

Factual Data

Ownership History

The subject property was listed by Bruce Green of Century 21 Executives on 11/06/2005 for \$425,000 and sold on 04/21/2006 for \$375,000. The subject property was previously listed in January 2000 at \$137,800; selling March 2000 for \$135,000 and was relisted in November 2004 at \$350,000 expiring February 15, 2005.

Charges, Liens and Interests

Reference is made to the Certificate of Title in the Addenda of this report where these charges and other encumbrances, if any, are noted.

| Nature of Charge | Charge Number | In Favour Of | Date |
|------------------|---------------|--------------------|------------|
| Mortgage | CA685996 | S136 Ventures Ltd. | 2008-01-28 |

Legal Notations: None
 Pending Applications: None

Property Taxes & Assessments

The land parcels and any improvements thereon are assessed by BC Assessment, Vernon Office, and taxed accordingly.

| | | | |
|------------------------|----------------|-------------------------|------------|
| 2008 ASSESSMENT | | 2006 GROSS TAXES | |
| Land | \$178,000 | | \$1,378.00 |
| Improvements | <u>101,000</u> | | |
| Total | \$279,000 | | |

Land Use Classification

The subject property is zoned R-1 Estate Lot Residential. The purpose of this zone is to provide for single detached housing, and compatible uses, on larger urban serviced lots.

Primary and Secondary Uses are as follows:

Primary Uses

- care centre, major (requires a Secondary Use Development Permit)
- single detached housing

Secondary Uses

(*the following uses are subject to Secondary Use Development Permit approval prior to undertaking any development or change in use)

- boarding rooms
- * bed and breakfast homes
- care centres, minor
- * home based business, minor
- * home based business, major
- * secondary suites
- * seniors supportive housing

The subject parcel is designated as C-10 Tourist Commercial use as contained in Plan Vernon. This newer Official Community Plan is adopted as Bylaw 4676, 2001 and outlines the long term development objectives and related implementation policies throughout the City.

The tourist commercial use includes but is not limited to the development of motels, hotels, resorts, row housing or apartment styled-tourist accommodations, restaurants and small retail uses such as gift shops & boutiques, boat storage, private clubs, public parks, etc.

The subject is designated within the Waterfront Neighbourhood Plan area which commences along Lakeshore Road directly east of Vernon Creek running east and fronting along Okanagan Landing Road to the Vernon Yacht Club. This area is also deemed as a Development Permit Area provided to maintain a high level of visual appeal and compatible uses.

The purpose of the C-10 zone is to designate and preserve land for the development of destination commercial visitor accommodation.

Primary and Secondary Uses are as follows:

Primary Uses

- amusement arcades, major
- apartment housing, tourist
- boat storage
- care centres, major
- congregate housing
- drive-through services
- hostels
- hotels, apartment
- liquor primary establishment, major
- motels
- participant recreation services, indoor
- parks, public
- retail stores, general
- row housing
- amusement establishments, outdoor
- artist studios
- brewing or distilling, Class A
- clubs, private
- cultural exhibits, private
- emergency protective services
- hotels
- liquor primary establishments, minor
- marinas
- primary food establishments
- personal services
- retail stores, convenience
- retail street sales
- tourist campsites

Secondary Uses

- amusement arcades, minor
- docks, private
- marina equipment rentals
- marina sani-dump facilities
- residential security/operator units
- spectator entertainment establishments
- docks, community
- home based business, minor
- marina fuel facilities
- offices
- retail stores, licensee
- utilities services, minor impact

A copy of the applicable zoning bylaw is contained in the Addenda.

Development Potential

The subject parcel is a relatively level 0.489 acre parcel fronting on Lakeshore Road across from Okanagan Lake in an area of predominantly older single family dwellings. Older mobile homes and newer townhouse developments are located nearby.

It must be assumed the City of Vernon would approve a Development Permit for residential unit construction; being cognizant of the desires and land use designations as indicated in the OCP and Waterfront Neighbourhood Plan to develop the parcel under the Tourist Commercial (C-10) designation. Based on the assumptions stated above, an estimated 5 residential units could be constructed on the subject site.

In reviewing the OCP the subject property and all properties on either side of Lakeshore Road west of the subject property are designated as Tourist Commercial. In reviewing the City of Vernon Waterfront Neighbourhood Plan, the desires of the City of Vernon anticipates having resort style commercial development located across from the subject property fronting Okanagan Lake. This commercial development may take the form of a hotel or resort with dock & waterfront amenities over Okanagan Lake.

Currently, nearly all properties located on the east side of Lakeshore Road are zoned R-1 or R-5 Four-Plex Housing Residential. Properties located on the west side of the road fronting on Okanagan Lake were briefly zoned R-6 Lakeshore Residential which permits single family, semi-detached and duplex housing. The City of Vernon back zoned the properties to R-1 Estate Lot Residential to further enhance the neighbourhood properties as speculative holding until such time as development uses permitted under the desired C-10 zoning are requested and/or prove feasible.

Location Overview

The subject is located within the Okanagan Basin in the Interior of British Columbia. The Okanagan Basin, situated in south central British Columbia, is comprised of the Central Okanagan, North Okanagan and Okanagan Similkameen Regional Districts as well as numerous Indian Reserve (IR) lands. Splitting the interior plateau, these three Regional Districts and IR lands form the Okanagan trench, bound by the Cascade mountain range to the southwest, and the Monashee range to the southeast. Combined, these areas form the functional region colloquially known as the Interior, each sharing common environmental, economic and social characteristics.

The most pertinent regional district to the subject lands is that of the Regional District of North Okanagan. The North Okanagan Regional District has an area of 7,730 square kilometers and is located just west of the Columbia Mountain Range. Its 2004 population of 78,875 was 2.0% of the province's total, making it the 10th most populous Regional District in the province. Sixty five municipalities: the City of Vernon, (35,547 people, 45% of the region's population), the District of Coldstream (9,898 people, 13%), and the Township of Spallumcheen (5,633 people - 7%). The remaining 35% of the population live in smaller municipal, rural and unincorporated areas within the District's boundaries.

Vernon has a total area of 2,320.1 ha. with a current population of approximately 36,000 and a primary trading area of 77,000 when including the surrounding communities of Coldstream (9,471), Lumby (1,634), Armstrong (4,241), Enderby (2,828) and Spallumcheen (4,960). The annual population growth rate for the region has averaged +2.5% over the past several years. Demographics indicate a good balance between the age groups. No longer is this area only associated with retirees seeking a moderate climate but greater numbers of families and professional people have discovered the lifestyle benefits of this smaller community.

Building Permit Overview

The following statistics offers a synopsis of real estate construction activity, and in turn, provides a barometer of the economic climate of the area for the past several years.

Total Building Permit Values

| Year | RDNO/Coldstream | City of Vernon | Total |
|------|-----------------|----------------|---------------|
| 2007 | \$115,258,955 | \$145,518,294 | \$260,775,249 |
| 2008 | \$ 57,844,940 | \$168,544,729 | \$224,389,669 |
| 2005 | \$ 67,579,062 | \$147,094,904 | \$214,673,966 |
| 2004 | \$ 65,494,632 | \$ 78,757,000 | \$144,251,632 |
| 2003 | \$ 51,639,935 | \$ 48,735,000 | \$100,374,935 |
| 2002 | \$ 45,277,780 | \$ 36,729,319 | \$ 82,007,099 |
| 2001 | \$ 41,599,985 | \$ 35,945,880 | \$ 77,545,865 |
| 2000 | \$ 35,782,559 | \$ 32,269,577 | \$ 68,032,136 |
| 1999 | \$ 41,599,985 | \$ 26,636,337 | \$ 67,724,319 |
| 1998 | \$ 28,978,860 | \$ 33,896,652 | \$ 62,875,512 |
| 1997 | \$ 48,176,000 | \$ 37,956,000 | \$ 84,132,000 |
| 1996 | \$ 38,647,000 | \$ 40,533,000 | \$ 79,180,000 |

City of Vernon Building Permit Values

Year-to-date (August) 2008 figures for the City of Vernon show total building permit values at \$121,775,298 on 392 permits; up \$26,388,750 or 28% on an 11% (37) permit decrease from 2007 figures. Included in the \$116,172,239 permit value is a \$55,000,000 permit for the Sparkling Hills Resort Hotel. Excluding this permit, year-to-date (August) 2008 figures total \$66,775,298 on 391 permits; down \$28,611,250 or 30% on a 12% (38) permit decrease from 2007 figures.

Year-to-date (August) 2008 commercial building permit values total \$74,891,800 on 54 permits; up \$49,679,915 (199%) from the August 2007 permit value total of \$25,011,885 on 350 permits. 2007 commercial building permit values total were up 33% (\$7,542,692) and totalled \$30,745,871 on 53 permits. 2006 commercial building permit values totalled \$23,203,179 on 47 permits.

2007 figures for the City of Vernon show total building permit values at \$145,518,294 on 493 permits; down \$21,028,435 or 13% on a 25% (160) permit decrease from 2006 figures.

City of Vernon 2008 year end figures show 653 permits on an aggregate building permit value of \$166,544,729, a 13% building permit value increase over 2005. 2005 year end figures show 518 permits on an aggregate building permit value of \$147,094,904 on 518 permits; an 88% building permit value increase on a 17% permit count increase over 2004.

RDNO/Coldstream Building Permit Values

Year-to-date (July 2008) figures for the RDNO/Coldstream show total building permit values at \$66,990,354 on 363 permits; up \$6,233,337 or 10% on a 14% (57) permit decrease from 2007 figures.

2007 figures for the RDNO/Coldstream show total building permit values at \$115,256,955 on 524 permits; up \$13,992,678 or 14% on a 0.5% (27) permit increase from 2006 figures.

2006 figures for the RDNO/Coldstream show total building permit values at \$86,335,636 on 614 permits; down \$7,560,776 or 8% on a 2 permit increase from 2005 figures. The District of Coldstream comprises a total of \$28,490,696. The City of Armstrong makes up \$6,291,772; the Township of Spallumcheen comprises \$6,893,363; Lumby comprises \$6,525,241; Enderby is \$4,829,670 and Electoral Areas are at \$33,504,895.

MLS Real Estate Market Overview

Year-to-date (August 2008) figures show 1,203 sales compared to 1,907 for the same time frame of 2007 - a 36.92% decrease with a total value of \$463,365,544 - down 276.06% over the 2007 figures of \$639,975,808. Of the 133 August 2008 sales, 52 transactions or 39% were single family residential properties. The average marketing period for detached single family dwellings in the North Okanagan was 72 days, down 1.37% from 2007 figures of 73 days with an average transaction value of \$398,340 - up 8.14% from 2007 figures of \$368,342.

2007 figures show 2,534 sales compared to 2,544 for the same time frame of 2006 - a 0.39% decrease with a total value of \$876,472,192 - up 20.79% over the 2006 figures of \$725,569,120. 2006 figures show 2,545 sales compared to 2,750 for the same time frame of 2005; down 7.5%. Dollar volumes of these sales were up 13.7% on a decreased list-to-sell ratio to 93.91%. Average days to sell declined 23.5% to 166 days from 216 for 2005.

North Okanagan property types (MLS) realizing the bulk of the unit sales percentage increases are as follows:

| Property Type | 08/06 YTD | 08/07 YTD | % Change | 2007 Sales | 2006 Sales | 2005 Sales | 2004 Sales | 2003 Sales |
|-------------------------------|-----------|-----------|----------|------------|------------|------------|------------|------------|
| Acreage w/house | 105 | 154 | -31 | 220 | 219 | 227 | 237 | 202 |
| Duplex | 45 | 52 | -13 | 68 | 62 | 75 | 84 | 60 |
| Mobile Homes | 87 | 115 | -24 | 142 | 157 | 144 | 119 | 90 |
| Recreational Property | 8 | 27 | -70 | 37 | 17 | 11 | | |
| Residential | 544 | 876 | -37 | 1,149 | 1,152 | 1,204 | 1,287 | 1,142 |
| Residential (WF) | 7 | 20 | -85 | 24 | 22 | 33 | 17 | 29 |
| Multi-family (triplex/4-plex) | 2 | 13 | -84 | 15 | 15 | 0 | | |
| Apartments | 83 | 146 | -43 | 192 | 196 | 192 | 204 | 129 |
| Townhouses | 171 | 286 | -35 | 348 | 278 | 347 | 321 | 226 |
| Farms | 12 | 11 | +9 | 13 | 20 | 19 | 14 | 8 |
| Acreage | 32 | 35 | -8 | 60 | 62 | 91 | 94 | 65 |
| Acreage (WF) | 3 | 2 | +50 | 14 | 7 | 8 | 5 | 6 |
| Lots | 53 | 137 | -61 | 178 | 230 | 276 | 241 | 196 |
| Lots (WF) | 1 | 3 | -66 | 4 | 17 | 6 | 9 | 8 |
| Businesses | 9 | 10 | -10 | 18 | 25 | 21 | 20 | 22 |
| IC & I | 18 | 11 | +63 | 25 | 39 | 42 | 35 | 23 |
| IC & I Land | 7 | 7 | 0 | 10 | 8 | 25 | 23 | 9 |
| Leases | 14 | 11 | +27 | 12 | 13 | 10 | 8 | 6 |

MLS Real Estate Sales Activity

| Year | Listings | Sales | Ratio | Volume | Avg Unit Price |
|------|----------|-------|-------|---------------|----------------|
| 1989 | 4,582 | 1,820 | 41.9% | \$139,816,518 | \$ 72,821 |
| 1990 | 4,750 | 1,839 | 38.6% | \$152,123,464 | \$ 82,962 |
| 1991 | 4,818 | 2,359 | 51.1% | \$223,842,225 | \$ 95,009 |
| 1992 | 5,006 | 2,532 | 50.6% | \$285,948,130 | \$113,023 |
| 1993 | 5,174 | 2,128 | 41.1% | \$273,362,556 | \$128,489 |
| 1994 | 5,590 | 1,889 | 33.8% | \$273,608,081 | \$144,843 |
| 1995 | 5,243 | 1,438 | 27.4% | \$198,369,372 | \$137,948 |
| 1996 | 5,254 | 1,751 | 33.3% | \$262,391,556 | \$144,141 |
| 1997 | 4,842 | 1,525 | 31.5% | \$216,678,266 | \$142,084 |
| 1998 | 3,875 | 1,210 | 31.2% | \$171,859,397 | \$141,867 |
| 1999 | 3,453 | 1,381 | 40.3% | \$195,883,280 | \$140,786 |
| 2000 | 3,424 | 1,374 | 40.1% | \$201,489,832 | \$146,646 |
| 2001 | 3,631 | 1,588 | 43.7% | \$231,597,095 | \$145,842 |
| 2002 | 3,615 | 1,910 | 52.8% | \$306,688,472 | \$160,559 |
| 2003 | 4,013 | 2,301 | 65.1% | \$397,036,313 | \$172,549 |
| 2004 | 3,935 | 2,781 | 68.8% | \$529,423,074 | \$191,750 |
| 2005 | 4,269 | 2,544 | 57.5% | \$636,668,706 | \$284,528 |
| 2006 | 4,269 | 2,544 | 57.5% | \$725,589,120 | \$329,532 |
| 2007 | 4,352 | 2,534 | 58.0% | \$876,472,192 | \$374,250 |

2007 figures for the entire North Okanagan division indicate a total of 4,352 listings with 2,534 units sold (58%) and a sell-to-list-price ratio of 96.32%.

Average Price Changes (for selected MLS property classifications)

| Property Type | 2007-2008 % Change | 2008-2007 % Change | 2005-2006 % Change | 2004-2005 % Change | 2004-2003 % Change |
|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Townhouses | +9.49 | +20.04 | +28.8 | +18.8 | +18.8 |
| Apartments | +12.61 | +2.99 | +38.3 | +24.8 | +11.4 |
| Lots | +16.42 | +39.64 | +29.7 | +18.0 | +12.4 |
| Lots (W/F) | - | +83.67 | +9.8 | +25.9 | +31.5 |
| Residential | +8.14 | +19.74 | +25.1 | +25.7 | +14.0 |
| Residential (W/F) | +57.98 | +8.91 | +52.4 | +60.9 | + 5.0 |

The real estate market typically offers a barometer of the economic well being of the region. The latest real estate market cycle began its upswing in late 2001/early 2002, saw moderately healthy residential value increases in 2003 and witnessed extremely rapid price increases through 2004 and 2005. 2006 witnessed a smaller decrease in aggregate sales on relatively firm to moderately increased pricing. The commercial real estate market was considered moderately active to 2003 with 2004, 2005 and 2006 showing substantial value gains on numerous land sales & development activity. The level of activity and demand for real estate in the Vernon area, coupled with a lack of a sustainable supply rendered 2007 to witness modest gains.

Changing demographics of the Vernon area will also play an important part in mid to long term growth for the area resulting in a continuation of non-residential real estate market activity and moderated value increases, if any, through 2008.

In consideration of the less than encouraging economic conditions of the United States and the considerably slower real estate activity in the region over the past 19 to 12 months, with a forecasted continuation of lower mortgage interest rates in the immediate to near term, coupled with the new construction of non-residential property, the increasing desires of the retiring baby boomer demographic to relocate to the region, and, to a lesser extent, the continued non-residential construction activity during the run-up to the 2010 Olympics, the now evident weakening economic/business and real estate cycles render a fair to moderate outlook for the economy of the region for the foreseeable future.

Neighbourhood Description

The general area consists of predominately older single family dwellings in the area referred to as Okanagan Landing. Neighbourhood is built up with mixed age and generally lower to mid quality single family dwellings inclusive of newer townhouse developments and several good quality executive style single family dwellings on level sandy waterfront lots along Tronson and Okanagan Landing Roads.

Over the past ±10 years this area has experienced commercial redevelopment approximately 4 km southwest of the subject property comprising a pub/restaurant facility & liquor store offering ±1.24 acres of level waterfront with Seymour Marina. Adjacent to the pub and marina development is a newly constructed medium density, tourist commercial zoned executive styled townhouse development known as Paddlewheel Villas. A ±104 unit waterfront residential development known as the Strand Lakeside Resort is located on Okanagan Landing Road approximately 1 km southwest of the subject. A ±28 unit multi-storey two building development known as Mandalay Bay is located 2 km southwest, as is a multi-phased ±99 unit BLS development known as Seasons. New townhouse developments on nearby Cummins Road (known as 'Sierra Gardens') and Okanagan Avenue (known as 'The Oaks') are currently being constructed.

The Okanagan Landing area of Vernon is becoming a highly desirable, predominantly residential zoned area offering both views of and waterfront properties on Okanagan Lake.

The general neighbourhood includes Kin Beach located ¼ km west of the subject adjacent to Indian Reserve #8 which is improved with two older modest quality mobile home parks. The subject site backs onto an undeveloped ±3.10 ac. multi-family development site which, in turn, backs onto the former Lakers Golf Course (pitch & putt nine hole golf course) now being utilized for fill to extend the runway at VRA.

There are two major factors affecting land uses in the immediate area to the subject - the Waterfront Commercial Plan adopted with the 2001 OCP and the more recent announcements regarding vehicular traffic pattern changes and overall area land use initiatives. The net result is the older improvements on predominantly level sites suitable for upzoning and redevelopment are being bought for speculative holding and/or redevelopment.

There are no other known derogatory influences in the immediate area which would have a negative influence on the market value of the subject other than being located under the flight path for VRA. To assist in visualizing the subject neighbourhood and its relationship to the surrounding properties and major transportation routes reference is made to the Location and Neighbourhood Maps and photographs included in this analysis.

Site Description

To assist in visualizing the subject site, reference is made to the proposed Site Plan included in this report.

Shape, Area and Dimensions

The subject site is rectangular shaped and comprises a gross area of ± 0.489 acres with ± 96.85 ft. frontage on Lakeshore Road (west boundary). The south boundary measures ± 220.36 ft. The east (rear) boundary measures 96.66 ft. The north boundary measures 220.31 ft.

Topography

The subject property is relatively level and slightly below road grade; typical of non-waterfront sites in the area. No soil tests were requested or undertaken. We must assume the site has adequate loadbearing capabilities. We are not aware of any environmental or occupational hazardous materials or waste activities on the site, nor are we aware of any environmental assessment having been conducted, and must assume the property is free/clear of any contamination.

Considerations must be met relative to building elevations and setbacks; particularly with reference to the Airport Zoning Bylaw #4888; wherein maximum building heights are based on either a minimum floor elevation of 343.66 m ALR or maximum building heights based on existing ground elevations from air photos.

Availability of Utilities

The subject site has available to it hydro, telephone, natural gas, all City of Vernon services inclusive of city water and storm & sanitary sewer as well as professional police and fire protection.

Accessibility

Vehicular access is from Lakeshore Road along the subject's western boundary.

Improvements

The subject site is improved with an older $\pm 1,168$ sq. ft. bungalow on crawl space. Two bedroom floor plan. Interior is predominately dated and is adequately maintained. Overall quality/condition is considered to be below average. Currently tenant occupied and rented for \$850 per month plus utilities.

Analysis & Conclusions

Definition of Highest and Best Use

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. (The Dictionary of Real Estate Appraisal, 3rd Edition, by Appraisal Institute, 1993.)

The definition immediately preceding applies specifically to the highest and best use of land and/or property. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be concluded to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

Also implied, is that the estimation of highest and best use results from judgment and analytical skill, i.e., that the use concluded from analysis represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the foundation on which market value rests. In the context of most probable selling price (market value), another appropriate term to reflect highest and best use would be most probable use. In the context of investment value, an alternative term would be most profitable use.

The highest and best use of both land as though vacant and property as improved must meet four criteria. The highest and best use must be 1) physically possible, 2) legally permissible, 3) financially feasible, and 4) maximally productive. These criteria are usually considered sequentially; a use may be physically possible, but this is irrelevant if it is not feasible or legally prohibited. Only when there is a reasonable possibility that one of the prior, unacceptable conditions can be changed is it appropriate to proceed with the analysis. If, for example, current zoning does not permit a potential highest and best use, but there is a reasonable possibility that the zoning can be changed, the proposed use can be considered on that basis. It is this aspect with which we must address to identify the highest and best use of the subject site. Further discussion is included in the report substantiating or confirming highest and best use and hence market value of same. (The Appraisal of Real Estate, 10th Edition, Appraisal Institute, 1992.)

Highest and Best Use

The subject property is zoned R-1 Estate Lot Residential. This classification allows for limited residential uses.

In formulating the highest and best use for the subject property based on the data and facts previously discussed herein, the following factors are considered most relevant:

- i) Location - being located amidst the Waterfront Plan within the Okanagan Landing in the City of Vernon, an area of predominantly older residential subdivisions with views including its close proximity to recreation facilities and Okanagan Lake, schools and the downtown core.
- ii) Physical - predominantly rectangular configuration, development constraints as they relate to the VRA flight path.
- iii) Land Use Controls - currently sited within the jurisdictional control of the City of Vernon under the R-1 zoning with OCP designations of C-10 Tourist Commercial.
- iv) Market Demand - good supply of single family housing with Greater Vernon has created a buyers market. Demand for re-development lands within the City of Vernon has remained relatively stable over the past year. With moderate population growth anticipated for the North Okanagan over the long term, the future outlook for re-development properties remains positive.

Based on the foregoing, wherein the current market demand supports most types & styles of residential development, the highest and best use of the subject property, as at September 23, 2008 is concluded to be a level usable 0.489 acre vacant residential parcel with inherent development potential.

Market Value Estimate

The Direct Comparison Approach requires the analysis and comparison of like properties with the subject which have sold at times concurrent to the date of appraisal under similar economic conditions. The Direct Comparison Approach is the preferred method to estimating the market value of vacant land because it reflects typical buyer and seller reactions and the principle of substitution:

"When several similar or commensurate commodities, goods or services are available, the one with the lowest price attracts the greatest demand and widest distribution. This affirms the notion that when a property is replaceable, its upper limit of value tends to be set by the cost of acquiring a similar and equally desirable property, provided there is no delay in making the acquisition."

When sufficient comparables are found in the market it is the most accepted and preferred method.

Pursuant to the function of this report, a varied array of small sized developable residential zoned acreage sites are analyzed and adjusted to reflect their differences. This enables a price per acre and sale price per unit rate to be applied to the subject property.

Direct Comparison Approach

The following comparative sales offer market evidence of known improved residential zoned parcels in the Okanagan Landing area to be utilized to assist in concluding a market value of the subject property.

Comparable Improved Sales

| Index | Civic Address | Sale Date | Sale Price | Lot Size (Ac.) | Zoning |
|-------|---|--------------------------|---------------------------|----------------|------------|
| 1 | 2583 Lakeshore Rd | 04/08 | \$ 750,000 | 1.25 | R-1 |
| 2 | 7552 Okanagan Landing Rd | 02/08 | \$ 435,000 | 0.40 | R-2 |
| 3 | 8716 Okanagan Landing Rd | 02/08 | \$ 387,000 | 0.20 | R-1 |
| 4 | 2553-2551 Lakeshore Rd | 06/07 | \$ 505,000 | 0.38 | R-1 |
| 5 | 2805 Lakeshore Rd. | 08/06 | \$ 289,000 | 0.33 | R-1 |
| 6 | 2597 Lakeshore Rd. 2597 Lakeshore Rd | 02/06 Current listing | \$ 510,850 \$1,800,000 | 0.91 0.91 | R-1 R-1 |
| 7 | 2583 Lakeshore Rd. | Listing | \$ 697,000 | 0.17 | R-1 |

Index 1 offers a larger, modestly improved site on Lakeshore Road that was acquired for redevelopment. Index 2 is a slightly smaller site improved with a superior dwelling overlooking Okanagan Lake. Currently zoned R2 and slated for low density residential use in the OCP. Public access to Okanagan Lake is within walking distance. Index 3 offers a smaller site that is modestly improved with a single family dwelling. Okanagan Lake is across the road yet public access is further than that of the subject. Currently zoned R1 and slated for low density residential use in the OCP. Index 4 offers a dated sale of a slightly smaller site along Lakeshore Road. Site is improved with a duplex with potential for redevelopment.

Indices 1 and 4 offer modestly improved sites along the subject road with a sale price ranging from \$505,000 to \$750,000. Index 4 is thought to provide an upper limit value since it is improved with a duplex. Both indices offer similar development potential to that of the subject property.

Indices 2 and 3 offer sales of single family dwellings near Okanagan Lake that are not slated for higher density redevelopment under the OCP. Index 2 is a far superior dwelling with a full basement and lake views. In consideration of the subject site 'as improved' with a single family dwelling, Indices 2 and 3 provide a value range of \$387,000 to \$435,000. Index 2 offers a far superior dwelling overlooking Okanagan Lake and therefore, \$435,000 is deemed to be an upper limit value for the subject property. Index 3 is highly comparable to the subject property in terms of proximity to waterfront and quality of improvements.

The foregoing comparables range from \$289,000 to \$750,000 with the best sale being Index 3 at \$387,000. Giving modest consideration for the future development potential of the subject property, a value of \$390,000 is deemed reasonable.

Analysis & Conclusions

The past ±12 months have realized price stabilization for development lands as the supply of housing has outweighed demand over the past ±8 months. Gains in property values realized in the first half of 2007 have been offset by modest declines over the past 8 months.

Due partly to the unproven market of the immediate area in support of saleable multiple family units, yet employing a high element of judgment with regards to the affect on values and development the Waterfront Neighbourhood Plan has, and is expected to continue to exert, an overall value is concluded at:

**Three Hundred Ninety Thousand Dollars
(\$390,000)**

Certification

I certify that, to the best of my 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 my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Institute of Canada and the Real Estate Institute of British Columbia.
- the Appraisal Institute of Canada has a Mandatory Recertification Program for designated members. As of the date of appraisal, I have fulfilled the requirements of the program.
- no one provided significant professional assistance to the person signing this report.
- on September 23, 2008, I personally inspected the parcel legally described as Lot A DL 62 Plan 24093 ODYD, and municipally addressed as 2649 Lakeshore Road, Vernon, BC.
- in my opinion that as at September 23, 2008, the estimated market value of the subject property, in fee simple interest is supported at \$390,000.



Gord French



Joe Gourdi AACI, P.App., RI(BC)

September 28, 2008

QUALIFICATIONS OF THE APPRAISER - J. R. (JOE) GOURDINE

EXPERIENCE: Fee Appraiser since 1989.
 1982 - Present L.E. Rivard & Associates Ltd., Vernon, BC
 1981 - 1982 Royal LePage Appraisal Services, Vancouver, BC
 1980 - 1981 Cunningham & Rivard Ltd., N. Vancouver, BC

COURTS: Qualified as an Expert Witness, Supreme Court of BC - 1997, 1991

ACADEMIC AND PROFESSIONAL AFFILIATIONS:

Accredited Appraiser Canadian Institute No. 3483

Business Administration Diploma, Grant MacEwan Community College,
 Edmonton (1979-1981)

APPRAISALS COMPLETED FOR:

| | |
|---------------------------------------|---------------------------------|
| CP Rail | Royal Bank of Canada |
| Crown Lands | Bank of Nova Scotia |
| Public Works Canada | Toronto Dominion Bank |
| Petro Canada Ltd. | Bank of Montreal |
| Ministry of Transportation & Highways | CIBC |
| BC Gas Utility | Hongkong Bank (HSBC) |
| Shell Canada | Canadian Western Bank |
| Beaver Lumber | Valley First Credit Union |
| T. Eaton Company | Vernon & District Credit Union |
| Woolworth Realty Company | Valley First Credit Union |
| City of Vernon | Interior Savings Credit Union |
| Greater Vernon Parks & Recreation | Private and Corporate Investors |
| City of Enderby | Law Firm & Bankruptcy Trustees |
| District of Coldstream | Land Development Companies |

ASSIGNMENTS PREPARED FOR:

| | |
|-----------------------|------------------------|
| Expropriation Matters | Land Development |
| Litigation Purposes | Insurance Claims |
| Mortgage Financing | Bankruptcy Proceedings |
| Feasibility Studies | Industrial Development |
| Lease Review | Commercial Development |
| Residential | |

QUALIFICATIONS OF THE APPRAISER – GORD FRENCH

EMPLOYMENT HISTORY

2005 to present L.E. Rivard & Associates

EDUCATION

B.Comm. University of Calgary 2004
Candidate Appraiser 2005 to present
Sauder School of Business, UBC – PGCV
Post Graduate Certificate in Real Property Valuation
(to obtain AACI designation)

DESIGNATIONS

B.Comm. University of Calgary

MEMBERSHIPS & AFFILIATIONS

Member of the Appraisal Institute of Canada

APPRAISALS COMPLETED FOR:

- Royal Bank of Canada
- Bank of Nova Scotia
- Canadian Imperial Bank of Commerce
- TD Canada Trust
- Bank of Montreal
- HSBC
- Vantage One Credit Union
- Valley First Credit Union
- Interior Credit Union
- Prospera Credit Union
- Genworth Financial
- Home Trust
- MCAP
- Investors Group
- Canadian Western Bank
- CitiFinancial

Addenda

General Underlying Assumptions

Legal Matters:

The legal description used in this report is assumed to be correct, but it may not necessarily have been confirmed by survey. No responsibility is assumed in connection with a survey or for encroachments or overlapping or other discrepancies that might be revealed thereby. Any sketches included in the report are only for the purpose of aiding the reader in visualizing the property and are not necessarily a result of a survey. No responsibility is assumed for an opinion of legal nature, such as to ownership of the property or condition of title. The appraiser assumes the title to the property to be marketable; that, unless stated to the contrary, the property is appraised as an unencumbered fee which is not used in violation of acceptable ordinances, statutes or other governmental regulations.

Unapparent Conditions:

The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable than otherwise comparable property unless stated. The appraiser is not an expert in determining the presence or absence of hazardous or toxic materials, waste, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. The appraiser assumes no responsibility for the studies or analysis which would be required to conclude the presence or absence of such substances or for loss as a result of the presence of such substances. The client is urged to retain an expert in this field, if desired. The value estimate is based on the assumption that the subject property is not so affected.

Information and Data:

Information, estimates, and opinions furnished to the appraiser and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraiser, can be assumed by the appraiser. All mortgages, liens, encumbrances, and servitudes have been disregarded unless so specified within the appraisal report. The subject property is appraised as though under responsible ownership and competent management.

Zoning and Licenses:

It is assumed that all applicable zoning and use regulations and restrictions have been and will continue to be complied with, unless a nonconforming use has been stated, defined and considered in the valuation. It is assumed that the subject property complies with all applicable federal, provincial and local environmental regulations and laws unless noncompliance is stated, defined and considered in the valuation. It is assumed that the information relating to the location of or existence of public utilities that has been obtained through a verbal inquiry from the appropriate utility authority, or has been ascertained from visual evidence is correct. No warranty has been made regarding the exact location or capacities of public utility systems. It is assumed that all licenses, consents or other legislative or administrative authority from local, provincial or national governmental or private entity or organization have been, or can be, obtained or renewed for any use on which the value estimate contained in the valuation report is based.

General Limiting Conditions

The appraiser will not be required to give testimony or appear in court due to preparing the appraisal with reference to the subject property in question, unless prior arrangements have been made.

Possession of the report does not carry with it the right of publication. Out-of-context quoting from or partial reprinting of this appraisal report is not authorized. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraiser signing this appraisal report.

The authentic copies of this report are bound. Any copy that does not have original signatures of the appraiser in blue ink, is unauthorized and may have been altered, and is considered invalid.

Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any references to the Appraisal Institute or to the appraisal designations) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the author.

No environmental or concurrency impact studies were either requested or made in conjunction with this appraisal report. The appraiser, thereby, reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental or concurrency impact studies, research or investigation.

If this appraisal is used for mortgage loan purposes, the appraiser invites attention to the fact that (1) the equity cash requirements of the sponsor have not been analyzed, (2) the loan ratio has not been suggested, and (3) the amortization method and term have not been suggested.

The function of this report is not for use in conjunction with a syndication of real property. This report cannot be used for said purposes and, therefore, any use of this report relating to syndication activities is strictly prohibited and unauthorized. If such an unauthorized use of this report takes place, it is understood and agreed that Rivard and Associates Ltd. has no liability to the client and/or third parties.

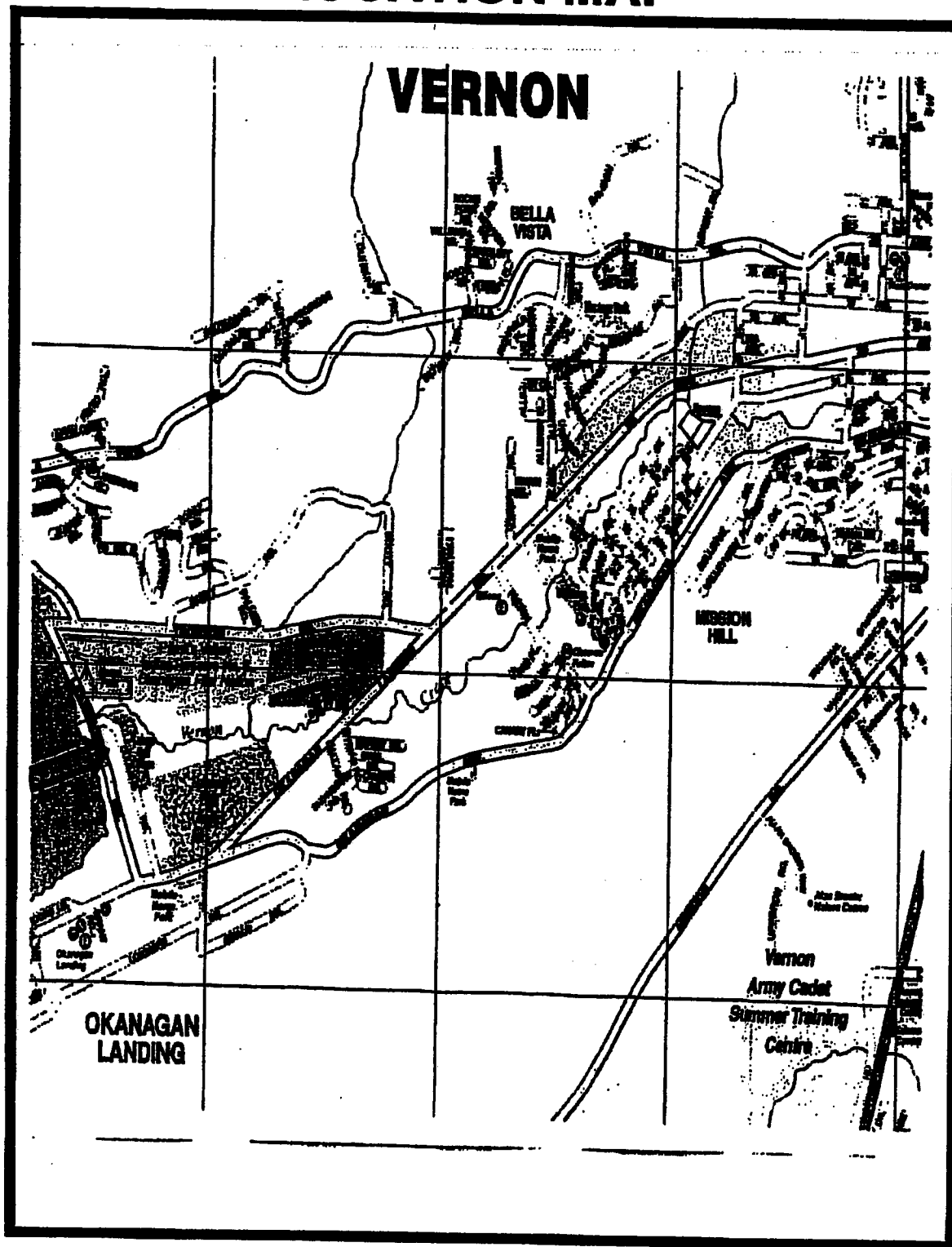
Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Underlying Assumptions and General Limiting Conditions. The appraiser's duties, pursuant to the employment to make the appraisal, are complete upon delivery and acceptance of the appraisal report. However, any corrections or errors should be called to the attention of the appraisers within 60 days of the delivery of the report.

This appraisal report is copyrighted by L.E. Rivard & Associates Ltd.; this report or any part thereof is not to be copied or reproduced in any way without the permission of the appraiser and no one else; certain parts of this report supplied by others or alluded to herein may be copyrighted by those others, and the appraiser herein has no authority to permit further reproduction thereof as such further reproduction must have prior approval of the originator, and the appraiser herein has no authority to permit further duplication and any third party may be subject to the penalties of The Copyright Act for unauthorized republishing; all permits and royalties required for the reproduction of the works of others as contained herein have been obtained and/or paid by the appraiser, and any reproduction of any part of this report for any purpose without permission of the appraiser is strictly prohibited.

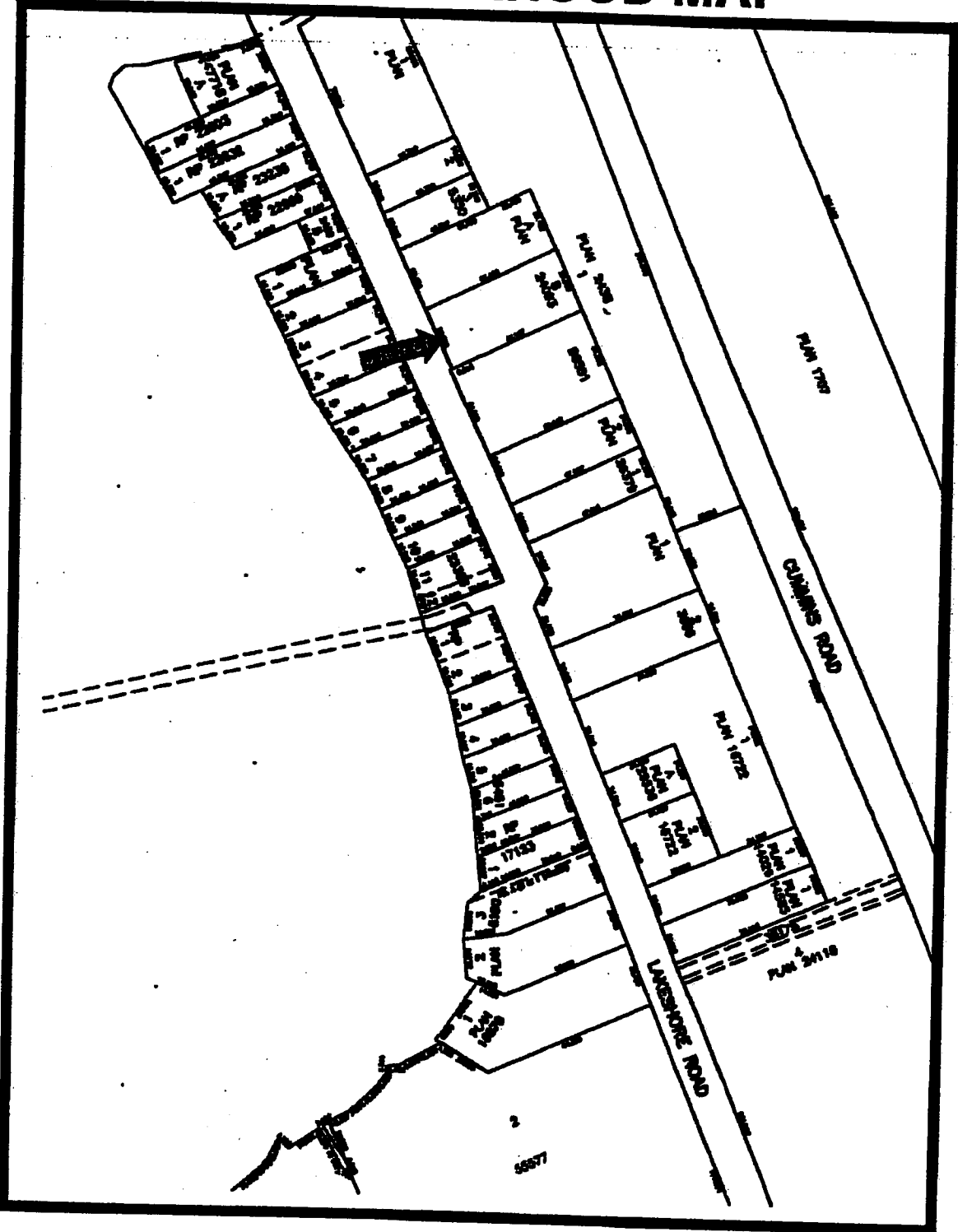
LOCATION MAP



LOCATION MAP



NEIGHBOURHOOD MAP



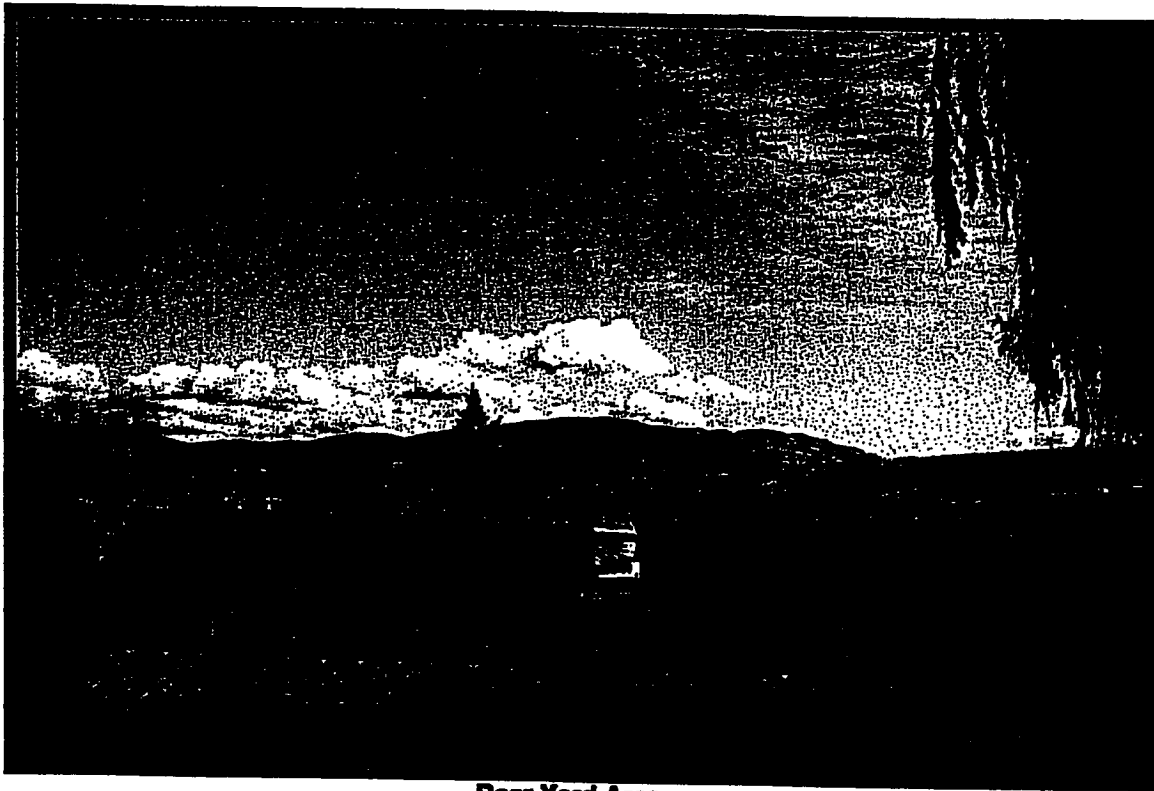


Front View of Dwelling on Property

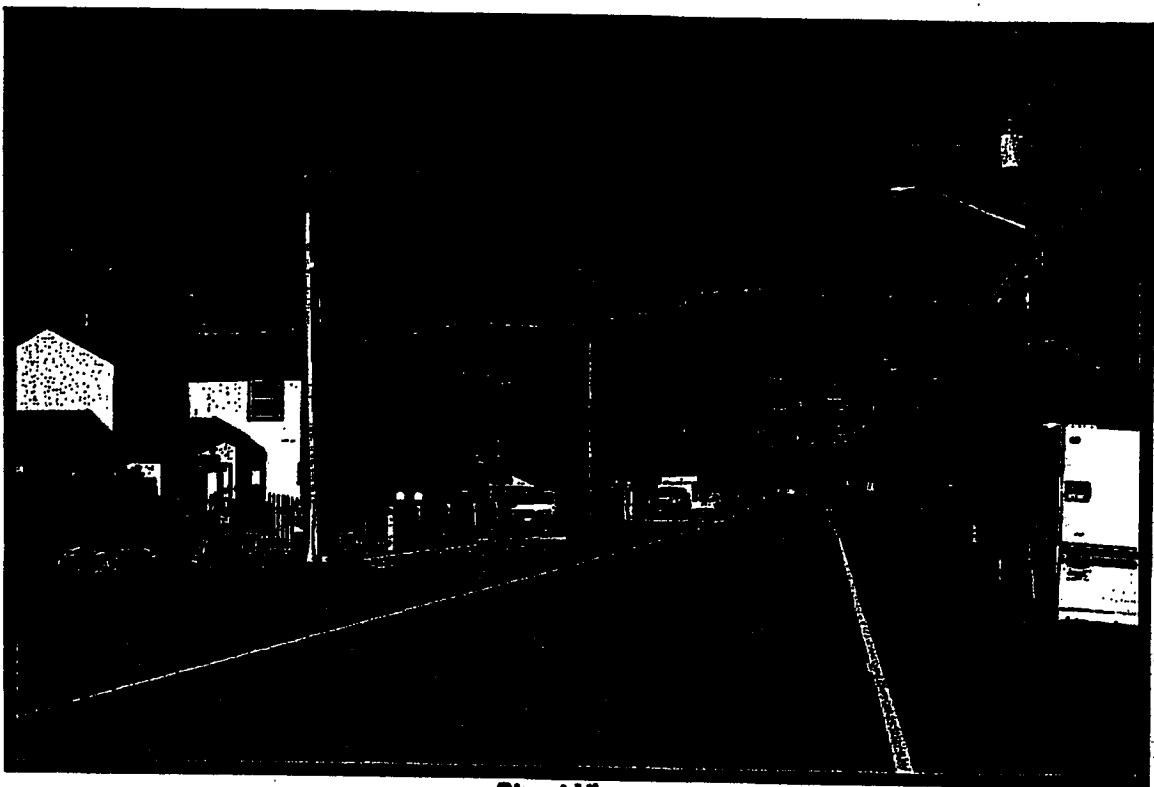


Rear View of Dwelling on Property

RIVARD & ASSOCIATES



Rear Yard Area



Street View

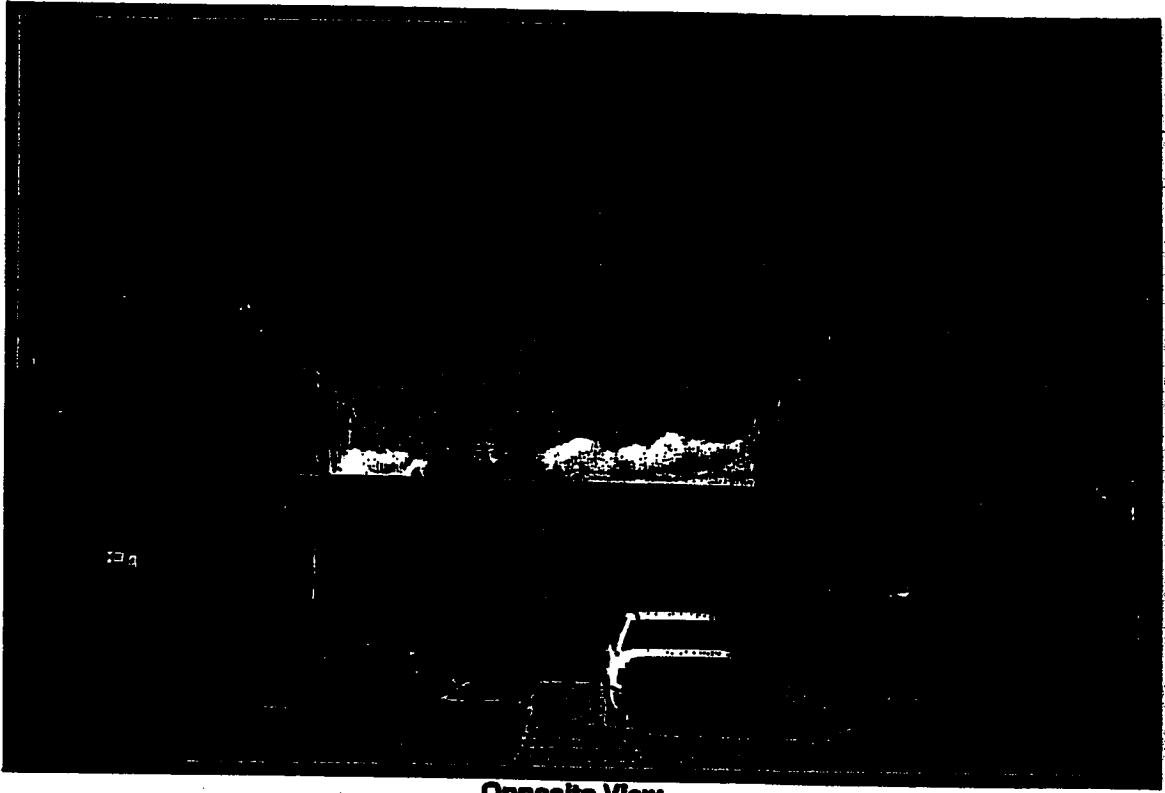
RIVARD & ASSOCIATES



Right View



Left View



Opposite View

Date: 08/09/23

TITLE SEARCH PRINT - KAMLOOPS

Time: 08:51:45

Requestor: (PA49582)

L.E. RIVARD & ASSOCIATES LTD.

Page: 001

TITLE - CA685995

KAMLOOPS LAND TITLE OFFICE TITLE NO: CA685995
FROM TITLE NO: CA266806

APPLICATION FOR REGISTRATION RECEIVED ON: 28 JANUARY, 2008
ENTERED: 30 JANUARY, 2008

REGISTERED OWNER IN FEE SIMPLE:
OKANAGAN HILLS DEVELOPMENT CORPORATION, INC.NO. 694475
#8 - 2601 HIGHWAY 6
VERNON, BC
V1T 5G6

TAXATION AUTHORITY:
CITY OF VERNON

DESCRIPTION OF LAND:
PARCEL IDENTIFIER: 006-149-979
LOT A DISTRICT LOT 62 OSOYOOS DIVISION YALE DISTRICT PLAN 24093

LEGAL NOTATIONS: NONE

CHARGES, LIENS AND INTERESTS:
NATURE OF CHARGE
CHARGE NUMBER DATE TIME

MORTGAGE
CA685996 2008-01-28 10:30
REGISTERED OWNER OF CHARGE:
SL36 VENTURES LTD.
INCORPORATION NO. BC0692575
CA685996

"CAUTION - CHARGES MAY NOT APPEAR IN ORDER OF PRIORITY. SEE SECTION 28, L.T.A."

DUPLICATE INDEFEASIBLE TITLE: NONE OUTSTANDING

TRANSFERS: NONE

PENDING APPLICATIONS: NONE

*** CURRENT INFORMATION ONLY - NO CANCELLED INFORMATION SHOWN ***

09/23/2008

*Data supplied to the Board by the Assessment Authority is to be used
as a source for statistical information and not for solicitation or mailing
purposes of any kind. Section 71 (1) - (3) Bill 21*

Roll Number: 00000000007362240
Jurisdiction: 233 City of Vernon
PID Number: 006-149-979

Owner Information

Name:
Additional:
Address: 8-2601 HIGHWAY 6 VERNON BC
Postal Code: V1T5G4

Additional Owners See Page 2

Property Address: 2649 LAKESHORE RD

Equity: 00 REGISTERED OWNER
Tenure: Crown--Granted

Legal Description

Fixed: Lot: A, Plan#: 24093, Section: , Range: , District Lot: 62, Block: , Land District: Osoyoos Div a.
Township:

Free-Form:

Indian Band:
Reservation:
Lot Size: 21344
Zoning:
Actual Use: Single Family Dwellings
BCAA Descr: 1 Sty Sfd - after 1930 - Fair
(manual class)
Prop Class:
Tax Class: 00 ALL FULLY TAXABLE LAND, STRUCTURES, ETC.
Total-Land: \$178,000. Roll Year: 2008
Total - Impr: \$101,000.
Gross Taxes: \$1,378. Tax Year: 2006

Sale Data

| | <u>Sale Date</u> | <u>Sale Price</u> | <u>Sale Type</u> |
|----------------|------------------|-------------------|---|
| Current Sale | 01/2008 | \$419,965. | Improved Single Property Cash Transaction |
| Previous Sales | 08/2006 | \$375,000. | Improved Single Property Cash Transaction |
| | 05/2000 | \$135,000. | Improved Single Property Cash Transaction |



9.2 R1: Estate Lot Residential

9.2.1 Purpose

The purpose is to provide a zone for single detached housing, and compatible uses, on larger urban serviced lots.

9.2.2 Primary Uses

- single detached housing

9.2.3 Secondary Uses (* the following uses are subject to Development Permit approval prior to undertaking any development or change in use)

- boarding rooms
- * bed and breakfast homes
- * care centres, minor
- * congregate housing, minor
- home based businesses, minor
- * home based businesses, major
- * secondary suites

9.2.4 Subdivision Regulations

- Minimum lot width is 24.0m.
- Minimum lot area is 740m², or 10,000m² if not serviced by a community sewer system.

9.2.5 Development Regulations

- Maximum site coverage is 40% and together with driveways, parking areas and impermeable surfaces shall not exceed 50%.
- Maximum height is the lesser of 10.0m or 2.5 storeys, except it is 4.5m for secondary buildings and secondary structures.
- Minimum front yard is 7.5m.
- Minimum side yard is 2.5m, except it is 7.5m from a flanking street. Where there is no direct vehicular access to the rear yard or to an attached garage or carport, one side yard shall be at least 3.0m.
- Minimum rear yard is 7.5m, except it is 1.5m for secondary buildings. Where the lot width exceeds the lot depth, the minimum rear yard is 4.5m provided that one side yard shall have a minimum width of 4.5m.
- The maximum height of any vertical wall element facing a front, flanking or rear yard (including walkout basements) is the lesser of 8.5m or 2.5 storeys, above which the building must be set back at least 1.2m.

9.2.6 Other Regulations

- There shall be no more than one single detached house per lot.
- Where development has access to a rear lane, vehicular access to the development is only permitted from the rear lane.
- For Care Centres a safe drop-off area for patrons shall be provided on the site.
- In addition to the regulations listed above, other regulations may apply. These include the general development regulations of Section 4 (secondary development, yards, projections into yards, lighting, agricultural setbacks, etc.); the specific use regulations of Section 5; the landscaping and fencing provisions of Section 6; and, the parking and loading regulations of Section 7.

10.10 C10 : Tourist Commercial**C10****10.10.1 Purpose**

The purpose is to designate and preserve land for the development of destination commercial visitor accommodation.

10.10.2 Primary Uses

- amusement arcades, major
- amusement establishments, outdoor
- apartment housing, tourist
- artist studios
- boat storage
- brewing or distilling, Class A
- care centres, major
- clubs, private
- convenience vehicle rentals (Bylaw 8013)
- cultural exhibits, private
- drive-through services
- emergency protective services
- hostels
- hotels
- hotels, apartment
- liquor primary establishment, minor
- liquor primary establishment, major
- marinas
- motels
- primary food establishments
- participant recreation services, indoor
- personal services
- parks, public
- retail stores, convenience
- retail stores, general
- retail street sales
- row housing, tourist (Bylaw 4883)
- tourist campsites

10.10.3 Secondary Uses

- amusement arcades, minor
- care centre, minor
- carnival
- docks, community
- docks, private
- home based businesses, minor
- marina equipment rentals
- marina fuel facilities
- marina sani-dump facilities
- offices
- residential security/operator unit
- retail stores, licensee
- spectator entertainment establishments
- utility services, minor impact

SECTION 10.10 : TOURIST COMMERCIAL
ZONING BYLAW NO. 5888 (2002)

C10 - 1 of 2
CITY OF VERNON

10.10.4 Subdivision Regulations

- Minimum lot width is 30.0m.
- Minimum lot area is 1800m².

10.10.5 Development Regulations

- Maximum commercial floor space ratio is 2.0, except it is 5.0 for tourist apartment housing.
- Maximum site coverage is 60%.
- Maximum height is the lesser of 15.0m or 4 storeys, except for tourist apartment housing where the height shall be the lesser of 55.0m or 16 storeys in accordance with the RHS zone.
- Minimum front yard is 6.0m.
- Minimum side yard is 4.5m, except it is 6.0m for any flanking street.
- Minimum rear yard is 4.5m, except it is 6.0m where the abutting land is zoned or designated Residential.

10.10.6 Other Regulations

- Only one residential security/operator unit is permitted on a site.
- A minimum area of 5.0m² of private open space shall be provided per bachelor dwelling, congregata housing unit or group home bedroom, 10.0m² of private open space shall be provided per 1 bedroom dwelling, and 15.0m² of private open space shall be provided per dwelling with more than 1 bedroom.
- Individual amusements arcades, offices, convenience retail sales, and licensed retail stores shall not have a floor area greater than 90m².
- Tourist campsites are only allowed on sites greater than 1ha (2.5 acre), with the area available for development to comply with the required Development Regulations.
- Apartment hotels, hotels and motels are only permitted when integrated with village commercial or waterfront services.
- Boat storage use is only permitted on property that abuts or is within 100m of a public or private boat launch facility.
- In addition to the regulations listed above, other regulations may apply. These include the general development regulations of Section 4 (secondary development, yards, projections into yards, lighting, agricultural setbacks, etc.); the specific use regulations of Section 5; the landscaping and fencing provisions of Section 6; and, the parking and loading regulations of Section 7.