Collins Lake Resort Town Homes
Conference Center, Hotel and Gondola
Government Camp, Oregon
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Right now, economists admit that real estate is generally the only sector that is experiencing strong growth in this weak economy. The market is booming. And, Clackamas County is the fastest growing county in Oregon, recently overtaking Washington County. With a reasonably sound school system, a strong consumer market and access to some of the country's most breathtaking vistas and exciting recreational areas, Oregon's real estate market is extremely strong. It's a great place to raise a family, be a "ski or golf bum," retire, recreate or relax. The advantage for new and second homebuyers is the bountiful assortment of home styles, prices and diverse geographical atmospheres. House hunters in Oregon may find a log home nestled in the forest a stone's throw from skiing; renovated warehouse space gone condo in downtown Portland's bustling Pearl District community; or a brand new golf-course fronted home with central recreational facilities and landscaping maintenance, all within reach of magnificent mountains, and hundreds of pristine lakes and rolling rivers. From a cozy studio apartment to a slope side condo, to a brand new suburban home, we've got it all!

But, the window of opportunity to invest in the exceptional Collins Lake Resort is now. Located within walking distance of Mt. Hood's Ski Bowl, America's largest night ski area, it is in the heart of Oregon's most popular winter recreation spots. Nestled on Mount Hood and surrounded by the Mount Hood National Forest in the village of Government Camp, you will find the vacation home from which dreams are made. For a weekend getaway or as your very own new home, the majestic views of Mount Hood, Multorpor Mountain and the beautiful surrounding vistas will take your breath away.

This property is prime real estate; located between Highway 26 and Government Camp Loop Road on Mount Hood, it is less than an hour drive from Portland. Collins Lake Resort is located in the outdoor recreation capitol of the West! Access to golfing and fishing, and with close proximity to three large ski areas, countless cross country ski and snowshoe trails, mountain bike trails, hiking, and mountain climbing - it's North America's only year-round snow ski and snow board area.
And, investments are being made on the infrastructure of Government Camp with about $5 million recently spent on a new sewer plant and water line, setting the stage for our beautifully conceived plan. Collins Lake Resort includes 171 town homes, a clubhouse, walking and biking trails, snowshoe and cross country ski trails. In addition, since this section of Barlow Road is listed as a Historic Corridor, informational signs will be installed, one near the soon-to-be-restored wooden bridge. They will provide information about the location and history of Barlow Road.

The vision for future phases includes a proposed hotel and conference center, new retail space, and an aerial tramway. Should this vision become a reality, Mt. Hood Ski Bowl East and Timberline Lodge and their ski areas will be served with the least amount of intrusion on the environment, alleviating the existing traffic and parking problems and allowing for ski-in/ski-out, one ticket access to both resorts.

And, this is a most definitely a “year-round” resort. Although Mount Hood is known for its winter recreational sports, many people are surprised to hear that occupancy rates are higher in the summer than the winter. Due to the unique summer glacier skiing bringing in thousands every summer to ski and snowboard, it’s more difficult to find a room on weekends in the summer than the winter.
Collins Lake Resort, a unique and visionary project, will attract new tourism dollars by extending the shoulder seasons of spring and fall. The new hotel and conference center will result in an influx of the economies of Government Camp and Mount Hood. This will provide an extremely lucrative long-term return for investors. Collins Lake Resort Town Homes afford a rare opportunity to be on the ground floor of a great new concept and development, creating a brand new focal point for recreation and leisure for the State of Oregon and the entire West Coast.

**Absorption Rate**

Absorption rate is the time it takes for each unit within a project to be sold. It is a factor of supply and demand within the marketing area, as well as the price and location of various subdivisions or competing projects within the area. To project typical absorption for this property, historic rates of sale are reviewed from actual closed sales within the market area and planning bodies are polled for future competition during the marketing phase of Collins Lake Resort.

There has been very little availability of residential property in the Government Camp area so direct extraction of absorption rates is difficult. Anecdotal evidence based on interviews with realtors in the Government Camp area suggests that the area has appeal to recreation property buyers. There is pent up demand for housing under $200,000 due to a lack of the necessary water and sewer infrastructure in Government Camp until recently. When comparing all residential properties in Government Camp that were in the proposed price range of Collins Lake Town Homes an absorption rate of around seven units per month resulted. ¹

**Valuation**

Valuation began with an analysis of the raw land value including approvals and engineering costs on the site. The raw land value was concluded at $10,550 per unit plus premiums of $3500 each for

¹ Zell & Associates Real Estate Appraisers - page 73
entitlements and engineering for the 10.02 developable acres of $2,490,000. Next, the finished site of the 26 town house units being appraised was estimated via the cost approach with the value concluded at $940,000 or about $36,600 per unit. The cost approach was then applied to the site and 26 completed town house units, utilizing the developers cost estimate checked by costs from Marshal and Swift Valuation Service, with a concluded value of $3,540,000 or $136,229 per unit plus entitlement premiums (See pro forma in addendum.)

The sales comparison approach was applied to estimate the base value for the floor plans. Five town homes were surveyed and nine comparables were analyzed concluding a base value for individual town homes of $189,000. It should be noted, however, that due to the unique value proposition and location of Collins Lake Resort Town Homes above the snow line, direct comps are unavailable.
**Description of Collins Lake Resort Town Homes**

Mt. Hood LLC is developing Collins Lake Resort, a new community located in the heart of Government Camp. Kirk Hanna, the owner and operator of Mt. Hood Ski Bowl has designed the site to exceed the needs of new and second home-buyers who want to enjoy breathtaking vistas and take advantage of exciting recreational areas - all year round.

Mr. Hanna’s vision encompassed three primary guidelines: preserve the natural beauty and features of the area; build affordably-priced town homes; and build homes with extremely high quality materials and low maintenance costs. He will accomplish all three goals by building the townhomes, hotel and conference center with retail space on 10.02 of the 28.91 acres. 16.38 acres will remain as wetlands; keeping the prices under $200,000 per town home; and building with a blend of natural cedar shingles, heavy timber gables, cementitious horizontal siding, natural stone and standing seam metal roofing to create the native "Cascadian" architectural appearance that is indigenous to the area.

Collins Lake Resort Town Homes, a phased development consisting of 171 town homes in 25 buildings plus site amenities, was approved by Clackamas County in January 2001. The concept is a six-phase plan, which is flexible and can be
modified based on the success of the sales cycle. The first phase is comprised of 26-units in five buildings, with an entrance gate and decorative entry monuments. Construction began on the first four-plex in September 2002, and currently the site grading, water, sewer bore under Highway 26, and the foundations for the first building are in place.

There are two floor plans - the difference between the two is the addition of a den or office on the second floor. Both floor plans have about 1200 square feet of gross living area plus a built-in garage on the ground floor, a deck on the main level and an entry porch. The laundry room and entry are located on the ground floor next to the garage. The main level consists of the kitchen and dining area, a half bath and a living room with a fireplace and deck. The upper level has two bedrooms and two baths in both models.

Included home amenities consist of Taylorcore insulated steel garage doors with automatic door openers; hardi-plank siding with wood cedar shingles; Pabco Premier 30-year laminated fiberglass shingles; Lennox 75,000 BTU propane gas for cooktop, water heater, heat and optional outdoor barbecue and an option for air conditioning and electronic air filter. The interior walls are textured sheetrocked and there will be wall-to-wall carpeting with six-ounce padding in the living, dining, powder rooms, upper stairway, hallway, bedrooms and closets. The homes will be pre-wired for security systems, telephone, CAT 5, and cable TV. A GE cooktop and microwave/oven combination, dishwasher and disposal are included. Front and rear yards will be landscaped. In addition, the option for high speed Internet access will be available for the first time on Mount Hood, with the purchase of a Town Home at Collins Lake.

The generous site amenities also include the entrance gate and decorative monuments, a recreation facility/clubhouse that has a universal gym, a network of trails for summer and winter use, gazebo and outdoor spa.

**History, Approvals and Status**

**History**

The Village of Government Camp is located on the southerly slopes of Oregon’s best-known and largest mountain, the majestic Mount Hood. At approximately one hour east of Portland, Government Camp is on Barlow Road, a section of the Oregon Trail that provided early pioneers a route from The Dalles to Oregon City.

Native American Indians were the first to discover trade and travel routes across the Cascade Mountains. Pioneers flowed from various points in the Missouri Valley along the Oregon Trail in the early to mid 1800’s. After reaching the Dalles Mission, they were confronted with a treacherous boat ride down the Columbia River.
Samuel Barlow, an enterprising adventurer, blazed a trail that followed the centuries-old Native American trails around Mount Hood, to the Willamette Valley Region. Until he made this toll road publicly available, the pioneers could only reach the valley using rented log rafts, battling the tumultuous Columbia River. Barlow offered an alternative to the perils of these primitive rafts, however, the route wasn't without its dangers. The mountain's unpredictable weather was always a risk and at a point along the trail, the wagons had to be lowered by ropes down steep chutes.

In 1849, the Oregon Militia, part of the U.S. Army and the first official military presence in Oregon, used Barlow Road to get to Fort Vancouver. The Militia was caught in a storm crossing Mount Hood and several wagons had to be abandoned there.

Emigrants crossing Barlow Road the following season camped at this site, naming it Government Camp for the government wagons they found here.

Permanent settlement of Government Camp began during the late 1890's with Oliver C. Yocum as one of the first homesteaders. Yocum built the town's first hotel in 1899, and others soon followed. During the early 1900's, the community was a summer resort and base camp for mountain
climbers. Highway 26 opened in 1926 and by the 1930’s the town quickly became a winter resort. The geology of the area reflects both its volcanic origins as well as the impact of glaciation and recent stream deposits. Because Mount Hood is a dormant volcano with the last recorded eruption witnessed in 1865, the area is characterized by geothermal activity. Several lodges have tapped into this activity as a source of heat and warm water for swimming and other activities.

**Government Camp Today**

Oregon’s tallest landmark, Mount Hood rises to an elevation of 11,245 feet and is often referred to as the “Crown Jewel” of the Cascade Range. The scenic and recreational advantages of Mount Hood’s 46-mile proximity to Portland are evidenced by Government Camp visitations levels that exceed an estimated 2.5 million people every year. Mount Hood is the most climbed mountain in North America and is second world wide to Mt. Fujiyama in Japan.

At an elevation of about 4000 feet on the slopes of Mount Hood, the Government Camp area includes three alpine ski areas, Nordic ski trails, snow parks and snowmobile areas. Mt. Hood Development LLC is the sister company to H-Ski Corp, which owns and operates Mt. Hood Ski Bowl that has the most lighted night ski runs in the country. Ski Bowl is located across Hwy 26 from the proposed development site. Government Camp is also home to the Summit Ski Area with a single chair lift, a beginner run and tubing hill. Other ski resorts in close proximity are Timberline and Mt. Hood Meadows Ski resort.

The core area of Government Camp is the central commercial and mixed use district located along Mt. Hood Loop Road which serves as the business loop of Highway 26. Sometimes referred to as Main Street, the Loop Road was once the main highway before the existing bypass was constructed about 45 years ago. As through-traffic was diverted from the core area, a decline in commercial business occurred in the village that continued until recent years.
As population and workforce in the Portland/Vancouver area increased, Mount Hood became a major recreational destination spot with three ski areas, camping, hiking, fishing, biking and other sports. The recreational activities around the Government Camp Village area attract more than 2.5 million people each year.

Government Camp's population is comprised of approximately 250 permanent residences, which swells during ski season. The village has sewer and water services for approximately 900 additional units. New expansion of this service has been completed in preparation for the additional population base expected from the Collins Lake development. Like many resort areas, employment is centered on the ski resorts, local business and government jobs. The Oregon Trail School District has schools located in Welches about 20-30 minutes away, as well as Sandy High School, which services Government Camp.

**Development in Government Camp**

Kirk Hanna, President and owner of H-Ski Corporation and visionary behind Mt. Hood Ski Bowl has been active in the rebuilding of Government Camp Village from the very beginning. An original member of the Government Camp Revitalization Project since 1989, Mr. Hanna is still extremely active in the planning and implementation for the Village of Government Camp, to ensure that the vision of Oregon’s next destination resort comes to fruition.

Since 1989 the Government Camp Revitalization Project has been involved in the use of tax increment financing (TIF) to revitalize the area. As an early member of this committee, Mr. Hanna was instrumental in the implementation of projects such as street light and signage improvements, development of snow management facilities, pedestrian access improvements, developing cross country ski trails, and a feasibility study for an overhead tramway or people mover. Complete and current projects center around improved snow removal, a 48-unit employee housing project, a museum and cultural center, development of an urban transportation system, retail site development and core area improvements for lighting, facades, sidewalks, landscaping, paving and signage. A 7,000 square foot community recreational center will also be built.

Even though Government Camp is a small, unincorporated community, basic urban services are available. Privately owned and operated Government Camp Water Company serves the village. Domestic water is piped directly from a spring source on Upper Camp Creek into a 100,000-gallon storage tank. There are over 130 connections to the system with the capability to expand for future demand. The Government Camp Sanitary District provides sewer service. The existing treatment plant has been recently expanded to double in size with a
winter capacity of 225,000 gallons per day and 130,000 gallons in summer. The district serves in excess of 350 dwellings and 20 businesses. The operator estimates the existing facilities could easily handle another 900-1000 units. Portland General Electric provides power to the area and the county recently completed an underground power and telephone line project in the Village core. The work was funded using TIF money and has improved visual aesthetics and results in fewer power failures caused from down power lines. Hoodland Fire District provides fire protection, utilizing a substation in Government Camp that relies primarily on volunteers. Law enforcement is provided by the Clackamas County Sheriff Department.

Average cumulative snowfalls on Mount Hood are roughly 310 inches at Government Camp and Mt. Hood Ski Bowl, 430 inches at Mt. Hood Meadows and 550 inches at Timberline. To establish a pedestrian-friendly alpine village feeling in Government Camp, a snow removal study was conducted and it was determined that a heated pedestrian pathway would be constructed to ensure usability.

In conclusion, our third party analysts concur that due to the revitalization program, high demand, and the escalating real estate values, Government Camp could position Collins Lake Resort as a unique community development that will attract a significant amount of interest. The Portland area
has a mild climate with natural resources affording a large amount of recreational activities. Portland has grown significantly over the past decade and continued growth is forecast. The metro area offers a large consolidated, well-educated population that is able to support a vast array of financial and cultural services. Stable population growth and continuing investment in the local business community provides reasonable assurance of continued economic viability for at least the next several years.\(^2\)

The region has a strong and sometimes controversial government with being the Urban Growth Boundary, primary influence upon real estate. Only a limited expansion of the boundary is likely in the near future thus creating a real estate environment extremely conducive to appreciation of real estate values. (See more about this in the Government and Political Drivers section of this document.)

The area's highly touted quality of life, including clean air and water, and varied recreational activities continues to attract new residents and new corporate investment. With continued careful governmental oversight of growth, the overall quality of life will be maintained.

**Approvals**

The following state and county organizations have approved portions of the Collins Lake Resort development project:

- Building Codes Division - Department of Transportation and Development, Clackamas, Oregon: Approved
- Inspection - Department of Transportation and Development, Clackamas, Oregon: Approved
- Site Permits - Department of Transportation and Development, Clackamas, Oregon: Approved
- Building Services Permits - Government Camp Sanitary District: Approved
- State Highway Access Permit - Oregon Department of Transportation: Approved
- Sewer Bore Permit - Oregon Department of Transportation: Approved
- Clackamas County Department of Transportation and Development: Land Use and Environmental Planning - Approved

The development site is being built congruent to the following Clackamas County Zoning and Development Ordinances: Section 1002 - protection of natural features. Significant wetlands are located on the proposed site and have been delineated. Compliance emanates from the Division of State Lands (DSL).

Section 1005 - building siting and design application has been satisfied by meeting the following objectives:

\(^2\) Zell and Associates Real Estate Appraisers Report Page 25
1. Energy conservation and use of solar potential for heat and light;
2. Compatibility with surrounding neighborhood uses and the environment;
3. Crime prevention measures and security of persons and property;
4. Ensuring that building orientation and site development include transit, bike and pedestrian features, i.e. sidewalks, bikeways.

Section 1010 - criteria for signs have been met.
Section 1021 - trash and recycling requirements have been met.

Based on the findings by the Clackamas County Design Review Committee, the application for phased multi-family development known as Collins Lake Resort is approved. (See addenda for complete report.)

**Collins Lake Site Environmental Impact**

Protecting wetlands and wildlife habitat is an important element of the development plan. With approximately 6300 acres of exclusive Forest Service Lands and an additional 2144 acres in ski permit areas, vegetation and wildlife are plentiful. Douglas Fir, western hemlock, Pacific silver fir and noble fir abound. Wildlife includes beaver, gophers, and numerous species of birds. Habitat value is considered greatest in summer.

Bruce Henderson and Peter Lattin of Henderson Land Services LLC, and Mike Pruett of Harper
Righellis, Inc. conducted a wetland determination report on October 23, 1997 on the projected site of Collins Lake Resort. Some of the findings from that report follow below and were available to assist in assessing the potential use of this site for the Collins Lake Resort Town Homes and for identifying federally and state regulated wetlands.

The site approximates 29 acres and is listed as a Resource Protection area in the Mount Hood Community Plan Map. The eastern quarter is predominately upland forest and meadow, with a wetland inclusion. The remaining portion is dominated by forest and shrub/scrub wetland with forested upland intrusions and inclusions surrounded by a man-made lake.

The wetlands on the site are ground-and surface-water influenced. The wetlands are of high functional value and represents similar conditions to the Nature Conservancy to the south across Highway 26. Their value is for storm water infiltration, sediment deposition, nutrient cycling, flood desynchronization, and plant and wildlife habitat. The recommendation from HLS required that the land developer establish a permanent and binding conservation easement for the area to be protected, essentially limiting any further use for other than non-impact activities.

As required by the Clackamas County Development Code, no wetlands will be filled for this project. The roadways will bridge over wetlands where required. Underground utilities will be required to cross through the wetlands and the appropriate permits have been applied for through the U.S. Army Corps of Engineers (COE) and the Division of State Lands (DSL).

All of the wooded wetlands areas will be maintained in their existing state. No future development is proposed in the sensitive wetland areas. They will remain undisturbed and in their natural state.

The proposed site consists of Restricted Land Area (RA) and no residential development will occur in wetlands, stream corridors or any geological hazards. There are no FEMA(Federal Emergency Management Association) flood hazard areas mapped on this site.

US Highway 26 is designated as a scenic highway. The buildings are set back 40 feet from Government Camp Loop Road. There is a heavily wooded area between the north edge of Highway 26 and the south side of the proposed buildings. This distance is more than 60 feet and will create an adequate natural buffer strip between the highway and the proposed development.

Clackamas County Development Ordinance has determined a mini-
mum of 25% of any site shall be used for landscaping and buffering. The site of Collins Lake Resort exceeded this criterion by designating more than 60% of the total site for landscaping and buffering. The proposed landscaping will be compatible with the existing vegetation found on the site and in the Government Camp area. In addition, large groves of trees located in the wetland areas will not be disturbed. Pedestrian trails through the wetlands will be constructed around the trees. No high priority open space, wetlands or significant natural areas will be disturbed by this development.¹ (See addenda for the entire Wetland Determination Report - Henderson Land Services LLC and Harper Righellis, Inc.)

**Profitability and Growth Opportunities**

**Supply and Demand Analysis**

Government Camp is well known for its skiing and winter recreational activities. The major ski areas are Ski Bowl, Mt. Hood Meadows and Timberline. Palmer lift at Timberline boasts the only year-round ski lift operation in North America.

The U.S. National Ski team has chosen this area many times as their formal training grounds. Summer camping is accommodated at many campsites throughout the area. With increasing summertime use, demand for resort/vacation housing on a year-round basis has increased significantly.

This demand has greatly exceeded the capacities of the existing Mt. Hood Ski areas. With the introduction and popularity of snowboarding in the 1980's and '90's, the demand for access to the slopes has dramatically increased. Due to the increasing demand, in 1991 Mt. Hood Meadows requested a revised master plan for their facility that would increase the number of skiers allowed at one time from 8600 to 17,500 skiers.⁶ This proposal included the construction of 1500 overnight units. Largely due to environmental impact of sensitive natural habitat areas, the approval was appealed and is no longer being considered.

**Feasibility Studies**

According to the Zell and Associates appraisal, the 10.02 acre site is physically feasible for development. It is generally level to sloping and typical of other sites in the area.

Physically, financially and legally the proposed land use for the site conforms to zoning guidelines and is legally permissible. The project has received approval from Clackamas County and construction has begun. From indications in the market, the units are very marketable as planned. Again, according to Zell & Associates, this project as proposed will be planned and developed to its highest and best use.

⁶ Palmer, Groth & Pietka, Inc. Commercial Real Estate Appraisal
Benefits of Collins Lake Resort

Development Descriptions
Located in the Alpine Village of Government Camp at the 4000 feet level of Mount Hood’s south side, about an hour from the metro Portland/Vancouver area is the site of the Town Homes at Collins Lake Resort.

Cascadian in design with quality construction throughout by Portland builder Joseph Hughes Construction, there will be a total of 171 units built in six phases, with 26 town homes in Phase One. They will have distinct and unique views of the ski slopes to the south and of Mount Hood to the north. In winter, snowshoe and cross-country ski trails will traverse Collins Lake and in summer, lake fishing and appealing hiking and bike trails will be available for homeowners to enjoy the natural surroundings. With a recreation center/clubhouse, hot tub, gazebo, and the potential for an aerial tramway to link skiers directly to Ski Bowl and Timberline, and an extensive shuttle system during peak season, this property has year-round appeal for young families, empty nesters, second homebuyers or those vying for new construction.

Best of all, the Town Homes at Collins Lake Resort is one of the only Government Camp locations that offers little or no maintenance for homeowners. In addition to the physical ameni-
ties, community snow removal and two-car garages are provided to limit the need for ongoing oversight for the absentee or permanent homeowner.

**Benefits and Differentiators**

The constraints of an antiquated infrastructure in Government Camp has stilted its growth. With $5 million invested in a new water and sewer system, expansion can begin. And, Collins Lake Resort Town Homes represents the first new residential housing development in Government Camp in 31 years.

Cascadian in design with modern floor plans and appliances, easy access to winter and summer outdoor activities, and amenities that match or exceed any nearby resort, Collins Lake Resort Town Homes are distinctly different from any existing residential development in Government Camp, Welches or the entire Mount Hood area. Due to the lack of sufficient infrastructure in Government Camp in the past, new demand has been created. The unparalleled recreational activities, competitive pricing, limited new construction in the area and trends in second home purchases, all highlight the fact that Collins Lake Resort is being built at an extremely opportune time.

**The Future Vision**

The extraordinary vision of Collins Lake Resort is for a multi-use development extending to the inclusion of a proposed gondola, hotel, conference center and retail space to round out this unique community concept.

The idea of an aerial tramway or gondola is not new to Mount Hood. The concept was initiated in 1976 when the University of Oregon created the Mt. Hood Community Plan as a means to limit the environmental impact in the area. It was continued through the Revitalization Plan in 1989, and today. The current version is of a gondola that travels from Collins Lake Resort and moves in one direction to Ski Bowl East and the other to Timberline. Residents of the Collins Lake Town Homes would have ski-in/ski-out access to either ski area without ever having to enter their two-car garage to start their car.

The Government Camp Village Revitalization Plan, originally adopted in 1989 by Clackamas County, endorsed the idea of a proposed gondola in order to address a variety of issues related to safety, vehicle trip/parking reduction, and pedestrian safety and efficiency. By connecting the Government Camp/Ski Bowl core area to the recreational ski and summer areas to the south and Timberline Lodge to the north, the number of automobile trips can be significantly reduced while stimulating tourist and recreational potential. There is existing zoning in place for the proposed gondola that was approved for the original tramway, north from Government Camp to Timberline Lodge. The old alignment area and trails are still in tact and a good foundation to begin building the proposed gondola.
Strong growth in Central Oregon and the Portland Metro Area has resulted in high peak hour traffic volumes along Highway 26 which is beginning to have an adverse effect on local Government Camp access and mobility to and from Highway 26. In addition, a recent transit use survey conducted as part of the Mt. Hood Transit Feasibility Study estimates 22% of the skier/snowboarder visitors arrive by bus and the remaining 78% arrive by car. There are plans in place to add a Government Camp shuttle system that would run from SkiBowl West to Collins Lake Resort and to the east side and back. In compliance with the results of the Government Camp Revitalization Plan, this shuttle allows for minimal environmental impact on the area as tourism during summer and winter months continue to grow.

In January of this year, Mt. Hood LLC authorized a preliminary analysis for the development of the first phase of a proposed gondola project. The TIF committee has $1.5 million budgeted for entitlements for the proposed gondola linking Ski Bowl and Timberline to the Government Camp village. A group of consultants met and incorporated meetings with the U.S. Forest Service, ODOT, Clackamas County Development Agency, the TIF Committee and affected neighboring property owners. Two major types of gondolas are being considered that differ in appearance, capacity and cost. Either one will bring major benefits to the
Government Camp area. Agencies and local business interests have been brought into the process and currently, Mt. Hood LLC and Timberline have agreed to begin work in Winter of 2003 for a proposed North-South gondola using county funds.

The proposed gondola includes the necessary terminal houses, towers and equipment, as well as a small interpretive center at the north terminal to enhance the user’s experience passing over the Multorpor Fen Preserve, a unique natural area. Two types of overhead facilities are being investigated. The Fixed Gondola is less expensive than the Detachable Gondola but is not capable of moving as many people. This capacity issue is extremely important, considering the nature of peak loads in the recreational use business, and the possibility of future phases. All considerations will be weighed prior to completion of the analysis.

It is proposed that the gondola facility be owned and managed by a non-profit organization, similarly to the proposed Multorpor Sports Foundation. The private land would be leased to the organization and an operations and maintenance agreement would be negotiated between the non-profit and Mt. Hood Ski Bowl.

The main benefits of an overhead transportation system are:
• It could be a marketing icon for Government Camp;
• It will reduce capacity problems on the Multorpor automobile bridge;
• Allow the public to experience the environment without impact;
• Provide Clackamas County with Transportation System Development Fees of $900,000;
• Provide Government Camp Sanitary District with System Development Fees of over $1.6 million;
• Provide Clackamas County with additional property taxes from Collins Lake Resort Town Houses in excess of $1 million annually.

This idea is in strict compliance with previous plans originally adopted in December 1989 by Clackamas County and with the Comprehensive Plan Amendment from October 2000. The Government Camp Development Incentives Plan, OTAK, Inc. from January 2000 encourages the development of the proposed gondola transportation system as well.

The proposed gondola development process includes various reviews by public and private parties. This includes but is not limited to the US Forest Service, ODOT, the Division of State Lands, the Army Corps of Engineers, the Clackamas County Department of Transportation and Development, the TIF Advisory Committee, PGE, Hoodland Fire District, and interested and affected parties. Under the best of circumstances, construction of the facility would not begin until the end of this year, with completion next year.

The idea of a village gondola is unique in the ski industry and adds attractive marketing value related to the undisputed success of ski-in/ski-out housing that would be associated with Collins Lake Town Homes. Additionally, the proposed gondola will enhance the sightseeing business in the Mount Hood area since it will traverse a national scenic byway. Lastly, the proposed gondola additionally supports the well-balanced four seasons resort atmosphere required in today’s competitive ski market.

The plans for a hotel within the Collins Lake Resort development are consistent with the Clackamas County plans as well. The hotel takes advantage of the ski in/ski out access to two premier ski/snowboard areas, snow shoeing and cross country skiing. The shoulder seasons of spring and fall would be the biggest beneficiaries of the hotel as it would be marketed as a destination conference center providing a spectacular getaway for the lucrative business trade.

Retail space is included in future phases of this plan as well. Presently, there is very little retail space or room for expansion in Government Camp. With all the new traffic created by Collins Lake Resort Town Homes, hotel, and proposed gondola
there will be a tremendous opportunity for additional retail space to provide goods and services to the influx of tourists and residents attracted to the area.

The complete concept for Collins Lake Resort is unique and visionary requiring the support of area municipalities, residents and services. But if it's realized, it will become the premier mountain resort, rivaling the national's most popular areas for year-round recreational activities, surrounded by unparalleled mountain vistas and preserving the natural resources of the area. This new concept in community living promises to be an exciting new approach to Oregon's tourism trade - for Oregonians and those from beyond our state's borders.

Location, Market and Statistics

Collins Lake Resort
A proposed six-phase, 171 unit town house development located on the south side of East Government Camp Loop Road, north of Highway 26 in Government Camp, Clackamas County, Oregon.

Resort Size: 28.91 gross acres for the entire site. The net developable acreage is approximately 10.02.

Zoning: The site is located within the Mountain Recreational Resort (MRR) zoning district in Clackamas County. The MRR classification is designed for small- and large-scale developments incorporating a single type or variety of resort housing and related uses that are planned and developed as a unit. (See Approvals Section for specifics.)

Highest and Best Use: Multi-family residential housing is the highest and best use for this acreage.7

Valuation: The "as is" value including premiums for approvals, com-

7 Zell & Associates Real Estate Appraisers
completed engineering and construction for Phase One is about $2.5 million.8

**Value at completion:** The bulk sale value utilizes the base retail unit value of $189,000.9

**Location:** The location for Collins Lake Resort is within the Portland Metropolitan Area, about 175 miles south of Seattle and 675 miles north of San Francisco. The Portland Metropolitan Area is located in the northwestern corner of Oregon at the confluence of the Columbia and Willamette Rivers. It is about 65 miles inland from the Pacific Ocean on the Oregon-Washington state border. It is nestled between the Cascade mountain range to the east and the Coast Range to the west.

Portland, Oregon, also known as the City of Roses, is populated by friendly people and surrounded by breathtaking beauty. Tall trees, snow-capped mountains, lush green fields, gently flowing rivers, clean water, moderate climate, and bountiful flower gardens are abundant.

The Portland Metropolitan Area is strategically located, with easy access to West Coast markets and beyond. The area has a diverse economy with a broad base of manufacturing, distribution, wholesale and retail trade, regional government and business services. Such diversity helps make the business environment stable and reduces the effect of adverse economic cycles.

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8/9 Zell & Associates Real Estate Appraisers
The Market

Size: The population within the area is increasing steadily. The July 2000 estimate\(^{10}\) for the Portland/Vancouver Metropolitan Statistical Area (PMSA)\(^{11}\) is 1,898,938, which is 24.31% higher than the 1990 US census at 1,515,452. Future growth is projected at a rate of about 2% per year through 2010, although alternate statistics indicate the rate has leveled out to about 1% annually for the next several years.

High technology is vital to Portland's economy, with more than 1,700 high tech companies employing some 64,200 workers located within the metropolitan area. Low-cost utilities, a skilled work force, strong infrastructure, access to West Coast and Asian markets and a high quality of life all combine to create a desirable place for technology companies to locate or expand.\(^{12}\)

The region accounts for nearly 86 percent of Oregon's technology jobs and almost one-fifth of the state's total manufacturing. Expansions, together with spin-offs, start-ups and foreign investment, have led to a 49 percent increase in high tech jobs since 1990. Electronic products account for more than 50 percent of the state's total exports.

Transportation

Portland's award-winning mass transit system is one of the most extensive and advanced in the U.S. The transit system includes more than 80 bus routes, and the MAX, an urban light rail line, as well as a downtown transit mall and Fareless Square, the downtown free-ride zone. Automotive transportation throughout the metropolitan area focuses around a freeway system comprised of interstate, state and local freeways surrounding the business district and extending into the suburban residential areas.

Economic Trends

To further support the valuation of Collins Lake Resort, we must analyze how real estate is affected by external influences, such as the interaction of economic forces within the market. Specific market characteristics to be considered include unemployment and wage levels, the economic base of the area, pricing and mortgage availability. Also considered are the supply of available property, new development in progress, occupancy rates, and construction costs.

Portland ranks third in computers at home (69 percent) and fourth in home Internet access (58 percent), making it one of the most "wired" regions in the country.\(^{13}\)

The unemployment rate for the Portland PMSA was at a ten-year high in February 2002 at 8.9%, according to the State Employment Department. Less than two years prior, unemployment

\(^{10}\) Zell & Associates Real Estate Appraisers
\(^{11}\) Includes Clackamas, Columbia, Multnomah, Washington, Yamhill and Clark counties
\(^{12}\) Portland Business Alliance
indicated 3.2% and was the ten-year low. It has since settled to the October 2002 rate of about 7%, relatively high in comparison to the national rates.

However, the Raw Unemployment Rates (not seasonally adjusted) illustrate that the local PMSA continues to outperform the State unemployment rates. Many local analysts feel that the metropolitan area has reached the trough with recovery seen in late 2003 or early 2004.

Employment for the state is mainly centered in Multnomah County, with rapid growth being experienced in Washington County. Clackamas County is also developing a strong employment base. The diverse economic base of the PMSA contributes to the ongoing health and stability of the area. Much of the area’s recent growth has been attributed to the tremendous amount of high technology development and even in light of the recent downturn in the semiconductor manufacturing industry, growth is still being projected in the Hillsboro area of Washington County with Intel leading the way continuing with plant expansion. Metro, the state’s land use planning regional government arm, voted to allow an additional 200 acres of land into the Urban Growth Boundary for industrial (high tech) development only. (See the “Government and Political Drivers” section for a comprehensive view of Metro.)

To maintain economic prosperity, per capita income must remain strong. The three counties in the center of the Portland PMSA enjoy per capita incomes that are higher than the national rate (the State of Oregon’s per capita income is 7.5% lower than the national rate at $30,271).

**Price Trends**

Real estate values within the Portland area have increased markedly over the last several years in all sectors. Most significantly, single-family homes have jumped 5.93% in one year, with the average sale price in 2002 of $212,500.

Portland realtors sold approximately $5.4 billion in residential real estate in 2001, up about 10.2% and about $500 million from the previous year. The trend is for less expensive homes to appreciate at a greater rate, primarily due to the lower prices and greater affordability. The year 2002 saw typical sales patterns from previous years except in October when inventory was at 4.7 months versus 5 months in 2001 and 7.4 months in 2000. Closed sales represent 59.26% of listings, higher than other years due to better closing ratios and favorable financing.

**Government and Political Drivers**

Governmental, political and legal activities can have a great impact on property values. The legal climate at a particular time may overshadow natural market forces.

The Portland Metropolitan Area is slightly unusual in that it has an

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14 Zell & Associates Real Estate Appraisers
inter-governmental agency, Metro, which provides coordination between 24 city and three county governments. Metro is responsible for waste management, transportation and land use planning, Urban Growth Boundary management and other services.

The activities of Metro regarding land use and the Urban Growth Boundary (UGB) have far-reaching, and at times controversial ramifications, particularly within the single-family residential community. Metro is assigned with a monumental task - to manage growth yet maintain and improve the present quality of life for which Portland has gained acclaim while preserving farmland and open spaces. To accomplish this, Oregon and Portland, in particular, have established stringent land use controls that have been both criticized and applauded by various segments of the Portland Metro Area.

To understand the real estate market in Portland, one must realize the significance of the Urban Growth Boundary (UGB). It is an artificial line that cannot be crossed for development purposes and was first drawn in 1979. It was meant to last through the year 2000, at which time planned, controlled expansion would be taking place. During the 1990's, development in the Portland area was annually consuming about 2000 acres for subdivision growth. In the mid 1990's, little was being accomplished to prepare for expansion and provide land for future development.

The home building community urged Metro to pass ordinances to expand the UGB by about 18,000 acres, subject to planning for services and provisions for open space and transportation. The council passed the recommendations for a little more than 18,000 acres to be placed in an urban reserve system for the next 50 years of expansion. Due to the artificial controls imposed upon land use, of which quality of life is an extremely significant byproduct, lack of land to develop is a real problem. The result is a rise in home prices and land costs which have risen at double digit rates over the past five to ten years.

According to RMLS figures as of October 2002, appreciation in median sales prices are running at 4.7% over 2001. While land use controls are considered a major contributing factor, they are not the only component involved. Material and labor costs have increased, as have the costs of governmental regulation.

**Investor Goals**

**Shareholders**

Mt. Hood Development LLC intends to raise $1.5 million with a minimum investment of $500,000 by December 1, 2003. The minimum will provide the investor with at least 15% and not more than 49% of equity ownership.
The Marketing Plan

Marketing strategies for Phase One of Collins Lake Resort are threefold:

1. Advertising: A comprehensive print advertising schedule has been purchased for the Portland Metro Area, Government Camp, Bend and the real estate and winter activities vertical markets;

2. Realtor Marketing: An extensive marketing agreement has been reached with our realtor partners, Re/Max Equity Group, for a custom designed, cost effective pre-marketing plan onsite and within the extensive Re/Max Equity Group national network.

3. Developer Marketing: Mt. Hood Development LLC will create additional online and traditional marketing tactics utilizing existing relationships to leverage its Ski Bowl prospect and customer base.

The second homebuyer market is the 'sweet spot' or most targeted audience for this project. Since the Portland Metropolitan Area supports a large customer base with upward trends in demographics (baby boomer generation) and a base economic structure to support Phase One of Collins Lake Resort, we will be targeting the majority of our efforts there. (see Second Home Trends Section of this document)

Secondary markets are second homebuyers outside the Portland Metro Area and outside the state, new homebuyers and existing resort area
residents who are interested in relocating to the Mount Hood area. Overall, the indicators are very strong for a successful marketing campaign. The real estate market is still quite robust, with interest rates at 41-year lows. Median sale prices are rising, the time a home is on the market has been reduced and affordability is increased.

Competitively, analysis of the comparative land values and real estate properties shows few properties in the area that will be direct competitors.

Based on the market analysis and marketing plan that follows, we believe our extensive advertising campaign in tandem with the agreement set forth with Re/Max Equity Group will enable us to successfully complete the sale of Phase One of Collins Lake Resort Town Homes in a timely and cost-effective manner.

**Real Estate/Housing**

With the latest round of interest rate cuts by the Federal Reserve, the residential home market has experienced another resurgence in activity. The figures for October 2002 indicate a median sale price of $177,900. This is higher than the $169,900 one-year prior and equates to a 4.71% jump in the market versus the smaller appreciation rate for all of 2001 at 2.35%. The time a home is on the market has been reduced; marketing time averaged 66 days as of October 2002 compared to 69 days the prior year.

Housing affordability for September 2002 was at 137 versus 132 for the year previous and 120 for the same period in 2000 - meaning homes were more affordable than one-year previous.

**Competing Properties**

Government Camp is an unincorporated area that consists of recreational, service and residential uses. The primary commercial area is located on Government Camp Loop Road, which intersects Hwy 26. West of the
proposed area to be developed for Collins Lake Resort is a gas station, brew pub/restaurant and motel. Continuing down Loop Road are another restaurant, a condominium complex and single-family homes. The main area of Government Camp lies east of the site of Collins Lake Resort with a primarily residential development north of the commercial areas. This residential area is mostly single-family residences although there are a number of older condominium developments.

South of the site of Collins Lake Resort, on the south side of Hwy 26 is a developing subdivision with lots for sale. This development has sold eight lots in the last 90-days and has plans for four homes to be built this summer, including one priced at $500,000.

There are a number of single-family residences off Multorpor Drive and then there are the Golden Poles Condominiums. Multorpor Drive terminates at Ski Bowl East. After Collins Lake Resort is completed and established, H-Ski Corporation has plans in place to develop areas to the east for additional residential and commercial developments, including the proposed aerial tram, ski in/ski out town homes and an upscale, higher end hotel. The residential property will not be developed in competition with Collins Lake Resort Town Homes.

Other properties in the area include Edelweiss Condominiums, located on Government Camp Road. It has 12 units, an HOA of $50 per month and open parking, covered walkways and is close to skiing. The building is of wood frame construction, built in 1972. The Barlow Pass West Condominiums is on Wy East Trail, has 8 units, a range of $125-225 monthly HOA fee, open parking and covered walkways. It is located within a short walk to the main commercial area of Government Camp and close to ski areas. The building is of wood frame construction and was built in 1972.

Golden Poles Condominiums was one of five projects (including the two above) analyzed by Zell & Associates Appraisals for comparability to Collins Lake Resort Town Homes. It is located close to Ski Bowl East and is of wood frame construction with three levels. It was built in 1967 and the exterior is in average condition. There are 21 units with an HOA fee of $337 per month. The amenities are underground parking, on site manager, pool, sauna, walk to skiing. Sale price for the units during the period of 10/84 - 10/02 averaged $82,000 per unit, with a minimum sale price of $62,500 and a maximum of $135,000. The average cost per square foot is $72.18. (See addendum for complete property comparables.)

Other than the Golden Poles condominiums, competing projects in the Government Camp area are limited. Another potential competitor may be in the Welches area where The Resort at the Mountain has been developing for a number of years.
Discussions with local developers, however, indicate that there are no plans to develop the remaining units in the foreseeable future. That project, which includes both single-and multi-family dwellings, has had varying success and due to the fact that it is mostly below the snow zone, does not compete directly with the Government Camp area. As a result, the Collins Lake Resort site, which has broken ground and should be selling units by the summer of 2003, has a distinct marketing advantage over any potential competition.

Overall, significant restriction on the use of forest lands in the vicinity of the development site has effectively curtailed any further expansion of the Government Camp area for development of commercial and recreational home sites. This limited supply factor at a time of increasing demand for recreational properties resulted in strong development pressures following with significant land value appreciation, attracting the interest of investors. The building sites in the Government Camp area are now considered extremely marketable, especially those with commercial lodging potential.¹⁷

Population/Demographic Trends
The demographic composition and upward trend of the Portland metropolitan population reveals significant demand for real estate. Population within the State of Oregon has increased by 22.14% or an annual increase of 2.01% in the 11 years since the April 1990 Census, currently estimated at 3,471,700.¹⁸ This growth is attributed to 30% natural and 70% migration. The tri-country area of Clackamas, Multnomah and Washington Counties accounts for about 42% of the state’s population. Multnomah is the most populated with 666,350 and increased growth of .89% since the 2000 census. Recent statistics show that Clackamas County is the fastest-growing county in Oregon, overtaking the position traditionally held by Washington County.

There are dozens of school districts serving the metropolitan area; the largest district in the state is Portland Public Schools. Many districts offer special magnet programs in specialty areas such as the performing arts, international trade and more. Talented and Gifted (TAG) programs, and those for physically and mentally challenged students are offered. According to Money Magazine, $5270 was spent on public schools per pupil with a 20:1 student to teacher ratio.¹⁹

Second Home Market Trends
The baby boom generation is the largest single population group in American history, numbering 86 million people. They constitute the wealthiest group in history, and stand to become even wealthier, projected to inherit more than $12 trillion over the next 20 years. As they age and near retirement, their priorities are changing; today they consider quality of life more important than career success.

¹⁷ Center for Population Research and Census, PSU, July 2001
¹⁸/¹⁹ Money Magazine
All those factors add up to yet another major trend the baby boomers are fueling - the purchase of second and vacation homes. According to Gee Dunsten of Gee Dunsten Seminars, Ocean City MD, “The vacation home market is the fastest growing area of real estate, based on percentage of growth. More than five million families now have at least a part interest in a vacation home, and that number is expected to double over the next 10 years. About 70 percent of the baby boomers have a conscious desire to buy a second home in that same span.”

In Oregon, second homes are bought by heads of households who are 45 years and older, including retirees. The Edward Starkie Leland Consulting Group was commissioned by the Government Camp Steering Committee to do a market and program summary for the area. When evaluating the area for the second home market, they summarized that statewide the market for second homes will continue to expand at least through the year 2010 due to demographic trends.

In Government Camp, area household growth is strongest in the 35 to 55 year old range. Projections for 2003 have the number of households in the Portland area within that age range to be 82,000. According to Burke, Fox and Company, a national expert on the marketing of second homes, this trend will continue for approximately the next twenty years.
This tremendous opportunity can be realized if Government Camp plans and positions itself as a destination for second home buyers. A marketing effort that captured only one quarter of one percent would result in sales of 410 units in 2003, based on the statistics above. This market will continue to grow due to the aging baby boom bulge. Sales of between 50 and 100 units per year are feasible, and time-share units that sell at a lower cost would enlarge the market due to the lowering entry barrier and should have a stronger absorption rate.\textsuperscript{21} The awareness that Mount Hood has on the national scale, combined with the availability of year-round skiing easily lends itself to be successfully marketed outside the state as well as to the Portland Metro Area.

This trend hasn't escaped the keen eyes of regional and national publications editors. Articles have appeared touting the growth in the second home buyer market. In a November 2002 Oregonian article titled, "Market for Second Homes Coast to Mountains is Brisk", the National Association of Realtors study results were reported. This study found that the number of buyers spending money on second homes has doubled from 2000 to 2002. That same article reported Dale Crockatt of Oregon Realty remarking, "Sales of second homes in the Welches area east of Sandy are up 20% over last year." Ski Magazine recently ran an article stating "Ski resort real estate has been on a wild, uphill ride for the past five years. A seemingly insatiable public has snapped up everything from home sites to interval ownership..."

In addition, the tax incentives that Congress provided in 1997 that made investing in a second home an even more appeal option gave families with grown kids an opportunity to cash out of their family-size city homes and spread the wealth between a pair of dwellings. According to a realestate-times.com article titled, "The Second Home Market, Older, Larger Than Thought" owners of multiple residences are seeing their second homes appreciate at a must faster pace than their primary homes. The median price of a second property rose nearly 27 percent between 1999 and 2001 versus 7-8 percent in the primary home market. No wonder 85 percent of vacation owners and 87 percent of investment owners said they believe they made wise investments. "Indeed," said Clark Thompson of escapehomes.com, "buying a second home now is like buying California real estate in the '70s."

A powerful vision for Government Camp as a final destination location that embraces places and environments where people visit, work, live and/or play is palpable. The vision encompasses carrying the community into a future in which a one-of-a-kind neighborhood would attract a diverse range of visitors, guests and full-time residents not once, but for a lifetime. A coherent sense of place, generating a climate of an active, growing community with multiple land use areas and stunning natural resources will complement and

\textsuperscript{21} Leland Consulting Group, Summary for Government Camp Steering Committee
extend Government Camp’s indigenous culture.

**Advertising, PR and Promotional Plans**

Re/Max Equity Group is working with our own team to provide marketing services for Collins Lake Resort. In addition to the media advertising campaign outlined in detail below, Re/Max Equity Group will provide additional marketing services with:

- **www.equitygroup.com** - Every listing has its own simple web address enabling buyers to quickly and directly go to the home of their interest.

- **My Portfolio** - Allows website viewers to customize and save their home searches.

- **Schedule a Showing** - Buyers can arrange for a tour of any home, directly from their computer.

- **Multiple Listing Service** - Re/Max Equity Group provides profiles of homes to area realtors as well as tax records to better assist buyers.

**Re/Max Equity Group Home Guide** - Thirty thousand copies of a full-color **Home Guide** available at more than 275 locations throughout Portland, Vancouver and Salem.

Research shows that more than half of all buyers search the internet before beginning their home search. Re/Max Equity Group will create a complete virtual tour of each room of the model town homes along with the outside views. They will be posted on the Re/Max Equity Group site and can be distributed to potential buyers on CD.

A separate Collins Lake Resort website is being developed and will include a virtual tour of the town homes as well as tourism information, details about the resort, and links to key real estate organizations and other resort and recreational websites. A comprehensive email campaign will be created to continually promote and

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**Comprehensive Marketing**

In addition to a substantial print advertising campaign, a separate Collins Lake Resort website is being developed and will include a virtual tour of the town homes as well as tourism information, details about the resort, and links to key real estate organizations and other resort and recreational websites. A comprehensive email campaign will be created to continually promote and generate interest for the property, updating prospects and realtors with the latest photographs as the development progresses.
generate interest for the property, updating prospects and realtors with the latest photographs as the development progresses.

Our print campaign consists of several brochures, including a 12-page magazine, tri fold s that can be updated easily with new financing options, and floor plan flyers. These flyers will be distributed to local real estate professionals in the area and to the 900+ Re/Max Equity Group agents in Portland, Salem and Vancouver and made available to their buyers.

The print advertising campaign includes a schedule of print runs in several local and regional magazines and newspapers, along with pitch story/ideas for additional publicity to national publications such as Ski and Skiing. The print ad campaign will include weekly Sunday Oregonian newspaper ads, ads in The Portland Business Journal, and the Mountain Times. Home Guide Magazine will include half and quarter page ads in addition to a full-page ad on the back page. A weekly or bi-monthly presence in the Real Estate Book (Bend market) will round out exposure.

Additionally, we will be incorporating site signage, pre-sale displays, onsite marketing, direct mail, and utilize Re/Max Equity Group’s national relocations network. Open house invitations, just listed postcards, informational newsletters and other targeted promotional campaigns produced by Re/Max Equity Group will keep a steady stream of potential buyers coming through the doors of Collins Lake Resort Town Homes.

The grand opening of the first four-plex is currently scheduled to coincide with the Mt. Hood Autumn Fest in mid-September when a series of phased celebrations will take place. The first weekend, realtors will be invited for a private unveiling of Collins Lake Resort Town Homes. A variety of activities at Mt Hood Ski Bowl will be offered, complete with tours of the new facility and its adjoining property. Two weeks later, the public grand opening will occur, with festivities and events that include a hot air balloon, local media talent and a live broadcast. Cross promotional activities at Ski Bowl’s Summer Action Park in conjunction with free giveaways, tethered balloon rides and photos of the kids with Collins Lake Resort t-shirts will draw large crowds and create interest and word of mouth exposure around the area. Mt. Hood Ski Bowl family passes will be given away as an incentive for early purchase for the first 26 town homes will be offered and reservations taken for future construction phases.

A variety of bundled pricing packages will be available to those who want to purchase a town home on Collins Lake. Property management specialists will be available to assist new homeowners with renting their property, if desirable. In addition, a quarter-share agreement for inexpen-
sive ownership will be available, allowing new homebuyers to share a town home for only $48,000. This is also a great opportunity for owners to create an income source with weekend rentals by capitalizing on the high occupancy rates for the winter and summer months.

The timeshare market is also a target for purchase and partnering. Ski conglomerates, convention centers and hotel properties are all part of the timeshare market. These groups are always interested in destination resort properties and are a natural strategic partner for Collins Lake Resort Town Homes.

Re/Max Equity Group will be staffing the model town home on site 5-7 days per week during the winter and summer (busy) seasons and holidays. During July and August, the model will be staffed 7 days per week to accommodate the visitor traffic.

Mt. Hood Ski Bowl has long term relationships with an extensive client list that includes ski and snowboard club members, racers, season ski pass owners, and event participants. This is an extremely valuable group of nearly 10,000 people who continually enjoy the benefits of the area; some even drive to the Mountain every weekend to enjoy its recreational activities! Cross-promotional opportunities with this loyal group include an email campaign, season pass giveaways, exposure on the Ski Bowl website, electronic and print newsletters, space at trade show booths and onsite promotions.

This powerful combination of marketing, advertising, public relations and pricing strategies, along with the pent up demand for overnight and residential property on Mount Hood will drive realtors and the public to find out what a home on Mount Hood can offer. Imagine, an Alpine Village only an hour away from Portland. Collins Lake Resort is a once in a lifetime opportunity!
The Management Plan

The management team for Mt. Hood LLC Development consists of the following seasoned veterans:

Kirk Hanna, President and Owner, H-Ski Corporation dba Mt. Hood Ski Bowl, Managing Member of Mt. Hood LLC.

Mr. Hanna's entrepreneurial spirit is the driving force behind Collins Lake Resort and one of the West Coast's premiere year-round destination resorts, Mt. Hood Ski Bowl. He led the way by acquiring Mt. Hood Ski Bowl in 1987 and has since developed it into the largest night ski area in the U.S., with 34 lit runs and 300 acres of outback terrain. A pioneer in developing summer ski activities on Mt. Hood, he was the first to see the year-round potential for the mountain.

During the early part of Mr. Hanna's career, he was very involved with his family business, Hanna Carwash International, where he directed operations for this leading company in the carwash manufacturing industry. Under his direction, the chemical and after-market parts divisions were started, quickly adding $24 million in revenue for the company. A 50% owner of Washman LLC, Mr. Hanna is responsible for corporate expansion with associated revenue increases to that company as well.
A tried-and-true Portlanter, Mr. Hanna is extremely vested in the success of Collins Lake Resort as an adjunct to Mt. Hood Ski Bowl to fulfill his vision for Mount Hood as a premier destination resort and Collins Lake Resort as a special one-of-a-kind lifestyle community.

David Tarlow, Chief Financial Officer
A native Oregonian and graduate with an accounting degree from the University of Oregon, Mr. Tarlow has approximately 18-years in public accounting that includes partner in a local public accounting firm. Most recently, he served as Controller at start-up telecommunications company Global Services Network, where he was responsible for all phases of corporate finance. Currently, he is the CFO for Washman LLC and H-Ski Corp.

Brian Keicher, Development Manager
Mr. Keicher got his start in the Communications Department of the US Forest Service in 1968 and was Vice President of Design/Construction at Scherzer-Moore Company and Project Manager for subdivisions and apartments at Robert Randall Company. Among his many career accomplishments, he was responsible for planning, engineering, construction and marketing of Wilsonville Meadows, a 144 acre residential project with 900 multi-family and 381 single family units. His residential expertise is invaluable to Collins Lake Resort’s development and currently he is consulting on major projects for construction and development, advising developers, business owners and landowners on real estate opportunities.

Robb Hutson, Sales & Marketing Manager
A veteran destination resort sales and marketing professional, Mr. Hutson has worked on Cooper Spur Mountain Resort, Mt. Hood Meadows Resort, and Mt. Hood Ski Bowl. Previous to that, he created and marketed cross-cultural and outdoor recreation programs for the YMCA in Japan. A graduate of the University of Oregon’s Masters Program, he is currently responsible for all marketing and sales programs for Collins Lake Resort Town Homes.

The Company Behind the Project
Mt. Hood Development LLC
Kirk Hanna started Mt. Hood Development LLC to develop Collins Lake Resort. It is a sister company to H-Ski Corporation, the company Mr. Hanna founded when he purchased Mt. Hood Ski Bowl in 1987. H-Ski Corp. is responsible for creating the closest ski area to Portland and America's largest night ski area. With 34 lit ski runs that offer 65 day runs and trails as well as 300 acres of outback terrain, Ski Bowl allows for easy access to the Portland-area skiers who drive there for the day, the weekend or the season. Mt. Hood LLC has developed an exciting summer sports program to extend the season and truly create a year-round resort on the mountain. Mt. Hood Ski Bowl transforms into a 1000-acre Summer Action Park.
with more than 20 thrilling activities that include a mountain bike sky chair that goes to the peak of Ski Bowl and affords a breathtaking view of six mountain peaks, an alpine slide, indy Kart racing, a 100 ft. bungee tower, interpretive walking trails, bike rentals, batting cages and many other attractions.

The development of Collins Lake Resort Town Homes and the accompanying vision for the developments of the proposed gondola, hotel and conference center by Mt. Hood LLC, fulfills Mr. Hanna’s 16-year-old grand plan to create the premier destination resort for the West Coast on Mount Hood. The activities that currently exist on Mt. Hood Ski Bowl and the promise of new residential and vacation properties are combined with the allure of a luxury hotel nestled in the south slope of Mount Hood. This creates the kind of resort area from which dreams are made.

The Project Partners
The Jack Johnson Company is a premier ski resort planner specializing in all aspects of design for projects nationally and internationally with professional land planners, architects, engineers, construction managers, surveyors and environmental specialists. They created many of the facilities used in the 2002 Olympics in Park City, Utah and other similar projects. Many of the renderings included in this booklet were created by The Jack Johnson Company.

Dave Scroggin, Project Manager for the Jack Johnson Company, is the Master Planner for the Collins Lake hotel, conference center, retail space, proposed gondola as well as the planner for the connection to the east side of Mount Hood. He has been involved in design and operation of ski areas for over 20 years. He is currently leading projects involving master plans, feasibility analysis, ski area layout, economic revitalization, avalanche zoning, and applications for recreational use of sensitive public lands.

As a resort designer, Mr. Scroggin combines his knowledge of slope mechanics and terrain analysis with a background in ski area operations, backcountry travel and mountaineering. This allows the selection of tramway equipment and placement of ski area infrastructure to merge with resort design layouts and pedestrian friendly traffic flows.

Mr. Scroggin's resume includes projects at resorts such as Alta, Snowbird, Deer Valley, Vail, Squaw Valley, Alpine Meadows, Kirkwood, Sun Valley, Snoqualmie, Mt. Hood Skibowl, Telluride, Aspen, Mt. Snow, Sugarloaf, Killington, and Portillo, Chile.

Re/Max Equity Group, Inc., with Broker Leslie Bekins at the helm, will market Collins Lake Resort’s 171 units. Ms. Bekins, GRI, is an Associate Broker of Re/Max Equity Group and has been a full time
professional realtor since 1994. She is a third generation native Oregonian with family history in Government Camp that dates back to the 1930’s.

Re/Max Equity Group formed their partnership in 2000, producing a network of more than 75,000 agents in 39 countries. They have 19 locations and more than 950 experienced professionals serving the Portland Metropolitan Area. For the eighth consecutive year, Re/Max Equity Group bought and sold more homes than any other real estate broker in Oregon.

Joseph Hughes Construction has been contracted to build Phase One of the Collins Lake Resort Town Homes. They are in their 22nd year of building successful industrial, residential, commercial and retail projects in Oregon, Washington and Idaho. Dennis Gaffney, VP of Construction for Joseph Hughes Corp. is the Project Manager for Collins Lake Resort. During the past two years, he has managed an average of $30 to $40 million in construction projects. Locally, he is responsible for Summercreek Apartments and Summerwood Townhomes in Tigard, Oregon. He has twenty years of experience managing multi-family, assisted living, custom home and high-rise construction projects.
The Financial Plan
Mt. Hood Development LLC is partnering with Umpqua Bank, the largest Oregon-based bank, as the recommended third party lender. Umpqua Bank is a $1.5 billion lending institution and has invested $2.4 million in a construction loan for Collins Lake Resort. They are a 74-year old firm with offices in Portland, Eugene, and Medford and 66 locations throughout Oregon and Southwest Washington. They are a valued partner and continue to bring additional value to the project by providing custom tailored mortgage and financial packages consisting of low interest rates and appraisal fees and other buyer incentives.

The financial plan for Collins Lake Resort Town Homes is a well planned one, with plans to raise only $1.5 million dollars from a few investors.

The overall budget for construction costs for Phase One approximates $2.4 million. This translates into a direct cost per unit of approximately $95,000, or $53 per square foot. A constant sales price per unit of $189,000 has been utilized in the pro-forma, which will result in a projected net profit of $42,600 per unit.

Mt. Hood Development LLC has taken special precautions to develop a conservative financial plan. Upgrade packages for the interiors of the town homes, site location premiums and other anticipated increases in revenues have not been included in any of the figures used in this document or in our pro formas. In addition, due to the TIF commitment of $1.5 million for the proposed gondola, the land value will substantially increase after all entitlements are in place. See document from the Jack Johnson Company for more details.

After completion and sale of all 171 units at Collins Lake Resort, it is projected that the net cash flow will approximate $7,850,000. This does not include the sales or profit from the hotel/conference center or retail site. (See addenda for complete pro forma.)
### Mt. Hood LLC Development - Collins Lake Proforma

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<td>25</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
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<tr>
<td>Projected Sales</td>
<td>-</td>
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<td>26</td>
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<td>Net Profit</td>
<td>-</td>
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<th>Sales Price per Unit</th>
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<th>2004</th>
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<th>2008</th>
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<tbody>
<tr>
<td>Proceeds:</td>
<td></td>
<td></td>
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<td>Proceeds from unit sales</td>
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<tr>
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<th>Direct Costs:</th>
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<td>General Conditions</td>
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<td>Site Work: Amenities (Clubhouse and other amenities)</td>
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<td>48,397</td>
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<td>170,790</td>
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<td>Windows and Doors</td>
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<td>130,110</td>
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<td>Other Direct Costs</td>
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<td>147,682</td>
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<td>Subtotal: Direct Costs</td>
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<td>2,891,880</td>
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### Mt. Hood LLC Development - Collins Lake Proforma

<table>
<thead>
<tr>
<th>Indirect Costs</th>
<th>Cost per Unit</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Total per Budget</th>
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<td>20 Permits/Plats</td>
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<td>25 Marketing Costs</td>
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<td>26 Contingencies</td>
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<td>268,949</td>
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#### Debt Service

<table>
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<th>Debt service</th>
<th>Annual debt service ($30,390 to $55U)</th>
<th>Cost per Unit</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>Principal</td>
<td>(208,204)</td>
<td>(209,938)</td>
<td>256,752</td>
<td>257,691</td>
<td>279,209</td>
<td>105,147</td>
<td>(1,548,304)</td>
<td>(1,548,304)</td>
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<tr>
<td>Interest</td>
<td>(25,805)</td>
<td>(30,063)</td>
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<tr>
<td>Proposed Hotel Site</td>
<td>(100,000)</td>
<td>(101,004)</td>
<td>(9,534)</td>
<td>(9,534)</td>
<td>(9,534)</td>
<td>(9,534)</td>
<td>(9,534)</td>
<td>(9,534)</td>
<td>(9,534)</td>
<td>(9,534)</td>
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<tr>
<td>Repayment of loan proceeds ($134,000 per unit)</td>
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<td>(2,000,000)</td>
<td>(2,000,000)</td>
<td>(2,000,000)</td>
<td>(2,000,000)</td>
<td>(2,000,000)</td>
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#### Cash Flow/(Deficit)

<table>
<thead>
<tr>
<th>Cost Flow/(Deficit)</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Total per Budget</th>
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<tbody>
<tr>
<td>-</td>
<td>190,836</td>
<td>$1,046,024</td>
<td>$1,430,553</td>
<td>$1,430,553</td>
<td>$1,334,912</td>
<td>$922,791</td>
<td>$1,213,086</td>
<td>$7,862,519</td>
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The Bank Loan current commitment is $2,400,000. Repayment is required to be made in the amount of $734,000 on the first 18 units sold.

Construction interest per unit of $4,400 was based on principal of $2,400,000 for 12 months @ 4.75% (included in line 25).

Developer fees for year 2003 (Phase 1) will be deferred to 2004 (Phase 2) construction.