

SUMMARY REPORT

**OFFICE BUILDING
12486 S. FOOTHILLS BLVD.
YUMA, ARIZONA 85367**

PREPARED FOR

**FEDERAL HOME LOANS CORP.
5540 RUFFIN ROAD
SAN DIEGO, CA 92123**

DATE OF VALUE: APRIL 28, 2009

DATE OF REPORT: APRIL 29, 2009

PREPARED BY

RONALD E. TEBBETTS, CREA

OF

**TEBBETTS APPRAISAL SERVICE, INC.
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April 29, 2009

Ms. Maria Salas
Federal Home Loans Corp.
5540 Ruffin Road
San Diego, CA 92123

Re: Appraisal of the office building located at 12486 S. Foothills Blvd. in Yuma, Arizona
85367.
My File 090027

Dear Ms. Salas:

In accordance with your request, I made an appraisal of the property referenced above. I was not provided with a Preliminary Report for the subject property. I have identified the property as Assessor Parcel Number 701-61-172.

The purpose of this appraisal was to provide an estimate of the "as is" market value of the fee simple interest in the property as of April 28, 2009. Market value is defined as the most probable price estimated in terms of money which a property will bring if exposed for sale in the open market allowing a reasonable time to find a purchaser who buys with knowledge of all the uses to which it is adapted for which it is capable of being used.

The indicated "AS IS" value is:

EIGHT HUNDRED THOUSAND DOLLARS
\$800,000


My opinion of value is subject to certain assumptions and limiting conditions as set forth in the following text. There are no unusual limiting conditions or environmental and/or special resource issues associated with the subject property. Summary descriptions of the subject property, market data and analyses that support the value conclusion are included in the following report.

This appraisal report has been prepared exclusively for the above named client and only this client and his assigns can read and rely upon the findings and conclusions included in this report. The property owner is also considered a user of the report.

This appraisal report has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP), adopted by the Appraisal Foundation and the Minimum Appraisal Standards contained in Section 564.4 of the Office of Thrift Supervision's (OTS) final regulation, effective August 23, 1990. Additionally, it was prepared according to Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), as amended June 7, 1994, and to the standards set forth within 12 U.S.C. 93a of the Office of the Comptroller of the Currency (OCC).

The written report has been prepared as a Summary Appraisal Report in accordance with Standards Rule 2-2(b), adopted by the Appraisal Standards Board on March 22, 1994, effective July 1, 1994. I have used the sales comparison and income capitalization approaches to value in this assignment.

Respectfully submitted,



Ronald E. Tebbetts, CREA
Certified General Appraiser
AG002672 expires 1/26/10

File # 090027

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CERTIFICATE OF APPRAISAL

The undersigned hereby certifies:

- * that the statements of fact contained in this report are true and are correct.
- * that 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.
- * that 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.
- * that I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- * that my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- * that 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.
- * that my analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- * that Ronald E. Tebbetts made a personal inspection of the property that is the subject of this report.
- * that no one provided significant professional real estate appraisal assistance to the person signing this certification.
- that the undersigned was employed directly by Federal Home Loans Corp. and their successors and/or assigns.
- * that information, estimates and opinions furnished by others and contained in this report are assumed to be true, correct and reliable. A reasonable effort has been made to verify such information; however, the appraiser assumes no responsibility for its accuracy.
- * that this appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or loan approval.
- * that my compensation for completing this assignment is not contingent upon an action or event resulting from the analyses, opinions or conclusions in, or the use of this report.

- * that this appraisal report sets forth all the limiting conditions (imposed by the terms of this assignment or by the undersigned) affecting the analyses, opinions and conclusions contained in this report.
- * that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- * that the appraiser has the appropriate knowledge and experience to complete this assignment competently in accordance with the competency provision as required by USPAP. Appraiser qualifications are located near the end of this report.
- * that due to the varying requirements of individual review appraisers, this report cannot be guaranteed to meet any one review appraiser's opinion of acceptability. Any changes required by a review appraiser will be completed at the client's expense and at the appraiser's option.
- * that any third-party studies referred to in this report such as tests, hazardous materials, structural, etc., have been verified by the appraiser to the extent of the assumptions, conclusions and recommendations explained. The appraiser does not have the expertise to comment on the accuracy or validity of such reports.
- * that this appraisal report is based on the existing physical condition of the subject as of the date of appraisal.
- * that the value is in accordance with my estimate of highest and best use. All sales have been adjusted to a cash-equivalent price when appropriate and sufficient data was available.
- * that Ronald E. Tebbetts has successfully met the requirements for the title "Certified General Appraiser" delegated by the Office of Real Estate Appraisers, valid until January 26, 2010, OREA identification number AG002672.
- * that projections included in this report are utilized to assist in the valuation process and are based on current economic conditions. Thus, the analyses and valuation are subject to change in the future due to economic forces that cannot be predicted by the appraiser.
- * that the appraiser assumes no responsibility for any hazardous or toxic waste substances (including those that are on the site either underground or stored) and this appraisal assumes that there are no such influences unless otherwise stated within the body of this report. It should be understood that adverse toxic or hazardous waste conditions found on the site could dramatically impact the indicated value.



Ronald E. Tebbetts, CREA
#AG002672 expires 1/26/10

SUBJECT PHOTOGRAPHS



Subject –east elevation



Subject – north elevation



Subject – west elevation



Subject – south elevation



Subject - interior reception



Subject – interior hallway



Subject – interior office



Subject - interior upstairs office



Subject – interior file storage room



Subject – parking garage



Foothills Blvd. looking north with the subject on the left



Foothills Blvd. looking south with the subject on the right



44th Street looking east with the subject on the left



38th Street looking west with the subject on the right

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

PROPERTY: Existing Office Building

LOCATION: 12486 S. Foothills Blvd.
Yuma, Arizona 85367

OWNER: Citizens Title & Trust Co. 95

OWNERSHIP INTEREST: Fee Simple Estate

PROPERTY DESCRIPTION: An office building with an area of 5,170 SF.

LAND AREA: 24,120 sq.ft.

VALUE INDICATIONS: **"AS IS":** **\$800,000**

DATE OF VALUE: April 28, 2009

DATE OF REPORT: April 29, 2009

APPRAISER: Ronald E. Tebbetts, CREA
Certified General Appraiser, AG002672

FILE NUMBER: 090027

DESCRIPTIONS, ANALYSES AND CONCLUSIONS

INTRODUCTION

Scope of Work

This appraisal complies with the *Uniform Standards of Professional Appraisal Practice* (USPAP) adopted by the Appraisal Foundation and Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA)(12 U.S. C. 3331 et seq.). It is in Summary Report Format.

The subject property was inspected on April 28, 2009. The appraiser examined the subject property and took photographs. The inspection was conducted by Ronald E. Tebbetts, CREA.

Searches were made for office building sales and rentals in the subject's and competing areas using various data sources including MLS, LoopNet, public records, and broker surveys. Each property was analyzed to determine comparability. The subject was analyzed to determine its highest and best use.

For the estimate of value, the three traditional approaches to value were considered. Each is discussed as follows:

Cost Approach

The cost approach is a set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of, or replacement for, the existing structure; deducting accrued depreciation from the reproduction or replacement cost; and adding the estimated land value plus an entrepreneurial profit. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.¹

Sales Comparison Approach

The sales comparison approach is a set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when comparable sales data are available.²

¹ *The Dictionary of Real Estate Appraisal*, 4th ed. (Chicago: Appraisal Institute, 2002), 67.

² *Dictionary*, 255.

Income Capitalization Approach

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.

The subject was built in 1994. The sales comparison and income capitalization approaches were used to value the property. The cost approach was not used due to a lack of land sales and the difficulty in estimating accrued depreciation of the improvements.

Purpose of Appraisal

The purpose of this appraisal is to estimate the market value of the fee simple interest in the subject property.

Use/Function of Appraisal

This appraisal will be used by the client to help establish value for loan purposes.

User of Appraisal

Federal Home Loans Corp. and assignees.

Property Rights Appraised

The property rights appraised in this analysis are fee simple estate.

Definitions

Market Value

The most probable price which a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale occurs as of a specified date.
2. An open and competitive market exists for the property interest appraised.
3. The buyer and seller are each acting prudently and knowledgeably.
4. The price is not affected by undue stimulus.

5. The buyer and seller are typically motivated.
6. Both parties are acting in what they consider their best interest.
7. Marketing efforts were adequate and a reasonable time was allowed for exposure in the open market.
8. Payment was made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Market Value "As Is"

The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.

Highest and Best Use

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

Fee Simple Estate

Absolute ownership unencumbered by any other interest of estate; subject only to the limitations of eminent domain, escheat, police power, and taxation."

Date of Report

April 29, 2009

Effective Date of Value

April 28, 2009

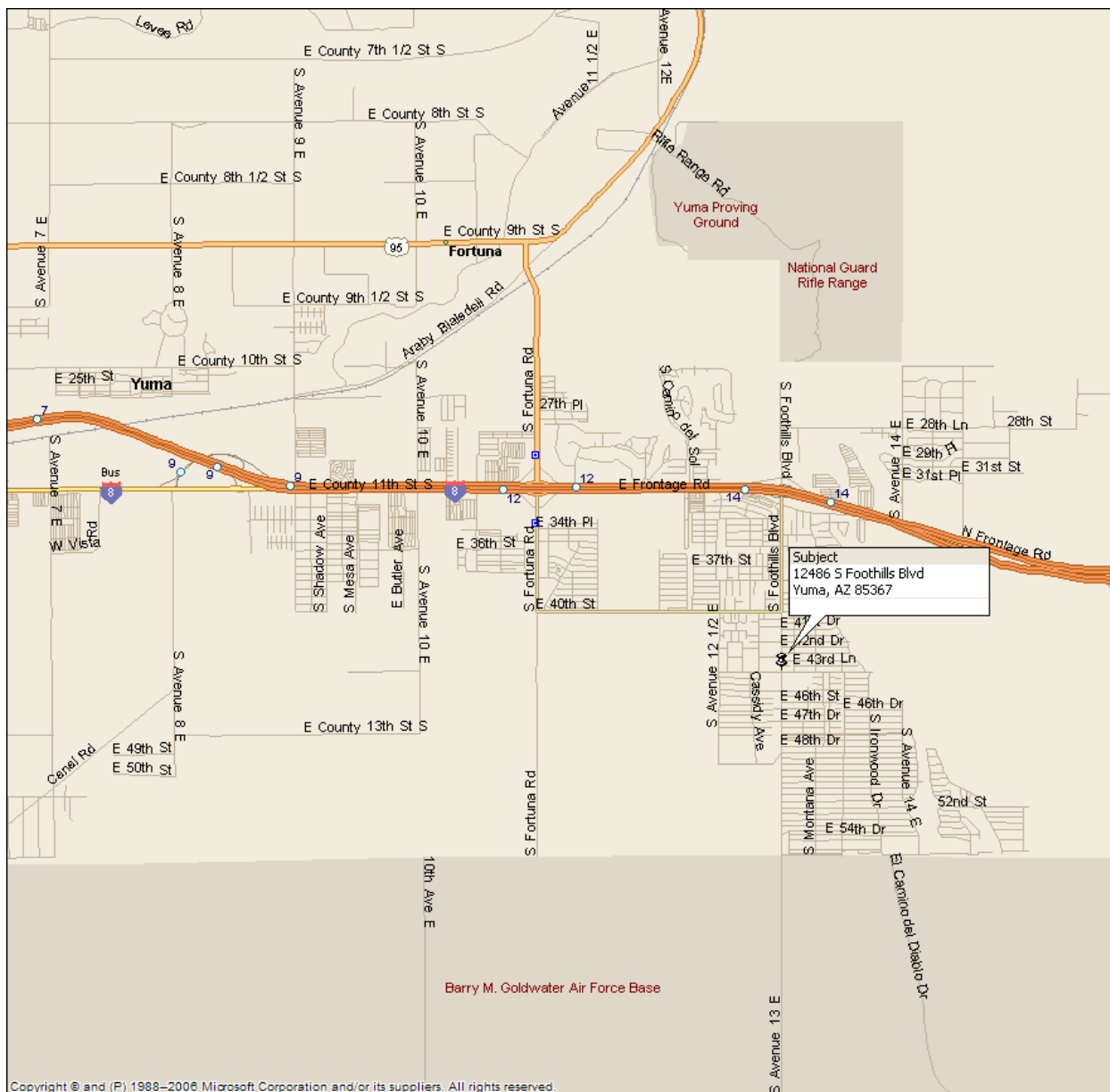
Personal Property, Fixtures and Intangible Items

This analysis does not consider any value associated with personal property, fixtures, equipment or intangibles. This is an appraisal of the real estate only.

Property History

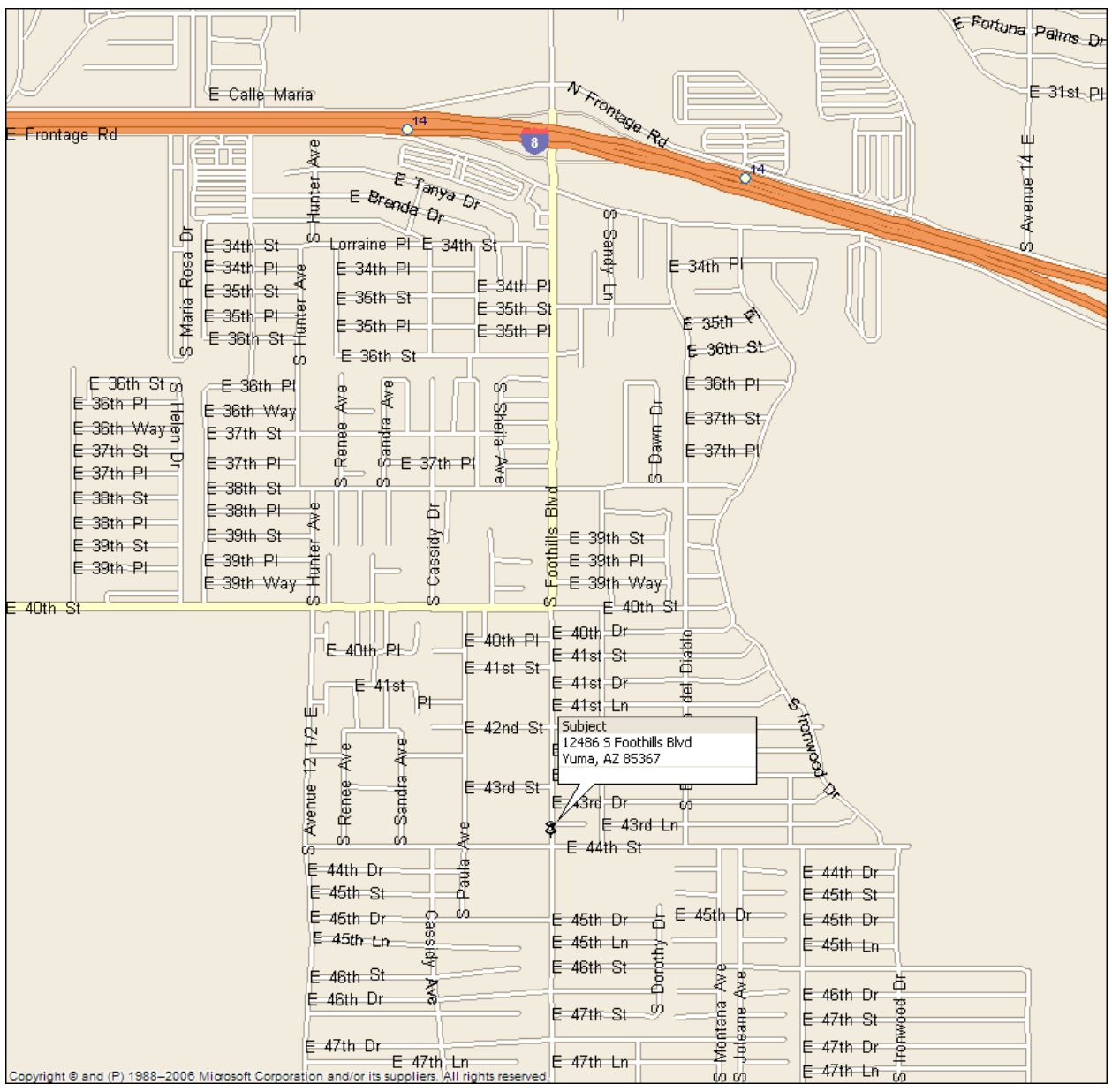
The property has been under the current ownership since construction in 1994. To my knowledge, the property has not been listed or sold during the last three years.

LOCATION MAP



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NEIGHBORHOOD MAP



SITE ANALYSIS

Identification of the Property

The subject property is an improved corner lot located at the northwest corner of Foothills Blvd. and 44th Street in Yuma, Arizona.

Legal Description

The legal description of the property is "Lot 47, excluding the westerly 120 feet thereof, Section 16, township 09S, Range 21 west, Foothills Subdivision 2, County of Yuma, State of Arizona." I have also identified the property as Assessor Parcel Number 728-12-014-02.

Access/Street

The subject has vehicular access from the west side of Foothills Blvd. and the north side of 44th Street. Foothills Blvd. is a five lane asphalt paved street with concrete sidewalks, curbs, gutters and street lights. 44th Street is a two lane asphalt paved street with no sidewalks, curbs, or gutters.

Shape and Area

The subject parcel has an area of 24,120 sq.ft. according to public record and is rectangular in shape, as shown in the plat map on the previous pages.

Topography

The site is level.

Flood Zone

The subject is in Federal Emergency Management Agency (F.E.M.A.) community panel number 040099-1570-E (8/28/08). It is in Zone X500, an area within the 500 year flood zone as shown in the flood map shown below.



Drainage

Drainage appears adequate.

Utilities and Service

Utilities, including water, gas, electricity and telephone, are available to the subject site. Utility costs are comparable to the rest of Yuma County.

Tax and Assessment Analysis

The site is currently identified as Assessor Parcel Number 728-12-014-02. Current assessed values and taxes are as follows:

Property Assessments and Taxes				
Parcel Number	Land	Improvements	Total	Taxes
728-12-014-02	\$20,502	\$497,085	\$517,587	\$9,065.32

Typically, the analysis and valuation of this property contemplates a sale, which would result in a reassessment consistent with the estimated market value. The property would be reassessed upon sale. The current tax rate is 1.7515% based on the above information. This rate is typical of other properties in the area.

Easements and Encroachments

I was not provided with a preliminary report for the subject property. During the site inspection, I did not identify any easements or encumbrances that would impact the development potential of the site were noted. This analysis is made under the assumption that no significant title issues exist.

Earthquake Hazard

As the subject is in Arizona, there is some obvious risk of earthquake damage.

Hazardous Wastes/Soil and Subsoil Conditions

The appraiser is not qualified to detect hazardous wastes, toxic materials or soil/sub-soil conditions. Such determination would require an investigation by qualified experts in those fields. This analysis is made assuming no such problems exist.

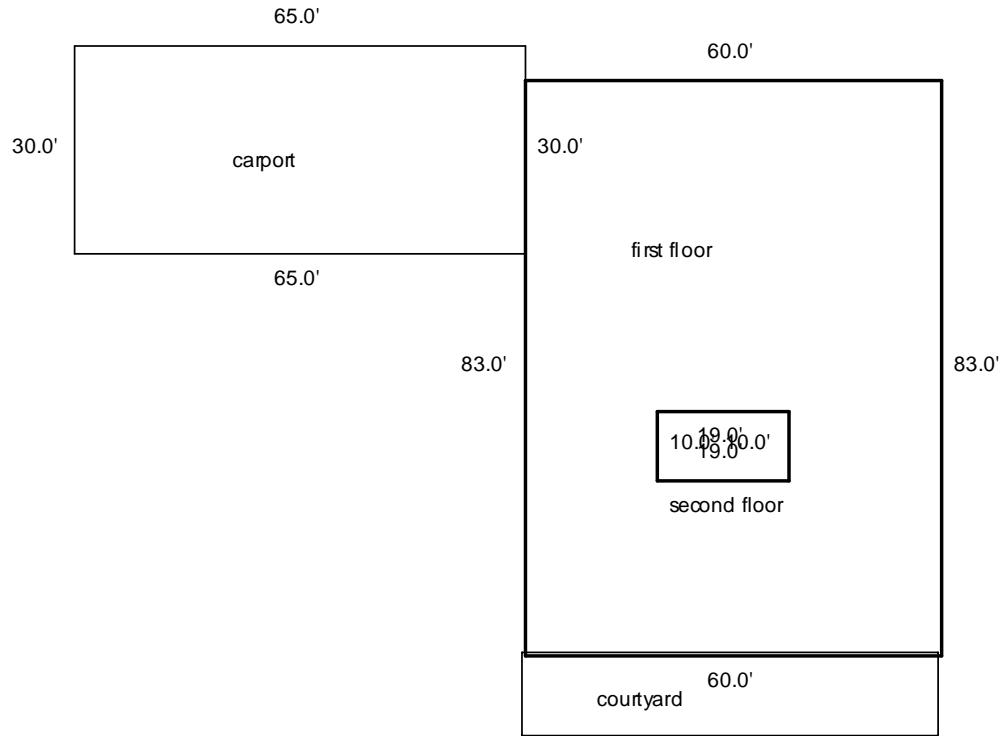
Zoning

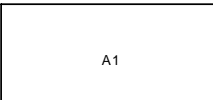
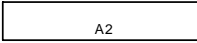
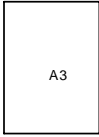

The subject is zoned C-2 (General Commercial) by the county of Yuma. "The purpose of this zone is to designate areas for retail and office uses. The property is currently improved with an office building. This use is considered legal and conforming according to the county planner.

Site Conclusion

The subject site is of adequate size and has adequate topography for commercial development. The surrounding properties to the south and east are developed generally with commercial uses. Overall, it is a desirable site for development.

BUILDING SKETCH



SKETCH CALCULATIONS		Perimeter	Area
 A1	A1 : 65.0 x 30.0 =		1950.0
	carport		1950.0
 A2	A2 : 60.0 x 12.0 =		720.0
	entry courtyard		720.0
	Total Misc. Area		-2670.0
 A3	A3 : 60.0 x 83.0 =		4980.0
	First Floor		4980.0
 A4	A4 : 19.0 x 10.0 =		190.0
	Second Floor		190.0
	Total Living Area		5170.0

IMPROVEMENT ANALYSIS

GENERAL INFORMATION

Address: 12486 Foothills Blvd.
Yuma, Arizona 85367

Actual Age: 14 years

Effective Age: 10 years

No. of Stories: One plus mezzanine

Building Size: The building has an area of 5,170 square feet according to my measurement.

Land Area: 24,120 square feet

Coverage Ratio: 21%

Parking: Six covered spaces and 7 marked open spaces, however, there appeared to be adequate space available for additional parking. The county requires a parking ratio of 5 spaces per 1,000 SF of building area for office uses which would require 26 spaces.

CONSTRUCTION

Type: Class "D" wood frame with stucco exterior

Quality: Average

Foundation: Concrete foundation and slab

Exterior: Stucco

Roof: Built-up Composition

HVAC: Central heat pump air conditioning and heating.

SITE IMPROVEMENTS

The site is improved with asphalt paving.

INTERIOR

The subject has tile flooring with painted drywall walls and ceilings and surface mounted florescent lighting fixtures and three restrooms.

FUNCTIONAL UTILITY AND EXTERNAL INFLUENCE

The improvements are usable with no significant functional inutility noted. There were no external influences observed.

AGE AND REMAINING ECONOMIC LIFE

The subject is existing and has an effective age of 10 years and a remaining economic life of 40 years.

COMMENTS

The improvements provide a functional single tenant office building.

Highest and Best Use

In estimating the highest and best use of the site, as if vacant, I have looked at the current C-2 zoning and the surrounding commercial development. The property is located on a busy commercial street. The property can legally be developed with commercial improvements. The highest and best use of the property, as vacant, would be to develop a commercial building.

The existing improvements contribute to the overall site value and are considered to be the highest and best use of the property as improved.

Most Likely Buyer

The most likely buyer of the subject property would be an owner user.

COST APPROACH TO VALUE - REASON FOR EXCLUSION

The cost approach is based on the premise that an informed purchaser would pay no more for a particular property than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the property being appraised involves relatively new improvements which represent the highest and best use of the land, or when unique or specialized improvements are located on the site for which there exists no comparable properties in the market. The relevance of this valuation technique decreases with the age of the property and when difficult estimates of obsolescence are required. This approach involves estimating land value in accordance with its existing use. The reproduction cost new of the improvements is then estimated and accrued depreciation for all causes is deducted. The sum of the land value and the depreciated reproduction cost new results in the indicated value by the cost approach.

In my opinion, the cost approach is not a reliable indicator of value for the following reasons.

- A. There have been few, if any, commercial land sales during the past few years in the subject neighborhood. Without land sales, a good estimate of value using the cost approach would be inaccurate and misleading
- B. The subject improvements have an actual age of 15 years with an effective age of 10 years. As the improvements are not new, the estimation of physical depreciation becomes an exercise which requires significant research to develop a reliable estimate of depreciation.
- C. Investors in the market today give little emphasis to the cost approach in the purchasing decision of similar properties.

SALES COMPARISON APPROACH

The sales comparison approach to value is based on the concept that sales and listings of competitive alternatives are an indication of value in the marketplace and that the value of one property is governed by the cost of acquiring an equally desirable substitute property. The process involves comparing the value attributes of one property with another and involves the gathering of data pertinent to sales of properties similar to the subject. The data is analyzed with adjustments made for differences. From the adjusted data, indications of value are applied to the subject and an estimate of value is made.

The market has been researched to obtain information about transactions of improved property sales that exhibit a minimal number of dissimilarities by comparison with the subject. A relevant unit of comparison was determined to develop a comparative analysis for each unit. The unit of comparison commonly used when applying this approach to retail properties is the price per square foot. The price per square foot is most useful when a comparable property and the subject are physically similar.

I searched the Yuma area for comparable sales of office buildings and found the following.

Improved Data Summary and Adjustment Grid					
	SUBJECT	DATA 1	DATA 2	DATA 3	DATA 4
Address	12486 S. Foothills	370 S. Main	2995 S. Pacific	755 W. 28th	2530 E. 15th
City	Yuma	Yuma	Yuma	Yuma	Yuma
Size	5,170	15,372	8,919	4,034	3,140
Year Built	1994	1925	1996	1987	1984
Sale Date		12/29/2008	8/26/2008	4/18/2008	2/1/2008
FAR	21%	46%	20%	26%	5%
Interest	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Sale Price		\$2,000,000	\$1,250,000	\$657,390	\$420,000
Financing					
Cash Equiv.		\$2,000,000	\$1,250,000	\$657,390	\$420,000
Sale Conditions					
Adj. Sale Price		\$2,000,000	\$1,250,000	\$657,390	\$420,000
Adj. \$/unit		\$130.11	\$140.15	\$162.96	\$133.76
Market Cond.					
Time Adj. \$/unit		\$130.11	\$140.15	\$162.96	\$133.76
Location	Average	-20%	5%	5%	10%
Bldg. Size	5,170	10%	5%		
Age	1994	20%		5%	5%
Quality	Average	5%			10%
Parking	Adequate				
Coverage	21%	5%			-5%
Total Adj %		20%	10%	10%	20%
Indicated Value per sq.ft.		\$156.13	\$154.17	\$179.26	\$160.51

Sales Comparison Approach Reconciliation

The sales from above reflect adjusted values ranging from \$154.17 to \$179.26 per sq.ft. with an average of \$162.52 per sq.ft. I concluded at a value near the middle of the range giving most weight to Sale 2 which is most similar with an indicated value as shown below.

Sales Comparison Approach Conclusion		
Sq.Ft.	Price per Sq.Ft.	Indicated Value
5,170	\$155.00	\$801,350
	Rounded	\$800,000

Sale photos are shown below.



Sale 1 – 370 W. Main St.



Sale 2 – 2995 S. Pacific Ave.

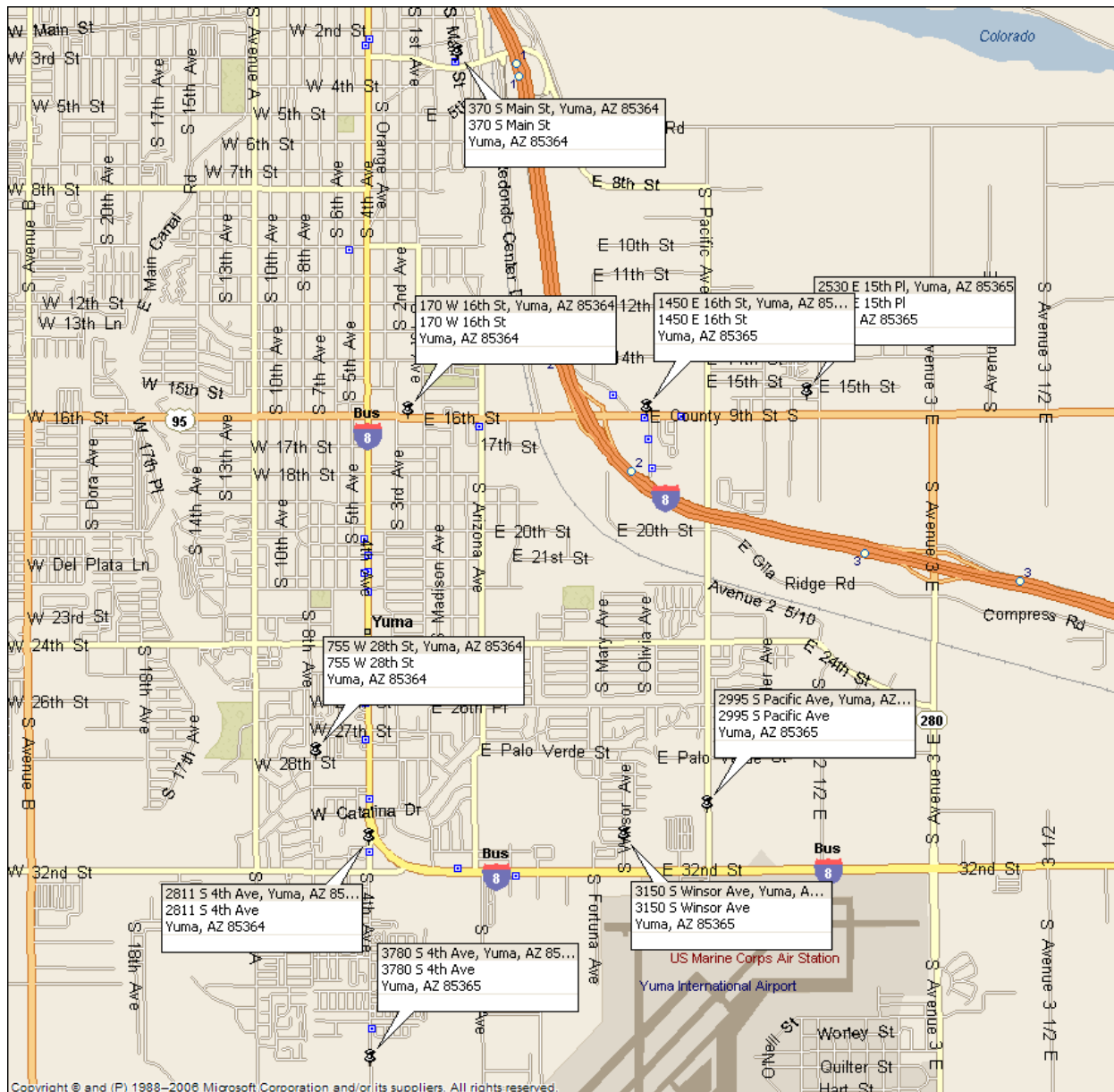


Sale 3 – 755 W. 28th St.



Sale 4 – 2530 E. 15th Place

COMPARABLE LOCATION MAP



Income Capitalization Approach

The Income Capitalization Approach, in part, is based on the principle of substitution which, in essence, asserts that a buyer will not pay more for an income-producing property than the cost of acquiring an income-producing property, or investment, with similar characteristics such as cash flow, appreciation potential, and tax advantages, among other factors. Another important concept is the principle of anticipation which is based on the premise that value is created by the expectation of future benefits. In the case of Income-producing property, future benefits of ownership are typically expressed in the form of periodic cash flow and proceeds upon resale. As the future is less certain than the present, an investor will typically pay less for the anticipated payments than he would for the same sum at the present. Risks can be viewed by the investor in many ways, as in real estate markets, the investor analyzes other investment options ranging from relatively risk free to highly speculative. Normally, the higher the potential rewards, the higher the risk. Various valuation techniques are available within the Income Capitalization Approach. These techniques are generally based on modified forms of capitalization. These include direct capitalization, yield capitalization and discounted cash flow analysis. I have chosen to use the direct capitalization technique which capitalizes the upcoming year's net income by a market derived overall rate.

The subject property is owner occupied. In order to estimate a market rent for the subject, I searched for comparable office rentals with the following found.

	Address	Year Built	Bldg. Size	Area Available	Rent/SF	Type
1	170 W. 16 th St.	1991	1,900 SF	1,900 SF	\$1.50	FSG
2	3150 S. Winsor Ave.	1984	3,690 SF	1,900 SF	\$1.55	FSG
3	3780 S. 4 th Ave.	N/A	5,000 SF	3,750 SF	\$1.25	NNN
4	1450 E. 16 th St.	N/A	4,565 SF	4,565 SF	\$1.50	NNN
5	2811 S. 4 th St.	N/A	2,112 SF	2,112 SF	\$1.65	FSG

Based on the above rent comparables with a range of rents from \$1.25 per sq.ft. NNN to \$1.65 per sq.ft. full service gross, I estimated a market rent for the subject space of \$1.50 per sq.ft. gross with a gross scheduled income of \$93,060.

Comparable rental photos are shown below.



Rental 1 – 170 W. 16th St.



Rental 2 – 3150 S. Winsor Ave.



Rental 3 – 3780 S. 4th Ave.



Rental 4 – 1450 E. 16th St.



Rental 5 – 2811 S. 4th Ave.

Vacancy Analysis

In conducting my market research for the subject as well as other properties appraised in the area, it was observed that there is a current office vacancy rate from 10 to 15 percent. I estimated an overall vacancy rate of 10% in my analysis.

Expenses

The estimated rent is full service gross. This type of rent requires the landlord to pay all expenses associated with operating the property except utilities. I estimated expenses as shown in the table below.

Income and Expense Summary

Income and Expense Summary

Potential Gross Rental Income	5,170	SF	\$93,060
Additional Income			
Potential Gross Income			\$93,060
Less: Vacancy & Collection Loss	10%		<u>\$9,306</u>
Effective Gross Income			\$83,754
Less: Expenses:			
Taxes	1.7515%	\$14,012	
Insurance	\$0.25	\$1,293	
Management/Office	3.00%	\$2,513	
Repairs/Maintenance	\$1.00	\$5,170	
Utilities			
Replacement Reserves	\$0.20	<u>\$1,034</u>	
Total Expenses			<u>\$24,022</u>
Net Operating Income			\$59,733

Direct Capitalization Analysis and Rate

I used the band of investment method to estimate the overall rate.

Band of Investment Method		
Mortgage Interest Rate		8.50%
Loan to Value Ratio		75%
Amortization Years		30
Mortgage Constant (Rm)		0.0923
Equity Dividend Rate (Re)		3.00%
Percent Equity		25%
$(R_m \times 0.75) + (R_e \times 0.25)$		= OAR
$(0.0923 \times 0.75) + (0.0300 \times 0.25)$		= OAR
0.0692 + 0.0075		= OAR
	7.67%	= OAR

I selected an overall rate of 7.50% for the subject property's net operating income. This overall rate suggests a value for the subject as demonstrated below.

Capitalization Analysis	
Net Operating Income	\$59,733
Capitalization Rate	7.50%
Indicated Value	\$796,433
Rounded	\$800,000

RECONCILIATION

I have summarized the various values estimated for the subject property in the table below.

Reconciliation	
Cost Approach	N/A
Sales Comparison Approach	\$800,000
Income Approach	\$800,000

The value indicated by the Income Approach has been given less weight in the final analysis since the most likely buyer is an owner-user. The value was estimated giving most weight to the value estimated by the Sales Comparison Approach.

The following value has been estimated for the subject property as of April 28, 2009.

EIGHT HUNDRED THOUSAND DOLLARS
\$800,000

EXPOSURE TIME AND MARKETING PERIOD

The estimated marketing time (i.e., the amount of time it would probably take to sell the subject property if exposed in the market beginning on the date of this valuation) is estimated to be approximately six months. The following characteristics describe the marketing period.

- 1.) The property will be actively exposed and aggressively marketed to potential purchasers through marketing channels commonly used by sellers of similar-type properties.
- 2.) The property will be offered at a price reflecting the most probable mark-up over Market Value used by sellers of similar-type properties.
- 3.) A sale would be consummated under the terms and conditions of the definition of Market Value.

The subject property type has been discussed with brokers and agents active in the sale of commercial properties and they have indicated that a marketing period of less than one year is very reasonable for the subject property type. Based on this analysis, it is my opinion that if the subject property is priced competitively and marketed aggressively, a marketing period of about six months is reasonable. It is noted that marketing periods are based on current market conditions. Consequently, it is possible that market conditions could change during the marketing period, and those changing conditions could affect both Market Value and marketing period.

LIMITING CONDITIONS AND ASSUMPTIONS

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

1. **None**

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

1. **LIMIT OF LIABILITY:**

The liability of Tebbetts Appraisal Service and its employees is limited to the fee collected for the work done. There is no accountability, obligation or liability to any third party. The appraiser assumes no responsibility for any costs incurred to discover or correct any deficiencies preset in the property. This appraisal was prepared at the request of and for the exclusive use of the client to whom the appraisal is addressed. No third party shall have any right to use or rely upon this appraisal for any purpose.

2. **COPIES, PUBLICATION, DISTRIBUTION, USE OF REPORT:**

Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use; the physical report remains the property of the appraiser for the use of the client, the fee being for the analytical services only. The report may not be used for any purpose by any person or corporation other than the client or the party to whom it is addressed or copied without the written consent of an officer of Tebbetts Appraisal Service and then only in its entirety.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations efforts, news, sales, or other media, without the written consent and approval of Tebbetts Appraisal Service nor may any reference be made in such public communication to the Appraisal Institute.

It is suggested that those who possess this appraisal report should not give copies to others. Certainly legal advice should be obtained on potential liability issues before this is done. Anyone who gives out an incomplete or altered copy of the appraisal report (including all attachments) does so at their own risk and assumes complete liability for any harm caused by giving out an incomplete or altered copy. Neither the appraiser nor this company assume any liability for harm caused by reliance upon an incomplete or altered copy of the appraisal report given out by others. Anyone with a question as to whether or not their copy of an appraisal report is incomplete or altered should contact my office.

3. CONFIDENTIALITY:

The appraiser may not divulge the material (evaluation) contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or his designee as specified in writing except as may be required by the Appraisal Institute as it may request in confidence for ethics enforcement, or by a court of law or body with the power of subpoena.

This appraisal is to be used only in its entirety and no part is to be used without the whole report. All conclusions and opinions concerning the analysis are set forth in the report and were prepared by the appraiser whose signatures appear on the appraisal report, unless indicated as "Review Appraiser." No change of any item in the report shall be made by anyone other than the appraiser and/or officer of the firm. The appraiser and firm above shall assume no responsibility if any unauthorized change is made.

4. TRADE SECRETS:

This appraisal was obtained from Tebbetts Appraisal Service or related companies and/or its individual or related independent contractors and consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempted from disclosure under 5 U.S.C. 553(b)(4). Notify the appraiser signing the report or an officer of Tebbetts Appraisal Service, Inc. of any request to reproduce this appraisal in whole or part.

5. INFORMATION USED:

No responsibility is assumed for accuracy of information furnished by or from others, the client, his designee, or public records. I am not liable for such information or the work of possible subcontractors. Be advised that some of the people associated with Tebbetts Appraisal Service and those signing the report are independent contractors. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit; all are considered appropriate for inclusion to the best of my factual judgment and knowledge.

As can be seen from limitations presented above, this appraisal has been performed with a limited amount of data. Data limitations result from a lack of certain areas of expertise by the appraiser (that go beyond the scope of the ordinary knowledge of an appraiser), the inability of the appraiser to view certain portions of the property, the inherent limitations of relying upon information provided by others, etc.

There is also an economic constraint, however. The appraisal budget (and the fee for this appraisal) did not contain unlimited funds for investigation. I have spent my time and effort in the investigative stage of this appraisal in those areas where I think it will be the

most productive, but inevitably there is a real possibility that I do not possess all significant information relevant to the subject property.

Before relying on any statement made in this appraisal report, interested parties should contact us for the exact extent of my data collection on any point which they believe to be important to their decision making. This will enable such interested parties to determine whether they think the extent of my data gathering process was adequate for their needs or whether they would like to pursue additional data gathering for a higher level of certainty.

6. TESTIMONY, CONSULTATION, COMPLETION OF CONTRACT FOR APPRAISAL SERVICES

The contract for appraisal, consultation or analytical service, are fulfilled and the total fee payable upon completion of the report. The appraiser or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, nor engage in post appraisal consultation with client or third parties except under separate and special arrangement and at additional fee.

7. EXHIBITS:

The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photos, if any, are included for the same purpose and are not intended to represent the property in other than actual status, as of the date of the photos. Site plans are not surveys unless shown from separate surveyor.

8. APPRAISAL IS NOT A SURVEY:

It is assumed that the utilization of the land and improvements is within the boundaries of the property lines of the property described and that there is not encroachment or trespass unless noted within the report.

No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. Any maps, plats, or drawings reproduced and included in this report are intended only for the purpose of showing spatial relationships. The reliability of the information contained on any such map or drawing is assumed by the appraiser and cannot be guaranteed to be correct. A surveyor should be consulted if there is any concern on boundaries, setbacks, encroachments, or other survey matters.

9. LEGAL, FINANCIAL, ENGINEERING, STRUCTURAL OR HIDDEN COMPONENTS OF A MECHANICAL NATURE, SOIL, HAZARDOUS WASTES AND TOXIC MATERIALS:

Legal: No responsibility is assumed for matters legal in character or nature, nor matters of survey, nor of any architectural, structural, mechanical or engineering nature. No opinion is rendered as to the title, which is presumed to be good and merchantable. The property is appraised as if free and clear, unless otherwise stated in particular parts of the report.

The legal description is assumed to be correct as used in this report as furnished by the client, his designee, or as derived by the appraiser.

The Americans with Disabilities Act (ADA) was signed into law in July 1990. As of January 23, 1993, owners and tenants of real estate properties of any size are subject to provisions of the law. The ADA contains five titles. Title III, which applies to any place of trade or commerce, requires accessibility for the disabled. The appraiser has made no specific compliance survey or analysis of the property appraised to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a 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. In the absence of direct evidence relating to this issue, possible non-compliance with the requirements of the ADA has not been considered in estimating the value of the property.

Soils: The appraiser has inspected, as far as possible, by observation, the land and the improvements thereon; however, it was not possible to personally observe conditions beneath the soils or hidden structural, or other components. I have not critically inspected mechanical components within the improvements and no representations are made herein as to these matters unless specifically stated and considered in the report. The value estimate considers there being no such conditions that would cause a loss of value. The land, or the soil of the area being appraised is assumed to be firm; however, subsidence in the area is not known to the appraiser. The appraiser does not warrant against this condition or occurrence of problems arising from soil conditions. The appraiser is not qualified to render expert judgment in matters of soil conditions.

Hidden Defects, Mechanical, Subsoil, Insulation: The appraisal is based on there being no hidden, unapparent, or apparent conditions of the property site, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them. All mechanical components are assumed to be in operable condition and status standard for properties of the subject type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment is made as to adequacy of insulation,

type of insulation, or energy efficiency of the improvements or equipment. I do not have the ability to determine the presence of ureaformaldehyde foam insulation and cannot warrant its effect on value. This substance is determined to be a health risk by the United States Consumer Product Safety Commission.

This appraisal should not be considered a report on the physical items that are a part of this property. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is to be used only as a general guide for property valuation and not as a complete or detailed physical report. The appraiser is not a construction, engineering, environmental, or legal experts, and any statement given on these matters in this report should be considered preliminary in nature.

The observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service and all mechanical and construction is based on a casual inspection only and no detailed inspection was made. For instance, I am not an expert on heating systems and no attempt was made to inspect the interior of the furnace. The structures were not checked for building code violations, and it is assumed that all buildings meet applicable building codes unless so stated in the report.

Some items such as conditions behind walls, above ceilings, behind locked doors or under the ground are not exposed to casual view and therefore were not inspected. The existence of insulation, if any is mentioned, was found by conversation with others and/or circumstantial evidence. Since it is not exposed to view, the accuracy of any statements about insulation cannot be guaranteed.

Wells and septic systems, if any, are assumed to be in good working conditions and of sufficient size and capacity for the stated highest and best use.

Termites: If the appraiser has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranties are made concerning obtaining the above-mentioned items.

Hazardous and/or Toxic Waste: The appraiser assumes no responsibility for any hazardous or toxic substances or wastes (including the existence of asbestos or asbestos-based construction materials) which may be found underground, used in construction, or stored above or underground on, in or around the subject property. The existence of any such substances which may have been noted in the inspection is noted in the main body of the report. The appraiser, however, is not qualified to render expert judgment in these matters and assume no responsibility for possible future discovery of such wastes or toxic materials.

No chemical or scientific tests were performed by the appraiser on the subject property, and it is assumed that the air, water, ground, and general environment associated with the property present no physical or health hazard of any kind unless otherwise noted in the report. It is further assumed that the lot does not contain any type of dump site and that there are not underground tanks (or any underground source) leaking toxic or hazardous chemicals into the groundwater or the environment unless otherwise noted in the report.

Should hazardous waste or toxic materials be found on, in or around the subject property in the future, the value estimates expressed in this report will be subject to revaluation at additional cost.

10. LEGALITY OF USE:

The appraisal is based on the premise that, there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report. A comprehensive examination of laws and regulations affecting the subject property was not performed for this appraisal. It is assumed that all applicable zoning, building and use regulation and restrictions of all types have been complied with unless otherwise stated in the report. Further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate. Appropriate government officials and/or an attorney should be consulted if an interested party has any questions or concerns on these items since I have not made a comprehensive examination of laws and regulations affecting the subject property.

11. COMPONENT OF VALUES:

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

12. AUXILIARY AND RELATED STUDIES:

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

13. DOLLAR VALUES, PURCHASING POWER:

The market value estimated, and the costs used, are as of the date of the estimate of value. All dollar amounts are based on the purchasing power and price of the dollar as of the date of the value estimate.

14. INCLUSIONS:

Furnishings and equipment or business operations except as specifically indicated and typically considered as part of real estate, have been disregarded with only the real estate being considered in the value estimate unless otherwise stated.

15. PROPOSED IMPROVEMENTS, CONDITIONED VALUE:

Improvements proposed, on-site or off-site as well as any repairs required, are considered for purposes of this appraisal to be completed in a good and workmanlike manner according to information submitted and/or considered by the appraiser. In cases of proposed construction, the appraisal is subject to change upon inspection of property after construction is completed. This estimate of market value is as of the date shown, as proposed, as if completed and operated at levels shown and projected.

EXISTING IMPROVEMENTS:

The age of any improvements to the subject property mentioned in this report should be considered a rough estimate. I am not sufficiently skilled in the construction trades to be able to reliably estimate the age of improvements by observation. We, therefore, rely on circumstantial evidence which may come into my possession (such as dates on architectural plans) or conversations with those who might be somewhat familiar with the history of the property such as property owners, on-site personnel or others. Parties interested in knowing the exact age of improvements on the land should contact us to ascertain the source of my data then make a decision as to whether or not they wish to pursue additional investigation.

Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any observed condition or other comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating system, air conditioning system, plumbing, electrical service, insulation, or any other detailed construction matters. If any interested party is concerned about the existence, condition or adequacy of particular items, I would strongly suggest that a construction expert be hired for a detailed investigation.

16. VALUE CHANGE, DYNAMIC MARKET, INFLUENCES:

The estimated market value is subject to change with market conditions over time; value is highly related to exposure, time, promotional efforts, terms, motivation, and conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property physically and economically in the market place. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the present owners or occupants of properties in the vicinity or the property appraised.

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

The appraiser reserves the right to alter the opinion of value on the basis of information previously withheld or not discovered in the normal course of a diligent investigation.

Since projected mathematical models and other projections are based on estimates and assumptions which are inherently subject to uncertainty and variation depending upon evolving events, I do not represent them as results that will actually be achieved.

This appraisal is an estimate of value based on an analysis of information known to us at the time the appraisal was made. I do not assume any responsibility for incorrect analysis because of incorrect or incomplete information. If new information of significance comes to light, the value given in this report is subject to change without notice.

Opinions and estimates expressed herein represent my best judgment but should not be construed as advice or recommendation to act. Any actions taken by you, the client, or any others should be based on my own judgment, and the decision process should consider many factors other than just the value estimate and information given in this report.

17. MANAGEMENT OF THE PROPERTY:

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

18. FEE:

The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report.

19. REVIEW BY OTHERS:

Due to the varying requirements of individual review appraisers, this report cannot be guaranteed to meet any one review appraiser's opinion of acceptability. Any changes required by a review appraiser will be completed at the client's expense and at the appraiser's option.

20. AUTHENTIC COPIES:

The authentic copies of this report are signed in blue ink. Any copy that does not have the above is unauthorized and may have been altered.

21. APPRAISAL REPORT LIMITATIONS:

Appraisal reports are technical documents addressed to the specific technical needs of clients. Casual readers should understand that this report does not contain all of the information I have concerning the subject property or the real estate market. While no factors I believe to be significant but unknown to the client have been knowingly withheld, it is always possible that I have information of significance which may be important to others but which, with my limited acquaintance of the property and my limited expertise, does not seem to be important to use.

Appraisal reports made for lenders are technical documents specifically made to lender requirements. Casual readers are cautioned about their limitations and are cautioned against possible misrepresentation of the information contained in these report.

22. ACCEPTANCE OF AND/OR USE OF THIS APPRAISAL REPORT CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.

ADDENDA

QUALIFICATIONS OF THE APPRAISER

Ronald E. Tebbetts

Appraisal Certification

AG002672 State of California "Certified General Real Estate Appraiser"
qualified to appraise all real estate transactions without regard to transaction value or complexity. License expires 1/26/10

Membership

National Association of Real Estate Appraisers
Certified Real Estate Appraiser (CREA) Designation
Appraisal Institute
Associate Member

Appraisal Experience

1994-Present Owner, Tebbetts Appraisal Service, Inc.

1992-1994 Anderson & Brabant, Inc.

Appraiser responsible for the appraisal of income property within San Diego, Imperial and southern Riverside Counties. All reports are full narrative with values ranging from \$500,000.

1968-1992 Bank of America National Trust & Savings Association

1987-1992 - Senior Appraiser responsible for the appraisal of income property within San Diego, Imperial and southern Riverside Counties. All reports are full narrative with values ranging from \$500,000.

1985-1987 - Senior Construction Analyst responsible for monitoring construction and land development activity on approximately 40 projects ranging in size to \$30 million including related cost estimating and analysis of plans, specifications and construction documents to determine project feasibility and desirability prior to loan closing. Also including onsite progress monitoring during the construction phase to ensure that contractor pay applications do not exceed the value of work in place and that loan proceeds are distributed according to the loan documents.

1975-1985 – Construction Project Auditor responsible for daily onsite construction monitoring and cost control of two major bank-owned "cost Plus" construction projects of \$35 and \$55 million, including change order approval, cost allocation for tax and book purposes, project capitalization and investment tax credit qualifying property identification.

Education

Whittier College - Bachelor of Arts degree with a major in Business Administration
Real estate and related courses include:
Real Estate Principles
Business Law

Statistics
Real Estate Finance

Appraisal Institute

Professional courses completed:

Introduction to Appraising Real Property	1988
Applied Residential Property Valuation	1989
Capitalization Theory & Techniques, Part A	1990
Capitalization Theory & Techniques, Part B	1990
Standards of Professional Practice, Part A	1991
Standards of Professional Practice, Part B	1991
Standards of Professional Practice, Part C	2002
Case Studies in Real Estate Valuation	1992
Narrative Report Writing	1994
Highest and Best Use Market Analysis	2002

Seminars attended:

Appraisal of Income Properties	1989
Apartment Analysis	1993
Residential Subdivision Analysis	1993
Impact of Changing Demographics and Economic Influences	1993
Federal & State Laws and Regulations Workshop	1999
Condemnation Appraising Principles & Application	1998
California Litigation Valuation	1999
Apartment Seminar (Update)	1998
Attacking & Defending an Appraisal in Litigation	1999
Case Update & Courtroom Strategies	2002
USPAP Workshop	2005
Reappraising, Readdressing, Reassigning Appraisals	2005
Fannie Mae Residential Appraisal Presentation	2005
San Diego Apartment & Housing Seminar	2007
FHA Update	2007
Effective Appraisal Communication	2006
New Technology for Real Estate Appraisers	2007
REO Appraisal	2009
Applying Economic Forecast-Update	2009

Types of Appraisals

Single Family Dwellings	2-4 Units
Apartments	R & D Property
Commercial Land	Residential Land
Industrial Property	Self Storage Property
Leasehold & Leased Fee Estates	Shopping Centers
Mobile Home Parks	Special Use Properties
Office Buildings	Fractional Interest
Subdivisions	Trailer Parks