon, which is a few miles to the north.

Assessment Data

The property is under the ownership of the State of Oregon, which is nontaxable, and thus, there are no current taxes or assessed value that would be considered appropriate under normal private ownership. Thus, if the property is acquired by a private ownership the property would become taxable and there would be annual taxes on the property. The amount of tax would be unknown until that event takes place.

Mineral Rights

It is assumed that all mineral rights will be included with the purchase of the property.

HIGHEST AND BEST USE

Highest and best use is defined as follows by the Fourth Edition of the Dictionary of Real Estate Appraisers, published in 2002.

> *The reasonably, probable and legal use of land or an improved property, which is physically, possibly, appropriately supported, financially feasible, and that results in the highest value. The four criteria the Highest and Best Use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity.*

The above definition gives the four tests of highest and best use for any vacant or improved property. These factors will be considered for the subject property as follows.

There is a hypothetical assumption in this appraisal, as given by the Statement of Work to the appraiser, a copy of which is in the Addenda. This assumption is that the highest and best use of the property is for potential golf course development. The instructions that are given to the appraiser indicate that the adjoining property owner wishes to develop the subject property with a championship golf course in conjunction with the adjoining property.

The highest and best use analysis will still be completed on the subject property and is analyzed as follows.

Legally Permissible

The zoning, according to Staci Leep, Planner with Coos County Planning Department in Coquille, Oregon, has confirmed the zoning on both Scenario 1 and Scenario 2 as REC, which stands for Recreational. She has provided a zoning map and a permitted use list for the REC zoning. Outright permitted uses include agricultural, timber, fish and wildlife uses, hunting and fishing preserves, vocational, campgrounds, recreational vehicle parks, a single family dwelling in association with recreational use, partitioning and a subdivision with a minimum lot area of 2 acres, circuses, carnivals and golf course.

There is no minimum site development for the recreational zoning except for the residential subdivision, which has a minimum of 2 acres to allow for proper setbacks between wells and septic systems. The zoning to the west is MES, which is a more restrictive use and mainly along the beach front and coastal area in the county. The zoning to the east, directly adjacent to it, is EFU- agricultural, and will not allow the same uses as the subject property and is a more restrictive zoning. The zoning to the south and southeasterly is F, which stands for Forestry. It is also more restrictive and would not allow the recreational usage. Some other uses in the area are small acreage homesites.

Highest and Best Use Contd.

Physically Possible

Physically the property has some development challenges. It is heavily covered with Gorse in the northern portions and partially in the southern portions. The south and western portions of the property are both thinly and heavily timbered and there are some open, rolling sand dunes.

The northern portion has a superior topography for development purposes, either for residential or golf course use. However, there would be clearing costs of the Gorse, which could cost $1,500 to $2,500 per acre, depending upon the density of it. The south part of the property has more of the steeper, rolling terrain with two taller hills, having an elevation of almost 120'. These would be costly to remove and level and/or additional planning to design around them for any kind of economic use on the property.

The western portion of the property is heavily wooded and has been let grow for the past several decades. The timber appears to be merchantable size but it is unknown what the quality and volume of the timber is, as a Forester's report has not been provided to the appraiser. The advantage of the timber is that it can be thinned and selling-off of the timber would offset some of the development costs on the property. The balance of the timber would make an appealing, tree-lined golf holes or partially wooded homesites.

The property has no public services such as sewer, water, power or telephone. The closest sewer and water would be the city of Bandon. Water would have to be obtained from a well and sewage would have to be disposed of through a septic and drainfield system or some kind of a holding system. Power and telephone is relatively close. It is on the adjoining properties to the east and south, anywhere from one quarter to half mile away, depending upon the most logical access point. Extending power and telephone service would not be one of the major costs of development.

Road access to the property, I believe, would be a major cost for any kind of development. It is highly recommended that more than one access point be obtained. The adjoining property owner, Bandon Biota, LLC, has purchased some of the adjoining property and is the intended buyer of the subject property from the State of Oregon. They have physical and legal access from Highway 101 to the east, but there is no physical access extended through their property onto the subject property. Another possible access point would be from the southeasterly direction, from Woods Way. It is a narrow, one lane road and has a gated access point near the southeast corner area of the subject, about one eighth mile away. Woods Way, though, would not be big enough for commercial use development and would need to be expanded and improved. Another access point potentially could be from the south, on Lower Four Mile

Highest and Best Use Contd.

Road. It dead-ends approximately one-quarter mile south of the most southerly tip of the subject. An older physical road does extend up through the adjoining property to the southwest and near the subject property line. From there on east it is more of a hiking trail and not an actual, physical road. The road condition is poor and it is not passable year-round. Upon my inspection of the property there were several low, wet areas that were not passable by foot and may not be passable with a four-wheel drive vehicle because of the water depth and length.

Access is a major development problem and must be considered in the valuation of the property. Another factor to be considered is how the access road joins up with Highway 101 to the east, which is a major arterial running north and south through the area. It is potentially possible to obtain access from the north through the remaining State ownership. However, the State and Bandon Biota have not disclosed any legal agreement upon acquisition of the property, for access to the north.

Water rights are another important consideration in valuing the property and the highest and best use of the site. In checking with the Water Resource website, there are no shown water rights for anyone within the Sections where the subject property is located. The State owns a majority of the property within those Sections. There are no shown water rights. The water rights are on the adjoining Sections to the east and are primarily for cranberry bogs. A map has been included in this report showing the darker green shaded area as having water rights.

Water rights are very important for development of a golf course or any economic use. Most of the comparable sales submitted in this report have public water or water rights for their intended use.

Financially Feasible

The current local and national economy is in a nation-wide recession with a major housing boom/bust period. The peak of the market typically was in the latter part of 2007 and the first part of 2008. Since that time period the demand for housing and property in general has declined considerably. Prices have also declined and listed properties are on the market a considerably longer time. New construction is down considerably. There are several subdivisions and residential single family properties having gone through foreclosure or are in the foreclosure stage.

However, interest rates are still very affordable and generally are in the 4-6% range for financing, depending upon the institution and the credit rating. Financing, though, is not as readily available, even though the interest rates are

Highest and Best Use Contd.

affordable, because the lending practices have tightened and lenders are more particular on the lending requirements.

The general demand for all property is weaker, with the housing market hit the hardest. Recreational properties/recreational homesites have also experienced a major downturn in demand. Golf course development in the southern Oregon coastal area has been a major boost for the economy in the development of the four Bandon Dunes golf courses. They have been developed over the past twelve years with all four of the Bandon Dunes courses ranked in the top fifteen public courses in the nation. The original course, Bandon Dunes, is ranked number one in the nation, while Pebble Beach, in California, is ranked number two. This development has added an economic boost as it has attracted additional tourists and travelers from national and international sources. It has also increased the demand for additional golf courses in the area. Bandon Crossings, a new golf course developed in 2007, is due east of the subject on the east side of Highway 101. It is an 18 hole golf course on 200 acres. There is a proposed new golf course named Crook Point on the southern Oregon coast near Gold Beach. According to the information provided it is intended to be a high-quality 18 hole golf course with direct ocean view and frontage, with challenging sloping terrain on some holes.

Maximum Profitability

The subject property is an attractive rolling sand dune property that would have potential for either recreational or residential subdivision use. Negative features of the property are that it would be quite costly to develop for any use. Bandon Dunes Golf Course development has confirmed their development costs with me, through Bob Johnson, the Broker for Mike Keizer, who is the owner and CEO of Bandon Dunes. The reported development cost is $5,000,000 to $8,000,000 per course, which results in a development cost for just the golf course of $278,000 to $444,000 per hole. In contrast, Bandon Crossing, the golf course due east of the subject and on the east side of Highway 101, has reported a cost of $3,000,000 for an 18 hole course, which indicates $167,000 per hole. Bandon Crossing is not the quality of course that Bandon Dunes four courses are and it is obvious, as the four courses in the Bandon Dunes development are all nationally ranked in the top fifteen for public courses. The original Bandon Dunes Golf Course is ranked Number 1. Bandon Crossing Golf Course, near the subject, has level topography and the development cost was offset some by the sale of some merchantable timber on the property to open the land for the fairways, thus making the development of the course lower.

Highest and Best Use Contd.

Because of the poor economy there are no recent sales of residential development that have occurred in 2010 or 2011. There are some in 2009. The most recent sale by Bandon Biota is a 2010 purchase directly adjacent and to the east of the subject property, of the bog farm and sand dunes at $1,300,000 or $9,733 per acre.

Residential developments, with public sewer, water and all services and ready to go, are considerably higher, as illustrated by comparable sales in this report, and show the very upper range of value at almost $47,000 per acre. (Sale 1) This is an older sale, just after the peak of the economy. One of the more recent purchases of subdivision land and potential golf course type use is a purchase in Waldport of 135 acres for $1,800,000 or $13,258 per acre. (Sale 2) It is ocean view property zoned for residential development with public services and access.

From the above information it is obvious that there are several things to consider when considering the maximum profitability of the property. There are appraisal instructions for this report that the appraiser assume that the highest and best use is for golf course development. However, further analysis has been made and it shows that the long-term development of this property could be potentially equally served by a small acreage subdivision. However, estimating the absorption rate and the sell-out period and the development cost is extremely difficult because there is no recent information available and values are going down.

Conclusion of Highest and Best Use

The four tests, in my estimate, indicate that there are basically two types of use that are realistic on the subject property, and that is a potential golf course and small acreage subdivision with minimal lot size of about two to three acres.

From a zoning and legal aspect there appears to be no major hurdles for these uses as they are an outright permitted use under the recreational zoning. From a physical standpoint there are several things that need to be considered and the property could be quite costly to develop, such as access, water rights and development of the property through grading and clearing. The grading and clearing costs, especially of the Gorse bush, could run in the neighborhood of about $2,000 per acre, or more, depending upon the density of it. It would cost an additional amount per year to keep it clear.

There are some offsetting benefits through potential logging of the merchantable timber on the property, which could help offset some of the development costs, such as the Bandon Crossing property did, in which they sold about $60,000 worth of timber, which assisted in developing of that course in 2007.

Highest and Best Use Contd.

The demand for housing right now is very poor. There are subdivisions in the foreclosure stage and some of them have gone through it and are bank-owned. There are no recent sales of subdivision property in the southern Oregon coast area that we could find. The most recent sale is a 2009 sale in Waldport, which we have included in this report.

On the other hand, the development of golf courses in the southern Oregon area, and in particular the Bandon area, has been fairly strong and the Bandon Dunes development of the four new courses has helped the economy considerably through tourism and recognizing the southern Oregon coast as a good place to golf. The Bandon Dunes developers have purchased the majority of the property around the subject property with the idea of developing an overflow, with a 27 hole golf course for the Bandon Dunes development. This is evidence of a strong demand for high quality golf in the area.

The Bandon Crossing golf course has been developed in 2007, just due east of the subject and on the east side of Highway 10, in hope of capturing some of this overflow. The developer of that property, Rex Smith, has stated, though, that additional demand has not been realized and he is not receiving the income that they had hoped for.

Given the fact that demand for residential development is very poor at this time and the fact that the Bandon Dunes developer has purchased a majority of the land around the subject property for a potential golf course, it appears logical that there is a stronger demand for golf course development on the subject property than residential. Bob Johnson, the Broker representing Mike Keizer, the CEO and developer of Bandon Dunes, has stated that the northern portion of the subject property is ideal for golf course development, while the south portion, while it may be more visually appealing because of the wooded, rolling terrain, is more difficult and costly to develop. The northern portion has Gorse on it, but it would be less costly and have better terrain for an open, links-style golf course.

Thus, taking the above facts into consideration, I am of the opinion that the highest and best use on the subject property is for potential golf course development. The subject could also appeal, when the economy recovers, to a small acreage subdivision development and it would be appealing for long-term phase development.

LARGER PARCEL

The purpose of this section is to identify the Larger Parcel of the subject property. Elements of consideration of the Larger Parcel determination are continuity of use, unity of ownership and unity of highest and best use.

There is a special assumption in this report, and it is identified as a hypothetical assumption, that the highest and best use of the property is for a golf course development. However, a Larger Parcel analysis is felt to be important in this appraisal, even though it may not be required because of this special assumption.

The reason the Larger Parcel analysis is important is that cooperation and development with the neighbor's property can be very beneficial to all parties for continuity of use and maximum profitability of all properties. To illustrate the continuity of maximum profitability, access is a key factor. Because Bandon Dunes typically developed property in resort fashion, with lodging in conjunction with golfing, access to other areas around the property, such as the beach or the river, would be important. At this time there is no known agreement for access across the remainder State property to the river or to the beach, or to the north for road access. Some sort of master plan would be ideal for all parties and would assist the State, or any private ownership of the property, if it were in private ownership, for homesites or other recreational use. Typical agreements for access should be agreed upon at the time of acquisition of the property.

Additional consideration for the Larger Parcel are special instructions that no special benefits or damages are to be considered to the remainder property of the State ownership by the acquisition of a portion of their property by Bandon Biota.

For this reason it is assumed under the appraisal that there are no damages or special benefits to the remainder property, as instructed by the State of Oregon. There potentially could be benefits through cooperation of the development, mainly through reciprocal access agreements. There also could be damages because of the lack of access agreements and public services. There also could be damage because of the remainders poor shape and reduced functional utility for future development.

VALUATION

In this appraisal only one approach will be utilized and that is the Sales Comparison Approach, as the Cost and Income Approaches are not applicable in this case. There are no improvements that a cost new and depreciation can be estimated and there is no annual income that can be converted into value. The Sales Comparison Approach is explained and analyzed as follows.

SALES COMPARISON APPROACH

The Sales Comparison Approach is the comparison of comparable sales to the subject property taking into consideration the differences they have upon direct comparison. The best process for estimating the market value is by bracketing the subject property, finding sales that are both superior and inferior to it. This sets the upper and lower limitations of value and gives a range of value in which a supportable conclusion of value can be determined.

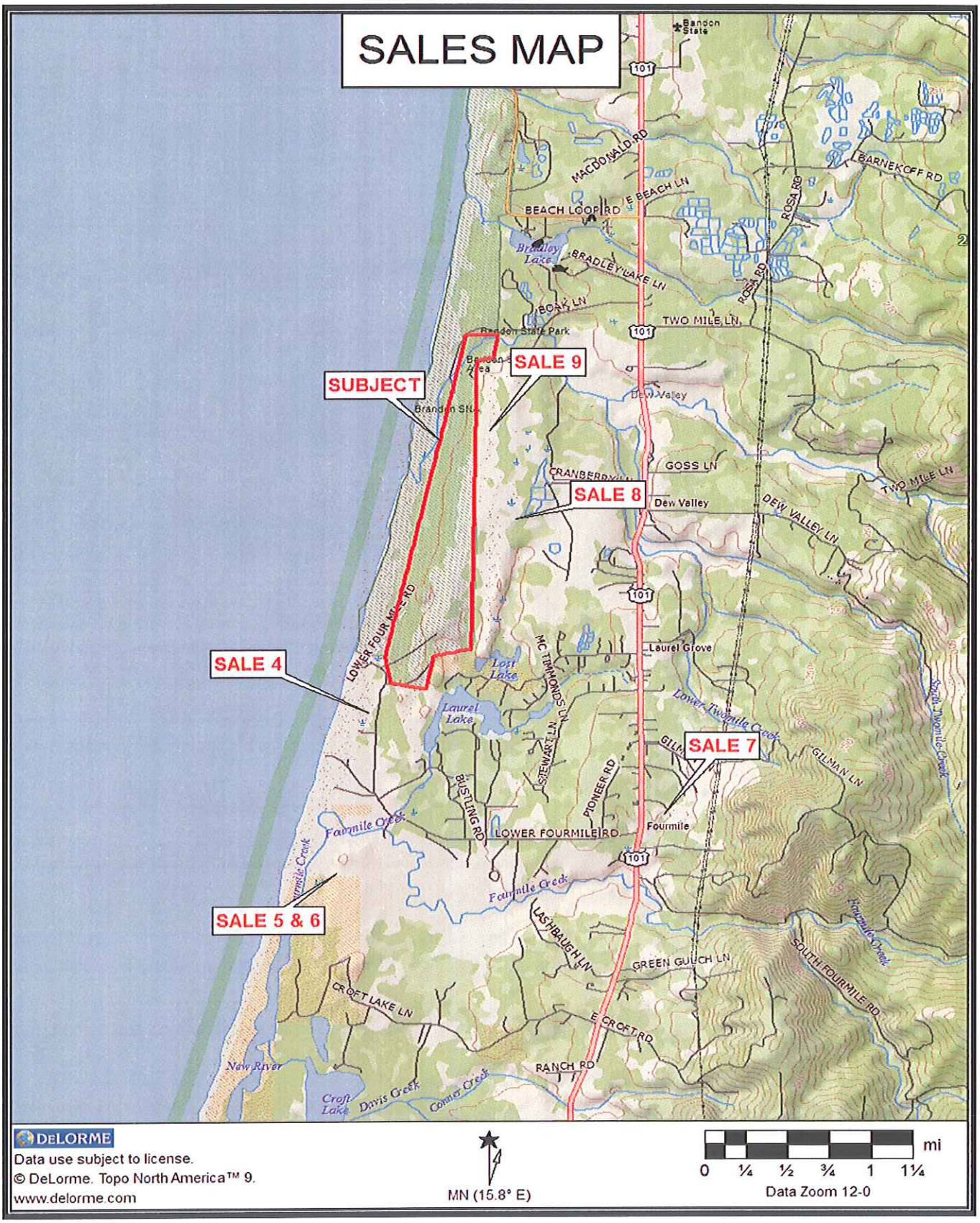
When selecting comparable sales the physical and legal attributes all must be considered, as well as the general location, highest and best use and availability of public services, and topography, zoning and surrounding development. For this reason properties that are suitable for either recreational, golf courses or subdivision land have been considered, since that is the potential highest and best use on the subject property.

Several sales have been found that have occurred directly adjacent and near the subject and up and down the southern Oregon coast. This is the best and strongest market for the subject property as other areas would not be considered as comparable, as major adjustments for other factors most likely would have to be considered.

A summary of the sales has been made showing the general location, sales price, date, land size and other considerations, such as zone, with the overall sales price per acre in the far right-hand column. After the summary is a comparable sales map and detailed write-ups of the sales giving the particular information on each sale. A conclusion of value by the Sales Comparison Approach will follow.

SUMMARY OF SALES

SALE NO.	LOCATION	SALES PRICE	DATE OF SALE	LAND SIZE	ZONE	IMPS VALUE	WATER RIGHTS	DEVELOPED ASSESS	PUBLIC SERVICES	AMENITIES	OVERALL S/P PER AC.
1	9-11-05 #100 LINCOLN COUNTY	$ 3,800,000	Jun-08	81.04	R-2	NONE	NONE	YES	NONE	NONE	$ 46,890
2	13-11-30 #800 LINCOLN COUNTY	$ 1,800,000	Sep-09	135.77	R-1	NONE	YES	YES	YES	OCEAN VIEW	$ 13,258
3	SANDPINES GOLF LINKS FLORENCE, OR	$ 6,500,000 $ 6,900,000	Jun-04 LISTING	210.00 210.00	RES & COMM.	TRAILER & GC	YES	YES	YES	NONE	$ 30,952 $ 32,857
4	NEXT TO SUBJECT	$ 800,000	May-09 USABLE	111.30 52.35	REC	NONE	NONE	NONE	NONE	RIVER & OCEAN	$ 7,188 $ 15,282
5	SOUTH OF SUBJECT PART OF SALE 6	$ 1,215,000	Jul-04 USABLE	112.95 60.31	MES/F	NONE	NONE	NONE	NONE	RIVER & OCEAN	$ 10,757 $ 20,146
6	SOUTH OF SUBJECT	$ 1,750,000	Jul-04 USABLE	235.95 183.31	MES/F/EFU/QRR-5	NONE	YES	YES	POWER	RIVER & OCEAN	$ 7,417 $ 9,547
7	BANDON CROSSING GOLF COURSE	$ 960,000	Jun-05	325.89	EFU	NONE	YES	YES	POWER	NONE	$ 2,946
8	EAST OF SUBJECT	$ 1,300,000	Jun-10	133.56	EFU	BOGGS	YES	YES	NONE	NONE	$ 9,733
9	EAST OF SUBJECT	$ 270,000	May-03	135.00	EFU	NONE	NONE	NONE	NONE	NONE	$ 2,000
	SUBJECT		Apr-11	208.00 358.00	REC	NONE	NONE	NONE	NONE	NONE	


SALES MAP
SUBJECT
SALE 9
SALE 8
SALE 7
SALE 4
SALE 5 & 6
Bandon State
101
MACDONALD RD
BARNEKOFF RD
E BEACH LN
BEACH LOOP RD
ROSA RD
Bradley Lake
BRADLEY LAKE LN
BOAT LN
TWO MILE LN
Bandon State Park
Bandon Sta
Dew Valley
GOSS LN
CRANBERRY
DEW VALLEY LN
LOWER FOUR MILE RD
MC TIMMONDS LN
Laurel Grove
Lost Lake
Laurel Lake
Lower Twomile Creek
South Twomile Creek
GILMAN LN
STEWART LN
PIONEER RD
BUSTLING RD
Fourmile Creek
LOWER FOURMILE RD
Fourmile
LASHBAUGH LN
GREEN GULCH LN
SOUTH FOURMILE RD
CROFT LAKE LN
E CROFT RD
RANCH RD
New River
Croft Lake
Davis Creek
Conner Creek
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SALES MAP
SALE 1
SALE 2
SALE 3
Lafayette
McMinnville
Whiteson
Amity
Sheridan
Willamina
Grand Ronde
Perrydale
Neskowin
Otis
Rose Lodge
Neotsu
Dallas
Black Rock
Monmouth
Bridgeport
Falls City
Valsetz
17-Stott Mountain
Depoe Bay
Otter Rock
Logsden
Siletz
Kings Valley
Hoskins
Agate Beach
Newport
Eddyville
South Beach
Blodgett
Riverside
Corvallis
Philomath
Harlan
18-Alsea
Tidewater
Alsea
Dawson
Yachats
Monroe
Harrisburg
Junction City
Blachly
Cheshire
Alvadore
Santa Clara
Greenleaf
Deadwood
Swisshome
Noti
Elmira
Veneta
Walton
Mapleton
Florence
Cushman
Wolf Creek
20-Siuslaw
Westlake
Siltcoos
Lorane
Gardiner
Reedsport
Curtin
Winchester
24-Tioga
Scottsburg
Elkton
Drain
Yoncalla
Tenmile
Lakeside
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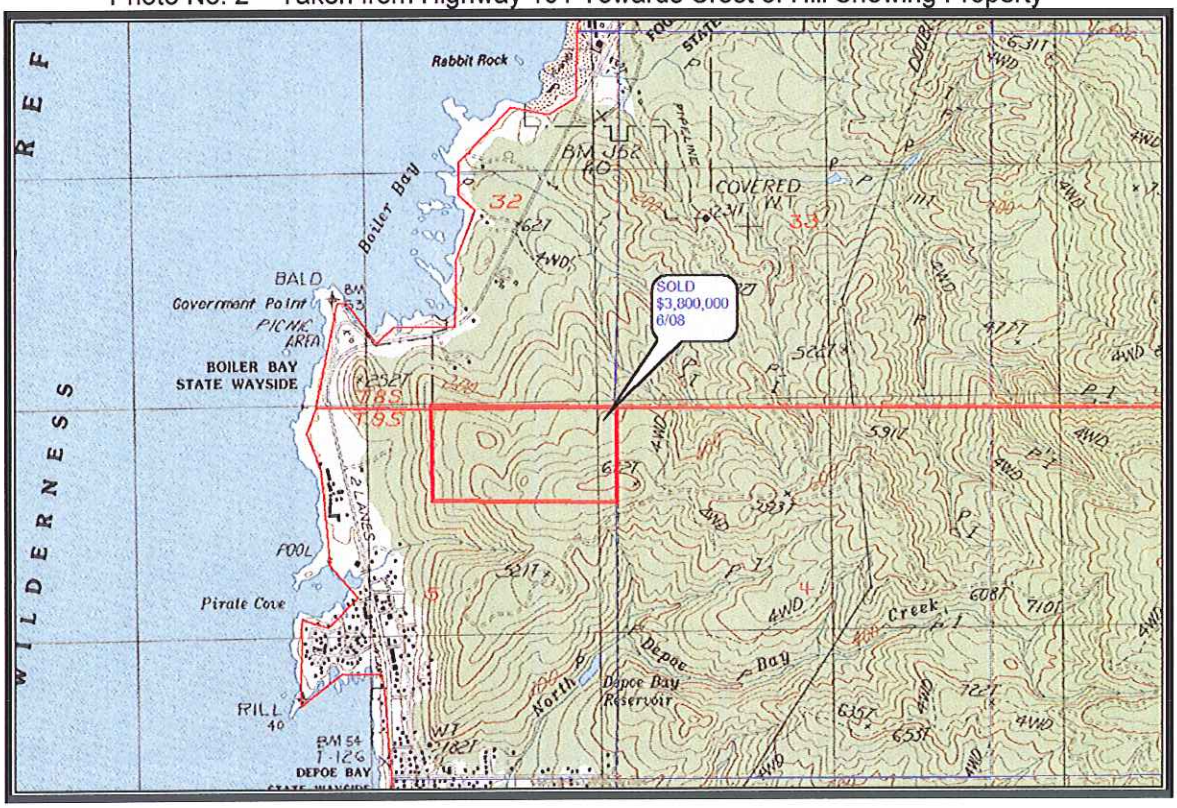
SALE NO. 1

Location:	This property is located north of Depoe Bay on the east side of Highway 101 in the surrounding hills with a view of the ocean, Lincoln County, Oregon.
Identity:	Township 9 South, Range 11 West, Section 5, Tax Lot 100, Lincoln County, Oregon.
Grantor:	Tyson Alexander, et ux
Grantee:	Hills of Depoe Bay, Ltd.
Sales Price:	$3,800,000
Date of Sale:	June 2008
Recording:	2008-7786
Terms:	Cash to Seller
Land Size:	81.04 acres
Improvements:	Vacant parcel of land
Site Description:	This is a rectangular shaped parcel located on a hilltop north of Depoe Bay. The elevation at the highest point is about 600'. The lowest elevation is about 200'. It has a sloping hillside topography from the east to the west with a good view of the ocean. At the time of sale access was only from a timber road easement through the east and insufficient for developing the property. The buyers have to obtain additional access. In addition, there was no public sewer or water directly available at the time. The zoning on the property is R-2. Power and telephone service is close by.
Motivation:	The property was purchased for future development of residential use. Minimum lot size is reported at 3,500 sq. ft.
Highest and Best Use:	Future residential subdivision development.
Verification:	Sale was verified with Jon Lynch, Ph. 541-270-2714, who is the listing broker with Coldwell Banker. He confirmed the fact that the property has a good view, has poor access and did not have public sewer or water directly available to it. He also reported that this property sold just after the peak of the market, which has declined since then. He also confirmed the fact that there was no commercial timber and that the timber had been removed prior to purchase.
Analysis of Sale:	This represents a hill top property that was purchased near the peak of the market and has a good view of the ocean. This property is considered the be a high representation of value for the current market.

SALE NO. 1

Photo No. 2 – Taken from Highway 101 Towards Crest of Hill Showing Property

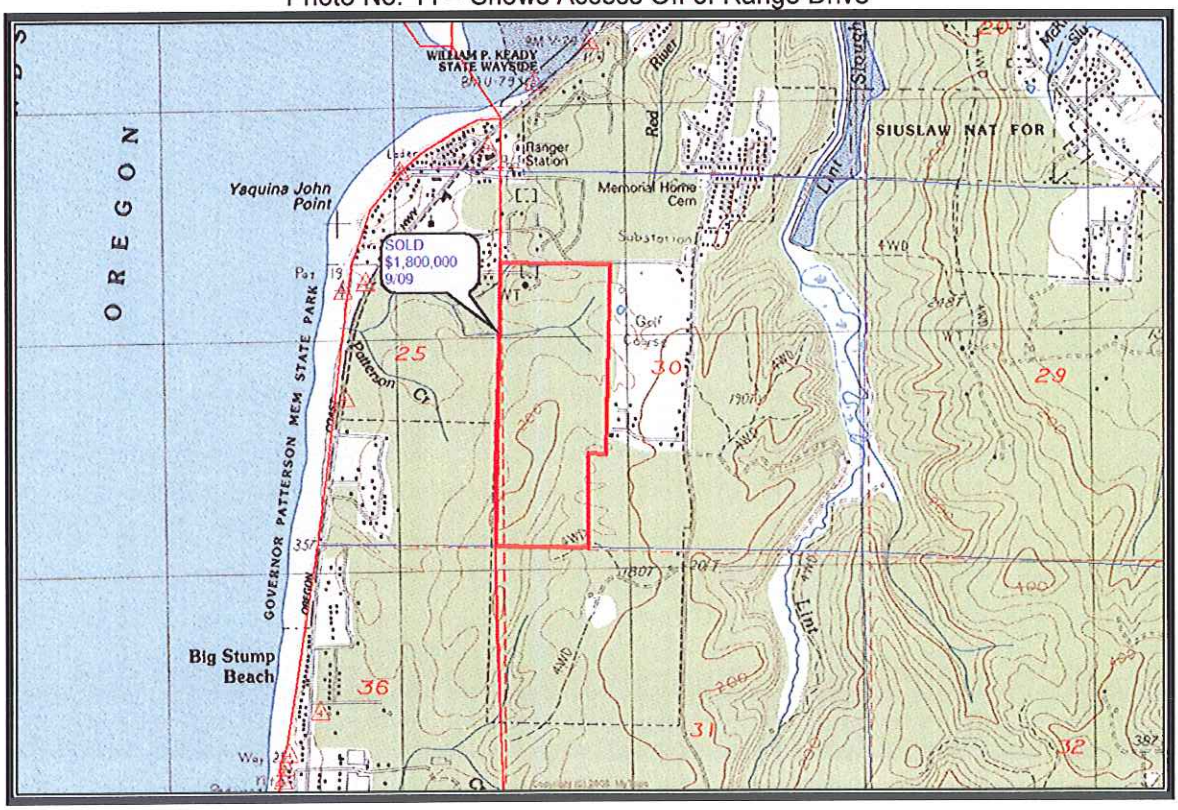


SALE NO. 2

Location:	This property is located just south of Waldport in the surrounding hills, Lincoln County, Oregon.
Identity:	Township 13 South, Range 11 West, Section 30, Tax Lot 800, Lincoln County, Oregon.
Grantor:	Charles Battles, et ux
Grantee:	Dale Laurance, et ux
Sales Price:	$1,800,000
Date of Sale:	September 2009
Recording:	2009-10806
Terms:	Cash to Seller
Land Size:	135.77 acres
Improvements:	Vacant parcel of land
Site Description:	This is basically a rectangular shaped site located in the south end of Waldport, directly adjacent to urban development. The zoning on it is R-1, which is a higher density residential development and all public services are available. The property is directly adjacent to a smaller, 9 hole golf course to the east. The property, because of its elevation, about 25% to 30% of the area does have a view of the ocean. It has gentle sloping topography. Elevation is about 200'.
Motivation:	The property has potential for either a golf course or future residential development.
Highest and Best Use:	Recreational golf course or future residential development.
Verification:	Sale was verified with Connie Battles, who is the listing agent with Century 21. The original asking price was $2,700,000. It was on the market approximately 106 days. Ms. Battles did state that the buyers had to pay an additional $200,000 to make sewer and water available from the City of Waldport, which would make the total purchase price with full services at $2,000,000, or $14,731 per acre.
Analysis of Sale:	This property represents a residential and potential golf course development in a small community along the Oregon coast with all public services available. The indicated raw land purchase was $13,258 per acre, without the additional $200,000 charge by the City of Waldport for connection to sewer and water.

SALE NO. 2

Photo No. 11 – Shows Access Off of Range Drive



SALE NO. 3

Location:	This property is identified as Sand Pines Golf Links located at 1201 35th Street, Florence, Oregon.
Identity:	This property is mainly located in Township 18 South, Range 12 West, Section 15 and has multiple parcels involved, too numerous to mention in this legal description. See Deed reference for exact legal.
Grantor:	Ariki-Oregon Ltd.
Grantee:	R, L. Bocci, Sand Pines Resort, LLC, ½ interest and JTP, Sand Pines Resort, LLC, ½ interest.
Sales Price:	$6,500,000
Date of Sale:	June 2004
Recording:	2004-037435
Terms:	Cash to Seller
Land Size:	210 acres
Improvements:	At the time of sale the property had a modular trailer as a clubhouse and pro shop, a developed golf course and other land not developed as a golf course. After the purchase a major lodge building of 18,000 sq. ft. was developed. The property is now listed on the market for $6,900,000.
Site Description:	This property is located in the Florence area with urban properties all around it. The sale also included developable land with all public services available. The Sand Pines Golf Links is a professional quality 18 hole golf course and has rolling, open sand dunes type development. It has water rights available for irrigation on the course plus all public services to the adjoining developable sites into residential homesites and a small commercial land area. The property has multiple zones on it from Residential, Commercial and Recreational use. This course was built in 1993 and the architect was Rees Jones.
Motivation:	The property was purchased for continued golf course use and development of adjoining vacant land. After the purchase a large 18,000 sq. ft. lodge, restaurant and golf clubhouse facility was built at a reported cost of $6,000,000.
Highest and Best Use:	Recreational and residential development.
Verification:	Sale and current listing was verified with Michael Pearson, Listing Agent, Ph. 541-350-4854, who now has the property listed for $6,900,000, including all of the excess land and the new 18,000 sq. ft. lodge, driving range and 18 hole golf course.

Sale No. 3 Contd.

Analysis of Sale:

The reason an improved golf course was utilized in this report is to show what an improved golf course, with a similar sand dune, rolling, open links course is actually selling for. By subtracting the development costs, a residual land value can be obtained for a site that is ready for development. Total sales price of the course, excess land and the modular trailer for the clubhouse was $6,500,000. Subtracting a value of the development for the course of $3,150,000 and less the value of the excess land, not developed with the golf course, of $1,500,000, leaves a residual to the raw land of $1,850,000. The course and driving range encompass about 173 acres. This indicates a value to the raw land of $10,694 per acre. This is a residual land value and illustrates what an investor could afford to pay for the raw land, put in the development and re-sell the golf course at a reasonable return.

The cost of development and the break-down of values was based upon more than one source, Michael Pearson, the listing agent involved and cost information from a new course along the southern Oregon coast, Bandon Crossings, which put in a new course in 2007, also the cost information provided from Bandon Dunes. (See Highest and Best Use for cost of development analysis.)

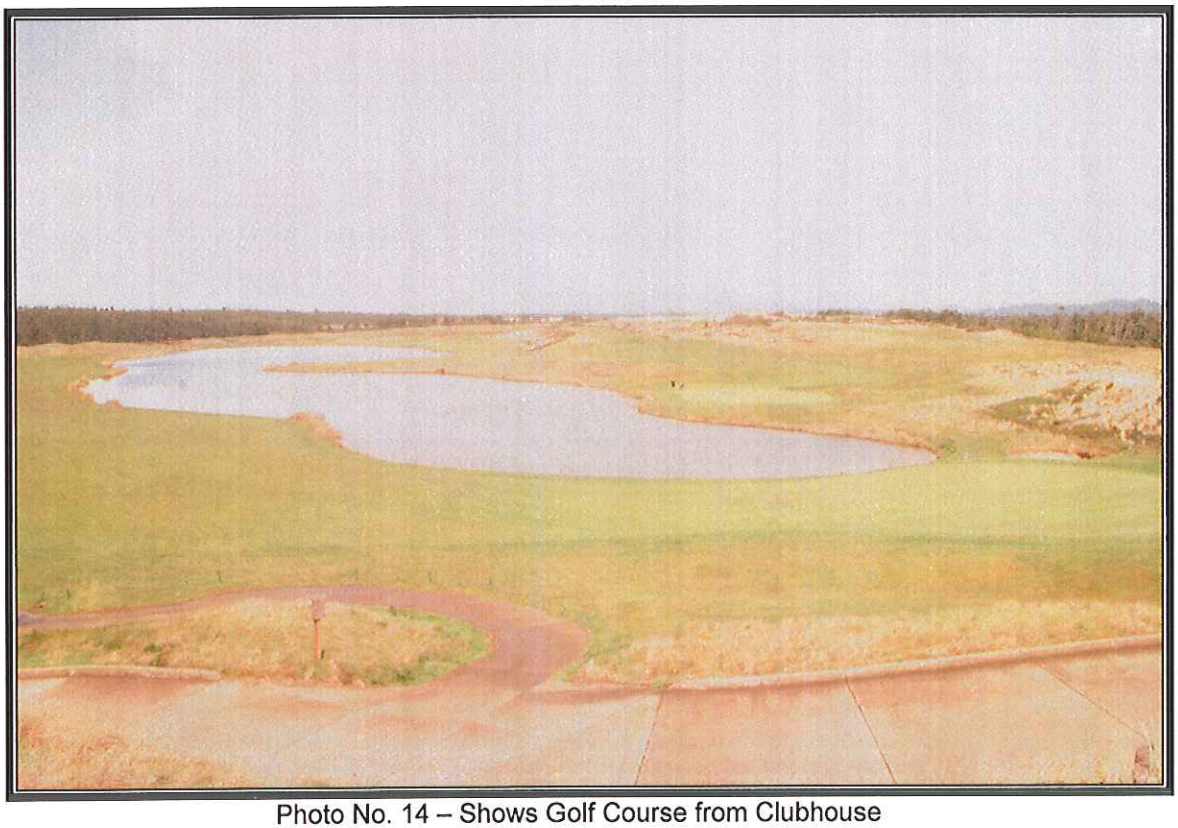
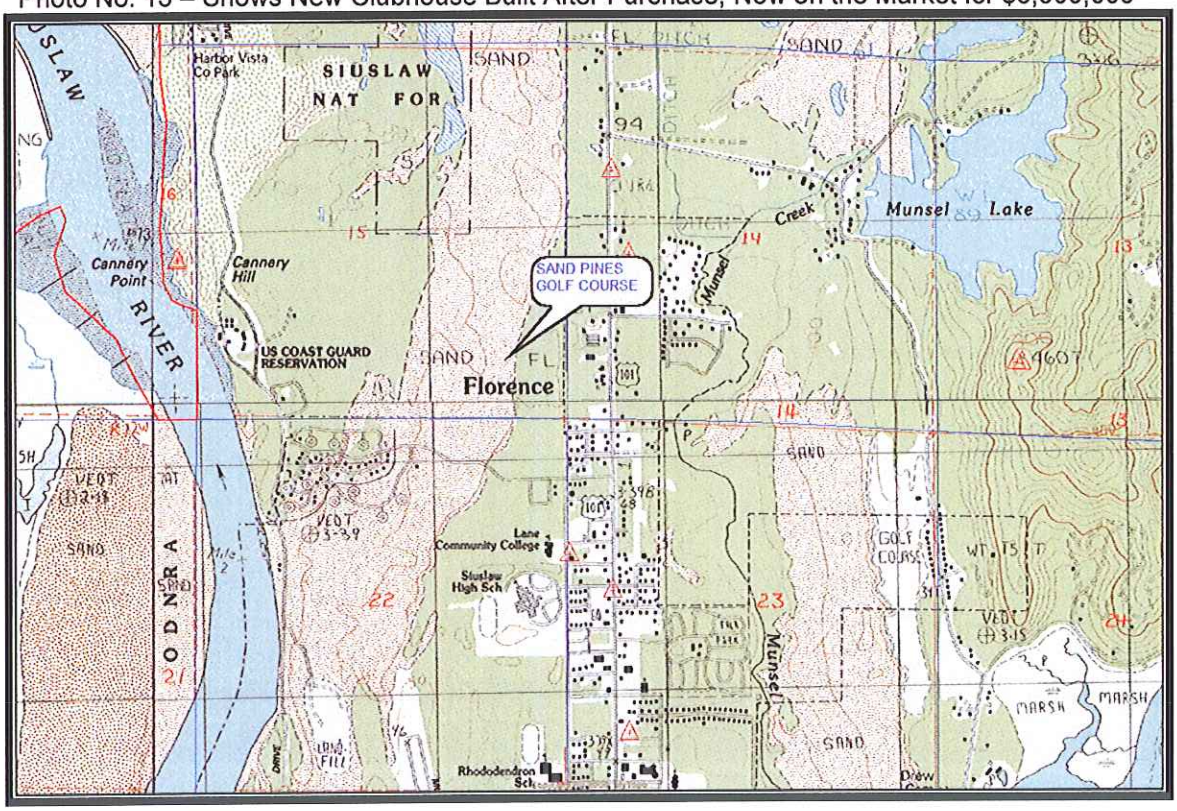


Photo No. 14 – Shows Golf Course from Clubhouse

SALE NO. 3

Photo No. 13 – Shows New Clubhouse Built After Purchase, Now on the Market for $6,900,000



SALE NO. 4

Location:	This property is located directly adjacent and to the southwest of the subject property at the end of Lower Four Mile Road, which connects up to Highway 101 approximately 1 ½ miles to the east. The property is located south of Bandon in Coos County, Oregon.
Identity:	Township 29 South, Range 15 West, Section 35, Tax Lot 100, Coos County, Oregon.
Grantor:	Coos County
Grantee:	Bandon Biota, LLC
Sales Price:	$800,000
Date of Sale:	May 2009
Recording:	2009-4219
Terms:	Cash to Seller
Land Size:	111.30 acres total, estimated usable area is 52.53 acres
Improvements:	Vacant parcel of land
Site Description:	This is basically a rectangular shaped site having ocean frontage. It has New River running in the center portion of it in a north-south direction with the eastern portion being wooded with rolling sand dune terrain, with a portion of the property covered with Gorse. The zoning on the property is REC, which is a Recreational zoning and would allow a golf course and a residential subdivision. The property has no developed access to it and there is no power, telephone or public sewer or water service available. The property is outside of any urban growth boundary area.
Motivation:	The property was purchased for an exchange with the State of Oregon.
Highest and Best Use:	Potential commercial recreational development and acreage homesites.
Verification:	Sale was verified with Bob Johnson, Ph. 541-944-9319, broker involved in the transaction.
Analysis of Sale:	This property represents property with both river and ocean frontage and rolling, wooded sand dunes. The river, during high tides and flood stages, consumes about 25 acres of the total property. The beach front, or dune area in the western portion, encompasses about 34 acres. The balance, about 52 acres, is considered usable. The sandy dune beach area has no physical access other than by the beach from the north or the south. This property represents an overall price per acre, with all land, at $7,188. For the usable area of 52.35 acres it represents $15,282 per acre.

SALE NO. 4

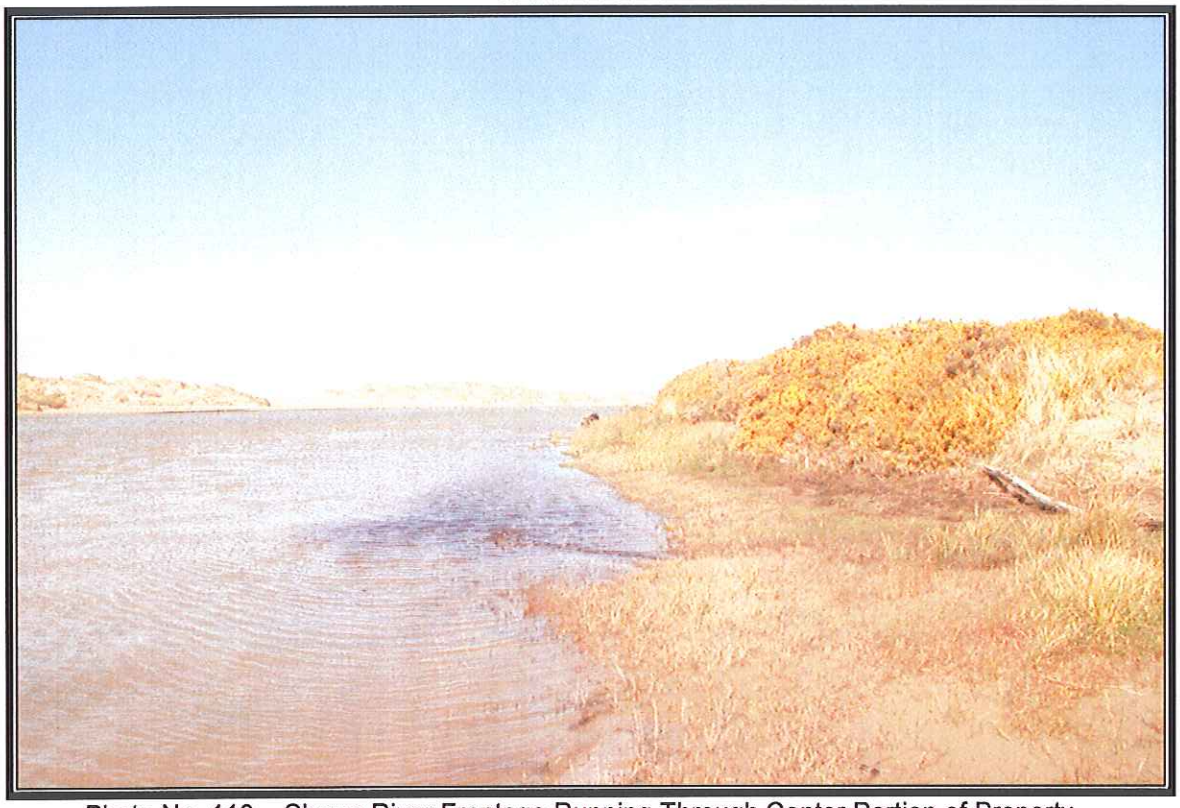
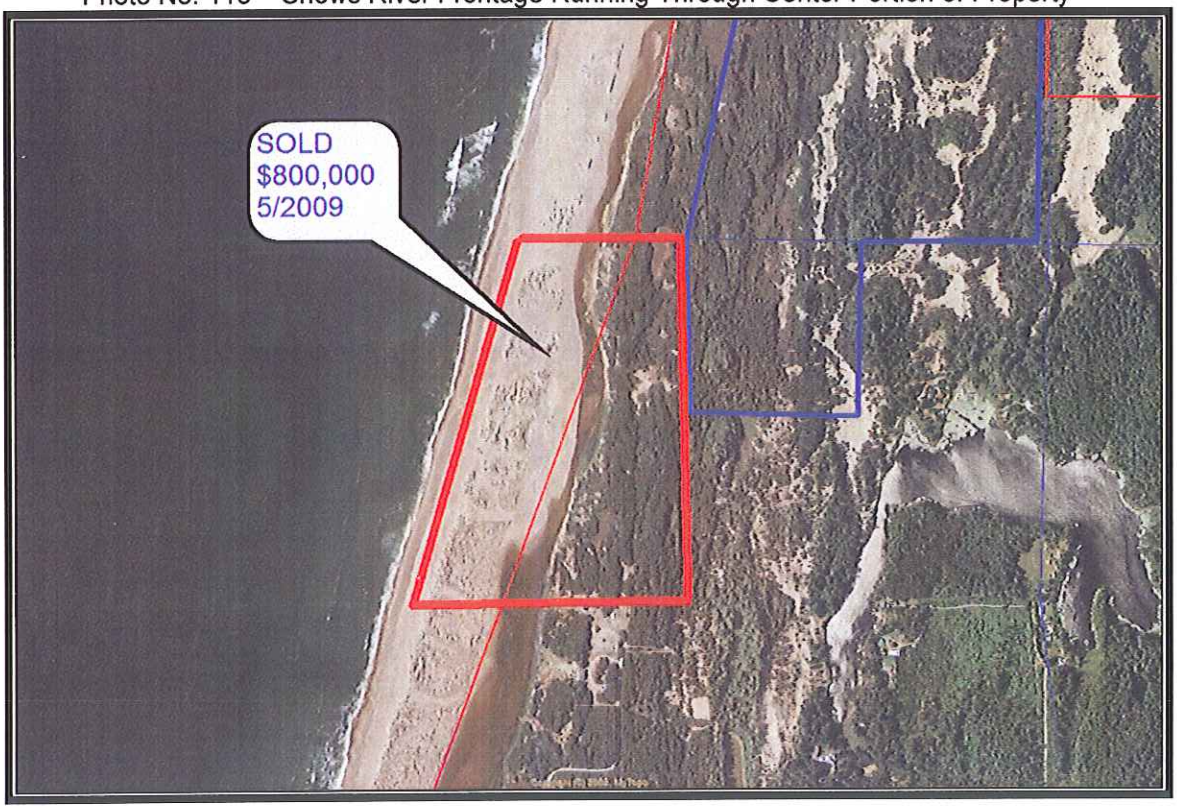


Photo No. 113 – Shows River Frontage Running Through Center Portion of Property

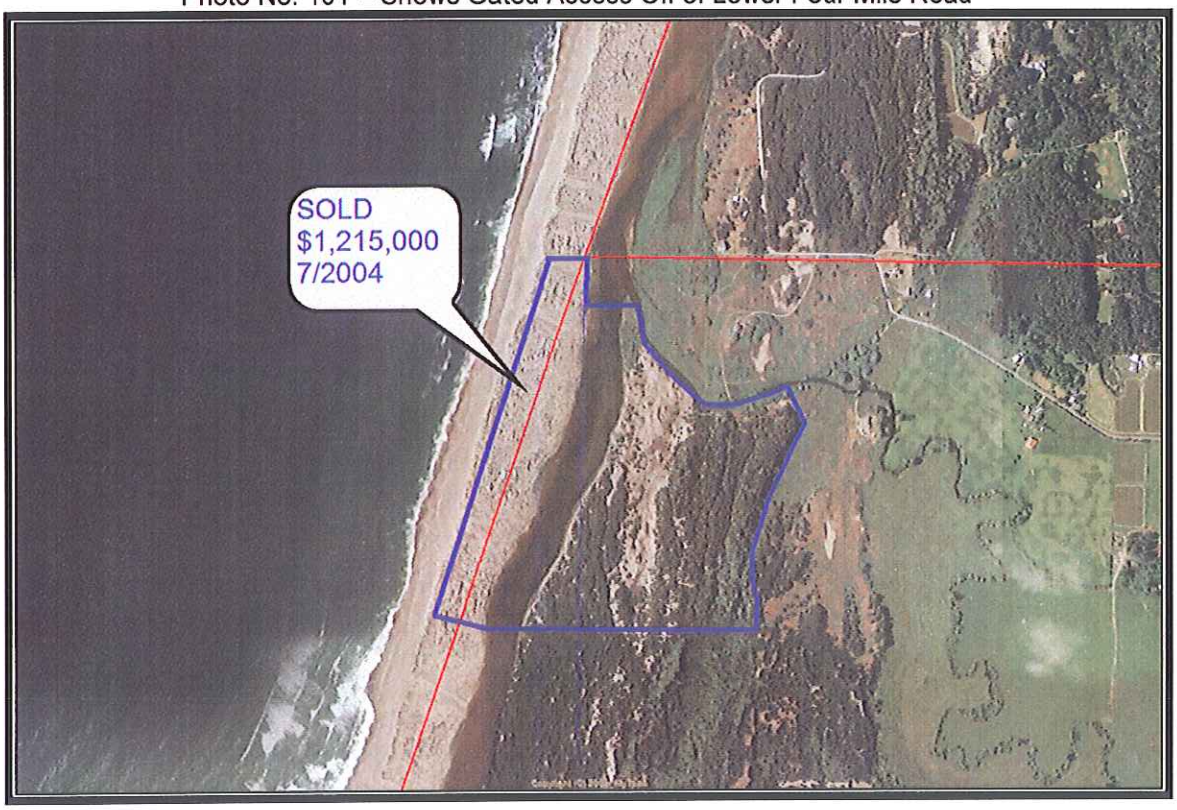


SALE NO. 5

Location:	This property is located south of Bandon and southwesterly of Lower Four Mile Road and approximately 1 ½ miles west of Highway 101 and generally southwesterly of the subject property.
Identity:	Township 30 South, Range 15 West, Section 2, Tax Lot 500 and Section 3, Tax Lots 100 and 300, Coos County, Oregon.
Grantor:	Charles Kerwin, et ux
Grantee:	Theodore McNeely, et ux
Sales Price:	$1,215,000
Date of Sale:	July 2004
Recording:	2004-10729
Terms:	Cash to Seller
Land Size:	112.95 acres
Improvements:	Vacant parcel of beach front land
Site Description:	This is an irregular shaped site located a short distance off of Lower Four Mile Road, having no road frontage. Access is across a lower quality dirt road which requires a bridge across the creek. The property includes beach front, river front and rolling sand dunes. The total land size is 112.95 acres. However, 60.31 acres are considered upland area east of New River. New River runs in a north-south direction through the property and makes access to the western, or beach, frontage impossible without a boat or a bridge. The zoning is Forestry or MES, which is a more restrictive zoning and has limited development potential.
Motivation:	The property is undeveloped and was purchased for future investment.
Highest and Best Use:	Recreational golf course or future residential development.
Verification:	Sale was verified with Bob Johnson, real estate broker, Ph. 541-944-9319.
Analysis of Sale:	This property represents a beach front and river front property with rolling sand dunes in the eastern portion of it. The beach front and river area is unusable and reduces the net usable area considerably. The overall sales price per acre, with all land, represents $10,757 per acre. The usable area of 60.31 acres represents a value of $20,146 per acre for land that has agricultural and MES zoning with undeveloped access and beach front property. Also, see Sale No. 6.

SALE NO. 5

Photo No. 101 – Shows Gated Access Off of Lower Four Mile Road

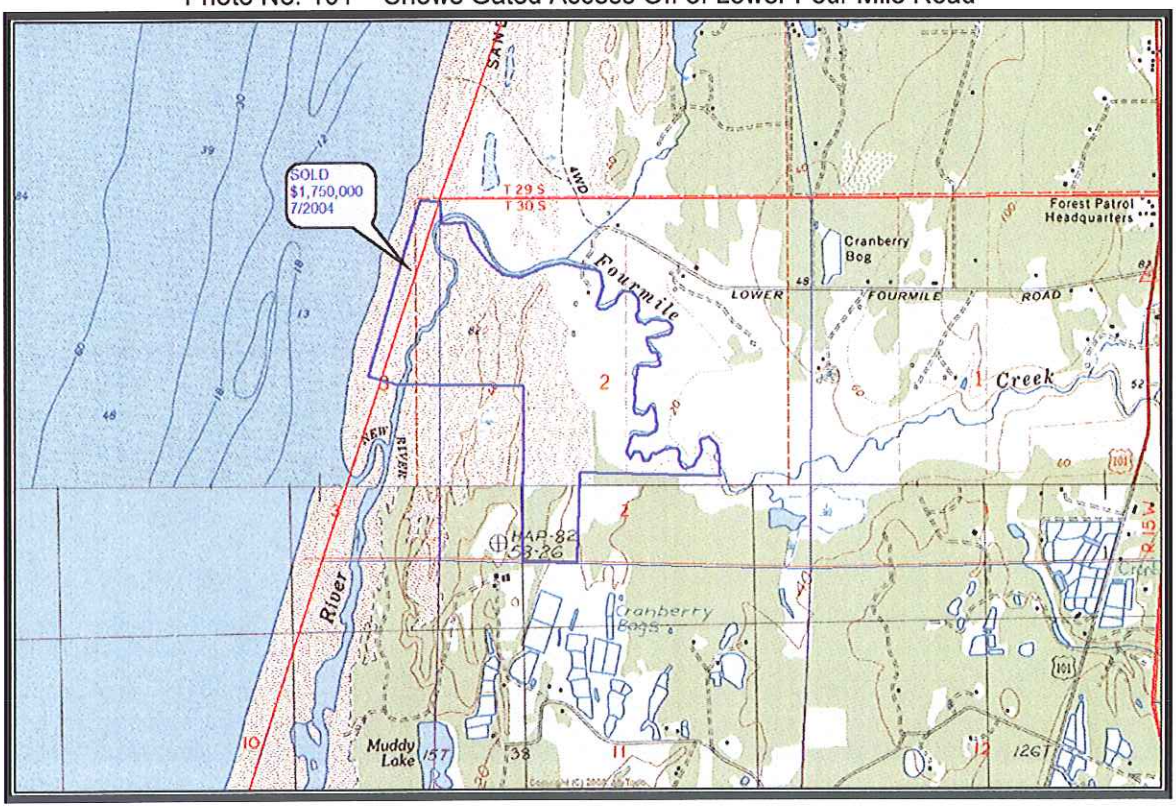


SALE NO. 6

Location:	This property is located south of Bandon and southwesterly of Lower Four Mile Road and approximately 1 ½ miles west of Highway 101 and generally southwesterly of the subject property.
Identity:	Township 30 South, Range 15 West, Section 3, Tax Lots 100 and 300; Township 30 South, Range 15 West, Section 2, Tax Lots 101, 111 and 500, Coos County, Oregon.
Grantor:	Theodore McNeely
Grantee:	Bandon Biota, LLC
Sales Price:	$1,750,000
Date of Sale:	July 2004
Recording:	2004-10730
Terms:	Cash to Seller
Land Size:	235.95 acres, 183.31 acres considered usable
Improvements:	Vacant parcel of land. It does have power and water service developed to an undeveloped homesite.
Site Description:	This is a large, irregular shaped site having beach frontage, New River frontage, rolling sand dunes and open pasture land. The property has no frontage on a public road but has access off of Lower Four Mile Road which is to the north through a gated farm road access, across the creek on the northern boundary. The property does have power extended to a potential homesite and water is reportedly developed to the homesite but there is no known irrigation rights on the property. The property has mainly agricultural and MES and Forestry zoning and has the potential for more than one homesite.
Motivation:	This property was purchased for future development.
Highest and Best Use:	Larger acreage homesites
Verification:	Sale was verified with Bob Johnson, Ph. 541-944-9319, broker representing Grantee, who verified the above facts.
Analysis of Sale:	This property represents a large tract of land with multiple uses on it from beach front, river front, agricultural and rolling sand dunes. Access is lower quality. Beach access is impossible because of New River separating the beach frontage and a majority of the site. Development costs on the property would be for extending services, developing water and improving the access. This property represents an overall purchase price for the total land of $7,417 per acre. The usable area, estimated at 183.31 acres, indicates a price of $9,547 per acre.

SALE NO. 6

Photo No. 101 – Shows Gated Access Off of Lower Four Mile Road



SALE NO. 7

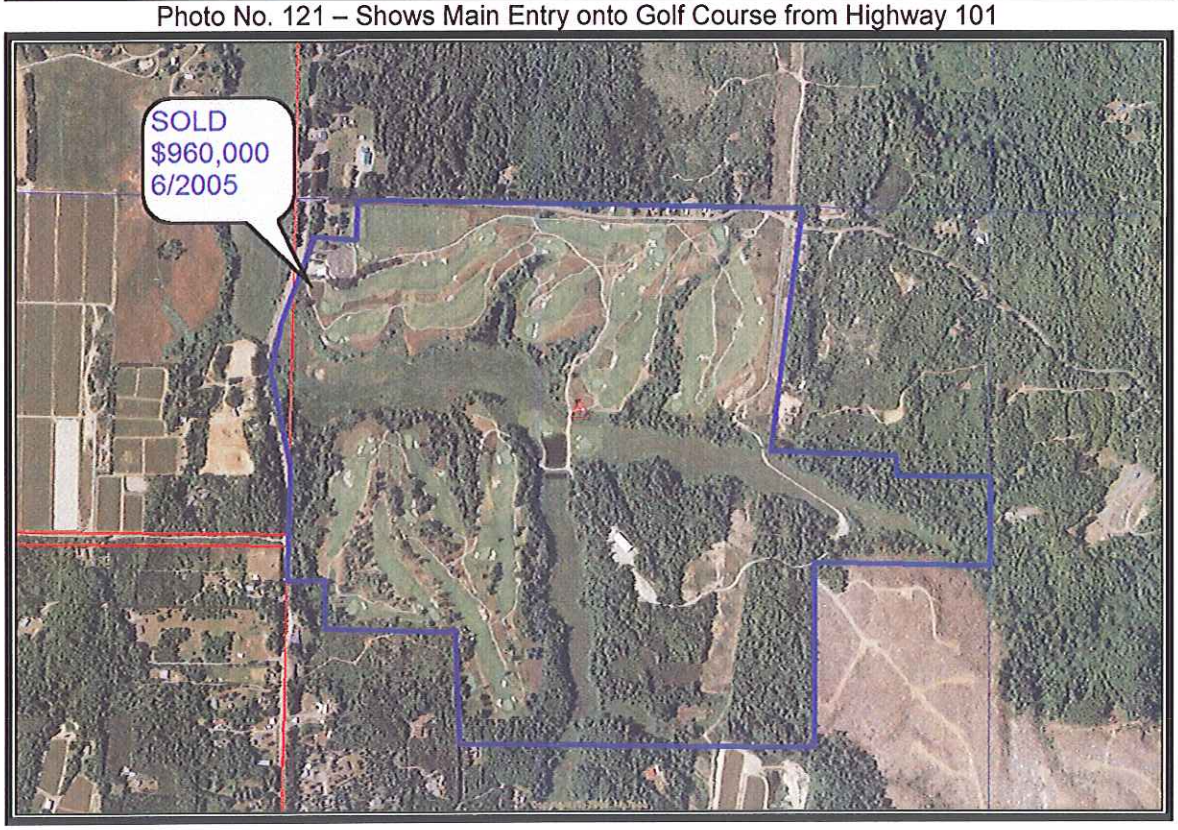
Location:	This property is known as the Bandon Crossing Golf Course, located at 87530 Dew Valley Lane, Bandon, Oregon.
Identity:	Township 29 South, Range 14 West, Section 30, Tax Lots 1000, 10043 and 1004, Coos County, Oregon. Tax Lot 1001 was purchased under a separate contract and is a small site with a home on it, not included in the main purchase of the developed golf course.
Grantor:	Erich Zink, et ux
Grantee:	Bandon Crossings, LLC – 62% and Northern Accommodation __, LLC – 38%.
Sales Price:	$960,000
Date of Sale:	June 2005
Recording:	2005-9377
Terms:	Cash to Seller
Land Size:	325.89 acres, of which approximately 200 acres is developed now with an 18 hole golf course.
Improvements:	Vacant parcel of land which does not include separate purchase of Tax Lot 1001.
Site Description:	This is a large, irregular site located on the east side of Highway 101, south of Bandon. It has gentle, rolling terrain and is zoned EFU, which is Exclusive Farm Use. A conditional use had to be approved before the existing golf course could be developed, which was developed in 2007. Reported cost of the development by Rex Smith, the owner and developer, was $3,000,000 or about $167,000 per hole. The property had power and access from Highway 101 and has irrigation rights for about 86 acres, which is usable for the golf course. The property did have some merchantable timber on it and about $60,000 worth was sold to help offset the development costs. The property now has an 18 hole golf course with a driving range and has a clubhouse developed after purchase.
Motivation:	The property was purchased to develop a golf course, which has been completed and has been open since 2007.
Highest and Best Use:	Recreational golf course.
Verification:	Sale was verified with Rex Smith, who is the majority owner in Bandon Crossings, LLC. Ph. 541-345-0537.

Sale No. 7 Contd.

Analysis of Sale: This property represents an Exclusive Farm Use zoned property. It was a large tract that did not have an outright permitted use as a golf course. A conditional use permit was obtained through Coos County and an 18 hole golf course has now been developed with some of the holes open, gentle, rolling terrain and some of the holes tree-lined. There was timber on the property that had to be removed in order to develop the site. However, about $60,000 worth of timber was sold and helped off-set development costs. The property did have water rights for irrigation of the golf course, which was transferable for irrigation of the golf course. The overall purchase price was $960,000 for 325.89 acres which indicates $2,946 per acre. This includes the undeveloped excess land, still zoned EFU and undeveloped. There is room for more golf course development.

SALE NO. 7

Photo No. 121 – Shows Main Entry onto Golf Course from Highway 101



SALE NO. 8

Location:	This property is located south of Bandon, west of Highway 101 with a long strip for access, named Hoffer Lane, in Coos County, Oregon.
Identity:	Township 29 South, Range 15 West, Section 25, Tax Lots 1000 and 1200, Coos County, Oregon.
Grantor:	Ron Puhl, et ux
Grantee:	Bandon Biota, LLC
Sales Price:	$1,300,000
Date of Sale:	June 2010
Recording:	2010-4708
Terms:	Cash to Seller
Land Size:	133.56 acres, of which approximately 30.5 acres are cranberry bogs.
Improvements:	Vacant parcel of land except for developed cranberry bogs.
Site Description:	This is an irregular shaped parcel with two rectangular shapes connecting to a long, half-mile strip that connects to Highway 101 to the east. Zoning on the property is EFU. Topography is level in the cranberry bog area and is wooded, rolling and open sand dunes in the western portion of the property. There is developed physical and legal access to the property from Highway 101. It has power service available to it. There is no developed homesite.
Motivation:	Property was purchased to block up ownership for potential golf course development. This parcel was important for developing access to Highway 101.
Highest and Best Use:	Interim use is agricultural, until the property can be developed into future intended golf course development.
Verification:	Sale was verified with Bob Johnson, Ph. 541-944-9319, broker representing Bandon Biota in acquisition of properties.
Analysis of Sale:	This property represents an agricultural tract that has recreational urban pressures on it for development into alternative uses. MR. Johnson, who represented the buyer of this property, stated that they did not intend to remove the cranberry bogs and plan to continue to operate them. He placed a value of $1,000,000 on the 30.5 acres of developed bogs which represents a value of $32,787 per acre. The balance of $300,000 for the remaining 103.06 acres indicates a value of $2,911 per acre. This allocation between the cranberry bogs and the remaining land, in my estimate, does not appear to be consistent with the market. In my opinion, the cranberry bogs are not the highest and best use of the property,

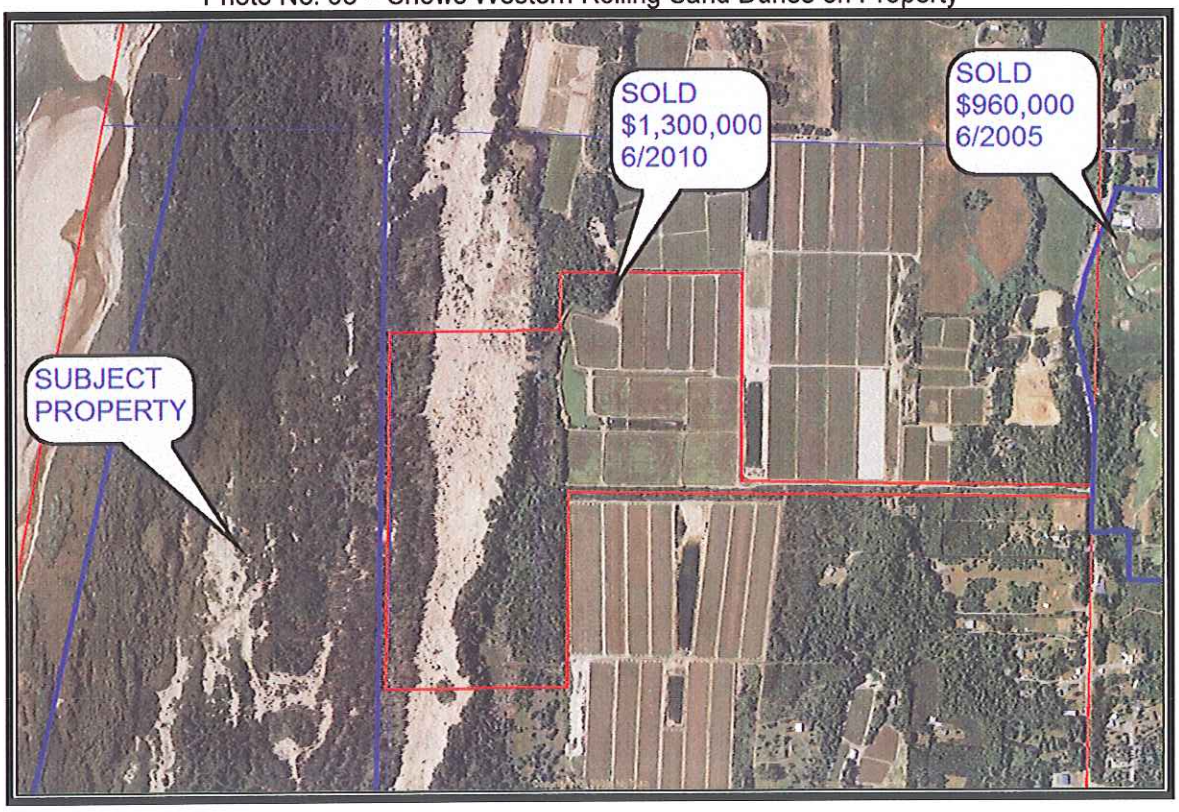
Sale No. 8 Contd.

thus placing most of the value on the small area appears to be out of balance with the rest of the market.

This sale, on an overall price per acre, represents $9,733 per acre. It is a recent sale, having occurred in June 2010. It represents a transitional property with access, power and a different highest and best use in the future.

SALE NO. 8

Photo No. 56 – Shows Western Rolling Sand Dunes on Property

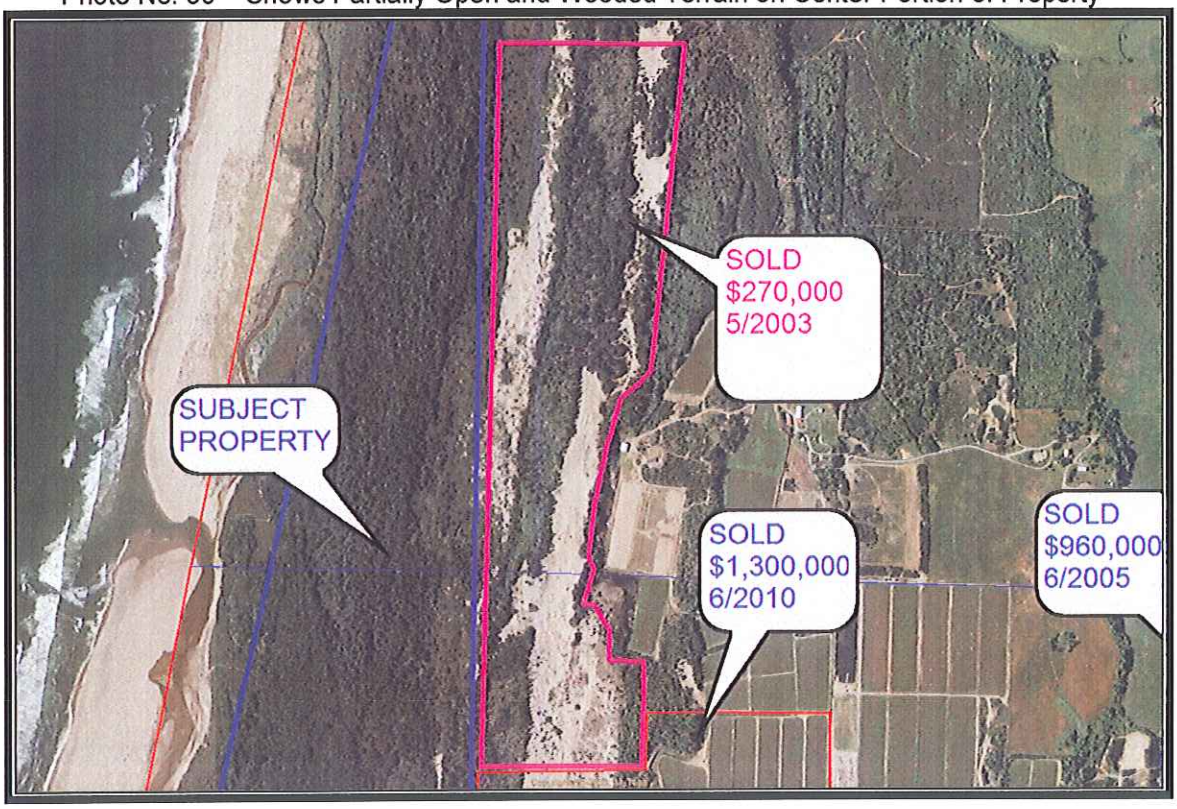


SALE NO. 9

Location:	This property is located south of Bandon, west of Highway 101, off of a private drive. There is no direct physical access to the property and it adjoins State of Oregon ownership.
Identity:	Township 29 South, Range 15 West, Section 24, Tax Lot 201 and Section 25, Tax Lot 900, Coos County, Oregon.
Grantor:	David Kranick and Marci Murray
Grantee:	Bandon Biota, LLC
Sales Price:	$270,000
Date of Sale:	May 2003
Recording:	2003-6464
Terms:	Cash to Seller
Land Size:	135 acres
Improvements:	Vacant parcel of land
Site Description:	This is a rectangular shaped parcel about one mile in length and one-quarter mile wide. Sale adjoins cranberry bogs to the east and rolling sand dunes to the west. The property is zoned EFU and Forestry. There are no public services. It has no developed road access to the property. It is unknown if the property has legal access. There is no power or other public services available. The majority of the property is rolling, wooded sand dunes with an elevation of about 60' to 80'. The property may have some commercial timber. There are no known water rights for the property.
Motivation:	The property was purchased for investment purposes and long-term potential for golf course development.
Highest and Best Use:	Recreational and potential acreage homesite, which would require a zone change or conditional use permit.
Verification:	Sale was verified with Bob Johnson, P. 541-944-9319, broker representing Grantee, who verified the above facts.
Analysis of Sale:	This is an older transaction but utilized because it was part of the Bandon Biota purchases in the area. It does not have any developed access, public services or water rights and is basically rolling sand dunes. It has open to heavy vegetation in areas. This property represents a sales price per acre of $2,000, which is far below a majority of the sales in this report. Because it is an older sale it is not representative of the current market. It represents the lower range of value, also because of its development problems.

SALE NO. 9

Photo No. 59 – Shows Partially Open and Wooded Terrain on Center Portion of Property



Sales Comparison Approach Contd.

MARKETING CONDITIONS

Before estimating the value on the subject property there are some basic items that need to be considered to illustrate the current marketing conditions for the subject property and the general economic climate. These items that need to be discussed are marketing time, terms of sale and the date of sale.

Marketing Time

The nine sales submitted in this report represent a broad segment of the market. Some of them were on the market for a considerable time and others were not. Because of the current economic climate there is a lot less demand for residential property than there has been in the past. The peak of the market generally occurred in the latter part of 2007 and the first part of 2008. Since that time period the market has declined. Properties are on the market a longer period of time and prices have fallen.

If the subject properties were on the market today, and because of the larger size and difficulty of development, the marketing period most likely would be from six months to over a year, if reasonably priced. There are few buyers for this type of property.

Terms of Sale

None of the terms on any of the sales required any cash equivalency price adjustment. All of the sales are considered of a cash equivalency and no adjustments are being considered.

Date of Sale

The Bandon Biota has been buying several properties in and around the subject property. A history of the sales has been included from the first sale in 2003 to the most recent sale in 2010, plus other sales that have occurred throughout the southern Oregon coast area that are considered reasonable comparable sales. Five of the nine sales utilized in this report have been purchased by Bandon Biota.

Over this time period from 2003 to the present, there have been considerable changes and up and down swings in the market. From 2003 to 2007 and the first part of 2008 the market saw some major appreciation in value. From 2008 to the current time there has also been considerable change in the market, especially in the housing market where subdivision properties are on the market longer and having reduced prices. Several of the subdivisions have been foreclosed and now are bank-owned. Some of the subdivisions around Sale No. 3, the Sand Pines Golf Links, are in foreclosure and bank-owned.

Sales Comparison Approach Contd.

Thus, when arriving at a value for the subject property, this swing in the market should be considered, as well as the other important factors that affect value, such as access, public services, topography, water rights, etc.

COMPARISON OF SALES TO SUBJECT PROPERTY

Sale No. 1

This property is located in the Depoe Bay area. It is a hilltop parcel with ocean view, but has poor access and needs to develop better access for development. It does not have sewer or water, is zoned for high density residential development. It does have power service nearby. This property, at $3,800,000, or $46,890 per acre, is representative of the upper range of value for the subject. It sold near or just after, the peak of the market. This property has not been developed. It is still vacant and has the potential for 160 lots. This property is superior because of its good view, zoning for high density and definitely represents the upper range of value.

Sale No. 2

This property is located in the small community of Waldport. It is located directly adjacent to a 9 hole golf course in the hills with about 25% to 30% of the property having a view of the ocean. It is directly adjacent to urban development on the north property line and has access off of a public road. It has the potential for either residential or golf course development. It is a large tract of land and is a fairly recent sale, having occurred in September 2009, but since then the market has declined some. The zoning is R-1 and will allow development of multiple lots This raw land purchase represents $13,258 per acre. It is superior to the subject because of its developed access, frontage on a public road, better zoning and all services available to the property. The parcel has a better ocean view than the subject. This sale is representative of the upper range of value for the subject. This sale also represents a downturn in the market from Sale No. 1. Sale No. 1 has a better view and not located in any better market for development.

Sale No. 3

This sale is utilized to assist in completing a land residual technique. It is a sale of a golf course and a current listing of the same golf course, which is in the Florence area. It is a large tract of land, having 210 acres. It was a golf course that was developed in 1993 over rolling sand dunes, an open links type design. There are some tree-lined holes but the majority of the holes are open.

Sales Comparison Approach Contd.

This property sold for $6,500,000 and did have excess land. The driving range and golf course encompass about 173 acres. The value of the undeveloped land is estimated at $1,500,000 and the value of the golf course development and improvements on the property at the time of sale, which included a modular building for the pro shop, is estimated at $3,150,000. This leaves a residual to the land, after subtracting from the sales price of $6,500,000 of $1,850,000. Dividing that by the 173 acres developed into the golf course with driving range indicates $10,694 per acre.

The cost estimates and the allocation of values were based upon market evidence, as supported by the highest and best use and verification of this sale with the current listing agent. After the purchase the new buyers constructed a new 18,000 sq. ft. pro shop, restaurant and club house at a reported cost of $6,000,000, which appears to be very high, but may have included other improvements such as the parking area. The property now is on the market for a price of $6,900,000, only $400,000 more than what they paid for it, which would indicate, potentially, that the development is in financial problems. The indicated sales price, overall, for the golf course, without the new 18,000 sq. ft. building, is $30,952 per acre.

This property, because of its superior access, availability of public services and water rights is considered superior to the subject property and illustrates what a developed golf course will sell for in contrast to other type uses, such as residential development, on comparison to Sale Nos. 1 and 2.

Sale No. 4

This property is located adjacent to the subject in the southwesterly corner of it. It has no developed physical access nor does it have any improvements, water rights or public services. It does have river and ocean frontage, which is considered superior to the subject property. The river does divide the property down the center, with the upland, or usable, area in the eastern portion of the property. The ocean front area adds amenity value but is not considered developable. The property has the same zoning as the subject and it shows an overall price for the whole property of 111.03 acres at $7,188 per acre. For the upland, or usable, area, of 52.35 acres, it indicates $15,282 per acre. This property, because of its beach frontage and beach view and river view, is considered superior, but all other aspects are very similar in zoning and development problems.

Sales Comparison Approach Contd.

Sale Nos. 5 and 6

These two sales will be analyzed together as they include some of the same property. Sale No. 5 includes the northwesterly portion of the total property, with the river and beach frontage area and rolling sand dunes. Access to both properties is on a lower quality farming road off of Lower Four Mile Road to the northeasterly direction. There access would need to be improved to develop it for any major use. Power would need to be extended to any developed site and zoning on the property is primarily for agriculture use. In order to use the property for residential development or golf course or recreational use, a conditional use or zone change would have to be applied for. The property is inferior from the standpoint that it has inferior zoning, The two sales are older sales, having occurred in 2004, and it is superior from the standpoint that the property does have beach frontage and a better beach view and some advantage in appeal.

When considering the plusses and minuses, these sales are generally considered somewhat superior and represent a value range for the usable area from $9,547 per acre to $20,146 per acre. The higher amount is for Sale No. 5 because of its beach frontage and the lower amount is Sale No. 6, which encompasses the beach frontage but includes considerably more land to the east, which is primarily agricultural and some rolling dunes, reflecting the difference between the two sales.

Sale No. 7

This property is located due east of the subject about one and one half miles and located on the east side of Highway 101. It is now developed with a new golf course in 2007 called Bandon Crossings. The land was purchased in 2005 for $960,000. The home and smaller acreage was purchased under a separate transaction. The land purchase consists of 325.89 acres for $960,000 or $2,946 per acre. The property has good access off of Highway 101, has power available and has irrigation rights, but is zoned EFU and Forestry. A conditional use permit, which took additional time and expense to get the approval for the golf course was needed. The land was purchased in June 2005 and the golf course was developed in 2007. The owner, in acquiring this property, took risk in the fact that the golf course conditional use application might not have been approved.

This property, at just under $3,000 per acre, in my estimate, is considered inferior to the subject, even though there are some superior attributes such as access, water rights and power. This property, because of its inferior zoning and location on the east side of Highway 101, away from the beach area, is considered to be

Sales Comparison Approach Contd.

in a lesser-demand area. Properties that have beach frontage or close proximity to it have a recognizable higher value, as illustrated by the comparable sales in this report. Overall, this sale is considered inferior and should represent the lower range of value. It does illustrate what raw land farm values are selling for in the area.

Sale No. 8

This property is directly east of the subject property and is the most recent sale of the five purchases around the subject property by Bandon Biota, in June 2010. It is 133.56 acres and includes 30.5 acres of established cranberry bogs, which would generate an annual income. The property is zoned EFU and is an irregular shaped site with a long strip to the east for access to Highway 101. The property is about one-half mile away from Highway 101 with the western boundary fronting on the subject property. The western portion of this sale is rolling, open and wooded sand dunes.

This property is superior to the subject from the standpoint of having developed access to Highway 101 and having established water rights utilized for the cranberry bogs. The western portion of the property is very similar to the southern portion and some of the center portion of the subject property, having rolling open and wooded sand dunes. This property sold for $1,300,000 for 133.56 acres and represents $9,733 per acre. This sale is superior from the standpoint of the access and water rights but is inferior from the standpoint of zoning. It is also superior from the standpoint that it has established bogs on it that will yield annual income to offset the holding costs until the property can be developed. The bogs, in my opinion, are not the highest and best use of the site. The long-term highest and best use is for other development, such as a proposed golf course and/or acreage homesites. A conditional use or zone change must be obtained to develop the property for anything other than agricultural use.

Sale No. 9

Sale No. 9 is directly north and adjacent to Sale No. 8. It was the original purchase in the area by Bandon Biota in 2003. It sold for $2,000 per acre. It is zoned EFU and has no developed access, water rights, improvements or public services or ocean view. The property consists of rolling open and wooded sand dunes and has Gorse over a large area of it as well. This property, at $2,000 per acre, because of its older age, EFU zoning appears inferior to the subject property.

Sales Comparison Approach Contd.

Comparable Listings

There are three comparable listings of larger acreage tracts that are suitable for residential development. One is located in the Neskowin area on Sunbow Drive on the east side of Highway 101. It is currently listed for $2,950,000 for 58 acres. It is rolling hillside with a good ocean view. The property is reported to have water, sewer and power available. It is zoned RR. The indicated price is $50,863 per acre, which is far superior to the subject because of the ocean view, public services available and direct access and better zoning.

The second listing is located in Newport at 300 N. E. 52nd St. It has 42.92 acres. The current asking price is $1,999,000. It has all utilities and public services available. It is zoned R-2 and has approval for 140 lots. The asking price is $46,575 per acre and is superior to the subject property.

The third listing is also located in Newport at 400 N. E. 72nd St. The current asking price is $799,000 for 39.75 acres. Utilities are available. It has rolling mountain terrain with territorial view only. It is zoned R-2. The asking price is $20,101 per acre. This property, because of the access, availability of services and zoning is considered superior to the subject.

These listings illustrate the change in value for residential development if they have access, utilities and the proper zoning all available for development, which is far superior to the subject property.

Conclusion of Value by Sales Comparison Approach

In the previous analysis the different facts and amenities have been considered when comparing the sales to the subject property, whether they are considered superior or inferior to the subject. A brief summary of the sales again has been made, placing them in order by sales price per acre. This summary is as follows.

Sales Comparison Approach Contd.

Sale No.	Sales Price	Land Size	S/P Per Acre	Comparison.
1	$3,800,000	81.04 AC	$46,890	Superior
5	1,250,000	60.31 AC	20,146	Superior
4	800,000	52.35 AC	15,282	Superior
3	1,850,000	173.00 AC	10,694	Superior
8	1,300,000	133.56 AC	9,733	Superior
6	1,750,000	183.31 AC	9,547	Superior
7	960,000	325.89 AC	2,946	Inferior
9	270,000	135.00 AC	2,000	Inferior

Note that Sale No. 3 shows the land residual price at $10,694 after subtracting out the other parts of the sale, which is the fully improved and completed golf course in Florence. This sale, because of the public services, access and zoning is considered superior at $10,694.

Comparable Sale Nos. 4, 5 and 6 show the sales price for the usable area and do not show the overall sales price per acre, with the unusable areas, such as the New River, on the properties. These sales would indicate a lower price from $7,188 for Sale No. 4, $10,757 for Sale No. 5 and $7,417 for Sale No. 6, for the overall price per acre for the total land area. Because these properties have beach frontage and ocean view potential development, they are considered generally superior, even though there are other similarities such as no developed access, no public power and an inferior zoning.

The other sales represent a much broader range of value from a low of $2,000 per acre to a high of almost $47,000 per acre. These sales are obviously far inferior and far superior but were utilized because they are transactions in the area and of competing uses and competitive with the subject property.

The sales that are most similar to the subject property are comparable Sale Nos. 4, 5, 6, 7, 8 and 9. They represent a value range from $2,000 per acre to a high of $20,000, with the subject being best represented from $6,000 to $8,000 range because of the added difficultly in development.

Sales Comparison Approach Contd.

The subject property has development issues. It has no developed access or known legal access to it, other than through the adjoining State ownership directly to the north. There is no known agreement provided to the appraiser that the property will have access. The Larger Parcel does have legal access but the area under appraisal does not have any physical developed access, other than by foot. Other development problems are lack of water rights for a golf course or any other use and no public services available, such as sewer and water. There also would be additional cost of extending power and telephone service to any developed area.

In addition, the subject property does not have ocean frontage, or river frontage, or ocean or river view. The main portion of the property sits between two ridges with the ridge to the west preventing a view of the ocean. These items tend to lower the value and increase the cost of development and make it less attractive for a potential investor.

Because of the weak economy and because of the development problems on the subject property, it is estimated that the lower to mid-range of value is best represented at $7,000 per acre. This value estimate will apply to both Scenario 1 and 2, which are shown by Exhibit A and B in the appraisal report and from the Statement of Work provided by the State of Oregon.

Thus, the estimated value for the two scenarios is calculated as follows.

Scenario 1 (See Exhibit A)	208 acres x $7,000 =	$1,456,000
Scenario 2 (See Exhibit B)	358 acres x $7,000 =	$2,506,000

RECONCILIATION AND FINAL CONCLUSION OF VALUE

In this appraisal only one approach was utilized and that is the Sales Comparison Approach. The Cost and Income Approaches are not applicable.

Even though this is a weak economy and there are few sales available for golf course or residential development, there is reasonable market evidence available to estimate the market value.

The area around the subject property has been predominantly purchased and acquired by Bandon Biota, who is the developer of the Bandon Dunes Golf Resort, north of Bandon. Their intended acquisitions are for exchange and/or development of the property with the subject properties under appraisal for a 27 hole golf course, which is intended to absorb some of the overflow from the four Bandon Dunes golf courses.

The five purchases around the subject property illustrate a range of value from $2,000 per acre to a little over $20,000 per acre. The subject property is best represented by those sales at the mid to lower range of value, at $7,000 per acre. This is because of the development problems that the subject property has, such as clearing the Gorse from the site, which could run $1,500 to $2,500 per acre, depending upon the density. Other problems are development of access to the property, extending of power and telephone service to the property and the fact that the property has no developed water rights. In addition, the properties have no ocean frontage or river frontage nor do they have ocean views. These are all criteria that indicate that the subject should be represented at the mid to lower range of value.

The two lowest sales, Sale Nos. 7 and 9, at $2,000 and $2,946 per acre, are considered inferior because of their older age, Sale No. 9 was a 2003 sale and Sale No. 7 was a 2005 sale, and their inferior zoning of EFU. Sale No. 7 was developed with a golf course where they obtained a conditional use permit from the County and took almost two years to get the development approved and constructed. Sale No. 7 does have some superior qualities, such as direct access, power and water rights. The subject has superior zoning and general appeal for recreational development and residential development, versus Sale No. 7. Sale No. 9, overall, is very similar to the subject but is a much older sale, being eight years old now, and not representative of the current market at $2,000 per acre.

This was a difficult appraisal because of the limited information available and because of the dominance of purchases by Bandon Biota in the immediate area and surrounding the subject property. They, in effect, are setting the price levels for the area. But when comparing them to the other sales, they are within a general market range. In some cases below the range as compared to comparable Sale Nos. 1 and 2.

Reconciliation and Final Conclusion of Value Contd.

One item that has not been considered is that the subject property might have some timber value. The development of the golf course on Sale No. 7 utilized the merchantable timber on the property to help offset some of the development cost and they reportedly sold about $60,000 worth of timber on the property for clearing of the site. This potentially could be done on the subject but no forestry report has been provided to the appraiser and it is unknown how much, if any, could be sold. The State acquired the property in the 1960s, which would indicate that the timber is about, at the very minimum, forty years old, and potentially older, and would have possibly merchantable size timber. Upon inspection it appears that the property does have, but the quality and quantity is unknown, as a forester's report was not provided.

Thus, taking all of the above facts into consideration, I am of the opinion that the estimated market values, as of April 7, 2011, for Scenario 1 and 2, are as follows.

Scenario 1, 208 acres =	$1,456,000
Scenario 2, 358 acres =	$2,506.000

PROFESSIONAL QUALIFICATIONS OF TED D. FOSTER, MAI

Education

Associate of Science Degree in Real Estate from Chemeketa Community College. Was President of Student Body and selected as outstanding student in class.

Also have taken related courses from different appraisal organizations:

1. Principles of Income Appraising (I.A.A.O. sponsored).
2. Principles of Income Appraising Course 201 (S.R.E.A. sponsored).
3. Narrative Report Writing (S.R.E.A. sponsored).
4. Mortgage Equity Analysis (I.A.A.O. sponsored).
5. Portland Real Estate School
6. Course 1-A, General Real Estate Appraisal (App. Institute sponsored).
7. Farm Appraisal Course (A.S.F.M.R.A. sponsored).
8. :Urban Properties Course II (App. Institute sponsored).
9. Residential Class Study R-2, (S.R.E.A. sponsored).
10. Investment Analysis Course VI (App. Institute sponsored).
11. Condemnation Litigation Course (App. Institute sponsored).
12. Standards of Professional Practice Course (App. Institute sponsored).

Work Experience

Residential

Have appraised all types of residential property ranging from a small cabin to a large, several thousand square foot home, with an indoor covered pool. Residential properties appraised have been from large communities, such as Portland, to very small communities, such as Sweet Home.

Industrial

Have made appraisals on industrial plants, warehouses, garages and industrial land. These industrial properties have ranged from log storage on the Willamette River to a large industrial complex.

Commercial

Have appraised several different types of commercial property, ranging from service stations, shopping centers, stores, homes converted to offices, office buildings, large motel complexes, apartments, duplexes, laundry buildings, commercial land, clinics, mortuaries and mobile home parks. These commercial properties ranged form eastern Oregon, southern Oregon Portland and the Willamette Valley area.

Professional Qualifications of Ted D. Foster, MAI, Contd.

Rural Appraisals

Our main interest in appraising is in the rural sector. We are on the approved list of the U. S. Forest Service, U. S. Bureau of Land Management, U. S. Fish and Wildlife Service, U. S. Army Corps of Engineers and a variety of other state, county and city clients. Our rural appraisal experience ranges from California, Oregon and Washington, regarding range land, timber land, wetlands and recreational property, such as recreational homesites, large acreage beach property, ski resorts and agricultural properties from row crops to orchards.

Condemnation Appraisals

Have completed condemnation appraisals on a variety of projects, from rural to urban. Projects include multi-parcels for highway widening in rural areas that consisted of mainly agricultural, small acreage and minor commercial property. Also included was major commercial property, such as the Mission Street widening in Salem, which included grocery stores, restaurants, office buildings, car washes and service stations.

Expert Witness

Have been an expert witness on divorce settlements and property settlements. Have testified in condemnation cases regarding commercial property, residential property and rural property.

Clientele

Appraisals have been completed for both government and the private sector. Government agencies include Federal, State, County and City. The private appraisals have been for attorneys, accountants, insurance companies and a variety of financial institutions. I have also been court-appointed in arbitration cases.

State Certified General Appraiser

I am licensed in Washington, Oregon and California with the following Certification numbers. Washington – FO-ST-ET-D567DN, Oregon – C000035, California – AG025332.

Professional Memberships

MAI – Member of The Appraisal Institute

Professional Member of the American Society of Farm Managers and Rural Appraisers.

Certified to complete Conservation Easement appraisals.

SCOPE OF WORK

The work assignment is to appraise property just south of Bandon owned by Oregon Parks and Recreation Department (OPRD). The subject property, known as Bandon State Natural Area, is located in Coos County, Oregon. The Property to be appraised is located in Township 29 South, Range 15 West, Sections 14, 23 and 26 (See attached maps).

There are two (2) parts to this appraisal problem. OPRD is in need of a value for a 208 acre portion of the park as identified on the attached map "Exhibit A" and a value for a 358 acre portion as identified on the attached map "Exhibit B".

OPRD is in need of a fair market value of The Property. The appraiser is directed to assume a Highest and Best use taking into account the new, anticipated, or intended use, income, or zone, if the Grantee proposing an exchange or sale intends, or is likely to pursue, a different highest and best use than the Department's current use or zone. Information regarding the prospective Grantee's intended use is attached.

The purpose of this appraisal assignment is to facilitate a negotiation for a sale and/or property exchange.

The appraisal is to be developed per the most recent issuance of the Uniform Standards of Professional Appraisal Practice (USPAP). The appraiser will be required to provide 3 hard copies and a CD of a full narrative report, with a full explanation of the valuation process. The Appraiser shall anticipate the review of this appraisal by Oregon Parks and Recreation Department, the prospective Grantee and neutral third party reviewers.

The appraiser will be required to make an inspection of the property. An offer to the property owner shall be made to accompany the appraiser during the appraisal inspection. Appraisal reports should be completed no later April 29, 2011.

Attached are maps depicting the approximate location of the properties.

Contact Information for OPRD
Alice M. Beals
Property Agent
725 Summer St. NE Suite C
Salem OR 97301
503-986-0761

SECTION 4.2.200. Open Space and Natural Zoning Districts.

The uses and activities regulated by the open space and natural zoning districts are set forth below:

TABLE 4.2a

OPEN SPACE/NATURAL USE	ZONE DISTRICT				
	SS	REC	MES	CREMP REC	CREMP NR
Airport	N	N	N	N	N
Aquaculture	N	N	N	N	N
Farm use pursuant to ORS 215.203	P	P	P-83	P-100,101	ACU-54,34
Farm use pursuant to ORS 215.203 but not for profit	P	P	P-83	P-100,101	ACU-54,34
Farm buildings	P	P	P-83	ACU-54	ACU-54
Timber farming/harvesting	P	P	P-83	P-100,101	P
Propagation, management and harvesting of a forest product	P	P	P-83	ACU-38, 52,54,85	ACU-38, 52,54
Log storage/sorting yard (land)	N	N	N	N	N
Recreation:					
high intensity	P	P	N	ACU-54,86	N
low intensity	P	P	P-82	ACU-54,86	ACU-54,94
Dryland moorage	N	N	N	N	N
Marina shoreside facility	N	N	N	ACU-54,87	N
Marinas	N	P	N	P	N
Fish & wildlife habitat management	P	P	P	N	N
Hunting & fishing preserve	N	P	P-83	N	N
Research & education observation structure	P	P	N	N	N
Campground	P-30	P-30	N	N	N
Recreational vehicle park	N	P-30	N	N	N
Educational-associated facilities	P	P	N	N	N
Dorm facilities	P	N	N	N	N
Modification of historic structure	ACU-65	ACU-65	N	ACU-54,65	ACU-54,65
Water-borne transportation	N	N	N	N	N
Dryland moorage	N	N	N	N	N
Industrial & port facilities	N	N	N	N	N
Contaminated soil/land farming	N	N	N	N	P
Stream alteration	N	N	N	N	N
Navigation aids	N	N	N	N	N

TABLE 4.2a

OPEN SPACE/NATURAL USE	ZONE DISTRICT				
	SS	REC	MES	CREMP REC	CREMP NR
Restoration:					
passive	N	N	P	N	N
active restoration of fish & wildlife habitat or water quality & estuarine enhancement	P	P	P	N	N
Residential:					
single family dwelling:	N	ACU-5	N	ACU-54,88	ACU-10,32, 96,97,99,105
temporary residence	N	P-13	N	P-13,100, 101	N
watchman/caretaker	P-72	P-72	N	ACU-54,72, 89	N
2-family duplex	N	N	N	N	N
multi-family duplex	N	N	N	N	N
2nd floor apartment	N	N	N	N	N
family hardship	N	N	N	N	ACU-2
Bed & Breakfast	N	N	N	N	C-104
Home occupation	N	N	N	N	P-120
Cottage industry	N	N	N	N	P-120
Day care facility (12 people or less)	N	N	N	N	N
Day care facility (13 people or more)	N	N	N	N	N
Land divisions:					
partition	N	P-6	P-6	P-6,48,54	ACU-6,48,54
subdivision	N	P-6	P-6	P-6,48,54	ACU-6,48,54
residential planned unit dev.	N	N	N	N	N
recreational planned unit dev.	N	N	N	N	N
Mobile Home Park	N	N	N	N	N
Industrial uses:					
water-dependent (WD)	N	N	N	N	N
water-related (WR)	N	N	N	N	N
non-WD/non-WR	N	N	N	N	N
Circus/Carnival	N	P-27	N	N	N
Fire station	N	ACU-7	N	N	N
Solid waste disposal	N	N	N	N	N
Museum	N	ACU-7	N	N	N
Zoos	N	ACU-7	N	N	N

TABLE 4.2a

OPEN SPACE/NATURAL USE	ZONE DISTRICT				
	SS	REC	MES	CREMP REC	CREMP NR
Utility facility:					
generation of power for public sale	N	N	N	N	N
generation of power not for public sale	N	N	N	N	N
service lines	P	N	P-83	N	ACU-54
communication structure	N	P	P-83	ACU-7,54	N
air and water navigation aids	N	ACU-7	N	ACU-7,54	N
sewer/water plant/pump station	N	N	N	N	N
Exploration:					
geo-thermal	N	N	N	N	N
aggregate	N	N	N	N	N
other mineral or subsurface resource	N	N	N	N	N
Mining/mineral extraction, including dredging necessary for mineral extraction:					
geo-thermal	N	N	N	N	N
aggregate	N	N	N	N	N
other mineral or subsurface resource	N	N	N	N	N
Dikes:					
new construction	N	P	ACU-83, 90	ACU-54,92	N
maintenance/repair	N	P	ACU-83, 90	ACU-54,92	N
Drainage and tidegating	N	P	N	ACU-54,92	N
Dredge material disposal	N	P	N	ACU-40, 41,51,54	ACU-36,41, 51,54
Fill	N	P	N	ACU-54,93	ACU-36,41, 51,54
Mitigation	N	P	P	ACU-54,87	ACU-54
Shoreland Stabilization:					
structural	N	ACU-102	ACU-84	ACU-46, 54	ACU-46, 54,95
non-structural	N	P	P	P	P
Commercial:					
convenience store	N	C-7,72, 107	N	N	N
off-road vehicle parts & repair service	N	C-7,108	N	N	N
golf course	N	P	N	N	N
kennel	N	P	N	ACU-54	ACU-54

TABLE 4.2a

OPEN SPACE/NATURAL	ZONE DISTRICT				
USE	SS	REC	MES	CREMP REC	CREMP NR
Commercial - continued:					
water-dependent	N	N	N	N	N
water-related	N	N	N	N	N
non-water-dependent/related	N	N	N	N	N
hotel/motel	N	N	N	N	N
off road vehicle rental	N	P	N	N	N
race track	N	C-7	N	N	N