IMPORTANT!

This is a sample appraisal report that is intended to reflect the typical content and format of reports prepared by Evergreen Valuation Services for multifamily lenders. This sample report does not reflect an appraisal of any specific property, as that would violate client confidentiality. Instead, this report has been assembled from multiple appraisals prepared by EVS. For example, the improvement description may be taken from one appraisal, while the Land Sales Analysis may be from another appraisal, and the Income Approach may be from yet another appraisal. The appraisers have also attempted to disguise the subject properties from the various component reports. Consequently, the reader should not look for consistency between the various sections of this sample report.

A SELF-CONTAINED APPRAISAL REPORT OF

The Market Value of a
96-unit apartment
Known as Creepy Cove
Located at 2540 Creepy Cove
Ermin, Colorado 82000

EVS File No. 09-083
Client File No. Loan #43491

PREPARED FOR

Mr. Mike Porta

ABC Commercial Mortgage, LLC

123 Main Street

Suite 999

Boston, MA 12345

EFFECTIVE DATE OF APPRAISAL

October 22, 2009

PREPARED BY

Evergreen Valuation Services
7062-B Lakeview Haven
Suite 116
Houston, TX 77095

November 3, 2009

EVS File No.: 09-083
Client File No.: Loan #43491

Mr. Mike Porta
ABC Commercial Mortgage, LLC
123 Main Street
Suite 999
Boston, MA 12345

Re: An appraisal report of the As Is Market Value of a 96-unit apartment, known as Creepy Cove, located at 2540 Creepy Cove, Ermin, Colorado.

Dear Mr. Porta

Per your request, we have made an investigation and analysis of the following described property and the improvements associated with the site:

Lot 1A, 1st Replat of Lot 1, Bills Landings, Weld County, Colorado

The subject appraisal has been prepared in order to estimate the market value as defined subsequently in this report where the value reported reflects a market value for the rights in realty. Information provided by ABC Commercial Mortgage, LLC and/or the property owner and used in this analysis includes historic operating data, a current rent roll, and miscellaneous property data.

The subject property was physically inspected on October 22, 2009 and the value reported is based on the date of inspection. This appraisal report has been prepared and reviewed by staff appraisers associated with *Evergreen Valuation Services*, Inc., each of whom is recognized and acknowledged by individual resume and by signature on the Certificate following the Correlation and Final Value Estimate.

The appraisers are unbiased with respect to the parties involved and have no present nor contemplated future interest in the property appraised. Accordingly, statements of fact are to the best of the appraisers' knowledge correct, and compensation for making the appraisal has in no manner been contingent upon the value conclusions reported herein.

The appraisal assignment is a self-contained report of an appraisal performed under Standards Rule 1 of USPAP which satisfies the requirements of Title XI of the Federal Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), and the regulations promulgated thereunder.

This report is also subject to the enclosed Statement of Limiting Conditions and Assumptions. Further, this report has been prepared at the request, for the benefit, and for the exclusive use of ABC Commercial Mortgage, LLC, its successor, affiliates, designates, and assignees, and no other party shall have any right to rely on any services provided by *Evergreen Valuation Services* without written consent.

This report is prepared subject to the "Certification and Final Value Estimate" and certain assumptions and limiting conditions which are delineated within the text of this report.

Based on our investigation and analyses, we have derived the following value estimate(s) for the subject's fee simple estate:

	Market Value As Is	Market Value As Repaired
Final Value Estimate	$5,670,000	N/A
Effective Date	October 22, 2009	N/A

The following report provides an analysis of the subject property and its relationship to the neighborhood and general market conditions. The report also sets forth the methodology and procedures utilized in our analysis.

Respectfully submitted,
EVERGREEN VALUATION SERVICES

John Rocco Pallante
Inspecting Appraiser
State Certified Appraiser
CO-CG40012104

David L. Pallante, MAI
Review Appraiser
State Certified Appraiser
TX-1320367-G

Table of Contents

PART I
INTRODUCTION

Name:	Creepy Cove
Legal Description:	Lot 1A, 1st Replat of Lot 1, Bills Landings, Weld County, Colorado
Property Type:	96-unit apartment
Status (Existing or Proposed):	Existing
Location:	The property is located in the small City of Ermin, which is immediately south of Greeley and roughly 50 miles north of Denver. Specifically, the subject is situated at the northwest corner of Archer Drive and Hunter Lane, one block west of 23rd Avenue.
Address:	2540 Creepy Cove
City:	Ermin
County:	Wild
State:	Colorado
Zip Code:	82000
Site Description:	The subject is a relatively level corner tract that is fully developable.
Land Area:	6.902 acres or 300,651 square feet (per assessor)
Frontage/Access/Visibility	The appraisers did not receive a survey, and county plat maps do not include dimensions. However, the site appears to have ample frontage along Archer Drive and Hunter Lane. As currently configured, the site is accessed via Creepy Cove Drive, which is a private road off of Hunter Lane that continues through the subject site and the adjoining phases of Creepy Cove. Currently, all three phases of Creepy Cove are operated as a unified project, but this appraisal only addresses Phase I. Since it includes the primary access point and all of the common amenities, Phase I could conceivably be operated as a stand-alone project.
Flood Hazard:	The subject's topography is relatively level, and there is no evidence of drainage problems. According to FEMA flood map #0802660638C, dated September 28, 1982, the entire site is located in Zone C, beyond the limits of the 100-year flood hazard zone. Drainage of the site is facilitated by a shallow drainage ditch along the southwest property line and a detention pond at the southeast corner of the site.
Utilities:	Water - City of Evans Sewer - City of Evans Electric - Excel Energy Natural Gas - N/A
Zoning:	R-3 (Multiple Family Residential)
Permitted Uses:	The current zoning is intended for multifamily uses, similar to the subject property. According to the local planning department, the existing improvements represent a legally conforming use.

Code Violations:	The appraisers are not aware of any building code violations, and it is assumed that none exist.
Easements/Encroachments:	The appraisers are not aware of any adverse easements or encroachments, and it is specifically assumed that none exist.
Improvement Description:	The subject represents Phase I of a 256-unit apartment project known as Creepy Cove. Phase I contains 96 units within eight 2-story interior walk-up buildings completed in 1999. Three garage buildings and a clubhouse/leasing office were added in 2003. Building characteristics include wood framing, brick and vinyl exteriors, and pitched roofs. Units are individually metered for electricity, while the property is master metered for water. Overall, the improvements are considered to be in good condition for their age.
Project Amenities:	Project amenities include a clubhouse, fitness center, swimming pool, spa, picnic area, and playground.
Unit Amenities:	Unit amenities include standard kitchen appliances, patios/balconies, and washer/dryer connections.
Rent/Income Restrictions:	This is a market rate property with no restrictions on rent levels or tenant income.
Condition:	Good
Total Parking Spaces:	234 spaces or 2.4 spaces per unit (per owner)
Covered Parking:	56 Detached garages
Parking Compliance:	The City of Evans requires 1.75 parking spaces for each two-bedroom unit and 2.00 spaces for each three-bedroom unit, plus one guest parking space for every five units. By this formula, the subject should have 176 spaces. According to the owner, there are actually 234 spaces, which far exceeds the code requirement.
Year Completed:	1999/2003
Economic Life (Years):	50
Overall Effective Age (Years):	8
Average Unit Size:	1,062 SF
Land to Building Ratio:	2.65 :1
Project Density:	13.9 :units per acre

UNIT MIX

Floorplan	Units	SF	Total SF	Special Amenities/Comments
2 Bd 1.0 Ba	48	940	45,120	WDC, patio/balcony
2 Bd 2.0 Ba	16	1,050	16,800	WDC, patio/balcony
2 Bd 2.0 Ba study	16	1,200	19,200	WDC, patio/balcony, study could be bedroom
3 Bd 2.0 Ba	16	1,300	20,800	WDC, patio/balcony
Total (Mean)	96	1,062	101,920	

Net Rentable Area (SF):	101,920	
Basements (SF):	0	
Leasing/Clubhouse/Maint (SF):	2,180	*(estimated)*
Commercial Space (SF):	0	
Other Common Areas (SF):	9,520	*(Lobbies, hallways, mechanical, etc. - estimated)*
Gross Building Area (SF):	113,620	
Current Occupancy:	88%	
Percent Leased:	88%	
Stabilized Vacancy/Collection Loss:	10.0%	
Current Average Rent/SF:	$0.71	/SF/month
Quoted Street Rent/SF:	$0.72	/SF/month
Proposed Gross Potential Rent:	$0.72	/SF/month

Highest and Best Use - If Vacant: Multifamily development as demand warrants

Highest and Best Use - As Improved: Continued use as a 96-unit apartment project, probably in conjunction with Phases II & III of the same development.

Purpose of the Report: Estimate the As Is Market Value of the subject property

Property Rights Appraised: Fee Simple

Function of the Appraisal: This report is intended to facilitate underwriting for proposed permanent financing.

Deferred Maintenance: $0

Lease Up Costs: $0

Effective Date of Appraisal:	October 22, 2009	(As Is)
	N/A	(Upon Completion)
	N/A	(Upon Stabilization)
Date of Property Inspection:	October 22, 2009	
Date of Report:	November 3, 2009	

Stabilized Proforma Operating Statement

	Total	$/SF	$/Unit	% of EGIM
Potential Gross Rental Income:	$878,400	$8.62	$9,150	106.9%
Plus: Other Income	$66,500	$0.65	$693	8.1%
Less: Vacancy/Collection Loss 10.0%	($87,840)	($0.86)	($915)	(10.7)%
Less: Loss to Lease at 4.0%	($35,136)	($0.34)	($366)	(4.3)%
Effective Gross Income:	$821,924	$8.06	$8,562	100.0%
Less: Operating Expenses	($330,257)	($3.24)	($3,440)	(40.2)%
Less: Reserves for Replacement	($24,000)	($0.24)	($250)	(2.9)%
Net Operating Income	$467,667	$4.59	$4,872	56.9%

Value Indications	Market Value As Is	As Repaired
Cost Approach:	N/A	N/A
Insurable Value:	$5,340,000	N/A
Sales Comparison Approach:	$5,700,000	N/A
Income Approach:	$5,670,000	N/A
Market Value Conclusion:	$5,670,000	N/A

Units of Comparison (As Repaired/Stabilized Basis if Applicable)

EGIM by Analysis:	6.90	Resulting:	6.90
Stabilized OAR By Analysis:	8.25%	Resulting:	8.25%
Value/SF:	$55.63		
Value/Unit:	$59,063		

Appraisers: Evergreen Valuation Services
John Rocco Pallante
David L. Pallante, MAI

EVS File Number: 09-083

Client File Number: Loan #43491

Photos 1

Photo 2

Photo 3

Photo 4

Photo 5

This appraisal report is subject to the following assumptions and limiting conditions. These assumptions are considered necessary by the appraisers to make a proper estimate of value in accordance with the appraisal assignment. The first 21 categories reflect standard assumptions and limiting conditions that are applicable to all appraisals performed by *Evergreen Valuation Services (EVS)*. Categories 22 and 23 detail extraordinary conditions or assumptions that are unique to the subject property. The appraisers may also cite specific assumptions and limiting conditions elsewhere throughout the appraisal report.

1. **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 reports remain 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 and or their assignee. Please be advised that you have the right to assign the appraisal to an investor, and an assignee may rely on the appraisal as though it were addressed to the assignee.

   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 *EVS*, nor may any reference be made in such a public communication to the *Appraisal Institute* or the *MAI* designation.

   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 set forth in the report were prepared by the appraisers 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 appraisers, and the appraisers and firm shall have no responsibility if any unauthorized change is made.

2. **CONFIDENTIALITY -** The appraisers may not give a copy of the report to anyone other than the client or his designee as specified in writing. Furthermore, the appraisers will not divulge the material contents of the report, either orally or in writing, to anyone other than the client or designee. Exceptions may be made if the report is subpoenaed by a court of law with proper authority, or if requested by the Appraisal Institute to assist in ethics enforcement.

3. **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.

4. **TRADE SECRETS -** This appraisal consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempt from disclosure under 5 U.S.C. 552 (b)(4). Notify *EVS*, of any request to reproduce this appraisal in whole or in part.

5. **INFORMATION USED -** No responsibility is assumed for accuracy of information furnished by others, including the client, his designees, public records, published data sources, or other real estate professionals. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit, and all are considered appropriate for inclusion to the best of our knowledge and judgment. In some instances, the data may have been verified by associates who may not have worked on this particular appraisal.

6. **COMPONENT VALUES -** The estimated values for the entire property applies only under the current or proposed utilization. The separate value estimates for land and improvements, if any, must not be used in conjunction with any other appraisal and are invalid if so used.

7. **LIMITS OF EXPERTISE (LEGAL, ENGINEERING, HIDDEN COMPONENTS) -** The appraisers assume no responsibility for matters beyond their personal expertise or the scope of the assignment, including all legal issues and items related to architecture, mechanics, engineering, or soil conditions.

   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 of encumbrances, unless otherwise stated in this report. The legal description set forth in this report is assumed to be accurate, but the appraisers make no warranty.

   The soils at the subject property appear reasonably firm to the untrained eye; however, the degree of subsidence in the area is not known. The appraisers do not warrant against problems that could arise from soil conditions. The appraisal is based on there being no hidden or unapparent conditions of the property site, subsoil, or structures that would render it more or less valuable. No responsibility is assumed for any such conditions or for any expertise or engineering required to discover or correct them.

   All mechanical components are assumed to be in operable condition and typical of the market and property type. Unless otherwise stated, the condition of heating, cooling, ventilating, electrical and plumbing equipment is considered to be commensurate with the overall condition of the improvements.

8. **TESTIMONY, CONSULTATION, COMPLETION OF CONTRACT FOR APPRAISAL SERVICES -** The contract for appraisal, consultation or analytical service is fulfilled and the total fee payable upon completion of the report. The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report. Neither the appraisers nor any other employees of *EVS* will be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part. Nobody associated with *EVS* will engage in post-appraisal consultation with the client or third parties except under separate arrangement and at an additional fee.

9. **AUXILIARY AND RELATED STUDIES -** Unless stated within the body of the report, the appraisers have neither prepared nor been provided with auxiliary studies related to the subject property, including an environmental impact study, special market study, highest and best use analysis, or feasibility study. If any such studies are subsequently made available to *EVS*, the appraisers reserve the unlimited right to alter, amend, revise or rescind any of the statements, findings, opinions, value estimates, or conclusions set forth in this appraisal report.

10. **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.

11. **THE EXISTENCE OF HAZARDOUS SUBSTANCES -** Unless otherwise stated in this report, the appraiser(s) have no knowledge of the existence of hazardous waste products or any resultant contamination, including, without limitation, asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property. Furthermore, the appraisers are not qualified to test for such substances or conditions. The values derived herein specifically assume no such substances or conditions exist at the property. If evidence to the contrary is subsequently revealed, the appraisers reserve the right to alter any value estimates accordingly. No responsibility is assumed for any such conditions, nor for any expertise or studies required to discover or correct them. The client is urged to retain an expert in the field of environmental conditions and hazards.

12. **LEGALITY OF USE -** Unless otherwise stated in this report, the appraisal is based on the specific assumption that the property is in full compliance with all applicable regulations and laws regarding environmental conditions, zoning, building codes, and use regulations. It is further assumed that all required licenses, consents, or permits from any controlling authority have been or can be obtained or renewed for any use considered in the value estimate.

13. **INCLUSIONS -** The value estimates derived herein consider only the real estate component. Any business value, furnishings, and equipment, except as specifically indicated and typically considered as a part of real estate, have been disregarded

14. **PROPOSED IMPROVEMENTS, CONDITIONAL VALUES -** Any proposed improvements or repairs are assumed to be completed in good and workmanlike manner according to information provided or adopted by the appraisers. In cases of proposed construction, any statements or conclusion are subject to modification upon inspection of the completed property. Any such inspections or modifications will only be performed at an additional fee, unless specifically delineated in the original letter of engagement. Any estimates of value are valid only for the effective dates shown, and subject to stated assumptions regarding the operating levels and extent of completion as of those dates.

15. **VALUE CHANGES, DYNAMIC MARKET INFLUENCES -** Any value estimates presented herein are effective only for the dates indicated and are based on information available at the time the appraisal was prepared. Values can change significantly over time due to a variety of market forces. Furthermore, the value estimates presented herein are no guarantee that the property can actually be sold for a specific amount. Sale prices can be influenced by numerous factors, including exposure, time, promotional effort, terms, motivation, and other conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property in the marketplace, both physically and economically.

    In cases of appraisals involving the capitalization of income benefits, the estimate of value is a reflection of the appraisers' estimate of current and/or future income levels, coupled with investor yield requirements and other factors derived from general and specific market information. Such estimates are made as of the date of the estimate of value, and they are subject to change over time due to dynamic market influences.

16. **FACTORS EXCLUDED FROM CONSIDERATION -** Any estimates of value or other conclusions derived by the appraisers are not based in whole or in part upon the race, color, national origin, sexual preference, or familial status of the current owner or occupants of the subject property or any properties in the vicinity of the subject.

17. **THE AMERICANS WITH DISABILITIES ACT (ADA) -** ADA became effective January 26, 1992. The appraisers have not made a specific compliance survey and analysis of this property 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. Unless stated elsewhere in this report, the appraisers have no direct evidence of noncompliance, and the value estimate specifically assumes no compliance issues. The client is advised to seek a qualified expert on ADA requirements.

18. **MANAGEMENT OF THE PROPERTY -** It is assumed that the property will be under prudent and competent ownership and management, neither inefficient nor super-efficient.

19. **VALUE CONCLUSION -** The final value conclusion is of the surface estate only. No consideration has been given to value, if any, of the subsurface rights of the subject property.

20. **CONTINUING EDUCATION -** As of the date of this report, all appraisers signing this appraisal are current with continuing education requirements of the various states in which they may be licensed, as well as any industry groups or associations to which they may belong.

21. **ACCEPTANCE OF THE REPORT -** Acceptance of and/or use of this appraisal report constitutes acceptance of all conditions set forth herein.

22. **HYPOTHETICAL CONDITIONS -**

    A. None

23. **EXTRAORDINARY ASSUMPTIONS -**

    A. None

PART II
NATURE OF THE ASSIGNMENT

Property Identification

The subject property consists of a 6.90-acre site improved with a 96-unit apartment known as Creepy Cove. The property is located in the small City of Ermin, which is immediately south of Greeley and roughly 50 miles north of Denver. Specifically, the subject is situated at the northwest corner of Archer Drive and Hunter Lane, one block west of 23rd Avenue. The address is 2540 Creepy Cove, Ermin, Colorado 82000. The property has an estimated net rentable area (NRA) of 101,920 SF and a gross building area (GBA) of 113,620 SF.

Legal Description

The subject property is legally described as follows:

Lot 1A, 1st Replat of Lot 1, Bills Landings, Weld County, Colorado

The appraisers have not commissioned a survey or had one verified by legal counsel. It is recommended that the legal description be verified before being used in a legal document or conveyance.

Purpose of The Appraisal

The purpose of this appraisal is to estimate the ***Market Value*** of the subject property's Fee Simple Estate.

Client and Intended Users of the Appraisal

ABC Commercial Mortgage, LLC, its officers, administrators, employees, and lending participants (if any).

Intended Use of The Appraisal

This report is intended to facilitate underwriting for proposed permanent financing.

Effective Date(s) of Appraisal

As Is Market Value -	October 22, 2009
Upon Completion -	N/A
Upon Stabilization -	N/A

Property Rights Appraised

This report addresses the subject property's Fee Simple. According to the Dictionary of Real Estate Appraisal (Third Edition, 1993), published by the Appraisal Institute, Fee Simple is defined as follows:

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

Definition of Market Value

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

a. *buyer and seller are typically motivated;*

b. *both parties are well informed or well advised, and each acting in what they consider their own best interest;*

c. *a reasonable time is allowed for exposure in the open market;*

d. *payment is made in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and*

e. *the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*[1]

"As Is" Market Value - is defined as an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date the appraisal is prepared.[2]

Prospective Value Upon Completion - represents the anticipated market value for a property at a point in time when all improvements have been physically constructed, but before reaching stabilized operating levels.

Prospective Value Upon Stabilization - represents the anticipated market value for a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy. At such point, all capital outlays for tenant improvements, leasing commissions, marketing costs, and other carrying charges are assumed to have been absorbed.

Scope of The Assignment

The scope of the appraisal report, as stipulated by the terms of the assignment, is to prepare the appraisal in a format which complies with the Appraisal Foundation and the Appraisal Institute. Pursuant to this goal, the property rights appraised are those of Fee Simple ownership. In valuing the subject, the appraisers have narratively evaluated and described the general area, neighborhood area, site, zoning and improvement data, if any, impacting the subject in order to analyze the highest and best use of the site as vacant. The following Scope of Investigation more specifically describes the procedures followed in the reporting and the documentation of the collected data.

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[1] Federal Regulation, 12 CFR 564, as promulgated by the OTC, effective August 23, 1990

[2] Statement of Policy 12 CFR 571.27

Scope of Investigation

Area and Neighborhood Analysis: For the Area and Neighborhood Analysis, the appraiser personally inspected the surrounding area and utilized published and non-published data to help draw conclusions about the affect of the area and neighborhood data impacting the subject. Information for this section of the report was published by various private and public entities. Non-published, yet public information, was obtained from the various state and other government related entities. Area real estate brokers, agents and appraisers were also consulted for their opinions of the aforementioned.

Site Description and Analysis: The subject property was visually examined by the appraiser on October 22, 2009. For the interior inspection, a number of units were viewed by the appraisers. These units were selected by the property manager and were reported to be representative of the property as a whole. Local governmental bodies and utility suppliers were consulted to secure information regarding utility availability, plat maps, zoning, flood hazards, and tax information.

Highest And Best Use: In determining the Highest and Best Use of the subject property as though vacant and/or improved, the appraiser utilized information obtained for, and reported in, the Area and Neighborhood Analyses, and the remaining sections of this appraisal. This information revealed the historic and future significance of the area to the subject, as well as the contribution of the area development in designating a proposed use for the subject. The four criteria examined to establish the Highest and Best Use were; 1) Physically Possible, 2) Legally Permissible, 3) Financially Feasible and 4) Maximally Productive.

Valuation Analysis: For this analysis, two of the three approaches to value were applied. Considering the age of the subject buildings, as well as a scarcity of comparable land sales, the Cost Approach is not relevant to this analysis. In the Sales Comparison Approach, sales of comparable properties were utilized to derive a value indication for the subject property. This valuation method provides a direct reflection of how investors view the current market. The appraisers identified several sales of comparable properties that are reasonably similar to the subject. Comparisons were made based upon the comparables' physical characteristics relative to the subject's and the Effective Gross Income Multiplier. In the Income Approach, direct capitalization was employed to derive a value for the subject property. Income and expense projections were supported by both historical and market data.

Marketing Time Analysis: The marketing time of the subject property is based on the length of time similar type properties were on the market before they sold. A history of any known offers for the subject was also considered, as well as opinions of area real estate brokers, agents, investors and appraisers.

History of Ownership

According to tax records, the property is owned by XYZ Properties LLC, the original developer. The owner has made no effort to market the property for sale during the past three years, and there have been no unsolicited offers.

The following tables summarize the subject's actual assessment and taxes for 2009:

Assessments and Taxes

Parcel	Component	Assessed Value	Ratio	Taxable Value	Tax Rate / $1,000	Taxes
095924xxxxxx	Land	$556,631	7.96%	$44,310	$77.937000	$3,453
	Improvements	$4,003,369	7.96%	$318,670	$77.937000	$24,836
Total Real Estate		$4,560,000	7.96%	$362,980	$77.937000	$28,290
Personal Property		$46,349	29.00%	$13,440	$77.937000	$1,047
Other Fees/Assessments						$0
Total Assessments/Taxes		$4,606,349	7.96%	$366,665	$8.001049	$29,337

As a check on the reasonableness of the current assessment, the appraisers have researched assessments for similar properties, which are summarized in the following chart.

Summary of Tax Comparables

Name	Units	GBA	Avg SF	YOC	Assessed Value	$/Unit	$/SF
Creekstone	200	217,842	1,089	1998	$10,000,000	$50,000	$45.90
Gateway	210	188,412	897	1987	$10,500,000	$50,000	$55.73
Peakview @ T-Bone Ranch	225	235,080	1,045	2001-2003	$10,789,766	$47,955	$45.90
Creepy Cove II & III	160	161,146	1,007	2000	$7,600,000	$47,500	$47.16
Country Club West	288	236,223	820	1986	$12,960,000	$45,000	$54.86
Average/Mean	224	198,685	887	N/A	$10,280,000	$46,250	$51.01
Creepy Cove	96	113,620	1,184	1999/2003	$4,560,000	$47,500	$40.13

The subject's assessment is lower than the market value estimated herein. However, considering variations in quality, age, and unit size, the assessment is consistent with the comparables. No significant changes in the subject's assessment are anticipated. Assuming no change in the aggregate tax rate, and allowing for minimal personal property taxes, Year One taxes are estimated at a rounded **$30,000.**

PART III
REGIONAL & NEIGHBORHOOD ANALYSES

Regional Map

Environmental Factors

Location: The Office of Management and Budget (OMB) reviewed the Metropolitan Area standards in 1999 and 2000. The new standards replace the Metropolitan Area classification with a Core-Based Statistical Area (CBSA) classification. The new Core-Based Statistical Area (CBSA) consists of a county containing an Incorporated Place or Census Designated Place with a population of at least 10,000 along any adjacent counties that have at least 25% of employed residents of the county who work in the CBSAs core or central county.

CBSAs are categorized as being either **Metropolitan** (core population of at least 50,000) or **Micropolitan** (core population between 10,000 and 50,000). This allows common statistics to be collected for less urban areas of the nation. These two county-based CBSA definitions will cover approximately 90% of the U.S. population.

The subject is part of the Greeley Metro CBSA, which is comprised of Wild County. Greeley is roughly 50 miles north of Denver and 50 miles south of Cheyenne, Wyoming. Though clearly tied to both of these larger cities, Greeley is far enough away to be considered a distinct community.

Topography and Soils: Greeley is located on the edge of the Colorado plains, and the local topography is relatively level. This area is not what most people envision when they think of Colorado, as it is not mountainous. Instead, the landscape more closely resembles Kansas or Nebraska, and the area is devoted largely to agricultural uses.

Climate: As with most Front Range Colorado cities, Greeley averages 300 days of sunshine per year. Annual precipitation averages 15.4 inches; snowfall averages 35.9 inches. Moderate summers, crisp falls, warm springs, and mild winters are the norm along the Front Range.

Transportation Facilities: Greeley is located at the intersection of US Highway 85 and US Highway 34. US 85 is a north/south highway that parallels Interstate 25 between Denver and Cheyenne, Wyoming. Greeley is centered 15 miles east of Interstate 25. US 34 generally has an east/west trajectory. Roughly 40 miles east of Greeley, US 34 merges into Interstate 76 near the small town of Wiggins. To the west, US 34 winds through the Rocky Mountains before terminating in the town of Granby. Overall, highway access is considered average-good.

Greeley does not have a passenger airport, so residents must drive more than an hour to Denver International Airport.

Governmental Factors

Zoning: The City of Greeley has a comprehensive zoning plan and building code that provides specific guidelines for development of all types of properties. Development guidelines are generally similar to most metropolitan areas. In a recent survey of development review and permit fees among 23 communities along the Front Range, Greeley ranked 22nd, making it one of the least expensive cities for development.

Police and Fire Protection: Police and fire protection are available to all areas of Greeley and Wild County and are paid by the respective city and county revenues.

Real Estate Taxes: Real estate within Wild County is assessed by the Wild County Assessor. Commercial, industrial and unimproved real property is assessed at 29% of market value. Improved residential property, including multifamily, is assessed at 7.96% of market value. Typical total mill levies (for 2008 taxes due in 2009) ranged between 60 mills and 80 mills, depending on school districts and other special taxing districts.

Public Utilities: The City of Greeley provides water and sewer service to all properties in the city limits. Xcel Energy provides electric service, and natural gas is available through Atmos Energy.

Social Forces

Population: The following chart summarizes population trends for the region.

Historical and Projected Population Trends

Region	2000	2009	Growth Rate 2000 - 2009	Projection 2014	Growth Rate 2009 - 2014
Greeley CBSA	180,801	258,143	4.04%	293,724	2.62%
City of Evans	10,182	17,539	6.23%	21,160	3.83%
State of Colorado	4,301,261	5,077,791	1.86%	5,618,481	2.04%
United States	281,421,906	306,069,955	0.94%	317,211,691	0.72%

Over the past 9 years, the population of the CBSA has increased at a compounded annual rate of 4.04%. During the same period, the Colorado growth rate was 1.86% and the national growth rate was 0.94%. Over the next five years, the CBSA population is projected to increase at a compounded annual rate of 2.62%, while the State of the Colorado is projected to grow at a rate of 2.04% and the nation is projected to grow at a rate of 0.94%.

Households: The following chart summarizes trends in household growth for the region.

Historical and Projected Household Trends

Region	2000	2009	Growth Rate 2000 - 2009	Projection 2014	Growth Rate 2009 - 2014
Greeley CBSA	63,198	92,222	4.29%	104,791	2.59%
City of Evans	3,530	6,196	6.45%	7,461	3.79%
State of Colorado	1,658,238	1,885,919	1.44%	1,950,804	0.68%
United States	105,480,101	113,900,247	0.86%	117,712,459	0.66%

As of 2009, the average household size for the CBSA is 2.80 persons, compared to 2.69 for the state and 2.69 for the nation. From 2000 to 2009, the number of households in the CBSA grew at a compounded annual rate of 4.29%, which is slightly greater than the previously noted population growth rate of 4.04%. This suggests a decrease in average household size. By 2014 the average household size for the CBSA is projected to remain similar at 2.80 persons.

Income Levels: The following chart summarizes trends in median household income levels.

Historical and Projected Trends in Household Income

Region	2000	2009	Growth Rate 2000 - 2009	Projection 2014	Growth Rate 2009 - 2014
Greeley CBSA	$42,509	$57,041	3.32%	$62,394	1.81%
City of Evans	$35,997	$50,559	3.85%	$52,664	0.82%
State of Colorado	$47,338	$61,828	3.01%	$67,157	1.67%
United States	$42,257	$53,684	2.70%	$57,999	1.56%

As of 2009, the median income in the CBSA was $57,041, which is 7.74% lower than the statewide median of $61,828, and 6.25% higher than the national median of $53,684. Over the past 9 years, the median income for the CBSA has grown at a compounded rate of 3.32%, compared to 3.01% for the State of Colorado and 2.70% for the nation. Over the next 5 years, the median income for the CBSA is projected to grow at a slower rate of 1.81%, compared to 1.67% for the State of Colorado and 1.56% for the nation. By 2014, the CBSA median income is projected to reach $62,394, which would be 7.09% lower than the projected statewide median of $67,157 and 7.58% higher than the projected national median of $57,999.

Education: Greeley is home to the University of Northern Colorado, which has approximately 12,000 undergraduate students and 2,000 graduate students. The following chart summarizes educational attainment for the region.

Educational Attainment for Adults Over 25

Education Level	Greeley CBSA	Colorado	United States
Less than 9th Grade	5.2%	3.8%	6.2%
9th - 12th Grade	8.5%	6.6%	8.8%
High School Graduate	29.8%	24.7%	30.0%
Some College, No Degree	21.1%	21.5%	19.4%
Associate's Degree	10.4%	7.5%	7.5%
Bachelor's Degree	17.0%	23.0%	17.6%
Graduate or Prof. Degree	8.1%	12.8%	10.4%

Among adults over 25 years of age, 25.1% have bachelor or graduate degrees, significantly lower than the statewide figure of 35.8% and much lower than the national figure of 28.0%. An additional 10.4% have associates (two-year) degrees, compared to 7.5% for the state and 7.5% for the nation. At the other end of the spectrum, 13.7% of area adults failed to complete high school, which is significantly higher than the statewide figure of 10.4% but marginally lower than the national figure of 15.1%. Overall, the region has a moderate to poorly educated population.

Economic Factors

Unemployment: The following chart summarizes recent unemployment trends for the Greeley CBSA, as reported by the U.S. Bureau of Labor Statistics. Comparative figures for Colorado and the nation are also presented.

Unemployment Trends - Greeley CBSA

Year Ending	7/09 YTD	2008	2007	2006	2005	2004
Civilian Labor Force	120,236	119,519	118,012	115,862	111,829	109,211
Total Employment	110,311	113,224	113,026	110,333	105,584	102,958
Job Growth	(2,715)	198	2,693	4,749	2,626	N/A
Unemployment	9,925	6,295	4,986	5,529	6,245	6,253
CBSA Rate	8.3%	5.3%	4.2%	4.8%	5.6%	5.7%
Colorado	7.3%	4.9%	3.8%	4.5%	5.1%	5.1%
National Rate	9.0%	5.8%	4.6%	4.6%	5.0%	5.5%

Major Employers: Major employers of Greeley and Wild County are summarized in the following table.

Major Employers

Rank	Employer	Product/Service	Employees
1	Swift & Company	Meat processing	2,960
2	North Colorado Medical Center	Hospital	2,700
3	State of Colorado (incl UNC)	State government & higher education	2,066
4	Wild County School District 6	Public education	2,037
5	Kodak Colorado Division	Digital imaging manufacturing	1,650
6	City of Greeley	Government	1,490
7	State Farm Insurance	Insurance	1,478
8	Wild County	Local government	1,400
9	Startek	Software packaging	906
10	Wal-Mart	Retailer	856
11	Bonnell Good Samaritan Center	Long-term healthcare/retirement	660
12	Aims Community College	Education	605
13	US Government	Federal bureaucrats	597
14	Hall-Irwin	Land development/construction	568
15	McLane Western	Food distribution	537

Source: Greeley Chamber of Commerce www.greeleychamber.com

Employment by Industry: The following chart summarizes employment by industry for the Denver region, as well as comparative figures for the nation as a whole.

Employment by Industry

	Greeley CBSA		Colorado		USA	
Industry/Sector	1,000s	%	1,000s	%	1,000s	%
Mining, Logging, Construction	10.9	13.6%	162.4	7.2%	6,800	5.2%
Manufacturing	10.9	13.6%	129.6	5.8%	11,771	9.0%
Trade, Trans, Utilities	13.8	17.2%	414.9	18.4%	25,145	19.2%
Information	1.1	1.4%	72.3	3.2%	2,821	2.2%
Financial Activities	4.5	5.6%	146.7	6.5%	7,706	5.9%
Prof and Business Services	6.6	8.2%	320.4	14.2%	16,600	12.7%
Education and Health Services	8.3	10.3%	258.7	11.5%	19,321	14.7%
Leisure and Hospitality	6.9	8.6%	262.3	11.7%	13,156	10.0%
Other Services	2.9	3.6%	91.8	4.1%	5,416	4.1%
Government	14.3	17.8%	390.0	17.3%	22,487	17.1%
Total	80.2	100.0%	2,249.1	100.0%	131,223	100.0%

Conclusions

The subject is located in Greeley, a small town roughly 50 miles north of Denver and 50 mile south of Cheyenne. The most notable feature in Greeley is the University of Northern Colorado, which is two miles northeast of the subject. Greeley is surrounded by miles of farmland, and many local employers are involved in agriculture or food processing. As with the rest of the nation, the local economy has struggled for the past two years, as reflected in higher unemployment. The population has grown at a phenomenal rate in recent years, far outpacing the state and the nation, and this trend is projected to continue. Income levels are slightly lower than statewide levels, but with a comparatively low cost of living, local residents are probably faring better than much of the state and nation.

Neighborhood Map

Overview

The subject site is located on the north central portion of Evans, just a couple blocks south of the Greeley city limits. This is roughly 2 miles southwest of the Greeley CBD and the UNC campus. In general, Greeley has been expanding westward for the past two decades. The subject is on the southern edge of this growth, amidst a newer single family subdivision. Directly east of the subject is a new Sam's Wholesale Club, with several restaurant outbuildings. Sam's fronts along 23rd Avenue, which has evolved into a significant commercial corridor. A few blocks north of Sam's is Greeley Mall, the area's only regional mall.

The following information is presented in summary chart form to give the reader a quick overview of the neighborhood and how it compares to other neighborhoods in the greater region.

General Neighborhood Characteristics

Location	Urban	X Suburban	Rural
% Developed	X Over 50%	25%-50%	Under 25%
Growth Rate	X Rapid	Stable	Slow
Supply	Shortage	X In Balance	X Oversupply
Marketing Time	< 6 Months	X 6-12 Months	Over 1 Year
Values	Increasing	X Stable	X Declining

Subject Neighborhood Compared to Competing Neighborhoods

	Good	Average	Fair	Poor
Access To:				
Neighborhood:	X			
Employment:		X		
Retail Centers:	X			
Street Patterns and Upkeep:		X		
Property Compatibility:		X		
Population Density:		X		
Extent of Occupant Ownership:		X		
Schools:		X		
Income Levels:			X	
Value Levels:		X		
Vacancy Levels:		X		
Tax Burden:		X		

Demographics

Population: The following chart summarizes population trends within 1-, 2-, and 3-mile radii of the subject, as well as comparative figures for the CBSA, as reported by SRC, LLC (www.demographicsnow.com).

Neighborhood Population Trends

Year	1 - Mile	2 - Mile	3 - Mile	CBSA
2000	9,537	31,434	64,754	180,801
2009	14,394	43,594	83,495	258,143
2014	15,779	49,829	92,283	293,724
Growth Rate 2000 to 2009	4.68%	3.70%	2.86%	4.04%
Growth Rate 2009 to 2014	1.85%	2.71%	2.02%	2.62%

Over the past 9 years, the population of the subject neighborhood (1-mile radius) has grown at a compounded rate of 4.68%, while the CBSA population has grown at a rate of 4.04%. Over the next 5 years, the population of the subject neighborhood is projected to grow at a compounded rate of 1.85%, while the CBSA population is projected to grow at rate of 2.62%.

Households: The following chart summarizes household trends for the neighborhood.

Neighborhood Household Trends

Year	1 - Mile	2 - Mile	3 - Mile	CBSA
2000	3,789	11,238	23,781	63,198
2009	5,660	15,860	30,914	92,222
2014	6,205	17,973	33,881	104,791
Growth Rate 2000 to 2009	4.56%	3.90%	2.96%	4.29%
Growth Rate 2009 to 2014	1.86%	2.53%	1.85%	2.59%

Over the past 9 years, the number of households in the neighborhood has grown at a compounded rate of 4.56%, while the number of households in the CBSA grew at a rate of 4.29%. Over the next 5 years, the number of households in the subject neighborhood is projected to grow at a compounded rate of 1.86%, while the number of households in the CBSA is projected to grow at a rate of 2.59%.

Income Levels: The following chart summarizes income trends for the neighborhood.

Median Household Income Levels

Year	1 - Mile	2 - Mile	3 - Mile	CBSA
2000	$32,228	$37,257	$35,833	$42,509
2009	$42,281	$49,342	$47,326	$57,041
2014	$44,501	$52,628	$51,411	$62,394
Growth Rate 2000 to 2009	3.06%	3.17%	3.14%	3.32%
Growth Rate 2009 to 2014	1.03%	1.30%	1.67%	1.81%

As of 2009, the median household income for the neighborhood (1-mile radius) was $42,281, which is 25.88% less than the CBSA median of $57,041. Over the 9 year period from 2000 to 2009, median income for the neighborhood has grown at a compounded rate of 3.06%, while the CBSA grew at a greater rate of 3.32%. Over the next five years, income growth is projected at 1.03% for the neighborhood and 1.81% for the CBSA.

Conclusions

The subject is located in a growing area of Evans, close to the Greeley city limit. The immediate vicinity contains newer single family homes, a new Sam's Wholesale Club, and ample vacant land, much of which remains in agricultural use. The long term outlook is for continued growth of the immediate neighborhood.

Overview

Gordon Von Stroh of the University of Denver conducts a regular survey of rent and vacancy levels for apartment markets throughout Colorado. The report is sponsored by the Colorado Division of Housing, Apartment Realty Advisors, and Pierce-Eislen. The following chart summarizes historic trends in vacancy and rental rates for the Greeley market, as of Second Quarter 2009.

Greeley

Period	Units Surveyed	Vacancy	Average Rent by Unit Type						%Δ
			Eff	1-1	2-1	2-2	3-2	All Units	
Q3 2004	3,040	11.1%	$450	$575	$624	$783	$856	$655	11.2%
Q3 2005	3,308	8.8%	$402	$535	$585	$763	$769	$615	-6.1%
Q3 2006	3,015	7.3%	$482	$550	$589	$763	$793	$634	3.1%
Q3 2007	2,651	8.1%	$502	$553	$614	$732	$744	$623	-1.7%
Q3 2008	2,581	5.5%	$468	$618	$616	$750	$739	$655	5.1%
Q2 2009	2,721	9.1%	$500	$657	$622	$735	$778	$629	-4.0%

Based on the published survey data, it appears that both rents and vacancy levels have fluctuated significantly from year to year. This seems contrary to conventional wisdom, which suggests that rents were continually increasing from 2000 through the middle of 2007. In the appraisers' opinion, the cited survey does not accurately account for concessions. Also, during the early to mid 2000s, many properties began passing through water and/or trash expenses to tenants, which increased the effective rents. Thus, when conducting a telephone survey, a manager may report a slight decrease in the nominal rent, when the effective rent has actually increased due to new utility pass throughs. The appraisers attempted to interview Gordon Von Stroh regarding the data collection methodology, but he declined to respond. Unfortunately, there are no other published surveys covering the Greeley apartment market.

Micro-Market Analysis

The most direct test of the submarket is a survey of properties that actually compete with the subject property. Following is a summary of the rent comparables detailed later in the Income Approach.

Summary of Rent Comparables

No.	Name	Units	Avg SF	Avg Rent	$/SF	YOC	Occup
Sub	Creepy Cove	96	1,062	$763	$0.72	1999/2003	88%
1	Gateway	210	827	$664	$0.80	1987	92%
2	Creekstone	200	893	$738	$0.83	1998	90%
3	Peakview at T-Bone Ranch	225	1,064	$802	$0.75	2001	88%
4	Country Club West	288	892	$736	$0.83	1986	92%
Average (Incl. Subject)		204	948	$740	$0.79	1993	90.1%
Weighted Average		204	933	$739	$0.79	N/A	90.4%

Among the subject and its direct competitors, rental rates range from $0.72/SF to $0.83/SF. On a per unit basis, average rents range from $664/month to $802/month. Occupancy levels range from 88% to 92%, with an average of 90.1% and a weighted average of 90.4%. The specific relationship between the subject and the comparables is detailed further in the Income Approach section of this report. It is further noted that the appraisers obtained rental data for a few additional properties in the subject's market. These properties were found to be much inferior to the subject in age and/or quality, so they were not presented as rent comps, though they did report similarly strong occupancy levels.

Conclusions

Based on the macro data presented, individual property surveys, and interviews with property managers, the local apartment market appears relatively stable. Rents have decreased over the past two years, but occupancy levels have remained fairly solid.

PART IV
SUBJECT PROPERTY DATA

Location:	The property is located in the small City of Ermin, which is immediately south of Greeley and roughly 50 miles north of Denver. Specifically, the subject is situated at the northwest corner of Archer Drive and Hunter Lane, one block west of 23rd Avenue. The street address is 2540 Creepy Cove, Ermin, Colorado 82000.
Dimensions, Area and Shape:	According to assessor records, the subject site measures approximately 6.90 acres. The subject is a relatively level corner tract that is fully developable. For a visual representation of the subject tract, please refer to the exhibits in the Addenda.
Access/Frontage:	The appraisers did not receive a survey, and county plat maps do not include dimensions. However, the site appears to have ample frontage along Archer Drive and Hunter Lane. As currently configured, the site is accessed via Creepy Cove Drive, which is a private road off of Hunter Lane that continues through the subject site and the adjoining phases of Creepy Cove. Currently, all three phases of Creepy Cove are operated as a unified project, but this appraisal only addresses Phase I. Since it includes the primary access point and all of the common amenities, Phase I could conceivably be operated as a stand-alone project.
Topography/Drainage/Flood:	The subject's topography is relatively level, and there is no evidence of drainage problems. According to FEMA flood map #0802660638C, dated September 28, 1982, the entire site is located in Zone C, beyond the limits of the 100-year flood hazard zone. Drainage of the site is facilitated by a shallow drainage ditch along the southwest property line and a detention pond at the southeast corner of the site.
Easements & Encroachments:	The appraisers are not aware of any adverse easements or encroachments, and it is specifically assumed that none exist.

Surrounding Land Uses:	North -	Agricultural
	South -	Single family
	East -	Retail (Sam's Wholesale Club)
	West -	Single family
Utilities:	Water -	City of Evans
	Sewer -	City of Evans
	Electric -	Excel Energy
	Natural Gas -	N/A

Zoning Classification: R-3 (Multiple Family Residential)

Permitted Uses: The current zoning is intended for multifamily uses, similar to the subject property. According to the local planning department, the existing improvements represent a legally conforming use.

Low Income / Rent Restrictions: This is a market rate property with no restrictions on rent levels or tenant income.

Nuisances and Hazards: The value estimated in this report is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions. The appraisers' limited inspection of and inquiries about the subject property did not develop any information that indicated any apparent hazardous substances or environmental conditions that would affect the property negatively. However, it is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous materials and environmental conditions on or around the property that would negatively affect its value. The client should satisfy themselves regarding the existence of such conditions by employing an expert in this field to conduct a study.

Deed Restrictions: The appraisers are unaware of any deed restrictions that would unduly inhibit or restrict the development of the subject site. The client is encouraged to consult qualified legal counsel to verify the presence of deed restrictions.

The subject represents Phase I of a 256-unit apartment project known as Creepy Cove. Phase I contains 96 units within eight 2-story interior walk-up buildings completed in 1999. Three garage buildings and a clubhouse/leasing office were added in 2003. Building characteristics include wood framing, brick and vinyl exteriors, and pitched roofs. Units are individually metered for electricity, while the property is master metered for water. Overall, the improvements are considered to be in good condition for their age.

The subject has 96 apartment units, and the improvements are distributed over the site area of 6.902 acres, resulting in a land to building ratio of 2.65:1 and an overall project density of 13.9 units per acre..

Project amenities include a clubhouse, fitness center, swimming pool, spa, picnic area, and playground. Unit amenities include standard kitchen appliances, patios/balconies, and washer/dryer connections. Overall, the subject improvements are considered to be in good condition and compete favorably with neighboring properties. The following chart summarizes the unit mix for the subject property.

Unit Mix For Creepy Cove

Unit Type	Units	SF/Unit	Total SF	Amenities
2 Ba 1.0 Ba	48	940	45,120	WDC, patio/balcony
2 Ba 2.0 Ba	16	1,050	16,800	WDC, patio/balcony
2 Ba 2.0 Ba study	16	1,200	19,200	WDC, patio/balcony, study could be bedroom
3 Ba 2.0 Ba	16	1,300	20,800	WDC, patio/balcony
	96	1,062	101,920	

A more detailed description of the improvements is presented below. This description is based upon the appraiser's personal observations, information provided by the on-site management, and/or what is typical within the marketplace. It should be noted that no plans or specifications of the subject property were furnished to the appraisers.

Foundation: The buildings have reinforced concrete foundations of unknown specifications.

Exterior Walls: Exteriors feature a combination of brick and vinyl siding.

Roofs: The buildings have pitched roofs with asphalt shingles. Roofs are assumed to be in good working order and free of leaks.

Interior Walls: Wood studs covered with gypsum board that is taped, textured and painted. Painted wood molding throughout.

Ceilings: Gypsum board that is taped, textured and painted. Ceilings are roughly 8 feet high.

Floors:	Ground levels feature poured concrete, while all upper floors are lightweight concrete over plywood decking.
Floor Coverings:	Kitchens, baths, and laundry rooms feature vinyl flooring, while all other rooms are carpeted.
Doors/Windows:	Steel entry doors have a locking door knob, peek hole, and deadbolt. All interior doors are hollow-core wood with wood trim. Windows are double-pane glass in vinyl-clad aluminum frames.
Restrooms:	The bathrooms feature fiberglass tubs and surrounds, standard toilets, and laminate vanities. The smaller 3-bed units have a fiberglass shower in the second bathroom, rather than a tub.
Kitchen Equipment:	Stainless steel sink with garbage disposal, electric ranges/ovens, frost free refrigerator, dishwasher, wood cabinets, and laminate counters.
Fire Protection:	The property is assumed to be in full compliance with all applicable codes regarding smoke detectors and fire suppression equipment. The property is not sprinklered.
HVAC:	Heat and cooling is generated by individual forced air systems with electric furnaces and ground-mounted compressors. All units are individually metered for electricity, while the property is master-metered for water.
Plumbing and Electrical:	The plumbing system and electrical work are assumed to be in accordance with local codes. Hot water is provided via individual electric water heaters.
Paving/Parking:	There are 234 parking spaces, or 2.44 spaces per unit. This total includes 24 detached garages.
Laundry Facilities:	Every unit includes full-size washer/dryer connections. Most tenants provide their own laundry equipment, but the property does have some washers/dryers available for rent. There is no central laundry facility at the property.
Down/Unrentable Units:	The manager did not report any down units due to flood, fire, mold, etc., and this report specifically assumes all units are rentable.

Economic Life: According to the Marshall & Swift Valuation Service Guide, properties similar to the subject has an expected economic life of 50 years (average quality, Class "D" construction). Considering the quality of construction and level of ongoing maintenance, the subject improvements are estimated to have an overall effective age of 8 year(s). Therefore, a remaining economic life of 42 years is projected.

Deferred Maintenance: The subject appears to be in good condition for its age, and the appraisers have deducted $0 for deferred maintenance and capital improvements.

A property must be appraised in terms of its Highest and Best Use. According to The Appraisal of Real Estate, Tenth Edition, page 275, Copyright 1992, by the Appraisal Institute. The definition of highest and best use is defined as:

> *The reasonable 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.*

When a site contains improvements, the highest and best use may be determined to be different from the existing use. Implied in this definition is that the determination of highest and best use takes into account the contribution of a specific use to the community and community development goals, as well as the benefits of that use to individual property owners. An additional implication is that the highest determination of highest and best use results from the appraiser's judgment and analytical skills; that is, 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. In the context of most probable selling price, another appropriate term to reflect highest and best use would be the most probable use.

Any determination of highest and best use includes identifying the motivations of probable purchasers. The motivations are based on perceptions of benefits that accrue to property ownership. Different motivations influence the highest and best use and are significant to an appraiser's conclusions about the highest and best uses of any parcel of real estate.

The benefits of investment properties that are not owner occupied relate to net income potential and to eventual resale or refinancing. The highest and best use decision for investment property is often influenced by the income tax and inflation hedge aspects of the existing or proposed improvements. Determination of the type and intensity of the improvement to be placed on the investor's land often requires an after-tax return analysis of various alternatives.

Land or improved property that has resale profit as its principal potential benefit is purely speculative. The price such land commands in the market reflects the real motivation of the purchaser/speculator.

This portion of the appraisal process is based on the definition of Highest and Best Use supplied previously. From this definition, it is obvious that market value of the land or site and of an improved property are both estimated under the assumption that potential purchasers will pay prices that reflect their analysis of the most profitable use of both land, as vacant, and property, as improved.

A use must meet four criteria as follows: (1) Physically Possible; (2) Legally Permissible; (3) Financially Feasible; (4) Maximally Productive.

Physically Possible: The physical characteristics of a site can affect the uses to which it can be put. These characteristics can include size, location, shape, topography, easements, utility availability, and surrounding properties. The first constraint imposed on the possible use of the property is dictated by the physical aspects of the site itself. A tract’s size and location within a given block are two of the most important determinants of value. In general, the larger the site, the greater its potential to achieve economies of scale and flexibility in development. The key determinant in developing a site is the permitted size of the project. More land permits higher density development, higher floor to area ratios (FAR), etc. The total number of square feet allowed for a building structure tends to rise in proportion to the size of the lot. Location is important when considering a site's proximity to open plazas, retail trade areas, work force areas, public transportation, major highways (access/visibility), etc.

The property is located in the small City of Ermin, which is immediately south of Greeley and roughly 50 miles north of Denver. Specifically, the subject is situated at the northwest corner of Archer Drive and Hunter Lane, one block west of 23rd Avenue. The site encompasses 6.902 acres, sufficient to support a moderate scale development. The subject is a relatively level corner tract that is fully developable. All typical utilities are available to the site, evidently with enough capacity for at least a moderate scale development. Surrounding properties include agricultural land to the north, single family homes to the south and west, and retail (Sam’s Wholesale Club) to the east.

Based upon the physical characteristics, and considering the subject’s configuration and immediate surroundings, the site would be well suited to multifamily development.

Legally Permissible: In the case of properties that are held in what is normally referred to as Fee Simple ownership, there are several restrictions on the rights of the property owner affecting the use and enjoyment of the property. These restrictions are the powers of the government: police power, eminent domain, escheat and taxation.

The influence of these restrictions lie primarily in the government police power. Police power is exercised by the imposing of restrictions on the uses of land. These restrictions may take the form of zoning codes, building codes, historic district controls or environmental regulations. The site is zoned R-3 (Multiple Family Residential). The current zoning is intended for multifamily uses, similar to the subject property. According to the local planning department, the existing improvements represent a legally conforming use. The current zoning is intended for multifamily uses, similar to the subject property. According to the local planning department, the existing improvements represent a legally conforming use.

Eminent domain also plays a part in the highest and best use of land through easements that can be created by the condemnation of a portion of property. A ready example is utility easements which are typically found along property borders in the city. While these easements are owned by the property owner, his use of these areas may be restricted.

In the case of utility easements, underground easements cannot be built over, while above-ground easements may have height restrictions imposed upon possible improvements constructed under them. The subject property was not noted to have any easements which were considered to detrimentally affect the property; however, easements are a legal covenant and the services of a competent title attorney would be required to ascertain exactly whether any detrimental easements exist. Considering the physical and legal characteristics, the subject site appears best suited to multifamily development.

Financially Feasible: The cost of the land and its development limit the highest and best uses of the property to only those uses which are financially feasible. Additionally, the cost of capital, loan to value ratios, forecasted revenues, and expenses, as well as current market conditions must also be considered.

Based on the physical and legal constraints, the only reasonable use of the site is multifamily development, so this is the use considered for feasibility. The best evidence of feasibility is the level of ongoing development. As detailed earlier in the Apartment Market Analysis, there has been very little apartment development in recent years. The neighborhood has been experiencing healthy population growth, though income levels are fairly low. Market rents are comparatively low, and most developers would not consider current rents to be feasible for new development. If the subject site were vacant, new multifamily development would probably not be considered feasible at this time, unless it were subsidized by some government program.

Maximally Productive: The maximally productive use is considered to be that use among all financially feasible uses that would bring the greatest return to the land. Based on the constraints and conditions outlined above, it is reasonable to conclude that the highest and best use of the subject parcel, as vacant, would be to develop a multifamily project as demand warrants.

Highest and Best Use As If Vacant

To determine the highest and best use of the subject property, as vacant, the appraisers conducted a thorough analysis. The analysis consisted of an inspection of the property and studies of the neighborhood, region, and trends. The site's physical attributes and surrounding development were also considered. Based on available evidence, multifamily development will best satisfy the preceding requirements. However, new development is not currently feasible. Thus, the highest and best use, as if vacant, would be landbanking, pending eventual development with a multifamily apartment complex, as demand warrants.

Highest and Best Use, As Improved

The subject's present improvements are of a design that meets the existing demand of the immediate marketplace. The improvements conform to the physical and economic characteristics of the neighborhood environment and represent a substantial use of the site. There are no alternative uses that could economically justify removal of the existing improvements. Thus, the subject property should continue being operated as a multifamily complex, probably in conjunction with the adjoining Phase II and Phase III.

PART V
VALUATION ANALYSES

This appraisal report is prepared pursuant to and in conformity with, the procedural techniques established by the nationally recognized professional real estate appraisal organizations and the federally imposed guidelines for insured institutions.

Specifically, those procedures include consideration of present market conditions, estimated future conditions, and the financial realities of the subject property and general investment markets which are inclusive of, but not limited to realty.

The appraisal process typically involves the three approaches to value. These approaches are based on the following three facets of value:

1. The current cost of replacing a property less losses in value from deterioration and functional and economic obsolescence (accrued depreciation)(Cost Approach).

2. The value indicated by recent sales of comparable properties in the marketplace (Sales Comparison Approach).

3. The market value that the property's net earning power will support based upon a capitalization of net income, stabilization, and residual equity buildup (Income Approach).

The requisites of the appraisal process call for valuations made independently of each other, specifically an Income Approach, Sales Comparison Approach, and a Cost Approach.

The Cost Approach assumes that a property's value is equivalent to its replacement cost. This falls under the theory of substitution where the rationalization of its support is premise upon the assumption that a property's optimum value cannot exceed the cost of duplicating the property on a similar site.

The Sales Comparison/Market Approach is determined by direct units of comparison where value can be converted to price per square foot, acres, rooms, units, or income multipliers and overall rates. The theory is that a prudent investor would pay no more for a given facility/property than what the typical market purchaser would pay for a comparable facility, all things being equal.

The Income Approach is derived from the rationalization of substitution, where the price one would pay for a property equals the attributable value of its earning ability where measured by the yield an investor will obtain.

The final step in the appraisal process is the reconciliation of value indications. This is the consideration of the indicated value resulting from each of the three approaches. The appraiser considers the relative applicability of each of the three approaches to arrive at the final estimate of defined value.

The individual nature of the real property leads to a question of determining the most appropriate appraisal procedure for valuation. Although this can not be easily answered, the subject is real property, and as such, market value can be estimated.

After examining the range between the value indications, the appraiser places major emphasis on the one, or on those, which appear to produce the most reliable and applicable solution to the specific appraisal task. One takes into account the purpose of the appraisal, the type of property, and the adequacy and relative reliability of the data processed in each of the three approaches. These considerations influence the weight to be given to each approach.

The aforementioned procedures to the appraisal process have been considered and incorporated into this summary report. Given the age of the property and the scarcity of truly comparable land sales, the Cost Approach is not presented. While a full Cost Approach was not developed, the replacement cost of the improvements is examined in order to derive an estimate of Insurable Value.

Replacement Cost of Improvements

The cost estimates utilized herein were obtained through the Marshall Valuation Service (MVS). The costs new provided by the MVS handbook include the following:

1) average architect's and engineer's fees, including plans, plan check and building permits, and surveys to establish building lines and grades;

2) normal interest on building funds, excluding land, during the period of construction and processing fee or service charge;

3) sales taxes on materials;

4) normal site preparation including excavation for foundation and backfill;

5) utilities from structure to lot line figured for typical setback;

6) contractor's overhead and profit including job supervision, worker's compensation, fire and liability insurance, unemployment insurance, etc.

Determination of Replacement Cost New: To determine the replacement cost new for the subject structures and components, the calculator method was utilized. Appropriate multipliers were applied to the indicated MVS base cost(s) to account for time and the subject's particular location and shape. As defined by Marshall & Swift, the subject property is an average Class "D" multiple residence. The following chart summarizes cost estimates for the various components of the subject building(s).

Summary of Base Building Costs

			Multipliers			
Component	Area (SF)	Base Cost	Area	Local	Current	Total
Apartments (NRA)	101,920	$59.00	0.93	0.98	0.97	$5,316,088
Balconies/Patios	4,800	$18.00	0.93	0.98	0.97	$76,383
Basements	0	$0.00	0.93	0.98	0.97	$0
Commercial Space	0	$0.00	0.93	0.98	0.97	$0
Office/Leasing	2,180	$63.64	0.93	0.98	0.97	$122,650
Laundry/Maintenance/Hallway	9,520	$40.00	0.93	0.98	0.97	$336,649
Total Base Building Cost						$5,851,770

Appliances & Amenities: Based on Marshall & Swift data, the appraisers have derived the following cost estimates for the subject's appliances and special amenities.

Appliances and Individual Unit/Clubhouse Amenities

Component	Number	Cost/Unit	Total Cost
Refrigerator	96	$450	$43,200
Dishwasher	96	$350	$33,600
Washer/Dryer	0	$800	$0
Oven Range	96	$400	$38,400
Total Appliance Cost			$115,200

Site Improvements: Based on Marshall & Swift data, the appraisers have derived the following cost estimates for the subject's site improvements.

Site Improvements

Component	Quantity	Unit Cost	Total
Parking (Incl. drives, parking, sidewalks)	178	$1,000	$178,000
Garages	56	$3,500	$196,000
Fencing	1	$10,000	$10,000
Signage	1	$5,000	$5,000
Landscaping	1	$50,000	$50,000
Pools	1	$70,000	$70,000
Office/Clubhouse/Unit Furnishings	1	$30,000	$30,000
Total Site Improvements			$539,000

Indirect Costs: The indirect costs not included in the base cost amount obtained from the Marshall Valuation Service manual include such items as property taxes during construction, escrow fees and legal fees associated with the land, interest on the land, discount points and fees paid in connection with interim financing, accounting, appraisal fees, marketing and lease-up costs (inclusive of on site payroll cost for a leasing agent during the pre-leasing and commissions paid to apartment locator companies). Indirect costs for the subject are estimated at 10% of the total hard costs.

Entrepreneurial Profit: Finally, consideration must be given for entrepreneurial profit, which is the anticipated profit required to entice an entrepreneur to invest capital in a project. It is the difference between the total cost of development and marketing and the market value of a property after completion and stabilization. Based on conversations with developers, the appraisers have estimated entrepreneurial profit at 15%.

As outlined in the previous paragraphs, the subject's replacement cost new may be approximated as follows.

Summary of Replacement Cost New Via Marshall & Swift Method

Component	Cost	$/Unit	$/SF NRA
Buildings	$5,851,770	$60,956	$57.42
Appliances	115,200	$1,200	$1.13
Site Improvements	539,000	$5,615	$5.29
SUB-TOTAL HARD COSTS	$6,505,970	$67,771	$63.83
Soft (Indirect) Costs @ 10%	650,597	$6,777	$6.38
SUB-TOTAL HARD AND SOFT COSTS	$7,156,567	$74,548	$70.22
Entrepreneurial Profit @ 15%	1,073,485	$11,182	$10.53
TOTAL ESTIMATED RCN	$8,230,052	$85,730	$80.75
ROUNDED	$8,230,000	$85,729	$80.75

Insurable Value Conclusion

Insurance exclusions or additions are computed on the basis of items specifically included or excluded by the policy of each property. However, for the purpose of this report general assumptions are made as to the most typical inclusions and exclusions. After a replacement value is estimated, this value may or may not be depreciated, as this is a matter of underwriting policy, not valuation.[3] In addition, policies will allocate a deduction from the estimated replacement cost new for those components that are not typically destroyed, such as foundations, parking, and architect's fees. The following additions and exclusions are applied in determining Insurable Value (MVS, Section 96, Pages 1-2).

Insurable Value

Total Replacement Cost		$8,230,052
Less: Soft Costs		($650,597)
Less: Entrepreneurial Profit		($1,073,485)
Less: Site Improvements		($539,000)
Net Building Costs		$5,966,970
Less: Foundations @	4.5%	($268,514)
Less: Architect Fees @	6.0%	($358,018)
Plus: Debris Removal @	0.0%	$0
Insurable Value		$5,340,438
Rounded		$5,340,000

[3] MVS, Section 96, Page 3/Section 97

The appraisers are not builders and claim no specific expertise in construction costs. Furthermore, the appraisers were not provided with detailed plans and specifications for the subject improvements. The cost estimates provided above are based on the appraisers' best interpretation of cost figures published by Marshall Valuation Service (MVS). The MVS figures cover a broad range, and the specific cost figures selected by the appraisers may or may not be reasonable estimates of actual replacement cost for the subject improvements. To determine a more reliable estimate of replacement cost, the client is advised to obtain detailed plans and specifications for the subject building(s) from a qualified engineer. If the improvements are outdated and no longer compliant with building codes, the plans should be modified to reflect the costs of building a code-compliant structure. Once plans and specifications are secured, actual construction bids should be sought from builders who are experienced in building similar properties in the same market. Additionally, any exclusions applied by the appraisers for foundations, site improvements, architect fees, or other factors should be compared to the actual insurance policy for accuracy and consistency. **In conclusion, the appraisers' estimate of Insurable Value is only a "ballpark" figure, and the client is discouraged from relying solely upon this estimate in making any decisions regarding the appropriate level of insurance.**

The Sales Comparison Approach is the method of appraisal in which the value of a property is inferred from sales of comparable properties. It is also known as the comparative or comparable sales approach, the comparison method, or the market data approach to value.

Properties subjected to the comparison process, both subject and comparables, must have at least the potential of a similar, if not identical, highest and best use if a valid value estimate is to result. In other words, all of the properties compared must have the capacity to satisfy the needs and desires of the same buyer. The market approach to value takes different forms, depending upon the type of property being appraised, but the method is essentially the same. This technique can be expressed as follows:

1. Describe and classify asset: The description of the property under appraisement should only cover those attributes that are significant and relevant to value. If the asset is of a diverse nature, it should be divided into value classes.

2. Find sales involving comparable assets: This means finding comparable properties that have been sold recently in the subject community. Verification and documentation of the sales is highly important.

3. Select appropriate units of comparison: The basis of the market approach to value is a comparison of one asset to another. Before a comparison can occur, a unit of comparison must be established. Appropriate units of comparison for the assessment of apartments are established using a per unit and per net rentable square foot value. With improved property, sales are broken down into useful units so that reasonable and logical comparisons can be made. The most common three comparisons are:

    A. Effective Gross Income Multiplier: This is the sales price divided by the effective gross scheduled income of the investment facility at stabilized occupancy. Abbreviation: EGIM

    B. Net Operating Income: This is the gross scheduled income less vacancy and less operating expenses, but without consideration to interest, loan amortization, depreciation, or income taxes. Abbreviation: NOI

    C. Overall Rate: This is a single year's rate between net operating income and total price. It is computed by dividing the NOI by the gross selling price. Abbreviation: OAR

4. Compare each sold asset with the subject property, adjust for differences to indicate market value of the subject asset in each comparison: Every piece of real estate is unique unto itself, so there will never be a sold property that is identical in every respect to the subject property. The appraiser searches for those comparable sales that have the most in common. There will, however, be areas of difference. These areas of difference break down into two categories, namely tangible and intangible.

Intangible differences would include terms, time, and condition of sale. Tangible differences would include location (with regard to streets, visibility, traffic patterns, and volumes, growth trends, etc.), size, zoning, age, nature, quality, and condition of improvements, etc. If a material difference is found between the sold property and the subject property under appraisement, it is necessary to adjust for the difference.

5. <u>Find central tendency of indicated values</u>: After making the comparisons, each sale will have provided an indicated value for the subject property. From this array of indicated prices, the appraiser must distill a single figure. Judgment is more useful than mathematics in arriving at this conclusion, because some of the comparable sales will carry more weight than others. The value indications must be reconciled into a single indicator of value for the comparative sales approach. Hopefully the value indicators will be within a narrow range. In selecting the single value estimate, it is not proper to simply average the results. Rather, the process is one of reviewing the adjustments made and placing the greatest reliance on the value indicated by the most comparable properties or property.

A location map and several comparable improved sales are detailed on the following pages. The sales are the best comparables that could be confirmed by the appraisers. Several other sales in the area were identified, but they were excluded to variations in project size, unit size, date of sale, age of property, location, or other pertinent factors.

Property Identification

Name:	Country Club West
Address:	1001 50th Avenue
City/State:	Greeley, CO
Proximity to Subject:	5 miles northwest
Date of Sale:	October 31, 2008
Grantor:	Ambassador XI LP (AIMCO)
Grantee:	CCW Apartments LLC
Financing Terms:	Cash to seller

Price & Adjustments

	Total	$/Unit	$/SF	$/Bed
Nominal Sale Price:	$19,500,000	$67,708	$75.93	$43,527
Cap Ex / Excess Land:	$0	$0	$0.00	$0
Net Sale Price:	$19,500,000	$67,708	$75.93	$43,527
Financing Adjustment:	$0	$0	$0.00	$0
Adjusted Sale Price:	$19,500,000	$67,708	$75.93	$43,527
Cap Rate:	7.81%			
Expense Ratio:	39.56%			
EGIM:	7.74			

Unit Mix (Monthly Figures)

Unit Type	Units	SF/Unit	Total SF	Beds	$/Unit	$/Bed	$/SF	Gross Rent
1 Bed 1.0	32	620	19,840	32	$599	$599	$0.97	$19,168
1 Bed 1.0	64	710	45,440	64	$649	$649	$0.91	$41,536
1 Bed 1.0	32	800	25,600	32	$689	$689	$0.86	$22,048
2 Bed 2.0	32	965	30,880	64	$789	$395	$0.82	$25,248
2 Bed 2.0	32	1,000	32,000	64	$799	$400	$0.80	$25,568
2 Bed 2.0	64	1,050	67,200	128	$809	$405	$0.77	$51,776
2 Bed 2.0	32	1,120	35,840	64	$829	$415	$0.74	$26,528
TOTAL/AVG	288	892	256,800	448	$736	$473	$0.83	$211,872

Site Description

Land Area (Acres):	21.42	Flood Hazard:	None
Land Area (SF):	933,055	Topography:	Level
Land to Building Ratio:	3.63	Configuration:	Irregular

Description of Improvements

Building Type:	Garden	Occupied at Sale:	94%
YOC:	1986	Basement:	None
Quality/Class:	B+	Parking:	Surface
Condition:	Good	Design & Appeal:	Average
Location Rating:	Avg-good	Site/View:	Average
Amenities:	Clubhouse, two heated pools, two hot tubs, fitness center, tanning beds, free WiFi, playground, patio/balcony, WD, some FP, some sunrooms, new appliances, hardwood floors	Utilities Included:	None

Income Analysis

Income/Expense Estimates	$/SF	$/Unit
Market Rent:	$9.90	$736
Other Income:	$0.80	$713
Operating Expenses:	$3.60	$3,210
Reserves:	$0.28	$250
Total Expenses:	$3.88	$3,460
Vacancy/Collection:	8.0%	
Loss to Lease Factor:	1.0%	

Pro-Forma Income Statement		Annually
Gross Potential Rents:		$2,542,464
Other Income:		205,440
Less: Vacancy:		(203,397)
Less: Loss to Lease:		(25,425)
Effective Gross Income:		2,519,082
Less: Operating Expenses:		(996,480)
Net Operating Income:	7.81%	$1,522,602

Comments

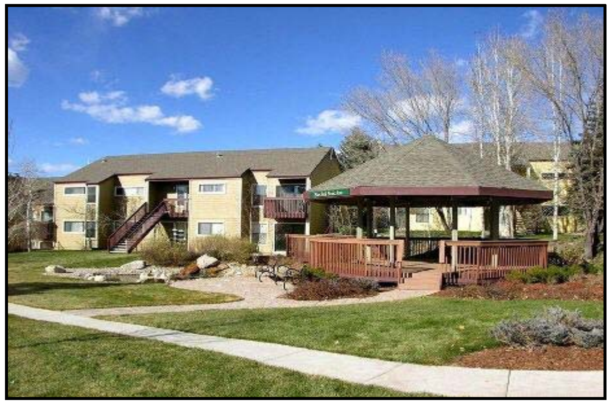
This property is older than the subject, but it has been well maintained and continually updated, so it competes well with newer properties. It is located on the west side of Greeley, which is superior to the subject's immediate neighborhood.

Confirmation Source

Public records and Doug Andrews with ARA (303) 260-4408

Property Identification

Name:	The Knolls
Address:	1510 Gatehouse Circle South
City/State:	Colorado Springs, CO
Proximity to Subject:	110 miles south
Date of Sale:	September 21, 2009
Grantor:	CCIP Knolls, LLC (AIMCO)
Grantee:	Knolls Colorado LLC
Financing Terms:	Cash to seller



Price & Adjustments

	Total	$/Unit	$/SF	$/Bed
Nominal Sale Price:	$13,350,000	$50,954	$55.41	$29,667
Cap Ex / Excess Land:	$0	$0	$0.00	$0
Net Sale Price:	$13,350,000	$50,954	$55.41	$29,667
Financing Adjustment:	$0	$0	$0.00	$0
Adjusted Sale Price:	$13,350,000	$50,954	$55.41	$29,667
Cap Rate:	8.83%			
Expense Ratio:	46.34%			
EGIM:	6.08			

Unit Mix (Monthly Figures)

Unit Type	Units	SF/Unit	Total SF	Beds	$/Unit	$/Bed	$/SF	Gross Rent
1 Bed 1.0 Bath	74	752	55,648	74	$659	$659	$0.88	$48,766
2 Bed 1.0 Bath	132	950	125,400	264	$729	$365	$0.77	$96,228
2 Bed 1.5 Bath	44	1,085	47,740	88	$869	$435	$0.80	$38,236
2 Bed 2.0 Bath	12	1,012	12,144	24	$849	$425	$0.84	$10,188
TOTAL/AVG	262	920	240,932	450	$738	$430	$0.80	$193,418

Site Description

Land Area (Acres):	22.16	Flood Hazard:	None
Land Area (SF):	965,290	Topography:	Rolling
Land to Building Ratio:	4.01	Configuration:	Irregular

Description of Improvements

Building Type:	Garden	Occupied at Sale:	92%
YOC:	1972/2006	Basement:	None
Quality/Class:	B	Parking:	100 carports
Condition:	Good	Design & Appeal:	Average
Location Rating:	Average-good	Site/View:	Average
Amenities:	Pool, clubhouse, fitness center, ponds, sundeck, security gates, controlled access, patio/balcony, WD, some FP, some VC	Utilities Included:	Water

Income Analysis

Income/Expense Estimates	$/SF	$/Unit
Market Rent:	$9.63	$738
Other Income:	$0.45	$414
Operating Expenses:	$3.90	$3,586
Reserves:	$0.33	$300
Total Expenses:	$4.23	$3,886
Vacancy/Collection:	8.0%	
Loss to Lease Factor:	2.0%	

Pro-Forma Income Statement		Annually
Gross Potential Rents:		$2,321,016
Other Income:		108,419
Less: Vacancy:		(185,681)
Less: Loss to Lease:		(46,420)
Effective Gross Income:		2,197,334
Less: Operating Expenses:		(1,018,235)
Net Operating Income:	8.83%	$1,179,099

Comments

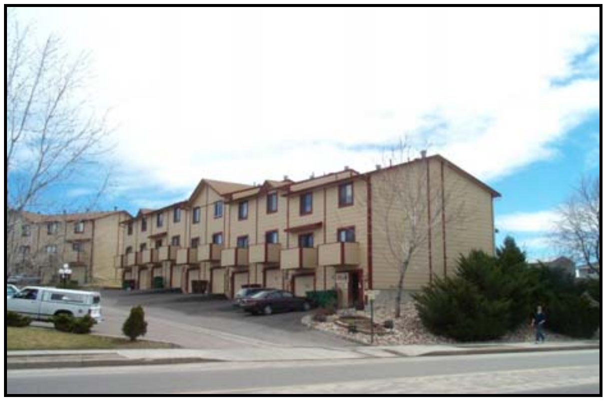
This property is located in the northwest quadrant of Colorado Springs. It is much older than the subject, but it was substantially renovated in 2006.

Confirmation Source

Public records and Mark Favro with Cushman Wakefield (303) 813-6412

Property Identification

Name:	Carefree Village
Address:	4801-4887 Pacer Lane
City/State:	Colorado Springs, CO
Proximity to Subject:	110 miles south
Date of Sale:	December 12, 2008
Grantor:	Lawrence Lucero III LP
Grantee:	64 Units, LLC
Financing Terms:	Cash to seller



Price & Adjustments

	Total	$/Unit	$/SF	$/Bed
Nominal Sale Price:	$4,000,000	$62,500	$62.68	$20,942
Cap Ex / Excess Land:	$0	$0	$0.00	$0
Net Sale Price:	$4,000,000	$62,500	$62.68	$20,942
Financing Adjustment:	$0	$0	$0.00	$0
Adjusted Sale Price:	$4,000,000	$62,500	$62.68	$20,942
Cap Rate:	8.23%			
Expense Ratio:	43.07%			
EGIM:	6.92			

Unit Mix (Monthly Figures)

Unit Type	Units	SF/Unit	Total SF	Beds	$/Unit	$/Bed	$/SF	Gross Rent
2 Bed 1.0 Bath	1	821	821	2	$650	$325	$0.79	$650
3 Bed 2.0 Bath	63	1,000	63,000	189	$825	$275	$0.83	$51,975
TOTAL/AVG	64	997	63,821	191	$822	$276	$0.82	$52,625

Site Description

Land Area (Acres):	4.67	Flood Hazard:	None
Land Area (SF):	203,425	Topography:	Level
Land to Building Ratio:	3.19	Configuration:	Rectangular

Description of Improvements

Building Type:	Townhomes	Occupied at Sale:	94%
YOC:	1986	Basement:	None
Quality/Class:	B	Parking:	Attached garages
Condition:	Good	Design & Appeal:	Average
Location Rating:	Average-good	Site/View:	Average
Amenities:	Playground, FP, WD, balcony	Utilities Included:	Water, heat

Income Analysis

Income/Expense Estimates	$/SF	$/Unit
Market Rent:	$9.89	$822
Other Income:	$0.25	$249
Operating Expenses:	$3.65	$3,640
Reserves:	$0.25	$250
Total Expenses:	$3.90	$3,890
Vacancy/Collection:	10.0%	
Loss to Lease Factor:	1.0%	

Pro-Forma Income Statement		Annually
Gross Potential Rents:		$631,500
Other Income:		15,955
Less: Vacancy:		(63,150)
Less: Loss to Lease:		(6,315)
Effective Gross Income:		577,990
Less: Operating Expenses:		(248,947)
Net Operating Income:	8.23%	$329,044

Comments

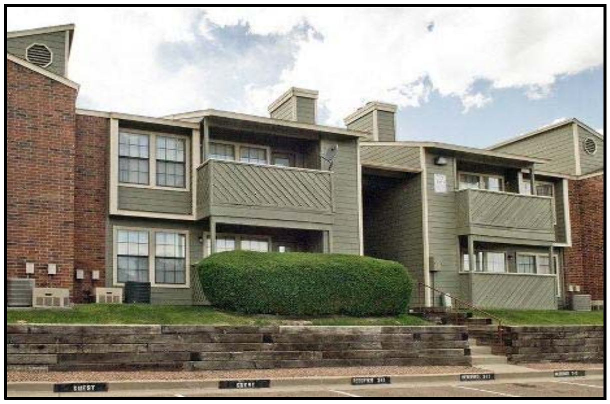
This is a 64-unit townhome project in Colorado Springs. It was originally platted as individual condominiums, but it has always been operated as a rental project. All the units are identical, except for one unit that is occupied by the manager. Each unit includes an attached garage and a full-size washer/dryer.

Confirmation Source

Public records, Doug Carter with Sperry Van Ness (719) 520-1600

Property Identification

Name:	Mountain View
Address:	4085 Westmeadow Drive
City/State:	Colorado Springs, CO
Proximity to Subject:	115 miles south
Date of Sale:	July 21, 2009
Grantor:	AIMCO Mountain View LLC
Grantee:	Mountain View LLC
Financing Terms:	Cash to seller



Price & Adjustments

	Total	$/Unit	$/SF	$/Bed
Nominal Sale Price:	$11,000,000	$43,651	$60.31	$31,977
Cap Ex / Excess Land:	$0	$0	$0.00	$0
Net Sale Price:	$11,000,000	$43,651	$60.31	$31,977
Financing Adjustment:	$0	$0	$0.00	$0
Adjusted Sale Price:	$11,000,000	$43,651	$60.31	$31,977
Cap Rate:	8.31%			
Expense Ratio:	49.52%			
EGIM:	6.08			

Unit Mix (Monthly Figures)

Unit Type	Units	SF/Unit	Total SF	Beds	$/Unit	$/Bed	$/SF	Gross Rent
1 Bed 1.0 Bath	160	615	98,400	160	$575	$575	$0.94	$92,000
2 Bed 1.0 Bath	40	800	32,000	80	$725	$363	$0.91	$29,000
2 Bed 2.0 Bath	52	1,000	52,000	104	$750	$375	$0.75	$39,000
TOTAL/AVG	252	724	182,400	344	$635	$465	$0.88	$160,000

Site Description

Land Area (Acres):	10.20	Flood Hazard:	None
Land Area (SF):	444,312	Topography:	Gently rolling
Land to Building Ratio:	2.44	Configuration:	Slightly irregular

Description of Improvements

Building Type:	Garden	Occupied at Sale:	94%
YOC:	1984	Basement:	None
Quality/Class:	B	Parking:	Surface
Condition:	Good	Design & Appeal:	Average
Location Rating:	Average-good	Site/View:	Average
Amenities:	Clubhouse, pool, spa, sundeck, sauna, sport court, patio/balcony	Utilities Included:	Water

Income Analysis

Income/Expense Estimates	$/SF	$/Unit
Market Rent:	$10.53	$635
Other Income:	$0.45	$326
Operating Expenses:	$4.50	$3,257
Reserves:	$0.41	$300
Total Expenses:	$4.91	$3,557
Vacancy/Collection:	8.0%	
Loss to Lease Factor:	2.0%	

Pro-Forma Income Statement		Annually
Gross Potential Rents:		$1,920,000
Other Income:		82,080
Less: Vacancy:		(153,600)
Less: Loss to Lease:		(38,400)
Effective Gross Income:		1,810,080
Less: Operating Expenses:		(896,400)
Net Operating Income:	8.31%	$913,680

Comments

This property is located on the south side of Colorado Springs, close to Fort Carson. It is much older than the subject, but it has been well maintained and exhibited no deferred maintenance at the time of sale. The buyer is a TIC.

Confirmation Source

Public records and Pat Stucker with Cushman Wakefield (303) 813-6407

Map

Summary and Analysis of Comparable Sales

As a review, the subject property consists of a 101,920-SF, 96-unit apartment developed in 1999/2003. The improvements are in good condition, and the current occupancy is 88%. The following chart summarizes the pertinent characteristics of the comparables detailed on the preceding pages. When necessary, the prices have been adjusted to reflect financing factors and deferred maintenance or capital expenditures.

Summary of Comparable Improved Sales

#	Date	Units	Average Unit (SF)	YOC	Price $/Unit	Price $/SF	EGIM	OAR
1	10/31/08	288	892	1986	$67,708	$75.93	7.74	7.81%
2	9/21/09	262	920	1972/2006	$50,954	$55.41	6.08	8.83%
3	12/12/08	64	997	1986	$62,500	$62.68	6.92	8.23%
4	7/21/09	252	724	1984	$43,651	$60.31	6.08	8.31%
AVG		217	883		$56,203	$63.58	6.70	8.29%
SUBJECT		96	1,062	1999/2003	N/A	N/A	N/A	

The preceding sales are the best comparables that could be confirmed by the appraisers. Several other sales in the region were identified, but they were excluded due to variations in project size, unit size, date of sale, age of property, location, or other pertinent factors.

In examining the various comparables vis-a-vis the subject, the appraisers have employed several different units of comparison, as outlined in the following sections.

Price Per Unit Analysis

The first analysis in this approach will focus on the price per unit. The sale price per unit is derived by dividing the adjusted sale price by the number of units. Among the comparables, unadjusted prices range from $43,651/unit to $67,708/unit. The spread in pricing is attributed to various differences between each comparable and the subject.

The adjustment grid on the following page depicts how the comparables compare to the subject with respect to such factors as quality, average unit size, location, age/condition, and amenities. If the comparable is considered inferior to the subject, then a positive adjustment is applied. Conversely, if the property is considered superior to the subject, then a downward adjustment would be indicated.

Improved Sales Adjustment Grid - Per Unit Basis

Element	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Name	Creepy Cove	Country Club West	The Knolls	Carefree Village	Mountain View
City	Ermin	Greeley, CO	Colorado Springs, CO	Colorado Springs, CO	Colorado Springs, CO
Nominal Price	N/A	$67,708	$50,954	$62,500	$43,651
Cap Ex / Excess Land	N/A	$0	$0	$0	$0
Financing Terms	Cash Assumed	$0	$0	$0	$0
Net Cash Price	N/A	$67,708	$50,954	$62,500	$43,651
Date of Sale/Time	October 22, 2009	October 31, 2008	September 21, 2009	December 12, 2008	July 21, 2009
		-5%	0%	-4%	0%
Cash to Present		$64,323	$50,954	$60,000	$43,651
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
		0%	0%	0%	0%
Location	Average	Avg-good	Average-good	Average-good	Average-good
		-5%	-5%	-5%	-5%
Site/View	Average	Average	Average	Average	Average
		0%	0%	0%	0%
Quality	B	B+	B	B	B
		-3%	0%	0%	0%
Year Built	1999/2003	1986	1972/2006	1986	1984
		5%	7%	5%	5%
Condition	Good	Good	Good	Good	Good
		0%	0%	0%	0%
NRA (SF)	101,920	256,800	240,932	63,821	182,400
		0%	0%	0%	0%
Avg Unit (SF)	1,062	892	920	997	724
		10%	8%	3%	28%
Private Basement	None	None	None	None	None
		0%	0%	0%	0%
Covered Parking	56 garages	Surface	100 carports	Attached garages	Surface
		3%	0%	-5%	4%
Amenities	Clubhouse, fitness center, swimming pool, spa, picnic area, playground, patio/balcony, WDC	Clubhouse, two heated pools, two hot tubs, fitness center, tanning beds, free WiFi, playground, patio/balcony, WD, some FP, some sunrooms, new appliances, hardwood floors	Pool, clubhouse, fitness center, ponds, sundeck, security gates, controlled access, patio/balcony, WD, some FP, some VC	Playground, FP, WD, balcony	Clubhouse, pool, spa, sundeck, sauna, sport court, patio/balcony
		-5%	-4%	1%	0%
Net Adjustment		5%	6%	-1%	32%
Adjusted Price		$67,539	$54,011	$59,400	$57,619
Average		$59,642			

Economic Adjustment Factors

Property Rights Conveyed: All the comparables were reportedly sold in fee simple ownership (subject to short-term leases), so no adjustments are necessary for property rights.

Financing Terms: In accordance with the definition of market value, the appraisers reviewed each of the comparable sales for the effects of any special financing. A typical arrangement that requires adjustment to the sale price is financing by a seller or third party at a below-market interest rate. To the extent that financing adjustments are needed, they are usually calculated based on the present value of the difference in payments between market terms and actual terms. In this instance, all the comparables involved cash equivalent terms, and no financing adjustments were necessary.

***Conditions of Sale*:** The adjustment of condition of sale relates to abnormal arm's-length transactions reflected by either the buyer or seller of a particular property. The end result is a purchase price that is higher or lower than market level caused by motivations such as assemblage sales, unusual tax considerations, eminent domain proceedings or numerous other non arm's-length situations. All the comparables represent arm's length transactions and require no adjustments.

***Date of Sale/Time*:** Market conditions or time adjustments relate to increases or decreases in property value, usually based on the supply/demand ratio of the market. The closed sales transpired between October 31, 2008 and September 21, 2009. Given the rapid changes in the capital markets, downward adjustments are applied to the two oldest sales.

Physical Adjustment Factors

Improved Sale No. 1, Country Club West, is located in Greeley, CO, 5 miles northwest of the subject, and is considered to have slightly superior locational attributes. The subject was built in 1999/2003, and Sale 1 was built in 1986. Within this age range, an upward adjustment is necessary. Sale 1 has an average unit size of 892 SF, while the subject has an average unit size of 1,062 SF, and the appraisers applied an upward adjustment of 10%. After considering the various attributes summarized in the adjustment grid, the net percentage adjustment applied to Sale 1 for physical factors is 5%. If the unit size adjustment were excluded, the net percentage adjustment would be -5%. After all adjustments, Sale 1 offers an indication of $67,539/unit.

Improved Sale No. 2, The Knolls, is located in Colorado Springs, CO, 110 miles south of the subject, and is considered slightly superior with respect to location. Sale 2 was built in 1972/2006, and an upward adjustment is appropriate. Sale 2 has an average unit size of 920 SF, significantly smaller than the subject's average unit size of 1,062 SF, and the appraisers applied an upward adjustment of 8%. For the various physical factors considered, the net percentage adjustment applied to Sale 2 is 6%. Excluding the adjustment for average unit size, the net percentage adjustment would be -2%. After all adjustments, Sale 2 offers an indication of $54,011/unit.

Improved Sale No. 3, Carefree Village, is located in Colorado Springs, CO, 110 miles south of the subject. While specific preferences will vary, this location is considered slightly superior to the subject with respect to overall desirability, as reflected in demographics, access, and proximity to employment centers. Sale 3 was built in 1986, and an upward adjustment is appropriate. Sale 3 has an average unit size of 997 SF, compared to 1,062 SF for the subject, and the appraisers applied an upward adjustment of 3% for unit size. The net percentage adjustment applied to Sale 3 is -1%, resulting in an adjusted value indication of $59,400/unit. Excluding the size adjustment, the net adjustment is -4%.

Improved Sale No. 4, Mountain View, is located in Colorado Springs, CO, 115 miles south of the subject. Relative to the subject, this location is considered somewhat superior. Sale 4 was built in 1984, and an upward adjustment of 5% is applied. Sale 4 has an average unit size of 892 SF, warranting an upward adjustment of 28%. The net percentage adjustment applied to Sale 4 for physical factors is 32%. Excluding unit size, the net percentage adjustment is 4%. After all adjustments, Sale 4 offers a value indication of $57,619/unit.

Conclusion - Per Unit Analysis

After all adjustments, the comparables offer indications ranging from $54,011/unit to $67,539/unit, with a mean of $59,642/unit. All factors considered, the appraisers have concluded a value of $59,500/unit, applied to the subject as follows:

Price Per Unit Indication

96 Units	x	$59,500/Unit	=	$5,712,000
		Less: Cap Ex	=	$0
		Less: Lease-Up Costs	=	$0
		Net Value Indication	=	$5,712,000
		ROUNDED	=	$5,710,000

Price Per SF Analysis

The comparable sales were previously examined and compared to the subject on a per unit basis. The comparables are now examined on a per square foot basis. On a per square foot basis, the unadjusted prices for the comparables range $55.41/SF to $75.93/SF, after adjusting for deferred maintenance and rent loss.

As with the per unit analysis, adjustments are applied to the comparables to reflect differences vis-a-vis the subject. For the most part, the percentage adjustments applied herein are identical to those applied previously in the per unit analysis. The one exception is the size adjustment. On a per unit basis, a comparable with a larger unit size is adjusted downward. On a per square foot basis, however, the larger comparable is adjusted upward, reflecting the inverse relationship between average unit size and price per square foot.

A second adjustment grid evaluating the comparables on a per square foot basis is presented on the following page.

Improved Sales Adjustment Grid - Per Square Foot Basis

Element	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Name	Creepy Cove	Country Club West	The Knolls	Carefree Village	Mountain View
City	Ermin	Greeley, CO	Colorado Springs, CO	Colorado Springs, CO	Colorado Springs, CO
Nominal Price	N/A	$75.93	$55.41	$62.68	$60.31
Cap Ex / Excess Land	N/A	$0.00	$0.00	$0.00	$0.00
Financing Terms	Cash Assumed	$0.00	$0.00	$0.00	$0.00
Net Cash Price	N/A	$75.93	$55.41	$62.68	$60.31
Date of Sale/Time	October 22, 2009	October 31, 2008	September 21, 2009	December 12, 2008	July 21, 2009
		-5%	0%	-4%	0%
Cash to Present		$72.14	$55.41	$60.17	$60.31
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
		0%	0%	0%	0%
Location	Average	Avg-good	Average-good	Average-good	Average-good
		-5%	-5%	-5%	-5%
Site/View	Average	Average	Average	Average	Average
		0%	0%	0%	0%
Quality	B	B+	B	B	B
		-3%	0%	0%	0%
Year Built	1999/2003	1986	1972/2006	1986	1984
		5%	7%	5%	5%
Condition	Good	Good	Good	Good	Good
		0%	0%	0%	0%
NRA (SF)	101,920	256,800	240,932	63,821	182,400
		0%	0%	0%	0%
Avg Unit (SF)	1,062	892	920	997	724
		-10%	-7%	-3%	-14%
Private Basement	None	None	None	None	None
		0%	0%	0%	0%
Covered Parking	56 garages	Surface	100 carports	Attached garages	Surface
		3%	0%	-5%	4%
Amenities	Clubhouse, fitness center, swimming pool, spa, picnic area, playground, patio/balcony, WDC	Clubhouse, two heated pools, two hot tubs, fitness center, tanning beds, free WiFi, playground, patio/balcony, WD, some FP, some sunrooms, new appliances, hardwood floors	Pool, clubhouse, fitness center, ponds, sundeck, security gates, controlled access, patio/balcony, WD, some FP, some VC	Playground, FP, WD, balcony	Clubhouse, pool, spa, sundeck, sauna, sport court, patio/balcony
		-5%	-4%	1%	0%
Net Adjustment		-15%	-9%	-7%	-10%
Adjusted Price		$61.17	$50.21	$55.74	$54.57
Average		$55.42			

Conclusion - Per Square Foot Analysis

After all adjustments, the comparables offer indications ranging from $50.21/SF to $61.17/SF, with a mean of $55.42/SF. Based on the available evidence, the appraisers have concluded a value of $55.50/SF, applied to the subject as follows:

Price Per Square Foot Indication

101,920 SF	x	$55.50 /SF	=	$5,656,560
		Less: Cap Ex	=	$0
		Less: Lease-Up Costs	=	$0
		Net Value Indication	=	$5,656,560
		ROUNDED	=	$5,660,000

Effective Gross Income Multiplier Analysis

The **effective gross income multiplier** is also indicative of the income/investment nature of a property such as the subject. However, the primary concern of an investor is the net return after expenses as opposed to the gross earning potential. Thus, this method is most useful when the expense character of the property is highly similar to the property being analyzed. The principal advantage of the technique is that the reflection of rental income is direct. Therefore, differences between properties which could necessitate subjective adjustments by the appraiser have been resolved by the free action of the rental market. If the comparable properties have some advantage over the subject in age, condition, accessibility, location or physical characteristics, the difference in actual rental presumably reflects the extent of this advantage. The following chart summarizes the estimated EGIMs of the comparable sales.

Summary of Comparable EGIMs

Sale #	EGIM	Expense Ratio
1	7.74	39.56%
2	6.08	46.34%
3	6.92	43.07%
4	6.08	49.52%
Average	6.70	44.62%
Subject	6.90	43.10%

The EGIMs of the comparable sales range from 6.08 to 7.74, with an average of 6.70. Effective gross income multipliers are typically correlated with operating expense ratios (OER). As OERs increase, the efficiency of the property's income producing capacity is diminished, so EGIMs decrease. This general trend is demonstrated by the comparables. As detailed later in the Income Approach section of this report, the subject has an operating expense ratio of 43.10%. This is slightly below the mean of the comparables, suggesting an EGIM slightly above the mean of the comparables. Considering the evidence, an EGIM of 6.90 is considered appropriate for the subject property, resulting in the following value indication:

EGIM Indication

STABILIZED EGI	x	EGIM	=	VALUE
$821,924	x	6.90	=	$5,671,276
		Less: Cap Ex	=	$0
		Less: Lease-Up Costs	=	$0
		Net Value Indication	=	$5,671,276
		ROUNDED	=	$5,670,000

Sales Comparison Approach Conclusions

The following chart summarizes the value indications derived for the subject property by the various valuation techniques employed in this Sales Comparison Approach analysis:

Summary of Value Indications

Technique	Market Value As Is	Market Value As Repaired
Price Per Unit	$5,710,000	N/A
Price Per Square Foot	$5,660,000	N/A
EGIM	$5,670,000	N/A

The various indications fall into a tight range, with the highest and lowest value indications varying by just 0.9%. Overall, the data supports the following value conclusion(s) via the Sales Comparison Approach:

Sales Comparison Approach Conclusions

Unit of Comparison	Market Value As Is	Market Value As Repaired
Total Value	$5,700,000	N/A
Value Per Unit	$59,375	N/A
Value Per Square Foot	$55.93	N/A

The Income Approach to value assumes a direct relationship between value and income. The two primary methods of estimating value from a property's income are Direct Capitalization and Yield Capitalization (Discounted Cash Flow Analysis).

In Direct Capitalization, value is estimated by deducting all applicable expenses from anticipated gross income to arrive at projected net income for the coming year. This amount is then capitalized at a rate which is commensurate with the risk inherent in the ownership of the property. Direct Capitalization is most appropriate for stabilized income streams where the property being analyzed reflects occupancy rates typical of the market.

With respect to Yield Capitalization or Discounted Cash Flow Analysis, value is estimated by deducting all applicable expenses from anticipated gross income to arrive at projected net income during each year of the projection period, which is then discounted at a rate commensurate with the perceived risk. A reversion value is computed at the end of the projection period, and this amount is also discounted and added to the present value of the annual income streams to derive an estimate of value. The analysis method involves a variety of projections relative to changes in the income stream over time as a result of changes in occupancy and inflationary factors. This method is well suited to properties that are not at stabilized operating levels, or when fluctuating income streams are anticipated.

Gross Income Estimate

The potential gross income estimate is obtained by estimating the market rent for the subject property. Market rent is defined in The Appraisal of Real Estate, Tenth Edition, Copyright 1993, Appraisal Institute as:

> *"The total income attributable to a real property at 100% occupancy before operating expenses are deducted."*

This definition is in reference to the amount of money a property should produce based on actual rents being received from similar properties with comparable amenities located in the same neighborhood or other similar areas. Therefore, research and analysis of lease rates on units considered similar to or competitive with the subject was necessary.

Information was obtained from owners, developers, managers and leasing agents, and/or other knowledgeable persons involved in lease transactions, and data concerning the properties considered generally similar to or competitive with the subject.

In addition to the analysis of the cited rent comparables, current occupancy levels, absorption rates and general market trends were discussed with active real estate professionals in the subject neighborhood. The data presented emphasizes competing facilities in the market with property types most similar to the subject.

Name: Creepy Cove

Address: 2540 Creepy Cove

Proximity to Subject: Same

Overview: 96-unit apartment

Class/Quality: B

Year Built/Renovated: 1999/2003

Occupancy: 88%

Condition: Good

Concessions: None

Utilities Included: Water, trash, extended basic cable

Amenities: Clubhouse, fitness center, swimming pool, spa, picnic area, playground, patio/balcony, WDC

Private Basements: None

Covered Parking: Garages ($40)

Comments: The rents cited below reflect the approximate average quoted rent for each unit type. Some long-term tenants are paying lower rents, while others with short term leases are paying monthly premiums of $25-100.

Rental Data

Unit Type	# Units	Size (SF)	$/Month	$/SF	Total SF	Total Rent
2 Bd 1.0 Ba	48	940	$700	$0.74	45,120	$33,600
2 Bd 2.0 Ba	16	1,050	$780	$0.74	16,800	$12,480
2 Bd 2.0 Ba study	16	1,200	$810	$0.68	19,200	$12,960
3 Bd 2.0 Ba	16	1,300	$885	$0.68	20,800	$14,160
Totals & Means	96	1,062	$763	$0.72	101,920	$73,200

Name:	Gateway
Address:	3750 W. 24^{th} Street
Proximity to Subject:	1.5 miles northwest
Overview:	Garden style
Class/Quality:	B
Year of Construction:	1987
Occupancy:	92%
Condition:	Good
Concessions:	None
Utilities Included:	Water, trash
Amenities:	Clubhouse with fitness center, pool, hot tub, sauna, playground, tennis, microwaves, patio/balcony, WDC, some FP, and vaulted ceilings on top level
Private Basements:	None
Covered Parking:	52 Garages ($55)
Comments:	This property is somewhat older than the subject, but it has been well maintained and represents a direct competitor. Over the past two years, average rents have declined 3.7%. Confirmed with Nancy on site.

Rental Data

Unit Type				# Units	Size (SF)	$/Month	$/SF	Total SF	Total Rent
1	Bd	1.0	Ba	64	720	$600	$0.83	46,080	$38,400
2	Bd	1.0	Ba	64	806	$650	$0.81	51,584	$41,600
2	Bd	2.0	Ba	82	926	$725	$0.78	75,932	$59,450
Tota1s & Means				210	827	$664	$0.80	173,596	$139,450

Name: Creekstone

Address: 3775 W. 25th Street

Proximity to Subject: 1.5 miles northwest

Overview: 200-unit LIHTC apartment

Class/Quality: A-

Year of Construction: 1998

Occupancy: 90%

Condition: Good

Concessions: None

Utilities Included: Trash

Amenities: Clubhouse with fitness center and business center, pool, hot tub, playground, self-cleaning ovens, dishwashers, microwaves, WDC, patios/balconies, some FP, and vaulted ceilings on top level

Private Basements: None

Covered Parking: Garages ($40-$50)

Comments: The italicized units are income and rent restricted to tenants earning no more than 50% of AMI. The remaining units are unrestricted market rate units. Water is passed through to tenants at a rate of $16-$36 per month, depending on unit size and the number of occupants. Over the past two years, average rents have declined by 3.3%.

Rental Data

Unit Type	# Units	Size (SF)	$/Month	$/SF	Total SF	Total Rent
1 Bd 1.0 Ba	56	703	$690	$0.98	39,368	$38,640
1 Bd 1.0 Ba	*16*	*703*	*$527*	*$0.75*	*11,248*	*$8,432*
2 Bd 1.0 Ba	29	919	$735	$0.80	26,651	$21,315
2 Bd 1.0 Ba	*19*	*919*	*$633*	*$0.69*	*17,461*	*$12,027*
2 Bd 2.0 Ba	23	954	$825	$0.86	21,942	$18,975
2 Bd 2.0 Ba	*1*	*954*	*$633*	*$0.66*	*954*	*$633*
2 Bd 2.0 Ba	24	1,007	$825	$0.82	24,168	$19,800
3 Bd 2.0 Ba	26	1,153	$899	$0.78	29,978	$23,374
3 Bd 2.0 Ba	*6*	*1,153*	*$725*	*$0.63*	*6,918*	*$4,350*
Totals & Means	200	893	$738	$0.83	178,688	$147,546

Rent Comp 3

Name:	Peakview at T-Bone Ranch
Address:	4750 W. 29th
Proximity to Subject:	2 miles west
Overview:	Garden style
Class/Quality:	B+
Year of Construction:	2001
Occupancy:	88%
Condition:	Good
Concessions:	None
Utilities Included:	Trash
Amenities:	Clubhouse, heated pool, fitness center, business center, hot tub, playground, 9' ceilings, self-cleaning ovens, FP, MW, WD, patio/balcony
Private Basements:	None
Covered Parking:	Detached Garages ($50)
Comments:	This is a good quality newer property with very large units, but it appears to be poorly managed and staffed with inexperienced leasing agents. The management company uses a computer program to determine rental rates, which change daily and can vary significantly between identical units. This makes it very difficult for potential tenants to properly compare rates with competing properties. The rates cited below are for the approximate midpoints of rates quoted for specific units that were available as of the date of survey.

Rental Data

Unit Type	# Units	Size (SF)	$/Month	$/SF	Total SF	Total Rent
1 Bd 1.0 Ba	75	860	$725	$0.84	64,500	$54,375
2 Bd 2.0 Ba	115	1,137	$815	$0.72	130,755	$93,725
3 Bd 2.0 Ba	35	1,262	$925	$0.73	44,170	$32,375
Tota1s & Means	225	1,064	$802	$0.75	239,425	$180,475

Name: Country Club West

Address: 1001 50th Avenue

Proximity to Subject: 3 miles northwest

Overview: Garden style

Class/Quality: B+

Year of Construction: 1986

Occupancy: 92%

Condition: Good

Concessions: None

Utilities Included: Trash

Amenities: Clubhouse, two heated pools, two hot tubs, fitness center, tanning beds, free WiFi, playground, patio/balcony, WD, some FP, some sunrooms, new appliances, hardwood floors

Private Basements: None

Covered Parking: None

Comments: This property is older than the subject, but it has been well maintained and continually updated, so it competes well with newer properties. Current quoted rents are 7% lower than two years ago.

Rental Data

Unit Type	# Units	Size (SF)	$/Month	$/SF	Total SF	Total Rent
1 Bd 1.0 Ba	32	620	$599	$0.97	19,840	$19,168
1 Bd 1.0 Ba	64	710	$649	$0.91	45,440	$41,536
1 Bd 1.0 Ba	32	800	$689	$0.86	25,600	$22,048
2 Bd 2.0 Ba	32	965	$789	$0.82	30,880	$25,248
2 Bd 2.0 Ba	32	1,000	$799	$0.80	32,000	$25,568
2 Bd 2.0 Ba	64	1,050	$809	$0.77	67,200	$51,776
2 Bd 2.0 Ba	32	1,120	$829	$0.74	35,840	$26,528
Tota1s & Means	288	892	$736	$0.83	256,800	$211,872

Map

Rental Income Analysis

In this portion of the Income Approach, the objective is to determine if the current rental rates for the subject are at market. This is achieved by comparison of the subject's rents with those found at competing properties. Following is a summary of the rent comparables.

Summary of Rent Comparables

No.	Name	Units	Avg. Unit Size (SF)	Average Rent Per Unit	Average Rent Per SF	YOC	Occup
Sub	Creepy Cove	96	1,062	$763	$0.72	1999/2003	88%
1	Gateway	210	827	$664	$0.80	1987	92%
2	Creekstone	200	893	$738	$0.83	1998	90%
3	Peakview at T-Bone Ranch	225	1,064	$802	$0.75	2001	88%
4	Country Club West	288	892	$736	$0.83	1986	92%
Average of Comps		231	919	$736	$0.80	1992	91%

Among the market rent comparables, quoted rents range from $0.75/SF to $0.83/SF, with a weighted average of $0.80/SF. The subject's quoted rents average $0.72/SF, which is slightly below the range of the comps. This is partly due to the subject's large average unit size and absence of one-bedroom units.

In order to estimate market rent for the subject units, the appraisers have rated each of the comparables in relation to the subject in several categories, including utilities, age/condition, location, and amenities. A separate adjustment grid has been prepared for each unit type at the subject property. For each of the subject's unit types, the most similar unit at each comparable is selected for comparison. In some instances, a particular comparable may not have any units that correspond to one of the subject's unit types. In these cases, "N/A" may appear in the adjustment grid.

Rent Comparable Adjustment Grid (One per Subject Unit Type)

	Subject	Rent 1	Rent 2	Rent 3	Rent 4
Property Name	Creepy Cove	Gateway	Creekstone	Peakview at T-Bone Ranch	Country Club West
Beds/Baths	2/1	2/1	2/1	2/2	2/2
Units Size (SF)	940	806	919	1,137	965
Average Rent	$700	$650	$735	$815	$789
Utilities Included	Water, trash, extended basic cable	Water, trash	Trash	Trash	Trash
		3%	5%	5%	5%
Configuration		0%	0%	-3%	-3%
Unit Size		7%	1%	-7%	-1%
Age/Condition	1999/2003 / Good	1987 / Good	1998 / Good	2001 / Good	1986 / Good
		3%	0%	0%	3%
Quality	B	B	A-	B+	B+
		0%	-6%	-3%	-3%
Location	Average	Average	Average	Average	Average-good
		0%	0%	0%	-5%
Private Basement	None	None	None	None	None
		0%	0%	0%	0%
Covered Parking	Garages ($40)	52 Garages ($55)	Garages ($40-$50)	Detached Garages ($50)	None
		0%	0%	0%	0%
Concessions	None	None	None	None	None
		0%	0%	0%	0%
Amenities	Clubhouse, fitness center, swimming pool, spa, picnic area, playground, patio/balcony, WDC	Clubhouse with fitness center, pool, hot tub, sauna, playground, tennis, microwaves, patio/balcony, WDC, some FP, and vaulted ceilings on top level	Clubhouse with fitness center and business center, pool, hot tub, playground, self-cleaning ovens, dishwashers, microwaves, WDC, patios/balconies, some FP, and vaulted ceilings on top level	Clubhouse, heated pool, fitness center, business center, hot tub, playground, 9' ceilings, self-cleaning ovens, FP, MW, WD, patio/balcony	Clubhouse, two heated pools, two hot tubs, fitness center, tanning beds, free WiFi, playground, patio/balcony, WD, some FP, some sunrooms, new appliances, hardwood floors
		-3%	-3%	-6%	-6%
Net Adjustment		10%	-3%	-14%	-10%
Indicated Market		$715	$713	$701	$710
Average Rent		$710			

Rent Comparable Adjustment Grid (One per Subject Unit Type)

	Subject	Rent 1	Rent 2	Rent 3	Rent 4
Property Name	Creepy Cove	Gateway	Creekstone	Peakview at T-Bone Ranch	Country Club West
Beds/Baths	2/2	2/2	2/2	2/2	2/2
Units Size (SF)	1,050	926	1,007	1,137	1,050
Average Rent	$780	$725	$825	$815	$809
Utilities Included	Water, trash, extended basic cable	Water, trash	Trash	Trash	Trash
		3%	5%	5%	5%
Configuration		0%	0%	0%	0%
Unit Size		7%	2%	-3%	0%
Age/Condition	1999/2003 / Good	1987 / Good	1998 / Good	2001 / Good	1986 / Good
		3%	0%	0%	3%
Quality	B	B	A-	B+	B+
		0%	-6%	-3%	-3%
Location	Average	Average	Average	Average	Average-good
		0%	0%	0%	-5%
Private Basement	None	None	None	None	None
		0%	0%	0%	0%
Covered Parking	Garages ($40)	52 Garages ($55)	Garages ($40-$50)	Detached Garages ($50)	None
		0%	0%	0%	0%
Concessions	None	None	None	None	None
		0%	0%	0%	0%
Amenities	Clubhouse, fitness center, swimming pool, spa, picnic area, playground, patio/balcony, WDC	Clubhouse with fitness center, pool, hot tub, sauna, playground, tennis, microwaves, patio/balcony, WDC, some FP, and vaulted ceilings on top level	Clubhouse with fitness center and business center, pool, hot tub, playground, self-cleaning ovens, dishwashers, microwaves, WDC, patios/balconies, some FP, and vaulted ceilings on top level	Clubhouse, heated pool, fitness center, business center, hot tub, playground, 9' ceilings, self-cleaning ovens, FP, MW, WD, patio/balcony	Clubhouse, two heated pools, two hot tubs, fitness center, tanning beds, free WiFi, playground, patio/balcony, WD, some FP, some sunrooms, new appliances, hardwood floors
		-3%	-3%	-6%	-6%
Net Adjustment		10%	-2%	-7%	-6%
Indicated Market		$798	$809	$758	$760
Average Rent		$781			

Rent Comparable Adjustment Grid (One per Subject Unit Type)

	Subject	Rent 1	Rent 2	Rent 3	Rent 4
Property Name	Creepy Cove	Gateway	Creekstone	Peakview at T-Bone Ranch	Country Club West
Beds/Baths	2/2 + study	2/2	3/2	3/2	2/2
Units Size (SF)	1,200	926	1,153	1,262	1,120
Average Rent	$810	$725	$899	$925	$829
Utilities Included	Water, trash, extended basic cable	Water, trash	Trash	Trash	Trash
		3%	5%	5%	5%
Configuration		0%	-5%	-5%	0%
Unit Size		12%	2%	-2%	3%
Age/Condition	1999/2003 / Good	1987 / Good	1998 / Good	2001 / Good	1986 / Good
		3%	0%	0%	3%
Quality	B	B	A-	B+	B+
		0%	-6%	-3%	-3%
Location	Average	Average	Average	Average	Average-good
		0%	0%	0%	-5%
Private Basement	None	None	None	None	None
		0%	0%	0%	0%
Covered Parking	Garages ($40)	52 Garages ($55)	Garages ($40-$50)	Detached Garages ($50)	None
		0%	0%	0%	0%
Concessions	None	None	None	None	None
		0%	0%	0%	0%
Amenities	Clubhouse, fitness center, swimming pool, spa, picnic area, playground, patio/balcony, WDC	Clubhouse with fitness center, pool, hot tub, sauna, playground, tennis, microwaves, patio/balcony, WDC, some FP, and vaulted ceilings on top level	Clubhouse with fitness center and business center, pool, hot tub, playground, self-cleaning ovens, dishwashers, microwaves, WDC, patios/balconies, some FP, and vaulted ceilings on top level	Clubhouse, heated pool, fitness center, business center, hot tub, playground, 9' ceilings, self-cleaning ovens, FP, MW, WD, patio/balcony	Clubhouse, two heated pools, two hot tubs, fitness center, tanning beds, free WiFi, playground, patio/balcony, WD, some FP, some sunrooms, new appliances, hardwood floors
		-3%	-3%	-6%	-6%
Net Adjustment		15%	-7%	-11%	-3%
Indicated Market		$834	$836	$823	$804
Average Rent		$824			

Rent Comparable Adjustment Grid (One per Subject Unit Type)

	Subject	Rent 1	Rent 2	Rent 3	Rent 4
Property Name	Creepy Cove	Gateway	Creekstone	Peakview at T-Bone Ranch	Country Club West
Beds/Baths	3/2	2/2	3/2	3/2	2/2
Units Size (SF)	1,300	926	1,153	1,262	1,120
Average Rent	$885	$725	$899	$925	$829
Utilities Included	Water, trash, extended basic cable	Water, trash	Trash	Trash	Trash
		3%	5%	5%	5%
Configuration		5%	0%	0%	5%
Unit Size		18%	6%	1%	7%
Age/Condition	1999/2003 / Good	1987 / Good	1998 / Good	2001 / Good	1986 / Good
		3%	0%	0%	3%
Quality	B	B	A-	B+	B+
		0%	-6%	-3%	-3%
Location	Average	Average	Average	Average	Average-good
		0%	0%	0%	-5%
Private Basement	None	None	None	None	None
		0%	0%	0%	0%
Covered Parking	Garages ($40)	52 Garages ($55)	Garages ($40-$50)	Detached Garages ($50)	None
		0%	0%	0%	0%
Concessions	None	None	None	None	None
		0%	0%	0%	0%
Amenities	Clubhouse, fitness center, swimming pool, spa, picnic area, playground, patio/balcony, WDC	Clubhouse with fitness center, pool, hot tub, sauna, playground, tennis, microwaves, patio/balcony, WDC, some FP, and vaulted ceilings on top level	Clubhouse with fitness center and business center, pool, hot tub, playground, self-cleaning ovens, dishwashers, microwaves, WDC, patios/balconies, some FP, and vaulted ceilings on top level	Clubhouse, heated pool, fitness center, business center, hot tub, playground, 9' ceilings, self-cleaning ovens, FP, MW, WD, patio/balcony	Clubhouse, two heated pools, two hot tubs, fitness center, tanning beds, free WiFi, playground, patio/balcony, WD, some FP, some sunrooms, new appliances, hardwood floors
		-3%	-3%	-6%	-6%
Net Adjustment		26%	2%	-3%	6%
Indicated Market		$914	$917	$897	$879
Average Rent		$902			

Based on the adjusted comparables, as well as actual rents in place, the appraisers have concluded that the subject's current quoted rents are equal to market rents, as summarized below.

Calculation of Potential Gross Rental Income

Unit Type	# of Units	# Vac	Size (SF)	Vac SF	Actual Rents* Total	Low	High	Avg	$/SF	Quoted Rent	Estimated Market Rents Monthly	$/SF	Total/YR
2 Bd 1.0 Ba	48	6	940	5,640	$29,440	$700	$720	$701	$0.75	$700	$700	$0.74	$403,200
2 Bd 2.0 Ba	16	1	1,050	1,050	$11,030	$700	$750	$735	$0.70	$780	$780	$0.74	$149,760
2 Bd 2.0 Ba	16	1	1,200	1,200	$12,150	$810	$810	$810	$0.68	$810	$810	$0.68	$155,520
3 Bd 2.0 Ba	16	3	1,300	3,900	$11,545	$885	$905	$888	$0.68	$885	$885	$0.68	$169,920
Total/Avg	96	11	1,062	11,790	$64,165	N/A	N/A	$755	$0.71	$763	$763	$0.72	$878,400

* Vacant units are not included in averages. Discounted employee units, if any, are included at the quoted street rates.

Other Income

Following is a summary of historic other income, as well as the appraisers' projections.

Historic Other Income

Income Source	2007 Year End	2008 Year End	2009 Annualized	Appraiser's Estimate
Garage Rent	$12,538	$15,585	$13,314	$14,000
Washer/Dryer Rent	$8,667	$9,659	$12,642	$10,000
Pet Fees	$6,500	$9,597	$11,426	$10,000
Cable TV Income	$21,378	$13,041	$275	$0
Application Fees	$4,755	$5,295	$4,703	$5,000
Forfeited Security Deposits	$18,286	$23,416	$20,261	$21,000
Late & Admin Fees	$7,920	$8,185	$4,118	$5,000
Misc & Other Income	$1,073	$2,081	$1,016	$1,500
Total Other Income	$81,117	$86,859	$67,752	$66,500
Per Unit	$845	$905	$706	$693
Per Sq. Ft.	$0.80	$0.85	$0.66	$0.65

In the past, the subject charged a monthly premium for cable TV service. The cable is now included in the base rental rate, so the appraisers have projected no cable TV income going forward.

Potential Gross Income (PGI)

The subject's potential gross income (PGI) is calculated as follows:

Calculation of Potential Gross Income

	Total	$/SF	$/Unit
Potential Gross Rental Income:	$878,400	$8.62	$9,150
Other Income:	$66,500	$0.65	$693
Potential Gross Income:	$944,900	$9.27	$9,843

Vacancy & Collection Loss

L.W. Ellwood, in his Ellwood Tables for Real Estate Appraising and Financing, provides a good example of what a vacancy rate really means. An excerpt from his discussion in this publication is presented below:

> *A 7% vacancy allowance, for instance, does not mean that exactly 7% of the rent roll will be lost every year by reason of vacancies. A property may enjoy virtually full occupancy for several years, then encounter a period of competition when vacancies amount to 20% or more. Naturally, the net income will be down in such periods, and so will the reversionary value of the property. However, this does not invalidate the projection of the analysis so long as a 7% annual allowance for vacancy is sufficient to cover average occupancy for the projected term.*

According to the current rent roll, the subject is currently 88.4% occupied. Among the rent comparables surveyed by the appraisers, current occupancy levels range from 88% to 92%, with an average of 90.5%. For purposes of this analysis, the appraisers have adopted a stabilized vacancy *and* collection loss allowance of 10.0%.

Vacancy and Collection Loss Calculation

10.0%	x	$878,400	(PGRI)	=	$87,840

Loss To Lease

Based upon the current rent roll, the subject's actual collected rents average $755/unit, which equates to $0.71/SF. These current rents are approximately 1.0% below the estimated market rents. However, the owner also offers renewal discounts and other concessions that are not reflected in this static figure. Overall, a *stabilized* loss to lease factor of 4.0% is considered reasonable for the subject, resulting in the following adjustment.

Loss to Lease Calculation

4.0%	x	$878,400	(PGRI)	=	$35,136

Effective Gross Income

The following charts summarize the calculation of EGI for the subject, as well as a comparison to historic and/or budgeted figures.

Calculation of Effective Gross Income

Potential Gross Rental Income (PGRI)		$878,400
Less: Vacancy and Collection Loss @	10.0%	($87,840)
Less: Loss to Lease @	4.0%	($35,136)
Plus: Other Income		$66,500
Effective Gross Income		$821,924

Historic (and/or Budgeted) vs. Projected EGI

	2007 Year End	2008 Year End	2009 Annualized	Appraisers' Estimate
Effective Gross Income	$862,767	$843,587	$793,983	$821,924
% Change	N/A	-2.2%	-5.9%	3.5%

According to the rent roll provided, current monthly rents total $64,165, or $769,980 annualized. Allowing for other income of $66,500, an annualized EGI of $836,480 is indicated. Thus, the appraisers' projected EGI is 1.7% below current annualized levels. Overall, the appraisers believe the projected EGI is reasonable and attainable.

Expense Analysis

The appraisers were provided with operating statements for 2007, 2008, and the first 8 months of 2009. The following charts summarize historical operating expenses reported for the subject property, expressed as annual totals, per square foot, and per unit. For comparison purposes, the 2009 figures have been annualized. A summary of several expense comparables is presented subsequently. It is noted that the operating statements provided by the owner do not necessarily reflect the same expense categories used by the appraisers. In some instances, the appraisers have used their best judgment to approximate the actual distribution of some expenses among the various sub-categories.

Historic and/or Budgeted Expenses Creepy Cove - Annual Totals

	2007 Year End	2008 Year End	2009 Annualized
Net Rental Revenue	$781,650	$756,728	$726,231
Other Income	$81,117	$86,859	$67,752
Effective Gross Income	$862,767	$843,587	$793,983
1 Property Taxes	$31,234	$29,792	$29,629
2 Insurance	$14,558	$15,295	$13,620
3 Gas / Fuel	$0	$0	$0
4 Electricity	$19,252	$18,527	$17,356
5 Water & Sewer	$40,912	$39,371	$36,882
6 Trash Removal	$4,585	$4,944	$4,392
7 Maintenance & Repairs	$17,479	$13,113	$25,054
8 Int / Ext Decorating	$9,539	$7,406	$13,427
9 Cleaning	$4,770	$3,703	$6,713
10 Pool Maintenance	$1,600	$1,700	$1,800
11 Landscaping	$3,517	$1,505	$1,512
12 Management Fees	$25,666	$24,495	$23,223
13 Office Salaries	$39,533	$27,078	$25,097
14 Employee Apartments	$0	$0	$0
15 Maintenance Salaries	$32,112	$36,396	$40,730
16 Security Salaries	$0	$742	$1,332
17 Other Salaries	$0	$0	$0
18 Payroll Taxes	$2,165	$3,675	$1,734
19 Advertising	$10,616	$14,959	$19,544
20 Telephone	$3,956	$2,710	$2,795
21 Legal & Audit	$6,046	$3,281	$3,755
22 Other Admin	$28,422	$29,125	$38,360
23 Reserves	$0	$0	$0
Total Operating Expenses	$295,962	$277,817	$306,953
Net Operating Income	$566,805	$565,770	$487,031
Operating Expense Ratio	34.3%	32.9%	38.7%
Total Maintenance (7-11)	$36,905	$27,427	$48,506
Total Payroll (13-18)	$73,810	$67,891	$68,892
Payroll Taxes	3.0%	5.7%	2.6%
Management Fee	3.0%	2.9%	2.9%

Historic and/or Budgeted Expenses for Creepy Cove - Per Square Foot

101,920 SF NRA	2007 Year End	2008 Year End	2009 Annualized
Net Rental Revenue	$7.67	$7.42	$7.13
Other Income	$0.80	$0.85	$0.66
Effective Gross Income	$8.47	$8.28	$7.79
1 Property Taxes	$0.31	$0.29	$0.29
2 Insurance	$0.14	$0.15	$0.13
3 Gas / Fuel	$0.00	$0.00	$0.00
4 Electricity	$0.19	$0.18	$0.17
5 Water & Sewer	$0.40	$0.39	$0.36
6 Trash Removal	$0.05	$0.05	$0.04
7 Maintenance & Repairs	$0.17	$0.13	$0.25
8 Int / Ext Decorating	$0.09	$0.07	$0.13
9 Cleaning	$0.05	$0.04	$0.07
10 Pool Maintenance	$0.02	$0.02	$0.02
11 Landscaping	$0.03	$0.01	$0.01
12 Management Fees	$0.25	$0.24	$0.23
13 Office Salaries	$0.39	$0.27	$0.25
14 Employee Apartments	$0.00	$0.00	$0.00
15 Maintenance Salaries	$0.32	$0.36	$0.40
16 Security Salaries	$0.00	$0.01	$0.01
17 Other Salaries	$0.00	$0.00	$0.00
18 Payroll Taxes	$0.02	$0.04	$0.02
19 Advertising	$0.10	$0.15	$0.19
20 Telephone	$0.04	$0.03	$0.03
21 Legal & Audit	$0.06	$0.03	$0.04
22 Other Admin	$0.28	$0.29	$0.38
23 Reserves	$0.00	$0.00	$0.00
Total Operating Expenses	$2.90	$2.73	$3.01
Net Operating Income	$5.56	$5.55	$4.78
Operating Expense Ratio	0.0%	0.0%	0.0%
Total Maintenance (7-11)	$0.36	$0.27	$0.48
Total Payroll (13-18)	$0.72	$0.67	$0.68
Payroll Taxes	3.0%	5.7%	2.6%
Management Fee	3.0%	2.9%	2.9%

Historic and/or Budgeted Expenses for Creepy Cove - Per Unit

96 Units	2007 Year End	2008 Year End	2009 Annualized
Net Rental Revenue	$8,142	$7,883	$7,565
Other Income	$845	$905	$706
Effective Gross Income	$8,987	$8,787	$8,271
1 Property Taxes	$325	$310	$309
2 Insurance	$152	$159	$142
3 Gas / Fuel	$0	$0	$0
4 Electricity	$201	$193	$181
5 Water & Sewer	$426	$410	$384
6 Trash Removal	$48	$52	$46
7 Maintenance & Repairs	$182	$137	$261
8 Int / Ext Decorating	$99	$77	$140
9 Cleaning	$50	$39	$70
10 Pool Maintenance	$17	$18	$19
11 Landscaping	$37	$16	$16
12 Management Fees	$267	$255	$242
13 Office Salaries	$412	$282	$261
14 Employee Apartments	$0	$0	$0
15 Maintenance Salaries	$335	$379	$424
16 Security Salaries	$0	$8	$14
17 Other Salaries	$0	$0	$0
18 Payroll Taxes	$23	$38	$18
19 Advertising	$111	$156	$204
20 Telephone	$41	$28	$29
21 Legal & Audit	$63	$34	$39
22 Other Admin	$296	$303	$400
23 Reserves	$0	$0	$0
Total Operating Expenses	$3,083	$2,894	$3,197
Net Operating Income	$5,904	$5,893	$5,073
Operating Expense Ratio	34.3%	32.9%	38.7%
Total Maintenance (7-11)	$384	$286	$505
Total Payroll (13-18)	$769	$707	$718
Payroll Taxes	3.0%	5.7%	2.6%
Management Fee	3.0%	2.9%	2.9%

Expense Comps

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6	Comp 7
Units	232	212	503	250	200	170	152
Average Unit SF	744	861	796	880	893	823	905
Year of Data	2008	2008	2008	2009	2008	2008	2008
Total Annual Amounts							
Net Rental Revenue	$1,414,834	$1,717,034	$3,435,809	$2,128,286	$1,532,433	$1,103,762	$1,245,917
Other Income	$267,175	$277,043	$362,059	$217,817	$209,589	$136,160	$132,836
Effective Gross Income	$1,682,009	$1,994,077	$3,797,868	$2,346,102	$1,742,022	$1,239,922	$1,378,752
1 Property Taxes	$81,139	$53,831	$199,645	$105,022	$56,472	$68,597	$64,853
2 Insurance	$43,062	$31,083	$69,738	$36,655	$25,473	$36,561	$32,268
3 Gas / Fuel	$66,823	$52,744	$12,818	$7,461	$10,457	$6,301	$5,789
4 Electricity	$50,368	$31,432	$109,000	$47,627	$40,358	$32,798	$25,834
5 Water & Sewer	$83,456	$54,770	$229,038	$66,773	$66,652	$49,445	$49,122
6 Trash Removal	$21,555	$17,101	$35,980	$16,789	$7,886	$12,516	$11,830
7 Maintenance/Repairs	$43,778	$43,116	$160,008	$42,779	$36,103	$30,553	$29,697
8 Int / Ext Decorating	$21,321	$12,939	$82,609	$27,884	$20,901	$20,657	$15,085
9 Cleaning	$19,926	$20,320	$40,513	$26,910	$15,242	$15,966	$8,762
10 Pool Maintenance	$1,438	$2,596	$4,735	$5,661	$3,984	$1,303	$2,228
11 Landscaping	$31,093	$23,788	$42,212	$16,435	$34,983	$26,523	$23,665
12 Management Fees	$48,472	$73,380	$192,398	$108,218	$51,792	$70,221	$61,539
13 Office Salaries	$82,304	$79,462	$160,212	$83,606	$72,197	$64,754	$48,437
14 Employee Apartments	$0	$0	$0	$0	$0	$0	$0
15 Maintenance Salaries	$68,643	$72,578	$159,784	$83,237	$61,706	$47,462	$47,098
16 Security Salaries	$6,377	$4,378	$13,488	$7,103	$0	$2,804	$3,460
17 Other Salaries	$8,052	$2,540	$15,601	$7,491	$0	$3,419	$2,735
18 Payroll Taxes	$35,798	$35,019	$69,027	$39,738	$30,029	$20,858	$22,014
19 Advertising	$39,930	$24,928	$70,166	$19,745	$53,289	$36,679	$25,396
20 Telephone	$5,115	$4,753	$9,434	$4,489	$2,441	$7,662	$7,690
21 Legal & Audit	$16,377	$14,027	$31,380	$9,269	$9,423	$9,816	$8,873
22 Other Admin	$15,102	$13,881	$26,192	$17,783	$36,094	$15,099	$12,850
Total Expenses	$790,130	$668,666	$1,733,978	$780,673	$635,482	$579,994	$509,222
Expense Ratio	47.0%	33.5%	45.7%	33.3%	36.5%	46.8%	36.9%
Total Maintenance (7-11)	$117,557	$102,759	$330,077	$119,669	$111,213	$95,002	$79,437
Total Payroll (13-18)	$201,175	$193,977	$418,112	$221,174	$163,932	$139,298	$123,743
Payroll Taxes Percent	21.6%	22.0%	19.8%	21.9%	22.4%	17.6%	21.6%
Management Fee Percent	2.9%	3.7%	5.1%	4.6%	3.0%	5.7%	4.5%

Expense Comps

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6	Comp 7
Units	232	212	503	250	200	170	152
Average Unit SF	744	861	796	880	893	823	905
Year of Data	2008	2008	2008	2009	2008	2008	2008
Per Square Foot Amounts							
Net Rental Revenue	$8.20	$9.40	$8.59	$9.67	$8.58	$7.89	$9.06
Other Income	$1.55	$1.52	$0.90	$0.99	$1.17	$0.97	$0.97
Effective Gross Income	$9.74	$10.92	$9.49	$10.66	$9.75	$8.86	$10.02
1 Property Taxes	$0.47	$0.29	$0.50	$0.48	$0.32	$0.49	$0.47
2 Insurance	$0.25	$0.17	$0.17	$0.17	$0.14	$0.26	$0.23
3 Gas / Fuel	$0.39	$0.29	$0.03	$0.03	$0.06	$0.05	$0.04
4 Electricity	$0.29	$0.17	$0.27	$0.22	$0.23	$0.23	$0.19
5 Water & Sewer	$0.48	$0.30	$0.57	$0.30	$0.37	$0.35	$0.36
6 Trash Removal	$0.12	$0.09	$0.09	$0.08	$0.04	$0.09	$0.09
7 Maintenance & Repairs	$0.25	$0.24	$0.40	$0.19	$0.20	$0.22	$0.22
8 Int / Ext Decorating	$0.12	$0.07	$0.21	$0.13	$0.12	$0.15	$0.11
9 Cleaning	$0.12	$0.11	$0.10	$0.12	$0.09	$0.11	$0.06
10 Pool Maintenance	$0.01	$0.01	$0.01	$0.03	$0.02	$0.01	$0.02
11 Landscaping	$0.18	$0.13	$0.11	$0.07	$0.20	$0.19	$0.17
12 Management Fees	$0.28	$0.40	$0.48	$0.49	$0.29	$0.50	$0.45
13 Office Salaries	$0.48	$0.44	$0.40	$0.38	$0.40	$0.46	$0.35
14 Employee Apartments	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
15 Maintenance Salaries	$0.40	$0.40	$0.40	$0.38	$0.35	$0.34	$0.34
16 Security Salaries	$0.04	$0.02	$0.03	$0.03	$0.00	$0.02	$0.03
17 Other Salaries	$0.05	$0.01	$0.04	$0.03	$0.00	$0.02	$0.02
18 Payroll Taxes	$0.21	$0.19	$0.17	$0.18	$0.17	$0.15	$0.16
19 Advertising	$0.23	$0.14	$0.18	$0.09	$0.30	$0.26	$0.18
20 Telephone	$0.03	$0.03	$0.02	$0.02	$0.01	$0.05	$0.06
21 Legal & Audit	$0.09	$0.08	$0.08	$0.04	$0.05	$0.07	$0.06
22 Other Admin	$0.09	$0.08	$0.07	$0.08	$0.20	$0.11	$0.09
Total Operating Expenses	$4.58	$3.66	$4.33	$3.55	$3.56	$4.14	$3.70
Operating Expense Ratio	47.0%	33.5%	45.7%	33.3%	36.5%	46.8%	36.9%
Total Maintenance (7-11)	$0.68	$0.56	$0.82	$0.54	$0.62	$0.68	$0.58
Total Payroll (13-18)	$1.17	$1.06	$1.04	$1.00	$0.92	$1.00	$0.90
Payroll Taxes Percent	21.6%	22.0%	19.8%	21.9%	22.4%	17.6%	21.6%
Management Fee Percent	2.9%	3.7%	5.1%	4.6%	3.0%	5.7%	4.5%

Expense Comps

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6	Comp 7
Units	232	212	503	250	200	170	152
Average Unit SF	744	861	796	880	893	823	905
Year of Data	2008	2008	2008	2009	2008	2008	2008
Per Unit Amounts							
Net Rental Revenue	$6,098	$8,099	$6,831	$8,513	$7,662	$6,493	$8,197
Other Income	$1,152	$1,307	$720	$871	$1,048	$801	$874
Effective Gross Income	$7,250	$9,406	$7,550	$9,384	$8,710	$7,294	$9,071
1 Property Taxes	$350	$254	$397	$420	$282	$404	$427
2 Insurance	$186	$147	$139	$147	$127	$215	$212
3 Gas / Fuel	$288	$249	$25	$30	$52	$37	$38
4 Electricity	$217	$148	$217	$191	$202	$193	$170
5 Water & Sewer	$360	$258	$455	$267	$333	$291	$323
6 Trash Removal	$93	$81	$72	$67	$39	$74	$78
7 Maintenance & Repairs	$189	$203	$318	$171	$181	$180	$195
8 Int / Ext Decorating	$92	$61	$164	$112	$105	$122	$99
9 Cleaning	$86	$96	$81	$108	$76	$94	$58
10 Pool Maintenance	$6	$12	$9	$23	$20	$8	$15
11 Landscaping	$134	$112	$84	$66	$175	$156	$156
12 Management Fees	$209	$346	$383	$433	$259	$413	$405
13 Office Salaries	$355	$375	$319	$334	$361	$381	$319
14 Employee Apartments	$0	$0	$0	$0	$0	$0	$0
15 Maintenance Salaries	$296	$342	$318	$333	$309	$279	$310
16 Security Salaries	$27	$21	$27	$28	$0	$16	$23
17 Other Salaries	$35	$12	$31	$30	$0	$20	$18
18 Payroll Taxes	$154	$165	$137	$159	$150	$123	$145
19 Advertising	$172	$118	$139	$79	$266	$216	$167
20 Telephone	$22	$22	$19	$18	$12	$45	$51
21 Legal & Audit	$71	$66	$62	$37	$47	$58	$58
22 Other Admin	$65	$65	$52	$71	$180	$89	$85
Total Operating Expenses	$3,406	$3,154	$3,447	$3,123	$3,177	$3,412	$3,350
Operating Expense Ratio	47.0%	33.5%	45.7%	33.3%	36.5%	46.8%	36.9%
Total Maintenance (7-11)	$507	$485	$656	$479	$556	$559	$523
Total Payroll (13-18)	$867	$915	$831	$885	$820	$819	$814
Payroll Taxes Percent	21.6%	22.0%	19.8%	21.9%	22.4%	17.6%	21.6%
Management Fee Percent	2.9%	3.7%	5.1%	4.6%	3.0%	5.7%	4.5%

1) *Property Taxes*: This category includes all taxes assessed on real estate and personal property. The subject's tax expense was fully detailed in the Real Estate Taxes section of this report.

Property Taxes

	Expense Comps			Subject Actual			Concluded
				2007	2008	2009	Appraisers'
	Low	Mean	High	Year End	Year End	Annualized	Projection
Total	$53,831	$89,937	$199,645	$31,234	$29,792	$29,629	$30,000
$/SF	$0.29	$0.43	$0.50	$0.31	$0.29	$0.29	$0.29
$/Unit	$254	$362	$427	$325	$310	$309	$313

2) *Insurance*: This category covers typical hazard, casualty, and liability insurance. Insurance benefits for employees are addressed later as a payroll expense.

Insurance

	Expense Comps			Subject Actual			Concluded
				2007	2008	2009	Appraisers'
	Low	Mean	High	Year End	Year End	Annualized	Projection
Total	$25,473	$39,263	$69,738	$14,558	$15,295	$13,620	$15,000
$/SF	$0.14	$0.20	$0.26	$0.14	$0.15	$0.13	$0.15
$/Unit	$127	$167	$215	$152	$159	$142	$156

Utilities

Utility usage can vary significantly between properties, so historical figures are weighted most heavily whenever possible. Each utility category is addressed in the following paragraphs.

3) *Gas / Fuel*: This category includes all natural gas or other fuel that may be used to heat the units, common areas, or pools. The subject does not use any natural gas.

Gas

	Expense Comps			Subject Actual			Concluded
				2007	2008	2009	Appraisers'
	Low	Mean	High	Year End	Year End	Annualized	Projection
Total	$5,789	$23,199	$66,823	$0	$0	$0	$0
$/SF	$0.03	$0.13	$0.39	$0.00	$0.00	$0.00	$0.00
$/Unit	$25	$103	$288	$0	$0	$0	$0

4) *Electricity*: The subject units are individually metered for electric, so this category covers common areas and vacant units.

Electricity

	Expense Comps			Subject Actual			Concluded
				2007	2008	2009	Appraisers'
	Low	Mean	High	Year End	Year End	Annualized	Projection
Total	$25,834	$48,202	$109,000	$19,252	$18,527	$17,356	$18,500
$/SF	$0.17	$0.23	$0.29	$0.19	$0.18	$0.17	$0.18
$/Unit	$148	$191	$217	$201	$193	$181	$193

The operating statements included just one line item for utilities. The appraisers used their best judgment to estimate the distribution of this expense between electricity and water/sewer.

5) *Water and Sewer*: The owner is responsible for all water and sewer expenses at the property.

Water and Sewer

	Expense Comps			Subject Actual			Concluded
				2007	2008	2009	Appraisers'
	Low	Mean	High	Year End	Year End	Annualized	Projection
Total	$49,122	$85,608	$229,038	$40,912	$39,371	$36,882	$40,000
$/SF	$0.30	$0.39	$0.57	$0.40	$0.39	$0.36	$0.39
$/Unit	$258	$327	$455	$426	$410	$384	$417

6) *Trash Removal*: This expense covers regular emptying of the communal dumpsters, as well as recycling services.

Trash Removal

	Expense Comps			Subject Actual			Concluded
				2007	2008	2009	Appraisers'
	Low	Mean	High	Year End	Year End	Annualized	Projection
Total	$7,886	$17,665	$35,980	$4,585	$4,944	$4,392	$5,000
$/SF	$0.04	$0.09	$0.12	$0.05	$0.05	$0.04	$0.05
$/Unit	$39	$72	$93	$48	$52	$46	$52

Maintenance Items

The following chart summarizes total maintenance expenses for the subject and the comparables.

Total Maintenance

	Expense Comps			Subject Actual			Concluded
				2007	2008	2009	Appraisers'
	Low	Mean	High	Year End	Year End	Annualized	Projection
Total	$79,437	$136,530	$330,077	$36,905	$27,427	$48,506	$54,000
$/SF	$0.54	$0.64	$0.82	$0.36	$0.27	$0.48	$0.53
$/Unit	$479	$538	$656	$384	$286	$505	$563

The subject's maintenance expenses have fluctuated greatly over the past few years. Based on the comparables presented, total maintenance expenses seem unusually low. The operating statements are lacking in detail, so it is difficult to evaluate historic expenses. It is also noted that the subject represents just one phase of a larger project that is basically operated as a single property. While the operating statements provided were ostensibly for Phase I, it is difficult to precisely allocate expenses between multiple phases. The appraisers have projected maintenance expenses consistent with the expense comps. It is also noted that not all apartment operators use the same maintenance sub-categories chosen by the appraisers, and there is room for interpretation as to which expenses are allocated to a particular sub-category. Consequently, some individual projections may appear inconsistent with the expense comps, though the total maintenance projection is well supported.

7) *Maintenance & Repairs*: The repairs expense category includes expenses for basic building maintenance, mechanical repairs, windows, doors, locks, drywall, plumbing, and electrical.

Building Maintenance & Repairs

	Expense Comps			Subject Actual			Concluded
				2007	2008	2009	Appraisers'
	Low	Mean	High	Year End	Year End	Annualized	Projection
Total	$29,697	$55,148	$160,008	$17,479	$13,113	$25,054	$24,000
$/SF	$0.19	$0.25	$0.40	$0.17	$0.13	$0.25	$0.24
$/Unit	$171	$205	$318	$182	$137	$261	$250

8) *Interior & Exterior Decorating*: This category typically includes painting, carpet, vinyl, window coverings, and miscellaneous items associated with make ready between tenants.

Interior & Exterior Decorating

	Expense Comps			Subject Actual			Concluded
				2007	2008	2009	Appraisers'
	Low	Mean	High	Year End	Year End	Annualized	Projection
Total	$12,939	$28,771	$82,609	$9,539	$7,406	$13,427	$12,000
$/SF	$0.07	$0.13	$0.21	$0.09	$0.07	$0.13	$0.12
$/Unit	$61	$108	$164	$99	$77	$140	$125

9) *Cleaning*: This category typically includes items related to cleaning common areas and individual units between tenants.

Cleaning

	Expense Comps			Subject Actual			Concluded
				2007	2008	2009	Appraisers'
	Low	Mean	High	Year End	Year End	Annualized	Projection
Total	$8,762	$21,091	$40,513	$4,770	$3,703	$6,713	$6,000
$/SF	$0.06	$0.10	$0.12	$0.05	$0.04	$0.07	$0.06
$/Unit	$58	$85	$108	$50	$39	$70	$63

10) *Pool Maintenance*: The category covers pool chemicals and regular cleaning.

Pool Maintenance

	Expense Comps			Subject Actual			Concluded
				2007	2008	2009	Appraisers'
	Low	Mean	High	Year End	Year End	Annualized	Projection
Total	$1,303	$3,135	$5,661	$1,600	$1,700	$1,800	$2,000
$/SF	$0.01	$0.02	$0.03	$0.02	$0.02	$0.02	$0.02
$/Unit	$6	$13	$23	$17	$18	$19	$21

11) *Landscaping*: This category includes all landscape maintenance, seasonal foliage, and snow removal.

Landscaping

	Expense Comps			Subject Actual			Concluded
	Low	Mean	High	2007 Year End	2008 Year End	2009 Annualized	Appraisers' Projection
Total	$16,435	$28,386	$42,212	$3,517	$1,505	$1,512	$10,000
$/SF	$0.07	$0.15	$0.20	$0.03	$0.01	$0.01	$0.10
$/Unit	$66	$126	$175	$37	$16	$16	$104

12) *Management Fee*: The management company's duties include bookkeeping, negotiating service contracts, payroll, hiring and firing of employees, and all of the daily matters that fall beyond the scope of on-site personnel. Management expenses are typically calculated as a percentage of effective gross income (EGI), but it is also important to recognize the resultant dollar amount.

Management Fee

	Expense Comps			Subject Actual			Concluded
	Low	Mean	High	2007 Year End	2008 Year End	2009 Annualized	Appraisers' Projection
Total	$48,472	$86,574	$192,398	$25,666	$24,495	$23,223	$32,877
$/SF	$0.28	$0.41	$0.50	$0.25	$0.24	$0.23	$0.32
$/Unit	$209	$350	$433	$267	$255	$242	$342
%	2.88%	4.19%	5.66%	2.97%	2.90%	2.92%	4.00%

The subject is owner managed, so the historic expenses are not necessarily the best indicator of an appropriate third party fee. For this analysis, given the subject's unit mix and rent levels, a fee of 4% seems reasonable.

Payroll and Related Expenses

The next ten items addressed are sub-categories of payroll, including salaries, contract labor, employee apartments, payroll taxes, and any other employee benefits.

The operating statements provided did not include much detail on the allocation of payroll expenses. Consequently, it is difficult to compare historic expenses to the expense comps on a line-item basis.

The following chart summarizes total projected payroll expenses for the subject property. **It is noted that the subject is part of a larger apartment project, and the projected expenses reflect the subject's proportional allocation of total expenses. If operated as a stand-alone project, some expenses would probably be higher.**

Hypothetical Staffing Scenario

Position	Number	Base Salary	Annual Salary	Housing Allowance
Manager	1.00	$32,000	$32,000	$0
Assistant Manager	0.00	$24,000	$0	$0
Leasing Agent	0.00	$20,000	$0	$0
Custodian	0.00	$20,000	$0	$0
Lead Maintenance	1.00	$30,000	$30,000	$0
Maintenance Technician	0.00	$24,000	$0	$0
Make Ready	0.20	$22,000	$4,400	$0
Security	0.00	$0	$0	$0
Bonuses, Temporary Help, etc.			$2,000	
Total Salaries			$68,400	
Total Housing Allowances			$0	
Payroll Taxes, Insurance, Benefits @ 20%			$13,680	
Total Payroll Expenses			$82,080	

The hypothetical scenario presented above offers a reasonable breakdown of appropriate staffing and typical salaries for a property of this size and quality. The following chart illustrates how projected payroll expenses compare to the comparables, as well as the subject's actual historic or budgeted amounts.

Total Payroll Expenses

	Expense Comps			Subject Actual			Concluded
	Low	Mean	High	2007 Year End	2008 Year End	2009 Annualized	Appraisers' Projection
Total	$123,743	$208,773	$418,112	$73,810	$67,891	$68,892	$82,080
$/SF	$0.90	$1.01	$1.17	$0.72	$0.67	$0.68	$0.81
$/Unit	$814	$850	$915	$769	$707	$718	$855

13) *Office Salaries*: This category includes salaries and wages for all office personnel, including the manager(s), leasing agent(s), and secretarial help.

Office Salaries

	Expense Comps			Subject Actual			Concluded
	Low	Mean	High	2007 Year End	2008 Year End	2009 Annualized	Appraisers' Projection
Total	$48,437	$84,425	$160,212	$39,533	$27,078	$25,097	$32,000
$/SF	$0.35	$0.42	$0.48	$0.39	$0.27	$0.25	$0.31
$/Unit	$319	$349	$381	$412	$282	$261	$333

14) *Employee Apartments*: This category includes all free or reduced rents offered to employees. For this analysis, the appraisers consider all of the subject's units to be rentable and have projected salaries on an all cash basis.

Employee Apartments

	Expense Comps			Subject Actual			Concluded
	Low	Mean	High	2007 Year End	2008 Year End	2009 Annualized	Appraisers' Projection
Total	$0	$0	$0	$0	$0	$0	$0
$/SF	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$/Unit	$0	$0	$0	$0	$0	$0	$0

15) *Maintenance Salaries*: This category includes salaries and wages for all maintenance personnel, including the lead maintenance person, maintenance technicians, custodians, and porters.

Maintenance Salaries

	Expense Comps			Subject Actual			Concluded
	Low	Mean	High	2007 Year End	2008 Year End	2009 Annualized	Appraisers' Projection
Total	$47,098	$77,216	$159,784	$32,112	$36,396	$40,730	$34,400
$/SF	$0.34	$0.37	$0.40	$0.32	$0.36	$0.40	$0.34
$/Unit	$279	$312	$342	$335	$379	$424	$358

16) *Security Salaries*: For this analysis, security expenses are treated as a payroll expense, though it is recognized that security patrols are often performed by third-party contractors, rather than employees.

Security Salaries

	Expense Comps			Subject Actual			Concluded
	Low	Mean	High	2007 Year End	2008 Year End	2009 Annualized	Appraisers' Projection
Total	$0	$5,373	$13,488	$0	$742	$1,332	$0
$/SF	$0.00	$0.02	$0.04	$0.00	$0.01	$0.01	$0.00
$/Unit	$0	$20	$28	$0	$8	$14	$0

17) *Other Salaries*: This category includes bonuses, employee commissions, and temporary employees.

Other Salaries

	Expense Comps			Subject Actual			Concluded
				2007	2008	2009	Appraisers'
	Low	Mean	High	Year End	Year End	Annualized	Projection
Total	$0	$5,691	$15,601	$0	$0	$0	$2,000
$/SF	$0.00	$0.03	$0.05	$0.00	$0.00	$0.00	$0.02
$/Unit	$0	$21	$35	$0	$0	$0	$21

18) *Payroll Taxes*: This expense includes payroll taxes for personnel, as well as worker's compensation and insurance benefits. This item is usually calculated as a percentage of salaries.

Payroll Taxes

	Expense Comps			Subject Actual			Concluded
				2007	2008	2009	Appraisers'
	Low	Mean	High	Year End	Year End	Annualized	Projection
Total	$20,858	$36,069	$69,027	$2,165	$3,675	$1,734	$13,680
$/SF	$0.15	$0.18	$0.21	$0.02	$0.04	$0.02	$0.13
$/Unit	$123	$148	$165	$23	$38	$18	$143
%	17.61%	21.00%	22.43%	3.02%	5.72%	2.58%	20.00%

19) *Advertising*: This item includes advertising and promotion costs and includes commissions paid to outside leasing agents, locator fees, tenant referral fees, and tenant relations.

Advertising

	Expense Comps			Subject Actual			Concluded
				2007	2008	2009	Appraisers'
	Low	Mean	High	Year End	Year End	Annualized	Projection
Total	$19,745	$38,590	$70,166	$10,616	$14,959	$19,544	$15,000
$/SF	$0.09	$0.20	$0.30	$0.10	$0.15	$0.19	$0.15
$/Unit	$79	$165	$266	$111	$156	$204	$156

20) *Telephones*: This category includes basic telephone service, long distance charges, answering service, pagers, cell phones, and internet access.

Telephones

	Expense Comps			Subject Actual			Concluded
	Low	Mean	High	2007 Year End	2008 Year End	2009 Annualized	Appraisers' Projection
Total	$2,441	$5,941	$9,434	$3,956	$2,710	$2,795	$2,800
$/SF	$0.01	$0.03	$0.06	$0.04	$0.03	$0.03	$0.03
$/Unit	$12	$27	$51	$41	$28	$29	$29

21) *Legal and Audit*: This category includes fees associated with legal representation and preparation of tax returns and other reports.

Legal and Audit

	Expense Comps			Subject Actual			Concluded
	Low	Mean	High	2007 Year End	2008 Year End	2009 Annualized	Appraisers' Projection
Total	$8,873	$14,166	$31,380	$6,046	$3,281	$3,755	$5,000
$/SF	$0.04	$0.07	$0.09	$0.06	$0.03	$0.04	$0.05
$/Unit	$37	$57	$71	$63	$34	$39	$52

22) *Other Administrative*: This figure typically includes expenses for office expense, office equipment/ supplies, copies and printing, employee recruitment, miscellaneous administrative expense, and travel.

Other Administrative

	Expense Comps			Subject Actual			Concluded
	Low	Mean	High	2007 Year End	2008 Year End	2009 Annualized	Appraisers' Projection
Total	$12,850	$19,571	$36,094	$28,422	$29,125	$38,360	$30,000
$/SF	$0.07	$0.10	$0.20	$0.28	$0.29	$0.38	$0.29
$/Unit	$52	$87	$180	$296	$303	$400	$313

The subject's administrative expenses have been higher than typical due to the inclusion of Cable TV and expenses related to units that are leased on a furnished basis.

23) *Reserves for Replacement*: Reserves for replacements typically average from $150 to $350 per unit, depending on number of units and condition of the property. In this instance, the appraisers have utilized a per unit amount of **$250/unit**, or **$24,000**, which is considered sufficient, if properly invested, to yield the amount necessary for the replacement of items such as appliances, roofs, carpet and parking areas.

Total Expenses

The following chart summarizes total expenses projected for the subject property (net of reserves).

Total Expenses (Net of Reserves)

	Expense Comps			Subject Actual			Concluded
	Low	Mean	High	2007 Year End	2008 Year End	2009 Annualized	Appraisers' Projection
Total	N/A	N/A	N/A	$295,962	$277,817	$306,953	$330,257
$/SF	$3.55	$3.93	$4.58	$2.90	$2.73	$3.01	$3.24
$/Unit	$3,123	$3,296	$3,447	$3,083	$2,894	$3,197	$3,440
% of EGI	33.3%	39.9%	47.0%	34.30%	32.93%	38.66%	40.2%

Based on the various units of comparison, the appraisers' projected expenses are deemed reasonable and well supported.

Net Operating Income

Net operating income (NOI) is the income remaining after all operating expenses have been satisfied, including reserves. This income provides a return to the owner or a means of servicing debt on the subject property. Based on the preceding estimates of income and expenses, the resulting stabilized NOI is **$467,667**, which equates to **$4.59/SF** or **$4,872/unit**. Following is a summary tabulation of the stabilized proforma for the subject property.

Stabilized Proforma

101,920 SF 96 Units	Amount	$/SF	$/Unit	% of EGI
Rental Income	$878,400	$8.62	$9,150	106.87%
Other Income	$66,500	$0.65	$693	8.09%
Gross potential Income	$944,900	$9.27	$9,843	114.96%
Less: Vacancy/Collection Loss @ 10.0%	($87,840)	($0.86)	($915)	(10.69)%
Less: Loss to Lease @ 4.0%	($35,136)	($0.34)	($366)	(4.27)%
Effective Gross Income	$821,924	$8.06	$8,562	100.00%
Operating Expenses				
1 Property Taxes	$30,000	$0.29	$313	3.65%
2 Insurance	$15,000	$0.15	$156	1.83%
3 Gas / Fuel	$0	$0.00	$0	0.00%
4 Electricity	$18,500	$0.18	$193	2.25%
5 Water & Sewer	$40,000	$0.39	$417	4.87%
6 Trash Removal	$5,000	$0.05	$52	0.61%
7 Maintenance & Repairs	$24,000	$0.24	$250	2.92%
8 Interior & Exterior Decorating	$12,000	$0.12	$125	1.46%
9 Cleaning	$6,000	$0.06	$63	0.73%
10 Pool Maintenance	$2,000	$0.02	$21	0.24%
11 Landscaping	$10,000	$0.10	$104	1.22%
12 Management Fees @ 4.00%	$32,877	$0.32	$342	4.00%
13 Office Salaries	$32,000	$0.31	$333	3.89%
14 Employee Apartments	$0	$0.00	$0	0.00%
15 Maintenance Salaries	$34,400	$0.34	$358	4.19%
16 Security Salaries	$0	$0.00	$0	0.00%
17 Other Salaries	$2,000	$0.02	$21	0.24%
18 Payroll Taxes @ 20.0%	$13,680	$0.13	$143	1.66%
19 Advertising	$15,000	$0.15	$156	1.83%
20 Telephone	$2,800	$0.03	$29	0.34%
21 Legal & Audit	$5,000	$0.05	$52	0.61%
22 Other Administrative	$30,000	$0.29	$313	3.65%
23 Reserves for Replacement	$24,000	$0.24	$250	2.92%
Total Operating Expenses	$354,257	$3.48	$3,690	43.10%
NET OPERATING INCOME	$467,667	$4.59	$4,872	56.90%

Direct Capitalization

Three separate methods of deriving overall capitalization rates have been employed. These include rates derived from recent sales of similar properties, published surveys, and the Band of Investment.

Overall Rates Derived From Market Sales

The appraisers have extracted capitalization rates from the sales presented in the Sales Comparison Approach. A summary of the sales is as follows:

Summary of Comparable Improved Sales

#		Date	Units	YOC	Price/Unit	Price/SF	OAR
1	Country Club West	10/31/08	288	1986	$67,708	$75.93	7.81%
2	The Knolls	9/21/09	262	1972/2006	$50,954	$55.41	8.83%
3	Carefree Village	12/12/08	64	1986	$62,500	$62.68	8.23%
4	Mountain View	7/21/09	252	1984	$43,651	$60.31	8.31%
Average			217		$56,203	$63.58	8.29%
Subject			96	1999/2003	N/A	N/A	8.25%

Among the improved sales presented, extracted OARs range from 7.81% to 8.83%, with an average of 8.29%. The subject is considered to be a similar investment to all the sales, so a rate near the mean seems reasonable.

Investment Surveys

The following chart summarizes overall rates (OAR) presented in various noted publications.

Surveyed Overall Rates

Source	Property Type	Low	High	Avg
Korpacz	National Apartment Market	5.75%	10.00%	7.84%
RERC	First Tier Apartments	6.00%	9.00%	7.60%
	Second Tier Apartments	6.50%	10.00%	8.60%
	Third Tier Apartments	6.50%	11.00%	9.10%
Mean Values		5.75%	11.00%	8.29%

Considering the specific attributes of the subject property, an above average property in a secondary market, the surveys support an OAR on the order of 8.50%.

Band of Investment

Another method of selecting the rate is through the band of investment. The overall rate may be divided into the rate that will return cash requirements to a debt investor (lender) and to an equity investor. The net cash flow used in this model does not account for debt service to the lender as an expense. The anticipated debt service is accounted for within the overall rate. The premise behind the band of investment method is the relationship between the loan interest rate and the equity yield rate.

Historically, it was held that the loan interest rate (yield to lender) is the lowest component of the overall yield rate, expressed as follows: Ym<Yo<Ye, where Ym represents the yield to the mortgage, Yo the overall yield, and Ye the yield to the equity position. This relationship was true because the overall rate applies to net operating income or net proceeds which are cash flows that include both debt service plus equity cash flows. The equity cash flow is the riskier cash flow, the debt service the safest of the three, and the net income is a sum of the debt and equity cash flows.

For several years, and through 2007, the ready availability of capital resulted in intense competition for properties, driving down cap rates to levels that were often below the mortgage constant. Equity investors were still assuming the riskiest position of the real estate investment, yet they were apparently willing to accept a rate of return that was lower than the lender's return. This is contrary to decades of accepted investment theory, but it was demonstrated on a regular basis. In some of the more desirable markets, the pattern continues to this day.

Given the recent turmoil in the capital markets, and the resultant scarcity of financing for commercial real estate, equity yields, and therefore cap rates, are generally believed to have increased during 2008 and 2009.

The following assumptions were used to estimate an appropriate overall rate via the band of investment.

Band of Investment Assumptions

Term	30 Years
Mortgage Interest Rate	5.75%
Loan To Value Ratio	75%
Equity Yield Rate	11.00%
Mortgage Constant	7.00%

Band of Investment Calculations

Component	Percentage		Rate		Contribution
Debt-	75%	x	7.00%	=	5.25%
Equity-	25%	x	11.00%	=	2.75%
			Indicated OAR		8.00%

Direct Capitalization Conclusions

The following chart summarizes the various rates derived in this analysis:

Summary of Overall Rates

Source	Indicated Rate
Market Sales	8.25%
Published Surveys	8.50%
Band of Investment	8.00%
Mean Rate Derived	8.25%

The mean rate above is 8.25%. Considering the specific attributes of the subject property (size, age, location, stability, etc.), the appraisers have selected an overall rate of 8.25%. This rate is applied to the previously estimated NOI of $467,667 to arrive at the following value estimate via direct capitalization.

Direct Capitalization Summary

PRO-FORMA NOI	÷	OAR	=	VALUE
$467,667	÷	8.25%	=	$5,668,691
		Less: Deferred Maintenance	=	$0
		Less: Lease-Up Costs	=	$0
		Net Value Indication	=	$5,668,691
		ROUNDED	=	$5,670,000

The Final Reconciliation is the process whereby the final value estimate is derived from the various indications of value. The procedure evaluates the quantity and quality of available data and draws a conclusion based on the most applicable indicators. The appraisers have considered all three approaches to value and have arrived at the following conclusions:

Valuation Technique	Market Value As Is	Market Value As Repaired
Cost Approach	N/A	N/A
Insurable Value	$5,340,000	N/A
Sales Comparison Approach	$5,700,000	N/A
Income Approach	$5,670,000	N/A

In the Direct Sales Comparison Approach, sales of comparable properties were utilized to derive a value indication for the subject property. In determining value indications via this approach, comparisons were made based upon the sales' physical characteristics relative to the subject's and the Effective Gross Income Multiplier. The resulting range from the three methods was fairly narrow, and the appraisers are confident that the value indication of $5,700,000 is well supported.

In the Income Approach, direct capitalization was utilized in deriving a value for the subject property. Income and expense projections are consistent with the subject's historic performance and are further supported by ample market data. Overall, the Income Approach indication of $5,670,000 is considered a reliable indicator of market value for the subject property.

In deriving the following value estimate(s) for the subject property, the Income Approach is weighted most heavily, with secondary support from the Sales Comparison Approach.

	Market Value As Is	Market Value As Repaired
Final Value Estimate	$5,670,000	N/A
Effective Date	October 22, 2009	N/A

Per Standard Rule 2-3, we certify that, to the best of our knowledge and belief:

* The statements of fact contained in this report are true and correct.
* The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analysis, opinions, and conclusions.
* We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
* Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
* Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
* John Rocco Pallante made a personal inspection of the property that is the subject of this report.
* This appraisal report has been made in conformity with, and is subject to, the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute and the Appraisal Foundation.
* No pertinent information has knowingly been withheld. No single item of information was completely relied upon to the exclusion of the other information and all data was analyzed within the framework of our judgment, knowledge, and experience.
* This appraisal was not based on a requested minimum value, or the approval of a loan.
* This appraisal report is subject to peer review by duly authorized members of the Appraisal Institute.

* As of the date of appraisal, John Rocco Pallante is certified by the State of Colorado as a General Real Estate Appraiser. David L. Pallante is certified by the State of Texas as a General Real Estate Appraiser.

* No other individual has provided professional assistance to the undersigned.

* Based on our investigation and analyses, we have derived the following value estimate(s) for the subject's fee simple estate:

	Market Value As Is	Market Value As Repaired
Final Value Estimate	$5,670,000	N/A
Effective Date	October 22, 2009	N/A

Evergreen Valuation Services

John Rocco Pallante
Inspecting Appraiser
State Certified Appraiser
CO-CG40012104

David L. Pallante, MAI
Review Appraiser
State Certified Appraiser
TX-1320367-G

APPRAISAL EXPERIENCE

I have been continually engaged in the appraisal of commercial real estate since 1989. Apartments account for 60% of my assignments, ranging from low-income subsidized housing to trophy assets valued in excess of $100 million. Several of these have involved one or more types of government incentives, including historic preservation credits, enterprise zones, abatement programs, low income housing tax credits (LIHTC), bond financing, and various HUD programs. I have also appraised many office, retail, industrial, and special use properties. These have ranged from small single-user buildings to major trophy assets with values in excess of $100 million. I have also worked on several complex assignments. In 2001, for example, I appraised a six million square foot office-industrial campus in Rochester, New York that formerly served as the world headquarters for Kodak. This asset encompassed a private power plant leased to the local electric utility, Empire Zone designation by the State of New York, and numerous local government incentives. Since 2003, I have been involved in ongoing market studies and appraisals of Bloomfield Park, a proposed mixed-use development in Bloomfield Hills, Michigan that will epitomize the concept of New Urbanism. As a qualified brownfield redevelopment site, Bloomfield Park was granted more than $100 million in tax incentives. When fully built out, this development is projected to have a value on the order of $1.5 billion. Below is a partial list illustrating the types of assignments I have prepared throughout my career.

- Multifamily: market rate, LIHTC, Section 8, student housing, condominium
- Office: CBD, suburban, corporate headquarters, medical
- Retail: single tenant, strip center, neighborhood center, community center, regional mall
- Industrial: warehouse, manufacturing, flex, mini-storage
- Hotel/Motel: limited service, full service, extended stay, luxury, convention hotel
- Vacant Land: individual tract, residential subdivision, commercial subdivision, agricultural
- Special Use: Church, daycare center, restaurant, automotive, convenience store, private utility company, parking facility (airport and CBD)

EDUCATION

- Bachelor of Science with major in finance awarded in 1989 by The University of Texas at Austin
- Numerous continuing education classes in a variety of appraisal and real estate related topics.

PROFESSIONAL MEMBERSHIPS & LICENSING

- State Certified General Real Estate Appraiser - Colorado (No. CG40012104)
- State Certified General Real Estate Appraiser - Wyoming (No. 448)
- Previously certified in Georgia, Alabama, Arizona, Michigan, New York, and Texas

PROFESSIONAL EXPERIENCE

- Commercial Real Estate Appraiser, Davis Appraisal Systems, Austin, TX, 8/89 - 12/94
- Commercial Real Estate Appraiser for Deverick & Associates, Dallas, TX, 1/95 - 6/05
- Principal with Evergreen Valuation Services, Nationwide, 7/05 - present

APPRAISAL EXPERIENCE

I have been continually engaged in the appraisal of commercial real estate since 1985, and I have been a Member of the Appraisal Institute (MAI) since 1990. I work primarily in the greater Houston area, but I have also prepared many appraisals throughout Texas, as well as New Mexico, Louisiana, Pennsylvania, and Illinois. Apartments account for roughly 75% of my assignments. My particular specialty is Section 42 (LIHTC) projects, for which I have prepared numerous market studies and appraisals. I am approved by the Texas Department of Housing and Community Affairs to prepare Section 42 market studies. Many projects I have appraised also included other types of government incentives, including historic preservation credits, enterprise zones, abatement programs, bond financing, and various HUD programs. Though specializing in apartments, I have also appraised many office, retail, industrial, and special use properties. Below is a partial list illustrating the types of assignments I have prepared throughout my career.

- Multifamily: market rate, LIHTC, Section 8, student housing, condominium
- Office: CBD, suburban, corporate headquarters, medical
- Retail: single tenant, strip center, neighborhood center, community center
- Industrial: warehouse, manufacturing, flex, mini-storage
- Hotel/Motel: limited service, full service, extended stay, luxury, convention hotel
- Vacant Land: individual tract, residential subdivision, commercial subdivision, agricultural

EDUCATION

- Bachelor of Business Administration with major in Finance and concentration in Real Estate, awarded in 1985 by Western Michigan University, Kalamazoo, Michigan
- Numerous continuing education classes in a variety of appraisal and real estate related topics. I am current with all educational requirements of the State of Texas and the Appraisal Institute.

PROFESSIONAL MEMBERSHIPS & LICENSING

- State Certified General Real Estate Appraiser - Texas (No. 1320347-G)
- Licensed Real Estate Broker - Texas (No. 0372759)
- Member of the Appraisal Institute (MAI #8964)

PROFESSIONAL EXPERIENCE

- 5/85 - 5/88: Commercial Real Estate Appraiser, REVAC, Inc., Houston, TX
- 8/88 - 12/91: Commercial Appraisal Manager for Houston Property Consultants, Houston, TX
- 1/92 - Present: Owner and President of David L. Pallante & Associates, LLC, Houston, TX