CLARK ~ DAVIS, PC
REAL ESTATE APPRAISERS
[redacted]

Established 1991

Claud Clark III *
Certified General Real Property Appraiser
Kathy P. Davis
Certified Residential Appraiser
Laura Fullington †
Certified General Real Property Appraiser

Writer's Email: [redacted]

December 15, 2015

Sanibel Resort, LLC
[redacted]

Attention: Mr. Robert M. McCullough

RE: Conservation Easement Appraisal
Sanibel Resort

Dear Mr. McCullough:

At your request, I have conducted the inspections, investigations, and complete analysis necessary to appraise the above referenced real property. The appraisal is an Appraisal Report presented in accordance with Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). My opinion of fair market value is premised upon the Assumptions and Limiting Conditions contained within this report. This report has been prepared, to the best of my knowledge, to the standards and requirements of the USPAP, the Standards of Professional Appraisal Practice of the Appraisal Institute and the requirements of the State of South Carolina for certified appraisers.

This appraisal is made under a hypothetical condition that certain improvements are made to the Subject Property that are assumed to be in place when in fact they are not.

Hypothetical Condition is defined as: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Jurisdictional Exception is used when the IRS Code as promulgated by the Treasury Department and through Tax Court opinions to override USPAP. This is primarily used as the standard relating to the Highest and Best Use in which the Code states:

§ 1.170A-14 26 CFR Ch. I (4-1-03 Edition)

(ii) Fair market value of property before and after restriction. If before and after valuation is used, the fair market value of the property before contribution of the conservation restriction must take into account not only the current use of the property, but also an objective assessment of how immediate or remote the likelihood is that the property, absent the restriction, would in fact be developed, as well as any effect from zoning, conservation, or historic preservation laws that already restrict the property's potential highest and best use.

This report has been prepared, to the best of my knowledge, to the standards and requirements of the Internal Revenue Service. The definition of fair market value as set forth-in Treasury Reg. 1.170A-1(c) (2) is as follows: Fair market value, as defined in section 1.170A-1(c) (2) of the Income Tax Regulations is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts.

The intended use of the appraisal is for estimating the fair market value of a perpetual conservation easement for federal income tax purposes. The intended users are the donors and the IRS for the purpose of estimating the fair market value of an easement donated to the:

North American Land Trust

[redacted]

I made a study of the parcel that is legally described in the easement documents for estimating the ***fair market value*** of the ***fee simple ownership interest***, ***"before"*** and ***"after"*** the establishment of a perpetual Conservation Easement thereon**.**

Based upon my market research, inspection of the subject, its environs, comparable properties, subsequent analyses, and professional judgment, I formed the opinion that the fair market value of the fee simple interest of the Subject Property as of December 15, 2015, and before the Subject Property is encumbered by the easement is as follows:

The Fee Simple value of the Subject Property as of December 15, 2015 is:

Unencumbered	Acres	FMV
Before Value	28.53	$54,798,677

The value of the Subject Property, subject to a perpetual conservation easement as of December 15, 2015 is:

Encumbered	Acres	FMV
Total After Value – Land and Reserved Sites	28.53	$264,222

The value of the easement gift as of December 15, 2015 is as follows and is based upon the before and after value method.

	Acres	FMV
Before Value (Unencumbered)	28.53	$54,798,677
Less		
Total After Value (Encumbered)	28.53	$264,222
Value of the Easement	rounded	**$54,534,000**

The Subject Property has one (1) reserved residential building site and one (1) reserved recreational building site. These sites remain part of the eased property and, therefore are subject to the rules and restrictions of the easement; however, these two sites do have limited building rights, as defined in the easement, and as such, retain a value above that of the per acre value of the property once it is encumbered. These sites are not build ready and would incur development costs. There is no enhancement. This valuation is detailed in the After Section of this appraisal report.

I am a Qualified Appraiser as defined under Section 1.170A-13(c) (5).

The attached report is a "qualified appraisal report" as that term is defined in applicable Internal Revenue Service regulations (Section 1.170A-12(c) (3)) and was prepared for your use.

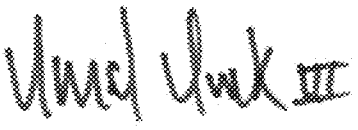
I certify that I have no future or present interest in the Subject Property. Further, my fee has not been based in whole or in part upon a percentage of the appraised value of the property, nor has the fee in any way been contingent upon the appraised value.

I understand that a substantial or gross valuation misstatement resulting from an appraisal of the value of property that the appraiser knows, or reasonably should have known, or would be used in connection with a return or claim for refund, may subject the appraiser to a civil penalty under Section 6695A.

To the knowledge of the undersigned, there is no agreement or understanding entered into (or expected to be entered into) by or on behalf of the donors that relate to the use, sale or disposition of the donated property, including for example, the terms of any agreement or understanding that temporarily or permanently restricts a donee's right to use or dispose of the donated property, earmarks donated property for a particular use, or reserves to, or confers upon, anyone (other than a donee organization or an organization participating with a donee organization in cooperative fund raising) any right to the income from the donated property or to the possession of the property, including the right to acquire the property by purchase or otherwise, or to designate the person having the income, possession, or right to acquire the property.

Please refer to additional certifications found in the attached report.

Respectfully submitted



Claud Clark III State Certified General Real Property Appraiser
SC License #AB 6768 CG

ECOVEST-SF_0012953

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Certification

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

1. I hold myself out to the public as a real estate appraiser and perform appraisals on a regular basis. Because of my qualifications, as described in this appraisal, I am qualified to make appraisals of real property encumbered by a conservation easement.

2. I am not a person described in Treasury Regulation 1.170A-12(c) (5) (iv) in relation to (1) the property that is the subject of this report, (2) the owners of the property that is the subject of this report, or (3) the donee organization.

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

4. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased professional analysis, opinion, and conclusion.

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

6. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. Further, my fee has not been based in whole or in part upon a percentage of the appraised value of the property, nor has the fee in any way been contingent upon the appraised value.

7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice. I certify that I have no future or present interest in the Subject Property.

8. I understand that a substantial or gross valuation misstatement resulting from an appraisal of the value of property that the appraiser knows, or reasonably should have known, would be used in connection with a return or claim for refund, may subject the appraiser to a civil penalty under Section 6695A.

9. I understand that an intentionally false or fraudulent overstatement of the value of the property described in this appraisal or appraisal summary may subject to a civil penalty under section 6701 for aiding and abetting an understatement of tax liability, and, moreover that I may have appraisals disregarded pursuant to 31 U.S.C. 3330(c).

10. I, Claud Clark III have made a personal inspection of the Subject Property, and have participated in the Final Market analysis and conclusions of this report.

11. I am not, nor have I ever been, barred from testifying before the IRS.

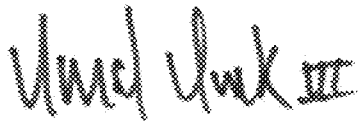
12. I have prepared an appraisal of the Subject Property in the last five (5) years.

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

14. As of the date of this report, I, Claud Clark III, have completed the continuing education program for Designated Members of the Appraisal Institute.

15. As of the date of this report, I, Claud Clark III, have completed the Standards and Ethics Education Requirements for Practicing Affiliates of the Appraisal Institute.

To the knowledge of the undersigned, there is no agreement or understanding entered into (or expected to be entered into) by or on behalf of the donors that relate to the use, sale or disposition of the donated property, including for example, the terms of any agreement or understanding that temporarily or permanently restricts a donee's right to use or dispose of the donated property, earmarks donated property for a particular use, or reserves to, or confers upon, anyone (other than a donee organization or an organization participating with a donee organization in cooperative fund raising) any right to the income from the donated property or to the possession of the property, including the right to acquire the property by purchase or otherwise, or to designate the person having the income, possession, or right to acquire the property.



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Summary of the Appraisal

Property Type:	Conservation Easement
Location:	The Subject Property is located off Old Sanders Drive, just south of the Highway 31 and Robert Edge Parkway interchange, and north of the Intracoastal Waterway in North Myrtle Beach, Horry County, South Carolina.
Purposes of the Appraisal:	To estimate, for federal and state income tax purpose, the market value of the conservation easement.
Function of the Appraisal:	To estimate the market value of a conservation easement.
Date of the Appraisal Report:	December 15, 2015
Date of Value Estimates:	December 15, 2015
Date of Donation	December 15, 2015
Property Rights Appraised:	Before: Fee Simple Interest After: Fee Simple Interest Subject to Easement
Zoning:	R2-A (Mid-Rise Multifamily Residential) and R4 (Resort Residential)
Site:	28.53 Acres
Easement:	28.53 Acres
Reserved:	One Residential Building Site and One Recreational Building Site
Total:	28.53 Acres
Improvements:	None
High and Best Use of Site as Though Vacant:	Before: Residential Development After: Recreational / Green Space
Appraiser:	Claud Clark III as an Employee and Sole Owner of Clark ~ Davis, PC EIN [redacted]

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Assumptions and Limiting Conditions

PLEASE NOTE THAT THE ACCEPTANCE AND/OR USE OF THIS APPRAISAL AND REPORT CONSTITUTES ACCEPTANCE OF THE FOLLOWING TERMS AND CONDITIONS:

Limited Publication, Distribution, and Use of This Report

Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use; the physical report(s) remain the property of the appraiser for the use of the client, the fee being for analytical services only. Any person or corporation other than the client thereof cannot use this report or a copy or party to whom it is addressed without the written consent of this appraisal firm and then only in its entirety. The authentic copies of this report are signed in blue ink. Other copies are unauthorized and may be incomplete or altered.

This appraisal consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempted from disclosure under 5 U.S.C. 552(b) (4).). Notify the appraiser(s) signing the report of any request to reproduce this appraisal in whole or in part.

Limited Disclosure to the Public through the Media

No part of the contents of this report may be conveyed to the public through advertising, public relation efforts, news, sales, or other media, without the express and written consent of the appraiser. Neither may reference be made in such a public communication to the Appraisal Institute or the MAI designation.

This appraisal is to be used only in its entirety and no part is to be used without the whole report.

Limited Disclosure of the Report by the Appraiser

The appraiser agrees not to divulge the material (valuation) content of this report. The exceptions are as required by The Real Estate Appraisal Board of the State of South Carolina or the Appraisal Institute as they may request, in confidence, for ethics enforcement; or by a court of law or body with the power of subpoena. This means that the appraiser will keep secret the analytical findings and conclusions for the property or properties being appraised. The appraiser agrees not to give a copy of this report to anyone other than the client or his designee unless requested in writing by the client.

Information Furnished is Assumed to be Accurate

No responsibility is assumed for the accuracy of information furnished by the client, his designee, or public records. We are not liable for such information or the work of possible subcontractors. Be advised that some of the people associated with the Real Estate Appraisal Office of Clark ~ Davis, PC and any associates possibly signing the report are independent contractors. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction, and/or public records, and/or some other form of affidavit; all are considered appropriate for inclusion to the best of our judgment and knowledge.

Limited Use of Exhibits

The sketches, maps and other exhibits shown as part of this report are included to assist the reader in visualizing the property and its various attributes. These exhibits are not necessarily to scale. Site plans should not be confused with surveys. Only an exhibit labeled "survey" and signed by a surveyor should be relied upon as a survey.

No Responsibility Assumed for Legal, Engineering, Environmental Financial, Structural, Mechanical, Hidden Components or Soil Conditions

No responsibility is assumed for matters legal in character or nature, or matters of survey, or of any architectural, structural, mechanical or engineering nature. No opinion is rendered as to the title, which is presumed to be good and merchantable. The property is appraised as if free and clear, unless otherwise stated in particular parts of this report.
The appraiser has inspected as far as possible, by observation, the land and the improvements thereon; however, it was not possible to personally observe conditions beneath the soil or hidden structural and certain other components. This appraisal is based on the assumption that there are no hidden or apparent conditions of the property site, subsoil, or structures, which would render it more or less valuable. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them.

The appraiser does not have the environmental expertise necessary to make judgments as to the acceptability of these concerns. It is recommended that an environmental expert be consulted and an environmental abatement firm estimate the cost of any such abatement necessary to correct any condition found.

Mechanical components within the improvements have not been critically inspected and no representations are made herein as to these matters unless specifically stated in this report. All mechanical components are assumed to be in operable condition and considered standard for properties of the subject type. Conditions of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment is made as to the adequacy of insulation, type of insulation or energy efficiency. The value estimate considers that no such conditions that would cause a loss of value exist.

The land or soil of the area being appraised appears firm; however, the exact character of the soil and subsoil is not known. The appraiser does not warrant against problems arising from soil or subsoil conditions.

The legal description used in this report is assumed to be correct as furnished by the client or his designee. The legal description may have been developed by the appraiser from information from other sources, such as Tax Assessor's records. In any event, the legal description is to assist in the identification of the property to be appraised and must not be used otherwise.

Value Limited to Legal Uses

This appraisal is based on the premise that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in the report. We have assumed all applicable zoning, building and use regulations and restrictions have been obeyed unless otherwise stated in the report. All required licenses, consents, permits or other legislative or administrative approvals are assumed to have been obtained or renewed for any use considered in the value estimate.

Limited Use of Component Values

The distribution of the total valuation in this report between land and improvements applies only under the existing or proposed program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and may be invalid if so used.

Limited Access to Auxiliary and Related Studies

No environmental impact studies, special market studies, highest and best use studies or feasibility studies have been made or requested unless otherwise specified in an agreement for services or in this report. The appraiser reserves the unlimited right to alter, amend, revise or rescind any of the statements, findings, opinions, values, estimates or conclusions upon any subsequent such study or analysis or previous study or analysis subsequently becoming known to him.

Value Limited to Real Estate Unless Otherwise Specified

Furnishings, equipment or other business related items not typically considered as part of the real estate are not normally valued. These items have been disregarded with only the real estate being considered in the value estimate unless otherwise stated in this report.

Limitations of a Value Estimate in a Dynamic Market

The Market Value estimate is made within the context of a dynamic real estate market and is subject to change with the passage of time. Value is highly related to exposure, time, promotional effort, and terms of sale, motivation and conditions surrounding the offering. This value estimate has sought to consider the productivity and relative attractiveness of the property physically and economically in the marketplace.

The "Estimate of Market Value" in this appraisal report is not based in whole or in part upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property being appraised.

In cases of appraisals involving the capitalization of income benefits, the estimate of Market Value is a reflection of such benefits, as well as, the appraiser's interpretation of income, yields and other factors derived from general and specific market information. Such estimates are as of the date of the estimate of value; they are subject to change as the market is naturally dynamic.

Competent Management Assumed

It is assumed that the property, which is the subject of this report, will be under prudent and competent ownership and management, neither inefficient nor excessive.

Assumptions for Proposed Improvements

If the property being appraised contains any proposed improvements or repairs, whether on site or off of the site, these improvements and/or repairs are expected to be completed in a good and workmanlike and timely manner and according to information submitted and/or considered by the appraiser. In cases of proposed construction, the appraised value and conditions are subject to change upon inspection of the property after construction is completed, if any material differences are found to exist. The estimate of Market Value is as of the date shown in the report, as proposed, and as if completed and operating at the levels shown and projected in the report.

In order to fully disclose all pertinent data and ensure that the reader and/or user of the report is fully aware that the
a. The improved Subject Property does not yet, in fact, exist as of the date of the appraisal;
b. The analysis performed to develop the estimate of value is based on a hypothesis, specifically that the improved Subject Property is assumed to exist when, in fact, it does not exist;
c. Certain events need to occur, as disclosed in the report, before the property appraised with the proposed improvements will in fact exist; and
d. The appraisal does not address unforeseeable events that could alter the proposed property improvements and/or the market conditions reflected in the analyses.

Currency Basis

The value estimated and as reported herein is in U.S. Dollars on the basis of the banking and currency exchange prevailing as of the date of appraisal.

Word Case

Words used herein whether in the singular or plural shall be considered both, singular or plural as the case may apply and as appropriate for the intent of the circumstances.

Limitation of Data Used

The information contained herein, including any data, estimates, or opinions, furnished by others, to the appraiser, are not guaranteed, but were gathered from sources believed to be reliable. Since every appraisal consists, in part of data, which are legally "hearsay evidence," the appraiser reserves the right to revise the report including the value estimate to the extent justified by subsequent discovery of any additional and/or inaccuracies in such data.

The Americans with Disabilities Act

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detail analysis of the requirements of the ADA could reveal that this property is not in compliance with one or more of the requirements of the act. If so, this fact could negatively affect the value of this property. Since we have no direct evidence relating to this issue we did not consider possible non-compliance with the requirements of the ADA in estimating the value of the property.

Hazardous Waste

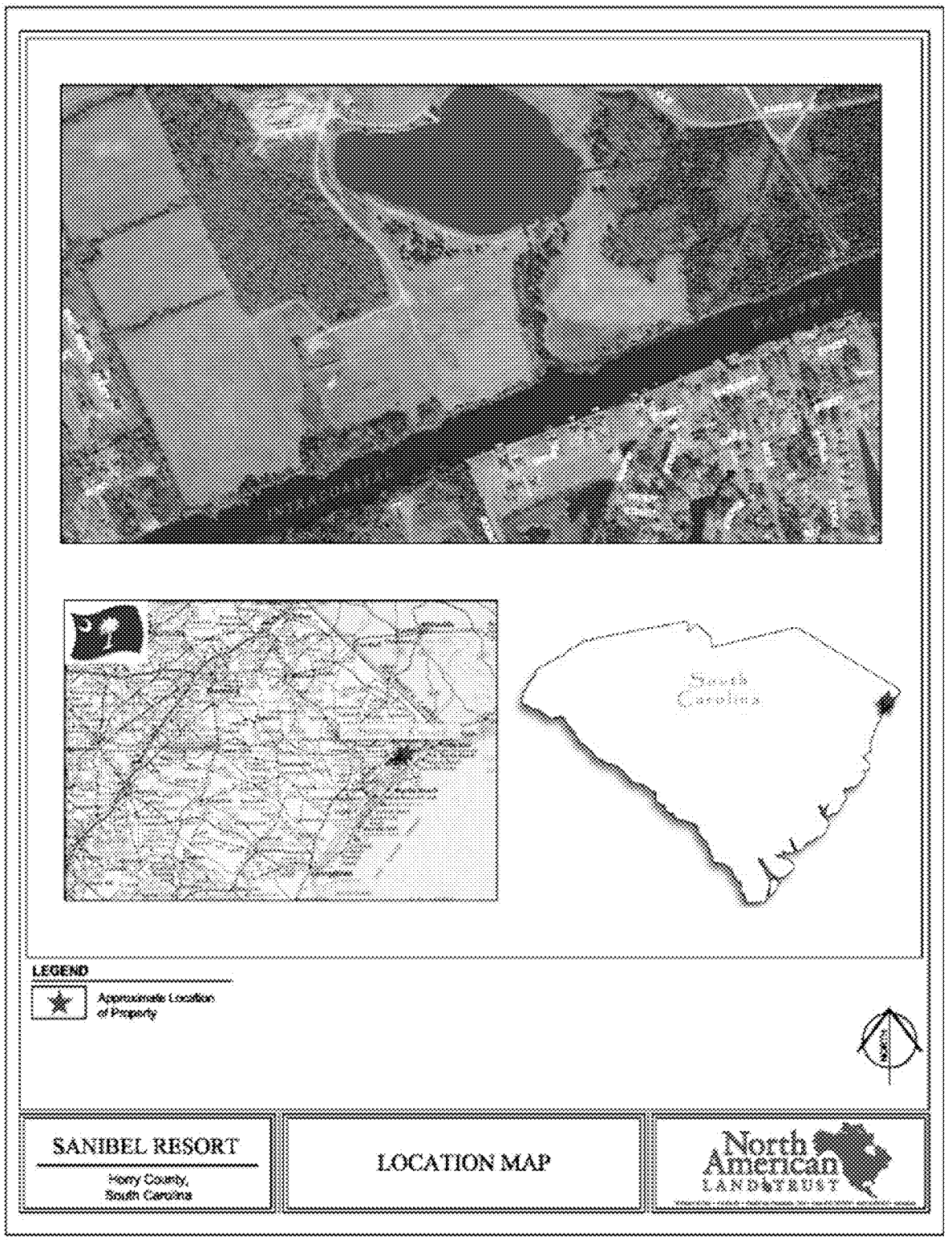
Unless otherwise stated in this report, the appraiser did not observe the existence of hazardous material, which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them. The client is urged to retain an expert is this field, if desired.

Legal Descriptions and Maps

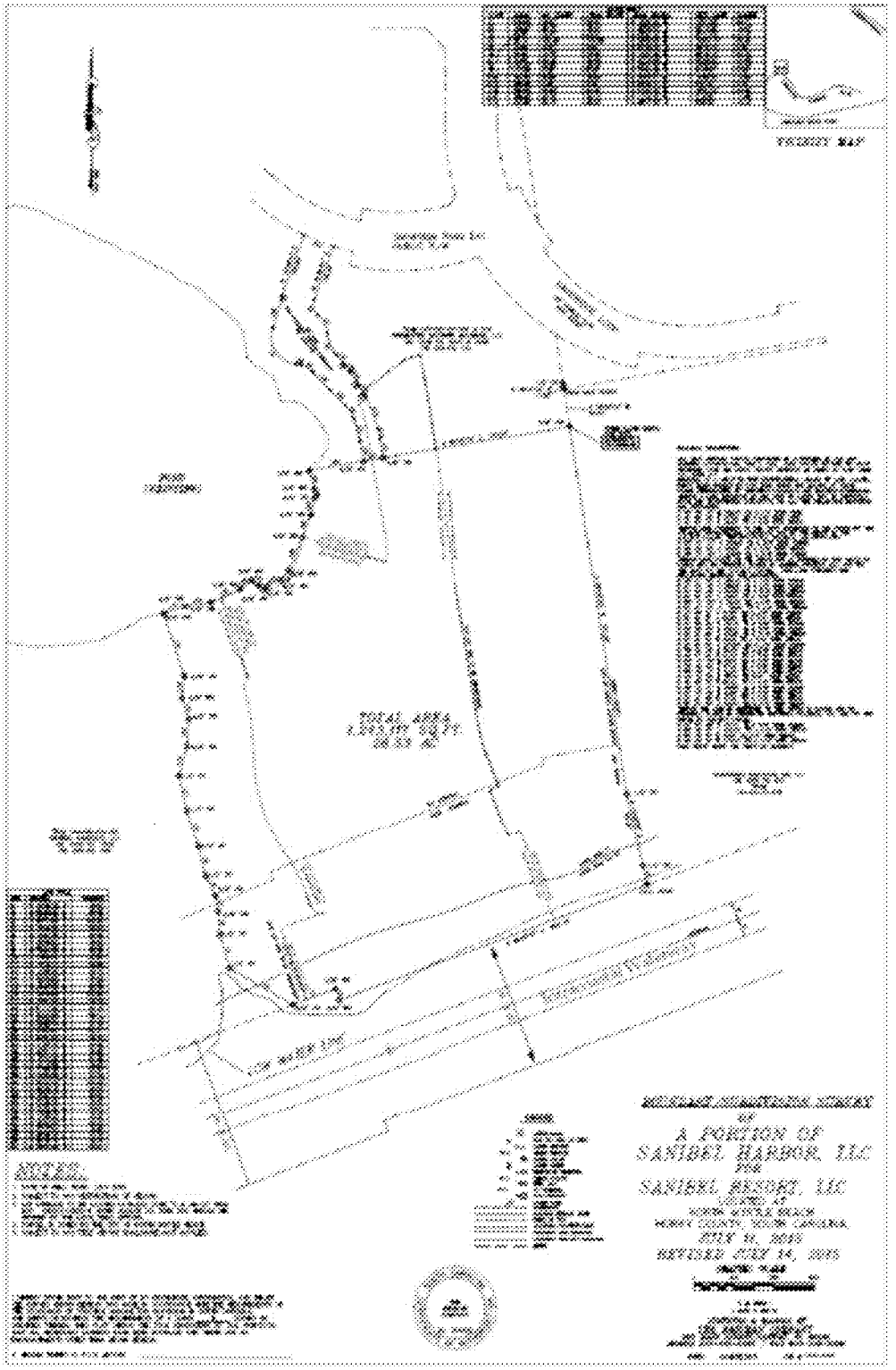
ALL THAT CERTAIN PARCEL COMPRISED OF A PORTION OF TAX MAP NUMBERS 144-00-01-018, -012 & -122. SAID PARCEL DEFINED ON PLAT RECORDED WITH THE HORRY COUNTY REGISTER OF DEEDS IN PLAT BOOK 267, PAGE 180
BEGINING AT A POINT ON THE NORTHEASTERN CORNER OF SAID PARCEL, POINT BEING MARKED BY 5/8" IRON REBAR AND HAVING SC STATE PLANE COORDINATES OF" NORTHING-736085.73 AND EASTING-2700206.06.
THENCE A LINE BORDERED ON THE EAST BY LANDS NOW OR FORMERLY OWNED BY DIVERSIFIED EXECUTIVE, MB, LLC THE FOLLOWING BEARINGS AND DISTANCES:
S 08° 48' 33" E 931.42' TO A 1/2" IRON PIPE
S 12° 22' 03" E 187.61' TO A 1/2" IRON PIPE
S 12° 41' 23" E 49.06' TO A 5/8" IRON REBAR (L17)
THENCE LINE PROCEEDS TO THE WEST BORDERED TO THE SOUTH BY THE ATLANTIC INTRACOASTAL WATERWAY AND TO THE NORTH BY THE SUBJECT PARCEL, THE FOLLOWING BEARINGS AND DISTANCES:
S 69° 30' 01" W 248.34' TO A 5/8" IRON REBAR
S 69° 26' 52" W 574.86' TO A 5/8" IRON REBAR
N 20° 33' 05" W 29.99" TO A 5/8" IRON REBAR (l18)
S 69° 27' 09" W 75.57' TO A 5/8" IRON REBAR (l19)
S 69° 28' 33" W 36.52' TO A 5/8" IRON REBAR (L20)
THENCE LINE TURNS TO THE NORTH AND IS BORERED ON THE WEST BY LANDS NOW OR FORMERLY OWNED BY SANIBEL HARBOUR, LLC AND TO THE EAST BY THE SUBJECT PARCEL. SAID LINE PROCEEDS THE FOLLOWING BEARINGS AND DISTANCES:
N 60° 17' 59" W 183.46 TO A 1/2" IRON REBAR
N 15° 46' 42" W 88.63' TO A 1/2" IRON REBAR (L21)
N 04° 04' 48" W 56.98' TO A 5/8" IRON REBAR (L22)
N 10° 20' 54" W 39.05' TO A 5/8" IRON REBAR (L23)
N 25° 47' 26" W 56.66' TO A 1/2" IRON REBAR (L24)
N 13° 27' 44" W 76.24' TO A 1/2" IRON REBAR (L25)
N 17° 39' 11" W 97.57' TO A 1/2" IRON REBAR (L26)
N 12° 16' 10" W 88.89' TO A 1/2" IRON REBAR (L27)
N 14° 59' 54" E 76.73' TO A 5/8" IRON REBAR (L28)
N 03° 03' 55" E 68.44' TO A 5/8" IRON REBAR (L29)
N 18° 16' 26" W 54.65' TO A 5'/8" IRON REBAR (L30)
N 07° 01' 54" E 55.53 TO A 5/8" IRON REBAR (L31)
N 18° 16' 26" W 165.29' TO A 1/2" IRON REBAR
N 72° 01' 42" E 56.76' TO A 5/8" IRON REBAR (L1)
N 81° 17' 52" E 64.73' TO A 5/8" IRON REBAR (L2)
N 64° 47' 30" E 29.40' TO A 5/8" IRON REBAR (L3)
N 64° 47' 30" E 51.32' TO A 5/8" IRON REBAR (L4)
N 53° 06' 21" E 37.13' TO A 5/8" IRON REBAR (L5)
S 52° 52' 17" E 21.54' TO A 5/8" IRON REBAR (L6)
N 81° 54' 27" W 20.11' TO A 5/8" IRON REBAR (L7)
N 64° 51' 43" E 38.70' TO 5/8" IRON REBAR (L8)
N 41° 29' 19" E 29.66' TO A 5/8" IRON REBAR (L9)

N 22° 51' 47" E 89.98' TO A 5/8" IRON REBAR (L10)
N 19° 44' 42" E 61.88' TO A 5/8" IRON REBAR (L11)
N 12° 13' 58" E 42.36' TO A 5/8" IRON REBAR (L12)
N 01° 55' 38" W 24.24' TO A 5/8" IRON REBAR (L13)
N 16° 24' 28" W 47.74' TO A 5/8" IRON REBAR (L14)
THENCE THE LINE IS BORDERED TO THE NORTH BY LANDS NOW OR FORMERLY OWNED BY PERMENTER BROTHERS HOLDINGS, LLC AND TO THE SOUTH BY SUBJECT PARCEL.
N 80° 30' 19" E 139.23' TO A 5/8" IRON REBAR
N 80° 30' 19" E 21.90' TO 5/8" IRON REBAR (L15)
N 80° 30' 19" E 28.10" TO A 5/8" IRON REBAR (L16)
N 80° 30' 19" E 133.50' TO A 5/8" IRON REBAR
N 80° 30' 19" E 340.17' TO A 5/8" IRON REBAR
SAID REBAR BEING THE POINT OF BEGINING

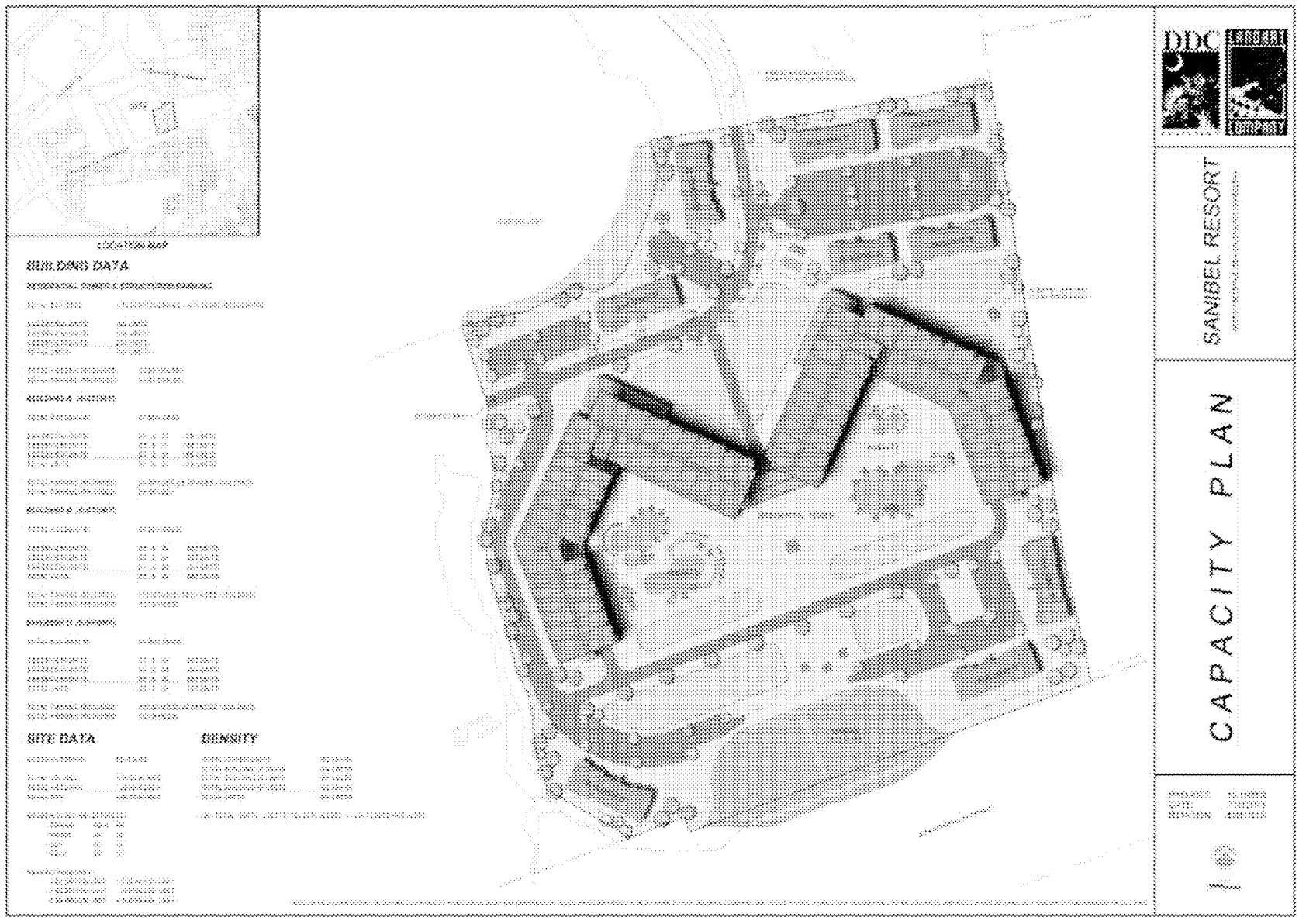
Location Map:



Survey:



Development Yield Plan:



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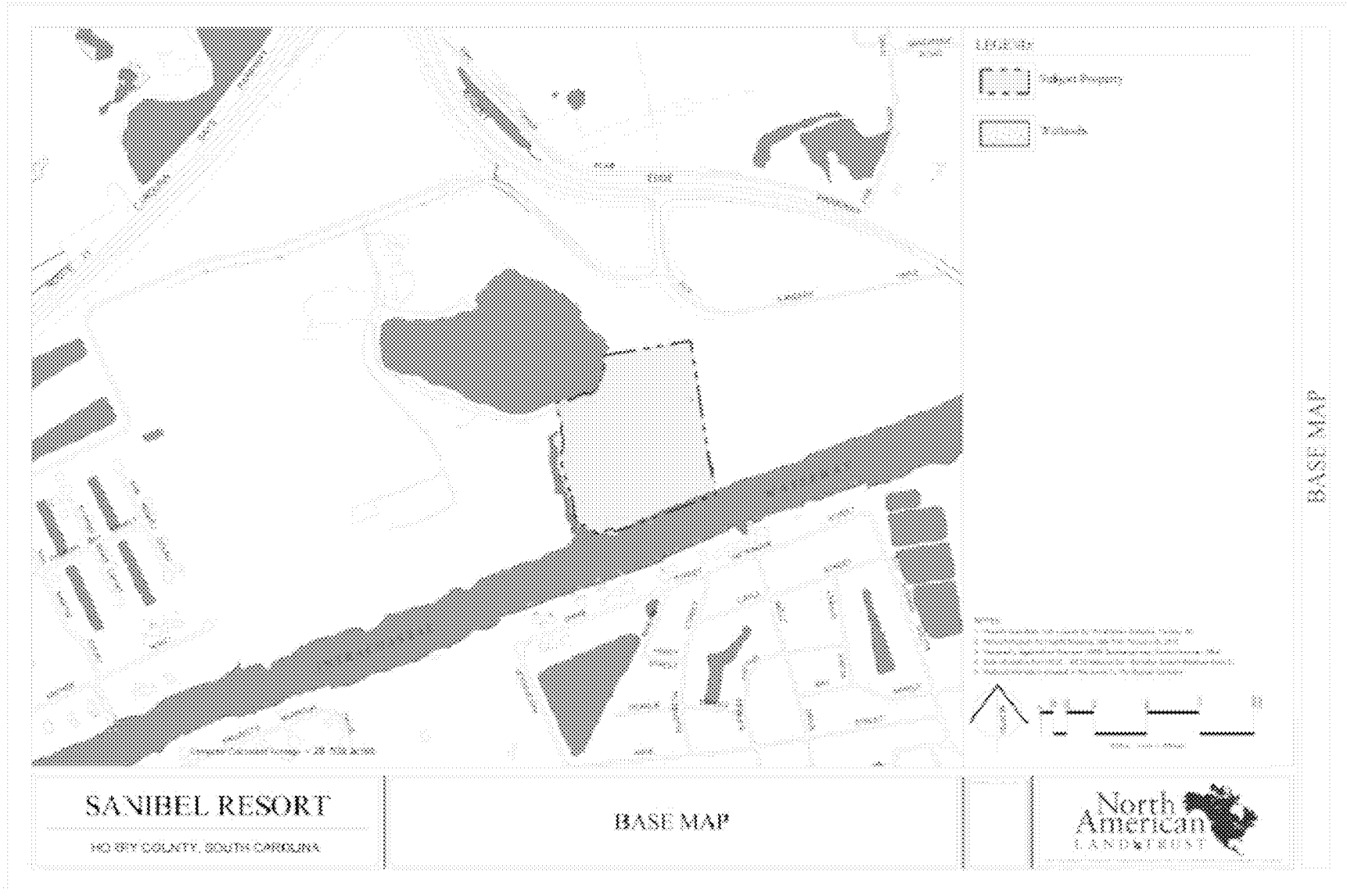
Base Map:



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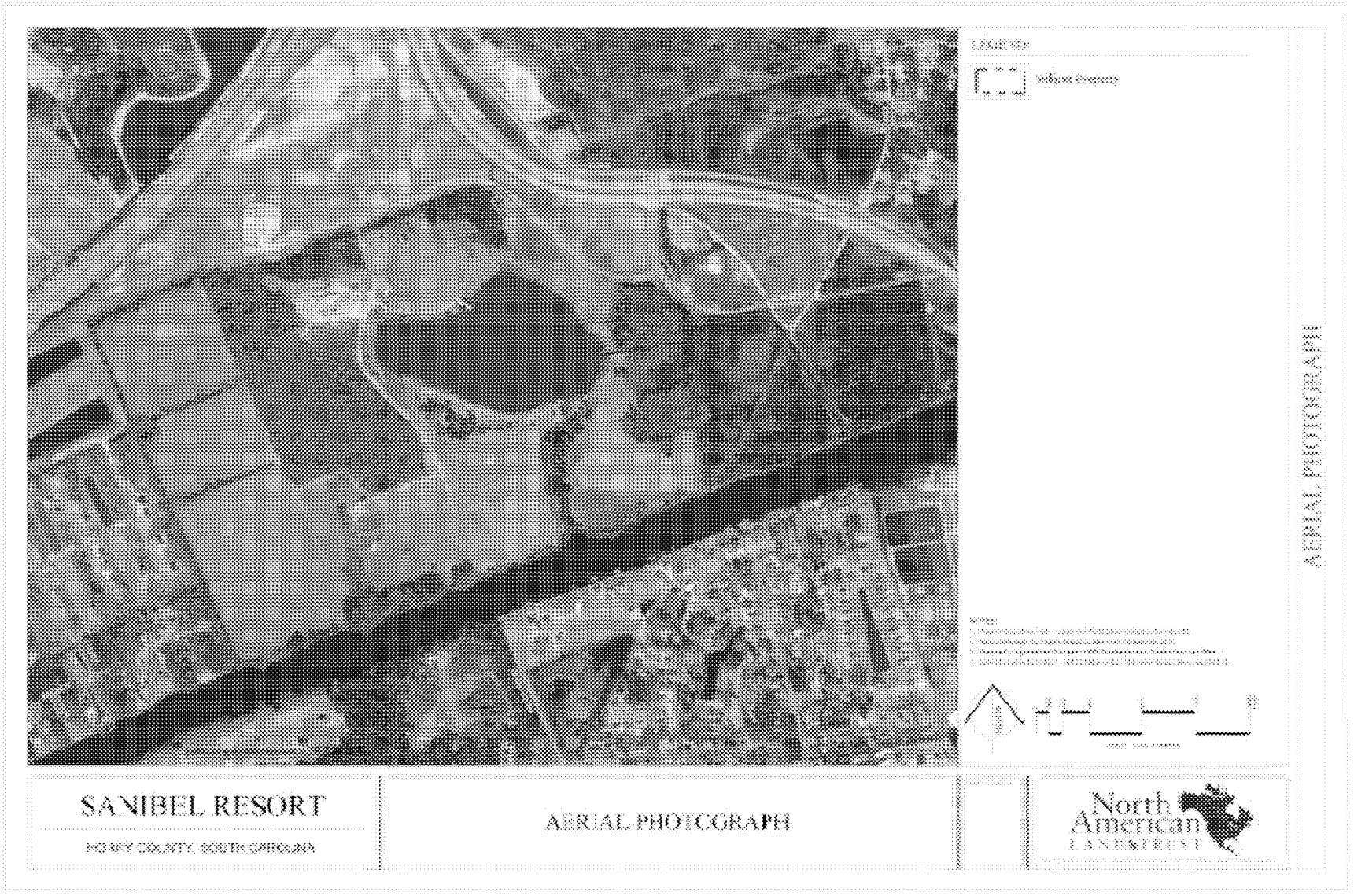
Aerial Map:



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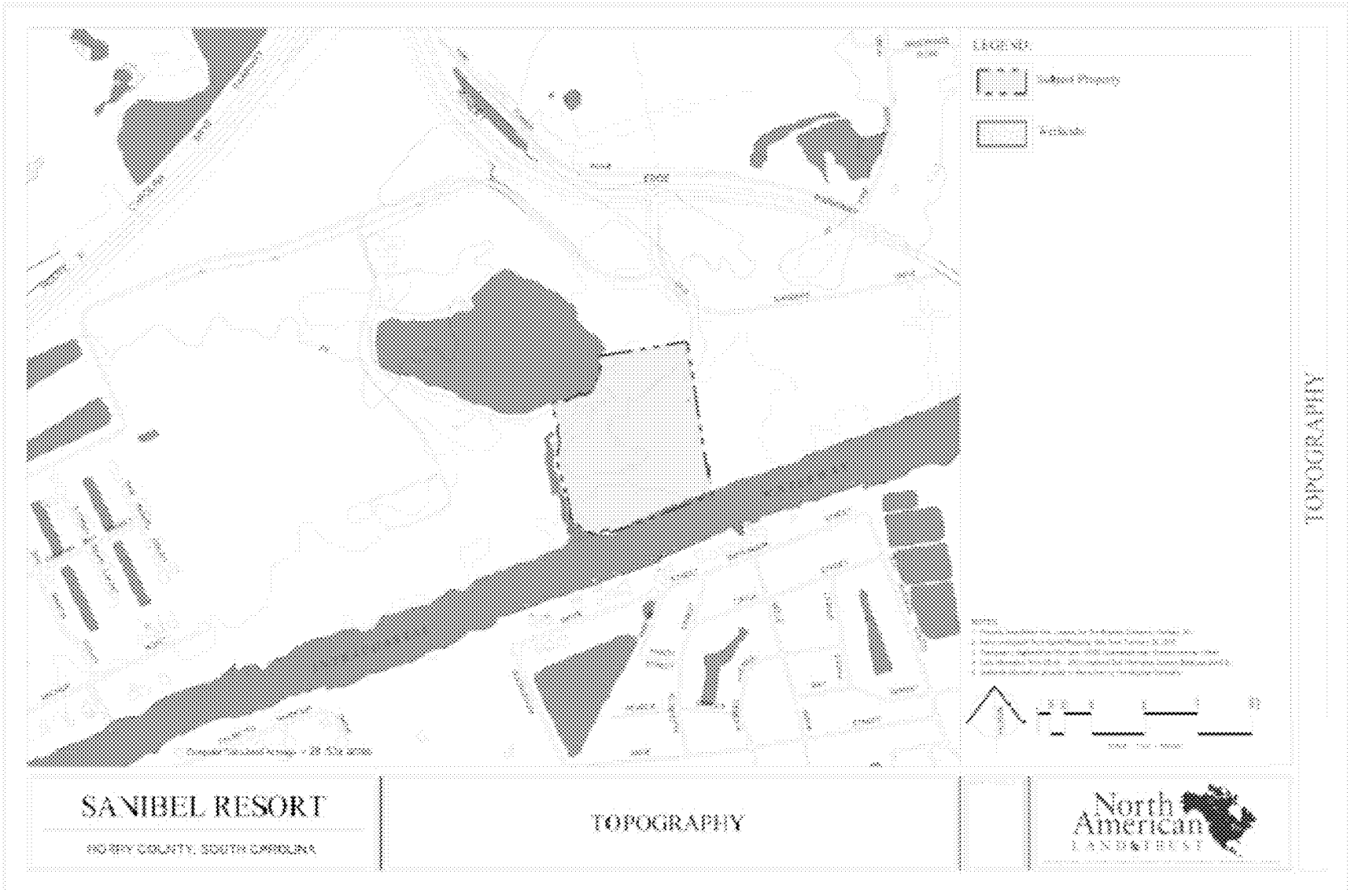
Topographical Map:



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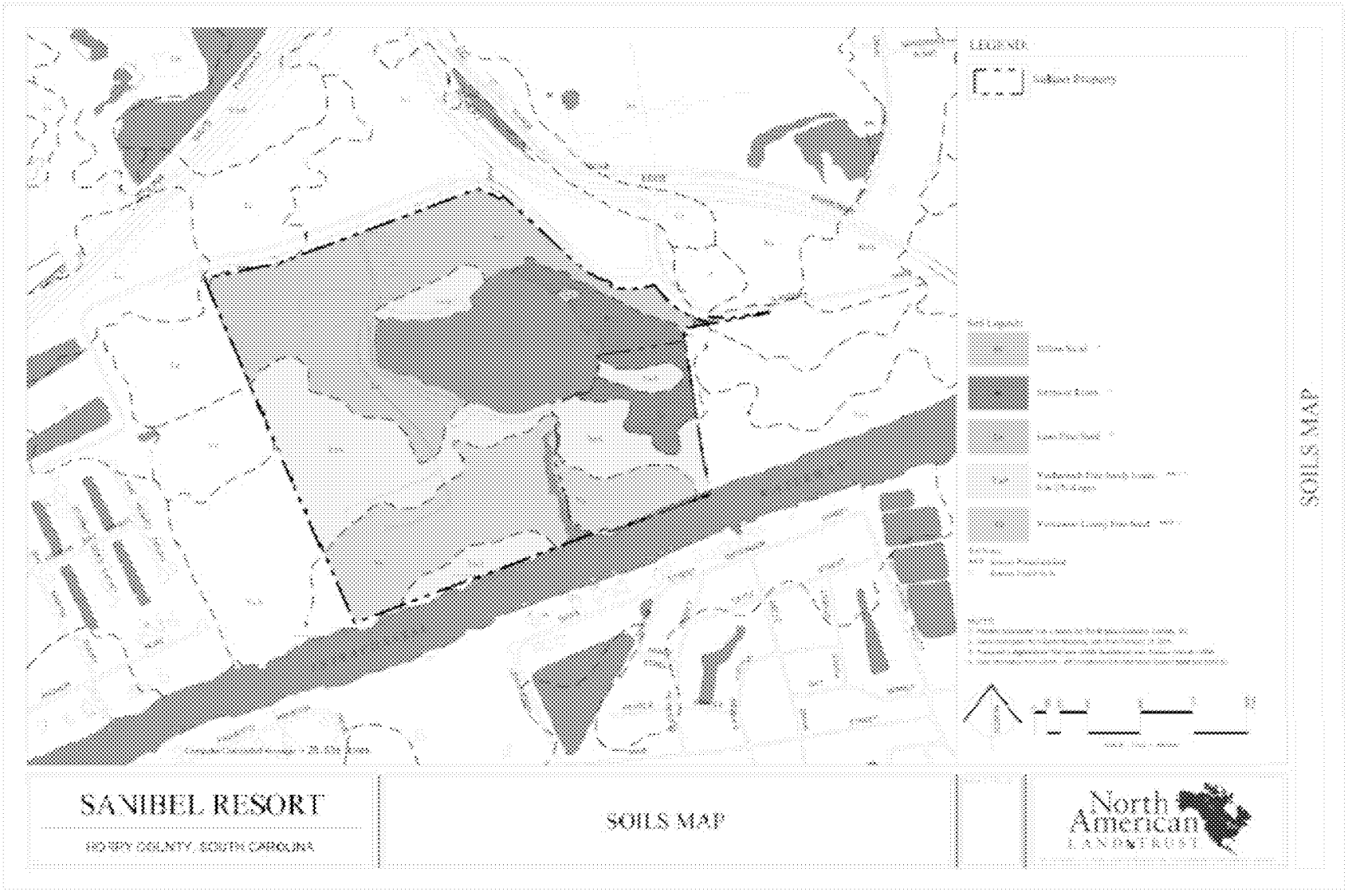
Soils Map:



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Flood Map:

ECOVEST-SF_0012970

Subject Pictures:

INTRODUCTION:

Scope of the Assignment

The Objectives of the Appraisal Process:

USPAP's definitions section includes the following parameters:

Scope of work is the type and extent of research and analysis in an assignment.

Three areas are involved:

1. Problem identification
2. Plan the solution
3. Apply the solution

There are two primary types of reports allowed:

The content of an Appraisal Report must describe the scope of work used to develop the appraisal.

The content of a Restricted Use Appraisal Report must state the scope of work used to develop the appraisal.

The scope and goal of the appraisal report are outlined at this point. Appraisal will include the accumulation of information, sales, neighborhood and area data, as they relate to market value and the property rights, which are described in the report. The typical appraisal of improved properties involves two or three approaches.

The first step in the process is to define the appraisal assignment. The assignment is to appraise 28.53 acres prior to and following the conveyance of a Perpetual Conservation Easement. Definition of the problem includes identification of real estate involved, the rights to be valued, establishing the date of the appraisal, defining market value, discussing any limiting conditions and assumptions used in the appraisal process and disclosing the use of the report and its limitations, if any.

The second step is the collection of data needed to reach the value conclusion. General and specific data are included. General data contains information relative to the area and neighborhood, which influences the value of the Subject Property. This information is obtained from municipal and governmental sources, for the most part. Specific data includes data about the subject site and improvements present (if improved). Information is obtained from an onsite inspection of the property, surveys and tax records

The highest and best use analysis is then completed (Step 3). This analysis addresses the site as if vacant and as improved, if improved.

An opinion of the land value is then developed and comprises the fourth step. Value of the land may be processed through the use of comparable sales and in the case of improved property; this process is typically a part of the cost approach to value. Valuation of the land may also be processed through the Discounted Cash Flow Analysis (DCF) for those property types when the Highest and Best Use is development. Comparable sales may be used, if applicable.

ECOVEST-SF_0012976

The fifth step in the process is the processing of one or more of the approaches to value. These are: a) the cost approach, b) sales comparison approach, and c) the income approach.

The cost approach to value utilizes reproduction/or replacement cost. This cost is often obtained from local sources and The Marshall and Swift Valuation Service. Cost developed is compared with local data.

The sales comparison approach entails a review and analysis of sales of comparable properties and concludes with a correlation of market data where relevant material is brought together and summarized into a value statement.

The role of the (DCF) income approach is to develop the present worth of an income stream, which the property can generate with its highest and best use. This approach is based largely on the concept that value, in effect, is the present worth of future rights to income.

Following completion of the appraisal, which will include processing of the approaches, as dictated by the circumstances, the process is finished through the reconciliation or correlation.

In the reconciliation (correlation), a final value statement is developed which reflects the main elements of the data.

In the reconciliation, the merits and limitations of each approach are reviewed and weighed. Reconciliation (or data correlation) is Step 6.

The seventh and final step in an appraisal comprises reporting the findings to the client or reader. The report concludes with a certification, as well as assumptions and limiting conditions upon which the certification is based. Reports are of varying length and content.

In the appraisal of the subject, the approach which will be used for the before value is the income approach utilizing a discounted cash flow. The value for the after value is the sales comparison approach. Sales of similar lots from similar neighborhoods and areas will be collected and analyzed. Sale properties accumulated, share with the subject the highest and best use, which is generally comparable to that of the appraised subject.

Initial phase of the assignment starts with an inspection of the property. Owing to the nature of the work, inspection phase may take a number of visits. Chief objective of these inspections is to locate and identify all portions of the property, which support highest and best use.

Appraised subject consists of 28.53 acres.

There are several methods of valuing vacant land.
1. Sales Comparison Approach
2. Land Residual Method (DCF) (Developers method)
3. Extraction
4. Allocation

Comparative analysis is the essence of the Sales Comparison Approach. In searching the market

area, emphasis will be placed on obtaining lot sales which are generally similar to the subject which have sold during the recent past.

Attributes of the comparable sales are:

1. Reasonably comparable area

2. Generally comparable zoning

3. Approximately comparable highest and best use

4. Similar topography and orientation to use

5. Arm's length sales, which have no atypical terms and were in cash or cash equivalency

Though three approaches to value are potentially applicable, in the instance of this appraisal, the assignment is limited to land only.

I made a search for development parcels similar to the Subject Property. I was not able to find any in the normal course of business. I used databases, such as LoopNet; I interviewed developers; and I looked for new developments on the ground and on the internet and found none. The following is an excerpt from the case of *Trout Ranch, LLC; Michael D. Wilson, Tax Matters Partner v. Commissioner of Internal Revenue*, which justifies the use of the Land Residual Method (DCF) when comparable sales are not available. The entire judgment is included in the addenda.

> The experts worked under the framework for valuing conservation easements set forth in the Treasury regulations. Treas. Reg. § 1.170A-14(h)(3)(i). Under this framework, the value of a conservation easement is "the fair market value of the [easement] at the time of the contribution." *Id.* The regulations prescribe two methods for ascertaining fair market value: "If there is a substantial record of sales of easements comparable to the donated easement . . . the fair market value of the donated easement is based on the sales prices of such comparable easements." *Id.* But if no substantial record of sales is available, "as a general rule (but not necessarily in all cases) the fair market value . . . is equal to the difference between the fair market value of the property it encumbers before the granting of the restriction and the fair market value of the encumbered property after the granting of the restriction." *Id.* Finding the before and after values requires a determination of the property's income-producing potential. To this end, appraisers will generally construct discounted cash-flow models, which estimate the present value of a property by estimating future revenue (in this case, revenue from lot sales) and discounting it based on the cost of capital.

Land Residual Method (DCF)

Certain properties are unique and distinct from others in the immediate area. These properties may have special topography that lends itself well to development (Lakes, Creeks, Views). Sales of these properties may be limited not because of market conditions but because of physical or locational aspects. Some properties may adjoin a National Park or Forest, or golf course. These types of properties are best evaluated using a DCF method.

The land residual method is an income approach using a discounted cash flow (DCF). In a DCF, income and expenses are determined over a sellout period, and then discounted, using an appropriate discount rate, to the present.

The first step is to estimate the retail value of the lots and the absorption of those lots under current market conditions.

I am using the land residual method to estimate the fair market value of the Subject Property.

The report is divided into two sections.

Section I of the appraisal, which deals with the unencumbered fee estate.

Section II of the report, which involves the encumbered property.

Each of the approaches has an individual set of data. These sales are unencumbered and encumbered as appropriate for the phase of the report.

For the unencumbered property in its fee simple estate, a DCF approach was used and based on retail sales in the area or of similar use.

For the property in its encumbered state, a different set of data will be required. Largest body of data will include property that has sold subject to perpetual conservation easements.

Highest and best use in the "after" configuration will be shown to be limited. The property will have significant restrictions and limitations regarding subdivision placed on it by the easement, as well as restrictions regarding other aspects.

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Competency Provision

Based on my experience in appraising similar properties I have the required data and experience to complete this appraisal in accordance with the competency provision of the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Foundation.

I completed the Valuation of Conservation Easements Certificate Program.

I have prepared many easement appraisals over the last nine years.

I have not, nor have I ever been, barred from testifying before the IRS.

ECOVEST-SF_0012980

Appraisal of the Larger Parcel:

Fee Simple Estate:

The initial phase of the appraisal process involving a perpetual conservation easement (and all other assignments) includes the valuation of the whole property prior to consideration of the impact of the conservation easement.

a) The purpose of the appraisal is to estimate the market value of a proposed conservation easement, which includes a grant of rights, which qualify and are recognized in Section 170 (h) (c) of the Internal Revenue Code. If there is a "Parent Parcel", the appraisal of the "Parent Parcel" or larger parcel can be developed by a market comparison and a cost approach, where buildings are present. A sales comparison approach can as well, treat the contributory value of the buildings however, in most assignments these are excluded. A subdivision or land residual approach is also applicable for some properties. Basis of this method includes the retail value of portions of the tract, which are partitioned into lots or smaller acreage units, and assumes a sale program, which disposes of these over time. Costs of development are included and the analysis is discounted to its present value.

b) The Highest and Best Use of the property will be ascertained in the "before" condition, then reexamined in the "after" appraisal. These two approaches are essentially independent of each other and each relies on separate data.

Following the description of the property, which includes its land features, the Highest and Best Use utilization, will be examined. This examination will appear in both the unencumbered appraisal and the encumbered appraisal.

ECOVEST-SF_0012981

Identification of the Subject Property

The Subject Property is located off Old Sanders Drive, just south of the Highway 31 and Robert Edge Parkway interchange, and north of the Intracoastal Waterway in North Myrtle Beach, Horry County, South Carolina. The site contains 28.53 acres.

Prior Sales History

There has been no sale involving the tract within the last three years. The Subject is not listed for sale.

Ownership

Sanibel Harbour, LLC

Improvements

None

Taxes

Owner Data:

TMS	[illegible]
PIN	[illegible]
Legal Description	SANIBEL HARBOUR PH ONE 1B
Owner	SANIBEL HARBOUR LLC
Billing Street	[illegible]
Billing City	NORTH MYRTLE BEACH
Billing State	SC
Billing Zip	[illegible]
District	[illegible]
Book	[illegible]
Page	[illegible]

2015 Parcel Values:

Residential Land	$0.00
Residential Improved Land	$0.00
Farm Land	$0.00
Farm Improved	$0.00
Farm Use	$0.00
Other Land	$6,85,278.00
Other Improved	$0.00
Taxable Total	$6,85,278.00

Market Values

Residential Land	$0.00
Residential Building	$0.00
Farm Land	$0.00
Farm Building	$0.00
Other Land	$[illegible]
Other Building	$0.00
Total Market Value	$[illegible]

[redacted]

[redacted]

Owner Data:

TMS	144900[redacted]
PIN	349140[redacted]
Legal Description	SANDS, HARBOUR, PRT PH ONE TR
Owner	SANDS HARBOUR LLC
Billing Street	9558 6TH AVE S
Billing City	NORTH MYRTLE BEACH
Billing State	SC
Billing Zip	29582-3319
District	510 - N MYRTLE BEACH
Book	
Page	

2015 Parcel Values:

Residential Land	$0.00
Residential Improved Land	$0.00
Farm Land	$0.00
Farm Improved	$0.00
Farm Use	$0.00
Other Land	$148,500.00
Other Improved	$0.00
Taxable Total	$148,500.00

Market Values

Residential Land	$0.00
Residential Building	$0.00
Farm Land	$0.00
Farm Building	$0.00
Other Land	$148,500.00
Other Building	$0.00
Total Market Value	$148,500.00

[redacted]

[redacted]

Owner Data:

TMS	144900[redacted]
PIN	349140[redacted]
Legal Description	OLD GEORGETOWN RD @ OCEAN DRIVE
Owner	[redacted]
Billing Street	[redacted]
Billing City	[redacted]
Billing State	SC
Billing Zip	[redacted]
District	510 - N MYRTLE BEACH
Book	
Page	

2015 Parcel Values:

Residential Land	$0.00
Residential Improved Land	$0.00
Farm Land	$0.00
Farm Improved	$0.00
Farm Use	$0.00
Other Land	$375,220.00
Other Improved	$0.00
Taxable Total	$375,220.00

Market Values

Residential Land	$0.00
Residential Building	$0.00
Farm Land	$0.00
Farm Building	$0.00
Other Land	$375,220.00
Other Building	$0.00
Total Market Value	$375,220.00

[illegible] [illegible]

Owner Data:

TMS	144000114S
PID	5491403000M
Legal Description	OLD GEORGETOWN RD &: OCEAN DRIVE .
Owner	PEMBERTER BROTHERS HOLDINGS LLC
Billing Street	1350 HIGHWAY 57 S
Billing City	LITTLE RIVER
Billing State	SC
Billing Zip	29566
District	030 - N MYRTLE BEACH
Book	
Page	

2015 Parcel Values:

Residential Land	$0.00
Residential Improved Land	$0.00
Farm Land	$0.00
Farm Improved	$0.00
Farm Use	$0.00
Other Land	$85,500.00
Other Improved	$0.00
Taxable Total	$85,500.00

Market Values

Residential Land	$0.00
Residential Building	$0.00
Farm Land	$0.00
Farm Building	$0.00
Other Land	$85,500.00
Other Building	$0.00
Total Market Value	$85,500.00

General Area Analysis:

The Subject Property is located off Old Sanders Drive, just south of the Highway 31 and Robert Edge Parkway interchange, and north of the Intracoastal Waterway in North Myrtle Beach, South Carolina, in a moderately diverse area that is used for residential and recreational development. The subject property is located less than two miles from the Atlantic Coast of South Carolina and approximately thirteen miles from Myrtle Beach, proper. The property adjoins the Atlantic Intracoastal Waterway. It has excellent overall access to secondary roadways and to major roadways with in proximity to the subject property.

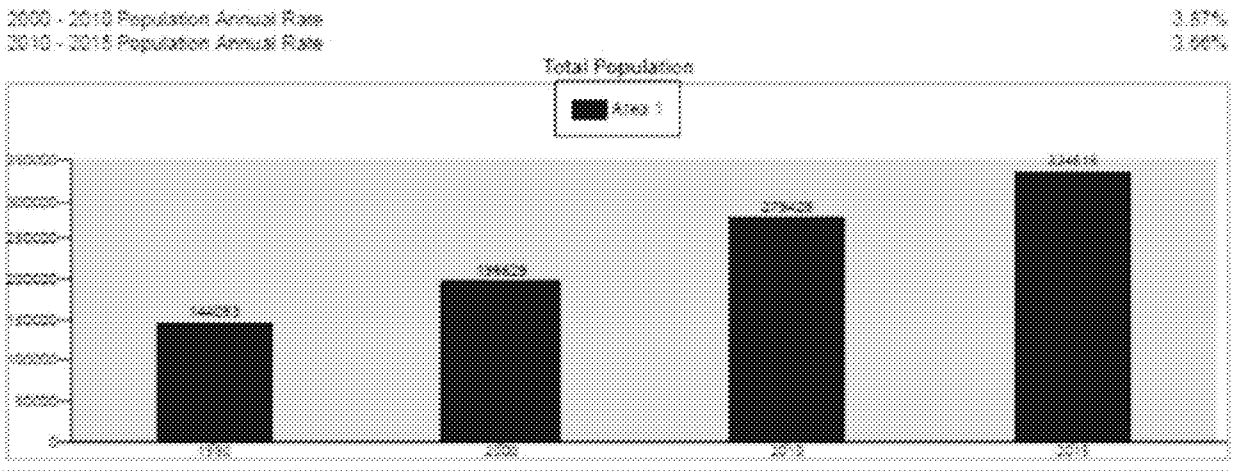
The subject property is about a 20-minute drive from Myrtle Beach, South Carolina, and approximately a 2-hour drive from both Charleston, South Carolina and Fayetteville, North Carolina. Raleigh and Charlotte, North Carolina are both within a 3-hour drive of the subject.

The South Carolina/North Carolina state line is approximately 7 +- miles north of the subject.

The South Carolina/Georgia state line is approximately 184 +- miles southwest of the subject property.

Growth Patterns:

The real estate market in the immediate subject neighborhood and in the surrounding area of Myrtle Beach, South Carolina has experienced explosive growth. Research indicates that demand for second-home/vacation properties is average to good in the subject property's neighborhood. Retirees make up a large percentage of the ownership in the area. The climate plays a very significant role in the demand. Secondly, the Northeast is only a day's drive. This makes it more convenient to return home for visits to family. Most developers are looking for an adequate sized parcel with adequate utilities available that can be developed into lots that could then be sold to area builders. The parcels in the subject immediate neighborhood are developed. Vacant tracts available for development are located much further away from the beach. Below is shows the population growth of the subject area.



Neighborhood Data – The Grand Strand (Coastal South Carolina)

Geography:

South Carolina is the 40th most extensive of the 50 states with a total area of 32,020 square miles. North Carolina forms the states northern border and Georgia forms the border of the state along the southwest side. The entire eastern side of the state fronts the Atlantic Ocean. This location places South Carolina within a day's drive of more than half of the US population via highways and interstates.

South Carolina is composed of five geographic areas, whose boundaries roughly parallel the Atlantic coastline. In the southeast part of the state is the Coastal Plain, which can be divided into the Outer and inner Coastal Plains. From north to south, the coast is divided into three separate areas; the Grand Strand, the Santee River Delta, and the Sea Islands. Further inland are the Sandhills, which are ancient sand dunes from what used to be South Carolina's coast from millions of years ago. The Fall Line marks the limit of navigable rivers and runs along the boundary of the Sandhills and the Piedmont, which has rolling hills and clay soils. The Blue Ridge Mountains are located in the northwest corner of the state and represent its smallest geographical region.

The coastline of South Carolina contains many salt marshes and estuaries, as well as natural ports such as Georgetown and Charleston. An unusual feature of the coastal plain is a large number of Carolina Bays. The bays tend to be oval, lining up in a northwest to southeast orientation. The terrain is flat and the soil is composed entirely of recent sediments such as sand, silt, and clay. Areas with better drainage make excellent farmland, though some land is swampy. The natural areas of the coastal plain are part of the Middle Atlantic coastal forests Ecoregion.

The Grand Strand is located in this coastal region and consists a large stretch of beaches extending from Little River to Georgetown. It is approximately 60+ miles along an essentially uninterrupted arc of beach land.

Cost of Living:

The Myrtle Beach cost of living rate is 100 on a scale of 100. This means it is equal to the national average and 6% greater than the State of South Carolina.

Climate:

The Myrtle Beach area has a humid subtropical climate that is heavily influenced by the Atlantic Ocean, giving the area a more oceanic feel. The area experiences cool winters and hot, humid summers. The average annual high is 75.4° and the low is 53.3°. The average high in July is 91° and the average low in January is 34°. Rainfall is plentiful throughout the whole year, but most is concentrated during the summer months, when it is not uncommon for everyday to have at least a 30% chance of rain. The area is also susceptible to strong thunderstorms, especially in the summer months. These typically have a very short duration, although some may have intense hail and even tornadoes rarely. Snowfall is extremely rare in this portion of the state, but it does occasionally occur. The average annual precipitation is 52.01 inches.

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Economy:

The economy of the Grand Strand is dominated by the tourism industry, with it bringing in millions of dollars each year. Hotels, motels, resorts, restaurants, attractions, and retail developments exist in abundance to service visitors. The Grand Strand hosts over 14.6 million visitors annually, with the largest influx of visitors being during the spring and summer seasons, although, it is also very popular with Snowbirds during the winter months.

There are over 250 golf courses in and around Myrtle Beach, as the golfing industry represents a significant presence in the area.

Two significant motorcycle rallies, Myrtle Beach Bike Week and Black Biker Week, attract as many as 200,000 and 400,000 visitors to area respectively. The influx of visitors is significant to the economy of the area.

A manufacturing base produces plastic, rubber, cardboard, foam, and ceramic products, usually in small scale.

Recreation:

The number one source of recreation in the area is the beach. The 60+ miles of Atlantic coastline draw over 14.6 million visitors from all over the country annually. All of the typical recreational activities associated with a beach location can be found in The Grand Strand, such as swimming, fishing, boating, and boating.

The area is home to numerous golf courses and mini-golf courses along the Grand Strand and further inland. Myrtle Beach has been called the "Golf Capital of the World" because 120 golf courses located there, the record 4.2 million rounds played, and many miniature golf courses. 3.7 million total rounds of golf were played in 2007. The majority of the area's golf courses are public.

Myrtle Beach Bike Week is a weeklong motorcycle rally that started in 1940 and attracts as many as 200,000 visitors to the area every May. Black Bike Week, founded in 1980, takes place the weekend around Memorial Day Weekend, is the largest African American motorcycle rally in the U.S. and attracts as many as 400,000 visitors each year.

Attractions:

The area's attractions include its beaches and numerous golf courses, as well as a number of amusement parks, an aquarium, and IMAX Theater, retail developments, and over 1,900 restaurants. The area has dinner theaters, nightclubs, and many tourist shops. Myrtle Beach has an estimated 460 hotels, with many being beachfront, and approximately 89,000 accommodation units in total.

Myrtle Waves is a water park located in Myrtle Beach and is one of the largest water parks on the eastern seaboard. It has a lazy river and a 20,000 square foot Ocean in Motion wave pool, as well as multiple water slides and rides.

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The Myrtle Beach State Park was established in 1935 and has just under a mile of Grand Strand beach, making it a prime location for swimming, hiking, biking, and fishing.

The Myrtle Beach Boardwalk opened in 2010 and has been recognized as the nation's #3 boardwalk by *National Geographic* and one of the best U.S. boardwalks by *Travel +Leisure* magazine. The Myrtle Beach Skywheel opened at the boardwalk in 2011 and is a 200-foot observation wheel, similar to a Ferris wheel, with glass gondolas that look over the Atlantic Ocean. This is the first wheel of its kind in the United States.

The Myrtle Beach Convention Center is a large facility that hosts an array of different meetings, conferences, exhibits, and special events every year. The expansive center, which opened in 2003, also features a Sheraton hotel and resort.

Although gambling is not legal in the state of South Carolina, Myrtle Beach residents and visitors have easy access to gambling by boat, which transport passengers into international waters and beyond the boundaries of state and federal gambling laws.

Arts/Culture:

The Carolina Opry offers various musical, comedy, dance, and entertainment shows. These include The Carolina Opry variety show, Good Vibrations the best of the 60s, 70s, and 80s, and LIGHT - a Laser Extravaganza. During the holiday season, the venue hosts The Carolina Opry Christmas Special.

Myrtle Beach is home to Coastal Uncorked, a food and wine festival held annually in the late spring.

With numerous professional fireworks displays along the oceanfront, Myrtle Beach is recognized among the top destinations for Fourth of July travel. Priceline.com ranked Myrtle Beach among its top 20 destination for the Fourth of July in 2010.

Shopping:

The Myrtle Beach area has many different stores and malls, and is one of the largest shopping areas in the Southeastern United States. It is the largest shopping destination in South Carolina.

1. Barefoot Landing opened in 1988 and has 100 stores, restaurants, and attractions; including a golf resort and the Alabama Theatre for traditional country music concerts.
2. Coastal Grand Mall opened in 2004 and is the largest indoor mall in the state, with a gross leasable area of 1,047,732 square feet containing five anchor stores, a 14-screen movie theater, a food court, and roughly 170 stores total.
3. Myrtle Beach Mall features three anchor stores, a 12-screen movie theater, a food court, and a variety of specialty stores.
4. Tanger Outlets at Myrtle Beach features over 100 brand name outlets from many of the country's most popular brands.
5. Broadway at the Beach is a shopping complex set on 250 acres along the Highway 17 Bypass, featuring three theaters, seventeen restaurants, and more than 100 specialty shops. It also has attractions, nightclubs, and three hotels, all surrounding the 23-acre

Lake Broadway. It is the largest festival complex in South Carolina, with notable attractions being and IMAX Theater, Ripley's Aquarium, and the Pavilion Nostalgia Park. The Pavilion is an amusement park with a carousel, rides, and midway.

6. The Market Common Myrtle Beach is a lifestyle center featuring several upscale shops and a movie theater. It is located on the site of the former Myrtle Beach Air Force Base.

Hospitals:

The Grand Strand Regional Medical Center is a 219-bed acute care hospital serving residents and visitors of Horry and surrounding counties. The hospital offers the only cardiac surgery program in the area and is also a designated trauma center. Over 250 physicians serve at the facility.

Fire Station:

The City of North Myrtle Beach Public Safety Department operates five engine companies, two ladder companies, and one command vehicle. The department also operates two water rescue units, a vehicle extrication squad and a technical rescue unit. There are five fire stations located in and around the city.

Airports:

The Myrtle Beach International Airport is a county-owned public-use airport that opened in 1976 and is located on the south side of town. The airport had seven gates and an expansion added six more in 2012.

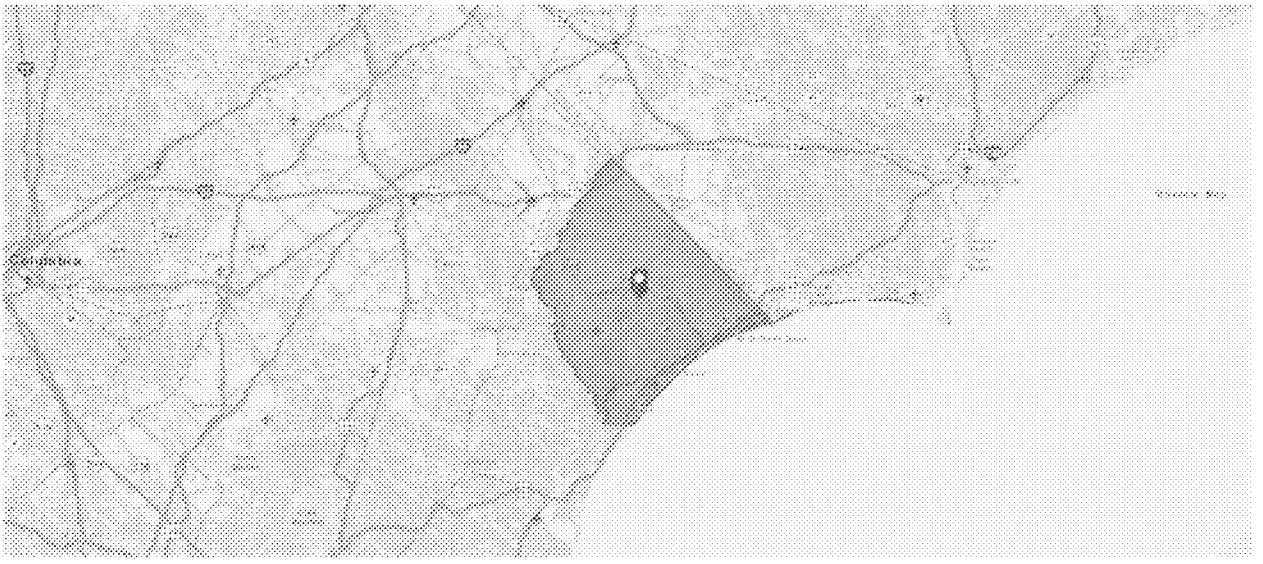
The Grand Strand Airport is located in the North Myrtle Beach area and is a single-terminal airport, primarily serving banner planes and small aircraft. A private helicopter facility operated by Omniflight services Myrtle Beach and the surrounding areas.

Higher Education:

The following colleges and post-secondary schools are located in the Myrtle Beach metro area:

1. Coastal Carolina University
2. Horry-Georgetown Technical College
3. Webster University – Myrtle Beach Campus
4. Cathedral Bible College
5. Golf Academy of America
6. Miller-Motte technical College
7. NAIA Flight School

Horry County Demographics



esri

Demographic and Income Profile

Horry County, SC
Horry County, SC (45051)
Geography: County

Prepared by Esri

Summary	Census 2010	2015	2020
Population	269,291	296,442	328,439
Households	110,035	123,603	137,606
Families	78,254	88,972	97,439
Average Household Size	2.37	2.37	2.37
Owner Occupied Housing Units	75,697	81,996	91,237
Renter Occupied Housing Units	34,338	41,607	46,729
Median Age	43.2	43.4	43.5
Trends: 2015 - 2020 Annual Rate	**Area**	**State**	**National**
Population	2.11%	0.89%	0.76%
Households	2.16%	1.02%	0.77%
Families	2.07%	0.94%	0.83%
Owner HHs	2.16%	1.03%	0.79%
Median Household Income	2.66%	2.94%	2.66%

	2015		2020	
Households by Income	**Number**	**Percent**	**Number**	**Percent**
<$15,000	17,441	14.1%	18,086	13.1%
$15,000 - $24,999	17,344	14.0%	14,883	10.8%
$25,000 - $34,999	16,689	13.5%	15,605	11.3%
$35,000 - $49,999	21,489	17.4%	24,276	17.6%
$50,000 - $74,999	22,105	17.9%	27,502	19.9%
$75,000 - $99,999	13,268	10.7%	17,747	12.9%
$100,000 - $149,999	10,797	8.7%	13,504	9.8%
$150,000 - $199,999	2,675	2.2%	3,663	2.7%
$200,000+	2,246	1.8%	2,922	2.1%
Median Household Income	$40,851		$47,208	
Average Household Income	$55,531		$62,790	
Per Capita Income	$23,357		$26,704	

	Census 2010		2015		2020	
Population by Age	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
0 - 4	15,303	5.7%	15,887	5.4%	17,177	5.2%
5 - 9	15,608	5.8%	16,413	5.5%	17,380	5.3%
10 - 14	14,805	5.5%	16,118	5.4%	16,618	5.1%
15 - 19	16,807	6.2%	16,314	5.5%	16,862	5.1%
20 - 24	18,452	6.9%	18,069	6.1%	17,478	5.3%
25 - 34	33,693	12.5%	38,986	13.2%	43,875	13.4%
35 - 44	33,463	12.4%	32,686	11.0%	34,679	10.6%
45 - 54	37,677	14.0%	38,405	13.0%	39,498	12.0%
55 - 64	36,826	13.7%	41,402	14.0%	46,122	14.0%
65 - 74	28,261	10.5%	32,297	10.9%	44,114	13.4%
75 - 84	12,475	4.6%	16,612	5.6%	22,837	6.9%
85+	6,913	2.6%	7,736	2.6%	6,718	2.0%

	Census 2010		2015		2020	
Race and Ethnicity	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
White Alone	213,871	79.4%	235,369	79.4%	260,875	79.4%
Black Alone	36,202	13.4%	38,770	13.1%	42,868	13.1%
American Indian Alone	1,279	0.5%	1,413	0.5%	1,506	0.5%
Asian Alone	2,814	1.0%	3,631	1.2%	4,689	1.4%
Pacific Islander Alone	205	0.1%	208	0.1%	209	0.1%
Some Other Race Alone	5,268	2.0%	5,136	1.7%	6,883	2.0%
Two or More Races	5,292	2.0%	6,536	2.2%	8,238	2.5%
Hispanic Origin (Any Race)	16,881	6.3%	18,199	6.1%	19,833	6.0%

Data Note: Income is expressed in current dollars.

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020.

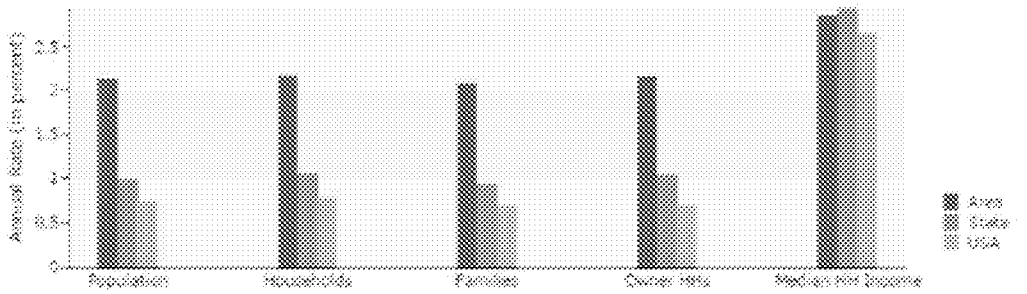
esri

Demographic and Income Profile

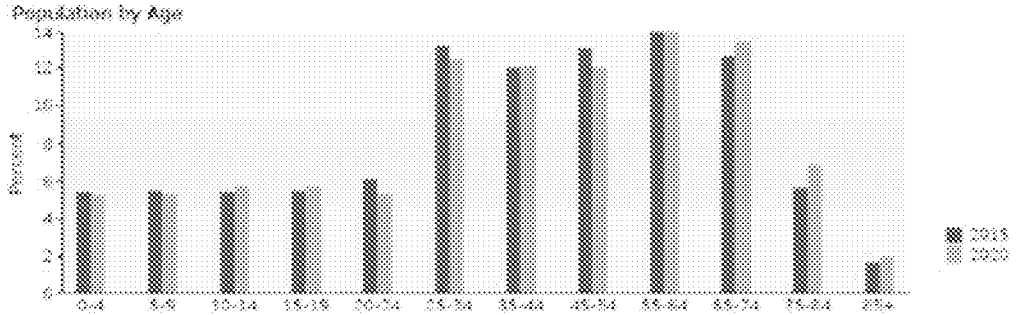
Horry County, SC
Horry County, SC (45051)
Geography: County

Prepared by Esri

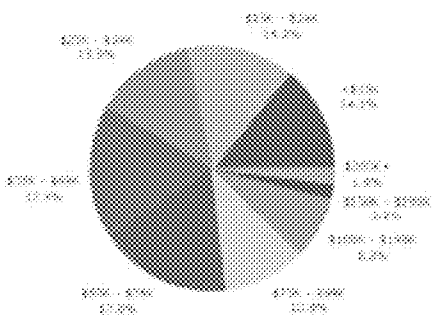
Trends: 2015-2020



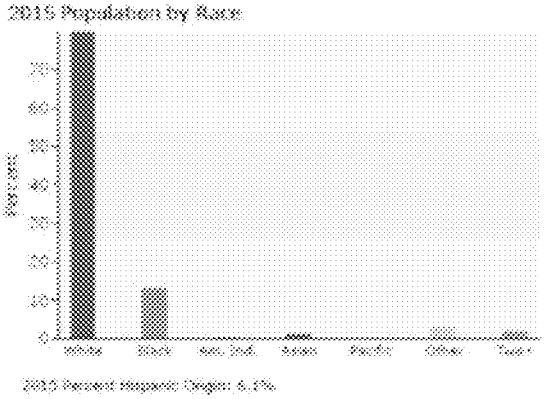
Population by Age



2015 Household Income



2015 Population by Race



2015 Percent Hispanic Origin: 6.7%

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020.

Location:

The Subject Property is referred to as Sanibel Resort and is located off Old Sanders Drive, just south of the Highway 31 and Robert Edge Parkway interchange, and north of the Intracoastal Waterway in North Myrtle Beach, Horry County, South Carolina.

PIN: 349-00-00-0041

Size: The Subject Property consists of approximately 28.53 acres of vacant land.

Access/Frontage:

The Subject Property benefits from good ingress and egress, as it is close to state, county, and private roads. The public roads are typically two-lane roads primarily comprised of asphalt or tar and chip. These roads are considered adequate and provide sufficient access to the subject.

The overall access of the Subject Property is above average. The property is located off Old Sanders Drive, just south of the Highway 31 and Robert Edge Parkway interchange, and north of the Intracoastal Waterway. It would provide for outstanding scenic quality that would significantly benefit the subject property. This makes the subject property more than adequate for development as a proposed residential development. A copy of the legal description and the proposed yield plan are included in the report.

A portion of the property adjoins the Atlantic IntraCoastal Waterway.

Dimensions/Shape:

The shape of the Subject Property is rectangular. See the legal description and maps of the property located in the report for dimensions.

Vegetation:

The Subject Property is located very close to the Atlantic coastline and has vegetation typical of such an area. It has native grasses and shrubs, as well as limited areas of hardwoods and pines.

Topography:

The site is typically level, providing scenic views from within the subject property of both the subject and surrounding properties.

Flood Hazards:

The property has a flood designation of X, as shown on FEMA Flood Map #45051C0579H, with an effective date of August 23, 1999. Zones B, C, & X are the flood insurance rate zones that correspond to areas outside of the 1% annual chance sheet flow flooding where average depths are less than 1 foot, areas of 1% annual chance of stream flooding where the contributing drainage area is less than square mile, or areas protected from the 1% annual chance flood by

levees. No Base Flood Elevations or depths are shown within this zone. Flood insurance is not required in these zones.

This report is conditioned on the premise that should a future flood plain survey by a qualified engineer differ from this information, the appraiser reserves the right to amend this report.

Drainage/Surface Soil and Sub-Soil Conditions:

The appraiser assumes that the site will be adequately drained to accommodate any improvements.

No soil-boring tests have been provided or made known to the appraiser. Therefore, it is assumed that the soil conditions are adequate to support existing and standard construction. The appraiser noted no severe topographical conditions at the time of inspection, but no responsibility is accepted for discovering, or evaluation of, the subsoil or hidden or unusual conditions.

In the absence of a soil report, it is a specific assumption that the site has adequate soil to support the highest and best use of the site. As stated, there are a variety of soil types and soil conditions.

Mineral Rights:

No information was provided to the appraiser by the client in regard to the mineral rights associated with the subject. Subject property mineral rights are not regarded to be a material concern for the purposes of this appraisal. The overall rating of the mineral rights characteristics for the subject land is considered to be poor.

Should future surveys and/or title searches reveal otherwise, it might have an impact on the final value conclusion and the appraiser reserves the right to amend this report.

View and Special Characteristic:

The subject is considered to have good views from within the property and of surrounding properties. A portion of the property adjoins the Atlantic IntraCoastal Waterway, thus offering views of the canal. This property is a very nice tract, located very close to the beach on the Atlantic Ocean. It is one of a few remaining undeveloped tracts in a very popular residential and resort market area.

Zoning:

R2-A Mid-Rise Multifamily Residential and R4 Resort Residential per the City of North Myrtle Beach.

The purpose of the R2-A District is to permit mid-rise multifamily development in areas of the community in response to the need for such housing, while safeguarding existing values, and environmental resources, and guarding against "overloading" existing infrastructure. This zoning permits dwellings (single-family, semidetached, duplex, multiplex, townhomes,

multifamily), nursing homes (provided they meet the standard of multifamily), and accessory uses customarily incidental to dwellings.

The purpose of the R4 district is to provide for the orderly development of certain areas within the community where both year-round and seasonal or resort housing may be developed and where, because of proximity to the ocean, such "mixed development" would promote year-round use of public facilities, and permit housing choices in response to market demands, but not at the expense of ocean visibility and access by the community. This zoning permits dwellings (single-family detached, semidetached, patio homes, duplex, multiplex, townhomes, multifamily, apartments, boarding houses), resort accommodation (hotels, motels, inns, lodges), accessory uses incidental to dwellings, accessory uses incidental to resort accommodation (restaurants, gift shops, retail shops, newsstands, health clubs, etc), parking lots, and signs.

Water Rights:

There are no specific water rights known to be associated with the subject property, other than frontage along the Atlantic IntraCoastal Waterway and any lakes or ponds created in the development.

Utilities:

All utilities are currently available or can be made available to the property. The City of North Myrtle Beach agrees to provide all services to the property that it provides to its residents and businesses, except where such services are required to be provided by other entities, such as Grand Strand Water and Sewer Authority.

Hazardous Material:

The appraiser noted no hazardous material or environmental problems during the course of the inspection. It should be noted, however, that the appraiser is not trained in the detection of such materials.

Also, the scope of the appraisal did not include determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, waste, pollutants, or contaminates, including but not limited to asbestos, PCB, UFFI, or other raw materials or chemicals used in the construction or otherwise present on the property or on any adjoining properties.
The presence of these or other substances, whether on the Subject Property or substances migrating from other surrounding properties, may have an effect on the value of the Subject Property.

The reader is referred to a qualified engineer to perform a phase one environmental audit if deemed necessary. The valuation is subject to the site having no environmental contamination.

Environmental, Earthquake and Other Hazards:

The following statements relate to environmental issues primarily consisting of the possibility of sub-soil contamination, which if present, could negatively impact the value of the Subject Property.

1. According to the current owner, there are no environmental issues or problems concerning the subject land.
2. The physical inspection of the Subject Property provided no indications of environmental issues concerning the property. However, the appraiser is not trained in the detection of such materials.
3. For the purpose of this assignment, no known environmental issues, problems, or costs are assumed to affect the subject. This is an assumption of the appraisal. **Please review the limiting conditions section of this report concerning the environmental disclaimer in this report.**
4. The Subject Property is not considered to be located in an earthquake hazard or other hazard prone region, and this is not a significant issue in regard to the valuation of this real estate. This is a condition of the assignment.

The overall rating of the perceived environmental issues, earthquake, and other hazard characteristics for the Subject Property is considered to be good.

Environmental Checklist:

5. Observed or reported current or past use of hazardous material "in bulk": On-Site: No; Adjacent: No
6. Observed above-ground storage tanks, underground storage tanks, sumps or 55-gallon drums which may contain hazardous materials: On-Site: No; Adjacent: No
7. Observed staining of soils: On-Site: No; Adjacent: No
8. Observed distressed vegetation: On-Site: No; Adjacent: No
9. Observed evidence of activities which may involve the use, handling, or disposal of hazardous materials "in bulk": On-Site: No; Adjacent: No
10. Observed noticeable odors: On-Site: No; Adjacent: No

The individual performing this Environmental Checklist is not liable for failure to detect or identify possible environmental factors and hazards on the Subject Property.

This Environmental Checklist, as well as, this entire report must not be considered, under any circumstances, to be an environmental site assessment of the Subject Property, as would be otherwise performed by an environmental professional.

Site Improvements:

There are no on-site improvements on the Subject Property, as it is vacant land.

Conclusion:

The Subject Property consists of approximately 28.53 acres.

The shape and topography of the Subject Property has the physical characteristics to support the proposed development.

Sanibel Resort:

The proposed development of Sanibel Resort will be done with several types of residential units, as well as natural areas. The development will have a total of 988 units.

The plan includes 196 multi-family attached units in mid-rise buildings and 792 multi-family Condominium Tower units. The mid-rise portion will contain 80 two-bedroom units, 80 three-bedroom units, and 36 four-bedroom units located in nine different buildings. The Condominium Tower will contain 162 two-bedroom units, 396 three-bedroom units, and 234 four-bedroom units.

The Tower will also contain a parking structure with 1,620 parking spaces. Additionally, 372 open parking spaces will be located throughout the property for the Villas.

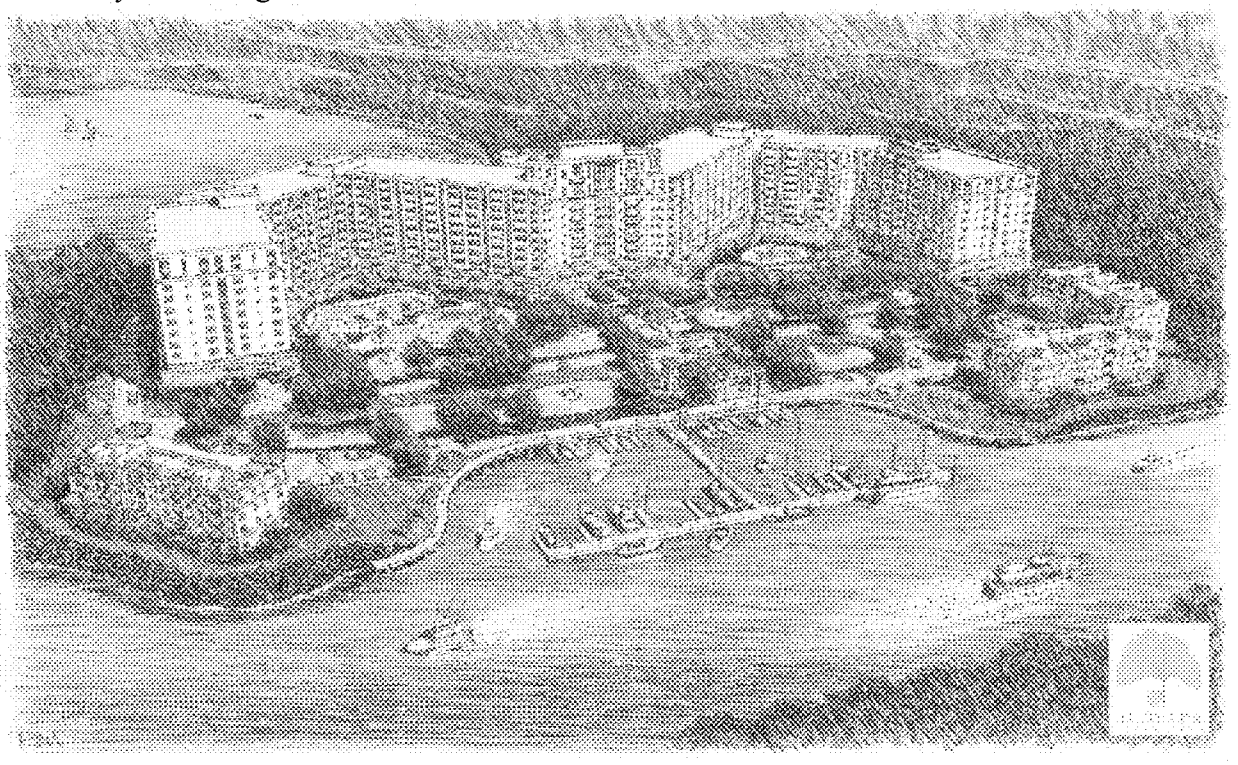
There will also be a marina included in the plan. The marina will contain a total of thirty-two differently sized slips and will be located on the Intracoastal Waterway.

The property also has frontage on an existing lake, and will have several lakes and ponds located throughout the development.

The complex will have several diferently-sized swimming pools located throughout the property and an ammenity center with a clubhouse and a tennis/pickleball court. The following are illustrations of the lakeside and waterway areas.

Lakeside Rendering

Waterway Rendering



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North Myrtle Beach Park and Sports Complex:

This complex is located west of Hwy 31, approximately one mile north of the Subject Property, adding to the accessible amenities of Sanibel Resort. The complex offers a diverse selection of sport event facilities that are easily accessible and can accommodate a range of activities.

11. Four regulation youth baseball/collegiate softball fields

12. Two regulation high school/collegiate baseball fields (can be transformed to youth baseball and collegiate softball fields)

13. Eight regulation soccer/lacrosse fields

14. Eight batting tunnels

The complex also is equipped with a wide selection of amenities that add value, fun, and comfort to sporting events and tournament.

1. Umpire/official rooms

2. Misting fans in dugouts

3. Seven picnic shelters

4. Three playgrounds

5. Amphitheatre

6. Walking/bike trails

7. 3-acre dog park

8. 25-acre lake for water-related activities

9. 10-acre meadow

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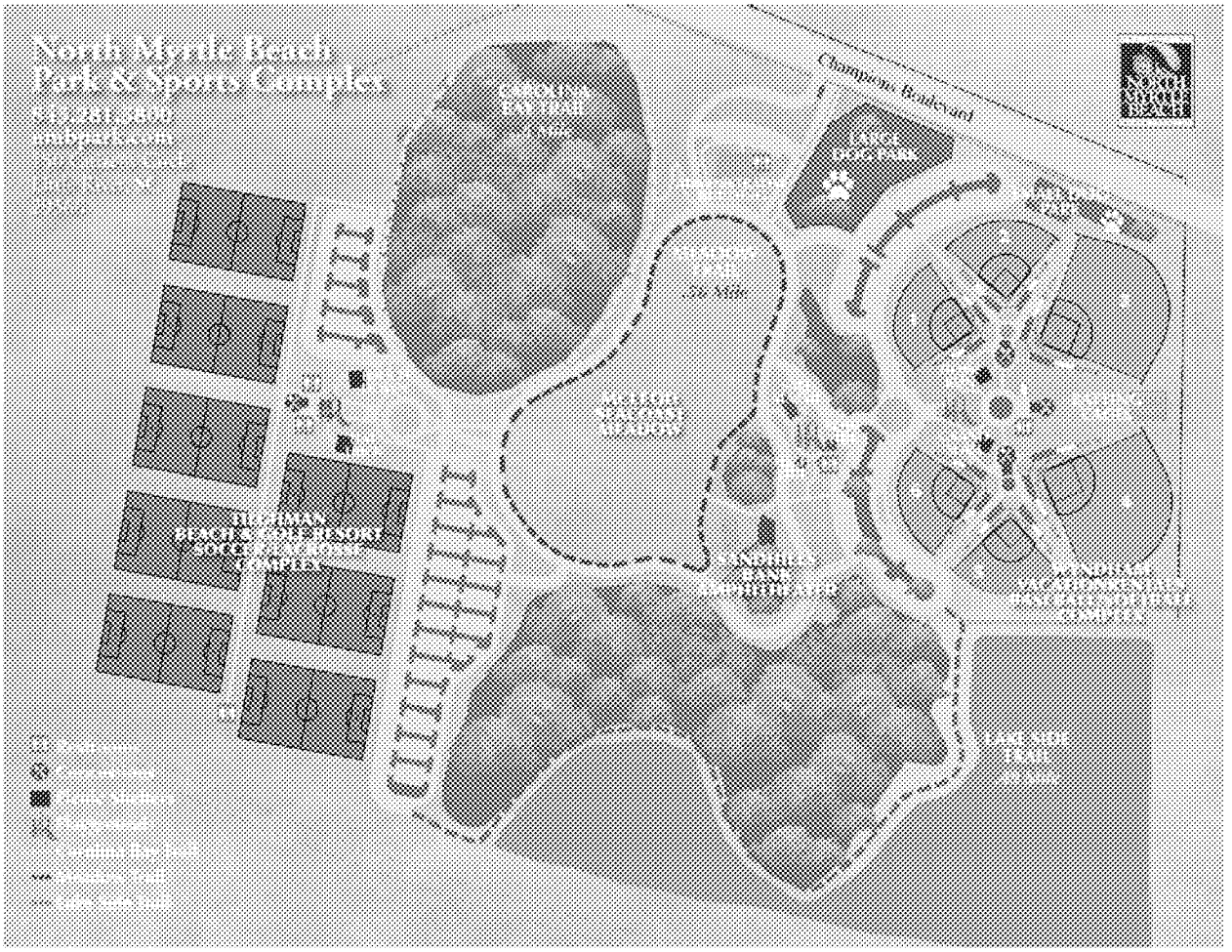
North Myrtle Beach
Park & Sports Complex
Champions Boulevard

SECTION I
APPRAISAL OF THE BEFORE VALUE

Highest and Best Use Analysis:

The Appraisal of Real Estate [1] defines Highest and Best Use as:

> *"that reasonable and probable use that will support the highest present value as defined as of the effective date of the appraisal. Alternatively, that use, from among reasonable and legal alternative uses, should be found to be physically possible, appropriately supported, financially feasible, and result in the highest land value."*

Implied within these definitions is recognition of the contribution of that specific use to community environment or community development goals, in addition to wealth maximization or individual property owners."

As indicated in the Twelfth Edition of The Appraisal of Real Estate, published by the Appraisal Institute in 2001, four common standards exist to help determine land or a site's highest and best use as vacant and improved. The highest and best use of land or a site must be:

1. ***Legally Permissible:*** What uses of the subject tract of land or site are permitted by zoning or deed restrictions?
2. ***Physically Possible:*** What uses of the subject tract of land or site are physically possible?
3. ***Financially Feasible:*** Which possible and permissible uses will produce the highest return to the owners of the subject tract of land or site?
4. ***Maximally Productive:*** The use that produces the highest price or value consistent with the rate of return warranted by the market for that use is the highest and best use.

The prior four standards are applied in order to the Subject Property both as vacant and as improved when applicable. To test the highest and best use as vacant and/or improved, all logical feasible alternatives are analyzed. Each alternative use must first meet the tests of legally permissible and physically possible. The uses that meet the first two tests then are analyzed to establish how many financially feasible alternatives must be considered. Since feasibility study is not within the scope of this appraisal assignment, only those reasonable and logical neighborhood alternatives will be analyzed as indicated by the development plan.

The following was extracted from the IRS code and not only supports but mandates an assessment of the property's highest and best use.

§ 1.170A-14 26 CFR Ch. I (4-1-03 Edition)

(ii) Fair market value of property before and after restriction. If before and after valuation is used, the fair market value of the property before contribution of the conservation restriction must take into account not only the current use of the property, but also an objective assessment of how immediate or remote the likelihood is that the property, absent the restriction, would in fact be developed, as well as any effect from zoning, conservation, or historic preservation laws that already restrict the property's potential highest and best use.

[1] The Appraisal of Real Estate 12th Edition by the Appraisal Institute

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HIGHEST AND BEST USE – FEE SIMPLE INTEREST

1. Legally Permissible

Numerous factors influence the potential uses for a property under the legally permissible category. Zoning regulations, private restrictions, and lease agreements are all factors that a potential buyer would consider in an effort to determine the highest and best use of a property. Legally permissible considers what uses are available when considering zoning orders, private or deed restrictions, city, state, and federal laws.

The City of North Myrtle Beach has zoned the property R2-A Mid-Rise Multifamily and R4 Resort Residential, as described in the zoning section of the site description located earlier in the report, which allows for a variety of development potential.

Due to these various zoning classifications, the property conforms to a variety of uses. There are also no private deed restrictions or easements affecting the property, nor is the property is hampered by historic district guidelines. Due to these facts, a potential buyer would be able to utilize the site for a variety of different uses, including, but not limited to, single-family residential development, recreational, or mixed use. This site is well suited for Tower, fractional, and multi-family development.

2. Physically Possible

Physically possible determines what uses are available for the Subject Property, by analyzing its physical characteristics and after examining the legally permissible uses. The utility of the site is used to determine whether the highest and best use of a site is physically possible or not. Several factors contribute to a site's utility and its adaptability for applications. These factors include the total area of the site, amount of front feet, shape of the site, topography, drainage patterns, soil composition, flood plain status, utilities available, and off street improvements.

The Subject Property is approximately 28.53 acres. The size of the tract also allows for the property to accommodate several different applications. However, this property is ideal for recreational and residential use due to its topography and adequate road access. The property's location, amenities, and surrounding views create an obvious appeal to for potential buyers looking to develop residential or resort properties.

The tract is irregular in shape, has a stable topography with adequate drainage patterns, and is accessible from multiple public roads. The buildable areas of the site are not located in a flood plain. All of these factors make the Subject Property well suited for residential development.

Based on the subject's features, it is therefore physically possible for the development of a residential property.

3. Financially Feasible

Financial feasibility is determined from the physically possible and legally permissible uses, what uses would create value, positive net return, or a positive rate of return to the property. Demand in the Horry County area for developed residential lots appears to be on the rise.

The development of the property is deemed financially feasible as shown in this report.

4. Maximally Productive

Delineation of the tract into parcels of varying sizes is a maximal use.

5. Sufficiency of Demand

The success of developed residential lots in and around Sanibel Resort, as well as other similar developments is evident. Competing developed areas have sold out or are enjoying strong sales. This is one of the last remaining large tracts available in the area to develop.

Conclusion

The development of the site as a residential property would be the highest and best use. The current use of the property does not account for the maximally productive use of the property, nor does the current use account for the highest financially feasible use of the property.

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Land Valuation:

There are several methods of valuing vacant land.

- Sales Comparison Approach
- Land Residual Method (DCF) (Developers method)
- Extraction
- Allocation

Based upon my experience and the particular attributes of the Subject Property and the surrounding area, it is my professional opinion that the most applicable method of valuation of the Subject Property is the Land Residual Method using a discounted cash flow approach.

Because I am only using the Discounted Cash Flow approach, I am only providing a discussion of this approach.

Discounted Retail Sales Approach

The valuation of the land by subdivision development consists of:

1. Estimating development expenses including direct and indirect costs

2. Estimating the gross retail value by use of comparable sales

3. Estimating a sell-out time

4. Discounting the proceeds from the sale of the lots at an appropriate discount rate that considers the return on investment

5. The net present value of the income stream, after deducting all costs of development, indicates the current value of the developed lots

Vertical construction costs of the high-rise were determined by conversations with area builders and information supplied by Gilford Edwards, an expert on Carolina coastal development.

Interior furnishing costs were determined from information attained from area interior designers.

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Demand and Market Analysis

The following is an excerpt from the Ralph Stewart Bowden report that can be found in its entirety in the addendum.

Section IV. DEMAND ANALYSIS

The demand analysis is the leading component of the market study and serves to illuminate near-term opportunities as well as future influences. The demand portion of this market study focuses on quantifying age and income qualified households by identifying those market segments that demonstrate a substantial presence and exhibit positive growth characteristics over the next five years. In this regard, we have taken a number of approaches, ranging from the national perspective to the regional feeder market level, taking into consideration specific individual demand motivations.

The Macro Perspective - On a national basis, median household incomes have risen less than two (2%) percent per year since 2000, and have actually declined at the lower income levels while continuing to climb at the top of the economic ladder. This has resulted in the share of affluent households exhibiting unprecedented growth. For example, between 2000 and 2015, the share of households earning less than $100,000 per year declined from representing 87.7% of all households to 77.15%. At the same time, the share of households earning at or above $100,000 grew from representing 12.3% in 2000 to accounting for 22.84% of households in 2015.

By 2020, an estimated 25.64% of all households will have an annual income of $100,000 or more while those households with incomes below the $100,000 mark will drop to represent 74.37% of all households. While the growth at the top of the market is encouraging, the disparity between the upper and lower income groups remains relatively static over the near future. Nevertheless,

- ✓ The market depth and growth of age- and income-qualified households is significant on a national basis.
- ✓ The number of households reporting annual incomes in excess of $100,000 per year is projected to grow 18.4% over the next five (5) years resulting in the addition of more than 4.5 million households by 2020.

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- While the 55-64 age group is estimated to add approximately 1.3 million affluent households (representing an increase of 29.1%) the strongest rate of growth at this income level is in the 65 to 74 age group, where a 41.9% projected increase portends to expand the household count by 1.226 million households over the five-year period 2015 - 2020.

The Active Adult and Retirement Segment Perspective – The number of Americans at or near retirement age is burgeoning. Baby Boomers, born between 1946 and 1964 number more than 74 million, and another 28 million Americans are ages 87 to 82. The number of people expected to reach age 65 will grow 36% by 2020, and a recent study conducted by the Urban Land Institute (ULI) opined that once achieving the age of 65 years, the average senior can expect to live well into their 80s.

In order to better understand the dominant demand group, i.e., those over the age of 55 years, we have reviewed the 2010 and 2013 editions of the "Del Webb Baby Boomer Survey" conducted by the retirement community developer to determine the preferences and intentions of the market that it sells to, i.e., pre-retirees and retirees – people in their 50's and 60's. Approximately 500 interviews were conducted.

One area of inquiry focused on intention to move in retirement and, if planning to move, to what destination. These questions preceded other questions in the survey regarding priorities associated with a new location choice and consideration of living in an age-restricted community.

In 2010, over one-third of respondents replied that they intended to move during retirement. Of those, half would move to another state; 30+% would remain in the state but move to a different area; 20+% would remain in the same area; 5+/-% would move overseas. By the end of 2013, the proportion of responses indicating an intention to move had increased to 55%. In this regard, North and South Carolina are consistently in the top three destinations of choice.

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According to Del Webb, this is consistent with trends going back to 1996 and has been confirmed. Subsequently, builder confidence in the 55+ housing market remained in positive territory for the first quarter of 2015. According to the National Association of Home Builders' (NAHB) 55+ Housing Market Index (HMI) two of the three components of the 55+ single-family HMI posted increases from the previous quarter. Present sales increased one point to 64 and expected sales for the next six months rose three points to 67. While traffic dropped eight points to 40, builders in many parts of the country were affected by a particularly severe winter, and nevertheless optimism is the prevalent mood for the market sector as we move forward in 2015.

Part of the optimism has to do with the distribution of wealth. Baby Boomers hold the highest percentage of net worth dollars at 34%, and the highest share of total income dollars at 39%. The second highest ratios are held by Gen-X with 29% and 31%, respectively, followed by the "only just beginning" Millennials with 21% of net worth and about 18% of total income dollars.

The figure on the next page provides graphic perspective of the various market segments and what their respective futures may be going forward.

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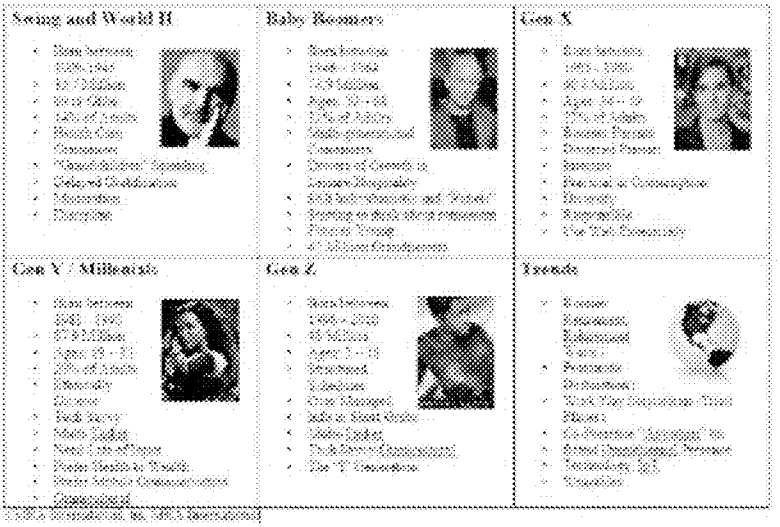
Generational Market Segments - February 2015



Tourism Market Segment Perspective - While the economy as a whole continues to recover tourism has been on the leading edge. It is estimated that 1.6 billion domestic person (leisure) trips were taken in 2013 and 1.632 billion in 2014, and is expected to expand to 1.665 billion in 2015. All of the aforementioned generational market segments will most likely be represented within the "tourism" sector at one point or another. Nevertheless, there are specific groups that may prove to be more lucrative.

As members of the Baby Boomer generation find themselves with more time on their hands, they become increasingly amenable to travel. Baby Boomers continue to dominate the second/vacation home market.

- Numerous studies reveal that as Baby Boomers age they consider travel more a necessity than a luxury, and the economic situation tends to have little impact on their travel plans.
- Older Baby Boomers (ages 60 to 69 years) account for 15 percent of all leisure travelers and take an average 4.4 leisure trips each year while younger Boomers (ages 50 through 59) represent 21 percent of all U.S. leisure travelers and take an average 4.1 leisure trips per year.

According to research conducted by the Preferred Hotel Group, multi-generational travel is a growing and significant trend. Key points of the research include:

- ✓ Grandparents are playing the role of host and are paying the bills.
- ✓ Grandchildren influence the selection of the vacation destination.
- ✓ Multi-generational vacations are becoming annual events, in the form of a tradition.

Sports Tourism -- Because the subject property is in close proximity to the new North Myrtle Beach Park and Sports Complex, sports tourism is expected to have significant impact on the development's level of success.

Participatory sporting events have become big business for the travel industry. Youth baseball tournaments, cheerleading competitions, gymnastics meets and half marathons, to name but a few events, have the ability to attract a sizable number of in- and out-of-market participants and spectators, as well as media and technical personnel.

The Travel Industry Association of America reports that between 2005 and 2010, 38% of US adults attended an organized sports event, competition or tournament as a spectator or participant while on a trip of 50 miles or more. According to the 2013 *Sports, Fitness and Leisure Activities Topline Participation Report*, 72% of Americans age six (6) and older

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actively pursue at least one sport and 33% of Americans or 94.8 million individuals, are active to a "healthy level and beyond," meaning they participate in team sports.

Sports-related travel and tourism is, by all accounts, a multi-billion dollar business in the U.S. Based on a 1999 *Sports Travel Magazine* study, it is estimated that sports-related travel and tourism accounted for at least $118.3 billion in the United States alone, $47.3 billion of which was attributed to family/spectator travel, accounting for 12.1 million sports-related hotel room nights.

While only recently promoted as a room night generator by the hotel industry, sports tourism has been around for quite awhile and has had a strong economic impact on many municipalities. The Rockford (Illinois) Convention and Visitor's Bureau reported that sports events have represented the largest growth in hotel room nights. Just 3,600 room nights were attributed to sporting events in 1987, by 1994, 49,287 sporting events-related room nights were reportedly related, supporting the thesis that participatory sports events are an effective way to attract new visitors and generate return visits. Rockford recently committed $3.1 million to the expansion of sporting facilities within the city.

Other examples of successful municipal sports programming include Panama City Beach, Florida, which realized an $18 million economic impact from softball and baseball tournaments alone in 2007. The Gulf Shores/Orange Beach area of Alabama played host to more than 210 soccer teams and 10,000+ spectators last year, and in Richmond, Virginia, a three-day fencing competition brought approximately 1,000 athletes to town while a series of spring events generated more than 31,000 hotel room night sales in Virginia Beach.

And in the subject market area, sporting events provided Myrtle Beach with a $102 million economic impact in 2013. By 2014, direct spending on sports tourism events within the region was $199.7 million, and of that, youth group visitation and participation

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was responsible for 89%, suggesting strong demand for "family-friendly," multi-generational accommodations.

The two-week long vacation has made way for multiple four-day sport weekends or "sportcations," as dedicated parents and their committed athletic children engage in year-round activities. Youth sports have become a multi-billion industry growing from under seven (7) million participants in 1970 to over 30 million today. Local recreational leagues have given way to traveling teams and weekend-long tournaments that require adequate and appropriate lodging.

Research conducted by Hotel & Leisure Advisors (www.hladvisors.com) with respect to sports group demand indicates that booking accommodations at properties more than 45 minutes from a tournament venue in order to accommodate a large party requiring a block of rooms is not uncommon, and tournament organizers will arrange packages with preferred properties that can accommodate the needs of large groups.

Other findings include:

- Sports group consumers are prudent spenders, but are nevertheless seeking more than just a hotel room as the trip is considered a "mini-vacation" which calls for more than a rock-bottom experience.
- Location and proximity to the sports venue is a key aspect for the sports group consumer. Accommodations in close proximity to the sports venue typically enjoy a distinct competitive advantage that encourages repeat visitation.
- Food and beverage options are another key aspect with the sports consumer requiring cost-efficient options.
- Private space within the property, typically meeting rooms, is an important consideration for team "skull sessions," and sufficient and convenient storage for team equipment is generally required.

ECOVEST-SF_0013012

Second Home Market Segment Perspective - The second home market segment soared above its previous (2006) peak level to an estimated 1.13 million sales last year, the highest since the National Association of Realtors (NAR) began surveying in 2003, and nearly doubling the combined total of the previous two years.

A review of some key findings from NAR's *Investment and Vacation Home Buyers Surveys* provides year-over-year perspective.

- ✓ Vacation homes sales rose 7.9% in 2009, held steady in 2010, rose another 7% in 2011, increased a seemingly significant 10.1% in 2012 only to catapult 29.7% in 2013 to represent 13% of all transactions.
- ✓ By 2014, 1.13 million sales represented a remarkable increase of 57.6% over the impressive 2013 activity and accounted for 21% of all transactions for the highest market share ever, and an eight (8) point jump from 13% in 2013.
- ✓ Based on the 2014 activity, it is estimated that there are now more than 9.1 million vacation homes and nearly 45 million privately owned investment units within the US.
- ✓ As the housing markets continued to stabilize, the median vacation home sales price dropped 11.1% year-over-year from $168,700 to $150,000, commensurate with 2012, 2010 and 2008. Since 2003, the highest median vacation home price ($204,100) was reported in 2005.
- ✓ As financing has loosened, the share of vacation homebuyers paying cash fell to 30% from 38% in 2013. Of buyers financing their purchase with a mortgage, nearly half (48%) of vacation homebuyers financed less than 70% of the purchase price.
- ✓ The typical vacation homebuyer household income has remained relatively static over the last two years at approximately $93,000.
- ✓ A majority (54%) of vacation homebuyers bought a single-family home, but the share of those purchasing a multi-family property grew from 34% in 2013 to 45% last year.
- ✓ Vacation homebuyers purchased a property that was further away from their primary residence -- a median distance of 200 miles compared to 180 miles in 2013.

- Forty (40%) percent of vacation homebuyers purchased in a beach area, 19% purchased in the country and 17% purchased in the mountains. The South saw the largest share of vacation homebuyers (46%), followed by the West (25%), the Northeast (15%) and the Midwest (14%).

In response to the 2014 results, Lawrence Yun, NAR's Chief Economist opined: "Affluent households have greatly benefited from strong growth in the stock market in recent years, and the steady rise in home prices has likely given them reassurance that real estate remains an attractive long-term investment. Furthermore, last year's impressive increase also reflects long-term growth in the numbers of Baby Boomers moving closer to retirement and buying second homes to convert into their primary home in a few years."

Experts previously prognosticated that growing wealth combined with flexible work patterns and lifestyles could translate to as many as three (3) million second home purchases in this decade. However, we are only mid-way through the period and have already reached 2.9 million. In this regard, an estimate of 5.0 million second home purchases in 2015 is considered realistic.

Generally speaking, four factors tend to influence the geography of demand for second homes:

Proximity to primary home
Availability of outdoor recreation
Good weather conditions
Repeat visitation, familiarity

Summary - Based on the foregoing, the subject marketplace would appear to be well positioned for success.

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Feeder Market Demand – The location of the subject property in the greater North Myrtle Beach market area has the propensity to attract relatively large volumes of diverse vacationers, and lends itself to a broad regional target market. While the economy, as a whole, continues to recover, tourism has been on the leading edge, and South Carolina is an extremely popular vacation destination. It is estimated that 29.3 million visitors traveled to and within the state last year -- 16+ million to the Grand Strand alone. The South Carolina tourism industry reports that the top states of visitor origination to and within the state are South Carolina and North Carolina, accounting for a combined 76% of day trips and nearly 50% of overnight trips to and within the state.

RSB has conducted an analysis of South Carolina and North Carolina households to identify age and income growth characteristics and quantify current and projected market depth, initially determining the following:

- North Carolina has significantly more market depth than South Carolina currently, with more than 3.9 million households compared to approximately 1.9 million households for South Carolina.
- This condition persists through 2020 with North Carolina adding more than 202,000 households to South Carolina's 103,000 new households.
- In combination, the two states provide a household basis of nearly 5.84 million in 2015, growing 5.2% to more than 6.14 million households by 2020 with 305,000 household formations.

The prime home buying years have typically been considered to be between the ages of 35 and 54. However, the elder age groups, pre-retiree and retiree age groups -- are largely responsible for second/gateway home and retirement home purchases. The nature of a tourism-based economy hinges on the availability of discretionary income and available time. In other words, there needs to be evidence that households with the time and/or inclination to own and use resort-oriented real estate exists, and that a sufficient proportion of the income-qualified households are, and will be, at a stage in life that allows time for the personal use of the real estate they desire to purchase.

ECOVEST-SF_0013015

In order to develop an informed profile of the composition of demand, we have utilized the services of Nielsen/Claritas to provide demographic information regarding the current and projected distribution of the feeder market household populations over the next five years, correlated by age group and household income group, comparing both states to national trends. The age groups analyzed are listed below, accompanied by the real estate life stage associated with these groups.

Age group	Real estate life stage
25-34	1st time homebuyers
35-44	Families with children
45-54	Transitional toward empty nest
55-64	Empty nester / Pre-retirement
65+	Retirement

The households within these age groups have been sorted among the following income categories.

<$50,000	$50,000-$74,999
$75,000-$99,999	$100,000-$124,999
$125,000-$149,999	$150,000-$199,999
$200,000+	

The projected changes in populations between 2015 and 2020 within these subgroups have been examined to determine which segments exhibit a strong presence in the market now and going forward, and which segments represent qualified demand for real estate products.

The following table compares five years of projected household growth for the subject geographies, based on the key age groups.

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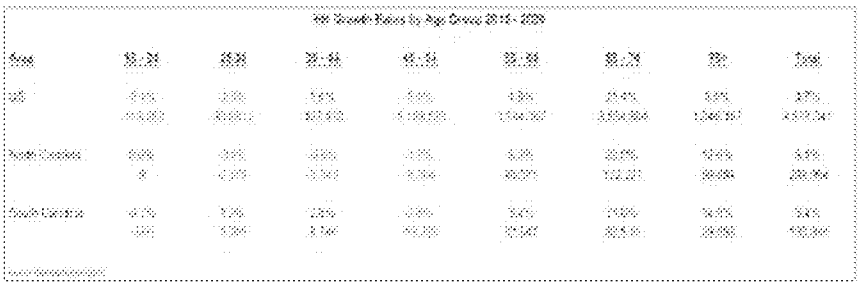
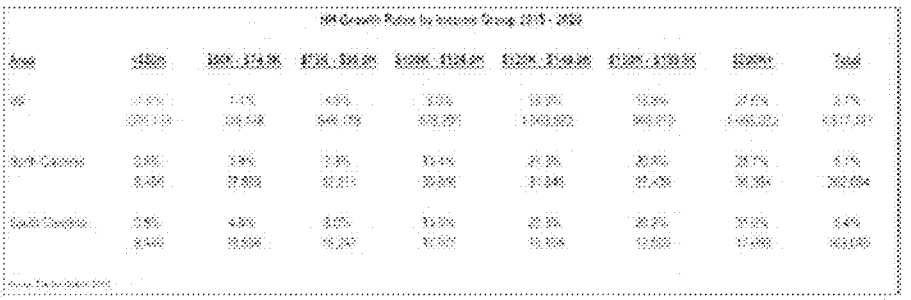


Household Growth Trends - As shown in the table, the U.S. is projected to add more than 4.5 million households for a 3.7% rate of growth, or less than one (1%) percent per year over the five-year period 2015 through 2020. In comparison, both states outpace the nation with 5.1% and 6.4% growth rates adding 306,109 households, in the aggregate.

Growth Trends By Age Group – The common denominator between the geographies is a concentration of growth in the 55+ age category indicating potentially strong second home and retirement demand. More precisely, the strongest rates of growth are in the 65 to 74 age groups in all three geographies.

Growth rates within this age group are similar for all geographies, ranging from 22.0% in North Carolina, reflecting the addition of 122,221 households, to 21.4% for the U.S. and 21.0% for South Carolina, reflecting the addition of 62,510 such households. In combination, North and South Carolina will add nearly a quarter million (243,849) households headed by at least one person between the ages of 55 and 74 over the ensuing five years. These exceedingly high growth rates reflect the cascading of 10,000 Baby Boomers into the national retirement segment on a daily basis.

Growth Trends By Income Level - We then qualified the age characteristics of the projected demand by income levels. The next table illustrates how the composition of the market will shift over the ensuing five-year period with respect to the income characteristic.



On a national basis, the Nielsen-Claritas projections indicate expansion in all categories above the $50,000 household income level, with the most substantial growth in the $200,000+ bracket. This highly affluent segment shows growth of 27.6% with the addition of more than 1.665 million households, on a national basis. The $125,000 to $149,999 and $150,000 to $199,999 categories follow with growth rates of nearly 17% each, responsible for adding approximately 1.0 million households each.

In comparison, both feeder states exhibit healthy economies with income growth across all strata. However, the rates of growth increase as income escalates, with both South Carolina and North Carolina surpassing the U.S. rate of growth in the $200,000+ income bracket. At the very top of the income strata South Carolina adds more than 17,000 such households for a 31.9% growth rate while North Carolina adds 38,364 such households reflecting a 28.7% growth rate, marginally higher than that of the U.S.

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Considering the "mass affluent" market segment, i.e., those households with income levels at or above the $100,000 level, the two feeder states account for more than 995,119 households currently, growing to more than 1.19 million by 2020. North Carolina accounts for nearly 70 percent of these upscale households and 70% of the growth.

Summary - The analysis reveals unprecedented growth in the older, more affluent demand segments, particularly in the Pre-retirement / Empty Nester and Retirement categories. The growth of these segments bodes extremely well for second home, vacation home and investment home purchases. Based on the predominantly moderate real estate environment within the Myrtle Beach marketplace, it is unlikely that the supply side of the market is prepared for these unprecedented surges in demand. We anticipate that an imbalance between supply and demand will emerge, serving to exert upward pressure on price points and absorption rates of new residential products targeted to these strengthening demand segments.

The data associated with the foregoing analysis are presented on the following three (3) pages.

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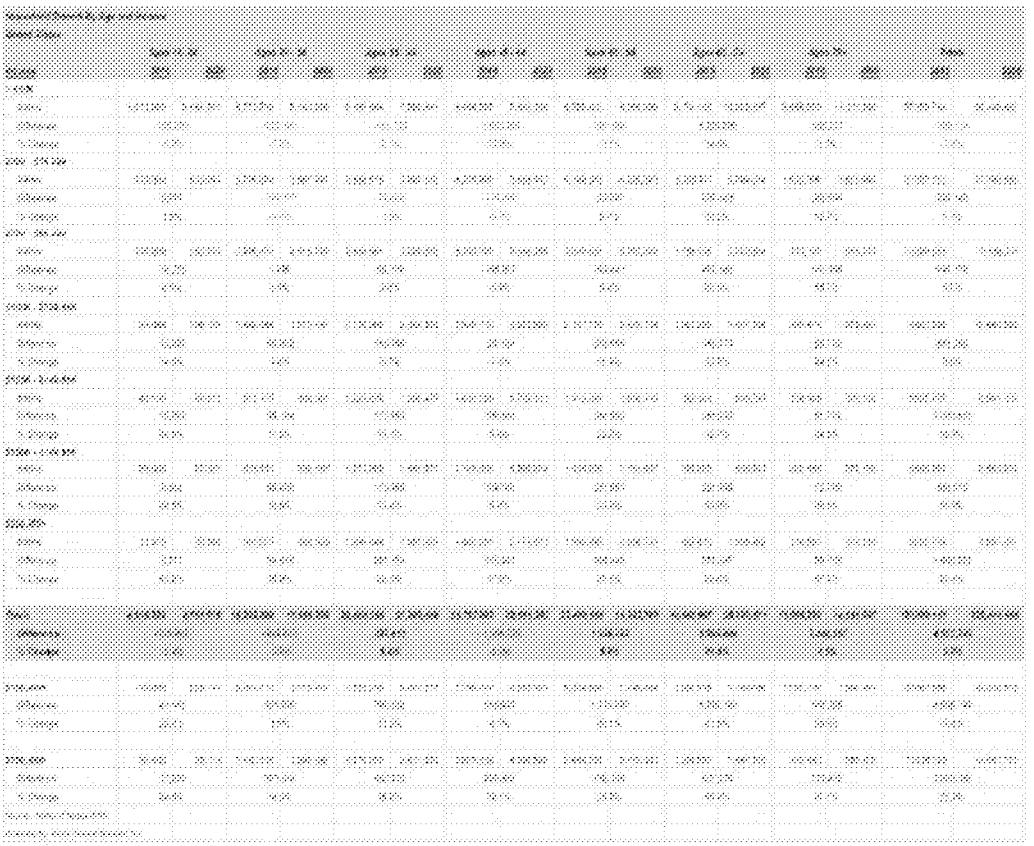
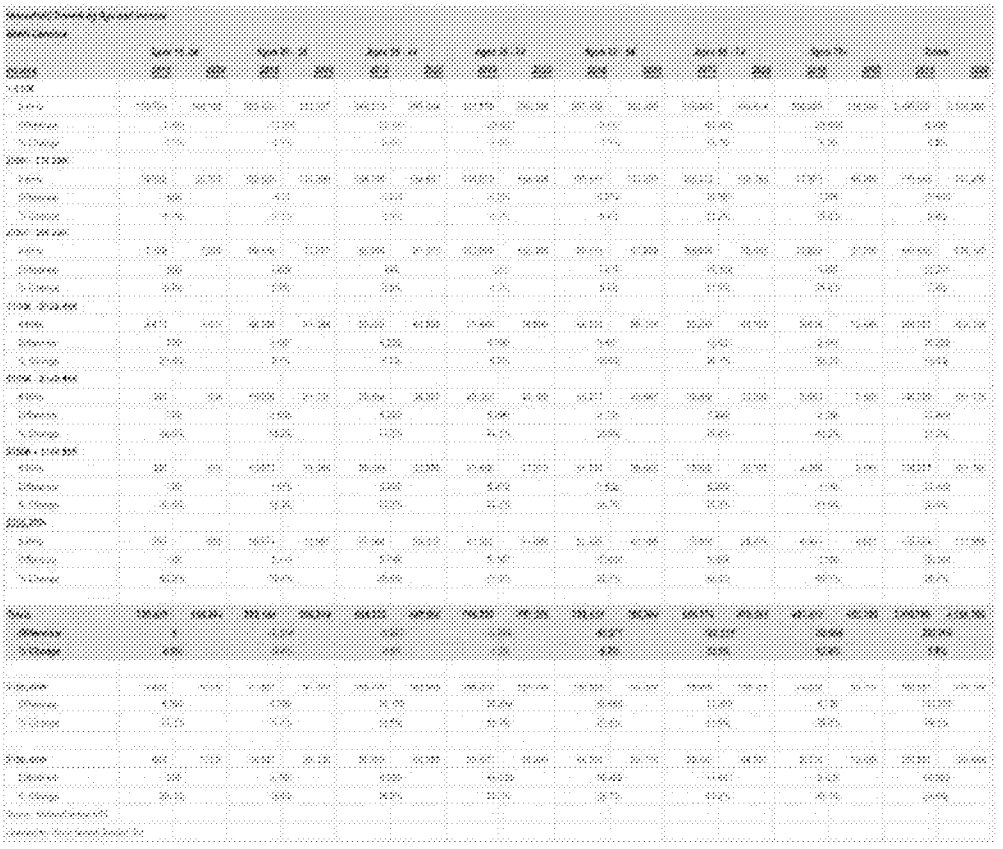
Household Income By Age for the U.S.



North Carolina Household Income By Age



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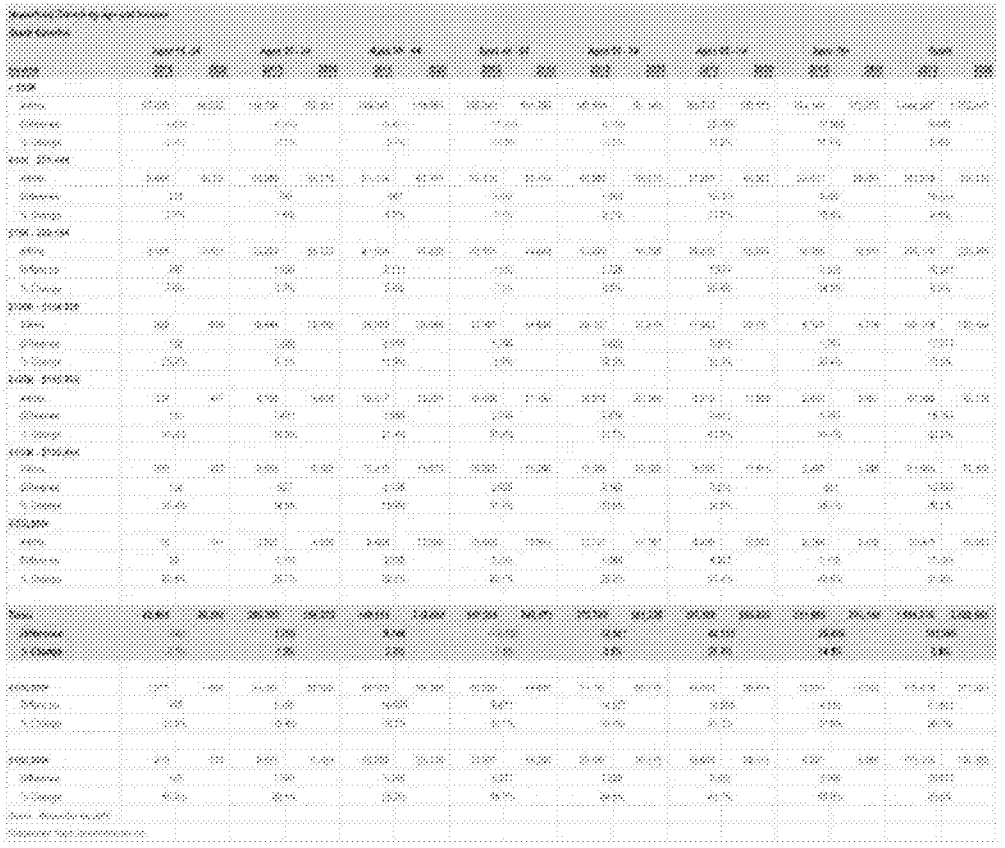
South Carolina Household Income By Age



Section V. MARKET SURVEY AND ANALYSIS

The U.S. Census Bureau recently listed the Grand Strand as the second fastest-growing metropolitan area in the country. Local real estate experts have advised that there has been significant growth in new construction and estimate that one-third of the market is buying secondary homes, vacation homes and investment properties. Another third of buyers comprises those relocating and/or switching from renting to owning, while the final third is largely comprised of out of market retirees.

We began our analysis of Regional Market Area (RMA) housing conditions by studying sales within the Myrtle Beach Core Based Statistical Area (CBSA) based on MORE® data. Data for the 12-month period ending 3/31/15 revealed a total of 10,147 sales or an average of 845 sales per month, 76% of which were resale properties and 24% of which were new product sales. The table below provides further perspective.

CBSA - All Sales 12 Mos. Ending 3/31/15

New	# Sales	% Sales	Median $
Single Family	2,001	19.7%	$224,900
Townhome	172	1.7%	$185,000
Condo	261	2.6%	$202,000
Total	2,434	24.0%	$216,000
Resale			
Single Family	4,120	40.6%	$178,400
Townhome	268	2.6%	$136,000
Condo	3,324	32.8%	$116,000
Total	7,713	76.0%	$152,900
New and Resale			
Single Family	6,121	60.3%	$196,100
Townhome	440	4.3%	$148,945
Condo	3,585	35.3%	$120,000
Total	10,147	100.0%	$163,400

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As shown in the table, single-family products dominate the sales scenario in the new sale category while the resale market is more evenly split. Resale condominium products command the second largest share of sales, however new multi-family products and resale townhomes lag far behind.

From a pricing perspective, during the 12-month period studied, new products saw significant premiums over resale products, as shown below.

Single-Family	+25.7%
Townhome	+34.6%
Condominium	+74.1%

On a year-over-year quarterly basis, Q115 saw 2,275 sales, up 16.4% from Q114, led by resale activity that was nearly 3.5 times that of new sales activity, indicating the absence of new development in the marketplace. However, new sales activity increased at a rate nearly twice that of the resale activity (23.2% v 14.1%).

Myrtle Beach CBSA Residential Sales

	Q115	Q114	Difference	% Change
New	555	450	105	23.3%
Resale	1720	1502	218	14.5%
Total	2275	1952	323	16.4%

Source: Area Association of Realtors

Prices have been escalating since the end of the recession, and appear now to be stabilizing. Based on combined new and resale closings of all product types, the median price in Q414 of $169,040 was 4.1% higher than the median sale price in Q413. The median sale price for Q115 of $166,100 shows a comparatively modest year-over-year increase of 0.7%.

Similarly, new product sales saw a 2.8% year-over-year increase in Q115 from $215,000 to $221,020 compared to a 10.0% percent year-over-year jump in Q414.

CBSA Median Sales Prices

	Q115	Q114	Difference	% Change
All Sales	$168,100	$164,900	$1,200	0.7%
New	$221,020	$215,000	$6,020	2.8%
Resale	$148,900	$148,050	$1,000	0.7%
Resale % New	67.4%	68.8%	-1.4%	-2.1%

Source: Housing Data Connection

While the number of resale closings escalated for the period, resale prices remained relatively static at the 0.7% growth rate.

It is important to consider this information within the context of national market trends. The following is an excerpt from the National Association of Realtors' (NAR) *Economist's Outlook* that highlights the opinions of Lawrence Yun, PhD, Chief Economist and Senior VP of the NAR.

Home Price Comparison: New versus Existing

Posted in Economic Updates, by Lawrence Yun, PhD., Chief Economist and Senior Vice President on December 30, 2014

- Newly constructed homes are carrying a hefty premium over existing homes. The gap, which historically had been 15 to 20 percent, has in recent years widened to 30 to 40 percent. That suggests either existing home prices are much cheaper in relation to the newly built homes and/or that there is just not enough new homes being produced.
- In the most recent monthly data, in November, the median home price of a newly constructed home was $268,900 while the median price of an existing home was $196,200. This gap is 36 percent.
- Indeed, too few new homes are being constructed. Even though single-family housing starts are projected to have risen for the fourth time in the past five years, the level is essentially at a deep recession level. This year's single-family housing starts look to hit 650,000. But the normal should be at least a million. Persistent

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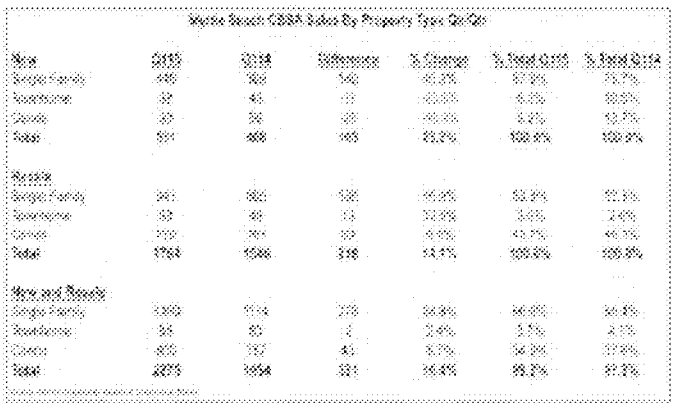
underproduction of new homes is one key reason for pushing up prices. From 2004 to 2014, a typical newly constructed home price will have risen by 27 percent.

- Meanwhile, a typical existing home price has risen by 28 percent in the past three years. Even so, the decade growth in home price, due to the downward correction that occurred during the housing bust, is only 8 percent. Over the same decade, from 2004 to 2014, a typical apartment rent grew by 31 percent. In other words, home prices are not rising too fast or to a new bubble. Rather, the shortage of new construction is leading to the premium on the new homes to expand.
- If housing starts do not revive quickly and robustly then new home price premium could rise even further. NAR projects single-family housing starts to rise to 820,000 in 2015. That would be a nice growth and good news for homebuilders. Still it would be under the historical average.

From this, we are able to anticipate a market that will be increasingly characterized by higher per unit values as new products are introduced to the public, and that current resale values are a base for new product estimates that reflect a conservative adjustment upward of 35%.

Sales By Product Type -- While new single-family sales increased 45.3% year over year in Q115, single-family resale products saw a comparatively moderate 16.8% increase, suggesting diminishing inventory and/or increasing new development activity. Nevertheless, there were more than twice as many single-family resale closings than new -- 941 compared to 449 -- as shown in the table.



North Beach CMA Sales By Property Type Q1'15

Type	2015	2014	Difference	% Change	% Total 2015	% Total 2014
Single Family	449	309	140	45.3%	32.3%	29.7%
Townhome	49	45	4	8.9%	3.5%	4.3%
Condo	43	36	7	19.4%	3.1%	3.5%
Total	541	390	151	38.7%	38.9%	37.5%
Resale						
Single Family	941	805	136	16.9%	67.7%	77.3%
Townhome	53	48	5	10.4%	3.8%	4.6%
Condo	353	301	52	17.3%	25.4%	28.9%
Total	1347	1154	193	16.7%	96.9%	110.8%
New and Resale						
Single Family	1390	1114	276	24.8%	66.8%	56.8%
Townhome	102	93	9	9.7%	4.9%	4.7%
Condo	396	337	59	17.5%	19.0%	17.2%
Total	1888	1544	344	22.3%	90.8%	78.7%

Interestingly, while new single-family sales as a percentage of all new sales grew from representing 75.7% of all new product sales in Q114 to 87.9% in Q115, single-family resale products maintained their market share in the 90% range, further indicating that new single-family building activity is on the rise.

This is not the case with multi-family products. New townhome sales saw a decline of 25.6% and new condominium sales decreased 46.4% from 56 sales in Q114 to 30 sales in Q115. This may be attributable to the scarcity of construction financing for multi-family condominium buildings and/or availability of suitable land.

While multi-family resale activity was dominated by condominium apartment sales in Q115 accounting for 770 closings compared to 53 townhome closings, townhome resale activity reflected growth of 32.5% year-over-year with the addition of 13 sales, while condominium resale activity grew a comparatively modest 9.8% with the addition of 69 sales.

Sales Prices By Product Type – The next table shows the median prices for both periods and sales categories analyzed, illustrating price changes and rates of growth or depreciation.

CBSA Median Sales Price By Type

New	Q115	Q114	Difference	% Change
Single Family	$227,519	$226,500	$2,501	1.1%
Townhome	$184,500	$186,500	-$2,000	-1.0%
Condo	$245,000	$172,400	$72,600	42.1%
Resale				
Single Family	$178,000	$178,000	$0	0.0%
Townhome	$146,000	$127,500	$17,500	32.7%
Condo	$114,000	$108,000	$6,000	5.6%

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As shown in the table, the single-family product median prices have remained relatively flat year-over-year in both the new and resale categories while the new condominium apartment product enjoyed the highest price and the highest year-over-year appreciation rate (42.1%), rising from $172,400 in Q114 to $245,000 in Q115, theoretically suggesting strong demand for upscale condominium apartment products. While the number of new condominium sales dropped year-over-year from 56 in Q114 to 30 currently, we believe this to be the result of limited supply, which could be pushing prices upward. Conversely, resale condominiums recorded a median price that is 114.9% lower than the new condominium apartment price and a modest year-over-year appreciation rate of 5.6%.

The median new townhome price remained relatively flat, year-over year, while the resale price jumped 13.7%, from $127,500 in Q114 to $145,000 in Q115. Nevertheless, the new townhome price is 27.5% higher than the resale townhome sales price.

The MORE® data also provide stratification of sales by price ranges for the 12-month period April 2014 through March 2015. Focusing on the condominium and townhome sales in the new product category, we found the following:

- Approximately 48% (115) of the (new) condominium apartment sales closed during the period analyzed were in the $100,000 to $199,999 price range, while approximately 25% were in the $200,000 to $299,999 range and another 7.9% were priced between $300,000 and $350,000.
- Of the 172 (new) townhomes sold during the same period, the most prevalent price range was the $150,000 to $199,999 range in which 98 sales or 57% were priced.

New Condominium Sales
12 Months Ending 3.31.15

	# Sales	% Sales
<$100K	4	1.7%
$100K-$150K	80	34.0%
$150K-$200K	53	22.6%
$200K-$250K	36	14.9%
$250K-$300K	25	10.4%
$300K - $350K	19	7.9%
$350K - $400K	5	2.1%
$400K - $450K	4	1.7%
$450K - $500K	4	1.7%
$500K+	20	12.0%
Total	233	100%

- Further, 154 or 89.5% were priced between $150,000 and $299,000 while 96.5% of the townhomes sold were under the $300,000 price point.
- As shown in the table, just six (6) townhome units were sold in the $300,000 to $400,000 range and none were sold above the $400,000 price point, suggesting that the townhome is the "affordable" product of choice in the RMA.

New Townhome Sales
12 Months Ending 3.31.05

	# Sales	% Sales
<$100K	2	1.2%
$100K-$150K	16	9.3%
$150K-$200K	98	57.0%
$200K-$250K	38	22.1%
$250K-$300K	11	6.4%
$300K - $350K	4	2.3%
$350K - $400K	2	1.2%
$400K - $450K	1	0.6%
$450K - $500K	0	0.0%
$500K+	0	0.0%
Total	172	100%

Summary - The development opportunity that is the subject of this report reflects a well-located project that will benefit from high tourist traffic generated by a plethora of recreational and entertainment amenities located within the immediate market area. The site benefits from an Intracoastal Waterway location, easy access to beaches, and close proximity to the new 250,000 square foot Champions Crossing shopping and entertainment venue and the new North Myrtle Beach Park and Sports Complex, which are expected to have significant impact on demand. Accordingly, the subject site is zoned for multi-family housing products that can accommodate second homebuyers, retirees, investors and vacationing tourists.

Based on our analysis, demand largely and sufficiently comes from an aging Baby Boomer population that has the time and the wealth to purchase a second home or investment property, and/or relocate to the Grand Strand area to partake of abundant recreational, social and cultural experiences.

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Regional Marketplace Analogs - Our analysis of the existing real estate market revealed a market in recovery, but one that is nevertheless comprised of older housing stock. Nearly 60% of Horry County's housing was built prior to 1989 and there has been limited new development since the recession began in 2008 as the market has strived to absorb its distressed inventory. Further to this issue, 35% of Horry County's 2013 housing inventory was built between 2000 and 2013 reflecting a growth rate of 4.23% per year, while less than two (2.0%) percent or about 3,500 units were built between 2010 and 2013, reflecting an annual growth rate of less than one half of one (0.05%) percent during the more current period.

Nevertheless, two large-scale resorts have managed to be highly successful in this housing environment by offering a variety of contemporary products that appeal to the second home, investment and retiree buyer. Both are relatively new, having come on line in 2000 and 2002, respectively. In this regard, Barefoot Resort and Grande Dunes are synonymous with contemporary Myrtle Beach resort development. In spite of both being defined as 'resort communities' and located in each other's 'backyard,' they have very different market positions and have achieved success in spite of having entered the market at a time that would ultimately become challenging. We believe their respective successes are due, at least in part, to having a relatively non-competitive relationship.

Traditionally, the Average Aggregate Residential Value (AARV) of a given community represents an average of current prices, generally based on developer offerings, for the purpose of defining the community's market position. In recent years, as new development languished, it became necessary to include resale list prices in the equation. Based on current 'asking' prices, Barefoot Resort has an AARV of approximately $300,000 while Grande Dunes' AARV is markedly higher at approximately $800,000. A brief description of the two communities follows.

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Grande Dunes' location, spanning both the east and west sides of the Intracoastal Waterway, has served to preserve the 2,200-acre community's top-of-the-market position. Brought to market in 2002 by the venerable Myrtle Beach developer Burroughs and Chapin, Grande Dunes was positioned at the outset to appeal to affluent golfers and boaters seeking a golf and/or water-oriented second home opportunity. Initial products included Vista Del Mar, Grande Dunes only oceanfront property. The 85 three-bedroom, 2,000 to 3,800 square foot units were sold out in less than two years at prices ranging from $1.1 million to $2.2 million. The units have essentially held their value with current resale opportunities in the $999,000 to $1.82 million range.

The balance of Grande Dunes' oceanfront property has been absorbed by the Marriott Resort and Spa at Grande Dunes and the 25,000 square foot Ocean Club, the community's private beach club facility. Other guest accommodations include the AAA/4-Diamond, 200-room Marina Inn, which was developed on the ICW at the marina, and sold as a condo-hotel. The full service marina consists of 126 deepwater boat slips, 1,200' of floating docks, and a marina village with restaurants and retail services. Grand Dunes also boasts two championship golf courses, one public and one private, a 27,000 square foot golf clubhouse, and an award-winning, 6,000 square foot tennis, swim and fitness facility with ten (10) tennis courts.

Grande Dunes' owner/master developer LStar Management unveiled a revised Conceptual Master Plan last year focusing on the 770 remaining acres of developable land. Plans call for linking miles of undeveloped Intracoastal Waterway frontage to create a public trail system that will connect to a new waterfront park. The company also announced the planned development of two new single-family subdivisions in 2015. The first will be the 54-unit Enclave, to be located in the gated Golf Village community. Lots will be 85' to 120' in width, prices have not been released. A spring groundbreaking is anticipated. A second neighborhood is expected to break ground in mid-2015 that will contain 164 lots. The creation of the new neighborhoods follows a significant surge in demand for single-family homes in Grande Dunes in which there are reportedly 80+ homes under construction, representing $40 million in construction, the most new home building activity the community has ever experienced at one time. (www.grandedunes.com)

At the time of survey, 38 single-family resale properties were listed for sale ranging in price from $479,000 to $3.35 million. Just five (5) new single-family custom products were also listed at prices ranging from $650,731 to $984,000. The average price per square foot for the resale listings at the time of survey was approximately $400 compared to just under $250 for the new homes. The final phase of 45 single-family lots at Cipriana Park will be released for development this year. House and lot packages will start in the low $300,000s or approximately $200 per square foot. The 153-unit Cipriana Park began in January 2011.

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There were just eight (8) condominium apartment resale listings at the time of survey, ranging from $339,900 to the aforementioned $1.82 million for an oceanfront tower penthouse, which has been on the market for more than a year. The majority of listed condominiums had a three-bedroom configuration and the average off-water condominium resale price per square foot was approximately $176.50 while the oceanfront offerings averaged $464 per square foot. There were no new condominium properties offered or planned at the time of survey.

Barefoot Resort consists of some 2,300 acres, initially zoned for 5,000 residential units. The property sprawls along the west side of the Intracoastal Waterway and has been developed to contain 27 neighborhoods, 15 of which are condominium developments. Barefoot Resort is golf-centric with four championship layouts, an attendant 40,000 square foot clubhouse with pro shop and full-service restaurant, and a Golf Academy. In addition to golf, amenities and activities include a private beach club replete with complimentary shuttle service, a furnished sundeck, showers and a refreshment center, tennis, swim and fitness facilities, a dedicated trail system, and boating, fishing, and sailing activities. To the east of the community and the ICW is Barefoot Landing with 190 shops, and Barefoot Landing Marina, offering 142 boat slips, and a ¾-acre saltwater swimming pool. There are no on-site hotels or commercial accommodations at Barefoot Resort and privately owned condominiums serve as the resort's overnight inventory.

At the time of survey, new development activity at Barefoot Resort comprised The Retreat at Barefoot Village. Phase 1a consists of 37 single-family house and lot packages, 22 maintenance-free "bungalows," and ten duplex townhomes. Detached single-family products range in price from approximately $200,000 for a two-bedroom "bungalow" to the mid-$300s for a four-bedroom unit approximately 2,000 square feet in size. The five duplex buildings have single-level villas above single-car garages for a total of ten units. The three-bedroom/2.5 bath villas are 1,572 square feet in size and at the time of survey just one was listed for sale at $224,900 or $143 per square foot. Centex's Bay Village and Clearwater Bay townhome projects sold out and just three resale units were listed for sale at prices ranging from $247,700 to $349,900 or approximately $150 per square foot, on average. For perspective, the last of the developer units sold were reduced to $189,900 to $264,990 or $115 per square foot, on average. Other resale condominium listings included eight (8) townhomes within The Havens, priced in the $119,000 to $249,000 range or $115 per square foot; four (4) high-rise Yacht Club Villas ranging in price from $200,000 to $279,900 or $120 per square foot; and 21 low-rise apartment flat listings ranging in price from $114,900 to $259,900 ($113 per square foot, on average) for a total of 33 resale listings. Also, 12 single-family resale properties were listed at prices ranging from $278,500 to $1.175 million or approximately $190 per square foot, on average.

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We further examined these two resorts by utilizing MORE® sales data for the twelve-month period ending 3/31/15. The following table provides graphic perspective of the sales activity.

Year Over Year Residential Sales Grande Dunes and Barefoot Resort
12 Months Ending 3/31/15 v 3/31/14

Community	Property Type	2015	2014	$ Difference	% Change	Average Prices 3/31/2015	3/31/2014	$ Difference	% Change
Grande Dunes	Single Family Resale	20	28	-8	-28.6%	$664,600	$951,286	-$286,686	-30.1%
	Single Family New	6	15	-9	-60.0%	$647,500	$760,427	-$112,927	-14.9%
	Townhouse	0	0	na	na	na	na	na	na
	Condominium	0	0	na	na	na	na	na	na
Barefoot Resort	Single Family Resale	91	57	34	59.6%	$618,231	$577,512	$40,719	7.0%
	Single Family New	95	58	37	63.8%	$624,947	$715,438	-$90,491	-12.6%
	Townhouse Resale	18	8	10	125.0%	$351,750	$420,938	-$69,188	-16.4%
	Townhouse New	7	6	1	16.7%	$397,286	$501,500	-$104,214	-20.8%
	Condominium Resale	121	131	-10	-7.6%	$468,112	$446,686	$21,426	4.8%
	Condominium New	42	38	4	10.5%	$508,762	$567,000	-$58,238	-10.3%
Total Sales									
Grande Dunes		26	43	-17	-39.5%				
Barefoot Resort		373	298	75	25.2%				

Based on the sales data, we noted the following:

- Grande Dunes saw a 28% decline in sales year-over-year while Barefoot Resort enjoyed a 19.8% increase.
- Grande Dunes has had no multi-family sales activity for the 12-month period analyzed and new planned development activity is all single-family.
- The disparate new product activity between the two resorts is largely due to the absence of new development activity at Grande Dunes. The community's resale product activity and single-family average resale prices are also down.
- Interestingly, Grande Dunes saw an 11.6% increase in the average new single-family price, but a significant 87.2% drop in sales, suggesting that pricing may have hit a wall, or the new development activity may have been accompanied by an absence of adequate marketing.
- Further to Grande Dunes' sluggish condition, based on the MORE® "Lot Supply Analysis" during the most recent 12-month period 32 lots were platted, 49 building permits were issued, but just 8 new home transactions were recorded. Nevertheless,

a total of 81 single-family lots were sold at an average price of $141,126, suggesting a typical single-family home price in the mid $200s range.

- While Barefoot is in its final stages of development and sales of developer product, with the exception of condominium resale products, all product categories saw increases in sales activity, ranging from 27.3% for single-family resale products, to 83.3% for townhome resale products. Further,

- New single-family products saw a 60% increase in sales in the most recent 12-month period, and a 37.3% increase in average price, which price is 24.7% lower than the average single-family resale product price.

- New townhome sales activity remained relative flat, presumably due to the unavailability of appropriate land for development, but the average new townhome price jumped 17%, from $257,385 to $301,299.

- While resale condominium sales dropped 10.7%, new condominium sales at Barefoot jumped 31.4% while prices dropped 2.8%, year-over-year to an average of $201,740, reflecting Barefoot's long-established affordable market position.

In consideration of the subject's development vision, which focuses on vacation oriented second home and investment products, we also developed a limited sample of new multi-family (non-oceanfront) products, identifying five products within four local communities. All products represent extended phases of established neighborhoods.

- Lennar's Fairways II at International Club in Garden City, north of Murrells Inlet, will comprise 38 two-story townhome units in a row configuration, four to six per building. The three-bedroom/2.0 bathroom units range in size from 1,778 to 1,836 square feet and pre-construction base prices range from $170,990 to $190,990 or approximately $98 per square foot, on average.

- A new phase of townhomes at Market Commons in Myrtle Beach features low country row-style townhomes with two or three-bedroom/2.5 bath configurations, 1,393 to 1,711 square feet in size with one or two-car garages. Prices range from $229,900 to $269,900 or $161.30 per square foot, on average.

- Ocean Keyes in North Myrtle Beach is offering another phase of townhomes featuring private golf cart parking and optional private elevators, starting at $299,900. The three-bedroom/2.5 bath units range in size from 2,101 to 2,225 square feet for a base price per square foot of approximately $143. The 30-acre community is also planning to develop Villa building #14 with two- and three-

bedroom condominium flats ranging in size from 1,300 to 1,500 square feet, and in price from $225,900 to $259,900, or $173 per square foot, on average. The three-story building will be served by elevator and offer pond views.

- The Vues on 48th is located in North Myrtle Beach near Barefoot Landing, on the east side of the Intracoastal Waterway. This small, gated community offers a limited number of luxury opportunities. The three-story, three- and four-bedroom townhomes range in size from 2,490 to 2,880 square feet, feature marsh views, and are priced in the $529,000 to $699,900 range, or approximately $220 per square foot, on average.

Comparable Market Analogs - In order to gain further perspective on contemporary vacation home products, RSB extended its research to include new market entries in a similar vacation destination -- Orlando, Florida. Orlando has a tourism persona that is similar to Myrtle Beach, and demand for vacation accommodations and investment opportunities make the market fertile ground for residential products that conform to vacationing visitor requirements and expectations. In this regard RSB identified five (5) projects that had recently entered the market that offer housing analogs for analysis.

Windsor at Westside – Windsor at Westside is a new vacation home community located in Kissimmee, FL 3.5 miles from the Walt Disney World Resort being developed by Pulte Homes. The 592-unit gated enclave will feature an 8,000 square foot clubhouse, a fitness center and resort style pool with waterslide and spa, a Tiki Bar, sport courts, and an arcade and sundries shop. Single-family homes with six (6) to nine (9) bedrooms and townhomes with four (4) to five (5) bedrooms are designed to appeal to the large travel party. The 498 single-family units range in size from 3,117 square feet to 4,398 square feet on 40' to 50' wide lots, ranging in (base) price from $391,990 to $476,990, or $117 per square foot, on average. The 98 townhomes range in size from 2,100 to 2,265 square feet and in price from $293,240 to $317,680 or approximately $139.00 per square foot, on average. To maximize rental capability, designs have open floorplans and one bed/bath ratios. Approximately 35 presales have been achieved. Pulte Homes has had success with vacation rental development with other resorts in the Orlando area over the last ten years including Windsor Hills, Windsor Palms, and Vista Cay. (www.pulte.com)

Festival – Developed by national builder Mattamy, Festival is located directly off Interstate 4 in Orlando, Florida, five miles from Walt Disney World and surrounded by Orlando's copious shopping, dining and recreational opportunities. Owners will enjoy privileges at nearby resorts and golf clubs, including over 100 holes of championship golf at the neighboring resorts of ChampionsGate and Reunion. Nestled within 200 acres of natural Florida woodlands and lakes, Festival features a commercial core that includes a General

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Store, an ice cream parlor, an arcade, and a Florida-themed Bar & Grill. On-site recreational amenities include a fitness center, a heated swimming pool with private cabanas and a waterpark, a Putt-Putt golf course, and volleyball courts. The project is planned for 500 vacation villas to be managed by a leading property management company and the units may also be placed in an international vacation rental program. Festival vacation villas currently being offered have a two-story configuration and a variety of floorplans featuring three to five bedrooms, up to five and one-half bathrooms, large interior spaces, a private screened lanai, and a plunge pool. Base prices range from $238,900 to $329,900 for units ranging in size from approximately 1,600 to 2,200 square feet for an average price per square foot of $148.50. At the time of survey, just two units were move-in ready. The 2,007 and 2,179 square foot units were priced at $315,280 and $351,140, respectively, or $159.00 per square foot, on average. (www.xxxxxxxxxx)

Encore Club – The Encore Club is being developed at the Reunion Resort in Orlando by Encore Resorts and Homes. The 850-unit gated property will feature three vacation home designs to accommodate large travel parties. The two-story detached single-family homes feature five (5) to 13 bedrooms in 2,500 to 6,400 square foot floorplans. The residences feature open floor plans, expansive lanais and private, heated in-ground pools. Prices range from approximately $349,900 to $730,000 or $139.00 per square foot, on average. In-home dining and concierge services support the vacation experience and multiple master suites provide a home-away-from-home environment. Reunion Resort is a family destination with golf, multiple swimming pools, a dozen restaurants, a full-service spa, bike rentals, miles of trails, volleyball, and more. The Encore Club for Kids, offers thematically planned days and weekend nights that include arts, crafts, music, water play and games on the events lawn. The events lawn is also the site of activities for the whole family including concerts, movies, farmers markets and more. Encore Resorts & Homes was recently ranked 125th on BUILDER's 2013 "Next 100" list after successfully closing on 292 sales, and generating more than $92 million in revenue for the year. (www.xxxxxxxxxx.com)

Magic Village - Magic Village Resort is a luxury concierge community located two miles west of Disney's Animal Kingdom, surrounded by restaurants, markets and retail outlets. Developed by a consortium that includes Jordan Construction and Development and the CND Group, Magic Village consists of 180 three- and four-bedroom contemporary 3-story townhomes offering four all-suite floor plans, and has nearly sold out. Amenities include rental/management options, concierge and spa services, swimming pools, a clubhouse and fitness facilities. Units range in size from 1,843 square feet to 2,324 square feet, and are priced from $339,900 to $409,000 or $180 per square foot, on average. (www.xxxxxxxxxxxxxx.com)

The Vistas at Championsgate – The Vistas at Championsgate is being developed by Lennar Homes within the Championsgate resort community, which is located approximately 14 miles from Walt Disney World Resort. Championsgate has a 720-room Omni Resort hotel and a Country Club with two championship golf courses and a Dave

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Leadbetter Golf Academy. The newest residential development to be offered within the community, The Vistas comprises 79 luxury villa-style condominium units with golf course views. The two and three-story buildings include three- to six-bedroom units ranging in size from 1839 square feet to 2,988 square feet. Base prices range from $329,990 to $369,990 and location premiums range from $6,000 to $20,000 effecting a price ceiling of $389,990 and an average price per square foot of approximately $150.00.

The table on the following page provides perspective on the characteristics of the new development opportunities identified at the analogous resorts and communities.

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New Built for Sale Residential Product Ranges

Local Community	Property Type	#	#/Mo	Base Price Range Min	Base Price Range Max	Size Range Min	Size Range Max	Price/Sq. Ft. Range Min	Price/Sq. Ft. Range Max
Osprey Cove	Single Family	45	3.4	$538,500	$650,000	3,000	3,600	$160	$210
Sanibel Retreat	Single Family	55	2.14	$499,900	$750,900	3,100	3,950	$155	$175
	Townhome	10	1	$324,900	$395,900	1,500	1,972	$165	$240
Ocean Royale	Townhome	8	1	$299,900	$350,000	2,001	2,025	$150	$160
	Low-Rise Condo	24	2.3	$279,900	$294,900	1,300	1,501	$172	$174
Passage 8	Townhome	30	3	$179,900	$199,900	1,775	1,936	$96	$99
South Market	Townhome	65	2.3	$229,900	$288,900	1,383	1,771	$148	$166
Vista at 886	Townhome	10	3.4	$329,900	$499,900	2,400	2,900	$132	$138
Monument Place	33.3% Townhome	6	28% 2.5/M	$179,900		1,132		$99	
Monument Place	50% Single Family	9	42% 3.5/M	$539,900		2,950		$229	
Median Price	16.7% Condominium	3	14% 1.5/M	$350,900		1,775		$158	
Average		21		$348,594		1,974		$194	
2008 Community									
Harbor at Woodside	Single Family	466	6 - 9	$361,500	$498,900	2,117	3,358	$168	$186
Harbor at Woodside	Townhome	96	4 - 6	$283,200	$317,000	2,103	2,305	$140	$148
Grove Club	Single Family	653	3 - 10	$349,900	$750,400	2,203	3,405	$137	$180
Pointe	Townhome	650	3.5 - 6	$239,900	$329,900	1,605	2,102	$145	$160
Sage Village Resort	Townhome	166	3.4	$239,900	$408,900	1,504	2,124	$135	$166
Vista at Championsgate	Low-Rise Condo	75	3.4/2.5	$229,900	$299,900	1,203	1,668	$138	$175
Monument Place	33% Townhome	75	33% 1.5/M	$229,900		1,605		$143	
Monument Place	33% Single Family	465	66.7% 4.8/M	$350,900		4,405		$138	
Median Price	16.7% Condominium	208	16.6% 5.8/M	$244,400		2,205		$140	
Average		397		$348,594		2,203		$148	

Local Market
Average Size and Price

Single Family	$530,575	4,005	$157
Townhome	$311,708	1,935	$158
Condominium	$242,900	1,405	$175

Out of Market
Average Size and Price

Single Family	$446,864	4,004	$123
Townhome	$321,333	2,080	$146
Condominium	$259,900	1,420	$149

Based on the sample, new product development in the local market is dominated by townhome units, while the out-of-market sample suggests a split between single-family and townhome units. In either case, new condominium apartment flats were an anomaly.

Just one local community, Ocean Keyes, is currently offering new condominium apartment flat units, which have a low-rise configuration and are priced in the low- to mid-$200s.

Multi-family units are relatively moderate in size and prices per square foot are generally below $200, reflecting limited new high-end luxury products. This is in keeping with what we observed with respect to the resale activity at the two most prominent local resorts, Grande Dunes and Barefoot.

With respect to new single-family products, the local market continues to offer relatively small, two-, three- and four-bedroom models, catering to the strong retiree demand. In comparison, the Orlando vacation home market appears to focus on significantly larger units with more bedrooms, acknowledging the multigenerational travel trend that has been gaining traction for several years now as Baby Boomers "treat" their children and grandchildren to vacations.

Addressing this issue at the upper end of the market is the luxury vacation home model. In the course of our research, we discovered a pair of companies that work hand in hand to deliver a fully optimized luxury vacation experience within the context of investment. Fullhouse vacation homes are an evolution of the traditional vacation home model focusing on "Guest-Influenced™" designs on a scale that can accommodate large parties. Fullhouse, (formerly known as Purpose Built™ vacation homes) partners with All Star Vacation Homes, a rental-management agency that focuses on providing booking and management services to owners in order to maximize ROI.

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The concept is the result of 16 years of research stemming from over 30,000 reservations, more than 350,000 guests served, 18,000+ completed surveys and ongoing focus groups, and customer evaluations. Fullhouse vacation homes are optimally designed and furnished private luxury vacation homes that are built with the vacation home guest experience in mind. Features include:

- Premium resort-style amenities (e.g., home theaters, game rooms, private gardens, cabanas)
- Custom furnishings and themed décor
- Strategically-designed floor plans with bedroom options ranging up to 14+ and equal bedroom to bath ratios
- High quality architectural designs and craftsmanship
- Living and entertainment spaces proportionate to guest capacity
- Top of the line electronics and equipment
- Oversized outdoor dining and patio areas
- Large private pools with custom landscapes
- Customized hospitality services offered by All Star Vacation Homes
- Turnkey vacation rental program to manage the home and optimize rental potential

Fullhouse vacation homes range in size from 5,483 square feet to more than 14,000 square feet, featuring between seven (7) and 14 bedrooms at prices ranging from $1.0 million to $3.7 million, including lot and furnishings. The price/size relationship reflects per square foot prices that fall between $182 and $234. (www.mvfullhouse.com)

Not only did our new product survey exhibit a dearth of new condominium apartment flat development, it was void of Intracoastal-oriented products. In this regard, we broadened our search geographically while refining it to specifically focus on Intracoastal Waterway locations. This resulted in the identification of three new market entries located in Ponte Vedra Beach (Jacksonville), Melbourne, and Palm Beach Gardens, Florida. The projects, and their respective characteristics are shown in the next table.

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New 2Q'08 Oriented Condominium Apartments

Project	Location	#	Units	Price Range Min	Price Range Max	Size Range Min	Size Range Max	Price/Sq. Ft. Range Min	Price/Sq. Ft. Range Max
Meridian Riverfront	Melbourne, FL	96	9	$339,900	$499,900	1,824	2,376	$186	$248
Aqhora at Pointe San Pedro	Ponte Vedra Beach, FL	97	27643	$650,000	$2,000,000	2,200	6,000	$260	$389
Azure	Palm Beach Gardens, FL	113	2,34	$900,000	$2,800,000	2,700	5,500	$310	$528
Minimum		37	60% 588	$339,900		1,824		$186	
Maximum		113	75% 2,800	$2,800,000		5,500		$528	
Median		96	65% 1,200	$750,000		2,600		$291	
Average		85,333		$1,189,967		3,257		$320	

- All new waterfront condominium apartment products have at least three bedrooms, and the two projects offering a two-bedroom model (Aqhora and Azure) include a den in all floor plans.
- Unit sizes are relatively large, ranging from 1,824 square feet for a three-bedroom model at Meridian Riverfront in Melbourne, to 5,500 square feet for a four-bedroom-plus-den model at Azure in Palm Beach Gardens. The median unit size for the sample was 2,600 square feet and the average is about 650 square feet larger at 3,257 square feet.
- Pricing ranges broadly, from $339,900 at Meridian Riverfront in Melbourne to $2.8 million at Azure in Palm Beach Gardens. The sample exhibits a median price of $750,000 and an average of $1,189,967 reflecting the dominance of ultra-luxury products.
- Prices per square foot range equally as broad, from $186 to $528 with the sample exhibiting a median of $291 and an average of $320 per square foot.

Of these three developments locations, we consider Melbourne and Ponte Vedra Beach, in central and northern coastal Florida to be more similar to the Myrtle Beach market than Palm Beach Gardens in South Florida, suggesting a price per square foot range between $185 and $389 with respect to future waterfront pricing.

Fractional Development Scenario - Ancillary to whole ownership development, RSB has considered fractional ownership development as a complementary product type that will broaden the appeal of Sanibel Resort by creating lower price points that can appeal

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to a broader and deeper market segment. Fractional ownership products have a presence within resort markets in both South and North Carolina. At last count, there were seven (7) fractional ownership projects located in North Carolina and 13 in South Carolina. According to noted shared ownership consultants Ragatz Associates, "It is widely felt in the resort real estate industry that shared-ownership resort real estate will rebound more rapidly and more strongly than whole-ownership resort real estate as the country's economy recovers." Reasons include a concept that is based on personal use rather than speculation, affordability, the flexibility to purchase an amount of time equal to personal availability, and a "hassle-free, show up and enjoy" market position. Second homeowners typically spend about one month per year at their vacation property and the reality that 11/12 of their investment goes unused each year is incompatible with affluent attitudes.

Fractional ownership of high end vacation houses and condominiums is the upscale cousin to timeshare, and had become one of the most popular second home development and ownership options throughout the U.S., Europe and the Caribbean prior to the Great Recession. While a wholly owned vacation home was still viewed as optimum, properties in desirable areas became increasingly expensive, out-pacing discretionary income for a large majority of U.S. households.

Product Types - Shared ownership options include the traditional, relatively inexpensive Timeshare, which interests are generally sold by the week. Seasonal in nature, these products are generally found in high profile, high traffic, tourist driven markets.

Fractional Interest (FI) and Private Residence Club (PRC) products generally provide greater access than a timeshare, the real property associated with the program tends to be significantly more luxurious and expensive, and full-service environments are an inherent attribute of the most successful programs where ownership is evidenced by a deed. Other differentiators between timeshare and

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FI/PRC products are buyer motivation and aspiration. The timeshare buyer wants to secure the future of their annual one or two-week vacation while the FI/PRC buyer wants a luxury second home experience tailored to available leisure time.

The Target Market - The FI/PRC product appeals to affluent resort homebuyers who are reluctant to invest a substantial amount of capital in a second or third home that receives infrequent use. The FI/PRC product provides a viable alternative to expensive and time consuming whole ownership. Owners tend to purchase primarily for the certainty of quality accommodations in a choice location compared to other options of a similar price.

Worldwide, FI/PRC buyers are upper income, middle-aged, married couple homeowners. Baby Boomers may have more discretionary income than free time and are eager for part-time retreats, but they are not frivolous, and they recognize that the limitations on their time compel rational vacation home investments. This market segment tends to have a relatively low sensitivity to the costs related to exclusivity, and tends to be pragmatic.

The relatively slower performance of the industry in recent years has been a factor of external circumstances rather than disinterest in the product. The whole ownership market must be strong in order for the fractional ownership value proposition to be fully appreciated. An absence of consumer financing exacerbated by economic uncertainty has held the industry hostage since 2008. In recent experience, developers offering in-house financing do far better than those who do not. As the housing market continues to recover, inventories are dropping, resulting in rising prices and primary residence equity. As these factors continue to solidify, cash transactions have increased, and financing has loosened.

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Industry Snapshot - For further perspective, what follows is a four-page Executive Summary of Ragatz Associates' "Shared-Ownership Resort Real Estate Industry in North America: 2015" survey.

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Sanibel Resort
Residential Market Analysis
North Myrtle Beach, Horry County, South Carolina

RAGATZ ASSOCIATES

EXECUTIVE SUMMARY

THE SHARED-OWNERSHIP RESORT REAL ESTATE INDUSTRY
IN NORTH AMERICA: 2015

FRACTIONAL INTEREST
PRIVATE RESIDENCE CLUBS
DESTINATION CLUBS

Introduction

This document is an Executive Summary of a larger survey conducted by Ragatz Associates of the shared-ownership resort real estate industry in North America as of March 2015. Included in this overall survey of the resort real estate industry are three components: fractional interest projects, private residence clubs and destination clubs.

The first two components are similar, in that both typically sell divided ownerships in shares of vacation homes, ranging from a 1/52 share with two weeks of annual use to a 1/4 share with three months of annual use. However, the two components may be terms of price, quality of product and degree of services and amenities. Ragatz Associates roughly assumes that product selling for less than $1,000 per square foot falls into the fractional interest category, and product selling for more than $1,000 per square foot falls into the private residence club category.

A destination club typically sells 30-year memberships in a membership base which is the network of vacation homes in multiple locations. Some clubs are equity-based, however. The average is further characterized by a refundability option when members leave the club. And, some are rental clubs.

The survey organization and methodology. Once again, it is thought to be the most thorough and comprehensive survey conducted of the industry.

Size of the Industry

Some 360 fractional interest (FI) projects and private residence clubs (PRC) were identified in the survey, along with six destination clubs. Of the 366 developments, 69 actually made some sales in 2014, as did all six destination clubs. The 69 FI and PRC projects are the primary focus of the survey.

Included in the 366 developments are 47 projects in the United States, 12 projects in Canada, eight projects in the Caribbean and eight projects in Mexico. The two states of Colorado and California contain 37 percent of all developments. Of the 69 active developments, 74 percent are fractional interest projects and 26 percent are private residence clubs. Most of the 242 inactive developments are PRCs, with just fractional interest projects.

There were 70 active projects making sales in 2013. The decrease to 62 in 2014 was caused by three new projects, four projects no existing sales from the previous year, seven projects attracting sufficient sales, and nine projects that converted to a condominium form, and one that converted to rental ownership.

It is estimated that total sales volume in the shared-ownership industry in 2013 was about $6.16 million. This amount includes new closed sales, presales, and re-issue resales. When looking at the three individual components, sales volume were $71 million for fractional interest projects (34 percent), $126 million for private residence clubs (20 percent), and $345 million for destination clubs (46 percent). These decrease in sales volume for the private residence clubs and resorts in the destination clubs was the aforementioned conversion of five new developments to destination clubs.

Sales volume in the shared-ownership industry remained almost constant between 2012 ($599 million) and 2013 ($617 million). However, destination clubs increased by $63 million (22 percent), while fractional interest projects decreased by $9 million (13 percent), and private residence clubs decreased by $25 million (16 percent). Sales volume was down by 7% percent ($1.78 billion) since the peak year of 2007.

Historical sales are indicated below.

Year	Sales Volume (mil.)	Year	Sales Volume (mil.)
2001	$1,184,000	2008	$800,000
2002	$1,460,000	2009	$530,000
2003	$1,110,000	2010	$585,000
2004	$1,300,000	2011	$577,000
2005	$1,475,000	2012	$599,000
		2013	$617,000

In 2014, the average annual sales volume in the 62 active projects was $1.3 million for fractional interest projects and $773 million for private residence clubs. However, if excluding the top four selling fractional interest projects, that average annual declines to $1.3 million. If excluding the top two private residence clubs, that average would decline to $4.4 million. Of the total 62 active projects, five percent had sales over $200 million, while 32 percent had sales of less than $4 million.

Several critical factors came together to play in 2014 to cause stagnation in the sales performance of the shared-ownership industry. These same factors have negatively impacted the market since the last quarter of 2008.

- uncertainty about the country's long-term economic stability
- almost complete lack of consumer financing
- decrease in primary home equity funds for purchasers who previously paid cash
- lack of marketing funds
- an excess supply of sales and rental vacations homes on the market, with decreasing prices
- increasing competition from vacation home rentals and rental clubs

Source: Interviews, Economic Research. The shared-ownership industry includes fractional interest projects, private residence clubs, and destination clubs.

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Prices

Prices in the market exhibited relatively large variability. For the most recent geographic segment, median prices include $111,000 per closing, $88,500 per resale, and $94,000 per new construction closing; on an adjusted monthly basis, and $96 per square foot. Among private residences sold, these averages are $366,000 per closing, $67,500 per resale, and $1,000 per square foot. The resale and per square foot prices tend to fluctuate as the size of the unit and closing increases. In comparison with 2013, average prices increased by $2,700 per closing (1.2 percent), but decreased $2,100 on a per resale basis (3.7 percent) and $6 on a per square foot basis (0.1 percent). When compared to the peak year of 2007, per closing prices have decreased by 36 percent, per resale prices by 31 percent, and per square foot prices by 23 percent.

Per square foot prices vary significantly by category, e.g., from $400 in Canada, to $450 in the Caribbean, to $563 in the United States, to $1,250 in Mexico. They also are higher in old construction and in developments offered by branded hotel companies.

Annual assessments have averaged $6,250 per closing, ranging from $3,750 among fractional interest projects to $10,750 among private residences sold. On a per resale basis, such averages are $1,950 and $2,500, respectively.

Operating costs (including marketing, sales and general administrative) have risen the most in 2014 compared to previous years, at about 19 to 20 percent of the overall sales volume. Product costs were about 10 to 15 percent.

Product Innovation

Upon completion, the average development will contain 42 units. Some 73 percent of the units are either two-bedroom (38 percent) or three-bedroom (36 percent). Among all units, the average size is 1,470 square feet.

There are at least nine different types of shares being sold. Most frequent were the fractional interest projects set at the 1/51st to 1/8th range (48 percent). For private residences, shares were set at the 1/10th to 1/8th range (61 percent), with another 23 percent being from one to 1/12. In addition to these lower prices associated with declining market conditions, there was a tendency in 2014 (as in 2013) and 2012 to have smaller shares, fewer bedrooms and smaller floor areas.

On-site amenities and services are concentrated in the industry, especially at the private residence club level. However, there was a trend in 2014 (as in 2013 and 2012) to have fewer amenities and services in order to economize on annual dues. At the same time, there was a trend to provide more amenities that could be rented and resale programs, and internet exchanges.

Development Costs

The average total project budget for condominiums in the six comparable clubs is $115,000. The average residence in the clubs has a replacement value of 525 dollars and contains 3,150 square feet. The average lease is 30 years, and the average ratio of amenities per residence is 8.0. Approximately 11,500 members are in the six clubs.

Expert comment: Executive summary. The absorption period for the subject property is much longer than [illegible]

ECOVEST-SF_0013047

[illegible]

[illegible]

[illegible]

Summary - Fractional ownership pricing metrics exhibit a relationship to whole ownership pricing that has been established over the years. The relationship is based upon the condition that fractional ownership products are sold turnkey, furnished with institutional quality furniture that can endure hotel style occupancy, and the fact that marketing costs are higher due to the necessity of attracting and selling to multiple buyers per unit. This relationship is represented by a factor of 150% to 180%. As an example, if a whole ownership product sold for $500,000, using a factor of 150%, the gross sales revenue from the fractional ownership product would be $750,000 ($500,000 x 1.5 = $750,000) composed of six sales transactions of $125,000 each (6 x $125,000 = $750,000). Using a factor of 180% would produce a gross sales price of $900,000, composed of six $150,000 shares.

We have used six fractions per unit in the example because it is our opinion that this amount of time can serve multiple needs within the subject market area. A one-sixth share of a unit provides for eight weeks of occupancy over the course of a year. The usage can be distributed throughout the year, two weeks per season, for example. If the owner of the fractional interest does not utilize their entitled time personally, they can allow friends or family to use the unit, or they can allow the unit to be managed as a hospitality unit on their behalf, and receive a share of the hospitality revenue, effectively subsidizing their cost of ownership.

ECOVEST-SF_0013049

ABSORPTION, MARKETING and SALES

Our efforts to determine appropriate absorption projections for the subject property consider both recent and more distant past performance in the market area and the region, as well as future opportunities based on demographic projection analysis and marketing techniques appropriate to relatively large scale development with a multi-year sales period in front of it.

Our experience in the region over the past 2+ decades enables to be familiar with the level of sales that can be achieved by these types of development. Our continuing experience in more recent years has revealed a return of demand and the early stages of economic recovery. Our experience with our developer clients has also revealed the marketing and sales techniques that are utilized in order to generate purchasing or investment interest from prospective customers both within and outside the market area.

DISCUSSION OF PAST ABSORPTION TRENDS

National / Regional / Local/ Examples of earlier absorption rates if available

Marketing large scale residential real estate developments requires a well-disciplined marketing plan that is communicated through a variety of media including print and electronic media advertising, direct mail and social networking to mention a few. Communities such as these are often located in areas known for vacations, entertainment and recreation and therefore may be appealing to local buyers as well as buyers from outside the locale and the region. These attractions are appealing to a broad spectrum of demography including families with children, empty nester Baby Boomers, retirees and Seniors.

The purchase of property in such destinations is considered a discretionary purchase, and is made to enhance one's lifestyle in one form or another. Potential purchasers must have adequate financial resources to acquire the property, adequate time to either enjoy the property through personal use or to arrange for the property's management as an investment, and they must be motivated. Marketing professionals cultivate data bases of people to communicate with and to develop into customers. There are numerous companies that specialize in developing and selling mailing lists to marketers. These lists typically contain several thousand (or more) names, which must be qualified and sorted.

Individuals or households in the data base are initially categorized as "suspects". Suspects are contacted by marketing to ascertain if a level of interest exists that can be pursued and developed. Those Suspects who express interest and provide some level of personal information are then categorized as "Prospects". If a Prospect meets the community marketer's qualifying criteria, they are then categorized as "Leads". If a Lead expresses further interest in the product, they are categorized as a "Qualified Lead" and turned over to the Sales department. Marketing transitions to sales at this point in the process.

As might be expected, there is considerable attrition of the data base as the Lead proceeds through the filtering process and emerges as a Qualified Lead. The conversion process typically

results in the following rates of conversion, depending on the level of desire within the Lead and the capabilities of Sales, as well as many other variables.

Sales Stage	Volume Required	Conversion Rate
Data Base	20,000	5%
Qualified Leads	1,000	25% - 65%
Sales Accepted Leads	250 – 650	50%
Sales Qualified Leads	125-325	20%
Closed Sales	25 – 65	

This technique is known as Lead Management and is used virtually universally by communities such as the subject property. In essence, conversion rates range between .00125 and .00325. More sales will require more Suspects in the Data Base and will require more personnel to manage the Conversion process. For example, 50 to 130 sales will require and Data Base of 40,000, and sufficient Marketing and Sales staff to conduct the process.

Amenity Package

Sanibel Resort will offer a very capacious amenity package.

Anchoring the package will carry a budget of $7,475,000 for the marina, ponds, pools, clubhouse, tennis/pickleball court, and other amenities.

The Tower complex will have a courtyard amenity area containing pools. The Villa amenities will include a tennis/pickleball court, pools and clubhouse. The pools for the Villa portion of the property will be apartment-style pools and the clubhouse will be a pavilion-style design.

The landscaping has been described as Disney caliber.

The budget will be along the following schedule:

Tower Amenity	$3,600,000
Villa Amenity	$1,175,000

A budget of $2,700,000 is in place for the marina.

The following page shows a breakdown of the Amenity Costs.

Other Costs:	Year	1	2	3	4	5	6	7
Tower Amenities			$ 1,500,000.00		$ 1,100,000.00		$ 1,000,000.00	
Villas Amenities			$ 587,500.00		$ 587,500.00			
Marina		$ 100,000.00	$ 1,600,000.00	$ 1,000,000.00				
Totals	$ 7,475,000.00	$ 100,000.00	$ 3,687,500.00	$ 1,000,000.00	$ 1,687,500.00	$ -	$ 1,000,000.00	$ -

Tower Amenity Budget Detail:	Approx Quantity	Cost	Total
Pools	10,000	$100.00	$1,000,000.00
Pool Decks	30,000	$10.00	$300,000.00
Furnishings and Accessories	3	$100,000.00	$300,000.00
Slides, Kids Splash Zone, play areas, Zip line	2	$225,000.00	$450,000.00
Lazy Rivers	4,000	$75.00	$300,000.00
Cabanas and Accessory Buildings	4,000	$75.00	$300,000.00
Landscaping	3	$200,000.00	$600,000.00
Putting Greens	10,000	$10.00	$100,000.00
Tennis/Bocce Ball/Pickle Ball	5	$50,000.00	$250,000.00
			$3,600,000.00

Villas Amenity Budget Detail:	Approx Quantity	Cost	Total
Pools	5,000	$100.00	$500,000.00
Pool Decks	15,000	$10.00	$150,000.00
Furnishings and Accessories	2	$100,000.00	$200,000.00
Cabanas and Accessory Buildings	2,500	$50.00	$125,000.00
Putting Greens	10,000	$10.00	$100,000.00
Landscaping	2	$50,000.00	$100,000.00
			$0.00
			$0.00
			$0.00
			$1,175,000.00

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The following is a road cost estimate for the project:

	Provided by Engineer		Provided by Owner	
	QUANTITY		COST ($)	
DESCRIPTION	NUMBER OF UNITS	UNIT MEASURE	PER UNIT	TOTAL COST
				After
Clear and Grub	29	AC	$ 5,500.00	$ 159,500.00
Strippings (6" Depth)	23,400	CY	$ 3.00	$ 70,200.00
Excavation of Pond and Placement of Fill Material On-Site Compacted in Place	30,000	CY	$ 7.50	$ 225,000.00
Grading	140,360	SY	$ 3.00	$ 421,080.00
8" PVC Gravity Sewer	2,375	LF	$ 26.00	$ 61,750.00
12" PVC Gravity Sewer	1,060	LF	$ 34.00	$ 36,040.00
4' Diameter Concrete Manhole	19	EA	$ 1,750.00	$ 33,250.00
8" Sewer Service	2	EA	$ 5,500.00	$ 11,000.00
6" Sewer Service	10	EA	$ 1,500.00	$ 15,000.00
Sewerage Pumping Station	1	EA	$ 250,000.00	$ 250,000.00
8" PVC Force Main		LF	$ 20.00	$ -
12" PVC Force Main	2,100	LF	$ 34.00	$ 71,400.00
12" C-900 DR25 PVC Water Line	3,200	LF	$ 18.00	$ 57,600.00
8" C-900 DR25 PVC Water Line	130	LF	$ 12.00	$ 1,560.00
6" C-900 DR25 PVC Water Line	460	LF	$ 10.00	$ 4,600.00
Water Line Fittings	25	EA	$ 500.00	$ 12,500.00
Gate Valves	8	EA	$ 1,350.00	$ 10,800.00
8" PE Water Service	2	EA	$ 2,500.00	$ 5,000.00
4" PE Water Service	10	EA	$ 1,500.00	$ 15,000.00
Fire Hydrant Assembly Complete	5	EA	$ 2,400.00	$ 12,000.00
15" RCP	3,500	LF	$ 20.00	$ 70,000.00
18" RCP	1,630	LF	$ 25.00	$ 40,750.00
24" RCP	680	LF	$ 33.00	$ 22,440.00
36" RCP	1,310	LF	$ 50.00	$ 65,500.00
Curb Inlet	67	EA	$ 2,400.00	$ 160,800.00
Catch Basin	68	EA	$ 2,400.00	$ 163,200.00
Junction Box	15	EA	$ 2,400.00	$ 36,000.00
18" Standard Concrete Curb and Gutter	14,400	LF	$ 10.00	$ 144,000.00
Underdrain		LF	$ 18.00	$ -
6" G.A.B.C.	7,100	SY	$ 9.00	$ 63,900.00
8" G.A.B.C.	16,400	SY	$ 12.00	$ 196,800.00
2" HMA Type C Intermediate Course	16,400	SY	$ 14.00	$ 229,600.00
1.5" HMA Type C Surface Course	16,400	SY	$ 9.00	$ 147,600.00
2" HMA Type C Surface Course	7,100	SY	$ 14.00	$ 99,400.00
Sediment and Erosion Control	1	LS	$ 125,000.00	$ 125,000.00
Electric Power	1	LS	$ 350,000.00	$ 350,000.00
Landscaping, Monuments, etc (Main Blvds and Entrances)	1	LS	$ 1,000,000.00	$ 1,000,000.00
Subtotal				**$ 4,388,270.00**
Professional Consulting Services	1	LS	$ 750,000.00	$ 750,000.00
Total				**$5,138,270.00**
Total Cost per Unit	988		**$5,200.68**	

Entrepreneurial Profit and Discount Rate

The projected net sales revenue for each period during the sellout was discounted to a present value indication. An appropriate discount rate was estimated based on our review of various national investor surveys, bond market rates, discussions with developers and lenders, and analysis by the band of investment method. This method considers appropriate current risk and return requirements for the equity and debt positions in the project.

Utilizing the information accumulated, I projected the annual cash flows to be generated by the subject property through the projected sellout period. These cash flows were discounted at the estimated discount rate, which considers a yield on the loan and the yield required by an equity investor. I noted that the entrepreneurial profit margin may be included as an additional expense and deducted from the cash flow, or incorporated into the discount rate. The discount rate utilized and the entrepreneurial profit rate used are indicative of the risk inherent in this type of project in the estimated sellout period.

The following pages are from Price Waterhouse and detail the National Development Land Market along with the current range of discount rates. I have decided to use this information in establishing a discount rate for the subject property. The range shown in the PWC analysis for the 2nd quarter of 2015 is 10% - 20%, with an average of 15.90%. I have chosen a discount rate of 18% in order to be more conservation and to allow for the length of the projected project sellout. The discount rate of 18% includes any entrepreneurial profit.

National Development Land Market

Improving fundamentals across most major U.S. property sectors continue to pique the interest of many investors in the national development land market. "There are a growing number of development opportunities across property sectors, as well as geographies," says a participant. Of the four main property types covered in our Survey, three of them are expected to positively move along the real estate cycle, shifting mainly into either expansion or recovery, which will provide development opportunities. The one exception is the national multifamily sector, where many metros are expected to move into contraction by year-end 2015.

When looking for potential development land opportunities, most investors are focused on a certain part of the country. "It's easier to have a narrow focus and concentrate on one geographic area to maximize our profits," says a participant. While some investors prefer large cities, like Dallas and Houston, others focus on smaller areas and smaller projects. "We like the rural areas outside of Boston and Chicago," shares another.

Total spending on U.S. private construction was up 2.6% on a year-over-year basis in March 2015, according to the U.S. Census Bureau. When looking more closely at spending, private residential construction was down 2.6% while private nonresidential spending was up 9.0% (see Table DVL-1). In the nonresidential sector, manufacturing, amusement & recreation, office, and lodging reported the highest year-over-year gains in spending as of March 2015. In contrast, U.S. private construction spending dropped the most in the religious and power sectors.

Discount Rates

Free-and-clear discount rates including developer's profit range from 10.0% to 20.0% and average 15.91% this quarter (see Exhibit DL-1). This average is down 85 basis points from the fourth quarter of 2014 and assumes that entitlements are in place. Without entitlements in place, certain investors increase the discount rate between 100 and 800 basis points (an average increase of 400 basis points).

Growth Rate Assumptions

Growth rates for development expenses, such as amenities, real estate taxes, advertising, and administration, typically range from 1.0% to 5.0% and average 3.3%. For lot pricing, investors indicate a range up to 5.0%; the average growth rate for lot pricing is 3.2%.

Absorption Period

The absorption period required to sell an entire project varies significantly depending on such factors as location, size, and property type. This quarter, preferred absorption periods for participants range from 12 to 240 months. The mean absorption period is 114 months (just over nine years), about one year higher than the absorption period reported six months ago.

Forecast Value Change

Over the next 12 months, all investor participants except one foresee development land values to increase. Appreciation ranges up to 15.0% and averages 5.2% – up quite a bit from six months (3.6%) and double from a year ago (2.6%). No surveyed investors expect property value declines in the national development land market over the next 12 months.

Marketing Period

The typical time that a property is on the market prior to selling ranges from 9 to 240 months and averages 38 months. ✦

Exhibit DL-1
DISCOUNT RATES (IRRS)*
Second Quarter 2015

	CURRENT QUARTER	FOURTH QUARTER 2014
FREE & CLEAR		
Range	10.00% - 20.00%	10.00% - 25.00%
Average	15.91%	16.77%
Change		- 85

* Net to developer, after all transaction costs, including developer profit.

Table DVL-1
U.S. CONSTRUCTION SPENDING*
March 2014 to March 2015

Nonresidential	Year-Over-Year Change
Manufacturing	+ 30.7%
Amusement & Recreation	+ 29.5%
Office	+ 20.3%
Lodging	+ 20.2%
Transportation	+ 19.0%
Commercial	+ 12.1%
Health Care	+ 2.8%
Religious	– 17.6%
Power	– 18.1%
Communication	– 8.6%
Educational	– 2.6%
Total	+ 9.0%
Residential	– 2.6%

* Most conducive

Source: U.S. Census Bureau, seasonally adjusted

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NATIONAL DEVELOPMENT LAND MARKET - SELECT SURVEY RESPONSES

Second Quarter 2013

pwc

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The appraisal problem to be solved is the loss of the potential value that is caused by placing a perpetual conservation easement on the Subject Property. Evidence has been obtained and presented that the Highest and Best Use is residential property that consists of high-rise and midrise units positioned to sell in a resort setting. Intensive and professional marketing is required.

The Bowden Report that is in this report outlines and supports the demand and pricing structure for the hypothetical project.

The following was extracted from the IRS code and not only supports, but also mandates an assessment of the property's highest and best use.

§ 1.170A-14 26 CFR Ch. I (4-1-03 Edition)

(ii) Fair market value of property before and after restriction. If before and after valuation is used, the fair market value of the property before contribution of the conservation restriction must take into account not only the current use of the property, but also an objective assessment of how immediate or remote the likelihood is that the property, absent the restriction, would in fact be developed, as well as any effect from zoning, conservation, or historic preservation laws that already restrict the property's potential highest and best use.

Following the previously cited regulations, I embarked on solving the appraisal problem.

The analysis started with the retail sales price of each product type. I will describe the methodology for each product type that was used to solve the appraisal problem.

High-rise Tower

The Bowden report determined that the units in the tower could be sold as whole fee simple units in conjunction with sales of fee simple fractional units. The Bowden report supports pricing for each sale.

Tower				
Fee	#	Square Footage	Price/Sq Ft	Sale Price/Unit
Two Bedroom	81	1150	$240	$ 276,000
Three Bedroom	198	1450	$240	$ 348,000
Four Bedroom	117	2000	$240	$ 480,000
	396			
Tower Fractional				
Fee	#	Square Footage	FractionalMult	Sale Price/Unit
Two Bedroom	81	1150	1.6	$ 441,600
Three Bedroom	198	1450	1.6	$ 556,800
Four Bedroom	117	2000	1.6	$ 768,000
	396			

ECOVEST-SF_0013058

The reader's attention is called to the final retail pricing for each unit type. Note that the Fractional ownership carries a higher total price. The pricing structure is supported in the Bowden report.

The following shows the configuration of residential square footage and non-residential square footage in the tower.

Units	GLA	
162	1,150	186,300
396	1,450	574,200
234	2,000	468,000
792		1,228,500
Non Residential		164,115
Total Tower		1,392,615

That total square footage is then added to the square footage of the garage. It is then divided by the residential square footage in order to calculate the cost per square foot. The cost figures for the residential and the garage components were taken from RS Means cost estimates that are included in the addenda. Due to rounding in the RS Means cost estimator, there may be a slight variance between the cost determined below for the Tower and the Garage components and those included in the addenda with the RS Means calculations. These variances are not material and the figures below will be used for valuation purposes and consistency.

	Size	Cost			
Tower	1,392,615	$117.91	$164,203,235		
Garage	606,679	$44.67	$27,100,351		
S/GLA			$191,303,586	1,228,500	$155.72

The next step was to subtract the cost of construction from the retail price of each to start the process that ends with the residual land value that is donated. The following figures and conclusions are from a builder in the area, as well as studies of other high-rise projects that are costed out by builders.

Year	1	2	3	4	5 Total	Gross Revenue	Per unit cost
							$155.72
$ 276,000		30	30	21	0	81	$22,356,000	$179,079
$ 348,000		66	66	66	0	198	$68,904,000	$225,796
$ 480,000		30	30	30	27	117	$56,160,000	$311,443
		126	126	117	27	396	$147,420,000	

Fractional

Year	1	2	3	4	5	6	7	8 Total	Gross Revenue	Per unit cost
										$155.72
$ 441,600				0	30	30	21	0	81	$35,769,600	$179,079
$ 556,800				0	66	66	66	0	198	$110,246,400	$225,796
$ 768,000				0	30	30	30	27	117	$89,856,000	$311,443
				0	126	126	117	0	396	$235,872,000	

The prorated share of the infrastructure and amenity package was determined by dividing the cost by the number of units. The infrastructure and amenity costs were added to the base cost.

Infras.	Infras. + Cost
$12,613,270	
988	
$12,766	$191,846
$12,766	$238,562
$12,766	$324,209

Fractional

Infras.	Infras. + Cost
$12,766	
$12,766	$191,846
$12,766	$238,562
$12,766	$324,209

Next, an allocation for general expenses was deducted. Note that the fractional ownership carries a higher percentage. The marketing costs are much more than traditional sales of fee simple whole ownership units. The expenses are estimated as follows:

Tower	Fee	Fractional	Avg
Sales/Marketing	12%	16%	
Furniture	0%	0%	
Closing	1%	2%	
Taxes	1%	2%	
	14%	20%	17%

1. *Sales and Marketing Expenses*
   The sales and marketing expenses include on site commissions and off site/event marketing to bring the potential buyers to the site. This includes sales representatives visiting trade shows and home shows in the targeted market. A review of the Bowden report concluded that the target market is not the local market but is a carefully selected target markets with an emphasis on the baby boomers.

2. *Taxes, Closing, Misc.*
   These expenses are fairly normal for the project. The miscellaneous category accounts for unforeseen expenses.

During the sellout period, it is reasonable to expect some price increases and cost increases. I spoke with Bowden and he estimated that prices should increase at six percent. Historically, construction increases have run with the CPI or 3%. Rather than increase the sales prices for the tower products to year three, I started with the Bowden price point and then started both increases in the year after sales began. Mathematically, it is not a wash as prices are increasing at a faster rate than costs are rising. Again, I think this is a more conservative approach.

After the expenses were deducted, the value of the land is derived. The fractional units have a furniture allowance.

The last calculation is the percentage of the land to the total sales price.

Exp	Per unit cost	Total Cost	Attr to Land	Per Unit Land
14%				
$38,640	$230,486	$18,669,360.59	$3,686,639	$45,514
$48,720	$287,282	$56,881,898	$12,022,102	$60,718
$67,200	$391,409	$45,794,855	$10,365,145	$88,591
		$121,346,114	$26,073,886	$65,843

Fractional

Exp	Per unit cost	Furniture	Furnished	Total Cost	Attr to Land	Per Unit Land
20%		6%				
$88,320	$280,166	$26,496	$306,662	$24,839,617	$10,929,983	$134,938
$111,360	$349,922	$33,408	$383,330	$75,899,402	$34,346,998	$173,470
$153,600	$477,809	$46,080	$523,889	$61,295,015	$28,560,985	$244,111
				$162,034,034	$73,837,966	$186,460

The high-rise can be constructed in a phased method. I am modeling four phases. Seasoned developers in the market as well as my own experience in appraising as well as buying units in high-rise resort projects support the conclusion that a series of units is the best delivery.

The delivery, sales and construction time line is:

Year 1 Begin presale reservations for the *first phase of the tower. Because of pent up demand and no competing product, enough presales can be obtained to start construction. Construction of the first phase begins.*

Year 2 Continue presale reservations. *At the end of year two the first phase of the tower is complete and phase two is started.*

Year 3 Continue *sales of phase one and presales of phase two. At the end of year three the second phase of the tower is complete and phase three is started.*

Year 4 Continue *sales of phase two and presales of phase three. At the end of year four the third phase of the tower is complete and phase four is started.* Fractional sales begin.

Year 5 In year five, all towers are completed with the exception of interior finish of upper floors. These units are completed and sold as fractional units.

Year 6 Continue fractional sales.

Year 7 Continue fractional sales.

Year 8 Continue to close fractional units and project is closed out.

When a tower is completed, the allocation of the cash inflow attributable to the land is discounted back to time zero. They are discounted back using the rate from Price Waterhouse or other sources.

The revenues from the tower are received in years 2, 3, 4, 5, 6, 7, & 8. We are assuming that all revenues are received at year end. This presents a more conservative position.

ECOVEST-SF_0013063

Midrise Villas

The same steps and supporting components were applied to the midrise villa valuation. The earlier cited Bowden report shows fractional Midrise, the valuation of the Mid-rise Villas will be shown in both scenarios below.

The midrise units in Sanibel have varying views. The views range from Very Good (located on the waterway) to Average (with no particular view enhancement). The three buildings on the waterway are the most desirable and command pricing that is similar to the tower pricing. There is an A and a B building on a small lake. They are priced at $200/SF.

		Units	Size	Average $/SF	Sale Price /Unit	Sale Price Bld	Total Sales Price
B Bld							
Canal	Fee						
	Two Bedroom	12	1150	$260	$299,000	$3,588,000	
	Three Bedroom	12	1450	$260	$377,000	$4,524,000	
	Four Bedroom	6	2000	$260	$520,000	$3,120,000	
		30				$11,232,000	
Canal	Fractional			Frac Multi			
	Two Bedroom	12	1150	1.6	$478,400	$5,740,800	
	Three Bedroom	12	1450	1.6	$603,200	$7,238,400	
	Four Bedroom	6	2000	1.6	$832,000	$4,992,000	
		30				$17,971,200	$29,203,200
	Grand Total	60					
D Bld							
Lake		A bld type					
	Fee						
	Two Bedroom	10	1150	$200	$230,000	$2,300,000	
	Three Bedroom	10	1450	$200	$290,000	$2,900,000	
	Four Bedroom	5	2000	$200	$400,000	$2,000,000	
		25				$7,200,000	
Lake	Fractional			Frac Multi			
	Two Bedroom	10	1150	1.6	$368,000	$3,680,000	
	Three Bedroom	10	1450	1.6	$464,000	$4,640,000	
	Four Bedroom	5	2000	1.6	$640,000	$3,200,000	
		25				$11,520,000	$18,720,000
	Grand Total	50					
B Bld	Fee						
Lake	Two Bedroom	4	1150	$200	$230,000	$920,000	
	Three Bedroom	4	1450	$200	$290,000	$1,160,000	
	Four Bedroom	2	2000	$200	$400,000	$800,000	
		10				$2,880,000	
	Fractional			Frac Multi			
	Two Bedroom	4	1150	1.6	$368,000	$1,472,000	
	Three Bedroom	4	1450	1.6	$464,000	$1,856,000	
	Four Bedroom	2	2000	1.6	$640,000	$1,280,000	
		10				$4,608,000	$7,488,000
	Grand Total	20					

A Bld	Fee						
Lake	Two Bedroom	4	1150	$200	$230,000	$920,000	
	Three Bedroom	4	1450	$200	$290,000	$1,160,000	
	Four Bedroom	0	2000	$200	$400,000	$0	
		8				$2,080,000	
	Fractional			Frac Multi			
	Two Bedroom	4	1150	1.6	$368,000	$1,472,000	
	Three Bedroom	4	1450	1.6	$464,000	$1,856,000	
	Four Bedroom	0	2000	1.6	$640,000	$0	
		8				$3,328,000	$5,408,000
	Grand Total	16					
D Bld	Fee						
North Side	Two Bedroom	10	1150	$175	$201,250	$2,012,500	
Average	Three Bedroom	10	1450	$175	$253,750	$2,537,500	
	Four Bedroom	5	2000	$175	$350,000	$1,750,000	
		25				$6,300,000	
	Fractional			Frac Multi			
	Two Bedroom	10	1150	1.6	$322,000	$3,220,000	
	Three Bedroom	10	1450	1.6	$406,000	$4,060,000	
	Four Bedroom	5	2000	1.6	$560,000	$2,800,000	
		25				$10,080,000	$16,380,000
	Grand Total	50					
		196					$77,199,200

The reader's attention is called to the final retail pricing for each unit type. Note that the Fractional ownership carries a higher total price. The pricing structure is supported in the Bowden report.

The following shows the breakdown of the cost per building of each type of building. This cost was determined using the RS Means cost estimates that are included in the addenda. This analysis also shows the common area and infrastructure cost of the development and the cost of this component per building. This figure was determined by dividing the total common/infrastructure cost by the total number of unit, then multiplying that figure by the number of units per building.

			SF/Bld	Cost/SF	Cost/Bld	Common/Infra
Bld Type	Units/Bld	Stories		*		$12,613,270
						$12,766.47
A	16	4	26,600	$102.39	$2,723,574	$204,263
B	20	4	35,000	$97.56	$3,414,600	$255,329
D	25	5	44,900	$114.98	$5,162,602	$319,162
*	RS Means					

These figures will be used in the detailed analysis of the midrise that follows.

The next step is to determine the cost of construction from the retail price of each type of building to start the process that ends with the residual land value that is donated. The following figures and conclusions are from a builder in the area, as well as studies of other mid-rise projects that are costed out by builders. The prorated share of the infrastructure and amenity package was determined by using the figure determined on the previous page and multiplying it by the number of that specific type of building.

		Sale Price Bld	Total Sales Price	Total Cost Blds	Infrastructure
B Bld					
Canal	Fee				
	Two Bedroom	$3,588,000			
	Three Bedroom	$4,524,000			
	Four Bedroom	$3,120,000			
		$11,232,000			
Canal	Fractional				
	Two Bedroom	$5,740,800			
	Three Bedroom	$7,238,400			
	Four Bedroom	$4,992,000			
		$17,971,200	$29,203,200	$10,243,800	$765,988
D Bld					
Lake					
	Fee				
	Two Bedroom	$2,300,000			
	Three Bedroom	$2,900,000			
	Four Bedroom	$2,000,000			
		$7,200,000			
Lake	Fractional				
	Two Bedroom	$3,680,000			
	Three Bedroom	$4,640,000			
	Four Bedroom	$3,200,000			
		$11,520,000	$18,720,000	$10,325,204	$638,323
B Bld	Fee				
Lake	Two Bedroom	$920,000			
	Three Bedroom	$1,160,000			
	Four Bedroom	$800,000			
		$2,880,000			
	Fractional				
	Two Bedroom	$1,472,000			
	Three Bedroom	$1,856,000			
	Four Bedroom	$1,280,000			
		$4,608,000	$7,488,000	$3,414,600	$255,329

A Bld	Fee				
Lake	Two Bedroom	$920,000			
	Three Bedroom	$1,160,000			
	Four Bedroom	$0			
		$2,080,000			
	Fractional				
	Two Bedroom	$1,472,000			
	Three Bedroom	$1,856,000			
	Four Bedroom	$0			
		$3,328,000	$5,408,000	$2,723,574	$204,263
D Bld	Fee				
North Side	Two Bedroom	$2,012,500			
Average	Three Bedroom	$2,537,500			
	Four Bedroom	$1,750,000			
		$6,300,000			
	Fractional				
	Two Bedroom	$3,220,000			
	Three Bedroom	$4,060,000			
	Four Bedroom	$2,800,000			
		$10,080,000	$16,380,000	$10,325,204	$638,323
	Grand Total				
			$77,199,200	$37,032,382	$2,502,228

Next, an allocation for general expenses was deducted. Note that the fractional ownership carries a higher percentage. The marketing costs are much more than traditional sales of fee simple whole ownership units. The expenses are estimated as follows:

Villas	Fee	Fractional	Avg
Sales/Marketing	12%	16%	
Closing	1%	2%	
Furniture	0%	0%	
Taxes	1%	2%	
Total	14.0%	20.0%	17.0%

3. *Sales and Marketing Expenses*

The sales and marketing expenses include on site commissions and off site/event marketing to bring the potential buyers to the site. This includes sales representatives visiting trade shows and home shows in the targeted market. A review of the Bowden report concluded that the target market is not the local market but is a carefully selected target markets with an emphasis on the baby boomers.

4. *Taxes, Closing, Misc.*

These expenses are fairly normal for the project. The miscellaneous category accounts for unforeseen expenses.

After the expenses were deducted, the value of the land is derived. The fractional units have a furniture allowance.

The last calculation is the percentage of the land to the total sales price.

		Sale Price Bld	Expenses	Furniture for Fractional	Attr to Land	Avg per Unit	% Land$/Sales$
B Bld				6.00%			
Canal	Fee		14%				
	Two Bedroom	$3,588,000					
	Three Bedroom	$4,524,000					
	Four Bedroom	$3,120,000					
		$11,232,000					
Canal	Fractional		20%				
	Two Bedroom	$5,740,800					
	Three Bedroom	$7,238,400					
	Four Bedroom	$4,992,000					
		$17,971,200	$5,166,720	$1,078,272	$11,948,420	$199,140.33	40.91%
D Bld							
Lake							
	Fee		14%				
	Two Bedroom	$2,300,000					
	Three Bedroom	$2,900,000					
	Four Bedroom	$2,000,000					
		$7,200,000					
Lake	Fractional		20%				
	Two Bedroom	$3,680,000					
	Three Bedroom	$4,640,000					
	Four Bedroom	$3,200,000					
		$11,520,000	$3,312,000	$691,200	$3,753,273	$75,065.45	20.05%
B Bld	Fee		14%				
Lake	Two Bedroom	$920,000					
	Three Bedroom	$1,160,000					
	Four Bedroom	$800,000					
		$2,880,000					
	Fractional		20%				
	Two Bedroom	$1,472,000					
	Three Bedroom	$1,856,000					
	Four Bedroom	$1,280,000					
		$4,608,000	$1,324,800	$276,480	$2,216,791	$110,839.53	29.60%
A Bld	Fee		14%				
Lake	Two Bedroom	$920,000					
	Three Bedroom	$1,160,000					
	Four Bedroom	$0					
		$2,080,000					
	Fractional		20%				
	Two Bedroom	$1,472,000					
	Three Bedroom	$1,856,000					
	Four Bedroom	$0					
		$3,328,000	$956,800	$199,680	$1,323,683	$82,730.16	24.48%

D Bid	Fee		14%				
North Side	Two Bedroom	$2,012,500					
Average	Three Bedroom	$2,537,500					
	Four Bedroom	$1,750,000					
		$6,300,000					
	Fractional		20%				
	Two Bedroom	$3,220,000					
	Three Bedroom	$4,060,000					
	Four Bedroom	$2,800,000					
		$10,080,000	$2,898,000	$604,800	$1,913,673	$38,273.45	11.68%
	Grand Total						
			$13,658,320	$2,850,432	$21,155,838		

It was estimated from the Bowden report that the project could capture 300 sales per annum.
The velocity was moderated substantially from the Bowden report. The reason for the moderation is the product type is a water oriented high-rise tower and mid-rise villa development. Secondly, I wanted to err if there is an error on the side of conservancy.

Discount Period

I acknowledge Judge Marvel's application of a mid year convention as it was applied in Leroy S. Schmidt and Connie M. Schmidt V. Commissioner of Internal Revenue Service. In Judge Marvel's mid year application in the discounted cash flow, she correctly and logically assumes that revenues and expenditures are received and incurred throughout the holding period and not at the beginning of the year or at the end of the year. In the Court's model, the expenses are incurred and more importantly paid at midyear of the first year. In the Court's model, there are no revenues in the first year. In the second year, the revenues and expenses are recognized at second year's midpoint (12 months following the earlier recognition). The result is the net income is discounted for a 12-month period.

In my model, I recognize that expenses are paid at the end of the year. I also recognize that the revenues are received at year end.

The appraisal problem to be solved is the value that a prorated share of the land would contribute to a completed unit as well as the profit in a multiunit complex. The timing of the revenues and expenses are different in this very large project when compared to the small subdivision Judge Marvel ruled on.

As Judge Marvel does in Schmidt, I then apply the discount factor to the income and expenses twelve months after the discounting of the first recognition of the expenses and revenues. Because of the size of the project under appraisal, development will take longer than in Schmidt, which was a thirteen-lot project. For the aforementioned reasons, I am deviating from Judge Marvel's mid-year convention.

Tower Absorption

Average sales price per lot	Bedroom		Units		Average Price	Total Sales
Whole	2		81		$45,514	$3,686,639
Whole	3		198		$60,718	$12,022,102
Whole	4		117		$88,591	$10,365,145
Fractional	2		81		$134,938	$10,929,983
Fractional	3		198		$173,470	$34,346,998
Fractional	4		117		$244,111	$28,560,985
Units			792			$99,911,852

Sales Projection:

Year							1	2	3	4	5	6	7	8	Totals
Units Sold By Type	Bedrooms														
	2		81	$45,514			0	30	30	21	0	0	0	0	81
	3		198	$60,718			0	66	66	66	0	0	0	0	198
	4		117	$88,591			0	30	30	30	27	0	0	0	117
	2		81	$134,938			0	0	0	0	30	30	21	0	81
	3		198	$173,470			0	0	0	0	66	66	66	0	198
	4		117	$244,111			0	0	0	0	30	30	30	27	117
															792
			792				0	126	126	117	153	126	117	27	792

Revenue	Bedrooms						1	2	3	4	5	6	7	8	
	2		81	$45,514			$0	$1,365,422	$1,365,422	$955,795	$0	$0	$0	$0	$3,686,639
	3		198	$60,718			$0	$4,007,367	$4,007,367	$4,007,367	$0	$0	$0	$0	$12,022,102
	4		117	$88,591			$0	$2,657,730	$2,657,730	$2,657,729.51	$2,391,956.56	$0	$0	$0	$10,365,145
	2		81	$134,938			$0	$0	$0	$0	$4,048,142	$4,048,142	$2,833,699	$0	$10,929,983
	3		198	$173,470			$0	$0	$0	$0	$11,448,999	$11,448,999	$11,448,999	$0	$34,346,998
	4		117	$244,111			$0	$0	$0	$0	$7,323,330	$7,323,330	$7,323,330	$6,590,997	$28,560,985
															$99,911,852
			792												
	Average Price														
Total Revenue						$0	$0	$0	$8,030,519	$8,030,519	$7,620,892	$25,212,427	$22,820,471	$21,606,028	$6,590,997	$99,911,852
							1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
						-	-	-	8,030,519	8,030,519	7,620,892	25,212,427	22,820,471	21,606,028	6,590,997	99,911,852

ECOVEST-SF_0013070

Mid-Rise Absorption

Average sales price per lot	Location	Bld	Units		Average Price	Total Sales
Fee and Fractional	Waterway	B	60		$199,140	$11,948,420
Fee and Fractional	Lake	D	50		$75,065	$3,753,273
Fee and Fractional	Lake	B	20		$110,840	$2,216,791
Fee and Fractional	Lake	A	16		$82,730	$1,323,683
Fee and Fractional	North	D	50		$38,273	$1,913,673
Units			196			$21,155,838

Sales Projection:

Year				1	2	3	4	5	6	7	8	Totals
Units Sold By Type	Bedrooms											
Fee and Fractional	Waterway	60	$199,140	20	40	0	0	0	0	0	0	60
Fee and Fractional	Lake	50	$75,065	0	0	0	0	0	25	25	0	50
Fee and Fractional	Lake	20	$110,840	0	0	0	0	0	20	0	0	20
Fee and Fractional	Lake	16	$82,730	0	0	0	0	0	0	16	0	16
Fee and Fractional	North	50	$38,273	0	0	0	0	0	10	20	20	50
				0	0	0	0	0	0	0	0	0
		196		20	40	0	0	0	55	61	20	196

Revenue	Bedrooms			1	2	3	4	5	6	7	8	
Fee and Fractional	Waterway	60	$199,140	$3,982,807	$7,965,613	$0.00	$0	$0	$0	$0	$0	$7,965,613
Fee and Fractional	Lake	50	$75,065	$0	$0	$0	$0	$0	$1,876,636	$1,876,636	$0	$3,753,273
Fee and Fractional	Lake	20	$110,840	$0	$0	$0	$0	$0	$2,216,791	$0	$0	$2,216,791
Fee and Fractional	Lake	16	$82,730	$0	$0	$0	$0	$0	$0	$1,323,683		$1,323,683
Fee and Fractional	North	50	$38,273	$0	$0	$0	$0	$0	$382,735	$765,469	$765,469	$1,913,673
				$0	$0	$0	$0	$0	$0	$0		$0
		196										
	Average Price											
Total Revenue				$3,982,807	$7,965,613	$0	$0	$0	$4,476,161	$3,965,788	$765,469	$21,155,838
				1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
				-	-	-	-	-	-	-	-	
				3,982,807	7,965,613	-	-	-	4,476,161	3,965,788	765,469	21,155,838

ECOVEST-SF_0013071

DCF Summary

Towers		1	2	3	4	5	6	7	8	
		$0	$8,030,519	$8,030,519	$7,620,892	$25,212,427	$22,820,471	$21,606,028	$6,590,997	$99,911,852
Dev Profit										
0%	Included	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net	in	$0	$8,030,519	$8,030,519	$7,620,892	$25,212,427	$22,820,471	$21,606,028	$6,590,997	$99,911,852
0.18	Rate									
	$42,595,923									

MidRise		1	2	3	4	5	6	7	8	
		$3,982,807	$7,965,613	$0	$0	$0	$4,476,161	$3,965,788	$765,469	$21,155,838
Dev Profit										
	Included	$0	$0	$0	$0	$0	$0	$0	$0	$0
	in	$3,982,807	$7,965,613	$0	$0	$0	$4,476,161	$3,965,788	$765,469	$21,155,838
0.18	Rate									
NPV	$12,202,755									

ECOVEST-SF_0013072

The sum of the two discounted cash flow scenarios is the fair market value of the land component of the project that is placed under a perpetual conservation easement.

Tower	**$42,595,923**
Mid Rise Villas	**$12,202,755**
	$54,798,677

Estimate of the Before Value

Tract	Acres	Indicated
Sanibel Resort	**28.53**	**$54,798,677**

The fair market value of the Subject Property before the encumbrance by an easement is calculated to be,

Fifty-Four Million Seven Hundred Ninety-Eight Thousand Six Hundred Seventy-Seven Dollars

SECTION II
APPRAISAL OF THE AFTER VALUE

Conservation Purpose

Preservation of the Conservation Area as a relatively natural habitat of fish, wildlife, or plants or similar ecosystems; and

Preservation of the Conservation Area as open space which provides scenic enjoyment to the general public and yields a significant public benefit; and

Preservation of the Conservation Area as open space which, if preserved, will advance a clearly delineated Federal, State or local governmental conservation policy and will yield a significant public benefit.

Whereas Clauses

The Conservation Area provides wildlife corridors, breeding habitat, foraging habitat and shelter for at least fifty species of animal.

The Conservation Area provides the natural ecological requirements for at least one hundred fifty species of plants.

The Conservation Area supports a Nonriverine Wet Hardwood natural community.

The Conservation Area supports emergent and forested wetland areas important to amphibian and macroinvertebrate fauna for breeding and foraging.

The Conservation Area supports at least four bird species considered Species of Regional Improtance by the Partners In Flight Species Assessment Database: Eastern Wood Pewee (*Contopus virens*), Ruby-throated Hummingbird (*Archilochus colubris*), Tufted Titmouse (*Baeolophus bicolor*), Yellow-throated Warbler (*Dendroica dominica*).

Reserved Rights

ARTICLE 4. RESERVED RIGHTS

Owner reserves for Owner and Owner's successors and assigns who may now or hereafter be an owner of all or part of the Conservation Area the rights set forth in this Article 4 (the "Reserved Rights"). Owner and Holder intend that these Reserved Rights and the activities and uses which are described below as the Reserved Rights are exceptions to the prohibitions and restrictions set forth in Article 3 and, hence, may be conducted as described below without having an adverse effect on the Conservation Purposes; except, however, that none of the Reserved Rights shall supersede the protections of the Wetland And Riparian Protection Area set forth in Article 3 except with the approval of Holder which may be given or withheld in its discretion. A Reserved Right to "construct" a Structure or other improvement shall include the right to maintain, repair, replace, use, and occupy such Structure or improvement for the purpose and within the limitations stated in this Article.

4.1 Buildings in Building Zone.

4.1.1 Subject to the limitations in this Section, within the area described as the "Building Zone" in Exhibit "A" attached to and incorporated in this Conservation Easement (the "Building Zone"), Owner may construct: (a) either one Residence (hereinafter defined) or one Resort Residential Building (hereinafter defined) but not both and (b) one Recreational Building (hereinafter defined).

4.1.2 "Residence" shall mean single family dwelling. The single family dwelling and all Structures customarily accessory to residential use, such as a shed, kennel, garage, gazebo, septic system, well, or swimming pool, which are also permitted, shall be constructed within a Building Area (hereinafter defined) to be identified and located within the Building Zone as provided below. Use of the Residence may include, without limitation, customary home occupations such as an office for a home-based business or a craft business such as furniture making, provided that the business is actively operated by one or more of the residents of the permitted dwelling and that the business use does not occupy more than one half of the space within the buildings in the Building Area in which the business use is contained.

4.1.3 "Resort Residential Building" shall mean a building containing no more than one kitchen and up to 12 bedrooms, for use by any persons, whether or not for compensation, as the Owner may choose. The Resort Residential Building shall be constructed within a Building Area to be identified and located within the

Building Zone as provided below. The parking area for the Resort Residential Building shall be located within the Building Area.

4.1.4 A "Recreational Building" shall mean one building having up to 2,500 square feet in ground coverage area for use in recreational activities and social gatherings and that may contain a kitchen but shall have no bedrooms or similar living accommodations nor be used for a hotel, lodging, residence or other place of human habitation. The Recreational Building shall be within the Building Zone in the location approved by Holder, but need not be within the Building Area.

4.1.5 A "Building Area" shall mean and be identified and located, with Holder's approval, as follows:

(a) The Building Area shall be no more than one and one-half (1.5) acres in area and shall be located entirely within the Building Zone.

(b) The location and dimensions of the Building Area and the permitted roads and driveways serving the Building Area shall have been reviewed and approved by Holder.

(c) The description of the Building Area and, when approved by Holder, acknowledgment of the review and approval of the Building Area by Holder shall be set forth in a written document, signed by duly authorized officers of Holder and by Owner, which shall be recorded in the same place of public record in which this Conservation Easement was recorded.

4.1.6 In addition to the foregoing permitted uses, within a Building Zone Owner may:

(a) remove vegetation and perform grading to the extent reasonably necessary to facilitate the construction and use of the buildings and other Structures permitted in this Section;

(b) install landscaping and other vegetation (including ornamental gardens) and irrigation system;

(c) construct storm water drainage systems; and

(d) install roads, driveways, utilities, and walkways.

(e) Any permitted clearing or construction shall be done so as to minimize the impact on surrounding vegetation, and shall be done in accordance with best management practices.

4.2 Road and Driveway. Owner may construct a road and driveway for access to the Building Zone and the Building Area within the Building Zone in a location or locations approved by Holder. Parking areas shall be located only within a Building Area. The width of the road and driveway and any area of land disturbance, grading or tree removal

for such driveway shall be no greater than the minimum necessary to meet any legal requirements or, to the extent no legal requirements apply or are lawfully waived, the minimum practicable consistent with sound engineering techniques and methods.

4.3 Alternative Energy Structures. Owner may construct Structures to generate energy for the conduct of any of the permitted activities in the Conservation Area, provided that the energy is derived from a natural source such as solar or wind energy, substantially all of the energy produced is consumed on the Conservation Area for the permitted uses and not sold or otherwise transferred for use off of the Conservation Area, and the location and appearance of any such Structures are approved by Holder.

4.4 Picnic Shelters and Areas. Owner may construct, within or outside of the Building Zone, in locations approved by Holder, roofed shelters for outdoor picnicking and similar outdoor recreation uses provided they are open, without walls, on at least three sides and that the aggregate ground coverage area of all such shelters shall not exceed 2,500 square feet for all shelters. Owner may construct picnic tables and benches, charcoal cooking grills, fire pits or rings, and similar Structures commonly associated with outdoor picnicking and similar outdoor recreation. This ground coverage limitation shall not apply to such buildings within a Building Area.

4.5 Buildings for Storage. Owner may construct, within or outside of the Building Zone, in locations approved by Holder, buildings for storage of equipment and materials used in the maintenance of the Conservation Area, also commonly referred to as a shed or barn, provided that the aggregate ground coverage area of all such buildings shall not exceed 2,000 square feet in locations approved by Holder. This ground coverage limitation shall not apply to such buildings within a Building Area.

4.6 Unpaved Vehicle Trails. Owner may also construct unpaved vehicle trails for limited vehicular access to the areas of the Conservation Area otherwise inaccessible by vehicle for use in maintenance, emergency access, and other permitted uses of the Conservation Area if the following requirements and conditions are satisfied: (a) the surface of such trails shall remain pervious (such as dirt or gravel); (b) such trails shall be located, to the extent possible, in the path of forestry roads existing on the date of this Conservation Easement; (c) the width of the area cleared for such trails shall not exceed that which is necessary for a single lane of vehicular traffic; (d) and such trails shall be otherwise constructed in a manner to avoid unnecessary tree removal and land disturbance; (e) if such trails require any grading or change in topography, then such grading shall blend into the natural topography of the Conservation Area, shall control erosion, and shall be of a design and location approved, in advance, by the Holder in its discretion; and (f) Holder approves the proposed service vehicle trail based on the foregoing requirements.

4.7 Trails and Raised Walkways. Owner may construct trails or paths for nature education and outdoor recreation purposes if the following requirements and conditions are satisfied: (a) the surface of the trail shall remain pervious (such as dirt, wood chips or gravel); (b) the trail shall be located, to the extent possible, in the path of a trail or forestry road existing on the date of this Conservation Easement; (c) the width of the area cleared and improved for the trail shall not exceed that which is necessary for pedestrian

or equestrian use; and (d) the trail shall be otherwise constructed in a manner to avoid unnecessary tree removal, grading and other land disturbance. Owner may construct raised walkways (but not bridges or similar structures for motor vehicle use) for access to any or all of the land within the Conservation Area if the following requirements and conditions are satisfied: (a) it can be demonstrated to Holder that it is not feasible to use any existing walkway or pathway or to improve any existing walkway or pathway for such access purpose; (b) Owner shall comply with all other covenants and restrictions of this Conservation Easement; and (c) Holder approves the proposed walkway based on the foregoing requirements.

4.8 Permitted Work within a Wetland And Riparian Protection Area. Owner may, with the approval of Holder, dredge or otherwise manipulate previously-altered natural or manmade water courses within the Wetland And Riparian Protection Area or perform work, including the removal of vegetation or disturbance of land, within the Wetland And Riparian Protection Area if necessary to (a) maintain wetlands existing on the Conservation Area, (b) restore wetlands previously existing on the Conservation Area, or (c) restore natural stream channel morphology and natural wetland hydrology.

4.9 Participation in Ecological Programs. Owner may participate in, and retain revenue from, future conservation, preservation, or mitigation programs involving ecological assets, including but not limited to, carbon sequestration credits, wetland and stream credits, endangered species credits, water quality credits, and ground water credits, located within the Conservation Area, even if protected by this Conservation Easement, so long as (a) such participation does not require any use or action upon the Conservation Area that is prohibited by this Conservation Easement (nor is any such use or action permitted by this Section); (b) any approval by Holder required by this Conservation Easement for any use or action permitted by this Conservation Easement is obtained; (c) the uses and the Conservation Purposes that are intended to be protected by this Conservation Easement remain protected as provided in this Conservation Easement; and (d) notice is provided to Holder at least 30 days before Owner enters into any agreement by which Owner will be legally obligated to participate in any such program.

4.10 Subdivision and Allocation of Reserved Rights. Owner may, with prior approval from Holder, subdivide the Conservation Area into lots for separate conveyance and ownership. Holder's review and decision whether to approve subdivision shall take into consideration the effect of the proposed lot boundaries and intended transfer upon the Conservation Purposes, the lot size and combination with any Structure or Reserved Rights that would be most likely to promote the long term care, maintenance and stewardship of the Conservation Area, and the burdens of monitoring and enforcing this Conservation Easement. Holder shall cooperate with Owner to identify at least one subdivided lot for the Residence permitted within the Building Zone with boundaries acceptable consistent with the foregoing considerations. Subdivision shall result in no addition to or other amendment of the Reserved Rights and any parcel subdivided from out of the Conservation Area shall remain under and subject to this Conservation Easement. Owner acknowledges that, if the Conservation Area is subdivided, Reserved Rights which are limited in number or area must be allocated between the lots resulting

from such subdivision. In connection with any subdivision or partition of the Conservation Area by any means, the following procedures shall apply:

4.10.1 Owner shall allocate, but not increase, such Reserved Rights between or among the lots resulting from such subdivision. Such allocation shall be set forth in a document which shall be subject to review and approval by Holder and which shall be recorded in the place of public record in which this Conservation Easement has been recorded before any conveyance of an interest in the lots resulting from such subdivision. Such allocation shall specifically identify, with respect to number or the allowable ground coverage, how much of the unused coverage or other Reserved Rights permitted by this Conservation Easement will be allocated to the respective lots.

4.10.2 If Owner fails to make such allocation in a written document for such purpose before conveying title to or any beneficial interest in any of the lots resulting from such subdivision, then the Reserved Rights, whether or not built, shall be allocated proportionately among the lots resulting from such subdivision, in proportion to the relative area of such lots, as determined by Holder in its discretion, it being understood that this allocation shall not result in allowing any increase in the Reserved Rights.

4.10.3 After any subdivision of the Conservation Area and conveyance of one or more lots resulting from such subdivision, and subject to Holder's prior approval thereof (such approval not to be unreasonably withheld, consistent with and taking into consideration the fulfillment of the Conservation Purposes and the preservation of the Conservation Values), the owners of such respective lots may mutually agree among themselves to re-allocate, but not increase, such Reserved Rights in a manner different from the original allocation as determined above, provided that such allocation or re-allocation of Reserved Rights as among such lots does not result in any increase in Reserved Rights, is reflected in a document that is signed by all owners of such lots and by Holder and is recorded in the place of public record in which this Conservation Easement has been recorded. The form and content of any such document shall be subject to Holder's review and approval.

4.11 Fences and Boundaries.

4.11.1 Owner may construct fences, provided that no fence shall be permitted if, in the reasonable opinion of Holder, it impairs the scenic view into the Conservation Area in any material respect. Any fence that shall be visible from the Intracoastal Waterway accessible to the public shall be approved by Holder before construction.

4.11.2 Nothing in this Conservation Easement shall prohibit Owner from identifying (by survey or marking) and otherwise maintaining visual indications of the boundary lines around the perimeter of the Conservation Area to protect the Conservation Area from trespassing and to assist Owner in the management and supervision of

the management of the Conservation Area in accordance with this Conservation Easement.

4.12 Wildlife Stands, Nests and "Blinds". Owner may construct a reasonable number of wildlife hunting or observation stands and "blinds" and houses, nests or perches for birds or other wildlife; provided that in the construction of any such Structure Owner shall comply with all other covenants and restrictions of this Conservation Easement.

4.13 Existing Structures. Structures existing on the Conservation Area on the date of this Conservation Easement, whether or not such Structure would be permitted to be constructed on the Conservation Area under these Reserved Rights, may, nevertheless, be repaired, restored or replaced but only within the vertical and horizontal dimensions in which the Structure existed on date of this Conservation Easement, but with no change of use except to a use that would be permitted under this Conservation Easement in its location, provided however that an existing structure located within the Building Zone shall not be subject to the limitations on dimensions in this Section but instead shall be subject to the covenants and restrictions imposed on any Structure located within the Building Zone.

4.14 Utility Installations. Owner may construct facilities normally used in connection with supplying utilities, removing sanitary sewage effluent and controlling storm water runoff if the following requirements and conditions are satisfied: (a) such facilities may only be constructed and used to serve the uses, Structures and improvements permitted under the terms of this Conservation Easement; (b) all such facilities be located underground to the extent feasible; (c) all such construction and maintenance is conducted in a manner designed to produce no material adverse effect on the Conservation Purposes; and (d) Holder approves the proposed utility facility based on the foregoing requirements.

4.15 Wildlife Harvesting and other Outdoor Activities Not Prohibited. Nothing in this Conservation Easement shall be construed to limit the right of Owner to: hunt with or without dogs, shoot, fish, trap, conduct field trials, train dogs, or conduct ecotourism activities or other outdoor recreational activities on the Conservation Area; trap or otherwise capture and remove any invasive species or harmful pest that might negatively impact the populations of game or native wildlife on the Conservation Area; use motorized vehicles for any such purpose provided such use does not violate an expressed prohibition in this Conservation Easement; or lease all or any portion of the Conservation Area for any of such activities.

4.16 Tree Cutting and Forest Management. Owner shall have the right, for the benefit of Owner and Owner's representatives, agents, contractors, subcontractors, licensees, and lessees, to conduct the following activities within the Conservation Area if the requirements of this Section are met:

4.16.1 A live tree that has been damaged or disturbed by forces of nature or by disease or that is evidently at risk of falling may be cut and removed if such tree presents a threat of injury to persons or livestock or other property or blocks a trail, road or other means of access to any part of the Conservation Area.

4.16.2 Trees may be removed to the most limited extent necessary to construct the Structures and other improvements expressly permitted in this Conservation Easement, according to a plan approved in advance by Holder.

4.16.3 Early successional tree species may be selectively removed within areas existing in a meadow condition at the time this Conservation Easement is granted, for the purpose of preserving such areas as meadow.

4.16.4 "Forestry Activities" shall mean (i) harvesting, cutting, removal and sale of trees and forest products (including, but not limited to, trees, logs, poles, posts, pulpwood, firewood, chips, seeds, bark, pinestraw, stumps and other forest products); (ii) planting and growing of trees for the foregoing purposes; (iii) treating trees with herbicides, pesticides and fertilizer customarily used in the forest industry; (iv) constructing forest skid trails in connection with tree harvesting operations; (v) placing or storing sawdust, bark, sawtimber, logs, or other forest products in the Conservation Area; (vi) conducting prescribed burning; and (vii) undertaking such activities as may be necessary to facilitate production of forest products or to protect forest health and (viii) removing trees to establish wildlife food plots up to a maximum area of five (5) acres and in locations approved by Holder. Owner may conduct Forestry Activities only if all of the following requirements are met:

(a) Forestry Activities shall not be conducted within the Wetland and Riparian Buffer Protection Area, within mixed hardwood forest outside the Wetland And Riparian Protection Area or within areas reasonably determined by Holder to be Freshwater Emergent Wetland or Forested and Shrub Wetland except (i) in accordance with a Forest Management Plan and (ii) only for the purpose of promoting the maturing and ecological enhancement of forest conditions. In determining areas that are Freshwater Emergent Wetland or Forested and Shrub Wetland Holder may refer to the methodology used by the U.S. Fish & Wildlife Service for its National Wetland Inventory or similar methodology selected by Holder, though the area need not be shown as such on a National Wetland Inventory map.

(b) Before conducting Forestry Activities Owner shall prepare a tree harvest and forest management plan (the "Forest Management Plan"). The Forest Management Plan shall be submitted to and approved by Holder.

(c) The Forest Management Plan must address and provide information regarding the following matters in such detail as Holder may reasonably request: the proposed location of harvesting activity, wetland delineation within the harvest area, harvesting plans and protocols, proposed road locations and design standards, erosion control measures, and replanting plans and schedule. The Forest Management Plan shall also contain: a statement of Owner's forest

management objectives and goals, including the Forest Management Objectives (hereinafter defined); forest stand descriptions, including species composition, age classes and, where available, soil types; a forest stand map; and an outline of proposed silvicultural practices.

(d) The Forest Management Plan must be prepared at Owner's expense by qualified natural resource personnel (e.g., a registered forester), who are experienced in the preparation of forest management plans.

(e) The Forest Management Plan shall be prepared in a manner that is designed to achieve the following purposes and forest management objectives (collectively, the "Forest Management Objectives"): (i) minimizing insect infestation; (ii) identifying and protecting habitat for exceptionally rare, threatened or endangered species; (iii) avoidance of water pollution from Forestry Activities, erosion or sedimentation; (iv) protection of the Conservation Values and fulfillment of the Conservation Purposes; (v) promotion of sustainable forestry; (vi) assuring artificial or natural regeneration of the forest in both sufficient quantity and quality; (vii) compliance with all applicable federal, state and local laws, rules, orders and regulations; (viii) identifying strategies to promote wildlife habitat and private recreational activities permitted by this Conservation Easement; and (ix) compliance with then-current best management practices published by the South Carolina Forestry Commission or its successor ("BMPs"). In the event of a conflict between the preceding Forest Management Objectives, the protection of the Conservation Values and fulfillment of the Conservation Purposes shall be the paramount consideration.

(f) All Forestry Activities shall be conducted in accordance with (a) the Forest Management Plan; (b) BMPs; and (c) this Conservation Easement.

4.17 Signs. Owner may construct a reasonable number of signs of the following types:

4.17.1 regulatory or directional signs (including, for example but not for limitation of the foregoing, "no trespassing" signs, "no gunning" signs, or "no hunting" signs;

4.17.2 signs stating the common name of the Conservation Area, the names and addresses of the occupants or both;

4.17.3 signs advertising or directing participants to an activity permitted under the provisions of this Conservation Easement;

4.17.4 signs identifying the interest of Owner or Holder in the Conservation Area; and

4.17.5 signs educating the public as to the ecology of the area.

Notwithstanding the foregoing, any sign that is greater than four square feet in surface area and visible from the Intracoastal Waterway shall be prohibited unless such sign shall have no material adverse effect upon the Conservation Purposes and such sign is approved in writing by Holder.

4.18 Maintenance of Roads, Trails, Etc. Owner may maintain in passable condition the Structures, roads, trails or walkways existing within the Conservation Area at the date of this Conservation Easement or, if applicable, constructed pursuant to the Reserved Rights in this Article 4, by such activities as the following: the pruning trees or other vegetation which threaten the safety of persons who may use or maintain the road, trail or walkway; installing or applying materials necessary to correct or impede erosion; grading earth to maintain a passable condition or to control or impede erosion; replacing existing culverts, water control structures and bridges; and dredging roadside swales and ditches.

4.19 Docks. Owner may construct one dock, and walkways and pathways to such dock, for personal, common or shared use. The location and design of the dock, walkway and pathway shall be as approved by Holder prior to construction. The dock must be constructed and placed in a manner and location as will have no material adverse effect upon the Conservation Values or the Conservation Purposes, including sensitive elements of the ecosystem such as rare species nesting and foraging habitat, rare plant populations or exemplary natural communities.

4.20 Notice and Approval Before Exercise of Certain Reserved Rights. None of the Reserved Rights for which the approval of Holder is expressly required in any Section of this Article 4 may be exercised or undertaken unless Owner has first satisfied the following conditions and requirements:

4.20.1 Owner shall notify Holder in writing before exercising any of such Reserved Rights.

4.20.2 Holder must be satisfied, as evidenced by its prior written approval of Owner's proposed exercise of a Reserved Right, that any use or activity done in the exercise of the Reserved Right will meet the requirements and conditions for such Reserved Right, will have no material adverse effect on the Conservation Purposes or on the Conservation Values or other significant environmental features of the Conservation Area, will not alter or permit the alteration, disturbance or destruction of the use of the Conservation Area that is intended to be protected by this Conservation Easement.

4.20.3 Notwithstanding anything in this Conservation Easement to the contrary, if Owner undertakes to exercise a Reserved Right or other action, without prior approval of Holder, where such approval is expressly required under this Conservation Easement, then such exercise of the Reserved Right by Owner may be treated by Holder, in Holder's sole discretion, as an action that was prohibited by this Conservation Easement as fully as if the Reserved Right or other right was not contained in, or reserved to Owner under, this Conservation Easement. Should Holder elect, in its discretion, to decline to assert this prohibition and to

waive a violation of the Conservation Easement arising solely from Owner's failure to seek and obtain Holder's approval before exercising a Reserved Right or other right where such approval is required, Holder shall not be thereby obligated to do so in any future circumstance or event and Holder's waiver shall not be construed to require any waiver in a subsequent instance.

4.20.4 Notwithstanding the foregoing, in the event the Conservation Area is affected or in imminent danger of being affected by casualty damage resulting from an Act of God, fire or other event beyond Owner's control then the prior approval requirements of this Section shall be waived as to any action that would otherwise require such approval but which must be undertaken by Owner immediately in order to prevent loss, damage or injury to persons or property or to prevent ecological damage to the Conservation Area or neighboring property (an "Emergency Restoration Action"); provided that Owner makes a good faith effort to notify Holder prior to undertaking such Emergency Restoration Action and to keep Holder informed of its ongoing actions.

4.20.5 Holder's prior written approval of the exercise of Reserved Rights for which approval of Holder is required shall be obtained, conditionally obtained or declined according to the procedure provided in this Section. At least forty-five (45) days before Owner begins, or allows, any exercise of Reserved Rights on the Conservation Area Owner must notify Holder in writing of Owner's intentions to do so; provided, however that Holder may, upon written request, reduce the period of time for notice of the proposed exercise of Reserved Rights for simpler requests, in Holder's discretion. Such notice must include plans depicting, in such detail as Holder requests, the construction or other use or activity, and location thereof, which Owner intends to undertake. Owner may also be required to present to Holder for review any applications to, and approvals or permits issued by, any governmental entity that is required for the exercise of the Reserved Right for which Holder's approval is sought. Holder may request additional information or details not provided by Owner regarding Owner's proposed exercise of Reserved Rights as Holder reasonably believes necessary to determine compliance with this Article. Holder shall not be obligated to accept or respond to any request for approval of a Reserved Right if the Owner is then in violation of this Conservation Easement in any material respect. Holder shall have thirty (30) days from receipt of the notice or, if later, any additional information regarding the proposed use or activity requested by Holder, in which to make one of the following determinations:

(a) Approve Owner's proposed exercise of a Reserved Right in accordance with the materials submitted by Owner ("Approval"). Approval on such terms shall constitute a covenant by Owner to exercise the Reserved Right solely in accordance with the notice and other information submitted to Holder; which covenant shall be enforceable by Holder as fully as if set forth in this Conservation Easement.

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(b) Approve Owner's proposed exercise of a Reserved Right in accordance with the materials submitted by Owner but subject, however, to such qualifications and conditions as Holder may impose in its notice of approval. Such qualifications and conditions shall be limited to those which Holder deems necessary to assure compliance by Owner with any of the express covenants or restrictions of this Conservation Easement, preserve and protect the Conservation Purposes or restrict Owner's exercise of the Reserved Rights to that which Owner has represented to Holder. Approval on such terms shall constitute a covenant by Owner to exercise the Reserved Right, if at all, only in accordance with the notice and other information submitted to Holder, as modified or supplemented by the qualifications and conditions that Holder imposed; which covenant shall be enforceable by Holder as fully as if set forth in this Conservation Easement.

(c) Decline to grant approval of Owner's proposed exercise of a Reserved Right on the basis of the notice and other materials submitted. Should Holder decline to grant approval Holder shall set forth in writing its reasons.

4.20.6 Holder shall exercise reasonable judgment in applying the standards of review and approval for the exercise of Reserved Rights, consistent with and taking into consideration the fulfillment of the Conservation Purposes and the preservation of the Conservation Values.

4.20.7 Holder may grant, with or without conditions, approval for recurrent exercises of Reserved Rights, particularly but not necessarily limited to activities of a de minimis nature, if Holder concludes that doing so will have no material adverse effect on the Conservation Purposes or on the burden on, and effectiveness of, Holder's monitoring and enforcement. Such approval must be in writing and shall, as with other approvals of the exercise of Reserved Rights, be limited to the description of the proposed exercise of Reserved Rights in Owner's proposal as modified or limited by the conditions in Holder's written approval.

4.20.8 In the event that Holder's approval is required and Holder fails to respond within the time period specified forth above and further fails to respond within ten days after a second written request by Owner to Holder, then the Holder shall be deemed to have granted Approval (as defined above) unless the activity for which approval is required is plainly prohibited by this Conservation Easement.

4.20.9 Owner shall be responsible for obtaining all necessary government permits and approvals for any activity for which Holder's approval is required and Holder shall have the right, but not the obligation, to require that such permits and approvals be produced for inspection by Holder before Holder's approval is granted or as a condition to approval.

4.20.10 Owner shall be responsible, as a condition of the right to exercise the Reserved Rights for which the approval of Holder is expressly required, for payment of Holder's reasonable costs and expenses, including legal and consultant fees, associated with review of Owner's request for approval; provided, however, that (a) Holder shall not incur expenses for its own staff or administrative time for review that can be conducted in Holder's office and (b) Holder will notify Owner before incurring any costs or expenses which it believes Owner may be obligated to pay under this Section though Holder shall not be required to predict the exact amount of the cost or expense. Holder may condition consideration of a proposal for exercise of Reserved Rights upon the deposit of a sum of money with Holder to secure payment of Holder's reasonable costs of review. The time period for Holder's consideration of Owner's request shall not run until such deposit is made.

4.20.11 While the parties believe that each of the Reserved Rights as to which Holder's prior approval is required can be exercised in some manner without adverse effect on the Conservation Purposes of this Conservation Easement, no assurance is given that the above Reserved Rights may be exercised in specifically the manner as Owner might initially propose without having an adverse effect on the Conservation Purposes or other significant ecological values of the Conservation Area. The foregoing procedure is established for the purpose of making that determination.

4.20.12 In consideration for Holder accepting the perpetual responsibility and obligation to review the proposed exercise of Reserved Rights by Owner, Owner hereby waives, for Owner, and Owner's successors, legal representatives, and assigns, to the fullest extent allowed by law, any and all right to seek or recover damages from Holder in any litigation or other legal action arising from a dispute over Holder's exercise of its rights, obligations or interpretations under this Article 4 and agrees that the sole remedy or legal right to seek redress arising from any decision of Holder pursuant to this Article 4 shall be to seek a declaratory judgment or other legal declaration by a court of competent jurisdiction as to the rights of Owner hereunder.

4.21 Rights of Ownership Generally. Owner retains, not as a Reserved Right but incidental to its ownership of the Conservation Area, in addition to the Reserved Rights set forth in this Article, all rights accruing from ownership of the Conservation Area, including the right to engage in or permit others to engage in all uses of the Conservation Area except to the extent prohibited, restricted, limited or conveyed to Holder according to the terms of this Conservation Easement, including the rules of construction and interpretation of this Conservation Easement; subjected to procedures set forth in this Conservation Easement; or provided in applicable law.

The following plans show the reserved building sites. These sites remain part of the encumbered tract and are, therefore, subject to the rules and restrictions of the easement. However, they do retain limited building rights, as detailed in the easement. It also should be noted that these lots are not build ready and would have development costs. There is one (1) residential building site and one (1) recreational building site.

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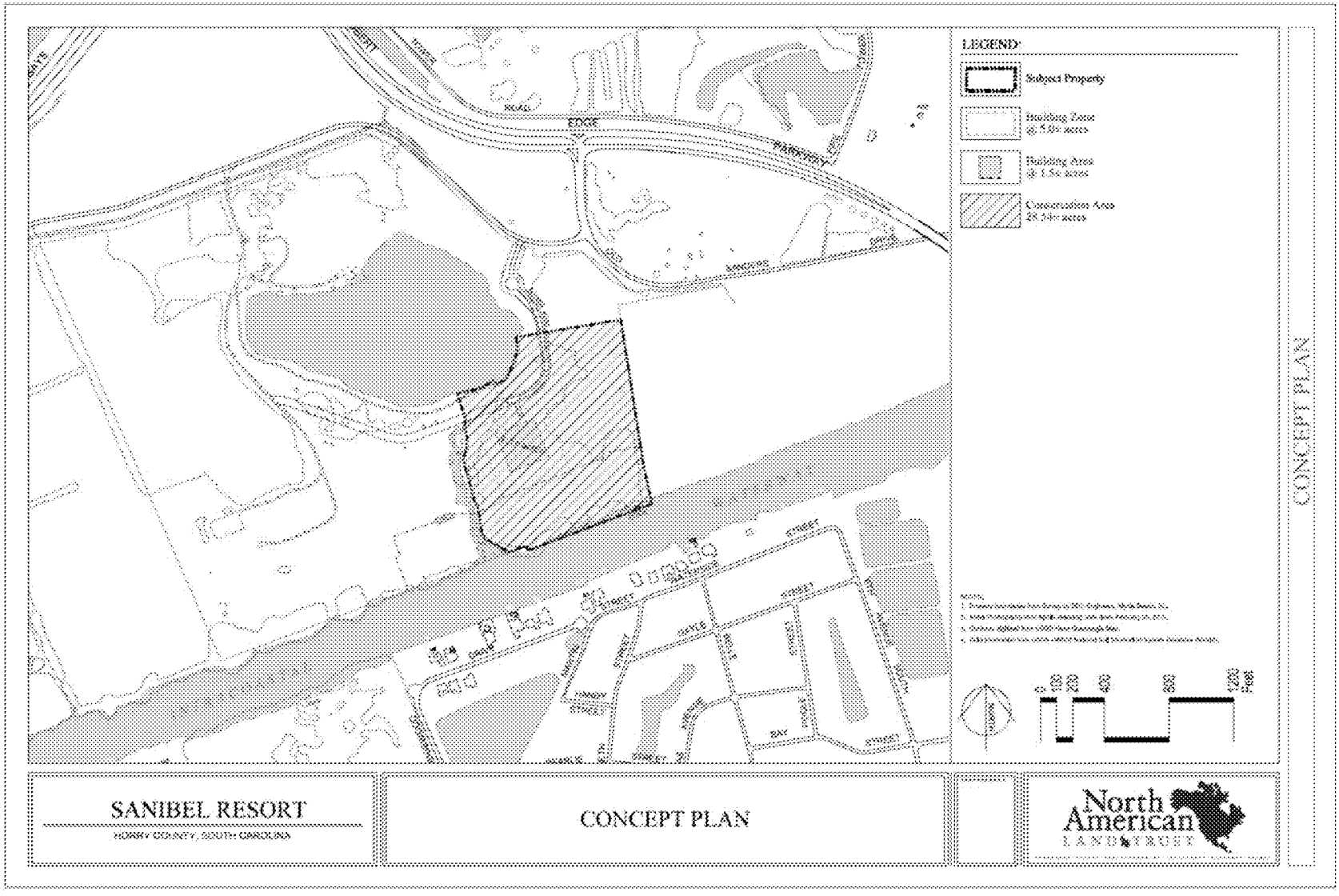

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Highest and Best Use Analysis:

The four criteria applied in the analysis of highest and best use in the "before" situation remain as stated in this analysis for the parent parcel, earlier in the report.

a) Legal permissibility
b) Physical possibility and suitability
c) Financial feasibility
d) Maximum productivity
e) Sufficiency of demand

Synopsis, major considerations

Summarized in the following five areas of discussion is the rationale for the revised decision relative to highest and best use of the tract, which is now encumbered with a Perpetual Conservation Easement. The highest and best use is for the area now subject to easement is for use as a recreational oriented estate with sharply diminished rights to partition the land. Also curtailed is clear-cut timber harvesting.

1. Legal permissibility

Legally constraining potential development of the encumbered tracts is the easement. This area will be preserved with a perpetual conservation easement that was recorded in the records of the Probate Court, Horry County, South Carolina.

Purpose of the Easement is to retain forever, predominantly in its natural, scenic and open condition, (where now open) the land and to protect wildlife habitat, forested wetlands, natural communities, nesting habitat, rare plants and animals present. With the conveyance of the easement, development of this zone is proscribed.

2. Physical possibility and suitability

The site was well suited for Development. The use is prohibited.

3. Financial feasibility

Financial feasibility of the utilizations which will yield the highest return for the appraised parcel is now substantially limited in scope when compared with its pre-encumbrance state.

For the areas, which are encumbered with the perpetual conservation easement, financial feasibility is limited to use as a recreational tract or green space.

4. Maximum productivity

Goal of the objective, maximum productivity is to achieve the greatest net return to the property within the constraints of the previous three requirements, which were, legal permissibility, physical possibilities and financial feasibility.

5. Sufficiency of demand

Demand remains, as will be demonstrated, for properties, which are encumbered. Selling price of these however, is sharply reduced from the un-encumbered state as will be shown. Marketing time for properties, which are encumbered, is significantly greater than for those otherwise encountered. With encumbered properties, it has been shown that the demand for these is sharply lowered (when compared with un-encumbered land). This loss of demand is the result of diminished rights of use.

Decline in demand is most readily demonstrated through the sale of properties, which are encumbered with similar Conservation Easements. Resumes have been included involving the timing of these sales together with the selling prices they developed. Time on the market is typically longer and the selling prices, obviously, sharply lower. For the encumbered portion of

the estate, demand is sharply lower. Evidence is available which shows the effect of conservation easements on market value.

Conclusion:

Financial feasibility and marketability is sharply reduced for the now encumbered tract. Development of the easement is proscribed. For these reasons, marketability is reduced. The Highest and Best use of the encumbered tract is as a forested recreational green space containing two reserved building sites.

Land Valuation

Sales Comparison Approach

Sales of encumbered properties are assembled and these will be for comparative analysis.

Market Value of the Encumbered Fee Estate

On the following pages, there will be sales of encumbered properties. Sales are included from the Southeastern United States. All of these properties share a common highest and best use and this is for delineation of residential-recreational based parcels with the sale of these over time.

Each of the sales, which have been, selected share a commonality of existing use, which is agricultural, or recreational/residential use with an ultimate utilization of delineation into smaller residential-recreational estates. For most of the transactions, existing farming or other agricultural uses (with the exception of timbering) are only minimally lucrative or do not generate significant cash flow.

_Real Estate Sale No. 1

Springhead Plantation, LLC, Boston, Thomas Co. Georgia
Conservation Easement encumbered

Date of sale:	April 26, 2006
Grantor:	Joseph W. Moody, Jr.
Grantee:	Springhead Plantation, LLC
Location:	Location of this property is excellent and includes extensive road frontage along a commercial zone on the north side of U.S. Highway 84 within the City limits of Boston, Georgia, a Thomasville suburban community. Highest and best use of this property, had it not been encumbered with a perpetual conservation easement, would have been commercial/residential. Frontage is possessed, as well on Georgia Highway 33, which leads northward from the U.S. Highway 84 intersection and passes through the northwest corner of the estate. The Old Quitman Road bounds the southern portion of the property on its north side. Forrest Road provides the boundary of the tract, in the northern sector, on the west side. Large diameter utility mains are present along portions of the highway frontage.
Legal description:	Metes and bounds description which describes a property containing a total of 537.04 acres, more or less comprising land within Land Lots 327, 363, 364,373, and 374 of the 13th Land District of Thomas County, Georgia.
Recorded:	Deed Book 1294 at page 20
Gross sale price:	$2,685,200.00

Property involved consists of a tract, having commercial and residential potential, which is located on the north side of U.S. Highway 84 and has portion within the City Limits of Boston, Georgia. Highest and best use for the property, prior to its encumbrance, would have been for both commercial and residential purposes. Boston, Georgia is situated in Thomas County, east of Thomasville, and U.S. Highway 84 is a parkway with four lanes which provides access to Thomasville and eastwardly, to the Georgia State Coast. Tract adjoins the site of the Boston Tractor Company, a large regional farm implement dealer (and was purchased by a principal in this firm). While the zoning classification for the property is A-5 Agriculture, on the basis of a discussion with Thomas County Zoning staff, it would have been reasonable to assume that U.S. Highway 84 frontage and related zones could have been modified for a more intensive and commercial use.

Improvements include a number of older buildings, which are of historic value. Among these is the Moody home-place, a two-story farm home with adjoining pecan orchard and Moody Pond, a most-desirable and improved lake. Outbuildings include sheds and other farm-related structures.

Other older buildings are in fair to poor condition but can be repaired or expanded under the terms of the easement.

A modern dwelling is present. Moody residence is a two-story wood frame building having an area of 3,100 (+-) square feet and a two-car garage (according to the purchaser). Home has three bathrooms and three bedrooms as well as a modern kitchen. Heating and air conditioning are by heat pump. Amenities include a masonry fireplace. Condition of the building is good. Owner had to spend an estimated $150,000 on upgrading the structure, a short time prior to the sale. Outbuildings include a wood utility building and storage shed.

Four major ponds are present and add materially to the marketability of the property:

Moody Pond

Pendly Pond

Brick Yard Pond

Springhead Pond

Zoning for the parcel is A-5 Agricultural (likelihood of a change was good) Property was encumbered with a perpetual conservation easement in December 2003.

Fences: Existing fences may be repaired and replaced.

Existing Agricultural Structures & Improvements: Existing agricultural structures and improvements may be repaired, reasonably enlarged and replaced at their current locations, which are shown on Exhibit B.

New Agricultural Structures & Improvements:

New buildings and other structures and improvements to be used primarily for agricultural purposes…may be built on the property within the "Farmstead Area" identified on Exhibit B. Existing Farm Support Housing. All existing dwellings or structures used to house farm tenants and employees, as shown on Exhibit B, may be repaired, reasonably enlarged and replaced at their current location.

New Farm Support Housing:
New dwellings or structures to be used primarily to house farm tenants, employees or others engaged in agricultural production…may be built on the Property, provided they are located within the "Farmstead area".

New Single Family Residential Dwellings:

No more than one new single-family residential dwelling, together with reasonable appurtenance such as garages and sheds, may be built on the property. All existing recreational improvements may be repaired, reasonably enlarged or replaced at current locations.

Grantor may undertake subsurface mineral and hydrocarbon exploration (as approved by the donee). Grantor may also remove sand and gravel for use in road surfacing of Plantation property. Allocation is below:

Allocation of the sale price is as follows:

Gross sale price:	$2,685,200.00
Moody residence, outbuildings, ponds wells and other utilities:	$ 750,000.00
(Older but historic buildings have limited value)	$ 1,935,200.00
Encumbered land contribution is:	$1,935,000.00r/t

Sale price is at the rate of $3,600r/t per acre, land and timber.

Purchaser is a principal of Boston Tractor Company whose facilities have adjoined the Moody property for many years.

Divisions permitted: None, but additional buildings may be built within the Farmstead area and the existing ones repaired, renovated and/or remodeled. One new residence may be constructed.

Diminution is as follows:

Land value if unencumbered based on sales analysis following is at the rate of $8,500.00 per acre. (Based on sales included)

Therefore:	$8,500.00 per acre, unencumbered fee value.
Sale price:	$3,600.00 per acre, encumbered fee sale price.
Diminution:	$4,900.00 per acre.

Diminution in percent: 57.65

Verified: Mr. James M. Grover. Purchaser/LEC

ECOVEST-SF_0013097

Transactional adjustments				
Sale Number:	**1 A**	**2 B**	**3 C**	**4 D**
Property rights:	**Fee Simp.**	**Fee Simp.**	**Fee Simp.**	**Fee Simp.**
Financing:	**Typical**	**Typical**	**Typical**	**Typical**
Sale conditions:	**Conv.**	**Conv.**	**Conv.**	**Conv.**
Market conditions:	**Typical**	**Typical**	**Typical**	**Typical**
Sale Price:	**$707,900**	**$1,601,840**	**$1,691,950**	**$562,300**
Area quoted in acres:	**117.94**	**200.23**	**178.10**	**56.23**
Unit sale price				
Dollars per acre :	**$6,002**	**$8,000**	**$9,500**	**$10,000**
Date of sale:	**12-30-04**	**07-01-04**	**08-01-05**	**07-17-06**
Adjustment for market conditions:				
Time:	**0.9400**	**0.9750**	**0.9000**	**0.8450**
Adjusted price in dollars per acre:	**$5,642**	**$7,800**	**$8,550**	**$8,450**

Property adjustments				
Location:	**1.50**	**1.30**	**1.30**	**1.45**
Property size:	**0.95**	**0.95**	**0.95**	**0.50**
Topography/orientation:	**1.00**	**1.00**	**1.00**	**1.00**
Sale conditions:	**1.00**	**1.00**	**1.00**	**1.00**
Composite adjustment:	**1.45**	**1.25**	**1.25**	**0.95**
Indicated sale price, Subject Property in dollar per acre: (Assuming that the land was <u>unencumbered</u>)	**$8,180**	**$9,750**	**$10,688**	**$8,028**

Correlation of Market Data

Location of Springhead Plantation is sharply superior to all the data accumulated in view of the fact that it has frontage within the City limits of Boston, Georgia and is located within an active commercial district, which has developed along the highway (which is a by-pass for traffic formerly following through the community, east to west). None of Springhead Plantation was zoned for commercial purposes; however, utilities were present and it is reasonable to assume that the classification could have been changed. Remainder of the parcel could have been developed for residential purposes.

In addition, the extensive road frontage on other roads would have made the development potential for single-family small acreage tract delineation readily apparent.

An adjustment was utilized for size on the basis of less than fully evident sales, which confirm this divergence. Adjustment was included for the purpose of ensuring a conservative result to the analysis. Adjustment was included, as well, for the element of time. Each of the sale transactions was adjusted back in time to the effective date of the donation.

Data is arrayed below:

Sale No. 1 (A)	$ 8,180 per acre
Sale No. 2 (B)	$ 9,750 per acre
Sale No. 3 (C)	$10,688 per acre
Sale No. 4 (D)	$ 8,028 per acre
The high:	$10,688 per acre
The mean or (x)	$ 9,162 per acre
The low:	$ 8,028 per acre

Adopting as the most probable indication of market value, the mid-range of the lower quartile i.e. the range between the low of $8,028 per acre and the Mean or (x) of the data which is $9,162 per acre. I will use $8,500 per acre for the market value indication (presuming Springhead Plantation was not encumbered).

Summary of the real estate used in support of the unencumbered fee value of the estate.

Sale No.	Date	Acres	Recording	Sale Price	Sale Price Unadjusted for time
1A	12/30/04	117.94	1159-59	$737,000.00	$8,002.00
2B	07/01/05	200.23	1237-353	$1,601,840.00	$8,000.00
3C	08/01/05	178.1	1218-194	$1,891,950.00	$10,500.00
4D	07/17/06	58.23	586-125	$582,900.00	$10,000.00

Real Estate Sale No. 2

Conservation Easement Encumbered Tract, Candler Co. GA.

Initial appraisal by Louis Clark for this easement grant was for its conveyance to the Nature Conservancy, in 1990. Sale displays its continuing diminution (14 years) with a selling price $10.00 acre, less than appraised by Louis Clark in 1990.

Date of Sale:	April 15, 2004
Grantor:	Lydia Daniell Kohout, Children's Trust
Grantee:	Sean Davis, Deloch James et al
Location:	Parcel is located about 1,400 feet south of Interstate Highway 16 (no access) and is bounded on the west by the main run of Fifteen Mile Creek in Candler County, Georgia, a short distance south of Metter. Land is west of Lake Church Road.
Legal description:	Metes and bounds description which details a parcel of land containing 250.037 acres, more or less located in the 1735th G.M. District and is Tax Parcel 45 on Map 47.
Recorded:	Book 208 Page 633
Gross sale price:	$60,000.00

Comments and analysis:

Land has extensive frontage on Fifteen Mile Creek. Tract has 1,450.00 feet of frontage on the road. Topography is gently sloping, and the soils are a mixture of sandy loam and fine sandy loam, which has muck deposits in the lower zones. Approximately sixteen acres of the property lie on the south side of the road adjacent to Walnut Grove Farms. This portion of the land is level to gently sloping and vegetated with a growth of small diameter oaks and scattered pines. Land is comprised of two major classes. First of these is a sandy and gently sloping zone comprising pine and scatter oak, for the most part. Near the center of the tract, the topography descends slightly, and extends to an area which consists of overflow land and creek terrace.

Terms of the conservation easement are fairly restrictive, and the major clauses are summarized:

Easement was placed on the property on December 19, 1990. Donee of the Easement was The Nature Conservancy, 1815 North Lynn Street, Arlington, Virginia.

Protected property contains Ellottia Racemosa, Stewartia Malacodenron and Gopherus Polyphemus, and has substantial value as a natural, ecological and scientific resource.

Right of public access to and view of the property in its natural, scenic, open and undisturbed condition is allowed. Access shall not include general public access but shall include access to small groups under Conservancy's control for scientific research and educational activities.

Vegetation:

There shall be no removal, destruction, cutting, trimming, mowing, alteration or spraying with biocides of any vegetation, nor any disturbances or changes in the natural habitat in any manner. There shall be no planting or introduction of any species or vegetation.

There shall be no agricultural, commercial or industrial activity undertaken or allowed, nor shall any rite of passage across or upon the Protected Property be allowed or granted if that rite of passage is used in conjunction with agricultural, commercial or industrial activity.

No dogs, cats, cattle or other animals, domestic or exotic, shall be allowed on the Protected Property. There shall be no snake hunting on the Protected Property.

There shall be no filling, excavating, dredging, mining or drilling; no removal of topsoil, sand, gravel, rock, minerals or drilling; nor any dumping of ashes, trash or garbage. There shall be no changing of topography of the land in any manner.

Buildings:

There shall be no construction or placing of buildings, mobile homes, advertising signs, billboards, or other advertising material, or other structures.

Roads:

There shall be no building of new roads or any other rights of way nor widening of existing roads.

Waters:

There shall be no disruption of water flow by damming, dredging or construction in any free flowing water body, nor construction of any weirs, groins, nor dikes in any marshland, nor any manipulation or alteration of natural water courses, fresh water lake and pond shores, marshes, or other water bodies nor any activities or uses detrimental to water purity.

Vehicles:

There shall be no operation of dune buggies, motor cycles, all-terrain vehicles or any other type of motorized vehicles except on existing roads.

Construction:

There shall be no construction of temporary or permanent buildings, docks, bridges, piers or other structures.

General prohibition:

Any use of the Protected Property and any activity thereon, which, in the opinion of the Grantee, is or may become inconsistent with this grant, being the preservation of the Protected Property predominantly in its natural condition and the protection of environmental systems, is prohibited.

Reserved rights:

The right to conduct non-commercial hunting upon the Protected Property in accordance with state regulations is reserved. Alternatively, the Grantors may lease the hunting rights on the Protected Property to not more than five (5) people and will attach a copy of this conservation easement to a memorandum thereof to any such hunting lease. In either even, and notwithstanding Paragraph 3 above, dogs shall be allowed for small game hunting but not for deer hunting.

Candler County, Georgia has no zoning in place. Utilities are limited to electricity and telephone service (in the immediate area).

Sale in the County, which is indicative of market value, assuming the encumbered subject was not subject to the easement, took place on May 8, 2003. Area of the property was 506.311 acres, more or less. Sellers were R. G. Daniell and Lydia D. Kohout. Land Adjoins Fifteen Mile Creek and has frontage along Lake Church road. Tract has two parcels the second of which is on the south side of Googeville Road.

Sale was recorded in Book 198 at page 259. Sale amount was $578,000, which was at the rate of $1,142 per acre.

Sale price, based on the comparable transaction, which is unencumbered, in dollars per acre:	$1,142.00
Sale price of the encumbered subject, in dollars per acre:	$ 240.00
Diminution:	$902.00

Diminution in percent: 79.00r/t
(Diminution reflects the repressive terms of the easement)

Sale price, land and encumbered timber $240.00 per acre

Verified: (both transactions): Mr. Michael Kohout Co-grantor/5-03/05/LEC
Louis E. Clark, MAI, appraisal details.

Population of Candler County has been relatively static and the density is not great.

Population	Year
9,510	2000
10,187	2004

Date of sale:	May 8, 2003
Grantor:	Lydia Daniell Kohout, R. G. Daniell Jr.
Grantee:	Larry M. Hadden, et al
Location:	Parcel is contained in two separate boundaries. The larger of these contains 412.228 acres and adjoins the encumbered subject. Smaller tract contains 94.083 acres, more or less. Site adjoins Interstate Highway 16 (no access). Other frontage is on Lake Church Road and Googeville Road, Candler County, Georgia.
Legal description:	Metes and bounds description which details a parcel of land containing 506.311 acres, more or less located in the 1735th G.M. District and is Tax Parcel 64 on Map 56.
Recorded:	Book 198 Page 259
Gross sale price:	$578,000.00

Land is irregular in configuration and possesses sandy soils, for the most part.
Tract is level to gently sloping. Land is wooded and open. Candler County, Georgia has no zoning. Utilities are limited to electric power and telephone service.

Sale price is at the rate of $1,142 per acre, land and timber

Verified: Mr. Michael Kohout/LEC, 5-03-05/LEC

Real Estate Sale No. 3

Magnolia Hills Farm Tract
Conservation easement encumbered
(Part) Ochlockonee River, Gadsden CO., Florida

Date of Sale:	July 7, 2006
Grantor:	Magnolia Hills Farm, Inc.
Grantee:	JCH Development, LLC
Location:	Property is located in Gadsden County, Florida on U. S. Highway 90 at the community of Midway.
Legal Description:	Metes and bounds description which details a boundary of Parcels 1,2,3,4,5,6,7,8,9,10,11,15 and 16 in Gadsden County, Florida on the Ochlocknee River and U.S. Highway 90. A 673-acre tract.
Recorded:	Deed book 660 Page 101
Gross Sale Price:	$1,852,625.00

Comments and analysis:

Sale parcel conveyed in this transaction contains an area of 673.00 acres, more or less, and is located on the north side of U.S. Highway 90. With the exception of approximately two acres used as signboard sites and not a part of the subject, highway frontage was not usable. Tract has as well extensive frontage on the Ochlocknee River. Property is traversed by the right of the way for Interstate Highway 10; however, no access is available.

Land has gently to moderately rolling topography and fronts on the north side of U.S. Highway 90. Topography is gently sloping and the elevation descends to its lowest point, which is the ordinary high water mark of the Ochlockonee River, the boundary on the east side.

Pine timber reservations: "Grantors retains the right to harvest, manage and replant all pine timber resources on the property. Grantor shall neither increase the drainage of water nor impede the natural movement of water across any site through any management practices including but not limited to bedding, ditching or road construction."

Forested wetlands: "Forested wetlands shall be managed or allowed to naturally regenerate to restore and preserve their natural character. There shall be no cutting of the hardwood timber or

conversion of these lands to a more intensive use. In the event timber is damaged by natural disaster, fire, disease, insect infestation or the like, Grantor shall be entitled to the proceeds."

Future Development Rights: This conservation easement will transfer all future residential, commercial, industrial and incidental development rights of the Grantor.

Hunting rights: " Grantor retains the right to manage, fish, and hunt and remove wildlife located on the Protected Property so long as such activity does not constitute a danger to Grantee's employee's, agents, officers…Grantor can maintain up to 25 total acres of wildlife food plots in clearings existing at the time of the granting of this easement."

Reverter: "In the event Grantor is unable to use the hunting or fishing rights reserved herein by reason of a government prohibition, the easement granted herein may be voided and all interests in the property revert to the Grantor, his successors and assigns. The Grantor, his successors and assigns, shall exercise the right to grant to the Grantee, the right of first refusal."

Note: This reverter clause is of such remoteness that it has no essential effect.

Release "Approximately (blank) acres" of the property is in consideration for a Florida Department of Environmental Protection permit (No. DF20-0128595-003-1) U. S. Corp of Engineers permit No.199506559IP-MP and Consent Agreement dated August 7,1997 between the United States Environmental Protection Agency and the White Hunt Partnership."

Allocated value is supported by the following sales, which are adjusted for time and location, as other attributes are reasonably comparable.

Parties	Sale Price	Time	Location	Adjusted Sale price
Sale No. 1 Mortham-Talquin Ventures	$7,400	1.070	0.500	$4,218
Sale No. 2 Booth Holdings- River Oaks Plantation, LLC	$4,000	1.100	0.90	$4,000
Sale No. 3 Little River Plantation LLC Booth Holding LLC	$3,316	1.10	1.10	$3,979

Allocated value, which can be assigned on the basis of these transactions for the Remainder area, is at the rate of $4,000 per acre.

Conclusion will be:

361 acres at the rate of $4,000 per acre equals:	$1,444,000.00

Timber situated on the parcel is good; however, it did not affect the selling price, which was based on a recreational highest and best use.

Of the total area, 312 acres have been encumbered with a perpetual conservation easement. Donee of the easement is the State of Florida and its Northwest Florida Water Management District.

Easement terms permit placement of two (2) residences and partitioning of the property into two (2) entities, in the event of a sale. Highest and best use of the encumbered area is limited to that of a residential estate, which is, recreation based and could include hunting wildlife observation etc.

Sale was in two transactions with the earlier of these being to the son of one of the Grantors (on the day prior to this closing).

Allocation of the selling price is:

Total sale price:	$1,852,625.00
Encumbered area:	
312 acres at $1,300.00 per acre	$ 408,625.00
Remainder area:	
361 acres (at $4,000.00 per acre)	$1,444,000.00
	$1,852,625.00 r/t
Diminution displayed in percent for the encumbered is:	67.50
Selling price, the encumbered area:	$1,300.00 per acre

Verified: Mr. Lex Thompson/Seller, LEC

Real Estate Sale No. 4

(Sale of a Property partially encumbered), Chemonie Plantation – (A part) Leon County, Florida

Date of the sale:	January 05, 2006
Grantor:	Chemonie Plantation, LLC Wayne T. Davis Trust
Grantee:	Cahoon Land & Timber, LLC
Location:	Property comprises a parcel of land containing 2,407.59 acres, more or less, situated on Miccosukee Road, in Metropolitan Tallahassee, Florida's northeast sector.
Legal Description:	Metes and bounds description describes a tract of land containing 2,407.59 acres, more or less.
Recorded:	O.R.B. 3343 Page 1031
Gross sale price:	$13,045,540.00

Comments and analysis:

This portion of Chemonie Plantation is located on the west side of Miccosukee Road opposite the main portion of the estate. Tract has essentially no merchantable timber having been cut-over during the past. Elevation of the property ranges from gently sloping to moderately rolling.

Miccosukee Road has been designated as a "Canopy Road", by Leon County, Florida and is subject to fifty-foot set-back for canopy protection. Access controls are also present.

Principal feature of this side of the Plantation is Gum Pond, a scenic and desirable water boundary situated near the eastern limits (Miccosukee Road) of the tract. This major water boundary, along with several smaller ones, provides waterfowl habitat and shooting and interest for potential development.

West boundary of the property is largely formed by the thread of a creek system flowing north south. Area adjoining the boundary (subject) is wet, for the most part and consists of creek bottoms.

Near the southwest corner, the boundary turns eastward and projects for an approximate quarter section; at the eastern limit, the boundary turns south with a tangent leading into Section 34. From here, the boundary continues eastward and merges with the boundary of Miccosukee Road.

Road frontage for the estate is extensive. Boundary is on the east side of Miccosukee Road, as discussed and is approximately 2.7 miles. Estate is traversed, in the northern portion, by a one-hundred foot right-of-way for an electric power line. Effect on marketability of this power line is nil.

Property is also subject to three conservation easements

Conveyance I	400.00 acres, more or less
Conveyance II	85.00 acres, more or less
T. Wayne Davis, Trust	225.00 acres, more or less
Total encumbered:	710.00 acres, more or less

Effect of these easements is most affirmatively negative on market value. Conveyance number one occupies road frontage, and Easement number two, while not extending fully to the right of way for Miccosukee Road, is a short distance removed and contiguous to Phase No. I.

Conveyance I and II are further debilitating to the estate in that they occupy, for the most part, the marketable south portion of the tract, bounded by Miccouskee Road right of way.

Unencumbered remainder, north of conveyance I and II, includes upland and traversing stream beds, which include adjacent wetlands.

Third of the easement parcels lies in the northwest corner of the estate and occupies 225 acres, more or less. This area of the conveyed subject adjoins subdivided land and has road frontage. Tract could not be used for purposes of subdivision or subdivision supplement in view of the terms of the conservation easement however. Encumbered parcel, owned by the T. Wayne Davis Trust, traversed by the electric power line right of way, discussed above and runs from east to west.

In addition to Gum Pond (about 25 acres), the estate also has some seven small-to-mid-size ponds which are naturally retained. Other wetlands are present in the southern and western portions of the estate. Most of these ponds could be utilized in association with a proposed residential development, which constitutes the highest and best use for the estate.

Soils range from clayey to sandy clay loam. Drainage is average to poor, with the wetlands possessing the latter character.

Internal road system is excellent. Roadways are well maintained and well drained. All are dirt surfaced with grass sod mostly present.

Donee policy allows one building site per 500 acres and none of the easement tracts have this area individually. It is assumed however, that one site could be negotiated for the collective total (710 acres).

Timber was of relatively modest contribution, as discussed. Based on a review of the encumbered values, assigned at the date of the appraisals for the donations, $1,250.00 per acre (X) an implied rate of increase for the encumbered areas is at the rate of 2.9 percent per year. This apparent increase is largely negated by date from other locations, which display no increase or decreases.

Allocation is based on appraisal classifications

Sale price:	$13,045,540.00
Allocation:	
Encumbered area:	
710.00 acres at $1,500.00 per ac.:	$1,065,000.00
Unencumbered area:	
1,697.50 acres at +/- $7,057.00 per acre.	$11,980,540.00
Total:	$13,045,540.00

Typical of the area, the subject contains an estimated 450 of land, which lie below the one hundred year flood elevation line. Area of the individual zones varies from approximately 70.0 acres for Gum Pond and surrounding wetlands to 200.00 acres. Other portions of the flood zone area are comprised of somewhat narrow stream beds and associated banks. Land below the flood contour is estimated at plus or minus twenty percent. Additional wetlands above this contour bring the total to twenty-five percent. Wetlands ratio is not uncommon for properties in the North-Florida South-Georgia area.

Utility of the lands below this contour as well as wetlands not included in the calculations above is contributory to highest and best use utility (as demonstrated in recent negotiations involving Falls Chase development) where the developer has proposed delineating residential sites with building pads above the one hundred year flood elevation on sites involving a lake bed.

Gum Pond and other water bodies in the subject contribute to its attractiveness. Zoning would permit no more than one dwelling unit per ten acres. Utilities include City water along Miccosukee Road as well as electricity.

Northwest corner of the estate adjoins Chemonie Crossing, a high-end residential development. Portions of this development are traversed with the streams and lower areas, which enter and traverse the subject. Potential development of the subject could have mimicked this very successful subdivision but for the easements.

Overall conclusion:

In the array of comparable sales, the allocation for unencumbered areas of this transaction was found to be lower than all of the data this during a period of unprecedented demand for

properties of this nature. Buyer resistance is evident and potential buyers rejected the opportunity to acquire it. An earlier option, at above $15 million did not close owning to a lack of secondary participation. Resistance stemmed from problems of development owing to the unfavorable placement of the easements.

Inescapable conclusion includes the reality that the easements' presence (3) locations, affected the marketability of the entire parcel. Unencumbered are, when allocated, sold for less than two other portions of the same Plantation. Both some years past but encumbered (one an acquisition, the second as sell-off).

Data is also available to quantify the allocation to the encumbered areas. Sales are included in the appraisal of the encumbered fee estate portion of the report.

Sale No. 7	(escalated for time)	$1,500 per acre
Sale No. 8	(escalated for time)	$1,500 per acre
Sale No. 9	(escalated for time)	$2,083 per acre
Sale No. 10	(escalated for time)	$1,628 per acre

Overall sale price, unencumbered and encumbered: $5,418.00r/t per acre

Sale price, unencumbered uplands: $7,057.00r/t per acre

Sale price, encumbered area: $1,500 per acre

Diminution in percent: 78.70

Verified: Mr. T. Wayne Davis. Winn-Dixie Stores. Jacksonville, Florida/Appraisal details LEC

Listed below are sale transactions, which support the market value of the upland portion of the Chemonie Plantation sale:

Buyer	Date	O.R.B.	Acres	Sale price per acre	Sale Price for time
T. Wayne Davis/ Chemonie Plant not part of subj.	03-19-99	2231/782	675.26	$5,600	$7,616
Fonvielle Trust/ Chemonie Plant.	11-19-00	2437/2087	511.04	$6,750	$8,775
Conservation Comm. I, II Horseshoe Plant.	03-21-05	3257/1647	975.00	$15,846	$17,431
Horseshoe Crab LLC Horseshoe Plant.	11-01-05	3185/2127	327.86	$10,000	$11,000
Pointe North Horseshoe Plant	05-27-04	3095/1302	569.72	$12,286	$13,883

Allocation for the subject, (unencumbered area) at $7,057 per acre, is lower than the indicated selling price, based on the two sales of other options of this plantation, tabulated above i.e. $7,616 and $8,775 per acre. Ratio of wetlands to uplands for these tracts is generally comparable to the subject.

Conservation Communities sale, like the subject, is located on a Canopy Road. While the locations for this sale and the other two portions of Horseshoe Plantation are superior to the subject, it should be observed that the Horseshoe Plantation sales are on an unpaved road.

Allocation, in summary, attributes the lowest reasonable value to the uplands, which would permit any significant value to be applied to the encumbered portion of the sale. Allocations are then in summary:

Unencumbered areas:	$7,057.00 per acre
Encumbered areas:	$1,500.00 per acre

Land Sale No. 5

Property Identification	
Record ID	723
Property Type	Wilderness Preserve
Property Name	Eased Property Sale
Address	Off Reynolds Road, Surry County, North Carolina
Sale Data	
Grantor	Devotion Properties LLC
Grantee	Saddle Mountain Falls LLC
Sale Date	March 25, 2003
Deed Book/Page	929 970
Property Rights	Subject to Easement
Financing	Cash
Verification	Paul Chrysson Grantor
Sale Price	$407,000
Cash Equivalent	$407,000
Adjusted Price	$407,000
Land Data	
Zoning	None
Topography	Sloping to Steep
Utilities	T and E only
Land Size Information	
Gross Land Size	402.860 Acres or 17,548,582 SF
Indicators	
Sale Price/Gross Acre	$1,010
Sale Price/Gross SF	$0.02

Remarks

Unimproved tract with a conservation easement in place that restricts all development. The probable price without an easement in place was $4,000 an acre.

Land Sale No. 6

Property Identification	
Record ID	724
Property Type	Mountain Development
Property Name	Eased Land NC
Address	2601 Acres on Grandfather Mountain, North Carolina
Location	Avery, Watuaga and Caldwell Counties
Sale Data	
Grantor	Grandfather Mountain Inc.
Grantee	Conservation Fund State of NC
Sale Date	June 04, 2009
Deed Book/Page	512/407
Property Rights	Subject to Conservation Easement
Financing	Cash
Verification	Deeds
Sale Price	$12,000,000
Cash Equivalent	$12,000,000
Adjusted Price	$12,000,000
Land Data	
Zoning	None
Topography	Mountain 3500 to 6000 feet
Utilities	Telephone and Electricity
Land Size Information	
Gross Land Size	2,601.000 Acres or 113,299,560 SF
Indicators	
Sale Price/Gross Acre	$4,614
Sale Price/Gross SF	$0.11

Remarks

Property is under a Conservation Easement. Restricted to recreational use. No Hunting or development is allowed. Property had a value prior to the easement of about $19,000 per acre.

Land Sale No. 7

Property Identification	
Record ID	79
Property Type	Vacant Land
Property Name	
Address	End of Plum Orchard Rd, Persimmon Community, , Rabun, GA
Sale Data	
Grantor	Holden Branch, LLC, Jack Branch, LLC, & Orchard Creek, LLC
Grantee	Michelle Eubank Investments, LLC & Hardyn Eubank Investments, LLC
Sale Date	June 03, 2011
Deed Book/Page	H37 / 540, 544, 548
Property Rights	
Financing	Cash to Seller
Conditions of Sale	Arms Length
Sale Price	$942,000
Adjusted Sale Price	$242,000
Land Data	
Zoning	Residential
Topography	Sloping to steep
Utilities	Telephone and electricity only
Land Size Information	
Gross Land Size	114.050 Acres or 4,968,018 SF
Indicators	
Sale Price/Gross Acre	$8,260
Sale Price/Gross SF	$0.19
Adjusted Price/Gross Acre	$2,122

Remarks

This sloping to steep tract of land has right-of-way access only from the end of Plum Orchard Road through an adjoining property. Included in the total sale of $1,200,000 are seven 3-acre homesites that per the grantor had a value of $100,000 each. The remaining land area of 114.05 acres is restricted by a conservation easement on the property to agricultural and recreational use only. The property is sloping to steep with some views from the ridgetops, but development of the entire parcel would have been difficult due to topography.

Conclusions

I presented seven encumbered sales. The sales ranged in value from a low of $242 per acre to a high of $4,614 per acre. Sale 7 has seven reserved home sites. Our site has two reserved building sites.

Sale 1 sold at $3,600 per acre. It was improved with very nice homes. An additional home site is allowed.

I decided to use a reduced after value of $1,550 per acre for the Subject Property. This value is within the comparable range of $242 per acre and $4,614 per acre. The comparables with the higher price per acre values retained more development rights than those at the lower range. The Subject Property is stripped of all of its development rights, except for the one reserved residential site and one reserved recreational site; therefore, I chose to use a price per acre value for the subject that falls slightly lower than mid-range. The Subject Property is suburban and is in the path of development.

I think it is of particular note that the tax courts have held up the notion that an easement is recognized by the market and that diminution is created by the easement. Some of the cases cited in the following article are Akers, Symington, Fannin and Schwab.

Ralph Stewart Bowden, Inc. Real Estate Counselors prepared a report that discusses the valuation of the property after the placement of the perpetual easement. This supports the valuation conclusions of this section. A copy of the report is included in the appraiser's files and can be produced if necessary.

Estimate of the After Value:

The following valuation is for the encumbered land only.

Tract	Acres	Price per Acre	Indicated
Sanibel Resort	**28.53**	**$1,550**	**$44,222**

The encumbered property also includes one (1) reserved residential building site and one (1) reserved recreational building site. While these sites remain part of the eased property and are subject to the rules and restrictions of the easement, they do maintain limited building rights, as defined by the easement, and therefore, require an additional value over that of the per acre value of the encumbered property. It should be noted that these lots are not build ready lots and will incur some development costs to make them so. The following shows the valuation breakdown of these reserved lots. It is then added to the value of the encumbered acreage to determine the total After value of the Subject Property.

	Lots	Value/Cost per Lot	FMV
Reserved Residential Lot	1	$150,000	$150,000
Reserved Recreational Lot	1	$110,000	$110,000
Less			
Development Costs	2	$20,000	$40,000
			$220,000

It is my opinion that the fee simple interest of the Subject Property subject to a perpetual conservation easement as of December 15, 2015 is, say

Two Hundred Sixty-Four Thousand Two Hundred Twenty-Two Dollars

TAX PRACTICE
tax notes

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Courts to IRS: Ease Up on Conservation Easement Valuations

By Scott D. McClure, Steven E. Hollingworth, and Nicole D. Brown

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The popularity of donating conservation easements has exploded in recent years. According to statistics reported by the Land Trust Alliance, between 2000 and 2005, the amount of land protected by local and state land trusts using easements doubled, totaling 6.2 million acres. In response to this growing popularity, the IRS has begun scrutinizing charitable contribution deductions for conservation easements, including challenging the valuation given by some donors. Increasingly, the IRS has taken the position that conservation easements have little or no value.

Generally, conservation easements are legal agreements in which the owner of real property agrees to voluntarily restrict his use or development of the land to a conservation purpose. The income tax deduction for these easements was made a permanent feature of the Internal Revenue Code in 1980 as a result of Congress's recognition that "the preservation of our country's natural resources and cultural heritage is important, and . . . that conservation easements now play an important role in preservation efforts."[1]

This article, after reviewing the general requirements for the income tax deduction and applicable limitations, reviews court decisions addressing the valuation of conservation easements and concludes that courts largely reject the IRS's zero or negligible valuation position and find significant value in conservation easements.

A. Qualified Conservation Contributions

1. Qualified conservation contribution defined. Taxpayers may claim federal income tax deductions for qualified conservation contributions. Section 170(h) defines qualified conservation contributions as contributions (1) of a qualified real property interest; (2) to a qualified organization; and (3) exclusively for conservation purposes. Included in the definition of qualified real property interest is a conservation easement that restricts, in perpetuity, the use of the property to conservation purposes. The term "conservation purpose" includes (1) the preservation of land areas for outdoor recreation by, or the education of, the general public; (2) the protection of a relatively natural habitat of fish, wildlife, or plants, or similar ecosystem; (3) the preservation of open space, including farmland and forest land; and (4) the preservation of a historically important land area or certified historic structure. The qualified organizations that can receive these donations include governmental units and publicly supported charitable organizations.

Some state tax benefits not addressed in this article are also available for qualified conservation contributions.[2]

2. Deduction limits and extended carryforward of excess deductions. An individual taxpayer who makes a qualified conservation contribution may deduct the FMV of a qualified conservation contribution up to the excess of 50 percent of the donor's "contribution base" (generally, contribution base refers to a taxpayer's adjusted gross income) over the amount of all other allowable charitable contributions.[3] A qualified farmer or rancher may deduct up to the excess of 100 percent of his contribution base over the amount of all other charitable contributions.[4] Any unused portion of a qualified conservation contribution may be carried forward a maximum of 15 years.[5] When calculating a taxpayer's deduction, if the taxpayer makes contributions in addition to qualified conservation contributions in a given year, other contributions are used first against existing deduction limits. Only after the other contributions are used up are qualified conservation contributions taken into account.

The tax incentive provisions described above expire on December 31, 2009. On expiration, the deduction limits for a qualified conservation contribution will be the same as those generally applicable to charitable contributions. For example, the FMV of a contribution of long-term capital gain property generally may be deductible by an individual only to the extent of 30 percent of the donor's contribution base, and any excess may be carried forward for 5, rather than 15, years.[6] There is support in Congress for extending the increased tax incentives beyond 2009. On April 3, 2009, Rep. Mike Thompson, D-Calif., and House Ways and Means Committee member Eric Cantor, R-Va., accompanied by 93

[1] S. Rep. No. 96-1007, 96th Cong., 2d Sess. 1980.

[2] Sections 170(f) and 2055(e).
[3] Section 170(b)(1)(E)(i) and (b)(1)(C).
[4] Section 170(b)(1)(E)(iv).
[5] Section 170(b)(1)(E)(ii).
[6] Section 170(b)(1)(C)(i) and (ii).

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original cosponsors, including 13 additional members of the Ways and Means Committee, introduced the Conservation Easement Incentive Act (H.R. 1831). That act will make permanent the tax incentive provisions described above. A bill with identical effect, the Rural Heritage Conservation Act of 2009 (S. 812), was introduced in the Senate by Finance Committee Chair Max Baucus, D-Mont., and ranking minority member Chuck Grassley, R-Iowa, on April 2, 2009.

B. Placing a Value on Conservation

The value of a qualified conservation contribution under section 170 is equal to the FMV of the contributed property at the time of the contribution. As provided in reg. section 1.170A-14(h)(3)(i), the FMV of contributed property should be calculated using a sales comparable method if there is a substantial record of sales of comparable easements. However, conservation easements are typically unique in nature, and, as explained by the Tax Court in *S.K. Johnson III*,[7] "a conservation easement . . . is normally granted by deed of gift, consequently, there is rarely an established market from which to derive fair market value."[8] When "no substantial record of marketplace sales is available to use as a meaningful or valid comparison," the regulations provide that a "before and after" approach generally should be applied to calculate the FMV of the contributed property.[9] Under the before-and-after approach, the FMV of contributed property is equal to the difference between the FMV of the property it encumbers before the granting of the restriction and the FMV of the encumbered property after the granting of the restriction. Reg. section 1.170A-14(h)(3)(ii) notes that in applying the before-and-after approach, the FMV of the property before the contribution of a conservation restriction "must take into account not only the current use of the property but also an objective assessment of how immediate or remote the likelihood is that the property, absent the restriction, would in fact be developed, as well as any effect from zoning, conservation, or historic preservation laws that already restrict the property's potential highest and best use."

Calculating FMV under the before-and-after method is a fact-intensive analysis, and courts may take a hands-on approach. As the Tax Court described in *Akers*,[10] "valuation is not an exact science and cannot be determined with mathematical precision. It is a subjective determination which requires the exercise of our best judgment considering all the facts and circumstances of record."[11] Describing the court's role concerning valuation, the Court of Federal Claims in *McLennan* explained that the court is "not restricted to choose one valuation over the other, but may extract relevant findings from each in drawing . . . conclusions."[12]

The table at the end of this article summarizes valuation determinations across a sample of 26 cases. It highlights the range of values assigned to the contributed properties as well as the courts' practice of assigning a unique (and significant) value to the contributed properties. The courts have often arrived at a valuation independently and have avoided merely splitting the difference between the parties.

C. Courts Largely Reject IRS Zero Valuation

In a news release (IR-2004-86 (June 30, 2004), Doc 2004-13681, 2004 TNT 127-7), the IRS announced its intent to subject the valuation of conservation contributions to greater scrutiny, stating that it was aware that "some taxpayers are claiming inappropriate charitable contribution deductions for easement transfers that do not qualify as qualified conservation contributions, or are claiming deductions for amounts that exceed the fair market value of the donated easement." The IRS has reacted to those perceived abuses by challenging taxpayer valuations of conservation contributions, frequently arguing that the contributed easement has no value. Reg. section 1.170A-14(h)(3)(ii) raises the theoretical possibility of a zero value, stating that "there may be instances where the grant of a conservation restriction may have no material effect on the value of the property or may in fact serve to enhance, rather than reduce, the value of the property." As a practical matter, however, the courts have generally rejected a zero valuation argument, often expressing doubt that a perpetual restriction may ever have a value of zero.

Although taxpayers often have had their initial valuations reduced on challenge by the IRS, the table of cases at the end of this article shows that the courts consistently find significant value in qualified conservation contributions. In the 26 valuation cases included in the table, court judgments range from $31,888 to $28,656,888. In nine of those cases, the IRS asserted that the contributed property had a zero value. The court rejected the IRS's zero valuation in each of those cases, assigning values ranging from $65,860 to $1,961,875.

In *Akers*, for example, the Tax Court rejected the IRS's argument that the value of the land would not be affected by the granting of the easement. *Akers* involved the granting of an easement over 1,342.66 acres located in Tennessee. The easement was granted for scenic enjoyment of the public as well as conservation and protection of the natural environmental systems on the property. The easement also limited the number of family dwelling units to one per 281 acres. Rejecting the valuation determined by the IRS expert, the Tax Court said, "We cannot accept Mr. Johnson's opinion that the restrictions put on the land by the easement would in no way reduce its value. Mr. Johnson reached this conclusion by confusing

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[7]*Johnson v. Commissioner*, T.C. Memo. 1997-475, *Doc 97-36076*, 97 TNT 201-8.

[8]*Id.* at 33n7.

[9]Reg. section 1.170A-14(h)(3)(i).

[10]*Akers v. Commissioner*, T.C. Memo. 1984-490 (citing *Messing v. Commissioner*, 48 T.C. 502, 512 (1967)).

[11]*Id.* at p. 84-1971.

[12]*McLennan v. United States*, 23 Cl. Ct. 99 (1991) (citing *Chester W. Fenton Jr.*, T.C. Memo. 1986-572 at 86-2668, *modified in unpublished opinion*, 842 F.2d 1290 (8th Cir. 1988)).

Tax Notes, August 10, 2009, p. 552, Document 2009-17116, 2009 TNT 154-10

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the post-easement value of the land to Mr. Akers with the fair market value of the land to a willing buyer and seller. . . . The restrictions clearly affect any potential use of the land."[24] The Sixth Circuit affirmed.

The Tax Court expressed similar skepticism of the IRS's valuation in *Symington*,[25] in which the taxpayer donated a perpetual open space easement, prohibiting subdivision and restricting the construction of new buildings. The IRS expert in *Symington* concluded that the conveyance of the open-space easement had no adverse effect on the FMV of the affected property. The Tax Court disagreed with the IRS expert, saying:

> We are hard pressed to imagine a prospective purchaser of a 60-plus acre parcel of land who would not have considered the restrictions of such an open-space easement in determining his offering price. The fact that a purchaser of Friendship Farm would have been precluded from even giving away part of his land if he ever so desired, for example to his children, or, along the same lines, precluded from ever building an additional home on his property, would certainly have affected the purchase price he would have been willing to pay.[26]

The Tax Court followed the same approach in *David L. Famum*.[27] In that case, the IRS expert argued that a taxpayer's donation of a perpetual open-space easement had no value, on the basis that agricultural use was the highest and best use of the property both before and after the easement, and that the easement did not interfere with that use. Rejecting the notion that these facts would necessarily result in a zero value for the easement, the Tax Court said, "On its face, this appears to us to be short-sighted. Even if the highest and best use of the land before the easement was for agricultural uses, or as a country gentleman's estate, the imposition of the easement was bound to reduce the value somewhat, unless we acknowledge that such use of the land will never change."[28] The Tax Court ultimately held that the easement resulted in a 37 percent reduction in the value of the property, or $65,560.

The Tax Court also criticized the IRS's zero value argument in *Schwab*.[29] The taxpayer in *Schwab* granted, in perpetuity, an agricultural open-space conservation easement on a 1,558-acre parcel located in California. The easement prohibited the construction of permanent structures, subdivision, and timber harvesting. The taxpayer's expert determined that the easement had a value of $930,000. The IRS expert argued that the easement had no value because "the highest and best use of a fee simple interest in the land remained the same after donation of the easement."[30] Rejecting the zero valuation as untenable, the Tax Court held that the easement had a value of $548,000. The Tax Court found it "hard to imagine a prospective purchaser of a 1,558-acre parcel of land who would not have considered the restrictions of the open-space easement in determining the price."[31]

In a recent case, *Hughes*,[32] the Tax Court set forth its most detailed analysis yet of the zero value argument. In *Hughes* the taxpayer granted to a qualified organization an easement prohibiting subdividing the affected parcels, constructing buildings or other structures except for a single-family residential dwelling on each parcel, and using the parcels for any commercial, residential, or industrial uses not specifically permitted. The IRS sent the taxpayer a notice of deficiency, disallowing $1,107,635 of the taxpayer's claimed $3.1 million deduction. At trial, however, the IRS expert's report asserted values well below the amount allowed in the notice of deficiency, concluding that the FMV of the conservation easement was between zero and $226,135. The IRS expert's report included a chart that attempted to illustrate that the reduction in value "for those properties that did not experience a change in highest and best use . . . is quite small and was often found to be 0%."[33] Despite that report, the IRS did not assert an increased deficiency.

The Tax Court disapproved of the use of the IRS expert's matrix because it included information not connected with the parcels under examination. The court also strongly disagreed with the IRS expert's testimony that the easement had no real value:

> With respect to [IRS expert] Mr. Packard, we disagree with his conclusion that the conservation easement may have had no, or only a nominal, impact on the fair market values of the Ball Mountain and Sylvester parcels. See *Schwab*, T.C. Memo. 1994-232. ("We find it hard to imagine a prospective purchaser of a 1,558-acre parcel of land who would not have considered the restrictions of the open space easement in determining the price.")[34]

The Tax Court further noted that the IRS expert failed to consider two important factors. The first factor was the value of certain transferable Colorado state income tax credits. Because the grant of the conservation easement precluded any future purchaser of the property from obtaining the benefit of those credits, the FMV of the property would necessarily have been reduced as a result of the easement.

The second factor noted by the Tax Court was the IRS expert's failure to take into account the potential for changes in circumstances that could cause the easement to have a significant value, even if it did not currently restrict the highest and best use of the property. The Tax Court explained:

> Second, Mr. Packard has seemingly neglected the possibility that circumstances may change in the

[24] *Akers*, T.C. Memo. 1984-480 at 84-1929.
[25] *Symington v. Commissioner*, 87 T.C. 892 (1986).
[26] *Id.* at 896.
[27] *David L. Famum v. Commissioner*, T.C. Memo. 1999-376.
[28] *Id.* at 99-642.
[29] *Schwab v. Commissioner*, T.C. Memo. 1994-232, Doc 94-5677, 94 TNT 102-12.
[30] *Id.* at 94-1267.
[31] *Id.*
[32] *Hughes v. Commissioner*, T.C. Memo. 2009-94, Doc 2009-10226, 2009 TNT 86-12.
[33] *Id.* at 712.
[34] *Id.* at 712-713.

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> future. For example, although there was little demand for residential property at the time petitioner granted the easement, residential development may be a realistic possibility in the future. In that event, the conservation easement would nevertheless prevent petitioner or his successors in interest from taking advantage of potentially lucrative development opportunities. Mr. Packard should have at least considered this possibility in his report and, if appropriate, reflected it in the diminution in value of the Bull Mountain and Sylvester parcels' fair market values.[24]

In a footnote, the Tax Court rejected the argument that these factors would, as a practical matter, have no significant effect on the value of the affected property. The Tax Court cautioned, however, that the possibility of future development would need to be discounted to present value:

> Mr. Packard tried to explain that these two factors are of minimal importance "in the real world," but we are not persuaded. To the extent future demand for residential development could have been anticipated, any increase in fair market value due to such demand would have had to have been discounted under time value of money principles. There is no evidence that there will be significant demand for residential development in the area surrounding the Bull Mountain and Sylvester parcels in the near to intermediate future. Accordingly, in light of the necessary discount for the time value of money, the possibility of future residential development does not affect our conclusion as to the value of the conservation easement.[25]

The Tax Court concluded that the taxpayer was not entitled to claim more than the $1,992,375 amount that was allowed in the notice of deficiency. Accordingly, the Tax Court was not required to determine the exact value of the easement under examination. Nevertheless, the *Hughes* decision is an important indication of the courts' continued recognition that conservation easements generally have significant value.

We are aware of only two cases in which a court has acknowledged that a conservation easement may have zero value. In each of these cases, however, the courts ultimately found the easement to have significant value. In *Losch*[26] the taxpayer donated a scenic, open space, architectural façade, and partial interior easement in property located in a historic district of the District of Columbia. The IRS initially disallowed the deduction in full, asserting a value of zero in its notice of deficiency. At trial, the IRS conceded a value of $70,000. The Tax Court found that the taxpayer was not entitled to claim any diminution in value attributable to the donation of development rights, holding that the taxpayer failed to prove that further development of the property would have been economically feasible. Nevertheless, the Tax Court ultimately held that the property was reduced in value by $130,000. In *Stradtner*[27] the donated easement related to property located in an area that had high demand for property with rural development or recreational use, but with severe restrictions on supply. The IRS asserted that a comparable easement had zero value. Noting that "it is probable that a portion of the buying public will not pay less for petitioner's property even if it is encumbered by the . . . easement," the Tax Court took the zero value comparable into account in its averaging of five comparable diminution percentages to determine the deduction value of the easement.[28] Ultimately, the Tax Court concluded that the easement had a value of $1,129,680.

The courts' rejection of the IRS's zero value argument appears to be grounded on the recognition that a conservation easement is a permanent restriction on the use of property. Thus, even if the permissible use of the property does not currently appear to have been restricted by the grant of the easement, a future buyer of the property would necessarily take into account the possibility that circumstances could change to make the easement a more significant restriction. The possibility of increased future use, however remote, is restricted after the grant of an easement. As the Tax Court indicated in *Hughes*, this possibility must be taken into account in determining the value of the easement; consequently, it is difficult to conclude that the easement does not reduce the FMV of the property.

It is unclear if the IRS will continue to assert zero valuation in light of the courts' general rejection of this argument. It may be significant that in the recent cases of *Hughes* and *Whitehouse Hotel*,[29] the IRS did not ask the Tax Court to find that the value of the easement at issue was less than the amount allowed in the notice of deficiency, even though the IRS expert opined at trial that the value was nominal or zero.

D. Conclusion

Conservation easements have been subjected to increased scrutiny in recent years. The IRS has aggressively challenged the claimed value of conservation easements, frequently asserting that the value of the donated easement is zero. As discussed above, the courts generally have rejected this argument, recognizing that taxpayers who permanently restrict the permissible use of their property have given up significant value. As the recent *Hughes* decision indicates, valuation of a conservation easement must take into account the possibility of changed circumstances that may allow increased development of the affected property. Thus, a court may find that an easement has significant value even if it does not restrict the current highest and best use of the property.

Taxpayers should be encouraged that the courts have respected donations of conservation easements as having

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[24]*Id.* at 713.
[25]*Id.* at note 21.
[26]*Losch v. Commissioner*, T.C. Memo. 1998-230.
[27]*Stradtner v. Commissioner*, T.C. Memo. 2000-94, Doc 2000-8550, 2000 TNT 60-10.
[28]*Id.* at 810.
[29]*Whitehouse Hotel Ltd. Partp., et al. v. Commissioner*, 131 T.C. No. 10 (2008), Doc 2008-23156, 2008 TNT 217-12.

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significant value. Of course, the valuation of any easement depends on the facts and circumstances of each case. Taxpayers and their advisers should maximize their chances of success by ensuring that the appraisals substantiating the easement value are reasonable and well supported and by complying with all other requirements for the charitable deduction.

Table of Cases

(Cases Arranged in Alphabetical Order)

		Taxpayer Proposed Value	IRS Proposed Value	Court Judgment
William B. Akers v. Commissioner, T.C. Memo. 1984-600 (1984), *aff'd*, 799 F.2d 243 (6th Cir. 1986), *cert. denied*, 479 U.S. 1086 (1987)		$750,000	IRS expert #1: $0 IRS expert #2: $314,000	$133,000
Charles H. Browning Jr. v. Commissioner, 109 T.C. 303 (1997)		540,500	367,000	518,000
Abner H. Clowers v. Commissioner, T.C. Memo. 1992-436 (1992)		910,000	175,000 or 0	703,000
Dorrance v. Commissioner, T.C. Memo. 1998-382 (1998)		245,000	46,000	153,500
Chester W. Fannon Jr. v. Commissioner, T.C. Memo. 1986-572 (1986), *modified in unpublished opinion*, 862 (2d Cir. 1988) (6th Cir. 1988)		236,752	0	121,781
David L. Fannon v. Commissioner, T.C. Memo. 1989-136 (1989)		289,213	0	65,860
Orville W. Fink v. Commissioner, T.C. Memo. 1981-56 (1981)		286,350	27,500	175,000
Jeffrey E. Griffin v. Commissioner, T.C. Memo. 1989-130, *aff'd*, 911 F.2d 1124 (5th Cir. 1990)		195,000	65,000	29,000
Norma A. Higgins v. Commissioner, T.C. Memo. 1998-101 (1998)		310,000	50,150	165,000
Hilborn v. Commissioner, 85 T.C. 677 (1985)		90,000	24,500	55,275
Jack E. Hoplin v. Commissioner, T.C. Memo. 2000-98 (2000)		3,100,000	Between 0 and 238,176	1,692,375
J.K. Johnston III, et ux. et al. v. Commissioner, T.C. Memo. 1997-475 (1997)		1,131,348	200,500	1,131,348
Robert E. Lash v. Commissioner, T.C. Memo. 1998-230 (1998)		235,000	70,000	120,000
McLennan v. United States, 68 AFTR 2d 91-5972, 24 Cl. Ct. 192 (1991), *aff'd*, 994 F.2d 859 (1993)		1,159,654	20,000	321,000
Frank Nicholls v. Commissioner, T.C. Memo. 1998-165 (1998)		850,000	96,000	146,750
Richmond v. United States, 699 F. Supp. 578 (E.D. La. 1988)		150,000	50,000	50,000
John O. Nunnally v. Commissioner, T.C. Memo 1993-128 (1993)	Easement #1	375,000	200,000	375,000
	Easement #2	250,000	107,000	250,000
Charles K. Schmidt v. Commissioner, T.C. Memo. 1994-232 (1994)		900,000	0	543,000
Stanley Works v. Commissioner, 87 T.C. 389 (1986)		11,000,000	1,100,000	4,900,000
Henry T. Stelle, et al., T.C. Memo. 1987-255 (1987)		1,065,000	47,500	1,065,000
Katherine Strasburg v. Commissioner, T.C. Memo. 2000-94 (2000)	Orig. Easement	1,300,000	275,000	650,000
	Amend. To Easement	500,000	0	250,000
Symington v. Commissioner, 87 T.C. 892 (1986)		150,000	0	92,575
Robert H. Thayer v. Commissioner, T.C. Memo. 1977-220 (1977)		147,468	40,000	110,000
Todd v. United States, 617 F. Supp. 253 (W.D. Pa. 1985)		250,000	31,000	31,000
Whitehouse Hotel Ltd Partnership, et al. v. Commissioner, 131 T.C. No. 10 (Oct. 30, 2008)		7,448,000	0	3,792,201

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Reconciliation

I used the DCF method to estimate the market value of the parcel before encumbrance by a conservation easement and the Sales Comparison Approach to estimate the market value of the parcel after encumbrance by a conservation easement. This method has been recognized by the tax and appellate courts. This method has been used by the IRS in the following Tax Court cases: Kiva Dunes, Olson and Trout Ranch.

I also considered the issue of enhancement. Pursuant to Income Tax Treasury Regulation Section 1.170A-14(h)(3)(i), *...the granting of a conservation restriction has the effect of increasing the value of other property owned by the donor or related person, the amount of the deduction for the conservation contribution shall be reduced by the amount of the increase in value of the other property...*

The Subject Property has one (1) reserved residential building site and one (1) reserved recreational building site. These sites remain part of the eased property and, therefore are subject to the rules and restrictions of the easement; however, these two sites do have limited building rights, as defined in the easement, and as such, retain a value above that of the per acre value of the property once it is encumbered. It should be noted that these sites are not build ready and would have development costs. There is no enhancement.

The Fee Simple value of the Subject Property as of December 15, 2015 is:

Unencumbered	Acres	FMV
Before Value	28.53	$54,798,677

The value of the Subject Property, subject to a perpetual conservation easement as of December 15, 2015 is:

Encumbered	Acres	FMV
Total After Value – Land and Reserved Sites	28.53	$264,222

The value of the easement gift as of December 15, 2015 is as follows and is based upon the before and after value method.

	Acres	FMV
Before Value (Unencumbered)	28.53	$54,798,677
Less		
Total After Value (Encumbered)	28.53	$264,222
Value of the Easement	rounded	**$54,534,000**

Addenda

Qualifications
License
Sanibel Resort Unit Plans
RS Means Cost Estimates
Development Letters
Trout Ranch, LLC; Michael D. Wilson, Tax Matters Partner v. Commissioner of Internal Revenue
Kiva Dunes Conservation, LLC, E. A. Drummond, Tax Matters Partner v. Commissioner of Internal Revenue
Bowden Report – Before Scenario
Easement
Baseline

QUALIFICATIONS OF CLAUD CLARK III

NATIONAL REGISTRY
NATIONAL REGISTRY APPRAISER REPORT
CLAUD CLARK III

AL	G00024	CLARK	Certified General	Active	9/30/2017
FL	RZ3089	CLARK	Certified General	Active	11/30/2016
GA	CG322927	CLARK	Certified General	Active	7/31/2017
LA	G3823	CLARK	Certified General	Active	12/31/2016
MS	GA-778	CLARK	Certified General	Active	11/30/2015
NC	7166	CLARK	Certified General	Temp	1/20/2016
NM	3376-G	CLARK	Certified General	Active	4/30/2016
PA	GA004112	CLARK	Certified General	Active	6/30/2017
SC	AB-6878 CG	CLARK	Certified General	Active	06/30/2016
TN	4693	CLARK	Certified General	Active	07/31/2017
TX	1380003	CLARK	Certified General	Active	2/29/2016

Education

MBA University of South Alabama
BS University of Alabama

Appraisal Experience

1985 to Present Full time real estate appraiser

Expert Witness Experience

Qualified in the following courts:

US Tax Court
US Bankruptcy Court
Baldwin and Mobile Probate and Circuit Courts
Mediation in Baldwin County

Conservation Easement Appraisal Experience

I have made more than 200 Conservation Easement Appraisals.

Kiva Dunes vs. Commissioner IRS is a Tax Court Case I won. There was a $30,000,000 difference in opinions. I prevailed and the deduction was up at greater than 95%. The trial was 4.5 days.

Appraisal Experience and Education

Real Estate Appraisal Principles	Appraisal Institute 1986
Basic Valuation Procedures	Appraisal Institute 1986
Capitalization Theory	Appraisal Institute 1987
Standards of Prof. Practice	Appraisal Institute 1991
Standards of Prof. Practice	Perdue 1993
USPAP	Appraisal Institute 1997
Residential Design & Functional Utility	Appraisal Institute 1999
FHA & Appraisal Process	Appraisal Institute 1999
Analyzing Operation Expenses	Appraisal Institute 2001
FHA & Appraisal Process	Appraisal Institute 2001
Uniform Standards of Prof. Practice	Appraisal Institute 2001
Using Your HP12C Financial Calculator	Appraisal Institute 2001
Appraising Contaminated Properties	Appraisal Institute 2002
Using the Internet	Real Estate Web School 2002
USPAP Update	National School of Real Estate 2003
Appraisal Liability	McKissock Inc 2003
7 Hour USPAP Course	McKissock Inc 2003
National USPAP Update Equivalent	McKissock Inc 2005
Developing & Growing an Appraisal Practice	McKissock Inc 2005
Construction Details & Trends	McKissock Inc 2005
Fair Housing	McKissock Inc 2005
Appraising Conservation Easements	Appraisal Institute 2007
Advanced Sales and Cost Approaches	Appraisal Institute 2008
Highest and Best Use	Appraisal Institute 2008
USPAP Update	McKissock Inc. 2007
Advanced Income Capitalization	Appraisal Institute 2009
Advanced Applications	Appraisal Institute 2011
USPAP	Appraisal Institute 2011
Florida Supervisor/Trainee Roles and Relationships	Bert Rodgers Schools 2012
Mortgage Fraud – Protect Yourself	McKissock Inc. 2014
The Dirty Dozen	McKissock Inc. 2014
2014-2015 7-Hour National USPAP Update Course	McKissock Inc. 2014
Florida Appraisal Laws and Regulations	McKissock Inc. 2014
Introduction to Legal Description	McKissock Inc. 2014
Risky Business: Ways to Minimize Your Liability	McKissock Inc. 2014
Essential Elements of Disclosures and Disclamers	McKissock Inc. 2014
Online General Appraiser Report Writing and Case Studies	Appraisal Institute 2014

Clients (representative sample)

Colonial Bank now BB&T
AmSouth (Regions)
Regions Bank
Hancock Bank
Bank of America
Citi Bank
American Express
State Farm Insurance
Compass Bank
Wells Fargo
SouthTrust
NBC Bank
Merrill Lynch
Bank of America
Wells Fargo
RBC Bank
Centennial Bank
Sun Bank of Korea

ECOVEST-SF_0013126

License

BCD 075789

State of South Carolina
Department of Labor, Licensing and Regulation
Real Estate Appraisers Board

CLAUD CLARK III

Is hereby entitled in practice as a:

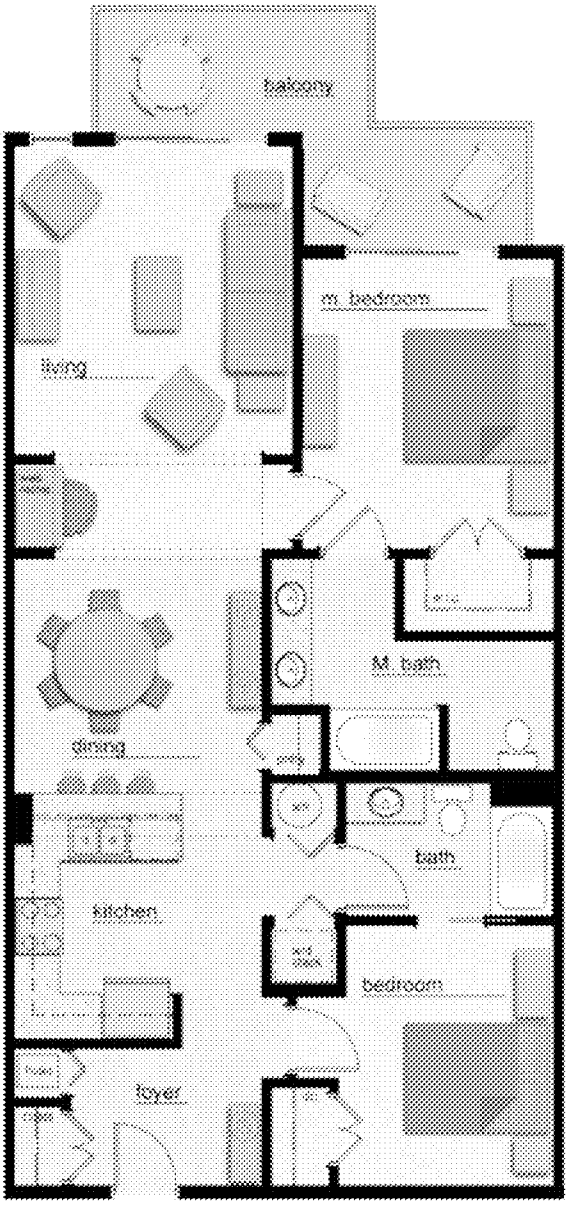
Certified General Appraiser

License Number: 6878

Expiration Date: 06/30/2016
POCKET CARD

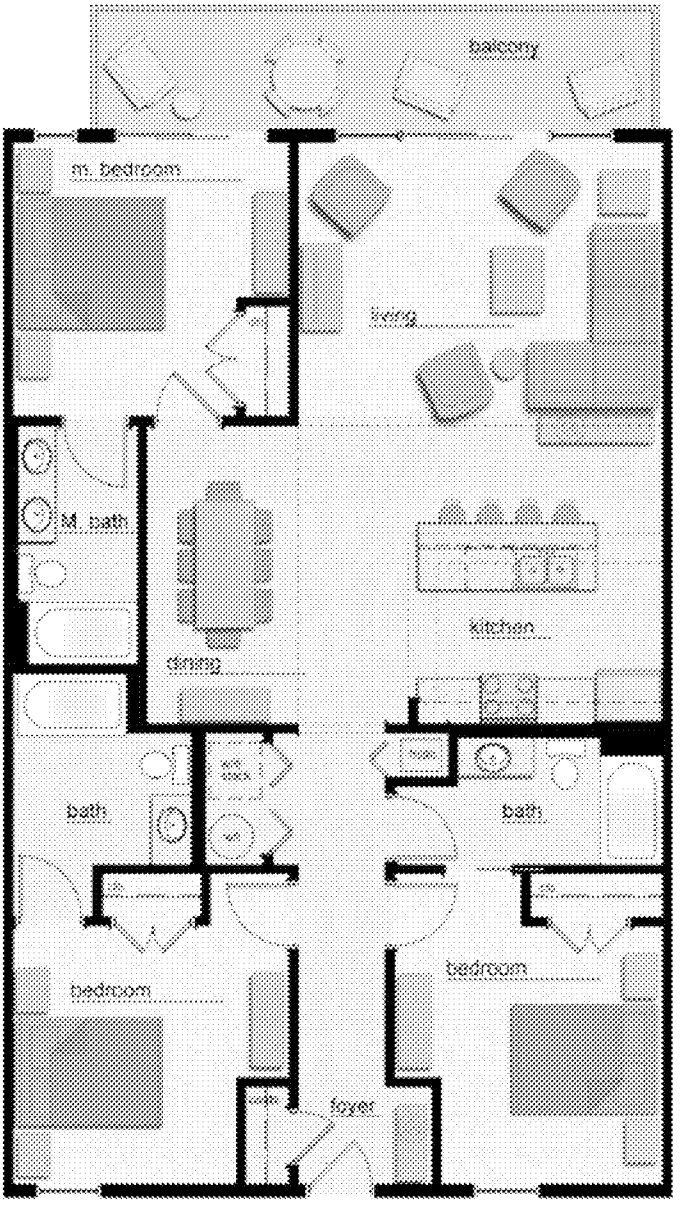
Administrator

Sanibel Resort Unit Plans



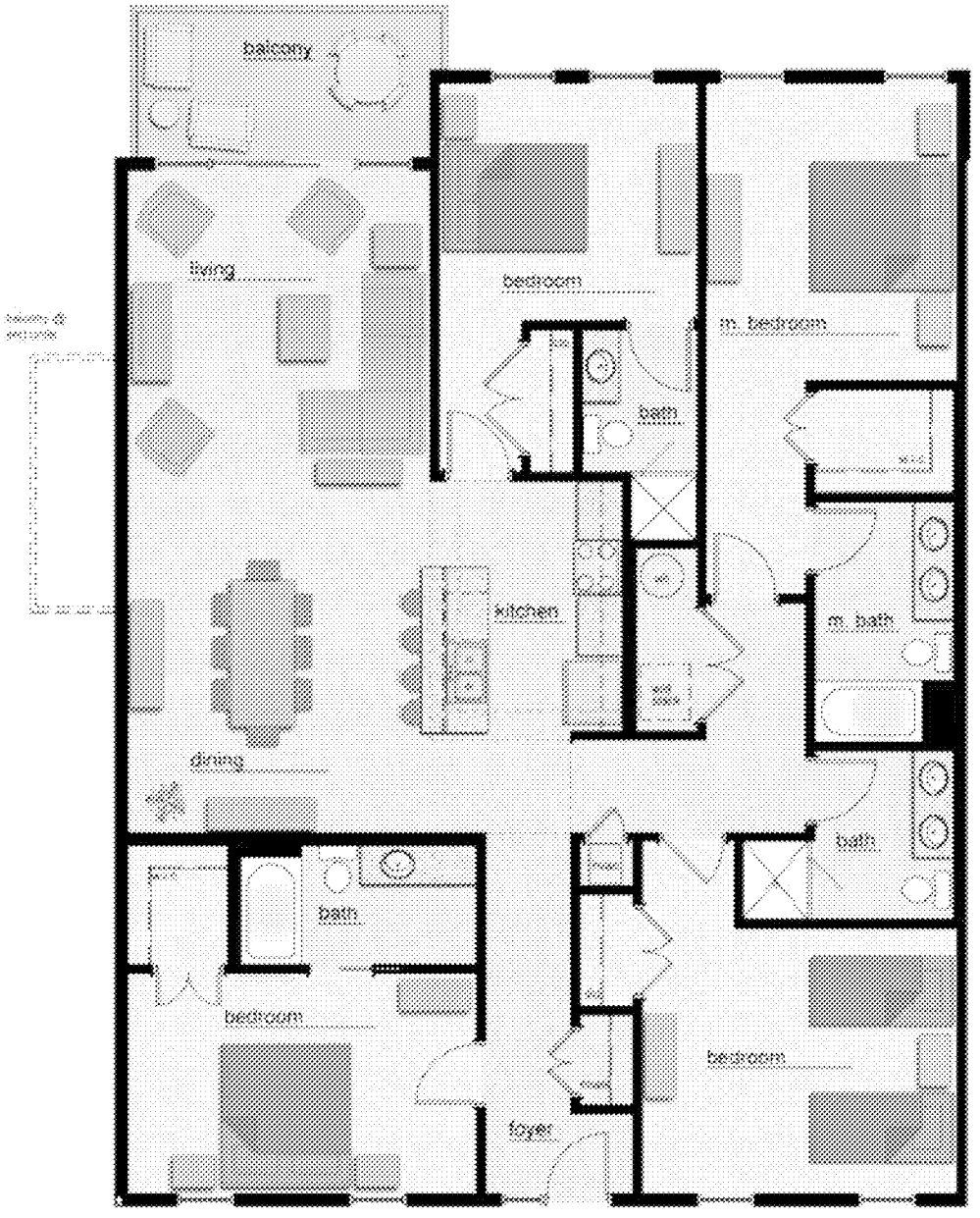
Sanibel Resort

Two Bedroom



Sanibel Resort

Three Bedroom



Sanibel Resort

Four Bedroom

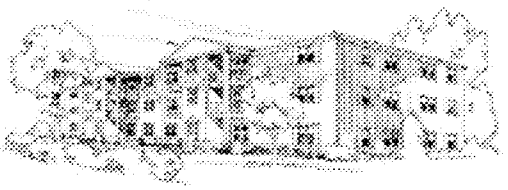
RS Means Cost Estimates

Tower

RSMeans

Square Foot Cost Estimate Report

Estimate Name:	Standard Tower
	[redacted]
	Cedar Myrtle Beach
	Myrtle Beach
Building Type:	Apartment, 4-7 Story with Decorative Concrete Block / Precast Frame
Location:	CHARLESTON, SC
Stories Count (L.F.):	7.00
Stories Height:	10.00
Floor Area (S.F.):	1,372,816.00
Labor Type:	OPN
Basement Included:	no
Data Release:	Year 2015 Quarter 3
Cost Per Square Foot:	$117.81
Total Building Cost:	$161,696,179.73



Costs are derived from a building model with basic components. Scope differences and custom modifications can affect costs in many applications.

** Area entered is outside the range recommended by RSMeans.

		% of Total	Cost Per S.F.	Cost
A Substructure		1.4%	$1.66	$2,321,818.05
A1010	Standard Foundations		$8.29	$11,368,486.58
	Strip footing, concrete, reinforced, load 22.0 KLF, soil bearing capacity 6 KSF, 16" deep x 48" wide		$0.64	$882,356.48
	Spread footings, 3000 PSI concrete, load 600K, soil bearing capacity 6 KSF, 9' - 6" square x 30" deep		$0.70	$964,134.96
A1030	Slab on Grade		$0.76	$1,037,886.15
	Slab on grade, 4" thick, light industrial, reinforced		$0.76	$1,037,886.15
A2010	Basement Excavation		$0.66	$58,891.88
	Excavate and fill, 100,000 SF, 4' deep, sand, gravel, or common earth, on site storage		$0.03	$58,891.88
A2020	Basement Walls		$0.66	$58,892.85
	Foundation wall, CIP, 4' wall height, direct chute, 1148 CY/LF, 7.5 PLF, 12" thick		$0.03	$58,892.85
B Shell		18.7%	$17.82	$25,779,279.24
B1010	Floor Construction		$15.58	$17,861,188.82
	Cast-in-place concrete column, 12" square, tied, 200K load, 10' story height, 140 lbs/LF, 4000 PSI		$0.19	$261,387.89
	Cast-in-place concrete beam and slab, 6" slab, one way, 18" column, 30'x35' bay, 40 PSF superimposed load, 169 PSF total load		$11.42	$15,672,806.73
	Cast-in-place concrete beam and slab, 6" slab, one way, 22" column, 30'x35' bay, 100 PSF superimposed load, 254 PSF total load		$3.98	$5,926,994.56
B1020	Roof Construction		$2.31	$3,462,982.37
	Roof, concrete, beam and slab, 30'x35' bay, 40 PSF superimposed load, 16" deep beam, 6" slab, 169 PSF total load		$2.31	$3,462,982.37
B2010	Exterior Walls		$1.61	$1,979,892.87
	Exterior wall, precast concrete, flat, 4" thick, 8' x 8', white face, low rise		$1.61	$1,979,892.87
B2020	Exterior Windows		$0.19	$286,716.24
	Windows, aluminum, sliding, standard glass, 5' x 3'		$0.19	$286,716.24
B2030	Exterior Doors		$0.58	$817,764.29

			% of Total	Cost Per SF	Cost
	Door, aluminum & glass, without transom, wide stile, hardware, 3'-0" x 7'-0" opening			$0.13	$348,118.88
	Door, aluminum & glass, without transom, non-standard, double door, hardware, 6'-0" x 7'-0" opening			$0.25	$688,888.88
B3010	Roof Coverings			$2.88	$7,96,223.58
	Roofing, asphalt flood coat, gravel, base sheet, 3 plies 15# asphalt felt, mopped			$0.20	$416,796.80
	Insulation, rigid, roof deck, composite with 2" EPS, 1" perlite			$0.24	$636,147.48
	Flashing, aluminum, no backing sides, .019"			$0.00	$1,825.27
	Gravel stop, aluminum, extruded, 4", mill finish, .050" thick			$0.02	$6,471.10
C Interiors			30.8%	$26.98	$56,921,634.26
C1010	Partitions			$4.60	$9,716,578.88
	Metal partition, 5/8" fire rated gypsum board face, 1/4" sound deadening gypsum board, 2-1/2" @ 24", same opposite face, no insulation			$4.45	$9,109,588.30
	1/2" fire rated gypsum board, taped & finished, painted on metal furring			$0.09	$197,388.88
C1020	Interior Doors			$6.88	$8,901,642.71
	Door, single leaf, wood frame, 3'-0" x 7'-0" x 1-3/8", birch, solid core			$1.00	$1,388,688.48
	Door, single leaf, wood frame, 3'-0" x 7'-0" x 1-3/8", birch, hollow core			$4.63	$6,602,889.23
C1030	Fittings			$3.84	$5,272,676.28
	Cabinets, residential, wall, two doors x 42" wide			$3.84	$5,272,676.28
C2010	Stair Construction			$2.84	$4,028,888.48
	Stairs, steel, cement filled metal pan & picket rail, 12 risers, with landing			$2.84	$4,028,888.48
C3010	Wall Finishes			$2.38	$2,908,316.79
	Painting, interior on plaster and drywall, walls & ceilings, roller work, primer & 2 coats			$0.81	$1,118,068.38
	Vinyl wall covering, fabric back, medium weight			$0.80	$1,088,888.28
	Ceramic tile, thin set, 4-1/4" x 4-1/4"			$0.82	$718,388.37
C3020	Floor Finishes			$4.88	$6,728,648.38
	Carpet tile, nylon, fusion bonded, 18" x 18" or 24" x 24", 24 oz			$1.28	$1,718,888.88
	Carpet tile, nylon, fusion bonded, 18" x 18" or 24" x 24", 28 oz			$1.43	$1,988,883.78
	Carpet, padding, add to above, 3" density			$0.28	$388,481.82
	Carpet, padding, add to above, 12.5 density			$0.37	$501,222.88
	Vinyl, composition tile, minimum			$0.28	$381,464.08
	Vinyl, composition tile, maximum			$0.34	$471,817.38
	Tile, ceramic natural clay			$0.84	$1,888,871.88
C3030	Ceiling Finishes			$3.75	$5,746,515.88
	Gypsum board ceilings, 1/2" fire rated gypsum board, painted and textured finish, 7/8" resilient channel furring, 24" OC support			$3.73	$5,146,213.88
D Services			46.0%	$38.71	$84,928,188.71
D1010	Elevators and Lifts			$5.48	$8,888,744.28
				$0.44	$803,884.38
	Traction, geared passenger, 3500 lb, 6 floors, 10' story height, 2 car group, 200 FPM			$4.43	$6,868,748.28
D2010	Plumbing Fixtures			$8.88	$10,841,888.87
	Kitchen sink sctmn, countertop, PE on CI, 24" x 21", single bowl			$1.37	$1,888,882.48
	Laundry sink sctmn, PE on CI, black iron frame, 24" x 20", single compt			$0.78	$1,188,848.48
	Service sink sctmn, PE on CI, corner floor, 28" x 28", with groove			$0.36	$488,883.88
	Bathroom, lavatory & water closet, 2 wall plumbing, stand alone			$1.88	$2,881,188.81
	Bathroom, three fixture, 2 wall plumbing, lavatory, water closet & bathtub, stand alone			$5.78	$7,944,778.88
D2020	Domestic Water Distribution			$3.38	$4,872,188.88
	Gas fired water heater, residential, 100< F rise, 30 gal tank, 30 GPH			$3.33	$4,872,188.38
D2040	Rain Water Drainage			$0.14	$198,228.87
	Roof drain, CI, soil, 4" diam, drain, 10' high			$0.07	$94,881.88
	Roof drain, CI, soil, 4" diam, for each additional foot add			$0.08	$108,188.84
D3010	Energy Supply			$6.08	$8,764,208.88

			% of Total	Cost Per S.F.	Cost
	Apartment building heating system, fin tube radiation, forced hot water, 20,000 SF area,200,000 CF vol.			$3.24	$7,194,200.00
D3020	Cooling Generating Systems			$7.06	$9,412,396.72
	Packaged chiller, air cooled, with fan coil unit, medical centers, 40,000 S.F, 90.00 ton			$7.06	$9,412,396.72
D4010	Sprinklers			$1.81	$2,409,967.81
	Wet pipe sprinkler systems, steel, light hazard, 1 floor, 10,000 S.F.			$0.40	$532,448.38
	Wet pipe sprinkler systems, steel, light hazard, each additional floor, 10,000 SF			$1.41	$1,877,501.03
D4020	Standpipes			$0.08	$101,992.40
	Wet standpipe risers, class III, steel, black, sch 40, 6" diam pipe, 1 floor			$0.01	$13,248.80
	Wet standpipe risers, class III, steel, black, sch 40, 6" diam pipe, additional floors			$0.01	$13,248.80
	Fire pump, electric, with controller, 4" pump, 30 HP, 500 GPM			$0.01	$17,992.80
D5010	Electrical Service/Distribution			$0.08	$103,737.38
	Overhead service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 1600 A			$0.02	$21,498.58
	Feeder installation 600 V, including RGS conduit and THHN wire, 1600 A			$0.04	$52,396.78
	Switchgear installation, incl switchboard, panels & circuit breaker, 120/208 V, 1600 A			$0.02	$29,864.00
D5020	Lighting and Branch Wiring			$4.38	$5,641,886.77
	Receptacles incl plate, box, conduit, wire, 10 per 1000 SF, 1.0 watts per SF			$1.82	$2,351,736.44
	Wall switches, 2.5 per 1000 SF			$0.28	$356,218.46
	Miscellaneous power, 2 watts			$0.26	$336,178.46
	Central air conditioning power, 3 watts			$0.30	$426,241.22
	Motor installation, three phase, 230 V, 10 HP motor size			$0.05	$6,603.78
	Incandescent fixtures recess mounted, type A, 1 watt per SF, 3 FC, 4 fixtures per 1000 SF			$1.69	$2,196,266.48
D5030	Communications and Security			$1.51	$1,922,886.84
	Communication and alarm systems, fire detection, addressable, 50 detectors, includes outlets, boxes, conduit and wire			$0.71	$907,879.83
	Fire alarm command center, addressable with voice, exc. wire & conduit			$0.01	$12,696.28
	Internet wiring, 3 data/voice outlets per 1000 S.F.			$0.29	$442,170.40
D5090	Other Electrical Systems			$0.17	$239,896.84
	Generator sets, w/battery, charger, muffler and transfer switch, gasoline operated, 3 phase, 4 wire, 277/480 V, 11.5 kW			$0.17	$239,568.06
	Generator sets, w/battery, charger, muffler and transfer switch, diesel engine with fuel tank, 30 kW			$0.00	$328.84
E Equipment & Furnish			3.1%	$2.66	$3,490,540.01
E1090	Other Equipment			$2.66	$3,360,693.01
				$0.33	$426,098.36
				$0.62	$819,897.88
				$0.43	$560,994.32
				$0.02	$34,094.46
				$0.19	$235,231.44
				$0.09	$119,394.40
				$0.43	$606,788.18
				$0.14	$188,878.44
				$0.44	$609,913.24
F Special Construction			0.0%	$0.00	$0.00
G Building Sitework			0.0%	$0.00	$0.00

	% of Total	Cost Per SF	Cost
Sub Total	100%	$88.16	$121,828,894.87
Contractor's Overhead & Profit	25.8 %	$22.84	$39,255,173.53
Architectural Fees	7.6 %	$7.71	$10,589,319.76
User Fees	0.0 %	$0.00	$0.00
Total Building Cost		$117.91	$161,865,178.72

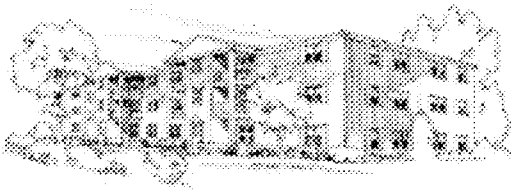
Garage

RSMeans Online

Square Foot Cost Estimate Report

Estimate Name:	Sanibel Garage
	Sanibel Garage
Date:	8/28/2015

Building Type:	Garage, Parking with Face Brick with Concrete Block Back-up / Precast Concrete
Location:	CHARLESTON, SC
Stories Count (L.F.):	6.00
Stories Height:	10.00
Floor Area (S.F.):	304,878.00
Labor Type:	OPN
Basement Included:	No
Data Release:	Year 2015 Quarter 3
Cost Per Square Foot:	$44.87
Total Building Cost:	$13,680,613.78



Costs are derived from a building model with basic components. Design alternates and modified conditions can affect costs in many applications.

* Area entered is outside the range recommended by RSMeans

		% of Total	Cost Per S.F.	Cost
A Substructure		4.3%	$1.48	$577,891.20
A1010	Standard Foundations		$0.16	$66,576.78
	Strip footing, concrete, reinforced, load 19.4 KLF, soil bearing capacity 6 KSF, 12" deep x 40" wide		$0.03	$47,614.86
	Spread footings, 3000 PSI concrete, load 135K, soil bearing capacity 6 KSF, 5' - 0" square x 18" deep		$0.03	$31,768.44
	Spread footings, 3000 PSI concrete, load 220K, soil bearing capacity 6 KSF, 6' - 0" square x 22" deep		$0.03	$18,796.16
A1030	Slab on Grade		$1.06	$967,741.62
	Slab on grade, 6" thick, light industrial, non reinforced		$1.06	$967,741.62
A2010	Basement Excavation		$0.02	$10,667.36
	Excavate and fill, 30,000 SF, 4' deep, sand, gravel, or common earth, on site storage		$0.02	$10,667.36
A2020	Basement Walls		$0.10	$76,772.40
	Foundation wall, CIP, 4' wall height, direct chute, 1.48 CY/LF, 7.0 PLF, 12" thick		$0.10	$76,772.40
B Shell		44.7%	$20.05	$12,149,604.26
B1010	Floor Construction		$18.27	$11,668,288.24
	Cast-in-place concrete column, 18" square, tied, 450K load, 10' story height, 315 lbs/LF, 6000 PSI		$0.64	$611,882.79
	Cast-in-place concrete column, 20" square, tied, 600K load, 10' story height, 388 lbs/LF, 6000 PSI		$0.38	$368,224.80
	Cast-in-place concrete beam and slab, 15.5" slab, two way, 24" column, 25'x25' bay, 125 PSF superimposed load, 287 PSF total load		$17.44	$10,691,913.41
B2010	Exterior Walls		$0.79	$481,306.81
	Concrete wall, reinforced, 8' high, 8" thick, plain finish, 3000 PSI		$0.79	$481,306.81
C Interiors		16.7%	$6.78	$2,067,168.48
C1010	Partitions		$0.71	$432,396.51
	Concrete block (CMU) partition, light weight, hollow, 8" thick, no finish		$0.07	$40,586.75
	8" concrete block partition, includes grouting & reinforcing steel every		$0.64	$391,809.76

		% of Total	Cost Per S.F.	Cost
C1020	Interior Doors		$0.69	$21,642.08
	Door, single leaf, kd steel frame, hollow metal, commercial quality, flush, 3'-0" x 7'-0" x 1-3/8"		$0.69	$21,642.08
C3010	Wall Construction		$1.21	$756,888.39
	Stairs, steel, cement fiber metal pan & precast tread, 12 risers, with landing		$1.21	$756,888.39
C3012	Wall Finishes		$0.02	$13,927.68
	Painting, masonry or concrete, latex, brushwork, primer & 2 coats		$0.02	$13,927.68
C3020	Floor Finishes		$3.76	$2,352,448.18
	Traffic deck waterproofing coating		$3.76	$2,352,448.18
D Services		22.4%	$5.20	$4,879,931.71
D1010	Elevators and Lifts		$1.66	$1,101,160.38
	Hydraulic passenger elevator, 2500 lb., five floors, 10' story height, 125 FPM		$1.66	$1,101,160.38
D2010	Plumbing Fixtures		$0.05	$37,278.96
	Water closet, vitreous china, bowl only with flush valve, floor mount		$0.01	$8,022.18
	Lavatory w/trim, wall hung, PR on CI, 19" x 17"		$0.02	$8,251.65
D2020	Domestic Water Distribution		$0.07	$40,479.66
	Electric water heater, commercial, 100< F rise, 50 gallon tank, 9 KW 37 GPH		$0.07	$40,479.66
D2040	Rain Water Drainage		$1.67	$948,648.66
	Roof drain, steel galv sch 40 threaded, 3" diam piping, 10' high		$0.34	$204,898.23
	Roof drain, steel galv sch 40 threaded, 3" diam piping, for each additional foot add		$0.26	$156,516.18
	Roof drain, steel galv sch 40 threaded, 4" diam piping, 10' high		$0.28	$168,346.33
	Roof drain, steel galv sch 40 threaded, 4" diam piping, for each additional foot add		$0.20	$120,796.84
D4010	Sprinklers		$2.85	$1,708,815.08
	Dry pipe sprinkler systems, steel, ordinary hazard, 1 floor, 10,000 SF		$0.78	$468,886.88
	Dry pipe sprinkler systems, steel, ordinary hazard, each additional floor, 10,000 SF		$2.19	$1,308,907.40
D4020	Standpipes		$0.02	$6,128.97
	Dry standpipe risers, class III, steel, black, sch 40, 4" diam pipe, 1 floor		$0.01	$4,136.73
	Dry standpipe risers, class III, steel, black, sch 40, 4" diam pipe, additional floors		$0.01	$6,261.24
D4010	Electrical Service/Distribution		$0.06	$51,318.06
	Overhead service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 400 A		$0.01	$4,882.88
	Feeder installation 600 V, including RGS conduit and XHHW wire, 400 A		$0.03	$18,284.88
	Switchgear installation, incl switchboard, panels & circuit breaker, 120/208 V, 3 phase, 400 A		$0.02	$16,890.78
D4020	Lighting and Branch Wiring		$2.60	$1,552,884.61
	Receptacles incl plate, box, conduit, wire, 2.5 per 1000 SF, 3 watts per SF		$0.36	$681,881.38
	Miscellaneous power, 1 watts		$0.10	$60,184.02
	Motor installation, three phase, 208 V, 10 HP motor size		$0.01	$6,828.78
	Motor feeder systems, three phase, feed to 230 V 15 HP, 230 V 15 HP, 460 V 45 HP, 575 V 50 HP		$0.00	$2,060.82
	Fluorescent fixtures recess mounted in ceiling, 0.8 watt per SF, 20 FC, 8 fixtures @32 watt per 1000 SF		$0.74	$873,344.92
D4030	Communications and Security		$0.11	$60,867.21
	Communication and alarm systems, fire detection, addressable, 12 detectors, includes outlets, boxes, conduit and wire		$0.09	$58,388.63
	Fire alarm command center, addressable without voice, excl. wire & conduit		$0.04	$38,473.79
D4090	Other Electrical Systems		$0.06	$63,898.97
	Generator sets, w/battery, charger, muffler and transfer switch, gasoline operated, 3 phase, 4 wire, 277/480 V, 7.5 kW		$0.06	$63,898.97
E Equipment & Furnish		3.6%	$1.22	$798,921.37
E1090	Vehicular Equipment		$1.22	$798,921.37
	Architectural equipment, parking equipment, automatic gates, 8 FT arm, 1 way		$0.14	$86,923.38

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		% of Total	Cost Per SF	Cost
	Architectural equipment, parking equipment, booth for attendant, deluxe		$0.01	$488,798.26
	Architectural equipment, parking equipment, ticket printer/dispenser, rate computing		$0.27	$7,468,808.67
31000	Other Equipment		$0.00	$0.00
4 Special Construction		0.0%	$0.00	$0.00
5 Building Sitework		0.0%	$0.00	$0.00
Sub Total		100%	$36.65	$22,231,758.62
Contractor's Overhead & Profit		15.0 %	$5.50	$3,334,763.79
Architectural Fees		6.0 %	$2.33	$1,333,391.34
User Fees		0.0 %	$0.00	$0.00
Total Building Cost			$44.47	$27,100,513.76

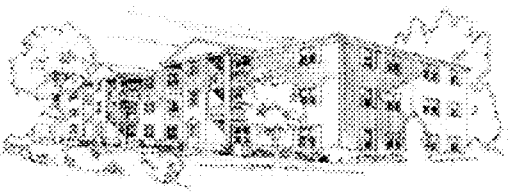
[illegible] Indoor Amenities Gorgeous but too expensive

Building A

RSMeans Online

Square Foot Cost Estimate Report

Estimate Name:	Waterway 25600
	Waterway Myrtle Beach
	Myrtle Beach
	South Carolina
Building Type:	Apartment, 1-3 Story with Wood Siding / Wood Frame
Location:	CHARLESTON, SC
Stories Count (L.F.):	3.00
Stories Height:	10.00
Floor Area (S.F.):	25,600.00
Labor Type:	OPN
Basement Included:	No
Data Release:	Year 2015 Quarter 3
Cost Per Square Foot:	$182.39
Total Building Cost:	$2,723,462.59



Costs are derived from a building model with basic components. Scope differences and market conditions can cause costs to vary significantly.

** : Used the closest coastal city.

		% of Total	Cost Per SF	Cost
A Substructure		4.2%	$9.78	$109,136.28
A1010	Standard Foundations		$6.88	$25,597.73
	Strip footing, concrete, reinforced, load 14.6 KLF, soil bearing capacity 6 KSF, 12" deep x 32" wide		30.38	$1,575.97
	Strip footing, concrete, reinforced, load 19.4 KLF, soil bearing capacity 6 KSF, 12" deep x 40" wide		30.67	$17,572.48
	Spread footings, 3000 PSI concrete, load 50K, soil bearing capacity 6 KSF, 3'-0" square x 12" deep		20.14	$6,750.28
A1030	Slab on Grade		$4.78	$46,501.52
	Slab on grade, 4" thick, light industrial, reinforced		$4.78	$46,501.52
A2010	Basement Excavation		$0.84	$1,022.56
	Excavate and fill, 30,000 SF, 4' deep, sand, gravel, or common earth, on site storage		$0.84	$1,022.56
A2020	Basement Walls		$3.88	$28,903.76
	Foundation wall, CIP, 4' wall height, direct chute, .029 CY/LF, 4.6 PLF, 6" thick		$2.00	$2,439.36
	Foundation wall, CIP, 4' wall height, direct chute, .148 CY/LF, 7.2 PLF, 12" thick		$6.58	$26,464.70
B Shell		16.8%	$19.47	$498,156.73
B1010	Floor Construction		$6.11	$182,628.32
	Steel column, W8, 182 KIPS, 10' unsupported height, 39 PLF		$2.07	$40,253.56
	Floor, wood joist, 8 x 10, @12" O.C., 1/2" CDX subfloor		$3.87	$76,008.38
	Fireproofing, gypsum board, fire rated, 1 layer, 1.5" thick, 8" steel column, 3 hour rating, 23 PLF		$2.20	$56,045.31
B1020	Roof Construction		$1.88	$36,348.79
	Wood roof, truss, 4/12 slope, 24" O.C., 30' to 40' span		$3.83	$50,249.79
B2010	Exterior Walls		$4.06	$107,897.47
	Cement stucco, 5/8" thick, 3 coats on regular CMU, 8" x 8"x 16"		$4.06	$107,897.47
B2020	Exterior Windows		$3.10	$82,038.10
	Windows, aluminum, sliding, standard glass, 3' x 3'		$3.10	$82,038.10

		% of Total	Cost Per SF	Cost
B2030	Exterior Doors		$0.39	$3,380.79
	Door, steel 18 gauge, narrow metal, 1 door with frame, no lites, 3'-0" x 7'-0" opening		$0.36	$3,180.79
B3010	Roof Coverings		$2.87	$25,300.84
	Asphalt roofing, strip shingles, premium laminated, multi layered, Class A, 4" slope, 240-300 lbs/SQ		$2.82	$24,480.05
	Flashing, aluminum, no backing sides, .019"		$0.05	$1,421.19
C Interiors		27.6%	$23.42	$550,131.87
C1010	Partitions		$5.26	$138,287.85
	Metal partition, 5/8 fire rated gypsum board face, 1/2" sound deadening gypsum board, 3-1/2" @ 24", same opposite face, no insulation		$3.98	$105,227.47
	1/2" fire rated gypsum board, taped & finished, partition on metal framing		$1.24	$33,060.38
C1020	Interior Doors		$5.03	$135,943.79
	Door, single leaf, wood frame, 3'-0" x 7'-0" x 1-3/8", birch, solid core		$1.05	$26,527.12
	Door, single leaf, wood frame, 3'-0" x 7'-0" x 1-3/8", birch, hollow core		$4.83	$128,234.67
C1030	Fittings		$3.28	$85,127.52
	Cabinets, residential, wall, two doors x 30" wide		$3.05	$85,127.52
C2010	Stair Construction		$0.69	$18,304.55
	Stairs, wood, prefab box type, oak treads, risers rise 7'-9" wide, 14 risers		$0.69	$18,304.55
C3010	Wall Finishes		$1.89	$50,400.36
	Painting, interior on plaster and drywall, walls & ceilings, roller work, primer & 2 coats		$0.72	$19,118.88
	Vinyl wall covering, fabric back, medium weight		$0.71	$18,843.34
	Ceramic tile, thin set, 4-1/4" x 4-1/4"		$0.46	$12,338.71
C3020	Floor Finishes		$4.09	$108,309.18
	Carpet tile, nylon, fusion bonded, 18" x 18" or 24" x 24", 24 oz		$1.25	$33,145.80
	Carpet tile, nylon, fusion bonded, 18" x 18" or 24" x 24", 35 oz		$1.43	$38,145.12
	Carpet, padding, add to above, 2.7 density		$0.29	$7,642.56
	Carpet, padding, add to above, 10.5 density		$0.27	$7,211.40
	Vinyl, composition tile, minimum		$0.29	$7,384.91
	Vinyl, composition tile, maximum		$0.34	$9,142.05
	Tile, ceramic natural clay		$0.94	$25,096.42
C3030	Ceiling Finishes		$2.73	$72,579.12
	Gypsum board ceilings, 1/2" fire rated gypsum board, painted and textured finish, 7/8" resilient channel furring, 24" OC support		$2.73	$72,579.12
D Services		46.8%	$41.52	$1,104,301.73
D1010	Elevators and Lifts		$4.04	$107,454.55
			$2.15	$57,075.00
	Hydraulic passenger elevator, 3500 lb., 3 floors, 10' story height, 125 FPM		$4.04	$107,454.55
D2010	Plumbing Fixtures		$10.40	$276,630.57
	Kitchen sink w/trim, countertop, PE on CI, 24" x 21", single bowl		$1.42	$37,806.84
	Laundry sink w/trim, PE on CI, black iron frame, 24" x 20", single compt		$0.27	$7,075.75
	Service sink w/trim, PE on CI, corner floor, 28" x 28", w/rim guard		$0.45	$12,046.97
	Bathroom, lavatory & water closet, 2 wall plumbing, stand alone		$2.53	$68,275.56
	Bathroom, three fixture, 2 wall plumbing, lavatory, water closet & bathtub, stand alone		$5.85	$155,641.44
D2020	Domestic Water Distribution		$3.45	$91,872.56
	Gas fired water heater, residential, 100+ F rise, 30 gal tank, 76 GPH		$3.45	$91,872.56
D2040	Rain Water Drainage		$0.81	$8,102.96
	Roof drain, DWV PVC, 4" diam, drain, 10' high		$0.16	$4,302.55
	Roof drain, DWV PVC, 4" diam, for each additional foot add		$0.12	$3,229.61
D3010	Energy Supply		$5.34	$138,949.48
	Apartment building heating system, fin tube radiation, forced hot water, 20,000 SF area, 200,000 CF vol		$5.34	$138,949.55

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		% of Total	Cost Per SF	Cost
D3034	Cooling Generating Systems		$6.39	$164,579.77
	Packaged chiller, air cooled, with fan coil unit, medical centers, 20,000 SF, 54.84 ton		$6.39	$164,579.77
D4010	Sprinklers		$2.38	$63,483.61
	Wet pipe sprinkler systems, steel, light hazard, 1 floor, 5000 SF		$1.16	$31,311.48
	Wet pipe sprinkler systems, steel, light hazard, each additional floor, 5000 SF		$1.21	$32,121.13
D5010	Electrical Service/Distribution		$1.58	$42,228.28
	Overhead service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 800 A		$0.31	$8,169.58
	Feeder installation 600 V, including feeder conduit and wiring, 600 A		$0.79	$20,728.78
	Switchgear installation, incl switchboard, panels & circuit breaker, 120/208 V, 600 A		$0.52	$13,334.93
D5020	Lighting and Branch Wiring		$4.84	$101,287.82
	Receptacles incl plate, box, conduit, wire, 16 per 1000 SF, 1.2 watts per SF		$1.90	$50,412.85
	Wall switches, 2.5 per 1000 SF		$0.39	$10,368.58
	Miscellaneous power, 2 watts		$0.36	$9,583.52
	Central air conditioning power, 3 watts		$0.30	$7,662.76
	Motor installation, three phase, 200 V, 15 HP motor size		$0.11	$2,811.85
	Incandescent fixtures recess mounted, type A, 1 watt per SF, 3 FC, 3 fixtures per 1000 SF		$1.69	$50,345.29
D5030	Communications and Security		$1.38	$35,823.64
	Communication and alarm systems, fire detection, addressable, 25 detectors, includes outlets, wires, conduit and wire		$0.73	$19,232.03
	Fire alarm command center, addressable without voice, excl. wire & conduit		$0.23	$6,088.58
	Internet wiring, 3 outlet/one outlets per 1000 S.F.		$0.39	$10,368.23
D5090	Other Electrical Systems		$0.19	$5,103.58
	Generator sets, w/battery, charger, muffler and transfer switch, gas/gasoline operated, 3 phase, 4 wire, 277/480 V, 7.5 kW		$0.19	$5,103.58
E Equipment & Furnish		2.9%	$2.35	$47,670.38
E1090	Other Equipment		$2.35	$47,670.38
			$0.23	$6,142.72
			$0.62	$16,554.80
			$0.50	$13,247.56
			$0.42	$11,268.48
			$0.33	$8,838.52
			$0.15	$3,961.12
			$0.30	$8,108.36
F Special Construction		0.0%	$0.00	$0.00
G Building Sitework		0.0%	$0.00	$0.00
Sub Total		100%	$88.75	$2,360,837.48
Contractor's Overhead & Profit		12.0 %	$10.65	$283,300.50
Architectural Fees		3.0 %	$2.98	$79,324.11
User Fees		0.0 %	$0.00	$0.00
Total Building Cost			$102.39	$2,723,462.09

** Indirect Assemblies or Components have been excluded.

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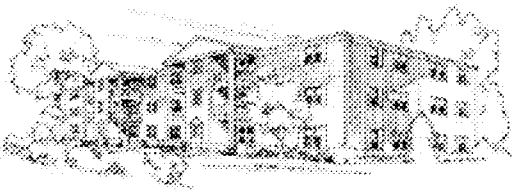
Building B

RSMeans Online

Square Foot Cost Estimate Report

Estimate Name:	Waterway 35000	Date: 9/8/2015
	Waterway	
	Waterway Myrtle Beach	
	South Carolina	
Building Type:	Apartment, 1-3 Story with Brick Veneer / Wood Frame	
Location:	CHARLESTON, SC	
Stories Count (L.F.):	3.00	
Stories Height:	10.00	
Floor Area (S.F.):	35,000.00	
Labor Type:	OPN	
Basement Included:	No	
Data Release:	Year 2015 Quarter 3	
Cost Per Square Foot:	$97.56	
Total Building Cost:	$3,414,494.44	



Costs are derived from a building model with basic components. Scope differences and market conditions can cause costs to vary significantly.

** Used the nearest coastal community for the estimate

		% of Total	Cost Per SF	Cost
A Substructure		3.3%	$3.24	$113,348.85
A1010	Standard Foundations		$0.67	$23,335.81
	Strip footing, concrete, reinforced, load 14.3 KLF, soil bearing capacity 6 KSF, 12" deep x 32" wide		20.06	$2,208.22
	Strip footing, concrete, reinforced, load 18.4 KLF, soil bearing capacity 6 KSF, 12" deep x 40" wide		$2.48	$10,374.28
	Spread footings, 3000 PSI concrete, load 50K, soil bearing capacity 6 KSF, 3'-0" square x 12" deep		$0.14	$4,946.59
A1030	Slab on Grade		$3.76	$81,718.35
	Slab on grade, 6" thick, light industrial, reinforced		$1.76	$61,713.65
A2010	Basement Excavation		$0.04	$1,345.87
	Excavate and fill, 30,000 SF, 4' deep, sand, gravel, or common earth, on site storage		$0.04	$1,345.87
A2020	Basement Walls		$0.78	$27,343.76
	Foundation wall, CIP, 4' wall height, direct chute, .259 CY/LF, 3.3 PLF, 6" thick		$0.09	$3,223.76
	Foundation wall, CIP, 8' wall height, direct chute, .148 CY/LF, 7.2 PLF, 12" thick		$0.68	$23,940.00
B Shell		16.7%	$19.83	$693,794.66
B1010	Floor Construction		$6.11	$213,885.55
	Steel column, W8, 150 KIPS, 10' unsupported height, 35 PLF		$2.27	$79,281.69
	Floor, wood joist, 2 x 12 @12" O.C., 1/2" CDX subfloor		$2.97	$103,897.36
	Fireproofing, gypsum board, fire rated, 2 layer, 1.5" thick, 8" steel column, 2 hour rating, 23 PLF		$0.86	$30,297.26
B1020	Roof Construction		$1.89	$66,138.13
	Wood roof, truss, 4/12 slope, 24" O.C., 30' to 40' span		$1.89	$66,138.13
B2010	Exterior Walls		$4.78	$164,436.56
	Brick veneer wall, standard face, 2x6 studs @ 16" back-up, running bond		$4.70	$164,436.56
B2020	Exterior Windows		$2.13	$74,515.04
	Windows, aluminum, sliding, standard glass, 5' x 3'		$2.13	$74,515.04

		% of Total	Cost Per SF	Cost
B2020	Exterior Doors		$0.28	$12,079.39
	Door, steel 18 gauge, hollow metal, 1 door w/fr frame, no label, 3'-6" x 7'-0" opening		$0.28	$12,079.39
B3010	Roof Coverings		$0.53	$22,506.57
	Asphalt roofing, strip shingles, fiberglass, Class C, 4" slope, 235-240 lb/SQ		$0.51	$21,948.37
	Flashing, aluminum, no backing sides, .019"		$0.02	$1,295.20
C Interiors		28.9%	$24.44	$805,070.68
C1010	Partitions		$5.28	$181,891.08
	Wood partition, 5/8" fire rated gypsum board face, 1/4" sound deadening gypsum board, 2x4 @ 16" OC, 5/8" fire rated gypsum board opposite face, 1.5" fiberglas insulation		$4.34	$149,372.38
	1/2" fire rated gypsum board, taped & finished, painted on metal furring		$0.65	$22,518.68
C1020	Interior Doors		$5.83	$200,852.30
	Door, single leaf, wood frame, 3'-0" x 7'-0" x 1-3/8", birch, solid core		$1.20	$34,508.16
	Door, single leaf, wood frame, 3'-0" x 7'-0" x 1-3/8", birch, hollow core		$4.63	$159,098.28
C1030	Fittings		$3.20	$110,409.96
	Cabinets, residential, stock, two doors x 48" wide		$3.20	$110,069.36
C2010	Stair Construction		$2.69	$92,864.84
	Stairs, wood, prefab box type, oak treads, wood rails 3'-6" wide, 14 risers		$2.69	$92,864.84
C3010	Wall Finishes		$1.89	$65,018.37
	Painting, interior on plaster and drywall, walls & ceilings, roller work, primer & 2 coats		$0.76	$25,196.28
	Vinyl wall covering, fabric back, medium weight		$0.71	$24,528.44
	Ceramic tile, thin set, 4-1/4" x 4-1/4"		$0.46	$15,293.15
C3020	Floor Finishes		$4.99	$171,977.88
	Carpet tile, nylon, fusion bonded, 18" x 18" or 24" x 24", 24 oz		$1.26	$43,513.51
	Carpet tile, nylon, fusion bonded, 18" x 18" or 24" x 24", 32 oz		$1.43	$50,196.86
	Carpet, padding, add to above, 3.7 density		$0.29	$10,062.64
	Carpet, padding, add to above, 6.0 density		$0.37	$12,776.71
	Vinyl, composition tile, minimum		$0.25	$8,666.16
	Vinyl, composition tile, maximum		$0.34	$12,023.81
	Tile, ceramic natural clay		$0.34	$12,805.16
C3030	Ceiling Finishes		$2.73	$95,467.06
	Gypsum board ceilings, 1/2" fire rated gypsum board, painted and textured finish, 7/8" resilient channel furring, 24" OC support		$2.73	$95,467.06
D Services		48.6%	$41.06	$1,437,148.71
D1010	Elevators and Lifts		$4.04	$141,268.74
	Hydraulic passenger elevator, 3500 lb., 3 floors, 12' story height, 125 FPM		$4.04	$141,268.74
D2010	Plumbing Fixtures		$10.40	$363,991.32
	Kitchen sink w/trim, countertop, PE on CI, 24" x 21", single bowl		$1.42	$49,765.21
	Laundry sink w/trim, PE on CI, black iron frame, 24" x 20", single compt		$0.27	$9,516.35
	Service sink w/trim, PE on CI, corner floor, 28" x 28", w/rim guard		$0.48	$16,648.56
	Bathroom, lavatory & water closet, 2 wall plumbing, stand alone		$2.23	$77,991.58
	Bathroom, three fixture, 2 wall plumbing, lavatory, water closet & bathtub, stand alone		$6.09	$213,064.92
D2020	Domestic Water Distribution		$3.45	$120,684.87
	Gas fired water heater, residential, 100+ F rise, 30 gal tank, 32 GPH		$3.45	$120,684.87
D2040	Rain Water Drainage		$0.51	$18,700.47
	Roof drain, DWV PVC, 4" diam, drain, 10' high		$0.18	$6,466.72
	Roof drain, DWV PVC, 4" diam, for each additional foot add		$0.12	$4,249.75
D3010	Energy Supply		$8.34	$307,986.06
	Apartment building heating system, fin tube radiation, forced hot water, 60,000 SF area,200,000 CF vol		$8.34	$297,986.06
D3030	Cooling Generating Systems		$6.93	$242,566.10
	Packaged chiller, air cooled, with fan coil unit, medium tonnage, 60,000 SF, 40.42 ton		$6.93	$242,566.10

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		% of Total	Cost Per SF	Cost
D4010	Sprinklers		$0.38	$68,460.56
	Wet pipe sprinkler systems, steel, light hazard, 1 floor, 5000 SF		$1.12	$41,339.33
	Wet pipe sprinkler systems, steel, light hazard, each additional floor, 5000 SF		$1.21	$40,284.64
D5010	Electrical Service/Distribution		$1.21	$42,228.88
	Overhead service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 600 A		$0.23	$8,368.98
	Feeder installation 600 V, including PVC conduit and wire, 600 A		$0.59	$20,729.78
	Switchgear installation, incl switchboard, panels & circuit breaker, 120/208 V, 600 A		$0.39	$13,834.38
D5020	Lighting and Branch Wiring		$4.91	$172,668.35
	Receptacles incl plate, box, conduit, wire, 16 per 1000 SF, 1.6 watts per SF		$1.30	$46,382.70
	Wall switches, 2.5 per 1000 SF		$0.39	$13,648.38
	Miscellaneous power, 2 watts		$0.36	$12,623.16
	Central air conditioning power, 3 watts		$0.30	$10,352.98
	Motor connection, three phase, 200 V, 15 HP motor size		$0.08	$2,811.65
	Incandescent fixtures recess mounted, type A, 1 watt per SF, 3 FC, 5 fixtures per 1000 SF		$1.29	$46,243.88
D5030	Communications and Security		$1.23	$43,216.47
	Communication and alarm systems, fire detection, addressable, 25 detectors, includes outlets, boxes, conduit and wire		$0.72	$25,308.82
	Fire alarm command center, addressable without voice, exist. wire & conduit		$0.17	$6,088.38
	Internet wiring, 2 data/voice outlets per 1000 S.F.		$0.35	$13,822.97
D5090	Other Electrical Systems		$0.19	$6,716.37
	Generator sets, w/battery, charger, muffler and transfer switch, gas/gasoline operated, 3 phase, 4 wire, 277/480 V, 7.5 kW		$0.19	$6,716.37
E Equipment & Furnish		0.0%	$0.00	$0.00
E1090	Other Equipment		$0.00	$0.00
F Special Construction		0.0%	$0.00	$0.00
G Building Sitework		0.0%	$0.00	$0.00
Sub Total		100%	$84.57	$2,959,859.95
Contractor's Overhead & Profit		12.0 %	$10.15	$355,183.19
Architectural Fees		3.0 %	$2.84	$99,451.29
User Fees		0.0 %	$0.00	$0.00
Total Building Cost			$97.56	$3,414,494.44

Location Adjustment to Component Unit Costs not applied.

Building D

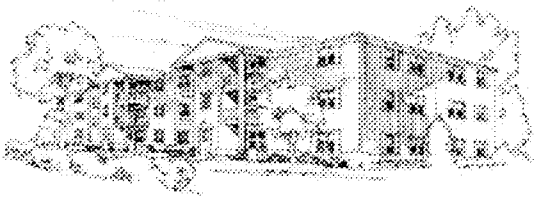
RSMeansOnline
FROM THE GORDIAN GROUP

Square Foot Cost Estimate Report

Estimate Name: Waterway 44900 Date: 8/28/2015

WATERWAY Myrtle Beach
Myrtle Beach
South Carolina

Building Type:	Apartment, 4-7 Story with Decorative Concrete Block / Wood, Frame
Location:	CHARLESTON, SC
Stories Count (L.F.):	4.00
Stories Height:	10.33
Floor Area (S.F.):	44,000.00
Labor Type:	OPN
Basement Included:	No
Data Release:	Year 2015 Quarter 3
Cost Per Square Foot:	$114.38
Total Building Cost:	$5,142,853.68



Costs are derived from a building model with basic components. Scope differences and market conditions can cause costs to vary significantly.

** Used the closest coastal city.

		% of Total	Cost Per SF	Cost
A Substructure		3.4%	$3.40	$152,751.28
A1010	Standard Foundations		$1.56	$67,168.40
	Strip footing, concrete, reinforced, load 22.5 KLF, soil bearing capacity 6 KSF, 16" deep x 40" wide		$0.69	$30,929.80
	Spread footings, 3000 PSI concrete, load 300K, soil bearing capacity 6 KSF, 9' - 8" square x 32" deep		$0.70	$31,238.61
A1030	Slab on Grade		$1.82	$80,376.77
	Slab on grade, 4" thick, light industrial, reinforced		$1.82	$80,376.77
A2010	Basement Excavation		$0.05	$2,366.10
	Excavate and fill, 100,000 SF, 4' deep, sand, gravel, or common earth, on site storage		$0.05	$2,366.10
A2020	Basement Walls		$0.53	$23,946.00
	Foundation wall, CIP, 4' wall height, direct chute, 148 CY/LF, 7.5 PLF, 12" thick		$0.53	$23,946.00
B Shell		22.8%	$22.68	$1,018,546.12
B1010	Floor Construction		$13.46	$593,758.56
	Cast-in-place concrete column, 12" square, bed, 250K load, 10' story height, 148 lbs/LF, 4000 PSI		$0.19	$8,232.35
	Cast-in-place concrete beam and slab, 8" slab, one way, 16" column, 30'x35' bay, 40 PSF superimposed load, 158 PSF total load		$9.99	$440,367.06
	Cast-in-place concrete beam and slab, 8" slab, one way, 22" column, 30'x35' bay, 125 PSF superimposed load, 354 PSF total load		$1.29	$57,573.69
B1020	Roof Construction		$3.76	$165,132.25
	Roof, concrete, beam and slab, 30'x35' bay, 40 PSF superimposed load, 16" deep beam, 8" slab, 152 PSF total load		$3.76	$165,132.25
B2010	Exterior Walls		$3.68	$161,463.38
	Concrete block (CMU) wall, split rib, 8 rib, hollow, regular weight, 8"x16", reinforced vertical #5@32", grouted		$3.68	$161,463.38
B2020	Exterior Windows		$2.29	$100,432.05
	Windows, aluminum, sliding, standard glass, 3' x 3'		$2.29	$100,432.05

		% of Total	Cost Per SF	Cost
B2030	Exterior Doors		$0.38	$16,534.02
	Door, aluminum & glass, without transom, wide stile, hardware, 3'-0" x 7'-0" opening		$0.19	$8,347.74
	Door, aluminum & glass, without transom, non-standard, double door, hardware, 6'-0" x 7'-0" opening		$0.20	$8,786.28
B3010	Roof Coverings		$1.26	$56,620.66
	Roofing, asphalt flood coat, gravel, base sheet, 3 plies 15# asphalt felt, mopped		$0.53	$23,836.37
	Insulation, rigid, roof deck, composite with 2" EPS, 1" perlite		$0.43	$19,288.87
	Roof edges, aluminum, non-graded, .050" thick, 6" face		$0.13	$5,845.02
	Flashing, aluminum, no backing sides, .019"		$0.03	$1,256.29
	Gravel stop, aluminum, extruded, 4", mill finish, .062" thick		$0.08	$3,584.24
C Interiors		27.6%	$27.33	$1,246,280.67
C1010	Partitions		$5.37	$241,631.48
	Metal partition, 5/8" fire rated gypsum board face, 1/4" sound deadening gypsum board, 2-1/2" @ 24", same opposite face, no insulation		$4.40	$198,823.43
	1/2" fire rated gypsum board, taped & finished, painted on metal furring		$0.92	$41,258.27
C1020	Interior Doors		$5.83	$261,726.89
	Door, single leaf, wood frame, 3'-0" x 7'-0" x 1-3/8", birch, solid core		$1.02	$46,774.97
	Door, single leaf, wood frame, 6'-0" x 7'-0" x 1-3/8", birch, solidcore core		$4.83	$215,028.91
C1030	Fittings		$3.84	$172,401.23
	Cabinets, residential, wall, two doors x 30" wide		$3.84	$172,401.23
C2010	Stair Construction		$2.94	$131,736.13
	Stairs, steel, cement filled metal pan & picket rail, 12 risers, with landing		$2.94	$131,736.13
C3010	Wall Finishes		$2.13	$95,709.61
	Painting, interior on plaster and drywall, walls & ceilings, roller work, primer & 2 coats		$2.01	$90,066.68
	Vinyl wall covering, fabric back, medium weight		$0.10	$4,572.76
	Ceramic tile, thin set, 4-1/4" x 4-1/4"		$0.02	$1,070.16
C3020	Floor Finishes		$4.96	$220,109.56
	Carpet tile, nylon, fusion bonded, 18" x 18" or 24" x 24", 24 oz		$1.23	$55,043.05
	Carpet tile, nylon, fusion bonded, 18" x 18" or 24" x 24", 36 oz		$1.43	$64,567.61
	Carpet, padding, add to above, 2.0 density		$0.29	$12,934.64
	Carpet, padding, add to above, 10.0 density		$0.37	$16,350.35
	Vinyl, composition tile, minimum		$0.28	$12,805.19
	Vinyl, composition tile, maximum		$0.34	$15,431.69
	Tile, ceramic natural clay		$2.94	$42,215.89
C3030	Ceiling Finishes		$3.73	$132,496.18
	Gypsum board ceilings, 1/2" fire rated gypsum board, painted and textured finish, 7/8" resilient channel furring, 24" OC support		$2.73	$132,496.18
D Services		45.4%	$45.23	$1,641,958.03
D1010	Elevators and Lifts		$5.45	$235,477.58
	Traction, geared passenger, 3500 lb, 8 floors, 10' story height, 2 car group, 200 FPM		$5.45	$235,477.58
D2010	Plumbing Fixtures		$9.56	$420,542.29
	Kitchen sink w/dish, countertop, PE on CI, 33" x 21", single bowl		$1.37	$61,560.46
	Laundry sink w/trim, PE on CI, black iron frame, 24" x 20", single compt		$0.10	$4,478.85
	Service sink w/trim, PE on CI, corner floor, 28" x 28", w/rim guard		$0.36	$16,212.06
	Bathroom, lavatory & water closet, 2 wall plumbing, stand alone		$1.88	$84,418.51
	Bathroom, three fixture, 2 wall plumbing, lavatory, water closet & bathtub, stand alone		$5.75	$253,846.06
D2020	Domestic Water Distribution		$3.33	$149,288.83
	Gas fired water heater, residential, 100< F rise, 30 gal tank, 32 GPH		$3.33	$149,539.43
D2040	Rain Water Drainage		$0.14	$6,378.38
	Roof drain, DWV PVC, 4" diam, drain, 10' avg		$0.07	$3,163.85
	Roof drain, DWV PVC, 4" diam, for each additional foot add		$0.08	$3,579.53

			% of Total	Cost Per SF	Cost
D3010	Energy Supply			$6.24	$235,297.55
	Apartment building heating system, fin tube radiation, forced hot water, 30,000 SF area, 300,000 CF up			35.24	$233,297.55
D3020	Cooling Generating Systems			$2.00	$314,386.00
	Packaged chiller, air cooled, with fan coil unit, medical centers, 40,000 SF, 53.33 ton			57.00	$314,386.00
D4010	Sprinklers			$1.81	$81,438.18
	Wet pipe sprinkler systems, steel, light hazard, 1 floor, 10,000 SF			50.40	$18,060.27
	Wet pipe sprinkler systems, steel, light hazard, each additional floor, 10,000 SF			$1.41	$63,396.91
D4020	Standpipes			$0.93	$41,364.46
	Wet standpipe risers, class III, steel, black, sch 40, 6" diam pipe, 1 floor			50.24	$10,848.30
	Wet standpipe risers, class III, steel, black, sch 40, 6" diam pipe, additional floors			50.23	$13,946.88
	Fire pump, electric, with controller, 4" pump, 30 HP, 500 GPM			50.38	$17,662.96
D5010	Electrical Service/Distribution			$2.31	$103,737.58
	Overhead service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 1600 A			50.48	$21,469.58
	Feeder installation 600 V, including PVC conduit and wire, 1600 A			$1.19	$53,250.75
	Switchgear installation, incl switchboard, panels & circuit breaker, 120/208 V, 1600 A			50.67	$29,394.05
D5020	Lighting and Branch Wiring			$4.96	$222,672.39
	Receptacles incl plate, box, conduit, wire, 10 per 1000 SF, 1.2 watts per SF			$1.30	$58,696.38
	Wall switches, 2.5 per 1000 SF			50.39	$17,486.45
	Miscellaneous power, 2 watts			50.36	$16,199.53
	Central air conditioning power, 3 watts			50.32	$13,280.52
	Motor installation, three phase, 208 V, 15 HP motor size			50.13	$5,623.76
	Incandescent fixtures recess mounted, type A, 1 watt per SF, 2 FC, 4 fixtures per 1000 SF			$1.89	$84,981.35
D5030	Communications and Security			$1.36	$61,328.14
	Communication and alarm systems, fire detection, addressable, 50 detectors, includes outlets, boxes, conduit and wire			50.71	$31,650.55
	Fire alarm command center, addressable with voice, exit, wire & conduit			50.28	$12,336.28
	Internet wiring, 3 data/voice outlets per 1000 S.F.			50.39	$17,732.53
D5090	Other Electrical Systems			$0.13	$6,456.17
	Generator sets, w/battery, charger, muffler and transfer switch, gas/gasoline operated, 3 phase, 4 wire, 277/480 V, 11.5 kW			50.17	$7,835.33
	Generator sets, w/battery, charger, muffler and transfer switch, diesel engine with fuel tank, 30 kW			50.01	$620.84
E Equipment & Furnish			2.6%	$2.66	$119,747.50
E1090	Other Equipment			$2.50	$116,767.56
				50.21	$9,396.06
				50.57	$25,798.73
				50.48	$20,855.25
				50.39	$17,583.75
				50.15	$6,961.73
				50.05	$2,787.89
				50.32	$13,940.66
				50.14	$6,188.25
				50.28	$12,676.25
F Special Construction			0.0%	$0.00	$0.00
G Building Sitework			0.0%	$0.00	$0.00

	% of Total	Cost Per SF	Cost
Sub Total	100%	$99.87	$4,475,254.51
Contractor's Overhead & Profit	12.0 %	$11.36	$537,030.54
Architectural Fees	3.0 %	$3.35	$150,368.55
User Fees	0.0 %	$0.00	$0.00
Total Building Cost		$114.60	$5,162,653.60

** Indirect Allocation or Component Items have been calculated

HubbardArchitecture
INSPIRE. PERFORM. CONTRIBUTE.

August 28, 2015

Mr. Graeme Black
Ocean Resort Tower, LLC
[redacted]

Re: Marina 4 and 5 Story Construction

Graeme,

Mr. James "Jim" Hubbard, AIA and Ms. Elizabeth "Lizzie" Daniel of Hubbard Architecture LLC reviewed, coordinated, and collaborated with EDC Engineers, Inc./LandArt Company (EDC/LA) for the above referenced project. Including building footprint, unit bay spacing, detailed unit plans, and allowable massing for the marina podium buildings. A related Opinion of Probable Construction cost is described below. They have collaborated with EDC/LA during the previous decade for work similar to this.

Jim is very active in the local community. He serves on the City of Myrtle Beach's Community appearance board and is past Chairman of the Architectural Review Board for the City of Georgetown, SC. He is currently president elect of the American Institute of Architects South Carolina. His current firm role is CEO, architecture for Hubbard Architecture LLC.

Lizzie's responsibilities include building planning and detailed zoning research and graphic support for mid and high rise buildings. She has nearly 20 years of experience directly related to early zoning studies and Planned Unit Development creation for high rise resorts in the Grand Strand area of South Carolina. She also has led construction document development for most of the significant mid high rise resort projects during her tenure at her previous firm Pedram Associates, Inc. Her current firm role is CPO, planning for Hubbard Architecture LLC.

Hubbard Architecture has reviewed historic and current cost data along with reviewed published current trends in building cost and suggest the following as an opinion of probable cost for your project.

Hard Cost for 4 Story Marina (standard combustible wood framing at levels) Building:
- Great $/SF average for the buildings $78

Hard Cost for 5 Story Marina (noncombustible / fire rated wood on elevated concrete podium) Building:
- Great $/SF average for the buildings $90

The 4 and 5 story building planning graphics were initially supplied by Hubbard Architecture LLC to EDC/LA according to their survey data and zoning research and the firms reviewed and coordinated the layouts until the final building shapes achieved the desired planning objectives. Work of this nature is considered to be a core competency by our peers, repeat clients, and regulatory / permitting authorities in our area.

Best,
Jim Hubbard

Jim Hubbard, AIA
CEO, architecture | Hubbard Architecture LLC

2011 President Elect of the American Institute of Architects South Carolina
2013 - Current CAB Member City of Myrtle Beach, South Carolina

jmh/jh
cc: Elizabeth Daniel, CPO, planning | Hubbard Architecture LLC

[redacted] jhubbardarch.com

DDC

ENGINEERS

July 17, 2015

Mr. Graeme Black
Sanibel Resort
[redacted]

Re: Proposed Development Project
Horry County PIN# 34900000019; 34900000039; 34914030005
34914030004; 34914030003; 34914040001
Sanibel Resort
DDC P/N 138888

Dear Mr. Black:

Pursuant to your request, we have reviewed the location roof elevation, proposed construction materials and other relevant elements of construction for the key structure at Sanibel Resort for the purpose of determining its suitability for approval by the Federal Aviation Administration (FAA). As you know, we have provided this service for developers for nearly two decades and have requested and received FAA project certification for more than fifty high rise structures located in proximity to airports in this region.

The maximum building height as depicted in the plan developed by Mr. Jim Hubbard, AIA, as well as the proposed building materials, will comply with the FAA surface obstruction mapping directive. The structures located at Barefoot Resort, which are in the same proximity to the North Myrtle Beach Airport are the same height (maximum roof elevation as it relates to the elevation of the runway) and are constructed of the same materials. As such, I am confident that the building you have proposed will meet with the FAA approval.

We look forward to the opportunity to assist with bringing this exciting project to fruition. Please contact me if you have questions or need any additional information.

Sincerely,
DDC ENGINEERS, INC.

James M. Wooten, PE, LEED AP
President

JMW/cjt

cc: Project File

[redacted]

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DDC

July 12, 2013

Mr. Graeme Black
Sanibel Resort
[redacted]

Re: **Proposed Development Project**
Horry County PIN# 349080300019; 349080300039; 349140300005
349140300004; 349140300003; 349140400001
Sanibel Resort - Marina
DDC P/N 130401

Dear Mr. Black:

As you know, DDC Engineers, Inc. has been responsible for the design and regulatory approvals for a significant number of marinas in South Carolina over the years. Several of these are located adjacent to the Atlantic Intracoastal Waterway. Based on our experience with design and the regulatory approval process, coupled with our specific knowledge of this site, it is my opinion that a marina is viable at that location. Additionally, I believe that design of the subject marina in this configuration will meet with all regulatory rules, regulations and ordinances. The configuration of the proposed Sanibel Resort Marina is very similar to the Barefoot Resort Marina. DDC was responsible for the design and approvals for that facility and it received all regulatory approvals without negative comments from the local, state and federal agencies that hold jurisdiction over such projects.

We look forward to the opportunity to assist with bringing this exciting project to fruition. Please contact me if you have questions or need any additional information.

Thank you for the opportunity to be of service.

Sincerely,
DDC ENGINEERS, INC.

James M. Wooten, PE F.ASCE
President

JMW:cjt

cc: Project File

[redacted]

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DDC
ENGINEERS

July 29, 2015

Mr. Graeme Black
Sanibel Resort
[redacted]

Re: **Proposed Development Project**
Horry County PIN# 34908000019; 34908000039; 34914030005
34914030004; 34914030003; 34914040001
Sanibel Resort
DDC P/N 150801.

Dear Mr. Black:

In accordance with your instructions we have completed the elements of due diligence work necessary to determine the viability of your proposed project from an infrastructure standpoint. We have contacted each of the utility suppliers to ensure their ability and willingness to serve the project with these vital elements. As the enclosed letters indicate, electric power, natural gas, potable water and sewage collection, transmission and treatment are all available and the providers have ample capacity to supply the quantities which will be required to facilitate the development plan.

In addition, we have conferred with the City of North Myrtle Beach in an effort to ensure that the zoning of the subject tract is adequate for the intended use. The zoning under City ordinance and statue is a combination of R-2A, Mid-Rise Multi-Family Residential District and R-4, Resort Residential District. These ordinances allow and encourage all of the anticipated uses depicted on the Capacity Plan of July 23, 2015 by DDC and The LandArt Company.

Should you have questions or need any additional information, please contact me at your convenience.

Thank you for the opportunity to be of service.

Sincerely,
DDC ENGINEERS, INC.

James M. Wooten, PE, LAICE
President

JMW:cjt

Attachments

cc: Project File

[redacted]

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DDC

ENGINEERS

July 17, 2015

Mr. Graeme Black
Sanibel Resort
[redacted]

Re: **Proposed Development Project**
Horry County PIN# 34900000019; 34900000039; 34914030005
34914030004; 34914030003; 34914040001
Sanibel Resort
DDC P/N 150801

Dear Mr. Black:

As you know, the existing zoning for the subject tract is a combination of R-2/A and R-4 under City of North Myrtle Beach regulations. Pursuant to your request, we reviewed the applicable City of North Myrtle Beach Ordinances for the purpose of determining if the proposed development plan for the above referenced project is in conformance with that zoning.

The development plan for Sanibel Resort was prepared by The LandArt Company, a division of DDC Engineers, Inc. The plan is dated July 10, 2015 and updated July 17, 2015 and entitled Capacity Plan, Sanibel Resort (copy attached).

Based on our review of the City's R-2A and R-4 Ordinances as they relate to the Development Plan, it is my opinion that construction of this project may be accomplished under the existing zoning. Height, setbacks, density and land use components of the development plan all comply with the R-2A and R-4 Ordinances.

Should you have questions or need any additional information, please contact me at your convenience.

Thank you for the opportunity to be of service.

Sincerely,
DDC ENGINEERS, INC.

Jarrod M. Wooten, PE LAICE
President

JMW:cp

Attachment - Capacity Plan

cc: Project File

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Consulting Engineers
Surveying
Land Planning
Landscape Architecture
Environmental

[redacted]

www.ddcinc.com

August 18, 2015

Mr. Mike Wooten
[redacted]

Re: Pin # 34900000039
Pin # 34900000019
Pin # 34914030005
Pin # 34914030004
Pin # 34914030003
Pin # 34914040001

Dear Mr. Wooten,

This letter is to confirm that South Carolina Electric and Gas Company has natural gas facilities available to serve the above referenced project. These services will be installed in accordance with our policies, procedures and engineering practices and in accordance with all local, state and federal regulations and requirements. Natural gas facilities are extended based on an acceptable gas load.

To ensure proper lead-time for the installation of our facilities, please submit a final approved plat to me at least two months prior to the start of construction/site improvement. This plat should indicate the locations of all wetlands; utility rights-of-way inside the project; rights-of-way given by adjacent landowners; restricted areas; water, sewer, drainage and tree barricades; other areas of special consideration; and should include copies of the Army Corps of Engineers official delineation and permit(s); the OCRM permit(s) if applicable; and the load requirements for gas service. Street names and lot numbers are required for each lot. All AutoCAD plans should be submitted to vleone@scana.com. I will contact you after our design team has completed the review the plat to discuss if there is any contribution required to provide these facilities, the road crossing conduit plan, any other developmental issues.

I look forward to working with you and am available to assist you at any time. My office number is 843-745-7989 and my cell number is 843-340-3047. Please contact me if you have additional questions or need additional information.

Sincerely,

Charlie Leone
Account Manager

GRAND STRAND
WATER & SEWER
AUTHORITY

[redacted]

August 18, 2015

Mr. James M. Wooten, P.E.
DDC Engineers, Inc.
[redacted]

Re: Water & Sewer Availability
PIN # 3990000019
3990000039
3914030003
3914030004
3914030005
3914040001

Dear Mr. Wooten:

Grand Strand Water & Sewer Authority has received and reviewed your request for availability to the above referenced parcels. Based on our records, the Authority does have an existing 10" sewer force main and 20" waterline adjacent to the property readily available with adequate capacity to serve the parcel with public sewer and potable water. Please note that a water and sewer line extension at the owner's expense in accordance with GSWSA's Water & Sewer System Standards & Specifications will be required to serve a development.

Actual water and sewer service can be obtained after appropriate fees are paid and all application procedures are completed. Should you have any questions or comments regarding this letter or if you need further assistance, please do not hesitate to contact me at [redacted] or email me at [redacted]

Respectfully Submitted,

Matthew T. Moor, P.E.
Engineering Services Manager

[redacted]

Trout Ranch, LLC; Michael D. Wilson, Tax Matters Partner v. Commissioner of Internal Revenue

The following Tenth Circuit Court of Appeals order and judgment upholds the valuation of properties that are the subject of future encumbrance by perpetual conservation easement. In this case, the court affirms the use of the valuation of a hypothetical subdivision. A subdivision discounted cash flow method was used by the IRS to determine the before value. The court also upheld the use of the before and after method to estimate the fair market value of a conservation easement.

FILED
United States Court of Appeals
Tenth Circuit

August 16, 2012

Elisabeth A. Shumaker
Clerk of Court

UNITED STATES COURT OF APPEALS

TENTH CIRCUIT

TROUT RANCH, LLC; MICHAEL D. WILSON, Tax Matters Partner,

Petitioners – Appellants,

v.

COMMISSIONER OF INTERNAL REVENUE,

Respondent – Appellee.

No. 11-9006
(Tax Case No. 14374-08)
(U.S. Tax Court)

ORDER AND JUDGMENT*

Before **KELLY**, **McKAY**, and **O'BRIEN**, Circuit Judges.

INTRODUCTION

This appeal concerns the tax treatment of a conservation easement. The taxpayer, Trout Ranch, LLC (Trout Ranch), purchased some 459 acres of land in Gunnison County, Colorado, with the aim of developing home sites on a small segment while preserving the

* This order and judgment is an unpublished decision, not binding precedent. 10th Cir. R. 32.1(A). Citation to unpublished decisions is not prohibited. Fed. R. App. 32.1. It is appropriate as it relates to law of the case, issue preclusion and claim preclusion. Unpublished decisions may also be cited for their persuasive value. 10th Cir. R. 32.1(A). Citation to an order and judgment must be accompanied by an appropriate parenthetical notation – (unpublished). *Id.*

rest, approximately 85 percent of the property, by means of a conservation easement. Trout Ranch claimed a charitable deduction for the easement, which it valued at approximately $2.2 million. The IRS determined the easement did not reduce the value of the taxpayer's property, appraised the charitable contribution at zero, and disallowed the deduction. The tax court concluded the proper value of the easement was $560,000. Trout Ranch challenges that figure on appeal and insists the correct valuation is higher, closer to the $2.2 million estimate it originally offered. Finding no errors in the tax court's decision, we affirm.

BACKGROUND

A. Gunnison Riverbanks Ranch

Gunnison Riverbanks Ranch sits on 453 acres in Gunnison County, Colorado. The property is situated between the towns of Gunnison, six miles to the south, and Crested Butte, 30 miles to the north. The crown jewel of the property is two miles of frontage on the Gunnison River, a stream beloved by fishermen for its world-class Rainbow and German Brown Trout.

Since Gunnison County has no zoning laws, land use is governed by Colorado law, under which developers may subdivide land into 35-acre parcels as a matter of right, with additional subdivision subject to the approval of county planning commissions. COLO. REV. STAT. ANN. § 30-28-101. Gunnison County uses a system of transferable development rights called the Large Parcel Initiative Process (LPIP). The system promotes conservation by encouraging developers to permanently restrict development of large parcels of land (preserved tracts) in exchange for the right to develop unpreserved

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tracts more densely. Under the LPIP, a developer who preserves 75 percent of his property can subdivide the remainder into three lots for every 75 acres he owns (rounded down to the nearest multiple of 35). If a developer preserves 85 percent, he gets an additional lot for every 140 acres. So while Colorado law allows a property with Gunnison Riverbanks Ranch's dimensions to be divided into twelve 35-acre lots, the LPIP would permit as many as twenty-two 3-acre lots.

Trout Ranch purchased Gunnison Riverbanks Ranch in 2003 with plans to develop a residential subdivision under the LPIP and preserve the remainder with a conservation easement. The price was $3,953,268. According to the development plan, the land not encumbered by the easement would be subdivided into 21 residential lots, with an additional lot for a clubhouse. Lots would average approximately three acres and owners would have access to a host of shared amenities, including a clubhouse, a boat house, riding stables, duck blinds, an archery range, and three ponds. In addition, the lot owners would enjoy preferred, if not exclusive, right to use the "conserved lands," in particular the right of access to nearly two miles of frontage on the Gunnison River. The deal was consummated in December 2003, when Trout Ranch conveyed an easement encumbering approximately 85 percent of the property—384 of 453 acres—to the Crested Butte Land Trust. The plan was approved by Gunnison County in April 2004.

B. The Tax Return

Trout Ranch elected to be taxed as a partnership for the 2003 tax year. On its 2003 return, the partnership claimed a charitable deduction of $2,179,849 for the conservation easement. Years later, in March 2008, the Commissioner issued a notice of

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adjustment reducing the 2003 deduction to $485,000. The Commissioner would later receive permission from the tax court to reduce the adjusted value to zero and disallow the charitable deduction entirely. Trout Ranch filed a petition in the tax court objecting to the adjustment and asserting the Commissioner had substantially undervalued the conservation easement. The value of the easement was the only issue raised in the petition; both parties agree the easement is a "qualified conservation contribution" and therefore a proper basis for a deduction under I.R.C. § 170(f)(3), which creates an exception to the general rule that a taxpayer will not be granted a deduction for a charitable contribution of a partial interest in property.

C. Battle of the Appraisers

Both sides introduced the testimony of expert appraisers in support of their asserted valuations. The experts worked under the framework for valuing conservation easements set forth in the Treasury regulations. Treas. Reg. § 1.170A-14(h)(3)(i). Under this framework, the value of a conservation easement is "the fair market value of the [easement] at the time of the contribution." *Id.* The regulations prescribe two methods for ascertaining fair market value: "If there is a substantial record of sales of easements comparable to the donated easement . . . the fair market value of the donated easement is based on the sales prices of such comparable easements." *Id.* But if no substantial record of sales is available, "as a general rule (but not necessarily in all cases) the fair market value . . . is equal to the difference between the fair market value of the property it encumbers before the granting of the restriction and the fair market value of the encumbered property after the granting of the restriction." *Id.* Finding the before and

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after values requires a determination of the property's income-producing potential. To this end, appraisers will generally construct discounted cash-flow models, which estimate the present value of a property by estimating future revenue (in this case, revenue from lot sales) and discounting it based on the cost of capital. Naturally, the before-and-after approach is more common in remote areas like Gunnison County where records of comparable sales are scarce.

Trout Ranch appraiser Jonathan Lengel was the only expert to perform a valuation based on the comparable-sales method. (Lengel also provided a valuation using the before-and-after method, but the comparable sales figure is what ultimately formed the basis for his opinion). This was Lengel's first time using the comparable-sales method, and he admitted at trial that he would probably have stuck to the before-and-after approach had his client not urged him to consider an alternative method.

Lengel based his comparable-sales valuation on four sales of conservation easements in Gunnison County, but, on cross-examination, it was apparent that he had not carefully vetted the comparisons. The sales had been recorded by a local conservation group and listed on a matrix that omitted most of the information necessary for a meaningful comparison, including the consideration exchanged, the relevant restrictions, and the profitability of the underlying land. Worse yet, Lengel admitted he had not examined the deeds or appraisals for any of the easements and all of the comparable transactions involved bargain sales to charities in which the purchaser paid less than the appraised price, making it difficult to determine the actual value of the easement.

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In spite of these flaws, Lengel's comparable-sales analysis estimated the value of the easement between $1.59 million and $2.3 million, a figure in line with the before-and-after appraisal he submitted with Trout Ranch's tax return ($2.2 million), and not far from the before-and-after appraisal he had submitted in a supplemental report in anticipation of trial ($3 million). In the end, he placed the value of the easement at $2.2 million, an estimate based primarily on comparable sales.

In the Commissioner's corner were expert appraisers Lou Garone and Michael Nash. Both Garone and Nash performed before-and-after appraisals using discounted cash-flow models to determine the most profitable use of the property before and after the easement. In evaluating the most profitable use before the easement, Garone considered configurations as sparse as 12 lots and as dense as 60, but concluded a 22-lot model, much like the one prepared by Trout Ranch, would be the most lucrative use of the land, with a projected value around $8 million. Since everyone agreed the same 22-lot configuration represented the best use of the property after the easement, Garone concluded the value of the easement was zero.

Because Nash agreed with Garone—a 22-lot configuration was the best use of the land both before and after contributing the easement—he concluded the value of the easement was zero. In his view, Trout Ranch wisely availed itself of the LPIP process, which allowed it to avoid the costs and procedural risk of a prolonged approval process. Nash also constructed a discounted cash-flow model which yielded a $7,650,000 value for the property, to which he added $725,000 for improvements made by Trout Ranch, for a total value of $8,300,000.

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D. Tax Court Opinion

The tax court refused to accept any of the expert appraisals in their entirety. Rather, it achieved a different result by borrowing bits of data from each report to construct its own discounted cash-flow model.

As a preliminary matter, the tax court concluded the before-and-after approach was the appropriate valuation method because there was "no substantial record of sales of easements comparable to the donated easement." Doc. 42 at 12. The comparable sales identified by Lengel were off the mark, the court explained, because most of the underlying easements were more restrictive and, in turn, more detrimental to the profitability of the encumbered land. In three of the examples, the easement reduced developable land by at least 89 percent, compared to the Trout Ranch easement which reduced potential development by only 43 percent. In a fourth example, the only sale involving an easement that did not all but foreclose the possibility of development, the easement still restricted development of the most valuable areas of the property, including the creek frontage. This was the exact opposite of what happened in this case, where Trout Ranch *concentrated* development in the most valuable areas of the property. Moreover, each of the comparable sales identified by Lengel were bargain sales in which the purchaser paid less for the land than the appraised value, making it difficult to ascertain the true value of the easement.

Turning to the before-and-after method, the court agreed with the experts' consensus that the most profitable use of the land post contribution would be a 22-lot residential subdivision. Recognizing disagreement among the experts over the potential

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value of such a development, the court conducted its own analysis using sales data from the nearby Hidden Valley Ranch, where similarly sized lots had been selling in a range between $320,000 and $430,000. Since the court viewed the Hidden Valley property as comparable but less desirable than Gunnison Riverbanks Ranch, the court added a $60,000 premium to the top of the sales range in order to arrive at an estimated lot price of $490,000. That figure was then considered in conjunction with factors such as the number of lots, absorption rate, overhead, appreciation, and discount rate to reach a final post-contribution value of $3.89 million. With respect to the pre-contribution value, the court used a hypothetical 40-lot residential subdivision with an estimated value of $4.45 million. The court then subtracted from that figure the $3.89 million post-contribution value to arrive at a total before-and-after value of $560,000.

DISCUSSION

Trout Ranch challenges the tax court's valuation on several bases. First, it contends the tax court should have excluded the testimony of Nash and Garone on the ground it was unreliable and contrary to Treasury regulations. Second, it disagrees with the tax court's valuation and contends the court erred by failing to consider comparable easement sales and by relying on data from after the date Trout Ranch donated the easement.

A. Whether the tax court erred by admitting the testimony of Commissioner experts Garone and Nash

According to Trout Ranch, the testimony of Nash and Garone was inadmissible because the experts failed to follow the method prescribed in the Treasury regulations in

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conducting their appraisals. Specifically, it contends the two experts used the before-and-after analysis without giving due consideration to sales of comparable easements, the first appraisal method set forth in the regulations.

As previously explained, the value of a conservation easement is the "fair market value of the perpetual conservation restriction at the time of the contribution." Treas. Reg. § 1.170A-14(h)(3)(i). That value is often ascertained by finding the "difference between the fair market value of the property [the easement] encumbers before the granting of the restriction and the fair market value of the encumbered property after the granting of the restriction." *Id.* But where a record of sales of comparable easements is available for meaningful comparison, the regulations require the appraisal be based on the comparable sales rather than the before-and-after method. *Id.*

Determining fair market value is a factual inquiry governed by the Federal Rules of Evidence. Tax Court Rule 143(a). The tax court serves as a gatekeeper for admitting expert evidence, much as the trial judge does in civil and criminal trials. *See Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 597 (1993); *Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 152 (1999). We review admissibility determinations for abuse of discretion and afford wide latitude to its decisions on the admissibility of expert testimony. *See Butler v. A.O. Smith Corp.*, 400 F.3d 1227, 1232 (10th Cir. 2004).

The tax court properly admitted the expert testimony of Nash and Garone. As professional appraisers, they determined the value of the easement by calculating and comparing the best use of the property before and after Trout Ranch donated the easement. To this end, they constructed discounted cash-flow models to determine the

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present value of the ranch's future revenue. This remains an accepted method for determining the value of a real estate interest where no comparable sales are available, *see* Treas. Reg. § 1.170A-14(h)(3)(i); *Morine v. Comm'r*, 92 T.C. 958, 983 (1989), and there is nothing in the record suggesting Nash and Garone were wrong to use it in this case. Having settled on a valid method, Nash and Garone reliably applied it, pooled data from sales at Gunnison Riverbanks Ranch and nearby properties, separated relevant figures from irrelevant ones, and then analyzed the remaining data in light of a host of factors to determine the most profitable use of the land before and after the easement.

Trout Ranch's main objection is that Nash and Garone applied the before-and-after method without giving proper consideration to comparable sales. In this regard, Trout Ranch is not merely challenging the decision to use the before-and-after method, though it does contend the comparable sales method was more appropriate here; rather, it asserts Nash and Garone were not reliable experts because they failed even to *consider* the comparable sales method.

This assertion is false. Both experts acknowledged the comparable-sales method in explaining their appraisal; they simply chose not to follow it. In any event, we cannot see what this argument has to do with the tax court's reliability determination under Rule 702. Trout Ranch seems to be saying the analysis submitted by Nash and Garone was unreliable because neither expert discussed their reasons for not using the comparable-sales method. But under the Treasury regulations, they had no duty to explain why they chose one method over the other; they had only to choose the appropriate method and apply it correctly. Treas. Reg. § 1.170A-14(h)(3)(i). The notion that some form of

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preliminary analysis was required and that an expert's failure to provide it could undermine the reliability of his analysis, seems to have been pulled from thin air.

In any event, Nash and Garone were correct to overlook comparable sales and focus their attention on the most profitable value of the property before and after the easement was granted. Trout Ranch's argument to the contrary is based on a misplaced reliance on the comparable sales Lengel identified in his report. As the tax court observed, the easements involved in those sales were substantially more restrictive than the one at issue here, both in terms of the quantity of land covered and the quality of the land restricted. In all but one case the "comparable" easement effectively eliminated the possibility of commercial development, and in the one case where there was still room to develop, the developable land comprised the least desirable areas of the property. In other words, the easements on record were considerably more detrimental to the value of their underlying properties than the easement encumbering Gunnison Riverbanks Ranch.

B. Whether the tax court's opinion was clearly erroneous.

Recall that the tax court set out to determine the value of the easement by finding the difference in the fair market value of the property before and after the easement was donated. All agreed a residential subdivision represented the best use of the land, and the three experts used potential-income models to calculate the before-and-after values. Unconvinced by any of the expert reports in their entirety, the tax court took data and analysis from each and constructed its own discounted cash-flow model to project the revenue from a hypothetical residential subdivision. Although lot price dominates the analysis, it is but one of several factors assessed in the court's model, which also includes

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lot density, the absorption rate, appreciation, capital expenses, overhead, developer's profit, and the discount rate. The court's before-donation appraisal, $4.45 million, was based on a 40-lot configuration; the after-donation appraisal, $3.89 million, on a 22-lot configuration. The court appraised the conservation easement at $560,000, the difference between the before-donation value and the after-donation value.

We review the tax court's valuation of property as we would any question of fact—for clear error. *See Estate of Hall v. Comm'r*, 54 F.3d 648, 650 (10th Cir. 1995). The court has broad discretion in forming its own conclusions about the record. It can find facts and accept or reject expert testimony as it sees fit. *Helvering v. Nat'l Grocery Co.*, 304 U.S. 282, 294-95 (1938); *Kiva Dunes Conservation, LLC v. Comm'r*, 97 T.C.M. (CCH) 1818, 1820 (2009).

Trout Ranch contends the tax court erred by relying on data involving sales that took place after the easement was donated. This assertion appears to embrace two related arguments: first, a legal argument that data from after the date of valuation is categorically inadmissible in determining fair market value; and second, a factual argument that the post-valuation-date data used by the court in this case distorted its method.

Neither argument has merit. No authority supports the contention that land appraisals cannot take account of data released after the date of valuation. Trout Ranch relies on Treas. Reg. § 1.170A-14(h)(3)(i), which provides, "[t]he value of the contribution under section 170 in the case of a charitable contribution of a perpetual conservation restriction is the fair market value of the perpetual conservation restriction

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at the time of the contribution." But a regulation fixing the fair market value at the time of contribution does not necessarily restrict the evidence to be considered in determining fair market value. Section 1.170A-14(h)(3)(i) is neutral on the question of relevant evidence; it sets no limitations on the information informing fair market value.

Treasury Regulation § 1.170A-1(c)(2) is likewise unhelpful: "The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts." Stressing the last clause about "reasonable knowledge of relevant facts," Trout Ranch questions how a reasonable buyer at the time of contribution could be expected to account for land sales that had yet to occur. But Trout Ranch reads the "reasonable buyer" language too literally. The reasonable buyer is a conceptual device meant to illustrate the objective nature of the inquiry, not a limitation on the evidence that can inform it. The question for the real estate appraiser and ultimately the tax court is not what a reasonable buyer could say about a particular sale but what the particular sale could say about the reasonable buyer. Data unavailable to a reasonable buyer may still tell us something about the price such a hypothetical buyer would have been willing to pay at the time of the contribution.

Fair market value is at bottom a question of fact, and questions of fact are governed by the rule of relevance. *Pelack v. Comm'r of Internal Revenue*, 366 F.3d 608, 612 (8th Cir. 2004); *Gilford v. Comm'r of Internal Revenue*, 88 T.C. 38, 50 (1987). While evidence of subsequent sales may not always be probative of a prior fair market value, whether such evidence should factor into an appraisal is not a categorical question

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of law but a simple question of relevance: Does unfair prejudice substantially outweigh the probative value of the evidence? As the Seventh Circuit has explained, the question to be asked in a valuation case "is whether the admission of the evidence would make more or less probable the proposition that the property had a certain fair market value on a given date?" *First Nat'l Bank of Kenosha v. United States*, 763 F.2d 891, 894 (7th Cir. 1985). To this end, data from events after the donation can be just as informative (and just as distorting) as data from events before the donation. The challenge for the trier of fact is determining whether the data makes the asserted fair market value more or less likely. If there is a hard-and-fast rule governing the admission of subsequent events, it is that such events will be considered to the extent they were reasonably foreseeable on the date of donation valuation. *See Salsman v. Comm'r*, 131 F.3d 87, 93 (2d Cir. 1997).

The Supreme Court's decision in *Ithaca Trust Co. v. United States* is not to the contrary. 279 U.S. 151 (1929). That case addresses whether post-valuation data can be considered in determining the taxable value of an estate. The testator had left his estate to his wife for life with authority to draw from the principal enough to keep her comfortable, the remainder to transfer in trust to a group of charities upon the wife's death. *Id.* at 154. The wife died shortly thereafter, within the one-year window for filing a return reflecting the charitable deduction, the value of which had originally been diminished by the amount of money the wife, based on actuarial data, was expected to draw from the principal. This raised a question: Should the value of the charitable deduction be determined based on what the charities were expecting to receive given the wife's life expectancy at the time of the testator's death (a smaller amount), or based on

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what the charities *actually* received in the wake of the wife's untimely death (the larger amount)? The Supreme Court decided that the charitable contribution should be valued at the time of the testator's death, when the estate is settled. "The tax is on the act of the testator," the Court explained, "not on the receipt of property by the legatees." *Id.* at 155. The Court continued: "Tempting as it is to correct uncertain probabilities by the now certain fact, we are of opinion that it cannot be done, but that the value of the wife's life interest must be estimated by the mortality tables." *Id.*

Citing *Ithaca Trust* for the proposition that subsequent events are *never* relevant in valuation cases stretches the decision beyond elastic limits. The dilemma in *Ithaca Trust* was whether to base the valuation on an estimate made at the testator's death or on the actual value discovered later on. In other words, the court decided whether fair market value was the appropriate metric even where actual valuable was knowable. This was a policy question whose answer hinged on the purpose of the underlying tax. The same question does not arise in real estate appraisal, because everyone agrees the relevant figure is the estimated value of the land at the time of the taxable event. When we speak of subsequent events in this context, we speak of data that could *inform* fair market value, *not data that could replace it*. This court's decision in *Estate of McMorris v. Comm'r* is distinguishable for the same reason. 243 F.3d 1254 (10th Cir. 2001). Directly applying *Ithaca Trust*, *McMorris* holds that events occurring after the decedent's death may not be considered in determining the value of a claim against the decedent's estate. *Id.* at 1261. For the same reasons we have addressed , the holding should not be understood to extend beyond the estate-tax setting.

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Trout Ranch argues that, even if post-valuation evidence is not categorically inadmissible, such evidence should have been excluded in this case because the post-valuation data cited by the tax court inaccurately inflated the appraisal. Trout Ranch contends the purchase of a nearby ski resort in Crested Butte increased property values in Gunnison County at a rate that could not have been foreseen when the easement was donated, with real property in the county appreciating by more than 50 percent between 2004 and 2006.

Before turning to the data, it is important to note that the tax court was mindful of the risks associated with post-valuation data. It devoted an entire section of its opinion to addressing Trout Ranch's concerns about the effect post-contribution lot sales might have had on the Commissioner's valuation. Wary of placing too much weight on such sales, the court resolved to "give the most weight to lot sales within a year of the date of valuation (i.e., sales in 2003 and 2004) and less weight to sales outside that range." (Doc. 42 at 30.) The court explained that whether evidence relating to subsequent lot sales is admissible in determining fair market value is a question of relevance. "We find that the evidence of lot sales within a reasonable period after the date of valuation (especially those at Gunnison Riverbanks Ranch itself) tends to make a given estimate of the lot prices more or less likely; that is, such evidence is relevant." Doc. 42 at 29 (footnote omitted).

With respect to Trout Ranch's contention about real property prices increasing at an unforeseeable clip following the donation of the easement, the tax court accepted the Commissioner's argument that most of the appreciation was driven by development in

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and around Crested Butte (a premier ski resort), which the court treated as a separate economic zone within Gunnison County. Relying on a report from an appraiser at the Gunnison County Assessor's Office, it found the economic area encompassing Gunnison Riverbanks Ranch experienced only modest upward pressure. "We find no evidence," the court concluded, "that the lots at Gunnison Riverbanks Ranch appreciated at more than a reasonable rate after the date of valuation." *Id.* at 30. Moreover, although the sale of the ski resort at Crested Butte closed after Trout Ranch donated the easement, the court observed the sale was *announced* prior to the donation, making any related appreciation in land value foreseeable.

In summary, the tax court properly exercised its discretion by incorporating post-valuation data into the income analysis. Having addressed Trout Ranch's concerns about unforeseen appreciation, the court could focus on the lot sales from Hidden River Ranch and Gunnison Riverbanks Ranch it deemed most indicative of the price of a lot at Gunnison Riverbanks Ranch on the date of valuation. Excluding post-valuation data, it seems, would have left the court unequipped to make an informed finding as to value. While reasonable minds could differ about the weight to be assigned to such data, it would be a stretch to argue the use of post-valuation data in this case amounted to an abuse of discretion.

C. Whether the charitable deduction should be subject to the limitations in I.R.C. § 170(b)(1)(B)

When the Commissioner sent Trout Ranch the notice disallowing a charitable deduction beyond $485,000, he also asserted the deduction of the charitable contribution

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would be subject to the 30 percent limitation in § 170(b)(1)(B)(i), rather than the 50 percent limitation in 170(b)(1)(A).[5] Upon receiving notice from the Commissioner, Trout Ranch had 90 days to file a petition in the appropriate court contesting the adjustment and identifying any errors it thought the Commissioner committed. *See* Tax Court Rule 241(d)(1)(C) ("Any issues not raised in the assignments of error . . . shall be deemed to be conceded."). *Id.* Trout Ranch's petition for readjustment did not include an objection to the Commissioner's application of § 170(b)(1)(B), and the tax court properly concluded the matter had been conceded.

Trout Ranch argues the issue should never have been addressed by the tax court because it is a "non-partnership" item more appropriately resolved on the partners' individual tax returns. We disagree. The Code considers partnership items to be those best determined at the partnership level, and the pertinent regulations provide that partnership items include "the legal and factual determinations that underlie the determination of the amount, timing, and characterization of items of income, credit, gain, loss, deduction, etc." Treas. Reg. § 301.6231(a)(3)-1(b). I.R.C. § 6231(a)(3). As the tax court explained, the question of which limitation covers the charitable

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[5] Section 170(b)(1)(A) provides that "Any charitable contribution . . . shall be allowed to the extent that the aggregate of such contributions does not exceed 50 percent of the taxpayer's contribution base for the taxable year." Section 170(b)(1)(B) provides that charitable contributions not covered under § 170(b)(1)(A) "shall be "allowed to the extent that the aggregate of such contributions does not exceed the lesser of—(i) 30 percent of the taxpayer's contribution base for the taxable year, or (ii) the excess of 50 percent of the taxpayer's contribution base for the taxable year over the amount of charitable contributions allowable under [§ 170(b)(1)(A)]."

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contribution depends simply on the type of organization to which the easement was donated, which is best determined at the partnership level.

D. Whether the tax court erred in failing to shift the burden of proof to the Commissioner

Generally speaking, the Commissioner's determinations of deficiency are presumed correct and the taxpayer bears the burden of proof. Tax Court Rule 142(a). However, in certain situations where the taxpayer introduces credible evidence relevant to the proper tax liability, the law shifts the burden to the Commissioner. *See* I.R.C. § 7491(a). Trout Ranch contends this is such a situation and the tax court erred in failing to shift the burden to the Commissioner. Not so. The tax court's opinion was based on its take on the preponderance of the evidence and was announced as such. Had the evidence been evenly balanced, a situation not presented here, the issue would necessarily have been resolved against the party bearing the burden of persuasion. But the tax court did not consider it necessary to hold either party to its burden. Accordingly, any technical error related to the burden of proof was harmless. *See Keasling v. CIR*, 544 F.3d 900, 906 (8th Cir. 2008).

AFFIRMED.

Entered by the Court:

Terrence L. O'Brien
United States Circuit Judge

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Kiva Dunes Conservation, LLC, E. A. Drummond, Tax Matters Partner v. Commissioner of Internal Revenue

The following Tenth Circuit Court of Appeals order and judgment upholds the valuation of properties that are the subject of future encumbrance by perpetual conservation easement. In this case, the court affirms the use of the valuation of a hypothetical subdivision. A subdivision discounted cash flow method was used by the IRS to determine the before value. The court also upheld the use of the before and after method to estimate the fair market value of a conservation easement.

T.C. Memo. 2009-149

UNITED STATES TAX COURT

KIVA DUNES CONSERVATION, LLC, E.A. DRUMMOND, TAX MATTERS PARTNER, Petitioner v. COMMISSIONER OF INTERNAL REVENUE, Respondent

Docket No. 13196-06. Filed June 22, 2009.

David M. Mandelbridge, for petitioner.

Linda J. Wise and John M. Sheffield, for respondent.

MEMORANDUM FINDINGS OF FACT AND OPINION

WELLS, Judge: By notice of final partnership administrative adjustment (FPAA), respondent disallowed a charitable contribution deduction claimed by Kiva Dunes Conservation LLC (Kiva Dunes) for its grant to the North American Land Trust (NALT) of a perpetual conservation easement covering a golf

course that it owned. Respondent also determined that a section 6662[1] accuracy-related penalty applies.

After trial, respondent conceded on brief that Kiva Dunes is entitled to a section 170(a)(1) charitable contribution deduction for 2002. Consequently, the issues remaining for our decision are: (1) The value of the perpetual conservation easement, and therefore, the amount of the allowable deduction under section 170(f)(3)(B)(iii) and (h); and (2) whether a section 6662 accuracy-related penalty applies.

FINDINGS OF FACT

Some of the facts and certain exhibits have been stipulated by the parties. The stipulation of facts is incorporated in this opinion, and the stipulated facts are so found. The tax matters partner of Kiva Dunes is E.A. Drummond, the petitioner. We will refer to E.A. Drummond as petitioner when we refer to him in his capacity as tax matters partner and Mr. Drummond when we refer to him in his individual capacity. At the time of the filing of the petition, the principal place of business for Kiva Dunes was in Alabama.

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[1]All section references are to the Internal Revenue Code, as amended, and all Rule references are to the Tax Court Rules of Practice and Procedure.

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On June 6, 1992, Mr. Drummond purchased real property on the Fort Morgan Peninsula[2] in Baldwin County, Alabama, from the Resolution Trust Corporation for $1,050,000 (RTC property). The RTC property is 12.5 miles west of the intersection of Alabama Highways 59 and 180 and consists of approximately 228 acres south of Highway 180 and approximately 23 acres north of Highway 180.

On December 10, 1993, Mr. Drummond formed D&E Investments, LLC (D&E), an Alabama limited liability company that elected to be taxed as a partnership for Federal income tax purposes. By quitclaim deed dated January 26, 1994, Mr. Drummond conveyed his interest in the RTC property to D&E.

During 1994 D&E initiated the development of a residential resort community on the RTC property consisting of a gated, residential subdivision (the Kiva Dunes subdivision)[3] and a Jerry Pate-designed 140.9-acre golf course (Kiva Dunes Golf Course). The planned resort community also features swimming pools, tennis courts, and beach access.

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[2]The Fort Morgan Peninsula lies between the Gulf of Mexico on the south and Mobile Bay and Bon Secour Bay on the north. The peninsula is approximately 32 miles long and ranges in width from 1.2 miles to 3.3 miles. U.S. Highway 180 runs east-west through the peninsula. In total, Baldwin County has 32 miles of gulf coastline that is consistently ranked as one of the most beautiful beach destinations in the United States.

[3]The Kiva Dunes subdivision consists of 163 residential lots, 30 of which are on the beach.

During 1995 Kiva Dunes Golf Course was completed and opened to the public,[4] and soon thereafter the individual residential lots began selling.

On December 26, 2002, Mr. Drummond formed Kiva Dunes, an Alabama limited liability company, that elected to be taxed as a partnership for Federal income tax purposes. On December 27, 2002, D&E executed a warranty deed conveying Kiva Dunes Golf Course to Kiva Dunes.

On December 31, 2002, Kiva Dunes placed a perpetual conservation easement (easement) on Kiva Dunes Golf Course and donated the easement to NALT.[5] Kiva Dunes filed a Form 1065, U.S. Return of Partnership Income, for the tax period ended December 31, 2002, on which it claimed a charitable contribution deduction of $30,968,239 for the easement. This amount was based on an appraisal prepared by petitioner's expert in the instant case, Claud Clark (Mr. Clark). Kiva Dunes also reported a $95,000 cash contribution to NALT.

Respondent issued an FPAA to Kiva Dunes determining that it was not entitled to the claimed deduction for the easement or the

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[4]During 1996 Kiva Dunes Golf Course was rated the No. 2 public golf course in the United States.

[5]A permitted use of the encumbered property could be that of a golf course, a park, or an agricultural enterprise. Contemporaneously with the contribution of the easement to NALT, Kiva Dunes leased Kiva Dunes Golf Course, subject to the easement, to D&E for the purpose of operating the golf course. As of trial, D&E continued to operate the golf course.

$35,000 cash contribution and that a section 6662 accuracy-related penalty applies.[4]

OPINION

A taxpayer is entitled to deduct, pursuant to section 170(a), a qualified conservation contribution made within a taxable year. Sec. 170(a), (f)(3)(B)(iii), (h); see Hughes v. Commissioner, T.C. Memo. 2006-94. As noted above, after trial respondent conceded that Kiva Dunes's grant of the easement is a qualified conservation contribution pursuant to section 170(h) and that Kiva Dunes is entitled to a deduction under section 170(a). Consequently, we need decide only the value of the easement for purposes of determining the amount of the allowable deduction and whether a section 6662 accuracy-related penalty applies.

Deductions are a matter of legislative grace, and a taxpayer bears the burden of proving entitlement to any claimed deductions. INDOPCO, Inc. v. Commissioner, 503 U.S. 79, 84 (1992). Moreover, the Commissioner's determination of value is normally presumed correct, and the taxpayer bears the burden of proving that the determination is incorrect. See Rule 142(a);

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[4]Respondent stipulates that petitioner is entitled to a charitable contribution deduction for the $35,000 cash contribution to KRLT.

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Welch v. Helvering, 290 U.S. 111, 115 (1933); Schaab v. Commissioner, T.C. Memo. 1994-330.[7]

Generally, the amount of a charitable contribution is the fair market value of the contributed property at the time it is contributed. Sec. 1.170A-1(a), (c)(1), Income Tax Regs. Fair market value is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having a reasonable knowledge of relevant facts. Sec. 1.170A-1(c)(2), Income Tax Regs.

In deciding the fair market value of property, we must take into account not only the current use of the property but also its highest and best use. See Stanley Works & Subs. v. Commissioner, 87 T.C. 389, 400 (1986); sec. 1.170A-14(h)(3)(i) and (ii), Income Tax Regs. A property's highest and best use is the highest and most profitable use for which it is adaptable and needed or likely to be needed in the reasonably near future. Olson v. United States, 292 U.S. 246, 255 (1934). The highest and best use can be any realistic, objective potential use of the property. Symington v. Commissioner, 87 T.C. 892, 896 (1986).

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[7]Petitioner does not argue that sec. 7491(a) applies to shift the burden of proof to respondent. Nonetheless, we decide the instant case on the evidence in the record and need not address which party bears the burden of proof.

Under circumstances where there is a substantial record of sales of easements comparable to a donated easement, the fair market value of the donated easement is based on the sale prices of those comparable easements. Sec. 1.170A-14(h)(3)(i), Income Tax Regs. Where, as in the instant case, there is no established market for similar conservation easements and no record exists of sales of such easements, the regulations provide a method to determine fair market value:

> If no substantial record of market-place sales is available to use as a meaningful or valid comparison, as a general rule (but not necessarily in all cases) the fair market value of a perpetual conservation restriction is equal to the difference between the fair market value of the property it encumbers before the granting of the restriction and the fair market value of the encumbered property after the granting of the restriction. * * *

Sec. 1.170A-14(h)(3)(i), Income Tax Regs.

We have used a "before and after" methodology in evaluating conservation easements. Browning v. Commissioner, 109 T.C. 303, 315 (1997); Hughes v. Commissioner, supra. The parties in the instant case agree that the before and after methodology is the appropriate valuation method to determine the fair market value of the easement.

Additionally, any enhancement in the value of a donor's other property resulting from the easement contribution, or of property owned by certain related persons, reduces the value of

the contribution deduction. Sec. 1.170A-14(h)(3)(i), Income Tax Regs.

Valuation is not a precise science, and the fair market value of property on a given date is a question of fact to be resolved on the basis of the entire record. See, e.g., Kaplan v. Commissioner, 43 T.C. 663, 665 (1965); Akhini v. Commissioner, T.C. Memo. 2001-141. In the instant case, each party has offered the report and testimony of an expert witness to establish the value of the easement for purposes of arriving at the proper amount of Hiva Dunes's charitable contribution deduction.

An expert's opinion is admissible if it assists the trier of fact to understand the evidence or to determine a fact in issue. Fed. R. Evid. 702. We evaluate expert opinions in the light of the expert's demonstrated qualifications and all other evidence in the record. See Parker v. Commissioner, 86 T.C. 547, 561 (1986). Where experts offer competing estimates of fair market value, we decide how to weigh those estimates by, inter alia, examining the factors they considered in reaching their conclusions. See Casey v. Commissioner, 38 T.C. 357, 381 (1962). We are not bound by the opinion of any expert witness, and we may accept or reject expert testimony in the exercise of our sound judgment. Helvering v. Natl. Grocery Co., 304 U.S. 282 (1938); Estate of Newhouse v. Commissioner, 94 T.C. 193, 217 (1990). We may also reach a decision as to the value of property that is

based on our own examination of the evidence in the record. Silverman v. Commissioner, 538 F.2d 927, 933 (2d Cir. 1976), affg. T.C. Memo. 1974-285.

Petitioner's Expert

Mr. Clark is a professional real estate appraiser and has decades of experience in Baldwin County. He has lived and worked in the immediate vicinity of the subject property for 22 years and owns and has owned property on the Fort Morgan Peninsula. Mr. Clark performs more appraisal work in Baldwin County than any other appraiser, and he has a great depth of knowledge of the comparable properties used in valuing the easement and of the surrounding local real estate market.

Respondent's Expert

Philip Faulk (Mr. Faulk) is a Member of the Appraisal Institute (MAI).[3] He has spent a substantial portion of his appraisal career in Atlanta, Georgia. Mr. Faulk recently moved to, and has offices in, Birmingham, Alabama, 250 miles from Rive Dunes Golf Course. Mr. Faulk has no particular expertise in Baldwin County, and he has been to the Baldwin County, Alabama, area only twice in connection with his appraisal of the easement.

[3]MAI is a designation awarded to qualifying members of the American Institute of Real Estate Appraisers and within the appraisal community is viewed as the most highly regarded appraisal designation. See Estate of Rubex v. Commissioner, T.C. Memo. 1998-185.

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Valuation of the Easement

Each party's expert determined before and after values of Kiva Dunes Golf Course and considered the issue of enhancement of other property owned by Kiva Dunes or related parties. Each expert's conclusions as to the fair market value of the easement were computed by subtracting his estimate of the after value and of any enhancement from his estimate of the before value.

Fair Market Value of Kiva Dunes Golf Course Before Conservation Easement

Each of the experts concluded that the highest and best use of Kiva Dunes Golf Course at the time of the contribution of the easement would have been for the development of a residential subdivision. To reach their respective before value estimates, both experts used a discounted cashflow analysis of estimated revenues and costs associated with the development and sale of lots in a hypothetical subdivision. However, certain of their assumptions differed in important ways; namely, the number of lots available for sale, the average sale price of the lots, and the rate at which the lots would sell. The differences in their assumptions led to a dramatic difference in their respective before value estimates: Mr. Clark's was $31,930,995, and Mr. Faulk's was $10,018,000.[5] We examine the critical assumptions

[5]We note that it is not unusual in valuation cases that two expert appraisers reach significantly different conclusions. The instant case poses such a dilemma, and, consequently, the

(continued...)

made by each expert and decide the plausibility of those assumptions in reaching an appropriate before value for Riva Dunes Golf Course.

1. Lots Available for Sale

Mr. Clark determined that 370 lots could be developed for sale in his hypothetical subdivision.[10] Wayne Dyess (Mr. Dyess), the planning and zoning director of the Baldwin County Zoning

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[9](...continued)
credibility of the experts' determinations is of paramount importance. For our purposes, a useful tool with which to measure the reasonableness of the experts' assumptions is the 2005 purchase price for the Woodlands Golf Course (Woodlands). Woodlands was approximately 19 miles (and 6 miles inland) from Riva Dunes Golf Course. Woodlands was purchased for $17,900,000 for the purpose of developing a residential apartment community and was comparable in size to Riva Dunes Golf Course.

Petitioner argues that the Woodlands sale price "calls into question the opinions and assumptions of Faulk concerning the Before Value * * * and provides clear evidence that the low Before Value assigned by Faulk was not based in reality." Specifically, petitioner contends "that proximity to the beach is a significant value factor for residential uses * * *. The popularity and high-end residential use of land on the Fort Morgan Peninsula property gives the * * * [Riva Dunes Golf Course] a substantially higher value than a similar property used for residential (apartment) purposes several miles north, away from the beach." After considering the evidence in the record, we agree.

The experts in the instant case recognize that proximity to the beach imparts a premium to the value of real estate. With Riva Dunes Golf Course sitting on one of the most beautiful stretches of coastline in the United States, a willing buyer and a willing seller would necessarily anticipate a premium price for the property. Mr. Faulk's before value, which falls $7,782,000 short of the Woodlands sale price, does not reflect adequately the superior locale of Riva Dunes Golf Course and is not, as petitioner persuasively argues, "based in reality".

[10]The subject property was zoned R-6. This permitted the development of six homes per acre.

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Paulk's interpretation substantially reduced the available land for lot development because he excluded the lakes and wetlands on Kiva Dunes Golf Course. Ultimately, Mr. Paulk admitted that Mr. Clark's 370-lot subdivision was viable. We conclude that it was reasonable to assume that 370 lots could be developed on Kiva Dunes Golf Course.[13]

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[12](...continued)
required by the regulation. Initially, Mr. Dyess stated: "In looking at (the plan), not having the exact numbers, typically it doesn't look like they're going to have the 50-percent. To be definitive, we'd want to see the numbers". Ultimately, Mr. Dyess conceded that the plan design could be adjusted to meet the contiguous requirement. Notably, however, he never suggested that such an adjustment would require a reduction in the number of lots available or the elimination of any of the proposed manmade lakes.

[13]Respondent takes the position that the presence of a local beach wildlife inhabitant of the area near Kiva Dunes Golf Course, the federally protected Alabama beach mouse, would have a profound impact on the development of the proposed subdivision. Specifically, respondent contends that Mr. Clark did not account for the time and cost that would be associated with securing the necessary permits in developing the property. From the evidence before us, we are not persuaded that the presence of the Alabama beach mouse would have significantly affected the development of Kiva Dunes Golf Course. We note that Mr. Paulk's report makes no reference to the Alabama beach mouse, and there is no adjustment in Mr. Paulk's values to account for any potential delay or expense associated with the potential impact that the presence of the Alabama beach mouse might have on the development. Indeed, both experts agree that projected sales of the hypothetical lots would have begun closing on Dec. 31, 2007. Moreover, Aaron Valenta, a regional habitat conservation plan coordinator for the Fish and Wildlife Service, testified that Kiva Dunes Golf Course does not fall within the Alabama beach mouse's critical habitat. Ultimately, no evidence or testimony was offered that would support a finding that the presence of the Alabama beach mouse would prevent the development of the proposed subdivision.

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3. Average Lot Price

Mr. Clark concluded that the initial lot price in his hypothetical subdivision would average $170,000. In reaching this value, Mr. Clark considered a number of variables: The quality of the lots, market demand, and comparable sales.

Mr. Clark's conceptual plan proposed the enlargement of several lakes and the creation of several pool and recreation areas on Kiva Dunes Golf Course. Consequently, approximately 70 percent of his proposed lots (298 out of 370) would front the lakes. Both experts agree that this lake frontage factor alone would have a significant impact on lot value. Additionally, Jim Edgmon (Mr. Edgmon), an agent of D&E and manager of Kiva Dunes Golf Course, testified that all of the lots would have access to the amenities of the adjacent Kiva Dunes subdivision, including the use of tennis courts, swimming pools, beach walkovers, and dedicated areas on the beach itself. Moreover, the lots in the hypothetical subdivision would frequently have beautiful views of Mobile Bay.

Mr. Clark also considered the market for house lots in Baldwin County in reaching his initial lot price. The total population in Baldwin County from 1990 through 2000 (the period shortly before the valuation date) increased 42.67 percent.[4]

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[4]Mr. Edgmon testified that Baldwin County was the "second-fastest-growing county in Alabama and maybe the top 50 or 70 in

(continued...)

Total households during that same period correspondingly increased 43.39 percent, and the median home price increased 98.2 percent.[15] Mr. Clark opined that the population surge, coupled with a dwindling supply of available home sites,[16] would increase demand, and the selling price, for the proposed lots.

As a final consideration, Mr. Clark looked to local sales of properties he believed were nearest in quality to the proposed lots. He noted several 2002 sales of developed lots (land price computed by extraction)[17] in the neighboring Martinique Development (Martinique).[18] Martinique's sales ranged from $160,000 to $306,700. Mr. Clark also examined several 2002 and early 2003 sales of "off-of-the-beach" lots at the Kiva Dunes subdivision ranging in price from $110,000 to $160,000. In

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[14](...continued)
the country."

[15]The statistical data for population and household growth was included in Mr. Paulk's report.

[16]Mr. Clark testified that neighboring subdivisions were approaching sellout.

[17]Extraction is a method of estimating land value in which the depreciated cost of the improvements on the improved property is estimated and deducted from the total sale price to arrive at an estimated sale price for the land. Appraisal Institute, The Appraisal of Real Estate 335 (12th ed. 2001). Mr. Paulk offered no criticism as to Mr. Clark's extraction values.

[18]Martinique is approximately 1 mile east of Kiva Dunes Golf Course off Highway 180. It is a single-family development with ample lakes, a swimming pool, tennis courts, and convenient access to the beach.

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highlighting his Kiva Dunes subdivision comparables, Mr. Clark stressed that their quality and size were inferior to those of the proposed lots.[23]

In contrast, Mr. Faulk determined that the initial lot price in his hypothetical subdivision would average $85,000. In arriving at that number, Mr. Faulk testified, he averaged the 2001 sale prices of just two interior lots sold at the Kiva Dunes subdivision.[24] In other words, Mr. Faulk assumed that two of the least desirable lots in the Kiva Dunes subdivision would be of comparable quality to that of the hypothetical lots.[25] Mr. Faulk's proposed lots would not front the lakes, would not have views of Mobile Bay or any lakes, and would be far removed from the amenities of the Kiva Dunes subdivision. We conclude that Mr. Faulk's assumptions are not realistic because they fail to rely on comparable lot characteristics.

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[23]As set forth above, Mr. Clark testified that the majority of lots in the proposed subdivision would front lakes. In his report, Mr. Clark's data is suggestive of the appeal and premium value of lake front property in Baldwin County. For instance, "lake view" lots at Fenmin Village averaged $22.80 per square foot, whereas "open view" lots at the Kiva Dunes subdivision averaged only $14.16 per square foot. "Limited view" lots at the Kiva Dunes subdivision averaged a mere $8.69 per square foot.

[24]Lot 113 sold for $106,000, and lot 69 sold for $55,665. The actual average for these lots, $80,275, was then increased 5 percent for appreciation to arrive at a reconciled initial value per lot of $85,000, rounded.

[25]In his report, Mr. Faulk expressly states that his conclusions as to initial lot price are "Based on recent interior lot sales at Kiva Dunes." (Emphasis added.)

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Mr. Paulk's testimony at trial is inconsistent with his appraisal in several respects. In his report Mr. Paulk stresses that "Most lots in the [proposed] development will have water views of the onsite lakes". Moreover, Mr. Paulk reports that the proposed subdivision closely resembles Martinique, yet he does not give any consideration to the actual sale prices of its lots in computing his initial lot price. For instance, he lists the average selling prices of lots at developments Morgantown[22] ($74,000), Peninsula[23] ($42,500), and the Kiva Dunes subdivision ($82,275), yet he curiously assigns a value for average lot sales for Martinique at zero.[24] As set forth above, Martinique lots were selling for much more than the residential lots at the Kiva Dunes subdivision.

We conclude that Martinique possesses many of the characteristics of Mr. Clark's hypothetical subdivision and provides the most accurate representation of the quality and value of the proposed lots. Mr. Paulk's assumption that the quality of the proposed lots would mirror that of two inferior

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[22]Morgantown is a single-family residential development on the south side of Highway 180 approximately one-half mile west of Kiva Dunes Golf Course.

[23]Peninsula is a single-family residential golf course community on the north side of Highway 180 approximately 5 miles west of Highway 59.

[24]Mr. Paulk designates the average lot sale price for Martinique in a separate section as "N/A", the only such property to receive that designation in his report.

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lots at the Kiva Dunes subdivision is unavailing. We conclude that Mr. Clark's analysis is persuasive and that an initial lot price of $170,000 for the hypothetical subdivision is reasonable.

3. Absorption Rate

Mr. Clark assumed that his 370-lot subdivision would sell out in 10 years, averaging sales of 37 lots per year. In making his assumption, he compared absorption data from local developments, including the Kiva Dunes subdivision and Martinique. Mr. Faulk, on the other hand, assumed his 300-lot subdivision would sell out in 15 years, averaging sales of 20 lots per year. Mr. Faulk appears to have relied exclusively on absorption data from Martinique to forecast his absorption rate.

Both experts relied on Martinique in support of their respective assumptions on the issue of the proper absorption rate. Indeed, as set forth above, the quality of the lots at Martinique, its amenity package, and its location mirror those of the proposed subdivision. Accordingly, we conclude that Martinique is a useful gauge of an appropriate absorption rate.

Sales at Martinique were brisk during 2000 (25 sales).[20] A former sales agent at Martinique to which Mr. Clark's report refers indicated that sales were "slowed by the construction pace", and that "the lots could have sold out much quicker" had

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[20]Sales for 2001 totaled 22, and sales reported for half of 2002 totaled 14.

they been sold as vacant lots. Mr. Clark testified that the demand for vacant lots was "feverish" as existing developments were approaching sellout, and Mr. Faulk's data in his report corroborates Mr. Clark's conclusions. For instance, by 2005 the Kiva Dunes subdivision, Morgantown, and Martinique had sold out.

Considering that the proposed plan would have had more than three times as many lots available for purchase as Martinique,[46] we conclude that a sales forecast of 37 lots per year is reasonable.

Having found Mr. Clark's assumptions as to the available lots for sale (370), initial lot price ($170,000), and annual rate of lot sales (37 per year) reasonable, we need not address in detail the remaining assumptions made by the experts in deriving their respective before value opinions, as they are largely offsetting. To illustrate, if we incorporate Mr. Clark's aforementioned assumptions into Mr. Faulk's discounted cashflow computation, leaving intact Mr. Faulk's remaining assumptions as to lot appreciation (3 percent), developer's profit (12 percent), sales commissions (6 percent), closing/marketing costs (3 percent), property taxes ($504/lot), and discount rate (12 percent), Mr. Faulk's before value would amount to $39,948,799.[47]

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[46]Martinique comprises 104 developed lots.

[47]Mr. Clark estimated lot appreciation at 5 percent; developer's profit at 20 percent; sales commissions at 6 percent; (continued...)

If we further incorporate respondent's concession on brief as to Mr. Clark's 5-percent lot appreciation rate, Mr. Faulk's before value would increase an additional $2,365,758. Ultimately, with the foregoing substitutions, Mr. Faulk's before value ($32,814,558) would exceed Mr. Clark's before value ($31,939,985) by $875,573.[24]

We conclude that Mr. Clark's testimony is credible and his assumptions are reasonable and amply supported by the evidence presented at trial and in his report. Moreover, we conclude that the Woodlands sale is corroborative evidence of the reasonableness of Mr. Clark's conclusions. Accordingly, we assign a before value to Kiva Dunes Golf Course of $31,939,985.

Fair Market Value of Kiva Dunes Golf Course After Conservation Easement

The experts agree that immediately after the charitable contribution, the highest and best use of Kiva Dunes Golf Course was the continued operation of the golf course.[25] However, in

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[23](...continued)
closing costs/overhead at 3 percent; and a discount rate at 9.5 percent.

[24]We do not, however, decide that petitioner is entitled to a higher before value than that determined by Mr. Clark.

[25]During 2007 Mr. Clark prepared and submitted a supplemental report in which he opined on the economic health of the golf industry for 2007. At trial, he testified that his new data (information Mr. Clark admits would not have been available to a hypothetical buyer and seller during 2002) suggests that the continued operation of Kiva Dunes Golf Course as a golf course
(continued...)

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determining the after value of Kiva Dunes Golf Course, the experts used very different methodologies. Mr. Paulk used an income approach. He divided a capitalization rate into a number that he represented was the 2002 net income of Kiva Dunes Golf Course. Mr. Paulk determined the after value to be $8,800,000. In contrast, Mr. Clark concluded that the economic health of Kiva Dunes Golf Course during 2002 was too poor to support an income capitalization approach. Instead, he found sales of "comparable" properties that he analyzed and adjusted to reach an after value of $1,050,750.

In determining his after value, Mr. Paulk divided a capitalization rate (12 percent) into a number that he erroneously represented was the 2002 net income of Kiva Dunes

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**(...continued)
would not be the highest and best use of the property. In support of his "new position", Mr. Clark highlighted a recent golf course closure, diminishing rounds played in Baldwin County, and recent losses sustained by several local courses. On brief, respondent argues vociferously that "[Mr.] Clark's vacillation on the highest and best use of the property after the donation presents insurmountable obstacles for petitioner in establishing the fair market value of the property after the donation." We disagree.

The fair market value of Kiva Dunes Golf Course should be based on its highest and best use on its valuation date. See Stanley Works v. Commissioner, 87 T.C. 389, 400 (1986); sec. 1.170A-14(h)(3)(ii), Income Tax Regs. In other words, the information Mr. Clark used to determine the highest and best use of the property must be limited to information that would have been available to the hypothetical buyer or seller on the date of the donation. Accordingly, we assign no weight to Mr. Clark's supplemental report or his testimony insofar as it relates to the highest and best use of Kiva Dunes Golf Course.

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Golf Course--$1,056,970.[83] The error was that, in calculating the 2002 net income, Mr. Faulk failed to account for all of the expenses listed on D&E's 2002 tax return,[84] as well as reserves in lieu of depreciation.[85] The table below summarizes the omitted categories of expense that, when subtracted from Mr. Faulk's computed 2002 net income, result in a negative number:

Description	Expense
Salaries & wages	$796,421
Employee benefits	126,438
Repairs/maintenance	64,007
Taxes & licenses	28,568

[83]At trial, Mr. Edgmon testified that the 2002 net income for Kiva Dunes Golf Course was a "negative number".

[84]D&E's return was audited for taxable year 2002. The IRS did not propose any adjustments to the expense categories on the return or challenge whether any of the listed expenses were ordinary or necessary.

[85]We recognize, and both experts agree, that depreciation does not figure into an appraisal value computation. However, Mr. Faulk admitted that appraisal principles require that an alternative, similar concept be substituted to reflect the economic cost of maintaining and/or replacing equipment required for the operation of the golf course. Examples of such items relevant for such purposes would include, but are not limited to, maintenance vehicles, maintenance equipment, irrigation systems, and golf carts. In appraisal parlance, a "reserve" reflects this anticipated cost of replacement and maintenance. Mr. Faulk made no attempt to determine the amount of an appropriate reserve in his after value analysis. On brief, respondent argues that an appropriate reserve would not approximate D&E's depreciation deductions because D&E depreciated under an accelerated method (i.e. double declining balance method) and claimed a special depreciation allowance of 30 percent under sec. 168(k). We agree with respondent that an appropriate reserve does not mirror the claimed depreciation deductions in the instant case. However, it is not necessary to determine an appropriate reserve as D&E's remaining expenses more than offset D&E's 2002 income.

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Rent	104,587
Depreciation/"Reserve"	334,264
Total	1,674,311

At trial, Mr. Faulk admitted that he was provided D&E's 2002 tax return before he submitted his appraisal. We therefore place no reliance on Mr. Faulk's after value determination.

Mr. Clark used the comparable sales method to reach his after value. The comparable sales method "is based upon the commonsense approach of taking the actual sales prices of properties similar to the subject property and then relating these prices to the subject property." Wolfsen Land & Cattle Co. v. Commissioner, 72 T.C. 1, 19 (1979). The fair market value of Kiva Dunes Golf Course is calculated by reference to the sale prices of the comparable properties, adjusted upward to the extent that the property is superior to the comparable property in some fashion and downward to the extent it is inferior in some fashion. See Whitehouse Hotel Ltd. Pship. v. Commissioner, 131 T.C. __, __ (2008) (slip op. at 45); see also Schaak v. Commissioner, T.C. Memo. 1994-202 ("This approach is based on the principle that the prudent purchaser would pay no more for a property than the cost of acquiring an existing property with the same utility."). Mr. Clark made seven adjustments to the prices of his comparables for differences in (1) market conditions, (2) location value, (3) access and visibility, (4) size, (5)

availability of utilities, (6) topographical and wetland characteristics, and (7) financing terms.

Under ideal circumstances, there is an abundance of sales of truly comparable properties made under similar conditions, only minor adjustments are required, and the value is easily derived. However, as in the instant case, when such conditions do not exist, many factors come into play and more adjustments are required. As might be expected, the lack of sales of comparable properties results in a more subjective value, highly dependent on the independent judgment of the individual appraiser.[32]

In reaching his after value, Mr. Clark identified five sales of properties he considered "comparable".[33] Mr. Clark's first comparable was a 136-acre vacant parcel of land in Gulf Shores, Alabama. The property sold on June 4, 1990, for $9,136 per acre, or $1 million. The land was purchased for the purpose of

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[32]Mr. Clark testified that the limited use for which Kiva Dunes Golf Course could be developed had a profound effect on his adjustments to his comparables.

> [T]his is an zoned property that has just about all of its rights stripped from it except recreational type uses, and if this were an unzoned property * * * there would be different adjustments, but an zoned property under the conservation easement * * * had very limited use. So whether you've got wetlands that you can't do anything with or you've got an zoned piece of property that you can't do anything with, you can't do anything with them.

[33]All five of Mr. Clark's sales of comparable properties occurred in Baldwin County.

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developing Woodlands as a golf courses. After adjusting the price per acre for market conditions (+66 percent), location (-10 percent), access/visibility (-10 percent), size (-5 percent), utilities (0 percent), topography/wetlands (+5 percent), and financing (0 percent), Mr. Clark arrived at an adjusted value for his first comparable of $7,140 per acre.

The second comparable was an 818-acre vacant parcel of land also in Gulf Shores, Alabama. The property sold on October 12, 1994, for $6,431,500, or $7,860 per acre. The property has 1.2 miles of frontage on the south margin of Bon Secour Bay and approximately 1.7 miles fronting on the north row of Highway 180. The land was purchased for the development of a residential community, which included a golf course and tennis center. After adjusting the price per acre for market conditions (+$7), location (-20 percent), access/visibility (-5 percent), size (+10 percent), utilities (-20 percent), topography/wetlands (-20 percent), and financing (0 percent), Mr. Clark arrived at an adjusted value for his second comparable of $3,674 per acre.

The third comparable was a 320-acre vacant parcel of land in Foley, Alabama. The property sold on January 16, 1997, for $5,313 per acre, or $1,700,000. This comparable is in an area of significant commercial development. After adjusting the price per acre for market conditions (+25 percent), location (-10 percent), access/visibility (-10 percent), size (+5 percent),

utilities (-5 percent), topography/wetlands (+5 percent), and financing (+10 percent), Mr. Clark arrived at an adjusted value for his third comparable of $6,409 per acre.

Mr. Clark's fourth comparable was a 190-acre parcel of land in Foley, Alabama. The property was sold on November 15, 1997, for $6,842 per acre, or $1,300,000. Mr. Clark testified that the property was purchased by the Consumer Guaranty Corporation for the purpose of developing a golf course. After adjusting the price per acre for market conditions (+0 percent), location (+5 percent), access/visibility (-5 percent), size (-5 percent), utilities (-20 percent), topography/wetlands (+5 percent), and financing (0 percent), Mr. Clark arrived at an adjusted value for his fourth comparable of $7,112 per acre.

The fifth comparable was a 254-acre parcel of land in Foley, Alabama. The property sold on January 10, 2000, for $11,799 per acre, or $3 million. The site was improved with a number of farm buildings. Mr. Clark testified that the property was commonly referred to as "one of the prettiest sites for a golf course that there could be in Baldwin County." After adjusting the price per acre for market conditions (+5 percent), location (-5 percent), access/visibility (-5 percent), size (0 percent), utilities (-20 percent), topography/wetlands (0 percent), and financing (0 percent), Mr. Clark arrived at an adjusted value for his fifth comparable of $8,670 per acre.

On the basis of the average price of his five comparables, adjusted for differences, Mr. Clark determined an after value of $1,050,750.[23]

We are mindful of the fact that in reaching his after value, Mr. Clark did not take into consideration the highest and best use of his comparables in the traditional sense. He instead selected properties that were purchased for recreational uses that would be permitted on Riva Dunes Golf Course.[24] In other words, Mr. Clark considered the market forces in Baldwin County an accurate barometer of the highest and best use of a comparable property. We do not find Mr. Clark's analysis in that regard to be "fatal", as respondent contends.

We are satisfied that Mr. Clark's selection of comparables was reasonable under the circumstances and that his adjustments to the prices of the comparables were based upon sound judgment and a detailed knowledge of all the properties mentioned in his report. However, we agree with respondent that an upward adjustment to Mr. Clark's after value is justified in one

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[23]The average price per acre for the five comparable properties is $7,601. Multiplying that number by the total acreage of the easement, 140.9 acres, results in an after value of $1,070,900, rounded. Mr. Clark inadvertently erred in two respects in reaching his after value number--he miscalculated the average price per acre of his five comparables at $7,500, and he multiplied that number by 140.1 acres.

[24]For instance, the property could be operated as a golf course, a park, or an agricultural enterprise.

respect. Mr. Clark's comparables consist of unimproved land while Kiva Dunes Golf Course's current condition is that of an award-winning golf course. Consequently, an upward adjustment to the prices of the comparables for the cost of turning the unimproved real estate into a comparable golf course property is warranted.

Petitioner contends on brief that the approximate costs of the improvements are reflected in the basis of the golf course real estate ($1,929,450) as reported on Schedule L, Balance Sheet per Books, of Kiva Dunes's 2002 Form 1065. The basis of the golf course real estate improvements is actually $1,339,957. We arrived at this figure by subtracting the portion of the cost basis attributable to the golf course real estate ($589,493) from the 2002 cost basis of Kiva Dunes Golf Course ($1,929,450). We computed the proportional share of the golf course real estate basis by dividing the total acreage for Kiva Dunes Golf Course (140.9) by the total acreage for the RTC property (251) and multiplying that fraction by the total purchase price for the RTC property ($1,050,000).

The foregoing improvement costs ($1,339,957) must be adjusted to account for depreciation. See Mortensen v. Commissioner, T.C. Memo. 2005-227. On Schedule L of its 2000 Form 1065, D&E reported a cost basis in Kiva Dunes Golf Course of $2,501,493. D&E depreciated the costs of improvements on Kiva

Dunes Golf Course for taxable years 2001 ($347,876) and 2002 ($224,168), and its cost basis was correspondingly reduced to $1,929,456 to reflect the deductions.[9] We therefore add to petitioner's cost of improvements ($1,939,957) the depreciation deductions D&E claimed for taxable years 2001 and 2002 to derive a value for the costs of improvements on Kiva Dunes Golf Course ($1,939,957 + $347,876 + $224,168 = $1,912,001).

Accordingly, after adjusting Mr. Clark's after value to account for the improvements, we conclude that the after value for Kiva Dunes Golf Course is $2,962,901 ($1,870,900 comparable value + $1,912,001 depreciation adjustment).

Enhancement

Mr. Clark determined that the conservation easement enhanced property owned by D&E north of Highway 180 by $300,000. Respondent agrees. We shall adjust our final value to reflect that enhancement.

Conclusion

On the basis of our review of all the valuation evidence, giving due consideration to our observation at trial of the witnesses for both parties and to the testimony of the experts

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[9]D&E did not depreciate the costs of improvements in 2000, and there is no evidence in the record before us that D&E depreciated any costs of improvements to the subject property before 2000.

and their reports, we conclude that the fair market value of the easement is $28,650,004.[35]

We have considered all of the parties' contentions and arguments that are not discussed herein, and we find them unnecessary to reach, without merit, or irrelevant.[36]

To reflect the foregoing,

Decision will be entered under Rule 155.

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[35]We reached this number by subtracting our after value ($2,980,996) as well as enhancement ($300,000) from our before value ($31,930,998).

[36]Respondent argues that Riva Dunes is liable for either a substantial or a gross valuation penalty pursuant to sec. 6662(b)(3) and (e) or (h). Sec. 6662(a) and (b)(3) imposes a 20-percent penalty on that portion of an underpayment which results from a substantial valuation misstatement. There is a substantial valuation misstatement if the value of any property claimed on the return is 200 percent or more of the amount determined to be the correct amount. Sec. 6662(e)(1)(A). Sec. 6662(h) increases the penalty to 40 percent in the case of a gross valuation misstatement. There is a gross valuation misstatement if the value is 400 percent or more of the value determined to be the correct amount. Sec. 6662(h)(2)(A)(i).

We corrected Riva Dunes's reported value approximately 10 percent. Accordingly, Riva Dunes is not subject to a valuation penalty.

Bowden Report

SANIBEL RESORT

RESIDENTIAL MARKET ANALYSIS

NORTH MYRTLE BEACH, HORRY COUNTY, SOUTH CAROLINA

Prepared for:
ECOVEST CAPITAL, LLC
July 2015

Prepared by:
RALPH STEWART BOWDEN, Inc.
Real Estate Counselors

Sanibel Resort
Residential Market Analysis
North Myrtle Beach, Horry County, South Carolina

July 2015

RALPH STEWART BOWDEN, Inc. Real Estate Counselors

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ECOVEST-SF_0013208

Executive Summary

EXECUTIVE SUMMARY

Ralph Stewart Bowden, Inc., Real Estate Counselors (RSB) has completed the analyses necessary to determine the market position and product array for a 28+/- acre parcel of land located in North Myrtle Beach, Horry County, South Carolina, herein referred to as Sanibel Resort. Our findings are as follows:

General – The subject site is well located in a strong, established tourist destination, and has a competitive edge due to its location on the Intracoastal Waterway, and close proximity to a main connector road to the Grand Strand beaches, the North Myrtle Beach Sports Complex, and significant shopping, entertainment and recreational facilities, including golf.

Housing sales in Horry County are at relatively healthy levels, albeit dominated by resale properties, a condition that is effectively constraining new product prices.

Generally speaking, new single-family home development and sales have escalated over the last year, while new multi-family development has declined.

While building activity shows signs of rejuvenation, development is below pre-recession levels, suggesting an opportunity for growth.

Inventory conditions have improved as a large portion of distressed real estate has been absorbed. This is evident in the limited number of active real estate listings within the primary market area and the two major resorts, Grande Dunes and Barefoot.

A byproduct of the recession has been a void in new multi-family, particularly condominium apartment development, leaving the market with a limited amount of dated, multi-family inventory.

While this condition is beginning to change as the economy recovers and development funding becomes increasingly available, new products lean toward the townhome configuration resulting in the condominium apartment model remaining a palpable void.

The Primary Market Area has just begun to grow into its surroundings, a condition that we believe will escalate significantly as the edges of the greater Myrtle Beach marketplace continue to extend beyond traditional boundaries.

Demand – The Demand Analysis revealed unprecedented growth in the older, more affluent segments, particularly in the Pre-retirement / Empty Nester and Retirement categories, resulting in the determination that demand for resort residential products in the Myrtle Beach market area will continue to strengthen over the next five years.

Substantial increases in the number of households that have the discretionary time and income to enjoy the benefits of owning real estate in a resort and tourism environment dominate the feeder markets.

The growth of these segments bodes extremely well for second home, vacation home, retirement and investment home purchases.

It is apparent that the supply side of the greater Myrtle Beach market is not prepared for these unprecedented surges in demand and we anticipate that an imbalance between supply and demand will emerge, serving to exert upward pressure on price points and absorption rates of new residential products targeted to these strengthening demand segments.

Because the subject property is in close proximity to the new North Myrtle Beach Park and Sports Complex, sports tourism is expected to have significant impact on the development's level of success.

Market Position - Positioning the subject project as a resort/vacation-centric development will be in alignment with Myrtle Beach's magnetism for tourism, the property's location on the Intracoastal Waterway and associated marina amenity, its adjacency to a main beach access connector road, and two significant nearby demand generators – 250,000 square feet of shopping at Champion Crossing and the North Myrtle Beach Park and Sports Complex.

The subject property should not presume to compete directly with Grand Dunes, which represents the most expensive strata of the non-oceanfront market, but rather should represent the affordable alternative.

The subject property should be positioned to effectively extend the market position that has been occupied by Barefoot Resort by offering new, contemporary multi-family products in an amenitized resort environment at a competitive price.

The price point window observed in the marketplace is between $200,000 and $600,000 and $130.00 to $250.00 per square foot.

Sanibel Resort's excellent location will establish new pricing standards among contemporary developments. Depending upon unit location within the site and the elevation of the unit, prices per square foot should range from $150 to $275.

Amenities – The convergence of copious recreational and entertainment facilities and services within the regional marketplace, and proximity of the subject site to the Intracoastal Waterway, the Grand Strand beaches, Champions Crossing and the North Myrtle Beach Park & Sports Complex mitigates the need for myriad onsite amenities, including a golf course. The numerous existing golf opportunities that are proximate and available to the subject site obviates this amenity as an onsite necessity.

Product Recommendations - Based on our findings, we are recommending the following residential unit characteristics and base price points. These recommendations represent a range of sizes and prices that may be influenced by view orientation or location within the property, such as overlooking the Intracoastal Waterway or fronting on the deep-water inland lake, or other attributes that may represent a basis for price adjustment. Price variations based on these types of criteria are typical within multiple unit real estate development. The size and price recommendations reflect a competitive market position.

Mid-Rise Residential Product Recommendations

Type	Size	Price/Sq. Ft.	Unit Price Range
2 Bedroom	1,200+/- 100	$150 - $200	$180K - $240K
3 Bedroom	1,500+/- 100	$150 - $200	$225K - 300K
4 Bedroom	2,000+/- 100	$150 - $200	$300K - $400K

Tower Residential Product Recommendations			
Type	Size	Price/Sq. Ft.	Unit Price Range
2 Bedroom	1,200+/- 100	$225 - $275	$270K - $330K
3 Bedroom	1,500+/- 100	$225 - $275	$337K - $412K
4 Bedroom	2,000+/- 100	$225 - $275	$450K - $550K

Fractional Ownership Mid-Rise Products (Furnished/6-Week Share)					
		@ 150%		@ 180%	
Type	Size	Price/Share	Gross Sales Range	Price/Share	Gross Sales Range
2 Bedroom	1,200+/- 100	$45K - $60K	$270K - $360K	$54K - $72K	$324K - $432K
3 Bedroom	1,500+/- 100	$56K - $75K	$337K - $450K	$68K - $90K	$405K - $540K
4 Bedroom	2,000+/- 100	$75K - $100K	$450K - $600K	$90K - $120	$540K - $720K

Fractional Ownership Tower Products (Furnished/6-Week Share)					
		@ 150%		@ 180%	
Type	Size	Price/Share	Gross Sales Range	Price/Share	Gross Sales Range
2 Bedroom	1,200+/- 100	$67K - $82K	$405K - $495K	$81K - $99K	$486K - $594K
3 Bedroom	1,500+/- 100	$84K - $103K	$505K - $618K	$101K - $124K	$607K - $742K
4 Bedroom	2,000+/- 100	$112K - $137K	$675K - $825K	$135K - $165K	$810K - $990K

We further recommend that condominium apartment flats be configured as lock-off units, designed to function as more than one unit, or joined to other units to provide a hospitality unit that can provide up to eight bedrooms, or more.

This design feature provides for the greatest flexibility in accommodating larger guest parties, an important characteristic for the multi-generational vacationing family, and, of equal significance, visiting sports teams visiting Myrtle Beach to participate in tournaments and competitions.

These recommendations are expressed in the preliminary Capacity Plan prepared by DDC Engineering and LandArt Company, presented on the following page.

DDC

LENNAR COMPANY

SANIBEL RESORT

CAPACITY PLAN

PROJECT: 10.10002
DATE: 7.10.2015
REVISION: 7.23.2015

LOCATION MAP

BUILDING DATA

RESIDENTIAL TOWER & STRUCTURED PARKING

SITE DATA

DENSITY

ECOVEST-SF_0013214

There is an aspect to the Sanibel Resort land plan that creates some exceptional units that enjoy multiple premium influences that may merit pricing per square foot that is beyond the typical range.

The placement of three midrise buildings on the Intracoastal Waterway, in front of the tower units, provides waterfront, marina view and proximity to primary amenities, characteristics that are perceived to support additional pricing power.

The location characteristics qualify these midrise units to be priced within the tower price per square foot range, up to approximately $260 per square foot, recognizing that tower penthouses will command the peak price per square foot.

The tables provide a breakdown of building development as depicted by the Capacity Plan.

SITE DATA

EXISTING ZONING:	R2-A & R4
TOTAL UPLAND:	±28.29 ACRES
TOTAL WETLAND:	±0.01 ACRES
TOTAL SITE:	±28.30 ACRES

MINIMUM BUILDING SETBACKS:

ZONING	R2-A	R4
FRONT	25'	15'
SIDE	15'	15'
REAR	20'	15'

PARKING REQUIRED:

2-BEDROOM UNIT:	1.5 SPACES / UNIT
3-BEDROOM UNIT:	2 SPACES / UNIT
4-BEDROOM UNIT:	2.5 SPACES / UNIT

DENSITY

TOTAL TOWER UNITS	792 UNITS
TOTAL BUILDING 'A' UNITS	016 UNITS
TOTAL BUILDING 'B' UNITS	080 UNITS
TOTAL BUILDING 'D' UNITS	100 UNITS
TOTAL UNITS	988 UNITS

988 TOTAL UNITS / ±28 TOTAL SITE ACRES = ±35.3 UNITS PER ACRE

BUILDING DATA

RESIDENTIAL TOWER & STRUCTURED PARKING

TOTAL BUILDING:	3 FLOORS PARKING + 9 FLOORS RESIDENTIAL
2-BEDROOM UNITS:	162 UNITS
3-BEDROOM UNITS:	396 UNITS
4-BEDROOM UNITS:	234 UNITS
TOTAL UNITS:	792 UNITS
TOTAL PARKING REQUIRED:	1,620 SPACES
TOTAL PARKING PROVIDED:	1,620 SPACES

BUILDING A (4-STORY)

TOTAL BUILDING 'A':	01 BUILDING	
2-BEDROOM UNITS:	08 X 01	008 UNITS
3-BEDROOM UNITS:	08 X 01	008 UNITS
4-BEDROOM UNITS:	00 X 01	000 UNITS
TOTAL UNITS:	16 X 01	016 UNITS
TOTAL PARKING REQUIRED:	28 SPACES (28 SPACES / BUILDING)	
TOTAL PARKING PROVIDED:	28 SPACES	

BUILDING B (4-STORY)

TOTAL BUILDING 'B':	04 BUILDINGS	
2-BEDROOM UNITS:	08 X 04	032 UNITS
3-BEDROOM UNITS:	08 X 04	032 UNITS
4-BEDROOM UNITS:	04 X 04	016 UNITS
TOTAL UNITS:	20 X 04	080 UNITS
TOTAL PARKING REQUIRED:	152 SPACES (38 SPACES / BUILDING)	
TOTAL PARKING PROVIDED:	152 SPACES	

BUILDING D (5-STORY)

TOTAL BUILDING 'D':	04 BUILDINGS	
2-BEDROOM UNITS:	10 X 04	040 UNITS
3-BEDROOM UNITS:	10 X 04	040 UNITS
4-BEDROOM UNITS:	05 X 04	020 UNITS
TOTAL UNITS:	25 X 04	100 UNITS
TOTAL PARKING REQUIRED:	192 SPACES (48 SPACES / BUILDING)	
TOTAL PARKING PROVIDED:	192 SPACES	

Absorption - Our efforts to determine appropriate absorption projections for the subject property consider both recent and more distant past performance in the market area and the region, as well as future opportunities based on demographic projection analyses and marketing techniques appropriate to relatively large-scale development with an anticipated multi-year sales period.

The Myrtle Beach Core Based Statistical Area (CBSA) achieved a total 10,147 sales over the 12-month period ending March 31, 2015, demonstrating an average of approximately 845 sales per month.

Broken out by product type, single-family products garnered the highest share (60.5%) with 6,141 sales or 511 per month compared to 4,006 multi-family unit sales or 333 per month.

These are considered very healthy rates of sale, particularly in consideration of the limited availability of new product.

Based on the performances of neighboring, similar resort communities, we conservatively estimate that Sanibel Resort should be absorbed at a pace of 25 units per month, on average, for annual sales of approximately 300 units.

Marketing – The marketing of large-scale residential real estate developments requires a well-disciplined marketing plan that is communicated through a variety of media including, but not necessarily limited to print and electronic advertising, direct mail and social networking. *Please refer to the Conclusions and Recommendations section of this report for a comprehensive overview of the marketing process.*

Our market analysis is a working tool and our recommendations reflect benchmarks for consideration that are based on current trends and estimated buyer demand going forward. This demand will constantly evolve and trends should be re-examined on a regular basis as sales patterns and market activity indicate. Our conclusions and recommendations recognize the subject property's location in an established tourist destination and the attendant quantity and quality of amenities, and anticipate economic stability and professional and consistent marketing practices. ~

Section I

Purpose and Scope of Analysis

Section I. PURPOSE AND SCOPE OF ANALYSIS

Ralph Stewart Bowden, Inc., Real Estate Counselors (RSB) has been commissioned by EcoVest Capital, LLC to conduct a Market Analysis of the regional marketplace with respect to determining the market position and product array for a 28+/- acre parcel of land located at the southwest quadrant of the Robert Edge Parkway (SC Highway #90) and the Intracoastal Waterway (ICW) in the city of North Myrtle Beach, Horry County, South Carolina. The property, herein referred to as Sanibel Resort may be developed as a resort-style residential community, improved with a variety of multi-unit building formats.

The purpose of the assignment is to make residential product and ancillary development recommendations for the subject property that are in positive alignment with the age and income-qualified buyer demand segments that will be expanding over the next 5+ years.

Our goal is to tailor the residential product array to the economic currents that characterize the market and to more narrowly define product style and the price range(s) of the residential products in order to utilize the entitlements of the land to the greatest degree possible and optimize the property's market potential in the context of future development.

The assignment began with an inspection of the subject site, followed by an analysis of the demand characteristics that will influence the type of residential products that should be developed. Due to the tourism-driven vacation/second home nature of the greater Myrtle Beach market area, RSB focused on a relatively broad marketplace encompassing North and South Carolina, analyzing which age and income groups demonstrated the strongest projected growth characteristics over the next five years, for the purpose of quantifying age- and income-qualified demand segments.

RSB then conducted a regional residential market survey in order to identify and qualify existing residential development to be used as analogs for the analysis. In this regard, the scope of our assignment was relatively broad, encompassing the greater Myrtle Beach marketplace and included specific resort-oriented residential projects that have exhibited considerable success.

In order to develop Primary Market Area perspective, RSB also conducted an analysis based on local Multiple Listing Service (MLS) data. The Primary Market Area is defined as the subject property Zip code area (29566). Our search for appropriate vacation home analogs that appear to satisfy contemporary vacation home demand also examined a limited number of new multi-family opportunities within the local market area, and established, out-of-market vacation destinations that offered purpose built resort-oriented housing.

In combination, these analyses support recommendations for product development that are forward thinking and tailored to meet future demand. The product and demographic analyses have been utilized coordinately to provide benchmarks for the creation of an optimum development scenario that is in keeping with successful development standards specific to the region. In this regard, we considered the following key factors:

- Regional and feeder market growth and income distribution
- Product location and relative demand demography
- Composition of regional economy
- Residential product type, configuration, and features
- Residential product pricing
- Residential product absorption

As with most US markets, national economic conditions have served to slow development and sales over the last eight years and the vast majority of sales activity has been in the resale market. While these conditions appear to be easing, they have left a lingering imprint on sales and inventory characteristics. Product design and pricing

benchmarks have been typically influenced by the nature of aging, existing inventory, and absorption estimates have relied on resale activity rather than based on individual project or product sales. In this regard, our efforts to determine appropriate absorption projections for the subject property consider both recent and more distant past performance in the market area and the region, as well as future opportunities based on demographic projection analyses and marketing techniques appropriate to relatively large-scale development with an anticipated multi-year sales period.

Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible as of the date the primary research was conducted. This study is based on estimates, assumptions, and other information developed by Ralph Stewart Bowden, Inc., Real Estate Counselors from its independent research effort and general knowledge of the industry. No responsibility is assumed for inaccuracies in reporting by other data sources used in the preparation of this report. No warranty or representation is made that any of the projected values or results contained in this study will be achieved.

This study was completed in July 2015.

~

Section II

Project Description

Section II. PROJECT DESCRIPTION

Well-recognized as one of the nation's leading beach and golf vacation destinations, the Grand Strand of Myrtle Beach attracts more than 16 million visitors annually to its beaches, waterways, resorts and golf courses. Horry County, in which the Grand Strand lies, was recently ranked #6 in Trulia's "America's Top 10 Vacation-Home Counties" for 2014.

The Sanibel Resort property comprises approximately 28 acres best described as the southwest quadrant of the Intracoastal Waterway and Robert Edge Parkway, a connector highway that begins at South Carolina Highway #90 and connects to SC Highway #31 (Future I-74), a major thoroughfare that runs between Little River and Socastee and connects with several state roadways, which in turn connect with Interstate-95. Robert Edge Parkway crosses over the Intracoastal Waterway and terminates at the intersection of U.S. 17 and Main Street, which traverses east to the beach.

The subject property has a zoning classification of R2A-Mid-Rise Multifamily/R4-Resort Residential, which permits the development of multi-family residential units that can include high-rise towers up to 130' in height.

A depiction of the property's location is presented on the next page.

The subject property's Intracoastal Waterway location is considered excellent and is well served by the Robert Edge Parkway, a main connector road to the Grand Strand beaches and a variety of restaurants, entertainment, and recreational amenities. The land directly across the Intracoastal Waterway (ICW) from the site is dominated by three golf courses: Possum Trot, Beachwood and Azalea Sands Golf Clubs, providing the site with distant golf views and readily accessed public golf. The North Myrtle Beach Sports Complex is located approximately two miles north of the subject property. The facility is host to hundreds of teams in numerous sports categories and has become a powerful demand generator of room nights by large groups of associated people.

On-site amenities contemplated for the development include a 32-slip full-service marina, swimming pool complexes, tennis and pickle ball courts, walking trails and a variety of active and passive amenity uses. Sanibel Resort will also have a small fishing lake and dock.

Summary – The subject site is well located in a strong, established tourist destination, and has a competitive edge due to its adjacency to the Intracoastal Waterway, and close proximity to the nearby North Myrtle Beach Sports Complex and beach access roadway that leads to a variety of existing entertainment and recreational tourism-generating amenities.

~

Section III

Market Area Overview

Section III. MARKET AREA OVERVIEW

The tourism industry plays an integral role in South Carolina's commerce and serves to attract permanent and part-time residents once they have visited. The most recent estimates (2013) suggest approximately 29.0 million domestic visitors to the state accounting for approximately 106.5 million visitor days. The top states of origin for domestic trips to South Carolina were South Carolina (37%) and North Carolina (21%). Distribution between the two top feeder markets is relatively similar with respect to domestic overnight trips with South Carolina accounting for 24% and North Carolina accounting for 22%. Of all domestic trips to South Carolina, 68% are overnight trips, accounting for 92% of all domestic visitor days annually.

With 47 state parks and an abundance of coastal recreation, South Carolina has long been a popular and productive tourist destination. According to the U.S. Travel Association, in 2013 gross spending on travel and tourism totaled $18.1 billion, representing a 3.0% increase from 2012, and tourism was responsible for one in ten South Carolina jobs. Direct traveler (core) spending generated 120,870 jobs in 2013, accounting for 6.4% of the state's total non-farm employment and 8.0% of all private employment. Nearly $743 million was spent on tourism-related private capital investment, and the government spent $366 million in support of tourism.

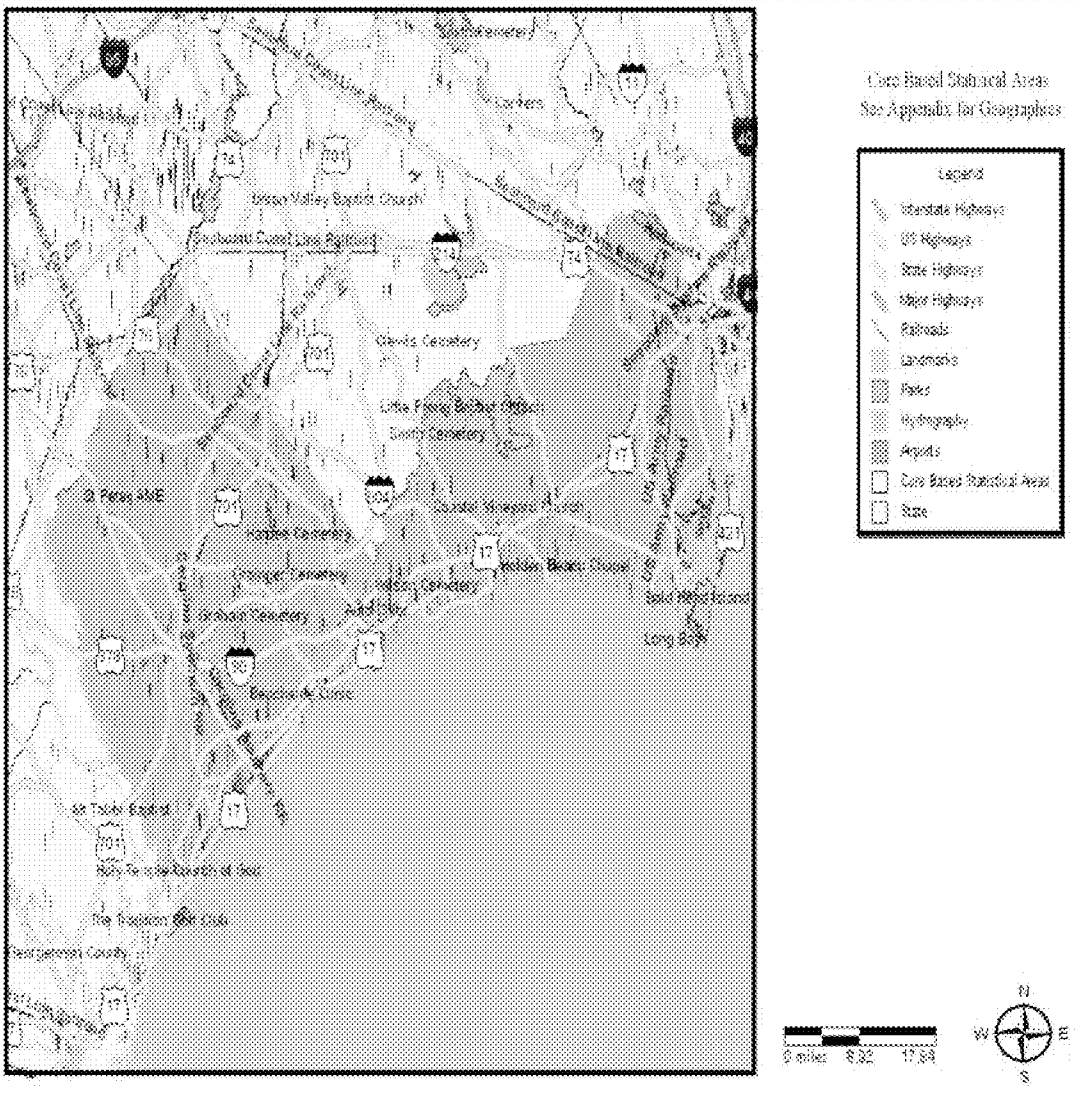
The Grand Strand - South Carolina's Coastline stretches for 187 miles, containing abundant salt marshes, estuaries and bays, natural ports at Georgetown and Charleston, and three main tourist destinations: Myrtle Beach, Charleston and Hilton Head Island. Myrtle Beach anchors an essentially uninterrupted 60-mile long arc of beach land known as 'The Grand Strand,' which runs from Little River south to Georgetown. The area has nearly 500 hotels, more than 100 golf courses, and is a popular boating and fishing venue.

The market area is approximately 171 miles from Charlotte, NC, 193 miles from Raleigh, NC, 227 miles from Savannah, GA, 364 miles from Atlanta, GA and 426 miles from Daytona Beach, FL, all within a day's drive.

The subject property is located in the greater North Myrtle Beach market area. The Regional Market Area is considered to consist of the Myrtle Beach Core-Based Statistical Area (CBSA) comprising Horry, Georgetown and Conway Counties, extending north to the North Carolina border, south to the Francis Marion National Forest, and west to include the city of Conway. The Primary Market Area is considered to consist of that area lying within the 29566 U.S. postal Zip code.

The map on the following page provides Regional Market Area (RMA) perspective.

Area Map



nielsen

Tourism provided the Grand Strand with a degree of economic stability during the most recent recession and by 2013, core tourism activity had surpassed pre-recession levels with 16.1 million visitors. Horry County, in which the Grand Strand lies, was recently ranked the #6 "Vacation-Home County" in the U.S. by Trulia, and is responsible for a significant portion (31.3%) of the state's tourism revenue accounting for $3.6 billion in domestic travel expenditures in 2013, leading all 46 South Carolina counties.

The Myrtle Beach market area has nearly 500 hotels providing approximately 90,000 accommodations. The 250,000 square foot Myrtle Beach Convention Center opened in 2003 featuring a 400-room Sheraton resort hotel. Tourist attractions are copious along the Grand Strand, including miles of beaches and navigable waterways, and more than 100 golf courses. In 2013, approximately 3.2 million total rounds of golf were played across the Grand Strand. The area also boasts a number of amusement parks, an aquarium, and Myrtle Waves, one of the largest water parks on the eastern seaboard. The Carolina Opry is another popular attraction, featuring various musical, comedy, dance, and entertainment events including Good Vibrations (best of the 1960s, 1970s, and 1980s) and 'LIGHT—a Laser Extravaganza'. The Myrtle Beach Boardwalk has been recognized as the #3 boardwalk in the country by *National Geographic* magazine, and one of the best US boardwalks by *Travel + Leisure.* The market area hosts a variety of special conventions, events, and musical concerts, boasts over 1,900 restaurants, dinner theaters and nightclubs, and provides a significant number of shopping opportunities. These attractions, events and accommodations serve to provide a solid foundation for a sustainable tourism based economy.

Smith Travel Research (STR), a leading provider of competitive benchmarking, information services and research to the hotel industry, recently opined on the state of the industry, citing 2014 as one of its "best years ever," having broken a number of records including the most rooms available and sold, most room revenue and highest average

daily rate and RevPar. STR believes that 2015 will see an all-time high occupancy rate and at least 24 more months of successful operations.

Based on 2014 Myrtle Beach Area Chamber of Commerce data, the Grand Strand's visitor profile includes the following:

The Grand Strand attracts a wide range of travelers; approximately 75% are between the ages of 35 and 64, while another 15% are 65 years or older.

The Grand Strand largely attracts middle- to high-income travelers: 18% of visitors earn between $60,000 and $74,999; another 18% earn between $75,000 and $99,999, and a significant 23% earn more than $100,000 annually.

The market area attracts a significant ratio of families, accounting for 70% of all travel party types. International consulting group Resonance (www.resonanceco.com) recently reported that 40% of families went on a multigenerational vacation in the past year; 77% planned it around a milestone event; and grandparents travel nearly 25% more than the average leisure traveler.

The average length of stay along the Grand Strand was six days for leisure travelers; 51% of visitors spent between three and six nights, while 41% spent seven nights or more visiting the market area.

While the occupancy rate for all types of accommodations was 52.0% in 2014, occupancy levels jumped to 83% in the summer, reflecting a 1% year-over-year bump.

Vacation rental properties, mainly rental houses but including all lodging that rents by the week, fared much better in 2014 than the traditional hotels, condotels and campsites.

Average occupancy for vacation rental properties was 87.0%, up eight percentage points for a year-over-year increase of 10.0%.

Sports Tourism has increased over the last several years. Within the Myrtle Beach market area sporting events had an economic impact of $102 million in 2011. In 2014, direct spending on sports tourism events was $155.7 million. Of the $155.7 million, youth group visitation and participation was responsible for 89%.

In response to the growing demand, Myrtle Beach has created a government-based sports tourism division and offers incentives to event organizers that use accommodations within the city. Popular events and their respective economic impact include:

Baseball	$50 million
Cheerleading-dance	$50 million
Fastpitch Softball	$15 million
Basketball	$11 million
Track and Field	$10 million
Soccer	$4 million

In 2013, the City of Myrtle Beach hosted 2,892 teams and 8,172 games on its athletic fields. The strong demand continues to spur facility development. Recent development includes the Grand Park Athletic Complex, which opened in Spring 2010 offering seven large multipurpose fields, and two youth fields to accommodate a variety of sports including baseball, softball, lacrosse, soccer and football.

Myrtle Beach Sports Center is the newest venue, opening in March 2015. The 100,000 square foot, $12.4 million indoor facility includes eight basketball courts, 16 volleyball courts, a café and entertainment zone replete with climbing wall, and 2,000-seats. The venue is located adjacent to the Convention Center and is expected to have a $28.5 million economic impact by year five. Prior to opening, the facility had booked more than 20 large events for 2015.

The North Myrtle Beach Park and Sports Complex, which is located directly across Carolina Bays Parkway from the subject property, opened in March 2014 and over 60 sports tourism events were held at the park in the remaining nine months of the year. Its state-of-the-art facilities include six regulation baseball/softball fields, eight regulation soccer/lacrosse fields, eight batting tunnels, umpire/officials rooms and dugouts enhanced with misting fans. Park amenities include concession areas, picnic shelters, playgrounds,

an amphitheater, walking and bike trails, a three-acre dog park, a 25-acre lake and 10 acres of meadows. North Myrtle Beach officials call for the facility to have a $15M to $18M annual economic impact.

Lifestyle Characteristics –The Council for Community and Economic Research, which compiles and publishes the Cost of Living Index (www.COLI.org), which is a measure of living costs in more than 300 U.S. cities, reports that the greater Myrtle Beach market area ranks below the national average score (100) relative to its composite index of cost of living items, including housing, utilities, transportation, healthcare, groceries and miscellaneous goods and services. With a score of 94.1, the market area has been determined to be more affordable than Hilton Head (107.4), Miami, FL (107.2), Asheville, NC (102.4), and Wilmington, NC (97.3), to name but a few popular southeastern residential market areas, serving to attract relocating retirees. In this regard, the region boasts numerous, high quality healthcare facilities, including the Grand Strand Regional Medical Center and Waccamaw Community Hospital. Higher educational facilities include Coastal Carolina University, Webster University and Horry-Georgetown Technical College.

Regional Market Area Demographic Analysis – Our analysis of the Regional Market Area focuses on full-time residents and quantifies population and household growth, comparing the Core Based Statistical Area (CBSA) to state and national trends based on Nielsen/Claritas 2015 and 2020 demographic estimates. The CBSA comprises Horry, Georgetown and Conway Counties.

Population – The Myrtle Beach CBSA has grown at more than twice the annual rate of the state of South Carolina and the nation since 2010. In 2015 population is estimated at 418,694, reflecting an 11.1% change since 2010, or average annual growth of 2.2%. In comparison, the state is estimated to have increased 4.8% or 1.4% per year, identical to national rates. Estimates for 2020 call for the market

area to continue to outpace the state and the nation with the addition of another 37,210 people for growth of 8.9% or 1.8% per year, as shown in the following table.

Population	CBSA*	SC	U.S.
Population - 2010	376,722	4,625,364	304,745,538
Population - 2015	418,694	4,847,878	319,459,991
Difference	41,972	222,514	14,714,453
% Change	11.1%	4.8%	4.8%
Avg/ Annual Growth Rate	2.2%	1.0%	1.0%
Population - 2020	455,904	5,090,061	330,689,365
Difference	37,210	242,183	11,229,374
% Change	8.9%	5.0%	3.5%
Avg. Annual Growth Rate	1.8%	1.0%	0.7%

*Horry, Conway and Georgetown Counties

Household Formation –Household growth reflects similar trends, expanding 2.3% per year between 2010 and 2015 compared to 1.1% for the state and 0.8% for the nation. The trend continues through 2020, by which time more than 16,000 households will be added to the CBSA for a 9.2% growth rate or 1.8% per year, as shown in the next table.

Households	CBSA*	SC	U.S.
Households - 2010	156,522	1,801,181	116,716,292
Households - 2015	176,871	1,899,618	121,099,157
Difference	18,349	98,437	4,382,865
% Change	11.6%	5.5%	3.8%
Avg/ Annual Growth Rate	2.3%	1.1%	0.8%
Households - 2020	193,096	2,002,663	125,616,498
Difference	16,225	103,045	4,517,341
% Change	9.2%	5.4%	3.7%
Avg. Annual Growth Rate	1.8%	1.1%	0.7%

*Horry, Conway and Georgetown Counties

Age – Based on median ages, the Regional Market Area is notably older than the state and the nation. Compared to 38.7 years for the state and 37.9 years for the nation, the Regional Market Area's median age of 44.6 years suggests a significant

retiree population. Within the CBSA, the 65-plus cohort accounts for 21.6% of the population. This compares to 15.8% for the state and 14.7% for the nation. While the trend begins to moderate somewhat by 2020 with all three geographies showing approximately one (1.0%) percent acceleration, the CBSA median age remains significantly older at 45.5 years compared to 39.5 years for the state and 38.8 years for the nation.

HH Age - 2015	CBSA*	SC	U.S.
25 - 34	11.7%	12.9%	13.3%
35 - 44	11.5%	12.3%	12.7%
45 - 54	12.7%	13.3%	13.6%
55 - 64	15.3%	13.1%	12.7%
65-plus	21.6%	15.8%	14.7%
% HHs 25+	72.8%	67.4%	66.9%
Median Age 2015	44.6	38.7	37.9
Median Age 2020	45.5	39.5	38.8
Difference	0.9	0.8	0.9
% Change	2.0%	2.1%	2.4%

*Horry, Conway and Georgetown Counties

Income – The presence of a strong retiree population and a substantial service industry employment sector skews income levels lower than state and national standards. The median household income in the CBSA in 2015 is estimated to be $42,633, or approximately five (5%) percent lower than the state median income level ($45,004) but more than 20% lower than the nation ($53,706). Nevertheless, since 2000 the CBSA has kept relative pace with the state, seeing a 1.1% growth factor compared to 1.3% for the state, both of which are lower than the national rate of 1.7% per year. These conditions persist through 2020 when the Regional Market Area's median household income grows by less than half the rate of the state and nation to $43,462. This is not necessarily a sign of economic weakness but rather points to the market's affordability factor and appeal to practical retirees on a fixed income.

The table on the next page provides graphic income perspective.

HH Income	CBSA*	SC	U.S.
Median HH Income 2000	$36,620	$37,510	$42,728
Median HH Income 2015	$42,633	$45,004	$53,706
Difference	$6,013	$7,494	$10,978
% Change	16.4%	20.0%	25.7%
Avg. Annual Rate of Change	1.1%	1.3%	1.7%
Median HH Income 2020	$43,462	$47,352	$57,294
Difference	$829	$2,348	$3,588
% Change	1.9%	5.2%	6.7%
Avg. Annual Rate of Change	0.4%	1.0%	1.3%

*Horry, Conway and Georgetown Counties

For further perspective, we analyzed household growth by income and age groups, which revealed that the 65 to 74 and 75+ cohorts garnered 73.7% of total household growth between 2015 and 2020.

Perhaps of more interest was that the income levels exhibiting the largest growth ratios within those age groups were $125,000 to $149,999 and $150,000 to $199,999, followed by the $200,000+ category.

While the 65 to 74 and 75+ age cohorts see 24% and 15.2% household growth rates over the five-year period, those households earning in excess of $100,000 grow 32.0% and 24.4%, respectively, accounting for more than one-half of all RMA household growth within this income range.

The table on the next page provides the data from which the foregoing analysis was conducted.

Myrtle Beach, SC CBSA																
	Ages 15 - 24		Ages 25 - 34		Ages 35 - 44		Ages 45 - 54		Ages 55 - 64		Ages 65 - 74		Ages 75+		Totals	
Income	2015	2020	2015	2020	2015	2020	2015	2020	2015	2020	2015	2020	2015	2020	2015	2020
< $50K																
# HHs	5,664	5,719	13,470	13,963	13,713	14,076	14,734	14,429	20,365	20,468	16,249	20,410	15,126	17,247	102,343	106,832
Difference	55		493		363		-305		103		4,161		2,119		7,489	
% Change	1.0%		3.7%		2.6%		-2.1%		0.5%		21.6%		14.0%		7.3%	
$50K - $74.99K																
# HHs	708	763	4,240	4,451	5,018	5,317	5,922	5,923	8,645	8,630	6,426	10,378	3,211	5,714	33,870	40,937
Difference	55		191		299		87		185		3,952		503		3,068	
% Change	7.8%		4.5%		6.0%		1.5%		2.1%		23.2%		15.7%		9.1%	
$75K - $99.99K																
# HHs	140	142	2,228	2,459	3,128	3,427	3,480	3,488	3,853	4,008	3,910	4,968	1,239	1,469	15,229	20,258
Difference	2		161		299		29		155		3,058		230		5,029	
% Change	0.8%		7.0%		9.0%		1.1%		4.0%		27.0%		18.8%		33.1%	
$100K - $124.99K																
# HHs	151	192	1,138	1,327	1,641	2,023	2,060	2,069	2,557	2,171	2,351	3,062	699	749	10,117	11,449
Difference	41		189		381		49		114		895		147		1,332	
% Change	27.2%		7.0%		9.9%		2.0%		4.0%		29.4%		24.5%		13.2%	
$125K - $149.99K																
# HHs	3	7	481	534	908	911	1,025	1,079	1,069	1,202	1,236	1,655	354	441	5,004	5,829
Difference	4		53		165		54		133		419		87		825	
% Change	133.3%		11.0%		18.0%		5.3%		9.4%		33.9%		24.6%		16.5%	
$150K - $199.99K																
# HHs	68	66	202	282	472	588	1,015	1,148	1,049	1,287	699	961	186	228	3,688	4,500
Difference	3		80		96		133		238		262		50		812	
% Change	4.6%		14.9%		20.3%		13.1%		22.7%		37.5%		26.9%		22.0%	
$200,000+																
# HHs	3	9	105	118	281	311	1,106	1,228	1,198	1,441	787	987	170	206	3,610	4,270
Difference	6		13		30		122		243		340		36		660	
% Change	200.0%		12.4%		10.7%		11.0%		17.8%		32.1%		21.2%		18.3%	
Totals	6,233	7,088	21,934	23,964	25,260	26,933	26,962	26,957	36,272	37,583	36,618	45,289	20,584	24,081	176,871	193,996
Difference	155		1,030		1,672		-5		1,409		8,791		3,172		16,225	
% Change	2.4%		4.7%		6.6%		0.0%		3.9%		24.0%		15.3%		9.2%	
$100,000+	220	274	1,926	2,111	3,410	3,812	5,148	5,254	5,363	5,971	5,033	6,645	1,311	1,631	22,410	26,698
Difference	54		185		412		358		868		3,612		320		5,629	
% Change	24.5%		9.6%		12.1%		7.0%		16.2%		72.0%		24.4%		16.7%	
$150,000+	68	75	307	350	758	876	2,121	2,376	2,247	2,558	1,446	1,946	556	443	7,256	8,770
Difference	9		43		120		255		451		502		80		1,472	
% Change	13.6%		14.0%		15.7%		12.0%		20.1%		34.7%		24.6%		20.2%	
Source: Nielsen/Claritas 2015																
Compiled by: Ralph Stewart Bowden, Inc.																

Primary Market Area Housing – The Primary Market Area**,** defined as that area that lies within the 29566 postal Zip Code, has an estimated population of approximately 15,200 full time residents within an area of 30.4 square miles, reflecting density of 500+/- people per square mile. For perspective, Myrtle Beach has a full-time population basis of approximately 23,000 or 1,356.5 people per square mile. The relatively less developed Primary Market Area represents an expansion opportunity within the greater Myrtle Beach market area.

Of the 10,234 housing units located within the Primary Market Area, 6,969 are reportedly occupied. Of the 3,265 unoccupied units, 2,461 or 75% are utilized for seasonal or occasional recreational use.

RSB analyzed the composition of the for-sale housing market within the Primary Market Area based on Multiple Listing Service data. At the time of survey, there was a total of just 660 non-commercial residential listings, 329 of which, (49.8%) were for single-family products, 182 or 27.6% were for condominium and/or townhome products, and 149 listings were for vacant residential building lots (less than 20 acres in size) representing 22.6% of the listings. At the time of survey, prices ranged broadly, as follows:

Listing Type	**Price Range**
Single-Family Homes	$64,900 - $1,875,000
Condominium Apt/Townhome	$34,500 - $304,900
Vacant Residential Land	$9,900 - $2,990,000

While the majority of the listing activity was noted to comprise resale properties, there was a significant amount of new single-family construction listed on MLS at the time of survey. Of the 329 single-family listings, 138 or 41.9% were new homes either under

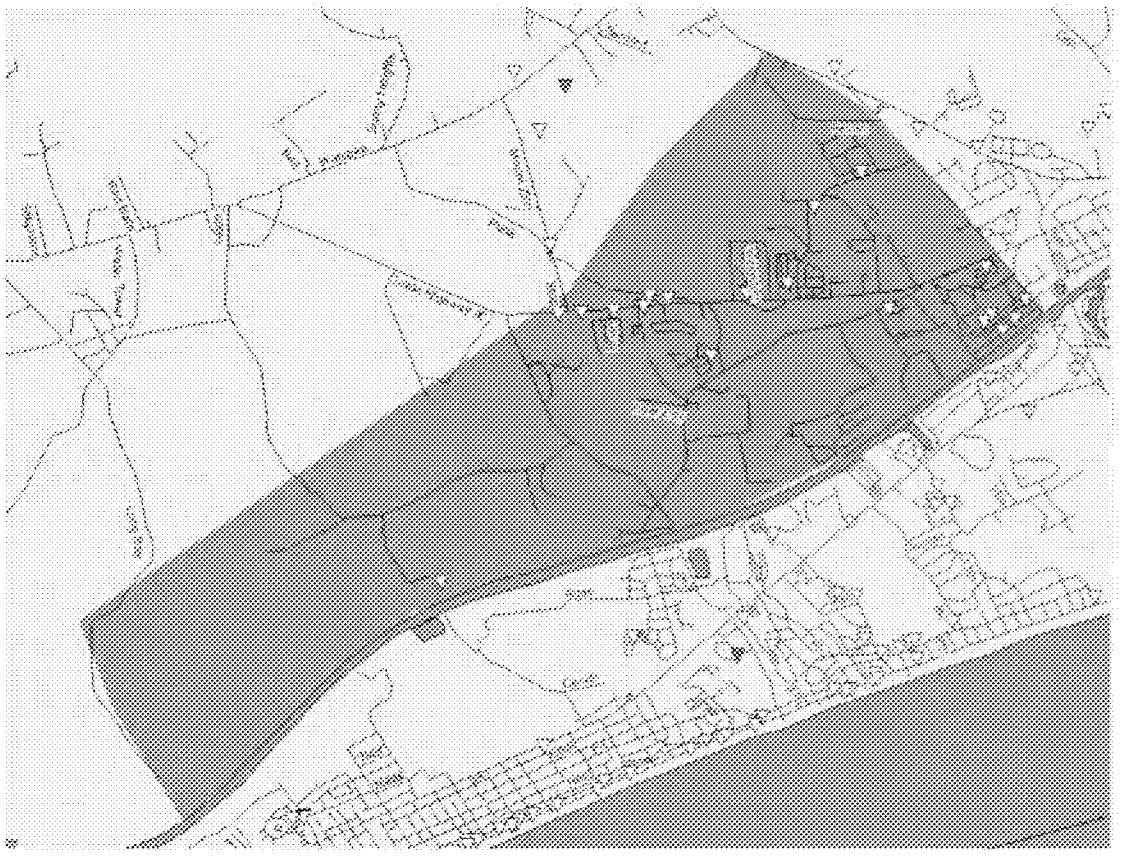
construction, recently completed, or planned. In comparison, just four (4) of the 182 condominium/townhome listings, or 2.2%, were new construction.

Listing Summary – The for-sale housing market within the Primary Market Area is largely moderate. The median single-family list price was $209,900 or approximately $95 per square foot, represented by new construction by D.R. Horton at Carolina Crossing. This compares to a calculated median price of $210,720 or $125 per square foot, on average, for the new construction sub-sample, reflecting an approximate 30% per square foot premium for new construction.

There is a decidedly different multi-family listing environment within the primary market area. While the median condominium/townhome list price was $114,450 or $104 per square foot, on average, the four (4) new multi-family listings, all of which had either a low- or –mid-rise configuration, exhibited a (calculated) median asking price of $154,900, more than 35% higher than the median master sample list and price. On a price per square foot basis, the new products exhibit an average of $135 per square foot, nearly 30% higher than the average price per square foot for the master sample. These factors reflect an extremely limited new multi-family product environment.

Primary Market Area (PMA) Sales Activity – For the purpose of developing an understanding of current sales activity within the primary market area, we have utilized Market Opportunity Research Enterprises® (MORE®) sales data based on a defined geographic corridor, geographic corridor that encompasses the majority of the 29566 Zip code area. The boundaries are: Carolina Bays Parkway (SC Hwy 31) to the west; the Intracoastal Waterway to the east; Long Bay Road on the south and Sea Mountain Highway on the north.

The figure on the next page provides geographic perspective.



Based on the data, the Primary Market Area achieved 128 total sales over the 12-month period ending March 2015, demonstrating an average of approximately 8.25 sales per month. The sales are broken out by product and type as shown in the table.

Type	# Sales
SF Resale	59
SF Lots	32
Townhome New	9
Townhome Resale	2
Condo New	0
Condo Resale	26
Total	**128**

Single-family products reflected the strongest pace with 59 previously owned homes sold. Within the Primary Market Area, the MORE® data reflect a total of 16 active subdivisions. Of the 15, ten (10) projects recorded a total of 59 sales in the current 12-month period (4/14 – 3/15).

As shown in the next table, year-over-year, sales were up 103% with only two projects reporting marginal drops in sales.

Primary Market Area (PMA) Single-Family Re-Sale Activity

	# Sales			
Subdivision	4/14 - 3/15	4/13 - 3/14	Difference	% Change
Bellacroft	6	4	2	50%
Bayberry	7	2	5	250%
Carriage Lake	9	4	5	125%
Grovebrook Estates	5	1	4	400%
Holly Sands	9	2	7	350%
North Point	8	2	6	300%
Pelican Bay	1	2	-1	-50%
Plantation Harbour	0	1	-1	-100%
Princeton Place	5	5	0	0%
Royal Estates	6	5	1	20%
Sandridge	3	1	2	200%
Total	59	29	30	103%

Prices for resale single-family products ranged from $69,306 at North Point, to $229,889 at Carriage Lake. The average single-family resale price for the current period was $163,979, up 6%, year-over-year, as shown in the next table.

Primary Market Area (PMA) Single-Family Re-Sale Pricing

Subdivision	Avg. Sales Price 4/14 - 3/15	4/13 - 3/14	Difference	% Change
Bellacroft	$157,500	$172,625	($15,125)	-9%
Bayberry	$108,257	$132,450	($24,193)	-18%
Carriage Lake	$229,889	$209,350	$20,539	10%
Grovebrook Estates	$136,360	$145,000	($8,640)	-6%
Holly Sands	$122,806	$113,500	$9,306	8%
North Point	$69,306	$67,500	$1,806	3%
Pelican Bay	$221,500	$137,500	$84,000	61%
Plantation Harbour	na	$270,000	na	na
Princeton Place	$98,900	$89,870	$9,030	10%
Royal Estates	$156,150	$182,000	($25,850)	-14%
Sandridge	$147,500	$135,000	$12,500	9%
Minimum	$69,306	$67,500	$1,806	3%
Maximum	$229,889	$270,000	($40,111)	-15%
Average	$163,979	$154,489	$9,490	6%

Additionally, three (3) projects recorded 32 single-family lot sales. However, just three homes were constructed, all in Pelican Bay. Pelican Bay is one of the two subdivisions to see slower resale activity over the current twelve-month period when compared to the prior period. The average house and lot closing prices for the three constructed homes was $358,507, reflecting a lot to finished product ratio of 14.5% and a 118% premium over the average resale property price for the current period, indicating that the existing stock is older, smaller, and most likely, less appealing.

The following two tables provide graphic perspective on lot sale activity.

Primary Market Area (PMA) Single-Family Lot/New Home Sales Activity

Subdivision	# Sales 4/14 - 3/15	4/13 - 3/14	Difference	% Change
Holly Sands	3	0	3	300%
North Point	1	1	0	0%
Pelican Bay	28	14	14	100%
Total	**32**	**15**	**17**	**113%**

Avg. Lot Sales Price				
Subdivision	4/14 - 3/15	4/13 - 3/14	Difference	% Change
Holly Sands	$40,833	na	na	na
North Point	$29,100	$23,000	$6,100	27%
Pelican Bay	$51,965	$55,429	($3,464)	-6%
Minimum	$29,100	$23,000	$6,100	27%
Maximum	$51,965	$55,429	($3,464)	-6%
Average	$40,633	$39,215	$1,418	4%

Note: Only Pelican Bay constructed new homes (3) at an average price of $368,567 for a lot to house ratio of 14.5%.
Just one home was constructed the year before at an average price of $398,829 for an lot ratio of 13.9%.

Based on a $40,633 average lot price and a 15% LTV ratio, the typical new home and lot package sales price in the Primary Market Area is estimated at approximately $271,000, significantly higher than the average single-family home resale price for the current period of $163,979.

With respect to multi-family sales, the void noted with respect to listing activity is substantiated. There was extremely limited sales activity in the multi-family category for both periods analyzed. A total of just 37 multi-family product sales were recorded in the Primary Market Area for the current period ending 3/31/15. This compares to 29 sales for the previous 12-month period, reflecting eight (8) more sales for a 28% year-over-year increase. Of the multi-family sales, 28 or 75.7% were resale properties and all new product sales (9) were for townhomes. Conversely, of the resale activity, 93% of sales were for condominium apartment flats.

Primary Market Area (PMA) Multi-Family Sale Activity						
			# Sales			
Subdivision/Unit Type	Unit Type	Sale Type	4/14 - 3/15	4/13 - 3/14	Difference	% Change
Bridgeway Park	Townhome	New	9	9	0	0%
Bridgeway Park	Townhome	Resale	2	0	2	200%
Carolina Yacht	Condo	Resale	24	15	9	60%
Merritt Park	Condo	Resale	2	5	-3	-60%
Total			37	29	8	28%

Due to the dominance of resale product, prices have been constrained. Based on the sales prices reported, in spite of the majority of townhome sales being for new product, prices remained essentially static year-over-year, while the average condominium prices, all of which reflect resale pricing, have declined 11%.

Primary Market Area (PMA) Multi-Family Prices

			Avg. Sales Prices			
Subdivision/Unit Type	Unit Type	Sale Type	4/14 - 3/15	4/13 - 3/14	Difference	% Change
Bridgeway Park	Townhome	New	$181,410	$182,096	-$686	-0.4%
Bridgeway Park	Townhome	Resale	$199,000	$199,000	$0	0%
Carolina Yacht	Condo	Resale	$111,684	$124,703	-$13,019	-10%
Merritt Park	Condo	Resale	$86,500	$97,000	-$10,500	-11%
Minimum			$86,500	$97,000	-$10,500	-11%
Maximum			$199,000	$199,000	$0	0%
Average Townhome			$190,205	$190,548	-$343	-0.2%
Average Condo			$99,092	$110,852	-$11,760	-11%

Based on current sales activity within the Primary Market Area, the typical market price for a townhome is just under $200,000 and the typical condominium apartment price hovers around the $100,000 mark.

Building Permit Activity – As with most markets in the post-recession environment, building activity in Horry County slowed significantly through 2010. As shown in the table, sluggish single-family home production followed a consistent pattern.

Building Permit Activity
Re: Horry County, SC

	Single-Family			Multi-Family		
Period	# Permits	Difference	% Change	# Permits	Difference	% Change
2005	5402	--	na	2266	--	na
2006	5372	-30	-1%	1686	-580	-26%
2007	3030	-2342	-44%	548	-1138	-67%
2008	1531	-1499	-49%	109	-439	-80%
2009	1170	-361	-24%	16	-93	-85%
2010	1024	-146	-12%	44	28	175%
2011	1045	21	2%	0	-44	-100%
2012	1419	374	36%	121	121	121%
2013	1818	399	28%	275	154	127%
2014	2120	302	17%	345	70	25%

However, with the exception of 2007 and 2008 when the recession took a foothold, the single-family declines were relatively modest. In comparison, multi-family building activity was more sporadic and declines more dramatic. Nevertheless, both segments appear to be on the road to a sustainable recovery at this time.

Another clear pattern suggests that condominium (multi-family) product demand has surged in popularity since 2012, jumping 121% and 127% respectively. It is our opinion that this is the beginning of a growing trend that should expand as the character of demand continues to mature.

While building activity shows clear signs of rejuvenation, the level of development is less than half of what it was pre-recession, suggesting opportunity going forward.

Summary - Sales within the Primary Market Area are relatively robust with respect to single-family properties, jumping 103% year-over-year, dominated by moderately priced resale products. In this regard, the disparity between resale and new build pricing is significant. Within the multi-family segment, sales are relatively flat due to the absence of new construction and a preponderance of dated inventory, conditions that serve to constrain prices. Essentially, the Primary Market Area has just begun to grow into its surroundings, a condition that we believe will escalate significantly as the edges of the greater Myrtle Beach marketplace continue to extend beyond traditional boundaries. It should be noted, however, that the moderate pricing exhibited by the Primary Market Area recognizes the depth of the elderly, pre-retiree and retiree market segments that have flocked to Myrtle Beach in recent years.

The economy of the Myrtle Beach market enjoys a strong tourism sector as the area provides visitors, residents and investors with a broad array of recreation, entertainment and dining activities. This is largely year-round activity supported by conference business

in the off-peak periods and increasingly, sports tourism is playing a significant role in boosting year-round tourist activity.

Residential products considered for development of the subject property should be well suited to the relocating retiree, the second home buyer, the multi-generational family-oriented traveler, and the investment-oriented buyer seeking real estate that is associated with year-round tourism attractions, thereby blending appropriately with the established economic currents of Myrtle Beach and the Grand Strand.

In this regard, our attention is drawn to the convergence of the copious recreational and entertainment facilities and services, a significant retiree component, and a market that is an established magnet for visitors of all ages. In this regard, the absence of contemporary multi-family housing within the Primary Market Area highlights a window of opportunity. Consequently, the following demand analysis will serve to determine the demographic characteristics of vacation homebuyers, retirees and investors.

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Section IV

Demand Analysis

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Section IV. DEMAND ANALYSIS

The demand analysis is the leading component of the market study and serves to illuminate near-term opportunities as well as future influences. The demand portion of this market study focuses on quantifying age and income qualified households by identifying those market segments that demonstrate a substantial presence and exhibit positive growth characteristics over the next five years. In this regard, we have taken a number of approaches, ranging from the national perspective to the regional feeder market level, taking into consideration specific individual demand motivations.

The Macro Perspective - On a national basis, median household incomes have risen less than two (2%) percent per year since 2000, and have actually declined at the lower income levels while continuing to climb at the top of the economic ladder. This has resulted in the share of affluent households exhibiting unprecedented growth. For example, between 2000 and 2015, the share of households earning less than $100,000 per year declined from representing 87.7% of all households to 77.15%. At the same time, the share of households earning at or above $100,000 grew from representing 12.3% in 2000 to accounting for 22.84% of households in 2015.

By 2020, an estimated 25.64% of all households will have an annual income of $100,000 or more while those households with incomes below the $100,000 mark will drop to represent 74.37% of all households. While the growth at the top of the market is encouraging, the disparity between the upper and lower income groups remains relatively static over the near future. Nevertheless,

- ✓ The market depth and growth of age- and income-qualified households is significant on a national basis.
- ✓ The number of households reporting annual incomes in excess of $100,000 per year is projected to grow 16.4% over the next five (5) years resulting in the addition of more than 4.5 million households by 2020.

- ✓ While the 55-64 age group is estimated to add approximately 1.3 million affluent households (representing an increase of 20.1%) the strongest rate of growth at this income level is in the 65 to 74 age group, where a 41.9% projected increase portends to expand the household count by 1.226 million households over the five-year period 2015 - 2020.

The Active Adult and Retirement Segment Perspective – The number of Americans at or near retirement age is burgeoning. Baby Boomers, born between 1946 and 1964 number more than 74 million, and another 28 million Americans are ages 67 to 82. The number of people expected to reach age 65 will grow 36% by 2020, and a recent study conducted by the Urban Land Institute (ULI) opined that once achieving the age of 65 years, the average senior can expect to live well into their 90s.

In order to better understand the dominant demand group, i.e., those over the age of 55 years, we have reviewed the 2010 and 2013 editions of the "Del Webb Baby Boomer Survey" conducted by the retirement community developer to determine the preferences and intentions of the market that it sells to, i.e., pre-retirees and retirees -- people in their 50's and 60's. Approximately 500 interviews were conducted.

One area of inquiry focused on intention to move in retirement and, if planning to move, to what destination. These questions preceded other questions in the survey regarding priorities associated with a new location choice and consideration of living in an age-restricted community.

In 2010, over one-third of respondents replied that they intended to move during retirement. Of those, half would move to another state; 30+/-% would remain in the state but move to a different area; 20+/-% would remain in the same area; 5+/-% would move overseas. By the end of 2013, the proportion of responses indicating an intention to move had increased to 55%. In this regard, North and South Carolina are consistently in the top three destinations of choice.

According to Del Webb, this is consistent with trends going back to 1996 and has been confirmed. Subsequently, builder confidence in the 55+ housing market remained in positive territory for the first quarter of 2015. According to the National Association of Home Builders' (NAHB) 55+ Housing Market Index (HMI) two of the three components of the 55+ single-family HMI posted increases from the previous quarter: Present sales increased one point to 64 and expected sales for the next six months rose three points to 67. While traffic dropped eight points to 40, builders in many parts of the country were affected by a particularly severe winter, and nevertheless optimism is the prevalent mood for the market sector as we move forward in 2015.

Part of the optimism has to do with the distribution of wealth. Baby Boomers hold the highest percentage of net worth dollars at 34%, and the highest share of total income dollars at 39%. The second highest ratios are held by Gen-X with 29% and 31%, respectively, followed by the "only just beginning" Millennials with 21% of net worth and about 18% of total income dollars.

The figure on the next page provides graphic perspective of the various market segments and what their respective focuses may be going forward.

Generational Market Segments - February 2015

Swing and World II	Baby Boomers	Gen X
 • Born between 1909-1945 • 33.7 Million • 69 or Older • 14% of Adults • Health Care Consumers • "Grandchildren" Spending • Delayed Gratification • Moderation • Discipline	 • Born between 1946 – 1964 • 74.9 Million • Ages: 50 – 68 • 32% of Adults • Multi-generational Customers • Drivers of Growth in Leisure/Hospitality • Still Individualistic and "Rebels" • Starting to think about retirement • Forever Young • 45 Million Grandparents	 • Born between 1965 - 1980 • 60.4 Million • Ages: 34 – 49 • 25% of Adults • Boomer Parents • Divorced Parents • Insecure • Practical in Consumption • Diversity • Responsible • Use Web Extensively
Gen Y / Millenials	**Gen Z**	**Trends**
 • Born between 1981 - 1995 • 87.9 Million • Ages: 19 – 33 • 29% of Adults • Ethnically Diverse • Tech Savvy • Multi-Tasker • Need Lots of Input • Prefer Health to Wealth • Prefer Mobile Communication • Omnicultural	 • Born between 1996 – 2010 • 46 Million • Ages: 5 – 18 • Structured Schedules • Over Managed • Info in Short Grabs • Multi-Tasker • Tech Savvy Omnicultural • The "I" Generation	 • Boomer Retirement, Retirement Wave 1 • Proximate Destination 1 • Work/Play Staycations, Third Places 1 • Co-Presence "Anywhen" in • Brand Omnichannel Presence • Technology IoT • Wearables

[MFA International; ttn, MRA International]

Tourism Market Segment Perspective - While the economy as a whole continues to recover tourism has been on the leading edge. It is estimated that 1.6 billion domestic person (leisure) trips were taken in 2013 and 1.632 billion in 2014, and is expected to expand to 1.665 billion in 2015. All of the aforementioned generational market segments will most likely be represented within the "tourism" sector at one point or another. Nevertheless, there are specific groups that may prove to be more lucrative.

As members of the Baby Boomer generation find themselves with more time on their hands, they become increasingly amenable to travel. Baby Boomers continue to dominate the second/vacation home market.

- ✓ Numerous studies reveal that as Baby Boomers age they consider travel more a necessity than a luxury, and the economic situation tends to have little impact on their travel plans.

- ✓ Older Baby Boomers (ages 60 to 68 years) account for 15 percent of all leisure travelers and take an average 4.4 leisure trips each year while younger Boomers (ages 50 through 59) represent 21 percent of all U.S. leisure travelers and take an average 4.1 leisure trips per year.

According to research conducted by the Preferred Hotel Group, multi-generational travel is a growing and significant trend. Key points of the research include:

- ✓ Grandparents are playing the role of host and are paying the bills.
- ✓ Grandchildren influence the selection of the vacation destination.
- ✓ Multi-generational vacations are becoming annual events, in the form of a tradition.

Sports Tourism – Because the subject property is in close proximity to the new North Myrtle Beach Park and Sports Complex, sports tourism is expected to have significant impact on the development's level of success.

Participatory sporting events have become big business for the travel industry. Youth baseball tournaments, cheerleading competitions, gymnastics meets and half marathons, to name but a few events, have the ability to attract a sizable number of in- and out-of-market participants and spectators, as well as media and technical personnel.

The Travel Industry Association of America reports that between 2005 and 2010, 38% of US adults attended an organized sports event, competition or tournament as a spectator or participant while on a trip of 50 miles or more. According to the 2013 *Sports, Fitness and Leisure Activities Topline Participation Report*, 72% of Americans age six (6) and older

actively pursue at least one sport and 33% of Americans or 94.8 million individuals, are active to a "healthy level and beyond," meaning they participate in team sports.

Sports-related travel and tourism is, by all accounts, a multi-billion dollar business in the U.S. Based on a 1999 *Sports Travel Magazine* study, it is estimated that sports-related travel and tourism accounted for at least $118.3 billion in the United States alone, $47.3 billion of which was attributed to family/spectator travel, accounting for 12.1 million sports-related hotel room nights.

While only recently promoted as a room night generator by the hotel industry, sports tourism has been around for quite awhile and has had a strong economic impact on many municipalities. The Rockford (Illinois) Convention and Visitor's Bureau reported that sports events have represented the largest growth in hotel room nights. Just 3,600 room nights were attributed to sporting events in 1987; by 1994, 49,287 sporting events-related room nights were reportedly related, supporting the thesis that participatory sports events are an effective way to attract new visitors and generate return visits. Rockford recently committed $3.1 million to the expansion of sporting facilities within the city.

Other examples of successful municipal sports programming include Panama City Beach, Florida, which realized an $18 million economic impact from softball and baseball tournaments alone in 2007. The Gulf Shores/Orange Beach area of Alabama played host to more than 210 soccer teams and 10,000+ spectators last year, and in Richmond, Virginia, a three-day fencing competition brought approximately 1,000 athletes to town while a series of spring events generated more than 31,000 hotel room night sales in Virginia Beach.

And in the subject market area, sporting events provided Myrtle Beach with a $102 million economic impact in 2011. By 2014, direct spending on sports tourism events within the region was $155.7 million, and of that, youth group visitation and participation

was responsible for 89%, suggesting strong demand for "family-friendly," multi-generational accommodations.

The two-week long vacation has made way for multiple four-day sport weekends or "sportcations," as dedicated parents and their committed athletic children engage in year-round activities. Youth sports have become a multi-billion industry growing from under seven (7) million participants in 1970 to over 30 million today. Local recreational leagues have given way to traveling teams and weekend-long tournaments that require adequate and appropriate lodging.

Research conducted by Hotel & Leisure Advisors (www.hladvisors.com) with respect to sports group demand indicates that booking accommodations at properties more than 45 minutes from a tournament venue in order to accommodate a large party requiring a block of rooms is not uncommon, and tournament organizers will arrange packages with preferred properties that can accommodate the needs of large groups.

Other findings include:

- Sports group consumers are prudent spenders, but are nevertheless seeking more than just a hotel room as the trip is considered a "mini-vacation" which calls for more than a rock-bottom experience.
- Location and proximity to the sports venue is a key aspect for the sports group consumer. Accommodations in close proximity to the sports venue typically enjoy a distinct competitive advantage that encourages repeat visitation.
- Food and beverage options are another key aspect with the sports consumer requiring cost-efficient options.
- Private space within the property, typically meeting rooms, is an important consideration for team "skull sessions," and sufficient and convenient storage for team equipment is generally required.

Second Home Market Segment Perspective - The second home market segment soared above its previous (2006) peak level to an estimated 1.13 million sales last year, the highest since the National Association of Realtors (NAR) began surveying in 2003, and nearly doubling the combined total of the previous two years.

A review of some key findings from NAR's *Investment and Vacation Home Buyers Surveys* provides year-over-year perspective.

- ✓ Vacation homes sales rose 7.9% in 2009, held steady in 2010, rose another 7% in 2011, increased a seemingly significant 10.1% in 2012 only to catapult 29.7% in 2013 to represent 13% of all transactions.

- ✓ By 2014, 1.13 million sales represented a remarkable increase of 57.6% over the impressive 2013 activity and accounted for 21% of all transactions for the highest market share ever, and an eight (8) point jump from 13% in 2013.

- ✓ Based on the 2014 activity, it is estimated that there are now more than 9.1 million vacation homes and nearly 45 million privately owned investment units within the US.

- ✓ As the housing markets continued to stabilize, the median vacation home sales price dropped 11.1% year-over-year from $168,700 to $150,000, commensurate with 2012, 2010 and 2008. Since 2003, the highest median vacation home price ($204,100) was reported in 2005.

- ✓ As financing has loosened, the share of vacation homebuyers paying cash fell to 30% from 38% in 2013. Of buyers financing their purchase with a mortgage, nearly half (48%) of vacation homebuyers financed less than 70% of the purchase price.

- ✓ The typical vacation homebuyer household income has remained relatively static over the last two years at approximately $95,000.

- ✓ A majority (54%) of vacation homebuyers bought a single-family home, but the share of those purchasing a multi-family property grew from 34% in 2013 to 45% last year.

- ✓ Vacation homebuyers purchased a property that was further away from their primary residence -- a median distance of 200 miles compared to 180 miles in 2013.

- ✓ Forty (40%) percent of vacation homebuyers purchased in a beach area, 19% purchased in the country and 17% purchased in the mountains. The South saw the largest share of vacation homebuyers (46%), followed by the West (25%), the Northeast (15%) and the Midwest (14%).

In response to the 2014 results, Lawrence Yun, NAR's Chief Economist opined: "Affluent households have greatly benefited from strong growth in the stock market in recent years, and the steady rise in home prices has likely given them reassurance that real estate remains an attractive long-term investment. Furthermore, last year's impressive increase also reflects long-term growth in the numbers of Baby Boomers moving closer to retirement and buying second homes to convert into their primary home in a few years."

Experts previously prognosticated that growing wealth combined with flexible work patterns and lifestyles could translate to as many as three (3) million second home purchases in this decade. However, we are only mid-way through the period and have already reached 2.9 million. In this regard, an estimate of 5.0 million second home purchases in 2015 is considered realistic.

Generally speaking, four factors tend to influence the geography of demand for second homes:

Proximity to primary home
Availability of outdoor recreation
Good weather conditions
Repeat visitation, familiarity

Summary **-** Based on the foregoing, the subject marketplace would appear to be well positioned for success.

Feeder Market Demand – The location of the subject property in the greater North Myrtle Beach market area has the propensity to attract relatively large volumes of diverse vacationers, and lends itself to a broad regional target market. While the economy, as a whole, continues to recover, tourism has been on the leading edge, and South Carolina is an extremely popular vacation destination. It is estimated that 29.5 million visitors traveled to and within the state last year – 16+ million to the Grand Strand alone. The South Carolina tourism industry reports that the top states of visitor origination to and within the state are South Carolina and North Carolina, accounting for a combined 76% of day trips and nearly 50% of overnight trips to and within the state.

RSB has conducted an analysis of South Carolina and North Carolina households to identify age and income growth characteristics and quantify current and projected market depth, initially determining the following:

- ✓ North Carolina has significantly more market depth than South Carolina currently, with more than 3.9 million households compared to approximately 1.9 million households for South Carolina.
- ✓ This condition persists through 2020 with North Carolina adding more than 202,000 households to South Carolina's 103,000 new households.
- ✓ In combination, the two states provide a household basis of nearly 5.84 million in 2015, growing 5.2% to more than 6.14 million households by 2020 with 305,000 household formations.

The prime home buying years have typically been considered to be between the ages of 35 and 54. However, the elder age groups, pre-retiree and retiree age groups -- are largely responsible for second/gateway home and retirement home purchases. The nature of a tourism-based economy hinges on the availability of discretionary income and available time. In other words, there needs to be evidence that households with the time and/or inclination to own and use resort-oriented real estate exists, and that a sufficient proportion of the income-qualified households are, and will be, at a stage in life that allows time for the personal use of the real estate they desire to purchase.

In order to develop an informed profile of the composition of demand, we have utilized the services of Nielsen/Claritas to provide demographic information regarding the current and projected distribution of the feeder market household populations over the next five years, correlated by age group and household income group, comparing both states to national trends. The age groups analyzed are listed below, accompanied by the real estate life stage associated with these groups.

Age group	Real estate life stage
25-34	1st time homebuyers
35-44	Families with children
45-54	Transitional toward empty nest
55-64	Empty nester / Pre-retirement
65+	Retirement

The households within these age groups have been sorted among the following income categories.

<$50,000	$50,000-$74,999
$75,000-$99,999	$100,000-$124,999
$125,000-$149,999	$150,000-$199,999
$200,000+	

The projected changes in population between 2015 and 2020 within these subgroups have been examined to determine which segments exhibit a strong presence in the market now and going forward, and which segments represent qualified demand for real estate products.

The following table compares five years of projected household growth for the subject geographies, based on the key age groups.

HH Growth Rates by Age Group 2015 - 2020

Area	15 - 24	25-34	35 - 44	45 - 54	55 - 64	65 - 74	75+	Total
US	-2.4%	-2.5%	1.6%	-5.0%	4.9%	21.4%	9.5%	3.7%
	-118,082	-488,612	337,412	-1,188,528	1,344,167	3,554,604	1,246,357	4,517,341
North Carolina	0.0%	-0.4%	-0.8%	-1.2%	6.3%	22.0%	12.6%	5.1%
	9	-2,573	-5,343	-9,904	46,571	122,221	59,684	292,064
South Carolina	0.7%	1.3%	2.8%	3.8%	3.4%	21.0%	14.8%	5.4%
	-536	3,795	8,746	-13,736	12,547	62,510	29,859	103,045

Source: Claritas/Nielsen 2015

Household Growth Trends - As shown in the table, the U.S. is projected to add more than 4.5 million households for a 3.7% rate of growth, or less than one (1%) percent per year over the five-year period 2015 through 2020. In comparison, both states outpace the nation with 5.1% and 5.4% growth rates adding 305,109 households, in the aggregate.

Growth Trends By Age Group – The common denominator between the geographies is a concentration of growth in the 55+ age category indicating potentially strong second home and retirement demand. More precisely, the strongest rates of growth are in the 65 to 74 age groups in all three geographies.

Growth rates within this age group are similar for all geographies, ranging from 22.0% in North Carolina, reflecting the addition of 122,221 households, to 21.4% for the U.S. and 21.0% for South Carolina, reflecting the addition of 62,510 such households. In combination, North and South Carolina will add nearly a quarter million (243,849) households headed by at least one person between the ages of 55 and 74 over the ensuing five years. These exceedingly high growth rates reflect the cascading of 10,000 Baby Boomers into the national retirement segment on a daily basis.

Growth Trends By Income Level - We then qualified the age characteristics of the projected demand by income levels. The next table illustrates how the composition of the market will shift over the ensuing five-year period with respect to the income characteristic.

HH Growth Rates by Income Group 2015 - 2020

Area	<$50K	$50K - $74.9K	$75K - $99.9K	$100K - $124.9K	$125K - $149.9K	$150K - $199.9K	$200K+	Total
US	1.9%	1.1%	4.5%	9.0%	16.9%	16.8%	27.6%	3.7%
	608,134	239,148	648,178	878,295	1,003,822	988,010	1,665,022	4,517,341
North Carolina	0.4%	3.9%	7.3%	13.4%	21.3%	20.4%	28.7%	5.1%
	8,456	27,890	32,211	35,856	31,848	27,439	38,364	202,064
South Carolina	0.8%	4.8%	8.0%	13.5%	22.3%	20.2%	31.9%	5.4%
	8,440	16,566	16,247	17,075	15,155	12,503	17,069	103,045

Source: Claritas/Nielsen 2015

On a national basis, the Nielsen/Claritas projections indicate expansion in all categories above the $50,000 household income level, with the most substantial growth in the $200,000+ bracket. This highly affluent segment shows growth of 27.6% with the addition of more than 1.665 million households, on a national basis. The $125,000 to $149,999 and $150,000 to $199,999 categories follow with growth rates of nearly 17% each, responsible for adding approximately 1.0 million households each.

In comparison, both feeder states exhibit healthy economies with income growth across all strata. However, the rates of growth increase as income escalates, with both South Carolina and North Carolina surpassing the U.S. rate of growth in the $200,000+ income bracket. At the very top of the income strata South Carolina adds more than 17,000 such households for a 31.9% growth rate while North Carolina adds 38,364 such households reflecting a 28.7% growth rate, marginally higher than that of the U.S.

Considering the 'mass affluent' market segment, i.e., those households with income levels at or above the $100,000 level, the two feeder states account for more than 995,110 households currently, growing to more than 1.19 million by 2020. North Carolina accounts for nearly 70 percent of these upscale households and 70% of the growth.

Summary **-** The analysis reveals unprecedented growth in the older, more affluent demand segments, particularly in the Pre-retirement / Empty Nester and Retirement categories. The growth of these segments bodes extremely well for second home, vacation home and investment home purchases. Based on the predominantly moderate real estate environment within the Myrtle Beach marketplace, it is unlikely that the supply side of the market is prepared for these unprecedented surges in demand. We anticipate that an imbalance between supply and demand will emerge, serving to exert upward pressure on price points and absorption rates of new residential products targeted to these strengthening demand segments.

The data associated with the foregoing analysis are presented on the following three (3) pages.

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Household Income By-Age for the U.S.

Household Growth By Age and Income
United States

	Ages 15 - 24		Ages 25 - 34		Ages 35 - 44		Ages 45 - 54		Ages 55 - 64		Ages 65 - 74		Ages 75+		Totals	
Income	**2015**	**2020**	**2015**	**2020**	**2015**	**2020**	**2015**	**2020**	**2015**	**2020**	**2015**	**2020**	**2015**	**2020**	**2015**	**2020**
< $50K																
# HHs	3,672,030	3,688,741	8,773,719	8,743,696	6,109,564	7,894,641	8,463,097	7,962,098	8,776,630	9,366,536	8,734,102	10,034,697	9,668,824	10,211,190	57,353,748	56,449,022
Difference	16,711		-29,023		415,723		-1,063,999		589,906		1,229,595		258,217		-904,726	
% Change	0.5%		-0.3%		6.5%		-12.9%		7.2%		14.0%		2.7%		-1.6%	
$50K - $74.99K																
# HHs	823,584	833,094	3,716,674	3,567,497	3,989,516	3,893,510	4,274,508	3,858,442	4,199,243	4,228,273	3,183,411	3,788,674	1,620,386	1,825,969	21,557,702	21,796,859
Difference	9,510		-149,177		-96,006		-415,066		29,030		605,264		205,584		239,157	
% Change	1.2%		-4.0%		-2.4%		-9.7%		0.7%		19.0%		12.7%		1.1%	
$75K - $99.99K																
# HHs	235,268	252,544	2,416,474	2,418,230	2,969,961	3,028,079	3,202,125	3,095,268	3,043,331	3,207,372	1,789,138	2,252,304	773,135	913,333	14,529,663	15,166,231
Difference	16,276		1,848		58,108		-106,857		164,041		463,166		140,198		636,778	
% Change	6.9%		0.1%		2.0%		-3.3%		5.4%		25.9%		18.1%		4.3%	
$100K - $124.99K																
# HHs	93,688	108,115	1,449,086	1,515,137	2,126,209	2,269,324	2,548,729	2,523,565	2,137,178	2,379,734	1,062,225	1,407,758	383,679	476,867	9,802,245	10,680,540
Difference	13,027		66,052		143,056		-25,164		242,549		345,533		93,192		878,295	
% Change	14.0%		4.6%		6.7%		-1.0%		11.3%		32.5%		24.2%		9.0%	
$125K - $149.99K																
# HHs	46,130	50,912	812,107	906,301	1,225,905	1,396,479	1,616,709	1,723,513	1,413,316	1,698,310	592,561	848,093	236,488	320,152	5,937,279	6,943,100
Difference	16,782		94,194		170,564		106,648		284,992		253,532		81,724		1,003,822	
% Change	26.0%		11.6%		13.1%		6.6%		20.2%		42.7%		34.1%		16.9%	
$150K - $199.99K																
# HHs	29,205	37,367	629,511	696,167	1,273,063	1,443,671	1,741,208	1,960,974	1,434,698	1,731,597	580,655	836,643	262,466	376,195	6,350,804	7,983,614
Difference	8,162		66,656		170,608		119,766		297,581		251,988		72,709		986,810	
% Change	28.0%		10.6%		13.4%		6.9%		20.8%		43.0%		35.9%		15.5%	
$200,000+																
# HHs	31,475	39,748	601,807	695,925	1,316,645	1,467,565	1,880,881	2,175,572	1,950,795	2,089,743	962,875	1,958,892	210,937	310,210	6,032,239	7,897,861
Difference	8,273		94,118		150,920		294,691		138,948		376,587		99,273		1,865,622	
% Change	43.2%		15.6%		11.5%		15.7%		7.1%		39.1%		47.1%		30.9%	
Totals	**4,910,581**	**4,797,519**	**18,299,508**	**17,839,958**	**20,666,298**	**21,393,698**	**23,757,257**	**22,599,342**	**23,435,599**	**24,642,765**	**16,640,967**	**20,135,571**	**13,269,250**	**14,335,847**	**121,089,157**	**125,616,498**
Difference	**-113,062**		**-459,549**		**727,413**		**-1,157,915**		**1,207,166**		**3,494,604**		**1,066,597**		**4,527,341**	
% Change	**-2.3%**		**-2.5%**		**3.5%**		**-4.9%**		**5.2%**		**21.0%**		**8.0%**		**3.7%**	
$100,000+	155,699	225,140	3,091,710	3,713,530	5,525,245	6,597,377	7,768,737	8,285,424	6,933,828	7,848,484	2,934,316	4,150,436	1,037,199	1,384,464	27,567,684	32,204,855
Difference	69,442		621,820		768,032		516,687		1,013,660		1,208,180		347,328		4,636,149	
% Change	22.6%		9.5%		13.2%		6.7%		25.1%		41.9%		33.5%		16.6%	
$150,000+	80,480	98,113	1,330,618	1,392,592	2,479,052	2,931,474	3,901,239	4,036,545	2,984,331	3,770,440	1,289,530	1,897,105	419,903	585,405	11,984,143	14,581,175
Difference	17,633		161,974		452,422		135,307		786,109		607,575		165,502		2,597,032	
% Change	24.9%		14.9%		18.2%		12.1%		26.3%		49.4%		41.7%		22.2%	

Source: Nielsen/Claritas 2015

Compiled by Ralph Stewart Bowden, Inc.

North Carolina Household Income By-Age

Household Growth by Age and Income
North Carolina

	Ages 15 - 24		Ages 25 - 34		Ages 35 - 44		Ages 45 - 54		Ages 55 - 64		Ages 65 - 74		Ages 75+		Totals	
Income	*2015*	*2020*	*2015*	*2020*	*2015*	*2020*	*2015*	*2020*	*2015*	*2020*	*2015*	*2020*	*2015*	*2020*	*2015*	*2020*
< $50K																
# HHs	150,724	148,138	325,693	312,337	316,915	297,934	324,578	292,298	307,892	309,445	315,042	364,514	366,688	385,184	2,099,532	2,109,986
Difference	-2,586		-13,356		-18,981		-32,280		1,553		49,472		18,496		10,454	
% Change	-1.7%		-4.1%		-6.0%		-9.9%		0.5%		15.7%		5.0%		0.5%	
$50K - $74.99K																
# HHs	59,502	56,920	152,365	121,080	138,385	104,817	144,632	118,426	138,317	141,231	105,412	128,788	47,973	55,949	733,586	741,433
Difference	-898		-6,715		-9,568		-6,284		5,914		23,381		7,976		27,850	
% Change	-3.1%		-4.1%		-6.4%		-4.3%		4.4%		22.2%		16.6%		3.9%	
$75K - $99.99K																
# HHs	7,129	7,828	69,189	73,017	69,453	61,270	102,808	102,365	96,039	97,934	59,854	75,982	22,823	27,760	441,986	474,147
Difference	699		1,828		-816		-259		7,915		16,306		4,937		32,211	
% Change	9.8%		2.6%		-0.9%		-0.3%		8.6%		27.3%		21.6%		7.3%	
$100K - $124.99K																
# HHs	2,472	3,011	38,246	41,333	59,221	63,454	71,849	76,605	66,804	68,231	30,234	41,166	9,636	12,545	278,462	304,332
Difference	539		3,087		4,232		4,756		6,607		10,931		2,910		25,870	
% Change	21.8%		8.1%		7.1%		6.6%		9.9%		36.1%		30.2%		9.3%	
$125K - $149.99K																
# HHs	344	534	19,608	21,701	29,964	34,827	43,053	49,128	38,217	43,947	18,922	23,580	5,863	7,569	149,928	181,776
Difference	191		2,093		4,863		6,075		5,730		7,495		2,286		31,848	
% Change	54.1%		14.7%		14.5%		14.2%		93.8%		46.8%		49.2%		21.3%	
$150K - $199.99K																
# HHs	360	810	13,873	19,349	29,939	39,276	41,438	47,310	31,736	39,368	13,622	20,166	4,269	6,018	134,357	181,799
Difference	150		1,676		3,937		5,872		7,632		9,283		1,749		37,439	
% Change	69.9%		12.3%		13.2%		14.2%		24.7%		46.0%		41.0%		28.4%	
$200,000+																
# HHs	267	435	16,874	19,987	27,564	33,312	41,952	51,099	32,528	43,158	15,916	24,276	5,441	8,621	130,524	179,888
Difference	168		2,113		5,748		9,147		10,630		8,359		2,180		38,364	
% Change	62.9%		18.4%		20.9%		21.9%		32.7%		52.5%		49.1%		29.7%	
Totals	*160,835*	*160,844*	*358,168*	*366,814*	*534,233*	*547,930*	*756,720*	*757,226*	*738,932*	*785,504*	*556,174*	*675,395*	*461,312*	*452,198*	*3,834,785*	*4,139,766*
Difference	*9*		*8,646*		*13,697*		*506*		*46,571*		*122,221*		*-9,114*		*304,981*	
% Change	*0.0%*		*2.4%*		*2.6%*		*0.1%*		*6.3%*		*22.0%*		*-2.0%*		*8.0%*	
$100,000+	3,468	5,556	51,801	91,378	145,779	183,949	196,252	229,146	158,305	192,804	76,066	109,128	24,928	35,153	656,601	849,198
Difference	1,988		9,569		18,170		25,894		34,499		33,062		10,225		192,597	
% Change	57.3%		11.7%		12.5%		13.1%		21.8%		43.5%		41.0%		29.3%	
$150,000+	847	1,865	24,547	28,936	56,659	66,185	69,970	88,468	64,064	92,726	29,740	44,181	8,716	12,855	257,881	333,816
Difference	1,018		4,389		9,526		18,498		28,662		14,441		4,139		75,935	
% Change	120.2%		17.9%		16.8%		26.4%		44.7%		48.6%		47.5%		29.4%	

Source: Nielsen-Claritas 2015
Compiled by: Ralph Stewart Bowden, Inc.

South Carolina Household Income By-Age

Household Growth by Age and Income
South Carolina

	Ages 15 -24		Ages 25 - 34		Ages 35 - 44		Ages 45 - 54		Ages 55 - 64		Ages 65 - 74		Ages 75+		Totals	
Income	2015	2020	2015	2020	2015	2020	2015	2020	2015	2020	2015	2020	2015	2020	2015	2020
< $50K																
# HHs	67,805	66,092	158,794	152,351	149,340	143,884	150,943	141,559	182,548	181,245	166,747	195,475	154,148	172,693	1,044,207	1,052,847
Difference	-1,654		-6,443		-5,397		-17,384		-1,139		28,728		17,555		8,440	
% Change	-2.4%		-4.2%		-3.7%		-11.9%		-0.6%		15.2%		11.6%		0.8%	
$50K - $74.99K																
# HHs	8,681	9,002	50,962	56,779	61,214	62,161	67,126	63,178	86,962	88,478	57,261	69,562	28,621	29,245	341,874	368,430
Difference	321		795		947		-3,948		1,496		12,301		4,660		16,556	
% Change	3.7%		1.6%		1.5%		-5.9%		2.2%		21.5%		16.3%		4.8%	
$75K - $99.99K																
# HHs	3,331	3,461	35,229	35,122	41,924	44,256	48,161	44,669	42,972	44,798	25,253	35,829	10,356	12,811	204,105	229,365
Difference	256		1,893		2,331		-3,492		2,726		2,574		2,525		25,247	
% Change	7.8%		5.7%		5.6%		-7.3%		6.5%		28.8%		24.3%		8.0%	
$100K - $124.99K																
# HHs	627	849	16,844	18,832	28,070	32,089	35,381	34,626	29,182	31,819	17,092	22,737	6,143	6,706	126,119	143,194
Difference	192		1,988		2,989		-1,155		3,623		6,673		1,363		17,075	
% Change	23.0%		11.5%		11.9%		-3.6%		12.9%		33.3%		30.6%		13.5%	
$125K - $149.99K																
# HHs	337	477	8,159	9,828	12,917	15,201	18,948	21,153	16,812	20,568	8,312	11,924	2,800	3,967	67,884	83,139
Difference	140		1,669		2,285		2,205		3,756		3,612		1,167		15,155	
% Change	41.5%		19.6%		21.4%		11.6%		21.7%		43.5%		41.7%		22.3%	
$150K - $199.99K																
# HHs	335	437	5,995	6,922	11,415	13,573	18,262	20,290	15,366	18,529	8,235	11,519	2,497	3,446	61,905	74,306
Difference	102		927		2,158		2,028		3,162		3,284		953		12,503	
% Change	30.4%		14.5%		18.9%		11.1%		20.6%		39.5%		38.1%		20.2%	
$200,000+																
# HHs	75	131	3,535	4,559	9,468	12,564	15,569	18,913	13,731	17,797	9,456	12,803	3,294	5,483	53,911	72,580
Difference	56		1,024		3,096		3,343		4,066		4,347		1,189		17,669	
% Change	86.6%		29.1%		32.7%		20.7%		29.6%		53.4%		43.6%		31.9%	
Totals	**80,495**	**80,299**	**280,365**	**284,070**	**315,353**	**316,685**	**357,392**	**343,573**	**378,769**	**393,338**	**297,328**	**359,838**	**241,822**	**231,748**	**1,899,518**	**2,002,663**
Difference	**-196**		**3,705**		**6,748**		**-13,799**		**12,547**		**62,510**		**29,359**		**103,045**	
% Change	**-0.2%**		**1.3%**		**2.2%**		**-3.9%**		**3.4%**		**21.0%**		**14.8%**		**5.4%**	
$100,000+	1,377	1,864	34,352	39,512	58,470	68,369	86,220	94,891	74,191	88,718	42,065	58,974	13,734	17,553	309,419	371,221
Difference	487		5,160		10,899		8,671		14,527		16,909		4,819		61,802	
% Change	35.4%		15.0%		18.7%		10.1%		19.6%		40.2%		37.8%		20.0%	
$150,000+	413	578	9,526	11,461	20,883	26,135	32,931	39,202	29,987	36,315	16,691	24,513	4,791	6,280	115,316	144,885
Difference	165		1,941		5,256		6,271		7,228		7,822		1,489		29,572	
% Change	40.0%		20.4%		25.2%		19.0%		24.8%		46.7%		31.0%		25.6%	

Source: Nielsen/Claritas 2015

Compiled by Ralph Stewart Bowden, Inc.

Section V

Market Survey and Analysis

Section V. MARKET SURVEY AND ANALYSIS

The U.S. Census Bureau recently listed the Grand Strand as the second fastest-growing metropolitan area in the country. Local real estate experts have advised that there has been significant growth in new construction and estimate that one-third of the market is buying secondary homes, vacation homes and investment properties. Another third of buyers comprises those relocating and/or switching from renting to owning, while the final third is largely comprised of out of market retirees.

We began our analysis of Regional Market Area (RMA) housing conditions by studying sales within the Myrtle Beach Core Based Statistical Area (CBSA) based on MORE® data. Data for the 12-month period ending 3/31/15 revealed a total of 10,147 sales or an average of 845 sales per month, 76% of which were resale properties and 24% of which were new product sales. The table below provides further perspective.

CBSA - All Sales 12 Mos. Ending 3/31/15

New	# Sales	% Sales	Median $
Single Family	2,021	83.0%	$224,320
Townhome	172	7.1%	$185,690
Condo	241	9.9%	$202,000
Total	**2,434**	**100.0%**	$219,630
Resale			
Single Family	4,120	53.4%	$178,420
Townhome	269	3.5%	$138,000
Condo	3,324	43.1%	$116,000
Total	**7,713**	**100.0%**	$152,240
New and Resale			
Single Family	6,141	60.5%	$196,100
Townhome	441	4.3%	$168,040
Condo	3,565	35.1%	$120,000
Total	**10,147**	**100.0%**	$169,430

As shown in the table, single-family products dominate the sales scenario in the new sale category while the resale market is more evenly split. Resale condominium products command the second largest share of sales, however new multi-family products and resale townhomes lag far behind.

From a pricing perspective, during the 12-month period studied, new products saw significant premiums over resale products, as shown below.

Single-Family	+25.7%
Townhome	+34.6%
Condominium	+74.1%

On a year-over-year quarterly basis, Q115 saw 2,275 sales, up 16.4% from Q114, led by resale activity that was nearly 3.5 times that of new sales activity, indicating the absence of new development in the marketplace. However, new sales activity increased at a rate nearly twice that of the resale activity (25.2% v 14.1%).

Myrtle Beach CBSA Residential Sales

	Q115	Q114	Difference	% Change
New	511	408	103	25.2%
Resale	1764	1546	218	14.1%
Total	**2275**	**1954**	**321**	**16.4%**

Source: Market Opportunity Research Enterprises (More)

Prices have been escalating since the end of the recession, and appear now to be stabilizing. Based on combined new and resale closings of all product types, the median price in Q414 of $168,040 was 4.1% higher than the median sale price in Q413. The median sale price for Q115 of $166,100 shows a comparatively modest year-over-year increase of 0.7%.

Similarly, new product sales saw a 2.8% year-over-year increase in Q115 from $215,000 to $221,020 compared to a 10.0% percent year-over-year jump in Q414.

CBSA Median Sales Prices

	Q115	Q114	Difference	% Change
All Sales	$166,100	$164,900	$1,200	0.7%
New	$221,020	$215,000	$6,020	2.8%
Resale	$149,000	$148,000	$1,000	0.7%
Resale % New	**67.4%**	**68.8%**	**-1.4%**	**-2.1%**

Source: Market Opportunity Research Enterprises (More)

While the number of resale closings escalated for the period, resale prices remained relatively static at the 0.7% growth rate.

It is important to consider this information within the context of national market trends. The following is an excerpt from the National Association of Realtors' (NAR) *Economist's Outlook* that highlights the opinions of Lawrence Yun, PhD, Chief Economist and Senior VP of the NAR.

Home Price Comparison: New versus Existing

Posted in Economic Updates, by Lawrence Yun, PhD., Chief Economist and Senior Vice President on December 30, 2014

- Newly constructed homes are carrying a hefty premium over existing homes. The gap, which historically had been 15 to 20 percent, has in recent years widened to 30 to 40 percent. That suggests either existing home prices are much cheaper in relation to the newly built homes and/or that there is just not enough new homes being produced.
- In the most recent monthly data, in November, the median home price of a newly constructed home was $280,900 while the median price of an existing home was $206,200. This gap is 36 percent.
- Indeed, too few new homes are being constructed. Even though single-family housing starts are projected to have risen for the fourth time in the past five years, the level is essentially at a deep recession level. This year's single-family housing starts look to hit 650,000. But the normal should be at least a million. Persistent

underproduction of new homes is one key reason for pushing up prices. From 2004 to 2014, a typical newly constructed home price will have risen by 27 percent.

- Meanwhile, a typical existing home price has risen by 25 percent in the past three years. Even so, the decade growth in home price, due to the downward correction that occurred during the housing bust, is only 8 percent. Over the same decade, from 2004 to 2014, a typical apartment rent grew by 31 percent. In other words, home prices are not rising too fast or to a new bubble. Rather, the shortage of new construction is leading to the premium on the new homes to expand.
- If housing starts do not revive quickly and robustly then new home price premium could rise even further. NAR projects single-family housing starts to rise to 820,000 in 2015. That would be a nice growth and good news for homebuilders. Still it would be under the historical average.

From this, we are able to anticipate a market that will be increasingly characterized by higher per unit values as new products are introduced to the public, and that current resale values are a base for new product estimates that reflect a conservative adjustment upward of 35%.

Sales By Product Type – While new single-family sales increased 45.3% year over year in Q115, single-family resale products saw a comparatively moderate 16.9% increase, suggesting diminishing inventory and/or increasing new development activity. Nevertheless, there were more than twice as many single-family resale closings than new – 941 compared to 449 -- as shown in the table.

Myrtle Beach CBSA Sales By Property Type Qtr/Qtr

New	Q115	Q114	Difference	% Change	% Total Q115	% Total Q114
Single Family	449	309	140	45.3%	87.9%	75.7%
Townhome	32	43	-11	-25.6%	6.3%	10.5%
Condo	30	56	-26	-46.4%	5.9%	13.7%
Total	**511**	**408**	**103**	**25.2%**	**100.0%**	**100.0%**
Resale						
Single Family	941	805	136	16.9%	53.3%	52.1%
Townhome	53	40	13	32.5%	3.0%	2.6%
Condo	770	701	69	9.8%	43.7%	45.3%
Total	**1764**	**1546**	**218**	**14.1%**	**100.0%**	**100.0%**
New and Resale						
Single Family	1390	1114	276	24.8%	60.6%	55.4%
Townhome	85	83	2	2.4%	3.7%	4.1%
Condo	800	757	43	5.7%	34.9%	37.6%
Total	**2275**	**1954**	**321**	**16.4%**	**99.2%**	**97.2%**

Interestingly, while new single-family sales as a percentage of all new sales grew from representing 75.7% of all new product sales in Q114 to 87.9% in Q115, single-family resale products maintained their market share in the 50% range, further indicating that new single-family building activity is on the rise.

This is not the case with multi-family products. New townhome sales saw a decline of 25.6% and new condominium sales decreased 46.4% from 56 sales in Q114 to 30 sales in Q115. This may be attributable to the scarcity of construction financing for multi-family condominium buildings and/or availability of suitable land.

While multi-family resale activity was dominated by condominium apartment sales in Q115 accounting for 770 closings compared to 53 townhome closings, townhome resale activity reflected growth of 32.5% year-over-year with the addition of 13 sales, while condominium resale activity grew a comparatively modest 9.8% with the addition of 69 sales.

Sales Prices By Product Type – The next table shows the median prices for both periods and sales categories analyzed, illustrating price changes and rates of growth or depreciation.

CBSA Median Sales Price By-Type

New	Q115	Q114	Difference	% Change
Single Family	$227,570	$225,000	$2,570	1.1%
Townhome	$184,900	$188,000	-$3,100	-1.6%
Condo	$245,000	$172,400	$72,600	42.1%
Resale				
Single Family	$175,000	$175,000	$0	0.0%
Townhome	$145,000	$127,500	$17,500	13.7%
Condo	$114,000	$108,000	$6,000	5.6%

As shown in the table, the single-family product median prices have remained relatively flat year-over-year in both the new and resale categories while the new condominium apartment product enjoyed the highest price and the highest year-over-year appreciation rate (42.1%), rising from $172,400 in Q114 to $245,000 in Q115, theoretically suggesting strong demand for upscale condominium apartment products. While the number of new condominium sales dropped year-over-year from 56 in Q114 to 30 currently, we believe this to be the result of limited supply, which could be pushing prices upward. Conversely, resale condominiums recorded a median price that is 114.9% lower than the new condominium apartment price and a modest year-over-year appreciation rate of 5.6%.

The median new townhome price remained relatively flat, year-over year, while the resale price jumped 13.7%, from $127,500 in Q114 to $145,000 in Q115. Nevertheless, the new townhome price is 27.5% higher than the resale townhome sales price.

The MORE® data also provide stratification of sales by price ranges for the 12-month period April 2014 through March 2015. Focusing on the condominium and townhome sales in the new product category, we found the following:

- Approximately 48% (115) of the (new) condominium apartment sales closed during the period analyzed were in the $100,000 to $199,999 price range, while approximately 25% were in the $200,000 to $299,999 range and another 7.9% were priced between $300,000 and $350,000.

New Condominium Sales
12 Months Ending 3.31.15

	# Sales	% Sales
<$100K	4	1.7%
$100K-$150K	60	24.9%
$150K-$200K	55	22.8%
$200K-$250K	36	14.9%
$250K-$300K	25	10.4%
$300K - $350K	19	7.9%
$350K - $400K	5	2.1%
$400K - $450K	4	1.7%
$450K - $500K	4	1.7%
$500K+	29	12.0%
Total	241	100%

- Of the 172 (new) townhomes sold during the same period, the most prevalent price range was the $150,000 to $199,999 range in which 98 sales or 57% were priced.

- Further, 154 or 89.5% were priced between $150,000 and $299,000 while 96.5% of the townhomes sold were under the $300,000 price point.

- As shown in the table, just six (6) townhome units were sold in the $300,000 to $400,000 range and none were sold above the $400,000 price point, suggesting that the townhome is the "affordable" product of choice in the RMA.

New Townhome Sales
12 Months Ending 3.31.15

	# Sales	% Sales
<$100K	2	1.2%
$100K-$150K	10	5.8%
$150K-$200K	98	57.0%
$200K-$250K	35	20.3%
$250K-$300K	21	12.2%
$300K - $350K	4	2.3%
$350K - $400K	2	1.2%
$400K - $450K	0	0.0%
$450K - $500K	0	0.0%
$500K+	0	0.0%
Total	172	100%

Summary - The development opportunity that is the subject of this report reflects a well-located project that will benefit from high tourist traffic generated by a plethora of recreational and entertainment amenities located within the immediate market area. The site benefits from an Intracoastal Waterway location, easy access to beaches, and close proximity to the new 250,000 square foot Champions Crossing shopping and entertainment venue and the new North Myrtle Beach Park and Sports Complex, which are expected to have significant impact on demand. Accordingly, the subject site is zoned for multi-family housing products that can accommodate second homebuyers, retirees, investors and vacationing tourists.

Based on our analysis, demand largely and sufficiently comes from an aging Baby Boomer population that has the time and the wealth to purchase a second home or investment property, and/or relocate to the Grand Strand area to partake of abundant recreational, social and cultural experiences.

Regional Marketplace Analogs - Our analysis of the existing real estate market revealed a market in recovery, but one that is nevertheless comprised of older housing stock. Nearly 60% of Horry County's housing was built prior to 1989 and there has been limited new development since the recession began in 2008 as the market has strived to absorb its distressed inventory. Further to this issue, 55% of Horry County's 2013 housing inventory was built between 2000 and 2013 reflecting a growth rate of 4.23% per year, while less than two (2.0%) percent or about 3,500 units were built between 2010 and 2013, reflecting an annual growth rate of less than one half of one (0.05%) percent during the more current period.

Nevertheless, two large-scale resorts have managed to be highly successful in this housing environment by offering a variety of contemporary products that appeal to the second home, investment and retiree buyer. Both are relatively new, having come on line in 2000 and 2002, respectively. In this regard, Barefoot Resort and Grande Dunes are synonymous with contemporary Myrtle Beach resort development. In spite of both being defined as 'resort communities' and located in each other's 'backyard,' they have very different market positions and have achieved success in spite of having entered the market at a time that would ultimately become challenging. We believe their respective successes are due, at least in part, to having a relatively non-competitive relationship.

Traditionally, the Average Aggregate Residential Value (AARV) of a given community represents an average of current prices, generally based on developer offerings, for the purpose of defining the community's market position. In recent years, as new development languished, it became necessary to include resale list prices in the equation. Based on current 'asking' prices, Barefoot Resort has an AARV of approximately $300,000 while Grande Dunes' AARV is markedly higher at approximately $800,000. A brief description of the two communities follows.

Grande Dunes' location, spanning both the east and west sides of the Intracoastal Waterway, has served to preserve the 2,200-acre community's top-of-the-market position. Brought to market in 2002 by the venerable Myrtle Beach developer Burroughs and Chapin, Grande Dunes was positioned at the outset to appeal to affluent golfers and boaters seeking a golf and/or water-oriented second home opportunity. Initial products included Vista Del Mar, Grande Dunes only oceanfront property. The 65 three-bedroom, 2,000 to 3,800 square foot units were sold out in less than two years at prices ranging from $1.1 million to $2.2 million. The units have essentially held their value with current resale opportunities in the $999,900 to $1.82 million range.

The balance of Grande Dunes' oceanfront property has been absorbed by the Marriott Resort and Spa at Grande Dunes and the 25,000 square foot Ocean Club, the community's private beach club facility. Other guest accommodations include the AAA/4-Diamond, 200-room Marina Inn, which was developed on the ICW at the marina, and sold as a condo-hotel. The full service marina consists of 126 deepwater boat slips, 1,200' of floating docks, and a marina village with restaurants and retail services. Grand Dunes also boasts two championship golf courses, one public and one private, a 27,000 square foot golf clubhouse, and an award-winning, 6,000 square foot tennis, swim and fitness facility with ten (10) tennis courts.

Grande Dunes' owner/master developer LStar Management unveiled a revised Conceptual Master Plan last year focusing on the 770 remaining acres of developable land. Plans call for linking miles of undeveloped Intracoastal Waterway frontage to create a public trail system that will connect to a new waterfront park. The company also announced the planned development of two new single-gamily subdivisions in 2015. The first will be the 54-unit Enclave, to be located in the gated Golf Village community. Lots will be 85' to 120' in width; prices have not been released. A spring groundbreaking is anticipated. A second neighborhood is expected to break ground in mid-2015 that will contain 164 lots. The creation of the new neighborhoods follows a significant surge in demand for single-family homes in Grande Dunes in which there are reportedly 80+ homes under construction, representing $40 million in construction, the most new home building activity the community has ever experienced at one time. (www.grandedunes.com)

At the time of survey, 38 single-family resale properties were listed for sale ranging in price from $479,000 to $3.35 million. Just five (5) new single-family custom products were also listed at prices ranging from $636,731 to $984,000. The average price per square foot for the resale listings at the time of survey was approximately $400 compared to just under $250 for the new homes. The final phase of 45 single-family lots at Cipriana Park will be released for development this year. Home and lot packages will start in the low $300,000s or approximately $200 per square foot. The 182-unit Cipriana Park began in January 2011.

There were just eight (8) condominium apartment resale listings at the time of survey, ranging from $339,900 to the aforementioned $1.82 million for an oceanfront tower penthouse, which has been on the market for more than a year. The majority of listed condominiums had a three-bedroom configuration and the average off-water condominium resale price per square foot was approximately $176.50 while the oceanfront offerings averaged $464 per square foot. There were no new condominium properties offered or planned at the time of survey.

Barefoot Resort consists of some 2,300 acres, initially zoned for 5,000 residential units. The property sprawls along the west side of the Intracoastal Waterway and has been developed to contain 27 neighborhoods, 15 of which are condominium developments. Barefoot Resort is golf-centric with four championship layouts, an attendant 40,000 square foot clubhouse with pro shop and full-service restaurant, and a Golf Academy. In addition to golf, amenities and activities include a private beach club replete with complimentary shuttle service, a furnished sundeck, showers and a refreshment center, tennis, swim and fitness facilities, a dedicated trail system, and boating, fishing, and sailing activities. To the east of the community and the ICW is Barefoot Landing with 150 shops, and Barefoot Landing Marina, offering 142 boat slips, and a ¾-acre saltwater swimming pool. There are no on-site hotels or commercial accommodations at Barefoot Resort and privately owned condominiums serve as the resort's overnight inventory.

At the time of survey, new development activity at Barefoot Resort comprised The Retreat at Barefoot Village. Phase 1a consists of 37 single-family house and lot packages, 22 maintenance-free "bungalows," and ten duplex townhomes. Detached single-family products range in price from approximately $200,000 for a two-bedroom "bungalow" to the mid-$300s for a four-bedroom unit approximately 2,000 square feet in size. The five duplex buildings have single-level villas above single-car garages for a total of ten units. The three-bedroom/2.5 bath villas are 1,572 square feet in size and at the time of survey just one was listed for sale at $224,900 or $143 per square foot. Centex's Bay Village and Clearwater Bay townhome projects sold out and just three resale units were listed for sale at prices ranging from $247,700 to $349,900 or approximately $150 per square foot, on average. For perspective, the last of the developer units sold were reduced to $189,900 to $264,990 or $115 per square foot, on average. Other resale condominium listings included eight (8) townhomes within The Havens, priced in the $115,000 to $249,000 range or $115 per square foot; four (4) high-rise Yacht Club Villas ranging in price from $200,000 to $279,900 or $120 per square foot; and 21 low-rise apartment flat listings ranging in price from $114,900 to $259,900 ($115 per square foot, on average) for a total of 33 resale listings. Also, 12 single-family resale properties were listed at prices ranging from $278,500 to $1.175 million or approximately $190 per square foot, on average.
(www.myrtlebeachbarefootresort.com)

We further examined these two resorts by utilizing MORE® sales data for the twelve-month period ending 3/31/15. The following table provides graphic perspective of the sales activity.

Year-Over-Year Residential Sales Grande Dunes and Barefoot Resort
12-Months Ending 3.31.15 v. 3.31.14

						Average Prices			
Community	Property Type	3/15	3/14	Difference	% Change	4.14 / 3.15	4.13/ 3.14	Difference	% Change
Grande Dunes	Single-Family Resale	24	25	-1	-4.2%	$659,683	$731,092	($71,409)	-9.8%
	Single-Family New	8	15	-7	-87.5%	$627,699	$562,427	$65,272	11.6%
	Townhomes	0	0	na	na	na	na	na	na
	Condominiums	0	0	na	na	na	na	na	na
Barefoot Resort	Single-Family Resale	51	37	14	27.5%	$316,232	$277,512	$38,720	14.0%
	Single-Family New	40	16	24	60.0%	$238,047	$173,430	$64,617	37.3%
	Townhome Resale	18	3	15	83.3%	$251,167	$233,333	$17,834	7.6%
	Townhome New	7	6	1	14.3%	$301,299	$257,585	$43,714	17.0%
	Condominium Resale	121	134	-13	-10.7%	$168,412	$163,906	$4,506	2.7%
	Condominium New	51	35	16	31.4%	$201,740	$207,488	($5,748)	-2.8%
Total Sales									
Grande Dunes		32	40	-8	-25.0%				
Barefoot Resort		288	231	57	19.8%				

Based on the sales data, we noted the following:

- ✓ Grande Dunes saw a 25% decline in sales year-over-year while Barefoot Resort enjoyed a 19.8% increase.
- ✓ Grande Dunes has had no multi-family sales activity for the 12-month period analyzed and new planned development activity is all single-family.
- ✓ The disparate new product activity between the two resorts is largely due to the absence of new development activity at Grande Dunes. The community's resale product activity and single-family average resale prices are also down.
- ✓ Interestingly, Grande Dunes saw an 11.6% increase in the average new single-family price, but a significant 87.5% drop in sales, suggesting that pricing may have hit a wall, or the new development activity may have been accompanied by an absence of adequate marketing.
- ✓ Further to Grande Dunes' slugglish condition, based on the MORE® "Lot Supply Analysis" during the most recent 12-month period 32 lots were platted, 45 building permits were issued, but just 8 new home transactions were recorded. Nevertheless,

a total of 81 single-family lots were sold at an average price of $141,126, suggesting a typical single-family home price in the mid $500s range.

- ✓ While Barefoot is in its final stages of development and sales of developer product, with the exception of condominium resale products, all product categories saw increases in sales activity, ranging from 27.5% for single-family resale products, to 83.3% for townhome resale products. Further,

- ✓ New single-family products saw a 60% increase in sales in the most recent 12-month period, and a 37.3% increase in average price, which price is 24.7% lower than the average single-family resale product price.

- ✓ New townhome sales activity remained relative flat, presumably due to the unavailability of appropriate land for development, but the average new townhome price jumped 17%, from $257,585 to $301.299.

- ✓ While resale condominium sales dropped 10.7%, new condominium sales at Barefoot jumped 31.4% while prices dropped 2.8%, year-over-year to an average of $201,740, reflecting Barefoot's long-established affordable market position.

In consideration of the subject's development vision, which focuses on vacation oriented second home and investment products, we also developed a limited sample of new multi-family (non-oceanfront) products, identifying five products within four local communities. All products represent extended phases of established neighborhoods.

- ✓ Lennar's Fairways II at International Club in Garden City, north of Murrells Inlet, will comprise 38 two-story townhome units in a row configuration, four to six per building. The three-bedroom/2.0 bathroom units range in size from 1,776 to 1,936 square feet and pre-construction base prices range from $170,990 to $190,990 or approximately $98 per square foot, on average.

- ✓ A new phase of townhomes at Market Commons in Myrtle Beach features low country row-style townhomes with two or three-bedroom/2.5 bath configurations, 1,383 to 1,711 square feet in size with one or two-car garages. Prices range from $229,900 to $269,900 or $161.50 per square foot, on average.

- ✓ Ocean Keyes in North Myrtle Beach is offering another phase of townhomes featuring private golf cart parking and optional private elevators, starting at $299,900. The three-bedroom/2.5 bath units range in size from 2,101 to 2,225 square feet for a base price per square foot of approximately $143. The 50-acre community is also planning to develop Villa building #14 with two- and three-

bedroom condominium flats ranging in size from 1,300 to 1,500 square feet, and in price from $225,900 to $259,900, or $173 per square foot, on average. The three-story building will be served by elevator and offer pond views.

- ✓ The Vues on 48th is located in North Myrtle Beach near Barefoot Landing, on the east side of the Intracoastal Waterway. This small, gated community offers a limited number of luxury opportunities. The three-story, three- and four-bedroom townhomes range in size from 2,490 to 2,880 square feet, feature marsh views, and are priced in the $529,000 to $659,900 range, or approximately $220 per square foot, on average.

Comparable Market Analogs - In order to gain further perspective on contemporary vacation home products, RSB extended its research to include new market entries in a similar vacation destination -- Orlando, Florida. Orlando has a tourism persona that is similar to Myrtle Beach, and demand for vacation accommodations and investment opportunities make the market fertile ground for residential products that conform to vacationing visitor requirements and expectations. In this regard RSB identified five (5) projects that had recently entered the market that offer housing analogs for analysis.

Windsor at Westside – Windsor at Westside is a new vacation home community located in Kissimmee, FL 3.5 miles from the Walt Disney World Resort being developed by Pulte Homes. The 592-unit gated enclave will feature an 8,000 square foot clubhouse, a fitness center and resort style pool with waterslide and spa, a Tiki Bar, sport courts, and an arcade and sundries shop. Single-family homes with six (6) to nine (9) bedrooms and townhomes with four (4) to five (5) bedrooms are designed to appeal to the large travel party. The 496 single-family units range in size from 3,117 square feet to 4,398 square feet on 40' to 50' wide lots, ranging in (base) price from $391,990 to $476,990, or $117 per square foot, on average. The 96 townhomes range in size from 2,100 to 2,265 square feet and in price from $293,240 to $317,090 or approximately $139.00 per square foot, on average. To maximize rental capability, designs have open floorplans and one:one bed/bath ratios. Approximately 35 presales have been achieved. Pulte Homes has had success with vacation rental development with other resorts in the Orlando area over the last ten years including Windsor Hills, Windsor Palms, and Vista Cay. (www.pulte.com)

Festival – Developed by national builder Minto, Festival is located directly off Interstate 4 in Orlando, Florida, five miles from Walt Disney World and surrounded by Orlando's copious shopping, dining and recreational opportunities. Owners will enjoy privileges at nearby resorts and golf clubs, including over 100 holes of championship golf at the neighboring resorts of ChampionsGate and Reunion. Nestled within 200 acres of natural Florida woodlands and lakes, Festival features a commercial core that includes a General

Store, an ice cream parlor, an arcade, and a Florida-themed Bar & Grill. On-site recreational amenities include a fitness center, a heated swimming pool with private cabanas and a waterpark, a Putt-Putt golf course, and volleyball courts. The project is planned for 500 vacation villas to be managed by a leading property management company and the units may also be placed in an international vacation rental program. Festival vacation villas currently being offered have a two-story configuration and a variety of floorplans featuring three to five bedrooms, up to five and one-half bathrooms, large interior spaces, a private screened lanai, and a plunge pool. Base prices range from $238,900 to $329,900 for units ranging in size from approximately 1,600 to 2,200 square feet for an average price per square foot of $148.50. At the time of survey, just two units were move-in ready. The 2,007 and 2,179 square foot units were priced at $315,280 and $351,140, respectively, or $159.00 per square foot, on average. (www.minto.com)

Encore Club – The Encore Club is being developed at the Reunion Resort in Orlando by Encore Resorts and Homes. The 850-unit gated property will feature three vacation home designs to accommodate large travel parties. The two-story detached single-family homes feature five (5) to 13 bedrooms in 2,500 to 6,400 square foot floorplans. The residences feature open floor plans, expansive lanais and private, heated in-ground pools. Prices range from approximately $349,900 to $750,000 or $130.00 per square foot, on average. In-home dining and concierge services support the vacation experience and multiple master suites provide a home-away-from-home environment. Reunion Resort is a family destination with golf, multiple swimming pools, a dozen restaurants, a full-service spa, bike rentals, miles of trails, volleyball, and more. The Encore Club for Kids, offers thematically planned days and weekend nights that include arts, crafts, music, water play and games on the events lawn. The events lawn is also the site of activities for the whole family including concerts, movies, farmers markets and more. Encore Resorts & Homes was recently ranked 125th on BUILDER's 2013 "Next 100" list after successfully closing on 292 sales, and generating more than $92 million in revenue for the year. (www.theencoreclub.com)

Magic Village - Magic Village Resort is a luxury concierge community located two miles west of Disney's Animal Kingdom, surrounded by restaurants, markets and retail outlets. Developed by a consortium that includes Jordan Construction and Development and the CND Group, Magic Village consists of 180 three- and four-bedroom contemporary 3-story townhomes offering four all-suite floor plans, and has nearly sold out. Amenities include rental/management options, concierge and spa services, swimming pools, a clubhouse and fitness facilities. Units range in size from 1,843 square feet to 2,324 square feet, and are priced from $339,900 to $409,000 or $180 per square foot, on average. (www.magicvillageresort.com)

The Vistas at Championsgate – The Vistas at Championsgate is being developed by Lennar Homes within the Championsgate resort community, which is located approximately 14 miles from Walt Disney World Resort. Championsgate has a 720-room Omni Resort hotel and a Country Club with two championship golf courses and a Dave

Leadbetter Golf Academy. The newest residential development to be offered within the community, The Vistas comprises 79 luxury villa-style condominium units with golf course views. The two and three-story buildings include three- to six-bedroom units ranging in size from 1859 square feet to 2,988 square feet. Base prices range from $329,990 to $369,990 and location premiums range from $6,000 to $20,000 effecting a price ceiling of $389,990 and an average price per square foot of approximately $150.00.

The table on the following page provides perspective on the characteristics of the new development opportunities identified at the analogous resorts and communities.

New Built-for-Sale Residential Product Sample

				Base Price Range		Size Range		Price/Sq. Ft. Range	
Local Community	**Property Type**	**#**	**# BRs**	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
Grande Dunes	Single-Family	45	3, 4	$329,500	$450,000	1,500	2,500	$180	$220
Barefoot Retreat	Single-Family	59	2,3,4	$199,900	$354,900	1,122	2,097	$169	$178
	Townhome	10	3	$224,900	$229,900	1,572	1,572	$143	$146
Ocean Keyes	Townhome	4	3	$299,900	$299,900	2,101	2,225	$135	$143
	Low-Rise Condo	24	2, 3	$225,900	$259,900	1,300	1,511	$172	$174
Fairways II	Townhome	38	3	$170,990	$190,990	1,776	1,936	$96	$99
South Market	Townhome	53	2, 3	$229,900	$269,900	1,363	1,711	$158	$166
Vues on 48th	Townhome	14	3, 4	$529,000	$659,900	2,490	2,880	$212	$229
Minimum/Ratio	62.5% Townhome	4	25% 2 BR	$170,990		1,122		$96	
Maximum/Ratio	25% Single-Family	59	100% 3 BR	$659,900		2,880		$229	
Median/Ratio	12.5% Condominium	31	37.5% 4 BR	$259,900		1,776		$168	
Average		31		$308,365		1,874		$164	
OOM Community									
Windsor at Westside	Single-Family	496	6 - 9	$391,990	$476,990	3,117	4,398	$108	$126
Windsor at Westside	Townhome	96	4, 5	$293,240	$317,090	2,100	2,265	$140	$140
Encore Club	Single-Family	850	5 - 13	$349,000	$750,000	2,500	6,400	$117	$140
Festival	Townhome	500	3, 4, 5	$238,900	$329,900	1,605	2,232	$148	$149
Magic Village Resort	Townhome	180	3, 4	$339,900	$409,000	1,834	2,324	$176	$185
Vistas at Championsgate	Low-Rise Condo	79	3,4,5,6	$329,990	$389,990	1,859	2,988	$131	$178
Minimum/Ratio	50% Townhome	79	50% 3 BR	$238,900		1,605		$108	
Maximum/Ratio	33% Single-Family	850	66.7% 4 BR	$750,000		6,400		$185	
Median/Ratio	16.7% Condominium	338	100% 5BR+	$344,450		2,295		$140	
Average		367		$384,666		2,802		$145	
	Local Market Average Size and Price								
	Single-Family			$333,575		1,805		$187	
	Townhome			$311,709		1,936		$154	
	Condominium			$242,900		1,406		$173	
	Out of Market Average Size and Price								
	Single-Family			$491,995		4,104		$123	
	Townhome			$321,338		2,060		$156	
	Condominium			$359,990		2,424		$149	

Based on the sample, new product development in the local market is dominated by townhome units, while the out-of-market sample suggests a split between single-family and townhome units. In either case, new condominium apartment flats were an anomaly.

Just one local community, Ocean Keyes, is currently offering new condominium apartment flat units, which have a low-rise configuration and are priced in the low- to mid-$200s.

Multi-family units are relatively moderate in size and prices per square foot are generally below $200, reflecting limited new high-end luxury products. This is in keeping with what we observed with respect to the resale activity at the two most prominent local resorts, Grande Dunes and Barefoot.

With respect to new single-family products, the local market continues to offer relatively small, two-, three- and four-bedroom models, catering to the strong retiree demand. In comparison, the Orlando vacation home market appears to focus on significantly larger units with more bedrooms, acknowledging the multigenerational travel trend that has been gaining traction for several years now as Baby Boomers "treat" their children and grandchildren to vacations.

Addressing this issue at the upper end of the market is the luxury vacation home model. In the course of our research, we discovered a pair of companies that work hand in hand to deliver a fully optimized luxury vacation experience within the context of investment. Fullhouse vacation homes are an evolution of the traditional vacation home model focusing on "Guest-Influenced™" designs on a scale that can accommodate large parties. Fullhouse, (formerly known as Purpose Built™ vacation homes) partners with All Star Vacation Homes, a rental-management agency that focuses on providing booking and management services to owners in order to maximize ROI.

The concept is the result of 16 years of research stemming from over 50,000 reservations, more than 350,000 guests served, 18,000+ completed surveys and ongoing focus groups, and customer evaluations. Fullhouse vacation homes are optimally designed and furnished private luxury vacation homes that are built with the vacation home guest experience in mind. Features include:

- Premium resort-style amenities (e.g., home theaters, game rooms, private gardens, cabanas)
- Custom furnishings and themed décor
- Strategically-designed floor plans with bedroom options ranging up to 14+ and equal bedroom to bath ratios
- High quality architectural designs and craftsmanship
- Living and entertainment spaces proportionate to guest capacity
- Top of the line electronics and equipment
- Oversized outdoor dining and patio areas
- Large private pools with custom landscapes
- Customized hospitality services offered by All Star Vacation Homes
- Turnkey vacation rental program to manage the home and optimize rental potential

Fullhouse vacation homes range in size from 5,481 square feet to more than 14,000 square feet, featuring between seven (7) and 14 bedrooms at prices ranging from $1.0 million to $3.7 million, including lot and furnishings. The price/size relationship reflects per square foot prices that fall between $182 and $234. (www.ownfullhouse.com)

Not only did our new product survey exhibit a dearth of new condominium apartment flat development, it was void of Intracoastal-oriented products. In this regard, we broadened our search geographically while refining it to specifically focus on Intracoastal Waterway locations. This resulted in the identification of three new market entries located in Ponte Vedra Beach (Jacksonville), Melbourne, and Palm Beach Gardens, Florida. The projects, and their respective characteristics are shown in the next table.

New ICW-Oriented Condominium Apartments

Project	Location	#	# BRs	Price Range Min	Price Range Max	Size Range Min	Size Range Max	Price/Sq. Ft. Range Min	Price/Sq. Ft. Range Max
Meridian Riverfront	Melbourne, FL	86	3	$339,900	$499,900	1,824	2,016	$186	$248
Aphora at Marina San Pablo	Ponte Vedra Beach, FL	57	2,3,4,5	$600,000	$2,000,000	2,500	5,200	$240	$385
Azure	Palm Beach Gardens, FL	113	2,3,4	$900,000	$2,800,000	2,700	5,300	$333	$528
Minimum		57	100% 3 BR	$339,900		1,824		$186	
Maximum		113	75% 4 BR	$2,800,000		5,300		$528	
Median		86	50% 2 BR	$750,000		2,600		$291	
Average		85.333		$1,189,967		3,257		$320	

- ✓ All new waterfront condominium apartment products have at least three bedrooms, and the two projects offering a two-bedroom model (Aphora and Azure) include a den in all floor plans.

- ✓ Unit sizes are relatively large, ranging from 1,824 square feet for a three-bedroom model at Meridian Riverfront in Melbourne, to 5,300 square feet for a four-bedroom-plus-den model at Azure in Palm Beach Gardens. The median unit size for the sample was 2,600 square feet and the average is about 650 square feet larger at 3,257 square feet.

- ✓ Pricing ranges broadly, from $339,900 at Meridian Riverfront in Melbourne to $2.8 million at Azure in Palm Beach Gardens. The sample exhibits a median price of $750,000 and an average of $1,189,967 reflecting the dominance of ultra-luxury products.

- ✓ Prices per square foot range equally as broad, from $186 to $528 with the sample exhibiting a median of $291 and an average of $320 per square foot.

Of these three developments locations, we consider Melbourne and Ponte Vedra Beach, in central and northern coastal Florida to be more similar to the Myrtle Beach market than Palm Beach Gardens in South Florida, suggesting a price per square foot range between $185 and $385 with respect to future waterfront pricing.

Fractional Development Scenario - Ancillary to whole ownership development, RSB has considered fractional ownership development as a complementary product type that will broaden the appeal of Sanibel Resort by creating lower price points that can appeal

to a broader and deeper market segment. Fractional ownership products have a presence within resort markets in both South and North Carolina. At last count, there were seven (7) fractional ownership projects located in North Carolina and 13 in South Carolina. According to noted shared ownership consultants Ragatz Associates, "It is widely felt in the resort real estate industry that shared-ownership resort real estate will rebound more rapidly and more strongly than whole-ownership resort real estate as the country's economy recovers." Reasons include a concept that is based on personal use rather than speculation, affordability, the flexibility to purchase an amount of time equal to personal availability, and a "hassle-free, show up and enjoy" market position. Second homeowners typically spend about one month per year at their vacation property and the reality that 11/12 of their investment goes unused each year is incompatible with affluent attitudes.

Fractional ownership of high end vacation homes and condominiums is the upscale cousin to timeshare, and had become one of the most popular second home development and ownership options throughout the U.S., Europe and the Caribbean prior to the Great Recession. While a wholly owned vacation home was still viewed as optimum, properties in desirable areas became increasingly expensive, out-pacing discretionary income for a large majority of U.S. households.

Product Types - Shared ownership options include the traditional, relatively inexpensive Timeshare, which interests are generally sold by the week. Seasonal in nature, these products are generally found in high profile, high traffic, tourist driven markets.

Fractional Interest (FI) and Private Residence Club (PRC) products generally provide greater access than a timeshare, the real property associated with the program tends to be significantly more luxurious and expensive, and full-service environments are an inherent attribute of the most successful programs where ownership is evidenced by a deed. Other differentiators between timeshare and

FI/PRC products are buyer motivation and aspiration. The timeshare buyer wants to secure the future of their annual one or two-week vacation while the FI/PRC buyer wants a luxury second home experience tailored to available leisure time.

The Target Market - The FI/PRC product appeals to affluent resort homebuyers who are reluctant to invest a substantial amount of capital in a second or third home that receives infrequent use. The FI/PRC product provides a viable alternative to expensive and time consuming whole ownership. Owners tend to purchase primarily for the certainty of quality accommodations in a choice location compared to other options of a similar price.

Worldwide, FI/PRC buyers are upper income, middle-aged, married couple homeowners. Baby Boomers may have more discretionary income than free time and are eager for part-time retreats, but they are not frivolous, and they recognize that the limitations on their time compel rational vacation home investments. This market segment tends to have a relatively low sensitivity to the costs related to exclusivity, and tends to be pragmatic.

The relatively slower performance of the industry in recent years has been a factor of external circumstances rather than disinterest in the product. The whole ownership market must be strong in order for the fractional ownership value proposition to be fully appreciated. An absence of consumer financing exacerbated by economic uncertainty has held the industry hostage since 2008. In recent experience, developers offering in-house financing do far better than those who do not. As the housing market continues to recover, inventories are dropping, resulting in rising prices and primary residence equity. As these factors continue to solidify, cash transactions have increased, and financing has loosened.

Industry Snapshot - For further perspective, what follows is a four-page Executive Summary of Ragatz Associates' "Shared-Ownership Resort Real Estate Industry in North America: 2015" survey.

RAGATZ ASSOCIATES

EXECUTIVE SUMMARY

THE SHARED-OWNERSHIP RESORT REAL ESTATE INDUSTRY IN NORTH AMERICA: 2015

FRACTIONAL INTERESTS
PRIVATE RESIDENCE CLUBS
DESTINATION CLUBS

Introduction

This document is an Executive Summary of a larger survey conducted by Ragatz Associates of the shared-ownership resort real estate industry in North America as of March 2015. Included in this overall sector of the resort real estate industry are three components: fractional interest projects, private residence clubs and destination clubs.

The first two components are similar, in that both typically sell deeded ownership in shares of vacation homes, ranging from a 1/20 share with two weeks of annual use to a 1/4 share with three months of annual use. However, the two components vary in terms of price, quality of product and degree of services and amenities. Ragatz Associates simply assumes that product selling for less than $1,000 per square foot falls into the fractional interest category, and product selling for more than $1,000 per square foot falls into the private residence club category.

A destination club typically sells 30-year memberships on a non-equity basis into a wide network of vacation homes in multiple locations. Some clubs are equity-based, however. The concept is further characterized by a refundability policy when members leave the club. And, some are rental clubs.

The survey represents our 15th annual edition. Once again, it is thought to be the most thorough and comprehensive survey conducted of the industry.

Size of the Industry

Some 304 fractional interest (FI) projects and private residence clubs (PRC) were identified in the survey, along with six destination clubs. Of the 304 developments, 62 actually made some sales in 2014, as did all six destination clubs. The 62 FI and PRC projects are the primary focus of the survey.

Included in the 304 developments are 67 percent in the United States, 17 percent in Canada, eight percent in the Caribbean and eight percent in Mexico. The two states of Colorado and California contain 19 percent of all developments. Of the 62 active developments, 74 percent are fractional interest projects and 26 percent are private residence clubs. Most of the 242 inactive developments are older, sold-out fractional interest projects.

[redacted]

There were 75 active projects making sales in 2013. The decrease to 62 in 2014 was caused by three new projects, four projects re-starting sales from the previous year, seven projects attaining sell-out, seven stopping sales, five that converted to a destination club, and one that converted to whole-ownership.

It is estimated that total sales volume in the shared-ownership industry in 2014 was about $516 million. This amount includes new closed sales, presales, and in-house resales. When looking at the three individual components, sales volumes were $71 million for fractional interest projects (14 percent), $126 million for private residence clubs (24 percent), and $319 million for destination clubs (62 percent). Some decrease in sales volume for the private residence clubs and increase in the destination clubs was the aforementioned conversion of five private residence clubs to a destination club.

Sales volume in the shared-ownership industry remained almost constant between 2014 ($516 million) and 2013 ($517 million). However, destination clubs increased by $63 million (25 percent), while fractional interest projects decreased by $9 million (11 percent), and private residence clubs decreased by $55 million (30 percent). Sales volume was down by 78 percent (-$1.78 billion) since the peak year of 2007.

Shown below are industry sales volumes for the past years.

year	sales volume (mil.)	year	sales volume (mil.)
2004	$1,544,000	2009	$860,000
2005	$1,968,000	2010	$530,000
2006	$2,152,000	2011	$552,000
2007	$2,300,000	2012	$497,000
2008	$1,473,000	2013	$517,000
		2014	$516,000

In 2014, the average annual sales volume in the 62 active projects was $1.5 million for fractional interest projects and $7.9 million for private residence clubs. However, if excluding the top four selling fractional interest projects, that average would decline to $1.1 million. If excluding the top two private residence clubs, that average would decline to $4.4 million. Of the total 62 active projects, five percent had sales over $10 million, while 53 percent had sales of less than $1 million.

Several critical factors once again were in play in 2014 to cause stagnation in the sales performance of the shared-ownership industry. These same factors have negatively impacted the market since the last quarter of 2008.

- uncertainty about the country's long-term economic stability
- almost complete lack of consumer financing
- decrease in primary home equity funds for purchasers who previously paid cash
- lack of marketing funds
- an excess supply of whole-ownership vacation homes on the market, with decreasing prices
- increasing competition from vacation home rentals and rental clubs

Ragatz Associates, Executive Summary: The Shared Ownership Resort Real Estate Industry in North America 2013 [2]

Prices

Prices in the shared-ownership industry range widely. For fractional interest projects, selected average prices include $111,000 per share, $20,000 per week (when dis-aggregating shares to an individual weekly basis), and $565 per square foot. Among private residence clubs, these averages are $346,600 per share, $67,700 per week, and $1,950 per square foot. Per week and per square foot prices tend to decrease as the size of the unit and share increase. In comparison with 2013, average prices increased by $2,525 per share (1.5 percent), but decreased $2,300 on a per week basis (6.7 percent) and $5 on a per square foot basis (0.1 percent). When compared to the peak year of 2007, per share prices have decreased by 36 percent, per week prices by 31 percent, and per square foot prices by 23 percent.

Per square foot prices vary significantly by country, e.g., from $490 in Canada, to $850 in the Caribbean, to $965 in the United States, to $1,250 in Mexico. They also are higher in ski communities and at developments offered by branded hotel companies.

Annual maintenance fees average $6,550 per share, ranging from $5,350 among fractional interest projects to $10,150 among private residence clubs. On a per week basis, such averages are $1,050 and $2,100, respectively.

Operating costs (including marketing, sales and general administration) were about the same in 2014 compared to previous years, at about 15 to 20 percent of the overall sales volume. Product costs were about 50 to 55 percent.

Product Characteristics

Upon completion, the average development will contain 42 units. Some 72 percent of the units are either two-bedrooms (36 percent) or three-bedrooms (36 percent). Among all units, the average size is 1,670 square feet.

There are at least nine different sizes of shares being sold. Most frequent sizes for fractional interest projects are in the 1/10 to 1/8 range (48 percent). For private residence clubs they also are in the 1/10 to 1/8 range (63 percent), with another 25 percent being less than a 1/12. In efforts to have lower prices in accord with declining market conditions, there was a tendency in 2014 (as in 2012 and 2013) to have smaller shares, fewer bedrooms and smaller floor areas.

On-site amenities and services are extensive in the industry, especially at the private residence club level. However, there was a trend in 2014 (as in 2012 and 2013) to have fewer on-site services in order to conserve on annual dues. At the same time, there was a trend to provide more owner benefits such as rental and resale programs, and external exchange.

Destination Clubs

The average initiation deposit for membership in the six destination clubs is $135,000. The average residence in the clubs has a reported value of $2.8 million and contains 3,150 square feet. The average term is 30 years, and the average ratio of members per residence is 8.0. Approximately 13,150 members are in the six clubs.

Future Trends

It is felt in the resort real estate industry that the shared-ownership components will rebound in the future. Reasons include being a concept that is based on: (1) personal use rather than speculation; (2) being able to purchase only the amount of time that have vacations to use and discretionary income to spend on; (3) lowering household spending habits and capabilities; (4) being hassle-free, i.e., "show up and enjoy;" and (5) the opportunity for flexibility and variety of use due to the external exchange process.

Based on 40 years of experience in the resort real estate industry, we expect the shared-ownership industry to once again be on a growth track as the national economy further stabilizes. Our extensive consumer research strongly suggests the decline in the industry's sales performance since the last quarter of 2008 has been more due to external factors such as the economy and lack of financing, and less due to lack of consumer interest in the concept.

The complete report is available for purchase from Ragatz Associates at www.ragatzassociates.com.

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Summary - Fractional ownership pricing metrics exhibit a relationship to whole ownership pricing that has been established over the years. The relationship is based upon the condition that fractional ownership products are sold turnkey, furnished with institutional quality furniture that can endure hotel style occupancy, and the fact that marketing costs are higher due to the necessity of attracting and selling to multiple buyers per unit. This relationship is represented by a factor of 150% to 180%. As an example, if a whole ownership product sold for $500,000, using a factor of 150%, the gross sales revenue from the fractional ownership product would be $750,000 ($500,000 x 1.5 = $750,000) comprised of six sales transactions of $125,000 each (6 x $125,000 = $750,000). Using a factor of 180% would produce a gross sales price of $900,000, composed of six $150,000 shares.

We have used six fractions per unit in the example because it is our opinion that this amount of time can serve multiple needs within the subject market area. A one-sixth share of a unit provides for eight weeks of occupancy over the course of a year. The usage can be distributed throughout the year, two weeks per season, for example. If the owner of the fractional interest does not utilize their entitled time personally, they can allow friends or family to use the unit, or they can allow the unit to be managed as a hospitality unit on their behalf, and receive a share of the hospitality revenue, effectively subsidizing their cost of ownership.

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Section VI

Conclusions and Recommendations

Section VI. CONCLUSIONS AND RECOMMENDATIONS

The preceding analyses have demonstrated that demand for resort residential products in the Myrtle Beach market area is strong and should continue to strengthen over the next five years. Substantial increases in the number of households that have the discretionary time and income to enjoy the benefits of owning real estate in a resort and tourism environment dominate both primary feeder markets.

The inventory of available products has significantly improved as a large portion of distressed real estate has been absorbed. This is evident in the limited number of active real estate listings within the primary market area and the two major resorts, Grande Dunes and Barefoot.

A byproduct of the recession has been a void in new multi-family, particularly condominium apartment development, leaving the market with a limited amount of dated, multi-family inventory. While this is beginning to change as the economy recovers and development funding becomes increasingly available, new products lean toward the townhome configuration resulting in the condominium apartment model remaining a palpable void.

It is our recommendation that the property take full advantage of this market condition. Positioning the subject project as a resort/vacation-centric development will be in alignment with Myrtle Beach's strong magnetism for tourism and the property's close proximity and easy access to the beaches and two significant demand generators – 250,000 square feet of shopping at Champion Crossing and the North Myrtle Beach Park and Sports Complex.

The subject property should not presume to compete directly with Grand Dunes, which represents the most expensive strata of the non-oceanfront market with a focus on luxury,

estate homes, but should instead represent the affordable alternative. In that context, the subject property should be positioned to effectively extend the market position that has been successfully occupied by Barefoot Resort by offering new, contemporary multi-family products in an amenitized resort environment at a competitive price.

Based on the new Built for Sale (BFS) residential product sample, the price point window is between $200,000 and $600,000 and at prices per square foot ranging from $130.00 to $250.00. It is our opinion that Sanibel Resort's excellent location will establish new pricing standards among contemporary developments. Depending upon unit location within the site and the elevation of the unit, prices per square foot should range from $150 to $275.

We do not believe that it is essential to have an onsite golf course in order to achieve this goal. The numerous existing golf opportunities that are proximate and available to future residents of Sanibel Resort obviates this amenity as an onsite necessity.

Product Recommendations

Accordingly, we are recommending the following residential unit characteristics and base price point ranges. The residential products fall into the categories of condominium apartments in a tower format and condominium apartments in a four-story midrise format and our recommendations are presented accordingly.

Mid-Rise Residential Product Recommendations

Type	Size	Price/Sq. Ft.	Unit Price Range
2 Bedroom	1,200+/- 100	$150 - $200	$180K - $240K
3 Bedroom	1,500+/- 100	$150 - $200	$225K - 300K
4 Bedroom	2,000+/- 100	$150 - $200	$300K - $400K

Tower Residential Product Recommendations			
Type	Size	Price/Sq. Ft.	Unit Price Range
2 Bedroom	1,200+/- 100	$225 - $275	$270K - $330K
3 Bedroom	1,500+/- 100	$225 - $275	$337K - $412K
4 Bedroom	2,000+/- 100	$225 - $275	$450K - $550K

These recommendations represent a range of sizes and prices that may be influenced by view orientation or location within the property, such as overlooking the Intracoastal Waterway or fronting on the deep-water inland lake, or other attributes that may represent a basis for price adjustment. Price variations based on these types of criteria are typical within multiple unit real estate development.

With respect to fractional ownership of the products, we utilized both factors and have assumed a six-week share with respect to projecting prices per share and gross sales ranges, as follows.

Fractional Ownership Mid-Rise Products (Furnished/6-Week Share)					
		@ 150%		@ 180%	
Type	Size	Price/Share	Gross Sales Range	Price/Share	Gross Sales Range
2 Bedroom	1,200+/- 100	$45K - $60K	$270K - $360K	$54K - $72K	$324K - $432K
3 Bedroom	1,500+/- 100	$56K - $75K	$337K - $450K	$68K - $90K	$405K - $540K
4 Bedroom	2,000+/- 100	$75K - $100K	$450K - $600K	$90K - $120	$540K - $720K

Fractional Ownership Tower Products (Furnished/6-Week Share)					
		@ 150%		@ 180%	
Type	Size	Price/Share	Gross Sales Range	Price/Share	Gross Sales Range
2 Bedroom	1,200+/- 100	$67K - $82K	$405K - $495K	$81K - $99K	$486K - $594K
3 Bedroom	1,500+/- 100	$84K - $103K	$505K - $618K	$101K - $124K	$607K - $742K
4 Bedroom	2,000+/- 100	$112K - $137K	$675K - $825K	$135K - $165K	$810K - $990K

With regard to unit design, we recommend that units be configured as lock-off units. Lock-off units are designed to either function as more than one unit, or to be joined to other units to provide a hospitality unit that can provide up to eight bedrooms, or more. This design feature provides for the greatest flexibility in accommodating larger guest parties, an important characteristic for the multi-generational vacationing family, and, of equal significance, visiting sports teams visiting Myrtle Beach to participate in tournaments and competitions.

These recommendations are expressed in the preliminary Capacity Plan prepared by DDC Engineering and LandArt Company presented on the next page.

DDC

LENNAR COMPANY

SANIBEL RESORT

CAPACITY PLAN

PROJECT: 10.10002
DATE: 7.15.2015
REVISION: 8.28.2015

LOCATION MAP

BUILDING DATA

RESIDENTIAL TOWER & STRUCTURED PARKING

SITE DATA

DENSITY

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There is an aspect to the land plan that creates some exceptional units that enjoy multiple premium influences that may merit pricing per square foot that is beyond the typical range. In the case of Sanibel Resort, the placement of three midrise buildings on the Intracoastal Waterway, in front of the tower units, provides waterfront, marina view and proximity to primary amenities, characteristics that are perceived to support additional pricing power. It is our opinion that these location characteristics qualify these midrise units to be priced within the tower price per square foot range, up to approximately $260 per square foot, recognizing that tower penthouses will command the peak price per square foot.

The tables provide a breakdown of development as depicted by the Capacity Plan.

SITE DATA

EXISTING ZONING:	R2-A & R4
TOTAL UPLAND:	±28.29 ACRES
TOTAL WETLAND:	±0.01 ACRES
TOTAL SITE:	±28.30 ACRES

MINIMUM BUILDING SETBACKS:

ZONING	R2-A	R4
FRONT	25'	15'
SIDE	15'	15'
REAR	20'	15'

PARKING REQUIRED:

2-BEDROOM UNIT:	1.5 SPACES / UNIT
3-BEDROOM UNIT:	2 SPACES / UNIT
4-BEDROOM UNIT:	2.5 SPACES / UNIT

DENSITY

TOTAL TOWER UNITS	792 UNITS
TOTAL BUILDING 'A' UNITS	016 UNITS
TOTAL BUILDING 'B' UNITS	080 UNITS
TOTAL BUILDING 'D' UNITS	100 UNITS
TOTAL UNITS	988 UNITS

988 TOTAL UNITS / ±28 TOTAL SITE ACRES = ±35.3 UNITS PER ACRE

BUILDING DATA

RESIDENTIAL TOWER & STRUCTURED PARKING

TOTAL BUILDING:	3 FLOORS PARKING + 9 FLOORS RESIDENTIAL
2-BEDROOM UNITS:	162 UNITS
3-BEDROOM UNITS:	396 UNITS
4-BEDROOM UNITS:	234 UNITS
TOTAL UNITS:	792 UNITS
TOTAL PARKING REQUIRED:	1,620 SPACES
TOTAL PARKING PROVIDED:	1,620 SPACES

BUILDING A (4-STORY)

TOTAL BUILDING 'A':	01 BUILDING		
2-BEDROOM UNITS:	08	X 01	008 UNITS
3-BEDROOM UNITS:	08	X 01	008 UNITS
4-BEDROOM UNITS:	00	X 01	000 UNITS
TOTAL UNITS:	16	X 01	016 UNITS
TOTAL PARKING REQUIRED:	28 SPACES (28 SPACES / BUILDING)		
TOTAL PARKING PROVIDED:	28 SPACES		

BUILDING B (4-STORY)

TOTAL BUILDING 'B':	04 BUILDINGS		
2-BEDROOM UNITS:	08	X 04	032 UNITS
3-BEDROOM UNITS:	08	X 04	032 UNITS
4-BEDROOM UNITS:	04	X 04	016 UNITS
TOTAL UNITS:	20	X 04	080 UNITS
TOTAL PARKING REQUIRED:	152 SPACES (38 SPACES / BUILDING)		
TOTAL PARKING PROVIDED:	152 SPACES		

BUILDING D (5-STORY)

TOTAL BUILDING 'D':	04 BUILDINGS		
2-BEDROOM UNITS:	10	X 04	040 UNITS
3-BEDROOM UNITS:	10	X 04	040 UNITS
4-BEDROOM UNITS:	05	X 04	020 UNITS
TOTAL UNITS:	25	X 04	100 UNITS
TOTAL PARKING REQUIRED:	192 SPACES (48 SPACES / BUILDING)		
TOTAL PARKING PROVIDED:	192 SPACES		

Marketing and Absorption

Our efforts to determine appropriate absorption projections for the subject property consider both recent and more distant past performance in the market area and the region, as well as future opportunities based on demographic projection analyses and marketing techniques appropriate to relatively large-scale development with an anticipated multi-year sales period.

Our experience over the past two-plus decades enables us to be familiar with the level of sales that can be achieved by these types of development. Our continuing experience in more recent years has revealed a return of demand and the early stages of economic recovery and our corroboration with our developer clients has served to elucidate the marketing and sales techniques that may be successfully utilized to generate purchasing or investment interest from prospective customers both, within and outside the market area.

The Myrtle Beach Core Based Statistical Area (CBSA) achieved a total 10,147 sales over the 12-month period ending March 31, 2015, demonstrating an average of approximately 845 sales per month. Broken out by product type, single-family products garnered the highest share (60.5%) with 6,141 sales or 511 per month compared to 4,006 multi-family unit sales or 333 per month. These are considered very healthy rates of sale, particularly in consideration of the limited availability of new product.

Marketing large-scale residential real estate developments requires a well-disciplined marketing plan that is communicated through a variety of media including, but not necessarily limited to print and electronic advertising, direct mail and social networking. Large-scale residential communities are often located in destination vacation areas that include demand generators such as entertainment and recreation and, therefore, may be appealing to local buyers as well as buyers from outside the primary market area and the region. These attractions are appealing to a broad spectrum of demography including

families with children, empty nester Baby Boomers, pre-retirees, retirees, and other seniors.

The purchase of property in such destinations is considered a discretionary purchase, and is made to enhance one's lifestyle in one form or another. Potential purchasers must have adequate financial resources to acquire the property, adequate time to enjoy the property personally, and/or the wherewithal to arrange for the property's management as an investment, and they must be motivated.

Marketing professionals cultivate databases of people with which to communicate and develop into customers. There are numerous companies that specialize in developing and selling mailing lists to marketers. These lists typically contain several thousand (or more) names, which must be qualified and sorted. Individuals or households in the database are initially categorized as 'Suspects.' Suspects are contacted by marketing personnel to ascertain if a level of interest exists that can be pursued and developed. Those Suspects who express interest and provide some level of personal information are then categorized as "Prospects." If a Prospect meets the marketer's qualifying criteria, they are then categorized as "Leads." If a Lead expresses further interest in the product, they are categorized as a 'Qualified Lead' and turned over to the Sales department. At this point in the process, marketing transitions to sales.

As might be expected, there is considerable attrition of the database as the Lead proceeds through the filtering process and emerges as a Qualified Lead. The conversion process typically results in the following rates of conversion, depending on the level of desire of the Lead and the capabilities of Sales, as well as other variables.

Sales Stage	Volume Required	Conversion Rate
Data Base	20,000	5%
Qualified Leads	1,000	25% - 65%
Sales Accepted Leads	250 – 650	50%
Sales Qualified Leads	125-325	20%
Closed Sales	25 – 65	

This technique is known as Lead Management and is used virtually universally by communities such as the subject property. In essence, conversion rates range between .00125 and .00325. More sales will require more Suspects in the Data Base and will require more personnel to manage the Conversion process. For example, 50 to 130 sales will require a Data Base of 40,000, and sufficient Marketing and Sales staff to conduct the process.

Based on the performances of neighboring, similar resort communities, we conservatively estimate that Sanibel Resort should be able to be absorbed at a pace of 25 units per month, on average, for annual sales of approximately 300 units.

Our market analysis is a working tool and our recommendations reflect benchmarks for consideration that are based on current trends and estimated buyer demand going forward. This demand will constantly evolve and trends should be re-examined on a regular basis as sales patterns and market activity indicate. Our conclusions and recommendations recognize the subject property's location in an established tourist destination and the attendant quantity and quality of amenities, and anticipate economic stability and professional and consistent marketing practices.

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ADDENDUM

Statement of Qualifications

ECOVEST-SF_0013304

RALPH STEWART BOWDEN, INC.

REAL ESTATE COUNSELORS

www.bowdensmarketbarometer.com

PROFESSIONAL QUALIFICATIONS

MARKET ANALYSIS and STRATEGIC PLANNING

for

MASTER PLANNED COMMUNITIES
RESORT COMMUNITIES
GOLF and COUNTRY CLUBS
CLUB MEMBERSHIP

INTRODUCTION

Ralph Stewart Bowden, Inc., Real Estate Counselors, was established in 1987 to provide market analysis and strategic planning services to the community development, resort development and recreational development industries. The philosophy behind the business is to provide consulting services at a level of principal involvement that is atypical of larger, more institutionalized consulting firms. We normally serve only a small number of clients at any one time, providing for undistracted attention to our assignments and the ability to provide answers promptly. Having focused on these areas of the real estate development business for over twenty years, we also have access to a network of specialists in other disciplines such as land planning, operations management, golf course design, clubhouse and residential architecture, marketing, legal and finance.

SERVICES

The company specializes in providing preliminary and ongoing strategic planning services, based upon market research and analysis, to large and small scale master planned, recreationally oriented developments, particularly Country Club communities, Resorts with a residential or club component, and Recreational development.

Historically, our efforts have focused on issues such as **Demand Analyses, Market Position, Product Profiles and Selection, Scope of Amenities, Marketing Strategies, Residential and Membership Pricing and Absorption, Due Diligence and Fiscal Impact Analyses, and Disposition Plans for Major Amenities**, particularly country clubs.

Typically, we represent an integral part of the planning process, participating as a member of the development or management team, along with land planners, attorneys and accountants, architects and operations managers. By complementing the talents represented by the development team, we can provide specialized insights into capital intensive, market sensitive areas of project development, and decision-making oriented perspective with respect to both opportunities and potential problems in the post-planning period of a development's life.

PROFILE OF EXPERIENCE

Ralph Stewart Bowden has been involved in real estate market research and analysis since 1972. Beginning the journeyman process in Florida, under the guidance of Hunter Moss, CRE, a noted expert in mortgage underwriting and financing, Bowden later gained broad based appraisal experience in New England. Bowden rejoined Hunter Moss & Company, which soon merged with a noted hospitality oriented accounting firm, and directed the firm's real estate and club community advisory services activities.

Ralph Stewart Bowden, Inc., Real Estate Counselors, was established in 1987. Bowden is a member of ULI- The Urban Land Institute, and has served on ULI's Residential, Recreational and Environmental Councils, as well as its Research Committee and the Recreational Development Handbook Committee. Bowden is also a member of the National Golf Foundation.

Judith A. She', Associate Market Analyst with Ralph Stewart Bowden, Inc. since 1987, has been involved in real estate related activities since 1978. Prior to joining Bowden at Hunter Moss & Company in 1983, Ms. She' gained experience in residential and commercial market analysis with Engle Homes Corporation and Servico (Hotel) Management Corp. Subsequent to Hunter Moss and Company's merger with Pannell Kerr Forster (PKF) Ms. She' was promoted to Senior Consultant, concentrating her efforts in the areas of residential real estate and private club development and operations. Upon leaving PKF in 1987, She' re-associated with Bowden, providing comprehensive market research and analysis.

In 1991, Ms. She' developed *Bowden's Market Barometer*, a bi-monthly newsletter designed as a positive vehicle for the reporting of real estate, resort and golf industry trends. (**www.bowdensmarketbarometer.com**) In addition to her responsibilities as Managing Editor, Ms. She' researches and writes feature articles.

The following is a list of developments for which Bowden has provided consulting services since 1972, while a principal with Hunter Moss & Company, a principal with Pannell Kerr Forster, and since 1987, as president of Ralph Stewart Bowden, Inc.

Alabama	BlackWater
	Blount Springs
	Daniel Corporation, Fair Hope
	Russell Land Company, Lake Martin
Arizona	Arrowhead Country Club
	Desert Mountain
	Gainey Ranch
	Quintero Golf & Country Club
	Terravita (Del Webb)
	Centex Destination Properties
Arkansas	The University Golf Club, University of Arkansas (CCA)
	Forest Lake, Hot Springs
California	Indian Springs Country Club
	Mountainview CC at PGA West
	Norman Estates at PGA West
	Pacific Golf Club
	PGA West (KSL)
	Pension Trust Fund for the Operating Engineers Union
	Riviera Golf & Country Club
	San Juan Hills Country Club
	Squaw Valley USA
Colorado	Brightwater Club
	Chenoa
Connecticut	Byron Brook Country Club
	Bulls Bridge Golf Club
	Yale Farm Golf Club
Florida	Aberdeen Country Club
	Amelia Island Plantation
	The Bear's Club
	Black Diamond Ranch
	Boca Pointe Golf & Racquet Club
	Broken Sound
	Coral Creek Club
	Coral Ridge Country Club
	Fallschase Lofts
	Grand Cypress Golf Resort
	Hammock Dunes
	Harmony (Equestrian)
	Hawk's Nest
	Heathrow
	Indian River Country Club
	Members of the Island Club (Jupiter Island)
	Moorings at Carrabelle
	John's Island
	Kings Bay Yacht & Country Club
	Lake Nona
	Mariner Sands
	Martin Downs
	Medalist Golf Club

	Mizner Country Club
Florida (Cont'd)	Monarch Country Club
	Naples Lakes Country Club
	Oakbrook Country Club
	Old Marsh Golf Club
	Orchid Island Golf & Beach Club
	Palm-Aire, Sarasota and Pompano
	Palm Beach Polo & Country Club
	Palm Harbor Marina & Yacht Center
	Sandestin, Burnt Pine Golf Club
	Sawgrass Country Club
	Seaside
	Shalimar Ponte
	Spencer / Rybovitch Boatyards
	The Reserve
	White Oak Plantation
	Williams Island Club
	Willoughby Golf Club
	Woodfield Country Club
	Woodmont Country Club
	Wyndemere Country Club
Georgia	Barnsley Gardens
	Currahee Club
	The Georgia Club
	Lake Lanier Islands
	The Landings on Skidaway Island
	Hutchinson Island, Savannah
	Little Tybee Island
	Osprey Cove
	Birch River Golf Club
	Savannah Sheraton Resort & Country Club
	Sea Island, Starwood Capital
	Sea Palms
Hawaii	Aina L'ea
	Waikiki Condominium Market
Idaho	Silver Horn
Illinois	Hawthorne Woods Country Club
	Stonebridge
Indiana	Victoria National Golf Club
Kansas	Lions Gate Golf Club
Maine	Sprague Corporation
Maryland	Mulberry Grove
	The Chesapeake Sporting Club
	Stage Coach, Somerset Homes
	Summerfields at Snow Hill
Massachusetts	Cobb's Pond on the Bay
	The Down Island Golf Club
	Goodale Farms Golf Club
Michigan	Northville Golf Club
	Great Northern Golf Club
Missouri	Old Kinderhook Golf & Country Club
New Hampshire	Mount Washington Resort / Celebration Associates
New Jersey	Stone Harbor Golf Club
New Mexico	Campbell Farming
	High Desert

New York	Casperkill Country Club
	Colonial Springs Golf Club
	Hudson National Golf Club
	The Concord, Entertainment Properties Trust
Nevada	Silver Canyon Partnership
North Carolina	Altapass Club (proposed)
	Appalachia Lake
	Bald Head Island
	Brier Creek Country Club
	Broyhill-Blowing Rock
	Catatoga
	Cullasaja
	Ecusta Redevelopment
	Elk River Club
	The Ellington
	The Fitzgerald
	Firefly Cove
	Grove Park Inn
	Hiawassee River Club
	Longleaf Golf & Country Club
	High Hemlock
	Maggie Valley Club
	Mountain Air Country Club
	Olde Beau Country Club
	Rock Barn Golf & Spa
	Rumbling Bald Resort and Country Club
	Santeetlah Lakeside
	Seven Falls
	Treyburn
	Trillium
	Uwharrie Point / Old North State Club
	Wolf Laurel Preserve
Pennsylvania	Diamond Run
	Hartefeld National Golf Club
	Heidleberg Country Club
	Hidden Valley
	Seven Springs
	Spring Ridge Club
	Treesdale Country Club
South Carolina	Allora Homes
	Catawba Ridge
	Colleton River Plantation
	Country Club of Hilton Head
	Dataw Island
	Daufuskie Island
	DeBordieu Club
	Haig Point Club
	Oyster Reef
	RiverPort, Stratford Land
	The Reserve Golf Club at Litchfield
	Rosehill Plantation
	Wachesaw Plantation
	Webb Tract, Daufuskie Island

	Woodside Plantation (Phase III)
Tennessee	Wellsley Park, Knoxville Luxury Condominium Market
	Redtail Mountain Club
Texas	Boot Ranch / Lehman Borthers
	City of Bryan / Traditions Golf and Country Club at University Ranch
	Comanche Trace Ranch and Golf Club
	The Dominion
	Falcon Point
	Ingleside Golf and Yacht Club (Corpus Christi)
	Onion Creek Country Club
	Spanish Oaks
Virginia	Bayville Farms Golf Club
	Belmont Country Club
	Brambleton
	Clevenger's Village- Centex
	Dominion Valley Country Club, Toll Brothers
	Homestead Preserve
	Keswick Estate and Club, Orient-Express Hotels
	Landsdowne, Xerox Corporation
	Links at Lake Anna
	Longlea
	Salt Ponds on the Bay
	Snyder Hunt – Proposed developments
	The River Club, Somerset Homes
	The Virginian Golf Club
	Tides Inn
West Virginia	Charles Pointe
	Overlook Sporting Club
	The Pete Dye Golf Club
Caribbean / Bahamas / Mexico/and **Central America**	Bahia Beach Resort and Club, Puerto Rico
	Carambola, St. Croix, Virgin Islands
	Casa de Campo, Dominican Republic
	Clifton Cay, New Providence, Bahamas
	Cinnamon Hill Club, Rose Hall, Jamaica
	Costa Isabela, Puerto Rico
	Costa Careyes, Careyes, Mexico
	El Conquistador (LXR)
	The Embassy Club, Panama
	Emerald Bay, Great Exuma, Bahamas
	Iberostar Hotels-Cancun, MX and Bavaro, DR
	La Solana, Punta Mita, Puerto Vallarta, Mexico
	Las Catalinas, Guanacaste, Costa Rica
	Palmas del Mar, Puerto Rico
	Peninsula de Papagayo, Guanacaste, Costa Rica
	Piramides del Rey, Cancun, Mexico
	Punta Cana Resort & Club, Dominican Republic
	Punta Mita, Puerto Vallarta, Mexico
	Ritz-Carlton, San Juan
	Royal Westmoreland Golf & Country Club, Barbados, BWI
	Spa Resort Site Search, Nicaragua
	Treasure Cay, Abaco, Bahamas
	Xcatic, Riviera Maya

Easement and Baseline Documents

After recording please return to:
North American Land Trust
[redacted]

Instrument#: 2015000160299, DEED BK: 3880 PG: 1524 DOCTYPE: 062 12/22/2015 at 12:51:43 PM, 1 OF 37, EXEMPT, MARION D. FOXWORTH III, HORRY COUNTY, SC REGISTRAR OF DEEDS

NOTICE OF CONVEYANCE AND TRANSFER PAYMENT REQUIRED – SEE ARTICLE 7

PIN: 349-00-00-0041

CONSERVATION EASEMENT AND DECLARATION OF RESTRICTIONS AND COVENANTS

THIS CONSERVATION EASEMENT AND DECLARATION OF RESTRICTIONS AND COVENANTS ("Conservation Easement") first executed on December 15, 2015, to be effective on December 22, 2015, is made by and between **SANIBEL RESORT, LLC**, a Delaware limited liability company ("Owner"), having an address of [redacted] and **NORTH AMERICAN LAND TRUST** ("Holder"), a Pennsylvania non-profit corporation having an address of [redacted]

ARTICLE 1. BACKGROUND

1.1 Owner is the owner of all that certain real property (hereinafter called the "Conservation Area") in Horry County, South Carolina that consists of 28.53 acres of land, more or less, as described in the two deeds from Sanibel Harbour, LLC to Owner recorded in the office of the Registrar of Deeds of Horry County on September 3, 2015 as Instrument 2015000114769 at Deed Book 3851, page 1674 and Instrument 2015000114770 at Book 3851, page 1679, said real property being depicted on the plat recorded at Plat Book 267, page 180 in said office as Parcels A, B, D, E.

1.2 Holder is a non-profit corporation, having a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (hereinafter called the "Code"), which has been established as a public charity for the purpose of preserving and conserving scenic landscapes, natural habitats and environmentally sensitive areas and for other charitable, scientific and educational purposes and which is a "qualified organization" under Section 170(h)(3) of the Code (hereinafter a "Qualified Organization").

1.3 Preservation of the Conservation Area by this Conservation Easement shall serve the following purposes pursuant to 26 U.S.C. § 170 (h)(4)(a) and 26 CFR §1.170A-14(d)(i), (the "Conservation Purposes"):

1.3.1 Preservation of the Conservation Area as a relatively natural habitat of fish, wildlife, or plants or similar ecosystem; and

1.3.2 Preservation of the Conservation Area as open space which provides scenic enjoyment to the general public and yields a significant public benefit; and

1.3.3 Preservation of the Conservation Area as open space which, if preserved, will advance a clearly delineated Federal, State or local governmental conservation policy and will yield a significant public benefit.

1.4 The Conservation Purposes and the natural, physical or other characteristics of the Conservation Area that support and justify the Conservation Purposes (which may be hereinafter called the "Conservation Values") have been documented and established in the reports, plans, photographs, and documents assembled by, and retained in the offices of, North American Land Trust (collectively called the "Baseline Documentation"), pursuant to 26 CFR §1.170A-14(g)(5). The Baseline Documentation describes the following Conservation Values of the Conservation Area, among others:

1.4.1 The Conservation Area provides wildlife corridors, breeding habitat, foraging habitat and shelter for at least fifty species of animals.

1.4.2 The Conservation Area provides the natural ecological requirements for at least one hundred fifty species of plants.

1.4.3 The Conservation Area supports a Nonriverine Wet Hardwood Forest natural community.

1.4.4 The Conservation Area supports emergent and forested wetland areas important to amphibian and macroinvertebrate fauna for breeding and foraging.

1.4.5 The Conservation Area supports at least four bird species considered Species of Regional Importance by the Partners In Flight Species Assessment Database: Eastern Wood Pewee (*Contopus virens*), Ruby-throated Hummingbird (*Archilochus colubris*), Tufted Titmouse (*Baeolophus bicolor*), Yellow-throated Warbler (*Dendroica dominica*).

1.4.6 The Conservation Area is highly visible from the Atlantic Intracoastal Waterway thus providing scenic natural view to the general public.

1.5 The following government conservation policies are supported by the grant of this Conservation Easement and the Conservation Values described above achieve a significant public benefit towards the fulfillment of these conservation policies:

1.5.1 The Conservation Area helps to fulfill the goals of the South Carolina Forest Legacy Program, including the following specified goals: "protect river systems, wetlands, and their associated upland habitats; reduce forest fragmentation caused by development; provide buffer areas and connectivity to already protected areas; and promote Best Management Practices for forestry".

1.5.2 South Carolina Code Annotated 48-59-20 et seq., states that "rapid land development and economic growth which has benefited the state's people and economy, but has also led to the loss of forestlands, farmlands, wildlife habitats, outstanding natural areas, beaches and public areas for outdoor recreation; and has impacted the health of the state's streams, rivers, wetlands, estuaries, and bays, all of which impacts the quality of life of the state's current and future citizens and may jeopardize the well-being of the state's environment and economy if not addressed appropriately."

1.5.3 South Carolina Code Annotated 48-59-20 et seq., also notes that "the protection of open space by acquisition of interests in real property from willing sellers is essential to ensure that the State continues to enjoy the benefits of wildlife habitats, forestlands, farmlands, parks, historical sites, and healthy streams, rivers, bays, and estuaries; for recreational purposes, for scientific study, for aesthetic appreciation, for protection of critical water resources, to maintain the state's position as an attractive location for visitors and new industry, and to preserve the opportunities of future generations to access and benefit from the existence of the state's outstanding natural and historical sites."

1.5.4 The Horry County Comprehensive Plan sets forth the following public Water Resource needs and goals that are advanced by the conservation of the Conservation Area by this Conservation Easement:

(a) Maintain and improve the surface water quality for all waterbodies located in Horry County.
(b) Maintain and improve water quality in the coastal zone.
(c) Conserve the essential flood reduction, groundwater recharge, pollution filtering, and recreation functions of wetlands.
(d) Recognize the link between land use and water quality, use a combination of regulation and incentives to ensure that new development adequately mitigates its impacts on water quality.
(e) Encourage development techniques which maintain or improve water quality.

1.5.5 The Horry County Comprehensive Plan sets forth the following public Land Resource needs and goals that are advanced by the conservation of the Conservation Area by this Conservation Easement:

(a) Horry County needs to protect and conserve its forests, agriculture, plant and animal habitat, and urban trees while increasing its preserved open areas, scenic areas and recreational opportunities.
(b) Protect, promote, and enhance, the forestlands of Horry County in a manner consistent with achieving the greatest good for its citizens.
(c) Recognize the fragmentation of the natural landscape that is occurring and take steps to mitigate these effects.
(d) The use of native species should be encouraged whenever possible.

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1.6 Owner and Holder desire to perpetually accomplish, fulfill and protect the Conservation Purposes and conserve the Conservation Values.

1.7 Owner intends to grant the easement and impose the restrictive covenants on the Conservation Area as set forth in this Conservation Easement to accomplish the Conservation Purposes.

1.8 Owner and Holder intend that this document be a "conservation easement" as defined in the South Carolina Conservation Easement Act of 1991, as amended (the "State Conservation Easement Law"), Sections 27-8-10 et seq. of the South Carolina Code of Laws.

NOW, THEREFORE, for no consideration and as an absolute charitable gift and further in consideration of the above premises, the mutual covenants, terms, conditions, restrictions, and promises contained in this Conservation Easement, and intending to be legally bound hereby, Owner hereby voluntarily, unconditionally and absolutely grants and conveys unto Holder, its successors and assigns, the easements, covenants, prohibitions, and restrictions set forth in this Conservation Easement, in perpetuity, to accomplish the Conservation Purposes. Holder hereby accepts the grant of such easement and the right to enforce such covenants, prohibitions and restrictions and agrees to hold such easements and rights exclusively for the Conservation Purposes and to enforce the terms of the covenants, prohibitions and restrictions set forth in this Conservation Easement.

ARTICLE 2. GRANT OF EASEMENT

Owner hereby voluntarily, unconditionally and absolutely grants and conveys unto Holder, its successors and assigns, a perpetual conservation easement and easement in gross over the Conservation Area for the purpose of preserving and protecting the Conservation Purposes and enforcing the restrictive covenants set forth below. In addition, Owner hereby grants and conveys unto Holder, its successors and assigns, pursuant to 26 CFR §1.170A-14(g)(5)(ii), the easement and right of Holder and its agents to enter upon and inspect the Conservation Area for compliance with this Conservation Easement at any time and from time to time. Holder shall make a reasonable effort to give Owner notice of any such entry and inspection at least seven (7) days in advance, except in instances when Holder reasonably suspects or knows of a violation of this Conservation Easement.

ARTICLE 3. OWNER'S DECLARATION OF COVENANTS AND RESTRICTIONS

Owner, for Owner and Owner's successors and assigns, covenants and declares that the Conservation Area shall be, and hereby is, bound by and made subject to the following covenants and restrictions in perpetuity, SUBJECT TO AND EXCEPTING however the Reserved Rights which are reserved to Owner and Owner's successors and assigns, as set forth in Article 4 of this Conservation Easement:

3.1 Use Restrictions. The Conservation Area shall not be used for a residence or for any commercial, institutional, industrial or agricultural purpose or purposes. Among the uses

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prohibited by the preceding sentence are, without limiting the meaning or interpretation of the preceding sentence, any of the following: (1) construction or occupancy of any dwellings; (2) manufacture or assembly of any products, goods, equipment, chemicals, materials or substances of any kind or nature whatsoever; (3) sale of any products, goods equipment, chemicals, materials, substances or services of any kind or nature whatsoever; (4) storage of any products, goods, equipment, chemicals, materials or substances of any kind or nature, except if stored for use upon the Conservation Area in connection with activities not prohibited by this Conservation Easement; and (5) offices for persons involved in the sale, manufacture or assembly of goods or services or for the performance of services.

3.2 Structures Prohibited. No Structure (hereinafter defined) of any kind shall be built, erected, installed, placed, affixed or assembled within or upon the Conservation Area or upon any trees or other natural features upon the Conservation Area. "Structure" shall mean any assembly of material forming a construction for occupancy or use for any purpose and erected upon or attached to the ground including, for example but not to limit the foregoing definition, the following: building; platform; shed; bin; shelter; dam; dike; tower; tank; antenna; bulkhead; or paved, stone or concrete street, driveway or vehicle parking area.

3.3 Removal of Ground or Surface Water from Conservation Area. No ground or surface water from the Conservation Area shall be removed, collected, impounded, stored, transported, diverted or otherwise used for any purpose or use outside the Conservation Area unless approved by Holder in its sole discretion without obligation to do so nor for any purpose or use within the Conservation Area that is prohibited by this Conservation Easement.

3.4 Roads, Driveways, Etc. There shall not be constructed, cut, created or placed on the Conservation Area any road, driveway, cartway, path or other means or right of passage across or upon the Conservation Area. No road, driveway, cartway, path or other means or right of passage located on the Conservation Area shall be used for access to any use (whether or not upon the Conservation Area) which is prohibited by this Conservation Easement.

3.5 Live Trees. No cutting, removal or destruction of live trees shall be permitted upon or within the Conservation Area.

3.6 Signs and Similar Structures. No signs, billboards or outdoor advertising structures shall be placed, erected or maintained within the Conservation Area.

3.7 Land Disturbance; Mineral Extraction. There shall be no filling, excavating, dredging, surface mining, drilling or any removal of topsoil, sand, gravel, rock, peat, gas, oil, coal, other minerals or other materials, upon or from the Conservation Area; provided however that this Conservation Easement shall not prohibit production of natural gas, oil and accompanying liquids from beneath the Conservation Area provided that (a) only horizontal or similar drilling methods from surface locations not within the Conservation Area are used; (b) within the Conservation Area no surface mining or drilling methods

are used, and no pipeline construction, equipment or water storage, or other land disturbance occurs; (c) no visible or discernible impact on the surface of the Conservation Area occurs; (d) no methods shall be permitted which enter or interfere with the water bearing zones under the Conservation Area; and (e) any impact upon the biological, aquatic, hydrologic or other natural resources of the Conservation Area is prohibited.

3.8 Dumping and Pollution. There shall be no dumping of ashes, trash, garbage, or any other unsightly or offensive materials at any place on, under or within the Conservation Area. There shall be no discharge of chemicals, waste water or other pollutants onto the Conservation Area or into any permanent or intermittent water course within the Conservation Area.

3.9 Change of Topography. There shall be no change in the topography of the Conservation Area by any means or method.

3.10 Water Courses. There shall be no dredging, channelizing or other manipulation of natural water course or of any other water course existing within the Conservation Area as of the date of this Conservation Easement except that manmade drainage swales, ditches or storm water management facilities may be dredged or otherwise altered for maintenance purposes or to maintain its function for its intended purpose on the date of this Conservation Easement.

3.11 Wetland and Riparian Protection Area.

3.11.1 "Wetland and Riparian Protection Area" shall mean that part of the Conservation Area that lies within, or within 100 feet of: (a) any body of water or permanent or intermittent watercourse (including but not limited to any lake or pond, but excluding manmade storm water swales or ditches not fed by a spring, pond or other natural source) as defined by its banks or the mean water elevation as Holder deems relevant and appropriate in the circumstances; or (b) any wetland under the regulatory jurisdiction of the federal or state government; but does not include any area within a Building Zone (hereinafter defined).

3.11.2 There shall be no clearing, cutting or removal of live or dead trees, other clearing or removal of vegetation, clearing or removal of leaf litter or other natural detritus, or digging, earth movement or other alteration of the earth surface or topography within the Wetland And Riparian Protection Area, except that areas within the Wetland And Riparian Protection Area that are predominantly in grasses on the date of this Conservation Easement may be mowed.

3.11.3 Owner shall be responsible for ascertaining the boundaries of the Wetland And Riparian Protection Area, at Owner's expense, in consultation with Holder, before undertaking any action that is or may be prohibited in the Wetland And Riparian Protection Area. If the banks of a water course are not clearly defined then Holder shall, in its reasonable discretion, establish a line of the mean water elevation to substitute for that purpose upon request by Owner, relying on available topographic, hydrologic information, and other maps and relevant

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information. Owner shall bear the expense of any survey or field work necessary to establish the line.

3.11.4 Any approvals by Holder of Reserved Rights to be conducted within the Wetland And Riparian Protection Area, if permitted under this Conservation Easement subject to approval by Holder, shall be granted by Holder only if Holder concludes that the Reserved Rights shall have no material adverse effect on the habitat within the Wetland And Riparian Protection Area and thus on the Conservation Values and Conservation Purposes pertaining to the Wetland And Riparian Protection Area.

3.12 Soil Erosion and Sedimentation Control. All activity on the Conservation Area shall be conducted so as to avoid the occurrence of soil erosion and sedimentation of streams or other water courses. Without limitation of the foregoing, Owner and Holder shall, in identifying practices that will prevent soil erosion and sedimentation, refer to the soil conservation practices as then established or recommended by the Natural Resources Conservation Service of the United States Department of Agriculture or any successor governmental office or organization performing the same function within the United States government, as approved by Holder.

3.13 Non-Native Plant Species. There shall be no introduction of plant species within the Conservation Area except those that are native to the area in which the Conservation Area is located or that are recognized as non-invasive horticultural specimens or fruit orchard trees.

3.14 Transfers of Development Rights or Development Density Credits. The Conservation Area may not be used as open space for purposes of obtaining or qualifying for governmental approval of any subdivision or development on lands outside the boundaries of the Conservation Area nor, without limitation of the foregoing, may the Conservation Area be used in the calculation of the amount or density of housing units or other construction for development or other impervious ground coverage on lands outside the boundaries of the Conservation Area or for sale by Owner.

3.15 No Subdivision. There shall be no subdivision or other division of the Conservation Area into one or more lots, tracts or parcels of land under separate ownership.

3.16 Notice of Exercise of Reserved Rights. As required by 26 C.F.R. § 1.170A-14(g)(5)(ii), Owner shall notify Holder in writing before exercising any Reserved Right that may impair the conservation interests associated with the Conservation Area.

3.17 Preservation of Conservation Area. The parties recognize that this Conservation Easement cannot address every circumstance that may arise in the future, and the parties agree that the purpose of this Conservation Easement is to preserve the Conservation Values of the Conservation Area and to fulfill the Conservation Purposes in accordance with 26 U.S.C. § 170(h). Without limiting the preceding covenants and restrictions, and in fulfillment of the requirements of 26 CFR §§1.170A-14(g)(i) and 170A-14(e)(2), any right, use or activity which is not reserved in Article 4 of this Conservation Easement and

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which is inconsistent with the Conservation Purposes or which materially threatens the Conservation Purposes is prohibited.

3.18 Restrictions Cumulative. The prohibitions and restrictions in this Conservation Easement shall be considered cumulative. No prohibition or restriction contained herein shall be interpreted as a limitation on the meaning, effect, interpretation or enforceability of another prohibitive or restrictive provision.

ARTICLE 4. RESERVED RIGHTS

Owner reserves for Owner and Owner's successors and assigns who may now or hereafter be an owner of all or part of the Conservation Area the rights set forth in this Article 4 (the "Reserved Rights"). Owner and Holder intend that these Reserved Rights and the activities and uses which are described below as the Reserved Rights are exceptions to the prohibitions and restrictions set forth in Article 3 and, hence, may be conducted as described below without having an adverse effect on the Conservation Purposes; except, however, that none of the Reserved Rights shall supersede the protections of the Wetland And Riparian Protection Area set forth in Article 3 except with the approval of Holder which may be given or withheld in its discretion. A Reserved Right to "construct" a Structure or other improvement shall include the right to maintain, repair, replace, use, and occupy such Structure or improvement for the purpose and within the limitations stated in this Article.

4.1 Buildings in Building Zone.

4.1.1 Subject to the limitations in this Section, within the area described as the "Building Zone" in Exhibit "A" attached to and incorporated in this Conservation Easement (the "Building Zone"), Owner may construct: (a) either one Residence (hereinafter defined) or one Resort Residential Building (hereinafter defined) but not both and (b) one Recreational Building (hereinafter defined).

4.1.2 "Residence" shall mean single family dwelling. The single family dwelling and all Structures customarily accessory to residential use, such as a shed, kennel, garage, gazebo, septic system, well, or swimming pool, which are also permitted, shall be constructed within a Building Area (hereinafter defined) to be identified and located within the Building Zone as provided below. Use of the Residence may include, without limitation, customary home occupations such as an office for a home-based business or a craft business such as furniture making, provided that the business is actively operated by one or more of the residents of the permitted dwelling and that the business use does not occupy more than one half of the space within the buildings in the Building Area in which the business use is contained.

4.1.3 "Resort Residential Building" shall mean a building containing no more than one kitchen and up to 12 bedrooms, for use by any persons, whether or not for compensation, as the Owner may choose. The Resort Residential Building shall be constructed within a Building Area to be identified and located within the

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Building Zone as provided below. The parking area for the Resort Residential Building shall be located within the Building Area.

4.1.4 A "Recreational Building" shall mean one building having up to 2,500 square feet in ground coverage area for use in recreational activities and social gatherings and that may contain a kitchen but shall have no bedrooms or similar living accommodations nor be used for a hotel, lodging, residence or other place of human habitation. The Recreational Building shall be within the Building Zone in the location approved by Holder, but need not be within the Building Area.

4.1.5 A "Building Area" shall mean and be identified and located, with Holder's approval, as follows:

(a) The Building Area shall be no more than one and one-half (1.5) acres in area and shall be located entirely within the Building Zone.

(b) The location and dimensions of the Building Area and the permitted roads and driveways serving the Building Area shall have been reviewed and approved by Holder.

(c) The description of the Building Area and, when approved by Holder, acknowledgment of the review and approval of the Building Area by Holder shall be set forth in a written document, signed by duly authorized officers of Holder and by Owner, which shall be recorded in the same place of public record in which this Conservation Easement was recorded.

4.1.6 In addition to the foregoing permitted uses, within a Building Zone Owner may:

(a) remove vegetation and perform grading to the extent reasonably necessary to facilitate the construction and use of the buildings and other Structures permitted in this Section;

(b) install landscaping and other vegetation (including ornamental gardens) and irrigation system;

(c) construct storm water drainage systems; and

(d) install roads, driveways, utilities, and walkways.

(e) Any permitted clearing or construction shall be done so as to minimize the impact on surrounding vegetation, and shall be done in accordance with best management practices.

4.2 Road and Driveway. Owner may construct a road and driveway for access to the Building Zone and the Building Area within the Building Zone in a location or locations approved by Holder. Parking areas shall be located only within a Building Area. The width of the road and driveway and any area of land disturbance, grading or tree removal

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for such driveway shall be no greater than the minimum necessary to meet any legal requirements or, to the extent no legal requirements apply or are lawfully waived, the minimum practicable consistent with sound engineering techniques and methods.

4.3 Alternative Energy Structures. Owner may construct Structures to generate energy for the conduct of any of the permitted activities in the Conservation Area, provided that the energy is derived from a natural source such as solar or wind energy, substantially all of the energy produced is consumed on the Conservation Area for the permitted uses and not sold or otherwise transferred for use off of the Conservation Area, and the location and appearance of any such Structures are approved by Holder.

4.4 Picnic Shelters and Areas. Owner may construct, within or outside of the Building Zone, in locations approved by Holder, roofed shelters for outdoor picnicking and similar outdoor recreation uses provided they are open, without walls, on at least three sides and that the aggregate ground coverage area of all such shelters shall not exceed 2,500 square feet for all shelters. Owner may construct picnic tables and benches, charcoal cooking grills, fire pits or rings, and similar Structures commonly associated with outdoor picnicking and similar outdoor recreation. This ground coverage limitation shall not apply to such buildings within a Building Area.

4.5 Buildings for Storage. Owner may construct, within or outside of the Building Zone, in locations approved by Holder, buildings for storage of equipment and materials used in the maintenance of the Conservation Area, also commonly referred to as a shed or barn, provided that the aggregate ground coverage area of all such buildings shall not exceed 2,000 square feet in locations approved by Holder. This ground coverage limitation shall not apply to such buildings within a Building Area.

4.6 Unpaved Vehicle Trails. Owner may also construct unpaved vehicle trails for limited vehicular access to the areas of the Conservation Area otherwise inaccessible by vehicle for use in maintenance, emergency access, and other permitted uses of the Conservation Area if the following requirements and conditions are satisfied: (a) the surface of such trails shall remain pervious (such as dirt or gravel); (b) such trails shall be located, to the extent possible, in the path of forestry roads existing on the date of this Conservation Easement; (c) the width of the area cleared for such trails shall not exceed that which is necessary for a single lane of vehicular traffic; (d) and such trails shall be otherwise constructed in a manner to avoid unnecessary tree removal and land disturbance; (e) if such trails require any grading or change in topography, then such grading shall blend into the natural topography of the Conservation Area, shall control erosion, and shall be of a design and location approved, in advance, by the Holder in its discretion; and (f) Holder approves the proposed service vehicle trail based on the foregoing requirements.

4.7 Trails and Raised Walkways. Owner may construct trails or paths for nature education and outdoor recreation purposes if the following requirements and conditions are satisfied: (a) the surface of the trail shall remain pervious (such as dirt, wood chips or gravel); (b) the trail shall be located, to the extent possible, in the path of a trail or forestry road existing on the date of this Conservation Easement; (c) the width of the area cleared and improved for the trail shall not exceed that which is necessary for pedestrian

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or equestrian use; and (d) the trail shall be otherwise constructed in a manner to avoid unnecessary tree removal, grading and other land disturbance. Owner may construct raised walkways (but not bridges or similar structures for motor vehicle use) for access to any or all of the land within the Conservation Area if the following requirements and conditions are satisfied: (a) it can be demonstrated to Holder that it is not feasible to use any existing walkway or pathway or to improve any existing walkway or pathway for such access purpose; (b) Owner shall comply with all other covenants and restrictions of this Conservation Easement; and (c) Holder approves the proposed walkway based on the foregoing requirements.

4.8 Permitted Work within a Wetland And Riparian Protection Area. Owner may, with the approval of Holder, dredge or otherwise manipulate previously-altered natural or manmade water courses within the Wetland And Riparian Protection Area or perform work, including the removal of vegetation or disturbance of land, within the Wetland And Riparian Protection Area if necessary to (a) maintain wetlands existing on the Conservation Area, (b) restore wetlands previously existing on the Conservation Area, or (c) restore natural stream channel morphology and natural wetland hydrology.

4.9 Participation in Ecological Programs. Owner may participate in, and retain revenue from, future conservation, preservation, or mitigation programs involving ecological assets, including but not limited to, carbon sequestration credits, wetland and stream credits, endangered species credits, water quality credits, and ground water credits, located within the Conservation Area, even if protected by this Conservation Easement, so long as (a) such participation does not require any use or action upon the Conservation Area that is prohibited by this Conservation Easement (nor is any such use or action permitted by this Section); (b) any approval by Holder required by this Conservation Easement for any use or action permitted by this Conservation Easement is obtained; (c) the uses and the Conservation Purposes that are intended to be protected by this Conservation Easement remain protected as provided in this Conservation Easement; and (d) notice is provided to Holder at least 30 days before Owner enters into any agreement by which Owner will be legally obligated to participate in any such program.

4.10 Subdivision and Allocation of Reserved Rights. Owner may, with prior approval from Holder, subdivide the Conservation Area into lots for separate conveyance and ownership. Holder's review and decision whether to approve subdivision shall take into consideration the effect of the proposed lot boundaries and intended transfer upon the Conservation Purposes, the lot size and combination with any Structure or Reserved Rights that would be most likely to promote the long term care, maintenance and stewardship of the Conservation Area, and the burdens of monitoring and enforcing this Conservation Easement. Holder shall cooperate with Owner to identify at least one subdivided lot for the Residence permitted within the Building Zone with boundaries acceptable consistent with the foregoing considerations. Subdivision shall result in no addition to or other amendment of the Reserved Rights and any parcel subdivided from out of the Conservation Area shall remain under and subject to this Conservation Easement. Owner acknowledges that, if the Conservation Area is subdivided, Reserved Rights which are limited in number or area must be allocated between the lots resulting

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from such subdivision. In connection with any subdivision or partition of the Conservation Area by any means, the following procedures shall apply:

4.10.1 Owner shall allocate, but not increase, such Reserved Rights between or among the lots resulting from such subdivision. Such allocation shall be set forth in a document which shall be subject to review and approval by Holder and which shall be recorded in the place of public record in which this Conservation Easement has been recorded before any conveyance of an interest in the lots resulting from such subdivision. Such allocation shall specifically identify, with respect to number or the allowable ground coverage, how much of the unused coverage or other Reserved Rights permitted by this Conservation Easement will be allocated to the respective lots.

4.10.2 If Owner fails to make such allocation in a written document for such purpose before conveying title to or any beneficial interest in any of the lots resulting from such subdivision, then the Reserved Rights, whether or not built, shall be allocated proportionately among the lots resulting from such subdivision, in proportion to the relative area of such lots, as determined by Holder in its discretion, it being understood that this allocation shall not result in allowing any increase in the Reserved Rights.

4.10.3 After any subdivision of the Conservation Area and conveyance of one or more lots resulting from such subdivision, and subject to Holder's prior approval thereof (such approval not to be unreasonably withheld, consistent with and taking into consideration the fulfillment of the Conservation Purposes and the preservation of the Conservation Values), the owners of such respective lots may mutually agree among themselves to re-allocate, but not increase, such Reserved Rights in a manner different from the original allocation as determined above, provided that such allocation or re-allocation of Reserved Rights as among such lots does not result in any increase in Reserved Rights, is reflected in a document that is signed by all owners of such lots and by Holder and is recorded in the place of public record in which this Conservation Easement has been recorded. The form and content of any such document shall be subject to Holder's review and approval.

4.11 Fences and Boundaries.

4.11.1 Owner may construct fences, provided that no fence shall be permitted if, in the reasonable opinion of Holder, it impairs the scenic view into the Conservation Area in any material respect. Any fence that shall be visible from the Intracoastal Waterway accessible to the public shall be approved by Holder before construction.

4.11.2 Nothing in this Conservation Easement shall prohibit Owner from identifying (by survey or marking) and otherwise maintaining visual indications of the boundary lines around the perimeter of the Conservation Area to protect the Conservation Area from trespassing and to assist Owner in the management and supervision of

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the management of the Conservation Area in accordance with this Conservation Easement.

4.12 Wildlife Stands, Nests and "Blinds". Owner may construct a reasonable number of wildlife hunting or observation stands and "blinds" and houses, nests or perches for birds or other wildlife; provided that in the construction of any such Structure Owner shall comply with all other covenants and restrictions of this Conservation Easement.

4.13 Existing Structures. Structures existing on the Conservation Area on the date of this Conservation Easement, whether or not such Structure would be permitted to be constructed on the Conservation Area under these Reserved Rights, may, nevertheless, be repaired, restored or replaced but only within the vertical and horizontal dimensions in which the Structure existed on date of this Conservation Easement, but with no change of use except to a use that would be permitted under this Conservation Easement in its location, provided however that an existing structure located within the Building Zone shall not be subject to the limitations on dimensions in this Section but instead shall be subject to the covenants and restrictions imposed on any Structure located within the Building Zone.

4.14 Utility Installations. Owner may construct facilities normally used in connection with supplying utilities, removing sanitary sewage effluent and controlling storm water runoff if the following requirements and conditions are satisfied: (a) such facilities may only be constructed and used to serve the uses, Structures and improvements permitted under the terms of this Conservation Easement; (b) all such facilities be located underground to the extent feasible; (c) all such construction and maintenance is conducted in a manner designed to produce no material adverse effect on the Conservation Purposes; and (d) Holder approves the proposed utility facility based on the foregoing requirements.

4.15 Wildlife Harvesting and other Outdoor Activities Not Prohibited. Nothing in this Conservation Easement shall be construed to limit the right of Owner to: hunt with or without dogs, shoot, fish, trap, conduct field trials, train dogs, or conduct ecotourism activities or other outdoor recreational activities on the Conservation Area; trap or otherwise capture and remove any invasive species or harmful pest that might negatively impact the populations of game or native wildlife on the Conservation Area; use motorized vehicles for any such purpose provided such use does not violate an expressed prohibition in this Conservation Easement; or lease all or any portion of the Conservation Area for any of such activities.

4.16 Tree Cutting and Forest Management. Owner shall have the right, for the benefit of Owner and Owner's representatives, agents, contractors, subcontractors, licensees, and lessees, to conduct the following activities within the Conservation Area if the requirements of this Section are met:

4.16.1 A live tree that has been damaged or disturbed by forces of nature or by disease or that is evidently at risk of falling may be cut and removed if such tree presents a threat of injury to persons or livestock or other property or blocks a trail, road or other means of access to any part of the Conservation Area.

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4.16.2 Trees may be removed to the most limited extent necessary to construct the Structures and other improvements expressly permitted in this Conservation Easement, according to a plan approved in advance by Holder.

4.16.3 Early successional tree species may be selectively removed within areas existing in a meadow condition at the time this Conservation Easement is granted, for the purpose of preserving such areas as meadow.

4.16.4 "Forestry Activities" shall mean (i) harvesting, cutting, removal and sale of trees and forest products (including, but not limited to, trees, logs, poles, posts, pulpwood, firewood, chips, seeds, bark, pinestraw, stumps and other forest products); (ii) planting and growing of trees for the foregoing purposes; (iii) treating trees with herbicides, pesticides and fertilizer customarily used in the forest industry; (iv) constructing forest skid trails in connection with tree harvesting operations; (v) placing or storing sawdust, bark, sawtimber, logs, or other forest products in the Conservation Area; (vi) conducting prescribed burning; and (vii) undertaking such activities as may be necessary to facilitate production of forest products or to protect forest health and (viii) removing trees to establish wildlife food plots up to a maximum area of five (5) acres and in locations approved by Holder. Owner may conduct Forestry Activities only if all of the following requirements are met:

(a) Forestry Activities shall not be conducted within the Wetland and Riparian Buffer Protection Area, within mixed hardwood forest outside the Wetland And Riparian Protection Area or within areas reasonably determined by Holder to be Freshwater Emergent Wetland or Forested and Shrub Wetland except (i) in accordance with a Forest Management Plan and (ii) only for the purpose of promoting the maturing and ecological enhancement of forest conditions. In determining areas that are Freshwater Emergent Wetland or Forested and Shrub Wetland Holder may refer to the methodology used by the U.S. Fish & Wildlife Service for its National Wetland Inventory or similar methodology selected by Holder, though the area need not be shown as such on a National Wetland Inventory map.

(b) Before conducting Forestry Activities Owner shall prepare a tree harvest and forest management plan (the "Forest Management Plan"). The Forest Management Plan shall be submitted to and approved by Holder.

(c) The Forest Management Plan must address and provide information regarding the following matters in such detail as Holder may reasonably request: the proposed location of harvesting activity, wetland delineation within the harvest area, harvesting plans and protocols, proposed road locations and design standards, erosion control measures, and replanting plans and schedule. The Forest Management Plan shall also contain: a statement of Owner's forest

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management objectives and goals, including the Forest Management Objectives (hereinafter defined); forest stand descriptions, including species composition, age classes and, where available, soil types; a forest stand map; and an outline of proposed silvicultural practices.

(d) The Forest Management Plan must be prepared at Owner`s expense by qualified natural resource personnel (e.g. a registered forester), who are experienced in the preparation of forest management plans.

(e) The Forest Management Plan shall be prepared in a manner that is designed to achieve the following purposes and forest management objectives (collectively, the "Forest Management Objectives"): (i) minimizing insect infestation; (ii) identifying and protecting habitat for exceptionally rare, threatened or endangered species; (iii) avoidance of water pollution from Forestry Activities, erosion or sedimentation; (iv) protection of the Conservation Values and fulfillment of the Conservation Purposes; (v) promotion of sustainable forestry; (vi) assuring artificial or natural regeneration of the forest in both sufficient quantity and quality; (vii) compliance with all applicable federal, state and local laws, rules, orders and regulations; (viii) identifying strategies to promote wildlife habitat and private recreational activities permitted by this Conservation Easement; and (ix) compliance with then-current best management practices published by the South Carolina Forestry Commission or its successor ("BMPs"). In the event of a conflict between the preceding Forest Management Objectives, the protection of the Conservation Values and fulfillment of the Conservation Purposes shall be the paramount consideration.

(f) All Forestry Activities shall be conducted in accordance with (a) the Forest Management Plan; (b) BMPs; and (c) this Conservation Easement.

4.17 Signs. Owner may construct a reasonable number of signs of the following types:

4.17.1 regulatory or directional signs including, for example but not for limitation of the foregoing, "no trespassing" signs, "no gunning" signs, or "no hunting" signs;

4.17.2 signs stating the common name of the Conservation Area, the names and addresses of the occupants or both;

4.17.3 signs advertising or directing participants to an activity permitted under the provisions of this Conservation Easement;

4.17.4 signs identifying the interest of Owner or Holder in the Conservation Area; and

4.17.5 signs educating the public as to the ecology of the area.

Notwithstanding the foregoing, any sign that is greater than four square feet in surface area and visible from the Intracoastal Waterway shall be prohibited unless such sign shall have no material adverse effect upon the Conservation Purposes and such sign is approved in writing by Holder.

4.18 Maintenance of Roads, Trails, Etc. Owner may maintain in passable condition the Structures, roads, trails or walkways existing within the Conservation Area at the date of this Conservation Easement or, if applicable, constructed pursuant to the Reserved Rights in this Article 4, by such activities as the following: the pruning trees or other vegetation which threaten the safety of persons who may use or maintain the road, trail or walkway; installing or applying materials necessary to correct or impede erosion; grading earth to maintain a passable condition or to control or impede erosion; replacing existing culverts, water control structures and bridges; and dredging roadside swales and ditches.

4.19 Docks. Owner may construct one dock, and walkways and pathways to such dock, for personal, common or shared use. The location and design of the dock, walkway and pathway shall be as approved by Holder prior to construction. The dock must be constructed and placed in a manner and location as will have no material adverse effect upon the Conservation Values or the Conservation Purposes, including sensitive elements of the ecosystem such as rare species nesting and foraging habitat, rare plant populations or exemplary natural communities.

4.20 Notice and Approval Before Exercise of Certain Reserved Rights. None of the Reserved Rights for which the approval of Holder is expressly required in any Section of this Article 4 may be exercised or undertaken unless Owner has first satisfied the following conditions and requirements:

4.20.1 Owner shall notify Holder in writing before exercising any of such Reserved Rights.

4.20.2 Holder must be satisfied, as evidenced by its prior written approval of Owner's proposed exercise of a Reserved Right, that any use or activity done in the exercise of the Reserved Right will meet the requirements and conditions for such Reserved Right, will have no material adverse effect on the Conservation Purposes or on the Conservation Values or other significant environmental features of the Conservation Area, will not alter or permit the alteration, disturbance or destruction of the use of the Conservation Area that is intended to be protected by this Conservation Easement.

4.20.3 Notwithstanding anything in this Conservation Easement to the contrary, if Owner undertakes to exercise a Reserved Right or other action, without prior approval of Holder, where such approval is expressly required under this Conservation Easement, then such exercise of the Reserved Right by Owner may be treated by Holder, in Holder's sole discretion, as an action that was prohibited by this Conservation Easement as fully as if the Reserved Right or other right was not contained in, or reserved to Owner under, this Conservation Easement. Should Holder elect, in its discretion, to decline to assert this prohibition and to

waive a violation of the Conservation Easement arising solely from Owner's failure to seek and obtain Holder's approval before exercising a Reserved Right or other right where such approval is required, Holder shall not be thereby obligated to do so in any future circumstance or event and Holder's waiver shall not be construed to require any waiver in a subsequent instance.

4.20.4 Notwithstanding the foregoing, in the event the Conservation Area is affected or in imminent danger of being affected by casualty damage resulting from an Act of God, fire or other event beyond Owner's control then the prior approval requirements of this Section shall be waived as to any action that would otherwise require such approval but which must be undertaken by Owner immediately in order to prevent loss, damage or injury to persons or property or to prevent ecological damage to the Conservation Area or neighboring property (an "Emergency Restoration Action"); provided that Owner makes a good faith effort to notify Holder prior to undertaking such Emergency Restoration Action and to keep Holder informed of its ongoing actions.

4.20.5 Holder's prior written approval of the exercise of Reserved Rights for which approval of Holder is required shall be obtained, conditionally obtained or declined according to the procedure provided in this Section. At least forty-five (45) days before Owner begins, or allows, any exercise of Reserved Rights on the Conservation Area Owner must notify Holder in writing of Owner's intentions to do so; provided, however that Holder may, upon written request, reduce the period of time for notice of the proposed exercise of Reserved Rights for simpler requests, in Holder's discretion. Such notice must include plans depicting, in such detail as Holder requests, the construction or other use or activity, and location thereof, which Owner intends to undertake. Owner may also be required to present to Holder for review any applications to, and approvals or permits issued by, any governmental entity that is required for the exercise of the Reserved Right for which Holder's approval is sought. Holder may request additional information or details not provided by Owner regarding Owner's proposed exercise of Reserved Rights as Holder reasonably believes necessary to determine compliance with this Article. Holder shall not be obligated to accept or respond to any request for approval of a Reserved Right if the Owner is then in violation of this Conservation Easement in any material respect. Holder shall have thirty (30) days from receipt of the notice or, if later, any additional information regarding the proposed use or activity requested by Holder, in which to make one of the following determinations:

(a) Approve Owner's proposed exercise of a Reserved Right in accordance with the materials submitted by Owner ("Approval"). Approval on such terms shall constitute a covenant by Owner to exercise the Reserved Right solely in accordance with the notice and other information submitted to Holder; which covenant shall be enforceable by Holder as fully as if set forth in this Conservation Easement.

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(b) Approve Owner's proposed exercise of a Reserved Right in accordance with the materials submitted by Owner but subject, however, to such qualifications and conditions as Holder may impose in its notice of approval. Such qualifications and conditions shall be limited to those which Holder deems necessary to: assure compliance by Owner with any of the express covenants or restrictions of this Conservation Easement, preserve and protect the Conservation Purposes or restrict Owner's exercise of the Reserved Rights to that which Owner has represented to Holder. Approval on such terms shall constitute a covenant by Owner to exercise the Reserved Right, if at all, only in accordance with the notice and other information submitted to Holder, as modified or supplemented by the qualifications and conditions that Holder imposed; which covenant shall be enforceable by Holder as fully as if set forth in this Conservation Easement.

(c) Decline to grant approval of Owner's proposed exercise of a Reserved Right on the basis of the notice and other materials submitted. Should Holder decline to grant approval Holder shall set forth in writing its reasons.

4.20.6 Holder shall exercise reasonable judgment in applying the standards of review and approval for the exercise of Reserved Rights, consistent with and taking into consideration the fulfillment of the Conservation Purposes and the preservation of the Conservation Values.

4.20.7 Holder may grant, with or without conditions, approval for recurrent exercises of Reserved Rights, particularly but not necessarily limited to activities of a de minimis nature, if Holder concludes that doing so will have no material adverse effect on the Conservation Purposes or on the burden on, and effectiveness of, Holder's monitoring and enforcement. Such approval must be in writing and shall, as with other approvals of the exercise of Reserved Rights, be limited to the description of the proposed exercise of Reserved Rights in Owner's proposal as modified or limited by the conditions in Holder's written approval.

4.20.8 In the event that Holder's approval is required and Holder fails to respond within the time period specified forth above and further fails to respond within ten days after a second written request by Owner to Holder, then the Holder shall be deemed to have granted Approval (as defined above) unless the activity for which approval is required is plainly prohibited by this Conservation Easement.

4.20.9 Owner shall be responsible for obtaining all necessary government permits and approvals for any activity for which Holder's approval is required and Holder shall have the right, but not the obligation, to require that such permits and approvals be produced for inspection by Holder before Holder's approval is granted or as a condition to approval.

4.20.10 Owner shall be responsible, as a condition of the right to exercise the Reserved Rights for which the approval of Holder is expressly required, for payment of Holder's reasonable costs and expenses, including legal and consultant fees, associated with review of Owner's request for approval; provided, however, that (a) Holder shall not incur expenses for its own staff or administrative time for review that can be conducted in Holder's office and (b) Holder will notify Owner before incurring any costs or expenses which it believes Owner may be obligated to pay under this Section though Holder shall not be required to predict the exact amount of the cost or expense. Holder may condition consideration of a proposal for exercise of Reserved Rights upon the deposit of a sum of money with Holder to secure payment of Holder's reasonable costs of review. The time period for Holder's consideration of Owner's request shall not run until such deposit is made.

4.20.11 While the parties believe that each of the Reserved Rights as to which Holder's prior approval is required can be exercised in some manner without adverse effect on the Conservation Purposes of this Conservation Easement, no assurance is given that the above Reserved Rights may be exercised in specifically the manner as Owner might initially propose without having an adverse effect on the Conservation Purposes or other significant ecological values of the Conservation Area. The foregoing procedure is established for the purpose of making that determination.

4.20.12 In consideration for Holder accepting the perpetual responsibility and obligation to review the proposed exercise of Reserved Rights by Owner, Owner hereby waives, for Owner, and Owner's successors, legal representatives, and assigns, to the fullest extent allowed by law, any and all right to seek or recover damages from Holder in any litigation or other legal action arising from a dispute over Holder's exercise of its rights, obligations or interpretations under this Article 4 and agrees that the sole remedy or legal right to seek redress arising from any decision of Holder pursuant to this Article 4 shall be to seek a declaratory judgment or other legal declaration by a court of competent jurisdiction as to the rights of Owner hereunder.

4.21 Rights of Ownership Generally. Owner retains, not as a Reserved Right but incidental to its ownership of the Conservation Area, in addition to the Reserved Rights set forth in this Article, all rights accruing from ownership of the Conservation Area, including the right to engage in or permit others to engage in all uses of the Conservation Area except to the extent prohibited, restricted, limited or conveyed to Holder according to the terms of this Conservation Easement, including the rules of construction and interpretation of this Conservation Easement; subjected to procedures set forth in this Conservation Easement; or provided in applicable law.

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ARTICLE 5. HOLDER'S COVENANTS

5.1 Best Efforts to Enforce. Holder shall use its best efforts to enforce both the rights granted to it and the restrictions imposed upon the Conservation Area under this Conservation Easement.

5.2 Inability to Enforce: Procedure. If at any time Holder is unable to enforce this Conservation Easement or if Holder or any successor or assignee of Holder's rights under this Conservation Easement ceases to exist or ceases to be a Qualified Organization and if, within a reasonable period of time after the occurrence of any of these events, Holder or any successor or assignee fails to assign all of its rights and responsibilities under this Conservation Easement to a Qualified Organization and "holder", then the rights and responsibilities under this Conservation Easement shall become vested in and fall upon another Qualified Organization in accordance with a proceeding before, and the order of, any court of competent jurisdiction.

5.3 Assignment by Holder. Notwithstanding the foregoing or anything else in this Conservation Easement to the contrary, Holder and its successors and assigns shall have the right to assign, either wholly or partially, its right, title and interest hereunder provided that (a) the assignee is a Qualified Organization; (b) the assignee shall hold the Conservation Easement exclusively for the Conservation Purposes; and (c) the assignee agrees that the Conservation Purposes continue to be carried out. Holder agrees to notify Owner of its intent to assign the Conservation Easement, including disclosing the identity of the intended assignee, at least 30 days prior to such assignment and to offer Owner, during such period after notice and until assignment, an opportunity to comment on, but not approve or disapprove, such assignment.

ARTICLE 6. REMEDIES AND ENFORCEMENT

6.1 Remedies Generally. Holder shall have the right to enforce by proceedings at law or in equity each and every one of the covenants and restrictions set forth in this Conservation Easement. The foregoing shall not limit any of the rights or remedies available to Holder as specifically set forth in any law or in this Conservation Easement. Holder's remedies described in this Conservation Easement shall be cumulative and concurrent and shall be in addition to all remedies now or hereafter available or existing at law or in equity.

6.2 Violation of Conservation Easement. If Holder determines that this Conservation Easement is being or has been violated or that a violation is threatened or imminent then the following provisions shall apply:

6.2.1 Holder must notify Owner of the violation. Holder's notice may, in Holder's discretion, include its recommendations of measures to be taken by Owner to cure the violation and restore features of the Conservation Area damaged or altered as a result of the violation.

6.2.2 Holder shall afford Owner a period to cure the violation before undertaking action in court to enforce the Conservation Easement, provided, however, that no cure

period is required if circumstances require prompt action to prevent or mitigate irreparable harm or alteration to, or destruction of, any natural resource or other feature of the Conservation Area described in the Conservation Purposes and Conservation Values.

6.2.3 Owner's cure period shall expire thirty (30) days after the date of Holder's notice to Owner subject to extension for the time reasonably necessary to cure but only if all of the following conditions are satisfied: (a) Owner ceases the activity constituting the violation promptly upon receipt of Holder's notice; (b) Owner and Holder agree in writing, within the initial thirty (30) day period, upon the measures Owners will take to cure the violation; (c) Owner commences to cure within the initial thirty (30) day period; and (d) Owner continues thereafter to use best efforts and due diligence to complete the cure measures that Holder and Owner have agreed upon in writing. In no event shall Holder be obligated, notwithstanding the foregoing, to allow a cure period of more than 90 days.

6.3 Remedy of Specific Performance. Without limitation of any other rights of Holder in this Conservation Easement, Holder's right of enforcement of this Conservation Easement shall include the right to seek specific performance by Owner of the restoration of the Conservation Area to its condition at the time of the donation of the Conservation Easement as required by 26 C.F.R. § 1.170A-14(g)(5)(ii) or to its condition prior to any activity that violates this Conservation Easement or as otherwise may be necessary to remedy any violation of any easement, covenant, prohibition or restriction in this Conservation Easement, as Holder may elect.

6.4 Non-Binding Mediation. Any dispute, controversy or claim arising out of, or related to, this Conservation Easement shall be subject to mediation in accordance with this Section. If Owner and Holder are unable to resolve any dispute, controversy or claim, they shall first submit the dispute, controversy or claim to an independent third party mediator acceptable to them. Unless agreed to by Owner and Holder, neither of them shall be required to participate in mediation sessions exceeding a total of eight (8) hours as to any one dispute, controversy or claim. The cost of the mediation shall be split equally between the parties. The mediation process may be initiated by either Owner or Holder upon written request to the other. If Owner and Holder cannot agree on a mediator within fifteen (15) days of the written request, either Owner or Holder may file a request for mediation with the American Arbitration Association ("AAA") office nearest the Conservation Area, and selection of the mediator shall proceed under the Rules then established by the AAA. Within ten (10) days of selection of the mediator, Owner and Holder shall submit a written summary of its position to the mediator, with any other reasonable documentation it believes is relevant to the dispute. These submissions will be exchanged between Owner and Holder. At a time and place convenient to Holder and Owner, but not later than thirty (30) days after submission of written materials to the mediator, Owner and Holder shall meet with the mediator, discuss any nonbinding recommendations the mediator may have, and attempt in good faith to resolve the dispute. In the event Owner and Holder have not resolved the dispute, controversy or claim within thirty (30) days of the meeting with the mediator, Owner and Holder shall each have the right to initiate legal proceedings concerning such dispute, controversy or

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claim without further notice to the other. If Owner or Holder breaches this obligation by refusing to participate in the mediation process outlined above (and in accordance with the established schedule), the other shall be entitled to initiate legal proceedings immediately on any dispute, controversy or claim. The content of any documents, discussions, negotiations, offers made, offers declined, settlements proposed, mitigations suggested or proposed or other matters that arise or that are produced during the mediation shall not be admissible as evidence or used as argument in any contemporaneous or subsequent legal proceeding. Notwithstanding anything in this Section to the contrary, the requirements of this Section: (a) do not create or give rise to any independent or substantive rights or cause of action not otherwise expressly set forth in this Conservation Easement and (b) shall not apply, nor shall be construed to limit or delay the right of Holder to commence and pursue litigation to enforce this Conservation Easement, in regard to any dispute, controversy or claim arising from a violation of this Conservation Easement that, in the sole and independent judgment of Holder, represents an ongoing or imminent material adverse impact upon the Conservation Values or the Conservation Purposes or upon the ultimate ability of the Owner to restore the condition of the Conservation Area.

6.5 Remedy of Damages. If Owner violates this Conservation Easement in such a manner as to cause damage to, extract or remove any trees, mineral resources, pond, wetland, stream, or other natural resource protected by this Conservation Easement, including violation resulting from failure to obtain Holder's approval, Holder shall be entitled to payment of damages in the amount of the value of the protected natural resource; provided, however, that if the natural resource effected by the Owner's violation of this Conservation Easement can be restored to its condition prior to the violation and if Owner does restore the natural resource to its condition prior to the violation within a time period accepted by Holder in writing, then Holder shall accept such restoration in lieu of damages. Holder may seek payment and recovery of such damages by any means available at law. The value of the protected natural resource shall be the greater of (a) the market value of the resource or, (b) the cost of immediate restoration of the Conservation Area and all resources to its condition prior to the violation. If such restoration is not reasonably possible then double the market value of the resource shall be the amount of liquidated damages. If the resource does not have a readily determinable market value then the amount of damages shall be the amount which a court having jurisdiction may determine, taking into account the importance of the resource to the fulfillment of the Conservation Purposes. Nothing in this Section is intended to limit, waive or release Holder's right so seek specific performance or other equitable remedy.

6.6 Rights and Remedies in Relation to Third Parties. As the owner of a real property interest under this Conservation Easement, Holder shall have the right, without limitation of any rights herein as against Owner, to assert and enforce any of the rights and remedies in this Conservation Easement against any person or entity other than Owner that engages in any action upon the Conservation Area that constitutes a violation of any of the covenants or restrictions of this Conservation Easement, whether such person or entity enters upon the Conservation Area as a tenant, guest or invitee of Owner, by an act of trespass or by any claim of right and Owner shall cooperate with Holder by joining in any action or proceeding commenced by Holder for such purpose.

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6.7 Remedy: Failure to Pay Certain Charges. If Owner fails to pay any assessments, fees, fines, levies, penalties, taxes, and other charges imposed by a government, governmental agency, or governmental authority that can become a lien on the Conservation Area or upon this Conservation Easement or the rights it represents or that it grants to Holder (collectively, "Governmental Charges"), Holder may, but shall have no obligation to, pay such Governmental Charges or any part thereof upon ten (10) days after sending written notice to Owner, according to any bill, statement, or estimate procured from the appropriate public office. Payment made by Holder shall become a lien on the Conservation Area in favor of Holder upon payment by Holder and shall bear interest until Holder is paid by Owner at the rate of twelve percent (12%) per annum or at the highest rate of interest per annum as is allowed by applicable law, whichever is less.

6.8 Certain Events Not a Violation. Notwithstanding anything herein to the contrary, Holder shall not bring any action seeking to enforce this Conservation Easement against Owner, nor shall this Conservation Easement be considered to have been violated by Owner, as a result of any damage to the Conservation Area if such damage was solely the result of: (a) a natural event such as an earthquake or flood, wind, lightning or other storm event, including those events commonly referred to as "acts of God"; (b) damage by persons trespassing upon the Conservation Area; or (c) any emergency measures reasonably and prudently taken by Owner to abate or mitigate significant injury to the Conservation Area as a result of any such natural event or trespass.

6.9 Enforcement After Permitted Subdivision. If ownership of the Conservation Area has been subdivided in accordance with this Conservation Easement such that the Conservation Area is no longer owned by one Owner and, thereafter, a violation of this Conservation Easement occurs or appears to Holder to have occurred, Holder need only give notice of violation or enforcement action to, and need only undertake legal and other enforcement action against, the owner of that portion of the Conservation Area on which the event, condition or circumstance which constitutes a violation has occurred or exists. Notwithstanding the foregoing, Holder may, in its discretion, give notice of a violation or enforcement action to, undertake enforcement action against and make a party to any legal action, such other Owners or parties as Holder deems necessary or appropriate to the correction of the violation, monitoring or management of the Conservation Area or the Conservation Easement, protection of Holder's rights, or fulfillment of the Conservation Purposes of this Conservation Easement.

6.10 Limitation on Certain Rights. This Conservation Easement may only be enforced by Owner and Holder and no third party beneficiary rights, rights of enforcement or other rights are created or intended to be created or granted by this Conservation Easement in or to any other person or entity, any person or entity that was once an "Owner" but is no longer an owner of the Conservation Area, the public generally or any governmental authority except to the limited extent necessary to undertake an action under Section 5.2 or as required by statute (and only to the extent such statute cannot be waived by agreement of Holder and Owner). Owner and Holder do not intend that this Conservation Easement be or create a trust. Without limitation of the foregoing, no person or entity that has been an Owner shall have any rights under this Conservation Easement after such Owner has conveyed that Owner's legal ownership interest in the

Conservation Area and no person or entity that is an Owner as to a part of the Conservation Area shall have any rights under this Conservation Easement as to any part of the Conservation Area not owned by that Owner.

6.11 Reimbursement of Expenses of Enforcement. In the event that Holder acts, after violation of the Conservation Easement, to enforce this Conservation Easement or any obligation hereunder, all reasonable expenses incurred by Holder shall be charged to and paid by Owner, including reasonable attorneys' fees regardless of whether an action or proceeding is commenced and whether incurred before or after the expiration of any cure period provided in this Conservation Easement; except however that Owner shall not be responsible to Holder for costs of a frivolous action by Holder or an action brought in bad faith by Holder, as determined by a court of competent jurisdiction. All such reasonable expenses, together with costs of collection (including reasonable attorneys' fees), shall be recoverable by Holder and be subject to collection by all lawful means for the collection of a debt under the law of the state in which the Conservation Area is located.

6.12 No Merger of Title. Notwithstanding anything to the contrary in this Conservation Easement, should Holder become an Owner of any portion of the Conservation Area, this Conservation Easement shall not merge with any interest in the Conservation Area upon conveyance to Holder and title shall be transferred subject to the continued validity and enforceability of this Conservation Easement in accordance with the laws of the State in which the Conservation Area is located. In such event the rights of Holder under this Conservation Easement as to the portion of the Conservation Area owned by Holder shall forthwith be transferred to a Qualified Organization in accordance with Section 5.3, or, if necessary, 5.2.

6.13 Reimbursement of Expenses of Litigation. Owner acknowledges that for the fulfillment of Owner's purposes and intentions for this Conservation Easement, Owner requires Holder to accept perpetual obligations for the interpretation and enforcement of this Conservation Easement and that, pursuant to 26 CFR § 1.170A-14(c), Holder must maintain its reserve capacity to enforce this Conservation Easement. It is therefore agreed that, should Owner or anyone acting by, through, under or on behalf of Owner, commence litigation against Holder to enforce any rights hereunder or to dispute any actions or inaction of Holder, to enforce any alleged duty or obligation of Holder hereunder or to seek damages or specific performance against Holder then unless Holder is finally determined by a court of competent jurisdiction, beyond right of appeal, to have acted contrary to the terms of this Conservation Easement and to have failed to exercise reasonable judgment taking into account the Conservation Purposes, the Conservation Values and the circumstances of which Holder had actual knowledge at the relevant time, then Owner shall reimburse Holder on demand for all reasonable costs and expenses, including attorney's fees, reasonably incurred by Holder in its defense in such litigation. Holder shall not be considered to have failed to exercise reasonable judgment as aforesaid solely based on the fact that Holder did not or does not prevail in legal proceedings or that Holder is determined to have adopted an interpretation of this Conservation Easement not accepted by the court.

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6.14 No Waiver of Rights of Enforcement. The failure of Holder to exercise any of its rights under this Conservation Easement on any occasion shall not be deemed a waiver of said rights and Holder retains the right in perpetuity to require full compliance by Owner of the covenants and restrictions in this Conservation Easement.

ARTICLE 7. GENERAL PROVISIONS

7.1 Owner and Holder Further Defined. The term Owner used in this Conservation Easement shall mean and include the above-named Owner and any of Owner's successors or assigns, whether one or more, that are the legal owners of the Conservation Area or any part thereof as to such part of the Conservation Area. The term Holder used in this Conservation Easement shall mean and include the above-named Holder and its successors and assigns, it being understood and agreed that any assignee of the rights of Holder hereunder must be a Qualified Organization and shall carry out the obligations of Holder and the intent of this Conservation Easement.

7.2 Vesting of Real Property Interest. This Conservation Easement gives rise to a real property right and interest immediately vested in Holder with a fair market value that is at least equal to the proportionate value that this Conservation Easement at the time of this gift bears to the value of the Conservation Area as a whole at that time. That proportionate value of the Holder's property rights shall remain constant. The fair market value of this Conservation Easement shall be the difference between the fair market value of the Conservation Area unrestricted by this Conservation Easement and the fair market value of the Conservation Area as restricted by this Conservation Easement.

7.3 Rules of Construction and Interpretation. The parties recognize the environmental, scenic and natural values of the Conservation Area and have the common purpose of preserving these values. Any general rule of construction to the contrary notwithstanding, this Conservation Easement shall be liberally construed in favor of the grant to promote, protect and fulfill the Conservation Purposes and the policies and purposes of Holder. If any provision in this Conservation Easement is found to be ambiguous, an interpretation consistent with the Conservation Purposes that would render the provision valid should be favored over any interpretation that would render it invalid. If any provision of this Conservation Easement is determined by final judgment of a court having competent jurisdiction to be invalid, such determination shall not have the effect of rendering the remaining provisions of this Conservation Easement invalid. The parties intend that this Conservation Easement, which is by nature and character primarily prohibitive (in that Owner has restricted and limited the rights inherent in ownership of the Conservation Area), shall be construed at all times and by all parties to promote, protect and fulfill the Conservation Purposes.

7.4 Indemnification. Owner covenants and agrees to indemnify, defend, reimburse, and hold harmless Holder, its directors, officers and employees from, for and against any Loss (hereinafter defined) to the extent such Loss arose from an Indemnified Cause (hereinafter defined). A "Loss" shall mean any loss, cost, liability, penalty, fine, or damage of any kind or nature whatsoever which Holder or any of its directors, officers or employees may reasonably be concluded to have suffered, paid or incurred. The term

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"cost" shall include, but shall not be limited to, reasonable attorneys' fees and witness and court fees. An "Indemnified Cause" shall mean any of the following: the violation or alleged violation of any law in, upon or involving the Conservation Area by Owner or anyone acting by, for, through or under the direction of Owner, including but not limited to any tenant, contractor, agent, licensee or invitee of Owner; any tax or assessment upon the Conservation Area or upon this Conservation Easement or the rights it represents or that it grants to Holder; any death or injury to any person occurring on or about the Conservation Area; any lien or attempts to enforce a lien asserted against the Conservation Area; the costs of performing any work on the Conservation Area; any loss or damage to any property on or about the Conservation Area; or any lawsuit or governmental administrative or law enforcement action which is commenced or threatened against Holder or any of its directors, officers or employees or to which any of the foregoing are made a party or called as a witness; but notwithstanding the foregoing, "Indemnified Cause" shall not include any cause which results from Holder's own acts which are finally determined by a court to have been the result of bad faith, negligence or willful misconduct of Holder. It is further agreed that no person shall have an indemnification obligation or liability under this Section as to any Indemnified Cause which arises entirely and solely from events which occurred after such person is no longer the legal owner of the Conservation Area or any part thereof and is no longer in possession of the Conservation Area or any part thereof (it being understood that one or more subsequent Owners shall have such indemnification, defense, reimbursement, and holding harmless obligation).

7.5 Responsibilities and Liabilities of Owner. Without limitation of anything herein to the contrary, Owner shall (a) retain all responsibilities and shall bear all costs and liabilities of any kind related to the ownership, operations, upkeep, and maintenance of the Conservation Area, including the general liability insurance coverage and obligation to comply with applicable law and (b) pay all Governmental Charges.

7.6 Allocating Proceeds Following Extinguishment of Conservation Easement. It is the intention of the parties that no change in conditions, including for example but not for limitation of the foregoing changes in the use of properties adjoining or in the vicinity of the Conservation Area, will at any time or in any event result in the extinguishment of any of the covenants, restrictions or easements contained in this Conservation Easement. If, however, notwithstanding the foregoing intention, any cause or circumstance gives rise to the extinguishment of this Conservation Easement or a material term or provision hereof by judicial proceeding then Holder, on any subsequent sale, exchange or involuntary conversion of the Conservation Area, shall be entitled, as required in 26 CFR 1.170A-14(g)(6)(ii), to a portion of the proceeds at least equal to the proportionate value that the Conservation Easement at the time of this gift bears to the value of the Conservation Area as a whole at that time, unless state law provides that the Owner is entitled to the full proceeds from the conversion without regard to the terms of this Conservation Easement. All such proceeds received by Holder shall be used in a manner consistent with the Conservation Purposes.

7.7 Allocating Proceeds of Condemnation. Whenever all or part of the Conservation Area is taken by exercise of eminent domain by public, corporate or other authority so as to

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abrogate the restrictions imposed by this Conservation Easement, Owner and Holder shall join in appropriate actions at the time of such taking to recover the full value of the taking and all incidental or direct damages resulting from the taking. All reasonable expenses incurred by Owner and Holder, including reasonable attorneys' fees, in any such action shall be paid out of the recovered proceeds. Holder shall be entitled to a portion of the recovered proceeds proportioned to Holder's real property interest and shall use such proceeds in a manner consistent with the Conservation Purposes. The respective rights of the Owner and Holder set forth in Section 7.6 and this Section 7.7 shall be in addition to and not in limitation of, any rights they may have in common law with respect to a modification or termination of this Conservation Easement by reason of changed conditions or the exercise of powers of eminent domain as aforesaid.

7.8 Covenants, Etc. Run With The Land. This Conservation Easement and all of the covenants, indemnifications, releases, easements and restrictions set forth in this Conservation Easement shall run with the land and be binding upon Owner and Owner's successors and assigns, unless otherwise expressly provided in this Conservation Easement.

7.9 Limitation on Owner Liability. An Owner shall be and remain liable, even after ownership has been transferred, for any breach or violation of this Conservation Easement if, but only if, such breach or violation occurred during such time as such Owner was the legal or equitable owner of, or is in possession of, the entire Conservation Area or that part of the Conservation Area on which the breach or violation occurred.

7.10 Effect On Mortgages and Other Liens. All mortgages, deeds of trust and other liens or encumbrances upon all or any part of the Conservation Area which either come into existence or are recorded in the place for the recording of such liens or encumbrances after the date of this Conservation Easement will be subject to and subordinate to this Conservation Easement.

7.11 Right of Conveyance Retained; Notice Required. Nothing in this Conservation Easement shall limit the right of Owner, Owner's successors or assigns to grant or convey the Conservation Area, provided that any such grant or conveyance shall be under and subject to this Conservation Easement. Owner shall notify Holder in writing of any sale, transfer, lease or other disposition of the Conservation Area or any part thereof, whether by operation of law or otherwise, not later than 30 days after such disposition and such notice shall include a copy of the deed, lease, or other declaration of transfer, the date of transfer, and the name or names and addresses for notices of the transferee.

7.12 Transfer Payment. In consideration of the perpetual obligations assumed by Holder in this Conservation Easement, the costs of which are unpredictable, including, but not necessarily limited to, the obligations to travel to and inspect the Conservation Area for compliance with this Conservation Easement, communicate with present and future owners and respond to questions and other matters, and maintain financial resources for the enforcement of compliance when necessary in fulfillment of Holder's obligation to be a Qualified Organization under 26 CFR §1.170A-14(c)(1), and in consideration of Owner's desire to support Holder in its charitable mission with respect to the

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Conservation Area and other properties in which Holder may have accepted conservation easement restrictions, Owner agrees for itself, Owner's successors and assigns, that there shall be paid to Holder the Transfer Payment (hereinafter defined) at the time of each Qualifying Transfer (hereinafter defined) in the manner set forth herein.

7.12.1 The "Transfer Payment" shall be the amount equal to one percent (1.0%) of the Purchase Price (hereinafter defined) of the Conservation Area or part thereof, the improvements on the Conservation Area and all of the other land and improvements that are included in the Qualifying Transfer.

7.12.2 A "Qualifying Transfer" shall mean the conveyance of legal title to the Conservation Area or any part thereof, the improvements on the Conservation Area, and any other land and improvements which are conveyed by the same deed of conveyance with which the Conservation Area or part thereof is conveyed.

7.12.3 The "Purchase Price" shall be the sum of all of the following given in consideration for a Qualifying Transfer: (a) payment of money, (b) transfer of real or personal property or other tangible consideration, (c) purchase money indebtedness, and (d) the assumption of indebtedness. Owner shall be obligated to provide to Holder a true and correct copy of the agreement of sale pertaining to the Qualifying Transfer or other documents verifying the Purchase Price to the reasonable satisfaction of Holder.

7.12.4 In the event of a Qualifying Transfer in which all or part of the consideration to seller is in the form of real or personal property rather than the payment of money, purchase money indebtedness or assumption of indebtedness, the Purchase Price shall include an amount equal to the fair market value of such real or personal property given in consideration for the Qualifying Transfer as determined by a qualified appraiser approved by Holder in its reasonable judgment. Appraisals used in the determination of the Purchase Price shall be based upon the guidelines and ethical standards of the Appraisal Institute, as then in effect, for the type of property involved. However, Owner and Holder may, if they so elect in their discretion, without obligation to do so, accept an alternate method of establishing the value of property including by contemporaneous agreement.

7.12.5 Purchase Price shall not impute fair market value to that portion of a Qualifying Transfer that is a gift, devise, bequest or other transfer not involving consideration by the payment of money, transfer of real or personal property, purchase money indebtedness or assumption of indebtedness.

7.12.6 The Transfer Payment shall not be applicable to a Qualifying Transfer into a corporation, limited liability company or general or limited partnership where the Owner that is the transferor receives all of the shares of the transferee entity as consideration and receives no other consideration.

7.12.7 The obligation for payment of the Transfer Payment shall be binding upon the Owner that is the transferor in the Qualifying Transfer and the purchaser or

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grantee that is the transferee in the Qualifying Transfer, all of whom shall be jointly and severally liable for the payment of the Transfer Payment, and also shall be binding upon their respective successors and assigns, and shall run with the land until paid.

7.12.8 The Transfer Payment shall be paid to Holder at or before the time of transfer of legal title as aforesaid. The amount of any Transfer Payment not paid in the amount and at the time required herein shall, (a) accrue interest payable to Holder in the amount of twelve percent (12%) per annum and (b) constitute, together with the accrued interest, to the extent permitted by applicable law, a lien on the Conservation Area in favor of the Holder until paid in full, provided that such lien shall not be superior to any mortgage, deed of trust or other lien that was executed, recorded and otherwise validly established against the Conservation Area prior to the date of the Qualifying Transfer.

7.12.9 Owner shall be liable for reasonable attorneys' fees and other costs of collection reasonably incurred by Holder in the enforcement of this Section.

7.12.10 If and to the extent the law of the state in which the Conservation Area is located so requires in order to preserve the validity of this Section, it is agreed that the Transfer Payment shall not apply to any Qualifying Transfer that occurs after the lifetime plus twenty-one (21) years of any biological child of Andrew L Johnson, Vice President of the North American Land Trust.

7.12.11 Without limitation of any other provision of this Conservation Easement, neither the validity of this Section nor compliance with or enforcement of this Section shall have any bearing whatever on the validity or enforceability of any other provision of this Conservation Easement.

7.13 Managerial Control Retained by Owner. Nothing in this Conservation Easement shall be construed as giving rise to any right or ability of Holder to exercise physical or managerial control over day-to-day operations of the Conservation Area, or any of Owner's activities on the Conservation Area, or otherwise to become an operator with respect to the Conservation Area within the meaning of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

7.14 Compliance With Law. Notwithstanding provisions hereof to the contrary, if any, Owner shall be solely responsible for complying with all federal, state and local laws and regulations in connection with the conduct of any use of the Conservation Area or the erection of any Structure permitted hereunder, and Owner shall be solely responsible for obtaining any required permits, approvals from the relevant governmental authorities in connection therewith.

7.15 Public Access Not Created. Nothing in this Conservation Easement shall be construed to create any right of access to the Conservation Area by the public.

7.16 Notices. All notices required of Owner under the terms of this Conservation Easement, and all requests for the approval by Holder, shall be in writing shall be deemed to have

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been given when either served personally or when sent by certified mail, with return receipt requested and postage prepaid, addressed to Holder at the address set forth on the first page of this Conservation Easement or such other address provided by notice from Holder or Owner to the other for the purpose. Notices by Holder to an Owner need only be given to the Owner of the portion of the Conservation Area that is the subject of the notice.

7.17 Headings. The underlined headings preceding the Sections in this Conservation Easement are intended for convenience of reference only and shall not be applied in the construction or interpretation of the substance of this Conservation Easement nor shall any such headings be construed to add to, detract from or otherwise alter the substance, meaning, force or effect of any of the Sections in this Conservation Easement.

7.18 Availability or Amount of Tax Benefits. Holder makes no warranty, representation or other assurance regarding the availability, amount or effect of any deduction, credit or other benefit to Owner or any other person or entity under United States or any state, local or other tax law to be derived from the donation of this Conservation Easement or other transaction associated with the donation of this Conservation Easement. This donation is not conditioned upon the availability or amount of any such deduction, credit or other benefit. Holder makes no warranty, representation or other assurance regarding the value of this Conservation Easement or of the Conservation Area. As to all of the foregoing, Owner is relying upon Owner's own legal counsel, accountant, financial advisor, appraiser or other consultant and not upon Holder or any legal counsel, accountant, financial advisor, appraiser or other consultant of Holder. In the event of any audit or other inquiry of a governmental authority into the effect of this donation upon the taxation or financial affairs involving Owner or Owner's successors or assigns or other similar matter then Holder shall be reimbursed and indemnified for any cost or expense of any kind or nature whatsoever incurred by Holder in responding or replying thereto.

7.19 Warranties and Representations of Owner. By signing this Conservation Easement, Owner acknowledges, warrants and represents to Holder that:

7.19.1 Owner has received and fully reviewed the Baseline Documentation in its present form in its entirety.

7.19.2 The Baseline Documentation includes, among other things:

-Naturalist's Report on the Conservation Area.
-Environmental Conditions Map of the Conservation Area.
-Photographs of current site conditions on the Conservation Area.
-Narrative description of the significant ecological and other conservation values and characteristics of the Conservation Area.
-Topographic map of the Conservation Area

7.19.3 The Baseline Documentation is an accurate representation of the condition of the Conservation Area at the time of granting this Conservation Easement.

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7.19.4 Owner has had the opportunity to be represented by counsel of Owner's selection, and fully understands that Owner is hereby permanently relinquishing property rights which would otherwise permit Owner to have a fuller use and enjoyment of the Conservation Area.

7.19.5 The undersigned individual or individuals signing as or on behalf of Owner has all legal authority to enter into this Conservation Easement and perform all of the obligations of Owner hereunder, as the binding act of Owner.

7.19.6 Owner is seized of the Conservation Area in fee simple title. Owner has the right to grant and convey this Conservation Easement. The Conservation Area is free and clear of any Deed of Trust, Mortgage and any other liens and monetary encumbrances except: (a) liens for taxes not yet due and payable and (b) Deed of Trust or Mortgage liens that are subordinate to this Conservation Easement by virtue of the executed form of Joinder and Consent of Lienholder attached hereto and incorporated herein.

7.19.7 There are no recorded or unrecorded leases or other agreement for the production of minerals or removal of timber from the Conservation Area which would, if any of the activities permitted under such lease or other agreement was undertaken by Owner, violate the covenants or restrictions in this Conservation Easement or otherwise defeat the Conservation Purposes.

7.19.8 Owner has, to the extent Owner in Owner's discretion has deemed appropriate, investigated with all due diligence the cost, practicality, right, and ability to use and improve the Building Zone according to the Reserved Rights permitted within the Building Zone under this Conservation Easement, as such use and improvement may be affected by zoning, other governmental regulation, access, availability of utilities, soil conditions, geology, topography, other physical and environmental conditions, and any other factor or condition. As to the cost, practicality, right, and ability of Owner to use and improve the Building Zone as and to the extent permitted in this Conservation Easement, Holder makes no warranty or representation, has no obligation, gives no assurance, and is released by Owner, Owner's successors and assigns from any liability and claims, both compensatory and consequential.

7.20 State Conservation Easement Law. This Conservation Easement shall be a "conservation easement" under, and shall be governed by, the State Conservation Easement Law and Holder shall have all of the rights and powers of a "Holder" under the State Conservation Easement Law.

7.21 Governing Law. This Conservation Easement shall be governed by and construed under the law of the state in which the Conservation Area is located.

TO HAVE AND TO HOLD the easements and rights set forth in this Conservation Easement unto Holder, its successors and assigns, for its own use and benefit forever.

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IN WITNESS WHEREOF, and intending to be legally bound hereby, Owner and Holder have executed this Conservation Easement intending this Conservation Easement to be effective on the date of the last signature below.

SANIBEL RESORT, LLC

By: Sanibel Resort Management, LLC, a Delaware limited liability company, its Manager

By: EcoVest Sanibel Resort, LLC, a Delaware limited liability company, its Manager

By: EcoVest Capital, Inc., a Delaware corporation, Its Sole Member

Witness: _____ By: _____

Robert M. McCullough, Sr. Vice President and Chief Financial Officer, Secretary and Treasurer

Witness: _____

NORTH AMERICAN LAND TRUST
a non-profit corporation

Witness: _____ By: _____ [Seal]

Matthew Stutzman

Andrew L. Johnson, Vice President

Witness: _____

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State of Georgia

County of Cherokee

The foregoing instrument was acknowledged before me this 14th day of December, 2015 by Robert M. McCullough, Senior Vice President, Chief Financial Officer, Secretary and Treasurer of EcoVest Capital, Inc., which is the Sole Member of EcoVest Sanibel Resort, LLC, which is Manager of Sanibel Resort Management, LLC, which is Manager of SANIBEL RESORT, LLC a Delaware limited liability company, on behalf of the company.

Notary Public
My commission expires: 10/9/2017

STATE OF PENNSYLVANIA :
:
COUNTY OF CHESTER :

On this, the 15th day of December, 2015, before me, a Notary Public in and for the State of Pennsylvania, the undersigned officer, personally appeared Andrew L. Johnson, who acknowledged himself to be the Vice President of North American Land Trust, a Pennsylvania Non-Profit Corporation, and that he as such officer, being authorized to do so, executed the foregoing conservation easement for the purposes therein contained by signing the name of the corporation by himself as Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

(Seal)

Karen M. Mazza
Notary Public
My commission expires: Aug. 22, 2018

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Karen M. Mazza, Notary Public
Pennsbury Twp., Chester County
My Commission Expires Aug. 22, 2018
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

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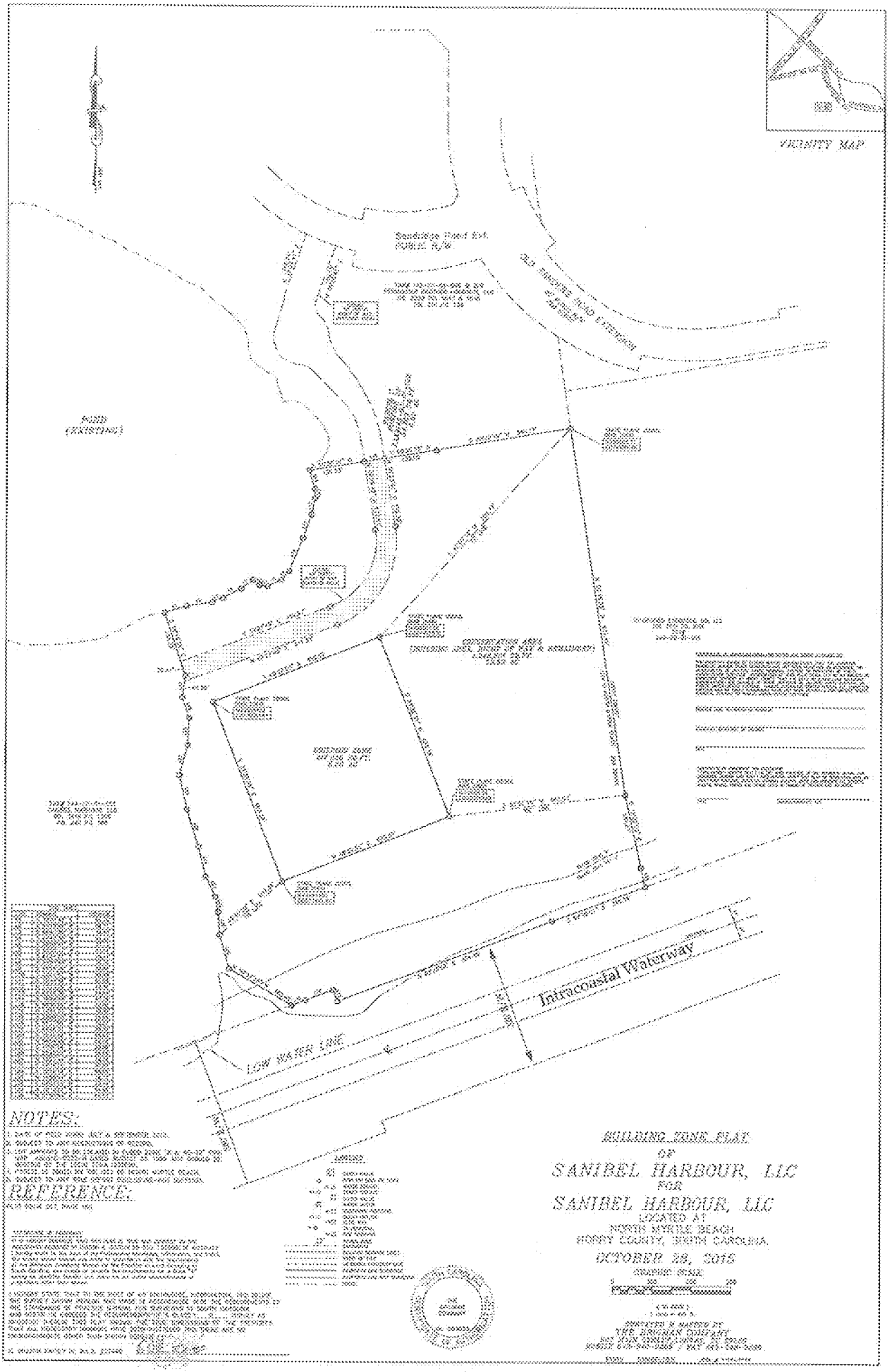

VICINITY MAP
Intracoastal Waterway
LOW WATER LINE
NOTES:
REFERENCE:
BUILDING ZONE PLAT
OF
SANIBEL HARBOUR, LLC
FOR
SANIBEL HARBOUR, LLC
LOCATED AT
NORTH MYRTLE BEACH
HORRY COUNTY, NORTH CAROLINA.
OCTOBER 28, 2015

STATE OF SOUTH CAROLINA)
) AFFIDAVIT
COUNTY OF HORRY)

PERSONALLY appeared before me the undersigned, who being duly sworn, deposes and says:

1. I have read the information on this affidavit and I understand such information.

2. The Easement being granted is described as "Conservation Easement and Declaration of Restrictions and Covenants, between Sanibel Resort, LLC and North American Land Trust dated December 22, 2015.

3. The deed is exempt from the deed recording fee because (See Information section of affidavit):

SC Code Section 12-24-40 (1) - Value Less than One Hundred ($100.00) Dollars

If exempt under exemption #14 as described in the information section of this affidavit, did the agent and principal relationship exist at the time of the original sale and was the purpose of this relationship to purchase the realty?
Check Yes _____ or No _____

4. As required by Code Section 12-24-70, I state that I am a responsible person who was connected with the transaction as: Grantor

5. I understand that a person required to furnish this affidavit who wilfully furnishes a false or fraudulent affidavit is guilty of a misdemeanor and, upon conviction, must be fined not more than one thousand dollars or imprisoned not more than one year, or both.

Sanibel Resort, LLC
BY: Sanibel Resort Management, LLC, Manager
BY: Ecovest Sanibel Resort, LLC, Manager
BY: Ecovest Capital, Inc., Sole Member
By: _____
Robert M. McCullough, Sr. Vice President and Chief Financial Officer

Sworn to before me this 21st day of December, 2015

_____
Notary Public for Georgia
My Commission Expires: 10/9/2017

PAT MCQUEEN
NOTARY PUBLIC
CHEROKEE CO., GEORGIA
MY COMMISSION EXPIRES
OCT. 9 2017

INFORMATION

Except as provide in this paragraph, the term "value" means "the consideration paid or to be paid in money or money's worth for the realty." Consideration paid or to be paid in money's worth includes, but is not limited to, other realty, personal property, stocks, bonds, partnership interest and other intangible property, the forgiveness or cancellation of a debt, the assumption of a debt, and the surrendering of any right. The fair market value of the consideration must be used in calculating the consideration paid in money's worth. Taxpayers may elect to use the fair market value of the realty being transferred in determining fair market value of the consideration. In the case of realty transferred between a corporation, a partnership, or other entity and a stockholder, partner, or owner of the entity, and in the case of realty transferred to a trust or as a distribution to a trust beneficiary, "value" means the realty's fair market value. A deduction from value is allowed for the amount of any lien or encumbrance existing on the land, tenement, or realty before the transfer and remaining on the land, tenement, or realty after the transfer. Taxpayer may elect to use the fair market value for property tax purposes in determining fair market value under the provisions of the law.

Exempted from the fee are deeds:
(1) transferring realty in which the value of the realty, as defined in Code Section 12-24-30, is equal to or less than one hundred dollars;

(2) transferring realty to the federal government or to a state, its agencies and departments, and its political subdivisions, including school districts;

(3) that are otherwise exempted under the laws and Constitution of this State or of the United States;

(4) transferring realty in which no gain or loss is recognized by reason of Section 1041 of the Internal Revenue Code as defined in Section 12-6-40(A);

(5) transferring realty in order to partition realty as long as no consideration is paid for the transfer other than the interests in the realty that are being exchanged in order to partition the realty;

(6) transferring an individual grave space at a cemetery owned by a cemetery company licensed under Chapter 55 of Title 39;

(7) that constitute a contract for the sale of timber to be cut;

(8) transferring realty to a corporation, a partnership, or a trust in order to become, or as, a stockholder, partner, or trust beneficiary of the entity provided no consideration is paid for the transfer other than stock in the corporation, interest in the partnership, beneficiary interest in the trust, or the increase in value in such stock or interest held by the grantor. However, the transfer of realty from a corporation, a partnership, or a trust to a stockholder, partner, or trust beneficiary of the entity is subject to a fee even if the realty is transferred to another corporation, a partnership, or trust;

(9) transferring realty from a family partnership to a partner or from a family trust to a beneficiary, provided no consideration is paid for the transfer other than a reduction in the grantee's interest in the partnership or trust. A "family partnership" is a partnership whose partners are all members of the same family. A "family trust" is a trust, in which the beneficiaries are all members of the same family. The beneficiaries of a family trust may also include charitable entities. "Family" means the grantor and the grantor's spouse, parents, grandparents, sisters, brothers, children, stepchildren, grandchildren, and the spouses and lineal descendants of any the above. A "charitable entity" means an entity which may receive deductible contributions under Section 170 of the Internal Revenue Code as defined in Section 12-6-40(A);

(10) transferring realty in a statutory merger or consolidation from a constituent corporation to the continuing or new corporation;

(11) transferring realty in a merger or consolidation from a constituent partnership to the continuing or new partnership; and,

(12) that constitute a corrective deed or a quitclaim deed used to confirm title already vested in the grantee, provided that no consideration of any kind is paid or is to be paid under the corrective or quitclaim deed.

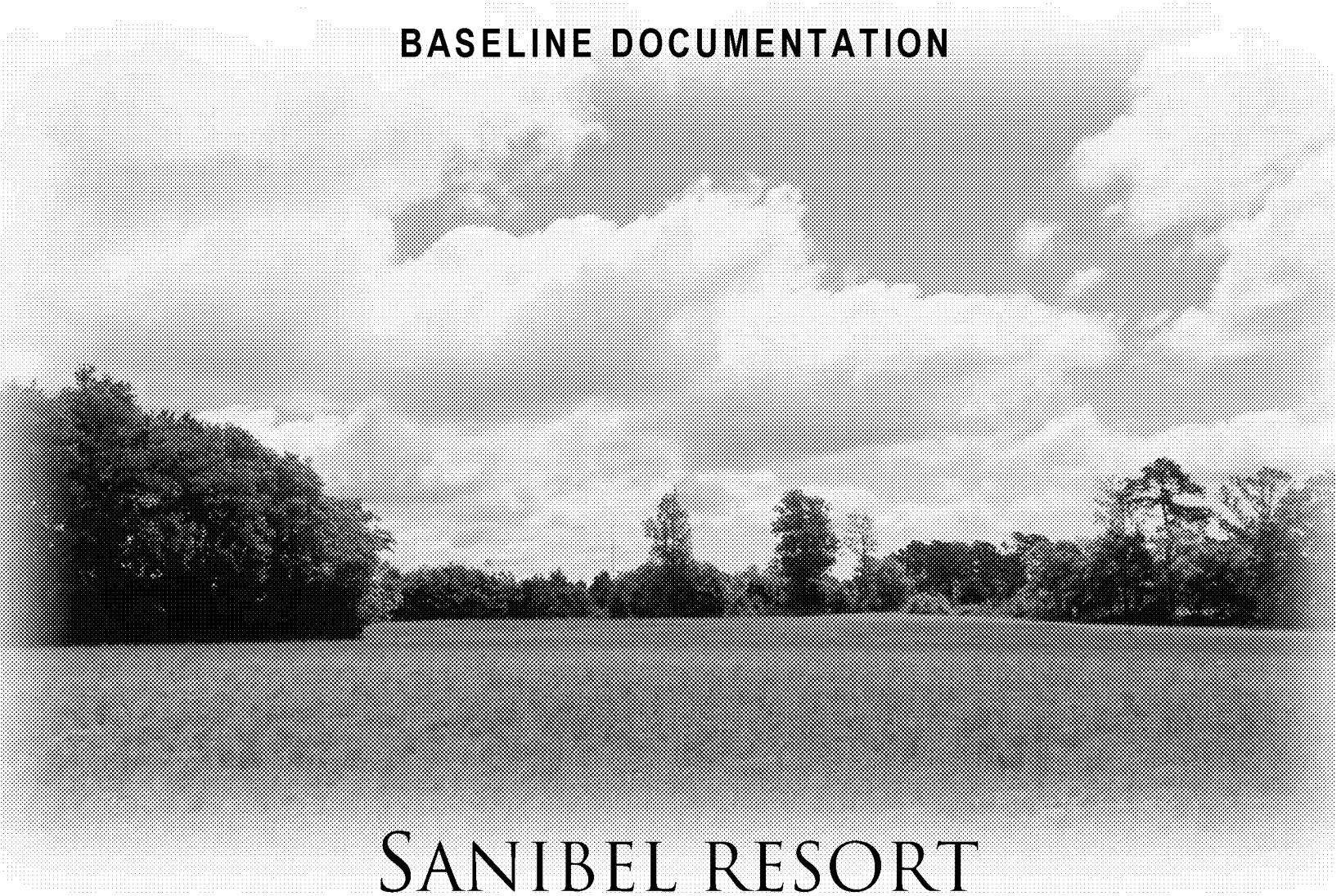
(13) transferring realty subject to a mortgage to the mortgagee whether by a deed in lieu of foreclosure executed by the mortgagor or deed pursuant to foreclosure proceedings.

(14) transferring realty from an agent to the agent's principal in which the realty was purchased with funds of the principal, provided that a notarized document is also filed with the deed that establishes the fact that the agent and principal relationship existed at the time of the original purchase as well as for the purpose of purchasing the realty.

(15) transferring title to facilities for transmitting electricity that is transferred, sold, or exchanged by electrical utilities, municipalities, electric cooperatives, or political subdivisions to a limited liability company which is subject to regulation under the Federal Power Act (16 U.S.C. Section 791(a)) and which is formed to operate or to take functional control of electric transmission assets as defined in the Federal Power Act.

North American Land Trust

BASELINE DOCUMENTATION



SANIBEL RESORT

Horry County ❖ South Carolina

North American LAND TRUST

ESTABLISHED TO PRESERVE OUR NATURAL HERITAGE

THE UNDERLYING GOAL OF EACH OF OUR PROJECTS IS TO PROVIDE BENEFIT TO THE PUBLIC WHILE RESPECTING LANDOWNERS' RIGHTS AND ECONOMIC INTERESTS.

IRS Requirements regarding Baseline Documentation

Treasury Regulations 26 C.F.R. § 1.170A-14(g)(5)(i)

(5) ***Protection of conservation purpose where taxpayer reserves certain rights—***

(i) ***Documentation.*** In the case of a donation made after February 13, 1986, of any qualified real property interest when the donor reserves rights the exercise of which may impair the conservation interests associated with the property, for a deduction to be allowable under this section the donor must make available to the donee, prior to the time the donation is made, documentation sufficient to establish the condition of the property at the time of the gift. Such documentation is designed to protect the conservation interests associated with the property, which although protected in perpetuity by the easement, could be adversely affected by the exercise of the reserved rights. **Such documentation may include:**

(A) The appropriate survey maps from the United States Geological Survey, showing the property line and other contiguous or nearby protected areas;

(B) A map of the area drawn to scale showing all existing man-made improvements or incursions (such as roads, buildings, fences, or gravel pits), vegetation and identification of flora and fauna (including, for example, rare species locations, animal breeding and roosting areas, and migration routes), land use history (including present uses and recent past disturbances), and distinct natural features (such as large trees and aquatic areas);

(C) An aerial photograph of the property at an appropriate scale taken as close as possible to the date the donation is made; and

(D) On-site photographs taken at appropriate locations on the property. If the terms of the donation contain restrictions with regard to a particular natural resource to be protected, such as water quality or air quality, the condition of the resource at or near the time of the gift must be established. The documentation, including the maps and photographs, must be accompanied by a statement signed by the donor and a representative of the donee clearly referencing the documentation and in substance saying "This natural resources inventory is an accurate representation of [the protected property] at the time of the transfer."

Purposes of Baseline Documentation as Defined by the Land Trust Alliance

1. Records both the important conservation values and the current conditions of the property.
2. Serves to support qualification for tax benefits and substantiating overall public benefit by describing why the property is being conserved and documenting current conditions.
3. Operates as evidence in future litigation, if it meets court-specific rules for admissibility, and provides a foundation for future monitoring and enforcement activities.
4. Enables land trust staff to identify worthwhile projects, to retain institutional knowledge and to communicate with landowners about stewardship responsibilities.

[redacted]

North American LAND TRUST

~Sanibel Resort

Conservation Area~

Horry County,
South Carolina

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B. Baseline Documentation Overview

I. Donor Information
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V. Reserved Rights
VI. Conservation Management
VII. Monitoring Policy
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C. North American Land Trust IRS Information

D. North American Land Trust Board Resolution & Minutes

E. Recorded Conservation Easement and Declaration of Restrictions & Covenants

F. Existing Conditions Report

G. Photographic Documentation

1. Peter Smith; April 30, 2015
2. Peter Smith; November 17, 2015

H. Supportive Mapping

1. Location Map
2. Base Map
3. Topography
4. Soils Map
5. Vegetation Map
6. Aerial Photograph
7. Concept Plan
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North American LAND TRUST

A. Owner Acknowledgment

North American LAND TRUST

~Baseline Documentation Acknowledgment~

Property: Sanibel Resort Conservation Area

Location: Horry County, South Carolina

By signing below, the Owner and Land Trust certify that they have received and fully reviewed the attached Baseline Documentation in its entirety prior to recordation, and that it is an accurate representation of the physical condition of the Conservation Area to the best of their knowledge.

NORTH AMERICAN LAND TRUST:

Signature: _____

Steven W. Carter, NALT Stewardship Coordinator

Date: _____

SANIBEL RESORT, LLC:

Signature: _____

Date: _____

[redacted]

North American LAND TRUST

ESTABLISHED TO PRESERVE OUR NATURAL HERITAGE

THE UNDERLYING GOAL OF EACH OF OUR PROJECTS IS TO PROVIDE BENEFIT TO THE PUBLIC WHILE RESPECTING LANDOWNERS' RIGHTS AND ECONOMIC INTERESTS.

December 1, 2015

Sanibel Resort Conservation Area
Horry County, South Carolina

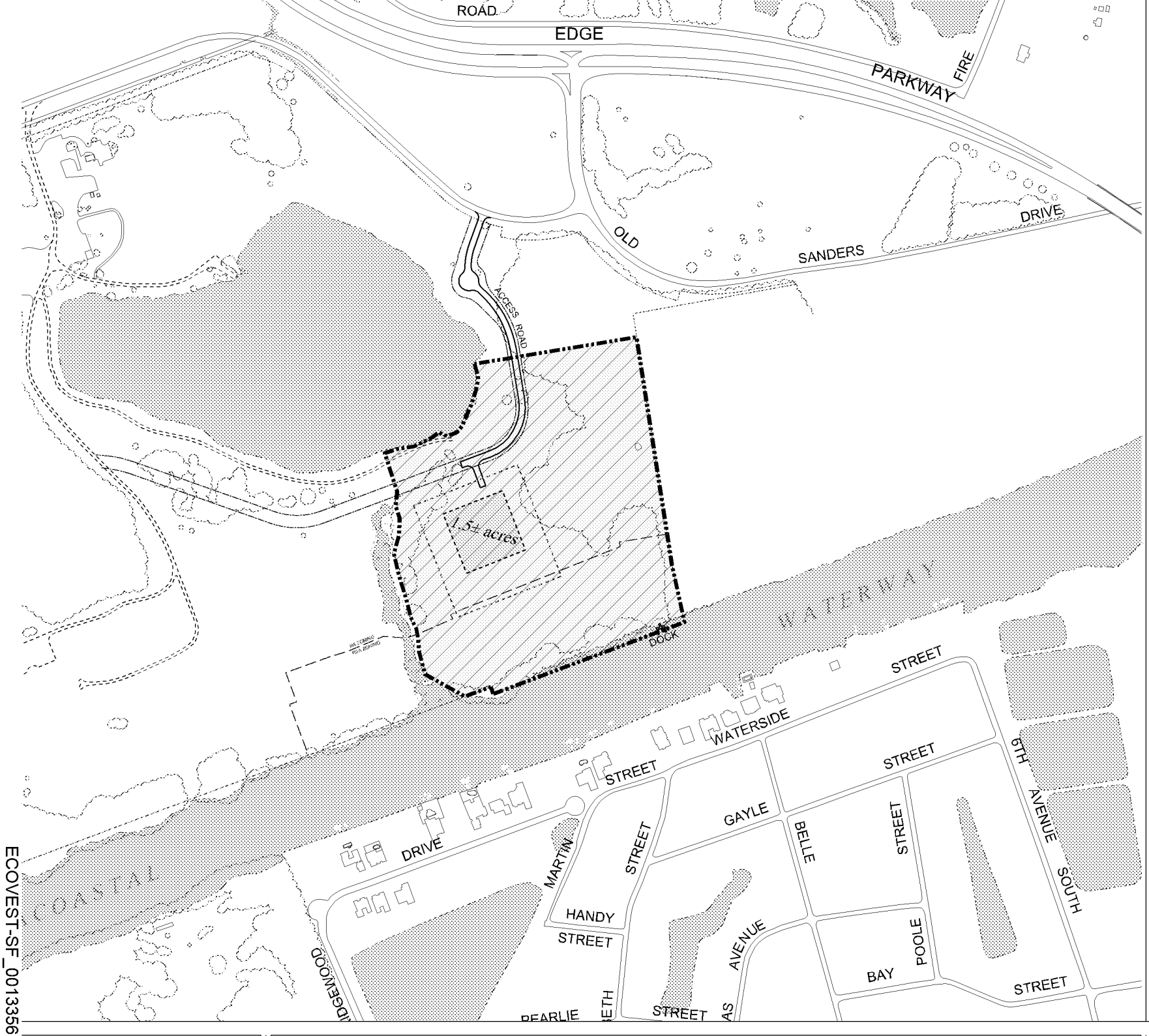
Building Zone Acknowledgement

A ±5 acre "Building Zone" has been established on the Sanibel Resort Conservation Area, as shown on the attached Concept Plan. Please see Section 4.1. and Subsections 4.1.1. - 4.1.6. in the Sanibel Resort Conservation Easement for additional terms, conditions and uses regarding the "Building Zone." The location of "Building Zone" as shown in the Concept Plan has been carefully considered by NALT's land planning and stewardship staff, and strategically located to avoid adverse impacts to the protected conservation values and purposes.

Andrew L. Johnson
NALT Vice President

Peter Smith
NALT Conservation Biologist

[redacted] www.nalt.org



Building Zone
@ 5.0± acres

Building Area
@ 1.5± acres

Conservation Area
28.54± acres

NOTES:

1. Property boundaries from Survey by DDC Engineers,
2. Aerial Photography from Apollo Mapping; date flown
3. Contours digitized from USGS Hand Quadrangle Ma
4. Soils information from USDA - NRCS National Soil In

NORTH

0 100 200 400

ECOVEST-SF_0013356

CONCEPT PLAN 08/26/15 JP

B. Baseline Documentation Overview

NORTH AMERICAN LAND TRUST

Conservation Easement

Baseline Documentation

~Sanibel Resort

Conservation Area~

Horry County,
South Carolina

~Baseline Documentation Overview~

I. Donor Information

Sanibel Resort, LLC

[redacted]

II. Introduction

The following Baseline Documentation describes the Conservation Values and physical condition of the Sanibel Resort Conservation Area located in Horry County, South Carolina. The Sanibel Resort Conservation Area is comprised of approximately 28.53 acres.

The Sanibel Resort Conservation Area is located immediately north of Myrtle Beach which is one of the most densely developed coastal areas in the state of South Carolina. Approximately 1000 linear feet of the southeastern boundary of the property borders the Atlantic Intracoastal Waterway (AIW) and is highly visible from the AIW. This property and surrounding properties are being encroached upon by intense high density development. Conservation of such properties enhances water quality and protects breeding and foraging habitat for plant and animal species that would otherwise be lost to development.

A ±5 acre "Building Zone" has been established on the Sanibel Resort Conservation Area, as shown on the attached Concept Plan. Please see Section 4.1. and Subsections 4.1.1. - 4.1.6. in the Sanibel Resort Conservation Easement for additional terms, conditions and uses regarding the "Building Zone." The location of "Building Zone" as shown in the Concept Plan has been carefully considered by NALT's land planning and stewardship staff, and strategically located to avoid adverse impacts to the protected conservation values and purposes.

Please reference the Existing Condition Report, Photographic Documentation, and Supportive Mapping sections of this Baseline Documentation which further describe the Conservation Values of the Sanibel Resort Conservation Area.

III. Conservation Purposes

The IRS Tax Code Section 26 U.S.C. § 170 (h)(4)(a) and 26 CFR § 170A-14(d)(i), has established specific 'Conservation Purposes' that, if perpetually protected through the donation Conservation Easement, could render the donor eligible for a charitable contribution. In particular, the Sanibel Resort Conservation Area satisfies three **(3)** Conservation Purposes:

1. *Preservation of the Conservation Area as a relatively natural habitat of fish, wildlife, or plants or similar ecosystem; and*

2. *Preservation of the Conservation Area as open space which provides scenic enjoyment to the general public and yields a significant public benefit; and*

3. *Preservation of the Conservation Area as open space which, if preserved, will advance a clearly delineated Federal, State or local governmental conservation policy and will yield a significant public benefit.*

IV. Conservation Values

The following 'Conservation Values' document the ecological and environmental significance of the Sanibel Resort Conservation Area. Please reference the Existing Conditions Report, Photographic Documentation, and Supportive Mapping sections of the Baseline Document that examine the Conservation Values of the Conservation Area in greater detail.

- The Conservation Area provides wildlife corridors, breeding habitat, foraging habitat and shelter for at least fifty species of animals.

- The Conservation Area provides the natural ecological requirements for at least one hundred fifty species of plants.

- The Conservation Area supports a Nonriverine Wet Hardwood Forest natural community.

- The Conservation Area supports emergent and forested wetland areas important to amphibian and macroinvertebrate fauna for breeding and foraging.

- The Conservation Area supports at least four bird species considered Species of Regional Importance by the Partners In Flight Species Assessment Database: Eastern Wood Pewee (*Contopus virens*), Ruby-throated Hummingbird (*Archilochus colubris*), Tufted Titmouse (*Baeolophus bicolor*), Yellow-throated Warbler (*Dendroica dominica*).

- The Conservation Area is highly visible from the Atlantic Intracoastal Waterway thus providing scenic natural view to the general public.

The following government conservation policies are supported by the grant of this Conservation Easement and the Conservation Values described above achieve a significant public benefit towards the fulfillment of these conservation policies:

- The Conservation Area helps to fulfill the goals of the South Carolina Forest Legacy Program, including the following specified goals: "protect river systems, wetlands, and their associated upland habitats; reduce forest fragmentation caused by development; provide buffer areas and connectivity to already protected areas; and promote Best Management Practices for forestry".

- South Carolina Code Annotated 48-59-20 et seq., states that "rapid land development and economic growth which has benefited the state's people and economy, but has also led to the loss of forestlands, farmlands, wildlife habitats, outstanding natural areas, beaches and public areas for outdoor recreation; and has impacted the health of the state's streams, rivers, wetlands, estuaries, and bays, all of which impacts the quality of life of the state's current and future citizens and may jeopardize the well-being of the state's environment and economy if not addressed appropriately."

- South Carolina Code Annotated 48-59-20 et seq., also notes that "the protection of open space by acquisition of interests in real property from willing sellers is essential to ensure that the State continues to enjoy the benefits of wildlife habitats, forestlands, farmlands, parks, historical sites, and healthy streams, rivers, bays, and estuaries; for recreational purposes, for scientific study, for aesthetic appreciation, for protection of critical water resources, to maintain the state's position as an attractive location for visitors and new industry, and to preserve the opportunities of future generations to access and benefit from the existence of the state's outstanding natural and historical sites."

- The Horry County Comprehensive Plan sets forth the following public Water Resource needs and goals that are advanced by the conservation of the Conservation Area by this Conservation Easement:

  a) Maintain and improve the surface water quality for all waterbodies located in Horry County.
  b) Maintain and improve water quality in the coastal zone.
  c) Conserve the essential flood reduction, groundwater recharge, pollution filtering, and recreation functions of wetlands.
  d) Recognize the link between land use and water quality, use a combination of regulation and incentives to ensure that new development adequately mitigates its impacts on water quality.
  e) Encourage development techniques which maintain or improve water quality.

- The Horry County Comprehensive Plan sets forth the following public Land Resource needs and goals that are advanced by the conservation of the Conservation Area by this Conservation Easement:

  a) Horry County needs to protect and conserve its forests, agriculture, plant and animal habitat, and urban trees while increasing its preserved open areas, scenic areas and recreational opportunities.
  b) Protect, promote, and enhance, the forestlands of Horry County in a manner consistent with achieving the greatest good for its citizens.
  c) Recognize the fragmentation of the natural landscape that is occurring and take steps to mitigate these effects.
  d) The use of native species should be encouraged whenever possible.

V. Reserved Rights

The Reserved Rights that have been allowed in the Conservation Easement have been carefully reviewed for consistency with the Conservation Purposes and the protection of the Conservation Values. Approval of the Reserved Rights by Holder must be conducted under the notice and review procedure set forth in the Conservation Easement, which assures that the Holder may reject any exercise of the Reserved Rights that fails to protect the Conservation Purposes and the Conservation Values. Consideration of certain Reserved Rights are specifically addressed below:

- Dwellings and other Buildings in Building Zone. Limited improvements and residential use is permitted in the Reserved Rights within a defined "Building Zone". Protection of the Conservation Purposes and the Conservation Values is assured by restrictions on these predetermined locations of disturbance and use. The Holder has a right of prior approval of any such activity. The amount of disturbance has been determined to be *de minimis* compared to the dimensions and context of the Conservation Area.

- Roads and Driveways. These are strictly controlled by Holder and must be reviewed and approved subject to the obligation of the Owner to protect the Conservation Purposes and the Conservation Values.
- Alternative Energy Structures. It is important to address issues of climate change that alternative energy structures be permitted on conserved properties, subject to review and limitations. The Conservation Easement requires that any such structures serve only permitted uses in the Conservation Area and are pre-approved by Holder.
- Buildings. All other buildings are subject to strict size limitations assuring that they are only *de minimis* as compared to the size of the Conservation Area and are subject to approval by the Holder for consistency with the Conservation Purposes and Conservation Values.
- Trails. Trails of various sorts are needed for the proper management and permitted use of the Conservation Area. Accordingly, trails are permitted, but only subject to limitations that will serve to protect the Conservation Purposes and the Conservation Values.
- Water Courses. Dredging, channelizing or other manipulation of previously-altered natural or manmade water courses within the Conservation Area may only be conducted if necessary to maintain wetlands, if any, existing on the Conservation Area, to restore wetlands previously existing on the Conservation Area.
- Subdivision and Allocation of Reserved Rights. Subdivision will have no impact on the legal enforceability of the Conservation Easement on the Conservation Area or any lots created from the Conservation Area. Nevertheless, in order to prevent any impact in the ability of Holder to monitor and enforce the Conservation Area or on the long term stewardship of the Conservation Area, Owner may only subdivide the Conservation Area with prior approval from Holder.
- Existing Structures. Structures existing on the Conservation Area on the date of this Conservation Easement may only be maintained or, in some case, enlarged to limited degree, in order to protect the Conservation Purposes and the Conservation Values.
- Utility Installations. Utilities are necessary for any property to function. However, they are restricted to those necessary to service the permitted uses and the Conservation Easement imposes certain other limitations designed to protect the Conservation Purposes and the Conservation Values, including Holder approval.
- Tree Cutting and Forest Management. Tree harvesting is appropriately limited. Primarily, there are areas where the Conservation Easement prohibits or restricts harvesting and all forestry activity must be done only in accordance with a Forest Management Plan, which must meet the professional standards set forth in the Conservation Easement, as well as Best Management Practices. Failure to do so is an enforceable violation of the Conservation Easement.

VI. Conservation Management

The following section regarding Conservation Management is meant to serve as a general guideline for NALT's Conservation Easements. NALT recognizes that each property has its own unique characteristics and conditions which may utilize a wide variety of Conservation Management techniques that may be absent or deviate from what is described below. Please reference the Existing Conditions Report and recorded Conservation Easement document in this Baseline Documentation for more specific detail regarding Conservation Management on your particular property.

Forest Management

Under most circumstances, the cutting of live trees within the Conservation Area is prohibited. However, some types of forest management activities are permitted and may be deemed necessary on a periodic basis. Permitted activities may include the removal of dead or damaged trees, harvesting personal firewood, and removing exotic (non-native) species, so long as easement restrictions are not violated. For instance, altering topography while constructing new roads to access a stand of damaged trees is not permitted.

NALT's desired outcome of protecting forests within the Conservation Area is to provide habitat for species of viability concern and natural forest conditions that are not otherwise well represented across the landscape. Although such conditions can vary across the landscape, in most cases the desired condition is best described as "old-growth." Such naturally maturing forests are characterized as containing well developed soils and an abundance of woody debris, both standing and fallen, in a variety of types, sizes, and decay classes.

Although the removal of dead or damaged trees is permitted, we encourage landowners and forest managers to recognize the extreme ecological importance of woody debris and undisturbed soils.

NALT recognizes the ecological importance of active forest management activities, such as prescribed burns in appropriate forest types, and encourages such activities when, and where, appropriate by certified individuals. All permitted "stand" level forest management or restoration activities must be pre-approved by NALT and require a management plan drafted by a qualified forester. When forest management is necessary, efforts must be made to avoid damage to soils and aquatic features by heavy machinery and erosion.

Forest conditions will be assessed on each monitoring visit by a NALT representative. If necessary, management suggestions will be outlined in the monitoring report.

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Aquatic Features Management

NALT's desired outcome of protecting aquatic features within the CA is to maintain or enhance water quality, natural hydrology, and aquatic habitats for species of viability concern.

Alteration of natural hydrology, stream channels, wetlands, or other watercourses is prohibited in the Conservation Area. Introduction of non-native plant or animal species to natural aquatic features is also prohibited. The introduction of fish, particularly predatory fish (such as bass, sunfish, and trout) to otherwise fish-free ponds, is discouraged.

Landowners should recognize that streams benefit from forest cover and shading, and that woody debris in streams and wetlands is an important ecological component. Removal of woody debris from aquatic features should be avoided. Some aquatic features, such as bogs, may require active management, such as shrub removal, to maintain habitats for rare species.

All efforts to control stream bank erosion or any other manipulation of aquatic features require consultation with, and pre-approval from, NALT and may also require government permits.

Aquatic feature conditions will be assessed on each monitoring visit by a NALT representative. If necessary, management suggestions will be outlined in the monitoring report.

VII. Monitoring Policy

Part of the responsibility NALT assumes when it accepts the donation of a Conservation Easement is the perpetual monitoring of the subject property to ensure that the integrity of the Conservation Purposes remains intact. This Baseline Document will provide the basis for the monitoring program. By chronicling the property through photographs, professional reports, and maps an accurate depiction of the property is presented at the time of the donation. This will prove essential to a future NALT representative who can quickly compare data and photographs to determine how the property has changed. Regularly scheduled monitoring visits will also help establish a sound relationship between the landowner and land trust. This is an important ingredient for effective stewardship.

The Monitoring Process:

1. Notify the landowner prior to the monitoring visit and provide them, or their representative, an opportunity to meet and/or accompany you.
2. Review the Baseline Documentation for the property and become familiar with the Restrictions and Reserved Rights clauses in the Conservation Easement.

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3. Survey the property and record any apparent changes since the previous monitoring visit, or discrepancies from the Baseline Documentation. Attempt to take photographs in the same position and location as previous photographs.
4. Communicate with the landowner about the visit and ask if they have questions. Find out if they intend to initiate any Reserved Rights in the immediate future.
5. Draft a report describing the visit and provide to landowner for review and comment.
6. Our monitoring and enforcement program has proven effective in regularly viewing the easement property, enforcing the restrictions, and keeping the landowners informed - which will be done in perpetuity.

It is crucial that the landowner communicate with NALT about any future activities within the Conservation Easement Area. This includes exercising any of the Reserved Rights in Article 4. This will ensure NALT's files remain updated and will avoid any potential misunderstandings during regularly scheduled monitoring visits.

NALT is confident these steps will ensure a harmonious relationship between landowner and land trust while protecting the Conservation Areas. Thank you for your cooperation.

VIII. Mission Statement

The Mission of North American Land Trust is to promote long-term stewardship of our natural and cultural heritage by implementing successful private land conservation projects and promoting innovative land conservation techniques.

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C. NALT IRS Information

North American LAND TRUST

ESTABLISHED TO PRESERVE OUR NATURAL HERITAGE

THE UNDERLYING GOAL OF EACH OF OUR PROJECTS IS TO PROVIDE BENEFIT TO THE PUBLIC WHILE RESPECTING LANDOWNERS' RIGHTS AND ECONOMIC INTERESTS.

Important Tax Information Regarding North American Land Trust

The following information is attached regarding NALT's current status:

Internal Revenue Service – Charitable Status

The IRS notified NALT that it had granted it permanent status on June 25, 1997 as a publicly supported 501 (c) (3) organization as described in section 509 (a)(1) and 170 (b) (1) (A) (vi). The notification is attached to this memorandum. Tax returns (IRS form 990) have been filed annually and are available upon request.

Internal Revenue Service – Employer Identification Number

NALT was assigned an Employer Identification Number on August 28, 1992 (Notification # CP 575 E).

The EIN that was assigned is: [redacted]

A copy of the notification is attached to this memorandum.

Commonwealth of Pennsylvania – Bureau of Charitable Organizations

NALT is registered with the Bureau of Charitable Organizations and has submitted annual reports by the required deadlines.

The registration number is: **0014473**

Auditor's Report

NALT has an annual audit that is performed by the following firm:

O'Connell & Company

[redacted]

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: JUN 25 1997

Employer Identification Number:
[redacted]
DLN:
17053088920007
Contact Person:
D. A. DOWNING
Contact Telephone Number:
[redacted]
Our Letter Dated:
November 1992
Addendum Applies:
No

NORTH AMERICAN LAND TRUST
[redacted]

Dear Applicant:

This modifies our letter of the above date in which we stated that you would be treated as an organization that is not a private foundation until the expiration of your advance ruling period.

Your exempt status under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3) is still in effect. Based on the information you submitted, we have determined that you are not a private foundation within the meaning of section 509(a) of the Code because you are an organization of the type described in section 509(a)(1) and 170(b)(1)(A)(vi).

Grantors and contributors may rely on this determination unless the Internal Revenue Service publishes notice to the contrary. However, if you lose your section 509(a)(1) status, a grantor or contributor may not rely on this determination if he or she was in part responsible for, or was aware of, the act or failure to act, or the substantial or material change on the part of the organization that resulted in your loss of such status, or if he or she acquired knowledge that the Internal Revenue Service had given notice that you would no longer be classified as a section 509(a)(1) organization.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of $100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

You are required to file Form 990 only if your gross receipts each year are normally more than $25,000. For guidance in determining whether your gross receipts are "normally" more than $25,000, see the instructions for Form 990. If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of $10 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed $5,000 or 5 percent of your gross receipts for the year, whichever is less. This penalty may also be charged if a return is not complete, so please be sure your return is complete before you file it.

If we have indicated in the heading of this letter that an addendum applies, the addendum enclosed is an integral part of this letter.

Letter 1050 (DO/CG)

NORTH AMERICAN LAND TRUST

Because this letter could help resolve any questions about your private foundation status, please keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

District Director

ECOVEST-SF_0013369

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
PHILADELPHIA PA 19255

DATE OF THIS NOTICE: 09-28-92
NUMBER OF THIS NOTICE: CP 575 E
EMPLOYER IDENTIFICATION NUMBER: [redacted]
FORM: SS-4 TAX PERIOD: N/A
2820722445 0

FOR ASSISTANCE PLEASE
WRITE TO US AT:

INTERNAL REVENUE SERVICE
PHILADELPHIA PA 19255

BE SURE TO ATTACH THE
BOTTOM PART OF NOTICE

OR YOU MAY CALL US AT:

574-9900 LOCAL PHIL.
1-800-829-1040 OTHER PA

NORTH AMERICAN LAND TRUST
X GAIL CUMMINGS LEVAN
[redacted]

NOTICE OF NEW EMPLOYER IDENTIFICATION NUMBER ASSIGNED

Thank you for your Form SS-4, Application for Employer Identification Number (EIN). The number assigned to you is shown above. It will be used to identify your business account, tax returns and documents, even if you don't have employees.

1. Keep a copy of the number in your permanent records.
2. Use your name and the number exactly as shown above on all Federal tax forms.
3. Use the number on all tax payments and tax-related correspondence or documents.

Using a variation of your name or number may result in delays or errors in posting payments to your account. It also could result in the assignment of more than one Employer Identification Number.

We have established the filing requirements and tax period shown above for your account based upon the information provided. If you need help to determine your required tax year, get publication 538, Accounting Periods and Methods, which is available at most IRS offices.

Assigning an Employer Identification Number does not grant tax-exempt status to nonprofit organizations. Any organization, other than a private foundation, having annual gross receipts normally of $5,000 or less is exempt by statute if it meets Internal Revenue Code requirements. Such organizations are not required to file Form 1023, Application for Recognition of Exemption, or Form 990, Return of Organization Exempt from Income Tax.

However, if your organization wants to establish its exemption and receive a ruling or determination letter recognizing its exempt status, file Form 1023 with the Key District Director. For details on how to apply for the exemption, see Publication 557, Tax-Exempt Status for Your Organization.

Thank you for your cooperation.

Keep this part for your records. CP 575 E (Rev. 8-90)

Commonwealth of Pennsylvania

Department of State
Bureau of Corporations and Charitable Organizations

Certificate of Registration
No. 14473

This is to certify that **North American Land Trust** is registered as a **Charitable Organization** with the Department of State, Bureau of Corporations and Charitable Organizations under The Solicitation of Funds for Charitable Purposes Act, 10 P.S. § 162.1 et seq., and is authorized to solicit charitable contributions under the conditions and limitations set forth under the Act.

This certificate is not to be used as identification, nor does it constitute an endorsement.

Secretary of the Commonwealth

EXPIRATION DATE & AUTOMATIC EXTENSION: 11/15/2015

D. NALT Board Resolution and Minutes

North American LAND TRUST

NORTH AMERICAN LAND TRUST
Board Resolution & Minutes

August 21, 2015

The meeting of the Board of Directors was called to order at 10:06 am. with the following members in attendance: John Halsey, Paul Haldeman, Andy Johnson, Patty Kennedy, and Lee Stephens. A quorum was present. Others in attendance were: Steve Carter, Peter Smith, Lee Echols, Matt Stutzman, Susan Chase Levin and Jamie McVickar.

Excerpt from Minutes of Meeting:

- The Board **approved** the acceptance of a Conservation Easement on Sanibel Resort Conservation Area located in Horry County, South Carolina consisting of approximately 28.53± acres.

The above is a true and correct excerpt of the minutes of the Board Meeting on August 21, 2015.

Andrew L. Johnson
President

[redacted] www.nalt.org

E. Recorded Conservation Easement

North American LAND TRUST

~Sanibel Resort

Conservation Area~

Horry County,
South Carolina

~Recorded Conservation Easement and Declaration of Restrictions & Covenants~

[redacted]

F. Existing Conditions Report

Sanibel I

Biological Assessment
Horry County, South Carolina

Prepared For:
North American Land Trust
[redacted]

Prepared By:
Peter Smith, Conservation Biologist
North American Land Trust
NC Field Office
[redacted]

July, 2015

little brown jug (*Hexastylis arifolia*)

DATES VISITED: 2015-04-29, 2015-04-30

COUNTY: Horry

CONSERVATION AREA SIZE: ± 28.53 acres

LOCATION: Approximate property center: 33°49'58.19"N 78°41'41.85"W

UNITED STATES ECOREGION: EPA Ecoregion Level III: Middle Atlantic Coastal Plain (63); Level IV: Carolina Flatwoods (63h)

WATERSHED: Carolina Coastal-Sampit (USGS Cataloging unit: 03040207)

USGS QUAD: Wampee

GENERAL DESCRIPTION

The Sanibel I conservation property was surveyed during two days in April. On 04/29 Patty Kennedy (NALT) and I begin initial assessments of the tract. The following day, 04/30, I completed the initial site assessment.

Approximately 1,000 linear feet of the property borders the Atlantic Intracoastal Water (AIW). Two thirds or more of the tract is maintained as a manicured field being regularly mowed. The northwestern corner of the property borders a lake that is the result of a past sand mining operation.

The wooded portion of the property is best described as a Nonriverine Wet Hardwood Forest community. Canopy dominants include poplar (*Liriodendron tulipifera*), sweetgum (*Liquidambar styraciflua*), red maple (*Acer rubrum*), American elm (*Ulmus americana*), oaks (*Quercus* spp.), hickories (*Carya* spp.), and others. The subcanopy-shrub layer is quite dense supporting sweet bay (*Magnolia virginiana*), cane grass (*Arundinaria tecta*), pawpaw (*Asimina triloba*), dwarf palmetto (*Sabal minor*), swamp bay (*Persea palustris*), and others. The herb layer ranges from sparse to dense supporting little brown jugs (*Hexastylis arifolia*), Jack in the pulpit (*Arisaema triphyllum*), yellow jessamine (*Gelsemium sempervirens*), sedges (*Carex* spp.), lizards tail (*Saururus cernuus*), and others. The non-native-invasive Japanese honeysuckle (*Lonicera japonica*) is abundant throughout the wooded area. Several small depression ponds were observed in the forested areas. Their origin is unknown but they appear to be a natural feature of the landscape. These are notable as they represent excellent breeding and foraging habitat for a variety of herpetofauna and macoinvertabrate insect species. Numerous frogs were observed during the time of the site assessment.

No man-made structures were observed on the property.

PHYSICAL DESCRIPTION

ASPECT: Site is to flat for meaningful aspect but drains to the south and east
SLOPE: Property drains to the southeast but no meaningful slope present
ELEVATION: Approximately 20'-25'
TOPOGRAPHY: Typical outer coastal plain topography: flat
HYDROLOGY AND MOISTURE: Mesic forested land
GEOLOGY: Qso: Pleistocene: Primarily sand with clay or mud

ANIMAL HABITAT FACTORS

HABITAT HETEROGENEITY: Fairly homogeneous supporting one fair quality natural community (Nonriverine Wet Hardwood Forest)
AMPHIBIAN BREEDING SITES: Occasional. Woody debris in various states of decay and seasonally inundated depressions
DENNING SITES: None noted.
BIG TREES/LARGE CAVITIES: Occasional throughout forested areas.
MAST PRODUCING SPECIES: oaks (*Quercus* spp.), hickories (*Carya* spp.)

AQUATIC HABITAT FACTORS

HYDROLOGY: Property borders the Atlantic Intracoastal Waterway along southeastern property line

RARE, UNCOMMON OR INDICATOR SPECIES

Global, Federal, and State ranking information for rare species is maintained by the State Natural Heritage Program and the US Fish and Wildlife Service. Any rare species discussed in the following text will follow the standardized ranking system. Global ranks are defined thusly: G1 = critically imperiled globally because of extreme rarity (5 or fewer occurrences), G2 = imperiled globally because of rarity (6 to 20 occurrences), G3 = rare or uncommon (localized within range or narrowly endemic to special habitats, generally 20-100 occurrences), G4 = apparently secure, G5 = demonstrably secure, T_ = the rank of a subspecies or variety. State rankings follow the same categories: S1 = critically imperiled in state because of extreme rarity (5 or fewer occurrences), S2 = Imperiled in state because of rarity (6 to 20 occurrences), S3 = rare or uncommon (localized within range or narrowly endemic to special habitats, generally 20-100 occurrences), S4 = apparently secure, S5 = demonstrably secure. Watchlist status is as follows: W1 = rare, but relatively secure, W2 = rare, but taxonomically questionable, W3 = rare, but uncertain documentation, W4 = rare, but believed not native, W5A = rare because of severe decline, W5B = exploited plants, W6 = regionally rare, W7 = rare and poorly known. A "?" after a ranking indicates that the ranking is uncertain. An "X" after state or global designation indicates that the species is presumed extirpated. State Designations: E = Endangered, T = Threatened, SC = Special Concern, SR = Significantly Rare, -L = Limited, -T = Throughout, -D = Disjunct, -P = Peripheral. Federal Designations: LT = Listed Threatened, LE = Listed Endangered, FSC = Federal Species of Concern

SPECIAL STATUS SPECIES PRESENT:

Partners In Flight Species Assessment Database, Species of Regional Importance
Eastern Wood Pewee (*Contopus virens*)
Ruby-throated Hummingbird (*Archilochus colubris*)
Tufted Titmouse (*Baeolophus bicolor*)
Yellow-throated Warbler (*Dendroica dominica*)

POTENTIAL FOR OTHER SPECIAL STATUS SPECIES: Surveys conducted throughout the entire growing season may reveal a few other special status species.

EXOTIC/WEEDY SPECIES: See Plant Species Observed

LANDSCAPE FACTORS

ADJACENT LAND USE/OFFSITE STRESSES: Increasing pressure for suburban sprawl and coastal resort development

RELATION/CONNECTION TO OTHER SITES: Within one airmile of NALT held Long Bay Marina Conservation Area and Carolina Bays Resort Conservation Area.

DEGREE OF THREAT/POTENTIAL FOR CHANGE: Very low other than Reserved Rights documented in the Conservation Easement document.

MANAGEMENT

A Conservation Management Plan will be prepared by the North American Land Trust post biological assessment report and baseline documentation.

PLANT SPECIES OBSERVED

Scientific Name	Common Name	Notes
Acer barbatum	southern sugar maple	
Acer rubrum	red maple	
Alnus serrulata	hazel alder	
Ambrosia artemisiifolia	annual ragweed	
Ampelopsis arborea	peppervine	
Andropogon gerardii	big bluestem	
Arisaema triphyllum	Jack in the pulpit	
Arundinaria tecta	switch cane	
Baccharis halimifolia	eastern baccharis	
Callicarpa americana	American beautyberry	
Carex spp.	sedges	
Carpinus caroliniana	ironwood	

Carya glabra	pignut hickory	
Carya cordiformis	bitternut hickory	
Celtis laevigata	sugarberry	
Eleocharis obtusa	blunt spikerush	
Erigeron pulchellus	robin's plantain	
Eupatorium capillifolium	dog fennel	
Galium sp.	a bedstraw	
Gelsemium sempervirens	yellow jessamine	
Geranium carolinianum	Carolina cranebill	
Firmiana simplex	Chinese parasol tree	non-native/invasive
Hamamelis virginiana	witch hazel	
Hedera helix	English ivy	non-native/invasive
Hexastylis arifolia	little brown jug	
Hydrocotyle umbellata	manyflower marshpennywort	
Hypericum sp.	a St. Johnswort	
Ilex glabra	inkberry	
Ilex vomitoria	yaupon	
Juncus sp.	rush	
Juniperus virginiana	eastern red cedar	
Ligustrum lucidum	glossy privet	non-native/invasive
Liquidambar styraciflua	sweetgum	
Liriodendron tulipifera	tulip tree	
Lonicera japonica	Japanese honeysuckle	non-native/invasive
Lyonia lucida	fetterbush	
Magnolia virginiana	sweetbay	
Myrica cerifera	wax-myrtle	
Nuttallanthus canadensis	Canada toadflax	
Oenethera sp.	a primrose	
Osmundastrum cinnamomeum	cinnamon fern	
Parthenocissus quinquefolia	Virginia creeper	
Persea palutris	swamp bay	
Pinus taeda	loblolly pine	
Polygonum hydropiperoides	swamp smartweed	
Prunus serotina	black cherry	
Quercus michauxii	swamp chestnut oak	
Quercus nigra	water oak	
Quercus phellos	willow oak	
Quercus virginiana	live oak	
Rhus coppalinum	winged sumac	
Rubus sp.	a blackberry	
Rumex acetosella	sheep sorrel	introduced

Sabal minor	dwarf palmetto
Salvia lyrata	lyreleaf sage
Sassafras albidum	sassafras
Saururus cernuus	lizard's tail
Scirpus cyperinus	wool grass
Sisyrinchium atlanticum	Atlantic blue-eyed grass
Smilax bona-nox	saw greenbriar
Smilax rotundifolia	roundleafd greenbriar
Tillandsia usneoides	Spanish moss
Toxicodendron radicans	poison ivy
Triodanis perfoliata	clasping Venus' looking glass
Typha latifolia	broadleaf cattail
Ulmus americana	American elm
Vitis aestivalis	summer grape
Vitis rotundifolia	muscadine grape
Woodwardia areolata	netted chainfern

Description of observed plants can be found at: http://plants.usda.gov/

ANIMAL SPECIES OBSERVED

Common Name	Scientific Name	Notes
Mammal		
Eastern Gray Squirrel	*Sciurus carolinensis*	
Opossum	*Didelphis marsupialis*	tracks
Raccoon	*Procyon lotor*	tracks
Bird		
American Crow	*Corvus brachyrhynchos*	
Barn Swallow	*Hirundo rustica*	
Blue Jay	*Cyanocitta cristata*	
Brown Thrasher	*Toxostoma rufum*	
Cattle Egret	*Bubulcus ibis*	introduced
Common Grackle	*Quiscalus quiscula*	
Eastern Kingbird	*Tyrannus tyrannus*	
Eastern Wood Pewee	*Contopus virens*	
Killdeer	*Charadrius vociferus*	
Little Blue Heron	*Egretta caerulea*	
Mourning Dove	*Zenaida macroura*	
Northern Cardinal	*Cardinals cardinalis*	
Northern Mockingbird	*Mimus polyglottos*	

Redtailed Hawk	*Buteo jamaicensis*
Ruby-throated Hummingbird	*Archilochus colubris*
Tufted Titmouse	*Baeolophus bicolor*
Yellow-throated Warbler	*Dendroica dominica*
Herpetiles	
Green Anole	*Anolis carolinensis*
Green Tree Frog	*Hyla cinerea*
Southern Leopard Frog	*Rana sphenocephala*
Butterflies	
Eastern Tiger Swallowtail	*Papilio glaucus*
Gulf Fritillary	*Agraulis vanillae*
Monarch	*Danaus plexippus*
Orange Sulphur	*Colias eurytheme*
Zabulon Skipper	*Poanes zabulon*
Zebra Swallowtail	*Eurytides marcellus*

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Schafale, M.P. and A.S. Weakley. 2012. Classification of the Natural Communities of North Carolina: 4th Approximation. NC Department of Environment and Natural Resources, Raleigh NC.

Weakley, A.S. 2012. Guide to the Flora of the Carolinas, Virginia, and Georgia (working draft). University of North Carolina, Chapel Hill, NC.

G. Photographic Documentation

North American LAND TRUST

~Sanibel Resort

Conservation Area~

Horry County,
South Carolina

~Photographic Documentation~

Peter Smith,
NALT Conservation Biologist
April 30, 2015

LEGEND:

Subject Property
~28.53 acres

Approximate Direction & Location of Photograph

Photographs taken April 30, 2015 by
Peter Smith, NALT Conservation Biologist

NOTES:
1. Property boundaries from a survey by The Brigman Company, Conway, SC.
2. Aerial photograph from Apollo Mapping; date flown February 20, 2015.
3. Topography digitized from Wampee USGS Quadrangle map; Contour Interval = 5feet.
4. Soils information from USDA - NRCS National Soil Information System Database (NASIS).

NORTH

0 150 300 600 FEET

PHOTOGRAPHIC INDEX MAP

SANIBEL RESORT

HORRY COUNTY, SOUTH CAROLINA

PHOTOGRAPHIC INDEX MAP

North American LAND TRUST

ECOVEST-SF_0013387

Sanibel Resort Conservation Area

PHOTOGRAPHIC DOCUMENTATION Photographs taken by Peter Smith, NALT Conservation Biologist April 30, 2015

Photograph # 1

Photograph # 2

Photograph # 3

Photograph # 4

Photograph # 5

Photograph # 6

Photograph # 7

Photograph # 8

Photograph # 9

Photograph # 10

Photograph # 11: Eliochoris species

Photograph # 12

Photograph # 13

Photograph # 14

Photograph # 15: Small depression pond

Photograph # 16

Photograph # 17: Small depression pond

Photograph # 18: Hexastylis arifolia

Photograph # 19

Photograph # 20

North American LAND TRUST

~Sanibel Resort

Conservation Area~

Horry County,
South Carolina

~Photographic Documentation~

Peter Smith,
NALT Conservation Biologist
November 17, 2015

100 Hickory Hill Road • P.O. Box 467 • Chadds Ford, Pennsylvania 19317 • *phone* (610) 388-8670 • *fax* (610) 388-8673 • *web* www.nalt.org

LEGEND:

Subject Property
~28.53 acres

Approximate Direction & Location of Photograph

Photographs taken November 17, 2015 by
Peter Smith, NALT Conservation Biologist

NOTES:

1. Property boundaries from a survey by The Brigman Company, Conway, SC.
2. Aerial photograph from Apollo Mapping; date flown February 20, 2015.
3. Topography digitized from Wampee USGS Quadrangle map; Contour interval = 5feet.
4. Soils information from USDA - NRCS National Soil Information System Database (NASIS).

NORTH

0 150 300 600 FEET

PHOTOGRAPHIC INDEX MAP

SANIBEL RESORT

HORRY COUNTY, SOUTH CAROLINA

PHOTOGRAPHIC INDEX MAP

North American LAND TRUST

ECOVEST-SF_0013399

Sanibel I Conservation Area

PHOTOGRAPHIC DOCUMENTATION

Photographs taken by Peter Smith, NALT Conservation Biologist

November 17, 2015

Photograph # 1

Photograph # 2

Photograph # 3

Photograph # 4

North American LAND TRUST

~Sanibel Resort Conservation Area~

Horry County,
South Carolina

~Scenic Views~

Andrew Johnson,
NALT President
July 21, 2015

[redacted] www.nalt.org

SANIBEL RESORT

SCENIC VIEWS

The Sanibel Resort, LLC property is highly visible from The Atlantic Intracoastal Waterway providing scenic woodland view to the general public. The Building Zone is set back from the Intracoastal Waterway and it is the intent that native vegetative buffers will be provided as appropriate to protect scenic viewsheds. Removal of vines/invasive species along with forest management will also enhance the scenic views.

The following set of photographs show the views from a variety of scenic views form The Atlantic Intracoastal Waterway; locations of the scenic view points are indicated on aerial photographs.

SCENIC VIEWS *of*

ECOVEST-SF_0013404

SCENIC VIEWS *of*

ECOVEST-SF_0013405

H. Supportive Mapping

North American LAND TRUST

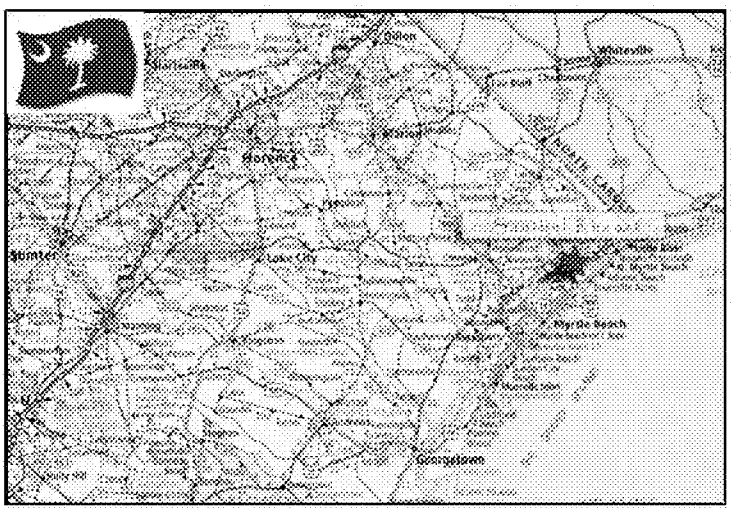
~Sanibel Resort Conservation Area~

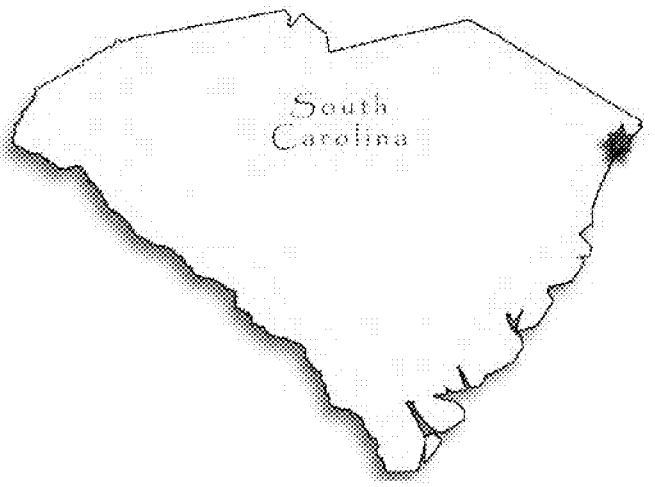
Horry County,
South Carolina

~Supportive Mapping~

1. *Location Map*
2. *Base Map*
3. *Topography*
4. *Soils Map*
5. *Vegetation Map*
6. *Aerial Photograph*
7. *Concept Plan*
8. *Conservation Easement Plan*

[redacted]



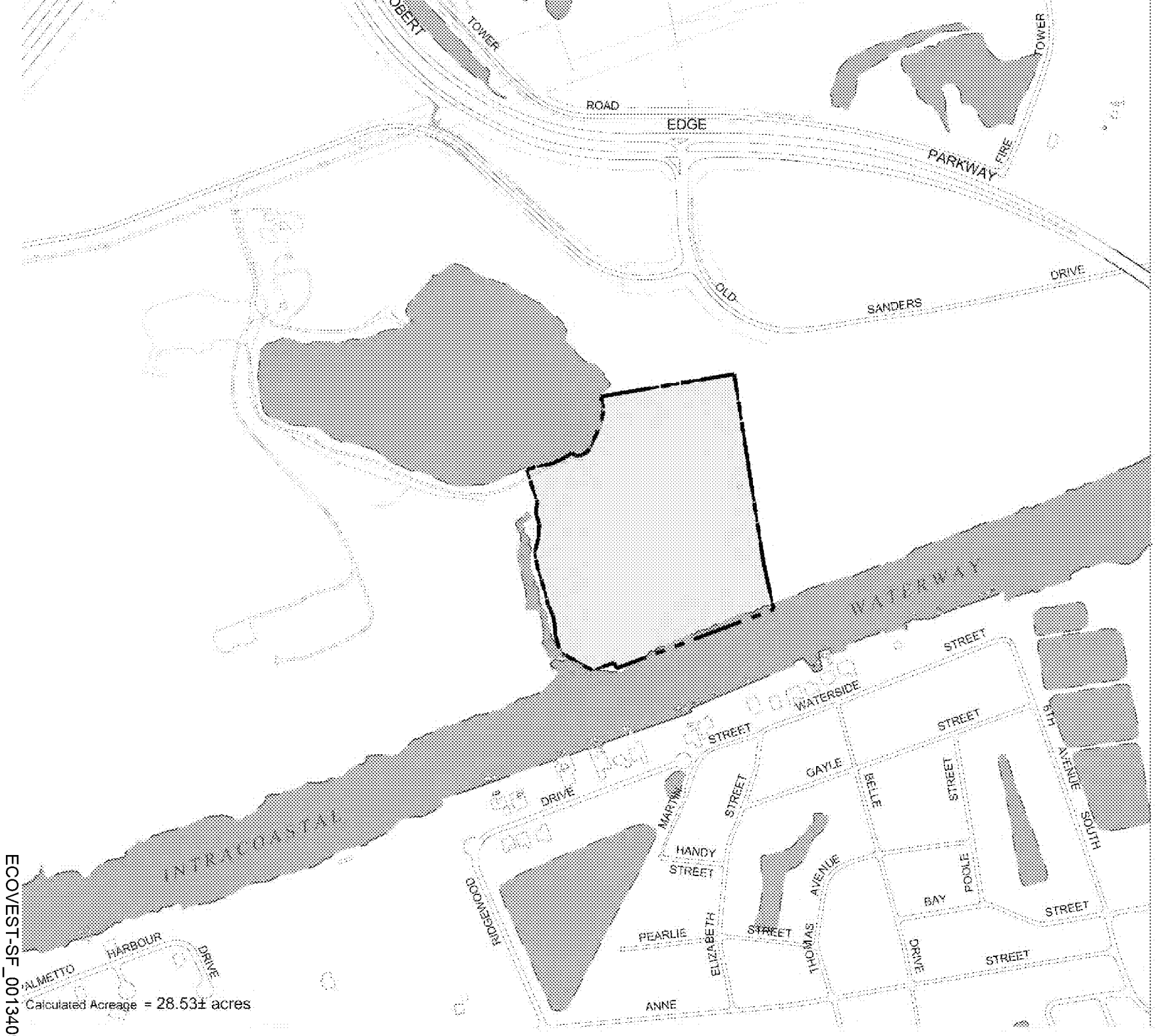


LEGEND

Approximate Location of Property

NORTH

SANIBEL RESORT Horry County, South Carolina	LOCATION MAP	North American LAND TRUST



Calculated Acreage = 28.53± acres

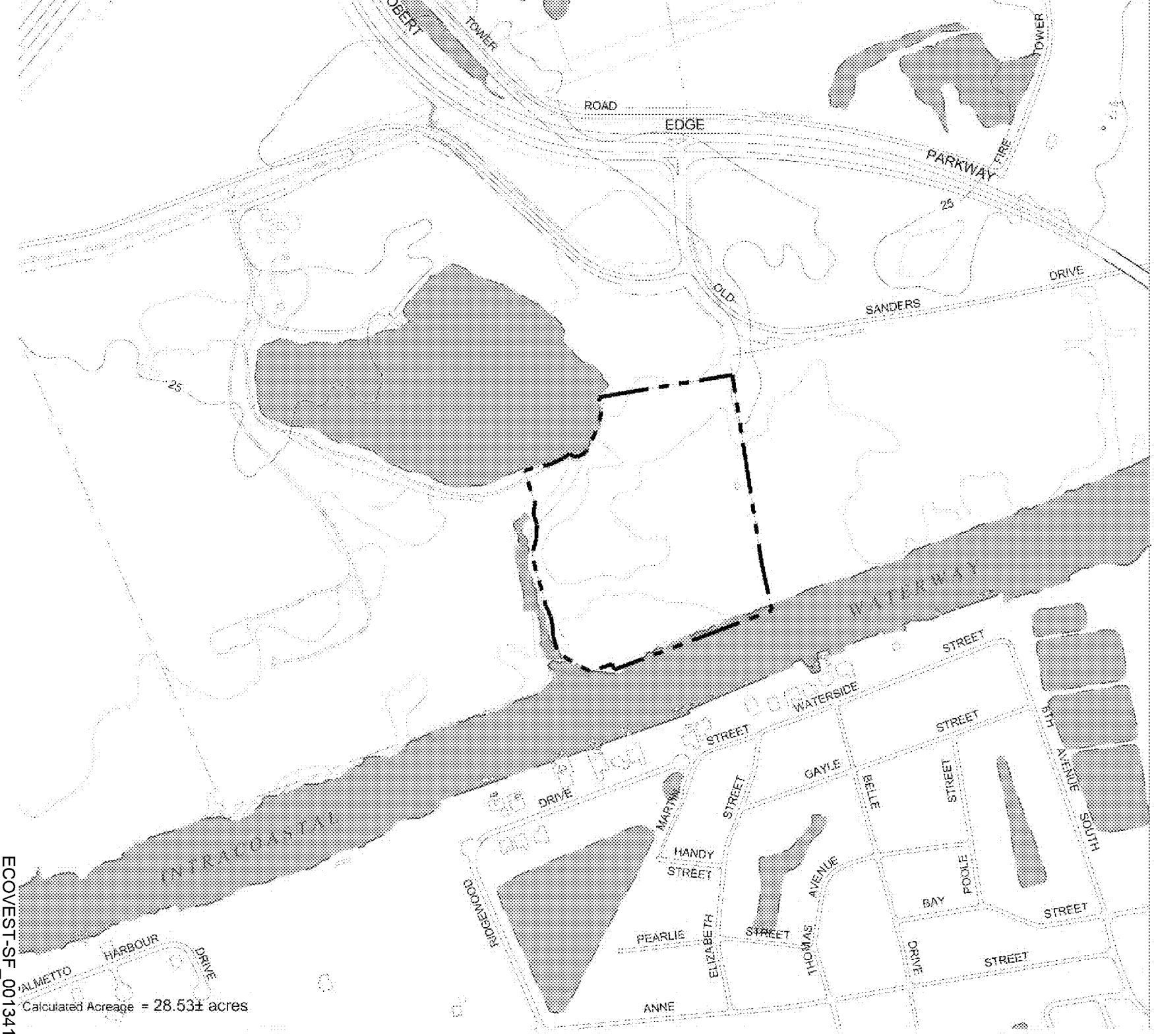
NOTES.

1. Property boundaries from a survey by The Brigman C
2. Aerial photograph from Apollo Mapping; date flown Fe
3. Topography digitized from Wampee USGS Quadrang
4. Soils information from USDA - NRCS National Soil Inf

NORTH

0 100 200 400

ECOVEST-SF_0013409

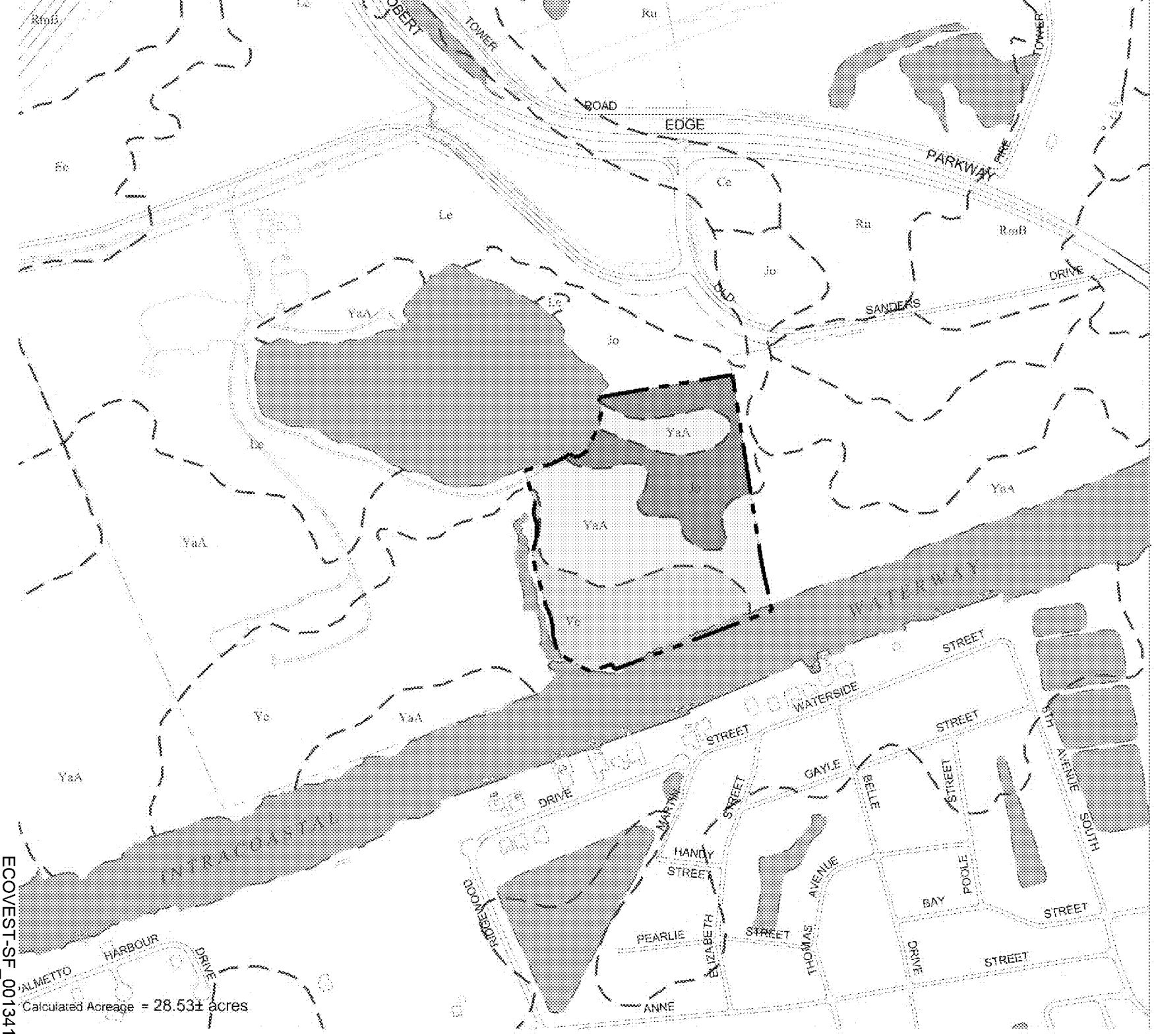


NOTES.

1. Property boundaries from a survey by The Brigman C
2. Aerial photograph from Apollo Mapping; date flown Fe
3. Topography digitized from Wampee USGS Quadrang
4. Soils information from USDA - NRCS National Soil Inf

Calculated Acreage = 28.53± acres

ECOVEST-SF_0013410



Soil Legend:

Jo — Johnston Loam ***

YaA — Yauhannah Fine Sandy Loa
0 to 2% slopes

Ye — Yemassee Loamy Fine San

Soil Notes:
*** denotes Prime Farmland
^ denotes Hydric Soils

NOTES.
1. Property boundaries from a survey by The Brigman C
2. Aerial photograph from Apollo Mapping; date flown Fe
3. Topography digitized from Wampee USGS Quadrang
4. Soils information from USDA - NRCS National Soil Inf

NORTH

0 100 200 400

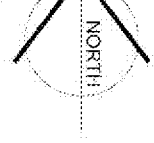
Calculated Acreage = 28.53± acres

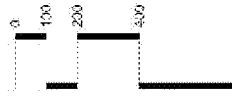
ECOVEST-SF_0013411

VEGETATION MAP

NOTES:

1. Property boundaries from a survey by The Brigman C
2. Aerial photograph from Apollo Mapping; date flown Fe
3. Topography digitized from Wampee USGS Quadrang
4. Soils information from USDA - NRCS National Soil Inf





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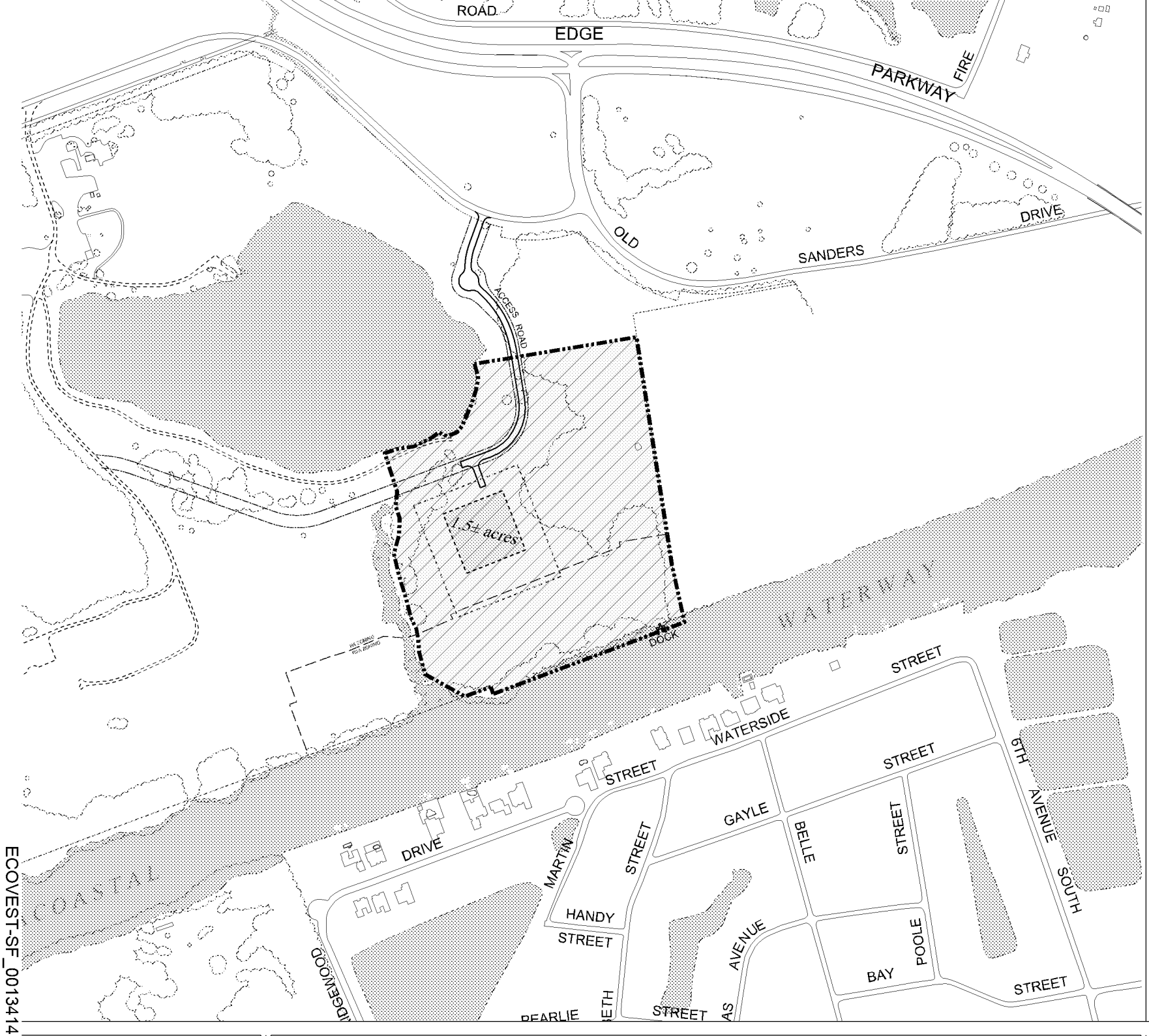

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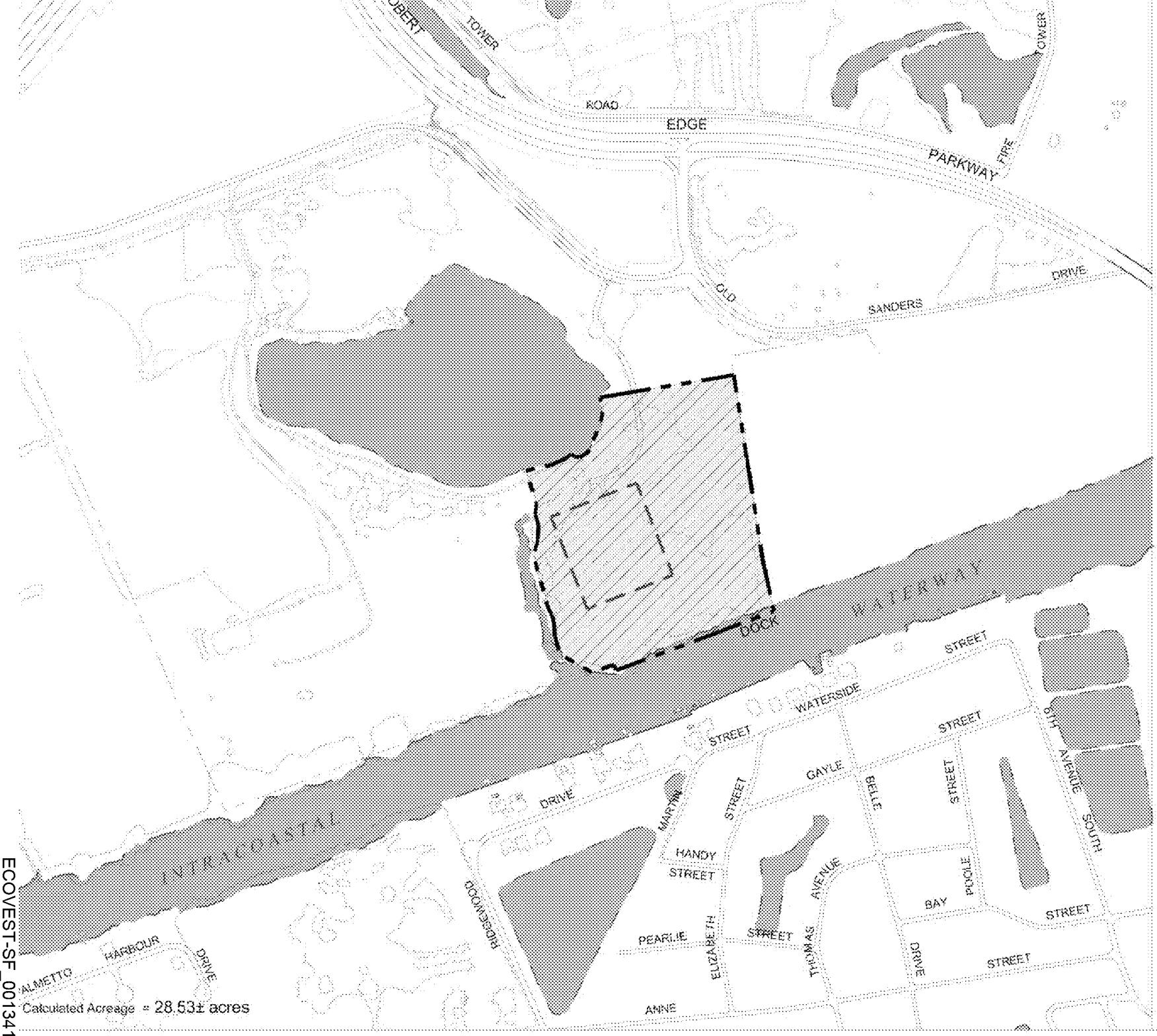


Building Zone @ 5± acres

Conservation Area 28.53± acres

NOTES:

1. Property boundaries from a survey by The Brigman C
2. Aerial photograph from Apollo Mapping, date flown Fe
3. Topography digitized from Wampee USGS Quadrang
4. Soils information from USDA - NRCS National Soil Inf

Calculated Acreage = 28.53± acres

ECOVEST-SF_0013415

North American LAND TRUST

~Baseline Documentation Acknowledgment~

Property: Sanibel Resort Conservation Area

Location: Horry County, South Carolina

By signing below, the Owner and Land Trust certify that they have received and fully reviewed the attached Baseline Documentation in its entirety prior to recordation, and that it is an accurate representation of the physical condition of the Conservation Area to the best of their knowledge.

NORTH AMERICAN LAND TRUST:

Signature: _____

Steven W. Carter, NALT Stewardship Coordinator

Date: 12/22/2015

SANIBEL RESORT, LLC:

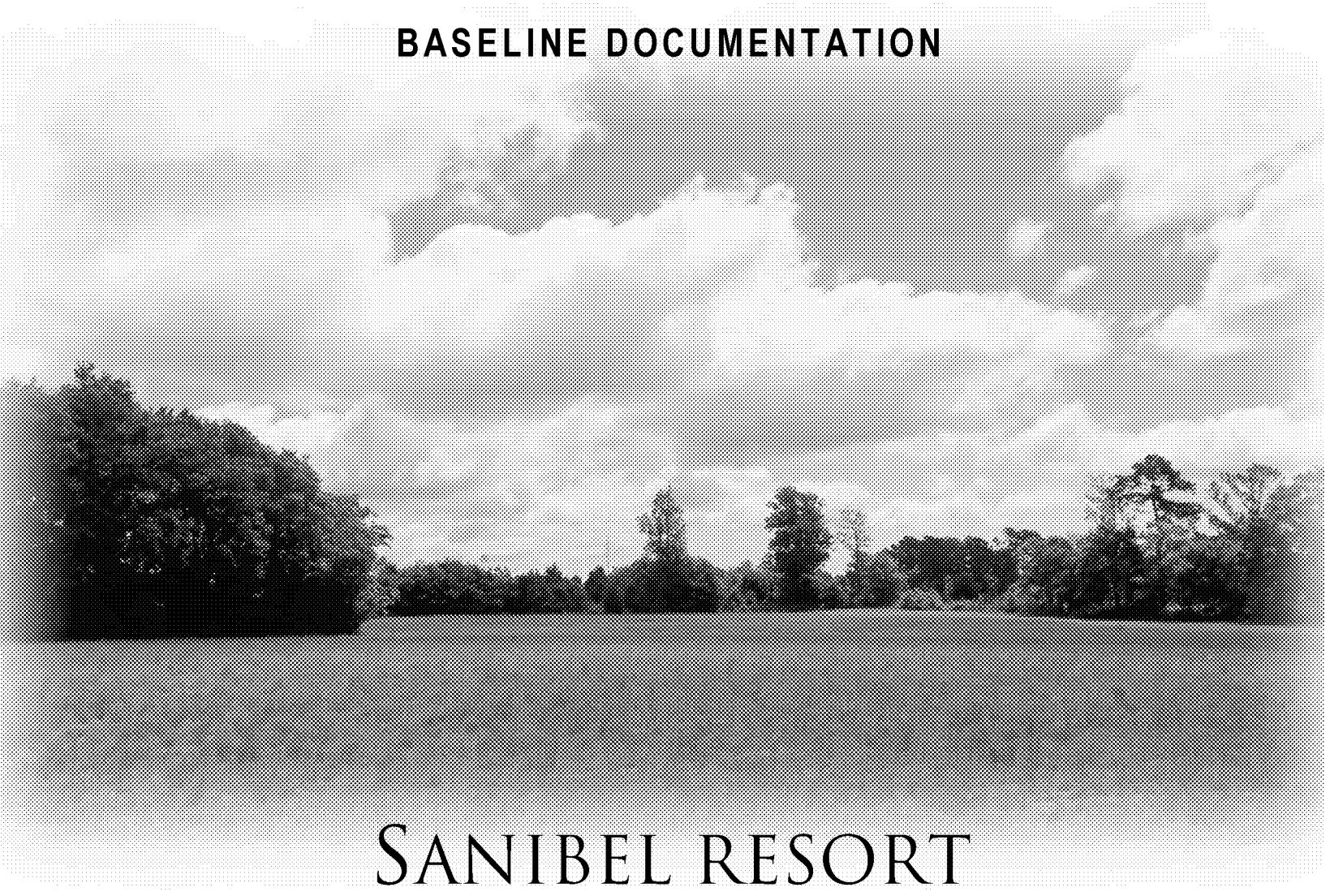
Signature: _____

Date: 12/22/2015

[redacted] web www.nalt.org

North American Land Trust

BASELINE DOCUMENTATION



SANIBEL RESORT

Horry County ❖ South Carolina

North American LAND TRUST

ESTABLISHED TO PRESERVE OUR NATURAL HERITAGE

THE UNDERLYING GOAL OF EACH OF OUR PROJECTS IS TO PROVIDE BENEFIT TO THE PUBLIC WHILE RESPECTING LANDOWNERS' RIGHTS AND ECONOMIC INTERESTS.

IRS Requirements regarding Baseline Documentation

Treasury Regulations 26 C.F.R. § 1.170A-14(g)(5)(i)

(5) ***Protection of conservation purpose where taxpayer reserves certain rights—***

(i) ***Documentation.*** In the case of a donation made after February 13, 1986, of any qualified real property interest when the donor reserves rights the exercise of which may impair the conservation interests associated with the property, for a deduction to be allowable under this section the donor must make available to the donee, prior to the time the donation is made, documentation sufficient to establish the condition of the property at the time of the gift. Such documentation is designed to protect the conservation interests associated with the property, which although protected in perpetuity by the easement, could be adversely affected by the exercise of the reserved rights. **Such documentation may include:**

(A) The appropriate survey maps from the United States Geological Survey, showing the property line and other contiguous or nearby protected areas;

(B) A map of the area drawn to scale showing all existing man-made improvements or incursions (such as roads, buildings, fences, or gravel pits), vegetation and identification of flora and fauna (including, for example, rare species locations, animal breeding and roosting areas, and migration routes), land use history (including present uses and recent past disturbances), and distinct natural features (such as large trees and aquatic areas);

(C) An aerial photograph of the property at an appropriate scale taken as close as possible to the date the donation is made; and

(D) On-site photographs taken at appropriate locations on the property. If the terms of the donation contain restrictions with regard to a particular natural resource to be protected, such as water quality or air quality, the condition of the resource at or near the time of the gift must be established. The documentation, including the maps and photographs, must be accompanied by a statement signed by the donor and a representative of the donee clearly referencing the documentation and in substance saying "This natural resources inventory is an accurate representation of [the protected property] at the time of the transfer."

Purposes of Baseline Documentation as Defined by the Land Trust Alliance

1. Records both the important conservation values and the current conditions of the property.
2. Serves to support qualification for tax benefits and substantiating overall public benefit by describing why the property is being conserved and documenting current conditions.
3. Operates as evidence in future litigation, if it meets court-specific rules for admissibility, and provides a foundation for future monitoring and enforcement activities.
4. Enables land trust staff to identify worthwhile projects, to retain institutional knowledge and to communicate with landowners about stewardship responsibilities.

[redacted]

North American LAND TRUST

~Sanibel Resort

Conservation Area~

Horry County,
South Carolina

~Table of Contents~

A. Baseline Documentation Acknowledgement

B. Baseline Documentation Overview

I. Donor Information
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III. Conservation Purposes
IV. Conservation Values
V. Reserved Rights
VI. Conservation Management
VII. Monitoring Policy
VIII. Mission Statement

C. North American Land Trust IRS Information

D. North American Land Trust Board Resolution & Minutes

E. Recorded Conservation Easement and Declaration of Restrictions & Covenants

F. Existing Conditions Report

G. Photographic Documentation

1. Peter Smith; April 30, 2015
2. Peter Smith; November 17, 2015

H. Supportive Mapping

1. Location Map
2. Base Map
3. Topography
4. Soils Map
5. Vegetation Map
6. Aerial Photograph
7. Concept Plan
8. Conservation Easement Plan

A. Owner Acknowledgment

North American LAND TRUST

~Baseline Documentation Acknowledgment~

Property: Sanibel Resort Conservation Area

Location: Horry County, South Carolina

By signing below, the Owner and Land Trust certify that they have received and fully reviewed the attached Baseline Documentation in its entirety prior to recordation, and that it is an accurate representation of the physical condition of the Conservation Area to the best of their knowledge.

NORTH AMERICAN LAND TRUST:

Signature: _____

Steven W. Carter, NALT Stewardship Coordinator

Date: 12/22/2015

SANIBEL RESORT, LLC:

Signature: _____

Date: 12/22/2015

[redacted] web www.nalt.org

North American LAND TRUST

ESTABLISHED TO PRESERVE OUR NATURAL HERITAGE

THE UNDERLYING GOAL OF EACH OF OUR PROJECTS IS TO PROVIDE BENEFIT TO THE PUBLIC WHILE RESPECTING LANDOWNERS' RIGHTS AND ECONOMIC INTERESTS.

December 1, 2015

Sanibel Resort Conservation Area
Horry County, South Carolina

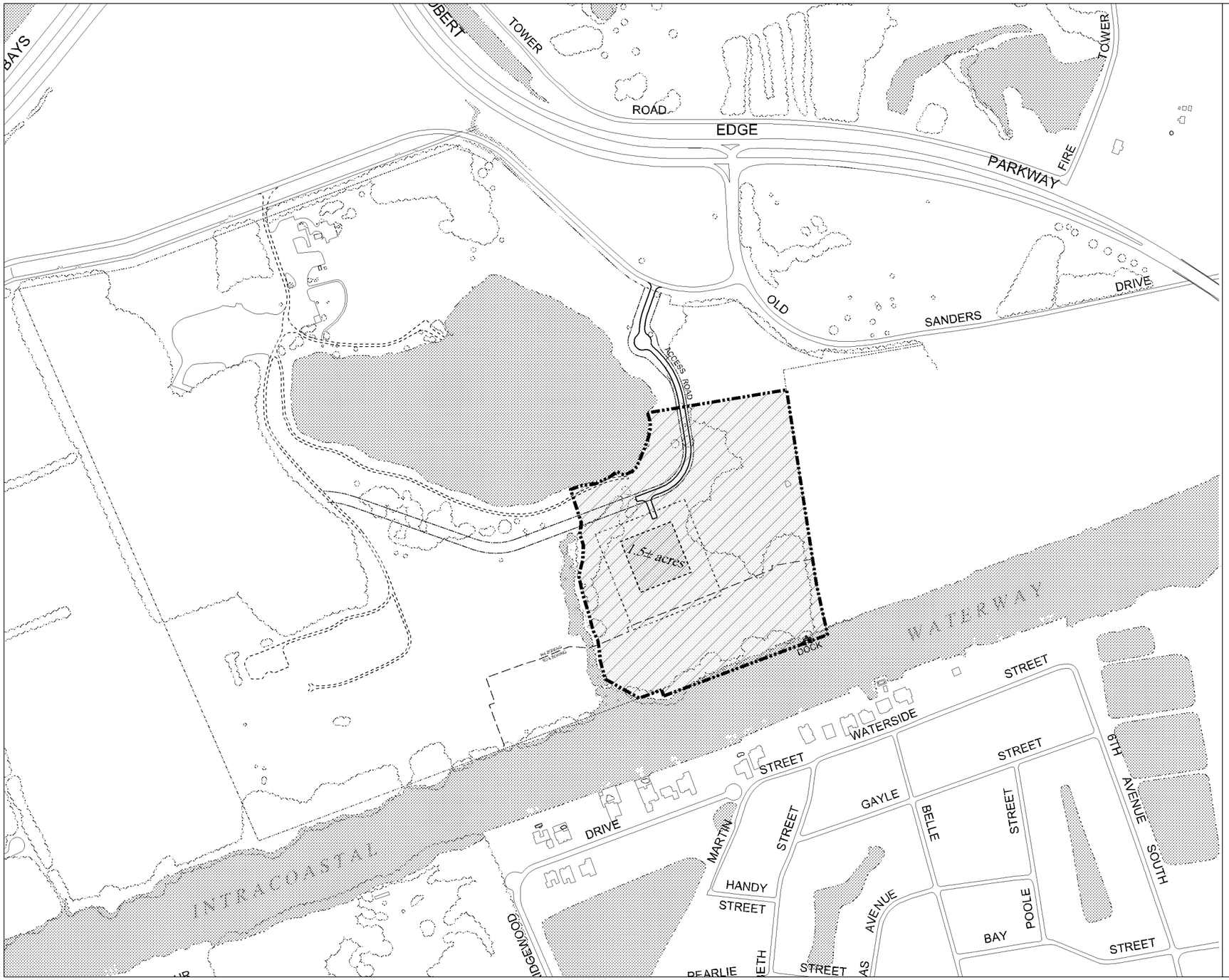
Building Zone Acknowledgement

A ±5 acre "Building Zone" has been established on the Sanibel Resort Conservation Area, as shown on the attached Concept Plan. Please see Section 4.1. and Subsections 4.1.1. - 4.1.6. in the Sanibel Resort Conservation Easement for additional terms, conditions and uses regarding the "Building Zone." The location of the "Building Zone" as shown in the Concept Plan has been carefully considered by NALT's land planning and stewardship staff, and strategically located to avoid adverse impacts to the protected conservation values and purposes.

Andrew L. Johnson
NALT Vice President

Peter Smith
NALT Conservation Biologist

[redacted]



LEGEND:

- Subject Property
- Building Zone @ 5.0± acres
- Building Area @ 1.5± acres
- Conservation Area 28.54± acres

NOTES:

1. Property boundaries from Survey by DDC Engineers, Myrtle Beach, SC.
2. Aerial Photography from Apollo Mapping; date flown February 20, 2015.
3. Contours digitized from USGS Hand Quadrangle Map.
4. Soils information from USDA - NRCS National Soil Information System Database (NASIS).

NORTH

0 100 200 400 800 1200 Feet

CONCEPT PLAN

SANIBEL RESORT

HORRY COUNTY, SOUTH CAROLINA

CONCEPT PLAN

CONCEPT PLAN 5x28.1x.JP

North American LAND TRUST

B. Baseline Documentation Overview

NORTH AMERICAN LAND TRUST

Conservation Easement

Baseline Documentation

~Sanibel Resort

Conservation Area~

Horry County,
South Carolina

~Baseline Documentation Overview~

I. Donor Information

Sanibel Resort, LLC

[redacted]

II. Introduction

The following Baseline Documentation describes the Conservation Values and physical condition of the Sanibel Resort Conservation Area located in Horry County, South Carolina. The Sanibel Resort Conservation Area is comprised of approximately 28.53 acres.

The Sanibel Resort Conservation Area is located immediately north of Myrtle Beach which is one of the most densely developed coastal areas in the state of South Carolina. Approximately 1000 linear feet of the southeastern boundary of the property borders the Atlantic Intracoastal Waterway (AIW) and is highly visible from the AIW. This property and surrounding properties are being encroached upon by intense high density development. Conservation of such properties enhances water quality and protects breeding and foraging habitat for plant and animal species that would otherwise be lost to development.

A ±5 acre "Building Zone" has been established on the Sanibel Resort Conservation Area, as shown on the attached Concept Plan. Please see Section 4.1. and Subsections 4.1.1. - 4.1.6. in the Sanibel Resort Conservation Easement for additional terms, conditions and uses regarding the "Building Zone." The location of the "Building Zone" as shown in the Concept Plan has been carefully considered by NALT's land planning and stewardship staff, and strategically located to avoid adverse impacts to the protected conservation values and purposes.

Please reference the Existing Condition Report, Photographic Documentation, and Supportive Mapping sections of this Baseline Documentation which further describe the Conservation Values of the Sanibel Resort Conservation Area.

III. Conservation Purposes

The IRS Tax Code Section 26 U.S.C. § 170 (h)(4)(a) and 26 CFR § 170A-14(d)(i), has established specific 'Conservation Purposes' that, if perpetually protected through the donation Conservation Easement, could render the donor eligible for a charitable contribution. In particular, the Sanibel Resort Conservation Area satisfies three **(3)** Conservation Purposes:

1. *Preservation of the Conservation Area as a relatively natural habitat of fish, wildlife, or plants or similar ecosystem; and*

2. *Preservation of the Conservation Area as open space which provides scenic enjoyment to the general public and yields a significant public benefit; and*

3. *Preservation of the Conservation Area as open space which, if preserved, will advance a clearly delineated Federal, State or local governmental conservation policy and will yield a significant public benefit.*

IV. Conservation Values

The following 'Conservation Values' document the ecological and environmental significance of the Sanibel Resort Conservation Area. Please reference the Existing Conditions Report, Photographic Documentation, and Supportive Mapping sections of the Baseline Document that examine the Conservation Values of the Conservation Area in greater detail.

- The Conservation Area provides wildlife corridors, breeding habitat, foraging habitat and shelter for at least fifty species of animals.

- The Conservation Area provides the natural ecological requirements for at least one hundred fifty species of plants.

- The Conservation Area supports a Nonriverine Wet Hardwood Forest natural community.

- The Conservation Area supports emergent and forested wetland areas important to amphibian and macroinvertebrate fauna for breeding and foraging.

- The Conservation Area supports at least four bird species considered Species of Regional Importance by the Partners In Flight Species Assessment Database: Eastern Wood Pewee (*Contopus virens*), Ruby-throated Hummingbird (*Archilochus colubris*), Tufted Titmouse (*Baeolophus bicolor*), Yellow-throated Warbler (*Dendroica dominica*).

- The Conservation Area is highly visible from the Atlantic Intracoastal Waterway thus providing scenic natural view to the general public.

The following government conservation policies are supported by the grant of this Conservation Easement and the Conservation Values described above achieve a significant public benefit towards the fulfillment of these conservation policies:

- The Conservation Area helps to fulfill the goals of the South Carolina Forest Legacy Program, including the following specified goals: "protect river systems, wetlands, and their associated upland habitats; reduce forest fragmentation caused by development; provide buffer areas and connectivity to already protected areas; and promote Best Management Practices for forestry".

- South Carolina Code Annotated 48-59-20 et seq., states that "rapid land development and economic growth which has benefited the state's people and economy, but has also led to the loss of forestlands, farmlands, wildlife habitats, outstanding natural areas, beaches and public areas for outdoor recreation; and has impacted the health of the state's streams, rivers, wetlands, estuaries, and bays, all of which impacts the quality of life of the state's current and future citizens and may jeopardize the well-being of the state's environment and economy if not addressed appropriately."

- South Carolina Code Annotated 48-59-20 et seq., also notes that "the protection of open space by acquisition of interests in real property from willing sellers is essential to ensure that the State continues to enjoy the benefits of wildlife habitats, forestlands, farmlands, parks, historical sites, and healthy streams, rivers, bays, and estuaries; for recreational purposes, for scientific study, for aesthetic appreciation, for protection of critical water resources, to maintain the state's position as an attractive location for visitors and new industry, and to preserve the opportunities of future generations to access and benefit from the existence of the state's outstanding natural and historical sites."

- The Horry County Comprehensive Plan sets forth the following public Water Resource needs and goals that are advanced by the conservation of the Conservation Area by this Conservation Easement:

  a) Maintain and improve the surface water quality for all waterbodies located in Horry County.
  b) Maintain and improve water quality in the coastal zone.
  c) Conserve the essential flood reduction, groundwater recharge, pollution filtering, and recreation functions of wetlands.
  d) Recognize the link between land use and water quality, use a combination of regulation and incentives to ensure that new development adequately mitigates its impacts on water quality.
  e) Encourage development techniques which maintain or improve water quality.

- The Horry County Comprehensive Plan sets forth the following public Land Resource needs and goals that are advanced by the conservation of the Conservation Area by this Conservation Easement:

  a) Horry County needs to protect and conserve its forests, agriculture, plant and animal habitat, and urban trees while increasing its preserved open areas, scenic areas and recreational opportunities.
  b) Protect, promote, and enhance, the forestlands of Horry County in a manner consistent with achieving the greatest good for its citizens.
  c) Recognize the fragmentation of the natural landscape that is occurring and take steps to mitigate these effects.
  d) The use of native species should be encouraged whenever possible.

V. Reserved Rights

The Reserved Rights that have been allowed in the Conservation Easement have been carefully reviewed for consistency with the Conservation Purposes and the protection of the Conservation Values. Approval of the Reserved Rights by Holder must be conducted under the notice and review procedure set forth in the Conservation Easement, which assures that the Holder may reject any exercise of the Reserved Rights that fails to protect the Conservation Purposes and the Conservation Values. Consideration of certain Reserved Rights are specifically addressed below:

- Dwellings and other Buildings in Building Zone. Limited improvements and residential use is permitted in the Reserved Rights within a defined "Building Zone". Protection of the Conservation Purposes and the Conservation Values is assured by restrictions on these predetermined locations of disturbance and use. The Holder has a right of prior approval of any such activity. The amount of disturbance has been determined to be *de minimis* compared to the dimensions and context of the Conservation Area.

- Roads and Driveways. These are strictly controlled by Holder and must be reviewed and approved subject to the obligation of the Owner to protect the Conservation Purposes and the Conservation Values.
- Alternative Energy Structures. It is important to address issues of climate change that alternative energy structures be permitted on conserved properties, subject to review and limitations. The Conservation Easement requires that any such structures serve only permitted uses in the Conservation Area and are pre-approved by Holder.
- Buildings. All other buildings are subject to strict size limitations assuring that they are only *de minimis* as compared to the size of the Conservation Area and are subject to approval by the Holder for consistency with the Conservation Purposes and Conservation Values.
- Trails. Trails of various sorts are needed for the proper management and permitted use of the Conservation Area. Accordingly, trails are permitted, but only subject to limitations that will serve to protect the Conservation Purposes and the Conservation Values.
- Water Courses. Dredging, channelizing or other manipulation of previously-altered natural or manmade water courses within the Conservation Area may only be conducted if necessary to maintain wetlands, if any, existing on the Conservation Area, to restore wetlands previously existing on the Conservation Area.
- Subdivision and Allocation of Reserved Rights. Subdivision will have no impact on the legal enforceability of the Conservation Easement on the Conservation Area or any lots created from the Conservation Area. Nevertheless, in order to prevent any impact in the ability of Holder to monitor and enforce the Conservation Area or on the long term stewardship of the Conservation Area, Owner may only subdivide the Conservation Area with prior approval from Holder.
- Existing Structures. Structures existing on the Conservation Area on the date of this Conservation Easement may only be maintained or, in some case, enlarged to limited degree, in order to protect the Conservation Purposes and the Conservation Values.
- Utility Installations. Utilities are necessary for any property to function. However, they are restricted to those necessary to service the permitted uses and the Conservation Easement imposes certain other limitations designed to protect the Conservation Purposes and the Conservation Values, including Holder approval.
- Tree Cutting and Forest Management. Tree harvesting is appropriately limited. Primarily, there are areas where the Conservation Easement prohibits or restricts harvesting and all forestry activity must be done only in accordance with a Forest Management Plan, which must meet the professional standards set forth in the Conservation Easement, as well as Best Management Practices. Failure to do so is an enforceable violation of the Conservation Easement.

VI. Conservation Management

The following section regarding Conservation Management is meant to serve as a general guideline for NALT's Conservation Easements. NALT recognizes that each property has its own unique characteristics and conditions which may utilize a wide variety of Conservation Management techniques that may be absent or deviate from what is described below. Please reference the Existing Conditions Report and recorded Conservation Easement document in this Baseline Documentation for more specific detail regarding Conservation Management on your particular property.

Forest Management

Under most circumstances, the cutting of live trees within the Conservation Area is prohibited. However, some types of forest management activities are permitted and may be deemed necessary on a periodic basis. Permitted activities may include the removal of dead or damaged trees, harvesting personal firewood, and removing exotic (non-native) species, so long as easement restrictions are not violated. For instance, altering topography while constructing new roads to access a stand of damaged trees is not permitted.

NALT's desired outcome of protecting forests within the Conservation Area is to provide habitat for species of viability concern and natural forest conditions that are not otherwise well represented across the landscape. Although such conditions can vary across the landscape, in most cases the desired condition is best described as "old-growth." Such naturally maturing forests are characterized as containing well developed soils and an abundance of woody debris, both standing and fallen, in a variety of types, sizes, and decay classes.

Although the removal of dead or damaged trees is permitted, we encourage landowners and forest managers to recognize the extreme ecological importance of woody debris and undisturbed soils.

NALT recognizes the ecological importance of active forest management activities, such as prescribed burns in appropriate forest types, and encourages such activities when, and where, appropriate by certified individuals. All permitted "stand" level forest management or restoration activities must be pre-approved by NALT and require a management plan drafted by a qualified forester. When forest management is necessary, efforts must be made to avoid damage to soils and aquatic features by heavy machinery and erosion.

Forest conditions will be assessed on each monitoring visit by a NALT representative. If necessary, management suggestions will be outlined in the monitoring report.

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Aquatic Features Management

NALT's desired outcome of protecting aquatic features within the CA is to maintain or enhance water quality, natural hydrology, and aquatic habitats for species of viability concern.

Alteration of natural hydrology, stream channels, wetlands, or other watercourses is prohibited in the Conservation Area. Introduction of non-native plant or animal species to natural aquatic features is also prohibited. The introduction of fish, particularly predatory fish (such as bass, sunfish, and trout) to otherwise fish-free ponds, is discouraged.

Landowners should recognize that streams benefit from forest cover and shading, and that woody debris in streams and wetlands is an important ecological component. Removal of woody debris from aquatic features should be avoided. Some aquatic features, such as bogs, may require active management, such as shrub removal, to maintain habitats for rare species.

All efforts to control stream bank erosion or any other manipulation of aquatic features require consultation with, and pre-approval from, NALT and may also require government permits.

Aquatic feature conditions will be assessed on each monitoring visit by a NALT representative. If necessary, management suggestions will be outlined in the monitoring report.

VII. Monitoring Policy

Part of the responsibility NALT assumes when it accepts the donation of a Conservation Easement is the perpetual monitoring of the subject property to ensure that the integrity of the Conservation Purposes remains intact. This Baseline Document will provide the basis for the monitoring program. By chronicling the property through photographs, professional reports, and maps an accurate depiction of the property is presented at the time of the donation. This will prove essential to a future NALT representative who can quickly compare data and photographs to determine how the property has changed. Regularly scheduled monitoring visits will also help establish a sound relationship between the landowner and land trust. This is an important ingredient for effective stewardship.

The Monitoring Process:

1. Notify the landowner prior to the monitoring visit and provide them, or their representative, an opportunity to meet and/or accompany you.
2. Review the Baseline Documentation for the property and become familiar with the Restrictions and Reserved Rights clauses in the Conservation Easement.

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3. Survey the property and record any apparent changes since the previous monitoring visit, or discrepancies from the Baseline Documentation. Attempt to take photographs in the same position and location as previous photographs.
4. Communicate with the landowner about the visit and ask if they have questions. Find out if they intend to initiate any Reserved Rights in the immediate future.
5. Draft a report describing the visit and provide to landowner for review and comment.
6. Our monitoring and enforcement program has proven effective in regularly viewing the easement property, enforcing the restrictions, and keeping the landowners informed - which will be done in perpetuity.

It is crucial that the landowner communicate with NALT about any future activities within the Conservation Easement Area. This includes exercising any of the Reserved Rights in Article 4. This will ensure NALT's files remain updated and will avoid any potential misunderstandings during regularly scheduled monitoring visits.

NALT is confident these steps will ensure a harmonious relationship between landowner and land trust while protecting the Conservation Areas. Thank you for your cooperation.

VIII. Mission Statement

The Mission of North American Land Trust is to promote long-term stewardship of our natural and cultural heritage by implementing successful private land conservation projects and promoting innovative land conservation techniques.

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C. NALT IRS Information

North American LAND TRUST

ESTABLISHED TO PRESERVE OUR NATURAL HERITAGE

THE UNDERLYING GOAL OF EACH OF OUR PROJECTS IS TO PROVIDE BENEFIT TO THE PUBLIC WHILE RESPECTING LANDOWNERS' RIGHTS AND ECONOMIC INTERESTS.

Important Tax Information Regarding North American Land Trust

The following information is attached regarding NALT's current status:

Internal Revenue Service – Charitable Status

The IRS notified NALT that it had granted it permanent status on June 25, 1997 as a publicly supported 501 (c) (3) organization as described in section 509 (a)(1) and 170 (b) (1) (A) (vi). The notification is attached to this memorandum. Tax returns (IRS form 990) have been filed annually and are available upon request.

Internal Revenue Service – Employer Identification Number

NALT was assigned an Employer Identification Number on August 28, 1992 (Notification # CP 575 E).

The EIN that was assigned is: [redacted]

A copy of the notification is attached to this memorandum.

Commonwealth of Pennsylvania – Bureau of Charitable Organizations

NALT is registered with the Bureau of Charitable Organizations and has submitted annual reports by the required deadlines.

The registration number is: **0014473**

Auditor's Report

NALT has an annual audit that is performed by the following firm:

O'Connell & Company
Certified Public Accountants
[redacted]

106 Hickory Hill Road • P.O. Box 467 • Chadds Ford, Pennsylvania 19317 • phone (610) 388-3670 • fax (610) 388-3673 • web www.nalt.org

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date:
JAN 25 1997

Employer Identification Number:
[redacted]
DLN:
17053088920007
Contact Person:
D. A. DOWNING
Contact Telephone Number:
(513) 241-5199
Our Letter Dated:
November 1992
Addendum Applies:
No

NORTH AMERICAN LAND TRUST
C/O ANDREW JOHNSON
[redacted]

Dear Applicant:

This modifies our letter of the above date in which we stated that you would be treated as an organization that is not a private foundation until the expiration of your advance ruling period.

Your exempt status under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3) is still in effect. Based on the information you submitted, we have determined that you are not a private foundation within the meaning of section 509(a) of the Code because you are an organization of the type described in section 509(a)(1) and 170(b)(1)(A)(vi).

Grantors and contributors may rely on this determination unless the Internal Revenue Service publishes notice to the contrary. However, if you lose your section 509(a)(1) status, a grantor or contributor may not rely on this determination if he or she was in part responsible for, or was aware of, the act or failure to act, or the substantial or material change on the part of the organization that resulted in your loss of such status, or if he or she acquired knowledge that the Internal Revenue Service had given notice that you would no longer be classified as a section 509(a)(1) organization.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of $100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

You are required to file Form 990 only if your gross receipts each year are normally more than $25,000. For guidance in determining whether your gross receipts are "normally" more than $25,000, see the instructions for Form 990. If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of $10 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed $5,000 or 5 percent of your gross receipts for the year, whichever is less. This penalty may also be charged if a return is not complete, so please be sure your return is complete before you file it.

If we have indicated in the heading of this letter that an addendum applies, the addendum enclosed is an integral part of this letter.

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NORTH AMERICAN LAND TRUST

Because this letter could help resolve any questions about your private foundation status, please keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

District Director

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
PHILADELPHIA PA 19255

DATE OF THIS NOTICE: 09-28-92
NUMBER OF THIS NOTICE: CP 575 E
EMPLOYER IDENTIFICATION NUMBER: [redacted]
FORM: SS-4 TAX PERIOD: N/A
2820722445 0

FOR ASSISTANCE PLEASE
WRITE TO US AT:

INTERNAL REVENUE SERVICE
PHILADELPHIA PA 19255

BE SURE TO ATTACH THE
BOTTOM PART OF NOTICE

OR YOU MAY CALL US AT:

574-9900 LOCAL PHIL.
1-800-829-1040 OTHER PA

NORTH AMERICAN LAND TRUST
[redacted]

NOTICE OF NEW EMPLOYER IDENTIFICATION NUMBER ASSIGNED

Thank you for your Form SS-4, Application for Employer Identification Number (EIN). The number assigned to you is shown above. It will be used to identify your business account, tax returns and documents, even if you don't have employees.

1. Keep a copy of the number in your permanent records.
2. Use your name and the number exactly as shown above on all Federal tax forms.
3. Use the number on all tax payments and tax-related correspondence or documents.

Using a variation of your name or number may result in delays or errors in posting payments to your account. It also could result in the assignment of more than one Employer Identification Number.

We have established the filing requirements and tax period shown above for your account based upon the information provided. If you need help to determine your required tax year, get publication 538, Accounting Periods and Methods, which is available at most IRS offices.

Assigning an Employer Identification Number does not grant tax-exempt status to nonprofit organizations. Any organization, other than a private foundation, having annual gross receipts normally of $5,000 or less is exempt by statute if it meets Internal Revenue Code requirements. Such organizations are not required to file Form 1023, Application for Recognition of Exemption, or Form 990, Return of Organization Exempt from Income Tax.

However, if your organization wants to establish its exemption and receive a ruling or determination letter recognizing its exempt status, file Form 1023 with the Key District Director. For details on how to apply for the exemption, see Publication 557, Tax-Exempt Status for Your Organization.

Thank you for your cooperation.

Keep this part for your records. CP 575 E (Rev. 8-90)

Commonwealth of Pennsylvania

Department of State
Bureau of Corporations and Charitable Organizations

Certificate of Registration
No. 14473

This is to certify that **North American Land Trust** is registered as a **Charitable Organization** with the Department of State, Bureau of Corporations and Charitable Organizations under The Solicitation of Funds for Charitable Purposes Act, 10 P.S. § 162.1 et seq., and is authorized to solicit charitable contributions under the conditions and limitations set forth under the Act.

This certificate is not to be used as identification, nor does it constitute an endorsement.

Secretary of the Commonwealth

EXPIRATION DATE & AUTOMATIC EXTENSION: 11/15/2015

D. NALT Board Resolution and Minutes

North American LAND TRUST

NORTH AMERICAN LAND TRUST
Board Resolution & Minutes

August 21, 2015

The meeting of the Board of Directors was called to order at 10:06 am. with the following members in attendance: John Halsey, Paul Haldeman, Andy Johnson, Patty Kennedy, and Lee Stephens. A quorum was present. Others in attendance were: Steve Carter, Peter Smith, Lee Echols, Matt Stutzman, Susan Chase Levin and Jamie McVickar.

Excerpt from Minutes of Meeting:

- The Board **approved** the acceptance of a Conservation Easement on Sanibel Resort Conservation Area located in Horry County, South Carolina consisting of approximately 28.53± acres.

The above is a true and correct excerpt of the minutes of the Board Meeting on August 21, 2015.

Andrew L. Johnson
President

[redacted] web www.nalt.org

E. Recorded Conservation Easement

North American LAND TRUST

~Sanibel Resort

Conservation Area~

Horry County,
South Carolina

~Recorded Conservation Easement and Declaration of Restrictions & Covenants~

[redacted] nalt.org

After recording please return to:
North American Land Trust
[redacted]

NOTICE OF CONVEYANCE
AND TRANSFER PAYMENT
REQUIRED – SEE ARTICLE 7

Instrument#: 2015000160298, DEED BK: 3880 PG: 1524 DOCTYPE: 062 12/22/2015 at 12:51:43 PM, 1 OF 37, EXEMPT, MARION D. FOXWORTH III, HORRY COUNTY, SC REGISTRAR OF DEEDS

PIN: 349-00-00-0041

CONSERVATION EASEMENT
AND
DECLARATION OF RESTRICTIONS AND COVENANTS

THIS CONSERVATION EASEMENT AND DECLARATION OF RESTRICTIONS AND COVENANTS ("Conservation Easement") first executed on December 16, 2015, to be effective on December 22, 2015, is made by and between **SANIBEL RESORT, LLC**, a Delaware limited liability company ("Owner"), having an address of [redacted] and **NORTH AMERICAN LAND TRUST** ("Holder"), a Pennsylvania non-profit corporation having an address of [redacted]

ARTICLE 1. BACKGROUND

1.1 Owner is the owner of all that certain real property (hereinafter called the "Conservation Area") in Horry County, South Carolina that consists of 28.53 acres of land, more or less, as described in the two deeds from Sanibel Harbour, LLC to Owner recorded in the office of the Registrar of Deeds of Horry County on September 3, 2015 as Instrument 2015000114769 at Deed Book 3851, page 1674 and Instrument 2015000114770 at Book 3851, page 1679, said real property being depicted on the plat recorded at Plat Book 267, page 180 in said office as Parcels A, B, D, E.

1.2 Holder is a non-profit corporation, having a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (hereinafter called the "Code"), which has been established as a public charity for the purpose of preserving and conserving scenic landscapes, natural habitats and environmentally sensitive areas and for other charitable, scientific and educational purposes and which is a "qualified organization" under Section 170(h)(3) of the Code (hereinafter a "Qualified Organization").

1.3 Preservation of the Conservation Area by this Conservation Easement shall serve the following purposes pursuant to 26 U.S.C. § 170 (h)(4)(a) and 26 CFR §1.170A-14(d)(i), (the "Conservation Purposes"):

1.3.1 Preservation of the Conservation Area as a relatively natural habitat of fish, wildlife, or plants or similar ecosystem; and

1.3.2 Preservation of the Conservation Area as open space which provides scenic enjoyment to the general public and yields a significant public benefit; and

1.3.3 Preservation of the Conservation Area as open space which, if preserved, will advance a clearly delineated Federal, State or local governmental conservation policy and will yield a significant public benefit.

1.4 The Conservation Purposes and the natural, physical or other characteristics of the Conservation Area that support and justify the Conservation Purposes (which may be hereinafter called the "Conservation Values") have been documented and established in the reports, plans, photographs, and documents assembled by, and retained in the offices of, North American Land Trust (collectively called the "Baseline Documentation"), pursuant to 26 CFR §1.170A-14(g)(5). The Baseline Documentation describes the following Conservation Values of the Conservation Area, among others:

1.4.1 The Conservation Area provides wildlife corridors, breeding habitat, foraging habitat and shelter for at least fifty species of animals.

1.4.2 The Conservation Area provides the natural ecological requirements for at least one hundred fifty species of plants.

1.4.3 The Conservation Area supports a Nonriverine Wet Hardwood Forest natural community.

1.4.4 The Conservation Area supports emergent and forested wetland areas important to amphibian and macroinvertebrate fauna for breeding and foraging.

1.4.5 The Conservation Area supports at least four bird species considered Species of Regional Importance by the Partners In Flight Species Assessment Database: Eastern Wood Pewee (*Contopus virens*), Ruby-throated Hummingbird (*Archilochus colubris*), Tufted Titmouse (*Baeolophus bicolor*), Yellow-throated Warbler (*Dendroica dominica*).

1.4.6 The Conservation Area is highly visible from the Atlantic Intracoastal Waterway thus providing scenic natural view to the general public.

1.5 The following government conservation policies are supported by the grant of this Conservation Easement and the Conservation Values described above achieve a significant public benefit towards the fulfillment of these conservation policies:

1.5.1 The Conservation Area helps to fulfill the goals of the South Carolina Forest Legacy Program, including the following specified goals: "protect river systems, wetlands, and their associated upland habitats; reduce forest fragmentation caused by development; provide buffer areas and connectivity to already protected areas; and promote Best Management Practices for forestry".

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1.5.2 South Carolina Code Annotated 48-59-20 et seq., states that "rapid land development and economic growth which has benefited the state's people and economy, but has also led to the loss of forestlands, farmlands, wildlife habitats, outstanding natural areas, beaches and public areas for outdoor recreation; and has impacted the health of the state's streams, rivers, wetlands, estuaries, and bays, all of which impacts the quality of life of the state's current and future citizens and may jeopardize the well-being of the state's environment and economy if not addressed appropriately."

1.5.3 South Carolina Code Annotated 48-59-20 et seq., also notes that "the protection of open space by acquisition of interests in real property from willing sellers is essential to ensure that the State continues to enjoy the benefits of wildlife habitats, forestlands, farmlands, parks, historical sites, and healthy streams, rivers, bays, and estuaries; for recreational purposes, for scientific study, for aesthetic appreciation, for protection of critical water resources, to maintain the state's position as an attractive location for visitors and new industry, and to preserve the opportunities of future generations to access and benefit from the existence of the state's outstanding natural and historical sites."

1.5.4 The Horry County Comprehensive Plan sets forth the following public Water Resource needs and goals that are advanced by the conservation of the Conservation Area by this Conservation Easement:

(a) Maintain and improve the surface water quality for all waterbodies located in Horry County.
(b) Maintain and improve water quality in the coastal zone.
(c) Conserve the essential flood reduction, groundwater recharge, pollution filtering, and recreation functions of wetlands.
(d) Recognize the link between land use and water quality, use a combination of regulation and incentives to ensure that new development adequately mitigates its impacts on water quality.
(e) Encourage development techniques which maintain or improve water quality.

1.5.5 The Horry County Comprehensive Plan sets forth the following public Land Resource needs and goals that are advanced by the conservation of the Conservation Area by this Conservation Easement:

(a) Horry County needs to protect and conserve its forests, agriculture, plant and animal habitat, and urban trees while increasing its preserved open areas, scenic areas and recreational opportunities.
(b) Protect, promote, and enhance, the forestlands of Horry County in a manner consistent with achieving the greatest good for its citizens.
(c) Recognize the fragmentation of the natural landscape that is occurring and take steps to mitigate these effects.
(d) The use of native species should be encouraged whenever possible.

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1.6 Owner and Holder desire to perpetually accomplish, fulfill and protect the Conservation Purposes and conserve the Conservation Values.

1.7 Owner intends to grant the easement and impose the restrictive covenants on the Conservation Area as set forth in this Conservation Easement to accomplish the Conservation Purposes.

1.8 Owner and Holder intend that this document be a "conservation easement" as defined in the South Carolina Conservation Easement Act of 1991, as amended (the "State Conservation Easement Law"), Sections 27-8-10 et seq. of the South Carolina Code of Laws.

NOW, THEREFORE, for no consideration and as an absolute charitable gift and further in consideration of the above premises, the mutual covenants, terms, conditions, restrictions, and promises contained in this Conservation Easement, and intending to be legally bound hereby, Owner hereby voluntarily, unconditionally and absolutely grants and conveys unto Holder, its successors and assigns, the easements, covenants, prohibitions, and restrictions set forth in this Conservation Easement, in perpetuity, to accomplish the Conservation Purposes. Holder hereby accepts the grant of such easement and the right to enforce such covenants, prohibitions and restrictions and agrees to hold such easements and rights exclusively for the Conservation Purposes and to enforce the terms of the covenants, prohibitions and restrictions set forth in this Conservation Easement.

ARTICLE 2. GRANT OF EASEMENT

Owner hereby voluntarily, unconditionally and absolutely grants and conveys unto Holder, its successors and assigns, a perpetual conservation easement and easement in gross over the Conservation Area for the purpose of preserving and protecting the Conservation Purposes and enforcing the restrictive covenants set forth below. In addition, Owner hereby grants and conveys unto Holder, its successors and assigns, pursuant to 26 CFR §1.170A-14(g)(5)(ii), the easement and right of Holder and its agents to enter upon and inspect the Conservation Area for compliance with this Conservation Easement at any time and from time to time. Holder shall make a reasonable effort to give Owner notice of any such entry and inspection at least seven (7) days in advance, except in instances when Holder reasonably suspects or knows of a violation of this Conservation Easement.

ARTICLE 3. OWNER'S DECLARATION OF COVENANTS AND RESTRICTIONS

Owner, for Owner and Owner's successors and assigns, covenants and declares that the Conservation Area shall be, and hereby is, bound by and made subject to the following covenants and restrictions in perpetuity, SUBJECT TO AND EXCEPTING however the Reserved Rights which are reserved to Owner and Owner's successors and assigns, as set forth in Article 4 of this Conservation Easement:

3.1 Use Restrictions. The Conservation Area shall not be used for a residence or for any commercial, institutional, industrial or agricultural purpose or purposes. Among the uses

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prohibited by the preceding sentence are, without limiting the meaning or interpretation of the preceding sentence, any of the following: (1) construction or occupancy of any dwellings; (2) manufacture or assembly of any products, goods, equipment, chemicals, materials or substances of any kind or nature whatsoever; (3) sale of any products, goods equipment, chemicals, materials, substances or services of any kind or nature whatsoever; (4) storage of any products, goods, equipment, chemicals, materials or substances of any kind or nature, except if stored for use upon the Conservation Area in connection with activities not prohibited by this Conservation Easement; and (5) offices for persons involved in the sale, manufacture or assembly of goods or services or for the performance of services.

3.2 Structures Prohibited. No Structure (hereinafter defined) of any kind shall be built, erected, installed, placed, affixed or assembled within or upon the Conservation Area or upon any trees or other natural features upon the Conservation Area. "Structure" shall mean any assembly of material forming a construction for occupancy or use for any purpose and erected upon or attached to the ground including, for example but not to limit the foregoing definition, the following: building; platform; shed; bin; shelter; dam; dike; tower; tank; antenna; bulkhead; or paved, stone or concrete street, driveway or vehicle parking area.

3.3 Removal of Ground or Surface Water from Conservation Area. No ground or surface water from the Conservation Area shall be removed, collected, impounded, stored, transported, diverted or otherwise used for any purpose or use outside the Conservation Area unless approved by Holder in its sole discretion without obligation to do so nor for any purpose or use within the Conservation Area that is prohibited by this Conservation Easement.

3.4 Roads, Driveways, Etc. There shall not be constructed, cut, created or placed on the Conservation Area any road, driveway, cartway, path or other means or right of passage across or upon the Conservation Area. No road, driveway, cartway, path or other means or right of passage located on the Conservation Area shall be used for access to any use (whether or not upon the Conservation Area) which is prohibited by this Conservation Easement.

3.5 Live Trees. No cutting, removal or destruction of live trees shall be permitted upon or within the Conservation Area.

3.6 Signs and Similar Structures. No signs, billboards or outdoor advertising structures shall be placed, erected or maintained within the Conservation Area.

3.7 Land Disturbance; Mineral Extraction. There shall be no filling, excavating, dredging, surface mining, drilling or any removal of topsoil, sand, gravel, rock, peat, gas, oil, coal, other minerals or other materials, upon or from the Conservation Area; provided however that this Conservation Easement shall not prohibit production of natural gas, oil and accompanying liquids from beneath the Conservation Area provided that (a) only horizontal or similar drilling methods from surface locations not within the Conservation Area are used; (b) within the Conservation Area no surface mining or drilling methods

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are used, and no pipeline construction, equipment or water storage, or other land disturbance occurs; (c) no visible or discernible impact on the surface of the Conservation Area occurs; (d) no methods shall be permitted which enter or interfere with the water bearing zones under the Conservation Area; and (e) any impact upon the biological, aquatic, hydrologic or other natural resources of the Conservation Area is prohibited.

3.8 Dumping and Pollution. There shall be no dumping of ashes, trash, garbage, or any other unsightly or offensive materials at any place on, under or within the Conservation Area. There shall be no discharge of chemicals, waste water or other pollutants onto the Conservation Area or into any permanent or intermittent water course within the Conservation Area.

3.9 Change of Topography. There shall be no change in the topography of the Conservation Area by any means or method.

3.10 Water Courses. There shall be no dredging, channelizing or other manipulation of natural water course or of any other water course existing within the Conservation Area as of the date of this Conservation Easement except that manmade drainage swales, ditches or storm water management facilities may be dredged or otherwise altered for maintenance purposes or to maintain its function for its intended purpose on the date of this Conservation Easement.

3.11 Wetland and Riparian Protection Area.

3.11.1 "Wetland and Riparian Protection Area" shall mean that part of the Conservation Area that lies within, or within 100 feet of: (a) any body of water or permanent or intermittent watercourse (including but not limited to any lake or pond, but excluding manmade storm water swales or ditches not fed by a spring, pond or other natural source) as defined by its banks or the mean water elevation as Holder deems relevant and appropriate in the circumstances; or (b) any wetland under the regulatory jurisdiction of the federal or state government; but does not include any area within a Building Zone (hereinafter defined).

3.11.2 There shall be no clearing, cutting or removal of live or dead trees, other clearing or removal of vegetation, clearing or removal of leaf litter or other natural detritus, or digging, earth movement or other alteration of the earth surface or topography within the Wetland And Riparian Protection Area, except that areas within the Wetland And Riparian Protection Area that are predominantly in grasses on the date of this Conservation Easement may be mowed.

3.11.3 Owner shall be responsible for ascertaining the boundaries of the Wetland And Riparian Protection Area, at Owner's expense, in consultation with Holder, before undertaking any action that is or may be prohibited in the Wetland And Riparian Protection Area. If the banks of a water course are not clearly defined then Holder shall, in its reasonable discretion, establish a line of the mean water elevation to substitute for that purpose upon request by Owner, relying on available topographic, hydrologic information, and other maps and relevant

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information. Owner shall bear the expense of any survey or field work necessary to establish the line.

3.11.4 Any approvals by Holder of Reserved Rights to be conducted within the Wetland And Riparian Protection Area, if permitted under this Conservation Easement subject to approval by Holder, shall be granted by Holder only if Holder concludes that the Reserved Rights shall have no material adverse effect on the habitat within the Wetland And Riparian Protection Area and thus on the Conservation Values and Conservation Purposes pertaining to the Wetland And Riparian Protection Area.

3.12 Soil Erosion and Sedimentation Control. All activity on the Conservation Area shall be conducted so as to avoid the occurrence of soil erosion and sedimentation of streams or other water courses. Without limitation of the foregoing, Owner and Holder shall, in identifying practices that will prevent soil erosion and sedimentation, refer to the soil conservation practices as then established or recommended by the Natural Resources Conservation Service of the United States Department of Agriculture or any successor governmental office or organization performing the same function within the United States government, as approved by Holder.

3.13 Non-Native Plant Species. There shall be no introduction of plant species within the Conservation Area except those that are native to the area in which the Conservation Area is located or that are recognized as non-invasive horticultural specimens or fruit orchard trees.

3.14 Transfers of Development Rights or Development Density Credits. The Conservation Area may not be used as open space for purposes of obtaining or qualifying for governmental approval of any subdivision or development on lands outside the boundaries of the Conservation Area nor, without limitation of the foregoing, may the Conservation Area be used in the calculation of the amount or density of housing units or other construction for development or other impervious ground coverage on lands outside the boundaries of the Conservation Area or for sale by Owner.

3.15 No Subdivision. There shall be no subdivision or other division of the Conservation Area into one or more lots, tracts or parcels of land under separate ownership.

3.16 Notice of Exercise of Reserved Rights. As required by 26 C.F.R. § 1.170A-14(g)(5)(ii), Owner shall notify Holder in writing before exercising any Reserved Right that may impair the conservation interests associated with the Conservation Area.

3.17 Preservation of Conservation Area. The parties recognize that this Conservation Easement cannot address every circumstance that may arise in the future, and the parties agree that the purpose of this Conservation Easement is to preserve the Conservation Values of the Conservation Area and to fulfill the Conservation Purposes in accordance with 26 U.S.C. § 170(h). Without limiting the preceding covenants and restrictions, and in fulfillment of the requirements of 26 CFR §§1.170A-14(g)(i) and 170A-14(e)(2), any right, use or activity which is not reserved in Article 4 of this Conservation Easement and

which is inconsistent with the Conservation Purposes or which materially threatens the Conservation Purposes is prohibited.

3.18 Restrictions Cumulative. The prohibitions and restrictions in this Conservation Easement shall be considered cumulative. No prohibition or restriction contained herein shall be interpreted as a limitation on the meaning, effect, interpretation or enforceability of another prohibitive or restrictive provision.

ARTICLE 4. RESERVED RIGHTS

Owner reserves for Owner and Owner's successors and assigns who may now or hereafter be an owner of all or part of the Conservation Area the rights set forth in this Article 4 (the "Reserved Rights"). Owner and Holder intend that these Reserved Rights and the activities and uses which are described below as the Reserved Rights are exceptions to the prohibitions and restrictions set forth in Article 3 and, hence, may be conducted as described below without having an adverse effect on the Conservation Purposes; except, however, that none of the Reserved Rights shall supersede the protections of the Wetland And Riparian Protection Area set forth in Article 3 except with the approval of Holder which may be given or withheld in its discretion. A Reserved Right to "construct" a Structure or other improvement shall include the right to maintain, repair, replace, use, and occupy such Structure or improvement for the purpose and within the limitations stated in this Article.

4.1 Buildings in Building Zone.

4.1.1 Subject to the limitations in this Section, within the area described as the "Building Zone" in Exhibit "A" attached to and incorporated in this Conservation Easement (the "Building Zone"), Owner may construct: (a) either one Residence (hereinafter defined) or one Resort Residential Building (hereinafter defined) but not both and (b) one Recreational Building (hereinafter defined).

4.1.2 "Residence" shall mean single family dwelling. The single family dwelling and all Structures customarily accessory to residential use, such as a shed, kennel, garage, gazebo, septic system, well, or swimming pool, which are also permitted, shall be constructed within a Building Area (hereinafter defined) to be identified and located within the Building Zone as provided below. Use of the Residence may include, without limitation, customary home occupations such as an office for a home-based business or a craft business such as furniture making, provided that the business is actively operated by one or more of the residents of the permitted dwelling and that the business use does not occupy more than one half of the space within the buildings in the Building Area in which the business use is contained.

4.1.3 "Resort Residential Building" shall mean a building containing no more than one kitchen and up to 12 bedrooms, for use by any persons, whether or not for compensation, as the Owner may choose. The Resort Residential Building shall be constructed within a Building Area to be identified and located within the

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Building Zone as provided below. The parking area for the Resort Residential Building shall be located within the Building Area.

4.1.4 A "Recreational Building" shall mean one building having up to 2,500 square feet in ground coverage area for use in recreational activities and social gatherings and that may contain a kitchen but shall have no bedrooms or similar living accommodations nor be used for a hotel, lodging, residence or other place of human habitation. The Recreational Building shall be within the Building Zone in the location approved by Holder, but need not be within the Building Area.

4.1.5 A "Building Area" shall mean and be identified and located, with Holder's approval, as follows:

(a) The Building Area shall be no more than one and one-half (1.5) acres in area and shall be located entirely within the Building Zone.

(b) The location and dimensions of the Building Area and the permitted roads and driveways serving the Building Area shall have been reviewed and approved by Holder.

(c) The description of the Building Area and, when approved by Holder, acknowledgment of the review and approval of the Building Area by Holder shall be set forth in a written document, signed by duly authorized officers of Holder and by Owner, which shall be recorded in the same place of public record in which this Conservation Easement was recorded.

4.1.6 In addition to the foregoing permitted uses, within a Building Zone Owner may:

(a) remove vegetation and perform grading to the extent reasonably necessary to facilitate the construction and use of the buildings and other Structures permitted in this Section;

(b) install landscaping and other vegetation (including ornamental gardens) and irrigation system;

(c) construct storm water drainage systems; and

(d) install roads, driveways, utilities, and walkways.

(e) Any permitted clearing or construction shall be done so as to minimize the impact on surrounding vegetation, and shall be done in accordance with best management practices.

4.2 Road and Driveway. Owner may construct a road and driveway for access to the Building Zone and the Building Area within the Building Zone in a location or locations approved by Holder. Parking areas shall be located only within a Building Area. The width of the road and driveway and any area of land disturbance, grading or tree removal

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for such driveway shall be no greater than the minimum necessary to meet any legal requirements or, to the extent no legal requirements apply or are lawfully waived, the minimum practicable consistent with sound engineering techniques and methods.

4.3 Alternative Energy Structures. Owner may construct Structures to generate energy for the conduct of any of the permitted activities in the Conservation Area, provided that the energy is derived from a natural source such as solar or wind energy, substantially all of the energy produced is consumed on the Conservation Area for the permitted uses and not sold or otherwise transferred for use off of the Conservation Area, and the location and appearance of any such Structures are approved by Holder.

4.4 Picnic Shelters and Areas. Owner may construct, within or outside of the Building Zone, in locations approved by Holder, roofed shelters for outdoor picnicking and similar outdoor recreation uses provided they are open, without walls, on at least three sides and that the aggregate ground coverage area of all such shelters shall not exceed 2,500 square feet for all shelters. Owner may construct picnic tables and benches, charcoal cooking grills, fire pits or rings, and similar Structures commonly associated with outdoor picnicking and similar outdoor recreation. This ground coverage limitation shall not apply to such buildings within a Building Area.

4.5 Buildings for Storage. Owner may construct, within or outside of the Building Zone, in locations approved by Holder, buildings for storage of equipment and materials used in the maintenance of the Conservation Area, also commonly referred to as a shed or barn, provided that the aggregate ground coverage area of all such buildings shall not exceed 2,000 square feet in locations approved by Holder. This ground coverage limitation shall not apply to such buildings within a Building Area.

4.6 Unpaved Vehicle Trails. Owner may also construct unpaved vehicle trails for limited vehicular access to the areas of the Conservation Area otherwise inaccessible by vehicle for use in maintenance, emergency access, and other permitted uses of the Conservation Area if the following requirements and conditions are satisfied: (a) the surface of such trails shall remain pervious (such as dirt or gravel); (b) such trails shall be located, to the extent possible, in the path of forestry roads existing on the date of this Conservation Easement; (c) the width of the area cleared for such trails shall not exceed that which is necessary for a single lane of vehicular traffic; (d) and such trails shall be otherwise constructed in a manner to avoid unnecessary tree removal and land disturbance; (e) if such trails require any grading or change in topography, then such grading shall blend into the natural topography of the Conservation Area, shall control erosion, and shall be of a design and location approved, in advance, by the Holder in its discretion; and (f) Holder approves the proposed service vehicle trail based on the foregoing requirements.

4.7 Trails and Raised Walkways. Owner may construct trails or paths for nature education and outdoor recreation purposes if the following requirements and conditions are satisfied: (a) the surface of the trail shall remain pervious (such as dirt, wood chips or gravel); (b) the trail shall be located, to the extent possible, in the path of a trail or forestry road existing on the date of this Conservation Easement; (c) the width of the area cleared and improved for the trail shall not exceed that which is necessary for pedestrian

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or equestrian use; and (d) the trail shall be otherwise constructed in a manner to avoid unnecessary tree removal, grading and other land disturbance. Owner may construct raised walkways (but not bridges or similar structures for motor vehicle use) for access to any or all of the land within the Conservation Area if the following requirements and conditions are satisfied: (a) it can be demonstrated to Holder that it is not feasible to use any existing walkway or pathway or to improve any existing walkway or pathway for such access purpose; (b) Owner shall comply with all other covenants and restrictions of this Conservation Easement; and (c) Holder approves the proposed walkway based on the foregoing requirements.

4.8 Permitted Work within a Wetland And Riparian Protection Area. Owner may, with the approval of Holder, dredge or otherwise manipulate previously-altered natural or manmade water courses within the Wetland And Riparian Protection Area or perform work, including the removal of vegetation or disturbance of land, within the Wetland And Riparian Protection Area if necessary to (a) maintain wetlands existing on the Conservation Area, (b) restore wetlands previously existing on the Conservation Area, or (c) restore natural stream channel morphology and natural wetland hydrology.

4.9 Participation in Ecological Programs. Owner may participate in, and retain revenue from, future conservation, preservation, or mitigation programs involving ecological assets, including but not limited to, carbon sequestration credits, wetland and stream credits, endangered species credits, water quality credits, and ground water credits, located within the Conservation Area, even if protected by this Conservation Easement, so long as (a) such participation does not require any use or action upon the Conservation Area that is prohibited by this Conservation Easement (nor is any such use or action permitted by this Section); (b) any approval by Holder required by this Conservation Easement for any use or action permitted by this Conservation Easement is obtained; (c) the uses and the Conservation Purposes that are intended to be protected by this Conservation Easement remain protected as provided in this Conservation Easement; and (d) notice is provided to Holder at least 30 days before Owner enters into any agreement by which Owner will be legally obligated to participate in any such program.

4.10 Subdivision and Allocation of Reserved Rights. Owner may, with prior approval from Holder, subdivide the Conservation Area into lots for separate conveyance and ownership. Holder's review and decision whether to approve subdivision shall take into consideration the effect of the proposed lot boundaries and intended transfer upon the Conservation Purposes, the lot size and combination with any Structure or Reserved Rights that would be most likely to promote the long term care, maintenance and stewardship of the Conservation Area, and the burdens of monitoring and enforcing this Conservation Easement. Holder shall cooperate with Owner to identify at least one subdivided lot for the Residence permitted within the Building Zone with boundaries acceptable consistent with the foregoing considerations. Subdivision shall result in no addition to or other amendment of the Reserved Rights and any parcel subdivided from out of the Conservation Area shall remain under and subject to this Conservation Easement. Owner acknowledges that, if the Conservation Area is subdivided, Reserved Rights which are limited in number or area must be allocated between the lots resulting

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from such subdivision. In connection with any subdivision or partition of the Conservation Area by any means, the following procedures shall apply:

4.10.1 Owner shall allocate, but not increase, such Reserved Rights between or among the lots resulting from such subdivision. Such allocation shall be set forth in a document which shall be subject to review and approval by Holder and which shall be recorded in the place of public record in which this Conservation Easement has been recorded before any conveyance of an interest in the lots resulting from such subdivision. Such allocation shall specifically identify, with respect to number or the allowable ground coverage, how much of the unused coverage or other Reserved Rights permitted by this Conservation Easement will be allocated to the respective lots.

4.10.2 If Owner fails to make such allocation in a written document for such purpose before conveying title to or any beneficial interest in any of the lots resulting from such subdivision, then the Reserved Rights, whether or not built, shall be allocated proportionately among the lots resulting from such subdivision, in proportion to the relative area of such lots, as determined by Holder in its discretion, it being understood that this allocation shall not result in allowing any increase in the Reserved Rights.

4.10.3 After any subdivision of the Conservation Area and conveyance of one or more lots resulting from such subdivision, and subject to Holder's prior approval thereof (such approval not to be unreasonably withheld, consistent with and taking into consideration the fulfillment of the Conservation Purposes and the preservation of the Conservation Values), the owners of such respective lots may mutually agree among themselves to re-allocate, but not increase, such Reserved Rights in a manner different from the original allocation as determined above, provided that such allocation or re-allocation of Reserved Rights as among such lots does not result in any increase in Reserved Rights, is reflected in a document that is signed by all owners of such lots and by Holder and is recorded in the place of public record in which this Conservation Easement has been recorded. The form and content of any such document shall be subject to Holder's review and approval.

4.11 Fences and Boundaries.

4.11.1 Owner may construct fences, provided that no fence shall be permitted if, in the reasonable opinion of Holder, it impairs the scenic view into the Conservation Area in any material respect. Any fence that shall be visible from the Intracoastal Waterway accessible to the public shall be approved by Holder before construction.

4.11.2 Nothing in this Conservation Easement shall prohibit Owner from identifying (by survey or marking) and otherwise maintaining visual indications of the boundary lines around the perimeter of the Conservation Area to protect the Conservation Area from trespassing and to assist Owner in the management and supervision of

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the management of the Conservation Area in accordance with this Conservation Easement.

4.12 Wildlife Stands, Nests and "Blinds". Owner may construct a reasonable number of wildlife hunting or observation stands and "blinds" and houses, nests or perches for birds or other wildlife; provided that in the construction of any such Structure Owner shall comply with all other covenants and restrictions of this Conservation Easement.

4.13 Existing Structures. Structures existing on the Conservation Area on the date of this Conservation Easement, whether or not such Structure would be permitted to be constructed on the Conservation Area under these Reserved Rights, may, nevertheless, be repaired, restored or replaced but only within the vertical and horizontal dimensions in which the Structure existed on date of this Conservation Easement, but with no change of use except to a use that would be permitted under this Conservation Easement in its location, provided however that an existing structure located within the Building Zone shall not be subject to the limitations on dimensions in this Section but instead shall be subject to the covenants and restrictions imposed on any Structure located within the Building Zone.

4.14 Utility Installations. Owner may construct facilities normally used in connection with supplying utilities, removing sanitary sewage effluent and controlling storm water runoff if the following requirements and conditions are satisfied: (a) such facilities may only be constructed and used to serve the uses, Structures and improvements permitted under the terms of this Conservation Easement; (b) all such facilities be located underground to the extent feasible; (c) all such construction and maintenance is conducted in a manner designed to produce no material adverse effect on the Conservation Purposes; and (d) Holder approves the proposed utility facility based on the foregoing requirements.

4.15 Wildlife Harvesting and other Outdoor Activities Not Prohibited. Nothing in this Conservation Easement shall be construed to limit the right of Owner to: hunt with or without dogs, shoot, fish, trap, conduct field trials, train dogs, or conduct ecotourism activities or other outdoor recreational activities on the Conservation Area; trap or otherwise capture and remove any invasive species or harmful pest that might negatively impact the populations of game or native wildlife on the Conservation Area; use motorized vehicles for any such purpose provided such use does not violate an expressed prohibition in this Conservation Easement; or lease all or any portion of the Conservation Area for any of such activities.

4.16 Tree Cutting and Forest Management. Owner shall have the right, for the benefit of Owner and Owner's representatives, agents, contractors, subcontractors, licensees, and lessees, to conduct the following activities within the Conservation Area if the requirements of this Section are met:

4.16.1 A live tree that has been damaged or disturbed by forces of nature or by disease or that is evidently at risk of falling may be cut and removed if such tree presents a threat of injury to persons or livestock or other property or blocks a trail, road or other means of access to any part of the Conservation Area.

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4.16.2 Trees may be removed to the most limited extent necessary to construct the Structures and other improvements expressly permitted in this Conservation Easement, according to a plan approved in advance by Holder.

4.16.3 Early successional tree species may be selectively removed within areas existing in a meadow condition at the time this Conservation Easement is granted, for the purpose of preserving such areas as meadow.

4.16.4 "Forestry Activities" shall mean (i) harvesting, cutting, removal and sale of trees and forest products (including, but not limited to, trees, logs, poles, posts, pulpwood, firewood, chips, seeds, bark, pinestraw, stumps and other forest products); (ii) planting and growing of trees for the foregoing purposes; (iii) treating trees with herbicides, pesticides and fertilizer customarily used in the forest industry; (iv) constructing forest skid trails in connection with tree harvesting operations; (v) placing or storing sawdust, bark, sawtimber, logs, or other forest products in the Conservation Area; (vi) conducting prescribed burning; and (vii) undertaking such activities as may be necessary to facilitate production of forest products or to protect forest health and (viii) removing trees to establish wildlife food plots up to a maximum area of five (5) acres and in locations approved by Holder. Owner may conduct Forestry Activities only if all of the following requirements are met:

(a) Forestry Activities shall not be conducted within the Wetland and Riparian Buffer Protection Area, within mixed hardwood forest outside the Wetland And Riparian Protection Area or within areas reasonably determined by Holder to be Freshwater Emergent Wetland or Forested and Shrub Wetland except (i) in accordance with a Forest Management Plan and (ii) only for the purpose of promoting the maturing and ecological enhancement of forest conditions. In determining areas that are Freshwater Emergent Wetland or Forested and Shrub Wetland Holder may refer to the methodology used by the U.S. Fish & Wildlife Service for its National Wetland Inventory or similar methodology selected by Holder, though the area need not be shown as such on a National Wetland Inventory map.

(b) Before conducting Forestry Activities Owner shall prepare a tree harvest and forest management plan (the "Forest Management Plan"). The Forest Management Plan shall be submitted to and approved by Holder.

(c) The Forest Management Plan must address and provide information regarding the following matters in such detail as Holder may reasonably request: the proposed location of harvesting activity, wetland delineation within the harvest area, harvesting plans and protocols, proposed road locations and design standards, erosion control measures, and replanting plans and schedule. The Forest Management Plan shall also contain: a statement of Owner's forest

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management objectives and goals, including the Forest Management Objectives (hereinafter defined); forest stand descriptions, including species composition, age classes and, where available, soil types; a forest stand map; and an outline of proposed silvicultural practices.

(d) The Forest Management Plan must be prepared at Owner's expense by qualified natural resource personnel (e.g. a registered forester), who are experienced in the preparation of forest management plans.

(e) The Forest Management Plan shall be prepared in a manner that is designed to achieve the following purposes and forest management objectives (collectively, the "Forest Management Objectives"): (i) minimizing insect infestation; (ii) identifying and protecting habitat for exceptionally rare, threatened or endangered species; (iii) avoidance of water pollution from Forestry Activities, erosion or sedimentation; (iv) protection of the Conservation Values and fulfillment of the Conservation Purposes; (v) promotion of sustainable forestry; (vi) assuring artificial or natural regeneration of the forest in both sufficient quantity and quality; (vii) compliance with all applicable federal, state and local laws, rules, orders and regulations; (viii) identifying strategies to promote wildlife habitat and private recreational activities permitted by this Conservation Easement; and (ix) compliance with then-current best management practices published by the South Carolina Forestry Commission or its successor ("BMPs"). In the event of a conflict between the preceding Forest Management Objectives, the protection of the Conservation Values and fulfillment of the Conservation Purposes shall be the paramount consideration.

(f) All Forestry Activities shall be conducted in accordance with (a) the Forest Management Plan; (b) BMPs; and (c) this Conservation Easement.

4.17 Signs. Owner may construct a reasonable number of signs of the following types:

4.17.1 regulatory or directional signs including, for example but not for limitation of the foregoing, "no trespassing" signs, "no gunning" signs, or "no hunting" signs;

4.17.2 signs stating the common name of the Conservation Area, the names and addresses of the occupants or both;

4.17.3 signs advertising or directing participants to an activity permitted under the provisions of this Conservation Easement;

4.17.4 signs identifying the interest of Owner or Holder in the Conservation Area; and

4.17.5 signs educating the public as to the ecology of the area.

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Notwithstanding the foregoing, any sign that is greater than four square feet in surface area and visible from the Intracoastal Waterway shall be prohibited unless such sign shall have no material adverse effect upon the Conservation Purposes and such sign is approved in writing by Holder.

4.18 Maintenance of Roads, Trails, Etc. Owner may maintain in passable condition the Structures, roads, trails or walkways existing within the Conservation Area at the date of this Conservation Easement or, if applicable, constructed pursuant to the Reserved Rights in this Article 4, by such activities as the following: the pruning trees or other vegetation which threaten the safety of persons who may use or maintain the road, trail or walkway; installing or applying materials necessary to correct or impede erosion; grading earth to maintain a passable condition or to control or impede erosion; replacing existing culverts, water control structures and bridges; and dredging roadside swales and ditches.

4.19 Docks. Owner may construct one dock, and walkways and pathways to such dock, for personal, common or shared use. The location and design of the dock, walkway and pathway shall be as approved by Holder prior to construction. The dock must be constructed and placed in a manner and location as will have no material adverse effect upon the Conservation Values or the Conservation Purposes, including sensitive elements of the ecosystem such as rare species nesting and foraging habitat, rare plant populations or exemplary natural communities.

4.20 Notice and Approval Before Exercise of Certain Reserved Rights. None of the Reserved Rights for which the approval of Holder is expressly required in any Section of this Article 4 may be exercised or undertaken unless Owner has first satisfied the following conditions and requirements:

4.20.1 Owner shall notify Holder in writing before exercising any of such Reserved Rights.

4.20.2 Holder must be satisfied, as evidenced by its prior written approval of Owner's proposed exercise of a Reserved Right, that any use or activity done in the exercise of the Reserved Right will meet the requirements and conditions for such Reserved Right, will have no material adverse effect on the Conservation Purposes or on the Conservation Values or other significant environmental features of the Conservation Area, will not alter or permit the alteration, disturbance or destruction of the use of the Conservation Area that is intended to be protected by this Conservation Easement.

4.20.3 Notwithstanding anything in this Conservation Easement to the contrary, if Owner undertakes to exercise a Reserved Right or other action, without prior approval of Holder, where such approval is expressly required under this Conservation Easement, then such exercise of the Reserved Right by Owner may be treated by Holder, in Holder's sole discretion, as an action that was prohibited by this Conservation Easement as fully as if the Reserved Right or other right was not contained in, or reserved to Owner under, this Conservation Easement. Should Holder elect, in its discretion, to decline to assert this prohibition and to

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waive a violation of the Conservation Easement arising solely from Owner's failure to seek and obtain Holder's approval before exercising a Reserved Right or other right where such approval is required, Holder shall not be thereby obligated to do so in any future circumstance or event and Holder's waiver shall not be construed to require any waiver in a subsequent instance.

4.20.4 Notwithstanding the foregoing, in the event the Conservation Area is affected or in imminent danger of being affected by casualty damage resulting from an Act of God, fire or other event beyond Owner's control then the prior approval requirements of this Section shall be waived as to any action that would otherwise require such approval but which must be undertaken by Owner immediately in order to prevent loss, damage or injury to persons or property or to prevent ecological damage to the Conservation Area or neighboring property (an "Emergency Restoration Action"); provided that Owner makes a good faith effort to notify Holder prior to undertaking such Emergency Restoration Action and to keep Holder informed of its ongoing actions.

4.20.5 Holder's prior written approval of the exercise of Reserved Rights for which approval of Holder is required shall be obtained, conditionally obtained or declined according to the procedure provided in this Section. At least forty-five (45) days before Owner begins, or allows, any exercise of Reserved Rights on the Conservation Area Owner must notify Holder in writing of Owner's intentions to do so; provided, however that Holder may, upon written request, reduce the period of time for notice of the proposed exercise of Reserved Rights for simpler requests, in Holder's discretion. Such notice must include plans depicting, in such detail as Holder requests, the construction or other use or activity, and location thereof, which Owner intends to undertake. Owner may also be required to present to Holder for review any applications to, and approvals or permits issued by, any governmental entity that is required for the exercise of the Reserved Right for which Holder's approval is sought. Holder may request additional information or details not provided by Owner regarding Owner's proposed exercise of Reserved Rights as Holder reasonably believes necessary to determine compliance with this Article. Holder shall not be obligated to accept or respond to any request for approval of a Reserved Right if the Owner is then in violation of this Conservation Easement in any material respect. Holder shall have thirty (30) days from receipt of the notice or, if later, any additional information regarding the proposed use or activity requested by Holder, in which to make one of the following determinations:

(a) Approve Owner's proposed exercise of a Reserved Right in accordance with the materials submitted by Owner ("Approval"). Approval on such terms shall constitute a covenant by Owner to exercise the Reserved Right solely in accordance with the notice and other information submitted to Holder; which covenant shall be enforceable by Holder as fully as if set forth in this Conservation Easement.

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(b) Approve Owner's proposed exercise of a Reserved Right in accordance with the materials submitted by Owner but subject, however, to such qualifications and conditions as Holder may impose in its notice of approval. Such qualifications and conditions shall be limited to those which Holder deems necessary to: assure compliance by Owner with any of the express covenants or restrictions of this Conservation Easement, preserve and protect the Conservation Purposes or restrict Owner's exercise of the Reserved Rights to that which Owner has represented to Holder. Approval on such terms shall constitute a covenant by Owner to exercise the Reserved Right, if at all, only in accordance with the notice and other information submitted to Holder, as modified or supplemented by the qualifications and conditions that Holder imposed; which covenant shall be enforceable by Holder as fully as if set forth in this Conservation Easement.

(c) Decline to grant approval of Owner's proposed exercise of a Reserved Right on the basis of the notice and other materials submitted. Should Holder decline to grant approval Holder shall set forth in writing its reasons.

4.20.6 Holder shall exercise reasonable judgment in applying the standards of review and approval for the exercise of Reserved Rights, consistent with and taking into consideration the fulfillment of the Conservation Purposes and the preservation of the Conservation Values.

4.20.7 Holder may grant, with or without conditions, approval for recurrent exercises of Reserved Rights, particularly but not necessarily limited to activities of a de minimis nature, if Holder concludes that doing so will have no material adverse effect on the Conservation Purposes or on the burden on, and effectiveness of, Holder's monitoring and enforcement. Such approval must be in writing and shall, as with other approvals of the exercise of Reserved Rights, be limited to the description of the proposed exercise of Reserved Rights in Owner's proposal as modified or limited by the conditions in Holder's written approval.

4.20.8 In the event that Holder's approval is required and Holder fails to respond within the time period specified forth above and further fails to respond within ten days after a second written request by Owner to Holder, then the Holder shall be deemed to have granted Approval (as defined above) unless the activity for which approval is required is plainly prohibited by this Conservation Easement.

4.20.9 Owner shall be responsible for obtaining all necessary government permits and approvals for any activity for which Holder's approval is required and Holder shall have the right, but not the obligation, to require that such permits and approvals be produced for inspection by Holder before Holder's approval is granted or as a condition to approval.

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4.20.10 Owner shall be responsible, as a condition of the right to exercise the Reserved Rights for which the approval of Holder is expressly required, for payment of Holder's reasonable costs and expenses, including legal and consultant fees, associated with review of Owner's request for approval; provided, however, that (a) Holder shall not incur expenses for its own staff or administrative time for review that can be conducted in Holder's office and (b) Holder will notify Owner before incurring any costs or expenses which it believes Owner may be obligated to pay under this Section though Holder shall not be required to predict the exact amount of the cost or expense. Holder may condition consideration of a proposal for exercise of Reserved Rights upon the deposit of a sum of money with Holder to secure payment of Holder's reasonable costs of review. The time period for Holder's consideration of Owner's request shall not run until such deposit is made.

4.20.11 While the parties believe that each of the Reserved Rights as to which Holder's prior approval is required can be exercised in some manner without adverse effect on the Conservation Purposes of this Conservation Easement, no assurance is given that the above Reserved Rights may be exercised in specifically the manner as Owner might initially propose without having an adverse effect on the Conservation Purposes or other significant ecological values of the Conservation Area. The foregoing procedure is established for the purpose of making that determination.

4.20.12 In consideration for Holder accepting the perpetual responsibility and obligation to review the proposed exercise of Reserved Rights by Owner, Owner hereby waives, for Owner, and Owner's successors, legal representatives, and assigns, to the fullest extent allowed by law, any and all right to seek or recover damages from Holder in any litigation or other legal action arising from a dispute over Holder's exercise of its rights, obligations or interpretations under this Article 4 and agrees that the sole remedy or legal right to seek redress arising from any decision of Holder pursuant to this Article 4 shall be to seek a declaratory judgment or other legal declaration by a court of competent jurisdiction as to the rights of Owner hereunder.

4.21 Rights of Ownership Generally. Owner retains, not as a Reserved Right but incidental to its ownership of the Conservation Area, in addition to the Reserved Rights set forth in this Article, all rights accruing from ownership of the Conservation Area, including the right to engage in or permit others to engage in all uses of the Conservation Area except to the extent prohibited, restricted, limited or conveyed to Holder according to the terms of this Conservation Easement, including the rules of construction and interpretation of this Conservation Easement; subjected to procedures set forth in this Conservation Easement; or provided in applicable law.

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ARTICLE 5. HOLDER'S COVENANTS

5.1 Best Efforts to Enforce. Holder shall use its best efforts to enforce both the rights granted to it and the restrictions imposed upon the Conservation Area under this Conservation Easement.

5.2 Inability to Enforce; Procedure. If at any time Holder is unable to enforce this Conservation Easement or if Holder or any successor or assignee of Holder's rights under this Conservation Easement ceases to exist or ceases to be a Qualified Organization and if, within a reasonable period of time after the occurrence of any of these events, Holder or any successor or assignee fails to assign all of its rights and responsibilities under this Conservation Easement to a Qualified Organization and "holder", then the rights and responsibilities under this Conservation Easement shall become vested in and fall upon another Qualified Organization in accordance with a proceeding before, and the order of, any court of competent jurisdiction.

5.3 Assignment by Holder. Notwithstanding the foregoing or anything else in this Conservation Easement to the contrary, Holder and its successors and assigns shall have the right to assign, either wholly or partially, its right, title and interest hereunder provided that (a) the assignee is a Qualified Organization; (b) the assignee shall hold the Conservation Easement exclusively for the Conservation Purposes; and (c) the assignee agrees that the Conservation Purposes continue to be carried out. Holder agrees to notify Owner of its intent to assign the Conservation Easement, including disclosing the identity of the intended assignee, at least 30 days prior to such assignment and to offer Owner, during such period after notice and until assignment, an opportunity to comment on, but not approve or disapprove, such assignment.

ARTICLE 6. REMEDIES AND ENFORCEMENT

6.1 Remedies Generally. Holder shall have the right to enforce by proceedings at law or in equity each and every one of the covenants and restrictions set forth in this Conservation Easement. The foregoing shall not limit any of the rights or remedies available to Holder as specifically set forth in any law or in this Conservation Easement. Holder's remedies described in this Conservation Easement shall be cumulative and concurrent and shall be in addition to all remedies now or hereafter available or existing at law or in equity.

6.2 Violation of Conservation Easement. If Holder determines that this Conservation Easement is being or has been violated or that a violation is threatened or imminent then the following provisions shall apply:

6.2.1 Holder must notify Owner of the violation. Holder's notice may, in Holder's discretion, include its recommendations of measures to be taken by Owner to cure the violation and restore features of the Conservation Area damaged or altered as a result of the violation.

6.2.2 Holder shall afford Owner a period to cure the violation before undertaking action in court to enforce the Conservation Easement, provided, however, that no cure

period is required if circumstances require prompt action to prevent or mitigate irreparable harm or alteration to, or destruction of, any natural resource or other feature of the Conservation Area described in the Conservation Purposes and Conservation Values.

6.2.3 Owner's cure period shall expire thirty (30) days after the date of Holder's notice to Owner subject to extension for the time reasonably necessary to cure but only if all of the following conditions are satisfied: (a) Owner ceases the activity constituting the violation promptly upon receipt of Holder's notice; (b) Owner and Holder agree in writing, within the initial thirty (30) day period, upon the measures Owners will take to cure the violation; (c) Owner commences to cure within the initial thirty (30) day period; and (d) Owner continues thereafter to use best efforts and due diligence to complete the cure measures that Holder and Owner have agreed upon in writing. In no event shall Holder be obligated, notwithstanding the foregoing, to allow a cure period of more than 90 days.

6.3 Remedy of Specific Performance. Without limitation of any other rights of Holder in this Conservation Easement, Holder's right of enforcement of this Conservation Easement shall include the right to seek specific performance by Owner of the restoration of the Conservation Area to its condition at the time of the donation of the Conservation Easement as required by 26 C.F.R. § 1.170A-14(g)(5)(ii) or to its condition prior to any activity that violates this Conservation Easement or as otherwise may be necessary to remedy any violation of any easement, covenant, prohibition or restriction in this Conservation Easement, as Holder may elect.

6.4 Non-Binding Mediation. Any dispute, controversy or claim arising out of, or related to, this Conservation Easement shall be subject to mediation in accordance with this Section. If Owner and Holder are unable to resolve any dispute, controversy or claim, they shall first submit the dispute, controversy or claim to an independent third party mediator acceptable to them. Unless agreed to by Owner and Holder, neither of them shall be required to participate in mediation sessions exceeding a total of eight (8) hours as to any one dispute, controversy or claim. The cost of the mediation shall be split equally between the parties. The mediation process may be initiated by either Owner or Holder upon written request to the other. If Owner and Holder cannot agree on a mediator within fifteen (15) days of the written request, either Owner or Holder may file a request for mediation with the American Arbitration Association ("AAA") office nearest the Conservation Area, and selection of the mediator shall proceed under the Rules then established by the AAA. Within ten (10) days of selection of the mediator, Owner and Holder shall submit a written summary of its position to the mediator, with any other reasonable documentation it believes is relevant to the dispute. These submissions will be exchanged between Owner and Holder. At a time and place convenient to Holder and Owner, but not later than thirty (30) days after submission of written materials to the mediator, Owner and Holder shall meet with the mediator, discuss any nonbinding recommendations the mediator may have, and attempt in good faith to resolve the dispute. In the event Owner and Holder have not resolved the dispute, controversy or claim within thirty (30) days of the meeting with the mediator, Owner and Holder shall each have the right to initiate legal proceedings concerning such dispute, controversy or

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claim without further notice to the other. If Owner or Holder breaches this obligation by refusing to participate in the mediation process outlined above (and in accordance with the established schedule), the other shall be entitled to initiate legal proceedings immediately on any dispute, controversy or claim. The content of any documents, discussions, negotiations, offers made, offers declined, settlements proposed, mitigations suggested or proposed or other matters that arise or that are produced during the mediation shall not be admissible as evidence or used as argument in any contemporaneous or subsequent legal proceeding. Notwithstanding anything in this Section to the contrary, the requirements of this Section: (a) do not create or give rise to any independent or substantive rights or cause of action not otherwise expressly set forth in this Conservation Easement and (b) shall not apply, nor shall be construed to limit or delay the right of Holder to commence and pursue litigation to enforce this Conservation Easement, in regard to any dispute, controversy or claim arising from a violation of this Conservation Easement that, in the sole and independent judgment of Holder, represents an ongoing or imminent material adverse impact upon the Conservation Values or the Conservation Purposes or upon the ultimate ability of the Owner to restore the condition of the Conservation Area.

6.5 Remedy of Damages. If Owner violates this Conservation Easement in such a manner as to cause damage to, extract or remove any trees, mineral resources, pond, wetland, stream, or other natural resource protected by this Conservation Easement, including violation resulting from failure to obtain Holder's approval, Holder shall be entitled to payment of damages in the amount of the value of the protected natural resource; provided, however, that if the natural resource effected by the Owner's violation of this Conservation Easement can be restored to its condition prior to the violation and if Owner does restore the natural resource to its condition prior to the violation within a time period accepted by Holder in writing, then Holder shall accept such restoration in lieu of damages. Holder may seek payment and recovery of such damages by any means available at law. The value of the protected natural resource shall be the greater of (a) the market value of the resource or, (b) the cost of immediate restoration of the Conservation Area and all resources to its condition prior to the violation. If such restoration is not reasonably possible then double the market value of the resource shall be the amount of liquidated damages. If the resource does not have a readily determinable market value then the amount of damages shall be the amount which a court having jurisdiction may determine, taking into account the importance of the resource to the fulfillment of the Conservation Purposes. Nothing in this Section is intended to limit, waive or release Holder's right so seek specific performance or other equitable remedy.

6.6 Rights and Remedies in Relation to Third Parties. As the owner of a real property interest under this Conservation Easement, Holder shall have the right, without limitation of any rights herein as against Owner, to assert and enforce any of the rights and remedies in this Conservation Easement against any person or entity other than Owner that engages in any action upon the Conservation Area that constitutes a violation of any of the covenants or restrictions of this Conservation Easement, whether such person or entity enters upon the Conservation Area as a tenant, guest or invitee of Owner, by an act of trespass or by any claim of right and Owner shall cooperate with Holder by joining in any action or proceeding commenced by Holder for such purpose.

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6.7 Remedy; Failure to Pay Certain Charges. If Owner fails to pay any assessments, fees, fines, levies, penalties, taxes, and other charges imposed by a government, governmental agency, or governmental authority that can become a lien on the Conservation Area or upon this Conservation Easement or the rights it represents or that it grants to Holder (collectively, "Governmental Charges"), Holder may, but shall have no obligation to, pay such Governmental Charges or any part thereof upon ten (10) days after sending written notice to Owner, according to any bill, statement, or estimate procured from the appropriate public office. Payment made by Holder shall become a lien on the Conservation Area in favor of Holder upon payment by Holder and shall bear interest until Holder is paid by Owner at the rate of twelve percent (12%) per annum or at the highest rate of interest per annum as is allowed by applicable law, whichever is less.

6.8 Certain Events Not a Violation. Notwithstanding anything herein to the contrary, Holder shall not bring any action seeking to enforce this Conservation Easement against Owner, nor shall this Conservation Easement be considered to have been violated by Owner, as a result of any damage to the Conservation Area if such damage was solely the result of: (a) a natural event such as an earthquake or flood, wind, lightning or other storm event, including those events commonly referred to as "acts of God"; (b) damage by persons trespassing upon the Conservation Area; or (c) any emergency measures reasonably and prudently taken by Owner to abate or mitigate significant injury to the Conservation Area as a result of any such natural event or trespass.

6.9 Enforcement After Permitted Subdivision. If ownership of the Conservation Area has been subdivided in accordance with this Conservation Easement such that the Conservation Area is no longer owned by one Owner and, thereafter, a violation of this Conservation Easement occurs or appears to Holder to have occurred, Holder need only give notice of violation or enforcement action to, and need only undertake legal and other enforcement action against, the owner of that portion of the Conservation Area on which the event, condition or circumstance which constitutes a violation has occurred or exists. Notwithstanding the foregoing, Holder may, in its discretion, give notice of a violation or enforcement action to, undertake enforcement action against and make a party to any legal action, such other Owners or parties as Holder deems necessary or appropriate to the correction of the violation, monitoring or management of the Conservation Area or the Conservation Easement, protection of Holder's rights, or fulfillment of the Conservation Purposes of this Conservation Easement.

6.10 Limitation on Certain Rights. This Conservation Easement may only be enforced by Owner and Holder and no third party beneficiary rights, rights of enforcement or other rights are created or intended to be created or granted by this Conservation Easement in or to any other person or entity, any person or entity that was once an "Owner" but is no longer an owner of the Conservation Area, the public generally or any governmental authority except to the limited extent necessary to undertake an action under Section 5.2 or as required by statute (and only to the extent such statute cannot be waived by agreement of Holder and Owner). Owner and Holder do not intend that this Conservation Easement be or create a trust. Without limitation of the foregoing, no person or entity that has been an Owner shall have any rights under this Conservation Easement after such Owner has conveyed that Owner's legal ownership interest in the

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Conservation Area and no person or entity that is an Owner as to a part of the Conservation Area shall have any rights under this Conservation Easement as to any part of the Conservation Area not owned by that Owner.

6.11 Reimbursement of Expenses of Enforcement. In the event that Holder acts, after violation of the Conservation Easement, to enforce this Conservation Easement or any obligation hereunder, all reasonable expenses incurred by Holder shall be charged to and paid by Owner, including reasonable attorneys' fees regardless of whether an action or proceeding is commenced and whether incurred before or after the expiration of any cure period provided in this Conservation Easement; except however that Owner shall not be responsible to Holder for costs of a frivolous action by Holder or an action brought in bad faith by Holder, as determined by a court of competent jurisdiction. All such reasonable expenses, together with costs of collection (including reasonable attorneys' fees), shall be recoverable by Holder and be subject to collection by all lawful means for the collection of a debt under the law of the state in which the Conservation Area is located.

6.12 No Merger of Title. Notwithstanding anything to the contrary in this Conservation Easement, should Holder become an Owner of any portion of the Conservation Area, this Conservation Easement shall not merge with any interest in the Conservation Area upon conveyance to Holder and title shall be transferred subject to the continued validity and enforceability of this Conservation Easement in accordance with the laws of the State in which the Conservation Area is located. In such event the rights of Holder under this Conservation Easement as to the portion of the Conservation Area owned by Holder shall forthwith be transferred to a Qualified Organization in accordance with Section 5.3, or, if necessary, 5.2.

6.13 Reimbursement of Expenses of Litigation. Owner acknowledges that for the fulfillment of Owner's purposes and intentions for this Conservation Easement, Owner requires Holder to accept perpetual obligations for the interpretation and enforcement of this Conservation Easement and that, pursuant to 26 CFR § 1.170A-14(c), Holder must maintain its reserve capacity to enforce this Conservation Easement. It is therefore agreed that, should Owner or anyone acting by, through, under or on behalf of Owner, commence litigation against Holder to enforce any rights hereunder or to dispute any actions or inaction of Holder, to enforce any alleged duty or obligation of Holder hereunder or to seek damages or specific performance against Holder then unless Holder is finally determined by a court of competent jurisdiction, beyond right of appeal, to have acted contrary to the terms of this Conservation Easement and to have failed to exercise reasonable judgment taking into account the Conservation Purposes, the Conservation Values and the circumstances of which Holder had actual knowledge at the relevant time, then Owner shall reimburse Holder on demand for all reasonable costs and expenses, including attorney's fees, reasonably incurred by Holder in its defense in such litigation. Holder shall not be considered to have failed to exercise reasonable judgment as aforesaid solely based on the fact that Holder did not or does not prevail in legal proceedings or that Holder is determined to have adopted an interpretation of this Conservation Easement not accepted by the court.

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6.14 No Waiver of Rights of Enforcement. The failure of Holder to exercise any of its rights under this Conservation Easement on any occasion shall not be deemed a waiver of said rights and Holder retains the right in perpetuity to require full compliance by Owner of the covenants and restrictions in this Conservation Easement.

ARTICLE 7. GENERAL PROVISIONS

7.1 Owner and Holder Further Defined. The term Owner used in this Conservation Easement shall mean and include the above-named Owner and any of Owner's successors or assigns, whether one or more, that are the legal owners of the Conservation Area or any part thereof as to such part of the Conservation Area. The term Holder used in this Conservation Easement shall mean and include the above-named Holder and its successors and assigns, it being understood and agreed that any assignee of the rights of Holder hereunder must be a Qualified Organization and shall carry out the obligations of Holder and the intent of this Conservation Easement.

7.2 Vesting of Real Property Interest. This Conservation Easement gives rise to a real property right and interest immediately vested in Holder with a fair market value that is at least equal to the proportionate value that this Conservation Easement at the time of this gift bears to the value of the Conservation Area as a whole at that time. That proportionate value of the Holder's property rights shall remain constant. The fair market value of this Conservation Easement shall be the difference between the fair market value of the Conservation Area unrestricted by this Conservation Easement and the fair market value of the Conservation Area as restricted by this Conservation Easement.

7.3 Rules of Construction and Interpretation. The parties recognize the environmental, scenic and natural values of the Conservation Area and have the common purpose of preserving these values. Any general rule of construction to the contrary notwithstanding, this Conservation Easement shall be liberally construed in favor of the grant to promote, protect and fulfill the Conservation Purposes and the policies and purposes of Holder. If any provision in this Conservation Easement is found to be ambiguous, an interpretation consistent with the Conservation Purposes that would render the provision valid should be favored over any interpretation that would render it invalid. If any provision of this Conservation Easement is determined by final judgment of a court having competent jurisdiction to be invalid, such determination shall not have the effect of rendering the remaining provisions of this Conservation Easement invalid. The parties intend that this Conservation Easement, which is by nature and character primarily prohibitive (in that Owner has restricted and limited the rights inherent in ownership of the Conservation Area), shall be construed at all times and by all parties to promote, protect and fulfill the Conservation Purposes.

7.4 Indemnification. Owner covenants and agrees to indemnify, defend, reimburse, and hold harmless Holder, its directors, officers and employees from, for and against any Loss (hereinafter defined) to the extent such Loss arose from an Indemnified Cause (hereinafter defined). A "Loss" shall mean any loss, cost, liability, penalty, fine, or damage of any kind or nature whatsoever which Holder or any of its directors, officers or employees may reasonably be concluded to have suffered, paid or incurred. The term

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"cost" shall include, but shall not be limited to, reasonable attorneys' fees and witness and court fees. An "Indemnified Cause" shall mean any of the following: the violation or alleged violation of any law in, upon or involving the Conservation Area by Owner or anyone acting by, for, through or under the direction of Owner, including but not limited to any tenant, contractor, agent, licensee or invitee of Owner; any tax or assessment upon the Conservation Area or upon this Conservation Easement or the rights it represents or that it grants to Holder; any death or injury to any person occurring on or about the Conservation Area; any lien or attempts to enforce a lien asserted against the Conservation Area; the costs of performing any work on the Conservation Area; any loss or damage to any property on or about the Conservation Area; or any lawsuit or governmental administrative or law enforcement action which is commenced or threatened against Holder or any of its directors, officers or employees or to which any of the foregoing are made a party or called as a witness; but notwithstanding the foregoing, "Indemnified Cause" shall not include any cause which results from Holder's own acts which are finally determined by a court to have been the result of bad faith, negligence or willful misconduct of Holder. It is further agreed that no person shall have an indemnification obligation or liability under this Section as to any Indemnified Cause which arises entirely and solely from events which occurred after such person is no longer the legal owner of the Conservation Area or any part thereof and is no longer in possession of the Conservation Area or any part thereof (it being understood that one or more subsequent Owners shall have such indemnification, defense, reimbursement, and holding harmless obligation).

7.5 Responsibilities and Liabilities of Owner. Without limitation of anything herein to the contrary, Owner shall (a) retain all responsibilities and shall bear all costs and liabilities of any kind related to the ownership, operations, upkeep, and maintenance of the Conservation Area, including the general liability insurance coverage and obligation to comply with applicable law and (b) pay all Governmental Charges.

7.6 Allocating Proceeds Following Extinguishment of Conservation Easement. It is the intention of the parties that no change in conditions, including for example but not for limitation of the foregoing changes in the use of properties adjoining or in the vicinity of the Conservation Area, will at any time or in any event result in the extinguishment of any of the covenants, restrictions or easements contained in this Conservation Easement. If, however, notwithstanding the foregoing intention, any cause or circumstance gives rise to the extinguishment of this Conservation Easement or a material term or provision hereof by judicial proceeding then Holder, on any subsequent sale, exchange or involuntary conversion of the Conservation Area, shall be entitled, as required in 26 CFR 1.170A-14(g)(6)(ii), to a portion of the proceeds at least equal to the proportionate value that the Conservation Easement at the time of this gift bears to the value of the Conservation Area as a whole at that time, unless state law provides that the Owner is entitled to the full proceeds from the conversion without regard to the terms of this Conservation Easement. All such proceeds received by Holder shall be used in a manner consistent with the Conservation Purposes.

7.7 Allocating Proceeds of Condemnation. Whenever all or part of the Conservation Area is taken by exercise of eminent domain by public, corporate or other authority so as to

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abrogate the restrictions imposed by this Conservation Easement, Owner and Holder shall join in appropriate actions at the time of such taking to recover the full value of the taking and all incidental or direct damages resulting from the taking. All reasonable expenses incurred by Owner and Holder, including reasonable attorneys' fees, in any such action shall be paid out of the recovered proceeds. Holder shall be entitled to a portion of the recovered proceeds proportioned to Holder's real property interest and shall use such proceeds in a manner consistent with the Conservation Purposes. The respective rights of the Owner and Holder set forth in Section 7.6 and this Section 7.7 shall be in addition to and not in limitation of, any rights they may have in common law with respect to a modification or termination of this Conservation Easement by reason of changed conditions or the exercise of powers of eminent domain as aforesaid.

7.8 Covenants, Etc. Run With The Land. This Conservation Easement and all of the covenants, indemnifications, releases, easements and restrictions set forth in this Conservation Easement shall run with the land and be binding upon Owner and Owner's successors and assigns, unless otherwise expressly provided in this Conservation Easement.

7.9 Limitation on Owner Liability. An Owner shall be and remain liable, even after ownership has been transferred, for any breach or violation of this Conservation Easement if, but only if, such breach or violation occurred during such time as such Owner was the legal or equitable owner of, or is in possession of, the entire Conservation Area or that part of the Conservation Area on which the breach or violation occurred.

7.10 Effect On Mortgages and Other Liens. All mortgages, deeds of trust and other liens or encumbrances upon all or any part of the Conservation Area which either come into existence or are recorded in the place for the recording of such liens or encumbrances after the date of this Conservation Easement will be subject to and subordinate to this Conservation Easement.

7.11 Right of Conveyance Retained; Notice Required. Nothing in this Conservation Easement shall limit the right of Owner, Owner's successors or assigns to grant or convey the Conservation Area, provided that any such grant or conveyance shall be under and subject to this Conservation Easement. Owner shall notify Holder in writing of any sale, transfer, lease or other disposition of the Conservation Area or any part thereof, whether by operation of law or otherwise, not later than 30 days after such disposition and such notice shall include a copy of the deed, lease, or other declaration of transfer, the date of transfer, and the name or names and addresses for notices of the transferee.

7.12 Transfer Payment. In consideration of the perpetual obligations assumed by Holder in this Conservation Easement, the costs of which are unpredictable, including, but not necessarily limited to, the obligations to travel to and inspect the Conservation Area for compliance with this Conservation Easement, communicate with present and future owners and respond to questions and other matters, and maintain financial resources for the enforcement of compliance when necessary in fulfillment of Holder's obligation to be a Qualified Organization under 26 CFR §1.170A-14(c)(1), and in consideration of Owner's desire to support Holder in its charitable mission with respect to the

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Conservation Area and other properties in which Holder may have accepted conservation easement restrictions, Owner agrees for itself, Owner's successors and assigns, that there shall be paid to Holder the Transfer Payment (hereinafter defined) at the time of each Qualifying Transfer (hereinafter defined) in the manner set forth herein.

7.12.1 The "Transfer Payment" shall be the amount equal to one percent (1.0%) of the Purchase Price (hereinafter defined) of the Conservation Area or part thereof, the improvements on the Conservation Area and all of the other land and improvements that are included in the Qualifying Transfer.

7.12.2 A "Qualifying Transfer" shall mean the conveyance of legal title to the Conservation Area or any part thereof, the improvements on the Conservation Area, and any other land and improvements which are conveyed by the same deed of conveyance with which the Conservation Area or part thereof is conveyed.

7.12.3 The "Purchase Price" shall be the sum of all of the following given in consideration for a Qualifying Transfer: (a) payment of money, (b) transfer of real or personal property or other tangible consideration, (c) purchase money indebtedness, and (d) the assumption of indebtedness. Owner shall be obligated to provide to Holder a true and correct copy of the agreement of sale pertaining to the Qualifying Transfer or other documents verifying the Purchase Price to the reasonable satisfaction of Holder.

7.12.4 In the event of a Qualifying Transfer in which all or part of the consideration to seller is in the form of real or personal property rather than the payment of money, purchase money indebtedness or assumption of indebtedness, the Purchase Price shall include an amount equal to the fair market value of such real or personal property given in consideration for the Qualifying Transfer as determined by a qualified appraiser approved by Holder in its reasonable judgment. Appraisals used in the determination of the Purchase Price shall be based upon the guidelines and ethical standards of the Appraisal Institute, as then in effect, for the type of property involved. However, Owner and Holder may, if they so elect in their discretion, without obligation to do so, accept an alternate method of establishing the value of property including by contemporaneous agreement.

7.12.5 Purchase Price shall not impute fair market value to that portion of a Qualifying Transfer that is a gift, devise, bequest or other transfer not involving consideration by the payment of money, transfer of real or personal property, purchase money indebtedness or assumption of indebtedness.

7.12.6 The Transfer Payment shall not be applicable to a Qualifying Transfer into a corporation, limited liability company or general or limited partnership where the Owner that is the transferor receives all of the shares of the transferee entity as consideration and receives no other consideration.

7.12.7 The obligation for payment of the Transfer Payment shall be binding upon the Owner that is the transferor in the Qualifying Transfer and the purchaser or

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grantee that is the transferee in the Qualifying Transfer, all of whom shall be jointly and severally liable for the payment of the Transfer Payment, and also shall be binding upon their respective successors and assigns, and shall run with the land until paid.

7.12.8 The Transfer Payment shall be paid to Holder at or before the time of transfer of legal title as aforesaid. The amount of any Transfer Payment not paid in the amount and at the time required herein shall, (a) accrue interest payable to Holder in the amount of twelve percent (12%) per annum and (b) constitute, together with the accrued interest, to the extent permitted by applicable law, a lien on the Conservation Area in favor of the Holder until paid in full, provided that such lien shall not be superior to any mortgage, deed of trust or other lien that was executed, recorded and otherwise validly established against the Conservation Area prior to the date of the Qualifying Transfer.

7.12.9 Owner shall be liable for reasonable attorneys' fees and other costs of collection reasonably incurred by Holder in the enforcement of this Section.

7.12.10If and to the extent the law of the state in which the Conservation Area is located so requires in order to preserve the validity of this Section, it is agreed that the Transfer Payment shall not apply to any Qualifying Transfer that occurs after the lifetime plus twenty-one (21) years of any biological child of Andrew L Johnson, Vice President of the North American Land Trust.

7.12.11Without limitation of any other provision of this Conservation Easement, neither the validity of this Section nor compliance with or enforcement of this Section shall have any bearing whatever on the validity or enforceability of any other provision of this Conservation Easement.

7.13 Managerial Control Retained by Owner. Nothing in this Conservation Easement shall be construed as giving rise to any right or ability of Holder to exercise physical or managerial control over day-to-day operations of the Conservation Area, or any of Owner's activities on the Conservation Area, or otherwise to become an operator with respect to the Conservation Area within the meaning of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

7.14 Compliance With Law. Notwithstanding provisions hereof to the contrary, if any, Owner shall be solely responsible for complying with all federal, state and local laws and regulations in connection with the conduct of any use of the Conservation Area or the erection of any Structure permitted hereunder, and Owner shall be solely responsible for obtaining any required permits, approvals from the relevant governmental authorities in connection therewith.

7.15 Public Access Not Created. Nothing in this Conservation Easement shall be construed to create any right of access to the Conservation Area by the public.

7.16 Notices. All notices required of Owner under the terms of this Conservation Easement, and all requests for the approval by Holder, shall be in writing shall be deemed to have

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been given when either served personally or when sent by certified mail, with return receipt requested and postage prepaid, addressed to Holder at the address set forth on the first page of this Conservation Easement or such other address provided by notice from Holder or Owner to the other for the purpose. Notices by Holder to an Owner need only be given to the Owner of the portion of the Conservation Area that is the subject of the notice.

7.17 Headings. The underlined headings preceding the Sections in this Conservation Easement are intended for convenience of reference only and shall not be applied in the construction or interpretation of the substance of this Conservation Easement nor shall any such headings be construed to add to, detract from or otherwise alter the substance, meaning, force or effect of any of the Sections in this Conservation Easement.

7.18 Availability or Amount of Tax Benefits. Holder makes no warranty, representation or other assurance regarding the availability, amount or effect of any deduction, credit or other benefit to Owner or any other person or entity under United States or any state, local or other tax law to be derived from the donation of this Conservation Easement or other transaction associated with the donation of this Conservation Easement. This donation is not conditioned upon the availability or amount of any such deduction, credit or other benefit. Holder makes no warranty, representation or other assurance regarding the value of this Conservation Easement or of the Conservation Area. As to all of the foregoing, Owner is relying upon Owner's own legal counsel, accountant, financial advisor, appraiser or other consultant and not upon Holder or any legal counsel, accountant, financial advisor, appraiser or other consultant of Holder. In the event of any audit or other inquiry of a governmental authority into the effect of this donation upon the taxation or financial affairs involving Owner or Owner's successors or assigns or other similar matter then Holder shall be reimbursed and indemnified for any cost or expense of any kind or nature whatsoever incurred by Holder in responding or replying thereto.

7.19 Warranties and Representations of Owner. By signing this Conservation Easement, Owner acknowledges, warrants and represents to Holder that:

7.19.1 Owner has received and fully reviewed the Baseline Documentation in its present form in its entirety.

7.19.2 The Baseline Documentation includes, among other things:

-Naturalist's Report on the Conservation Area.
-Environmental Conditions Map of the Conservation Area.
-Photographs of current site conditions on the Conservation Area.
-Narrative description of the significant ecological and other conservation values and characteristics of the Conservation Area.
-Topographic map of the Conservation Area

7.19.3 The Baseline Documentation is an accurate representation of the condition of the Conservation Area at the time of granting this Conservation Easement.

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7.19.4 Owner has had the opportunity to be represented by counsel of Owner's selection, and fully understands that Owner is hereby permanently relinquishing property rights which would otherwise permit Owner to have a fuller use and enjoyment of the Conservation Area.

7.19.5 The undersigned individual or individuals signing as or on behalf of Owner has all legal authority to enter into this Conservation Easement and perform all of the obligations of Owner hereunder, as the binding act of Owner.

7.19.6 Owner is seized of the Conservation Area in fee simple title. Owner has the right to grant and convey this Conservation Easement. The Conservation Area is free and clear of any Deed of Trust, Mortgage and any other liens and monetary encumbrances except: (a) liens for taxes not yet due and payable and (b) Deed of Trust or Mortgage liens that are subordinate to this Conservation Easement by virtue of the executed form of Joinder and Consent of Lienholder attached hereto and incorporated herein.

7.19.7 There are no recorded or unrecorded leases or other agreement for the production of minerals or removal of timber from the Conservation Area which would, if any of the activities permitted under such lease or other agreement was undertaken by Owner, violate the covenants or restrictions in this Conservation Easement or otherwise defeat the Conservation Purposes.

7.19.8 Owner has, to the extent Owner in Owner's discretion has deemed appropriate, investigated with all due diligence the cost, practicality, right, and ability to use and improve the Building Zone according to the Reserved Rights permitted within the Building Zone under this Conservation Easement, as such use and improvement may be affected by zoning, other governmental regulation, access, availability of utilities, soil conditions, geology, topography, other physical and environmental conditions, and any other factor or condition. As to the cost, practicality, right, and ability of Owner to use and improve the Building Zone as and to the extent permitted in this Conservation Easement, Holder makes no warranty or representation, has no obligation, gives no assurance, and is released by Owner, Owner's successors and assigns from any liability and claims, both compensatory and consequential.

7.20 State Conservation Easement Law. This Conservation Easement shall be a "conservation easement" under, and shall be governed by, the State Conservation Easement Law and Holder shall have all of the rights and powers of a "Holder" under the State Conservation Easement Law.

7.21 Governing Law. This Conservation Easement shall be governed by and construed under the law of the state in which the Conservation Area is located.

TO HAVE AND TO HOLD the easements and rights set forth in this Conservation Easement unto Holder, its successors and assigns, for its own use and benefit forever.

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IN WITNESS WHEREOF, and intending to be legally bound hereby, Owner and Holder have executed this Conservation Easement intending this Conservation Easement to be effective on the date of the last signature below.

SANIBEL RESORT, LLC

By: Sanibel Resort Management, LLC, a Delaware limited liability company, its Manager

By: EcoVest Sanibel Resort, LLC, a Delaware limited liability company, its Manager

By: EcoVest Capital, Inc., a Delaware corporation, Its Sole Member

Witness: _____ By: _____
Robert M. McCullough, Sr. Vice President and Chief Financial Officer, Secretary and Treasurer

Witness: _____

NORTH AMERICAN LAND TRUST
a non-profit corporation

Witness: _____ By: _____ [Seal]
Matthew Stutzman
Andrew L. Johnson, Vice President

Witness: _____

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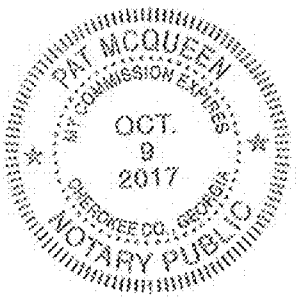
State of Georgia

County of Cherokee

The foregoing instrument was acknowledged before me this 14th day of December, 2015 by Robert M. McCullough, Senior Vice President, Chief Financial Officer, Secretary and Treasurer of EcoVest Capital, Inc., which is the Sole Member of EcoVest Sanibel Resort, LLC, which is Manager of Sanibel Resort Management, LLC, which is Manager of SANIBEL RESORT, LLC a Delaware limited liability company, on behalf of the company.

Notary Public
My commission expires: 10/9/2017



STATE OF PENNSYLVANIA :
:
COUNTY OF CHESTER :

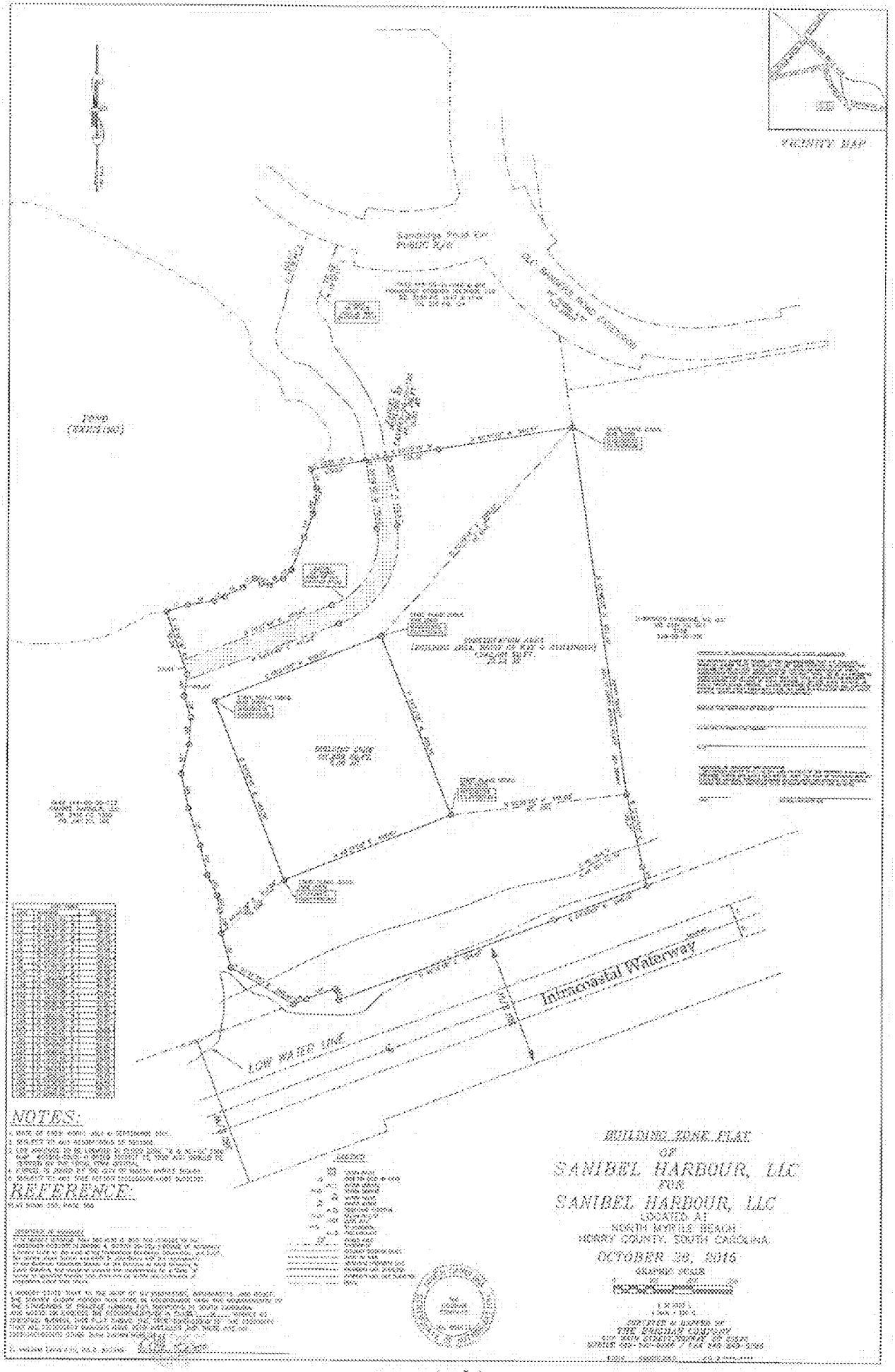
On this, the 16th day of December, 2015, before me, a Notary Public in and for the State of Pennsylvania, the undersigned officer, personally appeared Andrew L. Johnson, who acknowledged himself to be the Vice President of North American Land Trust, a Pennsylvania Non-Profit Corporation, and that he as such officer, being authorized to do so, executed the foregoing conservation easement for the purposes therein contained by signing the name of the corporation by himself as Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Karen M. Mazza
Notary Public
(Seal) My commission expires: Aug. 22, 2018

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Karen M. Mazza, Notary Public
Pennsbury Twp., Chester County
My Commission Expires Aug. 22, 2018
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

ECOVEST-SF_0013476


VICINITY MAP
Intracoastal Waterway
LOW WATER LINE
NOTES:
REFERENCE:
BUILDING ZONE PLAT
OF
SANIBEL HARBOUR, LLC
FOR
SANIBEL HARBOUR, LLC
LOCATED AT
NORTH MYRTLE BEACH
HORRY COUNTY, SOUTH CAROLINA
OCTOBER 30, 2016

STATE OF SOUTH CAROLINA)
) AFFIDAVIT
COUNTY OF HORRY)

PERSONALLY appeared before me the undersigned, who being duly sworn, deposes and says:

1. I have read the information on this affidavit and I understand such information.

2. The Easement being granted is described as "Conservation Easement and Declaration of Restrictions and Covenants, between Sanibel Resort, LLC and North American Land Trust dated December 21st, 2015.

3. The deed is exempt from the deed recording fee because (See information section of affidavit):

SC Code Section 12-24-40 (1) - Value Less than One Hundred ($100.00) Dollars

If exempt under exemption #14 as described in the information section of this affidavit, did the agent and principal relationship exist at the time of the original sale and was the purpose of this relationship to purchase the realty?
Check Yes _____ or No _____

4. As required by Code Section 12-24-70, I state that I am a responsible person who was connected with the transaction as: Grantor

5. I understand that a person required to furnish this affidavit who willfully furnishes a false or fraudulent affidavit is guilty of a misdemeanor and, upon conviction, must be fined not more than one thousand dollars or imprisoned not more than one year, or both.

Sanibel Resort, LLC
BY: Sanibel Resort Management, LLC, Manager
BY: Ecovest Sanibel Resort, LLC, Manager
BY: Ecovest Capital, Inc., Sole Member
By: _____
Robert M. McCullough, Sr. Vice President and Chief Financial Officer

Sworn to before me this 21st day of December, 2015.

_____
Notary Public for Georgia
My Commission Expires: 10/9/2017

PAT MCQUEEN
NOTARY PUBLIC
CHEROKEE CO., GEORGIA
MY COMMISSION EXPIRES
OCT. 9 2017

INFORMATION

Except as provide in this paragraph, the term "value" means "the consideration paid or to be paid in money or money's worth for the realty." Consideration paid or to be paid in money's worth includes, but is not limited to, other realty, personal property, stocks, bonds, partnership interest and other intangible property, the forgiveness or cancellation of a debt, the assumption of a debt, and the surrendering of any right. The fair market value of the consideration must be used in calculating the consideration paid in money's worth. Taxpayers may elect to use the fair market value of the realty being transferred in determining fair market value of the consideration. In the case of realty transferred between a corporation, a partnership, or other entity and a stockholder, partner, or owner of the entity, and in the case of realty transferred to a trust or as a distribution to a trust beneficiary, "value" means the realty's fair market value. A deduction from value is allowed for the amount of any lien or encumbrance existing on the land, tenement, or realty before the transfer and remaining on the land, tenement, or realty after the transfer. Taxpayer may elect to use the fair market value for property tax purposes in determining fair market value under the provisions of the law.

Exempted from the fee are deeds:

(1) transferring realty in which the value of the realty, as defined in Code Section 12-24-30, is equal to or less than one hundred dollars;

(2) transferring realty to the federal government or to a state, its agencies and departments, and its political subdivisions, including school districts;

(3) that are otherwise exempted under the laws and Constitution of this State or of the United States;

(4) transferring realty in which no gain or loss is recognized by reason of Section 1041 of the Internal Revenue Code as defined in Section 12-6-40(A);

(5) transferring realty in order to partition realty as long as no consideration is paid for the transfer other than the interests in the realty that are being exchanged in order to partition the realty;

(6) transferring an individual grave space at a cemetery owned by a cemetery company licensed under Chapter 55 of Title 39;

(7) that constitute a contract for the sale of timber to be cut;

(8) transferring realty to a corporation, a partnership, or a trust in order to become, or as, a stockholder, partner, or trust beneficiary of the entity provided no consideration is paid for the transfer other than stock in the corporation, interest in the partnership, beneficiary interest in the trust, or the increase in value in such stock or interest held by the grantor. However, the transfer of realty from a corporation, a partnership, or a trust to a stockholder, partner, or trust beneficiary of the entity is subject to a fee even if the realty is transferred to another corporation, a partnership, or trust;

(9) transferring realty from a family partnership to a partner or from a family trust to a beneficiary, provided no consideration is paid for the transfer other than a reduction in the grantee's interest in the partnership or trust. A "family partnership" is a partnership whose partners are all members of the same family. A "family trust" is a trust, in which the beneficiaries are all members of the same family. The beneficiaries of a family trust may also include charitable entities. "Family" means the grantor and the grantor's spouse, parents, grandparents, sisters, brothers, children, stepchildren, grandchildren, and the spouses and lineal descendants of any the above. A "charitable entity" means an entity which may receive deductible contributions under Section 170 of the Internal Revenue Code as defined in Section 12-6-40(A);

(10) transferring realty in a statutory merger or consolidation from a constituent corporation to the continuing or new corporation;

(11) transferring realty in a merger or consolidation from a constituent partnership to the continuing or new partnership; and,

(12) that constitute a corrective deed or a quitclaim deed used to confirm title already vested in the grantee, provided that no consideration of any kind is paid or is to be paid under the corrective or quitclaim deed.

(13) transferring realty subject to a mortgage to the mortgagee whether by a deed in lieu of foreclosure executed by the mortgagor or deed pursuant to foreclosure proceedings.

(14) transferring realty from an agent to the agent's principal in which the realty was purchased with funds of the principal, provided that a notarized document is also filed with the deed that establishes the fact that the agent and principal relationship existed at the time of the original purchase as well as for the purpose of purchasing the realty.

(15) transferring title to facilities for transmitting electricity that is transferred, sold, or exchanged by electrical utilities, municipalities, electric cooperatives, or political subdivisions to a limited liability company which is subject to regulation under the Federal Power Act (16 U.S.C. Section 791(a)) and which is formed to operate or to take functional control of electric transmission assets as defined in the Federal Power Act.

F. Existing Conditions Report

Sanibel Resort

Biological Assessment
Horry County, South Carolina

Prepared For:
North American Land Trust
[redacted]

Prepared By:
Peter Smith, Conservation Biologist
[redacted]

July, 2015

little brown jug (*Hexastylis arifolia*)

DATES VISITED: 2015-04-29, 2015-04-30 and 2015-11-17

COUNTY: Horry

CONSERVATION AREA SIZE: ± 28.53 acres

LOCATION: Approximate property center: 33°49'58.19"N 78°41'41.85"W

UNITED STATES ECOREGION: EPA Ecoregion Level III: Middle Atlantic Coastal Plain (63); Level IV: Carolina Flatwoods (63h)

WATERSHED: Carolina Coastal-Sampit (USGS Cataloging unit: 03040207)

USGS QUAD: Wampee

GENERAL DESCRIPTION

The Sanibel Resort conservation property was surveyed during two days in April. On 04/29 Patty Kennedy (NALT) and I begin initial assessments of the tract. The following day, 04/30, I completed the initial site assessment.

Approximately 1,000 linear feet of the property borders the Atlantic Intracoastal Water (AIW). Two thirds or more of the tract is maintained as a manicured field being regularly mowed. The northwestern corner of the property borders a lake that is the result of a past sand mining operation.

The wooded portion of the property is best described as a Nonriverine Wet Hardwood Forest community. Canopy dominants include poplar (*Liriodendron tulipifera*), sweetgum (*Liquidambar styraciflua*), red maple (*Acer rubrum*), American elm (*Ulmus americana*), oaks (*Quercus* spp.), hickories (*Carya* spp.), and others. The subcanopy-shrub layer is quite dense supporting sweet bay (*Magnolia virginiana*), cane grass (*Arundinaria tecta*), pawpaw (*Asimina triloba*), dwarf palmetto (*Sabal minor*), swamp bay (*Persea palustris*), and others. The herb layer ranges from sparse to dense supporting little brown jugs (*Hexastylis arifolia*), Jack in the pulpit (*Arisaema triphyllum*), yellow jessamine (*Gelsemium sempervirens*), sedges (*Carex* spp.), lizards tail (*Saururus cernuus*), and others. The non-native-invasive Japanese honeysuckle (*Lonicera japonica*) is abundant throughout the wooded area. Several small depression ponds were observed in the forested areas. Their origin is unknown but they appear to be a natural feature of the landscape. These are notable as they represent excellent breeding and foraging habitat for a variety of herpetofauna and macoinvertabrate insect species. Numerous frogs were observed during the time of the site assessment.

No man-made structures were observed on the property.

PHYSICAL DESCRIPTION

ASPECT: Site is to flat for meaningful aspect but drains to the south and east
SLOPE: Property drains to the southeast but no meaningful slope present
ELEVATION: Approximately 20'-25'
TOPOGRAPHY: Typical outer coastal plain topography: flat
HYDROLOGY AND MOISTURE: Mesic forested land
GEOLOGY: Qso: Pleistocene: Primarily sand with clay or mud

ANIMAL HABITAT FACTORS

HABITAT HETEROGENEITY: Fairly homogeneous supporting one fair quality natural community (Nonriverine Wet Hardwood Forest)
AMPHIBIAN BREEDING SITES: Occasional. Woody debris in various states of decay and seasonally inundated depressions
DENNING SITES: None noted.
BIG TREES/LARGE CAVITIES: Occasional throughout forested areas.
MAST PRODUCING SPECIES: oaks (*Quercus* spp.), hickories (*Carya* spp.)

AQUATIC HABITAT FACTORS

HYDROLOGY: Property borders the Atlantic Intracoastal Waterway along southeastern property line

RARE, UNCOMMON OR INDICATOR SPECIES

Global, Federal, and State ranking information for rare species is maintained by the State Natural Heritage Program and the US Fish and Wildlife Service. Any rare species discussed in the following text will follow the standardized ranking system. Global ranks are defined thusly: G1 = critically imperiled globally because of extreme rarity (5 or fewer occurrences), G2 = imperiled globally because of rarity (6 to 20 occurrences), G3 = rare or uncommon (localized within range or narrowly endemic to special habitats, generally 20-100 occurrences), G4 = apparently secure, G5 = demonstrably secure, T_ = the rank of a subspecies or variety. State rankings follow the same categories: S1 = critically imperiled in state because of extreme rarity (5 or fewer occurrences), S2 = Imperiled in state because of rarity (6 to 20 occurrences), S3 = rare or uncommon (localized within range or narrowly endemic to special habitats, generally 20-100 occurrences), S4 = apparently secure, S5 = demonstrably secure. Watchlist status is as follows: W1 = rare, but relatively secure, W2 = rare, but taxonomically questionable, W3 = rare, but uncertain documentation, W4 = rare, but believed not native, W5A = rare because of severe decline, W5B = exploited plants, W6 = regionally rare, W7 = rare and poorly known. A "?" after a ranking indicates that the ranking is uncertain. An "X" after state or global designation indicates that the species is presumed extirpated. State Designations: E = Endangered, T = Threatened, SC = Special Concern, SR = Significantly Rare, -L = Limited, -T = Throughout, -D = Disjunct, -P = Peripheral. Federal Designations: LT = Listed Threatened, LE = Listed Endangered, FSC = Federal Species of Concern

SPECIAL STATUS SPECIES PRESENT:

Partners In Flight Species Assessment Database, Species of Regional Importance
Eastern Wood Pewee (*Contopus virens*)
Ruby-throated Hummingbird (*Archilochus colubris*)
Tufted Titmouse (*Baeolophus bicolor*)
Yellow-throated Warbler (*Dendroica dominica*)

POTENTIAL FOR OTHER SPECIAL STATUS SPECIES: Surveys conducted throughout the entire growing season may reveal a few other special status species.

EXOTIC/WEEDY SPECIES: See Plant Species Observed

LANDSCAPE FACTORS

ADJACENT LAND USE/OFFSITE STRESSES: Increasing pressure for suburban sprawl and coastal resort development

RELATION/CONNECTION TO OTHER SITES: Within one airmile of NALT held Long Bay Marina Conservation Area and Carolina Bays Resort Conservation Area.

DEGREE OF THREAT/POTENTIAL FOR CHANGE: Very low other than Reserved Rights documented in the Conservation Easement document.

MANAGEMENT

A Conservation Management Plan will be prepared by the North American Land Trust post biological assessment report and baseline documentation.

PLANT SPECIES OBSERVED

Scientific Name	Common Name	Notes
Acer barbatum	southern sugar maple	
Acer rubrum	red maple	
Alnus serrulata	hazel alder	
Ambrosia artemisiifolia	annual ragweed	
Ampelopsis arborea	peppervine	
Andropogon gerardii	big bluestem	
Arisaema triphyllum	Jack in the pulpit	
Arundinaria tecta	switch cane	
Baccharis halimifolia	eastern baccharis	
Callicarpa americana	American beautyberry	
Carex spp.	sedges	
Carpinus caroliniana	ironwood	

Carya glabra	pignut hickory	
Carya cordiformis	bitternut hickory	
Celtis laevigata	sugarberry	
Eleocharis obtusa	blunt spikerush	
Erigeron pulchellus	robin's plantain	
Eupatorium capillifolium	dog fennel	
Galium sp.	a bedstraw	
Gelsemium sempervirens	yellow jessamine	
Geranium carolinianum	Carolina cranebill	
Firmiana simplex	Chinese parasol tree	non-native/invasive
Hamamelis virginiana	witch hazel	
Hedera helix	English ivy	non-native/invasive
Hexastylis arifolia	little brown jug	
Hydrocotyle umbellata	manyflower marshpennywort	
Hypericum sp.	a St. Johnswort	
Ilex glabra	inkberry	
Ilex vomitoria	yaupon	
Juncus sp.	rush	
Juniperus virginiana	eastern red cedar	
Ligustrum lucidum	glossy privet	non-native/invasive
Liquidambar styraciflua	sweetgum	
Liriodendron tulipifera	tulip tree	
Lonicera japonica	Japanese honeysuckle	non-native/invasive
Lyonia lucida	fetterbush	
Magnolia virginiana	sweetbay	
Myrica cerifera	wax-myrtle	
Nuttallanthus canadensis	Canada toadflax	
Oenethera sp.	a primrose	
Osmundastrum cinnamomeum	cinnamon fern	
Parthenocissus quinquefolia	Virginia creeper	
Persea palutris	swamp bay	
Pinus taeda	loblolly pine	
Polygonum hydropiperoides	swamp smartweed	
Prunus serotina	black cherry	
Quercus michauxii	swamp chestnut oak	
Quercus nigra	water oak	
Quercus phellos	willow oak	
Quercus virginiana	live oak	
Rhus coppalinum	winged sumac	
Rubus sp.	a blackberry	
Rumex acetosella	sheep sorrel	introduced

Sabal minor	dwarf palmetto
Salvia lyrata	lyreleaf sage
Sassafras albidum	sassafras
Saururus cernuus	lizard's tail
Scirpus cyperinus	wool grass
Sisyrinchium atlanticum	Atlantic blue-eyed grass
Smilax bona-nox	saw greenbriar
Smilax rotundifolia	roundleafd greenbriar
Tillandsia usneoides	Spanish moss
Toxicodendron radicans	poison ivy
Triodanis perfoliata	clasping Venus' looking glass
Typha latifolia	broadleaf cattail
Ulmus americana	American elm
Vitis aestivalis	summer grape
Vitis rotundifolia	muscadine grape
Woodwardia areolata	netted chainfern

Description of observed plants can be found at: http://plants.usda.gov/

ANIMAL SPECIES OBSERVED

Common Name	Scientific Name	Notes
Mammal		
Eastern Gray Squirrel	*Sciurus carolinensis*	
Opossum	*Didelphis marsupialis*	tracks
Raccoon	*Procyon lotor*	tracks
Bird		
American Crow	*Corvus brachyrhynchos*	
Barn Swallow	*Hirundo rustica*	
Blue Jay	*Cyanocitta cristata*	
Brown Thrasher	*Toxostoma rufum*	
Cattle Egret	*Bubulcus ibis*	introduced
Common Grackle	*Quiscalus quiscula*	
Eastern Kingbird	*Tyrannus tyrannus*	
Eastern Wood Pewee	*Contopus virens*	
Killdeer	*Charadrius vociferus*	
Little Blue Heron	*Egretta caerulea*	
Mourning Dove	*Zenaida macroura*	
Northern Cardinal	*Cardinals cardinalis*	
Northern Mockingbird	*Mimus polyglottos*	

Redtailed Hawk	*Buteo jamaicensis*
Ruby-throated Hummingbird	*Archilochus colubris*
Tufted Titmouse	*Baeolophus bicolor*
Yellow-throated Warbler	*Dendroica dominica*
Herpetiles	
Green Anole	*Anolis carolinensis*
Green Tree Frog	*Hyla cinerea*
Southern Leopard Frog	*Rana sphenocephala*
Butterflies	
Eastern Tiger Swallowtail	*Papilio glaucus*
Gulf Fritillary	*Agraulis vanillae*
Monarch	*Danaus plexippus*
Orange Sulphur	*Colias eurytheme*
Zabulon Skipper	*Poanes zabulon*
Zebra Swallowtail	*Eurytides marcellus*

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Cronquist, A. 1980. Vascular Flora of the Southeastern United States Volume 1: Asteraceace. The University of North Carolina Press, Chapel Hill, NC.

NatureServe. 2013. NatureServe Explorer: An online encyclopedia of life [web application]. Version 5.0. NatureServe, Arlington, Virginia. Available http://www.natureserve.org/explorer. (Accessed: July 14, 2015).

Schafale, M.P. and A.S. Weakley. 2012. Classification of the Natural Communities of North Carolina: 4th Approximation. NC Department of Environment and Natural Resources, Raleigh NC.

Weakley, A.S. 2012. Guide to the Flora of the Carolinas, Virginia, and Georgia (working draft). University of North Carolina, Chapel Hill, NC.

North American LAND TRUST

G. Photographic Documentation

North American LAND TRUST

~Sanibel Resort

Conservation Area~

Horry County,
South Carolina

~Photographic Documentation~

Peter Smith,
NALT Conservation Biologist
April 30, 2015

ECOVEST-SF_0013490

LEGEND:

Subject Property
~28.53 acres

Approximate Direction & Location of Photograph

Photographs taken April 30, 2015 by
Peter Smith, NALT Conservation Biologist

NOTES:
1. Property boundaries from a survey by The Brigman Company, Conway, SC.
2. Aerial photograph from Apollo Mapping; date flown February 20, 2015.
3. Topography digitized from Wampee USGS Quadrangle map; Contour Interval = 5feet.
4. Soils information from USDA - NRCS National Soil Information System Database (NASIS).

NORTH

0 150 300 600 FEET

PHOTOGRAPHIC INDEX MAP

SANIBEL RESORT

HORRY COUNTY, SOUTH CAROLINA

PHOTOGRAPHIC INDEX MAP

North American LAND TRUST

Sanibel Resort Conservation Area

PHOTOGRAPHIC DOCUMENTATION Photographs taken by Peter Smith, NALT Conservation Biologist April 30, 2015

Photograph # 1

Photograph # 2

Photograph # 3

Photograph # 4

Photograph # 5

Photograph # 6

Photograph # 7

Photograph # 8

Photograph # 9

Photograph # 10

Photograph # 11: Eliochoris species

Photograph # 12

Photograph # 13

Photograph # 14

Photograph # 15: Small depression pond

Photograph # 16

Photograph # 17: Small depression pond

Photograph # 18: Hexastylis arifolia

Photograph # 19

Photograph # 20

North American LAND TRUST

~Sanibel Resort

Conservation Area~

Horry County,
South Carolina

~Photographic Documentation~

Peter Smith,
NALT Conservation Biologist
November 17, 2015

ECOVEST-SF_0013502

LEGEND:

Subject Property
~28.53 acres

Approximate Direction & Location of Photograph

Photographs taken November 17, 2015 by
Peter Smith, NALT Conservation Biologist

NOTES:

1. Property boundaries from a survey by The Brigman Company, Conway, SC.
2. Aerial photograph from Apollo Mapping; date flown February 20, 2015.
3. Topography digitized from Wampee USGS Quadrangle map; Contour Interval = 5feet.
4. Soils information from USDA - NRCS National Soil Information System Database (NASIS).

NORTH

0 150 300 600 FEET

PHOTOGRAPHIC INDEX MAP

SANIBEL RESORT

HORRY COUNTY, SOUTH CAROLINA

PHOTOGRAPHIC INDEX MAP

North American LAND TRUST

Sanibel I Conservation Area

PHOTOGRAPHIC DOCUMENTATION

Photographs taken by Peter Smith, NALT Conservation Biologist

November 17, 2015

Photograph # 1

Photograph # 2

Photograph # 3

Photograph # 4

North American LAND TRUST

~Sanibel Resort

Conservation Area~

Horry County,
South Carolina

~Scenic Views~

Andrew Johnson,
NALT President
July 21, 2015

SANIBEL RESORT

SCENIC VIEWS

The Sanibel Resort, LLC property is highly visible from The Atlantic Intracoastal Waterway providing scenic woodland view to the general public. The Building Zone is set back from the Intracoastal Waterway and it is the intent that native vegetative buffers will be provided as appropriate to protect scenic viewsheds. Removal of vines/invasive species along with forest management will also enhance the scenic views.

The following set of photographs show the views from a variety of scenic views form The Atlantic Intracoastal Waterway; locations of the scenic view points are indicated on aerial photographs.

SCENIC VIEWS *of*
SANIBEL RESORT

HORRY COUNTY, SOUTH CAROLINA

SCENIC VIEWS *of*
SANIBEL RESORT

HORRY COUNTY, SOUTH CAROLINA

North American LAND TRUST

H. Supportive Mapping

North American LAND TRUST

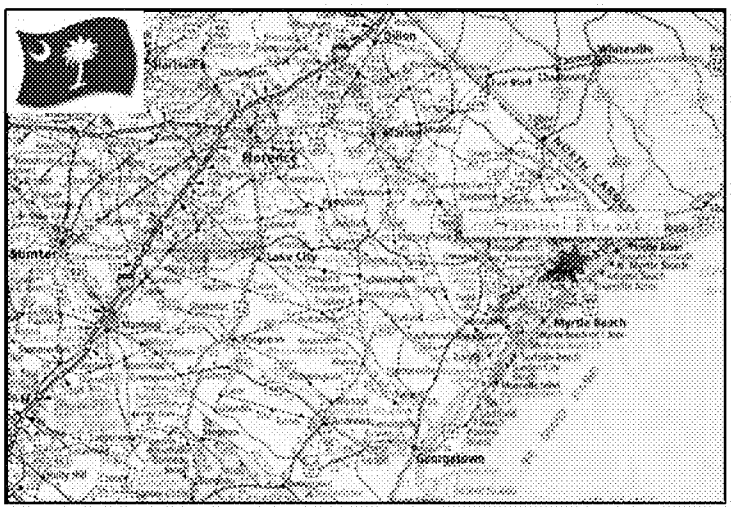
~Sanibel Resort

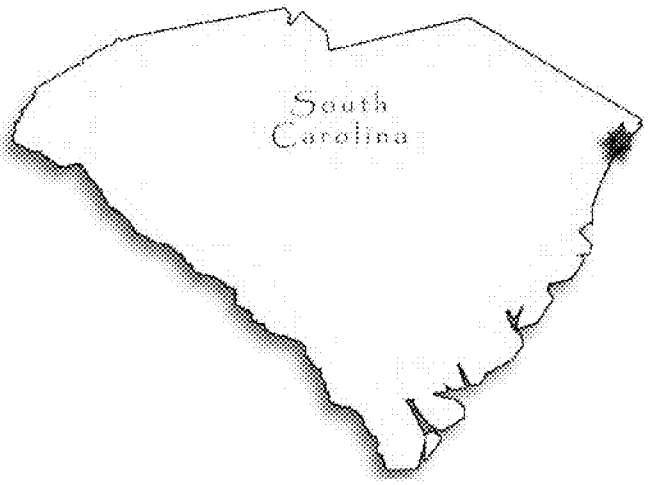
Conservation Area~

Horry County,
South Carolina

~Supportive Mapping~

1. *Location Map*
2. *Base Map*
3. *Topography*
4. *Soils Map*
5. *Vegetation Map*
6. *Aerial Photograph*
7. *Concept Plan*
8. *Conservation Easement Plan*



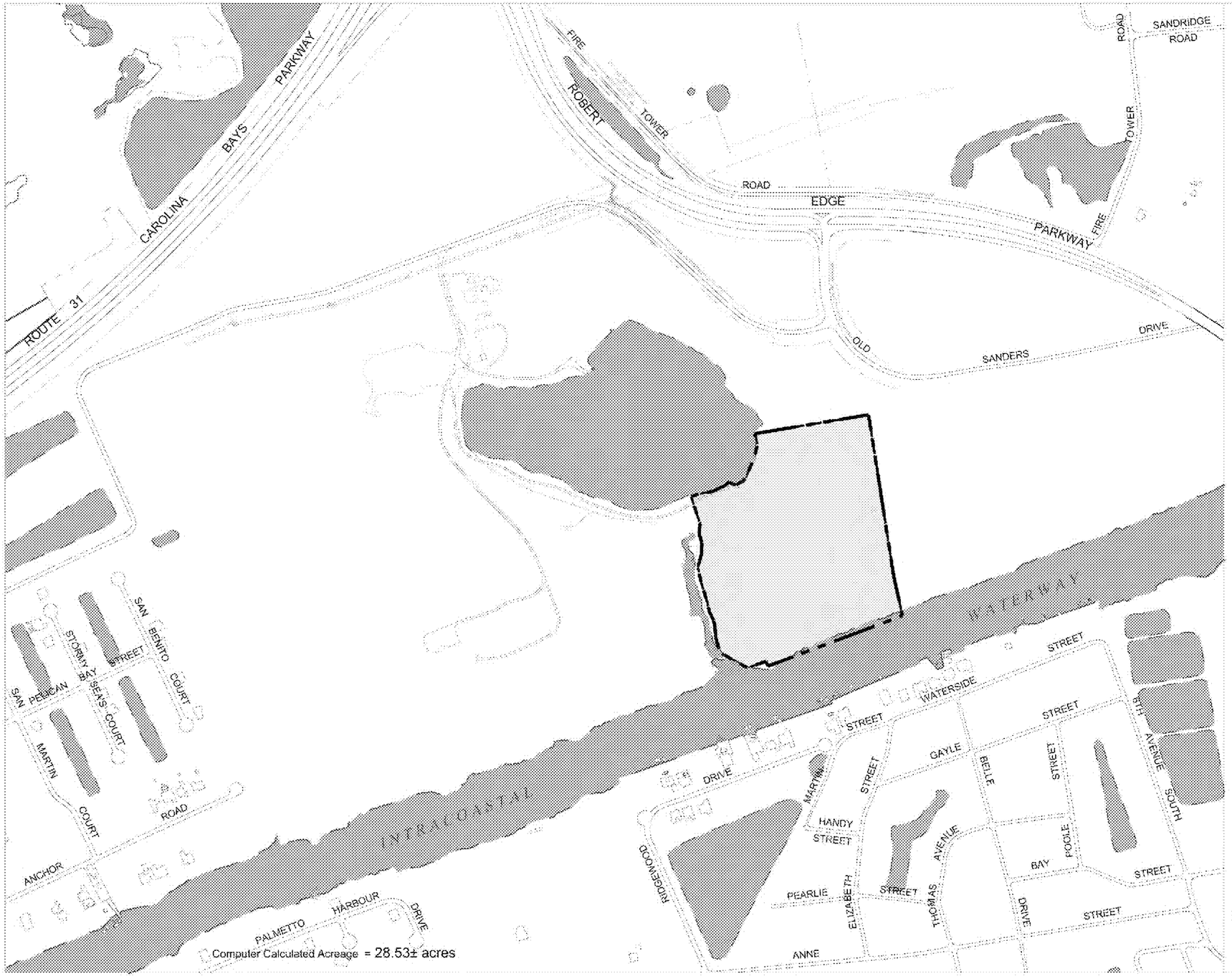


LEGEND

Approximate Location of Property

NORTH

SANIBEL RESORT Horry County, South Carolina	LOCATION MAP	North American LAND TRUST



LEGEND:

Subject Property

NOTES:

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2. Aerial photograph from Apollo Mapping; date flown February 20, 2015.
3. Topography digitized from Wampee USGS Quadrangle map; Contour interval = 5feet.
4. Soils information from USDA - NRCS National Soil Information System Database (NASIS).

NORTH

0 150 250 400 800 1200 1600 Feet

BASE MAP

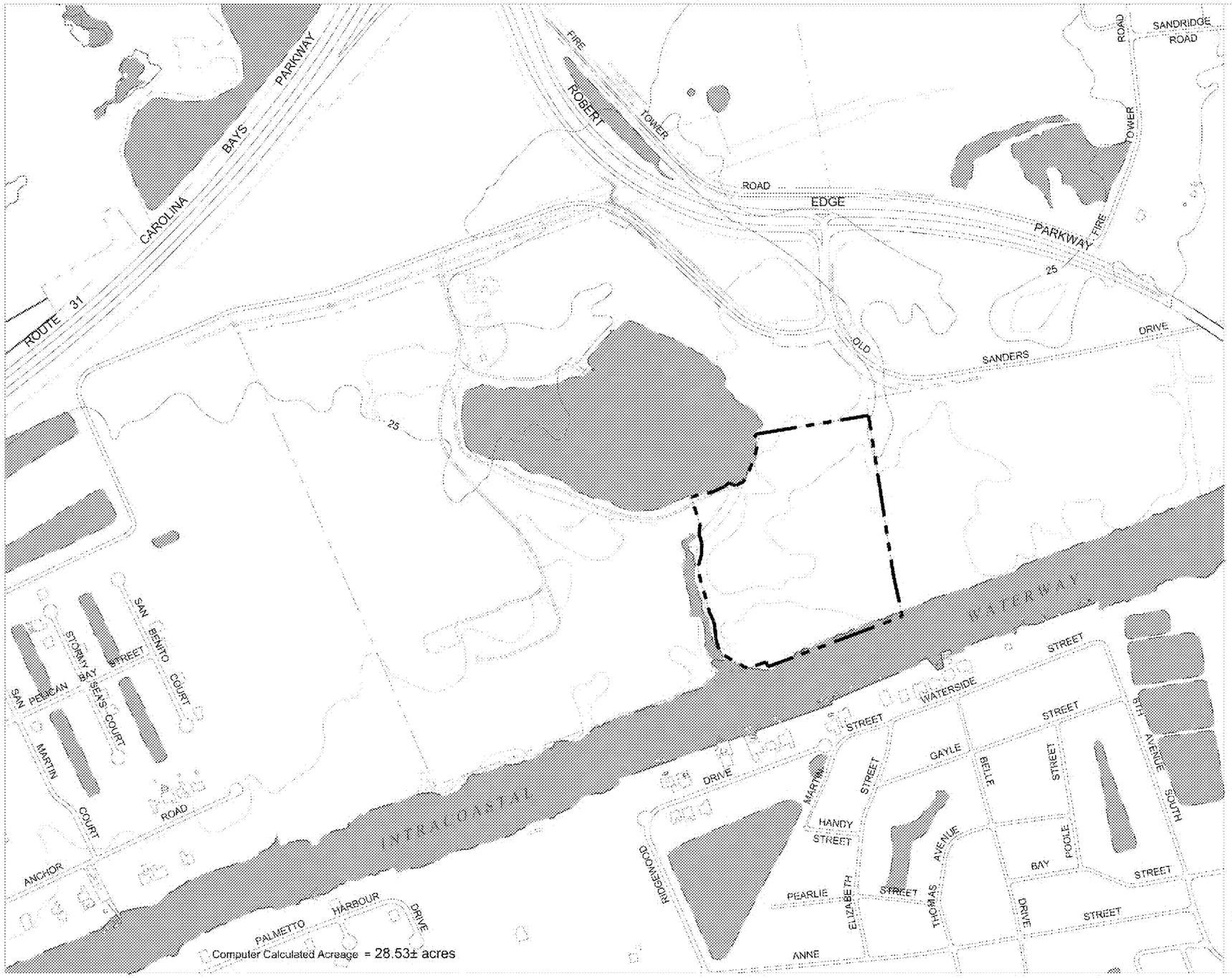
SANIBEL RESORT

HORRY COUNTY, SOUTH CAROLINA

BASE MAP

North American LAND TRUST

ECOVEST-SF_0013513



LEGEND:

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NORTH

0 100 200 400 800 1200 1600 Feet

SANIBEL RESORT

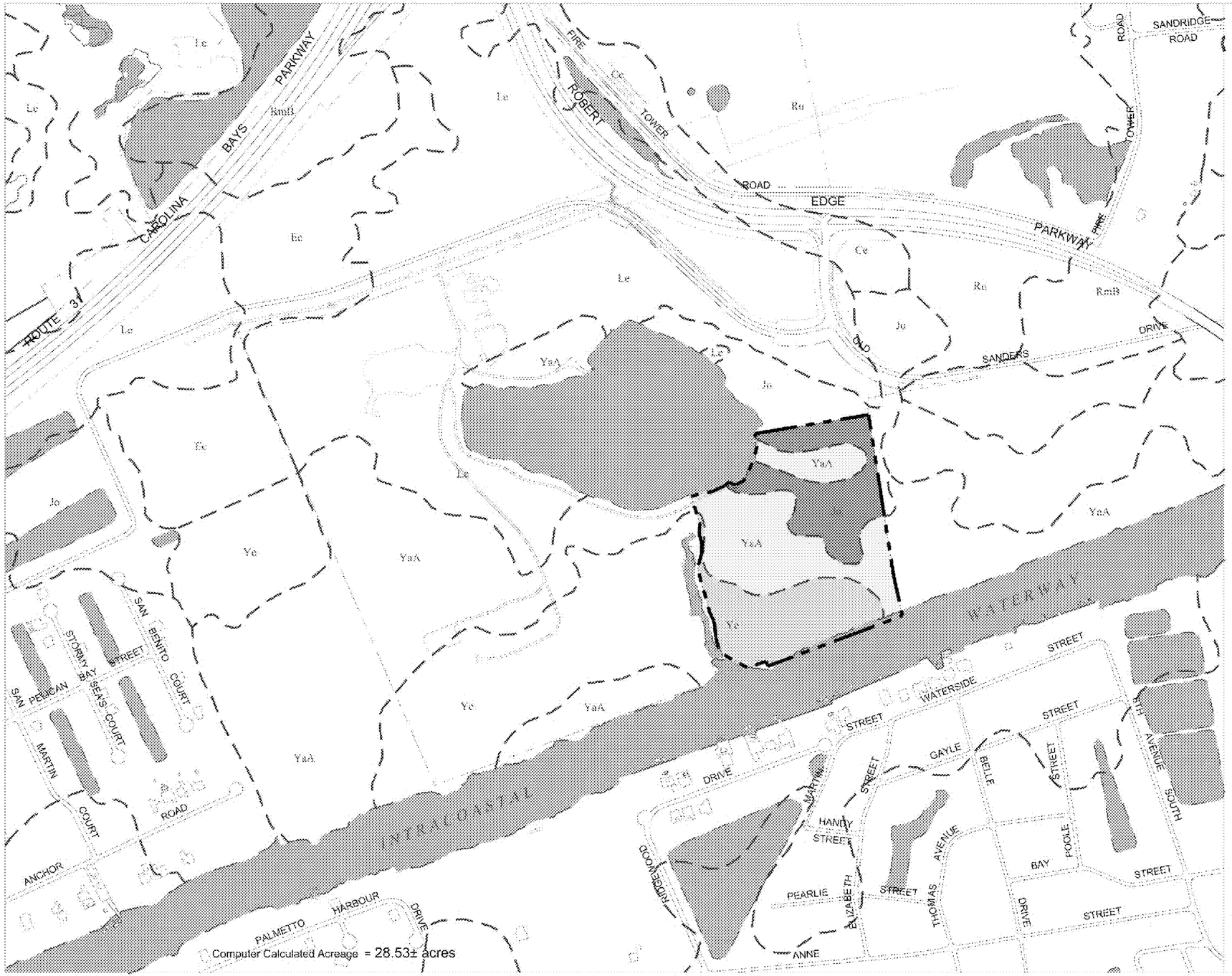
HORRY COUNTY, SOUTH CAROLINA

TOPOGRAPHY

North American LAND TRUST

TOPOGRAPHY

ECOVEST-SF_0013514



LEGEND:

Subject Property

Soil Legend:

Jo — Johnston Loam ^

YaA — Yauhannah Fine Sandy Loam, 0 to 2% slopes ***

Ye — Yemassee Loamy Fine Sand ***

Soil Notes:

*** denotes Prime Farmland

^ denotes Hydric Soils

NOTES:

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NORTH

0 150 250 400 800 1200 1600 Feet

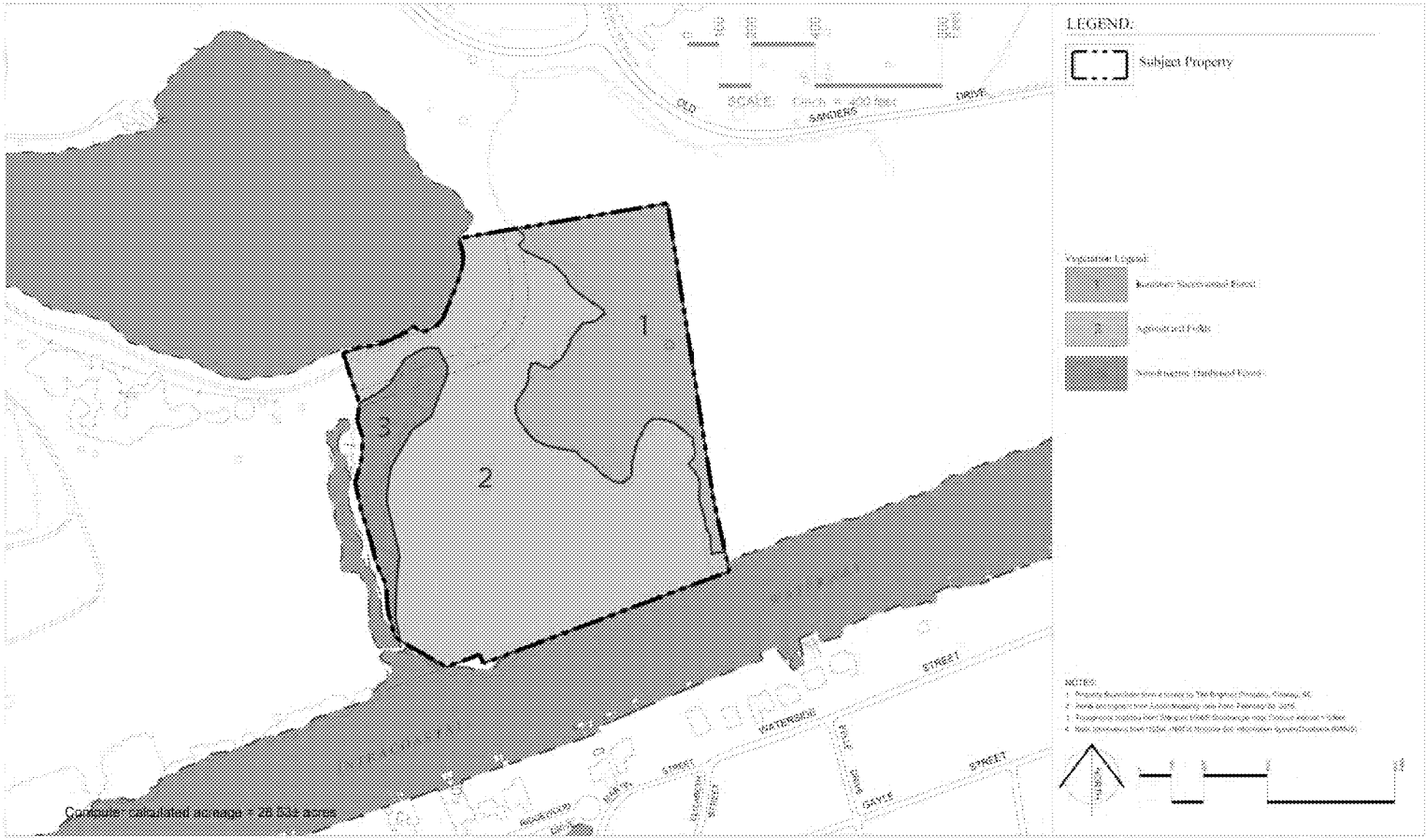
SANIBEL RESORT

HORRY COUNTY, SOUTH CAROLINA

SOILS MAP

North American Land Trust

SOILS MAP


LEGEND:
Subject Property
Vegetation Legend:
1
2
3
VEGETATION MAP
NOTES:
Conditions: calculated acreage = 28.824 acres
SANIBEL RESORT
HORRY COUNTY, SOUTH CAROLINA
VEGETATION MAP
North American
LAND TRUST

LEGEND:

Subject Property

NOTES:

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NORTH

0 100 200 400 800 1200 1600 Feet

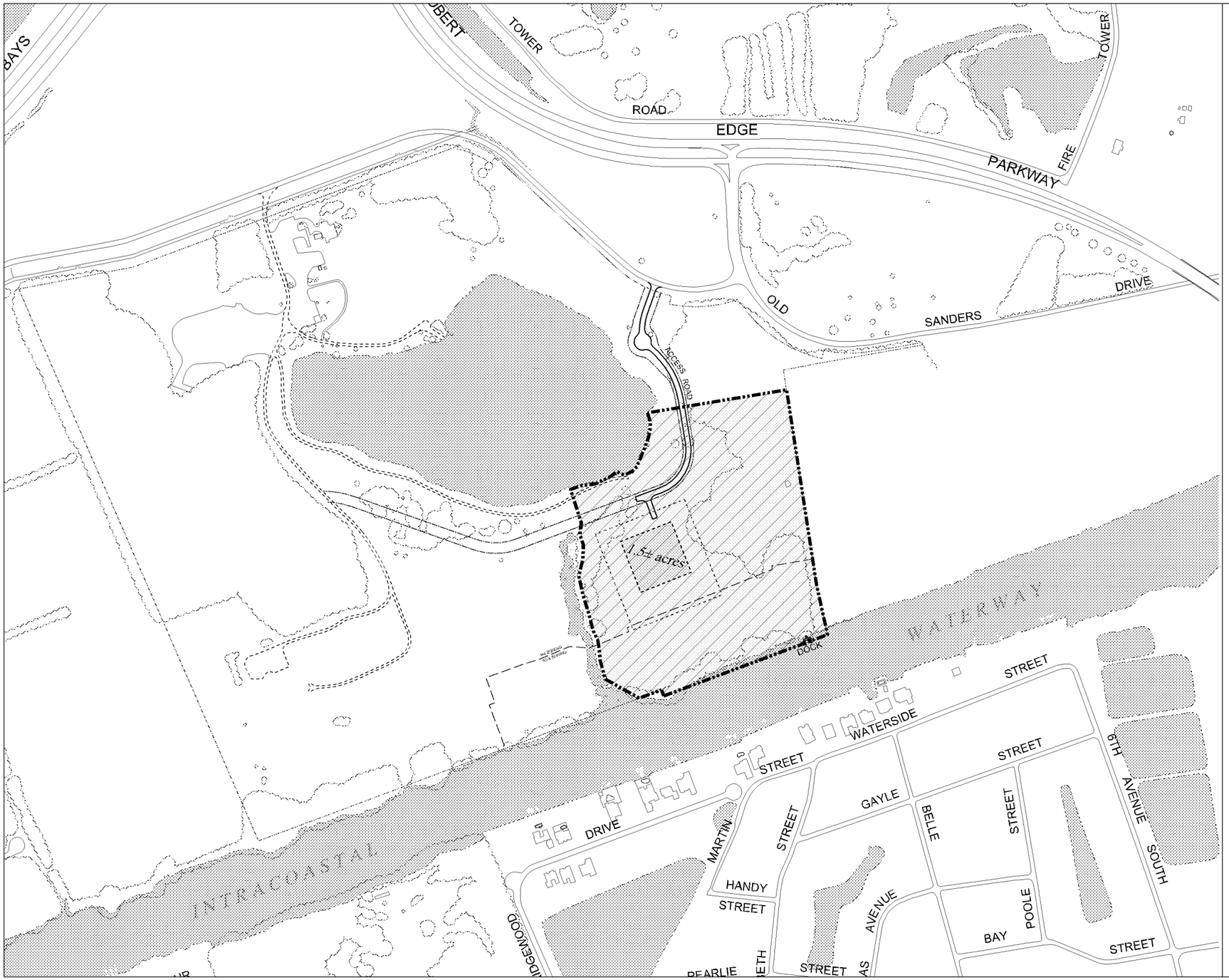
SANIBEL RESORT

HORRY COUNTY, SOUTH CAROLINA

AERIAL PHOTOGRAPH

North American LAND TRUST

AERIAL PHOTOGRAPH



LEGEND:

- Subject Property
- Building Zone @ 5.0± acres
- Building Area @ 1.5± acres
- Conservation Area 28.54± acres

NOTES:

1. Property boundaries from Survey by DDC Engineers, Myrtle Beach, SC.
2. Aerial Photography from Apollo Mapping; date flown February 20, 2015.
3. Contours digitized from USGS Hand Quadrangle Map.
4. Soils information from USDA - NRCS National Soil Information System Database (NASIS).

NORTH

0 100 200 400 800 1200 Feet

CONCEPT PLAN

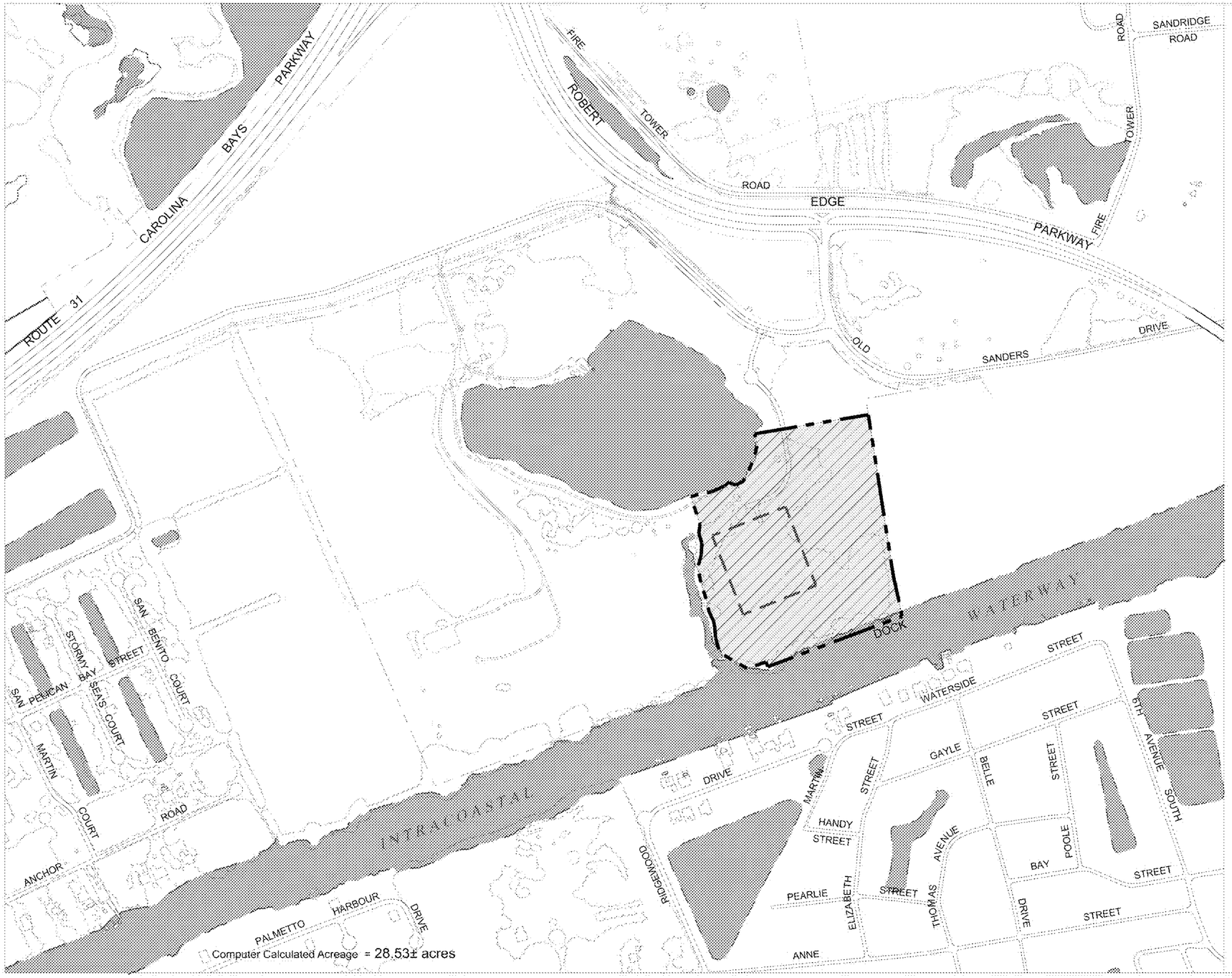
SANIBEL RESORT

HORRY COUNTY, SOUTH CAROLINA

CONCEPT PLAN

CONCEPT PLAN 6x28.1x .JP

North American LAND TRUST



Computer Calculated Acreage = 28.53± acres

LEGEND:

- Subject Property
- Building Zone @ 5± acres
- Conservation Area - 28.53± acres

NOTES:

1. Property boundaries from a survey by The Brigman Company, Conway, SC.
2. Aerial photograph from Apollo Mapping; date flown February 20, 2015.
3. Topography digitized from Wampee USGS Quadrangle map; Contour interval = 5feet.
4. Soils information from USDA - NRCS National Soil Information System Database (NASIS).

NORTH

0 100 200 400 800 1200 1600 Feet

CONSERVATION EASEMENT PLAN

SANIBEL RESORT

HORRY COUNTY, SOUTH CAROLINA

CONSERVATION EASEMENT PLAN

North American LAND TRUST

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After recording please return to:
North American Land Trust
[redacted]

NOTICE OF CONVEYANCE AND TRANSFER PAYMENT REQUIRED – SEE ARTICLE 7

Instrument#: 2015000160299, DEED BK: 3880 PG: 1524 DOCTYPE: 062 12/22/2015 at 12:51:43 PM, 1 OF 37, EXEMPT, MARION D. FOXWORTH III, HORRY COUNTY, SC REGISTRAR OF DEEDS

PIN: 349-00-00-0041

CONSERVATION EASEMENT AND DECLARATION OF RESTRICTIONS AND COVENANTS

THIS CONSERVATION EASEMENT AND DECLARATION OF RESTRICTIONS AND COVENANTS ("Conservation Easement") first executed on December 15, 2015, to be effective on December 22, 2015, is made by and between **SANIBEL RESORT, LLC**, a Delaware limited liability company ("Owner"), having an address of [redacted], and **NORTH AMERICAN LAND TRUST** ("Holder"), a Pennsylvania non-profit corporation having an address of [redacted]

ARTICLE 1. BACKGROUND

1.1 Owner is the owner of all that certain real property (hereinafter called the "Conservation Area") in Horry County, South Carolina that consists of 28.53 acres of land, more or less, as described in the two deeds from Sanibel Harbour, LLC to Owner recorded in the office of the Registrar of Deeds of Horry County on September 3, 2015 as Instrument 2015000114769 at Deed Book 3851, page 1674 and Instrument 2015000114770 at Book 3851, page 1679, said real property being depicted on the plat recorded at Plat Book 267, page 180 in said office as Parcels A, B, D, E.

1.2 Holder is a non-profit corporation, having a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (hereinafter called the "Code"), which has been established as a public charity for the purpose of preserving and conserving scenic landscapes, natural habitats and environmentally sensitive areas and for other charitable, scientific and educational purposes and which is a "qualified organization" under Section 170(h)(3) of the Code (hereinafter a "Qualified Organization").

1.3 Preservation of the Conservation Area by this Conservation Easement shall serve the following purposes pursuant to 26 U.S.C. § 170 (h)(4)(a) and 26 CFR §1.170A-14(d)(i), (the "Conservation Purposes"):

1.3.1 Preservation of the Conservation Area as a relatively natural habitat of fish, wildlife, or plants or similar ecosystem; and

1.3.2 Preservation of the Conservation Area as open space which provides scenic enjoyment to the general public and yields a significant public benefit; and

1.3.3 Preservation of the Conservation Area as open space which, if preserved, will advance a clearly delineated Federal, State or local governmental conservation policy and will yield a significant public benefit.

1.4 The Conservation Purposes and the natural, physical or other characteristics of the Conservation Area that support and justify the Conservation Purposes (which may be hereinafter called the "Conservation Values") have been documented and established in the reports, plans, photographs, and documents assembled by, and retained in the offices of, North American Land Trust (collectively called the "Baseline Documentation"), pursuant to 26 CFR §1.170A-14(g)(5). The Baseline Documentation describes the following Conservation Values of the Conservation Area, among others:

1.4.1 The Conservation Area provides wildlife corridors, breeding habitat, foraging habitat and shelter for at least fifty species of animals.

1.4.2 The Conservation Area provides the natural ecological requirements for at least one hundred fifty species of plants.

1.4.3 The Conservation Area supports a Nonriverine Wet Hardwood Forest natural community.

1.4.4 The Conservation Area supports emergent and forested wetland areas important to amphibian and macroinvertebrate fauna for breeding and foraging.

1.4.5 The Conservation Area supports at least four bird species considered Species of Regional Importance by the Partners In Flight Species Assessment Database: Eastern Wood Pewee (*Contopus virens*), Ruby-throated Hummingbird (*Archilochus colubris*), Tufted Titmouse (*Baeolophus bicolor),* Yellow-throated Warbler (*Dendroica dominica*).

1.4.6 The Conservation Area is highly visible from the Atlantic Intracoastal Waterway thus providing scenic natural view to the general public.

1.5 The following government conservation policies are supported by the grant of this Conservation Easement and the Conservation Values described above achieve a significant public benefit towards the fulfillment of these conservation policies:

1.5.1 The Conservation Area helps to fulfill the goals of the South Carolina Forest Legacy Program, including the following specified goals: "protect river systems, wetlands, and their associated upland habitats; reduce forest fragmentation caused by development; provide buffer areas and connectivity to already protected areas; and promote Best Management Practices for forestry".

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1.5.2 South Carolina Code Annotated 48-59-20 et seq., states that "rapid land development and economic growth which has benefited the state's people and economy, but has also led to the loss of forestlands, farmlands, wildlife habitats, outstanding natural areas, beaches and public areas for outdoor recreation; and has impacted the health of the state's streams, rivers, wetlands, estuaries, and bays, all of which impacts the quality of life of the state's current and future citizens and may jeopardize the well-being of the state's environment and economy if not addressed appropriately."

1.5.3 South Carolina Code Annotated 48-59-20 et seq., also notes that "the protection of open space by acquisition of interests in real property from willing sellers is essential to ensure that the State continues to enjoy the benefits of wildlife habitats, forestlands, farmlands, parks, historical sites, and healthy streams, rivers, bays, and estuaries; for recreational purposes, for scientific study, for aesthetic appreciation, for protection of critical water resources, to maintain the state's position as an attractive location for visitors and new industry, and to preserve the opportunities of future generations to access and benefit from the existence of the state's outstanding natural and historical sites."

1.5.4 The Horry County Comprehensive Plan sets forth the following public Water Resource needs and goals that are advanced by the conservation of the Conservation Area by this Conservation Easement:

(a) Maintain and improve the surface water quality for all waterbodies located in Horry County.
(b) Maintain and improve water quality in the coastal zone.
(c) Conserve the essential flood reduction, groundwater recharge, pollution filtering, and recreation functions of wetlands.
(d) Recognize the link between land use and water quality, use a combination of regulation and incentives to ensure that new development adequately mitigates its impacts on water quality.
(e) Encourage development techniques which maintain or improve water quality.

1.5.5 The Horry County Comprehensive Plan sets forth the following public Land Resource needs and goals that are advanced by the conservation of the Conservation Area by this Conservation Easement:

(a) Horry County needs to protect and conserve its forests, agriculture, plant and animal habitat, and urban trees while increasing its preserved open areas, scenic areas and recreational opportunities.
(b) Protect, promote, and enhance, the forestlands of Horry County in a manner consistent with achieving the greatest good for its citizens.
(c) Recognize the fragmentation of the natural landscape that is occurring and take steps to mitigate these effects.
(d) The use of native species should be encouraged whenever possible.

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1.6 Owner and Holder desire to perpetually accomplish, fulfill and protect the Conservation Purposes and conserve the Conservation Values.

1.7 Owner intends to grant the easement and impose the restrictive covenants on the Conservation Area as set forth in this Conservation Easement to accomplish the Conservation Purposes.

1.8 Owner and Holder intend that this document be a "conservation easement" as defined in the South Carolina Conservation Easement Act of 1991, as amended (the "State Conservation Easement Law"), Sections 27-8-10 et seq. of the South Carolina Code of Laws.

NOW, THEREFORE, for no consideration and as an absolute charitable gift and further in consideration of the above premises, the mutual covenants, terms, conditions, restrictions, and promises contained in this Conservation Easement, and intending to be legally bound hereby, Owner hereby voluntarily, unconditionally and absolutely grants and conveys unto Holder, its successors and assigns, the easements, covenants, prohibitions, and restrictions set forth in this Conservation Easement, in perpetuity, to accomplish the Conservation Purposes. Holder hereby accepts the grant of such easement and the right to enforce such covenants, prohibitions and restrictions and agrees to hold such easements and rights exclusively for the Conservation Purposes and to enforce the terms of the covenants, prohibitions and restrictions set forth in this Conservation Easement.

ARTICLE 2. GRANT OF EASEMENT

Owner hereby voluntarily, unconditionally and absolutely grants and conveys unto Holder, its successors and assigns, a perpetual conservation easement and easement in gross over the Conservation Area for the purpose of preserving and protecting the Conservation Purposes and enforcing the restrictive covenants set forth below. In addition, Owner hereby grants and conveys unto Holder, its successors and assigns, pursuant to 26 CFR §1.170A-14(g)(5)(ii), the easement and right of Holder and its agents to enter upon and inspect the Conservation Area for compliance with this Conservation Easement at any time and from time to time. Holder shall make a reasonable effort to give Owner notice of any such entry and inspection at least seven (7) days in advance, except in instances when Holder reasonably suspects or knows of a violation of this Conservation Easement.

ARTICLE 3. OWNER'S DECLARATION OF COVENANTS AND RESTRICTIONS

Owner, for Owner and Owner's successors and assigns, covenants and declares that the Conservation Area shall be, and hereby is, bound by and made subject to the following covenants and restrictions in perpetuity, SUBJECT TO AND EXCEPTING however the Reserved Rights which are reserved to Owner and Owner's successors and assigns, as set forth in Article 4 of this Conservation Easement:

3.1 Use Restrictions. The Conservation Area shall not be used for a residence or for any commercial, institutional, industrial or agricultural purpose or purposes. Among the uses

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prohibited by the preceding sentence are, without limiting the meaning or interpretation of the preceding sentence, any of the following: (1) construction or occupancy of any dwellings; (2) manufacture or assembly of any products, goods, equipment, chemicals, materials or substances of any kind or nature whatsoever; (3) sale of any products, goods equipment, chemicals, materials, substances or services of any kind or nature whatsoever; (4) storage of any products, goods, equipment, chemicals, materials or substances of any kind or nature, except if stored for use upon the Conservation Area in connection with activities not prohibited by this Conservation Easement; and (5) offices for persons involved in the sale, manufacture or assembly of goods or services or for the performance of services.

3.2 Structures Prohibited. No Structure (hereinafter defined) of any kind shall be built, erected, installed, placed, affixed or assembled within or upon the Conservation Area or upon any trees or other natural features upon the Conservation Area. "Structure" shall mean any assembly of material forming a construction for occupancy or use for any purpose and erected upon or attached to the ground including, for example but not to limit the foregoing definition, the following: building; platform; shed; bin; shelter; dam; dike; tower; tank; antenna; bulkhead; or paved, stone or concrete street, driveway or vehicle parking area.

3.3 Removal of Ground or Surface Water from Conservation Area. No ground or surface water from the Conservation Area shall be removed, collected, impounded, stored, transported, diverted or otherwise used for any purpose or use outside the Conservation Area unless approved by Holder in its sole discretion without obligation to do so nor for any purpose or use within the Conservation Area that is prohibited by this Conservation Easement.

3.4 Roads, Driveways, Etc. There shall not be constructed, cut, created or placed on the Conservation Area any road, driveway, cartway, path or other means or right of passage across or upon the Conservation Area. No road, driveway, cartway, path or other means or right of passage located on the Conservation Area shall be used for access to any use (whether or not upon the Conservation Area) which is prohibited by this Conservation Easement.

3.5 Live Trees. No cutting, removal or destruction of live trees shall be permitted upon or within the Conservation Area.

3.6 Signs and Similar Structures. No signs, billboards or outdoor advertising structures shall be placed, erected or maintained within the Conservation Area.

3.7 Land Disturbance; Mineral Extraction. There shall be no filling, excavating, dredging, surface mining, drilling or any removal of topsoil, sand, gravel, rock, peat, gas, oil, coal, other minerals or other materials, upon or from the Conservation Area; provided however that this Conservation Easement shall not prohibit production of natural gas, oil and accompanying liquids from beneath the Conservation Area provided that (a) only horizontal or similar drilling methods from surface locations not within the Conservation Area are used; (b) within the Conservation Area no surface mining or drilling methods

are used, and no pipeline construction, equipment or water storage, or other land disturbance occurs; (c) no visible or discernible impact on the surface of the Conservation Area occurs; (d) no methods shall be permitted which enter or interfere with the water bearing zones under the Conservation Area; and (e) any impact upon the biological, aquatic, hydrologic or other natural resources of the Conservation Area is prohibited.

3.8 Dumping and Pollution. There shall be no dumping of ashes, trash, garbage, or any other unsightly or offensive materials at any place on, under or within the Conservation Area. There shall be no discharge of chemicals, waste water or other pollutants onto the Conservation Area or into any permanent or intermittent water course within the Conservation Area.

3.9 Change of Topography. There shall be no change in the topography of the Conservation Area by any means or method.

3.10 Water Courses. There shall be no dredging, channelizing or other manipulation of natural water course or of any other water course existing within the Conservation Area as of the date of this Conservation Easement except that manmade drainage swales, ditches or storm water management facilities may be dredged or otherwise altered for maintenance purposes or to maintain its function for its intended purpose on the date of this Conservation Easement.

3.11 Wetland and Riparian Protection Area.

3.11.1 "Wetland and Riparian Protection Area" shall mean that part of the Conservation Area that lies within, or within 100 feet of: (a) any body of water or permanent or intermittent watercourse (including but not limited to any lake or pond, but excluding manmade storm water swales or ditches not fed by a spring, pond or other natural source) as defined by its banks or the mean water elevation as Holder deems relevant and appropriate in the circumstances; or (b) any wetland under the regulatory jurisdiction of the federal or state government; but does not include any area within a Building Zone (hereinafter defined).

3.11.2 There shall be no clearing, cutting or removal of live or dead trees, other clearing or removal of vegetation, clearing or removal of leaf litter or other natural detritus, or digging, earth movement or other alteration of the earth surface or topography within the Wetland And Riparian Protection Area, except that areas within the Wetland And Riparian Protection Area that are predominantly in grasses on the date of this Conservation Easement may be mowed.

3.11.3 Owner shall be responsible for ascertaining the boundaries of the Wetland And Riparian Protection Area, at Owner's expense, in consultation with Holder, before undertaking any action that is or may be prohibited in the Wetland And Riparian Protection Area. If the banks of a water course are not clearly defined then Holder shall, in its reasonable discretion, establish a line of the mean water elevation to substitute for that purpose upon request by Owner, relying on available topographic, hydrologic information, and other maps and relevant

information. Owner shall bear the expense of any survey or field work necessary to establish the line.

3.11.4 Any approvals by Holder of Reserved Rights to be conducted within the Wetland And Riparian Protection Area, if permitted under this Conservation Easement subject to approval by Holder, shall be granted by Holder only if Holder concludes that the Reserved Rights shall have no material adverse effect on the habitat within the Wetland And Riparian Protection Area and thus on the Conservation Values and Conservation Purposes pertaining to the Wetland And Riparian Protection Area.

3.12 Soil Erosion and Sedimentation Control. All activity on the Conservation Area shall be conducted so as to avoid the occurrence of soil erosion and sedimentation of streams or other water courses. Without limitation of the foregoing, Owner and Holder shall, in identifying practices that will prevent soil erosion and sedimentation, refer to the soil conservation practices as then established or recommended by the Natural Resources Conservation Service of the United States Department of Agriculture or any successor governmental office or organization performing the same function within the United States government, as approved by Holder.

3.13 Non-Native Plant Species. There shall be no introduction of plant species within the Conservation Area except those that are native to the area in which the Conservation Area is located or that are recognized as non-invasive horticultural specimens or fruit orchard trees.

3.14 Transfers of Development Rights or Development Density Credits. The Conservation Area may not be used as open space for purposes of obtaining or qualifying for governmental approval of any subdivision or development on lands outside the boundaries of the Conservation Area nor, without limitation of the foregoing, may the Conservation Area be used in the calculation of the amount or density of housing units or other construction for development or other impervious ground coverage on lands outside the boundaries of the Conservation Area or for sale by Owner.

3.15 No Subdivision. There shall be no subdivision or other division of the Conservation Area into one or more lots, tracts or parcels of land under separate ownership.

3.16 Notice of Exercise of Reserved Rights. As required by 26 C.F.R. § 1.170A-14(g)(5)(ii), Owner shall notify Holder in writing before exercising any Reserved Right that may impair the conservation interests associated with the Conservation Area.

3.17 Preservation of Conservation Area. The parties recognize that this Conservation Easement cannot address every circumstance that may arise in the future, and the parties agree that the purpose of this Conservation Easement is to preserve the Conservation Values of the Conservation Area and to fulfill the Conservation Purposes in accordance with 26 U.S.C. § 170(h). Without limiting the preceding covenants and restrictions, and in fulfillment of the requirements of 26 CFR §§1.170A-14(g)(i) and 170A-14(e)(2), any right, use or activity which is not reserved in Article 4 of this Conservation Easement and

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which is inconsistent with the Conservation Purposes or which materially threatens the Conservation Purposes is prohibited.

3.18 Restrictions Cumulative. The prohibitions and restrictions in this Conservation Easement shall be considered cumulative. No prohibition or restriction contained herein shall be interpreted as a limitation on the meaning, effect, interpretation or enforceability of another prohibitive or restrictive provision.

ARTICLE 4. RESERVED RIGHTS

Owner reserves for Owner and Owner's successors and assigns who may now or hereafter be an owner of all or part of the Conservation Area the rights set forth in this Article 4 (the "Reserved Rights"). Owner and Holder intend that these Reserved Rights and the activities and uses which are described below as the Reserved Rights are exceptions to the prohibitions and restrictions set forth in Article 3 and, hence, may be conducted as described below without having an adverse effect on the Conservation Purposes; except, however, that none of the Reserved Rights shall supersede the protections of the Wetland And Riparian Protection Area set forth in Article 3 except with the approval of Holder which may be given or withheld in its discretion. A Reserved Right to "construct" a Structure or other improvement shall include the right to maintain, repair, replace, use, and occupy such Structure or improvement for the purpose and within the limitations stated in this Article.

4.1 Buildings in Building Zone.

4.1.1 Subject to the limitations in this Section, within the area described as the "Building Zone" in Exhibit "A" attached to and incorporated in this Conservation Easement (the "Building Zone"), Owner may construct: (a) either one Residence (hereinafter defined) or one Resort Residential Building (hereinafter defined) but not both and (b) one Recreational Building (hereinafter defined).

4.1.2 "Residence" shall mean single family dwelling. The single family dwelling and all Structures customarily accessory to residential use, such as a shed, kennel, garage, gazebo, septic system, well, or swimming pool, which are also permitted, shall be constructed within a Building Area (hereinafter defined) to be identified and located within the Building Zone as provided below. Use of the Residence may include, without limitation, customary home occupations such as an office for a home-based business or a craft business such as furniture making, provided that the business is actively operated by one or more of the residents of the permitted dwelling and that the business use does not occupy more than one half of the space within the buildings in the Building Area in which the business use is contained.

4.1.3 "Resort Residential Building" shall mean a building containing no more than one kitchen and up to 12 bedrooms, for use by any persons, whether or not for compensation, as the Owner may choose. The Resort Residential Building shall be constructed within a Building Area to be identified and located within the

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Building Zone as provided below. The parking area for the Resort Residential Building shall be located within the Building Area.

4.1.4 A "Recreational Building" shall mean one building having up to 2,500 square feet in ground coverage area for use in recreational activities and social gatherings and that may contain a kitchen but shall have no bedrooms or similar living accommodations nor be used for a hotel, lodging, residence or other place of human habitation. The Recreational Building shall be within the Building Zone in the location approved by Holder, but need not be within the Building Area.

4.1.5 A "Building Area" shall mean and be identified and located, with Holder's approval, as follows:

(a) The Building Area shall be no more than one and one-half (1.5) acres in area and shall be located entirely within the Building Zone.

(b) The location and dimensions of the Building Area and the permitted roads and driveways serving the Building Area shall have been reviewed and approved by Holder.

(c) The description of the Building Area and, when approved by Holder, acknowledgment of the review and approval of the Building Area by Holder shall be set forth in a written document, signed by duly authorized officers of Holder and by Owner, which shall be recorded in the same place of public record in which this Conservation Easement was recorded.

4.1.6 In addition to the foregoing permitted uses, within a Building Zone Owner may:

(a) remove vegetation and perform grading to the extent reasonably necessary to facilitate the construction and use of the buildings and other Structures permitted in this Section;

(b) install landscaping and other vegetation (including ornamental gardens) and irrigation system;

(c) construct storm water drainage systems; and

(d) install roads, driveways, utilities, and walkways.

(e) Any permitted clearing or construction shall be done so as to minimize the impact on surrounding vegetation, and shall be done in accordance with best management practices.

4.2 Road and Driveway. Owner may construct a road and driveway for access to the Building Zone and the Building Area within the Building Zone in a location or locations approved by Holder. Parking areas shall be located only within a Building Area. The width of the road and driveway and any area of land disturbance, grading or tree removal

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for such driveway shall be no greater than the minimum necessary to meet any legal requirements or, to the extent no legal requirements apply or are lawfully waived, the minimum practicable consistent with sound engineering techniques and methods.

4.3 Alternative Energy Structures. Owner may construct Structures to generate energy for the conduct of any of the permitted activities in the Conservation Area, provided that the energy is derived from a natural source such as solar or wind energy, substantially all of the energy produced is consumed on the Conservation Area for the permitted uses and not sold or otherwise transferred for use off of the Conservation Area, and the location and appearance of any such Structures are approved by Holder.

4.4 Picnic Shelters and Areas. Owner may construct, within or outside of the Building Zone, in locations approved by Holder, roofed shelters for outdoor picnicking and similar outdoor recreation uses provided they are open, without walls, on at least three sides and that the aggregate ground coverage area of all such shelters shall not exceed 2,500 square feet for all shelters. Owner may construct picnic tables and benches, charcoal cooking grills, fire pits or rings, and similar Structures commonly associated with outdoor picnicking and similar outdoor recreation. This ground coverage limitation shall not apply to such buildings within a Building Area.

4.5 Buildings for Storage. Owner may construct, within or outside of the Building Zone, in locations approved by Holder, buildings for storage of equipment and materials used in the maintenance of the Conservation Area, also commonly referred to as a shed or barn, provided that the aggregate ground coverage area of all such buildings shall not exceed 2,000 square feet in locations approved by Holder. This ground coverage limitation shall not apply to such buildings within a Building Area.

4.6 Unpaved Vehicle Trails. Owner may also construct unpaved vehicle trails for limited vehicular access to the areas of the Conservation Area otherwise inaccessible by vehicle for use in maintenance, emergency access, and other permitted uses of the Conservation Area if the following requirements and conditions are satisfied: (a) the surface of such trails shall remain pervious (such as dirt or gravel); (b) such trails shall be located, to the extent possible, in the path of forestry roads existing on the date of this Conservation Easement; (c) the width of the area cleared for such trails shall not exceed that which is necessary for a single lane of vehicular traffic; (d) and such trails shall be otherwise constructed in a manner to avoid unnecessary tree removal and land disturbance; (e) if such trails require any grading or change in topography, then such grading shall blend into the natural topography of the Conservation Area, shall control erosion, and shall be of a design and location approved, in advance, by the Holder in its discretion; and (f) Holder approves the proposed service vehicle trail based on the foregoing requirements.

4.7 Trails and Raised Walkways. Owner may construct trails or paths for nature education and outdoor recreation purposes if the following requirements and conditions are satisfied: (a) the surface of the trail shall remain pervious (such as dirt, wood chips or gravel); (b) the trail shall be located, to the extent possible, in the path of a trail or forestry road existing on the date of this Conservation Easement; (c) the width of the area cleared and improved for the trail shall not exceed that which is necessary for pedestrian

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or equestrian use; and (d) the trail shall be otherwise constructed in a manner to avoid unnecessary tree removal, grading and other land disturbance. Owner may construct raised walkways (but not bridges or similar structures for motor vehicle use) for access to any or all of the land within the Conservation Area if the following requirements and conditions are satisfied: (a) it can be demonstrated to Holder that it is not feasible to use any existing walkway or pathway or to improve any existing walkway or pathway for such access purpose; (b) Owner shall comply with all other covenants and restrictions of this Conservation Easement; and (c) Holder approves the proposed walkway based on the foregoing requirements.

4.8 Permitted Work within a Wetland And Riparian Protection Area. Owner may, with the approval of Holder, dredge or otherwise manipulate previously-altered natural or manmade water courses within the Wetland And Riparian Protection Area or perform work, including the removal of vegetation or disturbance of land, within the Wetland And Riparian Protection Area if necessary to (a) maintain wetlands existing on the Conservation Area, (b) restore wetlands previously existing on the Conservation Area, or (c) restore natural stream channel morphology and natural wetland hydrology.

4.9 Participation in Ecological Programs. Owner may participate in, and retain revenue from, future conservation, preservation, or mitigation programs involving ecological assets, including but not limited to, carbon sequestration credits, wetland and stream credits, endangered species credits, water quality credits, and ground water credits, located within the Conservation Area, even if protected by this Conservation Easement, so long as (a) such participation does not require any use or action upon the Conservation Area that is prohibited by this Conservation Easement (nor is any such use or action permitted by this Section); (b) any approval by Holder required by this Conservation Easement for any use or action permitted by this Conservation Easement is obtained; (c) the uses and the Conservation Purposes that are intended to be protected by this Conservation Easement remain protected as provided in this Conservation Easement; and (d) notice is provided to Holder at least 30 days before Owner enters into any agreement by which Owner will be legally obligated to participate in any such program.

4.10 Subdivision and Allocation of Reserved Rights. Owner may, with prior approval from Holder, subdivide the Conservation Area into lots for separate conveyance and ownership. Holder's review and decision whether to approve subdivision shall take into consideration the effect of the proposed lot boundaries and intended transfer upon the Conservation Purposes, the lot size and combination with any Structure or Reserved Rights that would be most likely to promote the long term care, maintenance and stewardship of the Conservation Area, and the burdens of monitoring and enforcing this Conservation Easement. Holder shall cooperate with Owner to identify at least one subdivided lot for the Residence permitted within the Building Zone with boundaries acceptable consistent with the foregoing considerations. Subdivision shall result in no addition to or other amendment of the Reserved Rights and any parcel subdivided from out of the Conservation Area shall remain under and subject to this Conservation Easement. Owner acknowledges that, if the Conservation Area is subdivided, Reserved Rights which are limited in number or area must be allocated between the lots resulting

from such subdivision. In connection with any subdivision or partition of the Conservation Area by any means, the following procedures shall apply:

4.10.1 Owner shall allocate, but not increase, such Reserved Rights between or among the lots resulting from such subdivision. Such allocation shall be set forth in a document which shall be subject to review and approval by Holder and which shall be recorded in the place of public record in which this Conservation Easement has been recorded before any conveyance of an interest in the lots resulting from such subdivision. Such allocation shall specifically identify, with respect to number or the allowable ground coverage, how much of the unused coverage or other Reserved Rights permitted by this Conservation Easement will be allocated to the respective lots.

4.10.2 If Owner fails to make such allocation in a written document for such purpose before conveying title to or any beneficial interest in any of the lots resulting from such subdivision, then the Reserved Rights, whether or not built, shall be allocated proportionately among the lots resulting from such subdivision, in proportion to the relative area of such lots, as determined by Holder in its discretion, it being understood that this allocation shall not result in allowing any increase in the Reserved Rights.

4.10.3 After any subdivision of the Conservation Area and conveyance of one or more lots resulting from such subdivision, and subject to Holder's prior approval thereof (such approval not to be unreasonably withheld, consistent with and taking into consideration the fulfillment of the Conservation Purposes and the preservation of the Conservation Values), the owners of such respective lots may mutually agree among themselves to re-allocate, but not increase, such Reserved Rights in a manner different from the original allocation as determined above, provided that such allocation or re-allocation of Reserved Rights as among such lots does not result in any increase in Reserved Rights, is reflected in a document that is signed by all owners of such lots and by Holder and is recorded in the place of public record in which this Conservation Easement has been recorded. The form and content of any such document shall be subject to Holder's review and approval.

4.11 Fences and Boundaries.

4.11.1 Owner may construct fences, provided that no fence shall be permitted if, in the reasonable opinion of Holder, it impairs the scenic view into the Conservation Area in any material respect. Any fence that shall be visible from the Intracoastal Waterway accessible to the public shall be approved by Holder before construction.

4.11.2 Nothing in this Conservation Easement shall prohibit Owner from identifying (by survey or marking) and otherwise maintaining visual indications of the boundary lines around the perimeter of the Conservation Area to protect the Conservation Area from trespassing and to assist Owner in the management and supervision of

the management of the Conservation Area in accordance with this Conservation Easement.

4.12 Wildlife Stands, Nests and "Blinds". Owner may construct a reasonable number of wildlife hunting or observation stands and "blinds" and houses, nests or perches for birds or other wildlife; provided that in the construction of any such Structure Owner shall comply with all other covenants and restrictions of this Conservation Easement.

4.13 Existing Structures. Structures existing on the Conservation Area on the date of this Conservation Easement, whether or not such Structure would be permitted to be constructed on the Conservation Area under these Reserved Rights, may, nevertheless, be repaired, restored or replaced but only within the vertical and horizontal dimensions in which the Structure existed on date of this Conservation Easement, but with no change of use except to a use that would be permitted under this Conservation Easement in its location, provided however that an existing structure located within the Building Zone shall not be subject to the limitations on dimensions in this Section but instead shall be subject to the covenants and restrictions imposed on any Structure located within the Building Zone.

4.14 Utility Installations. Owner may construct facilities normally used in connection with supplying utilities, removing sanitary sewage effluent and controlling storm water runoff if the following requirements and conditions are satisfied: (a) such facilities may only be constructed and used to serve the uses, Structures and improvements permitted under the terms of this Conservation Easement; (b) all such facilities be located underground to the extent feasible; (c) all such construction and maintenance is conducted in a manner designed to produce no material adverse effect on the Conservation Purposes; and (d) Holder approves the proposed utility facility based on the foregoing requirements.

4.15 Wildlife Harvesting and other Outdoor Activities Not Prohibited. Nothing in this Conservation Easement shall be construed to limit the right of Owner to: hunt with or without dogs, shoot, fish, trap, conduct field trials, train dogs, or conduct ecotourism activities or other outdoor recreational activities on the Conservation Area; trap or otherwise capture and remove any invasive species or harmful pest that might negatively impact the populations of game or native wildlife on the Conservation Area; use motorized vehicles for any such purpose provided such use does not violate an expressed prohibition in this Conservation Easement; or lease all or any portion of the Conservation Area for any of such activities.

4.16 Tree Cutting and Forest Management. Owner shall have the right, for the benefit of Owner and Owner's representatives, agents, contractors, subcontractors, licensees, and lessees, to conduct the following activities within the Conservation Area if the requirements of this Section are met:

4.16.1 A live tree that has been damaged or disturbed by forces of nature or by disease or that is evidently at risk of falling may be cut and removed if such tree presents a threat of injury to persons or livestock or other property or blocks a trail, road or other means of access to any part of the Conservation Area.

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4.16.2 Trees may be removed to the most limited extent necessary to construct the Structures and other improvements expressly permitted in this Conservation Easement, according to a plan approved in advance by Holder.

4.16.3 Early successional tree species may be selectively removed within areas existing in a meadow condition at the time this Conservation Easement is granted, for the purpose of preserving such areas as meadow.

4.16.4 "Forestry Activities" shall mean (i) harvesting, cutting, removal and sale of trees and forest products (including, but not limited to, trees, logs, poles, posts, pulpwood, firewood, chips, seeds, bark, pinestraw, stumps and other forest products); (ii) planting and growing of trees for the foregoing purposes; (iii) treating trees with herbicides, pesticides and fertilizer customarily used in the forest industry; (iv) constructing forest skid trails in connection with tree harvesting operations; (v) placing or storing sawdust, bark, sawtimber, logs, or other forest products in the Conservation Area; (vi) conducting prescribed burning; and (vii) undertaking such activities as may be necessary to facilitate production of forest products or to protect forest health and (viii) removing trees to establish wildlife food plots up to a maximum area of five (5) acres and in locations approved by Holder. Owner may conduct Forestry Activities only if all of the following requirements are met:

(a) Forestry Activities shall not be conducted within the Wetland and Riparian Buffer Protection Area, within mixed hardwood forest outside the Wetland And Riparian Protection Area or within areas reasonably determined by Holder to be Freshwater Emergent Wetland or Forested and Shrub Wetland except (i) in accordance with a Forest Management Plan and (ii) only for the purpose of promoting the maturing and ecological enhancement of forest conditions. In determining areas that are Freshwater Emergent Wetland or Forested and Shrub Wetland Holder may refer to the methodology used by the U.S. Fish & Wildlife Service for its National Wetland Inventory or similar methodology selected by Holder, though the area need not be shown as such on a National Wetland Inventory map.

(b) Before conducting Forestry Activities Owner shall prepare a tree harvest and forest management plan (the "Forest Management Plan"). The Forest Management Plan shall be submitted to and approved by Holder.

(c) The Forest Management Plan must address and provide information regarding the following matters in such detail as Holder may reasonably request: the proposed location of harvesting activity, wetland delineation within the harvest area, harvesting plans and protocols, proposed road locations and design standards, erosion control measures, and replanting plans and schedule. The Forest Management Plan shall also contain: a statement of Owner's forest

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management objectives and goals, including the Forest Management Objectives (hereinafter defined); forest stand descriptions, including species composition, age classes and, where available, soil types; a forest stand map; and an outline of proposed silvicultural practices.

(d) The Forest Management Plan must be prepared at Owner's expense by qualified natural resource personnel (e.g. a registered forester), who are experienced in the preparation of forest management plans.

(e) The Forest Management Plan shall be prepared in a manner that is designed to achieve the following purposes and forest management objectives (collectively, the "Forest Management Objectives"): (i) minimizing insect infestation; (ii) identifying and protecting habitat for exceptionally rare, threatened or endangered species; (iii) avoidance of water pollution from Forestry Activities, erosion or sedimentation; (iv) protection of the Conservation Values and fulfillment of the Conservation Purposes; (v) promotion of sustainable forestry; (vi) assuring artificial or natural regeneration of the forest in both sufficient quantity and quality; (vii) compliance with all applicable federal, state and local laws, rules, orders and regulations; (viii) identifying strategies to promote wildlife habitat and private recreational activities permitted by this Conservation Easement; and (ix) compliance with then-current best management practices published by the South Carolina Forestry Commission or its successor ("BMPs"). In the event of a conflict between the preceding Forest Management Objectives, the protection of the Conservation Values and fulfillment of the Conservation Purposes shall be the paramount consideration.

(f) All Forestry Activities shall be conducted in accordance with (a) the Forest Management Plan; (b) BMPs; and (c) this Conservation Easement.

4.17 Signs. Owner may construct a reasonable number of signs of the following types:

4.17.1 regulatory or directional signs including, for example but not for limitation of the foregoing, "no trespassing" signs, "no gunning" signs, or "no hunting" signs;

4.17.2 signs stating the common name of the Conservation Area, the names and addresses of the occupants or both;

4.17.3 signs advertising or directing participants to an activity permitted under the provisions of this Conservation Easement;

4.17.4 signs identifying the interest of Owner or Holder in the Conservation Area; and

4.17.5 signs educating the public as to the ecology of the area.

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Notwithstanding the foregoing, any sign that is greater than four square feet in surface area and visible from the Intracoastal Waterway shall be prohibited unless such sign shall have no material adverse effect upon the Conservation Purposes and such sign is approved in writing by Holder.

4.18 Maintenance of Roads, Trails, Etc. Owner may maintain in passable condition the Structures, roads, trails or walkways existing within the Conservation Area at the date of this Conservation Easement or, if applicable, constructed pursuant to the Reserved Rights in this Article 4, by such activities as the following: the pruning trees or other vegetation which threaten the safety of persons who may use or maintain the road, trail or walkway; installing or applying materials necessary to correct or impede erosion; grading earth to maintain a passable condition or to control or impede erosion; replacing existing culverts, water control structures and bridges; and dredging roadside swales and ditches.

4.19 Docks. Owner may construct one dock, and walkways and pathways to such dock, for personal, common or shared use. The location and design of the dock, walkway and pathway shall be as approved by Holder prior to construction. The dock must be constructed and placed in a manner and location as will have no material adverse effect upon the Conservation Values or the Conservation Purposes, including sensitive elements of the ecosystem such as rare species nesting and foraging habitat, rare plant populations or exemplary natural communities.

4.20 Notice and Approval Before Exercise of Certain Reserved Rights. None of the Reserved Rights for which the approval of Holder is expressly required in any Section of this Article 4 may be exercised or undertaken unless Owner has first satisfied the following conditions and requirements:

4.20.1 Owner shall notify Holder in writing before exercising any of such Reserved Rights.

4.20.2 Holder must be satisfied, as evidenced by its prior written approval of Owner's proposed exercise of a Reserved Right, that any use or activity done in the exercise of the Reserved Right will meet the requirements and conditions for such Reserved Right, will have no material adverse effect on the Conservation Purposes or on the Conservation Values or other significant environmental features of the Conservation Area, will not alter or permit the alteration, disturbance or destruction of the use of the Conservation Area that is intended to be protected by this Conservation Easement.

4.20.3 Notwithstanding anything in this Conservation Easement to the contrary, if Owner undertakes to exercise a Reserved Right or other action, without prior approval of Holder, where such approval is expressly required under this Conservation Easement, then such exercise of the Reserved Right by Owner may be treated by Holder, in Holder's sole discretion, as an action that was prohibited by this Conservation Easement as fully as if the Reserved Right or other right was not contained in, or reserved to Owner under, this Conservation Easement. Should Holder elect, in its discretion, to decline to assert this prohibition and to

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waive a violation of the Conservation Easement arising solely from Owner's failure to seek and obtain Holder's approval before exercising a Reserved Right or other right where such approval is required, Holder shall not be thereby obligated to do so in any future circumstance or event and Holder's waiver shall not be construed to require any waiver in a subsequent instance.

4.20.4 Notwithstanding the foregoing, in the event the Conservation Area is affected or in imminent danger of being affected by casualty damage resulting from an Act of God, fire or other event beyond Owner's control then the prior approval requirements of this Section shall be waived as to any action that would otherwise require such approval but which must be undertaken by Owner immediately in order to prevent loss, damage or injury to persons or property or to prevent ecological damage to the Conservation Area or neighboring property (an "Emergency Restoration Action"); provided that Owner makes a good faith effort to notify Holder prior to undertaking such Emergency Restoration Action and to keep Holder informed of its ongoing actions.

4.20.5 Holder's prior written approval of the exercise of Reserved Rights for which approval of Holder is required shall be obtained, conditionally obtained or declined according to the procedure provided in this Section. At least forty-five (45) days before Owner begins, or allows, any exercise of Reserved Rights on the Conservation Area Owner must notify Holder in writing of Owner's intentions to do so; provided, however that Holder may, upon written request, reduce the period of time for notice of the proposed exercise of Reserved Rights for simpler requests, in Holder's discretion. Such notice must include plans depicting, in such detail as Holder requests, the construction or other use or activity, and location thereof, which Owner intends to undertake. Owner may also be required to present to Holder for review any applications to, and approvals or permits issued by, any governmental entity that is required for the exercise of the Reserved Right for which Holder's approval is sought. Holder may request additional information or details not provided by Owner regarding Owner's proposed exercise of Reserved Rights as Holder reasonably believes necessary to determine compliance with this Article. Holder shall not be obligated to accept or respond to any request for approval of a Reserved Right if the Owner is then in violation of this Conservation Easement in any material respect. Holder shall have thirty (30) days from receipt of the notice or, if later, any additional information regarding the proposed use or activity requested by Holder, in which to make one of the following determinations:

(a) Approve Owner's proposed exercise of a Reserved Right in accordance with the materials submitted by Owner ("Approval"). Approval on such terms shall constitute a covenant by Owner to exercise the Reserved Right solely in accordance with the notice and other information submitted to Holder; which covenant shall be enforceable by Holder as fully as if set forth in this Conservation Easement.

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(b) Approve Owner's proposed exercise of a Reserved Right in accordance with the materials submitted by Owner but subject, however, to such qualifications and conditions as Holder may impose in its notice of approval. Such qualifications and conditions shall be limited to those which Holder deems necessary to: assure compliance by Owner with any of the express covenants or restrictions of this Conservation Easement, preserve and protect the Conservation Purposes or restrict Owner's exercise of the Reserved Rights to that which Owner has represented to Holder. Approval on such terms shall constitute a covenant by Owner to exercise the Reserved Right, if at all, only in accordance with the notice and other information submitted to Holder, as modified or supplemented by the qualifications and conditions that Holder imposed; which covenant shall be enforceable by Holder as fully as if set forth in this Conservation Easement.

(c) Decline to grant approval of Owner's proposed exercise of a Reserved Right on the basis of the notice and other materials submitted. Should Holder decline to grant approval Holder shall set forth in writing its reasons.

4.20.6 Holder shall exercise reasonable judgment in applying the standards of review and approval for the exercise of Reserved Rights, consistent with and taking into consideration the fulfillment of the Conservation Purposes and the preservation of the Conservation Values.

4.20.7 Holder may grant, with or without conditions, approval for recurrent exercises of Reserved Rights, particularly but not necessarily limited to activities of a de minimis nature, if Holder concludes that doing so will have no material adverse effect on the Conservation Purposes or on the burden on, and effectiveness of, Holder's monitoring and enforcement. Such approval must be in writing and shall, as with other approvals of the exercise of Reserved Rights, be limited to the description of the proposed exercise of Reserved Rights in Owner's proposal as modified or limited by the conditions in Holder's written approval.

4.20.8 In the event that Holder's approval is required and Holder fails to respond within the time period specified forth above and further fails to respond within ten days after a second written request by Owner to Holder, then the Holder shall be deemed to have granted Approval (as defined above) unless the activity for which approval is required is plainly prohibited by this Conservation Easement.

4.20.9 Owner shall be responsible for obtaining all necessary government permits and approvals for any activity for which Holder's approval is required and Holder shall have the right, but not the obligation, to require that such permits and approvals be produced for inspection by Holder before Holder's approval is granted or as a condition to approval.

4.20.10 Owner shall be responsible, as a condition of the right to exercise the Reserved Rights for which the approval of Holder is expressly required, for payment of Holder's reasonable costs and expenses, including legal and consultant fees, associated with review of Owner's request for approval; provided, however, that (a) Holder shall not incur expenses for its own staff or administrative time for review that can be conducted in Holder's office and (b) Holder will notify Owner before incurring any costs or expenses which it believes Owner may be obligated to pay under this Section though Holder shall not be required to predict the exact amount of the cost or expense. Holder may condition consideration of a proposal for exercise of Reserved Rights upon the deposit of a sum of money with Holder to secure payment of Holder's reasonable costs of review. The time period for Holder's consideration of Owner's request shall not run until such deposit is made.

4.20.11 While the parties believe that each of the Reserved Rights as to which Holder's prior approval is required can be exercised in some manner without adverse effect on the Conservation Purposes of this Conservation Easement, no assurance is given that the above Reserved Rights may be exercised in specifically the manner as Owner might initially propose without having an adverse effect on the Conservation Purposes or other significant ecological values of the Conservation Area. The foregoing procedure is established for the purpose of making that determination.

4.20.12 In consideration for Holder accepting the perpetual responsibility and obligation to review the proposed exercise of Reserved Rights by Owner, Owner hereby waives, for Owner, and Owner's successors, legal representatives, and assigns, to the fullest extent allowed by law, any and all right to seek or recover damages from Holder in any litigation or other legal action arising from a dispute over Holder's exercise of its rights, obligations or interpretations under this Article 4 and agrees that the sole remedy or legal right to seek redress arising from any decision of Holder pursuant to this Article 4 shall be to seek a declaratory judgment or other legal declaration by a court of competent jurisdiction as to the rights of Owner hereunder.

4.21 Rights of Ownership Generally. Owner retains, not as a Reserved Right but incidental to its ownership of the Conservation Area, in addition to the Reserved Rights set forth in this Article, all rights accruing from ownership of the Conservation Area, including the right to engage in or permit others to engage in all uses of the Conservation Area except to the extent prohibited, restricted, limited or conveyed to Holder according to the terms of this Conservation Easement, including the rules of construction and interpretation of this Conservation Easement; subjected to procedures set forth in this Conservation Easement; or provided in applicable law.

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ARTICLE 5. HOLDER'S COVENANTS

5.1 Best Efforts to Enforce. Holder shall use its best efforts to enforce both the rights granted to it and the restrictions imposed upon the Conservation Area under this Conservation Easement.

5.2 Inability to Enforce: Procedure. If at any time Holder is unable to enforce this Conservation Easement or if Holder or any successor or assignee of Holder's rights under this Conservation Easement ceases to exist or ceases to be a Qualified Organization and if, within a reasonable period of time after the occurrence of any of these events, Holder or any successor or assignee fails to assign all of its rights and responsibilities under this Conservation Easement to a Qualified Organization and "holder", then the rights and responsibilities under this Conservation Easement shall become vested in and fall upon another Qualified Organization in accordance with a proceeding before, and the order of, any court of competent jurisdiction.

5.3 Assignment by Holder. Notwithstanding the foregoing or anything else in this Conservation Easement to the contrary, Holder and its successors and assigns shall have the right to assign, either wholly or partially, its right, title and interest hereunder provided that (a) the assignee is a Qualified Organization; (b) the assignee shall hold the Conservation Easement exclusively for the Conservation Purposes; and (c) the assignee agrees that the Conservation Purposes continue to be carried out. Holder agrees to notify Owner of its intent to assign the Conservation Easement, including disclosing the identity of the intended assignee, at least 30 days prior to such assignment and to offer Owner, during such period after notice and until assignment, an opportunity to comment on, but not approve or disapprove, such assignment.

ARTICLE 6. REMEDIES AND ENFORCEMENT

6.1 Remedies Generally. Holder shall have the right to enforce by proceedings at law or in equity each and every one of the covenants and restrictions set forth in this Conservation Easement. The foregoing shall not limit any of the rights or remedies available to Holder as specifically set forth in any law or in this Conservation Easement. Holder's remedies described in this Conservation Easement shall be cumulative and concurrent and shall be in addition to all remedies now or hereafter available or existing at law or in equity.

6.2 Violation of Conservation Easement. If Holder determines that this Conservation Easement is being or has been violated or that a violation is threatened or imminent then the following provisions shall apply:

6.2.1 Holder must notify Owner of the violation. Holder's notice may, in Holder's discretion, include its recommendations of measures to be taken by Owner to cure the violation and restore features of the Conservation Area damaged or altered as a result of the violation.

6.2.2 Holder shall afford Owner a period to cure the violation before undertaking action in court to enforce the Conservation Easement, provided, however, that no cure

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period is required if circumstances require prompt action to prevent or mitigate irreparable harm or alteration to, or destruction of, any natural resource or other feature of the Conservation Area described in the Conservation Purposes and Conservation Values.

6.2.3 Owner's cure period shall expire thirty (30) days after the date of Holder's notice to Owner subject to extension for the time reasonably necessary to cure but only if all of the following conditions are satisfied: (a) Owner ceases the activity constituting the violation promptly upon receipt of Holder's notice; (b) Owner and Holder agree in writing, within the initial thirty (30) day period, upon the measures Owners will take to cure the violation; (c) Owner commences to cure within the initial thirty (30) day period; and (d) Owner continues thereafter to use best efforts and due diligence to complete the cure measures that Holder and Owner have agreed upon in writing. In no event shall Holder be obligated, notwithstanding the foregoing, to allow a cure period of more than 90 days.

6.3 Remedy of Specific Performance. Without limitation of any other rights of Holder in this Conservation Easement, Holder's right of enforcement of this Conservation Easement shall include the right to seek specific performance by Owner of the restoration of the Conservation Area to its condition at the time of the donation of the Conservation Easement as required by 26 C.F.R. § 1.170A-14(g)(5)(ii) or to its condition prior to any activity that violates this Conservation Easement or as otherwise may be necessary to remedy any violation of any easement, covenant, prohibition or restriction in this Conservation Easement, as Holder may elect.

6.4 Non-Binding Mediation. Any dispute, controversy or claim arising out of, or related to, this Conservation Easement shall be subject to mediation in accordance with this Section. If Owner and Holder are unable to resolve any dispute, controversy or claim, they shall first submit the dispute, controversy or claim to an independent third party mediator acceptable to them. Unless agreed to by Owner and Holder, neither of them shall be required to participate in mediation sessions exceeding a total of eight (8) hours as to any one dispute, controversy or claim. The cost of the mediation shall be split equally between the parties. The mediation process may be initiated by either Owner or Holder upon written request to the other. If Owner and Holder cannot agree on a mediator within fifteen (15) days of the written request, either Owner or Holder may file a request for mediation with the American Arbitration Association ("AAA") office nearest the Conservation Area, and selection of the mediator shall proceed under the Rules then established by the AAA. Within ten (10) days of selection of the mediator, Owner and Holder shall submit a written summary of its position to the mediator, with any other reasonable documentation it believes is relevant to the dispute. These submissions will be exchanged between Owner and Holder. At a time and place convenient to Holder and Owner, but not later than thirty (30) days after submission of written materials to the mediator, Owner and Holder shall meet with the mediator, discuss any nonbinding recommendations the mediator may have, and attempt in good faith to resolve the dispute. In the event Owner and Holder have not resolved the dispute, controversy or claim within thirty (30) days of the meeting with the mediator, Owner and Holder shall each have the right to initiate legal proceedings concerning such dispute, controversy or

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claim without further notice to the other. If Owner or Holder breaches this obligation by refusing to participate in the mediation process outlined above (and in accordance with the established schedule), the other shall be entitled to initiate legal proceedings immediately on any dispute, controversy or claim. The content of any documents, discussions, negotiations, offers made, offers declined, settlements proposed, mitigations suggested or proposed or other matters that arise or that are produced during the mediation shall not be admissible as evidence or used as argument in any contemporaneous or subsequent legal proceeding. Notwithstanding anything in this Section to the contrary, the requirements of this Section: (a) do not create or give rise to any independent or substantive rights or cause of action not otherwise expressly set forth in this Conservation Easement and (b) shall not apply, nor shall be construed to limit or delay the right of Holder to commence and pursue litigation to enforce this Conservation Easement, in regard to any dispute, controversy or claim arising from a violation of this Conservation Easement that, in the sole and independent judgment of Holder, represents an ongoing or imminent material adverse impact upon the Conservation Values or the Conservation Purposes or upon the ultimate ability of the Owner to restore the condition of the Conservation Area.

6.5 Remedy of Damages. If Owner violates this Conservation Easement in such a manner as to cause damage to, extract or remove any trees, mineral resources, pond, wetland, stream, or other natural resource protected by this Conservation Easement, including violation resulting from failure to obtain Holder's approval, Holder shall be entitled to payment of damages in the amount of the value of the protected natural resource; provided, however, that if the natural resource effected by the Owner's violation of this Conservation Easement can be restored to its condition prior to the violation and if Owner does restore the natural resource to its condition prior to the violation within a time period accepted by Holder in writing, then Holder shall accept such restoration in lieu of damages. Holder may seek payment and recovery of such damages by any means available at law. The value of the protected natural resource shall be the greater of (a) the market value of the resource or, (b) the cost of immediate restoration of the Conservation Area and all resources to its condition prior to the violation. If such restoration is not reasonably possible then double the market value of the resource shall be the amount of liquidated damages. If the resource does not have a readily determinable market value then the amount of damages shall be the amount which a court having jurisdiction may determine, taking into account the importance of the resource to the fulfillment of the Conservation Purposes. Nothing in this Section is intended to limit, waive or release Holder's right so seek specific performance or other equitable remedy.

6.6 Rights and Remedies in Relation to Third Parties. As the owner of a real property interest under this Conservation Easement, Holder shall have the right, without limitation of any rights herein as against Owner, to assert and enforce any of the rights and remedies in this Conservation Easement against any person or entity other than Owner that engages in any action upon the Conservation Area that constitutes a violation of any of the covenants or restrictions of this Conservation Easement, whether such person or entity enters upon the Conservation Area as a tenant, guest or invitee of Owner, by an act of trespass or by any claim of right and Owner shall cooperate with Holder by joining in any action or proceeding commenced by Holder for such purpose.

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6.7 Remedy: Failure to Pay Certain Charges. If Owner fails to pay any assessments, fees, fines, levies, penalties, taxes, and other charges imposed by a government, governmental agency, or governmental authority that can become a lien on the Conservation Area or upon this Conservation Easement or the rights it represents or that it grants to Holder (collectively, "Governmental Charges"), Holder may, but shall have no obligation to, pay such Governmental Charges or any part thereof upon ten (10) days after sending written notice to Owner, according to any bill, statement, or estimate procured from the appropriate public office. Payment made by Holder shall become a lien on the Conservation Area in favor of Holder upon payment by Holder and shall bear interest until Holder is paid by Owner at the rate of twelve percent (12%) per annum or at the highest rate of interest per annum as is allowed by applicable law, whichever is less.

6.8 Certain Events Not a Violation. Notwithstanding anything herein to the contrary, Holder shall not bring any action seeking to enforce this Conservation Easement against Owner, nor shall this Conservation Easement be considered to have been violated by Owner, as a result of any damage to the Conservation Area if such damage was solely the result of: (a) a natural event such as an earthquake or flood, wind, lightning or other storm event, including those events commonly referred to as "acts of God"; (b) damage by persons trespassing upon the Conservation Area; or (c) any emergency measures reasonably and prudently taken by Owner to abate or mitigate significant injury to the Conservation Area as a result of any such natural event or trespass.

6.9 Enforcement After Permitted Subdivision. If ownership of the Conservation Area has been subdivided in accordance with this Conservation Easement such that the Conservation Area is no longer owned by one Owner and, thereafter, a violation of this Conservation Easement occurs or appears to Holder to have occurred, Holder need only give notice of violation or enforcement action to, and need only undertake legal and other enforcement action against, the owner of that portion of the Conservation Area on which the event, condition or circumstance which constitutes a violation has occurred or exists. Notwithstanding the foregoing, Holder may, in its discretion, give notice of a violation or enforcement action to, undertake enforcement action against and make a party to any legal action, such other Owners or parties as Holder deems necessary or appropriate to the correction of the violation, monitoring or management of the Conservation Area or the Conservation Easement, protection of Holder's rights, or fulfillment of the Conservation Purposes of this Conservation Easement.

6.10 Limitation on Certain Rights. This Conservation Easement may only be enforced by Owner and Holder and no third party beneficiary rights, rights of enforcement or other rights are created or intended to be created or granted by this Conservation Easement in or to any other person or entity, any person or entity that was once an "Owner" but is no longer an owner of the Conservation Area, the public generally or any governmental authority except to the limited extent necessary to undertake an action under Section 5.2 or as required by statute (and only to the extent such statute cannot be waived by agreement of Holder and Owner). Owner and Holder do not intend that this Conservation Easement be or create a trust. Without limitation of the foregoing, no person or entity that has been an Owner shall have any rights under this Conservation Easement after such Owner has conveyed that Owner's legal ownership interest in the

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Conservation Area and no person or entity that is an Owner as to a part of the Conservation Area shall have any rights under this Conservation Easement as to any part of the Conservation Area not owned by that Owner.

6.11 Reimbursement of Expenses of Enforcement. In the event that Holder acts, after violation of the Conservation Easement, to enforce this Conservation Easement or any obligation hereunder, all reasonable expenses incurred by Holder shall be charged to and paid by Owner, including reasonable attorneys' fees regardless of whether an action or proceeding is commenced and whether incurred before or after the expiration of any cure period provided in this Conservation Easement; except however that Owner shall not be responsible to Holder for costs of a frivolous action by Holder or an action brought in bad faith by Holder, as determined by a court of competent jurisdiction. All such reasonable expenses, together with costs of collection (including reasonable attorneys' fees), shall be recoverable by Holder and be subject to collection by all lawful means for the collection of a debt under the law of the state in which the Conservation Area is located.

6.12 No Merger of Title. Notwithstanding anything to the contrary in this Conservation Easement, should Holder become an Owner of any portion of the Conservation Area, this Conservation Easement shall not merge with any interest in the Conservation Area upon conveyance to Holder and title shall be transferred subject to the continued validity and enforceability of this Conservation Easement in accordance with the laws of the State in which the Conservation Area is located. In such event the rights of Holder under this Conservation Easement as to the portion of the Conservation Area owned by Holder shall forthwith be transferred to a Qualified Organization in accordance with Section 5.3. or, if necessary, 5.2.

6.13 Reimbursement of Expenses of Litigation. Owner acknowledges that for the fulfillment of Owner's purposes and intentions for this Conservation Easement, Owner requires Holder to accept perpetual obligations for the interpretation and enforcement of this Conservation Easement and that, pursuant to 26 CFR § 1.170A-14(c), Holder must maintain its reserve capacity to enforce this Conservation Easement. It is therefore agreed that, should Owner or anyone acting by, through, under or on behalf of Owner, commence litigation against Holder to enforce any rights hereunder or to dispute any actions or inaction of Holder, to enforce any alleged duty or obligation of Holder hereunder or to seek damages or specific performance against Holder then unless Holder is finally determined by a court of competent jurisdiction, beyond right of appeal, to have acted contrary to the terms of this Conservation Easement and to have failed to exercise reasonable judgment taking into account the Conservation Purposes, the Conservation Values and the circumstances of which Holder had actual knowledge at the relevant time, then Owner shall reimburse Holder on demand for all reasonable costs and expenses, including attorney's fees, reasonably incurred by Holder in its defense in such litigation. Holder shall not be considered to have failed to exercise reasonable judgment as aforesaid solely based on the fact that Holder did not or does not prevail in legal proceedings or that Holder is determined to have adopted an interpretation of this Conservation Easement not accepted by the court.

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6.14 No Waiver of Rights of Enforcement. The failure of Holder to exercise any of its rights under this Conservation Easement on any occasion shall not be deemed a waiver of said rights and Holder retains the right in perpetuity to require full compliance by Owner of the covenants and restrictions in this Conservation Easement.

ARTICLE 7. GENERAL PROVISIONS

7.1 Owner and Holder Further Defined. The term Owner used in this Conservation Easement shall mean and include the above-named Owner and any of Owner's successors or assigns, whether one or more, that are the legal owners of the Conservation Area or any part thereof as to such part of the Conservation Area. The term Holder used in this Conservation Easement shall mean and include the above-named Holder and its successors and assigns, it being understood and agreed that any assignee of the rights of Holder hereunder must be a Qualified Organization and shall carry out the obligations of Holder and the intent of this Conservation Easement.

7.2 Vesting of Real Property Interest. This Conservation Easement gives rise to a real property right and interest immediately vested in Holder with a fair market value that is at least equal to the proportionate value that this Conservation Easement at the time of this gift bears to the value of the Conservation Area as a whole at that time. That proportionate value of the Holder's property rights shall remain constant. The fair market value of this Conservation Easement shall be the difference between the fair market value of the Conservation Area unrestricted by this Conservation Easement and the fair market value of the Conservation Area as restricted by this Conservation Easement.

7.3 Rules of Construction and Interpretation. The parties recognize the environmental, scenic and natural values of the Conservation Area and have the common purpose of preserving these values. Any general rule of construction to the contrary notwithstanding, this Conservation Easement shall be liberally construed in favor of the grant to promote, protect and fulfill the Conservation Purposes and the policies and purposes of Holder. If any provision in this Conservation Easement is found to be ambiguous, an interpretation consistent with the Conservation Purposes that would render the provision valid should be favored over any interpretation that would render it invalid. If any provision of this Conservation Easement is determined by final judgment of a court having competent jurisdiction to be invalid, such determination shall not have the effect of rendering the remaining provisions of this Conservation Easement invalid. The parties intend that this Conservation Easement, which is by nature and character primarily prohibitive (in that Owner has restricted and limited the rights inherent in ownership of the Conservation Area), shall be construed at all times and by all parties to promote, protect and fulfill the Conservation Purposes.

7.4 Indemnification. Owner covenants and agrees to indemnify, defend, reimburse, and hold harmless Holder, its directors, officers and employees from, for and against any Loss (hereinafter defined) to the extent such Loss arose from an Indemnified Cause (hereinafter defined). A "Loss" shall mean any loss, cost, liability, penalty, fine, or damage of any kind or nature whatsoever which Holder or any of its directors, officers or employees may reasonably be concluded to have suffered, paid or incurred. The term

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"cost" shall include, but shall not be limited to, reasonable attorneys' fees and witness and court fees. An "Indemnified Cause" shall mean any of the following: the violation or alleged violation of any law in, upon or involving the Conservation Area by Owner or anyone acting by, for, through or under the direction of Owner, including but not limited to any tenant, contractor, agent, licensee or invitee of Owner; any tax or assessment upon the Conservation Area or upon this Conservation Easement or the rights it represents or that it grants to Holder; any death or injury to any person occurring on or about the Conservation Area; any lien or attempts to enforce a lien asserted against the Conservation Area; the costs of performing any work on the Conservation Area; any loss or damage to any property on or about the Conservation Area; or any lawsuit or governmental administrative or law enforcement action which is commenced or threatened against Holder or any of its directors, officers or employees or to which any of the foregoing are made a party or called as a witness; but notwithstanding the foregoing, "Indemnified Cause" shall not include any cause which results from Holder's own acts which are finally determined by a court to have been the result of bad faith, negligence or willful misconduct of Holder. It is further agreed that no person shall have an indemnification obligation or liability under this Section as to any Indemnified Cause which arises entirely and solely from events which occurred after such person is no longer the legal owner of the Conservation Area or any part thereof and is no longer in possession of the Conservation Area or any part thereof (it being understood that one or more subsequent Owners shall have such indemnification, defense, reimbursement, and holding harmless obligation).

7.5 Responsibilities and Liabilities of Owner. Without limitation of anything herein to the contrary, Owner shall (a) retain all responsibilities and shall bear all costs and liabilities of any kind related to the ownership, operations, upkeep, and maintenance of the Conservation Area, including the general liability insurance coverage and obligation to comply with applicable law and (b) pay all Governmental Charges.

7.6 Allocating Proceeds Following Extinguishment of Conservation Easement. It is the intention of the parties that no change in conditions, including for example but not for limitation of the foregoing changes in the use of properties adjoining or in the vicinity of the Conservation Area, will at any time or in any event result in the extinguishment of any of the covenants, restrictions or easements contained in this Conservation Easement. If, however, notwithstanding the foregoing intention, any cause or circumstance gives rise to the extinguishment of this Conservation Easement or a material term or provision hereof by judicial proceeding then Holder, on any subsequent sale, exchange or involuntary conversion of the Conservation Area, shall be entitled, as required in 26 CFR 1.170A-14(g)(6)(ii), to a portion of the proceeds at least equal to the proportionate value that the Conservation Easement at the time of this gift bears to the value of the Conservation Area as a whole at that time, unless state law provides that the Owner is entitled to the full proceeds from the conversion without regard to the terms of this Conservation Easement. All such proceeds received by Holder shall be used in a manner consistent with the Conservation Purposes.

7.7 Allocating Proceeds of Condemnation. Whenever all or part of the Conservation Area is taken by exercise of eminent domain by public, corporate or other authority so as to

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abrogate the restrictions imposed by this Conservation Easement, Owner and Holder shall join in appropriate actions at the time of such taking to recover the full value of the taking and all incidental or direct damages resulting from the taking. All reasonable expenses incurred by Owner and Holder, including reasonable attorneys' fees, in any such action shall be paid out of the recovered proceeds. Holder shall be entitled to a portion of the recovered proceeds proportioned to Holder's real property interest and shall use such proceeds in a manner consistent with the Conservation Purposes. The respective rights of the Owner and Holder set forth in Section 7.6 and this Section 7.7 shall be in addition to and not in limitation of, any rights they may have in common law with respect to a modification or termination of this Conservation Easement by reason of changed conditions or the exercise of powers of eminent domain as aforesaid.

7.8 Covenants, Etc. Run With The Land. This Conservation Easement and all of the covenants, indemnifications, releases, easements and restrictions set forth in this Conservation Easement shall run with the land and be binding upon Owner and Owner's successors and assigns, unless otherwise expressly provided in this Conservation Easement.

7.9 Limitation on Owner Liability. An Owner shall be and remain liable, even after ownership has been transferred, for any breach or violation of this Conservation Easement if, but only if, such breach or violation occurred during such time as such Owner was the legal or equitable owner of, or is in possession of, the entire Conservation Area or that part of the Conservation Area on which the breach or violation occurred.

7.10 Effect On Mortgages and Other Liens. All mortgages, deeds of trust and other liens or encumbrances upon all or any part of the Conservation Area which either come into existence or are recorded in the place for the recording of such liens or encumbrances after the date of this Conservation Easement will be subject to and subordinate to this Conservation Easement.

7.11 Right of Conveyance Retained; Notice Required. Nothing in this Conservation Easement shall limit the right of Owner, Owner's successors or assigns to grant or convey the Conservation Area, provided that any such grant or conveyance shall be under and subject to this Conservation Easement. Owner shall notify Holder in writing of any sale, transfer, lease or other disposition of the Conservation Area or any part thereof, whether by operation of law or otherwise, not later than 30 days after such disposition and such notice shall include a copy of the deed, lease, or other declaration of transfer, the date of transfer, and the name or names and addresses for notices of the transferee.

7.12 Transfer Payment. In consideration of the perpetual obligations assumed by Holder in this Conservation Easement, the costs of which are unpredictable, including, but not necessarily limited to, the obligations to travel to and inspect the Conservation Area for compliance with this Conservation Easement, communicate with present and future owners and respond to questions and other matters, and maintain financial resources for the enforcement of compliance when necessary in fulfillment of Holder's obligation to be a Qualified Organization under 26 CFR §1.170A-14(c)(1), and in consideration of Owner's desire to support Holder in its charitable mission with respect to the

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Conservation Area and other properties in which Holder may have accepted conservation easement restrictions, Owner agrees for itself, Owner's successors and assigns, that there shall be paid to Holder the Transfer Payment (hereinafter defined) at the time of each Qualifying Transfer (hereinafter defined) in the manner set forth herein.

7.12.1 The "Transfer Payment" shall be the amount equal to one percent (1.0%) of the Purchase Price (hereinafter defined) of the Conservation Area or part thereof, the improvements on the Conservation Area and all of the other land and improvements that are included in the Qualifying Transfer.

7.12.2 A "Qualifying Transfer" shall mean the conveyance of legal title to the Conservation Area or any part thereof, the improvements on the Conservation Area, and any other land and improvements which are conveyed by the same deed of conveyance with which the Conservation Area or part thereof is conveyed.

7.12.3 The "Purchase Price" shall be the sum of all of the following given in consideration for a Qualifying Transfer: (a) payment of money, (b) transfer of real or personal property or other tangible consideration, (c) purchase money indebtedness, and (d) the assumption of indebtedness. Owner shall be obligated to provide to Holder a true and correct copy of the agreement of sale pertaining to the Qualifying Transfer or other documents verifying the Purchase Price to the reasonable satisfaction of Holder.

7.12.4 In the event of a Qualifying Transfer in which all or part of the consideration to seller is in the form of real or personal property rather than the payment of money, purchase money indebtedness or assumption of indebtedness, the Purchase Price shall include an amount equal to the fair market value of such real or personal property given in consideration for the Qualifying Transfer as determined by a qualified appraiser approved by Holder in its reasonable judgment. Appraisals used in the determination of the Purchase Price shall be based upon the guidelines and ethical standards of the Appraisal Institute, as then in effect, for the type of property involved. However, Owner and Holder may, if they so elect in their discretion, without obligation to do so, accept an alternate method of establishing the value of property including by contemporaneous agreement.

7.12.5 Purchase Price shall not impute fair market value to that portion of a Qualifying Transfer that is a gift, devise, bequest or other transfer not involving consideration by the payment of money, transfer of real or personal property, purchase money indebtedness or assumption of indebtedness.

7.12.6 The Transfer Payment shall not be applicable to a Qualifying Transfer into a corporation, limited liability company or general or limited partnership where the Owner that is the transferor receives all of the shares of the transferee entity as consideration and receives no other consideration.

7.12.7 The obligation for payment of the Transfer Payment shall be binding upon the Owner that is the transferor in the Qualifying Transfer and the purchaser or

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grantee that is the transferee in the Qualifying Transfer, all of whom shall be jointly and severally liable for the payment of the Transfer Payment, and also shall be binding upon their respective successors and assigns, and shall run with the land until paid.

7.12.8 The Transfer Payment shall be paid to Holder at or before the time of transfer of legal title as aforesaid. The amount of any Transfer Payment not paid in the amount and at the time required herein shall, (a) accrue interest payable to Holder in the amount of twelve percent (12%) per annum and (b) constitute, together with the accrued interest, to the extent permitted by applicable law, a lien on the Conservation Area in favor of the Holder until paid in full, provided that such lien shall not be superior to any mortgage, deed of trust or other lien that was executed, recorded and otherwise validly established against the Conservation Area prior to the date of the Qualifying Transfer.

7.12.9 Owner shall be liable for reasonable attorneys' fees and other costs of collection reasonably incurred by Holder in the enforcement of this Section.

7.12.10 If and to the extent the law of the state in which the Conservation Area is located so requires in order to preserve the validity of this Section, it is agreed that the Transfer Payment shall not apply to any Qualifying Transfer that occurs after the lifetime plus twenty-one (21) years of any biological child of Andrew L Johnson, Vice President of the North American Land Trust.

7.12.11 Without limitation of any other provision of this Conservation Easement, neither the validity of this Section nor compliance with or enforcement of this Section shall have any bearing whatever on the validity or enforceability of any other provision of this Conservation Easement.

7.13 Managerial Control Retained by Owner. Nothing in this Conservation Easement shall be construed as giving rise to any right or ability of Holder to exercise physical or managerial control over day-to-day operations of the Conservation Area, or any of Owner's activities on the Conservation Area, or otherwise to become an operator with respect to the Conservation Area within the meaning of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

7.14 Compliance With Law. Notwithstanding provisions hereof to the contrary, if any, Owner shall be solely responsible for complying with all federal, state and local laws and regulations in connection with the conduct of any use of the Conservation Area or the erection of any Structure permitted hereunder, and Owner shall be solely responsible for obtaining any required permits, approvals from the relevant governmental authorities in connection therewith.

7.15 Public Access Not Created. Nothing in this Conservation Easement shall be construed to create any right of access to the Conservation Area by the public.

7.16 Notices. All notices required of Owner under the terms of this Conservation Easement, and all requests for the approval by Holder, shall be in writing shall be deemed to have

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been given when either served personally or when sent by certified mail, with return receipt requested and postage prepaid, addressed to Holder at the address set forth on the first page of this Conservation Easement or such other address provided by notice from Holder or Owner to the other for the purpose. Notices by Holder to an Owner need only be given to the Owner of the portion of the Conservation Area that is the subject of the notice.

7.17 Headings. The underlined headings preceding the Sections in this Conservation Easement are intended for convenience of reference only and shall not be applied in the construction or interpretation of the substance of this Conservation Easement nor shall any such headings be construed to add to, detract from or otherwise alter the substance, meaning, force or effect of any of the Sections in this Conservation Easement.

7.18 Availability or Amount of Tax Benefits. Holder makes no warranty, representation or other assurance regarding the availability, amount or effect of any deduction, credit or other benefit to Owner or any other person or entity under United States or any state, local or other tax law to be derived from the donation of this Conservation Easement or other transaction associated with the donation of this Conservation Easement. This donation is not conditioned upon the availability or amount of any such deduction, credit or other benefit. Holder makes no warranty, representation or other assurance regarding the value of this Conservation Easement or of the Conservation Area. As to all of the foregoing, Owner is relying upon Owner's own legal counsel, accountant, financial advisor, appraiser or other consultant and not upon Holder or any legal counsel, accountant, financial advisor, appraiser or other consultant of Holder. In the event of any audit or other inquiry of a governmental authority into the effect of this donation upon the taxation or financial affairs involving Owner or Owner's successors or assigns or other similar matter then Holder shall be reimbursed and indemnified for any cost or expense of any kind or nature whatsoever incurred by Holder in responding or replying thereto.

7.19 Warranties and Representations of Owner. By signing this Conservation Easement, Owner acknowledges, warrants and represents to Holder that:

7.19.1 Owner has received and fully reviewed the Baseline Documentation in its present form in its entirety.

7.19.2 The Baseline Documentation includes, among other things:

-Naturalist's Report on the Conservation Area.
-Environmental Conditions Map of the Conservation Area.
-Photographs of current site conditions on the Conservation Area.
-Narrative description of the significant ecological and other conservation values and characteristics of the Conservation Area.
-Topographic map of the Conservation Area

7.19.3 The Baseline Documentation is an accurate representation of the condition of the Conservation Area at the time of granting this Conservation Easement.

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7.19.4 Owner has had the opportunity to be represented by counsel of Owner's selection, and fully understands that Owner is hereby permanently relinquishing property rights which would otherwise permit Owner to have a fuller use and enjoyment of the Conservation Area.

7.19.5 The undersigned individual or individuals signing as or on behalf of Owner has all legal authority to enter into this Conservation Easement and perform all of the obligations of Owner hereunder, as the binding act of Owner.

7.19.6 Owner is seized of the Conservation Area in fee simple title. Owner has the right to grant and convey this Conservation Easement. The Conservation Area is free and clear of any Deed of Trust, Mortgage and any other liens and monetary encumbrances except: (a) liens for taxes not yet due and payable and (b) Deed of Trust or Mortgage liens that are subordinate to this Conservation Easement by virtue of the executed form of Joinder and Consent of Lienholder attached hereto and incorporated herein.

7.19.7 There are no recorded or unrecorded leases or other agreement for the production of minerals or removal of timber from the Conservation Area which would, if any of the activities permitted under such lease or other agreement was undertaken by Owner, violate the covenants or restrictions in this Conservation Easement or otherwise defeat the Conservation Purposes.

7.19.8 Owner has, to the extent Owner in Owner's discretion has deemed appropriate, investigated with all due diligence the cost, practicality, right, and ability to use and improve the Building Zone according to the Reserved Rights permitted within the Building Zone under this Conservation Easement, as such use and improvement may be affected by zoning, other governmental regulation, access, availability of utilities, soil conditions, geology, topography, other physical and environmental conditions, and any other factor or condition. As to the cost, practicality, right, and ability of Owner to use and improve the Building Zone as and to the extent permitted in this Conservation Easement, Holder makes no warranty or representation, has no obligation, gives no assurance, and is released by Owner, Owner's successors and assigns from any liability and claims, both compensatory and consequential.

7.20 State Conservation Easement Law. This Conservation Easement shall be a "conservation easement" under, and shall be governed by, the State Conservation Easement Law and Holder shall have all of the rights and powers of a "Holder" under the State Conservation Easement Law.

7.21 Governing Law. This Conservation Easement shall be governed by and construed under the law of the state in which the Conservation Area is located.

TO HAVE AND TO HOLD the easements and rights set forth in this Conservation Easement unto Holder, its successors and assigns, for its own use and benefit forever.

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IN WITNESS WHEREOF, and intending to be legally bound hereby, Owner and Holder have executed this Conservation Easement intending this Conservation Easement to be effective on the date of the last signature below.

SANIBEL RESORT, LLC

By: Sanibel Resort Management, LLC, a Delaware limited liability company, its Manager

By: EcoVest Sanibel Resort, LLC, a Delaware limited liability company, its Manager

By: EcoVest Capital, Inc., a Delaware corporation, Its Sole Member

Witness: _____

By: _____
Robert M. McCullough, Sr. Vice President and Chief Financial Officer, Secretary and Treasurer

Witness: _____

NORTH AMERICAN LAND TRUST
a non-profit corporation

Witness: _____
Matthew Stutzman

By: _____ [Seal]
Andrew L. Johnson, Vice President

Witness: _____

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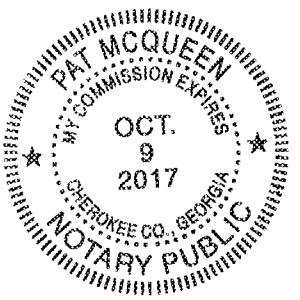
State of Georgia

County of Cherokee

The foregoing instrument was acknowledged before me this 16th day of December, 2015 by Robert M. McCullough, Senior Vice President, Chief Financial Officer, Secretary and Treasurer of EcoVest Capital, Inc., which is the Sole Member of EcoVest Sanibel Resort, LLC, which is Manager of Sanibel Resort Management, LLC, which is Manager of SANIBEL RESORT, LLC a Delaware limited liability company, on behalf of the company.

Notary Public
My commission expires: 10/9/2017



STATE OF PENNSYLVANIA :
:
COUNTY OF CHESTER :

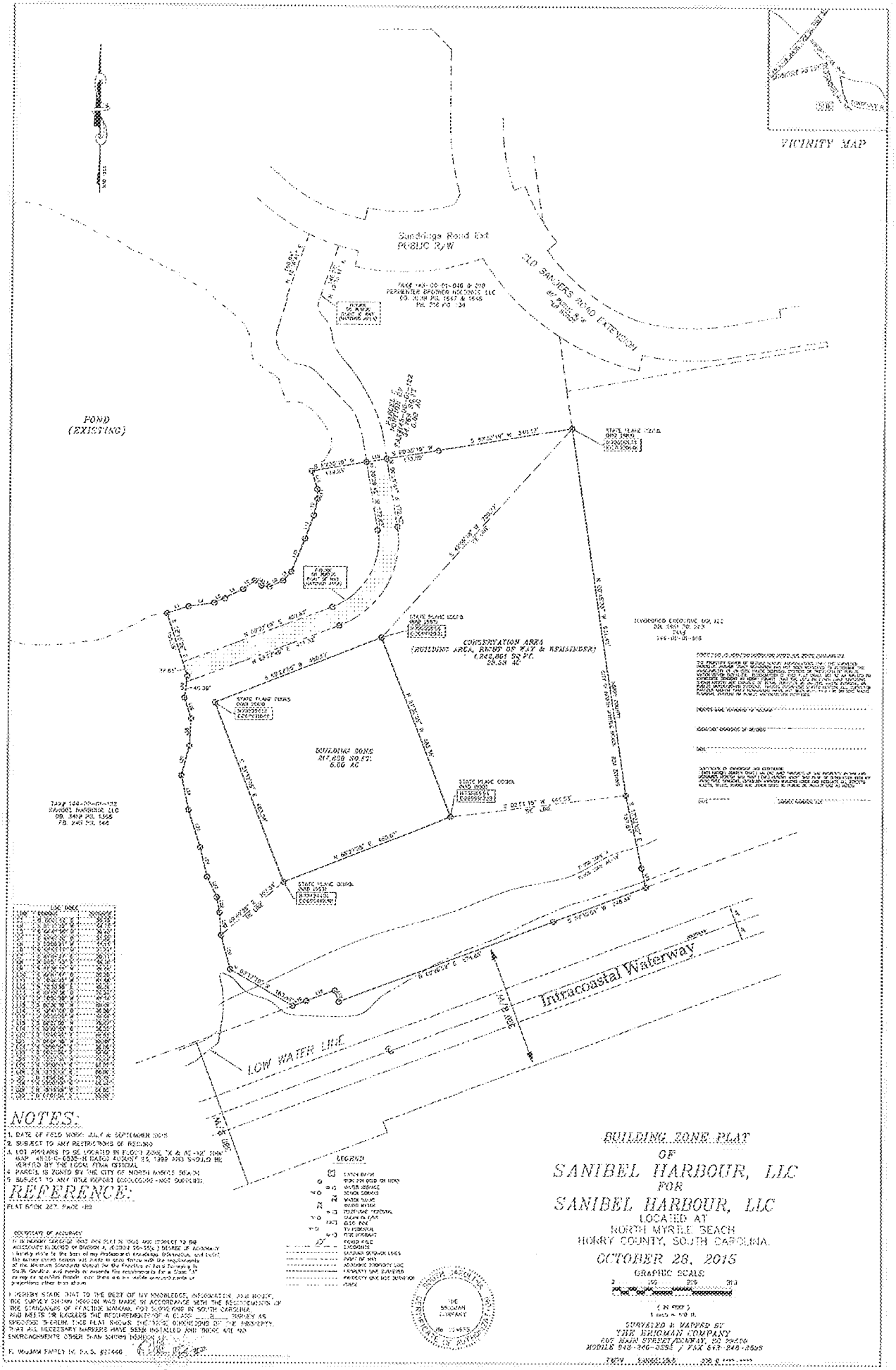
On this, the 15th day of December, 2015, before me, a Notary Public in and for the State of Pennsylvania, the undersigned officer, personally appeared Andrew L. Johnson, who acknowledged himself to be the Vice President of North American Land Trust, a Pennsylvania Non-Profit Corporation, and that he as such officer, being authorized to do so, executed the foregoing conservation easement for the purposes therein contained by signing the name of the corporation by himself as Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

(Seal)

Karen M. Mazza
Notary Public
My commission expires: Aug. 22, 2018

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Karen M. Mazza, Notary Public
Pennsbury Twp., Chester County
My Commission Expires Aug. 22, 2018
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES


VICINITY MAP
Sandridge Road Ext
PUBLIC R/W
OLD SANDERS ROAD EXTENSION
POND
(EXISTING)
CONSERVATION AREA
(BUILDING AREA, RIGHT OF WAY & REMAINDER)
(242,861 SQ.FT.
5.58 AC
BUILDING ZONE
217,620 SQ.FT.
5.00 AC
Intracoastal Waterway
LOW WATER LINE
NOTES:
1. DATE OF FIELD WORK: JULY & SEPTEMBER 2015
2. SUBJECT TO ANY RESTRICTIONS OF RECORD
3. LOT APPEARS TO BE LOCATED IN FLOOD ZONE "X & AE-10" (EL 10') PER MAP #45019-C-0535-H DATED AUGUST 23, 1999 AND SHOULD BE VERIFIED BY THE LOCAL FEMA OFFICIAL
4. PARCEL IS ZONED BY THE CITY OF NORTH MYRTLE BEACH
5. SUBJECT TO ANY TITLE REPORT DISCLOSURE - NOT SURVEYED
REFERENCE:
PLAT BOOK 227, PAGE 180
LEGEND
BUILDING ZONE PLAT
OF
SANIBEL HARBOUR, LLC
FOR
SANIBEL HARBOUR, LLC
LOCATED AT
NORTH MYRTLE BEACH
HORRY COUNTY, SOUTH CAROLINA.
OCTOBER 28, 2015
GRAPHIC SCALE
SURVEYED & MAPPED BY:
THE BRIGMAN COMPANY

STATE OF SOUTH CAROLINA)
) AFFIDAVIT
COUNTY OF HORRY)

PERSONALLY appeared before me the undersigned, who being duly sworn, deposes and says:

1. I have read the information on this affidavit and I understand such information.

2. The Easement being granted is described as "Conservation Easement and Declaration of Restrictions and Covenants, between Sanibel Resort, LLC and North American Land Trust dated December 22, 2015.

3. The deed is exempt from the deed recording fee because (See Information section of affidavit):

SC Code Section 12-24-40 (1) - Value Less than One Hundred ($100.00) Dollars

If exempt under exemption #14 as described in the Information section of this affidavit, did the agent and principal relationship exist at the time of the original sale and was the purpose of this relationship to purchase the realty?
Check Yes _____ or No _____

4. As required by Code Section 12-24-70, I state that I am a responsible person who was connected with the transaction as: Grantor

5. I understand that a person required to furnish this affidavit who wilfully furnishes a false or fraudulent affidavit is guilty of a misdemeanor and, upon conviction, must be fined not more than one thousand dollars or imprisoned not more than one year, or both.

Sanibel Resort, LLC
BY: Sanibel Resort Management, LLC, Manager
BY: Ecovest Sanibel Resort, LLC, Manager
BY: Ecovest Capital, Inc., Sole Member
By: _____
Robert M. McCullough, Sr. Vice President and Chief Financial Officer

Sworn to before me this 21st day of December, 2015.

_____
Notary Public for Georgia
My Commission Expires: 10/9/2017

PAT MCQUEEN NOTARY PUBLIC CHEROKEE CO., GEORGIA MY COMMISSION EXPIRES OCT. 9 2017

INFORMATION

Except as provide in this paragraph, the term "value" means "the consideration paid or to be paid in money or money's worth for the realty." Consideration paid or to be paid in money's worth includes, but is not limited to, other realty, personal property, stocks, bonds, partnership interest and other intangible property, the forgiveness or cancellation of a debt, the assumption of a debt, and the surrendering of any right. The fair market value of the consideration must be used in calculating the consideration paid in money's worth. Taxpayers may elect to use the fair market value of the realty being transferred in determining fair market value of the consideration. In the case of realty transferred between a corporation, a partnership, or other entity and a stockholder, partner, or owner of the entity, and in the case of realty transferred to a trust or as a distribution to a trust beneficiary, "value" means the realty's fair market value. A deduction from value is allowed for the amount of any lien or encumbrance existing on the land, tenement, or realty before the transfer and remaining on the land, tenement, or realty after the transfer. Taxpayer may elect to use the fair market value for property tax purposes in determining fair market value under the provisions of the law.

Exempted from the fee are deeds:

(1) transferring realty in which the value of the realty, as defined in Code Section 12-24-30, is equal to or less than one hundred dollars;

(2) transferring realty to the federal government or to a state, its agencies and departments, and its political subdivisions, including school districts;

(3) that are otherwise exempted under the laws and Constitution of this State or of the United States;

(4) transferring realty in which no gain or loss is recognized by reason of Section 1041 of the Internal Revenue Code as defined in Section 12-6-40(A);

(5) transferring realty in order to partition realty as long as no consideration is paid for the transfer other than the interests in the realty that are being exchanged in order to partition the realty;

(6) transferring an individual grave space at a cemetery owned by a cemetery company licensed under Chapter 55 of Title 39;

(7) that constitute a contract for the sale of timber to be cut;

(8) transferring realty to a corporation, a partnership, or a trust in order to become, or as, a stockholder, partner, or trust beneficiary of the entity provided no consideration is paid for the transfer other than stock in the corporation, interest in the partnership, beneficiary interest in the trust, or the increase in value in such stock or interest held by the grantor. However, the transfer of realty from a corporation, a partnership, or a trust to a stockholder, partner, or trust beneficiary of the entity is subject to a fee even if the realty is transferred to another corporation, a partnership, or trust;

(9) transferring realty from a family partnership to a partner or from a family trust to a beneficiary, provided no consideration is paid for the transfer other than a reduction in the grantee's interest in the partnership or trust. A "family partnership" is a partnership whose partners are all members of the same family. A "family trust" is a trust, in which the beneficiaries are all members of the same family. The beneficiaries of a family trust may also include charitable entities. "Family" means the grantor and the grantor's spouse, parents, grandparents, sisters, brothers, children, stepchildren, grandchildren, and the spouses and lineal descendants of any the above. A "charitable entity" means an entity which may receive deductible contributions under Section 170 of the Internal Revenue Code as defined in Section 12-6-40(A);

(10) transferring realty in a statutory merger or consolidation from a constituent corporation to the continuing or new corporation;

(11) transferring realty in a merger or consolidation from a constituent partnership to the continuing or new partnership; and,

(12) that constitute a corrective deed or a quitclaim deed used to confirm title already vested in the grantee, provided that no consideration of any kind is paid or is to be paid under the corrective or quitclaim deed.

(13) transferring realty subject to a mortgage to the mortgagee whether by a deed in lieu of foreclosure executed by the mortgagor or deed pursuant to foreclosure proceedings.

(14) transferring realty from an agent to the agent's principal in which the realty was purchased with funds of the principal, provided that a notarized document is also filed with the deed that establishes the fact that the agent and principal relationship existed at the time of the original purchase as well as for the purpose of purchasing the realty.

(15) transferring title to facilities for transmitting electricity that is transferred, sold, or exchanged by electrical utilities, municipalities, electric cooperatives, or political subdivisions to a limited liability company which is subject to regulation under the Federal Power Act (16 U.S.C. Section 791(a)) and which is formed to operate or to take functional control of electric transmission assets as defined in the Federal Power Act.