



■ **REAL ESTATE APPRAISAL
SUMMARY REPORT**

Green Property

West of Dillard Road, across from
Hunters Glen Drive
Eugene, OR 97405



■ **PREPARED FOR**

Glenn Klein, City Attorney
City of Eugene
360 E. 10th Avenue, Suite 300
Eugene, OR 97401-3248

■ **PREPARED BY**

C. Spencer Powell, MAI
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January 29, 2008

Glenn Klein, City Attorney
City of Eugene
360 E. 10th Avenue, Suite 300
Eugene, OR 97401-3248

RE: Green Property
West of Dillard Road, across from Hunters Glen Drive
Eugene, OR 97401-3248

Dear Mr. Klein:

As requested, the captioned property has been valued using generally accepted appraisal principles and practices. The report is intended to comply with the development and report requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), the Appraisal Institute, and Uniform Appraisal Standards for Federal Land Acquisitions ("yellow book standards") and the appraisal requirements of Harrang, Long, Gary and Rudnick, PC. A copy of your professional service agreement is included in the Addenda.

Based upon our investigation and analysis of available information, the concluded value under the requested scenario, as of December 3, 2007 was:

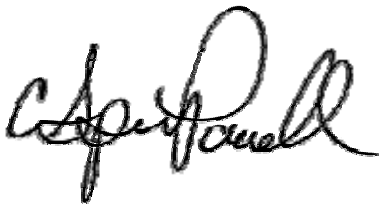
| MARKET VALUE SCENARIO | DATE | VALUE |
|-----------------------------------|------------------|------------------|
| "As Is" Value – Fee Simple | December 3, 2007 | \$3,800,000 |
| Estimated Marketing/Exposure Time | | One year or less |

This appraisal is subject to the conditions and comments presented in this report. Georgine Gleason, Appraiser Assistant #AA02134, contributed significant professional assistance in the preparation of this report. Please see the Appraisal Assistance section for a more detailed description of items assisted upon.

If any questions arise concerning this report, please contact the undersigned.

Sincerely,

POWELL VALUATION INC

A handwritten signature in black ink, appearing to read "C. Spencer Powell". The signature is fluid and cursive, with the first name "C. Spencer" and the last name "Powell" clearly distinguishable.

C. Spencer Powell, MAI
OR State Certified General Appraiser
No. C000154

CSP: gng

Summary
P071416

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ADDENDA

Engagement Letter

Summary of Salient Facts

Taxes, Assessment Data, Deed & Legal Description

Zoning Specifications

- R-1 Low Density Residential
- WR (Water Resources) Overlay
- PUD (Planned Unit Development) Overlay

Geotechnical Review Summary, Foundation Engineering

South Hills Study Policies

Regional Description

Appraiser Qualifications

PRELIMINARY APPRAISAL INFORMATION

SCOPE OF WORK

Scope of Work is defined in *2006 USPAP* as "the type and extent of research and analyses in an assignment." The scope of work addresses the application and extent of the development process. It can include, but is not limited to: the extent to which the property is identified, the extent to which tangible property is inspected, the type and extent of data researched and the type and extent of analyses applied to arrive at opinions or conclusions. The seven items used in defining the scope of work and the proposed solution are discussed in detail below:

PROPOSED SOLUTION

This summary report is designed to inform the reader of all factors influencing the property's value in a clear and concise manner. The Preliminary Appraisal Information sections provide an overview of the property and general information. The Description section starts with general regional issues and proceeds to more specific issues directly related to the property. The Highest and Best Use section establishes the premise upon which the property is valued.

The goal of the appraiser is to produce a credible value conclusion. Credible is defined in *2006 USPAP* as "worthy of belief."

In order to conclude a credible market value estimate, a meeting of the minds between the client and appraiser determined that the Valuation section focuses on the "as is" market value of the property. It describes the Sales Comparison Approach, and includes comparable information, application of market information to the subject, and valuation analysis. The approaches utilized are reconciled into final value conclusions as applicable. Supporting information is attached in the Addenda.

CLIENT

The client for this appraisal is Glen Klein, Attorney At Law, at Harrang, Long, Gary and Rudnick, PC.

OTHER INTENDED USERS

Other intended users include clients of Glen Klein, Attorney at Law.

INTENDED USE

The purpose of this appraisal is to estimate market value, in **fee simple**, under the applicable scenario, as described in this report. This report is also intended to be used in the possible acquisition of the subject property by the City of Eugene.

Without prior written approval from the authors, **the use of this report is limited to decision-making by the client**. All other uses are expressly prohibited. Reliance on this report by anyone other than the client for a purpose not set forth above is prohibited. The authors' responsibility is limited to the client.

PRELIMINARY APPRAISAL INFORMATION (continued)

TYPE OF VALUE

The "As Is" Value represents the value of the subject property, in its current status as of the date of inspection.

INSPECTION DATE

November 27, 2007 (most recent)

EFFECTIVE DATES OF VALUE

As Is Value: December 3, 2007

DATE OF REPORT

January 29, 2008

PROPERTY CHARACTERISTICS

The subject is identified as a 39.90 acre parcel of unimproved land located in Eugene's South Hills neighborhood. The subject has an R-1 Low-Density Residential zone with both PD (Planned Unit Development) and WR (Water Resources Conservation) Overlays.

ASSIGNMENT CONDITIONS

- An exterior inspection of the subject.
- Interviewing several individuals who have knowledge of the subject.
- Inspecting of the subject property neighborhood.
- Gathering and confirming land sales from the immediate area and competing marketplaces.
- Inspecting the exterior of all comparables utilized. Georgine Gleason and C. Spencer Powell, MAI inspected the exterior of all land comparables.
- Highest and best use analysis.
- The application of the Sales Comparison Approach to arrive at an indication of value for the subject property.
- A review of the written report.

APPRAISER ASSISTANCE

Georgine Gleason, Appraiser Assistant #AA02134, aided in the following aspects of this appraisal assignment as outlined in ACLB Administrative Rules (OAR) 161-025-0030:

- Definition of the appraisal problem (A).
- Preliminary analysis, selection and collection of applicable data (B).
- Analysis of the subject property (C).
- Conducting a Highest and Best Use analysis (D).
- Estimating Land Value (E).

PRELIMINARY APPRAISAL INFORMATION (continued)

- Estimating value of the subject property using the applicable approaches of value – the Sales Comparison Approaches (F).
- Reconciliation of each value estimate to arrive at a final estimate of value (G)
- Reporting estimate(s) of value(s) as defined (H).

DEFINITION OF MARKET VALUE

This definition is in compliance with the OCC (Office of the Comptroller of the Currency), FDIC (Federal Deposit Insurance Corporation), *FIRREA (Federal Institutions Reforms, Recovery, and Enforcement Act)*, and *USPAP (Uniform Standards of Professional Appraisal Practice)* as adopted by the Appraisal Foundation and the Appraisal Institute.

Market Value, as defined by the *Uniform Standards of Professional Appraisal Practice*, 2005 Edition, is:

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

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹”

The federal definition of Market Value, as defined by the United States Department of Justice, is as follows:

“Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal.”²

¹ *Uniform Standards of Professional Appraisal Practice*, 2005 Edition, Appraisal Standards Board of the Appraisal Foundation.

² *Legal Documents – Uniform Appraisal Standards for Federal Land Acquisitions*, United States Department of Justice, http://www.usdoj.gov/enrd/land-ack/data_part1.htm

PRELIMINARY APPRAISAL INFORMATION (continued)

PROPERTY RIGHTS APPRAISED

Fee Simple Estate, defined in *The Dictionary of Real Estate Appraisal*, Fourth Edition (2002), Appraisal Institute, as:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

SPECIFIED FINANCING

Cash to seller, with or without financing.

OWNERSHIP AND SALES HISTORY ANALYSIS

According to the Lane County Assessor's office, the subject property is currently vested under the ownership of **Green Valley Glen LLC**.

As required in the "yellow book standards", any sales transactions which have occurred over the last ten years must be analyzed. However, due to the nature of the appraisal assignment, the current owner of the subject property cannot be contacted regarding any transactions of the property. According to county records, the subject property has transferred ownership three times in the last ten years. The reader is cautioned that these transactions have not been confirmed, therefore, the circumstances surrounding each are not known. Below is a chart which states the deed # for each transaction, grantor, grantee, transaction date and transaction amount.

| Deed # | Grantor | Grantee | Transaction Date | Transaction Amount |
|-------------|---------------|-----------------------|------------------|--------------------|
| *2006-14093 | Joseph Green | Green Valley Glen LLC | Mar-06 | \$650,000 |
| 2004-42046 | DBA Oregonia | Joe Green | May-04 | \$325,000 |
| *2001-26790 | Munir J Katul | DBA Oregonia | May-01 | Not Specified |

* Likely represents a vesting change, may not represent an arm's length transaction

ASSESSMENT AND TAX INFORMATION

Annual real estate taxes levied by the Lane County Assessor's Office are summarized on the following table:

| Tax Account | 2007/2008 Real Market Value | | | Assessed Value (M50) | 2007/08 Taxes | Millage Rate |
|-------------|-----------------------------|--------------|-----------|----------------------|---------------|--------------|
| | Land | Improvements | Total | | | |
| 1299526 | \$650,286 | \$0 | \$650,286 | \$524,033 | \$9,052.47 | \$19.2660 |

Source: Lane County Tax Assessor's Office

The subject taxes have been partially paid. One-third has been paid, while two-thirds (approximately \$6,034.98) is still owed. The 2006/2007 millage rate is \$19.226 (Taxes/\$1,000 of value). In May 1997 Oregon voters approved Ballot Measure 50, which is a property tax limitation. The maximum assessed value reported above reflects a 10-percent deduction from the 1995/96 assessed value and subsequent increases after 1998/99 of 3-percent per year plus bonded indebtedness.

PRELIMINARY APPRAISAL INFORMATION (continued)

LEGAL DESCRIPTION

Please refer to the Addenda for a full legal description.

INSPECTION

Date of Inspection: November 27, 2007

Extent of Inspection: A visual inspection conducted from adjoining roads as well as a visual inspection of aerial photographs and maps provided by Google Earth, Foundation Engineering and information provided by the client.

Property Representative: Harrang, Long Gary and Rudnick PC representatives, Foundation Engineering representatives, City of Eugene (Parks and Open Space Department) representatives.

Powell Valuation Inc: C. Spencer Powell, MAI and Georgine Gleason

SOURCES OF INFORMATION

The following sources were contacted to obtain relevant information:

| Source | Information |
|--|---|
| Harrang, Long, Gary and Rudnick PC | Multiple documents regarding development of the subject property. |
| Foundation Engineering | Soil stability and develop ability of the subject. |
| Lane County Assessor's Office | Subject data; tax information. |
| City of Eugene Planning Department | Zoning information. |
| <i>Willamette Valley & Regional Multiple Listing Service</i> | Land sales research. |
| Multiple brokers and real estate professionals | Local area data; land sale confirmation. |
| <i>MetroScan</i> | Subject data, comparable research. |
| CoStar | Comparable research. |
| County Deed Records | Comparable research. |

COMPLIANCE AND COMPETENCY PROVISION

We are aware of the compliance and competency provisions of the *USPAP*, and within our understanding of those provisions, the authors of this report possess the education, knowledge, technical skills, and practical experience to complete this assignment competently, in conformance with the stated regulations. Mr. Powell has appraised numerous tracts of bare land in Eugene, Lane County and the States of Oregon and Washington in recent years.

PRELIMINARY APPRAISAL INFORMATION (continued)

PERSONAL PROPERTY, FIXTURES, AND INTANGIBLE ITEMS

No personal property, trade fixtures, or intangible items were included in this valuation.

USE OF RECOGNIZED APPRAISAL APPROACHES

This report utilizes one of the three recognized valuation methods: the Sales Comparison Approach to value.

UNAVAILABILITY OF INFORMATION

All information necessary to develop an estimate of value of the subject property was available to the appraisers.

EXPOSURE TIME AND MARKETING PERIOD

Exposure time is defined within the *USPAP*, Statement 6, as:

The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

Exposure time is best established upon the experience of recent comparable sales. The sales indicate a standard exposure period of **less than one year** for appropriately priced investment properties.

Marketing period is very similar to exposure time, but reflects a projected time period to sell the property, rather than a retrospective estimate. As such, a similar time period of **less than one year** is estimated for the subject's marketing period.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is subject to the following assumptions and limiting conditions:

HYPOTHETICAL CONDITIONS

A hypothetical condition is a condition that is contrary to the facts, and yet will be used to value a property. An example of a hypothetical condition would be assuming a larger amount of land than actually exists to arrive at a value.

No hypothetical conditions were used.

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is an assumption made that does not exist, but could reasonably exist.

No extraordinary assumptions were used.

ORDINARY ASSUMPTIONS

The analysis assumes that the Lane County Assessor's office legal description accurately represents the subject property. A survey has not been provided to the appraisers. If further verification is required, a survey by a registered surveyor is advised.

We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable.

All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.

The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.

Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.

This report is not a real property inspection; the appraiser only performed a visual inspection of accessible areas and this appraisal cannot be relied upon to disclose conditions and/or defects in the property.

The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless noted.

Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.

This report shall be used for its intended purpose only, and by the parties to whom it is addressed. Possession of the report does not include the right of publication.

Simply because a borrower or third party may receive a copy of the appraisal, does not mean that the borrower or third party is an Intended User as that term is defined in USPAP.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

The appraisers may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made.

The statements of value and all conclusions shall apply as of the dates shown herein. The appraisers have no present or contemplated future interest in the property that is not specifically disclosed in this report.

Neither all, nor any part, of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent or approval of the authors. This applies particularly to value conclusions and to the identity of the appraisers and the firm with which the appraisers are connected.

This report must be used in its entirety. Reliance on any portion of the report independent of others may lead the reader to erroneous conclusions regarding the property values. No portion of the report stands alone without approval from the authors.

The valuation stated herein assumes professional management and operation of the building(s) throughout the lifetime of the improvements, with an adequate maintenance and repair program.

The valuation is based on the projection that the complex will maintain a stabilized occupancy level over its economic life, with tenants paying market level rents.

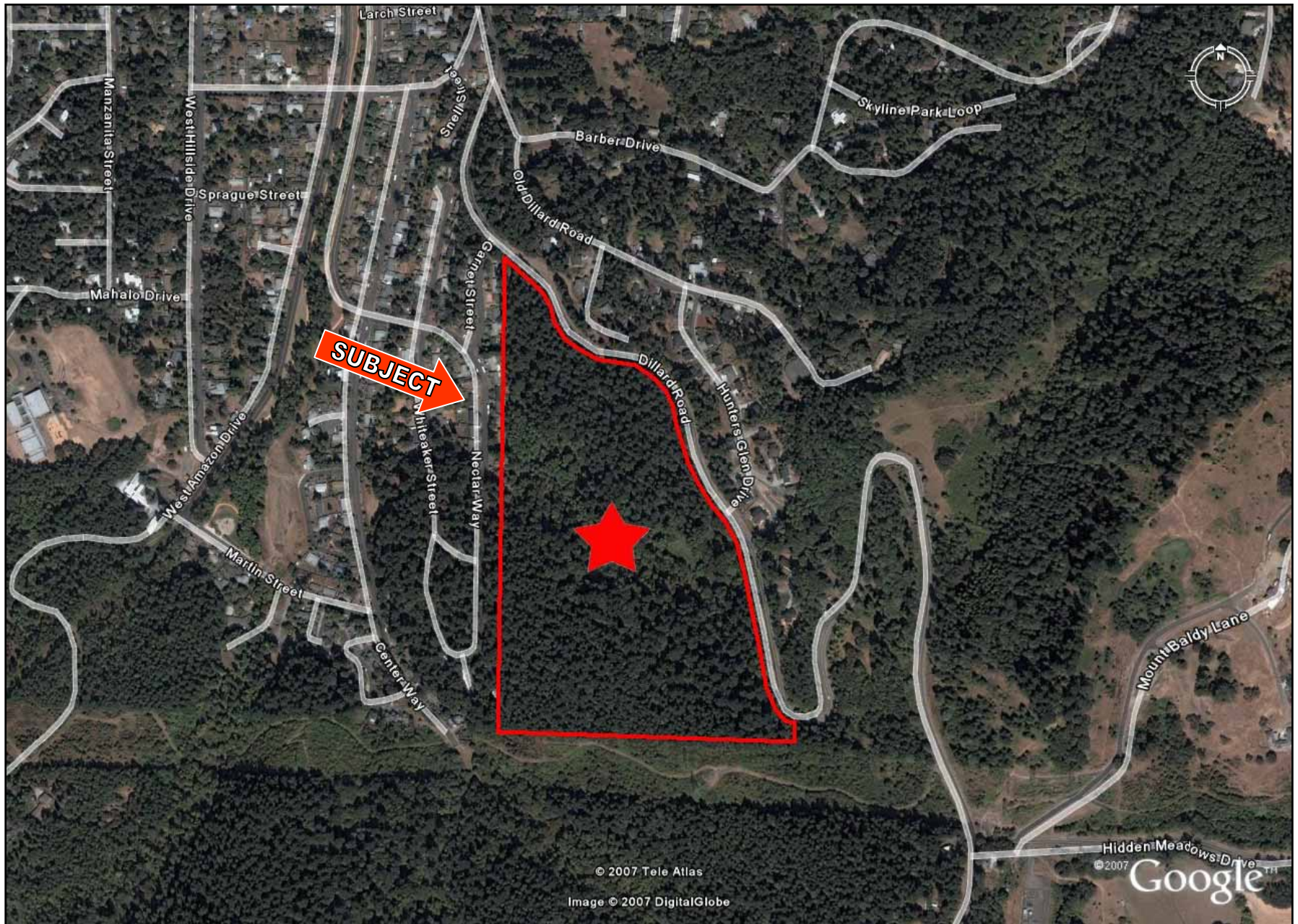
The liability of Powell Valuation Inc and employees is limited to the client only and only up to the amount of the fee actually received for the assignment. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property. The appraisers assume that there are no hidden or unapparent conditions of the property, subsoil, or structures that would render it more or less valuable. In the case of limited partnerships or syndication offerings or stock offerings in real estate, the client agrees that in case of lawsuit (brought by lender, partner, or part owner in any form of ownership, tenant, or any other party), any and all awards, settlements, or cost, regardless of outcome; the client will hold Powell Valuation Inc completely harmless.

The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties. We have made no investigation or analysis as to the presence of such materials, and expressly disclaim any duty to note the presence of such materials. Therefore, irrespective of any degree of fault, Powell Valuation Inc and its principals, agents, and employees, shall not be liable for costs, expenses, damages, assessments, or penalties, or diminution in value, property damage, or personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids, or gasses, waste materials or other irritants, contaminants, or pollutants.

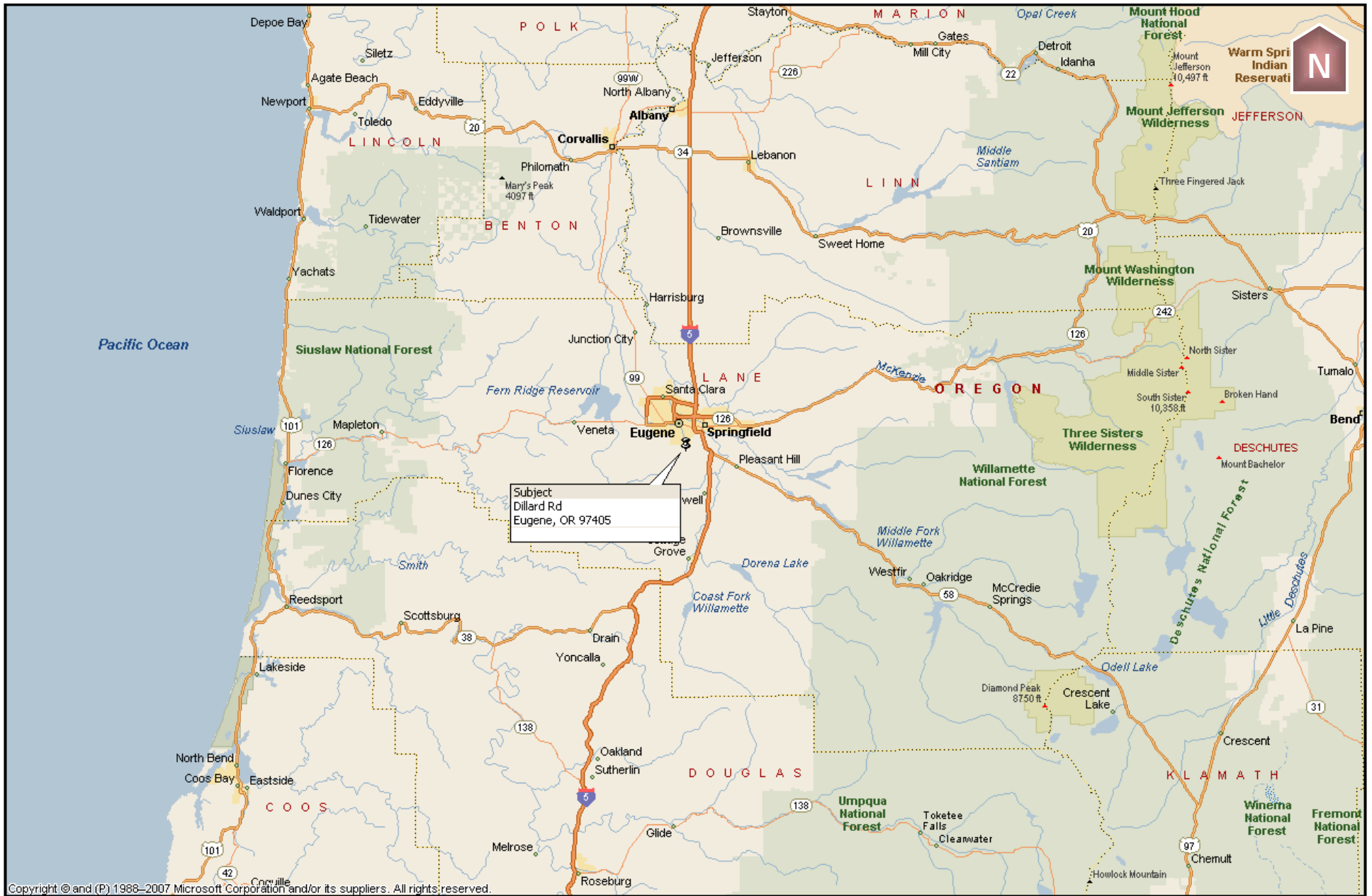
ASSUMPTIONS AND LIMITING CONDITIONS (continued)

The appraisers assume no responsibility for determining if the subject property complies with the *Americans with Disabilities Act (ADA)*, which prescribes specific building standards which may be applied differently to different buildings, depending on such factors as building age, historical significance, amenability to improvement, and costs of renovation. Powell Valuation Inc its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties, or diminution in value resulting from non-compliance. Except as otherwise noted herein, this appraisal assumes that the subject complies with all ADA standards appropriate to the subject improvements; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the necessary renovation costs, time period needed for renovation, and penalties for non-compliance (if any) were known today, appropriate deductions would be made to the value conclusion(s) reported herein.

AERIAL PHOTOGRAPH



REGIONAL MAP



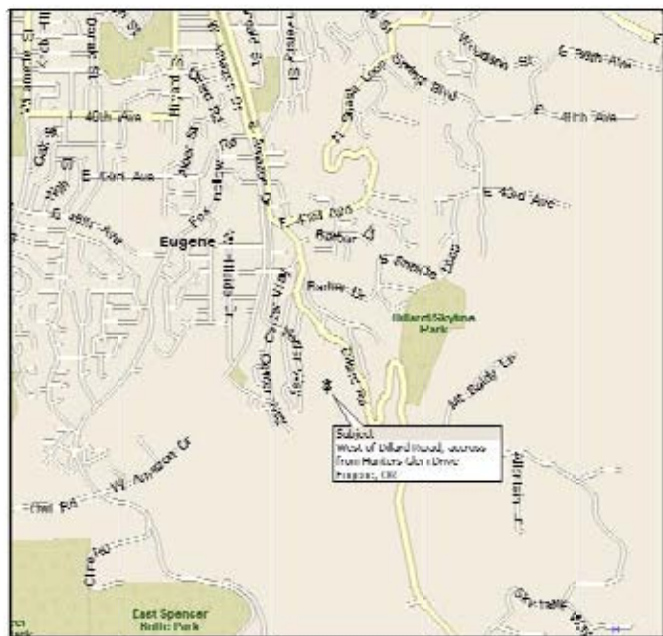
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DESCRIPTION

REGIONAL DESCRIPTION

Please see the Addenda for a detailed description of the Eugene/Springfield area.

NEIGHBORHOOD DESCRIPTION



A neighborhood is defined as a geographic area characterized by a similarity of users and/or uses within which any change has a direct and immediate effect on the subject and its value or marketability. The subject neighborhood is identified as south Eugene, a portion of the Eugene/Springfield Metropolitan Statistical Area (MSA).

Generally, the neighborhood is bounded by Dillard Road and East 43rd Avenue on the north, Dillard Road and Dillard Skyline Park on the east, primarily open space on the south, and East and West Amazon Drive on the west.

The area is served by all Eugene public utilities, including water, sewer, electricity, natural gas, telephone, and cable television. Police and fire protection is provided by the City of Eugene.

The primary north/south arterials in the neighborhood are Dillard Road and East and West Amazon Drives. Dillard Road is a two-lane asphalt paved arterial with no improvements. It connects travelers from the south (I-5 to the southeast) to East and West Amazon Roads which lead to downtown Eugene. East and West Amazon Roads are both two-lane asphalt paved arterials improved with bike lanes.

The neighborhood is dominated by residential development. The majority of the area is improved with upper-end single-family homes. South and southwest of the subject is currently open space that is zoned for residential development. The owner of one large parcel located southwest of the subject south of Martin Drive and north of West Amazon Drive has completed several applications with the city of Eugene Planning Department in an attempt to develop the site with an 81-lot subdivision (known as Deerbrook PUD). Development of this site would have an impact on the subject as well as the overall neighborhood.

The city of Eugene is sectioned into 19 different neighborhood groups. The subject property is located within the Southeast Neighbors section. This neighborhood group represents approximately 13,000 residents in 6,000 households, or roughly 8% of the city of Eugene's population. The area is well known for its old growth forest, steep slopes, headwaters and upland wetlands. Due to the special character of the area, the city of Eugene established (in 1974) special policies and goals for the planning and development of the area through the South Hills Study. Developable land in the area is subject to development standards of both the city of Eugene as well as the South Hills Study.

DESCRIPTION (continued)

The future for residential development in south Eugene appears strong. There is a fairly large amount of vacant residential land available for development and subdivisions are continually being platted throughout the south Eugene area. Additionally, the current infrastructure in the neighborhood supports further development. It is noted that steep slopes and forested areas present special development constraints.

In summary, the area is primarily characterized by residential development. Access and services throughout the area are good. Over the long term, values can be expected to increase in proportion to continuing demand for remaining residential land.

SITE DESCRIPTION

Hazardous Waste/Asbestos

Upon physical inspection of the site, no hazardous material was evident. We have made no independent investigation regarding this issue. No environmental contamination was reported to exist on the subject property. This appraisal assumes the site is free of all hazardous waste and toxic materials. Please refer to the Assumptions and Limiting Conditions section regarding this issue.

Current Use

The site is currently bare land.

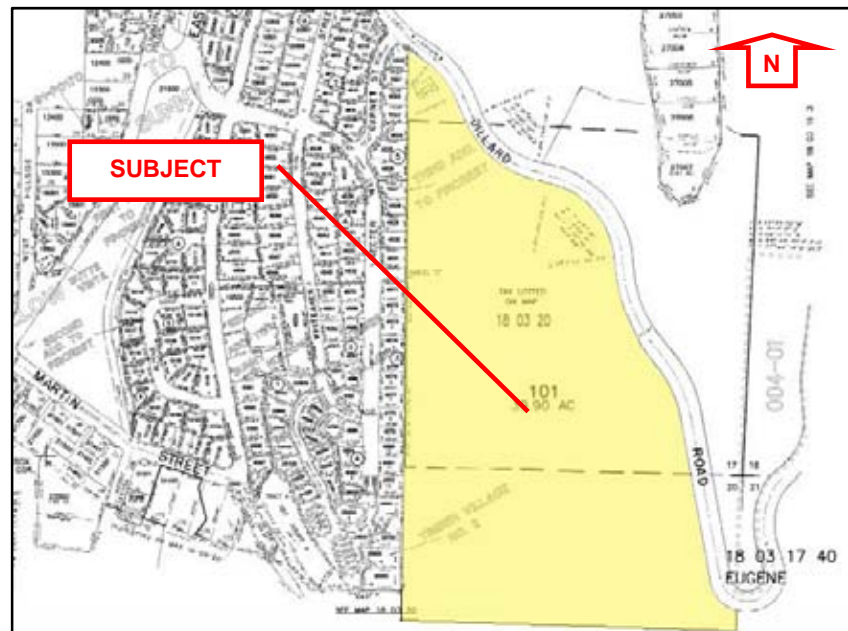
Site Size

According to measurements taken from the subject's plat, the site size is **39.90 acres**.

Shape

Irregular.

Plat Map



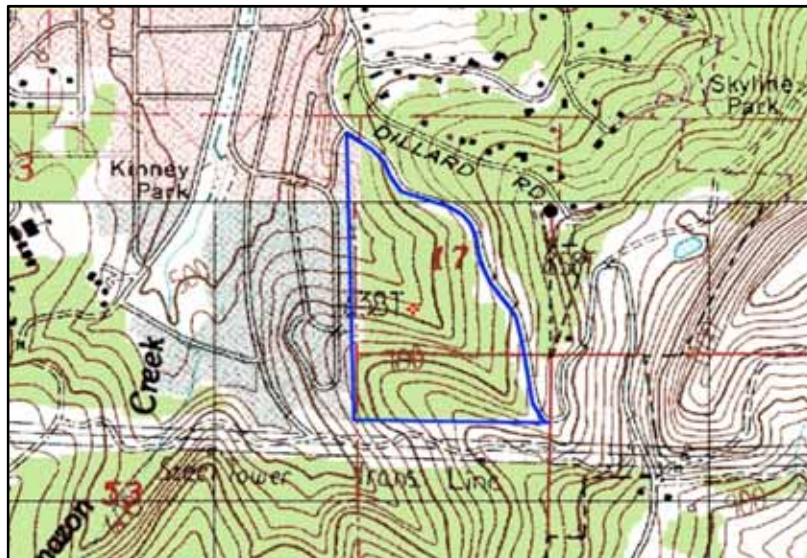
Map and Tax Lot

18-03-20-00-101

DESCRIPTION (continued)

Topography

Sloping from Dillard Road to the west.



Abutting Properties--

The subject property is primarily surrounded by residential development. The southern boundary is not developed. It is zoned R-1, Low-Density Residential, similar to the subject. Slightly southeast of the subject (less than one mile) is the City of Eugene's city limits boundary. Uses beyond this boundary are primarily large acreage homesites, open space and agricultural land.

Utilities

Public utilities, including water, sewer, garbage and electricity are available to the subject property. Extensions of these services through the subject property will be necessary for development.

Street Improvements

Dillard Road is a two-lane asphalt paved roadway with no improvements. There is a very small gravel shoulder between the subject site and Dillard Road.

Nectar Way is a two lane asphalt paved secondary arterial with no improvements. There are several houses that block potential access from Nectar Way to the subject property. However, the subject is visible from Nectar Way.

Exposure

Average - The site is adjacent to other residential development. It has good exposure from Dillard Road and Nectar Way, both secondary arterials in the neighborhood.

DESCRIPTION (continued)

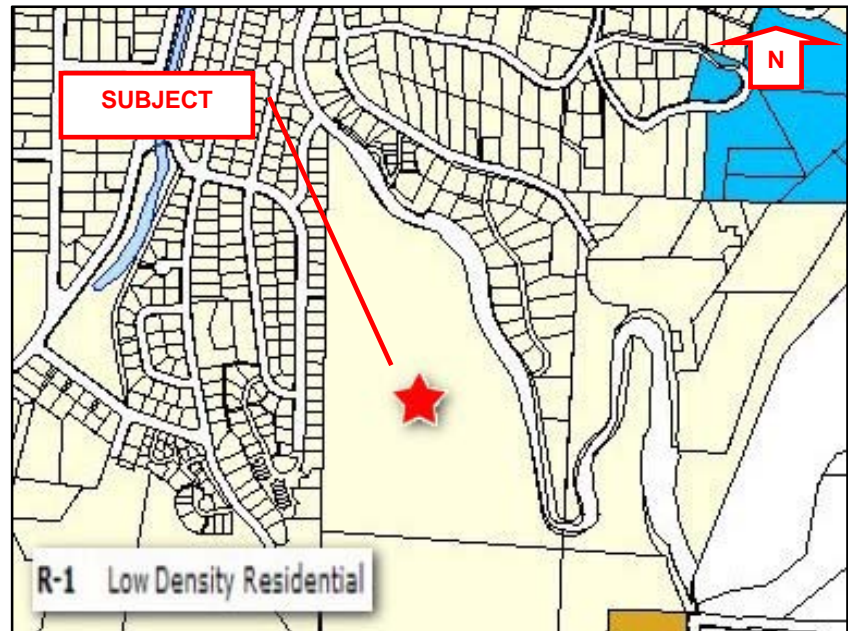
Accessibility

There is currently no access to the subject. However, the site does have several hundred feet of frontage along Dillard Road, where several potential access points could be developed. The proposed development of the site (known as the Green Valley Glen PUD) contains a roadway (Chiara Terrace) that connects with Dillard Road within close proximity to where Hunters Glen Drive connects with Dillard Road.

Easements and Encumbrances

A preliminary title report was not provided for review. Upon reviewing county plat maps, there did not appear to be any adverse easements, encroachments, or encumbrances relevant to the subject property. If questions arise regarding easements, encroachments, or encumbrances, further research is advised.

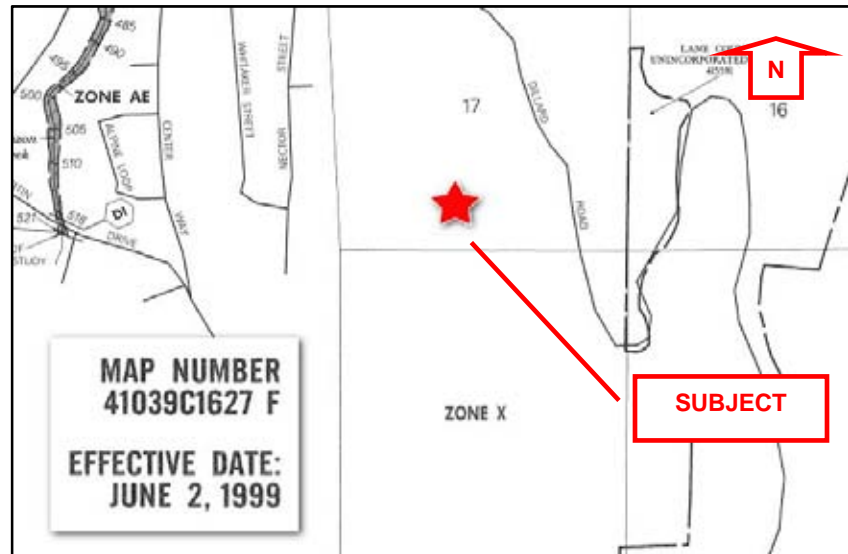
Zoning and Comprehensive Plan



The site is zoned **R-1 (Low Density Residential)** by the City of Eugene. The purpose of this zone is to provide areas for low density residential living. The zone is designed for one-family dwellings with some allowance for other types of dwellings. It is also intended to provide a limited range of non-residential uses that can enhance the quality of low density residential living. For a complete copy of the zoning ordinance, please consult the Addenda.

DESCRIPTION (continued)

Floodplain



According to the Federal Emergency Management Agency (FEMA), National Flood Insurance Program (NFIP), Flood Insurance Rate Map (FIRM), Community-Panel No. 41039C1627 F, dated June 2, 1999, the subject site lies in Zone X, an area outside of the floodplain.

Wetlands

The subject does contain a small area which is considered to be wetlands. Based on a wetland delineation report, the wetlands on site total .60 acres.

On-site wetlands can be mitigated through the purchase of off-site credits. Once mitigated they can then be developed considering certain development requirement including fill dirt at a minimum.

The City of Eugene R-1 zone code allows what is known as density transferability. If a portion of land cannot be developed due to wetlands, environmental issues, etc. the potential lots that could have been developed per the zone code in these areas can be moved to another area of the site. This could increase density in one area of the site but would not increase the density of the overall site.

Due to the allowable density transfer for the R-1 zone code, the subject's wetlands do not hinder the number of lots available for the site.

Goal 5 Inventory

The subject property is included on the city of Eugene's acknowledged Goal 5 inventory. The Goal 5 ordinance requires local governments to protect significant riparian corridors, upland wildlife habitat and wetlands. The site contains several streams, wildlife and natural resources that are protected by the city of Eugene.

DESCRIPTION (continued)

Goal 5 Inventory (cont.) In an effort to meet the requirements of the city of Eugene and preserve existing natural resources, the proposed development of the site (Green Valley Glen PUD) included special design features and left approximately 50% of the site undeveloped for open space. The proposed development plan placed lots adjacent to the open space, thus creating a view amenity for adjacent lots.

Leaving 50% of the site undeveloped could have reduced the number of potential lots, however, due to density transferability, any developer of the site could develop a significant number of lots despite a reduction in useable acreage.

The proposed development of the site (Green Valley Glen PUD) contains 108 lots, which suggests a density of 2.70 lots per acre. This density is somewhat lower than what is seen in the majority of the city of Eugene. However, the proposed density fits well with the overall character of the neighborhood. The proposed density for the site based on the Green Valley Glen PUD application is considered reasonable based on surrounding development and the South Hills location of the subject.

Soils The conclusions of several engineering reports have been reviewed regarding the subject property. The most recent report (November 2007) performed by Foundation Engineering will be relied upon in this analysis. This report relies upon previous reports from other engineering companies as well as recent boring on and near the subject property. The report addresses several issues including the stability of the soil and a large debris flow located in and outside of the subject property. This report concludes that the subject is developable. However, typical hillside development practices are not enough to fully mitigate the possible instability of the soil and debris flow activity. The report recommends the construction of a shear key (approx. 20 to 25 feet deep) to prevent further landslides within the subject property. Actual costs for this shear key were not available.

Site Rating Overall, noting the South Hills location of the subject combined with its residential zoning, the site has a high rating for residential development. The slope, potential instability of the soils, Goal 5 inventory requirements make development of the site difficult but not impossible. The proposed development of the site (Green Valley Glen PUD) mitigates the majority of the development problems associated with the subject property.

SUBJECT PHOTOGRAPHS



1. View facing north on Nectar Way. Subject to the right. (6746-1)



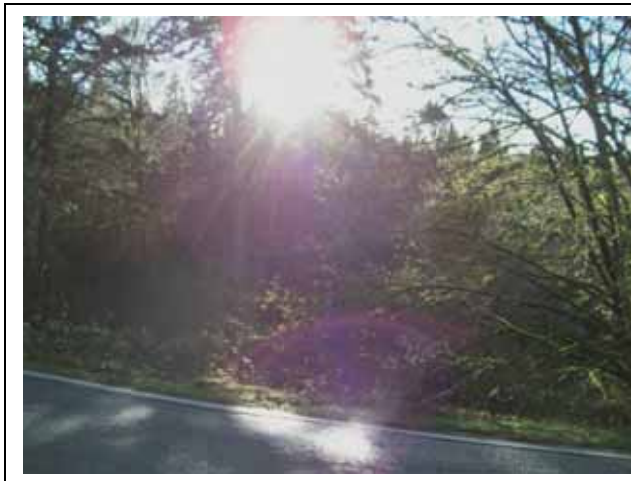
2. View facing northwest on Dillard Road. Subject to the left. (6746-2)



3. View facing southeast on Dillard Road. Subject to the right. Hunters Glen Drive to the left. (6746-3)



4. View of subject property from Dillard Road. (6746-4)



5. View of the subject property facing southwest from Dillard Road. (6746-5)



6. View of the subject property from Dillard Road. (6746-6)

MARKET ANALYSIS/HIGHEST & BEST USE

MARKET OVERVIEW

The subject is located in south Eugene. Please see the Population, Economy, and Real Estate Market sections in the Regional Description located in the Addenda.

The subject neighborhood (represented by the Southeast Neighborhood Association) is primarily improved with upper-end residential single-family development. It makes up approximately 8% of Eugene's population and will continue to increase in population as existing bare land is developed with homes. Specific statistics regarding overall market share were unavailable. However, a tour of the neighborhood revealed that the subject neighborhood is the primary location of newer upper-end subdivisions and homes. The neighborhood represents a large majority of this type of development in the city of Eugene.

TENANT/USER PROFILE

The users of housing on the subject site will be residents of Eugene. Based on surrounding subdivisions and residential development in the area, the subject will likely contain lots priced towards the upper-end of the range when compared to the remainder of Eugene. The 2000 Census reports that 51.8% of the housing units in Eugene are owner occupied, with 2.47 persons per household.

MARKET CONSIDERATIONS

Supply & Demand Conditions - The subject is located in a stable residential neighborhood of Eugene, OR known as the South Hills. This area is improved with upper-end single-family residential homes. The majority of the homes are situated on larger homesites than what is typically seen in other areas of town. Statistics for average square footage of lots in the area was not available; however, a physical inspection of the neighborhood suggests that both older and newly constructed residences are situated on lots larger than 7,500 SF. The neighborhood is approximately 60% built-up with two large tracts of residential land left to be developed with several small tracts interspersed throughout the neighborhood. The subject property represents one of the larger tracts of land yet to be developed.

The table below summarizes market activity in the city of Eugene over the last three years. The chart includes bare land sales and does not reflect the sales of houses in the area.

| Eugene Market Activity 2005-2008 | | | |
|---|--------------------------------|--------------------------------|--------------------------------|
| Item | 01/01/2005 - 01/01/2006 | 01/01/2006 - 01/01/2007 | 01/01/2007 - 01/01/2008 |
| Average Sales Price | \$161,792 | \$174,268 | \$224,311 |
| DOM (Days on Mrket) | 224 | 102 | 129 |

MARKET ANALYSIS/HIGHEST & BEST USE (continued)

Existing land prices have increased 38.64% over the last three years, indicating approximately a 1% increase per month. However, it should be noted that the largest increase happened from 2006/2007 to 2007/2008. The housing market all over Oregon experienced a boom from 2006 to 2007. The large price increase is likely a result of the booming market seen during this period. This also explains the large drop in DOMs (Days on the market) from 06/07 to 07/08. The most recent reporting period (2007 to 2008) reflects a market that is slowing slightly from the boom in 2006. Prices appear to be increasing or staying the same while marketing times are increasing.

MARKETABILITY CONCLUSION

Based on the above data combined with the overall housing market throughout Oregon, it is clear that the market has cooled considerably over the last year. The future for the local and national residential markets is uncertain in the near term. Some economists in the first and second quarters of 2007 expected that the residential market would start to rebound in the fall. However, the most recent reports indicate that the slowing of the market is not over.

HIGHEST AND BEST USE

Introduction

Highest and best use is a market driven concept which identifies the most profitable and competitive use to which a property can be put. It is further defined as follows:

“The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.”³

The concept of highest and best use is fundamental to real property value. In one application of the concept, a site is valued as though vacant and available for development to its highest and best use. In another application, the highest and best use of the property as improved is estimated. A site may have one highest and best use as though vacant, while the improved site may have another optimal use.⁴

Highest and best use is essentially a market driven concept which identifies the ideal use(s) of a property which follow logical market criteria. It attempts to mirror the thinking of a buyer in the marketplace. Analysis pertaining to the legal, physical, financial and most productive uses of the site, both as though vacant and as improved narrows, development options to those best fitting the demand for the property. Once highest and best use is established, the appraisal process focuses on the identified sub-market, selecting parameters for meaningful analyses.

The highest and best use of the subject land and improvements has been tested separately against the four criteria in the following analysis.

³ *The Dictionary of Real Estate Appraisal, Fourth Edition*. Chicago: Appraisal Institute, 2002.

⁴ *The Appraisal of Real Estate, Eleventh Edition*. Chicago: Appraisal Institute, 1996. Page 297.

MARKET ANALYSIS/HIGHEST & BEST USE (continued)

Vacant Site

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.⁵

Legally Permissible - Legal factors influencing the subject are primarily zoning regulations and City ordinances. The subject site is zoned **R-1 (Low-Density Residential)**, as designated by the City of Eugene. The site is also influenced by its overlay zones, which include PD (Planned Unit Development) and WR (Water Resources Conservations). As a vacant site, legal uses support a **residential use**. A copy of the City's zoning ordinance and overlay zone ordinances are included in the Addenda to this report.

Physically Possible - The physical characteristics of the site generally support any of the permitted uses of the subject property. However, the subject does contain some physical features that will make development of the site difficult and costly. It is noted that development of the site, in spite of difficult features is not determined to be impossible. Several engineering reports, environmental reports and geosciences reports have been consulted regarding development of the project. None of the reports relied upon in this analysis state that the subject cannot be developed. They do state that development will be difficult and costly due to its physical features.

Wetlands – The subject is zoned X, an area outside the floodplain. Its elevation and slopes eliminate the possibility of it being located within a flood plain. However, its elevation and slopes do not eliminate the possibility of wetlands.

There are three intermittent streams running across the property. Based on a wetland delineation report, there are approximately .6 acres of wetlands located on the subject property.

There are several options for developing over wetlands. These include both off-site and on-site mitigation. Off-site mitigation includes the purchase of off-site credits, which typically range between \$75,000 and \$100,000 per acre of wetland. After purchasing off-site credits, on-site development can occur on the wetlands. However, with necessary fill dirt and foundation support, this can be a costly option. On-site mitigation involves development over the existing wetlands and "moving" the current wetlands to another area of the site. This can also be a costly option and is not always possible based on the configuration and slope of the site.

In the case of the subject, the best option may be density transferability. The city of Eugene allows the transfer of density and provides the developer with the option of reducing lot sizes, while maintaining a certain number of allowed lots based on the entire site size.

⁵ *The Dictionary of Real Estate Appraisal, Third Edition*. Chicago: Appraisal Institute, 2002.

MARKET ANALYSIS/HIGHEST & BEST USE (continued)

Goal 5 Inventory - The site is included in the city of Eugene's Goal 5 Inventory. Requirements of the city of Eugene, state that development of the subject has to consider and maintain the existing natural resources of the site. The proposed development of the site (Green Valley Glen PUD) develops approximately 50% of the site and leaves the remainder as open space. This successfully meets the requirements of the city and maintains the Goal 5 Inventory. This suggests that development of the site is physically possible despite the requirements to maintain the Goal 5 Inventory.

Soil Stability and Slopes - The conclusions of several engineering reports have been reviewed regarding the subject property. The most recent report (November 2007) performed by Foundation Engineering will be relied upon in this analysis. This report considers previous reports from other engineering firms as well as recent boring on and near the subject property. The report addresses several issues including the stability of the soil and a large debris flow located in and outside of the subject property. This report concludes that the subject is developable. However, typical hillside development practices may not be enough to mitigate the possible instability of the soil and debris flow activity. The report recommends the construction of a shear key (approx. 20 to 25 feet deep) to prevent further landslides within the subject property. Actual costs for this shear key were not available. The proposed development of the site (Green Valley Glen PUD), in the opinion of the engineers, does not properly mitigate the potential landslide activity in and outside the subject.

Based on available data, development of the subject in spite of the instability of the soil and recent landslide activity is possible. Although possible, development will be much more costly and risky (could activate dormant landslides) than typical hillside development practices.

Location - The subject is located in south Eugene in an area known as the South Hills. It is part of the Southeast Neighborhood Association. It is surrounded by residential development that represents the upper end of residential development in the larger community. The site is benefitted by the surrounding environment that has been preserved despite continued development in the area. The neighborhood is pleasing to the eye and offers territorial views of old and new growth forests, streams, etc.

Access - The site has potential access Dillard Road. Once access to the site is gained, an internal infrastructure would be necessary to navigate through the site. The proposed development (Green Valley Glen PUD) includes access from Dillard Road via two streets named Chiara Terrace and Broyony Loop.

Surrounding Development - includes single-family residential development. The majority of the surrounding land is zoned for R-1 Low Density development, similar to the subject. Development of the subject as a subdivision is supported by the characteristics of the overall neighborhood.

MARKET ANALYSIS/HIGHEST & BEST USE (continued)

Proposed Development – The proposed development of the site (Green Valley Glen PUD) includes 108 lots spread over approximately 50% of the property and leaves approximately 50% as open space. This open space is filled with natural resources, etc. and meets the requirements of the WR (Water Resources) Overlay Zone Code and the Goal 5 Inventory standards. Not only does this meet city requirements, it maintains the pleasing aesthetic of the neighborhood.

Considering physical and locational characteristics, a **residential use** is supported for the vacant site. Although higher than average development costs are likely to be incurred for developing the subject, legal requirements combined with the physical features of the site support its development with a residential use.

Financially Feasible - Due to the site's physical characteristics, surrounding development, and legal considerations, the greatest financial return would likely come from residential single-family subdivision development.

Although higher than average development costs including possible wetland mitigation, shear key construction, etc. are likely to be incurred for developing the subject, legal requirements combined with the aesthetically pleasing physical features of the site support its development with a residential use.

Therefore, development of the site with a legally and physically supported residential use is financially feasible.

Maximally Productive – As a site zoned for single-family uses in a community with good demand for **single-family homes**, such use is the **maximally productive** use of the site.

Marketability – Although the market has cooled considerably over the last year, there is evidence to support that lot and land sales are still occurring. Additionally, based on statistical data, the sales prices of lots and land are increasing despite a slight increase in marketing times. Based on conversations with area realtors and market participants, prices will likely continue to increase (although an exact increase cannot be determined) or stay the same based on available data.

Because of the subject's size and location, we anticipate a marketing period of no more than 12 months, if listed at or near market value. This is consistent with marketing periods of similar properties in the subject's neighborhood.

HIGHEST AND BEST USE CONCLUSION – AS VACANT

Based upon past, present and prospective market activity in the subject's market area, it is our opinion that a **residential use; more specifically, single-family development commensurate with the R-1 (Low Density Residential) zone**, is an adequate expression of the highest and best use of the vacant site.

VALUATION METHODS

SITE VALUE

In valuing the subject site, as though vacant as of the effective date of this report, the sales comparison approach is utilized. In this approach, recent sales and/or listings of similar sites are compared to the subject using the adjustment process (if appropriate) to indicate value. Where good market activity and data is available, this approach best reflects market behavior and provides a useful estimate of value for the subject land.

COST APPROACH

The Cost Approach is based upon the principle that the value of property is significantly related to its physical characteristics and that no one would pay more than the cost to build a like facility in today's market on a comparable site. In this approach, the market value of the site is estimated and added to the depreciated value of the improvements. In addition, entrepreneurial profit is added. For proposed or newer properties, this approach may have significant relevance. For older properties or those with substantial depreciation, this approach has limited application. However, the cost approach may prove useful as an indication of potential supply, as measured by the amount of profit evident. These factors will be considered in addressing the emphasis placed on the Cost Approach.

INCOME APPROACH

This approach is predicated on the assumption that there is a definite relationship between the net income a property will earn and its value. Net income is the income generated before payment of any debt service. The process of converting it into value is called capitalization. Net income is divided by a capitalization rate. Factors such as risk, time, interest on the capital investment, upside potential and recapture of the depreciating asset are considered in the rate. Applying a capitalization rate based on indications from comparable sales reflects expectations of buyers and sellers in the market.

Another capitalization concept employed with the Income Approach is the Discounted Cash Flow Analysis or **yield capitalization**. It is developed by projecting cash flows over a holding period assuming variations in income, expenses, lease terms, reversion rates and internal rates. The net present value of the cash flows is a method of measuring anticipated future benefits.

SALES COMPARISON APPROACH

This approach analyzes sales of comparable properties with regard to the nature and condition of each sale. Logical adjustments and/or comparisons are made for varying physical characteristics. For land value, a common denominator is a price per square foot or price per acre; for improved properties, it may be the price per square foot, price per unit, or a gross income multiplier. This approach develops a good indication of value when sales of similar properties have occurred.

VALUATION METHODS (continued)

RECONCILIATION

This is the process by which the individual approach indications are weighed based on validity and applicability to the subject market. The indications often indicate different values. After factors influencing each approach are carefully considered (i.e. quality and quantity of data, sophistication of the market, etc.), a final point estimate of value is concluded.

In this report, the Sales Comparison Approach to value is utilized. This is the most common approach utilized when valuing bare land. Although the subject has been proposed as a subdivision, it does not have approvals for such development. Therefore, this report does not contain typical subdivision analysis. It should be noted that some methods in subdivision analysis have been utilized as means to support the concluded value.

SALES COMPARISON APPROACH (SITE VALUATION)

In this section, the market value of the subject site will be estimated by comparing it with recent sales of land located in the subject's market area. As discussed in the Site Description section, the subject contains **39.90 acres** of land area, with a highest and best use for **single-family residential development**.

The limited number of comparable sales in the subject's immediate area and lack of uniformity within this market prevents direct extraction of adjustments from the marketplace. General analysis reflecting market behavior is utilized to determine which comparables are superior or inferior to the subject. This analysis establishes value parameters for the subject, allowing for a final conclusion of value.

The **price per acre unit** of comparison will be used in this analysis. This indicator best reflects the behavior of the typical buyer and seller in the subject market. A cross-check utilizing the **price per lot** was considered as well. Information regarding the land sale comparables is presented on the Land Sales Tabulation Chart and Adjustment Grid, which follows the comparable discussion. A Land Sale Location Map is also included.

COMPARABLE ANALYSIS

The seven comparable land sales have been adjusted for **market conditions** (time) in the following manner. Below is a chart which summarizes land appreciation in the city of Eugene over the last three years.

| | January 2005 to January 2006 | January 2006 to January 2007 | January 2007 to January 2008 |
|-----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Average Sales Price | \$161,792 | \$174,268 | \$224,311 |
| Percent Increase | | 7.71% | 28.71% |
| Percent Increase Per Month | | 0.64% | 2.39% |

According to general statistics provided by *Regional Multiple Listings Service* lot and land sales over the three years have increased a total of 38.64%, or approximately 1% per month (38.64%/36 months). The largest increase was seen from January 2007 to January 2008. The sales comparables used in this analysis have occurred over the last two years; therefore, the average adjustment of **1% per month** will be utilized in this analysis.

The comparables selected indicate a range in value, after adjustment for market conditions (time), from **\$45,129 to 496,507 per acre and \$24,814 to \$84,164 per lot**.

SALES COMPARISON APPROACH (continued)



3300 Hawkins Lane
Eugene, OR

Comparable 1 (\$154,732/acre, \$37,176/lot) is the recent sale of 9.13 acres of land located in South Eugene. This parcel is surrounded by both older and more recent residential development. It is primarily flat land with minimal development challenges when compared to the subject. There are several potential access points in place including a connection to a nearby subdivision. There are 12 units allowed per this site's zone code, however, the proposed development of the site includes 38 lots, or a density of 4.16. Although 12 units are allowed, the smaller density would compare well with surrounding development. Considering the minimal development challenges that will be faced by the developer of the property, this comparable is a **high indicator** for the subject. This is further supported by its smaller size.



Garden Way
Eugene, OR

Comparable 2 (\$496,507/acre, \$84,164/lot). This parcel of land was originally purchased by Carver Development Group (reportedly sold for \$181,026/acre) and then sectioned into three different parcels. One piece was sold for apartment development, one was for assisted living development and one was sold for single-family residential development. This comparable represents the single-family residential development parcel that was purchased by Ruloff Homes. It contains 6.95 acres and was pre-approved for development of 41 lots at the time of sale. The property contained some wetlands that were mitigated prior to the sale. Other development issues were also resolved prior to the sale. The purchaser basically needed to do some minor demo work and lot construction could begin right away. This comparable is located within close proximity to the Interstate 5 and Highway 105, giving it good access to various parts of Eugene and Springfield. Its location is inferior to the subject. However, the fact that the land was sold with mitigated wetland, pre-plat approval, entitlements, etc., is an offsetting characteristic. Overall, it is an **extremely high indicator** for the subject.

SALES COMPARISON APPROACH (continued)

Comparable 2 (cont.)

Note: there is a 158% price increase from the original land sale to the sale of the comparable. This price increase reflects the sale of land that includes pre-plat approval, mitigated wetlands, ease of development, etc.



West Amazon Drive
Eugene, OR

Comparable 3 (\$125,850/acre, \$55,500/lot) is the sale of land within close proximity to the subject and is considered part of the subject's neighborhood. It has a similar zoning to the subject and is also subject to the South Hills Study and the PUD and WR Overlay Zones. The purchaser of the property was not aware of the requirements of the South Hills Study and the many development challenges of the land. He planned to develop 10 or 11 lots. After purchasing the property, he became aware that city services would have to be extended across the land in order to develop it. These costs were more than anticipated. The purchaser is considering re-selling the land to another developer; however, it is not officially listed. Its price per acre may be **slightly high** considering that the buyer was not familiar with development practices in the area and was unaware of the potential development costs associated with the land. The price per lot is reflective of the fact that the buyer was planning lots that were sized much larger than the average at nearly 20,000 SF.



Crest Drive
Eugene, OR

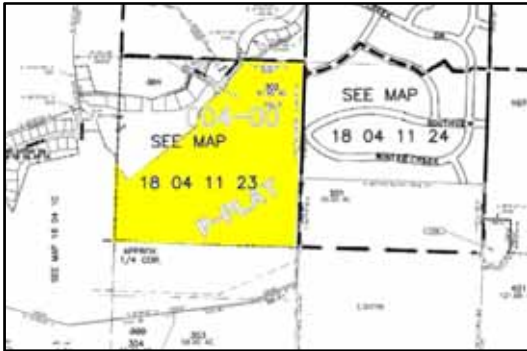
Comparable 4 (\$119,297/acre, \$36,187/lot) is located slightly north of the subject in the South Hills area. This parcel of land was originally part of an adjacent parcel, then divided and sold for development. The land is sloping to the south; however, its slope is not as severe as the subject's. Development challenges of this land are considered minimal. This land is located adjacent to large homes on larger than average home sites, suggesting high density of the site would not likely fit well with the overall character of the neighborhood. Based on city records, since the time of sale, this parcel has been approved for 15 lots, suggesting a density of 3.29 lots per acre, slightly higher than the subject's proposed development.

SALES COMPARISON APPROACH (continued)

Comparable 4 (cont.)

Smaller size combined with ease of development makes this a **slightly high indicator** for the subject. It has similar location characteristics.

It should be noted that this comparable sold as 4.55 acres. Its acreage and plat have since been corrected and show a total of 3.66 acres. The price per acre is based on 4.55 acres as this is what the purchaser believed he was purchasing at the time of sale.



Timberline Drive
Eugene, OR

Comparable 5 (\$165,680/acre, \$64,784/lot) is the recent sale of a large tract of land in South Eugene near Comparable 1. This land was previously owned by Timberline Hill, LLC and Robert Breeden, long standing developers in the community. This property was under their control since the mid-1970's and was part of a larger holding that included other adjacent subdivisions. There are several easements on this tract, none of which were considered to have a negative effect on the land. The property received tentative approval for 255 lots in October 2005. Final approval was granted in July 2007 after the sale of the land. The property has many unique amenities as well as animal populations and preservation issues similar to the subject that were all considered during the approvals process. Surrounding development as well as its pre-approval status prior to the time of sale make it a **high indicator** of value for the subject.



End of U Street
Springfield, OR

Comparable 6 (\$45,129/acre, \$24,814/lot) is the sale of nearly 33 acres of subdivision land in Springfield, OR, an inferior location when compared to the subject. The property was purchased by Breeden Brothers, experienced developers from the Lane County area. The sale was confirmed by Breeden Brothers staff members who reported that they are excellent negotiators and suggested that the sales price is slightly low compared to other similar subdivisions sales in the area. This property had several development challenges. As a result, only 2/3 of the land was developed while the remaining 1/3 was donated for open space.

SALES COMPARISON APPROACH (continued)

Comparable 6 (cont.)

Excluding 1/3 of the total site size from the sales price results in a price per acre indication of **\$67,684**. We could not confirm if the donation of a portion of the property had any effect on the overall value indication. Its challenging development issues make it a reasonable indicator for the subject; however, inferior locational characteristics make it a low indication. Overall, it is a **slightly low indicator** for the subject.



Royal Avenue
Eugene, OR

Comparable 7 (\$108,540/acre, \$17,090/lot) is located in west Eugene, a slightly inferior location when compared to the subject. The property had some development challenges. The realtor who verified the transaction stated that likely only 75% of the parcel was developable. Based on the PUD application submitted to the city of Eugene, the developers intended to place 177 lots on the site indicating the highest density of all the comparables at 6.24 units per acre. Overall, based on its location, surrounding development and development challenges, this comparable is a **reasonable to slightly high indicator** for the subject property. Its per lot indicator is a low indicator for the subject based on their smaller sizes.

Below is a chart which summarizes the comparables and their comparison to the subject property.

| Comparable | Price Per Acre | Indicator |
|------------|---------------------|-----------------------------|
| 6 | \$45,129 (\$67,684) | Slightly Low |
| 7 | \$108,540 | Slightly High to Reasonable |
| 4 | \$119,297 | Slightly High |
| 3 | \$125,850 | Slightly High |
| 1 | \$154,732 | High |
| 5 | \$165,680 | High |
| 2 | \$496,507 | Extremely High |

The subject is narrowly bracketed by Comparables 6 and 7. They suggest a range of **\$67,684 to \$108,540 per acre**. The remaining comparables are good indicators; however, based on several different physical characteristics, they set the upper limits of value. Of note is Comparable 2, which is extremely high due to its advanced position in the plat approval process at the time of sale. It is much smaller than the subject, also driving the unit indicator.

SALES COMPARISON APPROACH (continued)

The subject is large in size, larger than the majority of the comparables presented. Additionally, its development challenges will cost the developer of the land above and beyond what typical hillside development costs would be. These factors suggest its per acre value conclusion should fall near the low end of the range. However, its location in south Eugene amongst other high end single-family developments as well as the fact that there are few large tracts of residential land left in south Eugene suggest its value conclusion should fall at the high end of the range. Additionally, the land is very aesthetically pleasing indicating probable lot pricing at the high end of the range.

Based on the physical characteristics of the subject, its location and the comparables presented, a price per acre of **\$95,000** is considered appropriate for the subject.

Based on a price per acre of \$95,000, indicating an overall value of \$3,790,500, suggests a price per lot of **\$35,097**. Below is a chart which summarizes the comparables prices per lot as well as the subject's positioning within the array.

| Comparable | Price Per Lot |
|-------------------|----------------------|
| 7 | \$17,090 |
| 6 | \$24,814 |
| Subject | \$35,097 |
| 4 | \$36,187 |
| 1 | \$37,176 |
| 3 | \$55,500 |
| 5 | \$64,784 |
| 2 | \$84,164 |

The subject falls near the low end of the range. This is consistent with its indicated price per acre. Its position within the array is reasonable based on its physical characteristics and the probable difficult and costly development of the site.

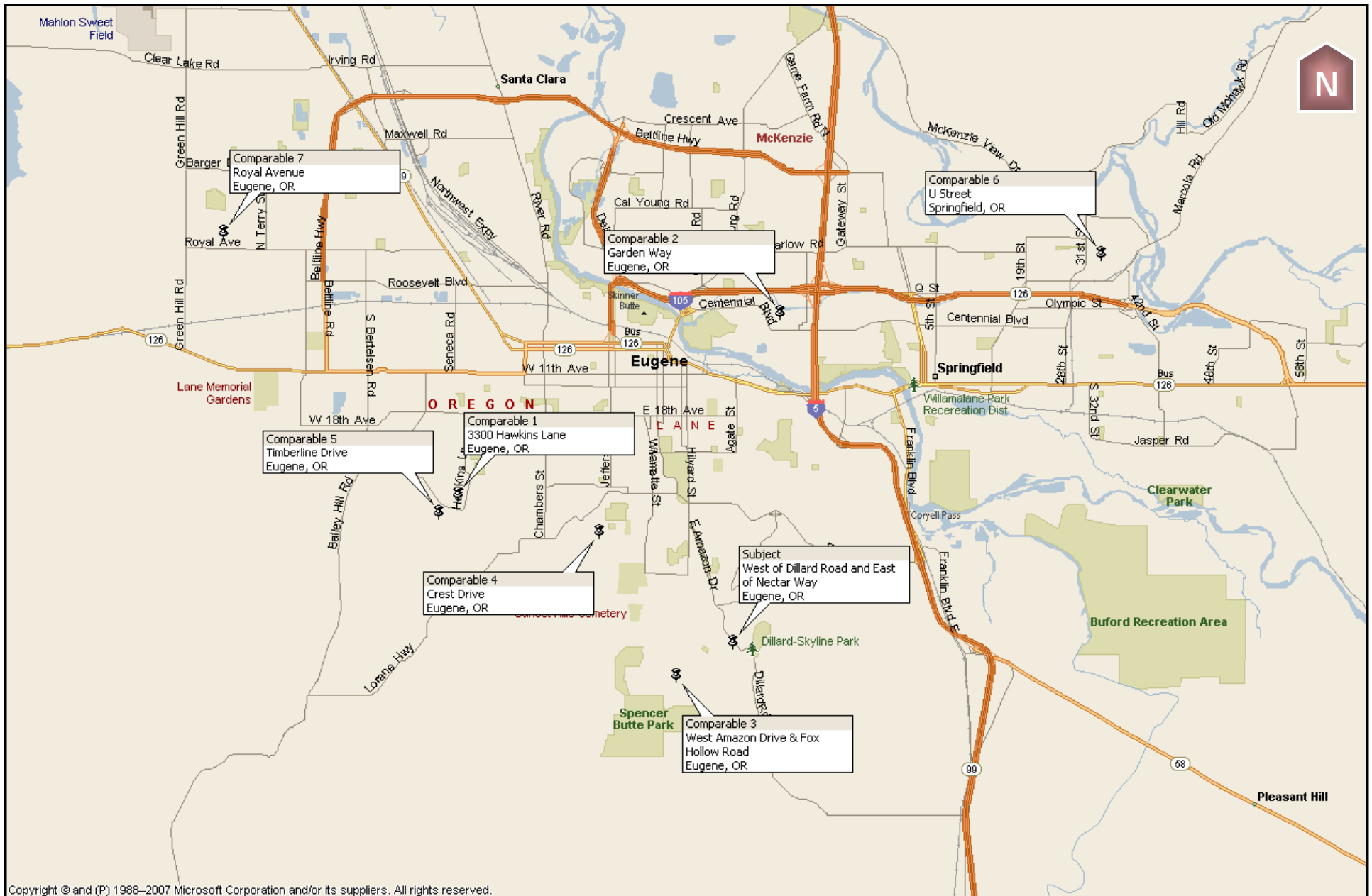
Therefore, the indicated market value via the Sales Comparison Approach, as of December 3, 2007, was (39.90 acres x \$95,000) \$3,790,500 rounded to:

\$3,800,000

LAND SALES TABULATION CHART

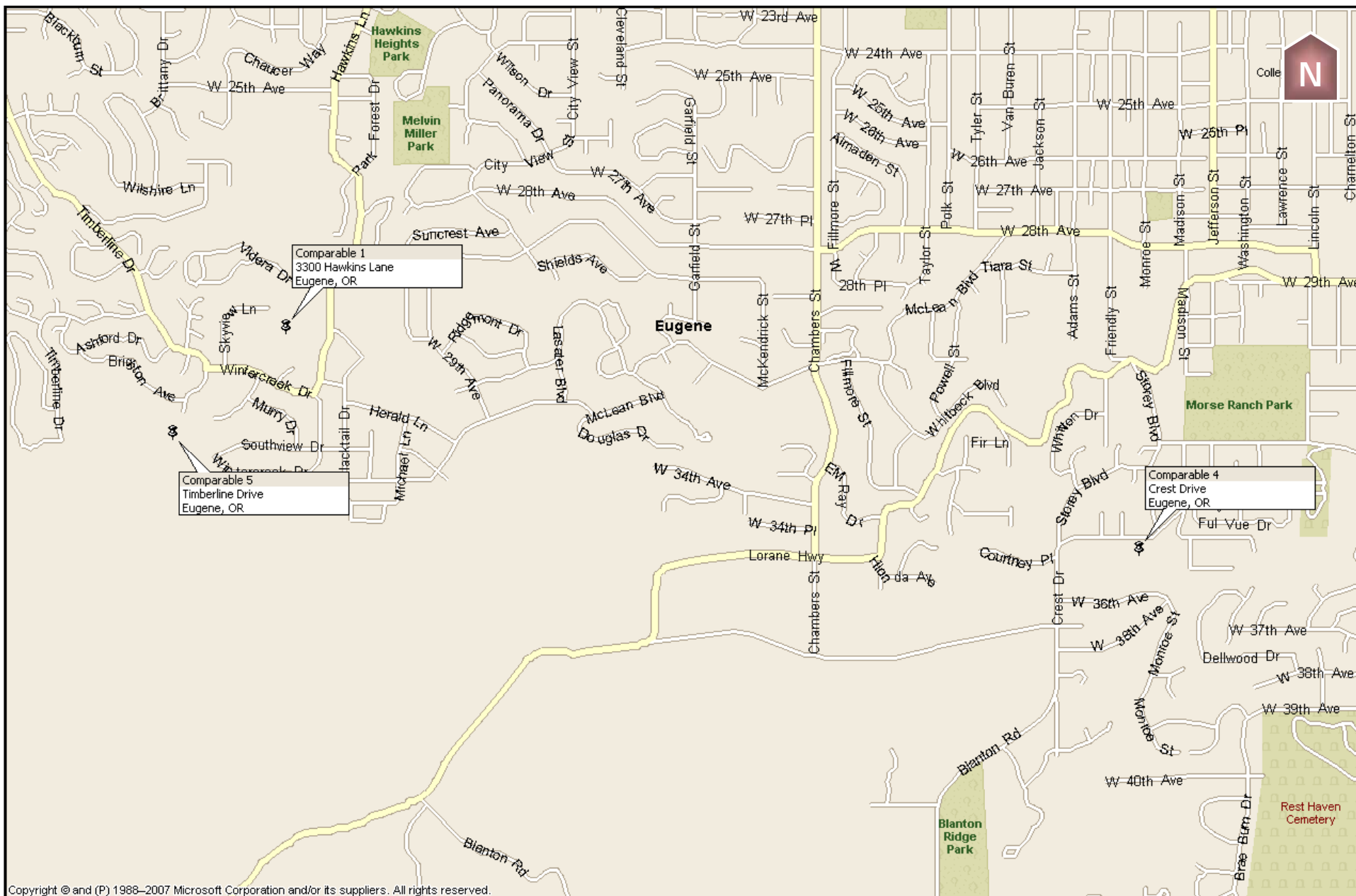
| Characteristics | Subject | Comparable 1 | | Comparable 2 | | Comparable 3 | | Comparable 4 | | Comparable 5 | | Comparable 6 | | Comparable 7 | |
|--------------------------|---|--------------------|-------------|--------------------|-------------|------------------------|-----------|------------------------------------|-----------|-------------------------------|--------------|-----------------------------------|-------------|--------------------|-------------|
| Name | Proposed as Green Valley Glen PUD | 3300 Hawkins Lane | | Garden Way | | Walter Development LLC | | Crest Meadows PUD (Eddie Property) | | Parker Development Group | | River Heights Sub (Breedon Bros.) | | Royal Meadows PUD | |
| Address | West of Dillard Road and East of Nectar Way | 18041121 5801 | | 17032840 1400 | | 18032023 1100 | | 18030732 300 | | 18 041100 302 (parent parcel) | | 170230 800 | | 170420 2400 | |
| Map & Tax Lot | 18-03-20-00-101 | 18041121 5801 | | 17032840 1400 | | 18032023 1100 | | 18030732 300 | | 18 041100 302 (parent parcel) | | 170230 800 | | 170420 2400 | |
| Proximity to Subject | Subject | 4.61 miles | | 5.97 miles | | less than 2 miles | | 1.84 miles | | 6.75 miles | | 12.23 miles | | 10.06 miles | |
| Sale Date | | Oct-07 | | Jun-07 | | Jan-07 | | Jun-06 | | Jun-06 | | Feb-06 | | Mar-06 | |
| Sale Price | | \$1,385,000 | | \$3,255,400 | | \$500,000 | | \$460,000 | | \$14,000,000 | | \$1,200,000 | | \$2,500,000 | |
| Price/AC | | \$151,698 | | \$468,403 | | \$113,379 | | \$101,099 | | \$140,407 | | \$36,991 | | \$89,702 | |
| Date Inspected | November 27, 2007 (most recent) | September 18, 2007 | | September 18, 2007 | | September 18, 2007 | | September 18, 2007 | | September 18, 2007 | | September 18, 2007 | | September 18, 2007 | |
| Site Area (AC) | 39.90 acres | 9.13 | | 6.95 | | 4.41 | | 4.55 | | 99.71 | | 32.44 | | 27.87 | |
| Zone | R-1 Low Density Residential | R1 | | R1 | | R1 | | RA | | RA | | RES | | R1 | |
| Proposed Lots | 108 | 38 | | 41 | | 10 | | 15 | | 255 | | 59 | | 177 | |
| Average Lot Size | utilizing approximately 50% of the site, 8,045 SF | 10,466 | | 7,384 | | 19,210 | | 13,213 | | 17,033 | | 15,970 | | 5,235 | |
| Density | 2.7 | 4.16 | | 5.89 | | 2.26 | | 3.29 | | 2.55 | | 1.81 | | 6.24 | |
| Element | | Description | Adj(+/-) | Description | Adj(+/-) | Description | Adj(+/-) | Description | Adj(+/-) | Description | Adj(+/-) | Description | Adj(+/-) | Description | Adj(+/-) |
| Property Rights Conveyed | | Fee Simple | \$0 | Fee Simple | \$0 | Fee Simple | \$0 | Fee Simple | \$0 | Fee Simple | \$0 | Fee Simple | \$0 | Fee Simple | \$0 |
| Financing Terms | | Conventional | \$0 | Conventional | \$0 | Conventional | \$0 | Conventional | \$0 | Conventional | \$0 | Conventional | \$0 | Conventional | \$0 |
| Conditions of Sale | | Arm's Length | \$0 | Arm's Length | \$0 | Arm's Length | \$0 | Arm's Length | \$0 | Arm's Length | \$0 | Arm's Length | \$0 | Arm's Length | \$0 |
| Market Conditions: Time | 1% per month | 2.0% | \$27,700 | 6.0% | \$195,324 | 11.0% | \$55,000 | 18.0% | \$82,800 | 18.0% | \$2,520,000 | 22.0% | \$264,000 | 21.0% | \$525,000 |
| Adjusted Price | | | \$1,412,700 | | \$3,450,724 | | \$555,000 | | \$542,800 | | \$16,520,000 | | \$1,464,000 | | \$3,025,000 |
| Adjusted Price/Lot | | | \$37,176 | | \$84,164 | | \$55,500 | | \$36,187 | | \$64,784 | | \$24,814 | | \$17,090 |
| Adjusted Price/Acre | | | \$154,732 | | \$496,507 | | \$125,850 | | \$119,297 | | \$165,680 | | \$45,129 | | \$108,540 |
| Qualitative Adjustment | | Comparison | Adj(+/-) | Comparison | Adj(+/-) | Comparison | Adj(+/-) | Comparison | Adj(+/-) | Comparison | Adj(+/-) | Comparison | Adj(+/-) | Comparison | Adj(+/-) |
| Location | Eugene | Eugene | | Eugene | | Eugene | | Eugene | | Eugene | | Springfield | | Eugene | |
| Size | 39.90 acres | 9.13 | | 6.95 | | 4.41 | | 4.55 | | 99.71 | | 32.44 | | 28.36 | |

LAND SALES MAP - OVERALL

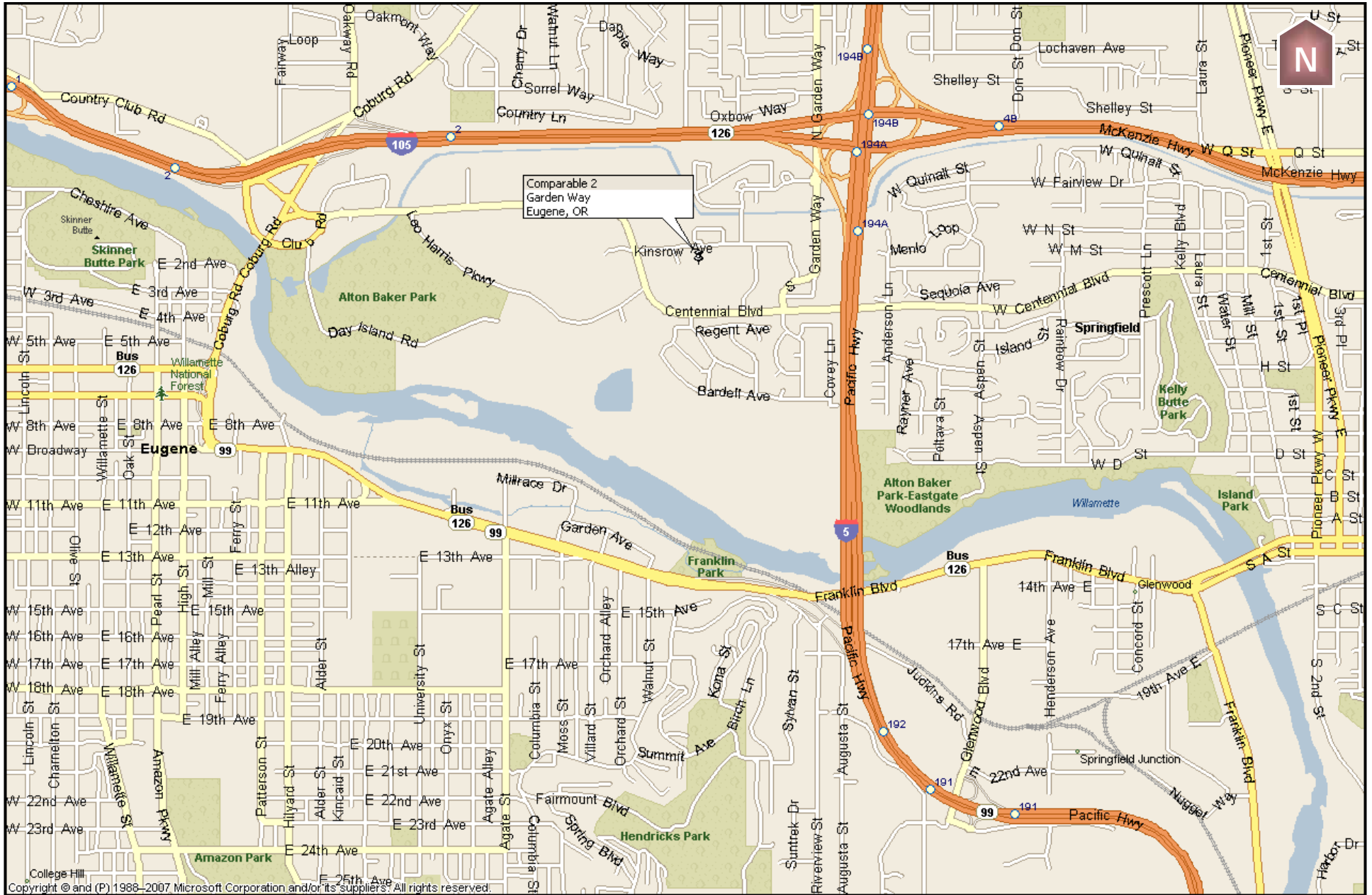


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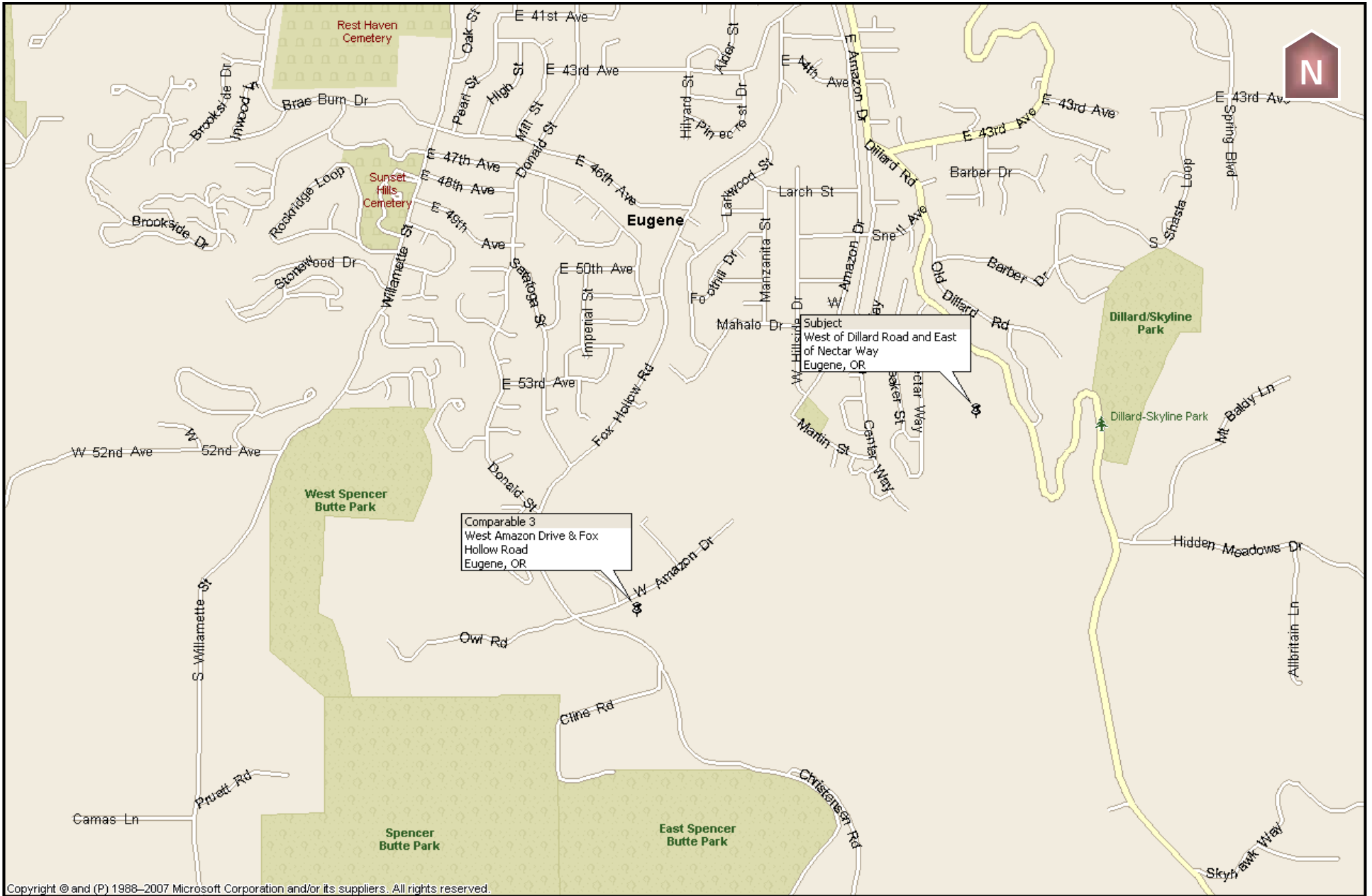
LAND SALES MAP - COMPARABLES 1, 4 & 5



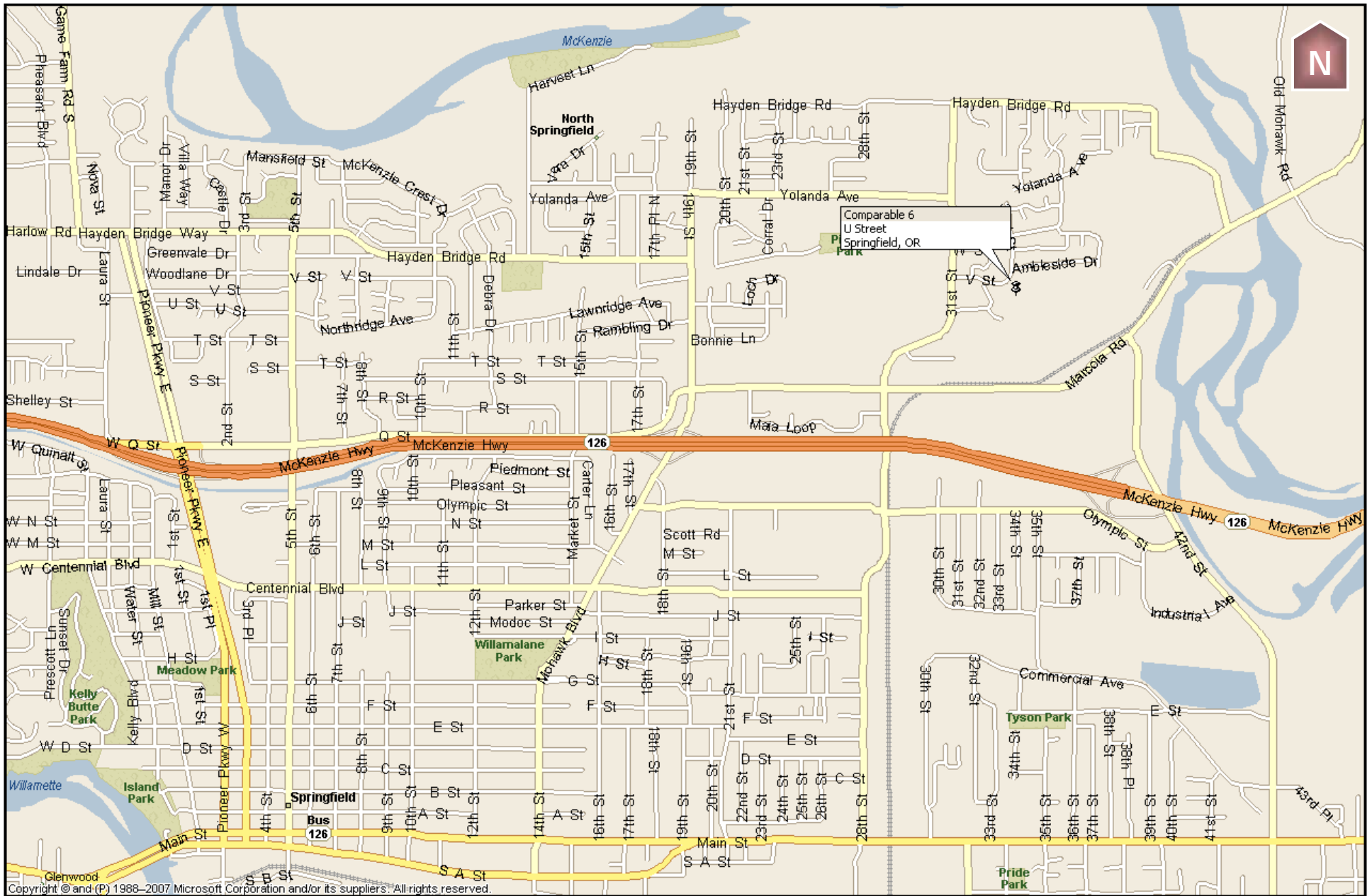
LAND SALES MAP - COMPARABLE 2



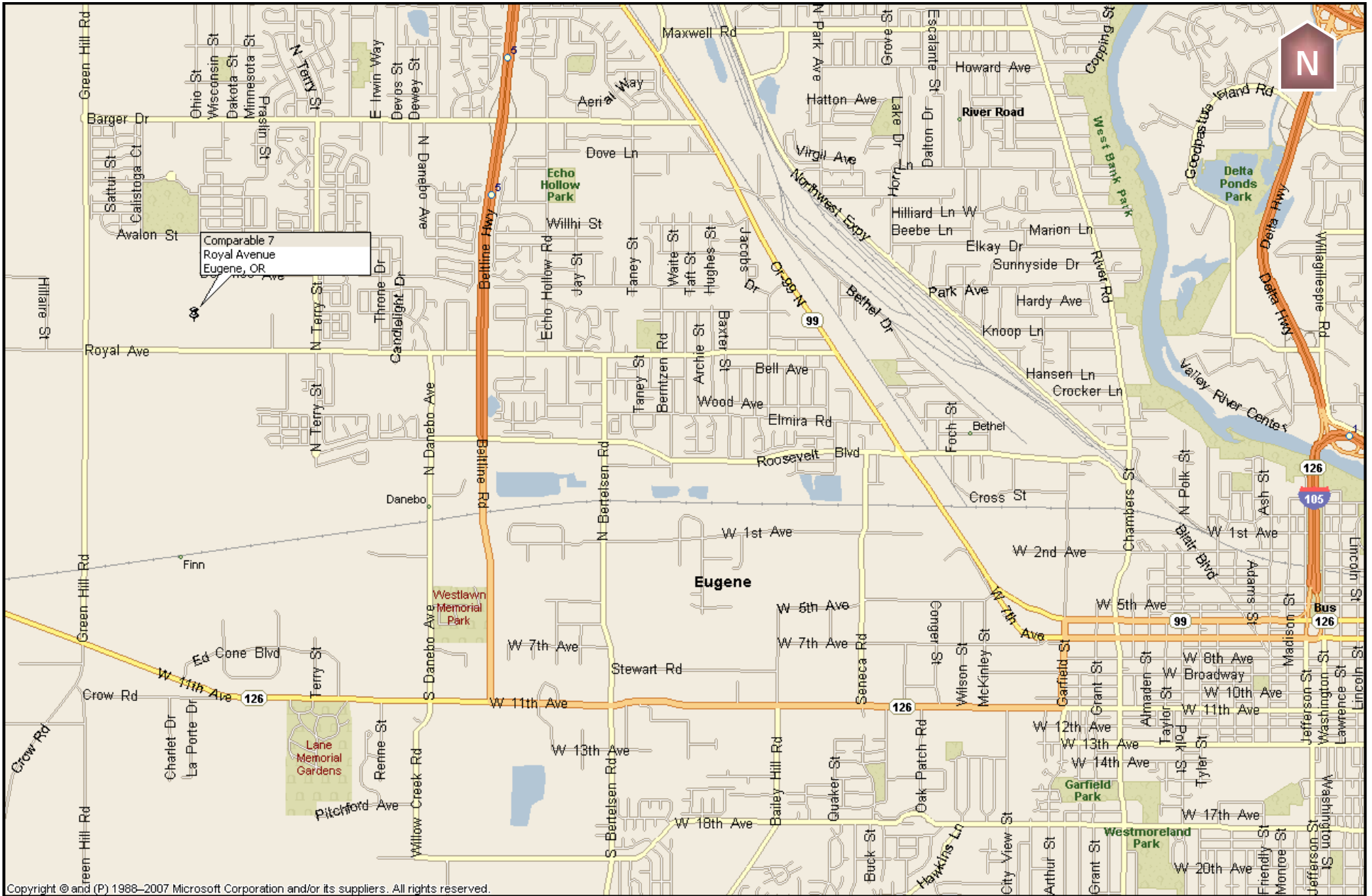
LAND SALES MAP - COMPARABLE 3



LAND SALES MAP - COMPARABLE 6



LAND SALES MAP - COMPARABLE 7



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CERTIFICATION OF APPRAISAL

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective personal interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I, C. Spencer Powell, MAI have made a personal inspection of the property that is the subject of this report. I have also inspected the exterior of all comparable data referenced in this report.
- As of the date of this report, I, C. Spencer Powell, MAI, have completed the requirements of the continuing education program of the Appraisal Institute.



C. Spencer Powell, MAI
OR Certified General Real Estate Appraiser
License No. C000154

1/29/08
Date