

W. 14. D.



AGENDA COVER MEMO

AGENDA DATE: May 31, 2006

TO: BOARD OF COUNTY COMMISSIONERS

FROM: BILL VANVACTOR, COUNTY ADMINISTRATOR
KENT HOWE, PLANNING DIRECTOR

RE: In the Matter of Considering a Ballot Measure 37 Claim and Deciding Whether to Modify, Remove or Not Apply Restrictive Land Use Regulations in Lieu of Providing Just Compensation (PA 06-5002, Bales)

I. MOTION

Move to approve the Measure 37 Claim and adopt the order attached as Exhibit "A".

II. ISSUE OR PROBLEM

Shall the Board of County Commissioners compensate an applicant under Ballot Measure 37 and LC 2.700 through 2.770 for the reduction in fair market value of the affected property interest resulting from enactment or enforcement of restrictive land use regulations or modify, remove, or discontinue application of those land use regulations to the subject property to allow David and Delores Bales to use the property as could have been allowed at the time they acquired an interest in the property?

III. DISCUSSION

A. Background

Applicant: David and Dolores Bales

Current Owner: Bales Living Trust

Agent: Steve Cornacchia

Map and Tax lots: 17-04-31 #1307 and #1308

Acreage: approximately 10 acres

Current Zoning: RR5 (Rural Residential)

Date Bales family acquired an interest in the property: November 17, 1958 (Warranty Deed 50729).

Date current owners acquired the property: April 8, 1964 (Warranty Deed 50729).

Date claim submitted: January 3, 2006.

Land Use Regulations in Effect at Date of Acquisition: Airport Zone. Ordinance No. 105, adopted April 9, 1958.

County land use regulation which restricts the use and reduces the fair market value of claimant's property: LC 16.290. Minimum parcel size and dwelling restrictions of the RR5 (Rural Residential) zone.

B. Specific Relief Sought:

On January 3, 2006, Steve Cornacchia submitted a Measure 37 Claim on behalf of David and Delores Bales. The applicant has requested compensation, or a waiver of the RR5 (Rural Residential) zone regulations that prohibit the division of the property into lots smaller than 5 acres and development of more than one dwelling per lot.

C. Lane Code Submittal Requirements

The applicant has submitted information addressing all of the Lane Code submittal requirements including an appraisal and deeds.

D. Analysis

The property contains approximately 11 acres and is zoned RR5 (Rural Residential). The current owner wishes to subdivide the property into lots smaller than 5 acres and place more than one dwelling on each lot. Although this claim lacks details such as the number and size of the lots, the description is adequate to determine an approximate reduction in value, as evidenced by the appraisal.

The current owner is the Bales Family Trust. Because this is a revocable Trust and David and Dolores are the trustees, they can use the date they acquired an interest in the property to demonstrate a reduction in value. In addition, if this is determined to be a valid claim, the restrictive regulations can be waived to the date David and Dolores acquired an interest in the property.

To have a valid claim against Lane County under Measure 37 and LC 2.700 through 2.770, the applicant must prove:

1. Lane County has enacted or enforced a restrictive land use regulation since the owner acquired the property, and
2. The restrictive land use regulation has the effect of reducing the fair market value of the property, and
3. The restrictive land use regulation is not an exempt regulation as defined in LC 2.710.

Restrictive Regulations

The current owner acquired an interest in the property on November 17, 1958, when the Airport Zone was applicable. This zone restricted the height of structures and prohibited any use that would create radio interference with the aircraft. Dwellings were allowed. There was no minimum lot size. Currently, the property is zoned RR5 (Rural Residential). The minimum lot size is 5 acres and only one dwelling is allowed per lot.

Because of the minimum lot size and dwelling restrictions, David and Dolores Bales are prevented from developing the site as might have been allowed when they acquired an interest in the property.

**BEFORE THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY,
OREGON**

ORDER No.) IN THE MATTER OF CONSIDERING A BALLOT
) MEASURE 37 CLAIM AND DECIDING
) WHETHER TO MODIFY, REMOVE OR NOT
) APPLY RESTRICTIVE LAND USE
) REGULATIONS IN LIEU OF PROVIDING JUST
) COMPENSATION (David and Dolores Bales/
) PA06-5002)

WHEREAS, the voters of the State of Oregon passed Ballot Measure 37 on November 2, 2004, which added provisions to Oregon Revised Statutes (ORS) Chapter 197 to require, under certain circumstances, payment to landowners if a government land use regulation restricts the use of private real property and has the effect of reducing the property value; and

WHEREAS, the Board of County Commissioners of Lane County enacted Ordinance No. 18-04 on December 1, 2004, to establish a real property compensation claim application process in LC 2.700 through 2.770 for Ballot Measure 37 claims; and

WHEREAS, the County Administrator has reviewed an application for a Measure 37 claim submitted by David and Dolores Bales (PA06-5002), the owners of real property described in the records of the Lane County Assessor as map 17-04-30, tax lots 1307 and 1308, consisting of approximately 11 acres in Lane County, Oregon; and

WHEREAS, the County Administrator has determined that the application appears to meet all of the criteria of LC 2.740(1)(a)-(d), appears to be eligible for just compensation and appears to require modification, removal or not applying the restrictive land use regulations in lieu of payment of just compensation and has referred the application to the Board for public hearing and confirmation that the application qualifies for further action under Measure 37 and LC 2.700 through 2.770; and

WHEREAS, the County Administrator has determined under LC 2.740(4) that modification, removal or not applying the restrictive land use regulation is necessary to avoid owner entitlement to just compensation under Ballot Measure 37 and made that recommendation to the Board; and

WHEREAS, the Board has reviewed the evidence and confirmed the application appears to qualify for compensation under Measure 37 but Lane County has not appropriated funds for compensation for Measure 37 claims and has no funds available for this purpose; and

WHEREAS, on May 31, 2006, the Board conducted a public hearing on the Measure 37 claim (PA06-5002) of David and Dolores Bales and has now determined that the restrictive RR5 (Rural Residential) zone land division and dwelling requirements of LC 16.290 were enforced and made applicable to prevent David and Dolores Bales from developing the property as might have been allowed at the time they acquired an interest on November 17, 1958, and that the public benefit from application of the current RR5 (Rural Residential) zone minimum parcel size and dwelling

regulations to the applicants' property is outweighed by the public burden of paying just compensation; and

WHEREAS, David and Dolores Bales request either \$950,000 as compensation for the reduction in value of their property, or waiver of all land use regulations that would restrict the division of land into lots smaller than five acres and placement of more than one dwelling per lot, uses that could have otherwise been allowed at the time they acquired an interest in the property; and

WHEREAS, the Board finds that under LC 2.760(3) the public interest would be better served by modifying, removing or not applying the challenged land use regulations of the RR5 zone to the subject property in the manner and for the reasons stated in the report and recommendation of the County Administrator incorporated here by this reference except as explicitly revised here to reflect Board deliberation and action to allow David and Dolores Bales to make application for development of the subject property in a manner similar to what they could have been able to do under the regulations in effect when it acquired the property; and

WHEREAS, this matter having been fully considered by the Lane County Board of Commissioners.

NOW, THEREFORE IT IS HEREBY ORDERED that the applicant David and Dolores Bales made a valid claim under Ballot Measure 37 by describing the use being sought, identifying the county land use regulations prohibiting that use, submitting evidence that those land use regulations have the effect of reducing the value of the property, showing evidence that they acquired the property before the restrictive county land use regulations were enacted or enforced and the Board hereby elects not to pay just compensation but in lieu of payment, the request of David and Dolores Bales shall be granted and the restrictive provisions of LC 16.290 that prohibit the creation of lots containing less than five acres and prohibit the placement of more than one dwelling per lot in the RR5 (Rural Residential) Zone shall not apply to David and Dolores Bales, so that they can make application for approval to develop the property described in the records of the Lane County Assessor as map 17-04-30, tax lots 1307 and 1308, in a manner consistent with the land use regulations in effect when they acquired an interest in the property on November 17, 1958.

IT IS HEREBY FURTHER ORDERED that David and Dolores Bales still will need to make application and receive approval of any division of the property or placement of a dwelling under the other land use regulations applicable to dividing the property or placing a dwelling that were not specifically identified or established by David and Dolores Bales as restricting the division of the property or placement of a dwelling, and it would be premature to not apply those regulations given the available evidence. To the extent necessary to effectuate the Board action to not apply the dwelling or division restrictions of the applicable zone described above, the claimant shall submit appropriate applications for review and approval of land divisions and any new dwellings to show the specific development proposals and in the event additional county land use regulations result in a restriction of those uses that have the effect of reducing the fair market value of the property, the County Administrator shall have the authority to determine those restrictive county land use regulations that will not apply to that development proposal to preclude entitlement to just compensation under Measure 37. All other Lane Code land use and development regulations shall remain applicable to the subject property until such time as they

are shown to be restrictive and that those restrictions reduce the fair market value of the subject property.

IT IS HEREBY FURTHER ORDERED that this action making certain Lane Code provisions inapplicable to use of the property by David and Dolores Bales does not constitute a waiver or modification of state land use regulations and does not authorize immediate division of the subject property or immediate construction of a dwelling. The requirements of state law may contain specific standards regulating development of the subject property and the applicants should contact the Department of Administrative Services (DAS - State Services Division, Risk Management - Measure 37 Unit, 1225 Ferry Street SE, U160, Salem, OR 97301-4292; Telephone: (503) 373-7475; website address: <http://www.oregon.gov/DAS/Risk/M37.shtml>) and have the State of Oregon evaluate a Measure 37 claim and provide evidence of final state action before seeking county land use approval.

IT IS HEREBY FURTHER ORDERED that the other county land use regulations and rules that still apply to the property require that land use, sanitation and building permits be approved by Lane County before any development can proceed. Notice of this decision shall be recorded in the county deed records. This order shall be effective and in effect as described in LC 2.770 and Ballot Measure 37 to the extent permitted by law. This order does not resolve several questions about the effect and application of Measure 37, including the question of whether the right of applicants to divide or build dwellings can be transferred to another owner. If the ruling of the Marion County Circuit Court in *MacPherson v. Dept. of Administrative Services*, (Marion County Circ. Ct. Case No. 00C15769, October 14, 2005) or any other court decision involving Ballot Measure 37 becomes final and that decision or any subsequent court decision has application to Lane County in a manner that affects the authority of this Board to grant relief under Ballot Measure 37 and LC 2.700 through 2.770 then the validity and effectiveness of this Order shall be governed by LC 2.770 and the ruling of the court.

DATED this _____ day of _____, 2006.

Bill Dwyer, Chair
Lane County Board of County Commissioners

APPROVED AS TO FORM

Date 5-23-2006 Lane County

Stephen J. Walker
OFFICE OF LEGAL COUNSEL

Bales M37 Claim
PA06-5002

HILLAIRE

ROYAL

Amazon Creek Diversion Channel

Subject Property

OAK HILL CEMETERY

FIR BUTTE

GENTRY

OAKVIEW
FIR VIEW

Legend

- UGB
- City Limits
- Metro boundary
- Roads



Measure 37 Claim Number: M37-06-5002

Application for Claims Under LC 2.700 through 2.770

Due to Regulatory Reduction of Property Value Under Provisions Added to ORS Chapter 197 by BM37

Note: This completed form together with the referenced supporting documentation and application fee must be submitted to the Lane County Land Management Division, 125 East 8th Avenue, Eugene, Or., 97401 for all claims subject to the provisions added to ORS Chapter 197 by Ballot Measure 37 (November 2, 2004), to be considered for compensation under LC 2.700 through 2.770. In all cases, the applicant has the burden of demonstrating, with competent evidence, that all applicable criteria are met and the applicant would be entitled to compensation if the land use regulation continues to apply. Use additional paper, if necessary.

1. Applicant/ Agent

<u>David / Delores Bales</u>	<u>88737 Oak Hill Cemetery Rd., Eugene</u>	<u>(541) 689-0086</u>
Applicant Name (Please Print)	Mailing Address OR 97402-9311	Phone
<u>Steve Cornacchia</u>	<u>180 E. 11th Avenue, Eugene</u>	<u>(541) 686-8511</u>
Agent Name (Please Print)	Mailing Address OR 97401	Phone

2. Property Owner

Please provide the Name, Mailing Address and telephone number of all property owners of record holding interest in the property that is the subject of this application. Include a complete listing of all lien holders, trustees, renters, lessees or anyone with an interest in the property and describe the ownership interest.

<u>David C. Bales, Trustee</u>	<u>88737 Oak Hill Cemetery Rd., Eugene</u>	<u>(541) 689-0086</u>
Property Owner Name (Please Print)	Mailing Address OR 97402-9311	Phone
<u>Delores J. Bales, Trustee</u>	<u>88737 Oak Hill Cemetery Rd., Eugene</u>	<u>(541) 689-0086</u>
Property Owner Name (Please Print)	Mailing Address OR 97402-9311	Phone

3. Legal Description

Please provide an accurate legal description, tax account number(s), map, street address and location of all private real properties that are the subject of this application.

Assessor Map & Tax Lot 17-04-30 TL's 1307 and 1308

88737 Oak Hill Cemetery Rd., Eugene, OR 97402-9311 (TL 1307)

Street Address 28344 Royal Avenue, Eugene, OR 97402 Legal Description Attached X

4. Identification of Imposed Land Use Regulation

Please identify the Lane Code section or other land use regulation imposed on the private real property that is alleged to restrict the use of the subject property in a manner that reduces the fair market value. Include the date the regulation was first adopted, enforced or applied to the subject property and a written statement addressing all the criteria in LC 2.740(1).

LC 16.290(6)(6/2/04) and Ordinance No. 884 (see full narrative attached)

5. Title Report

Please attach a Preliminary Title Report showing title history and continuous ownership traced to the earliest family member ownership, the date of current owner(s) acquisition and all current interests of record for the subject property, issued within 30 days of the application submittal. Provide copies of relevant deeds.

Doc 0027150 SB-027A 9 Apr 08

6. Appraisal/Regulatory Effect

Please provide one original, signed appraisal prepared by an appraiser licensed by the Appraiser Certification and Licensure Board of the State of Oregon addressing the requirements of provisions added to ORS Chapter 197 by Ballot Measure 37 (November 2, 2004) and indicating the amount of the alleged reduction in fair market value by showing the difference in the fair market value of the property before and after the application of the challenged regulations as of the date the owner makes written demand for compensation. Include all of the supporting methodology, assumptions and calculations affecting the appraisal.

See Exhibit H

7. Leases, Covenants, Conditions and Restrictions

Please provide copies of any leases or covenants, conditions and restrictions applicable to the subject property.

N/A

8. Identification of Relief Sought

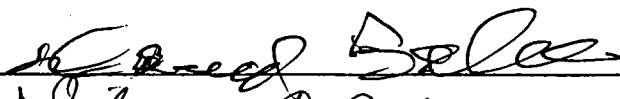
Please specifically indicate what relief is being sought, either a monetary value of the claim describing the reduction in fair market value of the property or the specific use authorization sought in any waiver of the land use regulation.

Monetary Claim: \$950,000


Use Sought: Residential use on parcels less than five acres in size.

I (we) have completed all of the attached application requirements and certify that all statements are true and accurate to the best of my (our) knowledge and belief. I am (We are) authorized to submit this application on behalf of all those with an interest in the property and all the owner(s) agree to this claim as evidenced by the signature of those owner(s) below. Include additional signatures, as necessary.

Entry by County or its designee upon the subject property is authorized by the owner(s) and the owner(s) consent to the application for claims under provisions added to ORS Chapter 197 by Ballot Measure 37 (November 2, 2004).


Owner(s) Signature

12-30-05
Date


Applicant/Agent Signature

12-30-05
Date

The following contacts are provided to assist you in finding the necessary information for this application.

For zoning and land use information, please contact the Land Management Division at 682-3577.

This phone contact is a message line. Please leave a message and a Planner will return your call.

For deeds and records information, please contact Lane County Deeds and Records at 682-3654.

BALLOT MEASURE 37 CLAIM

1. INTRODUCTION.

The applicants claim that Lane County's enforcement of land use regulations that restrict the use of their property has reduced the fair market value of their property. The applicants are requesting, pursuant to the provisions added to ORS Chapter 197 by Ballot Measure 37 (November 2, 2004) and Lane Code 2.700, that Lane County pay them just compensation for the reduction in the fair market value of their property resulting from those restrictions on its use. This application constitutes written demand pursuant to Section (4) of Ballot Measure 37 (2004).

In lieu of such payment of just compensation, the applicants request that Lane County waive the offending regulations, as provided hereinbelow, that prevent the applicants from subdividing the subject property to buildable lots of less than five acres in size.

The applicants obtained their interest in the subject property on November 17, 1958, and have owned the subject property continuously since that time. The applicants are the sole owners of the subject property. Lane County did not have an adopted zoning ordinance on November 17, 1958, and the subject property was not zoned, or otherwise regulated relative to use, by Lane County on that date.

The property is zoned Rural Residential Five Acres (RR5). That zoning, as applied by LC 16.290, will not permit land divisions below 5 acres in size for the resulting parcels and will not permit the placement of more than one dwelling on each of the two tax lots.

2. BACKGROUND INFORMATION.

2.1 General Site Description.

The property subject to this application consists of two adjacent parcels, one approximately 5.0 acres in size and the other approximately 6.48 acres in size. The subject property is located west of the City of Eugene at 88737 Oak Hill Cemetery Road (Tax Lot 1307) and 28344 Royal Avenue (Tax Lot 1308), Eugene, Oregon.

The subject property is described as Tax Lots 1307 and 1308 of Lane County Assessor's Map No. 17-04-30.

The each parcel of the subject property is developed with a residence and accessory structures.

The subject property receives the following public services: Eugene School District No. 4J (schools); Eugene Water and Electric Board (electrical power); Zumwalt Rural Fire Protection District (fire and ambulance); Qwest (telephone); LTD (bus service); Lane County Sheriff's Department and Oregon State Police.

2.2 List of Exhibits:

- Exhibit A - Assessor's Map No. 17-04-30
- Exhibit B - Legal Description
- Exhibit C - Lane County Application Form
- Exhibit D - 1958 Hart Warranty Deed
- Exhibit E - Bales Living Trust
- Exhibit F- Lane County Official Zoning Map Plot 268
- Exhibit G - Ordinance No. 884
- Exhibit H - Appraisal Reports prepared by Craig E. McKern, Certified Real Estate Appraiser

3. APPLICABLE CRITERIA. (Lane Code 2.700 – Real Property Compensation/Regulation Application Process)

3.1 Lane Code 2.720 Application for Claim

Lane Code 2.720 requires that the applicants be the present owners of the property that is the subject of the claim at the time the claim is submitted. The applicants are the present and sole owners of the subject property.

Lane Code 2.720 also contains the required items for a completed application as follows:

- a. A completed application form;**

Response:

A completed application form is attached hereto as Exhibit C.

- b. The name, mailing address, and phone number of the property owner filing the application, and of each of the other owners of the subject property and anyone with any interest in the property, including lien holders, trustees, renters, lessees, and a description of the ownership interest of each, if any, along with the signature of each of the other owners indicating consent to the application claim;**

Response:

The applicants are the sole owners of the property, free and clear of all encumbrances and interests of record other than those of the applicants. The applicants' names, mailing address and phone number are provided in the application form attached hereto. The applicants have signed the application form attached hereto.

- c. A legal description and tax lot number of the subject property as well as a street address for the property (if any);**

Response:

A legal description of the subject property is attached hereto as Exhibit B. The Lane County Assessor's Map No. for the subject property is 17-04-30. The street addresses of the two parcels of the subject property are 88737 Oak Hill Cemetery Road (Tax Lot 1307) and 28344 Royal Avenue (Tax Lot 1308), Eugene, Oregon, 97402.

d. A title report issued within 30 days of the application's submittal, including title history and including a statement of the date the applicant acquired ownership of the subject property and showing the ownership interests of all owners of the property or, as an alternative to the title report, a copy of the deed(s) granting all existing ownership interests to the owner(s) of the subject property signing the petition;

Response:

A copy of the original November 17, 1958, Warranty Deed between the applicants, as Grantee, and Matt Hart and Madeline Hart, husband and wife, as Grantors, conveying the subject property to the applicant, is attached hereto as Exhibit D. The applicants have owned the subject property continuously thereafter. On May 5, 1998, the applicants created the Bales Living Trust, a revocable living trust with the applicants as Trustees, and conveyed the subject property to themselves as Trustees of the Bales Living Trust. A copy of the trust is attached hereto as Exhibit E.

e. A statement specifically identifying the section of Lane Code or other land use regulation that allegedly restricts the use of the real property and allegedly causes a reduction in the fair market value of the subject property, including the date the regulation was adopted, first enforced or applied to the subject property;

Response:

The subject property is zoned Rural Residential Five Acre Minimum (RR5) as depicted on Lane County Official Zoning Map Plot 268 (a copy of which is attached as Exhibit F), adopted by Lane County as part of Ordinance 884 on February 29, 1984 (a copy of Ordinance 884 is attached as Exhibit G). In addition to Ordinance 884, the primary land use regulation that restricts the use of the subject property is Lane Code 16.290(6) which includes a minimum area requirement of five acres for the creation of new lots or parcels in the Rural Residential Zone on property designated as RR-5 on Lane County Zoning Maps. LC 16.290(6) and Zoning Map Plot 268 prevent the applicants from partitioning their property into parcels less than five acres in size as would have been allowed by Lane County regulations (or lack thereof) at the time the applicants obtained their interest in the subject property and prior to the county's adoption of LC 16.290(6) and Ordinance 884.

Ordinance 884 and LC 16.290(6) restrict the applicants' use of their property subsequent to their acquisition of it by establishing a minimum area requirement of five acres and preventing the applicants from partitioning their property into parcels of less than five acres in size. If the aforementioned Lane County regulations did not exist, or were consistent with provisions of

Lane County regulations preceding 1958, the value of the applicants' property would be considerably higher as six one-acre residentially-developable parcels as opposed to the existing five-acre developed parcels.

In addition to Ordinance 884 and LC 16.290(6), the following Lane County regulations restrict the use of the subject property by the applicant:

- LC 10.100-10, 30 and 40
- LC 13.050(1), (2), (5), and (12)
- LC 15.045(1)
- LC 15.070
- LC 15.080
- LC 15.137
- LC 15.138

f. A copy of a written appraisal by an appraiser licensed by the Appraiser Certification and Licensure Board of the State of Oregon, addressing the requirements of the provisions added to ORS Chapter 197 by Ballot Measure 37 (November 2, 2004) and indicating the amount of the alleged reduction in the fair market value of the property by showing the difference in the fair market value of the property before and after the application of each of the challenged regulations, individually, and after the application of all of the challenged regulations, cumulatively;

Response:

The applicant retained the services of Craig E. McKern, Certified Residential Real Estate Appraiser, to prepare written appraisals of the subject property indicating the difference in the fair market value of it as currently configured and as if configured into one-acre parcels. Mr. McKern's appraisals are attached hereto as Exhibit H.

g. A written statement addressing the criteria listed in LC 2.740(1)(a) through (d);

LC 2.740(1)(a) through (d) provides the following criteria:

(a) The county has either adopted or enforced a land use regulation that restricts the use of private property or any interest therein:

Response:

The subject property is zoned Rural Residential Five Acre Minimum (RR5) as depicted on Lane County Official Zoning Map Plot 268, adopted by Lane County as part of Ordinance 884 on February 29, 1984. In addition to Ordinance 884, the primary land use regulation that restricts the use of the subject property is Lane Code 16.290(6) which includes a minimum area requirement of five acres for the creation of new lots or parcels in the Rural Residential Zone on property designated as RR-5 on Lane County Zoning Maps. (See discussion above in section 3.1(e))

(b) The restriction on use has the effect of reducing the fair market value of the property or any interest therein, upon which the restriction is imposed;

Response:

See discussion above in sections 3.1(e) and (f) and below in section 3.1(h).

(c) The challenged land use regulation was adopted, enforced or applied after the current owner of the property (the applicant) became the owner, and

Response:

See discussion above in sections 3.1(d) and (e).

(d) The challenged regulation is not an exempt regulation as defined in LC 2.710.

Response:

Ordinance 884, Lane Code 16.290(6) and the Lane Code provisions listed in the Response to section 3.1(e) above are land use regulations as defined by provisions added to ORS Chapter 197 by Ballot Measure 37. They do not restrict or prohibit public nuisances, are not public health and safety protection regulations, are not required to comply with federal law, do not relate to the use of the property for pornography or nude dancing and were not enacted prior to the date the applicants acquired the property.

h. A statement by the applicant specifying the amount of the claim, and the fair market value of the property before and after application of the challenged land use regulation(s); and

Response:

The applicant claims from Lane County the sum of \$950,000, which sum represents the reduction in market value of the subject property resulting from Lane County's enforcement of the aforementioned regulations that restrict the use of the property to residential uses on parcels no less than five acres in size. The claimed sum is the total for both of the subject parcels, Tax Lots 1307 and 1308 of Lane County Assessor's Map No. 17-04-30.

According to Mr. McKern's appraisal, the total fair market value of both parcels that constitute the subject property before the application of the aforementioned challenged land use regulations is \$1,460,000. According to Mr. McKern's appraisal, the fair market value of the subject property after the application of the aforementioned challenged land use regulation is \$510,000. The reduction in fair market value of the subject property resulting from Lane County's restrictions on its use totals \$950,000, the amount of the claim herein.

i. Copies of any leases or covenants, conditions and restrictions applicable to the subject property if any exist that impose restrictions on the use of the property. Unless waived by the County Administrator, an application shall also include an application fee, in the amount established by Order of the Board, to at least partially cover the County costs of processing the application, to the extent an application fee may be required as a condition of acceptance of filing an application for a claim under the provisions added to ORS Chapter 197 by Ballot Measure 37 (November 2, 2004). The county shall refund the application fee if it is determined by the County or by a court that the applicant is entitled to compensation under the provisions added to ORS Chapter 197 by Ballot Measure 37 (November 2, 2004).

Response:

The subject property is free and clear of any encumbrances that would restrict the use of it.

4. CONCLUSION.

The applicants have demonstrated that Lane County's enforcement of Ordinance 884 and LC 16.290(6) restricts the use of the subject property to residential use on 5-acre minimum parcel sizes and that the restriction reduces the fair market value of the property from what it would be if residential use on parcels less than five-acre in size was allowed. The applicants have demonstrated compliance and consistency with the provisions added to ORS Chapter 197 by Ballot Measure 37 and LC 2.700. Accordingly, the applicants' claim for just compensation for the reduction in the fair market value of their property as a result of the restriction should be paid by Lane County. In lieu of such payment of just compensation, Lane County should waive the offending regulations as provided above that prevent the applicants from subdividing the subject property to into buildable residential lots of less than five acres in size.

FOR ASSESSMENT
AND TAXATION
USE ONLY

SECTION 30, T.17S. R.4 W.W.M.
LANE COUNTY
SCALE 1" = 400'

SEE MAP 17 04 19

TRACT	OWNER	ACRES	REMARKS
1307	PCL 1	6.48	
1308	PCL 2	5.80	
1309	PCL 3	8.11	
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SEE MAP 17 04 29

004-15

SEE MAP 17 05 25

SEE MAP 17 04 31

17 04 30
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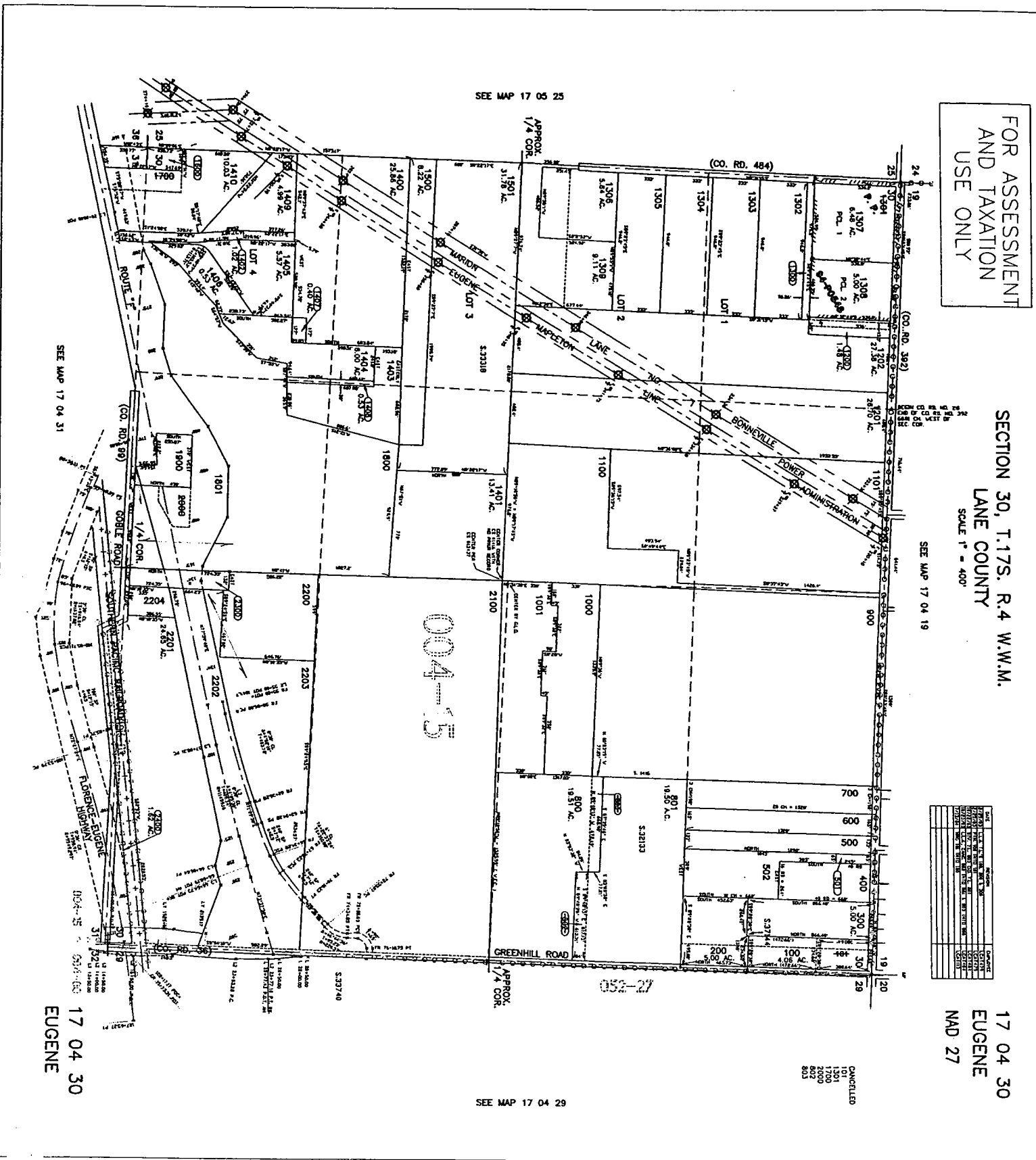


Exhibit B

Legal Description

Parcel One:

Parcel I of the David Bales Land Partition as recorded and platted in Land Partition Plat Number 94-P0548, Lane County Oregon Plat Records, in Lane County, Oregon.

Parcel Two:

Parcel II of the David Bales Land Partition as recorded and platted in Land Partition Plat Number 94-P0548, Lane County Oregon Plat Records, in Lane County, Oregon.

FOR VALUE RECEIVED
Matt Hart and Madeline Hart, husband and wife,

herein referred to as grantors, hereby grant, bargain, sell and convey unto
David Charles Bales and Dolores Joan Bales, husband and wife,
as tenants by the entirety,

herein referred to as grantees, the following described real property, with tenements, heredita-
ments and appurtenances, to wit:

Beginning at the Northwest corner of Section 30, Township
17 South, Range 4 West of the Willamette Meridian; thence S. 89°
23' 45" E. 1023.3 feet along the north line of said Section 30;
thence, S. 0° 31' 15" W. 566.0 feet along a line parallel to the
West line of said Section 30 to a point; thence, N. 89° 23' 45"
W. 1023.3 feet to a point on the west line of said Section 30;
thence, N. 0° 31' 15" W. 566.0 feet along the west line of Section
30 to the point of beginning, all in Lane County, Oregon.

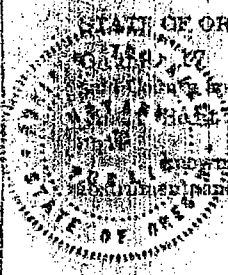


TO HAVE AND TO HOLD the said premises unto said Grantees, their heirs and assigns forever.
And the said Grantors hereby covenant that they are lawfully seized in fee simple of said premises;
that they are free from all incumbrances, except right-of-way for general road
purposes over and across the East 60 feet of the premises herein
described.

and that they will warrant and defend the abovegranted premises against all lawful claims what-
soever, except as above stated.

Dated November 17, 1958

Matt Hart (Seal)
Madeline Hart (Seal)



STATE OF OREGON, County of Lane ss.
day of November, 1958, before me, the undersigned, a Notary Public in and for
the State and State personally appeared the within named
Matt and Madeline Hart, husband and wife,

known to me to be the identical individual s described in and who executed the within
instrument and acknowledged to me that they executed the same freely and voluntarily.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my
official seal the day and year last above written

David C. Lathrop
Notary Public for Oregon

My Commission Expires 3-4-60

CASCADE TITLE COMPANY
WARRANTY DEED

State of Oregon,
County of Lane ss.
I, Ina Randolph, Director of the
Department of Records and Elections,
in and for the said County, do hereby
certify that the within instrument was
received for record at

NOV 18 3 58 PM 4 03 7

Reel 2400

Lane County OFFICIAL Records.
INA RANDOLPH, Director of the
Department of Records & Elections.
Ina Randolph
Deputy
C10-083-05

Return To:
D. C. Bales
Rt 1 Box 1432
Eugene Oregon

9834998

After recording, return to:
R. CONRAD SCHULTZ
Attorney at Law
969 Willagillespie Road
Eugene, OR 97401

Until a change is requested,
mail all tax statements to:
NO CHANGE

4868MAY.07'98#07REC 15.00
4868MAY.07'98#07PFUND 10.00
4868MAY.07'98#07A&T FUND 20.00

WARRANTY DEED

DAVID C. BALES and DOLORES J. BALES, husband and wife, "Grantors", hereby convey and warrant to DAVID C. BALES and DOLORES J. BALES, Trustees, or their successors in trust under the BALES LIVING TRUST Dated May 5, 1998, and any amendments thereto, "Grantees", the following real property, free of encumbrances except for matters of public record:

SEE EXHIBIT "A" ATTACHED HERETO

THE LIABILITY AND OBLIGATIONS OF THE GRANTORS TO GRANTEEES AND GRANTEEES' HEIRS AND ASSIGNS UNDER THE WARRANTIES AND COVENANTS CONTAINED HEREIN OR PROVIDED BY LAW SHALL BE LIMITED TO THE EXTENT OF COVERAGE THAT WOULD BE AVAILABLE TO GRANTORS UNDER A STANDARD POLICY OF TITLE INSURANCE CONTAINING EXCEPTIONS FOR MATTERS OF PUBLIC RECORD. THE LIMITATIONS CONTAINED HEREIN EXPRESSLY DO NOT RELIEVE GRANTORS OF ANY LIABILITY OR OBLIGATIONS UNDER THIS INSTRUMENT, BUT MERELY DEFINE THE SCOPE, NATURE, AND AMOUNT OF SUCH LIABILITY OR OBLIGATIONS.

THE TRUE CONSIDERATION FOR THIS CONVEYANCE IS \$-0-.

THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS WHICH, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND WHICH LIMITS LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930 IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND EXISTENCE OF FIRE PROTECTION FOR STRUCTURES.

Dated this 5th day of May, 1998.

David C. Bales
DAVID C. BALES

Dolores J. Bales
DOLORES J. BALES

State of Oregon, County of Lane) ss.

This instrument was acknowledged before me on the 5th day of May, 1998, by DAVID C. BALES and DOLORES J. BALES.

Scott C. Selby
Notary Public for Oregon



9834998

EXHIBIT "A"

PARCEL ONE:

Parcel I of the David Bales Land Partition as recorded and platted in Land Partition Plat Number 94-P0548, Lane County Oregon Plat Records, in Lane County, Oregon.

PARCEL TWO:

Parcel II of the David Bales Land Partition, as recorded and platted in Land Partition Plat Number 94-P0548, Lane County Oregon Plat Records, in Lane County, Oregon.

PARCEL THREE:

That parcel of real property in Lane County Oregon and being designated as Tax Lot 2700 in Township 17, Section 24, Range 5 Willamette Meridian, more particularly described as follows:

Beginning at the brass cap set for the East 1/4 corner of Section 24, Township 17 South, Range 05 West, Willamette Meridian, and running thence along the East line of said Section 24, South 0 degrees 01' 30" East 598.30 feet to a 1/2" rebar marking a point on the Northerly margin of the Amazon Diversion Canal; thence along said Northerly margin North 61 degrees 19' 00" West 420.65 feet to the beginning of a 616.20 foot radius curve right; thence along said margin and curve 518.05 feet to a point on the East-West centerline of said Section 24, said point being North 37 degrees 13' 55" West 502.92 feet from the previous point; thence along said centerline South 89 degrees 39' 27" East 673.07 feet to the Point of Beginning, all in Lane County, Oregon.

PARCEL FOUR:

That parcel of real property located on Fir Butte Road in Lane County, Oregon, and being a portion of Tax Lot 2900 in Township 17, Section 24, Range 5, Willamette Meridian. Said Tax Lot was partitioned, being partition No. 254-84 and this parcel designated as parcel II of the partition, more particularly described as follows:

Beginning at a point on the East line of Section 24, Township 17 South, Range 05 West, Willamette Meridian, said point being North 0 degrees 01' 30" West 872.25 feet from the Southeast corner of said Section 24, said beginning point being marked by a 1/2" rebar; and running thence along said East Section line North 0 degrees 01' 30" West 924.57 feet to a 1/2" rebar marking a point on the Southerly margin of the Amazon Diversion Canal; thence along said Southerly margin North 61 degrees 19' 00" West 530.18 feet to the beginning of a 816.20 foot radius curve right; thence along said margin and curve on a 733.86 foot arc which has a long chord bearing North 35 degrees 33' 32" West 709.39 feet to a point on the East-West Centerline of said Section 24, said point being marked by a 1/2" rebar; thence leaving the

9834998

Southerly margin of said Canal and running along said East-West Centerline North 89 degrees 39' 27" West 412.28 feet to a point on the Easterly margin of Fir Butte Road marked by a 1/2" rebar; thence along said Easterly margin South 0 degrees 02' 40" West 1754.31 feet to 1/2" rebar; thence leaving said margin and running South 89 degrees 48' 40" East 1291.71 feet to the Point of Beginning, all in Lane County, Oregon.

State of Oregon
County of Lane — ss.
I, the County Clerk, in and for the said
County, do hereby certify that the within
instrument was received for record at

'98 MAY 7 PM 3:37

Reel **2416R**
Lane County OFFICIAL Records
Lane County Clerk

By: David S. Suchan
County Clerk

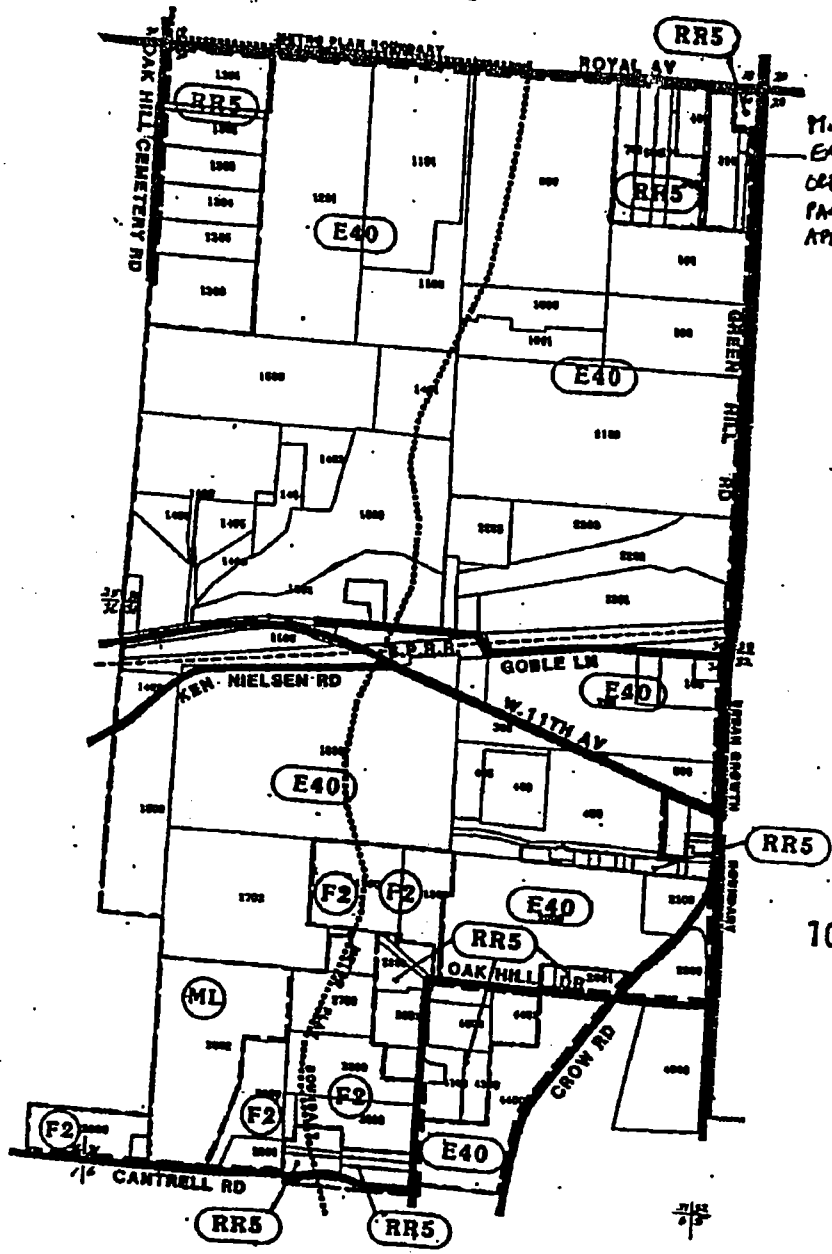
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M. 04. 30th 200, 201
E40 TO RR5 BR
OAK PA (NSL)
PA 99-55-91
APR. 18, '01



The RR zones on this map are changed as follows:
FROM: RR LC 16.231 TO: RR LC 16.290
The RR zone parcel also remains the same.

The zones on this map are changed as follows:
From: RQ, RA ~~RR1~~ To: RR2
From: CR, CI, C2, & C3 To: RC Rural Commercial
From: M1, M2, & M3 To: R1 Rural Industrial
From: PF To: RPF Rural Public Facility
From: PR To: RPR Rural Park & Recreation



OFFICIAL ZONING MAP

PLOT# 268

Township Range Section
17 04 30 / 17 04 31

ORIGINAL ORD. # PA 884 DATE 2/29/1984 FILE # _____
VISION # _____ ORD # _____ DATEF _____

BALES LIVING TRUST

Article One

Trust Creation

Section 1. Parties to Our Trust

This trust agreement dated May 5, 1998, is made between DAVID C. BALES, the husband Trustor, and DOLORES J. BALES, the wife Trustor, and the following initial Trustees:

**DAVID C. BALES
DOLORES J. BALES**

Upon the death of either Trustor, the surviving Trustor shall act as co-Trustee with SCOTT B. BALES and BRIAN S. BALES.

Section 2. Name of Our Trust

This trust may be referred to as the:

BALES LIVING TRUST, Dated May 5, 1998.

The formal name of our trust and the designation to be used for the transfer of title to the name of our trust is:

**DAVID C. BALES and DOLORES J. BALES,
Trustees, or their successors in trust,
under the BALES LIVING TRUST Dated May 5, 1998,
and any amendments thereto.**

Section 3. Revocable Living Trust

Our trust is a revocable living trust.

Section 16. Severability

Should any of the provisions of this agreement be for any reason declared invalid, such invalidity shall not affect any of the other provisions of this instrument, and all invalid provisions shall be wholly disregarded in interpreting this agreement.

Section 17. Statutory References

Unless the context clearly requires another construction, each statutory reference in this agreement shall be construed to refer to the statutory section mentioned, related successor sections and corresponding provisions of any subsequent law, including all amendments.

Section 18. Governing State Law

This agreement and the trusts created under it shall be construed, regulated and governed by and in accordance with the laws of the State of Oregon.


We have executed this agreement on the date set forth on the first page of this agreement.

We affirm that we have read this trust agreement, and that it correctly states the terms under which our trust property is to be held, administered, and distributed by our Trustee.


DAVID C. BALES, Trustor


DOLORES J. BALES, Trustor


DAVID C. BALES, Trustee


DOLORES J. BALES, Trustee

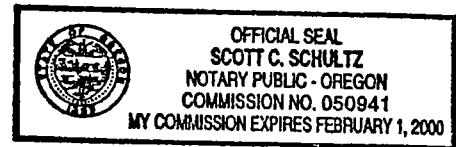
STATE OF OREGON)

ss.

County of Lane)

On May 5, 1998, before me, the undersigned, a Notary Public in and for said State, personally appeared DAVID C. BALES and DOLORES J. BALES, Trustors and Trustees, known to me, (or proved to me on the basis of satisfactory evidence), to be the persons whose names are subscribed to the within instrument and acknowledged that they executed the same.

Witness my hand and seal.



Scott C Schultz
Notary Public for Oregon

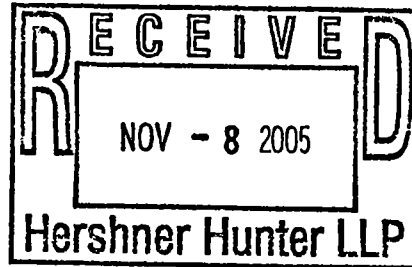
EXHIBIT H
Craig E. McKern, Appraiser, P.C.
State Certified Residential Real Estate Appraiser
Mailing: 1574 Coburg Road, PMB 397, Eugene, Oregon 97401-4802
Telephone 541-345-0744 Facsimile 541-345-0577
email: cem9th@msn.com

November 6, 2005

David and Delores Bales
88737 Oak Hill Cemetery Road
Eugene, Oregon 97402

c/o Steve Cornacchia
Hershner Hunter
180 East 11th Avenue
Eugene, Oregon 97401

RE: Lane Code 2.740 (6)



Steve,

For your files, here is the Ballot Measure 37 summary for Mr. And Mrs. Bales' property at 28344 Royal Avenue, Eugene, Oregon 97402; Tax Lot 17S-4W-30-00-01308.

The scenario for these three restricted appraisal reports is captioned on the cover summary. The reports are restricted to knowledgeable users, namely yourself and your clients, with acknowledgment a Lane County claims decision committee will be a reader of these reports.

It must be noted that under the scenarios of creating four new buildable sites out of the total 5.00 acres (plus the present home site and outbuildings on its own one acre site) that physical possibility for all five total individual homesites is a question particularly in obtaining five new viable wells and less particularly for obtaining four new viable septic approvals, one for each hypothecated site. The possibility of a community water system may need to be explored following Lane County approval of this Measure 37 claim. The present (rented space) homesite is served by a quite marginal well supplemented by the well on Tax Lot 1307, per Mr. Bales.

Therefore it is postulated:

Hypothecated value of one hypothetical one acre site with assumed building permit for on a single family residence -	\$120,000 times four such sites -	\$480,000
Hypothecated value of existing homesite and improvements on a hypothetical one acre site in an "after" scenario -		+ \$150,000
	Total -----	\$630,000
Total "before" value of subject homesite and improvements on existing 5.00 acre site, excluding manufactured home belonging to tenants -		\$190,000

Difference of \$440,000 is attributed to creation of four new buildable sites out of the larger existing site of 5.00 acres; further, a \$40,000 difference between "before" and "after" totals can be attributed to per acre adjustment differences between a five acre site and one acre sites. Please contact me if you have any questions.

Cordially,

Craig E. McKern

A handwritten signature in black ink, appearing to read "Craig E. McKern".

Craig E. McKern, Appraiser, P.C.
State Certified Residential Real Estate Appraiser
Mailing: 1574 Coburg Road, PMB 397, Eugene, Oregon 97401-4802
Telephone 541-345-0744 Facsimile 541-345-0577
email: cem9th@msn.com

November 6, 2005

David and Delores Bales
88737 Oak Hill Cemetery Road
Eugene, Oregon 97402

c/o Steve Cornacchia
Hershner Hunter
180 East 11th Avenue
Eugene, Oregon 97401

RE: Lane Code 2.740 (6)

Steve,

For your files, here is the Ballot Measure 37 summary for Mr. And Mrs. Bales' property at 88737 Oak Hill Cemetery Road, Eugene, Oregon 97402; Tax Lot 17S-4W-30-00-01307.

The scenario for these three restricted appraisal reports is captioned on the cover summary. The reports are restricted to knowledgeable users, namely yourself and your clients, with acknowledgment a Lane County claims decision committee will be a reader of these reports.

It must be noted that under the scenarios of creating five new buildable sites out of the total 6.48 acres (plus the present dwelling and outbuildings on its own one acre site) that physical possibility for all five postulated individual home sites is a question particularly in obtaining five new viable wells and less particularly for obtaining five new viable septic approvals, one for each hypothecated site. The possibility of a community water system may need to be explored following Lane County approval of this Measure 37 claim. The present dwelling and grounds are served by a very good well and a standard septic system, per Mr. Bales.

Therefore it is postulated:

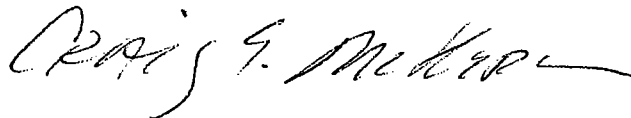
Hypothecated value of one hypothetical one acre site with assumed building permit for on a single family residence -	\$120,000 times five such sites -	\$600,000
Hypothecated value of subject dwelling and improvements on a hypothetical one acre site in an "after" scenario -		+ \$230,000
	Total -----	\$830,000
Total "before" value of subject dwelling and improvements on existing 6.48 acre site -		\$320,000

Difference of \$510,000, say \$500,000, is attributed to creation of five new buildable sites out of the larger existing site.

Please contact me if you have any questions.

Cordially,

Craig E. McKern



Three Restricted Appraisal Reports of Complete Appraisals of

28344 Royal Avenue
Eugene, Oregon 97402
(“as is” with 5.00 acres, a “before” scenario)
file 092605D

AND

A Hypothetical one acre portion of Tax Lot 17S-4W-30-01308
including all improvements at address known as
28344 Royal Avenue, Eugene, Oregon 97402.
(with one hypothetical acre only, an “after” scenario)
file 092605E

AND

A Hypothetical Portion of Tax Lot 17S-4W-30-00-01308
(with no improvements on one hypothetical acre only,
an “after” scenario with assumed permits to construct one
single family residence, well and septic system permits assumed)
file 092605F

Client/Owner Residence Address:
88737 Oak Hill Cemetery Road
Eugene, Oregon 97402

Client:

David and Delores Bales

c/o Steve Cornacchia, attorney
Hershner Hunter
180 East 11th Avenue
Eugene, Oregon 97401

Purpose of the Appraisal:

To estimate market value of actual and hypothetical parcels subject to certain conditions
outlined in the text and exhibits of the reports 092605D, 092605E and 092605F

Use of the Appraisal:

For use in a State Measure 37 proceeding brought by the owners and their attorney in Lane County, Oregon

Date of Most Recent Inspection
and Effective Date of Report:
October 10, 2005

Report Completion Date:
November 6, 2005

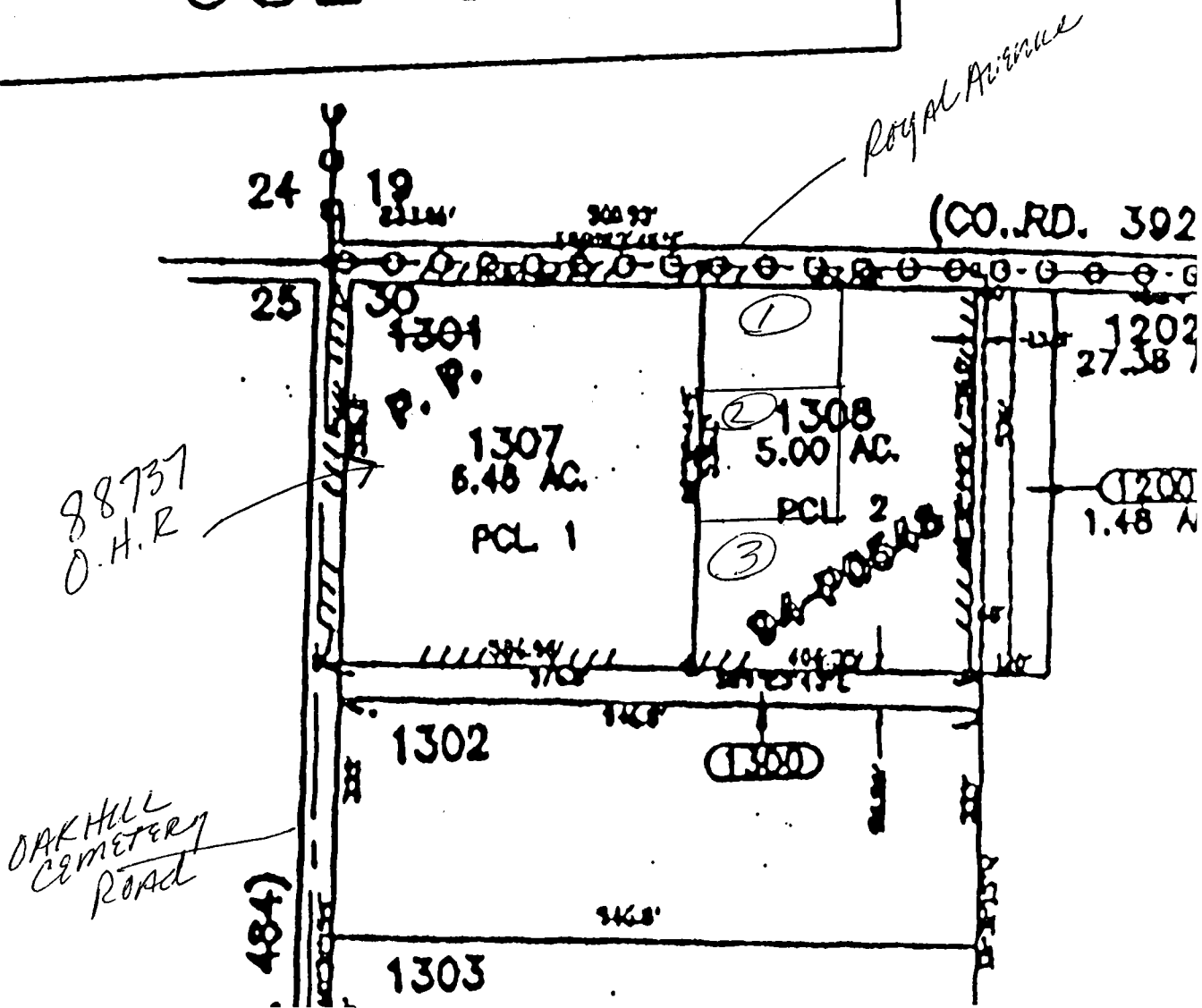
Prepared by:

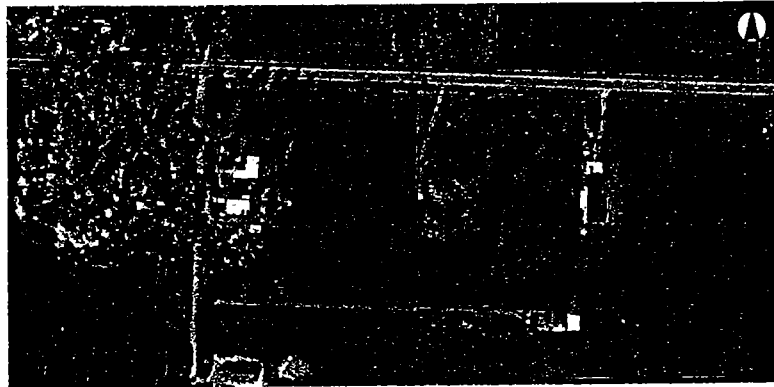
Craig E. McKern, Appraiser, P.C.
Certified Residential Real Estate Appraiser
1574 Coburg Road, PMB 397
Eugene, Oregon 97401-4802
files 092605D, 092605E and 092605F

POSTULATED PLOT PLAN NOT TO SCALE
28344 Royal Avenue
EUGENE, OREGON

- 1 = Sample hypothetical one acre site - VACANT
- 2 = Sample hypothetical existing improvements - 1 acre
- 3 = BALANCE OF SITE APPRAISED AS ENTIRE PARCEL 2

FOR ASSESSMENT
AND TAXATION
USE ONLY





Aerial view of Tax Lot 1308 on right and T.L. 1307 on left showing detail of hypothetical and potential one acre sites under Measure 37 claim. File 092605E and 0902605D right center at homesite; 092605F right upper center

File 092605D - general site photos including one acre hypothetical site areas

Borrower/Client	No borrower				
Property Address	28344 Royal Avenue - with home site improvements -all of Tax Lot 17S-04W-30-00-01308				
City	Eugene	County	Lane	State	Oregon
Zip Code					97402
Lender	Bales, David and Delores c/o Steve Comacchia				



General view from north to south of 28344 Royal Avenue showing manufactured home residence owned by site tenants, which is excluded from valuation in this report 092605.

Carport and storage shed at far right

Oak Hill to rear on horizon



Detail of carport and storage shed which is a site improvement included in value for reports 092605D and 092605E



Looking west across north portion of Tax Lot 1308 in area of approximate potential one acre hypothetical site, one of fice such sites proposed under Measure 37 claims.

Subject site adjoins Tax Lot 1307 at approximate change in vegetation line running right to left from Royal Avenue on right

See aerial photos for added visualization.

LAND APPRAISAL REPORT

File No. 092605D

IDENTIFICATION

Borrower No borrower Census Tract 10.01 Map Reference Pittmon page 24
 Property Address 28344 Royal Avenue - with home site improvements - all of Tax Lot 17S-04W-30-00-01308
 City Eugene County Lane State Oregon Zip Code 97402
 Legal Description Parcel Two, Lane County Partition Plat No. 95-P0548
 Sale Price \$ Not Sold Date of Sale N/A Loan Term N/A yrs. Property Rights Appraised Fee Leasehold De Minimis PUD
 Actual Real Estate Taxes \$ TBA (yr) Loan charges to be paid by seller \$ N/A Other sales concessions _____
 Lender/Client Bales, David and Delores c/o Steve Cornacchia Address 180 East 11th Avenue, Eugene, Oregon 97401
 Occupant Tenants Appraiser Craig E. McKern, Appraiser, I Instructions to Appraiser appraise to market value per USPAP standards
Craig E. McKern, Appraiser, P.C. 1574 Coburg Road, PMB 397, Eugene, Oregon 97401 telephone 541-345-0744 facsimile 541-345-0577

NEIGHBORHOOD

Location	<input type="checkbox"/> Urban	<input checked="" type="checkbox"/> Suburban	<input type="checkbox"/> Rural	Good Avg. Fair Poor
Built Up	<input checked="" type="checkbox"/> Over 75%	<input type="checkbox"/> 25% to 75%	<input type="checkbox"/> Under 25%	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Growth Rate	<input type="checkbox"/> Fully Dev.	<input type="checkbox"/> Rapid	<input type="checkbox"/> Steady	<input checked="" type="checkbox"/> Slow
Property Values	<input type="checkbox"/> Increasing	<input type="checkbox"/> Decreasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining
Demand/Supply	<input type="checkbox"/> Shortage	<input checked="" type="checkbox"/> In Balance	<input type="checkbox"/> Oversupply	<input type="checkbox"/> Over 6 Mos.
Marketing Time	<input checked="" type="checkbox"/> Under 3 Mos.	<input checked="" type="checkbox"/> 4-6 Mos.	<input type="checkbox"/> Over 6 Mos.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Present Land Use	<u>85% 1 Family</u>	<u>5% 2-4 Family</u>	<u>% Apts.</u>	<u>% Condo</u>
	<u>0% Industrial</u>	<u>5% Vacant</u>	<u>5% other/ public uses</u>	<u>0% Commercial</u>
Change in Present Land Use	<input type="checkbox"/> Not Likely	<input type="checkbox"/> Likely (*)	<input checked="" type="checkbox"/> Taking Place (*)	
	(*) From <u>vacant/undeveloped</u> To <u>residential</u>			
Predominant Occupancy	<input checked="" type="checkbox"/> Owner	<input type="checkbox"/> Tenant	<u>% Vacant</u>	
Single Family Price Range	<u>\$ 200</u>	<u>to \$ 1,000+</u>	Predominant Value <u>\$ 400+</u>	
Single Family Age	<u>New yrs. to 100+</u>	<u>yrs.</u>	Predominant Age <u>20-50 yrs.</u>	

Employment Stability
 Convenience to Employment
 Convenience to Shopping
 Convenience to Schools
 Adequacy of Public Transportation
 Recreational Facilities
 Adequacy of Utilities
 Property Compatibility
 Protection from Detrimental Conditions
 Police and Fire Protection
 General Appearance of Properties
 Appeal to Market

Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise): See file 092605A, a residential form report for use with this same Measure 37 claim application, for neighborhood description. The subject as appraised is Tax Lot 17S-04W-30-00-01308 with existing homesite improvements but WITHOUT the manufactured home belonging to tenants. See attached plat map and aerial photos for hypothetical and actual site positions. Current long term tenants pay \$308 per month site rent, tenant pays own electricity and garbage service.

SITE

Dimensions 536' x 406' more or less = 5.00 Sq. Ft. or Acres Corner Lot
 Zoning classification RR-5 (5 acre minimum site for new partitions) Present improvements do do not conform to zoning regulations
 Highest and best use Present use Other (specify) potential to partition to smaller hypothetical sites under present Measure 37 procedures
 Public Other (Describe) _____
 Elec. Gas Water San. Sewer
 OFF SITE IMPROVEMENTS
 Street Access Public Private
 Surface Asphalt
 Maintenance Public Private
 Storm Sewer Curb/Gutter
 Sidewalk Street Lights
 Underground Elect. & Tel.
 Topo Level _____
 Size Typical small acres
 Shape Rectangular
 View Fields, hills
 Drainage Normally Adequate FEMA 41039C-1105F Zone X
 Is the property located in a HUD identified Special Flood Hazard Area? No Yes
 Comments (favorable or unfavorable including any apparent adverse easements, encroachments, or other adverse conditions): Total Tax Lot 1308 site created by legal partition in 1994 and conforms to zoning "as is". The appraised site has existing manufactured home pad with well (reported marginal volume, supplemented by water from TL 1307 well), septic system, fence, drive, landscape, carport and storage shed. Site drainage by ditch and slope normally adequate with Zone A flood plain on far northeast corner per FEMA map; may not be fully accurate. See photo pages.

The undersigned has recited three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made thus reducing the indicated value of subject, if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

ITEM	SUBJECT PROPERTY	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Address	28344 Royal Avenue, Eugene (existing buildable site)	Adjacent to 29641 Lusk Road Eugene// asking \$199,900	Tax Lot 18-04-13-00-01001 Eugene// asking \$129,900	Tax Lot 17-04-19-31-01800 Eugene// asking \$165,500
Proximity to Subject		8 air miles southeast	7 air miles southeast	1/2 air mile northeast
Sales Price	\$ Not Sold	\$ 199,900	\$ 135,000	\$ 165,500
Price	\$	\$	\$	\$
Data Source	Observation/County	Observation/ Realtor/ County	Observation/ Realtor/ County	Observation/ Realtor/ County
Date of Sale and Time Adjustment	DESCRIPTION	DESCRIPTION +(-)\$ Adjust	DESCRIPTION +(-)\$ Adjust	DESCRIPTION +(-)\$ Adjust
	10-10-2005	09-2005 (COE) 0	09-2005 (COE) 0	Active Listing 0
Location	Above Average	Good -30,000	Good minus -10,000	Above Average
Site/View	5.0 acre/ fields, hills	3.65 ac/ Wds, south +15,000	3.01 acres/Woods +40,000	6.08 acres/Fields -10,000
Utilities / Drive	Installed to site	Available at road +10,000	Available at road +10,000	Available at road +10,000
Buildability/Slope	Buildable / Level	Buildable/ slight 0	Buildable/ slight 0	Assumed / Level 0
Well/Septic system	Installed/Installed	None/ Permitted +5,000	City Avail/SandFilter +10,000	None/Assm'd Prmt +5,000
Structures/Improves	Carport/storage/ L,F	No improvements +10,000	No improvements +10,000	No improvements +10,000
Sales or Financing Concessions	Cash to Seller assumed	New Conv. Loan No Points, Costs	New Conv. Loan No Points, Costs	Cash to Seller assumed
Net Adj. (Total)		<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 10,000	<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 60,000	<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 15,000
Indicated Value of Subject		\$ 209,900	\$ 195,000	\$ 180,500

Comments on Market Data: Extremely limited open market sale and listing data found after extensive search for openly marketed smaller parcels in the southwest and west areas of suburban Eugene; main factor in scarcity is that most smaller parcels have been built upon in the past and few new parcels have been created. Sale 2 has city water available at cost, requires a sand filter septic system at higher cost; is narrow and deep.

Comments and Conditions of Appraisal: The appraisal is made to cash equivalency per USPAP and FIRREA guidelines and USPAP departure provisions do not apply. See attached assumptions, limiting conditions and comments. Appraised value is for five acre existing buildable site with existing site improvements as noted, replacement dwelling approval per county code. Well adjustment considers 1.6 gpm flow from present well, need for supplement. Site as appraised excludes the manufactured home itself which is owned by the site tenants.

Final Reconciliation: The market data approach, based on the sales of reasonably similar properties, is judged the more reliable indicator of value. Support is from the cost approach. The income approach is not considered applicable to owner-occupied single family residences. The stated opinion of value is within a fairly wide range of adjusted values. Only actual open market exposure can determine a true market value.

I ESTIMATE THE MARKET VALUE, AS DEFINED, OF SUBJECT PROPERTY AS OF October 10, 2005 to be \$ 190,000
 The opinion of value stated is within a range of indicated values. Value opinion is provided for comparison purposes in a Measure 37 proceeding only and only an actual open market exposure test can be considered to prove a true market value.
 Appraiser(s) Craig E. McKern, Appraiser, P.C. Review Appraiser (if applicable) _____ Did Did Not Physically Inspect Property

LAND APPRAISAL REPORT

HYPOTHETICAL

File No. 092605E

Borrower No borrower Census Tract 10.01 Map Reference Pittmon page 24
 Property Address 28344 Royal Avenue - with homesite improvements -HYPOTHETICAL One Acre Portion of Tax Lot 17S-04W-30-00-01308
 City Eugene County Lane State Oregon Zip Code 97402
 Legal Description HYPOTHETICAL PORTION OF Parcel Two, Lane County Partition Plat No. 95-P0548 with homesite improvements
 Sale Price \$ Not Sold Date of Sale N/A Loan Term _____ yrs. Property Rights Appraised Fee Leasehold De Minimis PUD
 Actual Real Estate Taxes \$ TBA (yr) Loan charges to be paid by seller \$ N/A Other sales concessions _____
 Lender/Client Bales, David and Delores c/o Steve Cornacchia Address 180 East 11th Avenue, Eugene, Oregon 97401
 Occupant Tenants Appraiser Craig E. McKern Instructions to Appraiser appraise to market value per USPAP standards.
Craig E. McKern, Appraiser, P.C. 1574 Coburg Road, PMB 397, Eugene, Oregon 97401 telephone 541-345-0744 facsimile 541-345-0577

<p>NEIGHBORHOOD</p> Location <input type="checkbox"/> Urban <input checked="" type="checkbox"/> Suburban <input type="checkbox"/> Rural Built Up <input checked="" type="checkbox"/> Over 75% <input type="checkbox"/> 25% to 75% <input type="checkbox"/> Under 25% Growth Rate <input type="checkbox"/> Fully Dev. <input type="checkbox"/> Rapid <input type="checkbox"/> Steady <input checked="" type="checkbox"/> Slow Property Values <input type="checkbox"/> Increasing <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Declining Demand/Supply <input type="checkbox"/> Shortage <input checked="" type="checkbox"/> In Balance <input type="checkbox"/> Oversupply Marketing Time <input checked="" type="checkbox"/> Under 3 Mos. <input checked="" type="checkbox"/> 4-6 Mos. <input type="checkbox"/> Over 6 Mos. Present Land Use <u>85% 1 Family</u> <u>5% 2-4 Family</u> <u>0% Apts.</u> <u>0% Condo</u> <u>0% Commercial</u> <u>0% Industrial</u> <u>5% Vacant</u> <u>5% other/ public uses</u> Change in Present Land Use <input type="checkbox"/> Not Likely <input type="checkbox"/> Likely (*) <input checked="" type="checkbox"/> Taking Place (*) (*) From <u>vacant/undeveloped</u> To <u>residential</u> Predominant Occupancy <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Tenant <u>0% Vacant</u> Single Family Price Range \$ <u>200</u> to \$ <u>1,000+</u> Predominant Value \$ <u>400+-</u> Single Family Age <u>New yrs. to 100+ yrs.</u> Predominant Age <u>20-50 yrs.</u>	<p>EMPLOYMENT</p> Employment Stability <input checked="" type="checkbox"/> Good <input checked="" type="checkbox"/> Avg. <input checked="" type="checkbox"/> Fair <input checked="" type="checkbox"/> Poor Convenience to Employment <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Convenience to Shopping <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Convenience to Schools <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Adequacy of Public Transportation <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Recreational Facilities <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Adequacy of Utilities <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Property Compatibility <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Protection from Detrimental Conditions <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Police and Fire Protection <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> General Appearance of Properties <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Appeal to Market <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
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Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise): See file 092605A, a residential form report for use with this same Measure 37 claim application, for neighborhood description. The subject as appraised is a hypothetical portion of Tax Lot 17S-04W-30-00-01308 with existing homesite improvements but WITHOUT the manufactured home belonging to tenants. See attached plat map for hypothetical site position (one of five such potential parcels proposed under Measure 37 claim proceedings) out of total Tax Lot 1308

Dimensions 208' x 208' more or less = 1.00 Sq. Ft. or Acres Corner Lot
 Zoning classification RR-5 (5 acre minimum site for new partitions) Present Improvements do do not conform to zoning regulations
 Highest and best use Present use Other (specify) potential to partition to this smaller hypothetical site under present Measure 37 procedures
 Public Other (Describe) _____
 Elec. Gas Water San. Sewer
 OFF SITE IMPROVEMENTS
 Street Access Public Private
 Surface Asphalt Maintenance Public Private
 Storm Sewer Curb/Gutter Sidewalk Street Lights
 Topo Level Size Typical small acres
 Shape Square as hypothetically proposed View Fields, hills
 Drainage Normally Adequate FEMA 41039C-1105F Zone X
 Is the property located in a HUD Identified Special Flood Hazard Area? No Yes
 Comments (favorable or unfavorable including any apparent adverse easements, encroachments, or other adverse conditions): Total Tax Lot 1308 site created by legal partition in 1994 and conforms to zoning "as is". This hypothetical portion has existing homesite with well (reported marginal volume, supplemented by water from TL 1307 well), septic system, fence, drive, landscape, carport and storage shed. Site drainage by ditch and slope, normally adequate with Zone A flood plain on far northeast corner per FEMA map; may not be fully accurate. See photo pages.

The undersigned has recited three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made thus reducing the indicated value of subject; if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

ITEM	SUBJECT PROPERTY	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Address	28344 Royal Avenue, Eugene HYPOTHETICAL with homesite	Adjacent to 29641 Lusk Road Eugene// asking \$199,900	Tax Lot 18-05-25-31-01600 Eugene// asking \$124,900	Tax Lot 17-04-19-31-01800 Eugene// asking \$165,500
Proximity to Subject		8 air miles southeast	7 air miles south	1/2 air mile northeast
Sales Price	\$ Not Sold	\$ 199,900	\$ 124,900	\$ 165,500
Price				
Data Source	Inspection/County	Observation/ Realtor/ County	Observation/ Realtor/ County	Observation/ Realtor/ County
Date of Sale and Time Adjustment	DESCRIPTION 10-10-2005	DESCRIPTION +(-)\$ Adjust 09-2005 (COE) 0	DESCRIPTION +(-)\$ Adjust 07-2005 (COE) 0	DESCRIPTION +(-)\$ Adjust Active Listing 0
Location	Above Average	Good -30,000	Average plus +10,000	Above Average
Site/View	1.0 acre/ fields, hills	3.65 ac/ Wds, south -25,000	1.20 acres/Woods 0	6.08 acres/Fields -50,000
Utilities/ Drive	Installed to site	Available at road +10,000	Available at road +10,000	Available at road +10,000
Buildability/Slope	Buildable / Level	Buildable/ slight 0	Buildable/ slight 0	Assumed / Level 0
Well/Septic system	Installed/Installed	None/ Permitted +5,000	CommSystem/Prmt 0	None/Assm'd Prmt +5,000
Structures/Improves	Carport/storage/ L,F	No improvements +10,000	No improvements +10,000	No improvements +10,000
Sales or Financing Concessions	Cash to Seller assumed	New Conv. Loan No Points, Costs	New Conv. Loan No Points, Costs	Cash to Seller assumed
Net Adj. (Total)		<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ 30,000	<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 30,000	<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ 25,000
Indicated Value of Subject		\$ 169,900	\$ 154,900	\$ 140,500

Comments on Market Data: Extremely limited open market sale and listing data found after extensive search for openly marketed smaller parcels in the southwest and west areas of suburban Eugene, main factor in scarcity is that most smaller parcels have been built upon in the past and few new parcels have been created. Sale 2 is closest in site size but most distant, Active listing indicator 3 most proximate, has had 3 fail-throughs
 Comments and Conditions of Appraisal: The appraisal is made to cash equivalency per USPAP and FIRREA guidelines and USPAP departure provisions do not apply. See attached assumptions, limiting conditions and comments. Appraised value is for one acre hypothetical site with existing site improvements as noted, replacement dwelling approval per county code. Well adjustment considers 1.6gpm flow from present well, need for supplement. Site as appraised does not exist and this report is useful only for hypothecating values for Ballot Measure 37 purposes.
 Final Reconciliation: The market data approach, based on the sales of reasonably similar properties, is judged the more reliable indicator of value. Support is from the cost approach. The income approach is not considered applicable to owner-occupied single family residences. The stated opinion of value is within a fairly wide range of adjusted values. Only actual open market exposure can determine a true market value.
ESTIMATE THE MARKET VALUE, AS DEFINED, OF SUBJECT PROPERTY AS OF October 10, 2005 to be \$ 150,000

The opinion of value stated is within a range of indicated values. Value opinion is provided for comparison purposes in a Measure 37 proceeding only and only an actual open market exposure test can be considered to prove a true market value.
 Appraiser(s) Craig E. McKern Review Appraiser (if applicable) _____
 Did Did Not Physically Inspect Property

LAND APPRAISAL REPORT

HYPOTHETICAL

File No 092605F

Borrower No borrower Census Tract 10.01 Map Reference Pittman page 24
 Property Address Number Not Assigned Royal Avenue - HYPOTHETICAL -- Portion of Tax Lot 17S-04W-30-00-01308
 City Eugene County Lane State OR Zip Code 97402
 Legal Description HYPOTHETICAL PORTION OF Parcel Two, Lane County Partition Plat No. 95-P0548
 Sale Price \$ Not Sold Date of Sale N/A Loan Term _____ yrs. Property Rights Appraised Fee Leasehold De Minimis PUD
 Actual Real Estate Taxes \$ TBA (yr) Loan charges to be paid by seller \$ N/A Other sales concessions _____
 Lender/Client Bales, David and Delores c/o Steve Cornacchia Address 180 East 11th Avenue, Eugene, Oregon 97401
 Occupant vacant land Appraiser Craig E. McKern Instructions to Appraiser appraise to market value per USPAP standards.
Craig E. McKern, Appraiser, P.C. 1574 Coburg Road, PMB 397, Eugene, Oregon 97401 telephone 541-345-0744 facsimile 541-345-0577

NEIGHBORHOOD

Location Urban Suburban Rural
 Built Up Over 75% 25% to 75% Under 25%
 Growth Rate Fully Dev. Rapid Steady Slow
 Property Values Increasing Stable Declining
 Demand/Supply Shortage In Balance Oversupply
 Marketing Time Under 3 Mos. 4-6 Mos. Over 6 Mos.
 Present Land Use 85% 1 Family 5% 2-4 Family _____ % Apts. _____ % Condo 0% Commercial
0% Industrial 5% Vacant 5% other/ public uses
 Change in Present Land Use Not Likely Likely (*) Taking Place (*)
 (*) From vacant/undeveloped To residential
 Predominant Occupancy Owner Tenant _____ % Vacant
 Single Family Price Range \$ 200 to \$ 1,000+ Predominant Value \$ 400+
 Single Family Age New yrs. to 100+ yrs. Predominant Age 20-50 yrs.

Employment Stability Good Avg Fair Poor
 Convenience to Employment
 Convenience to Shopping
 Convenience to Schools
 Adequacy of Public Transportation
 Recreational Facilities
 Adequacy of Utilities
 Property Compatibility
 Protection from Detrimental Conditions
 Police and Fire Protection
 General Appearance of Properties
 Appeal to Market

Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise): See file 092605A, a residential form report for use with this same Measure 37 claim application, for neighborhood description. The subject as appraised is a hypothetical portion of Tax Lot 17S-04W-30-00-01308. See attached plat map for hypothetical site position (one of five such potential parcels proposed under Measure 37 claim proceedings) out of total Tax Lot 1308.

SITE

Dimensions 208' x 208' more or less = 1.00 Sq. Ft. or Acres Corner Lot
 Zoning classification RR-5 (5 acre minimum site for new partitions) Present Improvements do do not conform to zoning regulations
 Highest and best use Present use Other (specify) potential to partition to this smaller hypothetical site under present Measure 37 procedures
 Elec. Public Other (Describe) _____
 Gas _____
 Water assumed well _____
 San. Sewer Assm permit _____
 Underground Elect. & Tel. Sidewalk Street Lights
 OFF SITE IMPROVEMENTS
 Street Access Public Private
 Surface Asphalt
 Maintenance Public Private
 Storm Sewer Curb/Gutter
 Topo Level
 Size Typical small acres
 Shape Square as hypothetically proposed
 View Fields, hills
 Drainage Normally Adequate FEMA 41039C-1105F Zone X
 Is the property located in a HUD Identified Special Flood Hazard Area? No Yes
 Comments (favorable or unfavorable including any apparent adverse easements, encroachments, or other adverse conditions): Total Tax Lot 1308 site created by legal partition in 1994 and conforms to zoning "as is". This hypothetical portion has utilities at public road; no well installed or septic approval at this time; both well and septic approval assumed adequate. Site drainage by ditch and slope, normally adequate with Zone A flood plain on far northeast corner per FEMA map; may not be fully accurate. Tax Lot 1308 in total has an approved dwelling site occupied by tenant; see photos

The undersigned has recited three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made thus reducing the indicated value of subject; if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

ITEM	SUBJECT PROPERTY	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Address	NNA Royal Avenue Eugene -- HYPOTHETICAL	Adjacent to 29641 Lusk Road Eugene// asking \$199,900	Tax Lot 18-05-25-31-01600 Eugene// asking \$124,900	Tax Lot 17-04-19-31-01800 Eugene// asking \$165,500
Proximity to Subject		8 air miles southeast	7 air miles south	1/2 air mile northeast
Sales Price	\$ Not Sold	\$ 199,900	\$ 124,900	\$ 165,500
Price	\$	\$	\$	\$
Data Source	Inspection/County	Observation/ Realtor/ County	Observation/ Realtor/ County	Observation/ Realtor/ County
Date of Sale and Time Adjustment	DESCRIPTION 10-10-2005	DESCRIPTION 09-2005 (COE)	DESCRIPTION 07-2005 (COE)	DESCRIPTION Active Listing
Location	Above Average	Good	Average plus	Above Average
Site/View	1.0 acre/ fields, hills	3.65 ac/ Wds, south	1.20 acres/Woods	6.08 acres/Fields
Utilities Installed	Available at road	Available at road	Available at road	Available at road
Buildability/Slope	Assumed / Level	Buildable/ slight	Buildable/ slight	Assumed / Level
Well/Septic system	None/Assm'd Permit	None/ Permitted	CommSystem/Prmt	None/Assm'd Prmt
Structures	No improvements	No improvements	No improvements	No improvements
Sales or Financing Concessions	Cash to Seller assumed	New Conv. Loan No Points, Costs	New Conv. Loan No Points, Costs	Cash to Seller assumed
Net Adj. (Total)		+ \$ 60,000	- \$	+ \$ 50,000
Indicated Value of Subject		\$ 139,900	\$ 124,900	\$ 115,500

MARKET DATA ANALYSIS

Comments on Market Data: Extremely limited open market sale and listing data found after extensive search for openly marketed smaller parcels in the southwest and west areas of suburban Eugene; main factor in scarcity is that most smaller parcels have been built upon in the past and few new parcels have been created. Sale 2 is closest in site size but most distant; Active listing indicator 3 most proximate; has had 3 fall-throughs
 Comments and Conditions of Appraisal: The appraisal is made to cash equivalency per USPAP and FIRREA guidelines and USPAP departure provisions do not apply. See attached assumptions, limiting conditions and comments. Appraised value is for subject hypothetical site with road access to lot line, no well or septic installed but hypothetically assumed adequate and approved, utilities to the lot line and otherwise vacant and ready to build. Site as appraised does not exist and this report is useful only for hypothecating values for Ballot Measure 37 purposes.
 Final Reconciliation: The market data approach, based on the sales of reasonably similar properties, is judged the more reliable indicator of value support is from the cost approach. The income approach is not considered applicable to owner-occupied single family residences. The stated opinion of value is within a fairly wide range of adjusted values. Only actual open market exposure can determine a true market value.
I ESTIMATE THE MARKET VALUE, AS DEFINED, OF SUBJECT PROPERTY AS OF October 10, 2005 to be \$ 120,000

The opinion of value stated is within a range of indicated values. Value opinion is provided for comparison purposes in a Measure 37 proceeding only and only an actual open market exposure test can be considered to prove a true market value.
 Appraiser(s) Craig E. McKern Review Appraiser (if applicable) _____
 Did Did Not Physically Inspect Property

Borrower	No borrower	File No.	092605D
Property Address	28344 Royal Avenue - with home site improvements -all of Tax Lot 17S-04W-30-00-01308		
City	Eugene	County	Lane
State	Oregon	Zip Code	97402
Lender	Bales, David and Delores c/o Steve Cornacchia		

APPRAISAL AND REPORT IDENTIFICATION

This appraisal conforms to one of the following definitions:

- Complete Appraisal (The act or process of estimating value, or an opinion of value, performed without invoking the Departure Rule.)
- Limited Appraisal (The act or process of estimating value, or an opinion of value, performed under and resulting from invoking the Departure Rule.)

This report is one of the following types:

- Self Contained (A written report prepared under Standards Rule 2-2(a) of a Complete or Limited Appraisal performed under STANDARD 1.)
- Summary (A written report prepared under Standards Rule 2-2(b) of a Complete or Limited Appraisal performed under STANDARD 1.)
- Restricted (A written report prepared under Standards Rule 2-2(c) of a Complete or Limited Appraisal performed under STANDARD 1, restricted to the stated intended use by the specified client or intended user.)

Comments on Standards Rule 2-3

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

The statements of fact contained in this report are true and correct.
 The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
 I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
 I have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
 My engagement in this assignment was not contingent upon developing or reporting predetermined results.
 My 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.
 My analyses, opinions and conclusions were developed and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
 I have made a personal observation of the property that is the subject of this report.
 No one provided significant real property appraisal assistance to the person signing this certification.

A lengthy period passed between the date of inspection and the date of completion as the appraiser performed a variety of investigations on Measure 37 and its ramifications for the subject property. There is no guarantee from the appraiser that the attached report(s) will be found fully satisfactory to the Lane County jurisdiction for handling Measure 37 claims, as these requirements may change due to court ordered or Legislature passed modifications. Recently, a Circuit Court court in Marion County held that Measure 37 as written was unconstitutional for various judicial reasons. This ruling is expected to be appealed to State Supreme Court.

Comments on Appraisal and Report Identification

Note any departures from Standards Rules 1-3 and 1-4, plus any USPAP-related issues requiring disclosure:

This appraisal report is complete on the basis of the full site inspection, not the extent of commentary attached.
 The appraised value includes a realty fee as did the sale prices of the comparables, unless otherwise stated.

There were no directly observed toxic materials or hazardous substances in the immediate area of the subject; if any do exist, these are assumed to be safely stored and used according to label directions. A specific search for and recognition of toxic waste and hazardous materials such as might be found in a farm and ranch environment (a Level I assessment) is beyond the scope of the appraiser's training and knowledge. Common household, shop and garden chemicals and substances found in most homes and garages, including those of the reader, are assumed to exist around the site. These common toxic materials and hazardous substances include chemicals such as fertilizers, weed killers, pest poisons and sprays, bleach, detergent, oils, cleansers, solvents and fuels, among other solid, liquid and paste substances, and are assumed to be used according to label directions and Federal, state and local regulations unless otherwise specifically noted in this report. It is specifically assumed there is no toxic mold or fungus manifest on the site which would affect livability or marketability.

See attached supplemental addendum. This report has been prepared for use in a State Measure 37 proceeding and is restricted to that use only. See the cover letter page for brief explanations of the use and purpose of this "before scenarios" report 092605D in conjunction with reports 092605E and 092605F which are after scenarios. The actual legality, validity and application of State Measure 37 is still in question with present and future court and Legislature involvements a certainty.

APPRAISER:

Signature: Craig E. McKern
 Name: Craig E. McKern, Appraiser, P.C.
 Date Signed: November 6, 2005
 State Certification #: CR00024
 or State License #: _____
 State: Oregon
 Expiration Date of Certification or License: 09-30-2006

SUPERVISORY APPRAISER (only if required):

Signature: _____
 Name: _____
 Date Signed: _____
 State Certification #: email: cem9th@msn.com
 or State License #: phone 541-345-0744/fax 541-345-0577
 State: _____
 Expiration Date of Certification or License: _____

Did Did Not Inspect Property

SUPPLEMENTAL ADDENDUM

File No. 092605D

Borrower/Client	No borrower		
Property Address	28344 Royal Avenue - with home site improvements -all of Tax Lot 17S-04W-30-00-01308		
City	Eugene	County	Lane
		State	Oregon
		Zip Code	97402
Lender	Bales, David and Delores c/o Steve Cornacchia		

Appraisal Development and Reporting Process:

As per prior agreement with the client named on the cover sheet and first form page of this report, the level of appraisal service requested is a Restricted Appraisal Report of a Complete Appraisal of the subject property plus additional reports as necessary for the purpose of the report.

This level of service has, in the past, been known as a "form appraisal" using standard FNMA or FHLMC forms to convey information to the reader. This level of appraisal service is for the most part the same as past "form appraisals".

This report is a Restricted Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2c of the Uniform Standards of Professional Appraisal Practice (USPAP) for a Restricted Appraisal Report. As such, it represents only limited or summary discussions of the data, reasoning and analyses used in the appraisal process to develop the appraiser's opinion of value stated elsewhere. Supporting documentation that is not provided with this report concerning the data, reasoning and analyses has been retained in the appraiser's file copy. The depth of the discussion contained in this report is specific to the needs of the client and for the intended use of this report stated below.

Scope of Work:

In preparing this report, the appraiser observed the subject site and the improvements on October 10, 2005. Relevant information on comparable land and improved site sales, construction costs and accrued depreciation were also gathered, verified and considered.

All three approaches to value were considered; the sales comparison approach only was developed for the 092605D, 092605E and 092605F reports.

The cost approach does not apply to generally unimproved land in the case of reports 092605D, 092605E and 092605F are hypothetical site value report scenarios. The present site improvements are given a depreciated contributory value. The site value in 092605D is compared to site values in 092605E and 092605F reports as "before" and "after" scenarios.

The income approach, along with rents, comparative rental data and calculated formulas and multipliers, is used ONLY IF the subject site is likely to remain a rental income property in the foreseeable future. While the subject site in total is rented for home site purposes, the site could be sold and the present use could be changed to a single family residential site with either manufactured or site built home at any time. The appraiser considers it very unlikely the subject site (with five acres) would be purchased for continued site rental (and income) use by a future purchaser.

Purpose of the Appraisal and Use of the Report:

The purpose of this appraisal report is to estimate the market value as defined on the attached certification/limiting conditions addendum included with the attached USPAP addendum.

This appraisal report is intended ONLY for the use of the client named for the purpose of establishing a fair market value by an independent third party for Measure 37 proceedings. The use of this report is restricted to the clients, David and Delores Bales and Steve Cornacchia, their advisor, attorney and agent, for this specific purpose only. Duly constituted Lane County committees or courts for Measure 37 claims are also expected readers of this report but Lane County is not a client of the appraiser.

This report in its present configuration is not intended for any financing purpose whatsoever. Any other authorized use of this report will be stated either below or in the letter of engagement.

The appraiser is not and will not become responsible for any unauthorized use. Errors and omissions insurance is not extended to a future third party reader and the appraiser must be notified, timely and in writing, of any future transfer/assignment of this report to any third party.

Supplemental Certifications:

I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

In addition, I certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report prepared, with conformity to the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

signed and dated November 6, 2005

Craig E. McKern
president

Craig E. McKern Appraiser P.C.



Three Restricted Appraisal Reports of Complete Appraisals of

88737 Oak Hill Cemetery Road
Eugene, Oregon 97402
("as is" with 6.48 acres, a "before" scenario)
file 092605A

AND

A Hypothetical one acre portion of Tax Lot 17S-4W-30-01307
including all improvements at address known as
88737 Oak Hill Cemetery Road, Eugene, Oregon 97402
(with one hypothetical acre only, an "after" scenario)
file 092605B

AND

A Hypothetical Portion of Tax Lot 17S-4W-30-00-01307
(with no improvements on one hypothetical acre only,
an "after" scenario with assumed permits to construct one
single family residence, well and septic system permits assumed)
file 092605C

Client/Owner Residence Address:
88737 Oak Hill Cemetery Road
Eugene, Oregon 97402

Client:

David and Delores Bales

c/o Steve Cornacchia, attorney
Hershner Hunter
180 East 11th Avenue
Eugene, Oregon 97401

Purpose of the Appraisal:

To estimate market value of actual and hypothetical parcels subject to certain conditions
outlined in the text and exhibits of the reports 092605A, 092605B and 092605C

Use of the Appraisal:

For use in a State Measure 37 proceeding brought by the owners and their attorney in Lane County, Oregon

Date of Most Recent Inspection
and Effective Date of Report:
October 10, 2005

Report Completion Date:
November 6, 2005

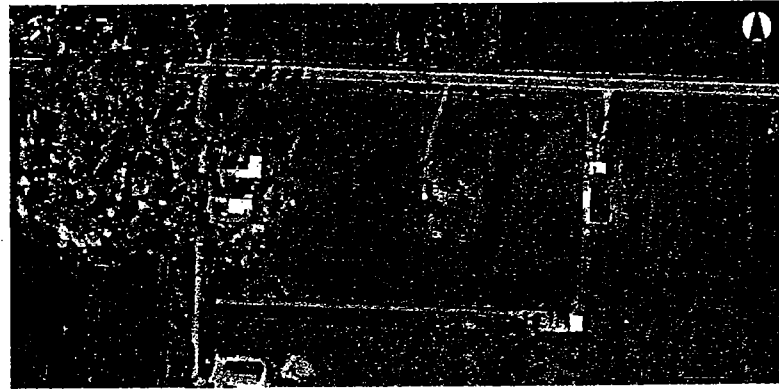
Prepared by:

Craig E. McKern, Appraiser, P.C.
Certified Residential Real Estate Appraiser
1574 Coburg Road, PMB 397
Eugene, Oregon 97401-4802
files 092605A, 092605B and 092605C

SUBJECT



General aerial view of subject area: far west Eugene city limits in upper right, Greenhill Road north to south in right center, Fir Butte and Fir Butte Road upper left corner, Fisher Road at far left, Royal Avenue east-west above center



Subject property (TL 1307) on left adjacent to Oak Hill Cemetery Road and 28344 Royal Avenue (TL 1308) center to right of center. Long narrow parcel TL 1308 is an improved parcel. Note vegetation (low spot green-gray) in TL 1308

PHOTOGRAPH ADDENDUM One

Borrower/Client	No borrower						
Property Address	88737 Oak Hill Cemetery Road						
City	Eugene	County	Lane	State	OR	Zip Code	97402
Lender	Bales, David and Dolores						



Royal Avenue looking east from Oak Hill Cemetery Road



Looking west on Royal Avenue from Oak Hill Cemetery Road



Looking south on Oak Hill Cemetery Road from Royal Avenue, subject to left

PHOTOGRAPH ADDENDUM Two

Borrower/Client	No borrower				
Property Address	88737 Oak Hill Cemetery Road				
City	Eugene	County	Lane	State	OR
Zip Code	97402				
Lender	Bales, David and Delores				



West elevation of dwelling, garage



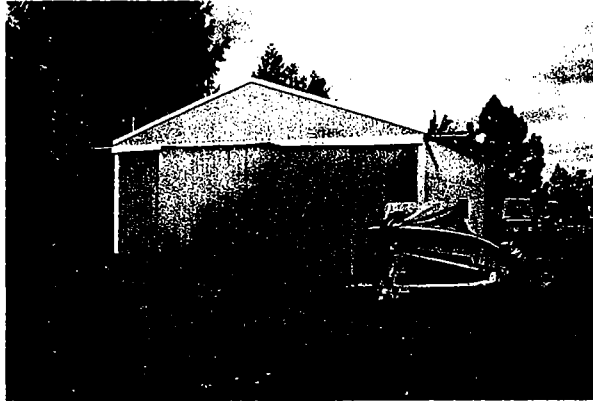
East elevation, designed as the front entry



South elevation

PHOTOGRAPH ADDENDUM Three

Borrower/Client	No borrower				
Property Address	88737 Oak Hill Cemetery Road				
City	Eugene	County	Lane	State	OR
Zip Code					97402
Lender	Bales, David and Delores				



West elevation of shop

Shop has concrete floor, metal skin and roof, wood frame, built about 1975, 32.5' x 37' more or less = 1,202.5sf m/l

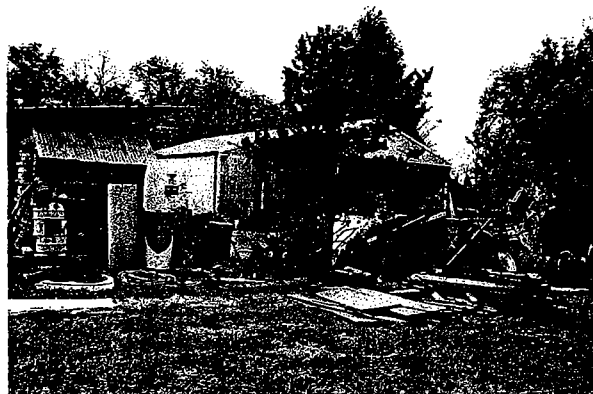


South elevation of shop and covered parking for equipment or motor home

20' x 24' = 480sf m/l

metal roof and walls, gravel floor

Covered shed storage behind equipment port is 20' x 12' = 240sf



East elevation of shop and equipment shed

PHOTOGRAPH ADDENDA Four

Borrower/Client	No borrower						
Property Address	88737 Oak Hill Cemetery Road						
City	Eugene	County	Lane	State	OR	Zip Code	97402
Lender	Bales, David and Delores						



Subject improvements area from the east



Looking southeast across east portion of site, improvements seen are off TL 1307 site



Looking southwest from north portion of subject site

POSTULATED PLOT PLAN - NOT TO SCALE

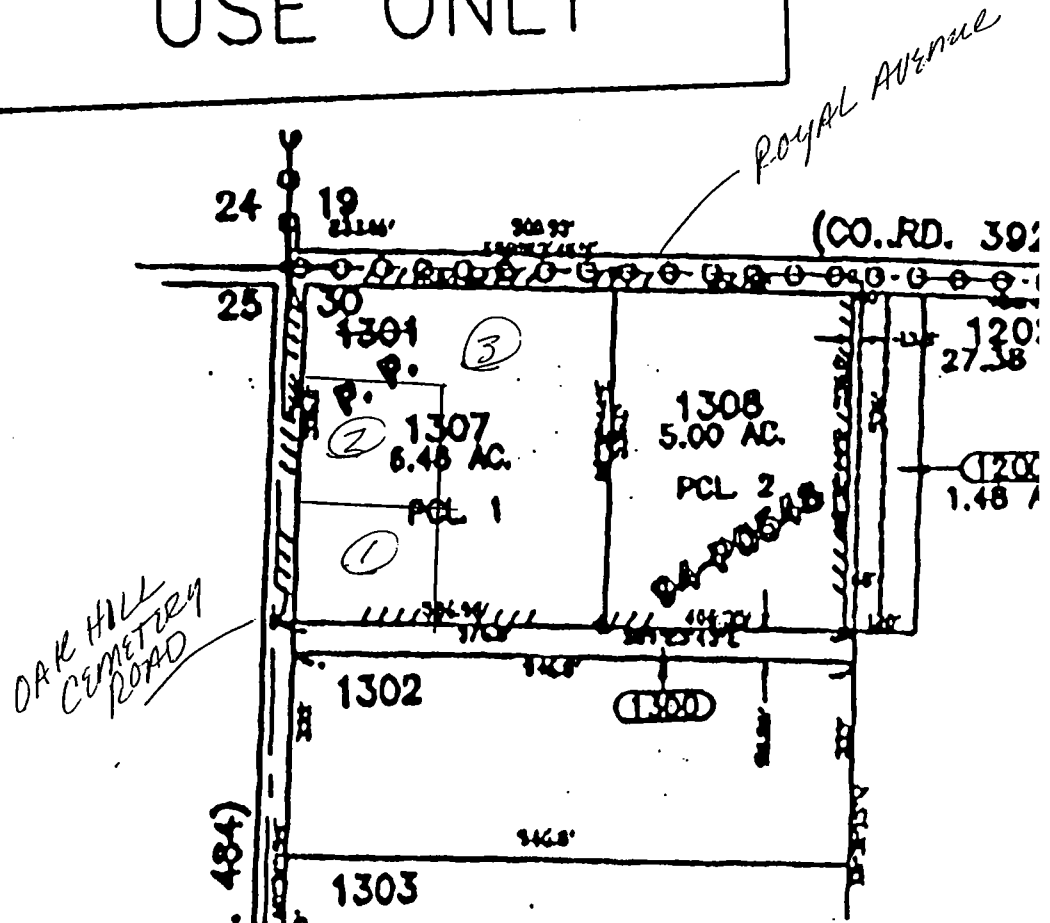
88737 OAK HILL Cemetery Road

EUGENE, OREGON

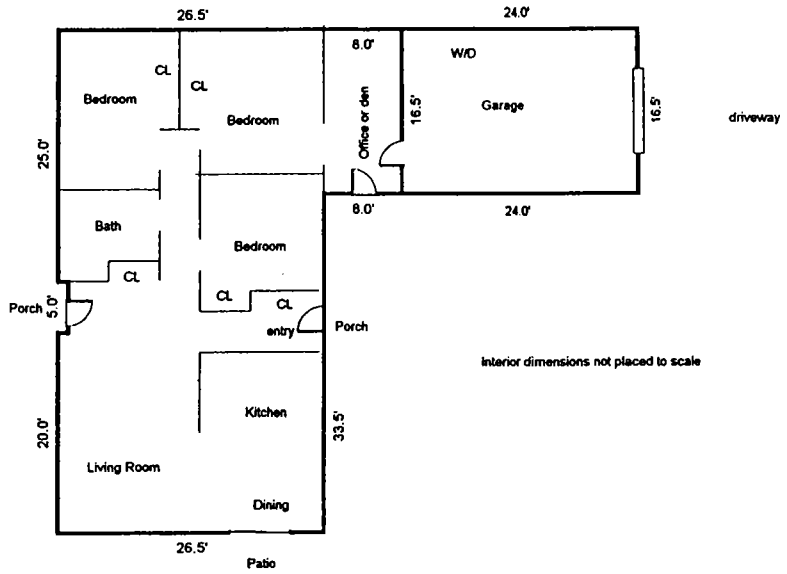
- C ① sample hypothetical one acre site - vacant
- B ② sample hypothetical improved one acre site

A ③ Balance of site appraised as entire PARCEL 1

FOR ASSESSMENT
AND TAXATION
USE ONLY



See photos for shop/storage dimensions



88737 OAK HILL CEMETERY ROAD
 EUGENE, OREGON 97402

ments:

AREA CALCULATIONS SUMMARY			
Code	Description	Net Size	Net Totals
GLA1	First Floor	1452.0	1452.0
GAR	Garage	396.0	396.0
Net LIVABLE Area		(Rounded)	1452

LIVING AREA BREAKDOWN			
Breakdown			Subtotals
First Floor			
8.0	x	16.5	132.0
25.5	x	50.0	1275.0
1.0	x	25.0	25.0
1.0	x	20.0	20.0
4 Items			(Rounded) 1452

UNIFORM RESIDENTIAL APPRAISAL REPORT

File No. 092605A

Property Description
 Property Address 88737 Oak Hill Cemetery Road City Eugene State OR Zip Code 97402
 Legal Description Parcel One, Lane County Partition Plat No. 95-P0548 County Lane
 Assessor's Parcel No. Tax Lot 17S-04W-30-00-01307 Tax Year 05-06 R.E. Taxes \$ 1,403.62 Special Assessments \$ 0.00

SUBJECT
 Borrower No borrower Current Owner Bales, David and Delores (trustees) Occupant Owner Tenant Vacant
 Property rights appraised Fee Simple Leasehold Project Type PUD Condominium (HUD/VA only) HOA \$ None/Noted /Mo
 Neighborhood or Project Name West Eugene suburban environs - out of city Map Reference Pittmon metro page 24 Census Tract 41-039-10.01
 Sale Price \$ Not Sold Date of Sale N/A Description and \$ amount of loan charges/concessions to be paid by seller Not Applicable
 Lender/Client Bales, David and Delores Address c/o Steve Comacchia, 180 East 11th Avenue, Eugene, Oregon 97401
 Appraiser Craig E. McKern, Appraiser, P.C. Address 1574 Coburg Road, PMB 397, Eugene, Oregon 97401-4802

NEIGHBORHOOD

Location	<input type="checkbox"/> Urban <input checked="" type="checkbox"/> Suburban <input type="checkbox"/> Rural	Predominant occupancy	Single family housing PRICE \$(000)	AGE (yrs)	Present land use %	Land use change
Built up	<input checked="" type="checkbox"/> Over 75% <input type="checkbox"/> 25-75% <input type="checkbox"/> Under 25%	<input checked="" type="checkbox"/> Owner 95	200	Low New	One family 85	<input type="checkbox"/> Not likely <input type="checkbox"/> Likely
Growth rate	<input type="checkbox"/> Rapid <input type="checkbox"/> Stable <input checked="" type="checkbox"/> Slow	<input type="checkbox"/> Tenant 5	1,000+	High 100+	2-4 family 5	<input checked="" type="checkbox"/> In process
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Demand/supply	<input type="checkbox"/> Shortage <input checked="" type="checkbox"/> In balance <input type="checkbox"/> Over supply	<input type="checkbox"/> Vac. (over 5%)	400+-	20-50	Commercial	vacant at slow rate, area nearly fully developed
Marketing time	<input checked="" type="checkbox"/> Under 3 mos. <input checked="" type="checkbox"/> 3-6 mos. <input type="checkbox"/> Over 6 mos.				other 10	

Note: Race and the racial composition of the neighborhood are not appraisal factors.
 Neighborhood boundaries and characteristics: The subject area is generally bounded by Eugene city limits (east), Highway 126 (south), Territorial Road (west) and Highway 36 (north). Unincorporated rural residential with farms, small acreage subdivisions, public lands, spot commercial. Factors that affect the marketability of the properties in the neighborhood (proximity to employment and amenities, employment stability, appeal to market, etc.). The subject is located about 7 air miles west of Eugene city center and about 1 mile west of city limits at Greenhill Road. The area developed since the 1880's with a wide range of home styles, site sizes, qualities, values and outbuildings, typical of rural residential locations around a metro area. Fern Ridge Lake, a Corps of Engineers flood control reservoir built in the 1940's, has heavy summer recreational use and also is a wildlife refuge around the perimeter. This location has good proximity to Eugene services, employment compared to other rural residential locations in Lane County. This location continues to develop at a slow rate due to restrictive zoning which limits new partitions/subdivisions. Market conditions in the subject neighborhood (including support for the above conclusions related to the trend of property values, demand/supply, and marketing time -- such as data on competitive properties for sale in the neighborhood, description of the prevalence of sales and financing concessions, etc.): Rising to stable prices under present 6.25+/- fluctuating interest rates; presently, interest rates among the lowest in the past 45+ years due to strong government anti-recession stimulus. An active early Fall market, showing no past, present effect from current Iraq War in Realtor-noted buyer reluctance at this time, is in progress with limited selection of existing homes offered. Supply, demand appear to trend to a shortage at this time. Sellers in lower price ranges may pay up to \$5,000 of buyer loan, closing costs. Marketing time under 60 days for well-priced homes. The mix of homes and sites as noted above does not adversely affect marketability in this mid-price range of subject area generally.

PUD
 Project Information for PUDs (if applicable) -- Is the developer/builder in control of the Home Owners' Association (HOA)? Yes No
 Approximate total number of units in the subject project _____ Approximate total number of units for sale in the subject project _____
 Describe common elements and recreational facilities: The subject site is not in a Planned Unit Development.

SITE

Dimensions	527' x 536' more or less		Topography	Level
Site area	6.48 acres more or less		Size	Typical small acres
Specific zoning classification and description	RR-5 (5 acre minimum site for new partitions)		Shape	Rectangular
Zoning compliance	<input checked="" type="checkbox"/> Legal <input type="checkbox"/> Legal nonconforming (Grandfathered use) <input type="checkbox"/> Illegal <input type="checkbox"/> No zoning	Corner Lot <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Drainage	Normally Adequate
Highest & best use as improved:	<input checked="" type="checkbox"/> Present use <input checked="" type="checkbox"/> Other use (explain) _____	potential site partitions _____	View	Fields, hills
Utilities	Public <input checked="" type="checkbox"/> Other _____	Off-site Improvements	Type	Public Private
Electricity	<input checked="" type="checkbox"/>	Street	Asphalt	<input checked="" type="checkbox"/>
Gas	<input type="checkbox"/>	Curb/gutter	None	<input type="checkbox"/>
Water	<input type="checkbox"/> Private Well	Sidewalk	None	<input type="checkbox"/>
Sanitary sewer	<input type="checkbox"/> Private Septic	Street lights	None	<input type="checkbox"/>
Storm sewer	<input type="checkbox"/> Natural Slope	Alley	None	<input type="checkbox"/>

Comments (apparent adverse easements, encroachments, special assessments, slide areas, illegal or legal nonconforming zoning use, etc.): Site created by legal partition in 1994 and conforms to zoning "as is". Site drainage by ditch and slope, normally adequate with no flood zone noted on FEMA map. Site bounded on east by Tax Lot 1308, owned by Bales, with an allowed homesite having own well and septic system; see photo pages.

GENERAL DESCRIPTION		EXTERIOR DESCRIPTION		FOUNDATION		BASEMENT		INSULATION	
No. of Units	One	Foundation	Concrete	Slab	Partial	Area Sq. Ft.	None	Roof	
No. of Stories	One	Exterior Walls	Cedar Lap	Crawl Space	Partial	% Finished		Ceiling	R-30+ <input checked="" type="checkbox"/>
Type (Det./Att.)	Detached	Roof Surface	Comp. Shingles	Basement	No	Ceiling		Walls	R-11 <input checked="" type="checkbox"/>
Design (Style)	Rambler	Gutters & Dwnspls.	Galv. Metal	Sump Pump	None	Walls		Floor	R-19 <input checked="" type="checkbox"/>
Existing/Proposed	Existing	Window Type	AlumThrmSlider	Dampness	None Apparent	Floor		None	
Age (Yrs.)	47 est	Storm/Screens	No/Yes	Settlement	None Apparent	Outside Entry		Unknown	
Effective Age (Yrs.)	30	Manufactured House	No	Infestation	None Apparent			Retro Weatherized	

DESCRIPTION OF IMPROVEMENTS

ROOMS	Foyer	Living	Dining	Kitchen	Den	Family Rm.	Rec. Rm.	Bedrooms	# Baths	Laundry	Other	Area Sq. Ft.
Basement												None
Level 1	entry	1	area	1	office			3	1			1,452
Level 2												

Finished area above grade contains: 7 Rooms, 3 Bedroom(s), 1 Bath(s), 1,452 Square Feet of Gross Living Area

INTERIOR	Materials/Condition	HEATING	KITCHEN EQUIP.	ATTIC	AMENITIES	CAR STORAGE:
Floors	Carpet, Vinyl	Type FA	Refrigerator <input type="checkbox"/>	None <input type="checkbox"/>	Fireplace(s) # Brick <input checked="" type="checkbox"/>	None <input type="checkbox"/>
Walls	Plaster, paneling, WP	Fuel Electric	Range/Oven <input checked="" type="checkbox"/>	Stairs <input type="checkbox"/>	Patio Open <input checked="" type="checkbox"/>	Garage # of cars
Trim/Finish	Painted Wood	Condition Good	Disposal <input type="checkbox"/>	Drop Stair <input type="checkbox"/>	Deck None <input type="checkbox"/>	Attached 1+ <input type="checkbox"/>
Bath Floor	Vinyl	COOLING	Dishwasher <input checked="" type="checkbox"/>	Scuttle <input checked="" type="checkbox"/>	Porch Covered <input checked="" type="checkbox"/>	Detached 3+ <input type="checkbox"/>
Bath Wainscot	Formica	Central HP	Fan/Hood <input checked="" type="checkbox"/>	Floor <input type="checkbox"/>	Fence Field, Yard <input checked="" type="checkbox"/>	Built-in <input type="checkbox"/>
Doors	Hollowcore/Sliders	Other None	Microwave <input type="checkbox"/>	Heated <input type="checkbox"/>	Pool landscape, <input checked="" type="checkbox"/>	Carport <input type="checkbox"/>
See comments below		Condition Good	Washer/Dryer <input type="checkbox"/>	Finished <input type="checkbox"/>	Outbuildings <input checked="" type="checkbox"/>	Driveway 6+ <input type="checkbox"/>

COMMENTS
 Additional features (special energy efficient items, etc.): Retrofit weatherized with aluminum thermal slider and casement windows, weatherstrip, added attic and floor insulation. Newer forced air electric furnace and heat pump. Brick hearth fireplace in living room with pellet stove insert.
 Condition of the improvements, depreciation (physical, functional, and external), repairs needed, quality of construction, remodeling/additions, etc.: Subject built per owners circa 1958, shown as 1963 on county records. Perimeter concrete foundation except for slab foundation smaller office room (was once a furnace room). Average to above average materials used including plaster walls, wallpapers, large kitchen with original alder cabinetry and formica countertops; older to midlife vinyls and carpets. oversized garage with washer/dryer hookups, unfinished, partially insulated.
 Adverse environmental conditions (such as, but not limited to, hazardous wastes, toxic substances, etc.) present in the improvements, on the site, or in the immediate vicinity of the subject property: The site was not previously built upon; no apparent "dead" soil areas or past toxic materials on or near the site other than typical household/shop/office chemicals found in most homes, garages. Farm chemicals assumed applied per instructions.

Valuation Section

UNIFORM RESIDENTIAL APPRAISAL REPORT

File No. 092605A

COST APPROACH table with columns for item, value, and comments. Includes rows for Estimated Site Value, Dwelling, Appliances, Garage, Total Estimated Cost New, Depreciation, and Indicated Value by Cost Approach.

SALES COMPARISON ANALYSIS table with columns for Item, Subject, Comparable No. 1, 2, and 3. Includes rows for Address, Proximity, Sales Price, Price/Gross Living Area, Verification Source, Value Adjustments, Room Count, and Adjusted Sales Price.

Comments on Sales Comparison (including the subject property's compatibility to the neighborhood, etc.): Extremely limited recent listing and sale data available for properties similar to the subject in age, square footage, site size and location forces use of Indicator 3, an active listing recently appraised by this appraiser and which is considered a high indicator at the asking price.

Table with columns for Item, Subject, Comparable No. 1, 2, and 3. Includes rows for Date, Price and Data Source, and Days on market.

INDICATED VALUE BY SALES COMPARISON APPROACH \$ 320,000
INDICATED VALUE BY INCOME APPROACH (if Applicable) Estimated Market Rent \$ N/A /Mo. x Gross Rent Multiplier N/A = \$

This appraisal is made [X] "as is" [] subject to the repairs, alterations, inspections or conditions listed below [] subject to completion per plans & specifications
Conditions of Appraisal: The appraisal is made to cash equivalency per USPAP/IRREA guidelines, USPAP departure provisions do not apply. See attached assumptions, limiting conditions, comments. Appraisal assumes clear structural report, satisfactory well, septic system inspections
Final Reconciliation: The market data approach, based on the sales of reasonably similar properties, is judged the more reliable indicator of value. Support is from the cost approach. The income approach is not considered applicable to owner-occupied single family residences. The stated opinion of value is within a fairly wide range of adjusted values. Only actual open market exposure can determine a true market value.

The purpose of this appraisal is to estimate the market value of the real property that is the subject of this report, based on the above conditions and the certification, contingent and limiting conditions, and market value definition that are stated in the attached Freddie Mac Form 439/FNMA form 1004B (Revised June 1993)
I (WE) ESTIMATE THE MARKET VALUE, AS DEFINED, OF THE REAL PROPERTY THAT IS THE SUBJECT OF THIS REPORT, AS OF October 10, 2005
(WHICH IS THE DATE OF INSPECTION AND THE EFFECTIVE DATE OF THIS REPORT) TO BE \$ 320,000

APPRaiser: Signature [Signature] Name: Craig E. McKern, Appraiser, P.C. Date Report Signed: November 6, 2005
SUPERVISORY APPRAISER (ONLY IF REQUIRED): Signature [] Name: [] Did Not Inspect Property
State Certification # CR00024 State OR
Or State License # [] State

UNIFORM RESIDENTIAL APPRAISAL REPORT

HYPOTHETICAL

Property Description		File No. 092605B																																																																																																							
Property Address 88737 Oak Hill Cemetery Road - HYPOTHETICAL City Eugene		State OR	Zip Code 97402																																																																																																						
Legal Description HYPOTHETICAL PORTION of Parcel One, Lane County Partition Plat No. 95-P0548 County Lane																																																																																																									
Assessor's Parcel No. Portion of Tax Lot 17S-04W-30-00-01307		Tax Year 05-06	R.E. Taxes \$ TBA																																																																																																						
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<p>Note: Race and the racial composition of the neighborhood are not appraisal factors.</p> <p>Neighborhood boundaries and characteristics: The subject area is generally bounded by Eugene city limits (east), Highway 126 (south), Territorial Road (west) and Highway 36 (north). Unincorporated rural residential with farms, small acreage subdivisions, public lands, spot commercial</p> <p>Factors that affect the marketability of the properties in the neighborhood (proximity to employment and amenities, employment stability, appeal to market, etc.):</p> <p>The subject is located about 7 air miles west of Eugene city center and about 1 mile west of city limits at Greenhill Road. The area developed since the 1880's with a wide range of home styles, site sizes, qualities, values and outbuildings, typical of rural residential locations around a metro area. Fern Ridge Lake, a Corps of Engineers flood control reservoir built in the 1940's, has heavy summer recreational use and also is a wildlife refuge around the perimeter. This location has good proximity to Eugene services, employment compared to other rural residential locations in Lane County. This location continues to develop at a slow rate due to restrictive zoning which limits new partitions/subdivisions.</p> <p>Market conditions in the subject neighborhood (including support for the above conclusions related to the trend of property values, demand/supply, and marketing time -- such as data on competitive properties for sale in the neighborhood, description of the prevalence of sales and financing concessions, etc.):</p> <p>Rising to stable prices under present 6.25+- fluctuating interest rates; presently, interest rates among the lowest in the past 45+ years due to strong government anti-recession stimulus. An active early Fall market, showing no past, present effect from current Iraq War in Realtor-noted buyer reluctance at this time, is in progress with limited selection of existing homes offered. Supply, demand appear to trend to a shortage at this time. Sellers in lower price ranges may pay up to \$5,000 of buyer loan, closing costs. Marketing time under 60 days for well-priced homes. The mix of homes and sites as noted above does not adversely affect marketability in this mid-price range of subject area generally.</p>																																																																																																									
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<p>Additional features (special energy efficient items, etc.): Retrofit weatherized with aluminum thermal slider and casement windows, weatherstrip, added attic and floor insulation. Newer forced air electric furnace and heat pump. Brick hearth fireplace in living room with pellet stove insert.</p> <p>Condition of the improvements, depreciation (physical, functional, and external), repairs needed, quality of construction, remodeling/additions, etc.: Subject built per owners circa 1958, shown as 1963 on county records. Perimeter concrete foundation except for slab foundation smaller office room (was once a furnace room). Average to above average materials used including plaster walls, wallpapers, large kitchen with original alder cabinetry and formica countertops, older to midlife vinyls and carpets. Oversized garage with washer/dryer hookups, unfinished, partially insulated.</p> <p>Adverse environmental conditions (such as, but not limited to, hazardous wastes, toxic substances, etc.) present in the improvements, on the site, or in the immediate vicinity of the subject property: The site was not previously built upon; no apparent "dead" soil areas or past toxic materials on or near the site other than typical household/shop/office chemicals found in most homes, garages. Farm chemicals assumed applied per instructions.</p>																																																																																																									

UNIFORM RESIDENTIAL APPRAISAL REPORT

HYPOTHETICAL

File No. 092605B

Valuation Section

ESTIMATED SITE VALUE = \$ 120,000	Comments on Cost Approach (such as, source of cost estimate, site value, square foot calculation and for HUD, VA and FmHA, the estimated remaining economic life of the property): <u>Cost approach data from National Building Cost Service data and office files. Site value based on data from the subject's general or competitive areas which may be limited in any location which is mostly "built-up" at this time. Physical depreciation is based on the age/life method with regard to any updating reducing effective age.</u> See floor plan, dimensions. Depreciated site improvements: utilities, site preparation, walks, driveways, landscape, fence, well and septic systems, shop/shed/storage structure (\$15,000).
ESTIMATED REPRODUCTION COST-NEW-OF IMPROVEMENTS:	
Dwelling 1,452 Sq. Ft. @ \$ 80.00 = \$ 116,160	
Sq. Ft. @ \$ =	
Appliances, patio, fireplace, porch = 8,000	
Garage/Carport 396 Sq. Ft. @ \$ 22.00 = 8,712	
Total Estimated Cost New = \$ 132,872	
Less Physical Functional External	
Depreciation 40,000 = \$ 40,000	
Depreciated Value of Improvements = \$ 92,872	
As-is Value of Site Improvements = \$ 35,000	
INDICATED VALUE BY COST APPROACH = \$ 247,872	

ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Address	88737 Oak Hill Cemetery Road, Eugene -- HYPO --	28788 Royal Avenue Eugene // \$215,000 asking price	25737 Fleck Road Veneta // asking \$235,500	27480 Fruitway Road Alvadore/ asking \$198,500
Proximity to Subject		1/2 mile east	7 air miles southwest	5 air miles northwest
Sales Price	\$ Not Sold	\$ 205,000	\$ 230,000	\$ 198,500
Price/Gross Living Area	\$ /sf	\$ 200.98 /sf	\$ 199.65 /sf	\$ 157.54 /sf
Data and/or Verification Source	Inspection Owner/ County	Century 21 Westover RE/ County Records / RMLS	RE/max Integrity/ County Records / RMLS	Crieger Goodwin Real Estate Past Inspection/ County Records
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION +(-)\$ Adjust.	DESCRIPTION +(-)\$ Adjust.	DESCRIPTION +(-)\$ Adjust.
Sales or Financing Concessions		New Conv. Loan No Points, Costs	New Conv. Loan No Points, Costs	New Conv. Loan No Points, Costs
Date of Sale/Time		12-2004 (COE) +17,000	04-2004 (COE) +34,000	06-2004 (COE) +23,000
Location	Above Average	Above Average	Average +20,000	Average plus +10,000
Leasehold/Fee Simple	Fee	Fee	Fee	Fee
Site	One acre m/l	3.82 acres m/l -30,000	6.44 acres m/l -55,000	4.99 acres m/l -40,000
View	Fields, hills	Fields, hills	Fields, hills 0	Fields, orchard 0
Design and Appeal	Rambler	1.5 Story 0	Rambler	Rambler
Quality of Construction	Average plus	Average minus +10,000	Average +5,000	Average minus +10,000
Age	47 est 30eff	57act 40eff +10,000	42act 30eff	41 est 30eff
Condition	Above Average	Below Average +10,000	Above Average	Above Average
Above Grade	Total : Bdrms : Baths	Total : Bdrms : Baths	Total : Bdrms : Baths	Total : Bdrms : Baths
Room Count	7 : 3 : 1	6 : 3 : 1	6 : 3 : 1	6 : 3 : 1
Gross Living Area	1,452 Sq. Ft.	1,020 Sq. Ft. +10,800	1,152 Sq. Ft. +7,500	1,260 Sq. Ft. +4,800
Basement & Finished Rooms Below Grade	No Basement	No Basement	No Basement	No Basement
Functional Utility	Average	Average	Average	Average
Heating/Cooling	FA Electric/HP	Electric Wall/No +3,000	Wall/Baseboard +3,000	Electric Wall/No +3,000
Energy Efficient Items	Retro W/thrized.	Partial W/thrized. +3,000	Partial W/thrized. +3,000	Partial W/thrized. +3,000
Garage/Carport	1+ Garage/PA	4+ Garage/Shop -15,000	One Carport +4,000	2 Carports/ PA
Porch, Patio, Deck, Fireplace(s), etc.	Porch, patio 1 FP/ Insert	Deck, Porch, Gzbo No Fireplace +500	Porch, patio W.S./hearth 0	0 Porches 1 Fireplace 0
Fence, Pool, etc.	Landscape, Fnce	Landscape, Fnce	Landscape, Fnce	Landscape, Fnce
Outbuildings	Shop/Shed/Stor.	Small Barn, corral +10,000	Barn, arena, sheds -15,000	Older shed +13,000
Net Adj. (total)		⊗ + ⊖ - \$ 28,300	⊗ + ⊖ - \$ 6,500	⊗ + ⊖ - \$ 26,800
Adjusted Sales Price of Comparable		\$ 233,300	\$ 236,500	\$ 225,300

Comments on Sales Comparison (including the subject property's compatibility to the neighborhood, etc.): Extremely limited recent listing and sale data available for properties similar to the subject in age, square footage, site size and location forces use of dated sales. A 10% per year time adjustment is made times number of months from date of pending sale to time of observation for subject. Acreage adjusted at \$10,000 per net acre difference. Sale 1 sold after price reduction from \$249,900 after 70+ days marketing time; was in need of updating and general repair with motivated seller. Sale 2 located in Veneta area with seasonal creek, a 6 stall barn/arena/corrals, reportedly partially updated. Sale 3 was observed by appraiser prior to 2003 purchase; limited updating including roof, in/out paint, floor coverings by seller, sold in one day.

ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Date, Price and Data Source, for prior sales within year of appraisal	None Noted, Known	12-23-2004; \$205,000; prior to updating; county records, RMLS; see comments below	None Noted, Known (3 years) County Records/RMLS Days on market = 44	12-16-2003; \$240,000, included additional six acres retained by seller prior to this sale

Analysis of any current agreement of sale, option, or listing of subject property and analysis of any prior sales of subject and comparables within one year of the date of appraisal: No current or past listing or marketing of the subject was noted per owner, RMLS records in past three calendar years. No prior sales of the sale comparables in past three calendar years unless noted above.

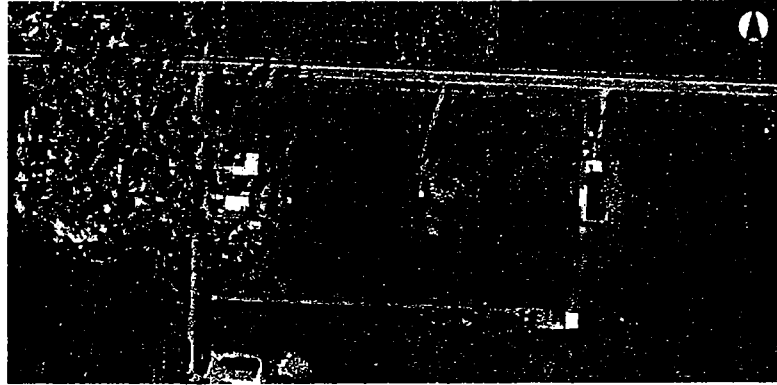
INDICATED VALUE BY SALES COMPARISON APPROACH \$ 230,000

INDICATED VALUE BY INCOME APPROACH (if Applicable) Estimated Market Rent \$ N/A /Mo. x Gross Rent Multiplier N/A = \$

This appraisal is made "as is" subject to the repairs, alterations, inspections or conditions listed below subject to completion per plans & specifications
 Conditions of Appraisal: The appraisal is made to cash equivalency per USPAP and FIRREA guidelines and USPAP departure provisions do not apply. See attached assumptions, limiting conditions and comments. Value is HYPOTHETICAL based on assumed one acre only site.
 Final Reconciliation: The market data approach, based on the sales of reasonably similar properties, is judged the more reliable indicator of value. Support is from the cost approach. The income approach is not considered applicable to owner-occupied single family residences. The stated opinion of value is within a fairly narrow range of adjusted values. Only actual open market exposure can determine a true market value.
 The purpose of this appraisal is to estimate the market value of the real property that is the subject of this report, based on the above conditions and the certification, contingent and limiting conditions, and market value definition that are stated in the attached Freddie Mac Form 439/FNMA form 1004B (Revised June 1993).

(WE) ESTIMATE THE MARKET VALUE, AS DEFINED, OF THE REAL PROPERTY THAT IS THE SUBJECT OF THIS REPORT, AS OF October 10, 2005
 (WHICH IS THE DATE OF INSPECTION AND THE EFFECTIVE DATE OF THIS REPORT) TO BE \$ 230,000

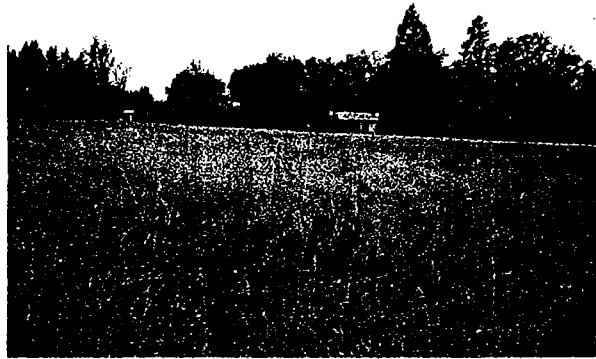
APPRaiser: Craig E. McKepp SUPERVISORY APPRAISER (ONLY IF REQUIRED):
 Signature: [Signature] Signature: _____ Did _____ Did Not _____
 Name: Craig E. McKepp, Appraiser, P.C. Name: _____ Inspect Property _____
 Date Report Signed: November 6, 2005 Date Report Signed: _____
 State Certification # CRO0024 State OR: _____ State Certification # email: cem9th@msn.com State: _____
 Or State License # _____ State: _____ Or State License # phone 541-345-0744/fax 541-345-0577 State: _____



Aerial view of Tax Lot 1307 on left and 1308 on right showing detail of hypothetical and potential one acre sites under Measure 37 claim. File 092605C portion at lower left

File 092605C -Hypothetical proposed one acre site area photos

Borrower/Client	No borrower						
Property Address	NNA Oak Hill Cemetery Road - HYPOTHETICAL -- Portion of Tax Lot 17S-04W-30-00-01307						
City	Eugene	County	Lane	State	OR	Zip Code	97402
Lender	Bales, David and Delores c/o Steve Cornacchia						



Looking west from approximate property line toward existing improvements on tax Lot 1307; vacant area is proposed for a partition of up to six (6) one acre parcels with the present dwelling and improvements on one parcel.



Looking southeast across east portion of Tax Lot 1307 toward area of proposed one acre parcels



Looking southwest from north portion of Tax Lot 1307 toward area shown on attached plat map as a possible one acre buildable site under hypothetical scenario

LAND APPRAISAL REPORT

HYPOTHETICAL

File No 092605C

Borrower No borrower Census Tract 10.01 Map Reference Pittman page 24
 Property Address NNA Oak Hill Cemetery Road - HYPOTHETICAL - Portion of Tax Lot 17S-04W-30-00-01307
 City Eugene County Lane State OR Zip Code 97402
 Legal Description HYPOTHETICAL PORTION OF Parcel One, Lane County Partition Plat No. 95-P0548
 Sale Price \$ Not Sold Date of Sale N/A Loan Term _____ yrs. Property Rights Appraised Fee Leasehold De Minimis PUD
 Actual Real Estate Taxes \$ TBA (yr) Loan charges to be paid by seller \$ N/A Other sales concessions _____
 Lender/Client Bales, David and Delores c/o Steve Cornacchia Address 180 East 11th Avenue, Eugene, Oregon 97401
 Occupant vacant land Appraiser Craig E. McKern Instructions to Appraiser appraise to market value per USPAP standards.
Craig E. McKern, Appraiser, P.C. 1574 Coburg Road, PMB 397, Eugene, Oregon 97401 telephone 541-345-0744 facsimile 541-345-0577

Location <input type="checkbox"/> Urban <input checked="" type="checkbox"/> Suburban <input type="checkbox"/> Rural Built Up <input checked="" type="checkbox"/> Over 75% <input type="checkbox"/> 25% to 75% <input type="checkbox"/> Under 25% Growth Rate <input type="checkbox"/> Fully Dev. <input type="checkbox"/> Rapid <input checked="" type="checkbox"/> Steady <input checked="" type="checkbox"/> Slow Property Values <input type="checkbox"/> Increasing <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Declining Demand/Supply <input type="checkbox"/> Shortage <input checked="" type="checkbox"/> In Balance <input type="checkbox"/> Oversupply Marketing Time <input checked="" type="checkbox"/> Under 3 Mos. <input checked="" type="checkbox"/> 4-6 Mos. <input type="checkbox"/> Over 6 Mos.	Present Land Use <u>85% 1 Family</u> <u>5% 2-4 Family</u> <u>5% Apts.</u> <u>0% Condo</u> <u>0% Commercial</u> <u>0% Industrial</u> <u>5% Vacant</u> <u>5% other/ public uses</u> Change in Present Land Use <input type="checkbox"/> Not Likely <input type="checkbox"/> Likely (*) <input checked="" type="checkbox"/> Taking Place (*) (*) From <u>vacant/undeveloped</u> To <u>residential</u> Predominant Occupancy <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Tenant <u>0%</u> Vacant Single Family Price Range \$ <u>200</u> to \$ <u>1,000+</u> Predominant Value \$ <u>400+-</u> Single Family Age <u>New yrs. to 100+</u> yrs. Predominant Age <u>20-50</u> yrs.	Employment Stability <input checked="" type="checkbox"/> Good <input checked="" type="checkbox"/> Avg <input checked="" type="checkbox"/> Fair <input checked="" type="checkbox"/> Poor Convenience to Employment <input checked="" type="checkbox"/> Convenience to Shopping <input checked="" type="checkbox"/> Convenience to Schools <input checked="" type="checkbox"/> Adequacy of Public Transportation <input checked="" type="checkbox"/> Recreational Facilities <input checked="" type="checkbox"/> Adequacy of Utilities <input checked="" type="checkbox"/> Property Compatibility <input checked="" type="checkbox"/> Protection from Detrimental Conditions <input checked="" type="checkbox"/> Police and Fire Protection <input checked="" type="checkbox"/> General Appearance of Properties <input checked="" type="checkbox"/> Appeal to Market <input checked="" type="checkbox"/>
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Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise): See file 092605A for neighborhood description. The subject as appraised is a hypothetical portion of Tax Lot 17S-04W-30-00-01307. See attached plat map for hypothetical site position (one of six such potential parcels proposed under Measure 37 claim proceedings) out of total Tax Lot 1307.

Dimensions 208' x 208' more or less = 1.00 Sq. Ft. or Acres Corner Lot
 Zoning classification RR-5 (5 acre minimum site for new partitions) Present Improvements do do not conform to zoning regulations
 Highest and best use Present use Other (specify) potential to partition to this smaller hypothetical site under present Measure 37 procedures
 Elec. Public Other (Describe) _____ OFF SITE IMPROVEMENTS
 Gas _____ Street Access Public Private Private
 Water _____ Surface Asphalt Topo Level
 San. Sewer Assm permit Storm Sewer Curb/Gutter Private
 Underground Elect. & Tel. Sidewalk Street Lights
 Shape Square as hypothetically proposed
 View Fields, hills
 Drainage Normally Adequate FEMA 41039C-1105F Zone X
 Is the property located in a HUD Identified Special Flood Hazard Area? No Yes
 Comments (favorable or unfavorable including any apparent adverse easements, encroachments, or other adverse conditions): Total Tax Lot 1307 site created by legal partition in 1994 and conforms to zoning "as is". This hypothetical portion has utilities at public road; no well installed or septic approval at this time; both well and septic approval assumed adequate. Site drainage by ditch and slope, normally adequate with no flood zone noted on FEMA map. Site bounded on east by Tax Lot 1308, owned by Bales, with an allowed homesite having own well and septic system, see photo pages.

The undersigned has recited three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made thus reducing the indicated value of subject; if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

ITEM	SUBJECT PROPERTY	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Address	<u>NNA Oak Hill Cemetery Road Eugene - HYPOTHETICAL</u>	<u>Adjacent to 29641 Lusk Road Eugene// asking \$199,900</u>	<u>Tax Lot 18-05-25-31-01600 Eugene// asking \$124,900</u>	<u>Tax Lot 17-04-19-31-01800 Eugene// asking \$165,500</u>
Proximity to Subject		<u>8 air miles southeast</u>	<u>7 air miles south</u>	<u>1/2 air mile northeast</u>
Sales Price	<u>Not Sold</u>	<u>\$ 199,900</u>	<u>\$ 124,900</u>	<u>\$ 165,500</u>
Price		<u>\$</u>	<u>\$</u>	<u>\$</u>
Data Source	<u>Inspection/County</u>	<u>Observation/ Realtor/ County</u>	<u>Observation/ Realtor/ County</u>	<u>Observation/ Realtor/ County</u>
Date of Sale and Time Adjustment	<u>DESCRIPTION</u>	<u>DESCRIPTION</u>	<u>DESCRIPTION</u>	<u>DESCRIPTION</u>
	<u>10-10-2005</u>	<u>09-2005 (COE)</u>	<u>07-2005 (COE)</u>	<u>0 Active Listing</u>
Location	<u>Above Average</u>	<u>Good</u>	<u>Average plus</u>	<u>Above Average</u>
Site/View	<u>1.0 acre/ fields, hills</u>	<u>3.65 ac/ Wds, south</u>	<u>1.20 acres/Woods</u>	<u>6.08 acres/Fields</u>
Utilities Installed	<u>Available at road</u>	<u>Available at road</u>	<u>Available at road</u>	<u>Available at road</u>
Buildability/Slope	<u>Assumed / Level</u>	<u>Buildable/ slight</u>	<u>Buildable/ slight</u>	<u>Assumed / Level</u>
Well/Septic system	<u>None/Assm'd Permit</u>	<u>None/ Permitted</u>	<u>CommSystem/Prmt</u>	<u>None/Assm'd Prmt</u>
Structures	<u>No improvements</u>	<u>No improvements</u>	<u>No improvements</u>	<u>No improvements</u>
Sales or Financing Concessions	<u>Cash to Seller assumed</u>	<u>New Conv. Loan No Points, Costs</u>	<u>New Conv. Loan No Points, Costs</u>	<u>Cash to Seller assumed</u>
Net Adj. (Total)		<u>+ \$ 60,000</u>	<u>+ \$</u>	<u>+ \$ 50,000</u>
Indicated Value of Subject		<u>\$ 139,900</u>	<u>\$ 124,900</u>	<u>\$ 115,500</u>

Comments on Market Data: Extremely limited open market sale and listing data found after extensive search for openly marketed smaller parcels in the southwest and west areas of suburban Eugene; main factor in scarcity is that most smaller parcels have been built upon in the past and few new parcels have been created. Sale 2 is closest in site size but most distant; Active listing indicator 3 most proximate; has had 3 fall-throughs.

Comments and Conditions of Appraisal: The appraisal is made to cash equivalency per USPAP and FIRREA guidelines and USPAP departure provisions do not apply. See attached assumptions, limiting conditions and comments. Appraised value is for subject hypothetical site with road access to lot line, no well or septic installed but hypothetically assumed adequate and approved, utilities to the lot line and otherwise vacant and ready to build. Site as appraised does not exist and this report is useful only for hypothecating values for Ballot Measure 37 purposes.

Final Reconciliation: The market data approach, based on the sales of reasonably similar properties, is judged the more reliable indicator of value. Support is from the cost approach. The income approach is not considered applicable to owner-occupied single family residences. The stated opinion of value is within a fairly wide range of adjusted values. Only actual open market exposure can determine a true market value.

I ESTIMATE THE MARKET VALUE, AS DEFINED, OF SUBJECT PROPERTY AS OF October 10, 2005 to be \$ 120,000
 The opinion of value stated is within a range of indicated values. Value opinion is provided for comparison purposes in a Measure 37 proceeding only and only an actual open market exposure test can be considered to prove a true market value.
 Appraiser(s) Craig E. McKern Review Appraiser (if applicable) _____
 Did Did Not Physically Inspect Property

Borrower No borrower File No. 092605A
 Property Address 88737 Oak Hill Cemetery Road
 City Eugene County Lane State OR Zip Code 97402
 Lender Bales, David and Delores

APPRAISAL AND REPORT IDENTIFICATION

This appraisal conforms to one of the following definitions:

Complete Appraisal (The act or process of estimating value, or an opinion of value, performed without invoking the Departure Rule.)
 Limited Appraisal (The act or process of estimating value, or an opinion of value, performed under and resulting from invoking the Departure Rule.)

This report is one of the following types:

Self Contained (A written report prepared under Standards Rule 2-2(a) of a Complete or Limited Appraisal performed under STANDARD 1.)
 Summary (A written report prepared under Standards Rule 2-2(b) of a Complete or Limited Appraisal performed under STANDARD 1.)
 Restricted (A written report prepared under Standards Rule 2-2(c) of a Complete or Limited Appraisal performed under STANDARD 1, restricted to the stated intended use by the specified client or intended user.)

Comments on Standards Rule 2-3

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

The statements of fact contained in this report are true and correct.
 The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
 I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
 I have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
 My engagement in this assignment was not contingent upon developing or reporting predetermined results.
 My 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.
 My analyses, opinions and conclusions were developed and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
 I have made a personal observation of the property that is the subject of this report.
 No one provided significant real property appraisal assistance to the person signing this certification.

A lengthy period passed between the date of inspection and the date of completion as the appraiser performed a variety of investigations on Measure 37 and its ramifications for the subject property. There is no guarantee from the appraiser that the attached report(s) will be found fully satisfactory to the Lane County jurisdiction for handling Measure 37 claims, as these requirements may change due to court ordered or Legislature passed modifications. Recently, a Circuit Court court in Marion County held that Measure 37 as written was unconstitutional for various judicial reasons. This ruling is expected to be appealed to State Supreme Court.

Comments on Appraisal and Report Identification

Note any departures from Standards Rules 1-3 and 1-4, plus any USPAP-related issues requiring disclosure:

This appraisal report is complete on the basis of the full site inspection, not the extent of commentary attached.
 The appraised value includes a realty fee as did the sale prices of the comparables, unless otherwise stated.

There were no directly observed toxic materials or hazardous substances in the immediate area of the subject; if any do exist, these are assumed to be safely stored and used according to label directions. A specific search for and recognition of toxic waste and hazardous materials such as might be found in a farm and ranch environment (a Level 1 assessment) is beyond the scope of the appraiser's training and knowledge. Common household, shop and garden chemicals and substances found in most homes and garages, including those of the reader, are assumed to exist around the site. These common toxic materials and hazardous substances include chemicals such as fertilizers, weed killers, pest poisons and sprays, bleach, detergent, oils, cleansers, solvents and fuels, among other solid, liquid and paste substances, and are assumed to be used according to label directions and Federal, state and local regulations unless otherwise specifically noted in this report. It is specifically assumed there is no toxic mold or fungus manifest on the site which would affect livability or marketability.

See attached supplemental addendum. This report has been prepared for use in a State Measure 37 proceeding and is restricted to that use only. See the cover letter page for brief explanations of the use and purpose of this report 092605A in conjunction with report 092605B, 092605C which are "before and after" scenarios. The actual legality, validity and application of State Measure 37 is still in question with present and future court and Legislature involvements a certainty.

APPRAISER:
 Signature: *Craig E. McKern*
 Name: Craig E. McKern, Appraiser, P.C.
 Date Signed: November 6, 2005
 State Certification #: CR00024
 or State License #: _____
 State: Oregon
 Expiration Date of Certification or License: 09-30-2006

SUPERVISORY APPRAISER (only if required):
 Signature: _____
 Name: _____
 Date Signed: _____
 State Certification #: email: cem9th@msn.com
 or State License #: phone 541-345-0744/fax 541-345-0577
 State: _____
 Expiration Date of Certification or License: _____

Did Did Not Inspect Property

SUPPLEMENTAL ADDENDUM

File No. 092605A

Borrower/Client	No borrower			File No.	092605A
Property Address	88737 Oak Hill Cemetery Road				
City	Eugene	County	Lane	State	OR
Lender	Bales, David and Delores			Zip Code	97402

Appraisal Development and Reporting Process:

As per prior agreement with the client named on the cover sheet and first form page of this report, the level of appraisal service requested is a Restricted Appraisal Report of a Complete Appraisal of the subject property plus additional reports as necessary for the purpose of the report.

This level of service has, in the past, been known as a "form appraisal" using standard FNMA or FHLMC forms to convey information to the reader. This level of appraisal service is for the most part the same as past "form appraisals".

This report is a Restricted Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2c of the Uniform Standards of Professional Appraisal Practice (USPAP) for a Restricted Appraisal Report. As such, it represents only limited or summary discussions of the data, reasoning and analyses used in the appraisal process to develop the appraiser's opinion of value stated elsewhere. Supporting documentation that is not provided with this report concerning the data, reasoning and analyses has been retained in the appraiser's file copy. The depth of the discussion contained in this report is specific to the needs of the client and for the intended use of this report stated below.

Scope of Work:

In preparing this report, the appraiser observed the subject site and the improvements on October 10, 2005. Relevant information on comparable land and improved site sales, construction costs and accrued depreciation were also gathered, verified and considered.

All three approaches to value were considered; the sales comparison approach and cost approach were developed for the 092605A and 092605B reports only.

The cost approach does not apply to generally unimproved land in the case of the 092605C hypothetical site value report scenario. The present older improvements are given a depreciated contributory value. A land value range was determined by the hypothetical appraisal of a portion of the total subject site for comparison purposes in report 092605C.

The income approach, along with rents, comparative rental data and calculated formulas and multipliers, is used ONLY IF the subject is likely to become a rental income property in the foreseeable future, which is not the case for the subject dwelling at this time.

Purpose of the Appraisal and Use of the Report:

The purpose of this appraisal report is to estimate the market value as defined on the attached certification/limiting conditions addendum included with the attached USPAP addendum.

This appraisal report is intended ONLY for the use of the client named for the purpose of establishing a fair market value by an independent third party for Measure 37 proceedings. The use of this report is restricted to the clients, David and Delores Bales and Steve Cornacchia, their advisor, attorney and agent, for this specific purpose only. Duly constituted Lane County committees or courts for Measure 37 claims are also expected readers of this report but Lane County is not a client of the appraiser.

This report in its present configuration is not intended for any financing purpose whatsoever. Any other authorized use of this report will be stated either below or in the letter of engagement.

The appraiser is not and will not become responsible for any unauthorized use. Errors and omissions insurance is not extended to a future third party reader and the appraiser must be notified, timely and in writing, of any future transfer/assignment of this report to any third party.

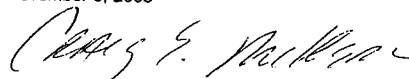
Supplemental Certifications:

I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

In addition, I certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report prepared, with conformity to the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

signed and dated November 6, 2005

Craig E. McKern
president



Craig E. McKern Appraiser P.C.