APPRAISAL OF REAL PROPERTY

Roberts Field-Redmond Municipal Airport
2522 SE Jesse Butler Circle
Redmond, Deschutes County, OR 97756
Latitude: 44.15146242 Longitude: -121.0859868

IN A SELF-CONTAINED APPRAISAL REPORT

As of March 2, 2009

Prepared For:
City of Redmond
716 SW Evergreen Avenue
Redmond, Oregon 97756

Prepared By:
Cushman & Wakefield of Oregon, Inc.
Valuation Services, Capital Markets Group
200 S.W. Market Street, Suite 200
Portland, Oregon 97201
C&W File ID: 09-34001-9132-1
April 3, 2009

Ms. Carrie Novick
Airport Manager
City of Redmond
716 SW Evergreen Avenue
Redmond, Oregon 97756

Re: Appraisal of Real Property
In a Self-Contained Report

Roberts Field-Redmond Municipal Airport
2522 SE Jesse Butler Circle
Redmond, Deschutes County, OR 97756

C&W File ID: 09-34001-9132-1

Dear Ms. Novick:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our appraisal of the above property in a self-contained report dated April 3, 2009. The effective date of value is March 2, 2009.

This appraisal report has been prepared in accordance with our interpretation of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), and the Uniform Standards of Professional Appraisal Practice (USPAP).

The subject property consists of improved airside sites located within the ownership confines of the Roberts Field-Redmond Municipal Airport. For clarifications, the term “Improved Airside” sites refer to land within the confines of the airport boundaries that have full infrastructure and available direct or indirect taxiway/runway access. Any reference to “Unimproved Airside” refers to land that is also within the actual airport boundaries and has direct taxiway/runway access potential, but does not have infrastructure (utilities). At the Roberts Field-Redmond Municipal Airport, all land for the purposes of this analysis is considered to be “Improved Airside” sites.

In this report, we have analyzed only the underlying land and have not accounted for any physical improvements (structures) on any of the parcels. Furthermore, this land analysis is not intended to state any opinions on the economic feasibility of developing any aviation related improvements.
FAIR MARKET RENT
Based on the agreed to Scope of Work, and as outlined in the report, we developed an opinion that the Fair Market Rent for the "Improved Airside" sites within the Roberts Field-Redmond Municipal Airport, subject to the assumptions and limiting conditions, certifications, extraordinary assumptions and hypothetical conditions, if any, and definitions, "As-Is" on March 2, 2009, was:

THIRTY CENTS PER SQUARE FOOT PER YEAR
($0.30/SF/YR)

We note that FAA requirements state that the ownership entity (in this case the City of Redmond) maintain current appraisals on any land transaction that has occurred within the previous twelve months and preferably within the prior six months, as well as reassessing lease rates no more than every five years. In remaining consistent with typical land lease practices, as well as the FAA requirements, the lease rates presented in this report should be reviewed at least every five years. However, due to the economic conditions affecting the real estate market, we recommend a review at least every three years to remain consistent with the market.

The opinions in this report are qualified by certain assumptions, limiting conditions, certifications, and definitions. We particularly call your attention to the extraordinary assumptions and hypothetical conditions listed below.

EXTRAORDINARY ASSUMPTIONS
For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions.

This appraisal does not employ any extraordinary assumptions.

HYPOTHETICAL CONDITIONS
For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions.

This appraisal does not employ any hypothetical conditions.
This letter is invalid as an opinion of lease rates if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

CUSHMAN & WAKEFIELD OF OREGON, INC.

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GENERAL DESCRIPTION
The following is an executive summary of the information that we present in more detail in the report.

Common Property Name: Roberts Field-Redmond Municipal Airport

Location: The sites are located within the confines of the Roberts Field-Redmond Municipal Airport in Redmond, Deschutes County, Oregon.

Property Description: The properties of this analysis consist of various “improved” aviation related land parcels located in the Roberts Field-Redmond Municipal Airport. The various parcels range in size from approximately 1,000 square feet to approximately 3.50 acres.

Assessor’s Parcel Numbers: Various under City of Redmond ownership

Appraisal Guidelines: This appraisal has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation guidelines.

Interest Appraised: Fee Simple Estate

Date of Value: March 2, 2009

Date of Inspection: March 2, 2009

Ownership: City of Redmond

Highest and Best Use: Aviation related use for all sites and/or parcels.

Zoning: M-1, Light Industrial, City of Redmond

Land Area: The land area encompassing the Roberts Field-Redmond Municipal Airport totals approximately 1000 acres with the various sites ranging from 1,000 square feet to approximately 3.50 acres.

RECOMMENDED ANNUAL LEASE RATE

"Improved Airside" Sites: $0.30 per square foot per year

EXTRAORDINARY ASSUMPTIONS
For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions.
This appraisal does not employ any extraordinary assumptions.

HYPOTHETICAL CONDITIONS
For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions.
This appraisal does not employ any hypothetical conditions.
Typical hangar development at airport

Typical larger corporate hangar development at airport
Typical nested or T-Hangar development at airport

Airport Support Services Area
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INTRODUCTION

SCOPE OF WORK
This appraisal, presented in a self-contained report, is intended to comply with the reporting requirements outlined under the USPAP for a self-contained appraisal report. The report was also prepared to comply with the requirements of the Code of Professional Ethics of the Appraisal Institute and the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), Title XI Regulations.

Cushman & Wakefield of Oregon, Inc. has an internal Quality Control Oversight Program. This Program mandates a "second read" of all appraisals. Assignments prepared and signed solely by designated members (MAIs) are read by another MAI who is not participating in the assignment. Assignments prepared, in whole or in part, by non-designated appraisers require MAI participation, Quality Control Oversight, and signature.

For this assignment, Quality Control Oversight was provided by Steve Zenker, MAI. In addition to a qualitative assessment of the appraisal report, Steve Zenker, MAI is a signatory to the appraisal report and concurs in the conclusions set forth herein.

The scope of this appraisal required collecting primary and secondary data relevant to the subject property. We investigated numerous vacant land and improved sales in the subject's market, analyzed rental data, and considered the input of buyers, sellers, brokers, property developers and public officials. We made a physical inspection of the subject property. We also investigated the general regional economy as well as the specifics of the subject property's local area.

The data have been thoroughly analyzed and confirmed with sources believed to be reliable, leading to the conclusions in this report. The valuation process used generally accepted market-derived methods and procedures appropriate to the scope of the assignment.

As the scope of the appraisal is to establish the current fair market lease rate(s) for the underlying sites and/or parcels at the Roberts Field-Redmond Municipal Airport, we have utilized only a direct comparison type approach with other similar properties in the area and region.
IDENTIFICATION OF PROPERTY

Common Property Name: Roberts Field-Redmond Municipal Airport

Location: 2522 SE Jesse Butler Circle
Redmond, Deschutes County, OR 97756

Assessor's Parcel Nos. Currently, none of the ground leased sites are specifically identified by the Deschutes County Assessor. The entire Roberts Field-Redmond Municipal Airport is identified as a single parcel number (Parcel Number 151300, Tax Lot 1500)

Legal Description: We were not provided with legal descriptions for the various ground leased sites at the airport. They can, however, be described as being situated within the Northwest and Southwest Quarters of Section 22, Township 15 South, Range 13 East, Willamette Meridian, Deschutes County, Oregon.

PROPERTY OWNERSHIP AND RECENT HISTORY

Current Ownership: City of Redmond

Sale History: To the best of our knowledge, none of the sites and/or parcels have transferred in ownership within the past three years.

Current Disposition: To the best of our knowledge, none of the sites and/or parcels are under contract of sale nor is it being marketed for sale.

DATES OF INSPECTION AND VALUATION

Date of Valuation: March 2, 2009

Date of Inspection: March 2, 2009

Property inspection was performed by: Mark E. Bryant

INTENDED USE AND USERS OF THE APPRAISAL

Intended Use: This appraisal is intended to provide an opinion of the Fair Market Lease Rate for the various improved or airside site areas owned by City of Redmond at the Roberts Field-Redmond Municipal Airport for the use of the City of Redmond in negotiating future land ground leases.

In this report, we have analyzed only the underlying land areas of the properties and have not accounted for any improvements (structures) on any of the various improved parcels. Furthermore, this fair market land rent analysis is not intended to state any opinions on the economic feasibility of developing any aviation related improvements.

Intended User: This appraisal report was prepared for the use of the City of Redmond in negotiating future land ground leases. Use of this report by others is not intended by the appraiser.
EXTRAORDINARY ASSUMPTIONS
This appraisal does not employ any extraordinary assumptions.

HYPOTHETICAL CONDITIONS
This appraisal does not employ any hypothetical conditions.
DESCHUTES COUNTY REGIONAL ANALYSIS

INTRODUCTION
The short- and long-term value of real estate is influenced by a variety of interacting factors. Regional analysis identifies those factors that affect property value, and the role they play within the region. The four primary forces that determine the supply and demand for real property, and consequently affect market value, are: environmental characteristics, governmental forces, social factors, and economic trends.

LOCAL MARKET DEFINITION
The Roberts Field-Redmond Municipal Airport is located in the City of Redmond within Deschutes County, Oregon. The general area encompasses the Bend Metropolitan Statistical Area. Redmond is the second largest city in Deschutes County behind Bend. Deschutes County effectively encompasses the geographic boundaries of the Bend MSA and therefore the terms can be used interchangeably. Deschutes County lies in the central portion of Oregon in what is often referred to as Central Oregon.

Settled at the foot of the eastern slopes of the Cascade Mountain Range, the region’s terrain is made up of mostly flat, high desert plateau, with river-carved gorges, lakes, and meadows reflecting its volcanic beginnings. Central Oregon has a predominantly dry climate. Sunny days, low humidity, and cool nights provide the most common weather pattern. Redmond’s temperatures range from an average low and high of 21.0 and 40.0 degrees Fahrenheit in January, to low and high averages of 44.0 and 82.0 degrees, respectively, in July. Average annual precipitation is around 12.0 inches, with average annual snowfall of 34.0 inches. Deschutes County ranks 11th in geographic size among Oregon’s 36 counties with a total land area of about 1,939,200± acres. It is bordered on the south by Klamath and Lake Counties, on the east by Crook County, on the north by Jefferson County, and on the west by Lane and Linn Counties. The eastern part of the county consists principally of a near-level to rolling high plateau, which slopes gently northward. Altitude is about 3,700 feet near Bend, and 3,000 feet near Redmond. The western part of the county consists of the Cascade Mountains and their foothills, the highest of which is South Sister at 10,354± feet. Virtually all of the county lies within the Deschutes River drainage basin, which enters from the south and flows north through a shallow valley only 50 to 100 feet lower than the plateau to the east. The valley deepens considerably as the river continues north to form the Deschutes River Canyon.

MARKET OUTLOOK
Deschutes County remains mired in severe recession, largely due to the volatile state of its housing market. Current projections for February of 2009 indicate unemployment of 14.6 percent for Deschutes County, the highest level of unemployment on record, having risen by 3.3 percentage points in the first quarter of 2009 alone. Job losses have been broad-based, with both goods-producing and service-providing industries reducing employment at a rapid pace. Overall, expansion in Deschutes County is expected to remain minimal in 2009; however continued growth within the local Leisure and Hospitality sector coupled with a high quality of life and strong demographic trends should make Deschutes County an above average performer in long term.

- Population growth in Deschutes County has slowed considerably from highs observed over the past five years, and the County is currently growing at a level comparable to the state as a whole. However due to a high quality of life, and renewed affordability, and availability of housing, Deschutes County is expected to see population growth trends return to above average levels this year.
Like many local economies in Oregon the forest product manufacturing industry has historically been an important factor in the Deschutes County’s economy. As this industry continues to stagnate due to declining housing starts, the Deschutes County economy will need to further diversify to continue expansionary trends.

Unemployment in Deschutes County recently rose to the highest level on record at 14.6 percent as of February of 2009. Unemployment has increased 3.3 percentage points from December of 2008, and has more than doubled from a rate of 7.4 percent in February of 2008, marking the third largest increase in unemployment of any metropolitan area in the country over that time period.

**ECONOMIC TRENDS**

Economic forces are significant to real property value. The fundamental relationships between current and anticipated supply and demand and the economic ability of the population to satisfy its wants, needs, and demands through purchasing power are tantamount to such an analysis. Some of the specific market characteristics considered in economic analysis include employment trends, the economic base of the region, expansion, and the overall economic health of the region.

**ECONOMICS**

The Gross Metro Product (GMP) in Deschutes County has followed state wide trends very closely over the last ten years. GMP Growth had historically been slightly higher in Oregon than in Deschutes County, however over the past decade of robust expansion in the County, GMP growth has also been strong.

- Over the ten-year period from 1999 to 2008, average annual GMP growth in Deschutes County was 5.3 percent, compared with an average annual rate of 3.8 percent growth for the state of Oregon.
- In 2008, as the national economy entered into a full blown recession, Deschutes County exhibited GMP growth of 2.4 percent. While the 2008 rate of GMP growth in Deschutes County was less than half of its annual average from the past decade, it was well above the 1.3 percent GMP growth exhibited by the state of Oregon in 2008.
- Over the next five years from 2009 and 2013, Deschutes County’s average annual GMP growth rate is projected at 3.6 percent per year, which is 1.2 percentage points above the 2.4 percent average annual GMP growth rate projected for the state of Oregon over the same time period.

**REAL GROSS PRODUCT GROWTH BY YEAR**

**DECHUTES COUNTY VS. OREGON**

1998 – 2013

![Graph showing real gross product growth by year for Deschutes County vs. Oregon from 1998 to 2013.](Image)

Source: Data Courtesy of Moody’s Economy.com

VALUATION SERVICES
EMPLOYMENT GROWTH
From 1998 through 2007, Deschutes County had one of the healthiest job markets in Oregon, as the county saw above average job gains in each of those ten years. Employment growth was generally led by a robust Construction sector, which in turn was buoyed by strong population gains, and rapidly increasing demand for new housing. These trends came crashing down in 2008, as the local housing market saw demand dry up, and the sector began to shed jobs. As of the first quarter of 2009, job losses had spread across every sector except education and health services, and government. Job losses are expected to persist through 2009 in Deschutes County, before the area rebounds with relatively strong employment growth in 2010, as both the nation and Deschutes County begin to emerge from the current recession.

- Over the last twelve to eighteen months, employment in traditional economic drivers such as construction and manufacturing has seen substantial declines. Employment growth was positive through 2007 due to strong gains in the leisure and hospitality, and service sectors, however even these stalwart sectors saw job losses in 2008, and are expected to continue shedding employment through at least the first half of 2009.

- From 1999 through 2008 total non-farm employment in Deschutes County grew at an average annual rate of 4.0 percent, well above the average annual rate of 1.0 percent employment growth for Oregon over the same time period.

- Employment growth in Deschutes County is projected to decline by 4.4 percent in 2009, before posting average annual growth of 3.5 percent through 2013. Comparatively, Oregon is expected to see total employment decline by 3.3 percent in 2009 before posting average annual employment growth of 2.3 percent through 2013.

UNEMPLOYMENT
As of February of 2009, the Oregon Employment Department reported a jobless rate of 14.6 percent for Deschutes County, indicating a year-over-year increase of 7.2 percentage points. The increase represents the third highest increase in unemployment over the year of all metro areas in the nation. The current Deschutes County rate is 2.7 percentage points higher than the reported February 2009 statewide rate of 11.9 percent. As of February of 2009, Deschutes County had the highest level of unemployment of any metro area in the state of Oregon.

- Historically, unemployment in Deschutes County has mirrored statewide trends very closely, as the two rates have generally been separated by less than 10 basis points for the past eight years.

- Toward the end of 2007, unemployment in Deschutes County rose above the statewide level for the first time since 2001, and has continued to increase at a much steeper rate than the state as a whole.

- Over the next five years, unemployment in both Deschutes County, and Oregon, is forecast to continue increasing sharply through the middle of 2010, before beginning to trend down again later that year.
EMPLOYMENT CONCENTRATION

Historically, Central Oregon relied upon significant employment within the forest and agricultural products sectors. However, domestic and international competition for such goods has reduced their importance to the regional economy. Central Oregon, particularly Deschutes County, has successfully nurtured new economic drivers including tourism, healthcare, and high-tech activities. Although wood product manufacturing remains a primary industry in the region, tourism and healthcare are currently some of the more significant industries in the county. As shown on the following chart, the Construction, Trade, Transportation, & Utilities, Education and Health Services, Leisure & Hospitality, and Government employment sectors represent the largest industries in the Central Oregon Region.

- Nearly one-third of the County’s workers are employed in either the Trade Transportation and Utilities, or Leisure and Hospitality sectors, while Government and Education and Health Services make up almost a quarter of the local employment base.

- Compared to the state, Deschutes County is substantially less weighted in Manufacturing, Government, and Professional and Business Services.

- Over the past year, eight of ten employment sectors have experienced losses as most local industries continue to shed jobs. Job losses have been greatest in Manufacturing and Construction, which have declined by 25.7 percent and 13.0 percent respectively from employment levels just one year ago.
DEMOGRAPHICS

Redmond shares some demographic similarities with Deschutes County, Oregon, and the U.S., but for the most part it stands on its own. In general Redmond has a substantially younger population than Deschutes County, the State of Oregon or the U.S., and as expected has a significantly less wealthy population as well. In terms of education Redmond is by far the least educated of the four entities with only one and a half citizens of every ten holding a bachelor's degree or higher. Deschutes County meanwhile has a slightly older, wealthier population than the State or the nation. Deschutes County also has a very well educated population with the lowest percentage of its population without a high school diploma between Redmond, Oregon, and the U.S., and over 25.0 percent of the population with at least a bachelor's degree.

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Redmond</th>
<th>Deschutes County</th>
<th>Oregon</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Age (years)</td>
<td>33.4</td>
<td>38.3</td>
<td>38</td>
<td>36.7</td>
</tr>
<tr>
<td>Average Annual Household Income</td>
<td>$52,057</td>
<td>$69,188</td>
<td>$62,909</td>
<td>$67,918</td>
</tr>
<tr>
<td>Median Annual Household Income</td>
<td>$43,962</td>
<td>$52,064</td>
<td>$48,246</td>
<td>$50,170</td>
</tr>
</tbody>
</table>

Households by Annual Income Level:

-<$25,000: 24.1%  19.0%  23.3%  23.4%
-$25,000 to $49,999: 33.3%  28.6%  28.7%  26.4%
-$50,000 to $74,999: 22.7%  21.7%  20.8%  19.6%
-$75,000 to $99,999: 11.2%  12.7%  11.9%  12.0%
-$100,000 plus: 8.6%  18.0%  15.5%  18.6%

Education Breakdown:

- High School: 14.5%  11.4%  14.7%  19.4%
- High School Graduate: 36.8%  27.0%  26.1%  28.4%
- College < Bachelor Degree: 33.6%  36.2%  33.9%  27.6%
- Bachelor Degree: 10.6%  17.5%  16.6%  15.8%
- Advanced Degree: 4.4%  7.9%  8.7%  8.9%

Source: Clintan, Inc., Cushman & Wakefield Analytics
POPULATION
Over the past decade Deschutes County had been the fastest, growing county in Oregon. In each of the past ten years Deschutes County exhibited a higher rate of population growth than the state as a whole, as a high quality of life, and relative affordability of housing buoyed in-migration to the area. However, since peaking in 2006 with population growth of 5.6 percent, population gains have fallen rapidly, and according to current statistics, Deschutes County grew at a rate of 1.5 percent in 2008.

- Over the ten year period from 1999 through 2008 the local population in Deschutes County grew at an average annual rate of 3.9 percent, while Oregon posted average annual population gains of 1.2 percent over the same time period, 2.7 percentage points below the Deschutes County average.
- Looking forward over the next five years, Deschutes County is expected to average 3.5 percent annual population growth, adding residents at a substantially quicker pace than the 1.5 percent average rate of population increase projected for the state.

MKT COMPETITIVENESS
Deschutes County’s economy will remain in recession through the end of 2009 and potentially into 2010. A relatively large share of employment in the metro area is concentrated in consumer-driven industries and construction, two areas of the economy with the greatest downside risks. Housing-related industries in the metro area will be hit particularly hard over the next few months and will be the primary weight on employment growth. Longer term, the picture is more favorable, as robust population growth, combined with a growing value-added technical base, will facilitate healthy employment growth. Deschutes County’s proximity to major metro areas, including Portland and Seattle, will help it to attract satellite offices for telecommuters and suppliers to tech firms located elsewhere. Overall, the Deschutes County area is expected to outperform the Oregon and U.S. economies over the long run.

- As telecommunication becomes more prevalent, Deschutes County should begin to attract smaller satellite offices for firms located regionally. Overall an incredibly high quality of life should continue to attract both businesses and individuals alike.
- One of Redmond’s most widely anticipated construction projects was finally completed in 2008, and after years of planning and construction Highway 97 has moved from downtown to a new alignment to the east. The impact should be overwhelmingly positive for the downtown Redmond area.
Further diversification across the labor market specifically in the Professional and Business services, and Financial Activities sectors will be important to maintaining growth in Deschutes County, as the future of traditional economic drivers such as Construction and Manufacturing remain uncertain.

CONCLUSION
Overall, we are cautious about the subject's local area in terms of near-term growth and relative stability. While Redmond and Central Oregon will likely see some continuing erosion of the real estate market, it will reach a point at which it is should stabilize. Over the long-term, we believe the prospect for net appreciation in real estate remains moderate but will likely be at levels and returns much lower than seen during the strong appreciation over the last decade or so.
LOCAL AREA ANALYSIS

LOCATION
The Roberts Field-Redmond Municipal Airport is located in the southwest part of Redmond, approximately two miles southeast of the central business district. The general boundaries of the local area (inclusive of the airport) are considered to be U.S. Highway 97 to the west, State Highway 126 to the north and east, with the city limits forming the south boundary. The airport itself encompasses an area of approximately 1,000 acres that is bordered by Highway 29 (SE Ochoco Way) on the north, SE Airport Way to the west and unincorporated Deschutes County to the east and south.

ACCESS
S.E. Airport Way and Veterans Way are the primary access roads to the airport properties. S.E. Airport Way is a loop road extending from Veterans Way on the north to U.S. Highway 97 to the southeast. The airport terminal is accessed from SE Airport Way. Veterans Way travels in an east-west direction from U.S. Highway 97 to State Highway 126 to the west. Veterans Way also provides direct access to all of the commercial and general aviation related uses on the north side of the airport.

Highway 97, approximately one mile west of the airport, is the primary north-south highway system through Redmond and Central Oregon and provides access to the other interstate freeway systems in the State (I-84 to the north at the Columbia River and I-5 in the extreme south aspect of the state). Highway 126 provides access to Prineville to the east and Sisters to the west. Direct access to the airport is from Airport Way which joins with Highway 97 one mile southwest of the terminal and from Veteran Way which joins with Highway 97 one mile northwest of the terminal. Veterans Way also provides access to the east side of the airport, as well as Highway 126. Overall, the neighborhood and airport is provided good accessibility to the city and surrounding Tri-County area.

NEARBY AND ADJACENT USES
Land uses surrounding the airport are characterized almost predominantly by industrial land uses ranging from vacant industrial sites to manufacturing uses. Immediately outside of the airport boundaries is the Redmond Industrial Park which fronts along the west side of Airport Way. This area is owned by the City of Redmond and contains approximately 1,000 acres of developable land. All of the commercial land uses within the greater neighborhood are located along Highway 97 to the west. The Roberts Field-Redmond Municipal Airport is primary focal point of the local area and encompasses approximately 1,000 acres. Overall, the local area is considered to be roughly 60 percent developed.

ROBERTS FIELD-REDMOND MUNICIPAL AIRPORT
The Roberts Field-Redmond Municipal Airport was originally built in 1922. The Federal Government acquired the airport during World War II and utilized it as a military airfield (was known as the Redmond Army Air Base). After the war ended, the City of Redmond received title to the airport and has operated the property since.

The Federal Aviation Administration’s (FAA) identifier for the airport is RDM. The airport is served by two runways; 4-22 at 7,040 feet in length and 150 feet in width, and 10-28 at 7,006 feet in length and 100 feet in width. The airport is in operation 24 hours a day and provides a published FAA precision instrument landing system (ILS) on Runway 22, as well as several non-precision approaches (VOR, VOR/DME, NDB and GPS) to Runways 22, 10 and 28. The airport has an Air Traffic Control (ATC) tower that is operated from 0600 to 2000 hours and weather service provided by a 24-hour FAA ASOS.
There are currently four scheduled regional airlines serving the Redmond Airport: Horizon Air (Alaska Air), United Express and Delta Connection (both operated by Skywest Airlines) and Allegiant Air. These air carriers offer approximately 46 arriving and departing flights daily to and from Portland, Seattle, San Francisco, Las Vegas, Los Angeles and Salt Lake City. The carriers provide jet and prop-jet service to Redmond. Starting June 2009, United Express will start offering daily non-stop service to Denver. This will be operated on a summer schedule basis from June through September.

The Roberts Field-Redmond Municipal Airport is currently the fourth largest airport in the State of Oregon with the three larger airports consisting of Portland International in Portland, Mahlon Sweet Field (Eugene) and the Medford-Jackson County Airport in Medford. The Redmond airport is also the only airport in Central Oregon with precision instrument landing approach capabilities (ILS and VOR approaches).

The Roberts Field-Redmond Municipal Airport is also the home of the United States Forest Service's Redmond Air Center. Activated in 1964, this facility serves as the fire suppression, fire management and aviation activities for the Pacific Northwest Region (Oregon and Washington). The Center is the home to the Regional Training Center, Regional Fire Equipment Cache, and Pump Repair Shop. Headquartered at the center is the Redmond Smoke Jumper Base, an Interagency Hotshot Crew (one of a few such groups in the U.S.), air tankers, pilots, video center, information services and central dispatch office for the Deschutes National Forest. During the summer months, approximately 100 persons are employed at the Center with this number being augmented during fire emergencies.

Felt to be one of the more positive developments for the Roberts Field-Redmond Municipal Airport was the 1994 completion of an Air Traffic Control (ATC) Tower at the airport. The addition of the ATC tower has provided not only for increased air traffic safety, but for commercial jet service and additional airlines utilizing the airport.

The existing air terminal was expanded to its current size of 22,870 square feet in 1993. Due to the increased demand at the airport over the last decade, funding was secured and the terminal is now undergoing a $40 million expansion that will expand it to 139,000± square feet. The new terminal will incorporate the existing terminal area as well as adding a multi-story addition to the east. The new building will provide for larger ticketing and security areas, an additional baggage claim area and six aircraft gates.

Other projects completed at the airport over the last five to ten years include:

* Passenger terminal parking lot was expanded from 500 spaces to 1,200± spaces
* Car rental lot was expanded to accommodate 200 spaces
* ATC Radar facility was completed at a cost of $3.5 million
* Air Carrier terminal ramp was reconstructed and expanded
* Reconstruction of Taxiway F
* Extension of Taxiway G
* General Aviation ramp was expanded
* Taxi lanes between south T hangars repaved
* Taxi lane on west side of airport was constructed
* Construction of several private and corporate hangars

Future development at the airport includes the reconstruction of the west side of Taxiway G and Taxiway C at a reported cost of $8 million. Also, Runway 4/22 will have to be resurfaced in approximately five years.

Besides the United States Forest Service, one of the larger tenants at the airport include Lancair International who is a leading manufacture of kit-built aircraft. Lancair, who has sold over 2,000 kits to date, currently offers seven aircraft models ranging from normally aspirated aircraft to a recently added pressurized aircraft. Lancair relocated to the Roberts Field-Redmond Municipal Airport in 1992 from Santa Paula, California. Their facility is
located on the west side of the airport. Although located on the airport proper, the site does not have direct airside frontage, with access to a taxiway via a locked gate.

**AIRCRAFT OPERATIONS**

The following table summarizes the cumulative number of enplanements and deplanements at the Roberts Field-Redmond Municipal Airport over the last decade.

As shown, passenger traffic at the airport ranged between 125,000 and 150,000 per year between 1998 and 2004 before witnessing a notable upward increase over the next three years. The increase was due to the strong economy, growth in the secondary and leisure home development in the area, along with the addition of expanded flights and newer air carriers at the Roberts Field-Redmond Municipal Airport. 2008, however, saw the effects of the national economy beginning to take effect and which resulted in no true increase in activity.

Review of passenger activity at the airport for the first two months of 2009 showed a general decline of approximately 20 percent over the same time period in 2008. This decline is directly related to the downturn in the national economy which has impacted passenger loads in all regions of the country. While 2009 is anticipated to show reduced passenger levels, it is difficult to portray the actual decline that will ultimately be seen.

According to a recently released forecast by the FAA, the number of travelers boarding U.S. airliners will decline by 7.8 percent in 2009 which represents a declined matched only in the year following the 2001 terrorist attacks. The FAA forecast predicted that the major airlines will witness the largest impact with a projected 8.8 percent decline drop that would return them to passenger levels last seen in 1995. Regional airlines are forecast to see a 4.5 percent decline in traffic which would mirror the volumes seen four or five years ago.

**SPECIAL HAZARDS OR ADVERSE INFLUENCES**

We observed no detrimental influences in the local market area, such as landfills, flood areas, noisy or air polluting industrial plants, or chemical factories.
LAND USE CHANGES

We are not aware of any change in land use patterns within and outside of the Roberts Field-Redmond Municipal Airport that would have an impact on the airport.

CONCLUSION

The Roberts Field-Redmond Municipal Airport serves as the primary air terminal for Central Oregon. The airport has grown exponentially over the last two decades to one that provides direct air service to seven Western hub cities. In addition to providing commercial air travel services, the airport supports several notable non-commercial services including being the Pacific Northwest Regional hub for the USFS fire base, as well as one of the more prominent kit plane manufactures in Lencair.

The Roberts Field-Redmond Municipal Airport’s central location within the Central Oregon region allows for ease of passenger and commercial access to the area’s demand generators such as the Bend area (Sunriver, Mt. Bachelor, Inn at the Seventh Mountain) destinations to the south, the Eagle Crest, Brasada Ranch and Black Butte destination resorts to the west of Redmond, as well as the Prineville and Madras areas to the east and north, respectively.

While demand for aviation related services (air passengers, general aviation, etc.) had been showing very positive increases for the airport and region over the last decade, the continuing downturn in the national and global economy has continue to impact the local and Central Oregon region. Passenger levels at the airport has begun to show a decline going into last quarter of 2008 and based on national air travel forecasts, 2009 and 2010 will likely see lower passenger levels across the industry.

General aviation, which also plays an important part in the aviation industry, has also been impacted by the economic slowdown. General aviation is considered to include both personal and business aviation.

First, increased fuel prices going into 2008 began to curtail private aviation usage and although prices subsided into the latter part of 2008, the downward spiral in personal income, employment and housing prices has had more of a direct impact on general aviation. Although the business aviation sector was likely less impacted by fuel prices, the downturn and cutbacks within the corporate business environment has resulted in a reduction in general business travel from the general aviation side.

The result of all of these factors is that both business and discretionary spending on both commercial and general aviation has declined over prior levels and even 2008 and there is uncertainty as to when a rebound to prior levels will occur. As such, the outlook for the industry is cautiously positive.

Overall, we are cautious about the subject’s local area in terms of near-term growth and relative stability. While Redmond and Central Oregon will likely see some continuing erosion of the real estate market, it will reach a point at which it is should ultimately stabilize. Over the long-term, we believe the prospect for net appreciation in real estate remains moderate but will likely be at levels and returns much lower than seen during the strong appreciation over the last decade or so.
AVIATION LAND MARKET ANALYSIS

The subject of this appraisal involves the underlying land located within the confines of the Roberts Field-Redmond Municipal Airport. All sites and/or parcels have direct or indirect flightline (airside) access to the existing taxiways and runways. All of the underlying land is currently owned by the City of Redmond and is subject to FAA use restrictions and can only be ground-leased: This is a typical and common practice at public airports across the nation.

Airports are categorized by their general function within the State and National Airport systems. These range from a Category 1 airport which accommodates scheduled major or regional commercial air carrier service to a Class 5 Airport which is given to small airports that accommodate limited general aviation uses. The Roberts Field-Redmond Municipal Airport is categorized as a Category 1, Commercial Service Airport.

LAND PRICING

OVERVIEW

The most common ground lease terms utilized by airport ownership’s is for a period of 20 to 30 years. These term lengths are noted to be the most common, yet they can vary from under 20 years upwards to 30 years. Ground leases are also most commonly structured on pure net expense terms, where the lessee is responsible for all expenses associated with the site and any improvements constructed by the lessee.

It is also common at the termination of the ground lease to have the site and any associated improvements revert back to the lessor or airport controlling entity (known as a reversion). In some cases, leases specify that the tenant must turn back the site free of any improvements above ground level (at the tenant’s cost). This latter situation depends largely upon the type and condition of the improvements. If the improvements are felt to be in good condition at the lease expiration and provide the ability to generate revenue, it is common for ownership entities to re-lease the property as improved. This latter situation typically involves a shorter lease term than found within the original underlying land lease agreements.

STRUCTURE

In the past, the most typical basis utilized in structuring land lease rates was through a rate of return based on an established land value. Land values were generally quoted on a price per acre or price per square foot basis. From this, rates of return for ground lease situations were applied against the established land value to derive an annual and/or monthly lease rate. Historically, rates of returns ranged from as low as 6.00 percent to as high as 12.00 percent with rates from 9.00 to 10.00 percent seeming to have been a common denominator.

Over the last few years, however, airport ownerships have seemed to utilize a more simplified basis of direct comparison between other airports as a basis of establishing land lease rates. This situation was noted almost exclusively in our analysis of other airports in the region. We note that utilizing this basis of comparison does not actually portray market value, but is the most common means being used at present at establishing or maintaining land lease rates.

What is further compounding the problem is the current economic climate affecting not only local areas, but the regional, national and global economy. Discussions with the controlling entities for the airports surveyed in our analysis indicated a degree of uncertainty on whether or not their land lease rates were considered to be paralleling market conditions. Furthermore, although land pricing has most likely declined over the prior expansion periods, the nearly complete lack of demand and transaction activity even at discounted pricing has created somewhat of an unknown to current pricing levels.
From a general lease structuring, it is also very common to have lease rates reviewed and adjusted during the term of the lease. It is found that some airport ownership’s adjust the lease rates on an annual basis (typically from a flat percentage or CPI basis), while the most typical situation is to review and adjust them every three to five years. Under the current economic situation which has created a high degree of uncertainty towards current land pricing, a more prudent means of maintaining lease rates would be to follow the most typical basis of a review every three to five years.

Land Lease Rates
Unlike lease rates for improvements, which are generally consistent to construct, land lease rates are typically reflective of current market pricing for similar land in the immediate or surrounding market area. The lower end of pricing is generally reflected by industrial land, while commercial land will show the upper end of pricing. The underlying land at the Roberts Field-Redmond Municipal Airport is considered to reflect more of an industrial orientation and therefore could be considered to indirectly reflect prices consistent with his type of land within the marketplace.

As will be discussed in the Land Valuation section, land lease rates for airport sites and/or parcels throughout the region presently range from $0.21 to $0.50 per square foot per year. Understandably, the lower end of the reported range is from non-commercial airports while those serving commercial activities, a higher degree of business aircraft activity (with FAA control towers) or are within more of an urban setting are setting the upper limit of pricing.

These rates are noted as applying to improved sites (have utilities), with unimproved sites reflecting rates at the lower end of this range. In determining appropriate lease rates for sites, in addition to the location and type of airport involved, the type of available ground and ability to develop must be accounted for. Land that is level and free of any developmental obstructions (soil composition, etc.), provides for lower costs of development and would typically command higher implied land values and lease rates. Inversely, sites requiring additional costs to make site-ready would correlate to lower implied land values and lease rates. All of the current and potentially developable land at the Roberts Field-Redmond Municipal Airport is generally level and would not require any extraordinary development costs.

Also, the typical land lease agreement is based on the land area encompassing the building footprint, along with setbacks on the front, side and rear of the building. The setbacks generally encompass areas of approximately five feet although some airports also charge for a larger front setback area to account for any apron area.

As discussed earlier, the growth patterns, overall livability and transportation access are felt to reflect positively on the area, especially on the demand for aviation sites and uses at the Roberts Field-Redmond Municipal Airport.

Local Land Values
Industrial and business park land prices in the vicinity of the airport (outside of the airport confines) had been ranging in the $8.00 to $10.00 per square foot range prior to the economic downturn. The current recession and financial has resulted in a significant crippling of the land development market. Factors associated with the downturn in land demand are limited financing, a scarcity of tenants, increased vacancies and high construction costs.

Discussions with brokers in the Redmond market mirror these factors and they report that land transaction activity has nearly stopped. As to what this has done to pricing, it is unclear as there have been no appreciable sales to substantiate any decline. Review of several land listings within the immediate vicinity of the airport show reductions in asking prices anywhere from 20 to 40 percent which is indirectly reflecting implied land prices from around $5.00 to $7.00 per square foot.
SUMMARY
The underlying sites at the Roberts Field-Redmond Municipal Airport range (excluding any parcels subject to the runway and/or taxiways) from parcels as small as 1,000 square feet to approximately 3.50 acres. Full utilities (water, sewer and electricity) are available to all of the sites. All of the sites have current or potential airside access. All of the land within the confines of the Roberts Field-Redmond Municipal Airport is currently owned by the City of Redmond and can only be ground-leased because of FAA restrictions.

Although airports and their aviation related uses represent a specialized land use which can result in some instances premiums over traditional land pricing, this is difficult to actually substantiate due to the variances in an airport’s specific location (urban or rural), aircraft activities (takeoffs, landings, etc.). Redmond and Central Oregon, however, have been strongly impacted by the subsequent sub-prime lending issue that has resulted in a notable economic downturn and recessionary conditions for the area. At present, Deschutes County is currently leading the State of Oregon in the number of home foreclosures. As a result of these factors, general real estate prices and demand have declined over the last several quarters.

Although aviation related users prefer immediate area locations, any current and future land pricing would need to be monitored as not to allow for any increases above what a typical aviation user could find in an alternative location.

In summary, the subject sites are located within the confines of the Roberts Field-Redmond Municipal Airport and consist of airside sites with good access from the airport runways. In addition, the subject sites exhibit good surface or ground access from adjoining transportation routes. The Roberts Field-Redmond Municipal Airport, its tenants and aviation related business provide a strong economic base for Deschutes County. However, there is cautious optimism surrounding the short-term economic support by aviation users due to the continuing economic malaise which is impacting both commercial and general aviation activities.
PROPERTY DESCRIPTION

The parcels or land that is the subject of this analysis are located within the confines of the Roberts Field-Redmond Municipal Airport in Redmond, Deschutes County, Oregon. The airport is located in the northern part of the city, approximately 2.0 miles southeast of the city's central business district.

We were not provided with metes and bounds descriptions for any of the sites located within the Roberts Field-Redmond Municipal Airport. Information provided by the land ownership (City of Redmond), indicated that the various leasehold sites (excluding the primary airport parcel) within the airport range from approximately 1,000 square feet to approximately 3.50 acres.

The primary areas containing the developed or developable sites at the airport are along the west and north elevations of the airport. The western portion of the airport, which is situated between the approach ends of Runways 4 and 10, contains the primary airport related functions, including the passenger terminal, short and long-term parking lots, Air Traffic Control tower, Maintenance and Crash/Fire/Rescue buildings, Redmond Air (FBO), multi-tenanted office building, private and corporate hangars, as well as the Lanceair kit plane manufacture's facility.

The north side of the airport contains numerous hangers (executive and T-hangars), apron and tiedown areas and Butler Aircraft (FBO). Further east of these latter structures is the U.S.F.S. Redmond Air Center. The remainder of the land within the airport boundaries is unimproved.

We were not given a Wetlands survey. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect the property value. As such, we recommend a wetlands survey by a competent engineering firm.

We did not receive nor review a soil report for the entire property. However, we assume that the soil's load-bearing capacity is sufficient on any or all of the property to support any current or proposed structures. We did not observe any evidence to the contrary during our physical inspection of the property. The drainage of the property appears to be adequate.

We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect any existing or proposed use of any of the parcels or sites. However, we recommend a title search to determine whether any adverse conditions exist. None of the property is situated within a FEMA identified Flood Hazard Zone and, therefore, does not require flood hazard insurance. Furthermore, none of the property is located in a designated seismic hazard area, although the region is prone to earthquake activity.

Many of the existing parcels within the Roberts Field-Redmond Municipal Airport have building improvements. These improvements are, for the most part, owned by the ground lessee and we have not accounted for any of these building improvements if so improved.

The existence, if any, of potentially hazardous materials disposed of on the sites was not considered. These materials may include, but are not limited to, formaldehyde foam insulation, asbestos insulation, or toxic wastes on or about the site. The appraisers are not qualified to detect such substances and we urge the client to retain an expert in this field.

The property (parcels) is typical of the general area with no observable characteristics, which would adversely affect the existing or future use of the sites. All of the parcels exhibit adequate dimensional, topography and access characteristics.
REAL PROPERTY TAXES AND ASSESSMENTS
The Roberts Field-Redmond Municipal Airport is located within Deschutes County and is subject to ad valorem taxation by this jurisdiction. The Deschutes County Assessor’s office physically reappraises real property on a multi-year rotation with new construction placed on the assessment rolls annually. Currently, annual incremental indexing between appraisal cycles is employed.

With the passage of Measure 50 in 1997, the taxation and assessment of real property within Oregon have changed. Effective for the 1997-98-tax-year, the millage or tax rate was $15.00 per $1,000 of assessed value, plus any special overrides that may affect a specific property, plus three percent. The 1997-98-assessment was based on 90 percent of the 1995-96 assessment. The assessment in 1997-98, however, could not exceed the previous year’s assessment. After 1997-98, the tax rate remains constant, but the overall millage rate can change with the addition of bond measures. Also after 1997-98, the property assessment cannot increase by more than three percent per year or its current real market value.

Under the current ownership of the City of Redmond, all leasehold sites at the Roberts Field-Redmond Municipal Airport are exempt from taxation. Any tenant completed improvements, i.e., structures or hangars, however, are assessed and taxed by Deschutes County with the tenant fully responsible for their own tax liability.

ZONING
The underlying land within the confines of the Roberts Field-Redmond Municipal Airport is zoned M-1, Light Industrial by the City of Redmond. Because of its airport utilization, a special use zone, AC or Airport Control Zone serves as the primary regulation governing the light industrial land (M-1) uses at the airport. Permitted uses within the underlying M-1 zoning include all light industrial/manufacturing uses, aviation uses and limited retail/commercial type developments. The purpose of the AC zone states that “in order to provide for the safety and use of land coincident with the airport and prevent man-made or natural objects from encroaching into necessary aviation airspace, certain airport control zones are created which include all of the land lying within transitional surfaces, conical surfaces, precision instrument approach surfaces, non-precision instrument approach surfaces and horizontal surfaces”. In the AC classification, there are six sub-zones affecting developmental standards. A copy of the zoning is included in the Addenda of the report.

Also, land within the confines of a legally dedicated airport that is subject to any FAA funding are bound to FAA restrictions that limit uses to some type of aviation use unless so stated. As such, aviation related uses are an allowable use within this zoning subject to conformance with local and FAA restrictions.

We know of no deed restrictions, private or public, that further limit the use of the subject sites. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or title company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.

HIGHEST AND BEST USE DEFINITION
The Dictionary of Real Estate Appraisal, Fourth Edition (2002), a publication of the Appraisal Institute, defines the highest and best use as:

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.
To determine the highest and best use we typically evaluate the subject site under two scenarios: as vacant land and as presently improved. In both cases, the property’s highest and best use must meet the four criteria described above. Since this property represents land only, evaluating it as presently improved is not applicable.

HIGHEST AND BEST USE OF PROPERTY AS VACANT

LEGALLY PERMISSIBLE
The zoning regulations in effect at the time of the appraisal determine the legal permissibility of a potential use of the subject site. As described in the Zoning section, the subject site is zoned M-1, Light Industrial by the City Of Redmond and may legally be improved with structures that accommodate all aviation uses, while light and general industrial uses are allowed only under a conditional use permit. Due to the physical proximity of the airport runways, there are additional restrictions regarding to building heights. Also, any development is subject to FAA approval. Aside from the property’s zoning and regulations, we are not aware of any legal restrictions that limit the potential uses of the parcels and/or sites.

PHYSICALLY POSSIBLE
The physical possibility of a use is dictated by the size, shape, topography, availability of utilities, and any other physical aspects of the sites and/or parcels. The airside sites or parcels reportedly range in size from approximately 1,000 square feet to approximately 3.50 acres and are all of an adequate shape and size to accommodate all aviation related uses.

FINANCIALLY FEASIBLE AND MAXIMALLY PRODUCTIVE
In order to be seriously considered, a use must have the potential to provide a sufficient return to attract investment capital over alternative forms of investment. A positive net income or acceptable rate of return would indicate that a use is financially feasible. Financially feasible uses are those uses that can generate a profit over and above the cost of acquiring the site, and constructing the improvements. Of the uses that are permitted, possible, and financially feasible, the one that will result in the maximum value for the property is considered the highest and best use.

We considered the legal issues related to zoning and legal restrictions related to the airport location to determine what legal uses would be possible, and considered the financial feasibility of these uses to determine the use that is maximally productive. Considering the physical characteristics and location of the airside sites and/or parcels, as well as the state of the aviation related market, it is our opinion that the Highest and Best Use as if vacant is for aviation related uses for all sites and/or parcels.

CONCLUSION
From a general perspective, all of the property within the boundaries or confines of the Roberts Field-Redmond Municipal Airport are oriented towards an aviation related use.

The airport is located within the city limits of Redmond and surrounding uses are a mix of light industrial, commercial, recreation and open space in nature. The airport has good access and has proximate highway access. Demand for aviation sites at the Roberts Field-Redmond Municipal Airport has generally been very positive over the last decade or so and nearly all of the developable sites at the airport have been developed. The current economic crisis, however, is having an impact not only locally, but nationally and globally and the aviation industry has not been immune and has seen a notable downturn in its fundamentals (aircraft sales, passenger loads, pilot starts, etc.). It is perceived that any recovery may reflect some change in the overall fundamentals of the industry. To what extent these results in is unclear at this point in time.
Industrial and business park land prices in the vicinity of the airport (outside of the airport confines) had been ranging in the $5.00 to $10.00 per square foot range prior to the economic downturn. The current recession and financial crisis has resulted in a significant crippling of the land development market. Factors associated with the downturn in land demand are limited financing, a scarcity of tenants, increased vacancies and high construction costs.

Discussions with brokers in the Redmond market mirror these factors and they report that land transaction activity has nearly stopped. As to what this has done to pricing, it is unclear as there have been no appreciable sales to substantiate any decline. Review of several land listings within the immediate vicinity of the airport show reductions in asking prices anywhere from 20 to 40 percent.

For an aviation related user, however, the options are limited primarily to an airport location. As such, the captive participants for sites and/or parcels on airports are much more limited. Nonetheless, the economic conditions have also had a direct impact on general aviation (business and personal) demand and spending and although airport land represents a specialized use, any such impacts are or will be felt by aviation users. As there are only a few undeveloped sites remaining at the airport and it is reported that there are stated intentions to the sites in place, any prudent tenant or lessee will take into account the on-going economic conditions in any lease negotiations.

Nonetheless, due to the specialized use and zoning restrictions associated with sites within the confines of an airport, the highest and best use of the various sites and/or parcels is for an aviation related application with those currently improved with aviation structures representing the highest and best as vacant.
AIRPORT LAND LEASE ANALYSIS

METHODOLOGY
As airports typically ground lease their land rather than sell, the availability of actual market sales within airport boundaries is essentially non-existent. This is the case in regard to the subject sites and/or parcels, which are located within the airport boundaries of the Roberts Field-Redmond Municipal Airport, with the airport ownership (City of Redmond) ground leasing all of the sites. As such, initial perception would be to analyze recent sales of sites from outside of the airport boundaries (“outside of the fence”) in order to establish value for the airports underlying land and/or sites. However, this approach is not considered truly applicable in many instances since land uses and resulting prices within the confines of an airport typically reflect specific use criteria not available to sites outside of the respective airport. Nonetheless, our general analysis of the subject sites will include comparisons from both a regional basis (other comparable airports) and from a cursory comparison to land prices within the general area.

We do note that in the past, the more market-orientated method of comparison for airport sites had involved the analysis of implied land values and/or lease rates from within other comparable airports within the subject’s market or regional area. The common unit of comparison for establishing land values for this type of property was either the price per acre or per square foot. From this, rates of return for ground lease situations were applied against the established land value to derive an annual and/or monthly lease rate. Historically, rates of returns ranged from as low as 5.00 percent to as high as 12.00 percent with rates from 9.00 to 10.00 percent seeming to have been a common denominator.

Over the last few years, however, airport ownerships and/or leasing entities have seemed to utilize a more simplified basis of direct comparison between other airports as a basis of establishing land lease rates. This situation was noted almost exclusively in our analysis of other airports in the region. We note that utilizing this basis of comparison does not actually portray market value, but is the most common means being used at present at establishing or maintaining land lease rates.

What is further compounding the problem is the current economic climate affecting not only local areas, but the regional, national and global economy. Discussions with the controlling entities for the airports surveyed in our analysis indicated a degree of uncertainty on whether or not their land lease rates were considered to be paralleling market conditions. Furthermore, although land pricing has most likely declined over the prior expansion periods, the nearly complete lack of demand and transaction activity even at discounted pricing has created somewhat of an unknown to current pricing levels.

SUBJECT AIRPORT LAND CHARACTERISTICS
All of the underlying sites and/or parcels within the confines of the Roberts Field-Redmond Municipal Airport are subject to ground lease agreements through the airport ownership (City of Redmond). Most of the parcels have structural improvements, with any remaining sites currently vacant. Our assignment is to consider only the underlying land, disregarding any structural improvements. All of the sites and/or parcels are considered to be “improved”, i.e., they have all infrastructure (utilities) in-place. None of the parcels in our analysis are considered “unimproved” in which they have only partial infrastructure available. Furthermore, all of the sites and/or parcels are considered to have direct airport influences, i.e., they have current or potential direct taxiway/runway accessibility.

The City of Redmond’s current ground lease pricing is at a rate of $0.21 per square foot per year. This pricing was based on prior appraisals of the underlying land completed in 1992 and 1996 with some upward trending completed in the time frame since. The comparables utilized in our analysis are presented on the following page.
## AIRPORT LAND LEASE SUMMARY

<table>
<thead>
<tr>
<th>Comp. No.</th>
<th>Airport Name/Location</th>
<th>Ownership</th>
<th>Airport Category</th>
<th>Primary Runway Length (Fl.)</th>
<th>Aviation Services</th>
<th>Commercial Air Service</th>
<th>Lease Rates ($/SF/Year) Improved Aiside Sites</th>
<th>Type of Lease</th>
<th>Controlled Or Uncontrolled Airport</th>
<th>Reversion at Lease Expiration</th>
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<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Hillsboro, OR</td>
<td></td>
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<td></td>
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<td>City of McMinnville</td>
<td>2</td>
<td>5,420</td>
<td>Major</td>
<td>No</td>
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<td></td>
<td>Spokane, WA</td>
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## STATISTICS

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Compiled by Cushman & Wakefield of Oregon, Inc.
DISCUSSION OF COMPARABLES

COMPARABLE AIRPORT AP-1, EUGENE - MAHLON SWEET AIRPORT
This non-hub airport is located eight miles northwest of downtown Eugene. The airport is approximately nine miles west of Interstate 5. The airport is owned and operated by the City of Eugene. The primary runway is 8,008 feet in length. The airport has an operating Air Traffic Control tower and provides precision instrument approaches. The airport is served by Delta Connection, United Express and Horizon Air. The current lease rate for airside sites at the airport is based on a rate of $0.30 per square foot per year. The lease rate was established several years ago and has been indexed upward every three years based on a CPI index. All leases are totally net with the tenant responsible for all operating expenses. Lease terms are generally 20 years with options.

In comparison to the Roberts Field-Redmond Municipal Airport, this airport is considered to represent a similar comparison from the basis of location, size, services and demand generators. From an overall comparability standpoint, a land lease rate for the airside sites at the Roberts Field-Redmond Municipal Airport would be expected to be at a rate similar to that indicated by this airport comparison.

COMPARABLE AIRPORT AP-2, ROGUE VALLEY INTERNATIONAL AIRPORT
This non-hub airport is located three miles north of downtown Medford and less than one mile east of Interstate 5. The airport is owned and operated by Jackson County. The primary runway is 8,000 feet in length. The airport has an operating Air Traffic Control tower and provides precision instrument approaches. The airport is served by Allegiant, Delta Connection, United Express and Horizon Air. The airport has precision instrument approaches. The current lease rate for airside sites at the airport is based on a rate of $0.21 per square foot per year. This rate was established from an earlier appraisal. All leases are totally net with the tenant responsible for all operating expenses. Lease terms are generally 20 years with options.

In comparison to the Roberts Field-Redmond Municipal Airport, this airport is considered to represent a similar comparison from the basis of location, size, services and demand generators. The lease rate, however, is considered dated and below what would be considered reasonable based on the market data. From an overall comparability standpoint, a land lease rate for the airside sites at the Roberts Field-Redmond Municipal Airport would be expected to be above the rate indicated by this airport comparison.

COMPARABLE AIRPORT AP-3, SALEM MUNICIPAL AIRPORT
This airport is located two miles southeast of downtown Salem. The airport is one mile west of Interstate 5 and is owned and operated by the City of Salem. This airport serves corporate and general aviation, but does not have any commercial air service. The airport has an operating Air Traffic Control Tower and its primary runway is 5,811 feet in length. The airport has precision instrument approaches. The current lease rates for airside sites at the airport are based on rates of $0.21 and $0.50 per square foot per year. The lower rate is for the secondary locations (South Hangar area), while the higher rate is for what is referred to as the 25th Street Hangar area which is along the primary frontage road. The current lease rates were increased as of January 1, 2009 and reflect increases from the prior rates of $0.18 per square foot per year and $0.26 per square foot per year. Rates at the airport had not been adjusted for several years and the current rates were based on a recent appraisal. While the secondary location increase appears to be within reason, the new rate for the 25th Street area appears very high in relation to all of the other comparables. All leases are totally net with the tenant responsible for all operating expenses. Lease terms are generally 20 years with options.

In comparison to the Roberts Field-Redmond Municipal Airport, this airport is considered to represent an inferior comparison from the basis of size, services and demand generators, but is similar in location due to its proximity to
major surface transportation. The current lease rate is considered high in relation to the marketplace. From an overall comparability standpoint, a land lease rate for the airside sites at the Roberts Field-Redmond Municipal Airport would be expected to be below the rate indicated by this airport comparison.

**Comparative Airport AP-4 - Bend Airport**

This airport is located three miles northeast of downtown Bend. The airport is located in a rural-type location and is owned and operated by the City of Bend. This airport serves only general/corporate aviation and does not have any commercial air service. The airport does not have an Air Traffic Control Tower although there has been lobbying to construct one due to the presence of Cessna Aircraft’s manufacturing facility on the airport. The airport has one runway which is 5,200 feet in length, but only has a non-precision instrument approach. The current lease rate for improved sites at the airport is based on a rate of $0.30 per square foot per year. This rate was established in 2004 from an appraisal. A rate of return of 10 percent of land value was utilized at the time of the appraisal. All leases are totally net with the tenant responsible for all operating expenses. Lease terms are generally 20 years with options.

In comparison to the Roberts Field-Redmond Municipal Airport, this airport is considered to represent an inferior comparison from the basis of size, services and location. From an overall comparability standpoint, a land lease rate for the improved site areas at the Roberts Field-Redmond Municipal Airport would be expected to be similar to the price indicated by this airport.

**Comparative Airport AP-5 - Aurora Airport**

This airport is located ¾ mile east of Interstate 5 along Highway 99 West in Aurora. This airport is owned and operated by the State of Oregon and serves only general and corporate aviation. The airport has a single runway that is 5,004 in length. The airport has a non-precision instrument approach. The current lease rate for sites at the airport (all are improved) is $0.25 per square foot per year. The rate is based on appraisal completed in 2007. All leases are totally net with the tenant responsible for all operating expenses. Lease terms average 25 to 30 years with options. Rates are reviewed at the discretion of the State.

In comparison to the Roberts Field-Redmond Municipal Airport, this airport is considered to represent an inferior comparison from the basis of size and utilization. Its location within the greater Portland metropolitan area is considered superior. The land basis is considered reasonable based on its general characteristics. From an overall comparability standpoint, a land lease rate for the sites at the Roberts Field-Redmond Municipal Airport would be expected to be similar to slightly above the rate indicated by this airport.

**Comparative Airport AP-6 - Corvallis Municipal Airport**

This airport is located in Corvallis, Oregon. The airport is located approximately 14 miles west of Interstate 5 and is owned and operated by the City Corvallis. The airport has one asphalt paved runway that is 4,100 feet in length by 100 feet in width. The airport serves only general/corporate aviation. The current lease rates for sites at the airport are based on a rate of $0.21 per square foot per year. This rate was last established in 2004 by an appraisal. All leases are totally net with the tenant responsible for all operating expenses. Lease terms average 30 years with two, 10-year options.

In comparison to the Roberts Field-Redmond Municipal Airport, this airport is considered to represent a somewhat inferior comparison from the basis of location, while it is considered similar from a size, facilities, and utilization basis. The locational characteristics would preclude a higher rental rate basis and an upward adjustment is warranted. As such, a land lease rate for the sites at the Roberts Field-Redmond Municipal Airport would be expected to be above the rate exhibited by this comparable.
COMPARABLE AIRPORT AP-8 – PORTLAND TROUTDALE AIRPORT
This airport is located just north of Interstate 84 in the Portland suburb of Troutdale. The airport is owned and operated by the Port of Portland. This airport serves general and corporate aviation and does not have any commercial air service. The airport has a single runway that is 5,398 in length. The airport has a precision instrument approach. The current lease rate for sites at the airport (all are improved) is based on a rate of $0.25 per square foot per year. The rate was based on an appraisal several years ago. All leases are totally net with the tenant responsible for all operating expenses. Lease terms average 25 to 30 years with options.

In comparison to the Roberts Field-Redmond Municipal Airport, this airport is considered to represent a similar comparison from the basis of size and utilization. Its location within the Portland metropolitan area, however, is considered superior. The lease rate, however, is considered dated and below what would be considered reasonable based on the market data. From an overall comparability standpoint, a land lease rate for the airside sites at the Roberts Field-Redmond Municipal Airport would be expected to be above the rate indicated by this airport.

COMPARABLE AIRPORT AP-9 – PORTLAND HILLSBORO AIRPORT
This airport is located in the northeast part of Hillsboro, approximately two miles east of downtown Hillsboro. The airport is approximately three miles south of Highway 26 and is owned and operated by the Port of Portland. This very active airport serves general and corporate aviation and is also the operations base for many of Portland’s larger companies such as Nike, Intel, etc. The airport has two runways, the largest being 6,600 in length. The airport has a precision instrument approach. The current lease rate for sites at the airport (all are improved) is based on a rate of $0.38 per square foot per year. The rate was based on appraisal. All leases are totally net with the tenant responsible for all operating expenses. Lease terms average 25 to 30 years with options.

In comparison to the Roberts Field-Redmond Municipal Airport, the Portland-Hillsboro Airport is considered to represent a generally similar comparison from the basis of size and utilization, although it does not have commercial air services. From an overall comparability standpoint, a land lease rate for the airside sites at the Roberts Field-Redmond Municipal Airport would be expected to be below the rate indicated by this airport.

COMPARABLE AIRPORT AP-10 – SPOKANE INTERNATIONAL AIRPORT
This non-hub airport is located approximately five miles east of downtown Spokane and just north of Interstate 90. The airport is jointly owned and operated by the City of Spokane and Spokane County. The airport has two precision based runways, the largest being 9,001 in length. The airport has an operating Air Traffic Control tower. The airport is served by Northwest, Southwest, Alaska Air, Delta, Frontier, US Airways, United and Skywest Airlines. The current lease rate for sites at the airport (all are improved) is based on a rate of $0.21 per square foot per year. The rate was based on a prior appraisal. All leases are totally net with the tenant responsible for all operating expenses. Lease terms average 25 to 30 years with options. Rates are reviewed every three years.

In comparison to the Roberts Field-Redmond Municipal Airport, this airport is considered to represent a similar comparison from the basis of size and utilization. Although located within a larger metropolitan area, it is nonetheless considered somewhat inferior from a specific location basis due to its somewhat rural location. From an overall comparability standpoint, land lease rate for the airside sites at the Roberts Field-Redmond Municipal Airport would be expected to be above the rate indicated by this airport.
COMPARABLE AIRPORT AP-11 – GALLATIN FIELD AIRPORT
This airport is located approximately eight miles northwest of downtown Bozeman, Montana. The airport is easily accessed from Interstate 90. The airport is owned and operated by the Gallatin Airport Authority. The airport encompasses an area of 1,500± acres. The primary runway is 8,994 feet in length. The airport has an operating Air Traffic Control tower and provides precision instrument approaches. The airport is served by Northwest, Delta, Frontier, United, Allegiant and Horizon Air. The current lease rate for sites at the airport (all are improved) is based on a rate of $0.25 per square foot per year. Lease rates are based on in-house surveys. All leases are totally net with the tenant responsible for all operating expenses. Lease terms average 25 to 30 years with options. Rates are reviewed every three years.

In comparison to the Roberts Field-Redmond Municipal Airport, this airport is considered to represent a similar comparison from the basis of size, utilization and passenger targets. From an overall comparability standpoint, a land lease rate for the airside sites at the Roberts Field-Redmond Municipal Airport would be expected to be at or slightly above the rate indicated by this airport.

LAND LEASE ANALYSIS
Review of the land lease rates at the various airports discussed previously indicate a range of rates ranging from $0.21 to $0.50 per square foot per year. The lower portion of the range is exhibited by Comparable Nos. AP-2 (Rogue Valley – Medford), AP-3 (Salem Municipal), AP-6 (Corvallis Municipal) and AP-10 (Spokane International).

The lease of $0.21 per square foot at the Rogue Valley airport (AP-2) sets the lower limit of rates for the airport comparables. This rate is based on a prior appraisal to which the base rates have been increased only by a percentage factor over the last few years. Based on the size and utilization of the airport, the rate is considered low. The rate of $0.21 per square foot reflected for the Salem Municipal Airport (AP-3) also sets the lower limit of pricing (airport has two rates for improved sites) and this rate is for what is best referred to as secondary airside sites. This is considered to be an inferior comparison to the subject.

The lease rate for AP-6 (Corvallis Municipal) is considered reflective of the airport’s secondary location and limited demand generators (primarily general aviation). Lastly, the rate shown by AP-10 (Spokane International) is considered to reflect a below market indication due to the airport’s size and demand generators (commercial, air cargo and corporate aviation).

Inversely, the upper end of the range is exhibit by Comparable Nos. AP-3 (Salem Municipal) and AP-8 (Portland Hillsboro). Inverse to the low rate set by AP-3 for its secondary sites of $0.21 per square foot per year, the upper end rate of $0.50 per square foot per year recently instigated at the airport for the more close-in locations is considered to reflect an above market indication based on the data. Similarly, the rate of $0.38 per square foot per year for AP-8 (Hillsboro) reflects the close-in metropolitan area location of this airport, as well as the strong demand generators provided by the high degree of business and corporations that utilize the airport for their corporate aviation requirements. Overall, these two comparables are not considered to be good indicators for the airfield sites at the Roberts Field-Redmond Municipal Airport.

The remaining airports indicate a more probable and typical range of land lease rates from $0.25 to $0.32 per square foot per year. Although none of the remaining comparables are truly similar to each other or the Roberts Field-Redmond Municipal Airport, we consider a range of pricing for the Roberts Field-Redmond Municipal Airport to be best bracketed by Comparable Nos. AP-1 (Eugene-Mahlon Sweet), AP-4 (Bend), AP-7 (Portland Troutdale) and AP-11 (Gallatin Field). These four airports reflect land lease rates $0.25 and $0.32 per square foot per year.
For our general comparison, we analyzed the comparables based on several general characteristics which we have noted below.

- **Location Characteristics** – This considers the general location of the airport in relation to the business district, whether or not it is in an urban, non-urban or rural location.

- **Lease Date** – This considers the date of the initial lease rates and whether or not it is current or based on an older rate conclusion that has just been trended upward over the last several years.

- **Airport Improvements** – This reflects such characteristics as the size of the airport, in-place infrastructure (airport security, fire safety, controlled or non-controlled airspace, runway capabilities, services, etc.).

- **Demand Generators** – This considers what type of demand the airport caters to such as commercial, corporate, air cargo or general aviation traffic, year-round or seasonable type destination travelers, etc.

The following chart summarizes our general adjustment process for the comparable airports discussed previously and utilizing the adjustment factors discussed previously.

<table>
<thead>
<tr>
<th>Comp. No.</th>
<th>Airport Name</th>
<th>Location Characteristics</th>
<th>Lease Date</th>
<th>Airport Improvements</th>
<th>Demand Generators</th>
<th>Lease Rate</th>
<th>Overall Rating</th>
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<td>AP-1</td>
<td>Eugene - Mahlon Sweet</td>
<td>Similar</td>
<td>Inferior</td>
<td>Similar</td>
<td>Similar</td>
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<tr>
<td>AP-2</td>
<td>Rogue Valley International</td>
<td>Similar</td>
<td>Very Inferior</td>
<td>Similar</td>
<td>Similar</td>
<td>$0.21</td>
<td>Inferior</td>
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<td>Salem Municipal</td>
<td>Similar</td>
<td>Superior</td>
<td>Inferior</td>
<td>Similar</td>
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<tr>
<td>AP-4</td>
<td>Bend Municipal</td>
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<td>Similar</td>
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<td>AP-5</td>
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<td>$0.21</td>
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<td>Superior</td>
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<td>$0.25</td>
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<td>Similar</td>
<td>$0.21</td>
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<tr>
<td>AP-11</td>
<td>Gallatin Field</td>
<td>Similar</td>
<td>Inferior</td>
<td>Similar</td>
<td>Similar</td>
<td>$0.25</td>
<td>Slightly Inferior</td>
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</table>

*Compiled by Cushman & Wakefield of Oregon, Inc.*

Based on the data, we consider a current lease rate for “airside sites” at the Roberts Field-Redmond Municipal Airport would fall within a range bracketed by the comparables considered most similar overall or from within a range from $0.25 to $0.32 per square foot per year.

From this, we have concluded to a current fair market rental rate for the for “airside sites” at the Roberts Field-Redmond Municipal Airport to be $0.30 per square foot per year. Our land lease rate conclusion is summarized in the following table.
**LAND LEASE RATE CONCLUSION**

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<tr>
<th>Land Type</th>
<th>Lease Rates&lt;sup&gt;1&lt;/sup&gt; ($/SF/YR)</th>
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<td>Airside Sites&lt;sup&gt;2&lt;/sup&gt;</td>
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</table>

Land Lease Rate Conclusion ($/SF/YR) $0.30

<sup>1</sup> Annual rate ($/SF/YR) is most common denominator for land lease rates

<sup>2</sup> All sites at Roberts Field represent airside sites with available utilities

Compiled by Cushman & Wakefield of Oregon, Inc.
**CONFIRMATION INFORMATION**

The following chart outlines the parties that were contacted in reference to the enclosed rental rates used in this analysis.

<table>
<thead>
<tr>
<th>Comp. No.</th>
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<td>Airport Manager</td>
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<td>AP-4</td>
<td>Airport Manager</td>
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<tr>
<td>AP-5</td>
<td>Department of Aeronautics</td>
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<td>AP-6</td>
<td>Airport Manager</td>
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<tr>
<td>AP-7</td>
<td>Port of Portland</td>
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<td>AP-8</td>
<td>Port of Portland</td>
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<td>AP-9</td>
<td>Airport Manager</td>
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<td>AP-10</td>
<td>Airport Leasing Office</td>
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ASSUMPTIONS AND LIMITING CONDITIONS

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.

- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.

- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.

- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).

- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.

- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.

- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. C&W assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.

- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.
The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.

Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.

Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. C&W recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.

If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.

In the event of a claim against C&W or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by C&W or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.

If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and C&W, its employees and the Appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party that retained C&W to prepare the Report.

Any estimate of insurable value, if included within the agreed upon scope of work and presented within this report, is based upon figures derived from a national cost estimating service and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, we make no warranties regarding the accuracy of this estimate.

By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.
CERTIFICATION OF APPRAISAL

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Mark E. Bryant did make a personal inspection of the property that is the subject of this report, but did not personally inspect the comparable airports. Steve Zenker, MAI did not make a personal inspection of the property that is the subject of this report or the airport comparables.
- No one provided significant real property appraisal assistance to the persons signing this report.
- As of the date of this report, Steve Zenker, MAI has completed the continuing education program of the Appraisal Institute.

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GLOSSARY OF TERMS & DEFINITIONS

The following definitions of pertinent terms are taken from The Dictionary of Real Estate Appraisal, Fourth Edition (2002), published by the Appraisal Institute, Chicago, IL, as well as other sources.

**Accrued Depreciation**
1. In appraisal, a loss in property value from any cause; the difference between the reproduction or replacement cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. 2. In regard to improvements, depreciation encompasses both deterioration and obsolescence. 3. In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specific method.

**Band of Investment Analysis**
A technique in which the capitalization rates attributable to components of capital investment are weighted and computed to derive a weighted average rate attributable to the total investment.

**Cash Equivalence**
A price expressed in terms of cash, as distinguished from a price expressed totally or partly in terms of the face amounts of notes or other securities that cannot be sold at their face amounts. Calculating the cash-equivalent price requires an appraiser to compare transactions involving atypical financing to transactions involving comparable properties financed at typical market terms.

**Ellwood Formula**
Yield capitalization method that provides a formulaic solution for developing a capitalization rate for various combinations of equity yields and mortgage terms. The formula is applicable only to properties with stable or stabilized income streams and properties with income streams expected to change according to the J- or K-factor pattern.

**Exposure Time**
The length of time the property being appraised would have been offered on the market prior to the hypothetical consumption of a sale at the market value on the effective date of the appraisal. Exposure time is presumed to precede the effective date of the appraisal.

The reasonable exposure period is a function of price, time and use. It is not an isolated opinion of time alone. Exposure time is different for various types of property and under various market conditions. It is a retrospective opinion based on an analysis of past events, assuming a competitive and open market. It assumes not only adequate, sufficient and reasonable time but adequate, sufficient and a reasonable marketing effort. Exposure time and conclusion of value are therefore interrelated.

**Extraordinary Assumptions**
An extraordinary assumption is "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis."

**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.

**Hypothetical Conditions**
A hypothetical condition is "that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis."

**Insurable Value**
- The value of an asset or asset group that is covered by an insurance policy; can be estimated by deducting costs of noninsurable items (e.g., land value) from market value.
- Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost plus allowances for debris removal or demolition less deterioration and noninsurable items. Sometimes cash value or market value, but often entirely a cost concept. (Marshall & Swift LP)

**Leased Fee Interest**
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

**Leasehold Interest**
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

**Market Rent**
The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and evaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby:
- Lessee and lessor are typically motivated.
• Both parties are well informed or well advised, and acting in what they consider their best interests.
• A reasonable time is allowed for exposure in the open market.
• The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract.
• The rental amount represents the normal consideration for the property lease unaffected by special fees or concessions granted by anyone associated with the transaction.

**MARKET VALUE**
The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

• Buyer and seller are typically motivated;
• Both parties are well informed or well advised, and acting in what they consider their best interests;
• A reasonable time is allowed for exposure in the open market;
• Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
• The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (12 C.F.R. Part 34.42(g) Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 28499, June 7, 1994)

**MARKETING TIME**
1. The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal. 2. An estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal, the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by concurrent market conditions. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, “Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions” address the determination of reasonable exposure and marketing time.)

**MORTGAGE-EQUITY ANALYSIS**
Capitalization and investment analysis procedures that recognize how mortgage terms and equity requirements affect the value of income-producing property.

**OPERATING EXPENSES**
Other Taxes, Fees & Permits - Personal property taxes, sales taxes, utility taxes, fees and permit expenses.

Property Insurance – Coverage for loss or damage to the property caused by the perils of fire, lightning, extended coverage perils, vandalism and malicious mischief, and additional perils.

Management Fees - The sum paid for management services. Management services may be contracted for or provided by the property owner. Management expenses may include supervision, on-site offices or apartments for resident managers, telephone service, clerical help, legal or accounting services, printing and postage, and advertising. Management fees may occasionally be included among recoverable operating expenses.

Total Administrative Fees – Depending on the nature of the real estate, these usually include professional fees and other general administrative expenses, such as rent of offices and the services needed to operate the property. Administrative expenses can be provided either in the following expense subcategories or in a bulk total. 1) Professional Fees – Fees paid for any professional services contracted for or incurred in property operation; or 2) Other Administrative – Any other general administrative expenses incurred in property operation.

Heating Fuel - The cost of heating fuel purchased from outside producers. The cost of heat is generally a tenant expense in single-tenant, industrial or retail properties, and apartment projects with individual heating units. It is a major expense item shown in operating statements for office buildings and many apartment properties. The fuel consumed may be coal, oil, or public steam. Heating supplies, maintenance, and workers’ wages are included in this expense category under certain accounting methods.

Electricity - The cost of electricity purchased from outside producers. Although the cost of electricity for leased space is frequently a tenant expense, and therefore not included in the operating expense statement, the owner may be responsible for lighting public areas and for the power needed to run elevators and other building equipment.

Gas - The cost of gas purchased from outside producers. When used for heating and air conditioning, gas can be a major expense item that is either paid by the tenant or reflected in the rent.

Water & Sewer - The cost of water consumed, including water specially treated for the circulating ice water system, or purchased for drinking purposes. The cost of water is a major consideration for industrial plants that use processes depending on water and for multifamily projects, in which the cost of sewer service usually ties to the amount of water used. It is also an important consideration for laundries, restaurants, taverns, hotels, and similar operations.

Other Utilities - The cost of other utilities purchased from outside producers.

Total Utilities - The cost of utilities net of energy sales to stores and others. Utilities are services rendered by public and private utility companies (e.g., electricity, gas, heating fuel, water/sewer and other utilities providers). Utility expenses can be provided either in expense subcategories or in a bulk total.

Repairs & Maintenance - All expenses incurred for the general repairs and maintenance of the building, including common areas and general upkeep.

Repairs and maintenance expenses include elevator, HVAC, electrical and plumbing, structural/roof, and other repairs and maintenance expense items.

Repairs and Maintenance expenses can be provided either in the following expense subcategories or in a bulk total. 1) Elevator - The expense of the contract and any additional expenses for elevator repairs and maintenance. This expense item may also include escalator repairs and maintenance. 2)
HVAC – The expense of the contract and any additional expenses for heating, ventilation and air-conditioning systems. 3) Electrical & Plumbing - The expense of all repairs and maintenance associated with the property's electrical and plumbing systems. 4) Structural/Roof - The expense of all repairs and maintenance associated with the property's building structure and roof. 5) Pest Control - The expense of insect and rodent control. 6) Other Repairs & Maintenance - The cost of any other repairs and maintenance items not specifically included in other expense categories.

Common Area Maintenance - The common area is the total area within a property that is not designed for sale or rental, but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. Common Area Maintenance (CAM) expenses can be entered in bulk or through the sub-category. 1) Utilities - Cost of utilities that are included in CAM charges and passed through to tenants. 2) Repair & Maintenance - Cost of repair and maintenance items that are included in CAM charges and passed through to tenants. 3) Parking Lot Maintenance - Cost of parking lot maintenance items that are included in CAM charges and passed through to tenants. 4) Snow Removal - Cost of snow removal that are included in CAM charges and passed through to tenants. 5) Grounds Maintenance - Cost of ground maintenance items that are included in CAM charges and passed through to tenants. 6) Other CAM expenses are items that are included in CAM charges and passed through to tenants.

Painting & Decorating - This expense category is relevant to residential properties where the landlord is required to prepare a dwelling unit for occupancy in between tenancies.

Cleaning & Janitorial - The expenses for building cleaning and janitorial services, for both daytime and night-time cleaning and janitorial service for tenant spaces, public areas, airrooms, elevators, restrooms, windows, etc. Cleaning and Janitorial expenses can be provided either in the following subcategories or entered in a bulk total. 1) Contract Services - The expense of cleaning and janitorial services contracted for with outside service providers. 2) Supplies, Materials & Misc. - The cost of cleaning materials and any other janitorial supplies required for property cleaning and janitorial services and not covered elsewhere. 3) Trash Removal - The expense of property trash and rubbish removal and related services. Sometimes this expense item includes the cost of pest control and/or snow removal. 4) Other Cleaning/Janitorial - Any other cleaning and janitorial related expenses not included in other specific expense categories.

Advertising & Promotion - Expenses related to advertising, promotion, sales, and publicity and all related printing, stationary, artwork, magazine space, broadcasting, and postage related to marketing.

Professional Fees - All professional fees associated with property leasing activities including legal, accounting, data processing, and auditing costs to the extent necessary to satisfy tenant lease requirements and permanent lender requirements.

Total Payroll - The payroll expenses for all employees involved in the ongoing operation of the property, but whose salaries and wages are not included in other expense categories. Payroll expenses can be provided either in the following subcategories or entered in a bulk total. 1) Administrative Payroll - The payroll expenses for all employees involved in ongoing property administration. 2) Repair & Maintenance Payroll - The expense of all employees involved in on-going repairs and maintenance of the property. 3) Cleaning Payroll - The expense of all employees involved in providing on-going cleaning and janitorial services to the property. 4) Other Payroll - The expense of any other employees involved in providing services to the property not covered in other specific categories.

Security - Expenses related to the security of the lessees and the property. This expenses item includes payroll, contract services and other security expenses not covered in other expense categories. This item also includes the expense of maintenance of security systems such as alarms and closed circuit television (CCTV), and ordinary supplies necessary to operate a security program, including batteries, control forms, access cards, and security uniforms.

Roads & Grounds - The cost of maintaining the grounds and parking areas of the property. This expense can vary widely depending on the type of property and its total area. Landscaping improvements can range from none to extensive beds, gardens and trees. In addition, hard-surfaced public parking areas with drains, lights, and marked car spaces are subject to intensive wear and can be costly to maintain.

Other Operating Expenses - Any other expenses incurred in the operation of the property not specifically covered elsewhere.

Real Estate Taxes - The tax levied on real estate (i.e., on the land, appurtenances, improvements, structures and buildings); typically by the state, county and/or municipality in which the property is located.

**Prospective Value Opinion**

A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

**Prospective Value Upon Reaching Stabilized Occupancy**

The value of a property as of a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. At such point, all capital outlays for tenant improvements, leasing commissions, marketing costs and other carrying charges are assumed to have been incurred.

**Value As Is**

The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal. It relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.
ADDENDA CONTENTS

ADDENDUM A: AIRPORT EXHIBITS
ADDENDUM B: COMPARABLE AIRPORT PHOTOGRAPHS
ADDENDUM C: QUALIFICATIONS OF THE APPRAISERS
ADDENDUM A:
AIRPORT EXHIBITS
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<th>LEASE NO.</th>
<th>LEASE NAME</th>
<th>LEASE TYPE</th>
<th>LEASE DESCRIPTION</th>
<th>LEASE TERM</th>
<th>LEASE EXPIRATION</th>
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<td>1</td>
<td>Airborne Equipment, Inc.</td>
<td>Industrial Land</td>
<td>Space in Radio Room and Antenna</td>
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<td>APCO Paving</td>
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<td>Avis Rent-A-Car</td>
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<td>Bank of America</td>
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<td>Butler Aircraft Company</td>
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<td>13</td>
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<td>15</td>
<td>Eagles Club</td>
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<td>Heidtman</td>
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<td>Jellis, Ronald</td>
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<td>Joint Golf Course</td>
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<td>20 Years</td>
<td>December 31, 2023</td>
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<td>43</td>
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<td>47</td>
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ADDENDUM B: COMPARABLE AIRPORT PHOTOGRAPHS
ADDENDUM C: QUALIFICATIONS OF THE APPRAISERS
PROFESSIONAL QUALIFICATIONS

Mark E. Bryant  
Managing Director, Valuation Services, Capital Markets Group

Mr. Bryant has been involved in the real estate appraisal industry since 1980. Was employed from 1980 to 1986 by Western Appraisals & Survey in Lewiston, Idaho.

Mr. Bryant joined Cushman & Wakefield of Oregon, Inc. in 1986 in the Valuation Advisory Services Group in Portland, Oregon. Mr. Bryant was named an Associate Director in 1990, given Directorship in 1995 and was named a Managing Director in 2002.

Experience

Appraisal and consulting assignments have included vacant land, office buildings, shopping centers, industrial complexes, commercial properties, single- and multi-family residential properties, motels, senior housing, aviation properties, ad valorem mass appraisals, and other investment properties throughout the United States. Valuations have been made of proposed, partially completed, renovated and existing properties. Has been qualified as an expert witness in bankruptcy litigation in the State of Oregon.

From 1980 to 1985, Mr. Bryant was general real estate appraiser focusing on all property types, including residential, commercial, agriculture and special use properties throughout the country. Western Appraisal also conducted mass appraisals for various assessor offices and Mr. Bryant assisted in ad valorem valuation and board hearings for several county assessor offices in Idaho.

From 1991 through 1998, Mr. Bryant’s primary focus was on the valuation and consultation on multi-family housing properties, with a special focus on affordable housing properties. He was a senior appraiser for the company's Affordable Housing Group. Mr. Bryant has personally appraised and/or consulted on in excess of 250 affordable housing properties nationwide.

From 1998 to 2001, Mr. Bryant was a senior appraiser in the Senior Housing/Healthcare Industry Group and prepared appraisals, market surveys and feasibility studies on all facets of senior housing and healthcare properties for corporate and institutional clients. Mr. Bryant has personally appraised and consulted on in excess of 500 senior housing and healthcare facilities nationwide.

Mr. Bryant was named National Co-Director of the Senior Housing/Healthcare Industry Group in 2001. As National Co-Director, his responsibilities included coordination of the firm's national Senior Housing/Healthcare Industry Group consisting of appraisers who specialize in the valuation of independent living retirement communities, assisted living facilities, continuing care retirement facilities, skilled, intermediate and subacute care nursing homes, hospitals and other healthcare oriented property types.
PROFESSIONAL QUALIFICATIONS

Mr. Bryant was named National Director of the Affordable Housing Industry Group in 2003. As National Director, his responsibilities include coordination of the firm’s national Affordable Housing Industry Group consisting of appraisers who specialize in the valuation of affordable housing properties, including those in the Low Income Housing Tax Credit (LIHTC), Section 8, Rural Development (RD), Farm Home Administration and other low-income property types.

Mr. Bryant is also a commercial pilot and also served as the corporate pilot for Western Appraisals and Surveys during his employment in 1980 to 1986. Mr. Bryant has appraised numerous aviation properties, including general aviation and corporate hangars, air cargo facilities, air terminals, etc. and continues to provide valuation and consultation services nationwide on aviation real estate.

Education
University of Idaho, Moscow, Idaho, Graduated 1981
Degree: Bachelor of Science, Geography

Appraisal Education
Required curriculum for Membership, Appraisal Institute. Has completed continuing education courses and seminars sponsored by the Appraisal Institute and other real estate factions on an annual basis to maintain state licensing requirements.

Memberships and Professional Affiliations
• Associated Member, Appraisal Institute

Licenses
• State of Alaska - Certified General Appraiser – License No. 604
• State of Idaho - Certified General Appraiser – License No. CGA160
• State of Montana - Certified General Appraiser – License No. 281RAG
• State of Oregon - Certified General Appraiser – License No. C000186
• State of Utah - Certified General Appraiser – License No. 5480778-CG00
• State of Washington - Certified General Appraiser – License No. 1100523
PROFESSIONAL QUALIFICATIONS

Steven A. Zenker, MAI
Senior Director, Valuation Services, Capital Markets Group

Mr. Zenker has been involved in the real estate appraisal industry since 1986. Mr. Zenker was employed from 1986 to 1991 with Diversified Realty Appraisal in Newport Beach, California.

Mr. Zenker joined Cushman & Wakefield of Oregon, Inc. in 1991 in the Valuation Advisory Services Group in Portland, Oregon. Mr. Zenker was named an Associate Director in 1993, given Directorship in 1997 and was named a Senior Director in 2002.

Experience
Appraisal and consulting assignments have included vacant land, office buildings, shopping centers, industrial complexes, commercial properties, multi-family residential properties, motels and other investment properties throughout the United States. Valuations have been made of proposed, partially completed, renovated and existing structures.

From 1986 to 1991, Mr. Zenker was a general real estate appraiser focusing on all property types, including residential, commercial, industrial and special use properties throughout the California.

Since 1991, Mr. Zenker's primary focus has been on the valuation and consultation on office, retail, multi-family and industrial properties.

Education
University of California, Irvine, Graduated 1983
Degree: Bachelor of Arts, Economics/Mathematics

Appraisal Education
Required curriculum for Membership, Appraisal Institute. Mr. Zenker has completed continuing education courses and seminars sponsored by the Appraisal Institute and other real estate factions on an annual basis to maintain state licensing requirements.

Memberships and Professional Affiliations
- Member, Appraisal Institute
Licenses
- State of California Real Estate Broker
- State of Alaska - Certified General Appraiser - License No. AA 169
- State of Arizona - Certified General Appraiser - License No. 31107
- State of California - Certified General Appraiser - License No. AG001948
- State of Idaho - Certified General Appraiser - License No. CGA-159
- State of Montana - Certified General Appraiser - License No. 830
- State of Nebraska - Certified General Appraiser - License No. CG270034R
- State of Oregon - Certified General Appraiser - License No. C000202
- State of Utah - Certified General Appraiser - License No. 5476698-CG00
- State of Washington - Certified General Appraiser - License No. 1100232