ANALYSES AND CONCLUSIONS

HIGHEST AND BEST USE:

The term "highest and best use" is defined as "that reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal. Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in the highest land value."

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

Implied within these definitions is recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results from the appraiser's judgment and analytical skill; i.e., that the use determined from analysis represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

The subject property is located outside any city limits and outside any Urban Growth Boundary. The Urban Growth Boundary (UGB) of Springfield is a short distance to the north of the main portion. On the east end of the property the UGB borders the Jasper Lowell Road, which borders the subject. The total area is approximately 1,400 acres of which approximately 690 is usable for homesites as described previously. The topography ranges from level to steep. The soils types range from almost 100% rock mixed with course sand to sandy loam with an overburden several feet in depth. The soils on the 690 acres of buildable land are for the most part suitable for development.

The highest and best use of the subject property is examined in terms of the following:

Physically Possible Uses - With regard to physically possible uses, the size, location, and topography are favorable for a wide range of uses. However, due to the lack of utilities and the restrictive zoning, the uses to which the subject property could be put are limited. However, under the old zoning, AGT and unzoned land areas, the subject property lends itself to a cluster-type residential development, which could be served with a community water system and private septic systems or sand-filter systems. It is also possible that the property could be served by the Willamette Water District. Such a development would of course be subject to existing regulations, which involve the factors of public health, safety, and welfare. Also, the road system and access would need to be improved to accommodate such a development.

Legally Permissible Uses – The current zoning of the subject property is a combination of sand & gravel, timber raising and harvesting, and exclusive farm use. Conceptual development plans completed by David J. Pederson & Associates, planning consultants, contemplated several types of uses, some of which would require re-zoning. However, the plans were never pursued because of the speculative re-zoning which would have been problematic and other restrictions which would have resulted in a very low density development, which would likely not have been financially feasible. Under the zoning which existed at the times of acquisition, which involved AGT zoning and some unzoned land, a major development would have been possible because of the less restrictive zoning. As indicated earlier in this report a development which would involve cluster groupings of homesites on the 690 acres of developable land, utilizing the 710 acres of undevelopable land as open space and water amenities, would be possible. Such a development would be highly desirable because of the location very close to the Eugene/Springfield metropolitan area with long river frontage and aesthetically pleasing pond and hillside areas. A total of 300 or more homesites would likely be possible under this concept.

Financially Feasible Uses — Financially feasible uses are those uses that are expected to produce a positive return on the investment. In other words, financially feasible uses are those uses which would produce an income or return equal to or greater than the amount needed to satisfy operating expenses, financial obligations, and capital amortization. The subject land not only lends itself to the aforementioned cluster-type development with extensive common areas, but would also act as the source of rock and gravel material needed for the development onsite.

Supply and demand factors favor residential use over other uses, although a project the size of the subject could very well include commercial uses and even multi-family residential uses as part of a planned development. As stated previously, the location close to the Eugene/Springfield metropolitan area with its water and topographical amenities would make for a highly desirable development.

Maximally Productive Use – The maximally productive use is that use among the financially feasible uses that produces or would produce the highest price or value consistent with the rate of return warranted for that particular use. The maximally productive use under the current zoning would likely be some form of very low density residential combined with campgrounds and related recreational uses. The maximally productive use under the AZT/unzoned designations would clearly be for a development along the lines of that previously discussed.

Reasonable Exposure Time - This is the time envisioned in this appraisal that the property would have to be exposed to the market prior to a sale. This time period is estimated at six months, which is commensurate with the time on the market for similar properties.

APPRAISAL PROCESS

The subject property in this case involves a vacant, undeveloped land parcel. There are several procedures available for the valuation of vacant land which is: 1) the market data or Direct Sales Comparison Approach, involving land only, 2) the abstraction method, 3) the anticipated use or subdivision development method, and 4) use of the land residual technique. With regard to the subject property, the Direct Sales Approach is considered the most applicable under the present zoning of S&G and EFU-25-30. Because the subject is vacant undeveloped land (improvements are not included), the Cost Approach is not applicable. Likewise, the Income Approach has no applicability because the subject is vacant and undeveloped, and of a type which is not typically leased and not viewed by the market in the context of the Income Approach. For these reasons, only the Direct Sales Comparison Approach is considered applicable in this case in valuing the subject land under the S&G and EFU Zoning. The Direct Sales Comparison Approach and a simplified Development Approach are employed in valuing the subject property under the AGT/unzoned land use designations.

VALUATION PROCESS:

Sales 1 through 8 were utilized in valuing the subject property on an "as is" basis under the current zoning:

Chart of Sales

Sale No.	*Date of Sale*	*Zoning*	*Size/ Acres*	*Sale Price*	*Sale Price/ Acre*	*Location/Map Tax Lot #*
1	10/02	EFU-40 F-2	315.94	$895,000	$2,833 $2,675	26005 Ferguson Road Junction City, OR Map 15-05-02 Tax Lot 200
2	7/04	EFU-40	318.57	$849,000	$2,665 $2,037	25362 High Pass Road Junction City, OR Map 15-05-31 Tax Lot 700 Map 16-05-06 Tax Lot 200
3	10/01	EFU-40	237	$575,000	$2,426	Cantrell Road Eugene, OR Map 18-05-01 Tax Lot 100
4	2/06	EFU	250	$1,375,000	$5,500 $4,400	149 Rolling Ridge Road Oakland, OR Map 25-6-11 Tax Lot 102
5	6/05	EFU F	278.25	$960,000	$3,450	East side Highway-101 South side Dew Valley Lane 5 miles S., Bandon, OR Map 29-14-30 Tax Lot 1000
6	4/04	F-1 F-2	289.05	$750,000	$2,595 $2,249	27716 Erickson Road Eugene, OR Map 18-05-23 Tax Lots 100, 101, 103, 500, 600, 601, 605
7	8/05	FG	124.99	$375,000	$3,000 $2,880	1317 Melton Road Roseburg, OR Map 28-5-12 Tax Lot 900 Map 28-5-11 Tax Lot 700
8	1/02	F-1 F-2	1,129.65	$3,081,750	$2,728	South of 30th Avenue at the south terminus of Gonyea Road, Eugene, OR Map 18-03-22 Tax Lots 100, 300, 400, 500 Map 18-03-16 Tax Lots 100, 200 Map 18-03-15 Tax Lots 200, 201, 300, 301, 303, 304, 400

9	3/06	NR EFU CG	823.2	$4,750,000	$5,770 $5,284	2856 & 2880 Lake Shore Drive, Klamath Falls, OR
10	8/02	Open Land Use - PRC	214.27	$2,068,890	$9,655	NW terminus of Clark Mill Road, Sweet Home, OR Map 13-1E-29 Tax Lots 1000, 1400, 2300, 2400, 2500, 2600, 2701, 2800, 2900, 3000, 3100, 3101, 3200, 3803, 3805
11	6/04	AG PUD Overlay	262.09	$2,000,000	$7,631	Nichols Ranch, Winston, OR Map 28-06W-29 Tax Lots 402, 500, 501, 503, 599, 808
12	11/03	Farm Wood Lot Rural Residential	174.61	$8,250,000	$32,931	Paradise Ranch Merlin, OR

As explained earlier in this report, the subject property is categorized as non-buildable land and buildable land. The non-buildable portion contains approximately 710 acres consisting of land in the floodway, wetlands, ponds, and land with slopes exceeding 40%. Also, there are approximately 22 acres encumbered by powerlines. While this land cannot accommodate development of any kind, it has value in the form of amenities which enhance the value of the buildable portions. This is particularly true with regard to the ponds and the lands bordering the two rivers. For this reason, it is considered appropriate to value the subject land as a single whole rather than in the categories of buildable and non buildable.

The buildable land contains approximately 690 acres consisting of level land and sloping land. Much of the level land enjoys water amenities either from the ponds or the rivers. The sloping land affords views varying from limited to good. The natural vegetation, particularly the larger trees, offers added amenities. The existing haul road, which is well constructed with a heavy base, could significantly produce development costs for roadways. The available rock and sand material on site could also be used for development and would serve to reduce the overall cost of development.

The subject land is valued under the existing zoning utilizing Sales 1 through 8. These sales, like the subject, involve larger land parcels zoned for exclusive farm use and timber growing and harvesting. The sale properties zoned F-1 and F-2 (timber) are the most restrictive with regard to permitted uses. The EFU (exclusive farm use) zoned sale properties have less restrictions as to permitted uses, but are still quite restrictive. Rather than attempt to value the subject land, based on zoning, it is believed more appropriate to value the overall 1,400 acres utilizing sales with a mixture of zoning involving the same zones as those found on the subject property. In order to find sufficient market data it was necessary to broaden the search for land sales to other areas of the state.

The sales utilized in this direct comparison analysis, Sales 1 through 8 are adjusted for time at the rate of 3% per annum, which is considered conservative but appropriate for purposes of this analysis (the 2006 sales are not adjusted for time).

Sale No.	*Date of Sale*	*Size/Acre*	*Zoning*	*Price/Acre*	*Adjusted Price/Acre*	*Location*
1	10/02	315.94	EFU-40 F-2	$2,833 $2,675	$3,161 $2,985	26005 Ferguson Road Junction City, OR
2	7/04	318.57	EFU-40	$2,665 $2,037	$2,824 $2,159	25362 High Pass Road Junction City, OR
3	10/01	237	EFU-40	$2,426	$2,788	Cantrell Road Eugene, OR
4	2/06	250	EFU	$5,500 $4,400	$5,500 $4,400	149 Rolling Ridge Road Oakland, OR
5	6/05	278.25	EFU F	$3,450	$3,558	Dew Valley Lane Bandon, OR
6	4/04	289.05	F-1 F-2	$2,595 $2,249	$2,070 $2,401	27716 Erickson Road Eugene, OR
7	8/05	124.99	FG	$3,000 $2,880	$3,079 $2,956	1317 Melton Road Roseburg, OR
8	1/02	1,129.65	F-1 F-2	$2,728	$3,113	South of 30th Avenue at the south near LCC, Eugene, OR
9	3/06	823.2	NR, EFU GC	$5,770 $5,284	$5,770 $5,284	2856 & 2880 Lake Shore Drive, Klamath Falls, OR
10	8/02	214.27	Open Land Use-PRC	$9,655	$10,829	Clark Mill Road Sweet Home, OR
11	6/04	262.09	AG PUD Overlay	$7,631	$8,105	Nichols Ranch Winston, OR
12	11/03	174.61	Farm Wood Lot Rural Residential	$32,931	$35,597	Paradise Ranch (proposed resort) Merlin, OR

The sales which involved existing improvements were adjusted by subtracting the estimated value of the improvements from the sale price to derive a price per acre for land only. These adjusted prices are listed under the price per acre overall.

VALUATION OF SUBJECT LAND UNDER EXISTING ZONING

In general, Sales 1 through 8 reflect a price per acre range, for land only adjusted for time, of $2,037 to $4,400. The sales range in size from 124.99 acres to 1,129.65 acres. By comparison the subject property contains approximately 1,400 acres. All of the sales, with the exception of Sale 8, are significantly smaller than the subject, which requires adjustment due to the fact that larger land parcels sell for lower per acre prices, all other factors being equal, and the size difference being large. Like the subject land, these sales consist of a combination of buildable land and non-buildable land. The subject, however, includes more non-buildable land area as a percentage of the total. However, it has extensive river frontage and is closer to the Eugene/Springfield metropolitan area, which factors are believed to more than offset the higher, non-buildable percentage. Given these factors, the value of the subject land is logically the high end of the market price range reflected by the sales. A per acre figure of $4,000 per acre or higher is believed reasonable.

The sales are compared to the subject on an individual basis as follows:

Sale 1 involved a 315.94 acre land parcel which included an old residence (1920) containing approximately 1,812 square feet, an 1,100 square foot attached garage, a 432 square foot attached porch, a 1,532 square foot paved patio, a 3,000 square foot barn, and general purpose sheds totaling approximately 2,000 square feet. These improvements were valued at $50,000, which leaves land at $845,000 which divided by 315.94 acres equates to $2,675 per acre. Updated for time, this per acre figure becomes $2,985. This sale property has no river frontage or water amenities, and is primarily a farm. It has a significantly higher portion of usable land but is much smaller than the subject. Taking these factors into consideration, this sale suggests a value for the subject of significantly more than $2,985 per acre.

Sale 2 involved a 318.57 acre land parcel which included a three-bedroom, one-level ranch-style home constructed in 1988. In addition there was a detached two-car garage and extensive outbuildings. The improvements were valued at $200,000 leaving $649,000 for land. This divided by 318.57 acres is equivalent to $2,037 per acre. Updated for time, this figure becomes $2,159 per acre. This sale property was a working cattle ranch and had no water amenities and little development potential. Taking these factors into consideration together with the significantly smaller size and the higher percentage of useable land, this sale suggests a value of the subject property of significantly more than $2,159 per acre.

Sale 3 involved a late 2001 sale of 237 acres which sold for $575,000, or $2,426 per acre. There were no significant improvements. The soils were rated Class 4 and there was a BPA powerline easement. This sale property had no water amenities and little development potential. Taking these factors into consideration in addition to the significantly smaller size and the higher percentage of useable land, this sale suggests a value for the subject of significantly more than $2,788 per acre.

Sale 4 involved a 250 acre land parcel, which included improvements valued at $275,000 leaving a price for land only of $1,100,000, or $4,400 per acre. This sale property involved some desirable land forms with view potential, and had some development potential, but no water amenities. On balance with size and taking into consideration the higher percentage of useable land, this sale suggests a value of near $4,400 per acre.

Sale 5 involved a 278.25 acre land parcel located on the east side of Highway-101 south of Dew Valley Lane and five miles south of Bandon, Oregon. This property had no water amenities, but was near the Bandon Dunes Golf Course. On balance with size and taking into consideration the higher percentage of useable land area, this sale suggests a value for the subject of more than $3,558 per acre.

Sale 6 involved a 289.05 acre land parcel located on Erickson Road southwest of Eugene. The zoning was F-1 and F-2. The purchaser was able to divide the property into several homesites. Improvements included an older residence and several outbuildings. This property sold in April 2004, for $750,000. After subtracting the estimated value of the improvements of $100,000, the price per acre of land only was $2,249, which adjusted for time equated to $2,401 per acre. Although this property had development potential, it did not have water amenities and was significantly smaller than the subject. Moreover it had a significantly higher percentage of useable land. This sale suggests a value for the subject property of well above the time adjusted price of $2,401 per acre.

Sale 7 involved a 124.99 acre land parcel located on Melton Road near Roseburg, Oregon. This property fronts Roberts Creek Road along the full length of its west boundary and Melton Road at the east side which is the access. It is rolling land with relatively good pasture characteristics. The only improvement is a 1,600 square foot barn. There is a stock-water pond and an intermittent creek on the property. On balance with size and taking into consideration the higher percentage of useable land, this property is considered inferior to the subject property indicating a value for the subject land of above the time adjusted price of $2,956 per acre.

Sale 8 involved a 1,129.65 acre land parcel situated near the subject property off 30th Avenue behind Lane Community College. This property was zoned F-1 and F-2 and had no water amenities, although, it did have limited development potential. Also it had a higher percentage of useable land than does the subject. This sale is believed to indicate a value for the subject of significantly more than the time adjusted price per acre of $3,113.

Based upon the sales, taking into consideration major differences including the factor of time, the value of the subject land is reasonably concluded to be $4,000 per acre times 1,400 acres, or **$5,600,000**.

VALUATION OF SUBJECT LAND ZONED AGT AND UNZONED

The value of the subject property, under the ***hypothetical condition and extraordinary assumption*** that on June 17, 2006, the land was zoned a combination of AGT and unzoned and could accommodate 300 or more homesites in a planned development, was estimated utilizing Sales 9 through 13 as follows:

Sale 9 involved an 823.2 acre land parcel situated on Lake Shore Drive near Klamath Falls, Oregon. This property is a large ranch located on the shores of Upper Klamath Lake adjacent to a world-class golf oriented resort. The current zoning was NR (Natural Resources), EFU (Exclusive Farm Use), and GC (General Crops). This property was irrigated and the land form is level-to-sloping with long frontage on the lake. The property has development potential, but like the subject, is problematic. The property reportedly sold for $4,750,000 and included a residence and outbuildings valued at $400,000, leaving $4,350,000 for land only, or $5,284 per acre. Extensive rezoning would have to take place prior to any major development. This property is considered similar to the subject in many respects, but inferior on an overall basis, indicating a value for the subject of well above $5,284 per acre.

Sale 10 involved a 214.27 acre land parcel located on Clark Mill Road in Sweet Home, Oregon. This was the former Morse Brothers Sand and Gravel operation and, like the subject, had long frontage on the South Santiam River and a number of larger ponds. This property sold in mid-2002 for $2,068,890, or $9,655 per acre. This updated for time equates to $10,829 per acre. This property is considered superior to the subject because of its urban level of utilities and services, but inferior because of its location in Sweet Home and its significantly smaller amount of river frontage. This property is in the process of being developed into residential homesites utilizing a cluster concept similar to what would take place on the subject land. This sale tends to indicate a value for the subject of significantly more than $10,829 per acre.

Sale 11 involved a 262.09 acre land parcel located in Winston, Oregon, known as the Nichols Ranch. This property consists of rolling hills and frontage along the South Umpqua River. It was inside the City of Winston and, therefore, had an urban level of utilities and services. However, it has significantly less river frontage and its location in Winston is considered inferior. This sale is believed to indicate a value for the subject of more than $8,105 per acre.

Sale 12 involved a 174.61 acre land parcel assembled from 27 separate adjoining parcels which sold in late-2003 for a total of $8,250,000. This property was zoned Farm, Wood Lot, and Rural Residential, but is approved for a destination resort. This property is planed for the proposed Paradise Ranch Resort which will include a golf and surrounding housing. Construction is to begin in 2006. An 18-hole championship golf course designed by Jack Nicholas and son is proposed with 211 surrounding homes. Buyers will be able to choose from four different builders. Fifty homes are planned for the first year. Additional surrounding land has been purchased for the development. This property is significantly smaller than the subject, but has no water amenities. On the other hand, the City of Grants Pass will reportedly extend the city water. Moreover, there is a privately-owned sewage plant in Merlin which will be utilized by the project if possible. The purchase price of $8,250,000 included structural improvements which were valued by the assessor at over $3,000,000. However, most of these structures will be razed to make way for the development. The contributory value of the improvements which will be retained and integrated into the development is estimated at $2,500,000. At the time of purchase, the land had previous development approval for a resort-type project which included an upscale golf course. Therefore, the land at the time of purchase had a relatively high level of entitlements which added significantly to the price paid. This sale is believed to indicate a value for the subject land of well below the time-adjusted price of $35,597 per acre.

Based upon the foregoing sales and taking into consideration major differences, a value for the subject property is reasonably concluded to be $15,000 per acre times 1,400 acres, or $21,000,000.

As a check on the reasonableness of the value estimate under the ***hypothetical condition*** of AGT/unzoned land use designations and the ***extraordinary assumption*** of 300 homesites, a Development Approach is utilized. This methodology is considered reasonable only when there is good information available with regard to the number, size, and configuration of homesites and the development costs. In this case, this information is available only in terms of rough figures. However, sufficient information is believed available to provide an approach which has validity in terms of it being a test on the reasonableness of the value reached through the Direct Sales Comparison Approach.

In carrying out a development analysis at this point in time with the many uncertainties involved, the following assumptions are necessary:

1. The number of possible homesites is assumed to be 300.

2. A review of rural homesite sales over the past two and one half years in the area of Eugene/Springfield revealed prices ranging from a low of $125,000 to a high of over $200,000. The homesite sizes ranged from 1.11 acres to 5.04 acres but were typically near two acres. The views ranged from fair to excellent. Significantly higher rural homesite prices were found in larger lots. Based on this information, an average lot price for the subject development is reasonably concluded to be $200,000. This times 300 equals a gross sales revenue of $60,000,000 or $10,000,000 per year over the six-year sellout period.

3. Construction would take approximately one year and the sellout period would be six years for a total seven-year development program.

4. A conservative discount rate is judged to be 12% and a developer's profit of 15% of gross sales revenue is judged reasonable, which is equivalent to $9,000,000 or $1,500,000 per year over the six-year sellout period.

5. Hard costs, estimated at $3,763,000, were estimated based on information from Poage Engineering. A 10% contingency was added, which brought the total to $4,139,300. A $1,000,000 addition for improving Seavey Loop Road as a primary access was added. In addition, a $500,000 cleanup estimate was added bringing the total to **$5,639,000**.

6. Soft costs which included title insurance, escrow fees, marketing costs including real estate commissions, insurance during construction, county fees (SDC), real estate taxes during construction, professional fees, and 5% miscellaneous, totaled

$4,525,000, which is equivalent to $754,167 per year over the six-year sellout period.

Based upon the foregoing, a discounted cash flow chart is constructed as follows:

Component	*Year 1*	*Year 2*	*Year 3*	*Year 4*	*Year 5*	*Year 6*	*Year 7*
Gross Sales Revenue	0	$10,000,000	$10,000,000	$10,000,000	$10,000,000	$10,000,000	$10,000,000
Hard Costs	($5,639,000)	0	0	0	0	0	0
Soft Costs		$754,167	$754,167	$754,167	$754,167	$754,167	$754,167
Developer's Profit		$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
Net Cash Flows	($5,639,000)	$7,745,833	$7,745,833	$7,745,833	$7,745,833	$7,745,833	$7,745,833

The present value of the above negative and positive cash flows, over the six-year period at a 12% discount rate, is $23,399,352, or $16,714 per acre.

The Direct Sales Comparison analysis resulted in a value for the subject property under the aforedescribed ***hypothetical condition*** of zoning and ***extraordinary assumption*** of $21,000,000, or $15,000 per acre. The Developmental Approach utilizing a discounted cash flow analysis resulted in a value of $23,399,000 (rounded), or $16,714 per acre.

The two approaches differ by a considerable margin and both approaches are based on less than ideal data. The subject land is very unique and, therefore, the Direct Sales Comparison analysis involved utilizing sales with varying degrees of comparability and a very wide range of per acre prices. The Development Approach was of necessity based on very rough data. Overall, the Direct Sales Comparison analysis is given more weight. Therefore, the final value estimate is reasonably concluded to be $15,000 per acre, times 1,400 acres, or **$21,000,000**.

Valuation Summary

Value of the subject property under the ***hypothetical condition*** of AGT zoned land and unzoned land and under the ***extraordinary assumption*** of 300 homesites: **$21,000,000**

Value of subject property as currently Zoned: **$5,600,000**

Difference in final value **$15,400,000**

ASSUMPTIONS AND LIMITING CONDITIONS

1. This is a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of USPAP for a Summary Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for the unauthorized use of this report.

2. No survey of the property has been made and no responsibility is assumed in connection with such matters. Sketches in this report, if any are included, are only to assist the reader in visualizing the property.

3. No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and merchantable.

4. Information furnished by others is assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless otherwise specified within the report. The property is appraised as though under responsible ownership and competent management.

6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering or other expertise which may be required to discover them.

7. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.

8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non conformity has been stated, defined and considered in the appraisal report.

9. It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted within the report.

11. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde-foam insulation or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there are no such materials on or in the property that would cause a loss in value, unless otherwise stated in the report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraisers, and in any event only with proper written qualification and only in its entirety.

13. The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.

14. Neither all nor any part of the contents of this report, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales or any other media without written consent and approval of the appraiser. Nor shall the appraiser's firm or professional organization of which the appraiser is a member be identified without written consent of the appraiser.

15. This appraisal was done under market conditions prevailing on the effective date of this appraisal. Because real estate values are very dependent on market conditions and markets tend to change over time, no responsibility is assumed for market conditions affecting the value of the property beyond the date of this appraisal.

16. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and general limiting conditions.

17. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of the ADA in estimating the value of the property.

CERTIFICATION

The undersigned does (do) hereby certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct;

- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.

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

- I have no bias with respect to the property that is the subject of this report or to 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 case of the client, the amount of 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 inspection of the property that is the subject of this report.

- Carol Eggleston, State Registered Appraiser Assistant (Registration No. AA02002) provided professional assistance to the person signing this report.

- The Appraisal Institute conducts a program of continuing education for its designated members. As of the date of this report, I, Charles P. Thompson, MAI, have completed the requirements under the continuing education program of the Appraisal Institute.

- in my opinion, the market value of the subject property on an "as-is" basis, effective June 17, 2006, was **$5,600,000.** The market value of the subject property based on the ***hypothetical condition*** and ***extraordinary assumption*** that it was zoned AGT/Unzoned on June 17, 2006, and that 300 lots could be obtained, was estimated to be **$21,000,000.**

CHARLES P. THOMPSON & ASSOCIATES, INC.

For Charles P. Thompson

Charles P. Thompson, MAI
State Certified General Appraiser No. C000007

ADDENDA

Exhibit A

QUALIFICATIONS OF
CHARLES P. THOMPSON, MAI

EMPLOYMENT BACKGROUND

Charles P. Thompson has been engaged in the practice of real estate appraising under the name of CHARLES P. THOMPSON AND ASSOCIATES, INC. since April of 1965. Mr. Thompson is experienced in real estate financing and brokerage, as well as appraising. He is presently located at 1234 High Street, Suite A, in Eugene, Oregon, where he is specializing in Real Estate Appraising and Consulting. He is a State Certified General Appraiser in Oregon, License No. C000007.

EDUCATIONAL ATTAINMENTS

B. S. Degree: University of Oregon, 1960

Various Courses of Study: Appraisal Institute

Courses I and II: School of Mortgage Banking, Stanford University

Principles and Techniques of Residential Appraising: Society of Real Estate Appraisers

Numerous clinics, short courses, and seminars on real estate appraisal subjects on a continuing basis. Recently Mr. Thompson attended the "Standards of Professional Practice," "Discounted Cash Flow Analysis," and the "Appraiser's Complete Review" seminars, all sponsored by the Appraisal Institute. Also, Mr. Thompson successfully completed the Appraisal Institute's courses 310 and 510 (Income Capitalization) in preparation for teaching these courses.

PROFESSIONAL DESIGNATIONS

MAI - Member Appraisal Institute

SCOPE OF APPRAISAL ASSIGNMENTS

Commercial, industrial, residential, special use, recreational, resort, and farm. Also experienced in condemnation appraising and court testimony. Present practice does not include single-family residential appraisals.

PROFESSIONAL AFFILIATIONS, PAST AND PRESENT

Eugene Board of Realtors
National Association of Real Estate Brokers
International Traders Club
Home Builder's Association
Mortgage Banker's Association of America
Society of Real Estate Appraisers
Appraisal Institute

REPRESENTATIVE APPRAISAL CLIENTS

Market and Feasibility Studies for the Eugene Urban Renewal Agency
Acquisition Appraisals for the Salem Urban Renewal Agency
Appraisals for Turn-Key Project, Salem Urban Renewal Agency
Various Urban Renewal Appraisals in Alaska for Alaska Housing Authority

Alaska Airlines
Umpqua Bank
Chase Manhattan Bank
City of Eugene
Department of Veterans' Affairs
Eugene Water and Electric Board
First Interstate Bank
Georgia-Pacific Company
Hiawatha Federal Savings Assoc.
Lane County
Merrill Lynch, Pierce, Fenner and Smith, Inc.
Pacific Continental Bank
Pankow Development Company
Rosboro Lumber Company
Springfield Forest Products
Troutman's Emporium
U-Lane-O Credit Union
Valley River Shopping Center
Wildish Construction Company
Bird Trust
Church of Jesus Christ of Latter Day Saints
Davidson Industries
Evergreen Federal Savings
Federal Housing Administration
First Security Bank of Oregon
Good Neighbor Care Centers
IBM Corporation
Lane Transit District
Mid-Kansas Federal Savings and Loan Association
Pacific Northwest Bell
Reedsport Urban Renewal
Spectra-Physics
State Accident Insurance Fund
U.S. Coast Guard
U.S. National Bank of Oregon
Weyerhaeuser Timber Company

COURT TESTIMONY

Mr. Thompson has testified as an expert witness in various courts in the State of Oregon. In addition, he has testified in Federal Court proceedings in the State of New Jersey and before the Civil Aeronautics Board in Washington, D.C.

TEACHING QUALIFICATIONS

Mr. Thompson is an approved instructor with the Appraisal Institute and is currently teaching Basic and Advanced Capitalization courses. He has lectured at the University of Oregon and has taught several real estate courses there as an adjunct instructor.

SE

SECTION VI. AGT AGRICULTURE, GRAZING, TIMBER-RAISING DISTRICT

The following regulations shall apply to AGT Agriculture, Grazing, Timber-Raising District:

A. USE

No building, structure, or land shall be used, and no building or structure shall be hereafter erected, structurally altered, enlarged, or maintained except for the following uses:

1. Agriculture, grazing, and/or timber raising.
2. Dwelling or dwellings for owners, operators, and/or help required to carry out a use as specified in A.-1. above.
3. Accessory buildings normally required in connection with a use as specified in A.-1. above.
4. Single-family dwellings, duplexes and accessory buildings hereto when developed in accordance with the conditions established under Section VIII in subdivisions approved by the Planning Commission.
5. Parks, playgrounds, golf courses or community centers owned and operated by a governmental agency.
6. Grange halls.
7. Churches with off-street parking as provided in Section XVII, B. and setbacks from side and rear property lines of at least twenty (20) feet.
8. Schools (elementary, junior high and high) providing a fifty (50) foot building setback is maintained from abutting, privately-owned property.
9. Hospitals with the same building setbacks as established in 8. (above).
10. Public and semi-public buildings and structures essential to the physical and economic welfare of an area, such as fire stations, sub-stations and pump stations, provided that side and rear yards shall be a minimum of twenty (20) per cent of the property width, but not less than ten (10) feet nor necessarily more than thirty (30) feet.
11. The following uses may also be permitted if their location is first approved by the Planning Commission after a public hearing; provided said uses are deemed to be essential or desirable to the public convenience or welfare, are in harmony with the general purpose and intent of the comprehensive zoning plan, and are not detrimental to the physical development of the community: airports, correctional institutions, cemeteries, circus quarters or menageries, radio stations, and television stations, sanitariums, stadiums.

B. REGULATIONS

Regulations hereafter prescribed shall not apply to uses conforming to A.-1, A.-2, and A.-3.

the public against flood damage and the accumulation of surface water, and dedication of easements for sanitary sewers, and for access thereto for maintenance, and dedication of easements for other public utilities, may be required of the subdivider by the Planning Commission along lot rear lines, lot side lines, or elsewhere as necessary to provide needed facilities for present or future development of the area in accordance with the purpose of this Ordinance. Easements for utility lines shall be not less than 14 feet in width; except that for an easement abutting land not in the subdivision area a lesser width may be allowed in the discretion of the Planning Commission where the subdivider presents a satisfactory plan whereby such easement will be expanded to the width otherwise required. Easements for access to sewer lines for maintenance shall be 6 feet in width.

D. <u>LOTS</u>

1. <u>Size and Frontage</u>

a. <u>General Requirements</u>

(1) <u>Width</u>

Each lot shall have an average width between the lot side lines of not less than 60 feet. Each corner lot and each authorized key lot and butt lot shall have an average width between the lot side lines of not less than 65 feet.

(2) <u>Depth</u>

Each lot shall have an average depth between the lot front line and the lot rear line of not less than 80 feet and not more than 2½ times the average width between the lot side lines. Each double frontage lot shall have an average depth between the lot front line and lot rear line of not less than 120 feet unless a lesser depth is approved by the Planning Commission where necessitated by unusual topographic conditions.

(3) <u>Area</u>

Each lot shall comprise a minimum of 6,000 square feet.

(4) <u>Frontage</u>

Each lot shall have frontage of not less than 60 feet upon a street, except that a lot on the outer