



REAL ESTATE AUCTION

WALLOWA LAKE LODGE

JOSEPH, OREGON



Operating Historic Oregon Legacy Resort
at Gateway to Eagle Cap Wilderness

SEALED BIDS DUE
JULY 29, 2015

www.rm-nw-auctions.com



Wallowa Lake Lodge

Wallowa Lake Lodge is an operating historic Oregon legacy property, located at the front door of the Wallows, long-considered one of Oregon's Seven Wonders by Travel Oregon, and often referred to as the "Little Switzerland of America."



Wallowa Lake Lodge





Wallowa Lake
State Park



Wallowa Lake



Wallowa Lake Lodge is being offered for sale at auction to the general public for the first time in twenty-five years.

The 8.46± acre lakefront property, with twenty-two unit lodge, and eight cabins, is gateway to the Eagle Cap Wilderness at the southern end of the five-mile-long gorge-shape Wallowa Lake, second only to Crater Lake in its water clarity. The Wallowa Lake Lodge was built in 1923, and the seller has undertaken a careful restoration of the twenty-two unit lodge in order to preserve the historic character of both the interior, and exterior. All walls and ceilings have been refinished and restored, locally-crafted bedding and draperies along with antique prints, paintings and mirrors, and additional period furnishings, have been used throughout the lodge, including in the lobby, hallways, and guest rooms.

Wallowa Lake Lodge has been compared to one of the great national park lodges, and was featured in a Public Broadcasting Service (PBS) special entitled *Great Lodges*

of the National Parks, produced by Oregon Public Broadcasting in 2008. It was also included in the *Great Lodges of the National Parks, volume two*, by Christine Barnes. A link to both the video, and the book, is at <http://www.rmnw-auctions.com/auction-1505-wallowa-lake-lodge/>

The property has a strategic location and spectacular setting, and is the only private land along the southern end of Wallowa Lake with Resort Commercial Recreation Zoning. This zoning will allow the new owner significant opportunities to expand the existing resort and lodging accommodations, plus the option to extend the operating season to be a boutique destination with conference and education facilities.

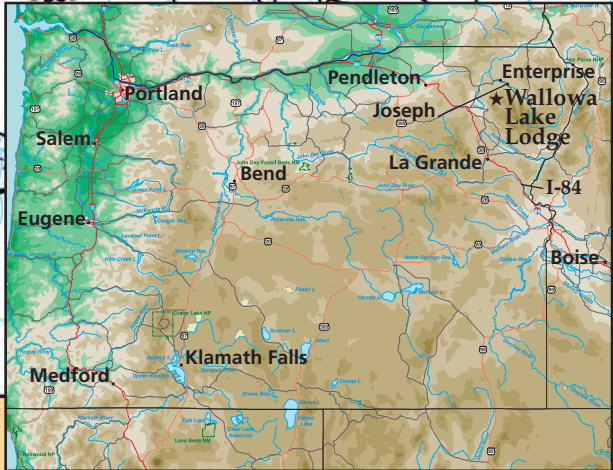
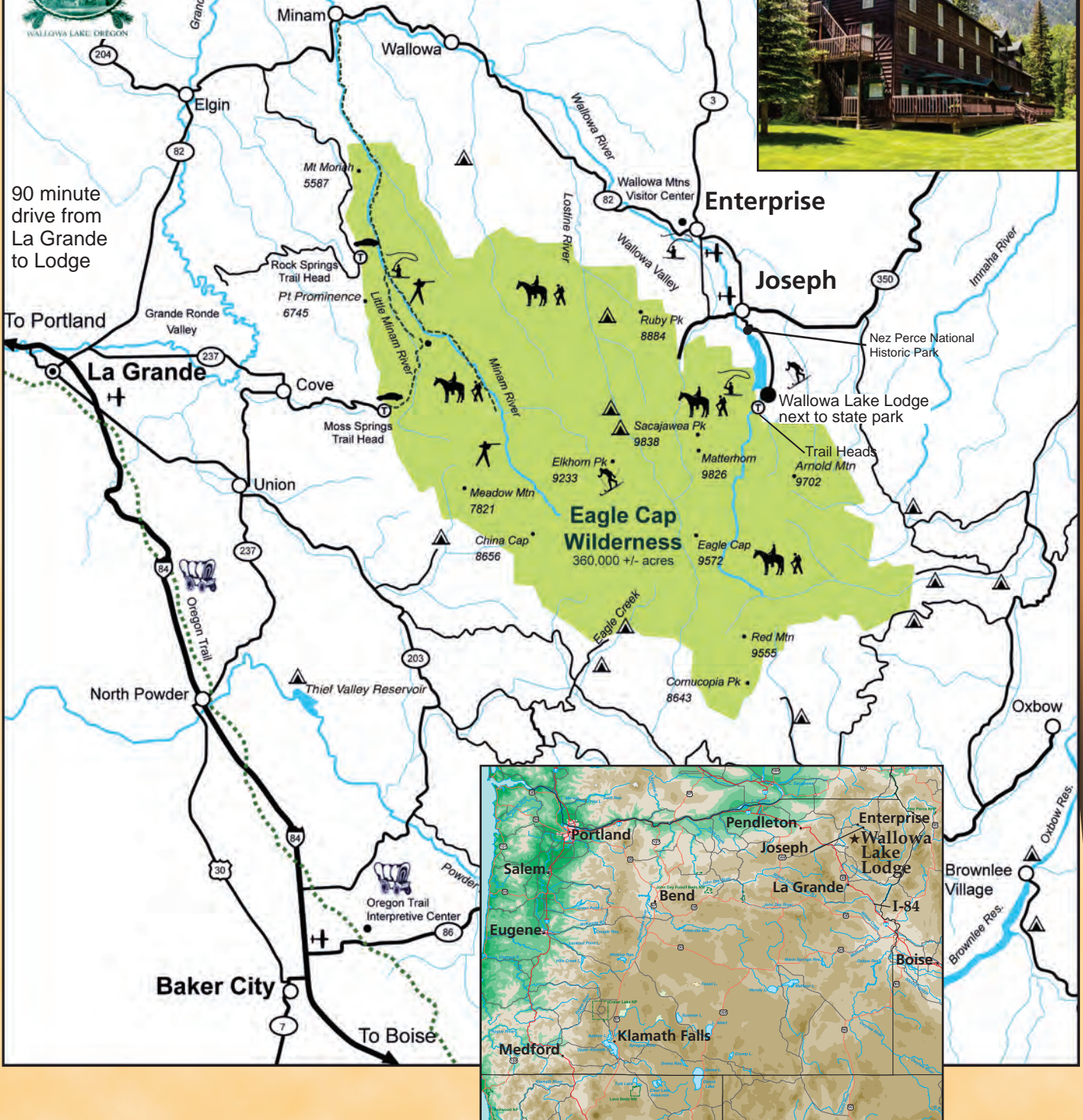
The zoning designation will allow development of up to fifty-two condominium units and thirteen home sites, plus 9,730± square feet of retail and employee housing to be located near the existing lodge, based on conceptual plans developed by the seller.

Wallowa State Park, with marina, is next door.



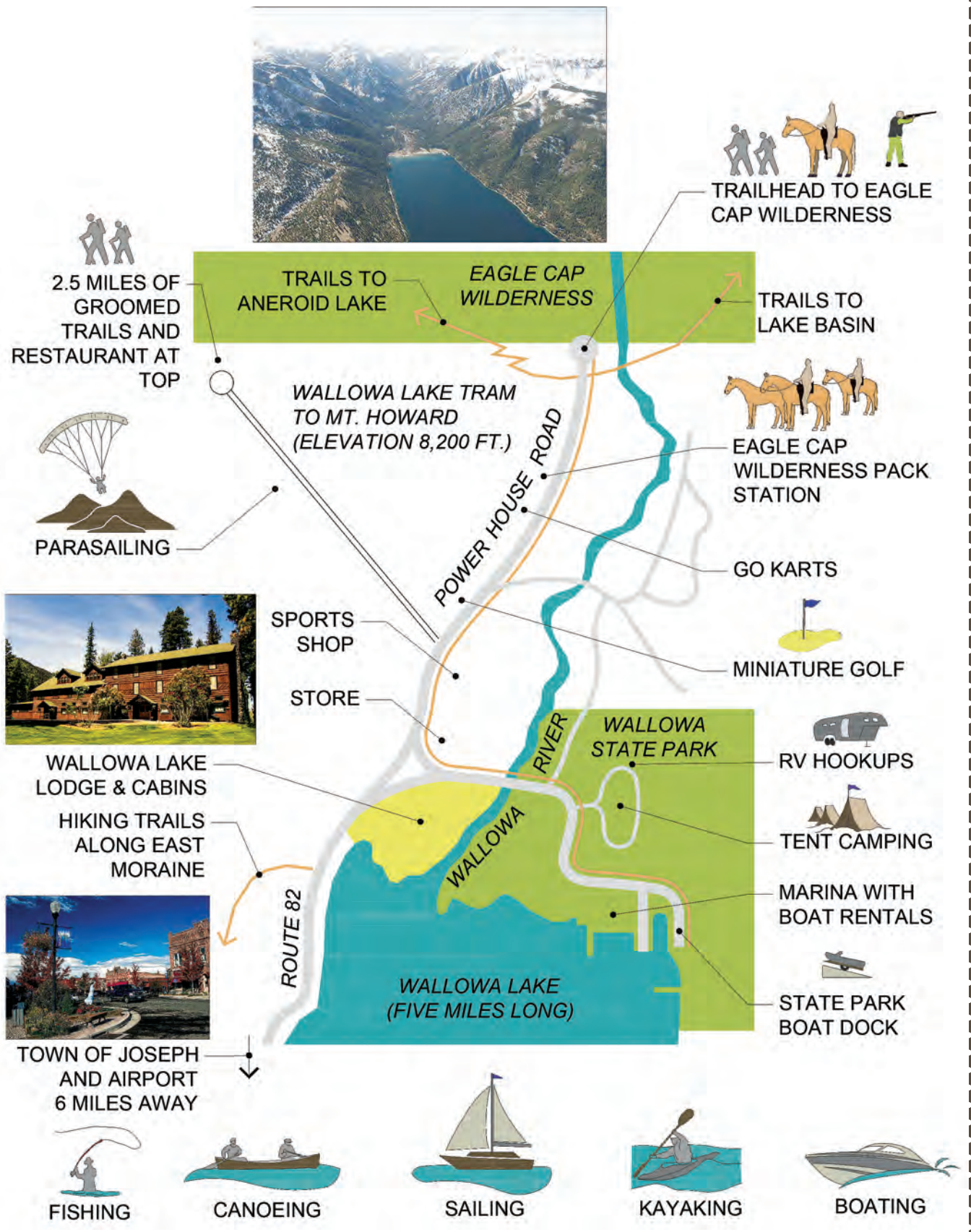


Wallowa Lake Lodge Location Map



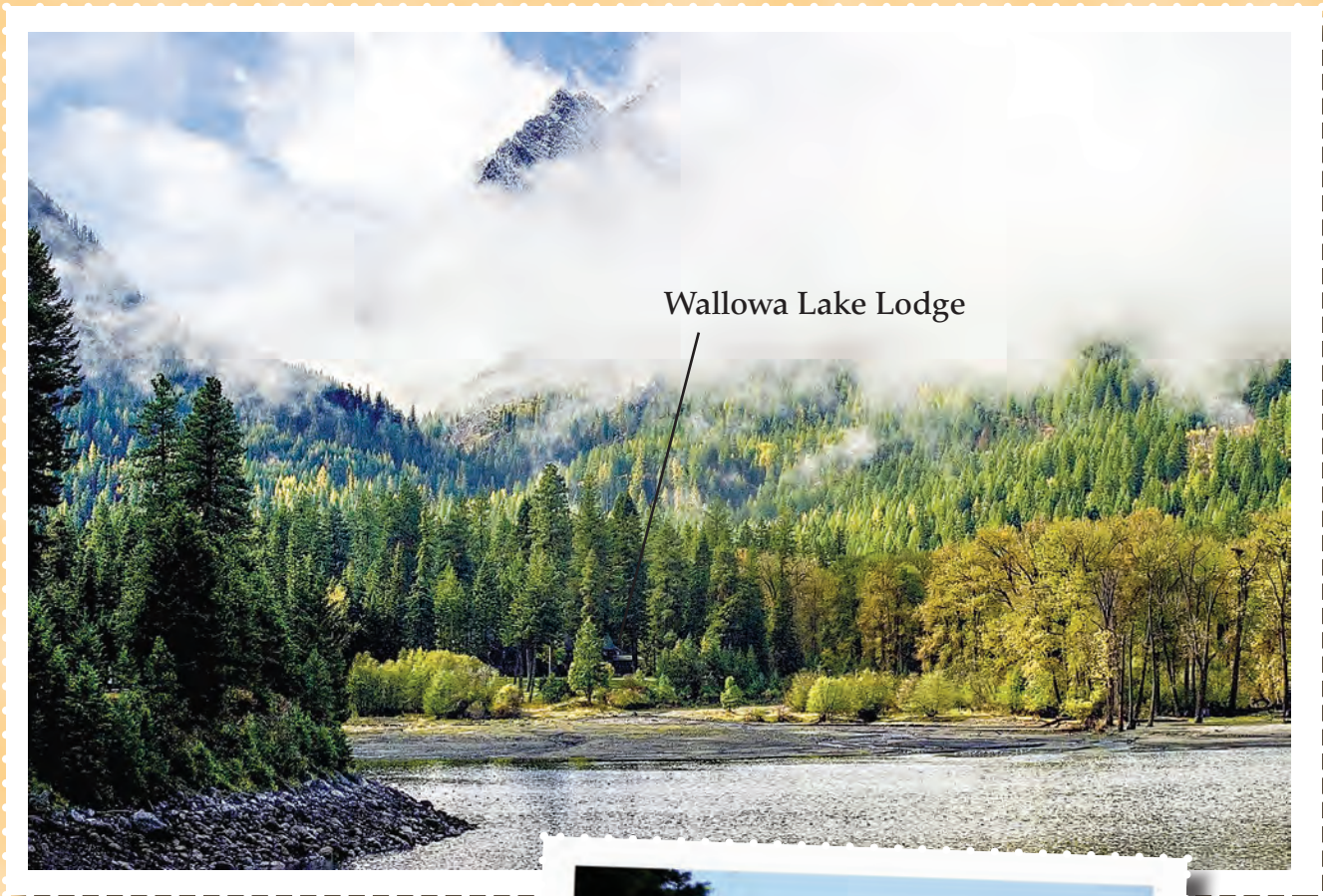


Wallowa Lake Lodge is base for outdoor activities at gateway to the Eagle Cap Wilderness



Power boats, sailboats, canoes and kayaks are available as rentals, along with boat slips. Wallowa Lake holds eight state records for kokanee, as well as the world record for the largest kokanee ever caught on-record, in 2010. The Wallowa River, spawning ground for kokanee, has its headwaters within the Eagle Cap Wilderness, and runs along the western boundary of the property. Wallowa Lake Lodge is the only

lodging option that has a lake front setting, and is walking distance to the Wallowa Lake Tram, which carries riders to the summit of Mt. Howard and is used for hiking and parasailing. One of the most popular trailheads into the Eagle Cap Wilderness is one-half mile from the lodge, and is used for hiking, horseback riding, and access to high elevation lakes for both fishing and hunting. Additionally, there are snowmobile,



Wallowa Lake Lodge

View of Lodge from the Lake



Wallowa River frontage by Lodge



snow shoe, cross country ski trails and the Ferguson Ridge Ski Area nearby. The Joseph- and Enterprise-area is also popular with bicyclists, and the twenty-eighth Cycle Oregon returns to eastern Oregon in September 12 – 19, 2015.

A general store and several small restaurants are also located near the lodge.

The town of Joseph is less than a ten minute drive, embodies classic western culture rich in history, and is itself a growing year-round center for arts and recreation. It has been referred to by the New York Times as “rugged, western, and still a bargain.”

Joseph is home to Valley Bronze of Oregon, responsible for manufacturing several thousand ornamental bronze pieces for the World War II Memorial on the National Mall in Washington D.C. Valley Bronze of Oregon has helped Joseph become an important center for bronze design and manufacturing.

The town of Joseph is host to: Wallowa Valley Festival of the Arts, Nez Perce Tamakaliks Celebration, Bronze, Blues and Brews Festival, Chief Joseph Days Rodeo, Alpenfest – a yearly Swiss-Bavarian festival held near Wallowa Lake Lodge, and Fishtrap -- a week-long gathering of writers.

The nearby Joseph State Airport has recently been improved with a 5,200 foot paved runway that can accommodate private jet aircraft.

Overall, Wallowa Lake Lodge can accommodate ninety guests during its operating season which is from mid-May to mid-October. The eight cabins are available for year-round rental. Additionally, the lodge hosts special events at Thanksgiving, Christmas, Valentine Day, and other holidays.

Upper two: Joseph is a classic western town and has grown as a year-round center for the arts and for recreation



Bank of Eastern Oregon, Enterprise, is the preferred lender

2014 gross revenues from operations were \$536,000, or an 11% increase from 2013 gross revenues. 2015 revenues are expected to improve, based on existing reservations as of May 1.

The current owners have not ever promoted Wallowa Lake Lodge for events such as weddings, reunions, or as a conference center, all of which would provide expanded business opportunity for a new owner/operator.

Acquisition of the historic Wallowa Lake Lodge property and its turn-key resort operation provides a new owner with a number of options that include:

- Expand lodge facility and operations capacity with additional rooms and cabins, in order to accommodate private and public events, and conferences
- Reuse of the lodge as a public, or private, school for hotel and resort year-round education, in affiliation with an existing hospitality program

- Development of private cabins and condominiums to be used as part of resort operations

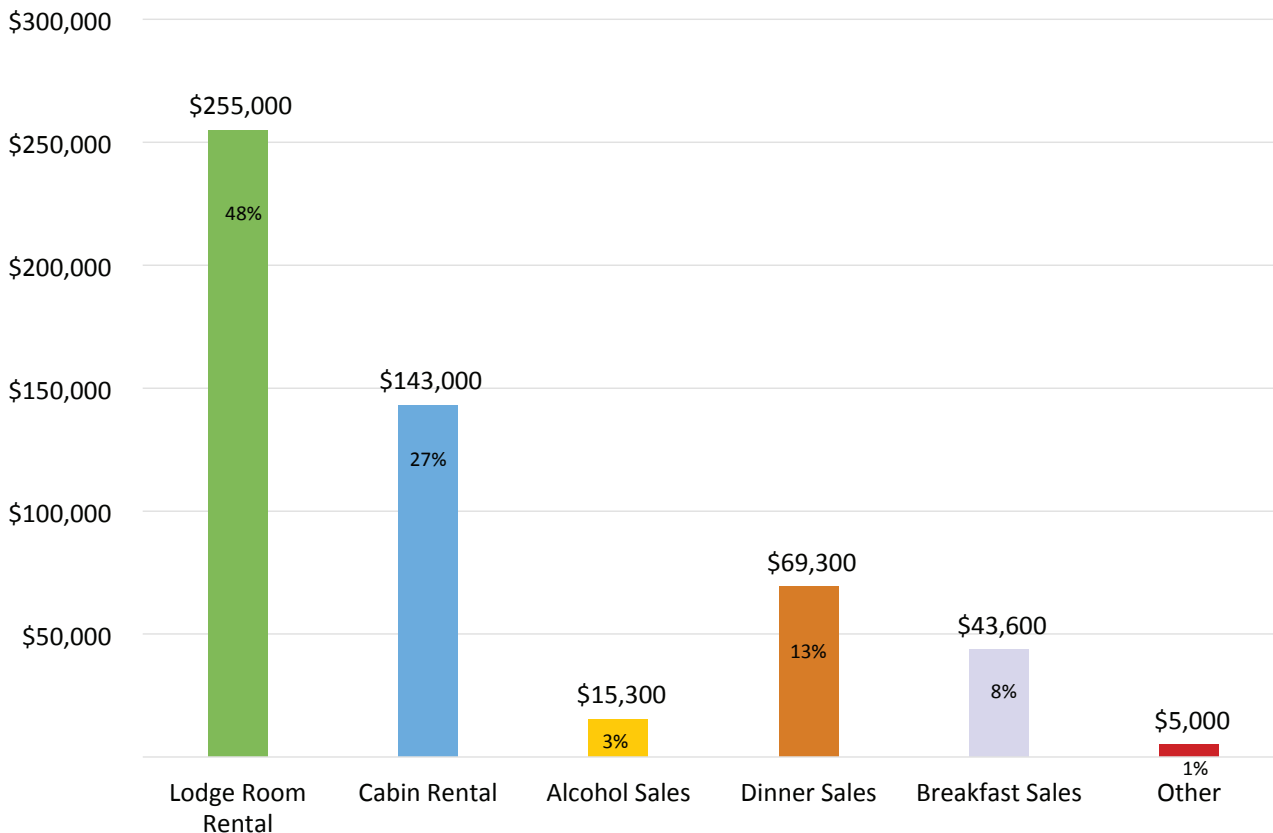
An additional option is to acquire the property and obtain significant value from a conservation easement through a sale, or donation, which would restrict additional development that is allowed under the existing Resort Commercial Recreation zoning.

**Wallowa Lake Lodge
2014 Revenue* by Month by Type**

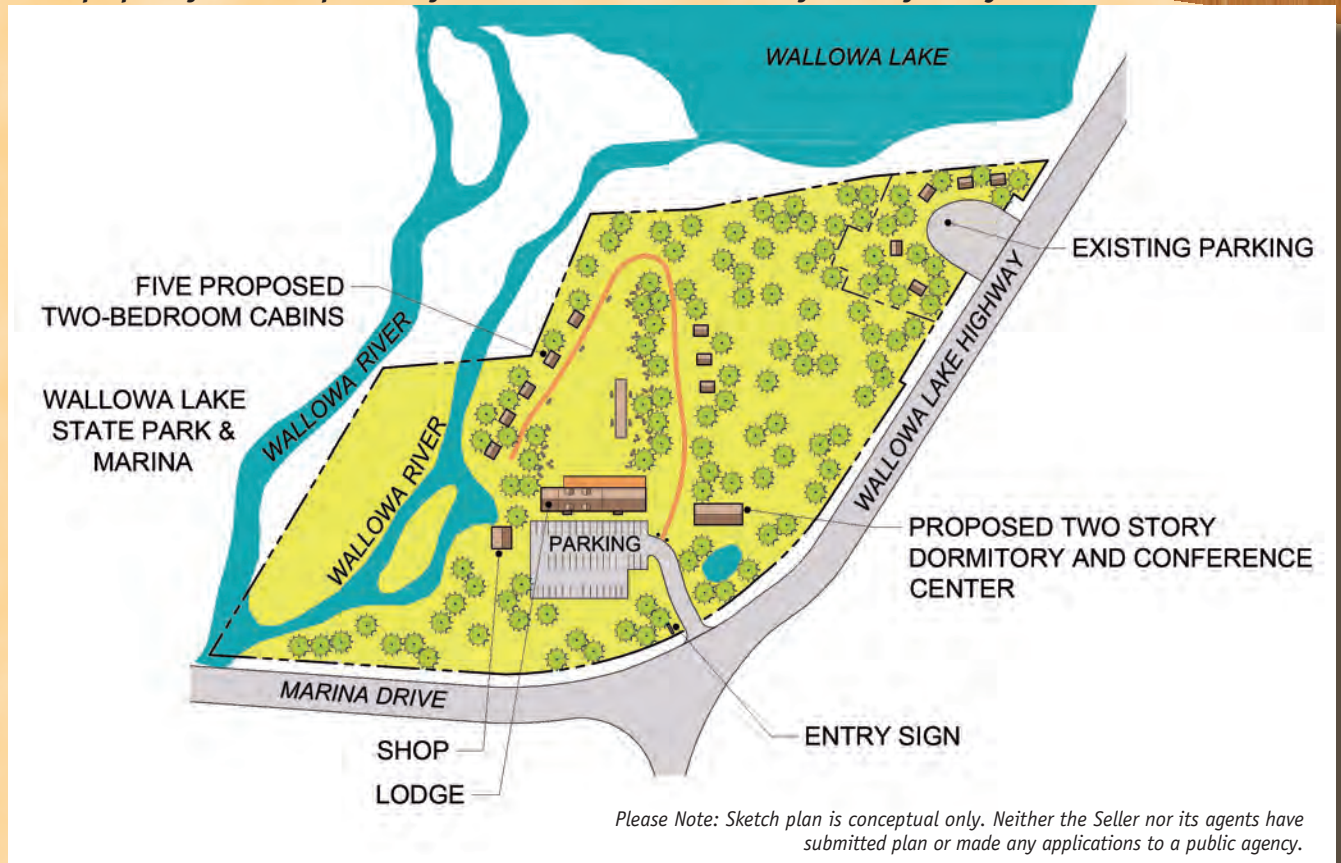
Month	Lodge Room Rental	Cabin Rental	Alcohol Sales	Dinner Sales	Breakfast Sales	Total
Jan		\$ 2,850				\$ 2,850
Feb		\$ 1,625				\$ 1,625
Mar		\$ 4,510				\$ 4,510
Apr		\$ 2,380				\$ 2,380
May	\$ 8,088	\$ 9,790	\$ 670	\$ 3,194	\$ 1,275	\$ 23,017
Jun	\$ 41,216	\$ 15,895	\$ 1,595	\$ 7,466	\$ 5,503	\$ 71,675
Jul	\$ 72,488	\$ 37,102	\$ 2,838	\$ 12,869	\$ 9,777	\$ 135,074
Aug	\$ 69,821	\$ 34,775	\$ 3,626	\$ 17,732	\$ 13,652	\$ 139,606
Sep	\$ 47,514	\$ 19,710	\$ 4,580	\$ 15,723	\$ 9,703	\$ 97,230
Oct	\$ 15,616	\$ 10,550	\$ 1,324	\$ 8,316	\$ 3,866	\$ 39,672
Nov		\$ 1,445		\$ 2,460		\$ 3,905
Dec	\$ 160	\$ 2,230	\$ 664	\$ 1,544	\$ 72	\$ 4,670
TOTALS	\$ 254,903	\$ 142,862	\$ 15,297	\$ 69,304	\$ 43,848	\$ 526,214

*Rounded - excludes misc. income

**Wallowa Lake Lodge
2014 Revenue Summary by type - Total \$535,000**



Concept plan for development of additional cabins and conference facility



Acquisition of Wallowa Lake Lodge and its 8.46± acre site may be one of the last opportunities to own a historic legacy property within the Pacific Northwest that can be used for a destination resort, or developed and expanded for year-round use.

Published Reserve Price: \$2,750,000 for real estate, and for all furnishings, fixtures and equipment at the twenty-two room lodge, eight cabins, and shop

Financing: None all cash. Bank of Eastern Oregon is the preferred lender, with competitive financing terms available to qualified parties. Contact John Bailey, Vice President, Enterprise Branch, at 541-426-4205, or email at baileyj@beobank.com, for more information

Property Inspection -- by appointment only

Prospective bidders are encouraged to inspect the property by contacting Realty Marketing/Northwest at 1-800-845-3524 to arrange for an inspection on the following dates:

Saturday and Sunday, June 20 and June 21
11:00 a.m. to 4:00 p.m.

Saturday and Sunday, July 11 and July 12
11:00 a.m. to 4:00 p.m.

Saturday and Sunday, July 25 and July 26
11:00 a.m. to 4:00 p.m.

Realty Marketing/Northwest staff will be on-site throughout those inspection dates.

PLEASE NOTE: Wallowa Lake Lodge is an operating resort. Effort will be made to have both a lodge room, or rooms, available, as well as a cabin available, for purpose of inspection.

Arrangements for inspection times and dates should be made by contacting Colleen Cowan at 1-800-845-3524, or colleen@rmnw-auctions.com

Supplemental Information Package with Bid Documents

The Supplemental Information Package with bid documents is available by contacting the Auction Information Office and can be mailed (hard copy) or emailed (electronic). It includes the following information:

- Area information of the Wallowas, Joseph, and Enterprise
- Detail description of the lodge and cabins, with 2015 room rates
- 2011 - 2014 financial reports
- April 2015 building inspection report for the lodge and eight cabins
- Phase One Site Assessment
- Site and topography maps



- Zoning ordinance and land use code
- Conceptual development plans prepared by Van Lom Group Architects on behalf of the seller
- Additional site photos of lodge, cabins, and property
- Preliminary title report
- Bid Information:
 - Bid instruction and bid form
 - Buyer acknowledgement
 - Purchase and sale agreement
 - Agency disclosure form
 - Broker cooperation form



2014 Resort Operations

2014 revenue at Wallowa Lake Lodge was \$535,803, which is an 11% increase from 2013 revenue. 2014 net income from resort operations was 9%. Please see Supplemental Information Package for 2011 -- 2014 financial reports.

Lodge room rentals, and cabin rentals, during the period of mid-May to mid-October, was a total of \$382,545, or 75% of total revenue. 2015 lodge room rates are from \$99 to \$180 per night, and cabin rentals range from \$160 to \$255. Detail rates, by room and by cabin, are provided in the Supplemental Information Package. The average daily room rate at the lodge was \$140, and the average daily room rate for a cabin was \$220. Estimated occupancy during this period is 52% for the lodge and 46% for the cabins.



An additional \$128,200 in revenue was from food and alcohol sales. Alcohol was limited to beer and wine, only.

62% of all food sales were from dinners, and the balance from breakfasts. Lunch is not offered by the lodge dining room.

Over 97% of all Wallowa Lake Lodge Resort revenue is generated during the period the lodge is open, which is mid-May to mid-October, with 70% of total revenue occurring from July through September.



View toward five of the eight cabins along Wallowa Lake

A new owner with a more aggressive marketing and management program could significantly increase year-round revenues by:

Targeting small groups and family events during the “slower season”

Obtaining a liquor license

Building a small conference or event center, with five additional two bedroom cabins to accommodate year-round conferences/seminars for groups of 25 to 30 guests

Addition of lunch to dining service

Form partnership with regional conservation and environmental organizations that can use lodge as a base camp for outings

Lease out property during the “off season” to northwest-based sportswear and clothing manufacturers and national retailers, for advertising venues

Other options include the sale of the five cabins on tax lot 300 with a management agreement for offering as part of cabin rental inventory

Turn-key Management

There is a general manager, office manager, and maintenance foreman, each with extensive experience in the operations of the Wallowa Lake Lodge property, all available to a new owner. Approximately twenty part-time employees work at the resort during the season.

Wallowa Lake Lodge has assembled a number of local vendors and craftsmen who are available to maintain or repair electrical, plumbing, and additional components to the resort property.

Top right: view to lake from Lodge deck

Lower right: Wallowa Lake frontage by cabins



AND BID DOCUMENTS CALL 1-800-845-3524



The Lodge

Wallowa Lake Lodge was built in 1923, and expanded in 1926 with the addition of the east wing. There is a total of 15,671± square feet, which is comprised of the finished basement, main floor, and two floors which have the twenty-two guest rooms. The guest rooms range in size from 149± to 360± square feet. Extensive restoration of the lodge was started in 1988, and has continued throughout the twenty-five year ownership of the seller.

The main floor contains 5,491± square feet, and includes the spacious lobby with hand-built stone fireplace and craftsman-era reception desk. There is access to the expansive outdoor deck and lawn, with views to both Wallowa Lake and Wallowa River.

Stairs to the guest rooms in the east wing are located adjacent to the lobby, along with stairs to the basement. Stairs to the west wing are located near the dining room. Original maple flooring is in the lobby.

The dining room entry adjoins the lobby, and the dining room, originally named the Camas Room, is also accessible from the outdoor deck.



It can accommodate up to eighty-seven diners for breakfast and for dinner. Two restrooms are located by the dining room.

An outdoor barbeque is located adjacent to the deck, and is used during the season.

The commercial kitchen is fully-equipped with large food preparation area, dishwasher, and ample storage, along with walk-in cooler, and several freezers. Propane is used for cooking.

The 4,560± square foot second floor contains twelve guest rooms, with six of the twelve having views to Wallowa Lake. Eight of the twelve guest rooms are located in the west hall, and all of them are furnished with queen beds and private baths. The four remaining are located in the east hall and are designed

with Jack and Jill bathrooms. Two of the four have a queen bed and two twin beds, providing accommodations for a family. The other two with Jack and Jill bathrooms have a queen bed in one room and the second room has a sofa and sitting area.

The 3,872± square foot third floor has a total of ten guest rooms. Two of the ten rooms have outdoor decks with unobstructed views to Wallowa Lake. Both rooms have a queen bed and private bath. One of the two, room 305, also has a sofa and sitting area.

Four of the ten rooms in the east hall have Jack and Jill bathrooms, configured as on the second floor, providing accommodations for a family. These four rooms each have a queen bed, and two twin beds. The balance of the remaining four rooms have a queen bed each, and private bath.

Both the second and third floors have secondary outdoor access at the ends of the east hall.

The finished basement is 1,748± square feet and contains two restrooms, laundry room, storage and a large room that is currently not in use. It had been used for recreation, but will require development of an exit in order to meet current building code requirements. It is used for storage of lodge furnishings, including several antique cash registers and a 50-year-old juke box that are included in the sale.

The lodge is served by baseboard electric heat in

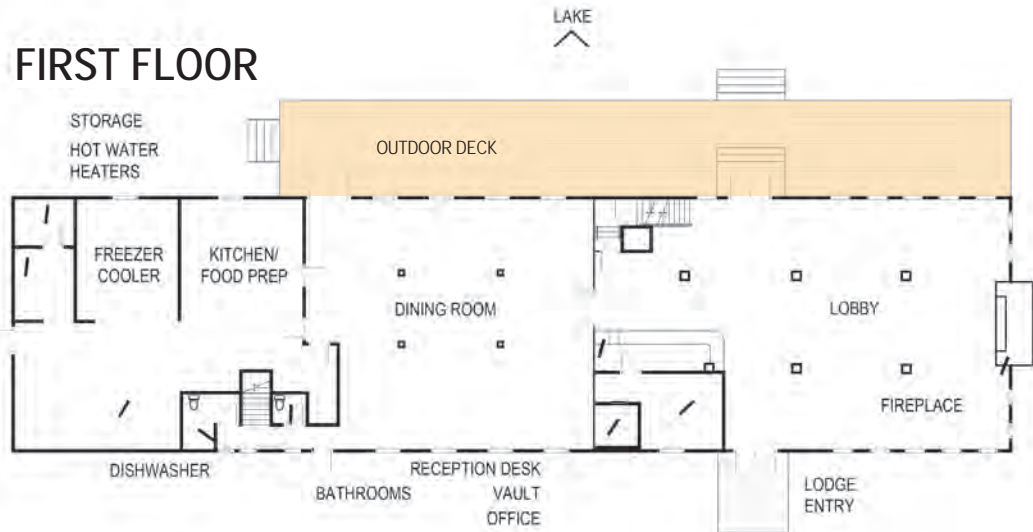


Top right: Lodge dining room can seat 87

Middle: commercial kitchen

watercolor by local artist Eugene Hayes is cover for restaurant menu

FIRST FLOOR



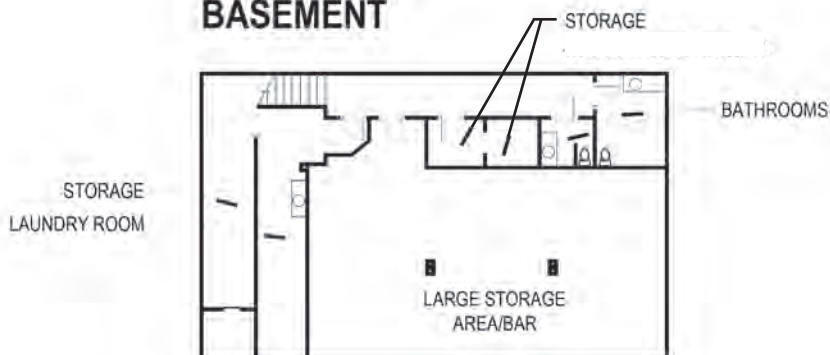
SECOND FLOOR



THIRD FLOOR



BASEMENT



the common areas, and individual electric heaters within each guest room. The lodge has a fire sprinkler system throughout, with all guest rooms having a hard wired smoke detector, and hallways and common areas having a wet fire sprinkler system.

The Cabins

There are a total of eight cabins available as year-round rentals on the property, with three located near the lodge, and five located along Wallowa Lake Highway on tax lot 300, which is .52 acre. There are four two bedroom cabins, three one bedroom cabins, and one studio. They range in size from 180± square feet to 500± square feet, and apparently were relocated to the Wallowa Lake Lodge property in the 1950s. All have been well maintained, and the interior knotty-pine walls carefully restored, as well as the stone river rock fireplaces.

The three cabins near the lodge are named Alder, Tamarack, and Fir. Each of these one bedroom cabins is fully furnished, with a kitchen and full bathroom. All have wood-burning fireplaces and wood storage. A gravel drive provides access from the lodge parking lot.

The five cabins along Wallowa Lake Highway have good views of Wallowa Lake, and share a parking area.



The first phase of the Wonderlake Lodge, built in 1923, offered a destination for Lake visitors



Lodge lobby is used for reading, cards and board games

Utilities

All public utilities except natural gas serve the property. Water and sewer is provided by Wallowa Lake County Service District, and electricity by Pacific Power. Water is supplied by two springs and a well. The on-site septic system is pumped and treated by the Joseph Treatment Plant. 2014 monthly costs for utilities are contained in the financial reports.

Zoning and Redevelopment Options

Zoning is R C R -- Resort Commercial Recreation, by Wallowa County. Hotel lodging is a permitted use. Other permitted uses are: retail, single family dwelling, multi-family dwelling including condominium development with a maximum structure size of 4,000± square feet per lot. Minimum lot size is 7,500± square feet. Zoning will allow up to a total of 128 condominium units, or thirty-two single family lots if the property were redeveloped, and the existing lodge and cabins were demolished.

The seller had a conceptual plan developed that retained the existing lodge, but demolished the eight cabins in order to allow development of up to fifty-two condominium units and thirteen home sites, plus 9,730± square feet of retail and housing in a new building by the lodge.

A second conceptual plan has been outlined, and is more modest in scope. It shows development of a two-story building near the existing lodge, and pond by the driveway entry, which would be approximately 8,000 square feet, to be used for conference facility, with year-round housing in studio units on the



The four two bedroom cabins are Sumac, Lodgepole, Pine and Spruce. Each is fully furnished, with a kitchen, full bathroom, and outdoor deck. Three of these four cabins have a wood-burning fireplace. Spruce cabin had been used as a year-round accommodation and therefore has a propane fireplace rather than wood.

The studio cabin, named Sugar, has a kitchenette, and patio. It does not have a fireplace.

Shop

An 800± square foot wooden shop building is located near the main lodge. Its driveway accommodates access to the shop for maintenance vehicles. The shop is fully-equipped, with tools, lawn care and landscape equipment, and supplies for managing the Wallowa Lake Lodge property.

second floor. An outdoor deck which overlooks the expansive lawn in front of the lodge could be enclosed for use in the spring and fall.

Five new two bedroom cabins would be located along the western portion of the lawn overlooking the Wallowa River, with golf cart access only using a small paved pathway. Parking for all new and existing cabins near the lodge would use the existing parking lot.

Under this plan, a new owner could also obtain additional value through a conservation easement that would restrict any additional development allowed under the RCR zoning.

Site

The property has a total of 8.46 acres contained within two tax lots. Tax lot 200 is 7.94 acres and includes the lodge, shop, and three of the eight cabins. There is over 1,000 feet of frontage along the Wallowa River to the west. Wallowa Lake Highway is along the southern and eastern portions of the property. Tax lot 300 has the remaining five cabins and is in the northwest corner. It contains .52± acre, and is on a ridge above the confluence of the Wallowa River and the Wallowa Lake.

The parking lot is gravel, and is located by the front entry to the lodge. A water fountain and small pond is at the entry drive. Both an underground and manual system provides irrigation for the large grass lawn between the lodge and the lake.

The majority of the property has gentle topography, at an elevation of 4,100± feet. It is estimated that 1.66 acres is within Zone AE, an area with the one-hundred-year flood plain, based on the Federal Emergency Management Agency (FEMA) and National Flood Insurance Program (NFIP). The balance of the property is outside the flood plain.

Taxes

2014 -- 2015 real estate taxes are \$11,300.



Lobby has local handcrafted furnishings

Phase One Environmental Assessment

An assessment was prepared in March 2000 by PBS Environmental, based in Bend, Oregon. No recognized environmental conditions were identified by PBS. A copy is part of the Supplemental Information Package.

Building Condition Report

A building condition report was completed in April 2015 by Pillar to Post Professional Home Inspection, based in Pendleton, Oregon. A copy is part of the Supplemental Information Package, and the status of repairs being accomplished by the seller will be available prior to close of escrow.



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TERMS AND CONDITIONS OF THE AUCTION #1505

REALTY MARKETING/NORTHWEST AUCTION INFORMATION OFFICE

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522 S.W. 5th Avenue, Suite 725
Portland, OR 97204

Phone: (during regular business hours):
Portland Metro Area (503) 228-3248
Elsewhere (800) 845-3524
Facsimile (503) 242-1814

Email: info@rm-nw-auctions.com

SUPPLEMENTAL INFORMATION PACKAGE

More detailed information is available for the property. A Supplemental Information Package, which includes all pertinent data provided by the Seller on the property, is available by calling Auction Information Office at 1-800-845-3524.

PUBLISHED RESERVE

This property, including all furnishings, equipment and fixtures, is offered with a Published Reserve Price of \$2,750,000. This means that when the bids reach or exceed the amount of the Published Reserve Price, the Seller is committed to sell the property to the high bidder. Should the bidding fail to reach the amount of the Published Reserve Price, the Seller reserves the right to accept, counter or reject the high bid no later than five business days following the Auction.

BID PROCESSING AND CLOSING

Sealed Bids are due July 29, 2015 by 5:00 p.m. The bid must be accompanied by a certified or cashier's check in the amount of ten percent (10%) of the bid amount made payable to Realty Marketing/Northwest Client Trust Account. Prior to making a bid, refer to the Supplemental Information Package with regard to customary closing costs including, but not limited to, recording fees, normal prorations, title fees, transfer and/or excise taxes (if applicable), local improvements and irrigation district assessments (if applicable), and document preparation fees. Buyers will be responsible for any real estate compensation taxes or rollback taxes and penalties as a result of a change in use or designation of the property including, but not limited to, a change from open space, agriculture forest land or recreational. Due diligence must be completed prior to bid submission.

Bidders will be notified of acceptance or rejection of bids no later than August 5, 2015. The earnest money deposit from the successful bidder will be considered earned and become non-refundable liquidated damages in the event of Buyer's default.

Unsuccessful bidders' earnest money will be returned within three business days of Seller's rejection.

The closing of the transaction will be no later than October 1, 2015.

FINANCING

Sale is ALL CASH. Please see information under Financing about Bank of Eastern Oregon as preferred lender, with financing available to qualified parties.

COOPERATING BROKERS

Broker cooperation is invited. A commission of 2% will be paid to the real estate agent whose Buyer closes on the purchase of the Auction Property. The real estate agent must be

a broker currently licensed by his/her state of residence or a salesperson licensed under such broker. Cooperating broker commission will be paid only upon close of escrow. Cooperating brokers will not share in any payment of liquidated damages.

Buyers must register their real estate agent on the Sealed Bid Form.

No real estate agent will be recognized for a Buyer where that Buyer has previously contacted, or been contacted by, the Seller, or Realty Marketing/Northwest, concerning the Auction Property purchased. No commission will be paid to any real estate agent participating as a principal in the purchase of the property. The commission will be earned and paid only upon the full and final closing by the Buyer on the conveyance of the property and the receipt of the full purchase price by Seller. No exceptions to this procedure will be made and no oral registrations will be accepted.

ADDITIONAL CONDITIONS

(A) No claim will be considered for allowance, adjustment or rescission based upon failure of the property to correspond to any particular expectation or standard (except the Preliminary Title Report).

(B) Title insurance is available for the property, insuring the title of such property to be in fee simple, subject to no encumbrances except for current taxes and assessments, easements, rights-of-way, reservations, covenants, conditions and restrictions of record, purchase money financing and printed exceptions in the standard form Owner's Title Policy. A copy of the Preliminary Title Report for the property may be inspected prior to the Auction.

(C) To the extent permitted by law, the property will be sold "As Is". Prospective buyers should examine the property and all supporting documentation carefully. Each bidder is responsible for evaluating the property and shall not rely on the Seller or sales agents. Buyer will take possession at the close of escrow.

(D) Sizes and square footages set forth for the property are approximations only, based on the best information available, but the actual sizes and square footages may be different. All sketch plans are conceptual in nature and neither Seller nor its agents have submitted plan or made applications to any public agency.

(E) Agency Disclosure. The selling and listing agent, Realty Marketing/Northwest, represents the Seller in these transactions.

(F) Seller has the right to postpone or cancel the Auction in whole or in part, at its sole discretion, and to modify or add any terms and conditions of sale and to announce such modifications or additional conditions either prior to or at the Auction.

(G) Offer void where prohibited. Catalog will not be mailed to residents of any state in which this offering is not in compliance with the real estate laws or other laws of that state.

(H) The information contained herein has been gathered from sources deemed reliable; however, Realty Marketing/Northwest makes no warranties expressed or implied as to the accuracy of the information contained herein.

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