

ASSUMPTIONS AND LIMITING CONDITIONS

This **Self-Contained** appraisal report is in compliance with all Uniform Standards of Professional Appraisal Practice (USPAP) as established by The Appraisal Foundation and The Appraisal Institute and meets all criteria for appraisal reports as established by the Uniform Appraisal Standards for Federal Land Acquisitions.

This **Self-Contained** appraisal report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) for a Self-Contained appraisal report. As such, it presents discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value.

All holder-provided improvements on and to the land (lot) have been identified in the body of this appraisal report, but have been fully excluded from the value conclusion cited herein.

The legal description cited herein was furnished by the Forest Service and is assumed correct.

The lots as appraised in this appraisal report were jointly selected by the Forest Service and the holders, and provided to the appraiser. The lots are assumed typical, unless noted and documented elsewhere in this appraisal report that, in the appraiser's opinion, the selected lots were not representative of the recreation residence tract grouping.

The purpose of the appraisal is to derive a cash market value estimate, of the fee simple interest of the National Forest System land, underlying an area authorized by a permit, but without consideration as to how the permit would, or could, affect the fee title of the lots within a recreation residence tract, or the designated typical lots within a recreation residence tract grouping.

The Highest and Best Use of each lot appraised is for its permitted use, being a recreation residence lot which cannot be used as a permanent and sole place of residence.

The estate appraised is the unencumbered fee simple title of the typical lots as if held in private ownership, restricted to a recreation residence use, and subject to all applicable local governmental police powers.

A Federal Status Report was not provided for the lots appraised herein. The appraiser assumes no liability or responsibility for any matters legal in character since this information was not made available.

The exhibits in this report are included to assist the reader in visualizing each ownership. The appraiser has not made a survey of each property and assumes no responsibility in connection with such matters or the accuracy of acreage sizes provided.

This report shall be used for its intended purpose only. Possession of this report does not include the right of publication.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent or approval of the author. This applies particularly to the value conclusions, to the identity of the appraiser or firm with which he is connected, and any reference to The Appraisal Institute.

This appraisal report has been prepared solely for the client specified herein. The appraiser is under no obligation to any other entities or third parties reviewing this appraisal. Any additional questions or information shall be made by the client to the appraiser, as no information will be provided to any other entities or persons.

The appraiser **will not** be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior compensation arrangements have been made. The appraiser will charge the client an hourly rate for any litigation preparation or other assistance. The fee charged for this appraisal does not include any additional time for any litigation or consultations beyond the delivery date of this report. The client will be expected to compensate the appraiser for any future time expended on this assignment past the contract delivery date.

The statements of value and all conclusions shall apply as of the dates shown herein. The estimated market value is subject to change with market changes over time. Value is highly related to exposure, time, promotional effort, terms, motivation, and conditions surrounding the offering. Thus, the client shall hold the appraiser harmless from any changes in market conditions that would affect the value conclusions herein after the specified date of valuation.

The appraisal report and value estimate is subject to change if the physical or legal entity or financing is different than that envisioned in this report.

The appraiser has no present or contemplated future interest in the subject properties, which is not specifically disclosed in this report.

The appraiser assumes that there are no toxic hidden or unapparent conditions within each property, subsoil, or structures that would render it more or less valuable. The appraiser assumes no responsibility for such conditions or for site engineering that might be required to discover such factors. Thus, the client assumes all risks and liability concerning any site conditions or contaminant problems that may render each site as having less value.

Lump sum or percentage adjustments of market data, if utilized herein, are employed primarily for the purpose of assisting the reader in visualizing the appraiser's direction of judgment. The adjustments are not to be considered as a mathematically precise technique of analyzing market data.

If the appraiser is named in a legal action, the amount of his total and complete liability is limited only to the amount of the fee agreed upon for these services, less any expenses that this appraiser may have incurred during the course of this appraisal.

This appraiser utilized a "best efforts" approach in documenting and verifying the information provided by others, the client, and involving those sales within the Sales Comparison Approach. The information presented within this report is considered to be reliable, although it is noted that it has been obtained from numerous data sources including the client, public records, appraisers, real estate agents and others. No liability is assumed by this appraiser in connection-with data not supplied, or withheld, by the principals or agents involved with the subject properties, or the comparable sales, which could affect the value conclusions herein.

An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to market-related information. It is suggested that the client considers independent verification, or contacts the appraiser, with respect to basing a decision on a particular or singularly significant item of data within this report.

The client acknowledges the fact that the appraiser is not an economic expert but has relied upon other's forecasts concerning future economic events. The appraiser has relied upon this information in deriving the value conclusions herein and assumes this data to be accurate and reliable.

This appraisal has been performed in a professional manner and is an opinion of value as of the date of this appraisal report. Economic conditions may change which would render the enclosed projections and values as obsolete. The Healy Company shall not be held liable for any market or property changes beyond the date of value herein.

The work performed has enabled the appraiser to make a value conclusion for each lot. A reasonable attempt has been made by the appraiser to analyze any apparent adverse conditions that may affect each of the subject premises. Any conditions, which arise in the future, that affect the subject premises may also affect the indicated value as noted herein.

Maps have been included herein to assist the reader in determining the location of the subject ownership's and the comparable sales and are not to be used for exact property locations. The appraiser assumes no liability for any deviations from actual property locations.

The appraiser has relied upon verbal statements and other data provided by third parties. This data has been assumed to be correct with no responsibility claimed by the appraiser for this information.

Colleen Daugherty and Orville Vanderlin provided significant professional assistance to the appraiser. Ms. Daugherty assisted in sale comparable research and researching several sections of this report. Mr. Vanderlin of Linden Tree, Inc. also assisted the appraiser in sale comparable research and researching several sections of this report.

CERTIFICATE OF APPRAISAL

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

The statements of fact contained in this report are true and correct and no important facts have been withheld.

The reported analyses, opinions, and conclusions are limited only by the reported "assumptions, limiting conditions, and legal instructions, and are my personal, unbiased professional analysis, opinions and conclusions.

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

My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.

My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Uniform Appraisal Standards for Federal Land Acquisitions, along with the Code of Professional Ethics and Standards of Professional Practice of the organizations to which I belong, as well as State certification requirements where the appraised properties are located, or as a result of assumed reciprocity with the State in which I am certified.

I have made a personal inspection of the appraised properties, which are the subject of this report, and the comparable sales used in developing the estimate of value. The dates of inspection were May 29, 1999 to September 15, 1999 and the method of inspection was an onsite visit.

Colleen Daugherty and Orville Vanderlin provided significant professional assistance to the appraiser. Ms. Daugherty assisted in sale comparable research and researching several sections of this report. Mr. Vanderlin of Linden Tree, Inc. also assisted the appraiser in sale comparable research and researching several sections of this report.

The recreation residence holders or their representatives jointly inspected the properties with the appraiser during the period of May 29, 1999 to August 7, 1999.

I certify understanding, and agree, this report shall be subject to review in conformity with the Uniform Standards of Professional Appraisal Practice, as published by The Appraisal Foundation, and any documented findings of inadequacy shall be discussed and corrected as need be at no cost to the government.

The appraisal is made and submitted in accordance with the standards of professional practice and code of ethics of the professional group or association in which I hold membership and to which I am held subject to penalties for violation thereof.

The use of this report is subject to the requirements of The Appraisal Institute relating to review by its duly authorized representatives.

This appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

Martin J. Healy, Jr. is a Certified General Real Estate Appraiser in the States of Oregon and Washington.

The values concluded for each of the summer home lots are valid as of September 15, 1999. The date of this appraisal report is December 1, 1999.

In my opinion, the cash fair market values of the typical lots are summarized herein with the values indicative of market conditions as of September 15, 1999.

Martin J. Healy, Jr.
Certified General Real Estate Appraiser
HE-AL-YM-J42SBT

QUALIFICATIONS OF MARTIN J. HEALY, 'JR.

EDUCATION

Master of Business Administration, Real Estate & Finance, University of Southern California, Los Angeles, 1985.

Bachelor of Science, Agricultural Management, California Polytechnic State University, San Luis Obispo, 1980.

REAL ESTATE AND FINANCE COURSES

Land Planning & Analysis	University of Southern California
Advanced Real Estate Analysis	University of Southern California
Real Estate Appraisal Principles	American Institute of Real Estate Appraisers
Basic Valuation Procedures	American Institute of Real Estate Appraisers
Highest and Best Use	American Institute of Real Estate Appraisers
FHLLB R-41(b & c)	American Institute of Real Estate Appraisers
Standards of Professional Practice (2)	American Institute of Real Estate Appraisers
Case Studies in Real Estate Valuation	American Institute of Real Estate Appraisers
Valuation Analysis and Report Writing	American Institute of Real Estate Appraisers
Capitalization Theory--Part A	American Institute of Real Estate Appraisers
Capitalization Theory--Part B	American Institute of Real Estate Appraisers
Real Estate Appraisal Reform	Office of Thrift Supervision
Hotel & Motel Valuation	American Institute of Real Estate Appraisers
Fair Lending & the Appraiser	American Institute of Real Estate Appraisers
Timberland Appraisal	Atterbury Consultants, Inc.

STATE CERTIFICATIONS

General Appraiser Certification, State of Oregon
General Appraiser Certification, State of Washington

ORGANIZATIONS

MAI Candidate, The Appraisal Institute

PUBLISHED ARTICLES

"Valuation of Partial Interests", The Appraisal Journal, American Institute of Real Estate Appraisers, July 1988.

"Valuation of a Distressed Office Building", The Appraisal Journal, American Institute of Real Estate Appraisers, July 1989.

PUBLISHED ARTICLES, cont'd

"What is Cutover Timberland Worth?", The Appraisal Journal, The Appraisal Institute, July 1991.

"The Sales Comparison Approach and Timberland Valuation", American Bar Association Section of Natural Resources, Energy, and Environmental Law, First Annual Meeting, October 1993.

"The Sales Comparison Approach and Timberland Valuation", The Appraisal Journal, The Appraisal Institute, October 1994.

SEMINARS

Co-developer, with Toby Atterbury, of Timberland Appraising seminar.

COMMITTEE'S

Member of the State of Oregon Appraisal Review and Advisory Committee

EXPERIENCE

- | | |
|-----------------|--|
| 1992 to Present | <p>Senior Review Appraiser, Atterbury Consultants, Beaverton, Oregon</p> <p>Responsible for appraising various types of timberland properties, waterfront acreages, Highest and Best Use analyses, conducting feasibility studies, valuing sensitive lands, and reviewing all staff appraisals.</p> |
| 1992 to Present | <p>Senior Appraiser, The Healy Company, Beaverton, Oregon</p> <p>Responsible for appraising various types of timberland properties, waterfront acreages, Highest and Best Use analyses, conducting feasibility studies, valuing environmentally sensitive lands, and valuing income producing commercial properties.</p> |
| 1985 to 1992 | <p>Senior Appraiser, Brock H. Branan & Associates, Beaverton, Oregon</p> <p>Responsible for appraising various types of commercial properties, performing feasibility studies, and timberland valuation.</p> |

EXPERIENCE, cont'd

1982 to 1985 Vice President, California Pacific Properties, Santa Ana, California

Responsible for all property analyses, real estate acquisitions, and dispositions.

1980 to 1982 Sales Representative, Eli Lilly & Company, Indianapolis, Indiana

PROPERTY TYPES APPRAISED

Timberland	Wetlands
Waterfront Acreages	Estuaries/Sloughs
Archaeological Sites	Cutover Timberland
Apartments Shopping	Industrial/Warehouses
Centers Rental	Absorption/Market Studies
Surveys Vacant Land	Feasibility Analysis
Planned Unit Developments	Medical/Dental Buildings
Congregate Care Facilities	Condemnation
Partial Takings	Residential Subdivisions
Office Buildings	Multi-Use Developments
Restaurants	Special Use Property
Convenience Markets	Single Family Homes
Farms/Ranches	Hotels & Motels
Golf Courses	Rangeland
	Development Studies

INTRODUCTORY APPRAISAL DATA

General Property Summary

This appraisal report has been performed to determine the Market Value for 111 typical recreational residence lots, situated within various summer home recreational tracts, and all occurring within the Wenatchee National Forest. The 111 typical lots are owned by the United States of America and administered by the Forest Service-USDA. The lots are dispersed among six Ranger Districts on the Wenatchee National Forest and are located southerly from Highway 12 (White Pass) to Lake Chelan (to the north). There are a wide variety of influences affecting the lots with the corresponding values reflecting these influences.

Market values of these 111 typical lots will be used by Wenatchee National Forest Personnel to calculate annual special use fees for all recreational residence lots on this national forest. Selection of which typical lot's market value will represent the market value of each of the non-appraised recreation residence lots was based upon physical and locational similarities as jointly agreed upon by the appraiser, the U.S. Forest Service, and participating permittees.

The Highest and Best Use of each lot appraised is for its permitted use, being a recreation residence lot which cannot be used as a permanent and sole place of residence. Sales of recreational lots in the region were used as the basis for valuing the subject lots, at their permitted highest and best use, with various adjustments applied to account for the differences among the sales and the typical lots.

The value of each lot was derived by comparing it to other similar sales within its sphere of influence. Typical wooded lots were compared to other wooded lot sales, riverfront lots were compared to other river-influenced sales, and lake-influenced lots were compared to other lake - influenced lot sales in the surrounding region. This method of evaluation ensures that the typical lot is valued in a correct manner with similar sales in the surrounding area.

All holder-provided improvements on and to the land (lot) have been identified in the body of this appraisal report, but have been fully excluded from the value conclusion cited herein. Any comparable sales that had some limited improvements were adjusted for this factor in order to provide a truly comparable basis for comparative valuation purposes.

This **Self-Contained Complete** appraisal report is in compliance with all Uniform Standards of Professional Appraisal Practice (USP AP) as established by The Appraisal Foundation and The Appraisal Institute and meets all criteria for appraisal reports as established by the Uniform Appraisal Standards for Federal Land Acquisitions.

This **Self-Contained Complete** appraisal report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USP AP) for a **Self-Contained** appraisal report. As such, it presents complete discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. More detailed information is contained in the files of the appraiser.

The legal description for each lot cited herein was furnished by the Forest Service and is assumed to be correct.

The lots as appraised in this appraisal report were jointly selected by the Forest Service and the holders, and provided to the appraiser. The lots are assumed typical, unless noted and documented elsewhere in this appraisal report that, in the appraiser's opinion, the selected lots were not representative of the recreation residence tract grouping.

Legal Description

A Federal Status Report was not provided for each of the subject lots. The appraiser has relied upon the acreage calculations provided by the U.S. Forest Service. If the subject lot sizes are found to be different than the figures utilized herein, based upon future property surveys or other information, this condition would render the value conclusions as void until the appraiser could fully assess the impact on value the acreage changes would reflect.

A summary legal description for each lot is found within the **Site Description** section of this report.

Property Ownership

The subject typical lots are exclusively owned by the United States of America and their use is administered by the U.S. Forest Service-USDA. Each lot has been consecutively owned by the United States of America for more than ten years and is not currently listed for sale.

The original conveyance of the subject lots to the United States of America has no effect on the current market value of the property.

Purpose and Function of This Appraisal

The purpose of the appraisal is to derive a cash market value estimate, of the fee simple estate interest of the, National Forest System land, underlying an area authorized by a permit, but without consideration as to how the permit would, or could, affect the fee title of the lots within a recreation residence tract, or the designated typical lots within a recreation residence tract grouping.

The estate appraised is the unencumbered Fee Simple Estate title of the typical lots as if held in private ownership, restricted to a recreation residence use, and subject to all applicable local governmental police powers.

The Fee Simple Estate interest is in compliance with the appraisal standards as established by the Uniform Standards of Professional Appraisal Practice (USPAP) and The Uniform Appraisal Standards for Federal Land Acquisitions.

The function of this narrative appraisal is to provide the client with a market value of each lot, appraised at its permitted use, in order to derive a market value and basis for annual special use fee calculation purposes.

The scope of the appraisal included a market analysis of various wooded lot sales, riverfront sales, and lake front sales in Chelan, Kittitas, Klickitat, Lewis, and Yakima Counties, a physical inspection of the subject parcels, inspection and confirmation of the comparable sales, discussions with various local government agency's pertaining to the zoning issues affecting the lots, discussions with Realtors pertaining to the development and desirability of the subject lots and comparable sales, and an analysis and compilation of the market sales. These factors have all been analyzed in order to derive a value conclusion for each typical recreational residence lot appraised herein.

Property Rights Appraised

The property rights appraised in this report are determined to be the unencumbered Fee Simple Estate interest, as if held in private ownership, restricted to a recreation residence use, and subject to all applicable local governmental police powers. The Fee Simple Estate is defined by The Appraisal Institute's **Dictionary of Real Estate Appraisal** to mean "an absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat". (The Dictionary of Real Estate Appraisal, Third Edition, 1993.)

It is noted that each lot has been appraised at its permitted Highest and Best Use, being a recreation residence lot which cannot be used as a permanent and sole place of residence.

Definition of Market Value

Market Value, as defined by the Uniform Appraisal Standards for Federal Land Acquisitions, is "the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would be sold by a knowledgeable owner willing but not obligated to sell to a knowledgeable purchaser who desired but is not obligated to buy."

The value estimate must give accurate and careful consideration of all market forces and factors which tend to influence the value of property, and which bear on the most probable price in terms of money which the lot should bring in a competitive and open market under all conditions requisite to a fair sale.

Qualifications and Competency of the Appraiser

Martin Healy has appraised numerous parcels of recreational lands in the states of Washington, Oregon, and Idaho. He has recently appraised 26 recreational tracts in northeastern Washington and northwestern Idaho, 32 tracts of land in northwest Oregon for a land exchange between the Bureau of Land Management and Longview Fibre Company, reviewed a 50+ parcel land exchange in northeast Oregon for a potential land exchange (involving many different recreational parcels), appraised over 100 tracts of land for a land exchange between Plum Creek

Timber Company and the U.S. Forest Service (along Interstate 90), as well as appraised numerous other timberland parcels with portions including areas with recreational potential.

The appraiser received his undergraduate degree in agricultural management and his master's degree in business administration. He has significant experience in valuing various property types including recreational tracts similar to the subject lots.

Additionally, Mr. Healy has authored several articles on various appraisal issues including the valuation of cutover timberlands in western Oregon and Washington in the July 1991 issue of **The Appraisal Journal** and using the Sales Comparison Approach to adjust timberland sales published in the October 1994 issue of **The Appraisal Journal**.

Mr. Healy also teaches an appraisal course on timberland valuation that is approved for 15 hours of continuing education by the States of Washington and Oregon.

Based on the appraisal experience of the appraiser in valuing differing types of recreational lands, Mr. Healy believes he is qualified to perform the appraisal assignment as outlined herein.

Marketing Period

Based on the size and desirability of each lot, an analysis of marketing periods for other recreational lots near the Wenatchee National Forest, and analyzing the demand exhibited by the market for different recreational parcels, it is this appraiser's opinion that each lot would sell within 12 months at its appraised value, if each lot was available in the market.

Property Inspection

Each lot was physically inspected by Martin Healy of The Healy Company, either Julie Van Reenen or Jim Bryson of the U.S. Forest Service, and the individual lot permittee's throughout the period of May 29, 1999 to August 7, 1999. Mr. Healy also re-inspected many of the subject lots with the last date of inspection being September 15, 1999.

Date of Appraisal

The date of this appraisal report is December 1, 1999.

Effective Date of Value

The effective date of each lot value is September 15, 1999.

DEFINITIONS

Within this appraisal report, numerous terms have been used for identification and descriptive purposes. A summary of the definitions of these terms, derived from *The Dictionary of Real Estate Appraisal, Third Edition (1993)*, and from the contract specifications provided to the appraiser by the U.S. Forest Service, are as follows:

Acre: A land measure equal to 43,560 square feet.

Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Front Foot: A land measure one foot in length taken along the water frontage of a property. In the private Real Estate market, comparables with river frontage, or lake frontage, were typically bought and sold for selling prices based upon the amount of front feet (along the river or lake) occurring on the lot.

Highest and Best Use: The highest and best use of each lot is for its permitted use, being a recreation residence lot which cannot be used as a permanent and sole place of residence.

Improvements: Buildings or other relatively permanent structures or developments located on, or attached to, land.

Lot: The lot is the actual physical area of National Forest System land as described in a permit, said land being in a natural, native state when the exclusive use was first permitted by an authorized officer.

Market Value: The amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would be sold by a knowledgeable owner willing, but not obligated to sell, to a knowledgeable purchaser who desires but is not obligated to buy. The value estimate must give accurate and careful consideration of all market forces and factors which tend to influence the value of property, and which bear on the most probable price in terms of money which the lot should bring in a competitive and open market under all conditions requisite to a fair sale.

Obscured (View): An obscured view is one in which the view of a natural feature, such as a river, is not easily seen due to some impediment. In the case of the subject lots, views are typically obscured by trees growing between the natural feature (river) and the lot. The views were further rated from minimally obscured (few trees blocking the view) to heavily obscured (many trees blocking the view).

Permit: A permit is a special use authorization to occupy and use National Forest System land for a specified period and is revocable and compensable according to its terms.

Permittee: This term refers to the holder of an authorized permit to use a lot within the National Forest System. The permittee does not own the land; the United States of America owns the land with the permit administered by the Forest Service-USDA.

Recreation Residence: A privately-owned, non-commercial principal structure, its auxiliary buildings, and land improvements located upon National Forest System lands as authorized under a permit issued by an authorized officer. The residence is maintained by the holder for the use and enjoyment of individuals, families, and guests. As a recreation facility, it is intended for use as a recreation residence for a minimum period each year, but not to the exclusion of a permanent residence elsewhere. As a private privilege use of National Forest System lands, the occupancy cannot interfere with public or semi-public uses having a documented higher priority.

Tract: A tract is a logical grouping of recreation residences occupying an area of National Forest System land in a planned and/or approved manner similar to private-sector subdivisions. Typically located near scenic natural attractions (lakes, streams, mountains, scenic views, etc.), tracts are designed to be environmentally acceptable, compatible with the public interest, and to provide full public use and enjoyment of the natural attraction. Residences within a tract are subject to terms and conditions of individual permits issued. In general, permits within a tract grouping provide for similar privileges, restrictions, terms, and fees, and apply to land units having similar utility of physical, legal, economic, locational and functional characteristics.

Summer Homes: The lots are located in areas known as summer home tracts. This term identifies the period of time most of the lots are primarily used by permittee' s.

REGIONAL SUMMARY-YAKIMA COUNTY

Subject Location

The subject recreational residences are located in two areas of western Yakima County: Chinook Pass (accessed by State Highway 410) and White Pass (accessed by State Highway 12). Both of these areas are situated in the Wenatchee National Forest, on the Naches Ranger District, with numerous rivers, lakes, mountains and forestland encompassing the landscape. This is contrasted to the eastern and southern portions of the county, where the numerous forestland and agricultural activities predominate the land uses. The climate in western and eastern Yakima County, as well as the physical characteristics, vary dramatically. The higher elevation and forested areas in western Yakima County provide respite from the hot summers and dry heat that occur in the eastern portion of the county. These characteristics lure people to the cooler western portion of the county and create a demand for recreational areas, as well as a demand for privately-owned land in this area.

Geography

Yakima County is situated in the south central area of Washington State. It is bordered to the north by Kittitas County, to the west by Pierce, Skamania, and Lewis Counties, to the south by Klickitat County, and to the east by Benton County. Yakima is the second largest county in Washington State, comprising 4,287 square miles (6.5% of Washington's total land base). Even though the geographical size of the county may be the second largest in the state, the population of the county is the 7th largest.

The small size of the population, as compared to the geographical size of the county, is due mainly to the limited land available for development. The western portion of the county contains vast forestlands, mountains, rivers, and lakes. A large majority of this area is situated in the Wenatchee National Forest and is owned by the United States of America. This leaves little private land available for development in this area. The southwestern portion of the county is contained within the Yakima Indian Reservation and is reserved as tribal lands. The northeastern portion of the county consists of a military reservation with access restricted to the public. The areas of the county that contain most of the existing development are located primarily along the Yakima River and Interstate 82, in the central portion of the county. The large land reserves in the county (Wenatchee National Forest, Yakima Military Reservation, and Yakima Indian Reservation) reduces the available land for development and provides planning pressures for future population growth and expansion.

Offsetting these limitations to growth is the strategic location of Yakima. Interstate 82 provides access to Interstate 90 to the north (which leads to Seattle to the west and Spokane to the east)

and Interstate 84 (which leads to Portland to the west and Pendleton to the east). This is one of the major access and trade routes through the area, placing Yakima in a prime location.

Population

As was previously mentioned, Yakima County contains the 7th largest population out of the 39 Washington counties. However, Yakima County contains the second largest population lying east of the Cascade Mountain range, behind Spokane County (another prime access and trade route). In 1998, there was an estimated 210,500 residents living within Yakima County's borders. Speaking in terms of population density, this represents nearly 49 residents per square mile. Realistically, the growth patterns center around the Yakima River and Interstate 82 with the city of Yakima containing the highest population density. This growth pattern is typical and can be seen in other counties, such as those in western Washington (the 1-5 corridor) and Kittitas and Spokane Counties (Interstate 90 corridor). The population density tends to aggregate near access and trade routes, as demonstrated in Yakima County.

The following table lists the population of Yakima County and various cities. As for size, the city of Yakima is five times larger than Sunnyside (the second largest city in Yakima). The city of Yakima contains nearly 31 % of the total population in the county.

City/County	1990	1994	1995	1996	1997	1998
Yakima Co.	188,823	202,100	204,100	207,600	208,700	210,500
Incorporated	100,609	107,852	109,660	106,125	115,683	117,054
Unincorporated	88,214	94,248	94,440	101,475	93,017	93,446
Yakima	54,843	59,740	60,850	62,670	63,510	64,290
Sunnyside	11,238	11,660	11,710	11,720	11,980	12,180
Grandview	7,169	7,690	7,725	7,940	7,930	7,990
Toppenish	7,419	7,734	7,765	7,760	7,857	7,910
Selah	5,113	5,170	5,450	5,600	5,730	5,845
Union Gap	3,120	3,220	3,305	5,370	5,325	5,340

Source: Yakima County Labor Market and Economic Analysis Branch

Over the past decade, Yakima County has enjoyed a steady population growth. From 1990 to 1998, there was an increase of 11 % for the entire county. The city of Yakima realized a 17% increase in population and Sunnyside an 8% increase. The largest increase was in Union Gap with an increase of 71 % in residents. In terms of actual persons, Yakima city gained the most new residents (9,447 new residents), although it had a smaller percentage of increase as compared to Union Gap (2,220 new residents). These population increases are expected to continue within the near future.

Employment

With the exception of 1997, the unemployment rate has not dropped below 10% since 1980. Even then, the unemployment rates still hovered near double digit rates. Over the past 26 years,

Yakima County's unemployment rate has been higher than Washington State as a whole. This is due, in part, to the large agricultural sector that employs nearly 1/5th of the county's civilian labor force. With agricultural employment, there is a traditionally higher unemployment rate due to seasonality of farm labor, weather, and environmental impacts on crops and livestock. At certain times of the year, Yakima's unemployment rate is low (below the 10% rate) when harvesting commences. During the off season, this trend reverses itself and reaches unemployment highs.

Year	Labor Force	Unemployed	Unemployment Rate
1998	114,800	12,000	10.5%
1997	115,000	11,400	9.9%
1996	115,200	15,500	13.5%
1995	113,400	14,300	12.6%
1994	110,900	12,900	11.6%
1993	112,700	16,300	14.5%
1992	109,300	14,800	13.5%
1991	101,600	12,800	12.6%
1990	102,300	10,900	10.7%

Source: Yakima County Labor Market and Economic Analysis Branch

Although Yakima County's economic base is deeply rooted in agriculture, the economy has begun to diversify expanding other industries. Projects for industry growth have placed services, trade, and government as the fastest growing industries in the county. This reflects similar trends in Washington State. From 1990 to 1998, the services sector added 4,500 new jobs and government employment grew by nearly 2,000 new jobs, making these two sectors the fastest growing (based on the number of new jobs) industries in the county. Future industry projections estimate that services will continue to grow to roughly 26,400 jobs in 2006. From 1990 to 2006, this is a 67% increase over this 16 year period. Government employment will follow somewhat similar growth patterns. By the year 2006, it is estimated that there will be 4,300 new jobs in the government sector, or a 37% increase over 16 years.

The growth, and projected growth, of the services, trade, and government sectors, has had a positive affect on the county's economy. This provides an element of stability to the economy that is sensitive to influences from the agricultural industry.

Agriculture

One of the primary economic sectors in Yakima County is the agricultural industry. In 1995, nearly 1/5th of the civilian labor force was employed in agricultural activities. This figure translates into a range of 10,000 - 30,000 residents employed in agricultural work (employment

fluctuates within a year). Out of Washington State's agricultural sector, nearly 22% of the state's agricultural work force is employed in Yakima County.

Other industries benefit from the prominent agricultural influence. Food processing, wholesale trade, trucking and warehousing, heavily depend on the agricultural industry.

Access

Yakima County's principle communities, Yakima and Sunnyside, are located to the east of the subject area and within close proximity to the region's major routes. U.S. Highway 12, which bisects the county in an east/west direction, is the primary transportation route in the region. It crosses the White Pass and connects Interstate 5 with Yakima.

Highway 410 provides access to the Chinook Pass region. Interstate 82 is a main access route as it connects the Yakima area to Interstate 90 in the north (leading to Seattle and Spokane) and Interstate 84 in the south (leading to Portland, Oregon and Boise, Idaho).

Greyhound provides bus service in and out of the region connecting most of the major cities.

Air

The general aviation airports are located in the major cities in the region. Portland International Airport (in Portland, Oregon) is situated to the south, and Sea-Tac (in Tacoma) is located to the northwest, with both being available for large commercial airline service. In Yakima, the Yakima Air Terminal provides service for air travel in the region.

Rail

The local carrier in the region is the Burlington Northern railway for freight and Amtrak for passenger service.

Impact on the Subject Properties

Presently, Yakima County's economy can best be viewed as one in transition. While much of the county is involved in agriculture, the significance of the timber industry has been declining. Great gains over the past couple of decades in efficiency have decreased employment. Environmental concerns will likely cause more cutbacks in the future. On the other hand, there have been significant increases in light industry and retail trade. The county is making the transition between a resource-based, extractive economy, to one with an emphasis on light manufacturing and commerce.

Employment growth has shifted in other directions. Trade and services, in particular, have been in the forefront of recent economic expansion. Services employment has almost doubled since

1970 and trade employment has more than doubled. Job gains in these two sectors have more than offset losses in the lumber and wood products industry.

Consequently, because of the declining availability of private unimproved land remaining in the region, fluctuations in the supply and demand will have significant effects. The reduced supply of private recreational land in the region (due to large areas owned by the government) and the state, coupled with continued population growth, will certainly increase the demand for recreational parcels such as the subject summer home lots. The wave of migration from the suburbs to rural areas has been seen nationwide. Recreational and unimproved land throughout the region will continue to increase in value as the supply of available developable privately owned land decreases. Thus, it is expected that the value of the subject lots should reflect regional land trends and increase proportionately in value with other lands within the region, as long as demand for recreational property continues to be exhibited.

HIGHEST AND BEST USE

The client has indicated to the appraiser to use the following definition of, the highest and best use for each lot appraised herein: "The highest and best use of the lot is for its permitted use, being a recreation residence lot which cannot be used as a permanent and sole place of residence".

The Code of Federal Regulations at 36 CFR 251.57(a) states: "Special use authorizations, except as otherwise provided in this part or when specifically authorized by the secretary of agriculture, shall require the payment in advance of an annual rental fee as determined by the authorized officer. The fee shall be based upon the fair market value of the rights and privileges authorized as determined by appraisal or other sound business management principles ... "

This definition differs from that within The Dictionary of Real Estate Appraisal, Third Edition, which is "the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability".

While the two definitions may appear to be different, the intended use of the lots is considered to be consistent with highest and best use theory. Even though the USFS permit restricts the use of each lot (to being developed with a recreational residence), this use would have been the most likely use of each lot even if the use was not restricted (by permit). All of the lots are situated in areas that have been utilized for recreational purposes with other private residences developed nearby. None of the permitted lots is considered to have the potential for more intensive development (such as for a commercial establishment) since they are located in areas more suited for residential development and the likely zoning (by the county) would not permit more intensive development.

The lot sales considered within this analysis also have relatively small sizes and also show that they have been, or will be, developed with a recreational residence (which is a similar condition affecting the subject lots). None of these parcels was purchased with the intent of more intensive development (such as a commercial building) because the local economy cannot sustain this type of enterprise. All of the subject typical lots are located in areas that are currently served by adequate commercial services and there did not appear to be any significant excess demand for commercial services, or other types of development, that would cause the likely development of the typical lots to change. In all cases, the subject lots are located near other residential areas, or are isolated by themselves, and would not warrant any other type of development.

Thus, even though the permit restricts the use of each subject lot to a single recreation residence, it is highly unlikely that the lot would be developed with any other type of development. If more intensive development were possible, then a higher lot value could be expected than that presented herein.

The subject lots will be appraised using sales comparables that generally have similar developability and uses. Nearly all of the sales considered were acquired for "second home sites" and would not be occupied year-round (although some were acquired for full-time residence). Several of the sales are situated in developments in which weather conditions will restrict access to primarily the summer months. This is a similar condition affecting the subject lots since they cannot be used as a permanent residence. Theoretically, the subject recreational residence lot could be used 300+ days per year, as long as the permittee owns another residence and the recreational residence is not used on a permanent (meaning full-time) basis.

An interesting phenomena concerning the sales data is that those lots acquired for year-round use (or living) had sale prices very similar to those which were purchased for a "second home site" (which would not be used year-round). The appraiser attributes this condition to the local market in which the competing buyers (both year-round and recreational) must compete for the same limited number of parcels of land. With this resulting competition, any potential "discount" that might be achieved by a periodic user gets diminished by the person attempting to use the lot on a full-time basis. Thus, almost no value differential was indicated by the market data within any of the markets analyzed herein comparing year-round lots and recreational lots. However, there were a number of other factors that were noted among the sale comparables that caused the values to differ among the various markets and property types and which will be more fully discussed within the **Sales Comparison Approach** section of this report.

SALES COMPARISON APPROACH

Summary of Data Analyses

The appraiser valued the recreational summer home lots using comparable sales occurring within the sphere of influence of the lot. In some cases, where similar privately owned land existed nearby, sale comparables were located in close proximity to the summer home lots. In others, comparables were used that were located a considerable distance from the lots but were used since they had similar attributes as the subject lot being valued, or because the subject lots were surrounded by vast acreage's of publicly owned land where sales are not allowed to occur, and the closest similar private land was some distance away.

The appraiser has attempted to utilize the closest, and most similar, sale comparables available in order to value each summer home lot. Each sale comparable was researched in the courthouse, inspected by the appraiser, and confirmed with buyer, seller, Realtor, or other informed persons either in person or by telephone. This process ensures that any irregularities in the sale are noted and then the transaction can be assessed as to its overall comparability to the subject lot being appraised. In several instances, a transaction was discarded because of some unusual circumstance (such as a related family sale) that affected the sale which made it less indicative of market value.

Due to the widely-dispersed geographical location of the summer home lots appraised, the appraiser researched data from Chelan, Lewis, Kittitas, Klickitat, and Yakima Counties. All of the summer home lots are influenced by these areas and the data obtained was considered to have strong influence on the valuation conclusions rendered in this report.

The appraiser has included many different transactions in the analyses due to the varying types of properties that are involved in the appraisal process. Due to the magnitude of the sales reviewed, which included well over 200 sales transactions, the appraiser was able to extract data that forms the basis of. numerous adjustments that will be applied to the sale transactions to make them more similar to the lot being appraised. Sales that sold for large amounts of money, as well as those that sold for minimal amounts, were all considered and are represented in the valuation analyses herein. It should be noted that "market value", which is the basis of the valuation process, does not encourage valuation to an extreme. Rather, it tends to view sales from the standpoint of "what would an average informed buyer pay for a property?" Thus, any sales that set extreme values, either low or high, and which were not supported by any other transactions, were typically eliminated from the valuation analysis unless they had some legitimate reason for their inclusion.

The summer home lots were valued according to their inherent characteristics using similar sale transactions. For example, riverfront lots were valued using transactions that were situated on a river. Wooded lots were valued using similar wooded lots, and so on. All of the sales utilized were located east of the crest of the Cascade Mountains within the sphere of influence of the summer home lots appraised.

The data analysis performed by the appraiser showed valuation findings consistent with general appraisal valuation trends: lakefront lots sold at the highest values, followed by lake view and riverfront parcels. Wooded lots tended to set the lower limits of value for the various types of summer home lots appraised. Additionally, most market participants demand year-round access to their property. Lots that did not have year-round access were valued at the low end of the range to reflect the market demand for these types of properties (which is lower). On the other hand, parcels that have generally good accessibility, and have electrical and telephone services nearby, tended to sell at the upper end of the value range. This relationship is consistent with most market trends since consumers tend to prefer lots that have amenities and will pay values corresponding to the amenities offered by a particular property.

Valuation Issues Considered in the Appraisal Process

The sales data reviewed by the appraiser provided numerous trends and information concerning real estate values in the region. Properties with highly demanded amenities (such as a lakefront lot with electrical and telephone services and with paved road access) sold at the highest values and those lots with no services tended to sell at the lowest end of the value spectrum. This relationship is consistent with values in other areas and was an expected occurrence. However, the variance in the magnitude of demand, as well as the corresponding values paid, was eye opening. The appraiser found a lakefront sale on Lake Wenatchee, with all of the pertinent services including excellent lake frontage (about 85 lineal feet), that sold for \$426,000 while a lot in Roaring Creek (a recreational subdivision near Interstate 90), with no electrical or telephone services and no winter access, sold for \$6,000. What the data explicitly showed was that lots with desired amenities (electrical and telephone services, water availability, pavement, views, year-round access) sold at the highest prices whereas those which lacked these features sold for less.

The sales utilized by the appraiser were all obtained from Chelan, Kittitas, Klickitat, Lewis, and Yakima Counties. And, they are consistent with the property types appraised. The appraiser did not use transactions in the City of Wenatchee to value lots at Lake Wenatchee or sales in Yakima, without any trees, to value wooded lots in the summer home tracts along Highway 410. The sales used to value the subject wooded lots are all located in the sphere of influence of the wooded lots. The other property types being valued herein utilized similar, and similarly-located, transactions. By virtue of using sales comparables in the sphere of influence of the subject typical lots, and with similar property characteristics, this process results in fewer adjustments being applied and a more accurate final valuation figure being obtained, which is the entire point of this valuation assignment.

The restrictions of the permit, which affects all of the summer home permittee's, has not been considered in the valuation assignment at the request of the client, since annual fee calculation is based upon a percentage of the lot's (or appropriate typical lot's) market value. Each typical summer home lot has been valued as to its market value using similar private-market transactions as indicators of its value. The effect on value of the permit restrictions on the use of the lot will be addressed later by the USFS by application of a set below market percentage of the market value to calculate the annual special use fee to be paid.

Although the appraiser thoroughly researched sale comparables in eastern Lewis County, as well as inspected these parcels, none of these sales have been included herein. The reason for this lack of inclusion is due to the overall dissimilarity of these sales as compared to the subject lots. Eastern Lewis County is situated west of the crest of the Cascade Mountains and receives significantly more rainfall than the drier eastern side of the Cascades. There is also much more available private land near the communities of Packwood, Randle, and Morton with many of these parcels being listed for sale for many years. In essence, there is a substantially imbalanced supply/demand relationship which occurs in this area which has kept property values much lower as compared to property values on the east side of the Cascades.

Lower values for lots are found in eastern Lewis County because of a lack of demand for property in the area. Residents of Portland, Vancouver, Seattle, Olympia, Tacoma, Centralia, or Chehalis would not typically buy land in this area since they get similar "wet" weather. And, skiing at White Pass is nearly 2.5 hours from Portland/Vancouver and Seattle/Tacoma/ Olympia. Residents from these areas would generally ski at Mount Hood, Crystal Mountain, or even Mount Bachelor, before skiing at White Pass. Thus, the demand for lots on the west side of the mountain for ski cabins is low since "west side" skiers would ski at other superior areas and "east side" skiers would return to their dry side homes on the east side after skiing. Or, they would prefer to purchase a cabin lot on the east side due to its closer proximity to their home. In essence, there is significantly more available land for development than is demanded by the market. As a consequence, the values paid in eastern Lewis County are relatively low, which is consistent with basic economic relationships.

The demand for the subject typical lots, along the Highway 12 and Highway 410 corridors, would generally come primarily from the Yakima or Tri-Cities (Richland, Kennewick, Pasco) markets with lesser demand from the "west side" metropolitan areas. Yakima residents desire the subject typical lots in these highway corridor areas since the lots are in the mountains, there are trees, and the weather is cooler during the summer season. And, there are ample other recreational opportunities during other periods of the year. Coupled with a relative lack of supply of private lands, the market for lots in the Highway 12/410 area is skewed towards more demand than supply with higher prices resulting. Due to this situation, only east side sales have been used in this analysis since all of the subject lots are located east of the Cascades and the competitive market (and likely buyers) would also emanate from this area.

Transactions from Klickitat County were also thoroughly researched and inspected by the appraiser. But, most of the transactions have not been included herein. The primary reason for this lack of inclusion is that they were repetitive of the values and trends indicated by the Yakima and Kittitas County transactions and would not lend any additional impact to the appraisal. Well over 50 sales were analyzed and considered in this county but their distance from the subject lots, as well as' slightly different terrain, and a different market, all contributed to the appraiser excluding these sales from the analysis (except for adjustment-derivation purposes). Some of the values paid were higher than the sales from Yakima County, and others were lower. The values paid were not a consideration, in terms of excluding the sales data from this county, but really the overall comparability of the sales to the typical lots was the primary factor affecting this decision. The limited number of sales that have been included from Klickitat

County have been analyzed primarily for their comparative features showing the effects of having electrical service.

Several of the summer home lots on Lake Wenatchee and Bumping Lake have docks or jetties that result in an improved frontage area. Directives from the client have instructed the appraiser to value these lots with associated waterfront improvements as though the lot boundary extended to the waterline. Thus, if a lot has been improved with a dock, the entire area from the lot to the ordinary high water line of the lake (or river) will be included as being a part of the typical lot. A lake-influenced lot with a dock will be appraised as though it is a lakefront lot and a river-influenced lot with a dock will be appraised as though it is a riverfront lot. As is the case with lots which do not have waterfront improvements, the size of each lot appraised is assumed to be the size that is authorized in each lot's special use permit.

Comparative Factors Analyzed for Applying Adjustments

The large number of sales reviewed by the appraiser resulted in various data being extracted for comparative adjustment purposes. Nine adjustments were concluded as being applicable to the sales data, although not all nine adjustments will be applied in all instances. A large number of adjustments were considered necessary due to the myriad of lot types involved in the valuation and the various factors affecting each typical summer home lot. For example, one wooded lot may be 0.50 acres in size and another may be 0.25 acres in size in the same tract. Should they be valued similarly? The market data suggested that there should be some degree of adjustment applied to these lots, for a size difference, and that different values should result.

The data analyzed by the appraiser for valuing the subject lots on the draw-down lakes included several linear regression analyses. This method uses numerous comparable sales in deriving an equation in order to predict the value of a subject property. The comparable data are analyzed as to their overall relationship to a straight trend-line, and a mathematical equation is derived from this data which is then used to estimate the value of the subject property. In the case of the typical lots on a draw-down lake, the independent variable used to predict the subject value was the amount of front footage to the water. This is an accepted valuation method with the correlation coefficient (r^2) being a further consideration as to the overall "fit" of the data and the expected reliability of the predicted subject lot value.

A word of caution should be noted by the reader: real estate appraisal is as much of an art as it is a science. While the appraiser has indicated that nine adjustments were reviewed, a reader should not construe this to mean that all of the data exhibits similar definitiveness. Most of the adjustments applied actually show a range because of the variability, and partial subjectivity, of the adjustments applied. However, the adjustments were extracted from market data and are considered to be relatively exact in most cases. They have been applied to the respective sales with a range established for the adjustments, particularly for those that may involve some subjectivity (such as an "access" or distance to "power" adjustment). The range of adjustments does not diminish the usefulness, or applicability, of the adjustment but really shows how the market would apply such an adjustment factor. While the real estate market is considered to be efficient in most cases, the adjustments rendered by the market are almost always reflective of a

range of values. Thus, the appraiser has attempted to emulate this process in the valuation conclusions and analyses presented herein.

The data analyzed by the appraiser showed that nine adjustment factors need to be considered in the valuation analyses. A summary of each factor, and how it was derived will be explained in the following paragraphs:

1. Motivation Adjustment

Upon confirmation of a sale with the buyer or seller, the appraiser typically asks if the price paid was reflective of competitive open market conditions. In most instances, the respondent answers in the affirmative. However, there were several instances in which a sale sold from one family member to another, or was sold for other family-related reasons. In these cases, the appraiser would ask the knowledgeable party what their opinion of market value for that property was and then decide if the selling price was really indicative of market value (after considering the person's response). If the data provided was still suspect, in terms of its similarity to other sales in the region, then it was discarded.

For those transactions in which the seller did not solicit advice, or did not use a Realtor to market the property, or it (the property) was not exposed to the open market, then the buyer or seller was queried as to their belief of market value (in retrospect of the sale). Very few of the sales used in the analyses had a motivation adjustment applied since, in most cases, where selling price of the property and similar properties in the market area differed greatly the appraiser would have discarded the transaction. In those isolated cases where a motivation adjustment was applied, it was extracted from discussions with buyers or sellers and their opinion (after the sale) of what the more appropriate market value should have been.

2. Time

Over time real estate values have increased in the region due to supply/demand relationships. The appraiser has extracted numerous sales, and re-sales, of the same lots in order to derive a time adjustment. Sales in each county were analyzed, as well as specific property types (such as riverfront lots) for the appropriate time adjustment to apply. As was expected, the time adjustment was not consistent for all of the counties or even the various property types. In some cases, there was minimal appreciation gained while others showed large appreciation rates. The appreciation rates concluded herein are consistent with ranges indicated by local Realtors and county assessors.

The appraiser has attempted to "smooth out" the variances among the sales data in order to apply more of a "trended" time adjustment to the sales. For the different property types appraised herein, a summary of the time adjustments derived from market data and later applied appropriately to comparable sale selling price to suggest market value for the typical lots being appraised are as follows:

Chelan County Time Adjustment:

Category	Compounded Annual Increase- %
Wooded/N on-Water Sales	11.49%
Used in Appraisal	11.00%

Category	Compounded Annual Increase- %
All River Sales	6.09%
Used in Appraisal	6.00%
All Lake-Influenced Sales	6.42%
Used in Appraisal	6.00%

Kittitas County Time Adjustment:

Category	Compounded Annual Increase- %
Wooded Non-Water Sales	11.26%
Used in Appraisal	11.00%

Category	Compounded Annual Increase- %
All River Sales	7.20%
Used in Appraisal	7.00%
All Lake Sales	1.90%
Used in Appraisal	2.00%

Yakima County:

Category	Compounded Annual Increase-%
Wooded Non-Water Sales	13.12%
Used in Appraisal	13.00%

Category	Compounded Annual Increase- %
All River Sales	3.45%
Used in Appraisal	4.00%

It was interesting to note that the overall increase is similar to Chelan County and is only slightly less than the increase exhibited in Yakima County.

Any extreme sales, such as transactions in which an uninformed seller sold a property and a knowledgeable buyer acquired, and re-sold the property in a short period of time, were excluded from this analysis. These types of transactions, although considered part of the overall market, were rated to not fully reflect "typical" market conditions in the region. It is not "normal" for a buyer to acquire property and re-sell it within several months for a 100% gain. Thus, these abnormal sales have been excluded from the analysis herein.

3. Size

A size adjustment was developed from the market data using numerous sales. A copy of the graph is included on the next page. What the data show is that property size does influence the value paid for property (which is an inherent belief of real estate buyers and sellers). However, there is an increment of size in which a buyer would not pay any more value. For example, in most cases, there would not be a discernible difference in value paid for a 0.40 acre property and a 0.50 acre site. But, there would be a difference in value paid for a 0.50 acre lot as compared to a 1.00 acre parcel.

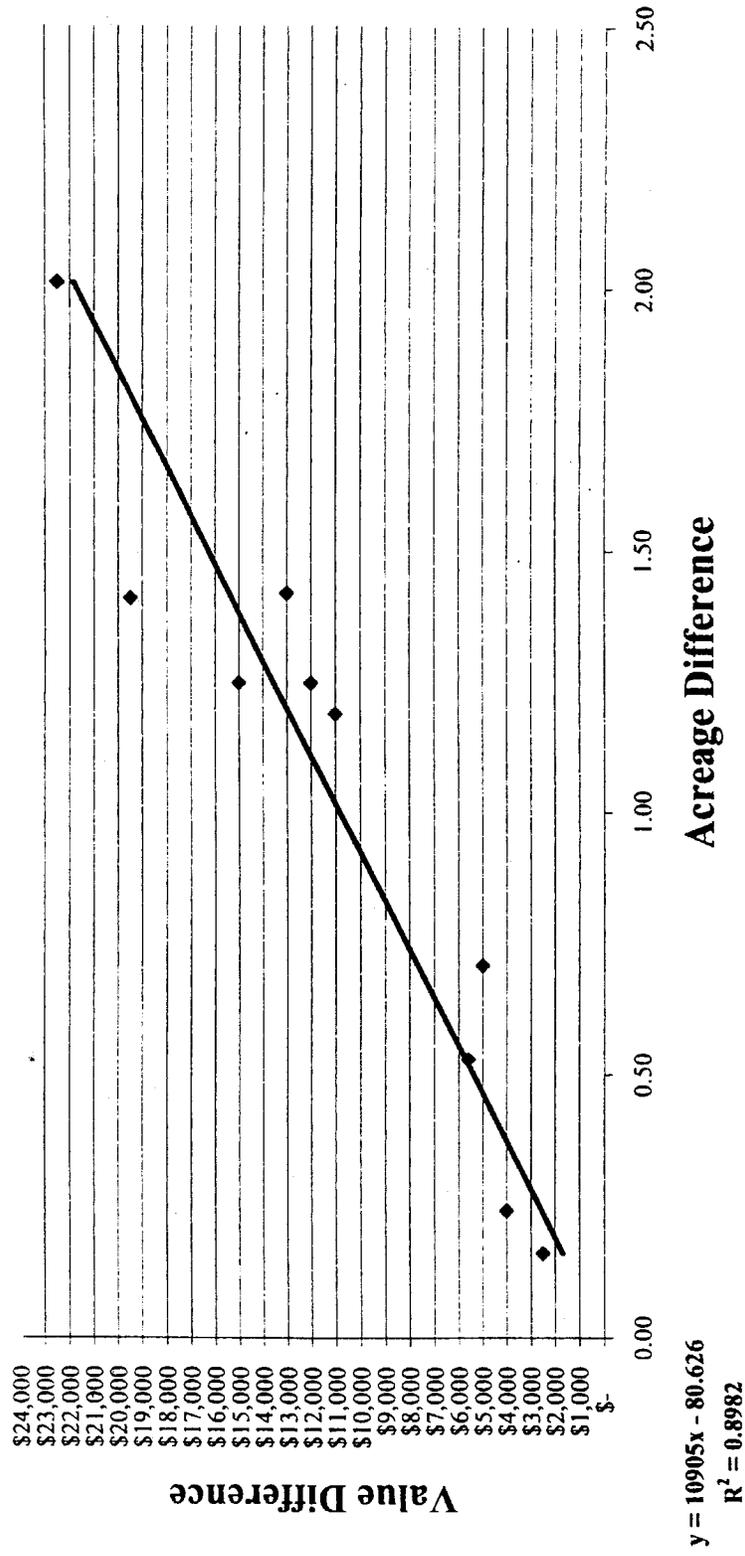
What the appraiser has extracted from the market data is the difference in value that the data show occurs between lots of various sizes. The appraiser has applied a linear regression line through the data points in order to arrive at an approximate adjustment for this factor. The regression line shows a correlation coefficient of 0.8982 which indicates a trend line with an "excellent" fit to the data. Or, in other words, there is not much variability among the data all other physical characteristics being reasonable equal; as size increases, more value is paid (which is expected).

The data have been graphed showing the comparative value differences among property sizes using increments of 0.10 acres. As stated previously, the market would not likely recognize much (if any) value difference between a property with a size of 0.40 acres and one with a size of 0.50 acres. The trend line does recognize this difference and the appraiser will apply this value adjustment based upon the difference in size of the subject summer home lot as compared to the sales data since the data is available.

The figures shown in the graph are the approximate differences in size attributed to parcels. For example, a lot with a size of 0.50 acres (and an applied figure of about \$5,250) shows a comparative difference of nearly \$5,500 as compared to a lot with a size of 1.00 acres (and a corresponding value of approximately \$10,750). This figure is supported by the actual size differential in the adjustment process. If the subject typical lot has a size of 0.50 acres, and a sale comparable has a size of 1.00 acres, then the comparable will be adjusted downward by \$5,250 (a difference of 0.50 acres) to account for the size differential between the comparable sale and the lot being appraised.

All adjustment figures will be rounded downward in the valuation process (i.e., a size differential of 0.48 acres will have the same adjustment value of \$4,250 applied as would a size differential of 0.41 acres). The adjustment figure will change only when the acreage difference is rounded to a tenth-of-an-acre (i.e., the adjustment for a 0.48 acre size difference will be \$4,250 but for a 0.50 difference will be \$5,250).

Size Adjustment Linear Regression Analysis



Note: The Value Difference, located on the vertical axis, demonstrates the incremental value change between parcels of varying sizes. It **does not** represent individual property values.

4. Utility Services

The availability of utilities (electrical, telephone, water, sewer) also influences the values paid for rural property. In most instances, a lot served by electrical and telephone services will command a higher value as compared to one without these services (all other things being equal). Thus, an adjustment was considered to be warranted for these improvements.

It is important to remember that for purposes of this appraisal, utilities provided by the permittee, or a group of permittee's, do not contribute to a value and so are assumed to "not exist". If utilities are provided to the tract by the U.S., a third party company, or public utility, then the typical lot is appraised as though it has benefit of those services.

The availability of services to the subject lots varies significantly. Some lots on Lake Wenatchee are served by a local water system (maintained by the USFS), while most others do not have any water availability or are assumed to not have water available because water has been provided at permittee expense. Lots on Lake Wenatchee are also served by, or are nearby, electrical and services and most are served by nearby telephone lines, while those in the Upper Teanaway area do not even have the potential for obtaining these services. Thus, a wide variety of potential exists for the subject lots.

Again, if any of the services were developed (brought to the tract), or paid for, by the permittee's then they have been disregarded in this valuation. If the services were brought in by the USFS, or a third party such as a public or private utility company, they have been included in the valuation of the lot. In other cases, the original provider of the service is unclear and the appraiser was required to research this situation and/or rely on other information supplied by the client. The service with the least amount of information available was the electrical service. Research with power companies (PUD is REA's and privately owned power companies) showed that in the late 1940's and early 1950's, power was brought up main drainage's, or highways, to serve public facilities or government installations at company expense. Companies also extended power into rural areas to expand the power grid and their customer base.

Based on research performed by the appraiser, as well as that supplied by the USFS (based on their own research), as well as directives from the client on this valuation issue, a summary of how each summer home area will be appraised is as follows:

Lake Chelan: There are no electrical or telephone services to these lots. Any water or septic systems have been developed by the permittee. Thus, these lots will be appraised as though no services are available.

Pope Creek & Riverside Tracts (Entiat Ranger District): Electrical and telephone services are not available to these lots and are situated several miles away. Any water or septic systems have been developed by the permittee's. Thus, these lots will be appraised as though no services are available.

Hatchery Creek (Leavenworth Ranger District): Electrical and telephone services are not available to these lots and are situated about 0.5 miles away. Any water or septic systems have been developed by the permittee's. Thus, these lots will be appraised as though no services are available.

Chiwawa River Tract (Lake Wenatchee Ranger District): Electrical and telephone services are not available to these lots and are situated about 1-1.5 miles away. Any water or septic systems have been developed by the permittee's. Thus, these lots will be appraised as though no services are available.

Crescent Beach, Chiwawa Loop, White River, and River Road Typical Lots (Lake Wenatchee Ranger District): The typical lots in these tracts have electrical service provided by Chelan PUD #1 (either directly into the lot or it is situated nearby), telephone service (either directly into the lot or it is situated nearby), and either with or without domestic water service (developed at the permittee's expense). Since electrical service was brought into this area in the early 1950's, when the public utility was looking to expand the power grid and increase their customer base, PUD representatives contacted surmised that the main lines were extended at the utility provider's expense and not at the permittee's expense. Although the PUD does not have records indicating this condition from the 1950's, it was a common situation in the region at the time. In some cases, power companies were federally mandated to serve rural customers (through the Rural Electrification Act or REA) and extended their power lines throughout the county into unserved areas.

If electrical and telephone service is situated along a highway, and the typical lot abuts the highway or is within several hundred yards of the highway, then it has been assumed to be served by electrical and telephone services even though they are not directly extended into the lot. This is consistent with the market data since most of the transactions included in this analysis were situated near electrical and telephone services but the buyer had to extend these services into the lot (at their expense). The data is, therefore, consistent with the condition of the typical lots. If some sales had the power line actually on the premises, then an adjustment would be applied to account for this superior condition (relative to the subject lots).

Since available information suggests that the above permittee's did not pay for the electrical and telephone lines to be brought in great distances to the tract, and in the absence of any more definitive data, the appraiser will appraise these lots as though they have benefit of electrical and telephone services provided, but no developed water or sewer system.

South Shore Tract (Lake Wenatchee Ranger District): The lots have electricity available but it was brought in the last 0.5-0.75 miles at permittees' expense. Telephone service remains 0.5- 0.75 miles away. Water and septic systems are provided at permittee expense. Thus, these lots will be appraised as though no services are available.

North Shore Tract (Lake Wenatchee Ranger District): The typical lots have electrical power provided by Chelan PUD #1, as well as telephone service nearby. However, they differ from the balance of the Lake Wenatchee summer homes since they were allowed to tap into the Lake Wenatchee Ranger Station's water system many years ago. In essence, they have domestic water which is supplied, and maintained, by the USFS. While the distribution system throughout the summer homes is maintained by the permittee's, the source of the water (ranger station well) is owned, maintained, and regularly quality tested by the USFS at the government's expense. Thus, these lots will be appraised as though electrical and telephone services are available as is water. Since septic systems were provided at the permittee expense, these lots are appraised as though they have no septic system provided.

Gale Creek, Rocky Run, North Fork Teanaway, Upper Teanaway, Beverly Creek, and Newport Tracts (Cle Elum Ranger District): Electrical and telephone services are not available to these lots and are situated several miles away. Any water and septic systems have been developed by the permittee's. Thus, these lots will be appraised as though no services are available.

Lake Cle Elum Tract (Cle Elum Ranger District): As is similar to the adjacent privately owned lots in the immediate vicinity, electrical service is provided by Puget Sound Energy (utility company) and is available to these typical lots from the main lines along the adjacent (and nearby) county road. Domestic water, if available, has been developed by the permittee's. As a result, **these typical lots will be appraised as though electrical and telephone services are available but neither water nor community septic system is provided.**

Highway 410 Summer Home Tracts, Chinook Pass, and including those South of Bumping Road Turnoff (Naches Ranger District): All of the summer home tracts situated along, near or across the-river from Highway 410 (including those tracts on old River Road), approximately south of the Bumping Road turnoff, have electrical and telephone services available. According to representatives for Pacific Power in Yakima, it was indicated that the power line along Highway 410 along the Naches and American Rivers had been in existence for a long period of time. A representative of Pacific Power indicated that he believed the main power line was installed at the utility's expense and not at the resident's expense. If power had to be extended more than several hundred feet from a main power line, then the costs of the extension would have been paid for by the property owner (which is typical of nearly every residence along the highway). Based on these discussions, which indicated similar results as talks with other utility companies, **these typical lots will be appraised as though electrical and telephone services are available but neither water nor sewage system is provided.**

Highway 410 Summer Home Tracts-Edgewater, Bumping Lake, Idle Hour, Pleasant Valley, Union Creek, Timber Creek, Lost Creek, Little Naches Tracts (Naches Ranger District): According to discussions with a representative of Pacific Power in Yakima, none of these tracts is served by electrical or telephone services. Any existing water and septic systems have been developed by the permittee's. Thus, **these lots will be appraised as though no services are available.**

Highway 12, White Pass & Tieton Road Tracts (Naches Ranger District): All of the summer home tracts situated along Highway 12, and along Tieton Road, are served by electrical and telephone services. Electrical power is supplied by Benton REA, although a representative of this utility indicated that the main lines were likely installed by a previous utility company owner to service the Washington Department of Transportation facility located on Highway 12 and/or the White Pass Company facility situated at the top of White Pass. Individual property owners or permittee's may have had to pay for a line extension into their property as did most buyers of the comparable sales, but it appears that power was provided along the highway at the expense of a utility company.

Also, a similar circumstance appears to affect both the Bear Cove and Bear Creek summer home tracts situated along Tieton Road along the southern shore of Rimrock Lake. It was indicated that the main line along Tieton Road was likely installed by the utility company and that property owners, or cabin permittee's, paid for line extensions into their tract (which is a similar occurrence to nearly every other property owner along these highways). .

Any water or septic services that are available have been developed by the permittee's. Based on the discussions with Benton REA, **these typical lots will be appraised as though electrical and telephone services are available but water nor septic system is provided.**

Adjustments for utility services (water or electrical service) were extracted from the sales data analyzed herein. Developing an adjustment for electrical service was rather difficult since most buyers trend to acquire lots that are near electrical services or are presently served. The appraiser has utilized three different analyses in order to support the adjustment for this factor. A summary of each analysis follows:

Cascade Garden Sale No. T14 (which is situated along Highway 2 in Chelan County and sold in July 1996 for \$20,300) is presently listed for sale at a price of \$38,000 "as is". If a buyer wants water and power developed on the lot, the listing price has been increased to \$48,000. Discussions with the listing agent indicated that the power component was allocated approximately \$4,000-\$6,000 and the water component was allocated a similar value (in essence, about \$5,000 each in this case).

Sale Nos. KL 2 and 3, located in Klickitat County, both have sizes of 5 acres and sold during the period of April-October 1998 at a value range of \$9,000-\$12,000. They had power available and were relatively similar to one another. Sale No. KL 1 is also situated in Klickitat County, has a size of 5 acres, and sold for \$7,000 in January 1999 (and will be the date to which both Sale KL2 and 3 are adjusted). It is not served by electrical service. Applying time adjustments to the sales, at a rate of 13% annually (similar to Yakima County), indicates the following range as to what benefit electrical service has:

	Sale KL 2	Sale KL3
Sale Price	\$12,000	\$9,009
Date Sold	10/98	4/98
Time Adjusted Value (13% ann)	\$12,400	\$9,880
Less: Sale KL 1 Value (1/99)	<u>(7,000)</u>	<u>(7,000)</u>
Value of Electrical Service	\$5,400	\$2,880

Lastly, Sale Nos. KL 4 and 5 are also located in Klickitat County and have a size of 80 acres each. Sale KL 4 sold in March 1995 for \$40,000 and had electrical service available. Sale KL 5 sold in January 1995 for \$36,000 and did not have electrical service nearby. The difference between these two comparable properties, which are adjacent to one another, of \$4,000 is attributed to the difference in power availability between these two parcels.

The various differences in the benefit of power availability varies from approximately \$3,000-\$6,000. The lower end of the range would likely apply to lower-valued properties with the higher figure applicable to more valuable parcels or those with significant potential extension costs. **The appraiser will use a range of \$3,000-\$6,000** to reflect the differences among the various sales and the subject typical lots for electrical service.

In several cases, the electrical/telephone service adjustment was indicated to be **less than this indicated range**. This occurrence is due to the fact the subject lot, or a comparable lot, may have been situated near a power source and the full adjustment would not be incurred. Thus, a lower figure would have been used.

A special situation for the utility adjustment exists on the Roaring Creek wooded lot sales. The sale prices of the Roaring Creek wooded warrants a lower overall utility adjustment, due to the relative proportionality. A lower utility range of \$1,000-\$2,000 will be applied to these sales.

Water service is available only to the lots in the North Shore Summer Homes tract at Lake Wenatchee. The adjustment for this service will be based on the Cascade Garden Sale No. T14 which indicated a value differential of \$4,000-\$6,000 for water availability. This figure is further supported by Sale No. KL 6 which consisted of a 0.25 acre property, situated in Klickitat County, that was purchased with the intent of developing a well and septic system. The buyers adjacent existing land was too small to develop and they purchased this parcel, in April 1995 for \$6,000, in order to make their adjacent property developable (with a well and septic system). This cost figure supports the range of values for water service established by the Cascade Garden sale herein. **A value range of \$4,000-\$6,000 will also be used by the appraiser as being indicative of the value of a water hookup to a lot.**

In several cases, the water service adjustment was indicated to be less than this indicated range. This occurrence is due to the fact the subject lot, or a comparable lot, may have been situated near a water source and the full adjustment would not be incurred. Thus, a lower figure would have been used and generally occurred in the **\$1,000-\$3,000** adjustment range.

5. Views

Views of a lake or river were found to be a desirable amenity when purchasing recreational property. Analysis of two recreational subdivisions in Kittitas County showed a definitive price differential between parcels with water views and those which did not have similar views. The value differential for views varied from approximately \$5,600 to \$10,000 per lot. An adjustment for those parcels with water views will be made as compared to those which lack this amenity.

A summary of the adjustments applied to the sales data to derive this adjustment is as follows:

Lakeview Lots-Kachess Village:

	Sale KLV1	Sale KLV2	Sale KLV3	Average
Sale Price	\$53,000	\$60,000	\$47,000	\$53,000
Date Sold	9/98	4/98	2/98	
Time Adjusted (to 9/98 @ 11 %/yr)	\$53,000	\$62,750	\$50,000	\$55,250

Non-View Wooded Lots-Kachess Village:

	Sale KLV1	Sale KLV2	Sale KLV3	Average
Sale Price	\$40,000	\$49,000	\$43,000	\$44,000
Date Sold	1/98	10/97	1/97	
Time Adjusted (to 9/98 @ 11 %/yr)	\$42,900	\$54,400	\$51,280	\$49,500

The approximate difference in value between obscured lake view lots, and wooded lots, is approximately \$6,000 per lot (\$55,250-\$49,500), on an adjusted basis using the average value differential. This recreational subdivision has paved roads throughout the property, is served by all utility services (no natural gas), has a community clubhouse, and is actively managed by the homeowner's association. It is rated to be superior to most of the subject summer home tracts.

Another value comparison follows for the Roaring Creek subdivision in Kittitas County:

Obscured Distant Lakeview Lots-Roaring Creek:

	Sale KV2	Sale KVI	Average
Sale Price	\$10,000	\$15,000	\$12,500
Date Sold	2/98	1/99	
Time Adjusted (to 1/99 @ 11 %/yr)	\$11,100	\$15,000	\$13,000

Non-View Wooded Lots-Roaring Creek:

	Sale KW4	Sale KW5	Average
Sale Price	\$6,000	\$6,000	\$6,000
Date Sold	12/97	10/97	
Time Adjusted (to 1/99 @ 11	\$6,700	\$6,800	\$6,750

The approximate difference in value between obscured distant lake view lots, and wooded lots, is approximately \$6,000-\$7,000 per lot (\$13,000-\$6,750). This recreational subdivision has dirt/gravel roads throughout the property, only has community water available (no other services), offers only summer access, and is more typical of most of the subject summer home tracts except for its inferior accessibility.

In terms of the actual adjustment to be applied, both recreational subdivisions include various features inherent in most of the subject summer home tracts, although neither is rated to be exactly similar. **An adjustment range of \$6,000-\$7,000 will be used** and applied to the various sale comparables to account for this adjustment factor with this range indicative of the inherent differences affecting these two recreational subdivisions and the various summer home tracts.

Some of the subject summer home lots have views that are partially obscured (due to trees, brush, other improvements, etc.). Whereas the preceding adjustment reflects whether or not there are views, partial views have not been addressed. The appraiser will use a lower adjustment to account for these obscured views. In some cases, the views are heavily obscured and the net effect is that there is only a minor adjustment between a property with no views and one with heavily obscured views. The appraiser has used an adjustment range of \$1,000-\$3,000 to account for these obscured views. An example is that if the subject property has obscured views of a

river, and a comparable sale does not, then the comparable sale will be adjusted upward by \$1,000-\$3,000 depending upon the influence of the view on the subject property.

6. Proximity to a Paved Road

Data reviewed by the appraiser showed that the closer a lot was to a paved or main road, the higher the price paid. What this phenomena likely reflects is the lower costs of a utility line extension, a greater probability of having winter access (as compared to lots "buried" in the back of a subdivision), less dust and dirt, as well as other benefits.

A thorough analysis of numerous sales which have occurred in a recreational subdivision known as Pine Loch Sun, which includes well over 100 recreational lots, fully illustrates this adjustment. Wooded lots along the paved highway tended to sell at the highest prices while those in the "back" (at higher elevations with inferior access) tended to sell for the lowest values. In general, there was a value differential of nearly \$11,500 between those lots with paved access as compared to those with inferior access (and located quite a distance from pavement).

The appraiser defined the Pine Loch Sun tract as having approximately six rows (not all perfectly aligned) of recreational lots. Dividing the number of rows (6), by the value difference between the first row and the last row (\$11,500), indicates an average of \$1,916 per row that can be used as an adjustment.

The appraiser believes that more of a trended value decrease actually occurs. This is supported by the fact that values for lots in Row 1, Row 2, and Row 6 are approximately known. The difference in value between Row 1 and Row 2 is nearly \$3,500. The value difference between Row 5 and Row 6 is about \$500. Thus, a descending incremental value condition exists. While the market is not so efficient as to explicitly identify these values, it nevertheless points to this trend. Using the value relationships indicated by this subdivision suggests the following adjustment factors for lots situated back from a paved highway:

Row	Adjustment	Total Adjustment
1	\$3,500	\$3,500
2	\$3,000	\$6,500
3	\$2,000	\$8,500
4	\$1,500	\$10,000
5	\$1,000	\$11,000
6	\$500	\$11,500

Note: Row 1 means "1 row back from a highway". Row 2 means "2 rows back from a highway", etc.

While the preceding table reflects trended incremental values established by value relationships of lot sales, the actual figures have been compiled and applied by the appraiser. The data show that most buyers of recreational lots tend to have locations in close proximity to services and that they will discount the lot value drastically the further back it is from the desired amenities.

The preceding adjustment table will be applied to those subject lots that are situated off of a paved road since the market data shows that a lower value is paid by the market. The adjustment applied will be based on the subject lot's distance from available services, as is exhibited by the market sales data and in the context of the market data as applied by the appraiser.

7. Access

Access to a property was also found to be an important consideration when buyers were purchasing property. Lots that had no access tended to sell at the lower end of the value range while those with access sold at the upper end of the range. And, those lots that could be accessed year-round tended to sell at a higher price as compared to those lots which could only be accessed several months out of a year.

The appraiser has obtained sales data from several areas in which property owners could only get into their property for about 5 months (on average) out of a year. This condition occurred because the property owners, in a subdivision known as Roaring Creek, could not plow the access road into their property since it crossed USFS snowmobile recreational trails. The closest pavement was approximately 2-3 miles away and the subdivision was not served by any electrical or telephone utilities.

Other sales of lots in areas in which there was no winter time access (except by snow shoe, cross-country skiing, or snow mobile) also indicated similar results. Lower values are paid for these properties to account for their lower "utility" (an economic term) as compared to lots which can be accessed year-round.

During inspections of the subject lots, the appraiser encountered many permittee's who stated that "we don't have access in the winter because the interior roads are not plowed". While this is certainly an accurate statement, the intent of the permittee's was to lead the appraiser to assume that there was no legal or physical access into the lots in the winter time. And, this is not true in all cases. For example, many of the summer home tracts along Highway 12 and Highway 410 do not plow their interior roads because they cannot get the homeowners to pay their pro-rata share of the costs of snow removal. This is no different than any other group of homeowners. The USFS has indicated numerous times to the appraiser that they will likely provide permits to permittee's to plow their access road from the main highway into their summer home tract, if asked. To date, few permittee's have obtained this permit. Thus, the lack of winter access for many of the summer home tracts is directly attributable to the lack of cooperation among permittee's and not because of legal, or physical, constraints (such as occur at Roaring Creek), or regulations imposed by a governmental agency. Each summer home association has the ability to obtain a snow removal permit from the USFS, and plow their internal roads at their own expense, in order to have access during the winter season (such as occurs at Andy Creek, and other summer home tracts).

Lack of winter access because of a lack of cooperation among permittee's will not influence the valuation of each typical lot and an adjustment will not be applied for this condition.

Because of this situation, most of the summer home tracts near paved highways will be appraised as though having access similar to the comparable sales analyzed. There are several areas of summer homes in which there is no physical winter access (such as Upper Teanaway, Beverly, Bumping Lake etc.) because the county or state does not maintain and plow the roads. If the summer homes are situated along a highway that is plowed or maintained during the winter season, then it will be appraised as though having access similar to the sale comparables. If the main access road to the summer homes is not plowed or maintained by the county or state, then the lots will be valued as though having no winter season access (similar to Roaring Creek).

Furthermore, the summer home tracts located along Highway 410 north of the Bumping Lake turnoff, those at Bumping Lake, and those along Tieton Road along the south shore of Rimrock Lake, all have the roads plowed during the winter season. While it may fake the county or state a day or so to plow the roads, they are maintained and plowed. Bumping Lake Road and Tieton Road, and county plows these roads in the winter season. Though Bumping Lake Road is periodically snow plowed during the winter months, it is only plowed to the Bumping Lake dam, and therefore does not allow for year-round access to the Bumping Lake summer homes. The lots on Tieton Road will be valued as though they have year-round access since the main road is plowed and maintained during the winter season and the Bumping Lake summer homes will be valued as though they do not have year-round access since the access road is not plowed across the dam in the winter.

The adjustment for year-round access was derived by comparing several recreational subdivisions. Lot values for a typical wooded lot in the Teanaway Wagon Wheel subdivision (in Kittitas County) were approximately \$7,000-\$12,000 (after adjustments). This subdivision, located roughly 8 miles northeast of the city of Cle Elum and Interstate 90, has access during the winter season. Comparing it to Roaring Creek, which is a nearby recreational subdivision without winter access, shows the following comparison for two wooded lots:

Wooded Lot Analysis-Teanaway Wagon Wheel:

	Sale KW1	Sale KW2	Range
Sale Price	\$16,375	\$21,000	
Size-Acres	0.89	0.87	
Date Sold	10/98	7/98	
Time Adjusted (to 10/98 @ 11 %/yr)	\$16,375	\$21,580	\$5,200
Size Adjustment	(4,250)	(4,250)	
Power Adjust.	<u>(5,000)</u>	<u>(5,000)</u>	
Adjusted Value	\$7,125	\$12,330	\$5,200

Note: Size and Power adjustments have been applied to make these sales comparable to the Roaring Creek sales. By making these two adjustments, the only significant remaining difference between Teanaway Wagon Wheel sales and the Roaring Creek sale is year-round access. Thus an access relationship can be established.

Wooded Lot Analysis-Roaring Creek:

	Sale KW4	Sale KW5	Range
Sale Price	\$6,000	\$6,000	\$0
Size-Acres	0.48	0.46	
Date Sold	12/97	10/97	
Time Adjusted (to 10/98 @ 11 %/yr)	\$6,550	\$6,660	\$110

The difference in value between these two subdivisions is summarized as follows:

	Sale	Sale
Wagon Wheel Adjusted Value	\$7,125	\$12,330
Less: Roaring Creek Adjusted Value	<u>(6,550)</u>	<u>(6,660)</u>
Value Difference	\$575	\$5,670

Note: Teanaway Wagon Wheel contains year-round access and Roaring Creek does not.

Based upon the preceding analysis, the adjustment for year-round access will be applied at a rate of **\$1,000-\$5,000 per lot**. The lower end of the range will be used to value lower-valued lots (wooded) and the upper end of the range will be used to value higher-valued lots (riverfront).

8. Geographic Differences

Due to the wide area of sales data obtained by the appraiser, numerous analyses were considered to determine if certain geographical areas have higher values than others. In the simplest form, some areas do have values that are higher, or lower, as compared to others but this is more of a function of the property type, and amenities of the area, as compared to solely the location of the lot.

An interesting factor indicated by the market data is that, in general, values for wooded lots along Highway 12, Highway 410, and Interstate 90 all tended to sell for similar values (wooded lots were considered since there was a larger quantity of sales to analyze as compared to river-oriented and lake-oriented sales). This was not an expected occurrence due to statements made by permittee's (on lot inspections) of every Seattleite having wads of cash stashed in their pockets (from selling Microsoft stock) and running to the east side of the Snoqualmie Pass and buying up all of the available property at inflated prices. What the appraiser did find was that certain recreational subdivisions commanded more value than others because of more amenities and an overall superior condition. And, certain properties commanded higher values because of their

superior condition and amenities as compared to other sales. These circumstances are no different than affects any other area, or property, in the region.

However, the appraiser also recognizes that certain of the comparable sales will need to be adjusted to account for superior amenities which exists in some areas along Interstate 90. This adjustment will typically be applied to the lakefront lot comparable sales occurring at Lake Kachess and Cle Elum Lake which will be used in valuing several of the summer home lots located at Bumping Lake and at Rimrock Lake. This is because there were no comparable lakefront lot sales for comparison purposes around either reservoir. Both of the I-90 lakes are rated to have some superior influences as compared to the subject lake-influenced lots due to more amenities. This geographic adjustment will not be applied to the comparable sales when valuing other lakefront subject lots elsewhere since the appraiser was able to use comparables that occur in the vicinity of the other summer home tracts being appraised.

The appraiser has analyzed numerous wooded lot sales in Kittitas County as well as in Yakima County in order to derive a geographical adjustment. Based on verbal statements made by permittee's, someone would have the opinion that **any** property near Interstate 90 is worth a huge amount more than any property along either Chinook or White Pass. Based on the data, this is not the case. In fact, after all of the reviewed comparable sales were adjusted due to time and size differences, the Yakima County wooded lot comparable sales had a slightly **higher value** than the Kittitas County transactions. The adjusted value for the Yakima County sales was nearly \$22,100 while those in Kittitas County were calculated to have an adjusted value of approximately \$21,800 (see the analysis on the following page).

A reader may be wondering if this is actually a true occurrence. If one stops to look at the physical characteristics and trends of each area, it becomes more evident. There is essentially very minimal private land along the White Pass or Chinook Pass that is in the mountains and is available for development (Rimrock Retreat, Pinecliff, Cliffdell, Goose Prairie). Most of Yakima County is owned by the U.S. Government or the Yakima Indian Nation. There is very little private land available in the mountains, along Highways 12 or 410, that is privately owned. Yet, there is a very large urban center in Yakima, less than an hour from the mountains, with well over 200,000 people (Gust in the city limits) and more within the surrounding area who put incredible demands on owning private land in the mountains. This is the reason there are no recent sales (1997-1999) of lots, along either White Pass or Chinook Pass Highways, for" less than \$18,000 (disregarding any family or related transactions). The demand for mountain recreational property far exceeds the available supply. This is why values are relatively high and why we see riverfront parcels being recently sold for \$93,000 in Goose Prairie (1996) and for \$62,000 along the Naches River (1999).

Meanwhile, Interstate 90 passes through large amounts of privately owned land situated in the mountains west of Ellensburg and east of the Snoqualmie Pass. There is also a large portion of Kittitas County that is encumbered by national forests, but there is also a much larger supply of available land for development. The area is still nearly 2 hours from the Seattle market and Ellensburg, with a population of approximately 13,600 people, is nowhere near the size of Yakima. While there have been several "trophy" properties purchased near I-90 by "Seattle people" for large amounts of money, these properties would command high prices in any market

due to their unique characteristics. And, there are numerous recreational subdivisions situated near I-90 where many of the lots sell for less than \$10,000. Why? Because of supply and demand relationships. There is a relatively large supply of available land, with a constant demand, but the relationship points to one that is more heavily skewed towards an over-supply of lands. Choice, or premium, properties will command prices at the upper limits of the value range, not because they are along I-90, but because they have unique features that makes them desirable to a buyer. And that buyer may be from Seattle, Yakima, Ellensburg, or other areas. The data, as well as the number of recreational subdivisions inspected by the appraiser along I-90, do not support a geographical adjustment. There is no basis to the assumption that I-90 values are much higher than values occurring along the Chinook Pass.

An adjustment will not be made to the sales situated at Lake Kachess and Cle Elum Lake due to the lake type. Both of these lakes are "draw down" lakes used for irrigation and other uses. This is a similar situation which occurs at both Bumping and Rimrock Lakes. No Lake Wenatchee sales, or Lake Chelan sales, have been used to value the summer home lots at Rimrock or Bumping Lakes since these lakes (Wenatchee & Chelan) are mostly full year-round and are not considered to be "draw-down" lakes since they don't have large mudflat areas.

KITTITAS COUNTY

No. Area	Subdivision	Sale Date	Sale Price	Months	Adj @ 11%	Buyer	Size	Amenity
G14	Lake Cle Elum	Nov-98	\$ 23,500	10	\$ 25,662	Owens	0.33	Wooded
G16	Lake Cle Elum	Nov-98	\$ 12,000	10	\$ 13,104	Luster	0.39	Wooded
G15	Lake Cle Elum	Sep-98	\$ 8,000	12	\$ 8,883	Pliaska	0.41	Wooded
G7	Lake Cle Elum	Aug-98	\$ 15,500	13	\$ 17,354	Grusz	0.44	Wooded
G11	Lake Cle Elum	Aug-98	\$ 16,000	13	\$ 17,914	Burnham	0.41	Wooded
G1	Lake Cle Elum	Jul-98	\$ 16,000	14	\$ 18,061	Healow	0.41	Wooded
G12	Lake Cle Elum	Jul-98	\$ 27,000	14	\$ 30,478	Aves	0.34	Wooded
H2	Lake Cle Elum	Jun-98	\$ 30,000	15	\$ 34,140	Pearson	0.23	Wooded
G10	Lake Cle Elum	May-98	\$ 21,000	16	\$ 24,091	Brunke	0.3	Wooded
H1	Lake Cle Elum	May-98	\$ 39,000	16	\$ 44,741	Holt	0.68	Wooded
G3	Lake Cle Elum	Apr-98	\$ 12,500	17	\$ 14,224	Rose	0.5	Wooded
G4	Lake Cle Elum	Apr-98	\$ 21,000	17	\$ 24,284	Sowards	0.32	Wooded
G13	Lake Cle Elum	Apr-98	\$ 10,000	17	\$ 11,564	Reiberford	0.37	Wooded
G2	Lake Cle Elum	Mar-98	\$ 27,000	18	\$ 31,471	Watkins	0.34	Wooded
G9	Lake Cle Elum	Mar-98	\$ 15,500	18	\$ 19,067	Honeysett	0.31	Wooded
G8	Lake Cle Elum	Jan-98	\$ 12,500	20	\$ 14,800	Ross	0.37	Wooded
Time Adj. To September 1999								0.38
Klickitat County Adjusted Average								\$ 21,802

YAKIMA COUNTY

No. Area	Subdivision	Sale Date	Sale Price	Months	Adj @ 13%	Buyer	Size	Amenity
P4	Nile/Naches	May-99	\$ 28,500	4	\$ 29,731	Kyrola	2	Wooded
Y3	Hwy 410	Mar-99	\$ 34,000	6	\$ 36,203	McLeod	0.5	Wooded
Y4	Hwy 12	Dec-98	\$ 31,500	9	\$ 34,562	Spore	1.46	Wooded
Y9	Hwy 410	Nov-98	\$ 55,000	9	\$ 60,346	Nash	1.34	Wooded
Y5	Hwy 410	Nov-98	\$ 18,000	10	\$ 19,944	Walker	2.69	Wooded
Y49	Hwy 410	Nov-98	\$ 30,000	10	\$ 33,240	Seibel	0.5	Wooded
Y2	Hwy 410	Jul-98	\$ 25,000	14	\$ 28,780	Bos	0.7	Wooded
Y44	Hwy 410	Jun-98	\$ 32,000	15	\$ 37,184	Rose	0.5	Wooded
P20	Nile/Naches	May-98	\$ 25,000	16	\$ 29,320	Anderson	2.4	Wooded
Y42	Hwy 410	May-98	\$ 25,000	16	\$ 29,320	Anderson	2.4	Wooded
Y7	Hwy 410	Feb-98	\$ 30,000	19	\$ 36,156	Knowles	0.97	Wooded
Y60	Hwy 410	Mar-97	\$ 20,000	30	\$ 26,480	Holt	0.5	Wooded
P11	Nile/Naches	Jun-96	\$ 42,500	39	\$ 60,401	Comer	2	Wooded
Y6	Hwy 410	Jun-96	\$ 42,500	39	\$ 60,401	Comer	2	Wooded
P10	Nile/Naches	Mar-96	\$ 30,000	42	\$ 43,608	Olsen	0.85	Wooded
P12	Nile/Naches	Mar-96	\$ 25,000	42	\$ 36,340	Olsen	2.51	Wooded
Y51	Hwy 410	Mar-96	\$ 30,000	42	\$ 43,608	Olsen	0.85	Wooded
P18	Nile/Naches	Nov-95	\$ 22,000	46	\$ 32,930	Beck	0.77	Wooded
P19	Nile/Naches	Aug-94	\$ 25,000	61	\$ 41,470	Anderson	1.3	Wooded
P2	Nile/Naches	Jul-94	\$ 15,000	62	\$ 25,044	Blarr	2.01	Wooded
P13	Nile/Naches	Jun-94	\$ 15,000	62	\$ 25,044	Ziegler	0.65	Wooded
P14	Nile/Naches	Jun-94	\$ 15,000	62	\$ 25,044	Ziegler	1.9	Wooded
P17	Nile/Naches	Jun-94	\$ 37,500	62	\$ 62,610	Schmidt	2	Wooded
P1	Nile/Naches	May-94	\$ 32,500	63	\$ 54,613	Boyer	2	Wooded
P3	Nile/Naches	Jan-94	\$ 12,500	68	\$ 21,680	Hoover	2	Wooded
Time Adj. To September 1999								1.59
Yakima County Adjusted Average								\$ 37,362
Difference								\$ 15,250
Yakima County Adjusted Average								\$ 22,112

9. Buffer Strip

Except for the lakefront and riverfront lots with docks or jetties, all of the ether lake view/front and river view/front summer home lots are intentionally set back from the high water mark to leave a "buffer strip" for public use, owned by the United States of America, situated between the lot and the water. The width of the buffer strip varies from several feet to about 30 feet. This buffer strip allows any of the public uncontested access to the water for recreational purposes (such as for hiking). And, it can also be used by the lot permittee. -

The appraiser has researched the impact the buffer strip has on property values. The research turned up instances in Lewis, Clark, and Chelan Counties in which property owners purchased lots subjected to an easement, or buffer strip, between their property and the water. One of these tracts occurs along the south shore of Lake Wenatchee in an area known as Cedar Brae. The lakefront lots actually have a public access easement between the lots and the water, similar to the subject lots. The appraiser has analyzed the impact of this buffer strip by comparing various sales occurring on Lake Wenatchee.

First, the appraiser compared lake view lot sales on the north shore to similar lake view lot sales occurring on the south shore (see the table on the next page for a compilation of the data). This relationship showed that lake view lots on the north shore were approximately 45% more valuable than those on the south shore (\$67,000 vs. \$37,000).

Then, a comparison was made between the average price per lineal foot of lakefront lots occurring along the north shore to those lakefront lots situated along the south shore. It was found that the north shore lakefront lots had an average value of \$4, 135 per lineal foot (time adjusted) while the south shore lots (with the buffer strip) had an average price of \$1,882 per lineal foot.

The appraiser then deducted the 45% "geographical" adjustment from the average north shore lakefront value of \$4~ 135 to arrive at an adjusted value of \$2,275 per lineal foot. This figure is reflective of the "adjusted" north shore lakefront value less its geographical superiority. Comparing this "adjusted" value of \$2,275 per lineal foot to the south shore's \$1,882 per lineal foot, shows that there is approximately a 17% differential between these two figures, after adjusting all of the sales for time and geographical considerations. The 17% figure is considered to be indicative of the impact the buffer strip has on the lakefront lots situated along the south shore.

If the data are compared in another manner, the result is somewhat different. Using the same "geographical" adjustment from the north shore view lots as compared to the south shore view lots (of 45%), and deducting this figure from the difference between the north shore lakefront lot values and the south shore (\$4, 135 vs. \$1,882=55% difference) shows a net difference of approximately 10%. The differential between the north shore and south shore lots is nearly 55% and deducting the 45% "geographical" adjustment results in a net effect of 10% for the buffer strip.

BUFFER STRIP ANALYSIS

----- Non Lake Front Sales -----

Sale		Time Adj				Non Lake Front Average	
Subdivision	Date	Sale Price	Month	Sept 1999 @ 6%	Seller	Buyer	Size
North Shore	Jul-98	\$ 59,950	14	\$ 64,147	Armstrong	Herrmann	0.45
North Shore	Jan-98	\$ 60,000	20	\$ 66,000	Landin	Whittlesey	0.23
North Shore	Jan-98	\$ 60,000	20	\$ 66,000	Tischer	Vagners	0.23
North Shore	Jun-97	\$ 56,000	27	\$ 63,560	Love	Rutherford	0.45
North Shore	Mar-97	\$ 56,000	31	\$ 64,680	Love	Herrmann	0.45
North Shore	Aug-95	\$ 57,000	49	\$ 70,965	Love	Gasbar	0.26
North Shore	Aug-95	\$ 57,000	49	\$ 70,965	Love	Templeton	0.40
South Shore	Nov-98	\$ 38,000	10	\$ 39,900	Renton	Otis	0.45
South Shore	Nov-97	\$ 35,000	22	\$ 38,850	Sellar	Lichty	0.45
South Shore	Oct-97	\$ 31,500	23	\$ 35,123	Sellar	Morales	0.33
South Shore	Sep-97	\$ 30,000	24	\$ 33,600	Sellar	Ncibert	0.37
South Shore	Sep-97	\$ 37,500	24	\$ 42,000	Sellar	Ncibert	0.5
South Shore	Apr-97	\$ 27,000	30	\$ 31,050	Christensen	Hideaway	0.41

North Shore lots are 45% more valuable than South Shore lots (Location Adjustment).

----- Lake Front Sales -----

Sale		Time Adj				Lake Front Average		Applying 45% Location Adj.					
Buffer Strip	Subdivision	Date	Sale Price	Month	Sept 1999 @ 6%	Seller	Buyer	Size	Lineal Feet	Adjusted \$/Lineal Foot	Average	Location	Adj.
No	North Shore	Jul-99	\$ 215,000	2	\$ 217,150	Brown	B & N	0.15	50	4,343	\$ 4,135	North Shore	2,275
No	North Shore	Jul-99	\$ 320,000	2	\$ 323,200	Nesse	Shurtleffe	0.36	75	4,309	North Shore	North Shore	
No	North Shore	Jan-99	\$ 165,000	8	\$ 171,600	Agnes	Weeks	0.15	50	3,432	North Shore	North Shore	
No	North Shore	Jul-98	\$ 290,000	14	\$ 310,300	Craig	Cape	0.21	75	4,137	North Shore	North Shore	
No	North Shore	Jul-98	\$ 208,000	14	\$ 222,560	Craig	Wijanen	0.16	50	4,451	North Shore	North Shore	
Yes	South Shore	Oct-98	\$ 150,000	11	\$ 158,250	Libby	Jacobsen	0.23	100	1,583	\$ 1,882	N/A	
Yes	South Shore	Oct-98	\$ 145,000	11	\$ 152,975	Sherman	Jacobsen	0.28	100	1,530	South Shore	South Shore	
Yes	South Shore	Oct-96	\$ 220,000	35	\$ 258,500	Allen	Rines	0.39	102	2,534	South Shore	South Shore	

Buffer Strip Impact: $\frac{\$1,882 - \$2,275}{\$2,275} = 17\%$

Value Diff. between N. Shore and S. Shore Waterfront Lot after Location & Time Adj. have been applied is 17%. This indicates an impact from the buffer strip

In either case, the data show that there is some adverse impact from the buffer strip affecting the subject lots. While the permittee can certainly use the buffer strip area, so can the public, The permittee is restricted from placing any improvements in this area (such as steps, a dock, a pathway, fencing, etc.) and this restriction makes these lots worth less as compared to waterfront property. Theoretically, the U.S. Government could install a fence between the lot and the water and this condition, in and of itself, would make these types of lots less valuable.

This trend is further supported by the appraiser's review of a riverfront subdivision, known as Elbe Ranch, and located in Lewis County along the Nisqually River and a subdivision referred to as Paradise Bluff, and located in Clark County along the East for Lewis River. Numerous riverfront acreage's in this subdivision are encumbered by a public access area that occurs between the lot and the river. Analysis of other riverfront sales along this river suggest that there is an impact of the buffer strip as compared to lots that do not have a similar encumbrance. While the data is less definitive and conclusive as that calculated for Lake Wenatchee, the appraiser believes a similar range would also occur based on the sales data reviewed.

Based on the data reviewed by the appraiser, **a range of 10%-17%** will be applied to those summer home waterfront lots occurring on either a lake or a river that are impacted by a buffer strip where the permittee' has not constructed permanent structures in the buffer strip. In those instances where the permittee has constructed a dock in the buffer strip along the lake or river, and is thereby implying less than unrestricted public access to that shoreline, the 10%-17% "effect of buffer strip" deduction is not made.

Furthermore, the appraiser acknowledges the fact that the river view/front and lake view/front lots do not have actual frontage to water. Most of the typical lots are set back from 10'-30' but also have the use of the "buffer strip". Since the lot permittee also has use of this strip, where no docks or piers exist in the buffer strip these lots will be appraised using similar lakefront or riverfront comparables with a downward adjustment applied to account for the fact the lot does not extend all of the way to the high-water mark of the lake or river.

10. Highway Noise

The Rocky Run Summer Homes are significantly affected by highway noise emanating from Interstate-90. For a recreational residence, this is a negative factor since the whole purpose of enjoying a recreational lot is the solitude of the area. The appraiser has utilized an adjustment range of \$5,000-\$10,000 as being the value of this adverse factor relative to the value of the subject lots (i.e. higher-valued lots would tend to have higher adverse values applied). The midpoint of this range, or \$8,000, will be applied as a downward adjustment affecting solely this recreational summer home tract.

Valuation Methodology

1. How the Summer Home Lots Will be Valued

Entiat Ranger District Summer Homes:

Wooded lots occurring in either of the subject summer home tracts will be valued using sales comparables in the Entiat Valley area. These sales will be adjusted to account for the various differences occurring between the sale transactions and the subject lots.

River-oriented lots occurring in either of the subject summer home tracts will also be valued using sales comparables in the Entiat Valley area. These sales will be adjusted to account for the various differences occurring between the sale transactions and the subject lots.

Cle Elum Ranger District Summer Homes:

The summer home lots situated in the Upper Teanaway area will be valued using lots with similar attributes. Since there is no winter access to this area, along with no utility services, the subject lots are considered to be very comparable to those occurring in Roaring Creek. This subdivision, along with other sales, will form the basis of values for lots occurring on the Upper Teanaway, Beverly, and North Fork Teanaway summer home tracts.

The subject lots in the Newport and Lake Cle Elum summer home tracts will be valued using two sales on Lake Cle Elum (which is also a "draw down" reservoir) as well as one sale occurring on Lake Kachess (also a "draw down" reservoir). These sales will be adjusted for their differences as compared to the subject lots.

The Gale Creek and Rocky Run summer home lots will be valued using similar transactions of lots occurring in the region.

Highway 12, White Pass Summer Home Tracts:

The summer home tracts located along Highway 12 will be valued using sales comparables in the White Pass and Chinook Pass areas. There was only one sale transaction located by the appraiser along the east side of White Pass and it is located in the Rimrock Retreat area. This sale, as will be more fully examined, has a similar value to other well-located wooded lots in the region and will be used as the "base" value to which adjustments will be applied for well-located wooded lots. The subject wooded summer home lots, with similar attributes, will be valued similarly as this transaction and those having inferior characteristics will be valued less.

Riverfront (identified herein as "river view/front") lots will be valued using sale comparables from the Chinook Pass area since the values among the Chinook Pass (Highway 410) and the White Pass areas were found to be reasonably similar with no definitive location adjustment

indicated by the market data. Lots will be valued according to their size and river frontage with this latter factor being the primary determinant influencing market value. The amount of river, or lake, frontage usually is the primary factor affecting value and will be a key determinant in deriving the final summer home lot values. Several sales will be analyzed, and adjusted, with a final value range concluded. The subject lot values will be based upon this adjusted range with a single point value estimate selected based upon the subject lot's overall similarity to the sales data.

Summer home lots having direct influence from Rimrock Lake (Bear Cove) will be valued using adjustment factors previously discussed. There are no lakefront lots along the White Pass Highway itself but some of the lots have varying degrees of lake views. This factor will be considered using the "view adjustment" previously discussed herein.

Highway 410, Chinook Pass (and Bumping Lake) Summer Home Tracts:

The summer home tracts located along Highway 410 will be valued using sales comparables in the Chinook Pass area. There were several transactions of wooded lots located near the majority of the subject wooded lots in the Cliffdell area (which is the closest privately owned land to most of the subject lots). These sales will be analyzed and grouped in order to form a "base" value to which adjustments will be applied for well-located wooded lots. The subject wooded summer home lots, with similar attributes, will be valued similarly as these transactions and those having inferior characteristics will be valued less.

Riverfront (identified herein as "river view/front") lots will be valued using sale comparables from the Chinook Pass area with most of the transactions being situated along the Naches River. One or two sale comparables had frontage along the Bumping River, in Goose Prairie, and were used in this analysis to support the overall valuation framework.

Summer home lots situated along, or near, a river will be valued according to their size and river frontage with this latter factor being the primary determinant influencing market value. The amount of river, or lake, frontage usually is the primary factor affecting value and will be a key determinant in deriving the final summer home lot values (less an adjustment if a buffer strip occurs). Several sales will be analyzed, and adjusted, with a final value range concluded. The subject lot values will be based upon this adjusted range with a single point estimate selected based upon the subject lot's overall similarity to the sales data.

Summer home lots having influence from Bumping Lake will be valued using several transactions from the Lake Cle Elum and Lake Kachess areas. Both of these lakes are actually "draw down" reservoirs similar to Bumping Lake. Both are situated along the 1-90 corridor and will be adjusted for their various differences as compared to the subject lots. Lots having views of the lake will be adjusted using the "view adjustment" criteria as previously established.

Lake Chelan Ranger District Summer Homes:

The four summer home lots appraised on Lake Chelan will be valued using five similar sales occurring on this lake. Only those sales that are not served by any utilities, and with boat access only, will be analyzed and used as the basis of comparison to the subject summer home lots. Since all of the subject lots have docks, they have been considered to be lakefront lots and will be valued as though the front boundary goes to the high water line.

Lake Wenatchee Ranger District Summer Homes:

Wooded summer home lots in the area will be valued using similar wooded lots occurring in the region. Adjustments will be applied to the comparable sales in order to account for their differences as compared to the subject properties.

Summer home lots occurring in the North Shore and Crescent Beach tracts will be valued using lots that have sold along the north shore of Lake Wenatchee. Adjustments will be applied to those subject lots that are considered to be "lakefront" (by virtue of having a dock or a jetty) and those with a buffer strip (identified herein as "lake view/front lots").

The summer homes situated along the south shore of Lake Wenatchee will be valued using sales occurring along the south shore fronting this lake. Consideration will be made to use lakefront sales occurring along the south shore of the lake to account for geographical (and value) differences that occur between the north shore and south shore lots.

Summer home lots occurring along rivers (such as the Chiwawa or Wenatchee Rivers) will be valued using river-oriented sales occurring in the region. These sales will be adjusted to account for the various differences occurring between the sale transactions and the subject lots.

Leavenworth Ranger District Summer Homes:

The wooded lot occurring in the Hatchery Creek Summer Homes tract will be valued using similar wooded lot sales that have occurred in the region. These sales will be adjusted to account for the various differences occurring between the sale transactions and the subject lot.

2. Summary of the Valuation Process

The summer home lots appraised herein will be valued using actual sales of privately owned lots considered by the appraiser to have reasonably similar characteristics to those of the lots being appraised. Real estate by nature is inherently different. No two parcels of real estate are exactly identical. Thus, adjustments need to be applied in order to make comparisons between the sales, and the subject property, meaningful.

Some of the summer home lots will be valued using the most similar sale as the "base" value to which numerous adjustments will be applied to account for differences between the sale lot and the lot being appraised. Other summer home lots will use several sales and these transactions will also be adjusted for their comparability.

In either case, a range of values will be derived for valuing the subject lots. The appraiser will then select a value, from within this range, as being indicative of the value of the subject property. In some cases, the midpoint of the range will be used since none of the sales is rated to be superior to another.

As has been previously examined, the appraiser will apply the following adjustments to each sale comparable in relation to its comparability to a subject typical lot:

- Motivation
- Date of Sale (time)
- Size
- Power availability
- Views
- Distance from a road
- Access
- Geographic location (1-90 influence sales only)
- Buffer strip
- Highway noise (when valuing Rocky Run subject lots only)

The net effect of these adjustments will indicate an overall range of values for each typical lot appraised.

Summary Discussion of the Primary Sale Comparables

The appraiser has researched and considered well over 200 property transactions in performing this appraisal. Some of the sale comparables are rated as having significantly more influence in the overall value determination as compared to others. A summary of the sale comparables used to establish value are summarized preceding each Ranger District valuation section (with a more detailed description of each transaction provided in the **Appendices** section of this report).

Exclusion of Sales Data

As was indicated previously, the appraiser has considered well over 200 sales in performing this appraisal. Not all of the sales were used in valuing the recreational residence lots due to various reasons. Some of these sales may have had some motivational influences that impacted the sale, or it may not have been as comparable as other transactions. The sales included herein are considered to be the best available to the appraiser as of the date of this report.

Within the Naches Ranger District, sales in the Goose Prairie area **were considered** in terms of valuing the subject parcels. These sales, although in close proximity to the summer home tracts, were found to be influenced by other factors not common to other transactions in the region. The Goose Prairie area has historical significance and sales in this community have typically been at the high end of the value range as compared to other sales occurring along the Highway 410 corridor. This condition is indicative of the fact that there is minimal private land in the region and the fact that Goose Prairie is a desired area to own property according to market participants.

The sales that have occurred in this area have been considered in valuing some of the subject summer home lots that were considered to have influence from this vicinity.

Other sales occurring along Highway 410 in the Naches Ranger District were also researched but were found to not have direct comparability to the subject lots. Some sales had related-party influences (such as a property purchased by Karen Johnson for \$4,000) and others had other motivational considerations that made these transactions have less comparability as compared to other data. Due to this situation, the appraiser has discounted these sales but has included some of the information concerning the transaction within the **Appendices** section of this-report.

It should also be noted that the large scope of this assignment did not permit the appraiser to research every single sale that has occurred in Chelan, Kittitas, and Yakima Counties during the past several years. Some sales may have occurred, and may have been inadvertently passed over, by the appraiser that may have relevance in the valuation herein. However, the appraiser has focused on deriving the most comparable data and believes that the sales presented herein, as well as those further researched and included within his files, are a comprehensive analysis of transactions that have occurred in each county over the past several years.

VALUATION OF LOTS--HIGHWAY 410 (CHINOOK PASS)

Valuation Process

The subject recreational residence lots situated along, or near, Highway 410 were valued using wooded lots, and riverfront lots, occurring along Highway 410 and draw down lakefront lots in Kittitas County. Adjustments were applied, as previously discussed, to each of the transactions based upon each sale's comparability to the subject property. A range of values were concluded with a single point estimate derived using the influences of all of the primary transactions.

Summary of the Wooded Lot Primary Sales

The subject typical wooded lots were valued using the influences of 10 total wooded lot sales that occurred along Highway 410. Of these sales, four (Sale Nos. YW2,YW6,YW7,YW9) were considered to be primary comparables and were used to derive the final lot valuation. The other sales were considered to be secondary and were applied minimal emphasis in the final property valuation. Adjustments were applied by the appraiser based upon the criteria as previously discussed and extracted from the numerous market comparables reviewed. A summary of the primary sales follows below.

Summary of the Riverfront Primary Sales

The subject typical riverfront lots were valued using the influences of 8 total riverfront lot sales that occurred along Highway 410. Of these sales, five (Sale Nos. YR1,YR2,YR4,YR5,YR6) were considered to be primary comparables and were used to derive the final lot valuation. The other sales were considered to be secondary and were applied minimal emphasis in the final property valuation. Adjustments were applied by the appraiser based upon the criteria as previously discussed and extracted from the numerous market comparables reviewed. A summary of the primary sales follows below.

Summary of the Lakefront Primary Sales

The subject typical lakefront and lake-influenced lots (those situated at Bumping Lake) were valued using the influences of 3 lakefront lot sales that occurred along Kachess Lake and Cle Elum Lake in Kittitas County. Both of these "lakes" are actually draw-down reservoirs similar to Bumping Lake where four typical lots were appraised to represent lots in the Bumping Lake Tract. In particular, Sale No. LF-3 was rated to have very similar characteristics as compared to the subject parcels with various adjustments applied. Adjustments were applied by the appraiser based upon the criteria as previously discussed and extracted from the numerous market comparables reviewed. A summary of the primary sales follows below.

AREA SUMMARY --CHINOOK PASS

There are 21 summer home tracts, being appraised herein, that are situated on (or near) Sate Highway 410. All of these recreational properties are collectively referred to as the Chinook Pass area. The following recreational residences comprise the Chinook Pass area appraised herein: American Forks, American River, Bumping Lake, Cedar Springs, Cliffdell, Crag, Edgar Rock, Edgewater, Gold Creek, Hawks Nest, Idle Hour, Idlewild, Indian Flat, Little Naches, Lost Creek, Pleasant Valley, Sleepy Hollow, Stillwater, Timber Creek, Union Creek, and Willow Springs.

Highway 410 is the only access route to the Chinook pass area. This is a paved, two-lane route accessing many full-time residential and recreational lots throughout the vicinity. However, only a portion of State Highway 410 is snow plowed during the winter.

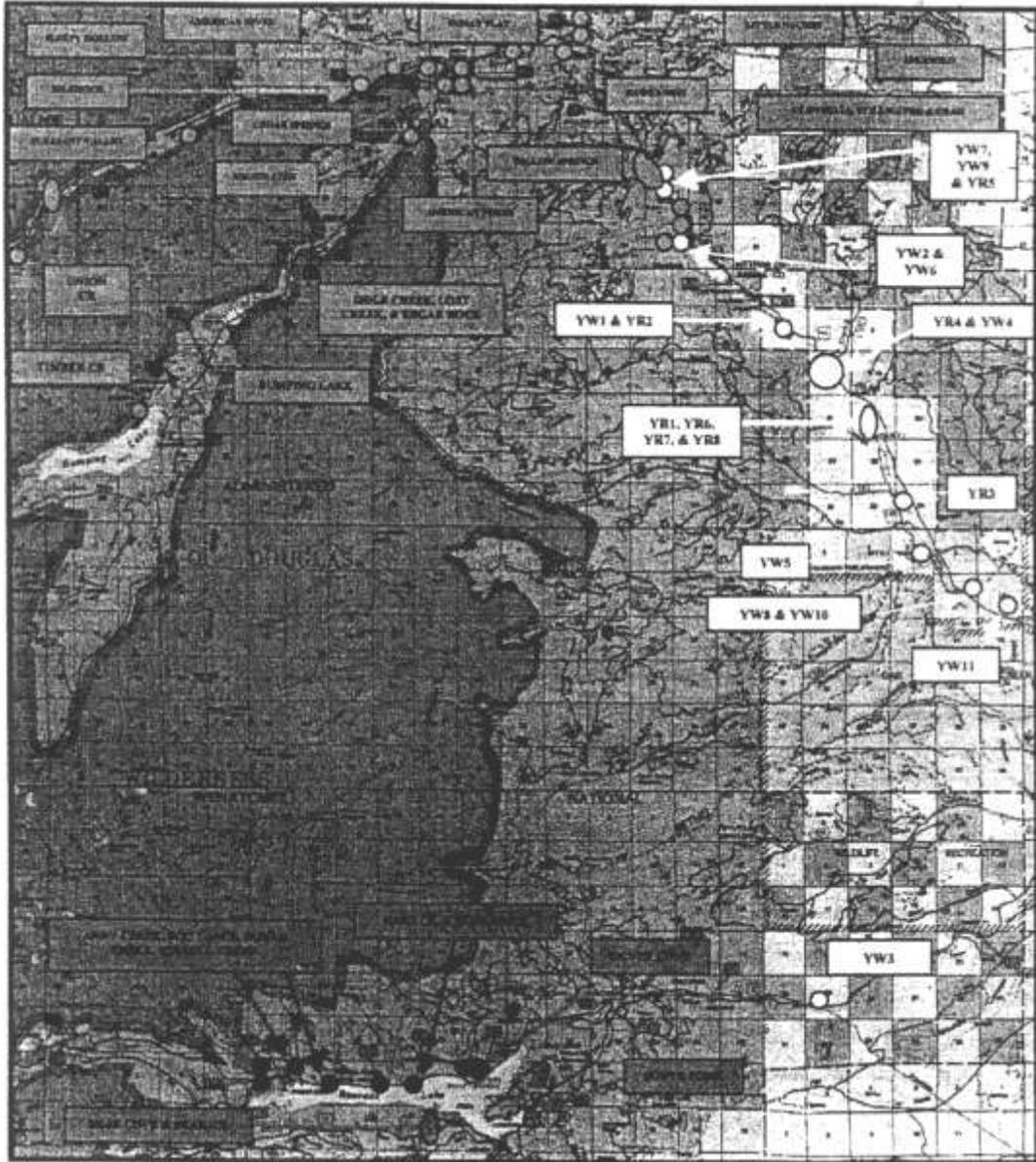
The vicinity is rural in character with the city of Yakima located some 30 to 60 miles southeast of the area. There are no large commercial developments in the area, as the main road accessing the Chinook Pass region is closed during the winter months (due to heavy snowfall) which restricts travel. However, Highway 410 is plowed during the winter past all of the subject summer home tracts although, in some years, the highway is not plowed for several days due to heavy snowfall conditions. There is some development that is geared towards the region's tourist and outdoor activity market. For instance, Whistlin' Jack Lodge is situated in the community of Cliffdell and offers food and lodging amenities for visitors. Also, there are several camping and recreational sites in the vicinity as well as residential areas situated in the communities of Pinecliff, Cliffdell, Goose Prairie, and along Nile Road.

The Chinook Pass area is located on the east side of Mount Rainier National Park and is situated in a mountainous area. Ponderosa pine, Douglas fir, and alpine fir are the primary vegetation in this region and cover the landscape. Bumping Lake, the Naches River, American River, Bumping River, and other drainage's flow through the Chinook Pass area making it a popular destination for outdoor enthusiasts.

The United States is the predominant landowner (managed as part of Wenatchee National Forest) with pockets of private ownership throughout the area. An area referred to as Goose Prairie, situated along Bumping Lake Road, is one such pocket of private ownership. There are no power or telephone services in Goose Prairie. Power is supplied by private generators and the access road is regularly plowed during the winter months. A few miles north and west of the community of Cliffdell, there are no power or telephone services to privately-owned, or publicly-owned, land.

During the spring, summer, and early fall months, outdoor enthusiasts descend upon the region. The cool, timbered, mountainous features of the Chinook Pass area provides opportunities for locals to escape the arid, dry, desert climate of Yakima and eastern Washington. The limited developable land, rural characteristics, and increasing demand on recreational parcels by the rising population in Yakima County (and Washington State), positively influence property values. The lack of telephone and electrical services, as well as restricted winter access, adversely influence property values in some instances.

**NACHES RANGER DISTRICT SALES
YAKIMA COUNTY, WASHINGTON
RECREATIONAL RESIDENCES & SALES LOCATION**



Denotes Comparable Sales Locations

Denotes Highway 12 Subject Locations

Denotes Highway 410 Subject Locations

Note: This map has been included herein to assist the reader in determining the general location of the subject ownership's and the comparable sales and is not to be used for exact property locations.

The Healy Company

PHOTO

SUMMARY OF SALES

Yakima County Wooded Lots:

Sale YW1

This sale consisted of 2 acres, located on Rio Vista Lane, and sold for \$28,500 on May 25, 1999 to Gerald Kytola: The terrain is steeply sloping, the landscape is primarily wooded with good views of the Naches River, and is in close proximity to electrical and telephone services. Year round access is available from Highway 410, but the lot owners are responsible for snow removal in their subdivision. Only a small portion of this lot is available for development due to the steep topographical conditions.

Sale YW2

John and Pat McLeod purchased this 0.5 acre lot on March 26, 1999, for a sum of \$34,000. It is located in the "Fontaine" area along Highway 410. There were no improvements on this property at the time of sale, but electrical and telephone services were available near the property and septic approval by the county had been granted. The terrain is level with no tree cover and contains good views of Edgar Rock. This sale is a **primary sale** and will be emphasized in the valuation analysis herein.

Sale YW3

In December 1998, David and Denee Spore purchased this 1.46 acre lot for \$31,500 which also abuts Highway 12 in the Rimrock Retreat area. It is considered to be a wooded lot with a mixture of fir and pine species. Power and telephone services are situated along Highway 12 and are available for extension into the property. The lot is situated several miles from Rimrock lake and does not have any views, or influences, from the lake. Access is available from State Highway .12 which is snow plowed during the winter months and the lot contains a level to moderately sloping terrain. This sale is a **primary sale** and will be emphasized in the valuation analysis herein.

Sale YW4

Kemper Partnership sold this 1.34 acre lot to Michael and Cozette Nash for a total of \$55,000 on December 9, 1998. It is considered to be a wooded lot containing no improvements, with electrical and telephone services nearby. There is no frontage of the Naches River; however, there are distant views. The terrain is level to moderately sloping with year-round access available. This is a **secondary sale** which will have lesser influence on the valuation analysis herein.

Sale YW5

This 2.69 acre lot was purchased by David and Patricia Walker on November 25, 1998 for \$18,000 as additional acreage to their adjacent property. Utilities do not serve this property, although they are situated relatively close. The rolling to level terrain of this sale is subject to flooding by Rattlesnake Creek during high water years. Although there is no frontage to a main highway or county road, this property is considered to have year-round access. This is a **secondary sale** which will have lesser influence on the valuation analysis herein.

Sale YW6

In July 1998, Jobob and Sandra Bos purchased this 0.70 acre property for \$25,000 for future siting of a recreational cabin. It is located in the "Fontaine" area along Highway 410. Electrical and telephone services were available near the property, the terrain is level, and there are good views of Edgar Rock from the property. Access is rated to be good from Highway 410 and from Old River Road, and there is year-round access as the county snow plows the road during the winter months. This sale is a **primary sale** and will be emphasized in the valuation analysis herein.

Sale YW7

Ricky and Christine Rose bought this 0.47 acre lot from Denis and Beverly Parlari for \$32,000 in June 1998. There were no improvements on the property at the time of sale. However, there was a community water system hook-up available, and telephone and electrical services were situated near the premises. There are limited territorial views, but no water or mountain views. The terrain ranges from level to sloping with year-round access from State Highway 410. The lot owners are responsible for snow plowing the interior roads of the subdivision. This sale is a **primary sale** and will be emphasized in the valuation analysis herein.

Sale YW8

Evelyn and Mary Sherman sold this 0.97 acre lot to Franklin Knowles for \$30,000 on February 27, 1998. The property had an old cabin on it at the time of sale which neither party attributed any value towards. There were no electrical or telephone services to the cabin, but these services are available along the adjacent Nile Road (which abuts the lot). The terrain is level to rolling and access is year-round as the county snow plows Nile Road. This is a **secondary sale** which will have lesser influence on the valuation analysis herein.

Sale YW9

In January 1998, Alfred and Jacqueline Lenseigne sold this 0.37 acre lot to Donald and Kristin Seibel for \$30,000. There were no improvements on the property at the time of sale. However, electrical and telephone services are located nearby. A community water system is available for residents in this subdivision for a hook-up fee. The terrain is level to gently sloping with good year-round access from State Highway 410. The lot owners are responsible for snow plowing the interior of the subdivision. This is a **secondary sale** which will have lesser influence on the valuation analysis herein.

Sale YW10

Earl and Linda Comer purchased this 2 acre property in June 1996 for \$42,500. The actual value, as estimated by the buyer, was closer to \$30,000 but they paid a higher value due to a bidding contest with a neighbor. There is limited tree cover and limited territorial views. At the time of sale, there were several old barns on the property which were removed after the sale. Electrical and telephone services were available within 100 feet of the property, the terrain is level to slightly sloping, and there is year-round access available. This is a **secondary sale** which will have lesser influence on the valuation analysis herein.

Sale YWII

This 0.85 acre lot was sold to Harvey and Lois Brown for \$30,000 in March 1996. Except for a dilapidated cabin, there were no improvements on the premises at the time of sale, but telephone and electrical services are situated in close proximity and the lot has access to a community water system. There are territorial views, with a level to slightly sloping terrain, and year-round access from State Highway 410. This is a **secondary sale** which will have lesser influence on the valuation analysis herein.

Yakima County River Lots:**Sale YRI**

This 2.75 acre riverfront lot was sold by James and Constance Carr for \$62,000 on July 30, 1999. There are about 190 lineal feet of low-bank frontage along the Naches River. There were no improvements on this property at the time of sale, the terrain is level to sloping, and there is year round access from State Highway 410 (which abuts the property). This sale is a **primary sale** and will be emphasized in the valuation analysis herein.

Sale YR2

On February 19, 1998 Michael Schuknecht sold this 1.2 acre riverfront parcel to Larry Morris for \$40,000. The lot contains about 140 lineal feet of low-bank frontage on the Naches River. It is situated approximately 4 miles south of the community of Cliff dell, contains level to sloping terrain, and year-round access from State Highway 410 (which abuts the premises). There were no improvements at the time of sale. This sale is a **primary sale** and will be emphasized in the valuation analysis herein.

Sale YR3

James and Tami Moore bought this 1.65 acre riverfront lot in April 1997 for \$30,000. The Naches River fronts the western border providing the property with about 80 lineal feet of frontage. There were no improvements on the property at the time of sale, but electrical and telephone services are available along State Highway 410 (which forms the eastern border). The terrain ranges from level to sloping and there is year-round access from the highway. This is a **secondary sale** which will have lesser influence on the valuation analysis herein.

Sale YR4

This 0.5 acre riverfront lot sold for \$55,000 on February 18, 1997 to Ray and Lavonne James. At the time of sale, there were no improvements on the premise except for a community well. Telephone and electrical services had not been extended into the property, but were available along State Highway 410. There are approximately 100 lineal feet of frontage along the Naches River, as well as frontage along Rock Creek, which traverses the property. The terrain is level to sloping with year-round access available from State Highway 410. This sale is a **primary sale** and will be emphasized in the valuation analysis herein.

Sale YR5

Willie Gilley sold this 0.25 acre riverfront lot in November 1996 for \$13,000. It had access to a community well, although there was no hookup at the time of sale. The property was unimproved with power and telephone services available from an adjacent lot and along the gravel access road. The Naches River fronts the property and it has nearly 51 lineal feet of river frontage. The terrain is mostly level and access is available year-round (assuming the other lot owners plow the access road). This sale is a **primary sale** and will be emphasized in the valuation analysis herein.

Sale YR6

On June 20, 1996, Mark and Cherie Smith purchased this 2.75 acre riverfront lot from Douglas and Sharon Metz for \$58,500. The western border of the lot contains 190 lineal feet of frontage on the Naches River and has low-bank frontage. At the time of sale, there were no improvements on this property, but the premises were served by electrical and telephone utilities. The terrain is mostly level with good territorial and river views. Access is rated to be average from State Highway 410 and is year-round. This sale is a **primary sale** and will be emphasized in the valuation analysis herein.

Sale YR7

Flintstone Construction sold this 2.75 acre lot to Darlene Le Bert for \$52,500 in April 1995. This property contains about 190 lineal feet of frontage on the Naches River and has low-bank access. At the time of sale there were no improvements on this property, but the premises were served by electrical and telephone utilities. The terrain is mostly level with good territorial and river views. The county snow plows State Highway 410, allowing for year-round access to this parcel. This is a **secondary sale** which will have lesser influence on the valuation analysis herein.

Sale YR8

This sale is adjacent to Sale YR6. and contains many of the same features. Flintstone Construction sold this 2.75 acre riverfront lot to Richard and Maria Paxton for \$50,000 in September 1994. The property was unimproved at the time of sale and had access to telephone and electrical services. Access is available from State Highway 410, which is snow plowed during the winter months. The Naches River forms the western border and the parcel contains about 190 lineal feet of frontage. The terrain is level to slightly sloping and there are good territorial and river views from the premises. This is a **secondary sale** which will have lesser influence on the valuation analysis herein.

Draw Down Lake Front Sales:

Sale LFI

This sale is located about 7 miles northwest of the city of Cle Elum, Washington in Kittitas County. Michael and Gayle Jones purchased this 4.54 acre lot in September 1998 for a sum of \$210,000. About \$110,000 was allocated to a 0.40 acre lakefront lot with the remaining backlands allocated the remaining \$100,000. There are nearly 100 lineal feet of frontage on Lake Cle Elum and with no improvements to the property at the time of sale. Power and telephone services were available and have since been extended into the property for the completion of a new home. The terrain is level to sloping and there is low-bank access to the lake. Access occurs from State Highway 903 and is year-round, as the county snow plows the highway. This sale is a **primary sale** and will be emphasized in the valuation analysis herein.

Sale LF2

Larry and Rebecca Scholl bought this 0.40 acre lot December 1997 for \$100,000. This lot contains 143 lineal feet of frontage on Lake Cle Elum and has low to moderate bank access. At the time of sale, there were no improvements on the property, except for water rights to a community water system (not currently hooked up). Electrical and telephone services are available along the road which could be easily extended into the property. Access occurs from State Highway 903 and is year-round, as the county snow plows the highway. This sale is a **primary sale** and will be emphasized in the valuation analysis herein.

Sale LF3

This 0.91 acre lakefront lot was advertised in the Sunday Seattle Times and sold the same day it was advertised. Michael and Debbie Perry purchased this lot in October 1997 for \$125,000. According to the buyer, there are about 400 lineal feet of frontage on the eastern shore of Lake Kachess. Access occurs from a gravel U.S. Forest Service road which is not snow plowed in the winter, thus limiting access to certain times of the year. The lot is nearly 3.8 miles from a paved highway. There were no improvements to the property, except for water rights to a community water system (not currently hooked up). There are no telephone or electrical services in the immediate area and the costs would prohibit extensions of these utilities. This sale is a **primary sale** and will be emphasized in the valuation analysis herein.