

Integra Realty Resources

Metro LA

In Association with Valbridge Property Advisors | Hulberg and Associates, Inc.

Appraisal Of Real Property

A Retail Building

706 9th Street

Modesto, Stanislaus County, California 95354

Client Reference Number: 50-H1-2013-3-15-010

Prepared For:

Administrative Office of the Courts

Effective Date of the Appraisal:

April 15, 2013

IRR - Metro LA

File Number: 165-2013-0249





May 1, 2013

Ed Peterson
Portfolio Administration Analyst
Administrative Office of the Courts
455 Golden Gate Avenue 8th Floor (OCCM)
San Francisco, California 94102

SUBJECT: Fair Market Value Appraisal
A Retail Building
706 9th Street
Modesto, Stanislaus County, California 95354
Client Reference Number: 50-H1-2013-3-15-010
Integra Metro LA File No. 165-2013-0249

Dear Mr. Peterson:

Integra Realty Resources – Metro LA is pleased to submit the accompanying appraisal of the referenced property. Appraisers of Valbridge Property Advisors | Hulberg and Associates, Inc. based in Modesto, CA prepared the report. The purpose of the appraisal is to develop an opinion of the fair market value of the fee simple interest of the referenced property. The client for the assignment is the Administrative Office of the Courts, and the intended use is for property acquisition purposes.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, applicable state appraisal regulations, and the appraisal guidelines of the Department of General Services.

To report the assignments results, the summary report option of Standards Rule 2-2 of USPAP is used. Accordingly, this report contains summary discussions of the data, reasoning, and analyses that are used in the appraisal process.

Based on the data and valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions that follow, I accept the opinion of value as follows:

| VALUE CONCLUSION | | | |
|---|--------------------|----------------|------------------|
| Appraisal Premise | Interest Appraised | Date of Value | Value Conclusion |
| Fair Market Value - 706 9th Street, Modesto, CA | Fee Simple | April 15, 2013 | \$420,000 |

Ed Peterson
Administrative Office of the Courts
May 1, 2013
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If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

INTEGRA REALTY RESOURCES - METRO LA



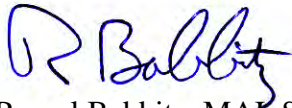
Russel Babbitz, MAI, SRA
Certified General Real Estate Appraiser
California Certificate # AG005174
Telephone: (714) 665-6515
Email: rbabbitz@kileycompany.com

Certification

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have previously reviewed and accepted the value opinion that Hulberg & Associates prepared for the property that is the subject of this report. This was done for the current client within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Russel Babbitz, MAI, SRA did not make a personal inspection of the property that is the subject of this report.
12. The accompanying report was wholly prepared by the undersigned appraisers of Vaslbridge Property Advisors | Hulberg and Associates, Inc. who signed a separate certification.
13. I have experience in appraising properties similar to the subject and am in compliance with the Competency Rule of USPAP.

14. As of the date of this report, Russel Babbitz, MAI, SRA, has completed the continuing education program of the Appraisal Institute.



Russel Babbitz, MAI, SRA
Certified General Real Estate Appraiser
California Certificate # AG005174



Valbridge
PROPERTY ADVISORS

APPRAISAL REPORT

706 9th Street
Modesto, California



PREPARED FOR
Mr. Ed Peterson
Portfolio Administration Analyst
Judicial Council of California
Administrative Office of the Courts
455 Golden Gate Avenue, 8th Floor (OCCM)
San Francisco, CA 94102

PREPARED BY
Valbridge Property Advisors
Hulberg & Associates, Inc.

OUR FILE NUMBER
CA05-13-040-004 CVs

**Valbridge Property Advisors
Hulberg & Associates, Inc.**

2813 Coffee Road, Suite E-2
Modesto, CA 95355
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209-569-0451 fax
valbridge.com

May 1, 2013

Mr. Ed Peterson
Portfolio Administration Analyst
Judicial Council of California
Administrative Office of the Courts
455 Golden Gate Avenue, 8th Floor
San Francisco, CA 94102

RE: Appraisal of 706 9th Street, Modesto, California

Dear Mr. Peterson:

As requested, we have prepared an appraisal of the above referenced property. Notably, we appraised the subject property for you in July 2011, and this appraisal is considered effectively an extension of that prior assignment. This report will reflect a current valuation analysis resulting in our value conclusion, but for the sake of brevity, much of the descriptive content has been minimized. Please find a copy of the prior 2011 appraisal report in the addendum. This prior report contains all of the descriptive detail not contained herein.

The physical address of the subject of this appraisal is 706 9th Street, Modesto, California. The subject is further identified as Stanislaus County Assessor's Parcel Number 106-042-010. The property is located on an interior lot on 9th Street, between G Street and H Street. The site is improved with a single story retail building with a total of 3,500 square feet, plus a basement of 2,500 square feet. As of the date of this appraisal, the subject is occupied by Gervasoni's Restaurant (2,500 square feet), Sarjak Enterprises, Inc. (500 square feet), and a barber shop (500 square feet). The restaurant space also includes the 2,500 square foot basement (storage.)

The purpose of this appraisal assignment is to develop and communicate our opinion of the current fair market value of the subject property. The effective date of valuation is April 15, 2013. Although the property is leased, no leases were provided for our review, and the property rights appraised are those of the fee simple estate (i.e. all of the legal property rights of ownership). The property is appraised free and clear of liens and encumbrances, such as mortgages or assessments outstanding.

Judicial Council of California, Administrative Office of the Courts is the client in this assignment and is the sole intended user of the appraisal and report. The intended use of the results of our work is to aid in negotiating a possible purchase price for the subject property.

The appraisal was developed and this report was prepared in compliance with the requirements of The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include The Uniform Standards of Professional Appraisal Practice (USPAP), and the Requirements of the General Services Appraisal Specifications, as we understand them.

This is a summary appraisal report, with much of the descriptive information reflected in the prior appraisal report contained in the addendum. The depth of discussion contained in this report is specific to the needs of the client and for the intended use. The appraisers are not responsible for unauthorized use of this report.

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ADDENDUM

Certification

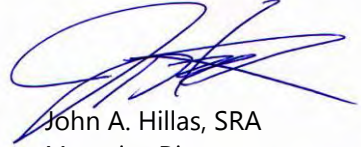
We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We previously appraised the subject property but have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of the appraisal within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. John A. Hillas, SRA made a personal inspection of the property that is the subject of this report. Norman C. Hulberg, MAI has not physically viewed the subject of this appraisal.
10. Benny J. Denice and Georgia Kuhnhoff assisted in the compilation and confirmation of market data. No one else provided significant real property appraisal assistance to the persons signing this certification.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

13. As of the date of this report, I, John A. Hillas, SRA, have completed the continuing education program for Designated Members of the Appraisal Institute.
14. As of the date of this report, I, Norman C. Hulberg, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.



Norman C. Hulberg, MAI
Senior Managing Director
California Certified General R. E. Appraiser
Certificate No.: AG003542 (06/26/2014)



John A. Hillas, SRA
Managing Director
California Certified General R. E. Appraiser
Certificate No.: AG002432 (01/21/2015)

Assumptions & Limiting Conditions

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is subject to the following:

1. No responsibility is assumed for matters legal in character, nor is any opinion rendered by us to title which is assumed to be marketable. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
2. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
3. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
4. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
5. Unless expressly specified in this Agreement, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Hulberg & Associates, Inc. is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
6. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
7. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
8. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
9. The information, estimates and opinions which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.

10. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Hulberg & Associates, Inc. Valbridge Property Advisors, Inc. has not been engaged to provide this report, does not provide valuation services, and has taken no part in the preparation of this report.
11. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
12. No claim is intended to be expressed for matters of expertise which would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
13. This appraisal was prepared for the sole and exclusive use of the client. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Hulberg & Associates, Inc. and Client. The appraiser assumes no liability for unauthorized use of the appraisal report by a third party.
14. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
15. The value opinion provided herein is subject to any and all predications set forth in this report.
16. If required by governmental authorities, any environmental impact statement prepared for the subject property will be favorable and will be approved.
17. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of nontidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
18. If the appraisal is for mortgage loan purposes 1) we assume satisfactory condition of improvements if construction is not complete, 2) no consideration has been given rent loss during rent-up unless otherwise noted in the body of this report, and 3) occupancy at levels consistent with our "Income & Expense Projection" are anticipated.
19. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

20. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.
21. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
22. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
23. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
24. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
25. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.

26. This appraisal is not intended to be used, and may not be used, on behalf of or in connection with a real estate syndicate or syndicates. A real estate syndicate means a general or limited partnership, joint venture, unincorporated association or similar organization formed for the purpose of, and engaged in, an investment or gain from and interest in real property, including, but not limited to a sale or exchange, trade or development of such real property, on behalf of others, or which is required to be registered with the United States Securities and Exchange Commission or any state regulatory agency which regulates investments made as a public offering. It is agreed that any user of this appraisal who uses it contrary to the prohibitions in this section indemnifies the appraiser and the appraiser's firm and holds them harmless of and from all claims, including attorney's fees, arising from said use.
27. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value conclusion is predicted on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
28. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the Americans with Disabilities Act ("ADA") which became effective January 26, 1992. It is possible that a compliance survey of the property, together with an 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 could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
29. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
30. If any claim is filed against any of Valbridge Property Advisors, Inc. a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.

33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and noninsurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. It is your responsibility to read the report and to inform the appraiser of any errors or omissions of which you are aware, prior to utilizing the report.
35. This report and any associated work files are subject to evaluation by Valbridge Property Advisors, Inc. for quality control purposes.
36. All disputes shall be settled by binding arbitration in accordance with then then-existing commercial arbitration rules of the American Arbitration Association (the "AAA").
37. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

EXTRAORDINARY ASSUMPTIONS

1. No responsibility is assumed for the legal description provided. The legal description used in this report is assumed to be correct.
2. The analyses and conclusions presented within this report are predicated on the assumption that all data provided by others are factual and correct.
3. The subject leases, rent roll, and historical income and expense statements were not available for review. We have assumed that the lease terms contained within the lease are typical of the market.

HYPOTHETICAL CONDITIONS

1. None.

Summary of Salient Facts

| | |
|-----------------------------|---|
| Property Type: | Retail Building |
| Property Location: | 706 9 th Street, Modesto, CA 95354 |
| Assessor's Parcel No: | 106-042-010 |
| Census Tract: | 0018.00 |
| Zoning: | "TD" Transition District |
| General Plan: | Redevelopment Planning District |
| Site Size: | 0.24 acres, (10,454 square feet) |
| Improvement Description: | The subject is improved with a single story retail building constructed in 1965. |
| Building Area: | 3,500 square feet net rentable building area plus a 2,500 square foot basement. |
| Floor Area Ratio: | $(3,500 \text{ gross s.f.} / 10,454 \text{ s.f. land area}) = 0.34\%$ |
| Occupancy Status: | The building is 100% occupied. |
| Flood Zone: | "X", Community Panel No. 06099C0340E, dated September 26, 2008. Mandatory flood insurance does not apply. |
| Earthquake Issues: | Not within an Alquist Priolo Special Study Zone |
| Environmental Issues: | None identified |
| Property Rights Appraised: | Fee Simple |
| Effective Valuation Date: | April 15, 2013 |
| Date of Report Preparation: | May 1, 2013 |
| Estimated Exposure Period: | 6 to 9 months |

VALUE INDICATIONS & CONCLUDED VALUES

| As Is | |
|----------------------------------|-----------------------|
| Valuation Date: | April 15, 2013 |
| Cost Approach | N/A |
| Income Approach | \$400,000 |
| Sales Comparison Approach | \$440,000 |
| Market Value | \$420,000 |

Section I – Introduction

EFFECTIVE DATES OF VALUE

The effective date of value is April 15, 2013. We inspected the property on April 15, 2013.

DATE OF REPORT

The date of this report is May 1, 2013, the date of the letter of transmittal. Our conclusions are reflective of current market conditions.

TYPE AND DEFINITION OF VALUE

We have developed the following value opinions for the subject property.

VALUATION SCENARIOS

| Valuation | Completed |
|--------------------------------------|-----------|
| "As Is" | Yes |
| "Upon Completion" | No |
| "Upon Stabilization" | No |
| "Insurable Value"/"Replacement Cost" | No |

The purpose of this appraisal was to develop our opinion of the market value of the subject property. Market Value, as used in this appraisal, is defined as

- (a) The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.
- (b) The fair market value of property taken for which there is no relevant market is its value on the date of valuation as determined by any method of valuation that is just and equitable.¹

The "As Is" value of the property is the market value in its present condition under market conditions prevalent on the date of the appraisal. No hypothetical conditions, assumptions, or qualifications concerning the physical or legal aspects of the property are to be observed.

REAL PROPERTY INTEREST APPRAISED

The property rights appraised are those of the "fee simple" estate in the subject property. Fee simple estate includes all the legal property rights of ownership. The property is appraised free and clear of liens and encumbrances such as mortgages and/or assessments outstanding.

¹ Section 1263.320 of the Code of Civil Procedure

CLIENT AND OTHER INTENDED USERS OF THE APPRAISAL

Judicial Council of California, Administrative Office of the Courts is the client in this assignment and is the sole intended user of the appraisal and report.

INTENDED USE OF THE APPRAISAL

The intended use of the results of our work is to aid in negotiating a possible purchase price for the subject property.

SCOPE OF WORK

The scope of this appraisal assignment is to prepare an appraisal of the market value of the subject property, and communicate the results of the appraisal in this appraisal report. The report format is that of a summary appraisal report, as reflected in USPAP Standards Rule 2-2(b). The depth of discussion contained in this report is specific to the needs of the client and for the intended use. The appraisers are not responsible for unauthorized use of this report. The appraisal was developed and this report was prepared in compliance with the requirements of The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include The Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the State of California for State Certified Appraisers, and the Requirements of the General Services Appraisal Specifications, as we understand them.

John A. Hillas has previously viewed the interior of the property, but has only viewed the exterior of the improvements in the performance of this current assignment. Norman C. Hulberg, MAI has not physically viewed the property. Georgia Kuhnhoff and Benny J. Denice assisted in the compilation and confirmation of market data, and assisted in the preparation of this report.

Data required in the appraisal process relates to the political and economic environment in the region and competing market area of the subject property. Data is also required relating to the physical, legal, and economic characteristics of the site and the highest and best use of the property. In the development of this appraisal, local and regional market conditions and the supply and demand situation for this property type were researched. In an effort to develop a reasonable opinion of value, information on numerous real property sales and leases were gathered and analyzed. The data regarding these transactions was considered in the manner in which it was provided to the appraisers. Only information which is believed to be accurate has been relied upon.

With the problem defined and the data collected and analyzed, value indications are then developed via one or more of the three traditional approaches to value: Cost, Sales Comparison, and Income Approaches.

The Cost Approach would not be a primary method of valuation for a prospective purchaser of the subject. This is primarily due to the age of the subject improvements and the need to estimate accrued depreciation from all sources. The depreciated cost method would not produce a meaningful indication of market value and this is why market participants and other analysts would not consider the Cost Approach applicable in this instance.

Two of the three traditionally accepted approaches to value for retail and office property have been employed in this appraisal, the Sales Comparison Approach and Income Approach. These two

approaches are those that would be considered pertinent and relevant by other market analysts, observers, and participants. These approaches are then reconciled to arrive at a final opinion of value. All data and analysis used to value the property are clearly presented and discussed in the body of this report.

Refer to the Assumption and Limiting Conditions in this report for additional comments affecting the scope of work in this assignment. The appropriate approaches to value were used, and reconciled, based on their relative strengths and weaknesses, including the quantity and quality of the data available for use within each approach, to arrive at the final opinion of value.

USE OF REAL ESTATE AS OF THE EFFECTIVE DATE OF VALUE

As of the date of valuation, the subject property exists as a commercial building.

USE OF REAL ESTATE AS OF THE DATE OF THIS REPORT

Same as above.

ASSUMPTIONS AND LIMITING CONDITIONS

General Assumptions and Limiting Conditions are assumed in virtually every appraisal and reflected in every appraisal report. Extraordinary assumptions, hypothetical conditions, and notable observations (if any) specific to this assignment are identified below. Please refer to the Assumptions and Limiting Conditions section of this report for a complete list of general assumptions and limiting conditions, extraordinary assumptions and hypothetical conditions.

Hypothetical Conditions:

None

Extraordinary Assumptions:

1. No responsibility is assumed for the legal description provided. The legal description used in this report is assumed to be correct.
2. The analyses and conclusions presented within this report are predicated on the assumption that all data provided by others are factual and correct.
4. The subject leases, rent roll, and historical income and expense statements were not available for review. We have assumed that the lease terms contained within the lease are typical of the market.

COMPETENCY STATEMENT

We have previously appraised this property type and have the knowledge and experience necessary to complete this appraisal assignment. Please see the appraisers' qualification summaries in the Addendum of this appraisal report for additional information.

REAL ESTATE IDENTIFICATION

The subject property is located on an interior lot on 9th Street, between G and H Streets. The legal address is 706 9th Street, Modesto, in the County of Stanislaus, California. It is further identified as Stanislaus County Assessor's Parcel Number 106-042-010.

While the legal address is 706 9th Street, the physical addresses are 706, 710, 712, and 714 9th Street.

No personal property is included in valuation.

OWNERSHIP AND SALES HISTORY

According to the Stanislaus County Assessor's Office, title to the subject parcel is vested in:

Gary C. and Myrna Gervasoni

The owner previously occupied a 2,500 square foot restaurant space but now that space is reportedly leased and operating under the same name. One 500 square foot spaces is presently rented to an office user, on a month to month basis, another 500 square foot space is rented to retail user. The subject property is not currently listed for sale. We are unaware of any other sales, listings, or offers for any portion of the subject property within three years of the valuation date. We have considered and analyzed the known history of the property in the development of this appraisal. Clear title is assumed.

ASSESSED VALUATION AND TAXES

The 2012/2013 assessed valuation and taxes for the subject property by Stanislaus County are as follows:

| APN | 106-042-010 | |
|---------------------------------|----------------|---------------------|
| Assessed Value | | |
| Land | | \$75,039.00 |
| Improvements | | \$88,276.00 |
| Total | | \$163,315.00 |
| | Rate | |
| General Taxes | 1.0000% | \$1,633.16 |
| MODESTO ELEM - BOND 2001 | 0.0305% | \$49.88 |
| MODESTO HIGH-BOND 2001 | 0.0382% | \$62.32 |
| YCCD - BOND 2007 C | 0.0209% | \$34.12 |
| YCCD - BOND 2010 D | 0.0004% | \$0.66 |
| YCCD - BOND 2012 REF | 0.0075% | \$12.20 |
| Total General Taxes | 1.0975% | \$1,792.34 |
| Direct Assessments | | |
| | | \$0.00 |
| Total Direct Assessments | | \$0.00 |
| Total 2012 / 2013 Taxes | | |
| | | \$1,792.34 |

General Taxes

The amount of General Taxes due is quantified by multiplying the assessed value by the tax rate. In the State of California, real estate is assessed at 100% of market value as determined by the County Assessor's Office. The tax rate consists of a base rate of 1% plus any bonds or fees approved by the voters. The County Tax Rate for the subject property is 1.0975%.

Direct Assessments

Direct assessments are tax levies that are not dependent upon the assessed value of the property. They are levied regardless of assessment. According to the Stanislaus County Tax Collector's Office, the subject has no direct assessments.

Current and Future Taxes

Taxes are due in two equal installments each year. According to the Stanislaus County Tax Collector's Office, the second installment for the current year is unpaid. There are no known changes in the tax rate or direct assessments forthcoming.

Proposition 13 was passed by voters in June 1978 and substantially changed the taxation of real estate in California. This constitutional amendment rolled back the base year for assessment purposes to the tax year 1975-1976. Annual increases in assessed value are limited to 2% per year, regardless of the rate of inflation. Real estate is subject to re appraisal to current market value upon a change in ownership or new construction. Within the definition of "market value," the property is assumed to be reassessed for tax purposes for this appraisal.

Clear title is assumed in our valuation.

Section II - Descriptive Information

PLEASE REFER TO PRIOR REPORT IN THE ADDENDUM

Section III – Valuation

THE APPRAISAL PROCESS

The valuation of real estate involves a systematic process in which the appraisal problem is defined and the data required is gathered, analyzed, and interpreted into an opinion of value. Traditionally, three methods of valuation have been used in appraising: the Cost, Sales Comparison, and Income Approaches.

The Cost Approach would not be a primary method of valuation for a prospective purchaser of the subject. This is primarily due to the age of the subject improvements and the need to estimate accrued depreciation from all sources. The depreciated cost method would not produce a meaningful indication of market value and this is why market participants and other analysts would not consider the Cost Approach applicable in this instance.

Two of the three traditionally accepted approaches to value for commercial property have been employed in this appraisal; the Sales Comparison Approach and Income Approach. These two approaches are those that would be considered pertinent and relevant by other market analysts, observers, and participants.

The value indications based on these two applicable methods are then reconciled into a final value opinion. In the reconciliation, the significance of each approach must be considered in relation to the type of property being appraised and the adequacy of the data analyzed. One approach with more reliable support may be given greater weight in the final value conclusion.

All data and analysis used to value the property are clearly presented and discussed in the body of this report.

SALES COMPARISON APPROACH

This approach involves making an analysis of the property being appraised based on actual sales of comparable properties. To a lesser degree, this procedure may also consider the asking prices of current listings. The Sales Comparison Approach presumes that a prospective purchaser would pay no more for a property than the amount with which he or she could buy another of equal utility. The reliability of this technique is determined by: 1) the availability of comparable sales; 2) the comparability of sales in terms of date of sale, location, size, or other physical characteristics; and, 3) the verification of the sales data.

We have made an investigation for comparable sales in the Modesto area, and due to the slow level of activity, we have extended our search throughout the region. From the sales researched, we selected six sales for comparison with the subject property. These comparables are summarized in the table that follows along with a Location Map. The exhibits are followed by a discussion of adjustments and Adjustment Grid. These sales are compared to the subject property on the basis of sale price per square foot of rentable building area.

Adjustment Discussion

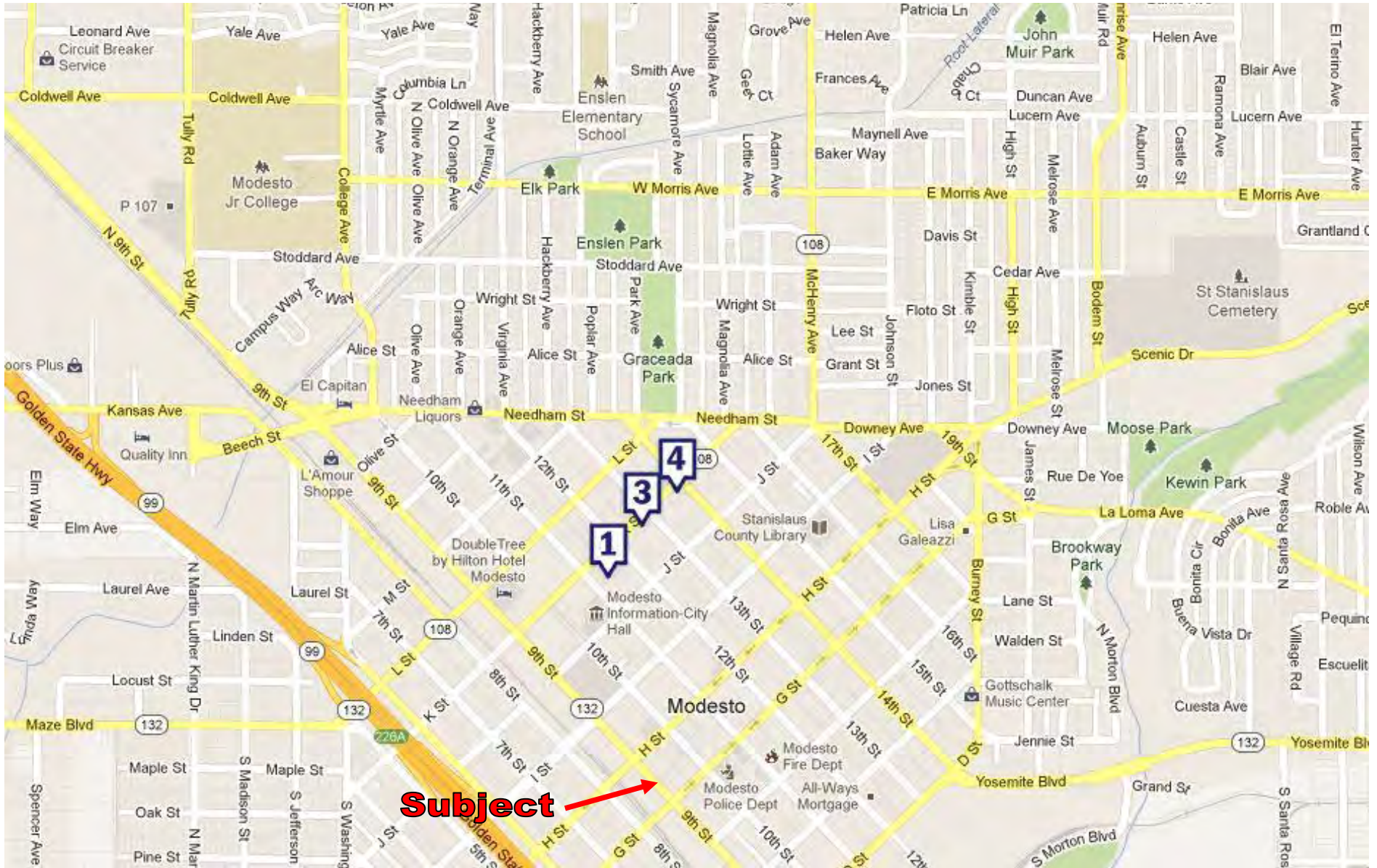
The appraiser must make adjustments to each comparable to account for dissimilarities between the individual sales and the subject property. For income-producing properties, the appraiser usually makes adjustments based on one or more units of comparison. Typical units of comparison are sale price per square foot, net income per square foot, gross income multiplier, etc. The price per square foot is the relevant unit of measure in this instance. Although this approach relies on past sales, it provides direct evidence of actions of both buyers and sellers.

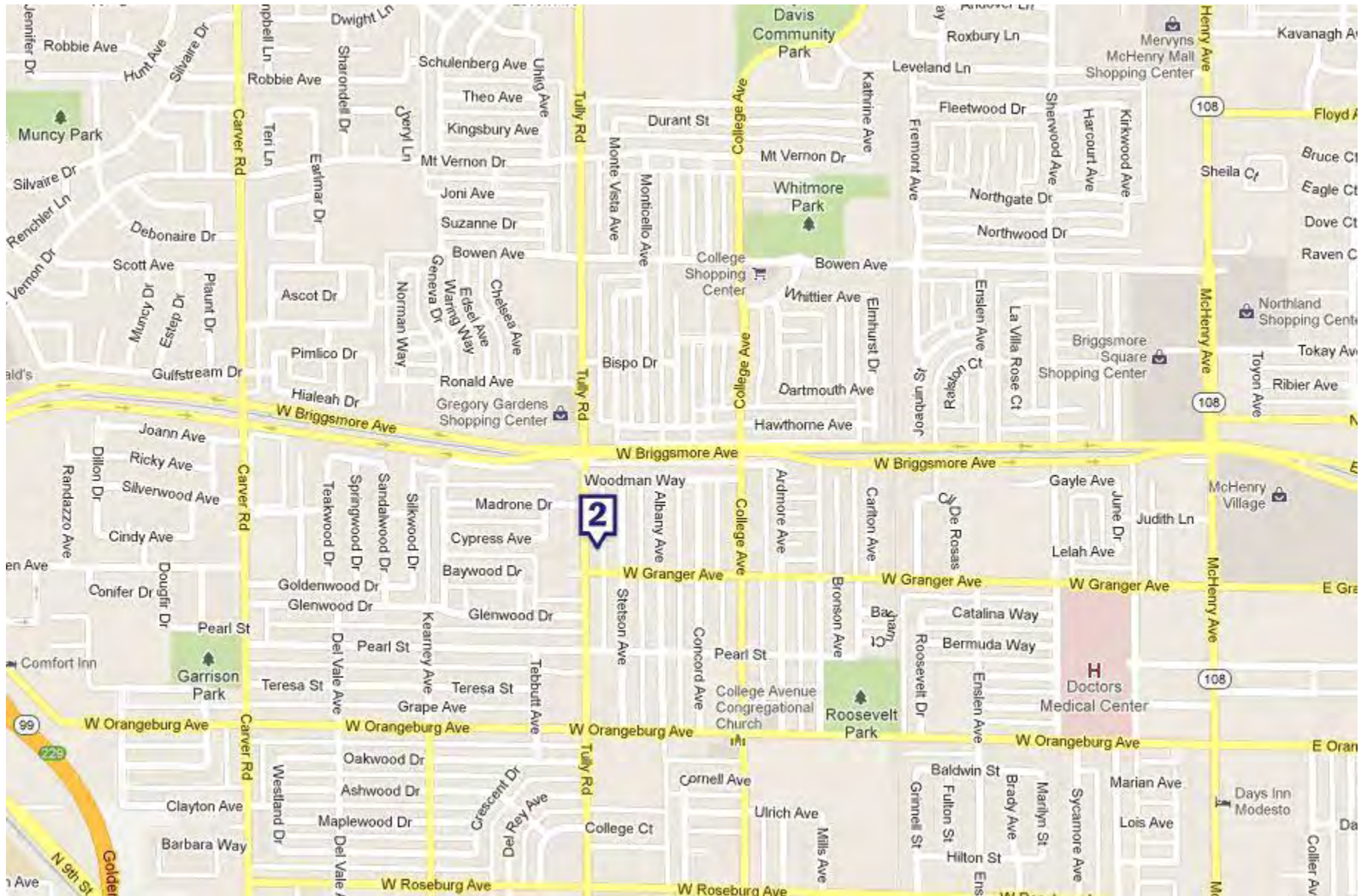
The sales are arranged in descending order by sale date. Sales 1, 3 and 4 are located in downtown Modesto like the subject. Sale 2 is just north of downtown, while sales 5 and 6 are from nearby Oakdale. Sales 1 and 6 are restaurants, while the others are general commercial office/retail buildings.

Because of the difficulty in adjusting the comparable sales to the subject property, we have included a Building Adjustment Grid. The Building Adjustment Grid is not a scientific method in adjusting the comparable sales in comparison to the subject property. It is merely presented as an explanation to help the reader follow the appraiser's judgment in the adjustment process. While the amount of individual adjustments can be argued, they do help provide an order of magnitude and an adjustment direction based on the market data presented. Primarily, consideration was given to property rights conveyed, financing, conditions of sale, market conditions at date of sale, location, size, tenant improvements, quality/appeal, parking/FAR, age/condition, and tenancy/occupancy.

BUILDING SALES SUMMARY

| Sale No. | Location | Yr. Blt. | Bldg. Size (sf) | Land Area (sf) FAR | Sale Date | Sale Price | Price/S.F. | Comments |
|----------|---|----------|-----------------|-----------------------|-----------|------------|------------|---|
| 1 | 1022 11th Street Modesto | 1951 | 2,400 | 4,792 50% | Apr-13 | \$367,500 | \$153.13 | Single-tenant storefront building formerly occupied by Pizza restaurant, fully ready for restaurant or lounge. Five onsite parking spaces, across street from city/county offices and public parking garage. Constructed in 1951 but recently renovated. |
| 2 | 1608 Tully Road Modesto | 1959 | 1,564 | 5,663 28% | Mar-13 | \$199,000 | \$127.24 | Single-tenant storefront retail building. Parking ratio 3.2/1,000sf |
| 3 | 1214 K Street Modesto, CA | 1948 | 3,850 | 4,356 88% | Feb-13 | \$220,000 | \$57.14 | Office building in downtown Modesto, Formerly occupied by print solutions, vacant at time of sale, 2 store front entrances, warehouse area in rear of building |
| 4 | 1316 K Street Modesto | 1974 | 6,448 | 10,454 62% | Sep-12 | \$462,500 | \$71.73 | Single-tenant free-standing office building was vacant at time of sale, former law office. 3.6 spaces per 1,000sf |
| 5 | 213 South Sierra Street Oakdale | 1992 | 3,485 | 7,910 44% | Aug-12 | \$450,000 | \$129.12 | Single-tenant storefront retail/office building was vacant at time of sale includes adjacent lot for parking. |
| 6 | 480 East F Street Oakdale | 1975 | 2,948 | 12,197 24% | Jun-12 | \$380,000 | \$128.90 | Single-tenant freestanding restaurant. Building was vacant at time of sale. |
| | Subject 706 9th Street Modesto | 1965 | 3,500 | 10,454 33% | | | | Mixed-Use building located in downtown Modesto, structure is configured with a 2,500 square foot space that is a restaurant/bar, 500 SF former barber shop that is vacant, 500 square foot space is used as an office, 2,500 SF basement, masonry brick walls |







IMPROVED SALE 1



| General Data | |
|--------------|--|
|--------------|--|

| | |
|---------------------------|---|
| Property Type: | Retail |
| Property Sub Type: | Restaurant |
| Address: | 1022 11th Street Modesto, California 95354 |
| Municipality: | Stanislaus |
| Tax ID: | 105-027-012 |

| Sale Data | |
|-----------|--|
|-----------|--|

| | |
|-----------------------------|-------------------------|
| Sale Status: | Recorded |
| Sale Price: | \$367,500 |
| Adjusted Sale Price: | \$367,500 |
| Recording Date: | 04-01-2013 |
| Grantor: | Falco Family 2004 Trust |
| Grantee: | Jeffery P. Brown |

This is the sale of a single tenant restaurant building located in downtown Modesto. The improvements consist of a single-story building containing 2,400 square feet. The property was constructed in 1951 and recently renovated. The underlying site contains 4,792 square feet indicating a floor area ratio of 50%. Interior features include a kitchen, stainless steel hood system, sinks, walk in cooler, two ADA restrooms, and a seating area. The on-site parking ratio is 2.08 spaces per 1,000 square feet of building area. At the time of sale, the property was vacant. The property was originally listed at \$395,000 and was on the market for approximately 45 days.

Site Data**Site Size:** 0.110 Acres or 4,792 SF**Improvement Data****GBA/NRA:** 2,400/2,400**Year Built/Condition:** 1951**Analysis****Adj. Price per GBA:** \$153.12**Adj. Price per NRA:** \$153.12**Efficiency Ratio (NRA/GBA):** 100.00%**Parking Ratio:** 2.08 per 1,000SF of NRA**Floor Area Ratio:** 0.50

IMPROVED SALE 2



| General Data | |
|--------------|--|
|--------------|--|

| | |
|---------------------------|--|
| Property Type: | Retail |
| Property Sub Type: | Retail Other |
| Address: | 1608 Tully Road Modesto, California |
| Municipality: | Stanislaus |
| Tax ID: | 118-01-43 |

| Sale Data | |
|-----------|--|
|-----------|--|

| | |
|-----------------------------|----------------|
| Sale Status: | Recorded |
| Sale Price: | \$199,000 |
| Adjusted Sale Price: | \$199,000 |
| Recording Date: | 03-12-2013 |
| Grantor: | Citi Invst LLC |

This is the sale of a single tenant storefront building located in downtown Modesto. The improvements consist of a single-story building containing 1,564 square feet. The property was constructed in 1959. The underlying site contains 5,663 square feet indicating a floor area ratio of 28%. Interior features include custom drywall, concrete floors, granite in reception area and kitchen, seven private offices, and a conference room. Exterior features include newer store front windows and smooth exterior stucco. The on-site parking ratio is 3.2 spaces per 1,000 square feet of building area. At the time of sale, the property was vacant. The property was originally listed at \$198,950 and was on the market for approximately 379 days.

Site Data

| | |
|-------------------|-------------------------|
| Site Size: | 0.130 Acres or 5,663 SF |
| Zoning: | C-1, |

Improvement Data

| | |
|------------------------------|-------------|
| GBA/NRA: | 1,564/1,564 |
| Year Built/Condition: | 1959 |

Analysis

| | |
|------------------------------------|------------------------|
| Adj. Price per GBA: | \$127.24 |
| Adj. Price per NRA: | \$127.24 |
| Efficiency Ratio (NRA/GBA): | 100.00% |
| Parking Ratio: | 3.2 per 1,000SF of NRA |
| Floor Area Ratio: | 0.28 |

IMPROVED SALE 3



| General Data | |
|--------------|--|
|--------------|--|

| | |
|---------------------------|---|
| Property Type: | Retail |
| Property Sub Type: | Street Retail |
| Address: | 1214-1216 K Street Modesto, California 95354 |
| Municipality: | Stanislaus |
| Tax ID: | 105-022-001 |

| Sale Data | |
|-----------|--|
|-----------|--|

| | |
|-----------------------------|------------------------|
| Sale Status: | Recorded |
| Sale Price: | \$220,000 |
| Adjusted Sale Price: | \$220,000 |
| Recording Date: | 02-20-2013 |
| Grantor: | Trana Wesley & J Trust |
| Grantee: | Reed Properties LLC |

This is the sale of a multi-tenant storefront building located in downtown Modesto. The improvements consist of a single-story building containing 3,850 square feet. The property was constructed in 1948. The underlying site contains 4,356 square feet indicating a floor area ratio of 88%. Interior features include 14 foot high ceilings. At the time of sale, the property needed a full renovation. The buyer plans to fully rehab the building and estimates the cost of doing so at \$350,000. The buyer received seller financing, as a concession for paying a higher price than initially offered. The buyer owns a parking lot across the street from the property, which contains 42 spaces. The property has no on-site parking. At the time of sale, the property was vacant. The property was originally listed at \$260,000 and was on the market for approximately 120 days.

Site Data**Site Size:** 0.100 Acres or 4,356 SF**Improvement Data****GBA/NRA:** 3,850/3,850**Analysis****Adj. Price per GBA:** \$57.14**Adj. Price per NRA:** \$57.14**Efficiency Ratio (NRA/GBA):** 100.00%**Parking Ratio:** N/A**Floor Area Ratio:** 0.88

IMPROVED SALE 4



| General Data | |
|--------------|--|
|--------------|--|

| | |
|---------------------------|--|
| Property Type: | Office |
| Property Sub Type: | Office Building |
| Address: | 1316 K Street Modesto, California 95354 |
| Municipality: | Stanislaus |
| Tax ID: | 105-016-001 |

| Sale Data | |
|-----------|--|
|-----------|--|

| | |
|-----------------------------|-----------------------------|
| Sale Status: | Recorded |
| Sale Price: | \$462,500 |
| Adjusted Sale Price: | \$462,500 |
| Recording Date: | 09-10-2012 |
| Grantor: | Green & Azevedo Investments |
| Grantee: | Mari Waleed & Maria G |

This is the sale of a two-story 6,448 square foot office building located at the southwest corner of 14th & K Streets in downtown Modesto. Land area is 10,454 for site coverage of 61%. Interior improvements include 8 private offices, 2 conference rooms, receptionist area, and storage. There are six parking spaces indicating a parking ratio of 3.1 space per 1,000 square feet. In addition, there is a public parking lot in close proximity.

The building is currently vacant. It was previously occupied by a law office.

| Site Data | |
|-----------|--|
|-----------|--|

Site Size: 0.240 Acres or 10,454 SF

Improvement Data

GBA/NRA: 6,448/6,448
Number of Units: 00
Year Built/Condition: 1974

Analysis

Adj. Price per GBA: \$71.73
Adj. Price per NRA: \$71.73
Efficiency Ratio (NRA/GBA): 100.00%
Parking Ratio: 3.1 per 1,000SF of NRA
Floor Area Ratio: 0.62

IMPROVED SALE 5



General Data

| | |
|---------------------------|---|
| Property Type: | Retail |
| Property Sub Type: | Restaurant |
| Address: | 213 S. Sierra Ave. Oakdale, California 95361 |
| Municipality: | Stanislaus |
| Tax ID: | 129-004-020 |

Sale Data

| | |
|-----------------------------|---|
| Sale Status: | Recorded |
| Sale Price: | \$450,000 |
| Adjusted Sale Price: | \$450,000 |
| Recording Date: | 08-29-2012 |
| Grantor: | Gambini Joe A. Living Trust |
| Grantee: | American Pension and Insurance Services LLC |

This is the sale of a single tenant restaurant building and an adjacent vacant lot located in downtown Oakdale. The improvements consist of a single-story building containing 3,485 square feet. The property was constructed in 1992. The underlying site contains 7,910 square feet indicating a floor area ratio of 44%. Interior features include high beamed ceilings, private offices, conference room, open work rooms, two restrooms, and a kitchen. The roof was replaced within the last two years. The property has 10 parking spaces on the vacant lot, included in the sale, which equates to 2.87 spaces per 1,000 square feet of building area. At the time of sale, the property was vacant. The property was originally listed at \$450,000 and was on the market for approximately 898 days.

Site Data

Site Size: 0.170 Acres or 7,405 SF

Improvement Data

GBA/NRA: 3,485/3,485
Year Built/Condition: 1992

Analysis

Adj. Price per GBA: \$129.12
Adj. Price per NRA: \$129.12
Efficiency Ratio (NRA/GBA): 100.00%
Parking Ratio: 2.87 per 1,000SF of NRA
Floor Area Ratio: 0.47

IMPROVED SALE 6



General Data

| | |
|---------------------------|--|
| Property Type: | Retail |
| Property Sub Type: | Restaurant |
| Address: | 480 East F Street Oakdale, California 95361 |
| Municipality: | Stanislaus |
| Tax ID: | 129-003-021 |

Sale Data

| | |
|-----------------------------|---|
| Sale Status: | Recorded |
| Sale Price: | \$380,000 |
| Adjusted Sale Price: | \$380,000 |
| Recording Date: | 06-18-2012 |
| Grantor: | Siu Paul Trs & Siu Vivian |
| Grantee: | Min-lyn Investment LLC |
| Confirmation Source: | Public Records; confirmed by Benny Denice |

This is the sale of a single tenant restaurant building located in downtown Oakdale. The property is situated on the corner of HWY 108 (East F Street) and N 4th Street. The site has good frontage and visibility along HWY 108 (East F Street), which is a major arterial road running from Oakdale to Riverbank and Modesto. The improvements consist of a single-story building containing 2,948 square feet. The property was constructed in 1975. The underlying site contains 12,197 square feet indicating a floor area ratio of 24%. The property has 18 parking spaces, which equates to 6.11 spaces per 1,000 square feet of building area. At the time of sale, the property was vacant. The property was originally listed at \$399,000 and was on the market for approximately 166 days.

Site Data**Site Size:** 0.280 Acres or 12,197 SF**Improvement Data****GBA/NRA:** 2,948/2,948**Year Built/Condition:** 1975**Analysis****Adj. Price per GBA:** \$128.90**Adj. Price per NRA:** \$128.90**Efficiency Ratio (NRA/GBA):** 100.00%**Parking Ratio:** 6.11 per 1,000SF of NRA**Floor Area Ratio:** 0.24

| BUILDING SALE ADJUSTMENT GRID | | | | | | |
|--------------------------------------|-----------------|-----------------|-----------------|----------------|-----------------|-----------------|
| COMPARABLE SALES | 1 | 2 | 3 | 4 | 5 | 6 |
| DATE OF SALE | Apr-13 | Mar-13 | Feb-13 | Sep-12 | Aug-12 | Jun-12 |
| SALE PRICE | \$367,500 | \$199,000 | \$220,000 | \$462,500 | \$450,000 | \$380,000 |
| BLDG (SQ FT) | 2,400 | 1,564 | 3,850 | 6,448 | 3,485 | 2,948 |
| AGE | 1951 | 1959 | 1948 | 1974 | 1992 | 1975 |
| Floor Area Ratio (FAR) | 50% | 28% | 88% | 62% | 44% | 24% |
| PRICE/SQ FT | \$153.13 | \$127.24 | \$57.14 | \$71.73 | \$129.12 | \$128.90 |
| ADJUSTMENTS | | | | | | |
| Property Rights | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Financing | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Conditions of Sale | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total % Adjustment | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Dollar Adjustment | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| NORMAL SALE PRICE | \$153.13 | \$127.24 | \$57.14 | \$71.73 | \$129.12 | \$128.90 |
| MARKET CONDITIONS ADJUSTMENT | | | | | | |
| Months Since Sale | 0.5 | 1.1 | 1.8 | 7.2 | 7.6 | 10.0 |
| Total Adjustment | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Dollar Adjustment | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| MARKET ADJ PRICE | \$153.13 | \$127.24 | \$57.14 | \$71.73 | \$129.12 | \$128.90 |
| LOCATION | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| SIZE | 0.0% | -10.0% | 0.0% | 10.0% | 0.0% | 0.0% |
| TENANT IMPROVEMENTS | 0.0% | 15.0% | 45.0% | 15.0% | 15.0% | 0.0% |
| QUALITY/APPEAL | 0.0% | 0.0% | 0.0% | 0.0% | -10.0% | 0.0% |
| ON SITE PARKING/FAR | 5.0% | 0.0% | 20.0% | 10.0% | 5.0% | 0.0% |
| AGE/CONDITION | -10.0% | 0.0% | 10.0% | 0.0% | -10.0% | 0.0% |
| TENANCY/OCCUPANCY | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| TOTAL % ADJUSTMENT | -5.0% | 5.0% | 75.0% | 35.0% | 0.0% | 0.0% |
| Total \$ Adjustment | (\$7.66) | \$6.36 | \$42.86 | \$25.10 | (\$0.00) | \$0.00 |
| INDICATED VALUE/SQ FT | \$145.47 | \$133.60 | \$100.00 | \$96.83 | \$129.12 | \$128.90 |

The selected sales range in size from 1,564 to 6,448 rentable square feet. Before adjustment to the subject, the comparables indicate a unit price range from approximately \$57 to \$153 per square foot.

Property Rights Conveyed

No adjustment was necessary for property rights conveyed.

Financing

No adjustment was necessary for financing.

Conditions of Sale

No adjustment was necessary for conditions of sale.

Market Conditions

The sales have all occurred over the past 10 months over which time the market has been generally level. Thus, no adjustment was applied for market conditions.

Location

The subject property is located in downtown Modesto and situated on an interior site with average visibility and frontage on 9th Street. The other comparables vary but are generally similar in terms of location, and no location adjustment is warranted.

Size

The subject contains approximately 3,500 net rentable square feet. Smaller buildings typically sell for more on a per square foot basis than do larger buildings. Sales 2 and 4 differ enough to warrant adjustment for this factor as compared to the subject.

Tenant Improvements

The subject includes two small office/retail suites and a restaurant space. Sales 1 and 6 are restaurants and are similar to the subject in this regard. The other sales lack the higher cost restaurant tenant improvements. A portion of Sale 3 is shop space, so the TI adjustment is more significant.

Quality/Appeal

Sale 5 is superior in quality/appeal and is adjusted downward. All of the other comparables are considered generally similar to the subject for quality/appeal and no adjustment is warranted for this factor.

Parking/FAR

The subject has an FAR of 34% and adequate parking. Upward adjustments are applied to Sales 1, 3, 4 and 5 to reflect the subject's superior parking/FAR. The remaining sales are considered to be generally similar to the subject property in terms of parking/FAR.

Age/Condition

The subject was built in 1965 and is in overall average condition; we estimate the effective age at 30-years. Overall, the subject is considered average for age/condition. Sales 1 and 5 are superior, while Sale 3 is inferior to the subject in this regard. The remaining comparables are considered generally similar for effective age/condition and no adjustment is warranted.

Tenancy/Occupancy

No adjustment was necessary for tenancy/occupancy.

INCOME APPROACH

The income approach is based on the premise that the value of an income-producing property is represented by the present worth of anticipated future benefits, including the income generated as well as the value of the property upon re-sale (reversion). The appraiser estimates the potential income stream based on the quality, quantity, and duration of the income. The potential income is then capitalized to arrive at a value indication for the subject property. The steps involved are:

1. *Analyze the estimate for the income potential of the property;*
2. *Estimate the rent loss from vacancies and uncollected rents;*
3. *Estimate the expenses incurred in the operation of the property;*
4. *Subtract the rent loss and expenses in Nos. 2 and 3 above to arrive at a net income before debt service; and,*
5. *Use a developed rate to capitalize this net income into an indication of value.*

Various techniques of the income capitalization process allow for different property characteristics such as risk, pattern of income and expenses, etc. In our appraisal of the fee simple interest of the subject, we have considered two capitalization methods: discounted cash flow analysis (DCF), and direct capitalization.

The first method (DCF) recognizes and allows for an irregular pattern of future income derived from leases in place, with their varying expiration dates. The DCF is particularly useful for large, multi-tenant commercial properties. Anticipated net income is accounted for during a given holding period and discounted to present value to arrive at a value indication.

Buyers of retail and office buildings operating at stabilized levels typically utilize the direct capitalization technique. The direct capitalization technique is applied to the first year income of the subject property. This technique is often used by principals involved in the purchase of smaller, less complex properties. It represents a more simplified method and is used when a stable or steady increase in income is expected. Its weakness is that it does not recognize significant shifts in the income patterns that would occur in a larger, multi-tenant investment property. Its strength, however, is that it is widely understood, and requires comparatively few assumption and projection for the future. Thus, we have relied on the direct capitalization technique to develop an indication of value for the subject.

Summary of Current Leases

The subject leases, rent roll, and historical income and expense statements were not available for review. We have assumed that the lease terms contained within the lease are typical of the market, and will value the property on the basis of market rents.

Market Rent Survey

To estimate the current market rent for the subject, a survey was made for recent leases of comparable properties. From the numerous comparables surveyed, five executed leases and two listings were selected as most relevant to determine the market rental rate for the subject property. The rent comparables are presented in the following table, followed by a location map, photographs, and an adjustment grid.

Three of the rental comparables are leased on "triple net" expense arrangements, while the others are on a modified gross basis. Adjustments are made to these comparables to convert them to a NNN equivalent rent.

COMPARABLE RENTAL DATA

| Comp. No. | Location | Year Built | Unit Size (S.F.) | Lease Date | Rent/S.F. | NNN Equiv. | Lease Term/yrs. | TI's PSF | Comments |
|---|----------------------------------|---------------------|------------------|------------|-----------------------------|---------------|-----------------|-------------|---|
| 1 | 1301 G Street Modesto | 1983 | 2,200 | Feb-13 | \$1.00 MG | \$0.75 | Undisclosed | As-Is | Professional office, annual 5% rent increases, adequate parking. |
| 2 | 1217 J St. Modesto | 1982 | 4,516 | Jan-12 | \$1.00 NNN | \$1.00 | Undisclosed | As-Is | Former bank building in downtown Modesto, corner location, 6 private offices, storage rooms, |
| 3 | 1101 13th Street Modesto | 1962 renov | 5,650 | Oct-11 | \$1.25 MG | \$1.00 | 3 | As-Is | Flat rent, no free rent, adequate parking, good visibility at corner location. |
| 4 | 427 West Main Street Merced | 1965/2001 | 1,713 | Mar-11 | \$1.20 NNN | \$1.20 | 5 | undisclosed | 4 months free rent, stepped rent increases, storefront restaurant space near starbucks, theater on street parking only. |
| 5 | 901 N. Carpenter Road Modesto | 1991 | 2318 | Feb-11 | \$1.00 NNN | \$1.00 | 10 | As-Is | Restaurant space located in the Crossroads Shopping Center, 3% annual increase, with 3 months free rent. |
| 6 | 938 11th St. Modesto | Est. 1920s | 4,240 | Listing | \$1.15 MG | \$0.90 | TBD | TBD | Restaurant space in downtown Modesto, large kitchen area, floor to ceiling windows, in-line location |
| 7 | 801 15th Street Modesto | 7,800 renov 2009 | 864 to 3,565 | Listing | \$0.85 MG | \$0.60 | TBD | As-Is | Located next to County library, private parking lot & additional street parking. |
| MG = Modified Gross - Tenant is responsible for utilities & janitorial. | | | | | | | | | |
| NNN= Tenant pays all operating expenses. | | | | | | | | | |

| RENTAL ADJUSTMENT GRID | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| COMPARABLE RENTALS | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| DATE OF LEASE | Feb-13 | Jan-12 | Oct-11 | Mar-11 | Feb-11 | Listing | Listing |
| UNIT SQ. FT. | 2,200 | 4,516 | 5,650 | 1,713 | 2,318 | 4,240 | 864 to 3,565 |
| TERM/YEARS | Undisclosed | Undisclosed | 3 | 5 | 10 | TBD | TBD |
| INTERIOR IMPROVEMENTS | As-Is | As Is | As-Is | undisclosed | As Is | TBD | As-Is |
| LEASE RATE/SF/MO NNN/EQUIV. | \$0.75 | \$1.00 | \$1.00 | \$1.20 | \$1.00 | \$0.90 | \$0.60 |
| MARKET CONDITIONS ADJUSTMENT | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| MARKET ADJUSTED RENT | \$0.75 | \$1.00 | \$1.00 | \$1.20 | \$1.00 | \$0.90 | \$0.60 |
| ADJUSTMENTS | | | | | | | |
| LOCATION | 0.0% | -10.0% | 0.0% | -10.0% | -5.0% | 0.0% | 0.0% |
| SIZE | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| QUALITY/APPEAL | -10.0% | -10.0% | -10.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| CONCESSIONS | 0.0% | 0.0% | -5.0% | -5.0% | 0.0% | 0.0% | 0.0% |
| PARKING | 0.0% | 0.0% | 0.0% | 5.0% | 0.0% | 0.0% | 0.0% |
| AGE/CONDITION | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| TENANT IMPROVEMENTS | 15.0% | 15.0% | 15.0% | 0.0% | 0.0% | 0.0% | 15.0% |
| TOTAL % ADJUSTMENT | 5.0% | -5.0% | 0.0% | -10.0% | -5.0% | 0.0% | 15.0% |
| TOTAL \$ ADJUSTMENT | \$0.04 | (\$0.05) | \$0.00 | (\$0.12) | (\$0.05) | \$0.00 | \$0.09 |
| INDICATED LEASE RATE PER SQUARE FOOT "NNN"/EQUIV. | | | | | | | |
| | \$0.79 | \$0.95 | \$1.00 | \$1.08 | \$0.95 | \$0.90 | \$0.69 |

Before any adjustments, the NNN equivalent rent comparables indicate a rental rate range from \$0.60 to \$1.20 per square foot. The lease comparables range in size from 1,713 to 4,516 square feet, while the subject suites are 500 and 2,500 square feet in size. The adjustment analysis will be based on comparisons to the subject restaurant space, with the rental value of the other two suites considered in reconciliation. The rent comparables have lease dates ranging from February 2011 to February 2013.

Rental rates appear to have stabilized and adjustments for market conditions were not justified.

All but one of the comparables are located in popular commercial areas of Modesto, with one being in Merced. Rental 2 is on J Street, the most prominent downtown location and a downward adjustment is necessary for location. Rental 4 is similarly located in a prime area of downtown Merced, while Rental 5 is in a busy shopping center. These three rents are adjusted downward for location, while the others are general similar on this regard.

Rents 3 and 4 required downward adjustment for concessions due to free rent. Rental 4 has no onsite parking and limited street parking, so an upward adjustment was applied for this factor as compared to the subject.

Rentals 1, 2 and 3 are rated superior to the subject in terms of quality/appeal, so downward adjustments were applied. All of the rentals are generally similar in age/condition, so adjustments for this factor was not considered necessary.

In terms of tenant improvements, upward adjustments were necessary for Rents 1, 2, 3 and 7, while the others are improved as restaurant spaces like the subject.

Potential Gross Income Conclusion

After adjustment, the executed leases reflect a range of \$0.79 to \$1.08 per square foot, with the listings reflecting \$0.90 and \$0.69. Excluding the Rental from Merced, the executed lease comparables reflect a range from \$0.79 to \$1.00.

With note of the listings, a rental rate of \$0.90 is concluded for the restaurant space. After downward adjustment for tenant improvements, and upward adjustment for size, an economic rent of \$0.80 is concluded for the smaller 500 square foot non-restaurant spaces.

Expenses

The market rents are on a "triple net" expense arrangement, with the tenant being responsible for all operating expenses. As such, the lessor/landlord incurs expense only for potential vacancy and collection losses, un-reimbursed management expenses, and reserves for replacements.

Vacancy and Collection Loss includes lost rental between tenants and potential collection loss from the existing tenants. According to the Stockton/Modesto Retail Market Report by the Co-Star Group, the vacancy rate for general retail properties in Stockton/Modesto is 5.8%, while the Stanislaus County vacancy is at 5.2%. According to the CBRE Central Valley Office Report, as of the 4th Quarter of 2012, overall vacancy in the Modesto market area stood at 13.6%, and 19.7% for the downtown areas with the Central Valley.

A 3-6 month period marketing the space should achieve a three to five year lease term. Six months vacant in a 60 month term is equivalent to 10% vacancy. Overall, we conclude that a long-term vacancy and collection loss allowance is reasonable at 8%.

A prudent investor would also deduct a certain amount for non-reimbursable management expenses. We estimate non-reimbursable management at 2% of the effective gross income. Reserves for replacements generally range between 1% and 2% of effective gross income for buildings of this type. We estimate reserves for replacement at 2% of effective gross income. Total expenses are thus estimated at 4% of effective gross income or \$1,347.

Net Income Estimate

Subtracting the vacancy and collection loss, as well as operating expenses from Potential Gross Income yields a Net Operating Income of \$32,325.

Capitalization Rate

The next step is to process the forecasted net income into a value indication. This is accomplished by determining and applying an appropriate capitalization rate for the subject property. The capitalization rate is the ratio of net income per sale price (i.e., rate = net income / sale price.) Once a rate is selected for the subject and the net income forecasted, the same formula can be used to develop an indication of market value. The capitalization rate can be extracted from market sales if the net income is known or can reasonably be estimated at time of sale.

None of the sales used in the Sales Comparison Approach indicate a capitalization rate. The primary market participants for these properties are owner-users, and income data was not provided for those that were acquired by investors. We have surveyed the marketplace for building sales with market derived capitalization rates. The sales indicate a capitalization range from 6.9% to 12.8%, as indicated below, with all but one being between 6.9% and 9.5%. The one Modesto sale reflects 8.2%, but it was not stabilized.

| Sale No. | Location | Bldg. Size (S.F.) Year Built Site Size | Sale Date Price | Price/S.F. | Cap Rate | Comments |
|----------|--------------------------------------|--|-----------------------|------------|----------|---|
| 1 | 4925 Sisk Road Salida | 11,992 2007 | Dec-12 \$2,340,000 | \$195.13 | 8.2% | Multi-tenant strip center; 86.8% occupied at sale; parking 4.0/1,000; |
| 2 | 9059 Bruceville Road Elk Grove | 14,636 2007 | Oct-12 \$2,600,000 | \$177.64 | 9.19% | Multi-tenant strip center; 100% occupied at sale; parking 4.7/1,000; |
| 3 | 2327-2335 Buchanan Road Antioch | 11,810 1980 | Jun-12 \$2,000,000 | \$169.35 | 6.9% | Multi-tenant strip center; 100% occupied at sale; parking 5.1/1,000; |
| 4 | 2538-2560 Cottage Way Sacramento | 22,245 1979/2006 | Nov-11 \$3,420,000 | \$153.74 | 8.7% | Multi-tenant strip center; 83% occupied at sale; parking 4.0/1,000; |
| 5 | 1240-1268 W. Lathrop Road Manteca | 19,455 1991 | Nov-11 \$2,944,000 | \$151.32 | 12.8% | Multi-tenant strip center; 100% occupied at sale; adequate parking; |
| 6 | 1537 Howe Avenue Sacramento | 22,711 1978 | Jan-11 \$3,250,000 | \$143.10 | 9.5% | Multi-tenant strip center; 64% occupied at sale; parking 5.9/1,000; |

The property preference ratings taken from the First Quarter 2013 Real Estate Investment Survey, published by Real Estate Research Corporation (RERC) indicate rates of 5.5% – 11.0% with an average of 6.9% for neighborhood/community retail buildings, while suburban office buildings range from 5.5% – 10.0% with an average of 7.3%. The Korpacz Real Estate Investor Survey for the Fourth Quarter 2012 indicates an average rate of 7.06% for the National Strip Shopping Center Market and 7.42% for the National Suburban Office Market. Though rates for both of these property types have increased over the past few years, they have slightly decreased more recently.

The selection of a particular rate within an indicated range depends on the evaluation of such factors as location, strength of tenancy, type, and quality of leases, building age, condition and quality, and perhaps most importantly, potential for future changes in net operating income and/or appreciation. Notably, the subject is not the type of retail investment property that is reflected in the RERC and Korpacz surveys. Although we feel that there is potential for rental rate upside for the subject, there is still considerable uncertainty in the market and an appropriate overall rate for the subject would be toward the upper end of the range, and/or greater than the *average* rates reflected in those surveys.

After considering all the above factors, we have concluded a capitalization rate at **8.0%** to be appropriate for the subject property.

| Income Approach Summary | |
|--|-------------------------|
| Potential Gross Income: | |
| (2,500 s.f. x \$.90/s.f. x 12 mos.) | \$27,000 |
| (2 x 500 s.f. x \$.80/s.f. x 12 mos.) | <u>\$9,600</u> |
| subtotal | \$36,600 |
| Less Vacancy and Collection Loss (8%): | (<u>\$2,928</u>) |
| Effective Gross Income: | \$33,672 |
| Less Non-Reimbursable Expenses: | |
| Management (2% EGI) | (<u>\$673</u>) |
| Reserves (2% EGI) | (<u>\$673</u>) |
| Total Expenses (4% EGI): | (<u>\$1,347</u>) |
| Net Operating Income: | \$32,325 |
| Divided by Capitalization Rate: | 8.00% |
| Value Indicated Via Income Approach: | <u>\$404,064</u> |
| Rounded To: | <u>\$400,000</u> |

As indicated in the "Income Approach" Summary presented above, the market value indicated by the Income Approach is **\$400,000** (rounded).

RECONCILIATION

We have appraised the “As Is” market value of the subject property, applying two of the three traditional approaches to value: Income and Sales Comparison Approaches. The results of each analysis are illustrated as follows:

| | As Is |
|----------------------------------|------------------|
| Valuation Date: | April 15, 2013 |
| Cost Approach | Not Applicable |
| Sales Comparison Approach | \$440,000 |
| Income Approach | \$400,000 |
| Market Value Conclusion | \$420,000 |

The Cost Approach is not applicable.

The value range indicated by the two approaches to value is relatively tight. Although the market is slow and the quantity and quality of data used in both approaches is less than ideal, the two approaches provide good support for each other.

The subject property is considered primarily desirable to a partial owner-user, but would also be of interest to an investor. The Income Approach is weighed most heavily by investors, whereas the Sales Comparison Approach is most heavily weighed by owner-users. Recognizing that properties similar to the subject most often sell to owner-users, we have placed considerable weight on the Sales Comparison Approach. However, as even an owner user would have two leasable units, we have placed the most weight on the Income Approach in our final reconciliation.

With emphasis on the indication from the Income Approach, We have concluded a value of \$420,000 for the subject.

STATEMENT OF “AS IS” FEE SIMPLE VALUE

Based on our investigation and analysis presented herein, it is our opinion that the “As Is” market value of the fee simple estate of the subject property, as of April 15, 2013, predicated on an estimate of exposure time of six to nine months, was:

FOUR HUNDRED TWENTY THOUSAND DOLLARS
(\$420,000)

Addenda

Glossary

Definitions are taken from the Dictionary of Real Estate Appraisal, 5th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP) and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Additional Rent

Any amounts due under a lease that is in addition to base rent. Most common form is operating expense increases. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically though scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

Base (Shell) Building

The existing shell condition of a building prior to the installation of tenant improvements. This condition varies from building to building, landlord to landlord, and generally involves the level of finish above the ceiling grid. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

The areas of the building that provide services to building tenants but which are not included in the rentable area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core

and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building

common areas are; floor common areas, parking spaces, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Certificate of Occupancy (COO)

A statement issued by a local government verifying that a newly constructed building is in compliance with all codes and may be occupied.

Common Area (Public) Factor

In a lease, the common area (public) factor is the multiplier to a tenant's useable space that accounts for the tenant's proportionate share of the common area (restrooms, elevator lobby, mechanical rooms, etc.). The public factor is usually expressed as a percentage and ranges from a low of 5% for a full tenant to as high as 15% or more for a multi-tenant floor. Subtracting one (1) from the quotient of the rentable area divided by the useable area yields the load (public) factor. At times confused with the "loss factor" which is the total rentable area of the full floor less the useable area divided by the rentable area. (BOMA)

Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.

CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas and sometimes the exterior walls of the buildings. CAM can refer to all operating expenses.

CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative load. An example would be a 15% addition to total operating expenses, which are then prorated

among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee. (Dictionary)

Condominium

A form of ownership in which each owner possesses the exclusive right to use and occupy an allotted unit plus an undivided interest in common areas.

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement

An interest in real property restricting future land use to preservation, conservation, wildlife habitat, or some combination of those use. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature to continue, subject to the easement. In some locations, a conservation easement may be referred to as a conservation restriction. (Dictionary)

Contributory Value

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ($DCR = NOI/Im$), which measures the relative ability to a property to meet its debt service out of net operating income. Also called Debt Service Coverage Ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation

1) In appraising, the loss in a property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. 2) In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method. (Dictionary)

Disposition Value

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

- Consummation of a sale within a exposure time specified by the client;
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time specified by the client;
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 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. (Dictionary)

Easement

The right to use another's land for a stated purpose. (Dictionary)

EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date

1) The date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Rent

The rental rate net of financial concessions such as periods of no rent during the lease term and above- or below-market tenant improvements (TI's). (Dictionary)

EPDM

Ethylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called an expense recovery clause or stop clause. (Dictionary)

Estoppel Certificate

A statement of material factors or conditions of which another person can rely because it cannot be denied at a later date. In real estate, a buyer of rental property typically requests estoppel certificates from existing

tenants. Sometimes referred to as an estoppel letter. (Dictionary)

Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. (Dictionary)

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. (Dictionary)

Exposure Time

1) The time a property remains on the market. 2) The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. (Dictionary)

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

Fee Simple Estate

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. (Dictionary)

Floor Common Area

Areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a full service lease. (Dictionary)

Going Concern Value

- The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern.
- The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable. (Dictionary)

Gross Building Area

The total constructed area of a building. It is generally not used for leasing purposes (BOMA)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50% or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of the same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expense in income-producing properties when less than 100% occupancy is assumed. The gross up method approximates the actual expense of providing services to the rentable area of a building given a specified rate of occupancy. (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning. A general term encompassing any system designed to heat and cool a building in its entirety.

Highest & Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that

results in the highest value. The four criteria the highest and best use must meet are 1) legal permissibility, 2) physical possibility, 3) financial feasibility, and 4) maximally profitability. Alternatively, the probable use of land or improved property-specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value. (Dictionary)

Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

Industrial Gross Lease

A lease of industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real estate taxes as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value

A type of value for insurance purposes. (Dictionary)

(Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees).

Investment Value

The value of a property interest to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position as he or she would be if the property had not been taken. (Dictionary)

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (Dictionary)

Leasehold Interest

The tenant's possessory interest created by a lease. (Dictionary)

Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

- Consummation of a sale within a short period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- 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. (Dictionary)

Loan to Value Ratio (LTV)

The amount of money borrowed in relation to the total market value of a property. Expressed as a percentage of the loan amount divided by the property value. (Dictionary)

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement including permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TI's). (Dictionary)

Market Value As If Complete

Market value as if complete means the market value of the property with all proposed construction, conversion or rehabilitation hypothetically completed or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

Market Value As If Stabilized

Market value as if stabilized means the market value of the property at a current point and time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time). (Dictionary)

Master Lease

A lease in which the fee owners leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a

double net lease, net net lease, partial net lease, or semi-gross lease. (Dictionary)

Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the optionee) to buy, sell, or lease real property for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest

Divided or undivided rights in real estate that represent less than the whole (a fractional interest). (Dictionary)

Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real estate taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Prospective Future Value Upon Completion

Market value "upon completion" is a prospective future value estimate of a property at a point in time when all of its improvements are fully completed. It assumes all proposed construction, conversion, or rehabilitation is hypothetically complete as of a future date when such effort is projected to occur. The projected completion date and the value estimate must reflect the market value of the property in its projected condition, i.e., completely vacant or partially occupied. The cash flow must reflect lease-up costs, required tenant improvements and leasing commissions on all areas not leased and occupied.

Prospective Future Value Upon Stabilization

Market value "upon stabilization" is a prospective future value estimate of a property at a point in time when stabilized occupancy has been achieved. The projected stabilization date and the value estimate must reflect the absorption period required to achieve stabilization. In addition, the cash flows must reflect lease-up costs, required tenant improvements and leasing commissions on all unleased areas.

Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same

materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate

The interest held by the original lessee when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee (i.e., the tenant) leases part or all of the property to another party and thereby becomes a lessor. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

Substantial Completion

Generally used in reference to the construction of tenant improvements (TI's). The tenant's premises are typically deemed to be substantially completed when all of the TI's for the premises have been completed in

accordance with the plans and specifications previously approved by the tenant. Sometimes used to define the commencement date of a lease.

Surplus Land

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Triple Net (Net Net Net) Lease

A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN, triple net leases, or fully net lease. (Dictionary)

(The market definition of a triple net leases varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area

The measured area of an office area, store area or building common area on a floor. The total of all the usable areas on a floor shall equal floor usable area of that same floor. The amount of floor usable area can vary over the life of a building as corridors expand and contract and as floors are remodeled. (BOMA)

Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

Qualifications of John A Hillas, SRA
Managing Director
Valbridge Property Advisors | Hulberg & Associates, Inc.



Independent Valuations for a Variable World

State Certifications

Certified General
State of California

Education

B.B.A.
Business Administration
University of Oregon

A.A.S.
Business Administration
Anchorage Community College

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Membership/Affiliations

| | |
|------------------|---|
| SRA Member | Appraisal Institute |
| Chair, | Appraisal Institute Region One (2008) |
| Member | Appraisal Institute Board of Directors (2007-08) |
| President | Northern California Chapter, Appraisal Institute (2004) |
| Associate Member | American Society of Farm Managers & Rural Appraisers |
| Expert Witness | Superior Courts of Stanislaus and Merced Counties |

Appraisal Institute & Related Courses:

Appraisal Institute: 550-Advanced Applications; 540-Report Writing and Valuation Analysis; 530-Advanced Sales Comparison and Cost Approaches; 520-Highest and Best Use and Market Analysis; 430-Standards of Professional Appraisal Practice; 420-Business Practices and Ethics; 410-Standards of Professional Appraisal Practice (USPAP); 400-National USPAP Update; 120-Basic Valuation Procedures (Challenged); 110-Real Estate Appraisal Principles (Challenged)

American Institute of Real Estate Appraisers: Capitalization Theory and Techniques, Part A; Capitalization Theory and Techniques, Part B

Society of Real Estate Appraisers: Applied Residential Valuation (102); Standards of Professional Practice

Real Estate Appraisal Seminars/Workshops (partial list)
Annual Fall Conference, Annual Spring Conference, Annual Litigation Conference, Analyzing Operating Expenses, Partial Interest Valuation, Valuation for Financial Reporting, Spring Ag Outlook (ASFMRA), Subdivision Valuation, Diminution in Value, Appraisal Review, Depreciation Analysis, ADA and Fair Lending, Market Extractions, Understanding AVMs

Experience:**Managing Director**

Valbridge Property Advisors | Hulberg & Associates, Inc. (2013-Present)

Senior Vice President

Hulberg & Associates, Inc. (2007-2013)

Owner/Appraiser

Sierra Valuation Consultants (1996-2007)

Senior Appraiser

National Valuation Consultants, Inc. (1995-1996)

Senior Appraiser

San Francisco Federal Savings and Loan (1992-1995)

Senior Appraiser

Private Real Estate Valuation Firm (1991-1992)

Appraiser

Stockton Savings Bank (1987-1991)

Appraiser

Hillas Appraisal Company (1980-1987)

SELF CONTAINED APPRAISAL REPORT

706 9th Street
Modesto, California 95354



VALUATION DATE: July 7, 2011

APPRAISED FOR: Judicial Council of California, Administrative Office of the Courts

APPRAISED BY: Hulberg & Associates, Inc.

OUR FILE NUMBER: 15794-9

HULBERG & ASSOCIATES

Inc.

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July 27, 2011

Ms. Shannon Kayes
Portfolio Administration Analyst
Judicial Council of California
Administrative Office of the Courts
455 Golden Gate Avenue, 8th Floor
San Francisco, CA 94102

Re: Appraisal of 706 9th Street, Modesto, California

Dear Ms. Kayes:

At your request, we have appraised the above-referenced property located in Modesto, California. The subject is further identified as Stanislaus County Assessor's Parcel Number 106-042-010. The underlying site measures approximately 0.24 acres or about 10,454 square feet.

The property is located on an interior lot on 9th Street, between G Street and H Street. The physical address is 706 9th Street, Modesto, California. The site is improved with a single story retail building with a total of 3,500 square feet, plus a basement of 2,500 square feet. As of the date of this appraisal, the subject is occupied by Gervasoni's Restaurant (2,500 square feet) and Sarjak Enterprises, Inc. (500 square feet). A second 500 square foot space is vacant. The restaurant space is owner occupied, and also includes the 2,500 square foot basement.

The purpose of the appraisal is to develop our opinion of the market value of the subject property, as of July 7, 2011, which corresponds with our recent physical inspection of the property. The property rights appraised are those of the fee simple estate (i.e. all of the legal property rights of ownership). The property is appraised free and clear of liens and encumbrances, such as mortgages or assessments outstanding.

Judicial Council of California, Administrative Office of the Courts is the client in this assignment and is the sole intended user of the appraisal and report. The intended use of the results of our work is to aid in negotiating a possible purchase price for the subject property.

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SUMMARY OF SALIENT FACTS

| | |
|----------------------------------|---|
| Property Type: | Retail Building |
| Property Location: | 706 9 th Street, Modesto, CA 95354 |
| Assessor's Parcel No: | 106-042-010 |
| Census Tract: | 0018.00 |
| Zoning: | "TD" Transition District |
| General Plan: | Redevelopment Planning District |
| Site Size: | 0.24 acres, (10,454 square feet) |
| Improvement Description: | The subject is improved with a single story retail building constructed in 1965. |
| Building Area: | 3,500 square feet net rentable building area plus a 2,500 square foot basement. |
| Floor Area Ratio: | $(3,500 \text{ gross s.f.} / 10,454 \text{ s.f. land area}) = 0.34\%$ |
| Occupancy Status: | The building is 86% occupied. |
| Flood Zone: | "X", Community Panel No. 06099C0340E, dated September 26, 2008. Mandatory flood insurance does not apply. |
| Earthquake Issues: | Not within an Alquist Priolo Special Study Zone |
| Environmental Issues: | None identified |
| Property Rights Appraised: | Fee Simple |
| Effective Valuation Date: | July 7, 2011 |
| Date of Report Preparation: | July 27, 2011 |
| Estimated Exposure Period: | 6 to 9 months |
| <u>Value Conclusions:</u> | |
| As Is" Fee Simple: | \$400,000 |

SECTION I – INTRODUCTION

INTENDED USE AND USER

The intended use of the results of our work is to aid in negotiating a possible purchase price for the subject property. The intended user is Judicial Council of California, Administrative Office of the Courts for the stated use only. The appraisal and this report are not intended for any other user or any other use.

PROPERTY IDENTIFICATION

The subject property is located on an interior lot on 9th Street, between G and H Streets. The legal address is 706 9th Street, Modesto, in the County of Stanislaus, California. It is further identified as Stanislaus County Assessor's Parcel Number 106-042-010.

While the legal address is 706 9th Street, the physical addresses are 706, 710, 712, and 714 9th Street.

No personal property is included in valuation.

PROPERTY RIGHTS APPRAISED

The property rights appraised are those of the "fee simple" estate. Fee simple estate includes all the legal property rights of ownership.

TYPE AND DEFINITION OF VALUE

The purpose of this appraisal was to develop our opinion of the market value of the subject property. Market Value, as used in this appraisal, is defined as

- (a) The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.
- (b) The fair market value of property taken for which there is no relevant market is its value on the date of valuation as determined by any method of valuation that is just and equitable.¹

DATE OF VALUATION AND DATE OF REPORT

The effective date of valuation for this assignment is July 7, 2011; the date of our last physical inspection of the property was July 7, 2011. The date the report was completed and signed is July 27, 2011.

¹ Section 1263.320 of the Code of Civil Procedure

SCOPE OF WORK

The appraisal was developed and this report was prepared in compliance with the requirements of The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice (USPAP).

In the development of this appraisal, Jeanine Kraus inspected the interior and exterior of the subject property, John A. Hillas, SRA inspected the exterior. Norman C. Hulberg, MAI has not physically viewed the property. We consulted with city officials regarding zoning and General Plan issues, and researched the local market for sale comparables and leases. We spoke with the owner regarding the history of the subject property. We reviewed and analyzed regional and local economic trends reported in this appraisal. In an effort to render a reasonable value opinion, we analyzed and reported office market trends relevant to the subject property by researching local market occupancy and rent levels of similar office buildings. The data regarding these transactions was considered in the manner in which it was provided to the appraisers. No information has been included which is not believed to be accurate.

Jeanine Kraus measured the exterior of the improvements to determine building size. We have relied on our measurements to determine building size. A Building Sketch is located within this report. Our description of the subject improvements is based on our physical inspection. We were not provided with site and floor plans. Income and expense history was not provided.

Data required in the appraisal process relates to the political and economic environment in the region and competing market area of the subject property. Data is also required relating to the physical, legal, and economic characteristics of the site and existing and proposed improvements, and the highest and best use of the property. With the problem defined and the data collected and analyzed, value indications are then developed via one or more of the three traditional approaches to value: Cost, Sales Comparison, and Income Approaches.

The Cost Approach would not be a primary method of valuation for a prospective purchaser of the subject. This is primarily due to the age of the subject improvements and the need to estimate accrued depreciation from all sources. The depreciated cost method would not produce a meaningful indication of market value and this is why market participants and other analysts would not consider the Cost Approach applicable in this instance.

Two of the three traditionally accepted approaches to value for retail property have been employed in this appraisal, the Sales Comparison Approach and Income Approach. These two approaches are those that would be considered pertinent and relevant by other market analysts, observers, and participants. These approaches are then reconciled to arrive at a final opinion of value. All data and analysis used to value the property are clearly presented and discussed in the body of this report.

Refer to the Assumptions, Limiting Conditions, and Certification of Appraisal that accompany this report for additional comments affecting the scope of our report. The appropriate approaches to value were used, and reconciled, based on their relative strengths and weaknesses, including the quantity and quality of the data available for use within each approach, to arrive at the final opinion of value.

USE OF REAL ESTATE AS OF THE EFFECTIVE DATE OF VALUE

The subject property is a single story professional retail building. The building is currently 86% occupied. The owner occupies 2,500 square feet, and an office tenant occupies 500 square feet. A second 500 square foot suite was previously occupied by a barbershop but is now vacant.

USE OF REAL ESTATE AS OF THE DATE OF THIS REPORT

Same as above.

ASSUMPTIONS AND LIMITING CONDITIONS

General Assumptions and Limiting Conditions are assumed in virtually every appraisal and reflected in every appraisal report. Extraordinary assumptions, hypothetical conditions, and notable observations specific to this assignment are identified below. **Please refer to the Assumptions and Limiting Conditions in the addendum for a complete list of general, extraordinary, and hypothetical assumptions and limiting conditions.**

Hypothetical Conditions

None

Extraordinary Assumptions

None

PROPERTY HISTORY AND OWNERSHIP

According to the Stanislaus County Assessor's Office, title to the subject parcel is vested in:

Gary C. and Myrna Gervasoni

The owner occupies a 2,500 square foot restaurant space, and one of two 500 square foot spaces is presently rented to an office user at \$0.80/sf, gross, on a month to month basis. A second 500 square foot space is vacant. The subject property is not currently listed for sale and the vacant space is not known to be listed for lease. We are unaware of any other sales, listings, or offers for any portion of the subject property within three years of the valuation date. We have considered and analyzed the known history of the property in the development of this appraisal.

Clear title is assumed.

COMPETENCY STATEMENT

John A. Hillas, SRA and Norman C. Hulberg, MAI, are designated members of the Appraisal Institute, while Jeanine M. Kraus is a general Associate Member. John A. Hillas, SRA (California AG002432) and Norman C. Hulberg, MAI (California AG003542) are State Certified General Real Estate Appraisers. Jeanine M. Kraus (California AR033221) is a State Certified Residential Real Estate Appraiser. We have appraised a number of commercial retail buildings in the competing market area in the past. Because of our experience in the area and with the subject property type, we believe we are competent to perform this appraisal.

LEGAL DESCRIPTION

A Preliminary Report was not provided. The legal description as it appears on the assessor plat is as follows: Lots 21, 22, and 23, Block 54 of the City of Modesto, Vol. 106, Pg. 42, Stanislaus County Records. The property is considered adequately identified, but the legal description should be verified.

PROPERTY TAXES AND ASSESSED VALUE

The State of California has provided for a unified system to access real estate for property taxes. Assessment Districts are established on a county basis to assess real estate within the county. The appraised property falls under the taxing jurisdiction of Stanislaus County and is subject to both general taxes and direct assessments.

The 2010/2011 assessed valuation and taxes for the subject property by Stanislaus County are as follows:

| 2010 / 2011 TAXES | |
|---------------------------------|--------------------|
| Parcel Number | 106-042-010 |
| Assessed Land: | \$73,568 |
| Assessed Improvements: | \$86,546 |
| Total Assessed Value: | \$160,114 |
| | |
| Tax Rate: | 1.0769% |
| Annual General Tax | \$1,724.24 |
| Direct Assessments: | \$0.00 |
| Total Tax for 2010: | \$1,724.24 |
| | |
| Metroscan Data | \$1,724.22 |
| Assessor's webpage | \$1,724.00 |
| HULBERG & ASSOCIATES | |

General Taxes

The amount of General Taxes due is quantified by multiplying the assessed value by the tax rate. In the State of California, real estate is assessed at 100% of market value as determined by the County Assessor's Office. The tax rate consists of a base rate of 1% plus any bonds or fees approved by the voters. The County Tax Rate for the subject property is 1.0769%.

Direct Assessments

Direct assessments are tax levies that are not dependent upon the assessed value of the property. They are levied regardless of assessment. According to the Stanislaus County Tax Collector's Office, the subject has no direct assessments.

Current and Future Taxes

Taxes are due in two equal installments each year. According to the Stanislaus County Tax Collector's Office, the second installment for the current year is unpaid. There are no known changes in the tax rate or direct assessments forthcoming.

Proposition 13 was passed by voters in June 1978 and substantially changed the taxation of real estate in California. This constitutional amendment rolled back the base year for assessment purposes to the tax year 1975-1976. Annual increases in assessed value are limited to 2% per year, regardless of the rate of inflation. Real estate is subject to re appraisal to current market value upon a change in ownership or new construction. Within the definition of "market value," the property is assumed to be reassessed for tax purposes for this appraisal.

Clear title is assumed in our valuation.

SECTION II – DESCRIPTIVE INFORMATION

REGIONAL OVERVIEW

In the appraisal of real estate, relevant economic and demographic factors with the potential to affect property values must be explored. For this reason, the following information is provided, regarding the economic and demographic characteristics of the Modesto area and Stanislaus County. The subject is located in Stanislaus County in the northern San Joaquin Valley, often referred to as the Northern San Joaquin Valley. Stanislaus County ranks as one of the nation's top 10 agricultural counties, producing in excess of \$1 billion in gross farm income, and leading the State in the production of nearly two-dozen agricultural commodities.

Stanislaus County is bordered by San Joaquin County to the north, Calaveras and Tuolumne counties to the east, Merced County to the south, and Santa Clara County to the west.



The City of Modesto is the Stanislaus County seat and its largest city. Turlock, the second largest city, lies 13 miles southeast of Modesto, while Ceres is located immediately south of Modesto, across the Tuolumne River. Due to the close proximity of the two cities, Modesto and Ceres are considered by many to comprise a single economic unit.

Transportation

State Highway 99, and Interstate Route 5 (I-5), both of which are major north-south arterials, link Stanislaus County to other parts of California. In addition to the public transit system (bus service), and Greyhound Bus Lines, the Altamont Commuter Express (ACE) rail has stations in San Joaquin County to the northwest connecting to points in Alameda and Santa Clara counties. Additionally, the Bay Area Rapid Transit (BART) system extends easterly into Dublin, which is only a 60-minute drive west from major cities in Stanislaus County.

The Burlington Northern Santa Fe and Union Pacific Railroads provide freight service, while Amtrak provides passenger rail service for the area. Proximity to the Sacramento/San Joaquin Delta provides direct shipping access to both Sacramento and Stockton deepwater ports. The Modesto City-County Airport is located at the southern edge of the city, and is the largest commercial airport in the county. There are general aviation airports in Oakdale, Turlock, and Patterson. The nearest international airports are in Sacramento or in the San Francisco Bay Area.

Population

Stanislaus County saw dramatic population growth in the 1970s and 1980s, but the rate of growth slowed in the 1990s. During the 1980s, the population of Stanislaus County increased largely from an influx of Bay Area commuters seeking relief from high priced housing and congestion in the Bay Area. This growth pressure slowed in the first half of the 1990s, having stabilized in the mid 1990s, increasing again since 1997.

General Demographics

This table summarizes demographic data by zip code for cities and communities in Stanislaus County with comparative data also for the State. The data is from the 2009 Community Survey from the Department of Finance and is the most recent demographic data available.

| Demographic Comparison of Stanislaus County Cities - 2009 Data | | | | | | | |
|---|------------|--------|---------|-----------|---------------|------------|-----------------|
| | Population | Median | | | % Population | | |
| | | Age | HH Size | HH Income | Below Poverty | Unemployed | Bachelor Degree |
| Stanislaus County | 505,165 | 32.2 | 3.11 | \$51,529 | 15.10% | 11.10% | 11.10% |
| Modesto | 202,556 | 33.2 | 2.96 | \$50,877 | 15.50% | 11.10% | 12.20% |
| Turlock | 67,866 | 32.2 | 3.01 | \$49,798 | 12.10% | 11.40% | 14.70% |
| Ceres | 41,782 | 29.6 | 3.46 | \$50,647 | 16.70% | 12.60% | 7.00% |
| Oakdale | 19,641 | 35.0 | 2.89 | \$56,725 | 8.20% | 8.20% | 12.50% |
| Riverbank | 20,165 | 29.9 | 3.39 | \$57,713 | 14.80% | 13.50% | 10.30% |
| Patterson | 18,094 | 29.1 | 3.49 | \$56,119 | 10.30% | 11.20% | 9.60% |
| Waterford | 8,673 | 27.5 | 3.64 | \$49,622 | 20.90% | 11.60% | 5.70% |
| Newman | 9,886 | 29.9 | 3.44 | \$49,856 | 9.90% | 7.70% | 6.60% |
| Hughson | 6,142 | 30.0 | 3.45 | \$52,827 | 19.60% | 12.20% | 12.00% |
| California | 36,308,527 | 34.6 | 2.91 | \$68,909 | 13.20% | 7.90% | 19.10% |

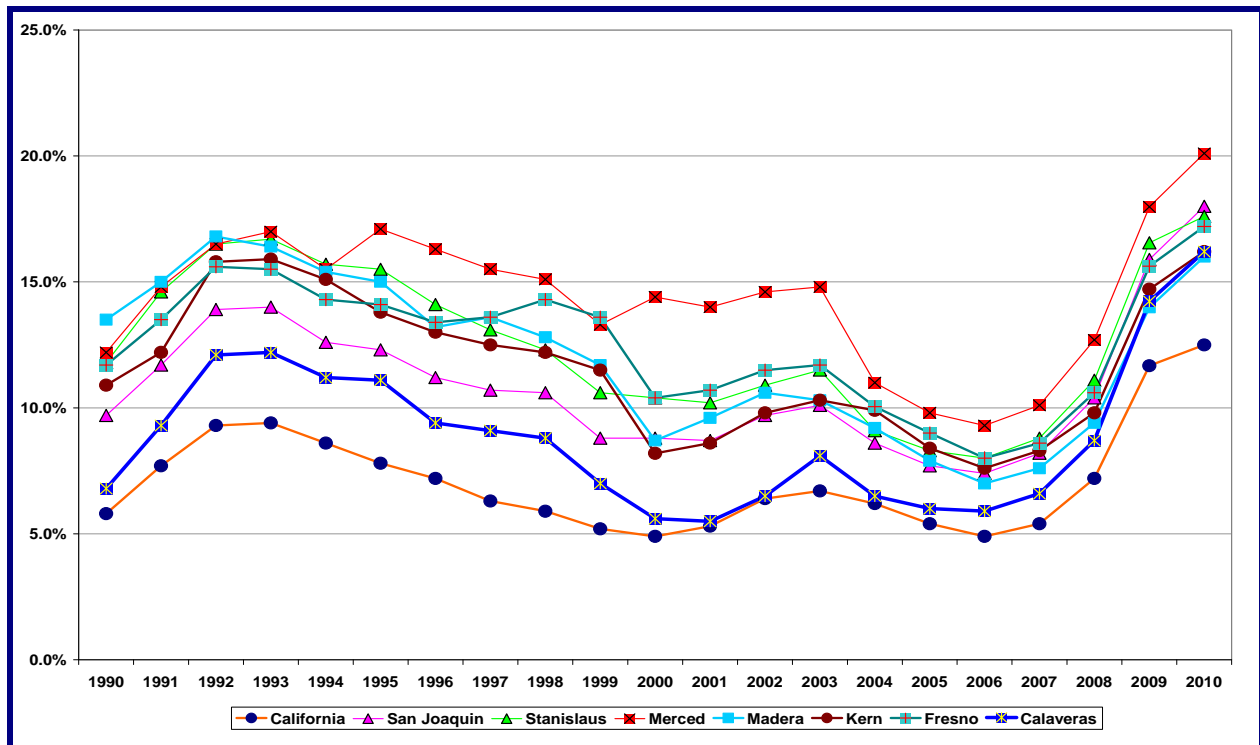
Sources: www.census.gov , www.dof.ca.gov, and www.modbee.com

Economic Base and Employment Trends

The local economy is based mainly on agriculture and related industries. Approximately 200 manufacturing firms are located in the immediate area. Included among those in the area are some of the largest agriculture oriented production facilities in the nation. Modesto, Ceres, Oakdale, Riverbank and Turlock are considered by many to comprise a symbiotic economic unit.

Employment has experienced swings in recent years as the local economy has grown and then subsequently softened. The most recent data reflects an increase in unemployment rates, which parallels that of the greater California economy. Although the area has an economy that has been strongly tied to agriculture, total non-farm employment grew at a much faster pace than farm employment, with the service-providing sector outpacing the growth in the goods producing sector. Significant in the early part of the last decade has been the construction trades, and other sectors associated with real estate. Construction and real estate development were significant sources of growth in the early portion of the last decade; these sectors have declined since the recession that began in 2007. In any case, unemployment in Stanislaus County is typically higher than predominantly non-agricultural parts of California.

Unemployment Rate



The decline in the local real estate market has also had a negative impact on employment, as all aspects of the construction trades are down, as are all other aspects of finance, insurance and real estate. The general economic softness has spilled over to virtually every other aspect of the economy.

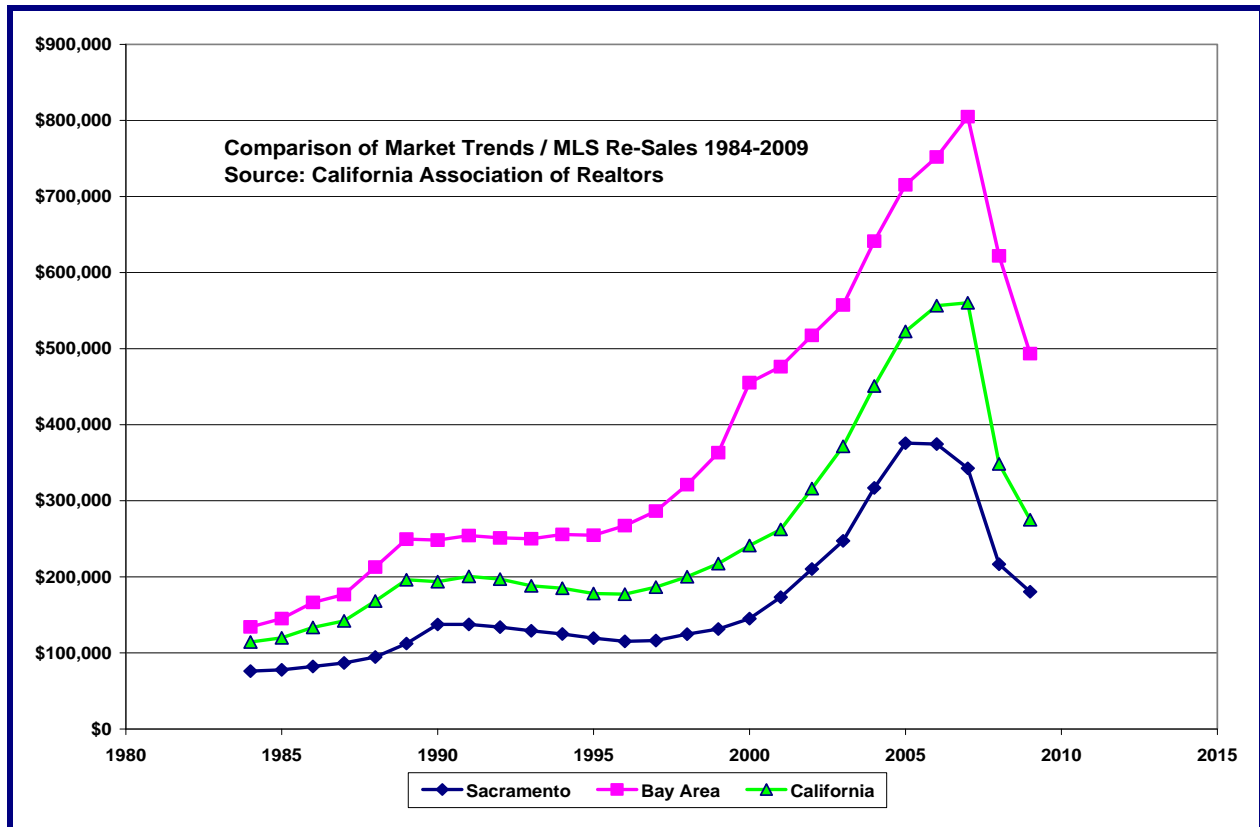
Local Trends in Area Real Estate

Rapidly escalating prices in the Bay Area resulted in a widening affordability gap between the Bay Area and Central Valley regions. This resulted in increased demand for housing, and ultimately, all types of real property in the valley. Following a growth period in the latter part of the 1980s, the regional real estate market was soft from 1989-1990 through the first half of the 1990s. The market stabilized in 1996-97, and began to see some improvement in 1997-98, with significant improvement year-over-year from 1998 through 2000.

2001 brought stability and in some cases slight declines in residential real estate prices. Sales volume was notably lower in 2001, as compared to the preceding boom years. Following the cooling in 2001, there were dramatic increases in sales activity and home prices again from 2002 through mid 2005. The market peaked in late 2005/06 and has since been in decline. Prices outpaced incomes, and a slowdown in demand was exacerbated by a tightening in credit. New home sales volume in subdivisions slowed dramatically, and incentives/discounts and actual base price reductions were being observed.

Speculative investment in land with future development potential slowed to a stop, and new subdivision development itself stopped. All builders slowed construction activity significantly, and some have stopped activity outright – “mothballing” projects until the market improves.

The following statistics on MLS re-sales show the huge difference in median home prices between the San Francisco Region (Bay Area) and Central Valley Region (as reflected by Sacramento area statistics.)



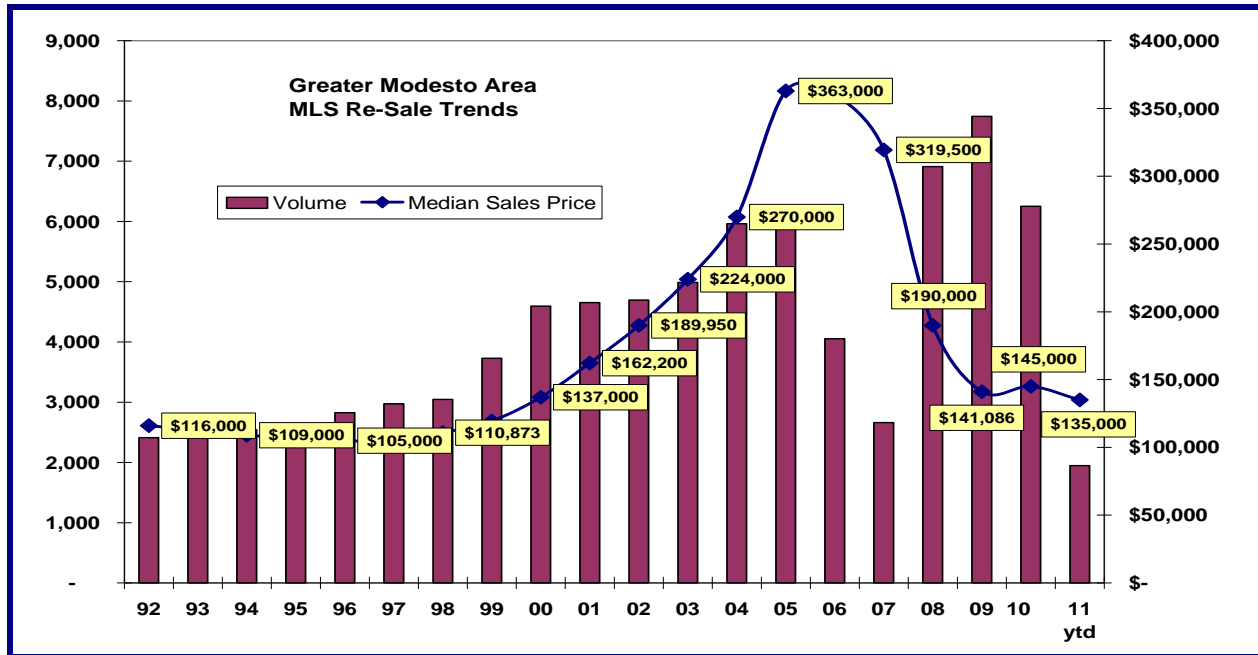
The decline began in the Central Valley in 2006, and in the Bay Area in 2007. Nonetheless, the disparity is significant and this will continue to result in continued demand for dwelling units in the Central Valley.

Clearly, the Central Valley counties reflect steeper declines in 2008 than the Bay Area counties. The steepest declines were in Merced, San Joaquin and Stanislaus counties. The lowest declines were in San Francisco, Yolo and San Mateo.

New home inventory has declined due to the slowdown in construction, with high sales volume in 2008 and 2009 dominated by existing bank-owned and short sale existing home product. There remains a deep supply of finished lots upon which to build. There has been some market activity now that land and lot prices have declined, with finished lots selling for less than the cost of the lot development. Lot and land buyers now are purchasing with plans to hold the property for several years until the market recovers.

Local MLS Trends – Residential Re-Sales

The following graphic shows MLS Re-Sale trends in the Greater Modesto area. The trends below reflect the pattern described previously where a decline through the first part of the 1990s began to stabilize in 1996-97, showing significant growth from 1998 through 2005. Prices had been on a steady upswing since 1998, and sales volume had been strong until mid-2005, when the market peaked.



Sales volume was lower to significantly lower in 2006 and 2007, but rebounded in 2008, 2009, and to a lesser extent in 2010. Prices had decreased profoundly, which is considered to be the main reason for the increase in sale volume. Prices may have bottomed out in 2009, as figures for 2010 show an increase in median selling prices, but the year to date figures for 2011 show another decline. Local realtors suggest that the improved 2010 statistics do not reflect a value trend. Values are not increasing, but may have hit bottom. There also remains concern, over the growing number of homes in default that have not yet made it to the marketplace. Many are talking about a “shadow inventory” that is still out there.

Local Non-Residential Real Estate Trends

The most significant non-residential development trend in the last decade was in the industrial and retail sectors, but there was new office development too. Business Park developments in all major cities in the region saw the construction of new facilities, as companies expanded and/or upgraded and new businesses came to the area. In addition to building new retail projects, existing projects, primarily shopping centers, were substantially renovated to maintain competitiveness with the new centers.

Industrial and light industrial growth was a highlight. Residential development in recent decades was driven in large part by price differentials between the Central Valley and the San Francisco Bay Area. This phenomenon also brought industry and jobs, as the growing labor force and lower land and facilities costs appealed to businesses large and small. The collapse of the residential market has also, however, had a negative impact on the commercial markets. Slowed residential volume has resulted in the slowdown of every related field: lenders, title offices, realtors, insurance agents, inspectors, appraisers, and building contractors of every type.

Retail sales are down as weakness in consumer spending is evident, and this is showing in retail property trends. Office, retail and industrial vacancies are up, and rents are soft. Rental concessions are not uncommon. Lenders are indeed very cautious with regard to residential loans, but the tightening of credit qualifying criterion also applies to non-residential lending. Every aspect of real estate and every related industry are affected by the market slowdown.

Multi-family properties were also on a positive trend for several years, with vacancies practically nil, rental rates increasing, and overall capitalization rates declining. Rental rates and occupancy stagnated, however, early in the 2000s as property managers reported a high percentage of move outs as former rental tenants took advantage of low mortgage interest rates and became homeowners. Managers report now that many would-be tenants lack sufficient income or credit worthiness. Income and credit issues have been exacerbated by the economic slowing, increased unemployment and tightening of credit. Compounding the market now is the increase in supply of formerly owner-occupied dwellings, some of which are available as rentals. Rents are soft, vacancies have increased, and capitalizations rates have also increased.

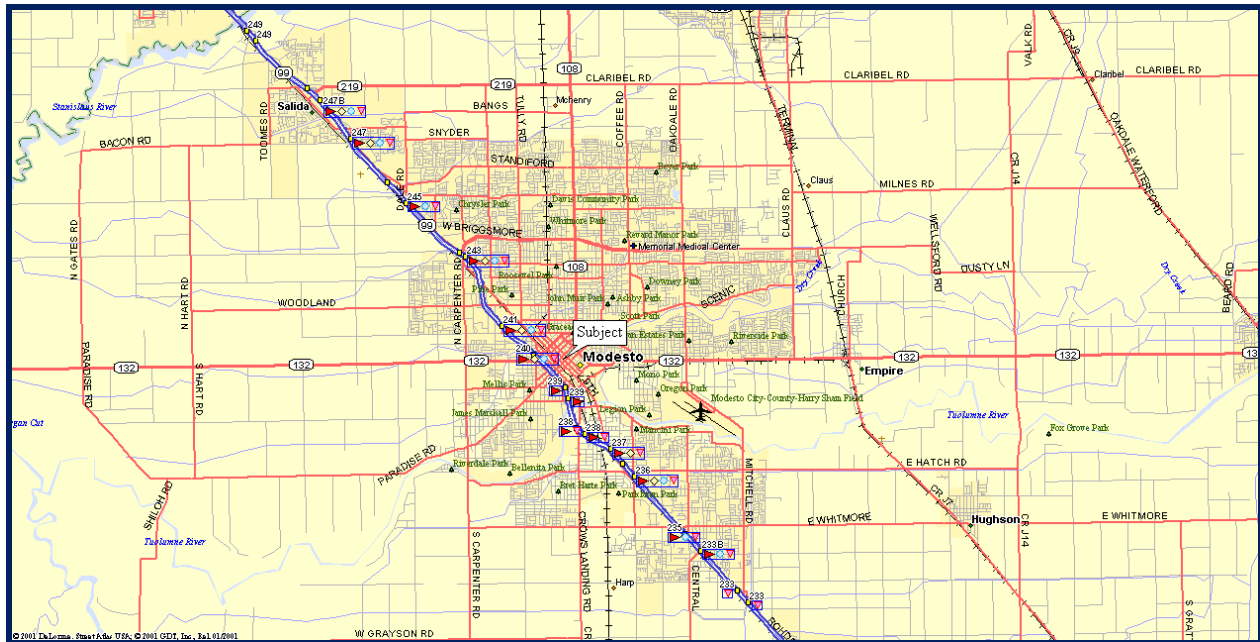
The historic reasons for the growth of the Central Valley Region will however be the same reasons that continue that growth. There remains a significant pricing differential between the Valley and the Bay Area, and population growth is expected to resume and continue. Market observers and analysts all agree that positive trends in the residential market will return, but timing is unknown. When the market first softened in late 2005, the outlook was hopeful for a recovery beginning in 2007. Issues related to availability of credit exacerbated slower demand, and there was a domino effect expanding into various aspects of the economy. The consensus now seems to be that a recovery is still two to three, or even three to five years away.

Regional Summary

The subject is located in the southern portion of the City of Modesto, in Stanislaus County. Stanislaus County has experienced one of the more dramatic housing market declines in California, which has led to a slow-down in economic activity. However, demographers unanimously indicate that the long-term outlook for Central Valley areas east of the San Francisco Bay Area is for continued growth in population and employment. The area's proximity to employment centers such as the East Bay, Silicon Valley and Sacramento, coupled with its comparatively more affordable real estate make it attractive to residents and businesses. Overall, it is anticipated that market conditions will continue to be soft for the near-term, but will subsequently regain strength and perform well, driven by significant population growth forecasted for the region.

CITY/NEIGHBORHOOD DESCRIPTION

The subject is located in the southern portion of the City of Modesto. Modesto is located in the northern part of the San Joaquin Valley in Stanislaus County along State Route 99. Modesto is the largest incorporated city in Stanislaus County and accounts for approximately 40% of the County's population.



As the largest city in the County, Modesto serves as Stanislaus County's retail, government, medical, and employment center. Surrounded by smaller cities and farmland, Modesto is located approximately 90 miles east of San Francisco, 80 miles south of Sacramento, 110 miles west of Yosemite National Park, and 95 miles northwest of Fresno.

Although growth has slowed considerably in the last few years, the combination of attractive interest rates and prices for new homes fueled the 2000-2005 growth of the City of Modesto and other cities within Stanislaus County. This growth has come from buyers from the Bay Area who were unable to afford the high housing prices.

The ongoing economic crisis and recession has greatly affected financial markets, both on a national and international level. The effects of the economic crisis have been felt heavily in Modesto and the Central Valley as a whole. The employment situation in the county is currently grim. According to the most recent labor market information, the unemployment rate for the Modesto Metropolitan Area for May 2011 was 16.7%, down from 17.4% in April 2011. This compares with an unemployment rate of 11.7% for California and 9.1% for the nation during the same period.

Immediate Environs

The subject is located on 9th Street between H and G Streets. Primary access to the subject neighborhood is provided by Highway 99 from the northwest and southeast. To the north, Highway 99 provides access to Sacramento and to Highway 120, which provides access to Interstate 5 and the San Francisco Bay Area. To the south, Highway 99 provides access to Fresno and further south to Bakersfield and then merges with Interstate 5. McHenry Avenue provides access to the subject neighborhood directly from the north and is the main north/south commercial thoroughfare in Modesto lined with numerous commercial uses. Access to the neighborhood from the east and west is provided by Highway 132, which provides access east to Yosemite National Park and West to Interstate 5.

AERIAL MAP



The neighborhood boundaries are generally defined as that area northeast of State Route 99, south of Needham Avenue and west of Burney Street. Needham and Downey Avenues to the north separate the downtown central district from the older original residential area of Modesto. Ninth Street is the natural boundary to the west as it separates the retail/commercial uses from light industrial uses across 9th Street. Burney Street on the east separates another older residential area of Modesto from the downtown commercial district. G and H Streets, and K and L Streets are the two sets of north-south one-way streets that direct traffic *through* the downtown area, most consider J Street as the primary north-south arterial two-way street.

The Modesto Transit Center is located approximately two blocks northwest and is served by both MAX (Modesto Area Express) and START (Stanislaus Regional Transit) buses, which provide citywide and regional transportation.

The majority of the downtown business district is zoned for commercial use (retail and office). The downtown area is in a state of continued revitalization which creates a desirable effect on land values in the downtown area. In addition, single family and multi-family residential properties are located on the fringe area of the original mile-square town site. This fringe area of downtown is in a state of transition to office and/or retail commercial use.

Like many historic downtown areas, downtown Modesto consists of a confluence of old and new, with the neighborhood experiencing most of its growth in the form of redevelopment. One of the more significant recent projects in downtown Modesto is the new Gallo Center for the Arts. Another major development is 10th Street Place, a mixed-use development encompassing two city blocks bounded by 9th, K, 11th and J Streets, covering approximately five acres. The development occurred from 1999 through 2001. The entire development contains approximately 228,000 square feet of office space, including City and County government offices, approximately 48,000 square feet of retail space, an 18-screen cinema, and a 682-space public

parking structure. A Doubletree Hotel and the City Convention Center are located to the north and northwest of the 10th Street Place development.

Conclusion

In summary, the subject is located in the central business district of downtown Modesto. Major influences in the subject's immediate vicinity are the Gallo Arts Center in addition to City and County Offices. The subject benefits from good access to local and regional transportation. The neighborhood is in the revitalization stage of its life cycle. The outlook for the neighborhood is for stable performance, although future development would be somewhat hampered if redevelopment funds from the City become constrained. Given budget issues, redevelopment funds have been discussed and may be subject to cuts. Nonetheless, we believe the subject will experience long-term stability as the economy recovers.

RETAIL MARKET OVERVIEW

According to the CoStar Retail Report for the 1st Quarter 2011, the Stockton/Modesto market, which consists of San Joaquin and Stanislaus Counties, continued to experience high vacancy rates around 7%, which is a decline from the high of 9.1% reported in the 4th quarter 2009.

The average quoted asking rental rates were down from the previous quarter, and down further from one year ago. Average quoted rents for the 1st quarter 2011 were at \$1.24 per square foot on a monthly basis (triple net lease terms). That compares to \$1.44 per square foot in the 1st quarter 2010, and \$1.65 per square foot for the 1st quarter 2009. This represents a 14% decline in rental rates over the past year and a 25% decrease over the past 2 years.

For the Stanislaus County market there is 22,204,863 square feet of total retail inventory. Of that, approximately 1,770,618 square feet is vacant. This results in a vacancy rate of 8.0%. The average quoted rent is \$1.15 per square foot per month on NNN terms. This is a decline from the \$1.47 per square foot per month on NNN terms seen in the 1st quarter 2010.

Contrary to the continued soft local market, the Korpacz Real Estate Investor Survey from the First Quarter 2011 shows that overall Cap Rates for Strip Shopping Centers (National average) have decreased by 109 basis points over the same time last year and decreased 23 basis points in the last quarter.

| Table 3 | | | |
|--|----------------|------------------------------|----------------|
| NATIONAL STRIP SHOPPING CENTER MARKET | | | |
| First Quarter 2011 | | | |
| | CURRENT | LAST QUARTER YEAR AGO | |
| OVERALL CAP RATE (OAR)^a | | | |
| Range | 5.50% – 9.50% | 5.50% – 9.50% | 7.25% – 11.40% |
| Average | 7.40% | 7.63% | 8.49% |
| Change (Basis Points) | | - 23 | - 109 |
| MARKETING TIME^c | | | |
| Range | 2.00 – 18.00 | 2.00 – 18.00 | 2.00 – 18.00 |
| Average | 8.18 | 8.22 | 9.63 |
| Change (%) | | - 0.49 | - 15.06 |

According to the Korpacz report, cap rates on the national level for strip shopping centers have been between 5.50% and 9.5% with an average of 7.4%. The average marketing time has been 8.18-months.

Brokers familiar with the Stanislaus County market have indicated that the retail market may be starting to rebound from the bottom, but uncertainty remains.

Investment/ Owner-User Market

The credit crunch seen in the residential markets is also being felt on the commercial side. As the availability of money has become tighter, fewer people are able to qualify to purchase commercial property. As such, demand for owner-user buildings and investment properties have decreased. Before the current economic crisis, quality real estate was in good demand by both owner-users and investors. Today, because it is so difficult to obtain financing, a few "all cash" buyers have been offering "low-ball" offers for properties. To date, most sellers are unwilling to sell at these low-ball prices. However, we are now starting to see some deals, as investors feel more confident that the market has hit bottom than they did a year ago.

Because of the subject's size, age, condition and location, it would most likely be desirable to an owner-user, but investors seek this type of property as well. Because of current market conditions and general lack of activity in the subject's immediate market area, we estimate the exposure and marketing periods to be \pm six to nine months. This is further supported by the Korpacz report noted above, which indicates an average marketing time of 8.18-months.

Conclusion

Based on our observation of the market and research, vacancy for retail space is down slightly from the recent high but rental rates have continued to drop and marketing time has begun to flatten out. Many landlords have adopted the policy of just getting a tenant in the building, even at minimal rates just to keep a cash flow on the property.

We believe demand from owner-user buyers will continue to be the driving force through 2011 as most investors continue to sit on the sidelines. Low demand from both private and institutional investors for commercial property locally has suppressed prices and increased capitalization rates, though it appears that prices and cap rates have stabilized over the last two quarters. The subject property is in proximity to employment centers and major roadways, and the surrounding retail properties are experiencing below average levels of demand. We believe the subject is well located for office use and that demand for commercial product like the subject will be good once market conditions return to some degree of normalcy.

SITE DESCRIPTION

Address: 706 9th Street, Modesto, CA 95354

Location: North side of 9th Street, Center of the block interior lot

APN: 106-042-010

Shape: Rectangular site with an interior location.

| | |
|-------------------------|--|
| Site Area: | Based on information available from the Assessor's Office, the site totals 0.24 acres, or 10,454 square feet. |
| Frontage: | Approximately 75 feet of frontage on 9 th Street and approximately 75 feet alley frontage. |
| Topography: | The site is level and at grade with the frontage. |
| Utilities: | All utilities including electricity, water, sewer, gas, and telephone service are available to the site. |
| Soil Conditions: | We have not been provided with a soils report for the subject site. Appraisers are not experts with regard to soils, geotechnical, or environmental issues. For purposes of this appraisal, we assume that a current report would reveal no soil, geotechnical, or environmental conditions that would adversely impact the value and marketability of the property. We make no warranties or representations as to soil toxicity matters. |
| Flood Zone: | According to Community Panel Number, 06099C0340E, dated September 26, 2008, property is located in Zone "X", areas determined to be outside the 100- and 500-year floodplains. Flood insurance is not required. |
| Earthquake Hazard Zone: | The subject site is not located within the Alquist-Priolo Special Study Earthquake Hazard Zone. |
| Environmental Issues: | We have not been provided a Phase I Environmental Site Assessment for the subject property. No evidence of site contamination was found. Our appraised value assumes the subject site to be free of site contamination. |
| Land Use Restrictions: | We have not been provided with a Preliminary Title Report for the subject property. The appraisal assumes that there are no easements or adverse conditions that would affect the value. |
| Access and Visibility: | Visibility is average as the property is situated on an interior site with frontage on 9 th Street. Access is also available via an alleyway. The subject has good access to both local and regional transportation. |

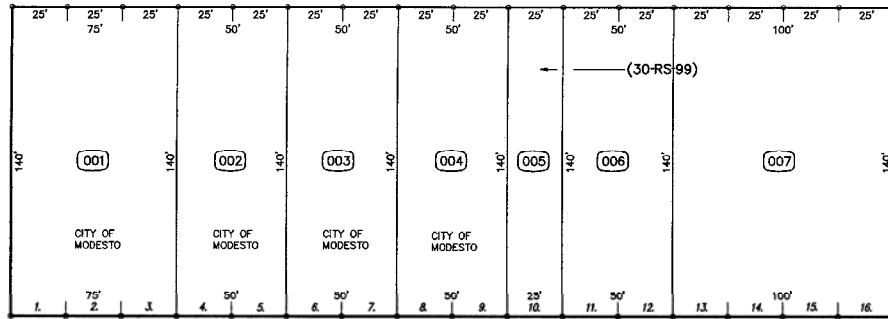
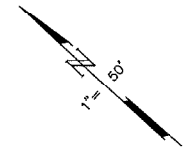
THIS MAP FOR
ASSESSMENT PURPOSES ONLY
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POR. NE 1/4 SEC. 32 T.3S. R.9E. M.D.B.& M.
CITY OF MODESTO - BLK. 54 (13M54)

002 173 106 - 042

041

80' 10TH STREET

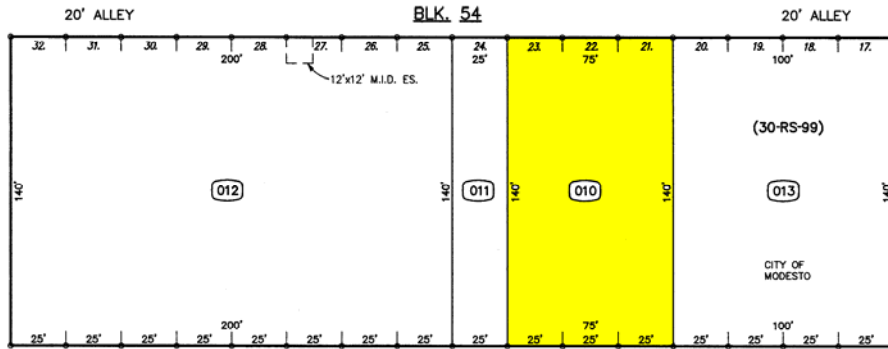


105-040

80' H STREET

80' G STREET

043



UNION PACIFIC CORP. R.R. (NO LONGER ON GROUND)

88' 9TH STREET

FROM 103-05
DRAWN 2-20-69
REVISED 3-12-73, 7-16-07 (V)DH

103-001



106 - 042

Off-site and Street Improvements: 9th Street is an asphalt-paved arterial street with concrete curbs, gutters, and sidewalks.

On-site Improvements: The site is improved with a single story retail building with a partial basement. There is an asphalt paved parking lot to the rear of the building with access via the alley. On-site improvements are in good condition.

In summary, the subject site is rectangular in shape and contains 10,454 square feet, or 0.24 acres. The site is level and at street grade with all public utilities available. The subject site has good frontage relative to its size. Visibility is considered average. The site has good access to both local and regional transportation. Overall, the site is well suited for a variety of commercial uses, including the subject restaurant/retail building.

ZONING

The subject site is under the jurisdiction of the City of Modesto. According to the City of Modesto Planning Department, the subject is zoned "TD" Transition District. The General Plan is Redevelopment Planning District (RPD). The zoning and General plan are in compliance. The "TD" Transition District is intended to implement General Plan Policy by promoting higher density, mixed-use development to create a balanced, vibrant downtown and active neighborhood centers.

We reviewed the City of Modesto website and also spoke with Josh Bridegroom of the City of Modesto Planning Department. Legal permissible uses in the downtown area include a variety of commercial uses (retail/office), and residential uses. The parking requirement is one space per 500 square feet minimum and one space per 300 square feet maximum. The subject has approximately 17 parking spaces in a small parking area in the rear portion of the site. The subject property has one space per 206 square feet of building area, which exceeds the one per 300 square feet in the parking requirements.

According to our interpretation of the development regulations, the subject is considered to represent a legal, conforming use due to the parking. If further information is needed, we recommend calling the City of Modesto Planning Department.

IMPROVEMENT DESCRIPTION

Our description of the improvements is based on our inspection of the property and information provided by the client. Public records notes that the subject property is a single-story 3,500 square foot retail building constructed in 1965. On site measurements determined by the appraiser show the building to consist of a 3,500 single story restaurant / retail building at grade level, with a 2,500 square foot basement. The building is valued based on 3,500 square feet with the basement considered an amenity. Notably, the structure is configured with a 2,500 square foot space that is a restaurant/bar, and two smaller 500 square foot spaces. A former barber shop is vacant, while the other 500 square foot space is presently used as an office.

Notably, the restaurant space has two addresses, and the two halves of the restaurant space each have front and rear doors. Although outfitted with restrooms on only one side, the space could theoretically be divided into two suites. (See sketch.)

General Data

| | |
|--|------------------------|
| 712-14 9 th St (Restaurant) | 2,500 square feet |
| 710 9 th St (Barber Shop) | 500 square feet |
| <u>706 9th St (Office)</u> | <u>500 square feet</u> |
| Total | 3,500 square feet |

The building contains $\pm 3,500$ square feet of gross and net rentable building area. The $\pm 2,500$ square foot restaurant has a seating capacity of 85-90 persons. The balance of the $\pm 1,000$ square foot building is divided into two 500 square feet suites. One is a former barbershop (now vacant) and the other is leased as an office.

There is also a 2,500 square foot basement.

Year Built/Renovated: The building was built in 1965. The subject appears to have been well-maintained and is in overall good condition for its age.

Floor Area Ratio: The building represents a Floor Area Ratio (FAR) at 34%.

Construction Details

Foundation/Floor Structure: Concrete perimeter with concrete basement floor, and a wood subfloor over the basement area.

Exterior Walls: Masonry Brick

Foundation: The foundation consists of a concrete perimeter with a wood subfloor over the basement area.

Roof: Flat roof with a built-up covering.

Fenestration: Glass windows are located on the front and rear sides of the building. There are two front doors and two rear doors in the restaurant, and the two other suites also each have front and rear doors.

Mechanical Details

| | |
|----------------------|---|
| Heating and Cooling: | Roof mounted HVAC system units delivering forced air via ceiling vents. |
| Plumbing: | There are two, two-fixture restrooms in the restaurant, and one restroom in each of the other two suites. |
| Fire Protection: | Fire extinguishers. |
| Other: | The building contains a security system. |

Interior Finish

| | |
|----------------------|--|
| Floors: | The flooring consists of carpeting in the two smaller suites, bar area and main dining rooms. Flooring in the kitchen area consists of non-slip tile with vinyl tile flooring in the bar area. |
| Ceilings: | Dropped acoustical panel ceilings, recessed florescent lighting. |
| Tenant Improvements: | <p>The restaurant contains typical restaurant tenant improvements; it is demised into two dining areas, a beverage prep area/bar, two two-fixture restrooms, and a kitchen. The main dining room contains seating booths, tables, and chairs. The kitchen contains all the fixtures including a cooler and freezer, stove with hood/vent, ovens, sinks, food prep stands, and shelving. (No personal property is included in valuation.)</p> <p>The other suites have basic carpet, drywall and/or painted block finish.</p> <p>The restaurant suite has access to a basement area of approximately 2,500 square feet. This area is currently utilized for storage and there is no outside access.</p> |

On-site Improvements

| | |
|------------------|--|
| On-site Parking: | There are approximately 17 parking spaces in the rear portion of the site off of the alley. This is equivalent to one space per 206 square feet, or 4.85 spaces per 1,000 square feet. Parking is considered adequate. |
| Other: | There is landscaping along 9 th Street that has been adequately maintained. There is free standing signage along the alleyway that provides for additional visibility. |

Summary of Improvement Description

In summary, the existing improvements consist of a ±3,500-square foot, multi-tenant retail building built in 1965, and in average condition. We estimate the effective age at 30 years. Based upon an economic life of 60 years, the remaining economic life of the subject is estimated to be 30 years. It is our opinion that the subject conforms well to the surrounding neighborhood.

Subject Photographs



Front elevation from 9th Street.



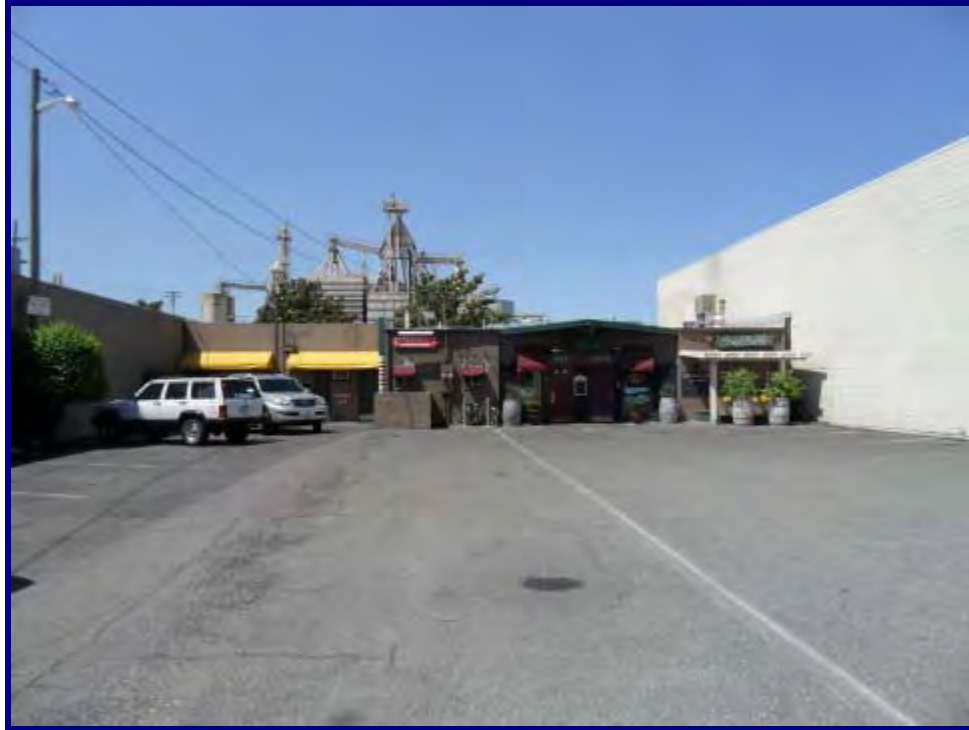
Front elevation from 9th Street.



Looking northwest along 9th Street, subject on right.



Looking southeast along 9th Street, subject on left.



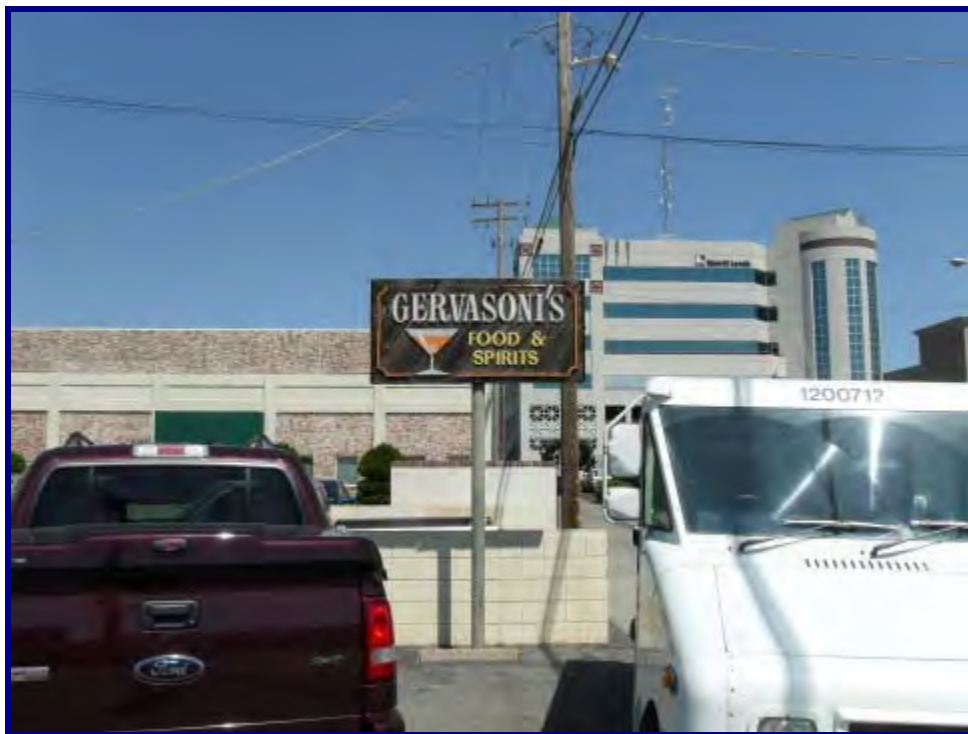
Rear Elevation and Parking lot



Rear of small office and vacant, former barber shop



Rear entrance to Gervasoni's Restaurant and Bar



Free standing sign in parking lot along alleyway



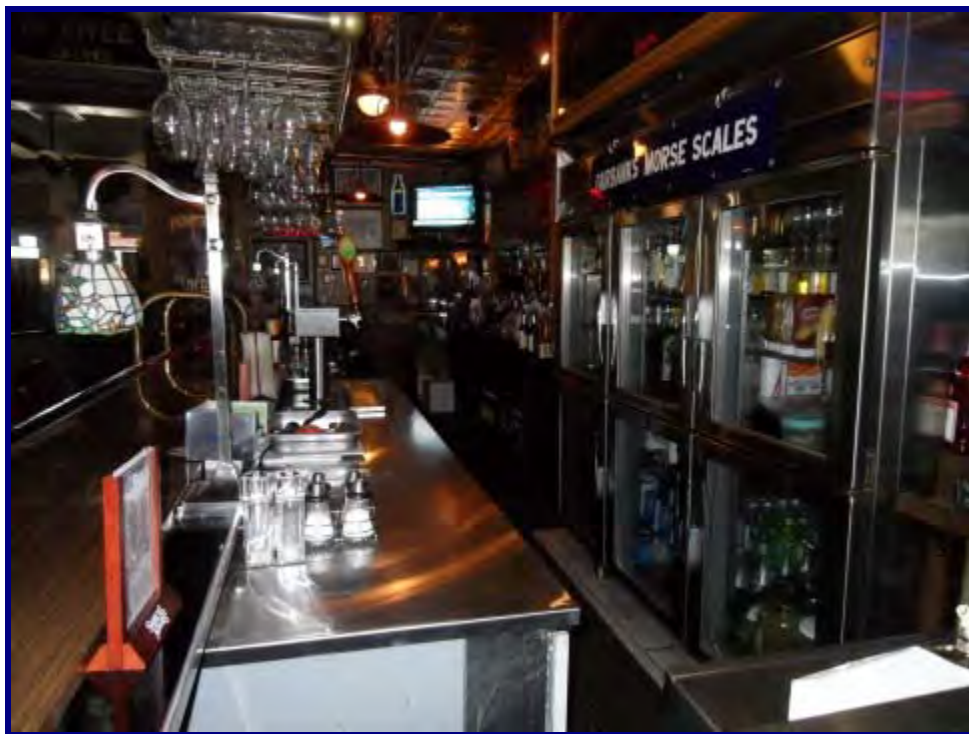
Front Entrance along 9th Street



Dining Room



Dining Area In Bar Section



Bar Area



Kitchen Prep Area



Kitchen



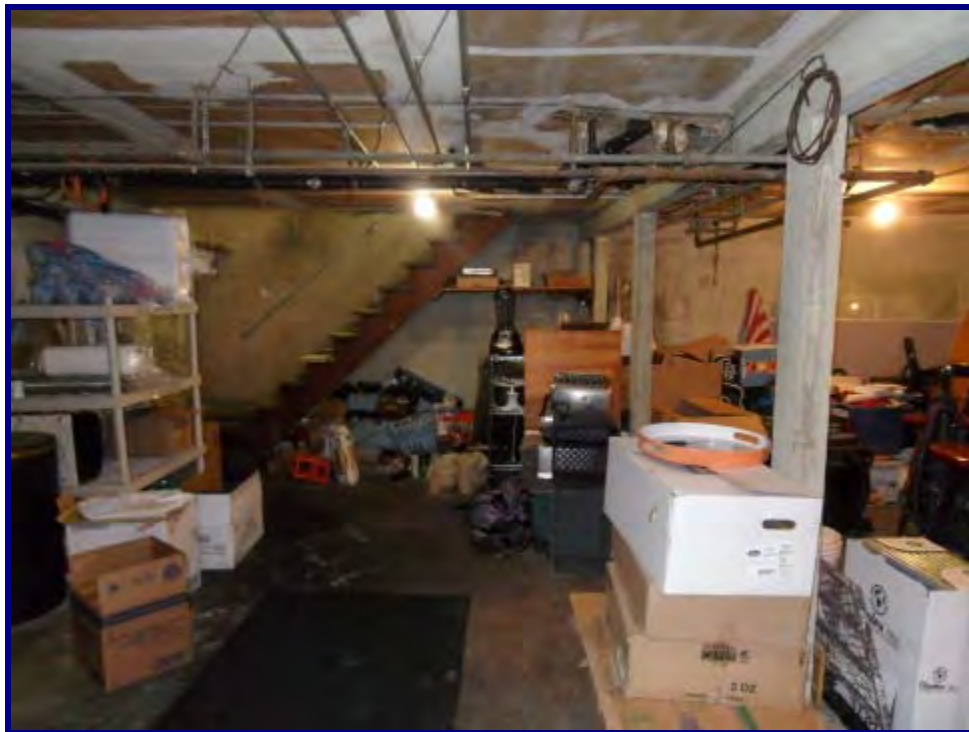
Prep & Cleaning Area



Women's Restroom



Men's Restroom



Basement under Restaurant

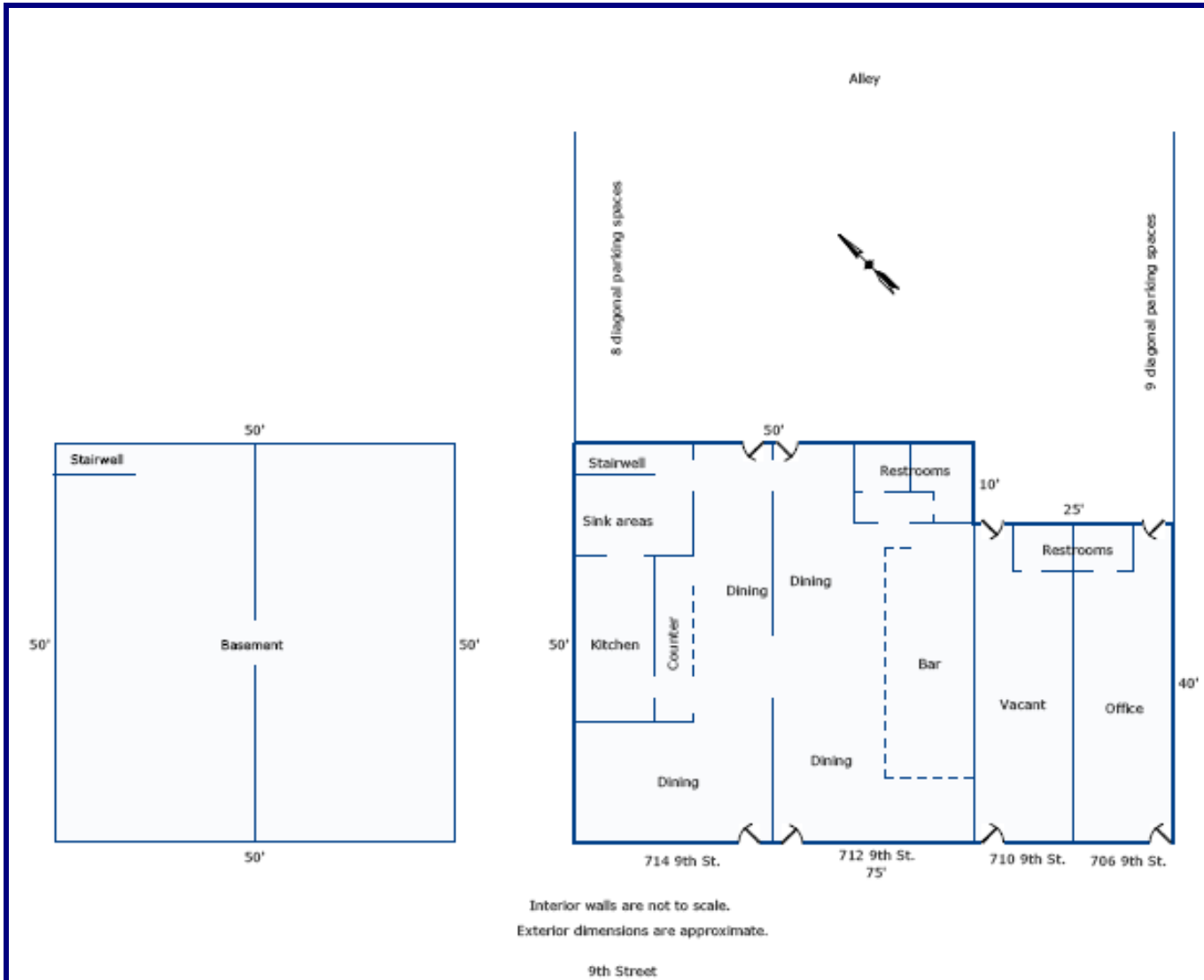


Office Suite



Office Suite Restroom

BUILDING SKETCH



HIGHEST AND BEST USE

Our analysis of highest and best use, of both the land “as if vacant” and the property “as improved,” is based on four criteria. Each highest and best use must meet these criteria, which are that the use must be: 1) physically possible; 2) legally permissible; 3) financially feasible and, 4) maximally productive.

Highest and Best Use – “As if Vacant”

The subject site is located in a desirable location in the downtown business district, with good frontage relative to its overall site size and depth. The subject site consists of a rectangular-shaped parcel containing approximately 10,454 square feet. The site is accessed from 9th Street and from an alley. The site is level and at street grade with all utilities available. The subject site has good frontage and visibility relative to its size. The site is located in the heart of the downtown core with very good access to both local and regional transportation. Overall, its physical characteristics make it suitable for a number of uses.

The subject is zoned “TD” Transition District. The General Plan is Redevelopment Plan District. The zoning and general plan allow for a variety of commercial uses. The zoning and general plan designations are compatible with one another. Various commercial uses including (but not limited to) retail are allowed.

The feasibility of developing this site is directly tied to current market conditions, including demand, and to construction and land costs. Given current economic and market conditions, surrounding land use patterns do not support development and many developers have halted construction. Overall, given high vacancy rates and decreasing rental rates, it is our opinion that it would not be financially feasible to develop the site. Considering the subject’s location characteristics and good surrounding commercial environs, it would be maximally productive to hold the property for future development.

Conclusion – “As If Vacant”

It is our opinion that the highest and best use would be for commercial-related use. The highest and best use “As Vacant” is to hold the property for future development in accordance with improvement of general economic conditions.

Highest and Best Use – “As Improved”

The four tests of highest and best use are applied to the subject in its “as is” condition. As improved, the subject consists of a multi-tenant storefront commercial building. We believe that potential users of the subject would include local retail, office, or commercial service users.

The existing improvements are in conformance with the existing zoning code and represent a legal and conforming use. Although retail market conditions are weak and new construction is generally not feasible at the current time, the value of the property “as improved” exceeds the value of the site “as if vacant” plus demolition costs.

Based on consideration of the above-mentioned factors, it is our opinion that the highest and best use of the property “as improved,” is the existing improvements. Given current market conditions, it is our opinion that the subject property is considered appealing to both investors and owner-users. An owner-user would likely pay more for the property than an investor in the current market.

SECTION III - VALUATION

THE APPRAISAL PROCESS

The valuation of a real property's market value involves a systematic process in which the appraisal problem is defined and the data required is gathered, analyzed, and interpreted into an opinion of value.

The three traditionally accepted approaches to value for commercial property were considered in this appraisal: the Cost, Sales Comparison, and Income Approaches. Not all three approaches are applicable in every instance. The subject is an area where there have been very few land sales over the past five years, making it very difficult to develop an opinion of the underlying land value. Further, estimation of accrued depreciation from all sources is difficult for an older improvement, and as a result, buyers and sellers of properties like the subject typically rely upon the Sales Comparison and Income Approaches to value. When the Cost Approach is used, it is typically used to ascertain the feasibility of a new project. The Cost Approach is therefore not considered necessary in order to arrive at a credible opinion of value for the subject property.

The two applicable approaches were determined to be the Sales Comparison and Income Approaches. These two approaches are then reconciled into a final value conclusion. In the reconciliation, the contribution of each approach is considered with regard to the type of property being appraised and the adequacy and reliability of the data analyzed.

SALES COMPARISON APPROACH

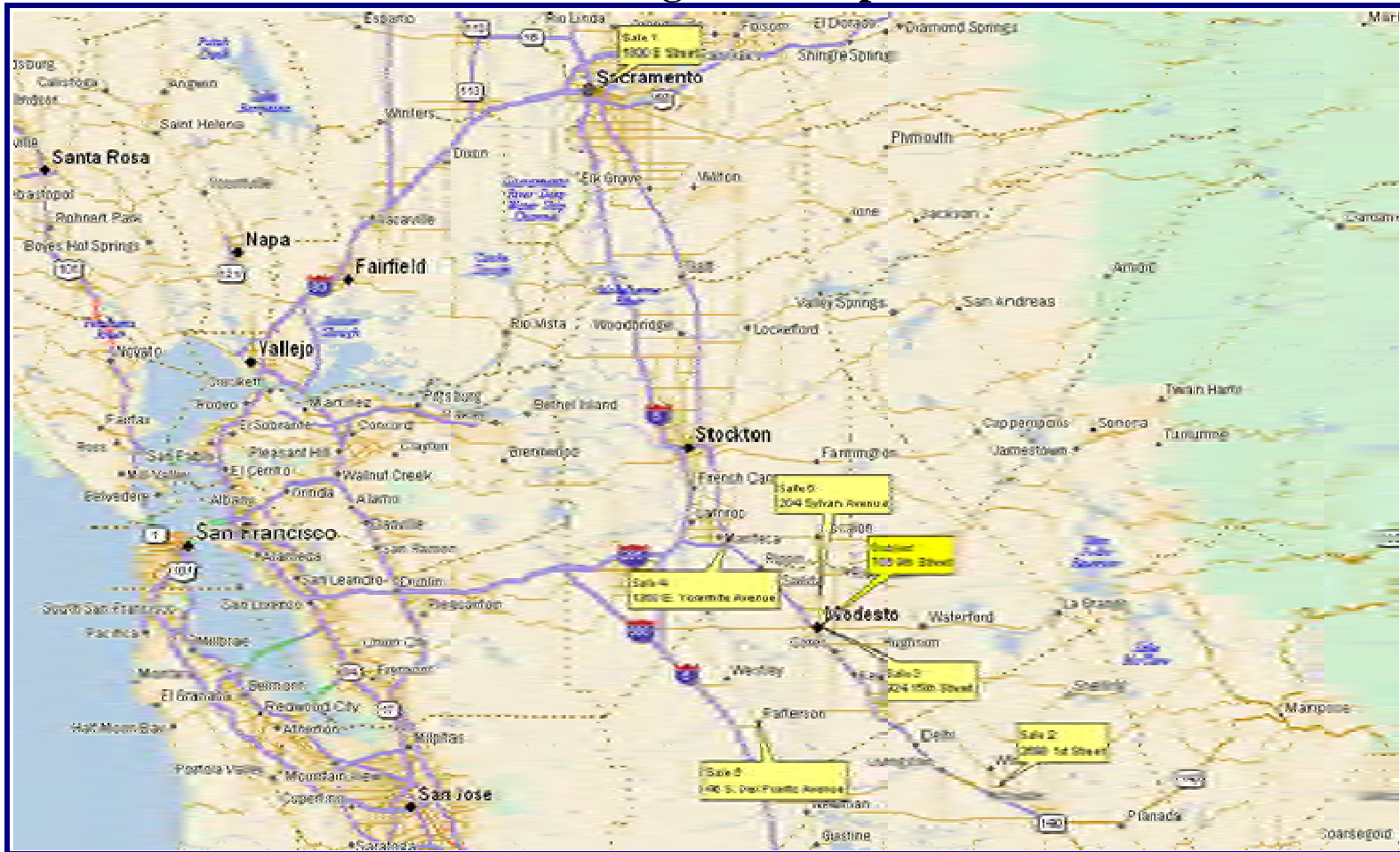
The Sales Comparison Approach hypothesizes that a prospective purchaser would pay no more for a property than the amount for which he or she could purchase another substitute property. From the sales surveyed, five sales and one listing/pending sale were selected as most relevant to the valuation of the subject property. These comparables are summarized on the next page. We have also included a Building Sales Location Map, Photographs, and building sale details following the map and a discussion of adjustments. These sales are compared to the subject property on the basis of sale price per square foot of rentable building area.

BUILDING SALES SUMMARY

| Sale No. | Location | Yr. Built Site Size | Building Size FAR | Sale Date | Sale Price | Price/S.F. | Annual NOI/s.f. | Cap Rate | Comments |
|----------|--------------------------------------|------------------------|----------------------|--------------|-------------|------------|-----------------|----------|---|
| 1 | 1800 E Street Sacramento | 1900 3,049 | 2,600 85% | Apr-11 | \$365,000 | \$140.38 | \$11.45 | 8.2% | Freestanding restaurant building; interior location along primary roadway; adequate parking; Existing bakery tenant has 70 year operating history. NOI actual per broker. |
| 2 | 2698 1st Street Atwater | 2000+/- 11,722 | 3,990 34% | Dec-10 | \$675,000 | \$169.17 | N/A | N/A | Freestanding single tenant retail building near downtown area of Atwater. Property sold to existing tenant. 16 parking spaces available resulting in parking ratio of 4.0/1,000 s.f. |
| 3 | 924 15th Street Modesto | 1897 6,970 | 3,456 50% | Oct-10 | \$480,000 | \$138.89 | N/A | N/A | Multi-tenant freestanding retail building with a parking ratio of 1.5/1,000 sqft. A former dwelling converted to office/retail and was a restaurant formerly. New owner intends retail use. |
| 4 | 1360 East Yosemite Avenue Manteca | 1990's 30,928 | 7,788 25% | Oct-10 | \$1,300,000 | \$166.92 | N/A | N/A | Multi-tenant freestanding retail building, parking ratio 3.0/1,000 s.f. |
| 5 | 46 S. Del Puerto Avenue Patterson | 1952 4,792 | 4,477 93% | Jul-10 | \$474,000 | \$105.87 | N/A | N/A | Freestanding retail building; downtown location in Patterson, adequate parking, 100% vacant - owner-user purchase. Broker notes some repairs were required but unwilling to disclose specifics. |
| 6 | 204 Sylvan Avenue Modesto | 1962 3,485 | 2,128 61% | Pending Sale | \$250,000 | \$117.48 | N/A | N/A | Freestanding retail building, along high-traffic east-west artery. Broker states property only on the market for three weeks with high interest and offer price competitive to list price. |

Hulberg & Associates, Inc.

Building Sales Map



BUILDING SALE NO. 1**Location Data**

Address: 1800 E Street
Sacramento, CA 95811

APN: 003-0122-004

Property Information

Building Size: 2,600

Land Size (s.f.): 3,049

FAR: 85 %

Year Built: 1900

Parking Ratio: 0.0/1,000 s.f.

Sale Information

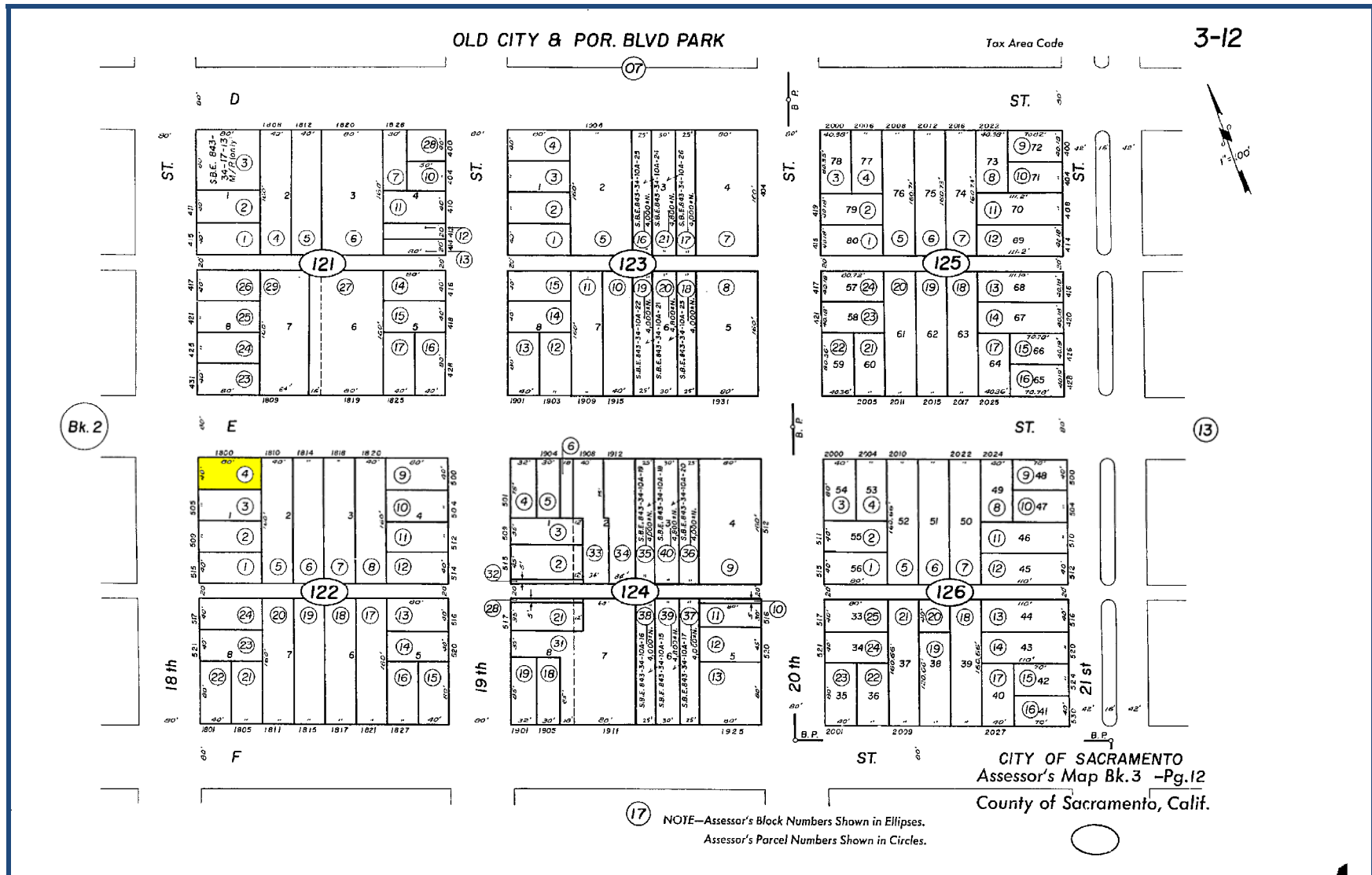
Close of Escrow: 4/1/2011

Sale Price: \$365,000

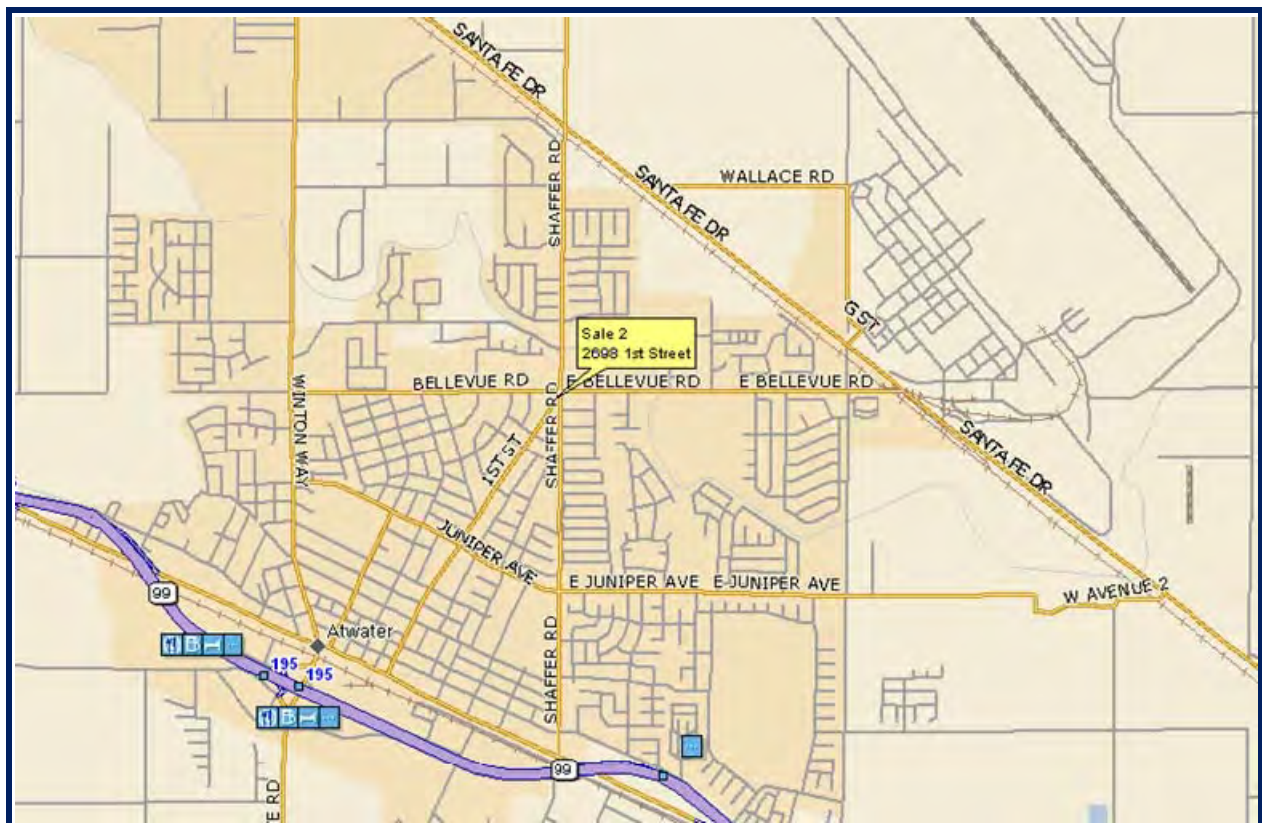
Sale Price/s.f. (bldg): \$140.38
Cap Rate: 8.2%
Grantor: Clark-Kahoiwai Trust
Grantee: Gulati, Gagan & Rama
Document #: 110401-715

Comments on Sale

Per broker, this property is the site of La Roma Bakery, which has been in operation for 70 years. Current tenant has operated the bakery for the past 10 years. NOI \$29,759 confirmed for 2010, but broker was unable to disclose terms of the lease. The property had a strong level of interest and went pending after 15 days on the market. There were no repairs anticipated or made during escrow and the buyer paid cash for the property. Mr. McMartin feels that the Sacramento retail market is softening with an increase in vacancy rates. This property sold primarily due to the existing long-term business in his opinion.



BUILDING SALE NO. 2



Location Data

Address: 2698 1st Street
Atwater, CA

APN: 003-211-002

Property Information

Building Size: 3,990
Land Size (s.f.): 11,761
FAR: 34%
Year Built: Circa 1976
Parking Ratio: 4.0/1,000 s.f.

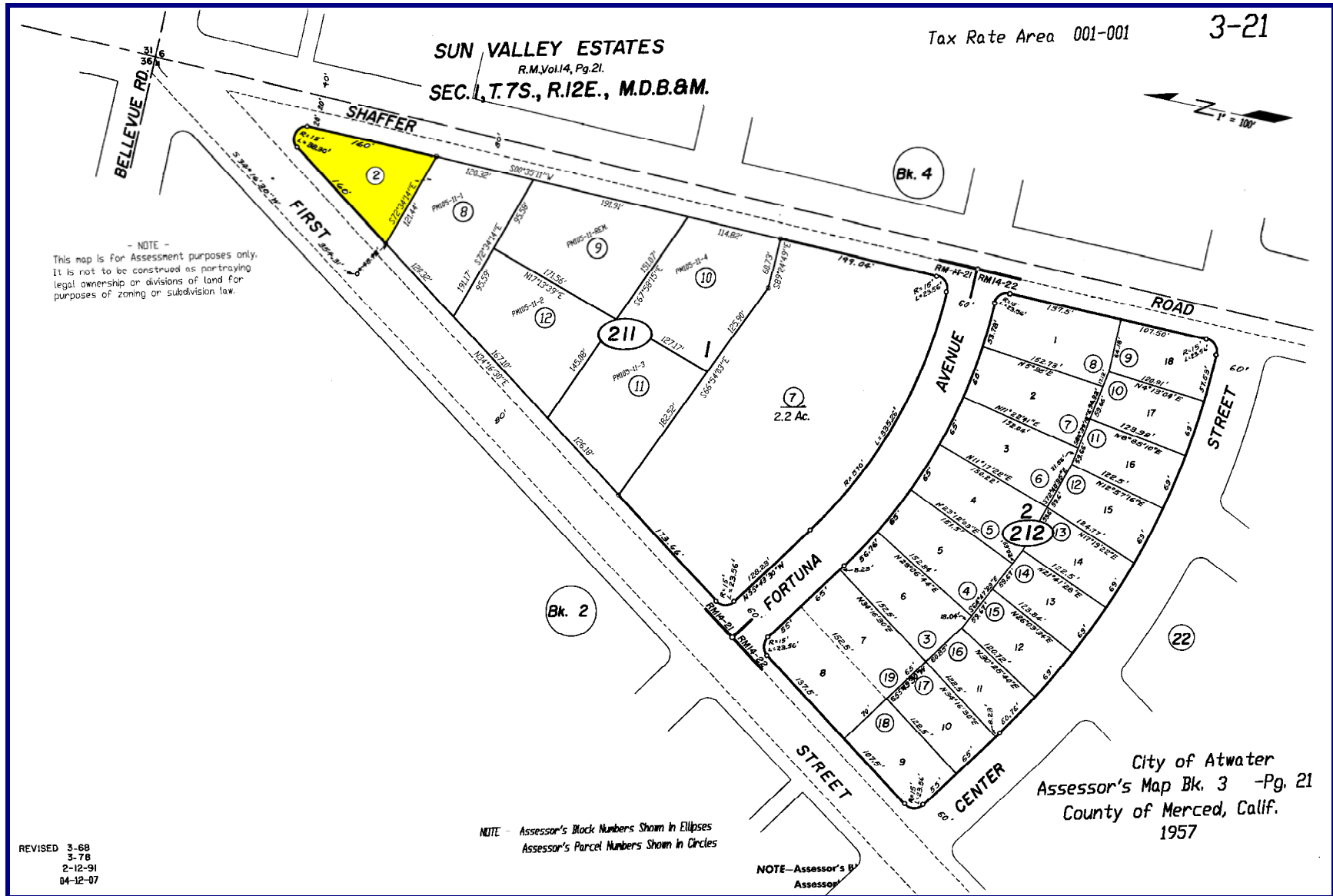
Sale Information

Close of Escrow: 12/27/2010
Sale Price: \$675,000
Sale Price/s.f. (bldg): \$169.17
Cap Rate: N/A
Grantor: Peter & Rose Royce 2 Living Trust
Grantee: Balbir Singh 2004 Trust
Document #: 51204

Comments on Sale

This is the sale of a single-tenant retail building located in Atwater. The improvements consist of a single-story building containing 3,990 square feet, constructed in 1976 and in average condition at the time of sale. The underlying site contains 11,761 square feet indicating a floor area ratio (FAR) of 34%. The on-site parking ratio is 4.0 spaces per 1,000 square feet of building area.

The buyer is the tenant doing business as Five Corner food market. The buyer had a lease with an option to purchase and occupied for one year before purchasing the property.



BUILDING SALE NO. 3**Location Data**

Address: 924 15th St.
Modesto, CA 95354

APN: 105-007-08

Property Information

Building Size: 3,456

Land Size (s.f.): 6,970

FAR: 50%

Year Built: 1897

Parking Ratio: 1.5/1,000 s.f.

Sale Information

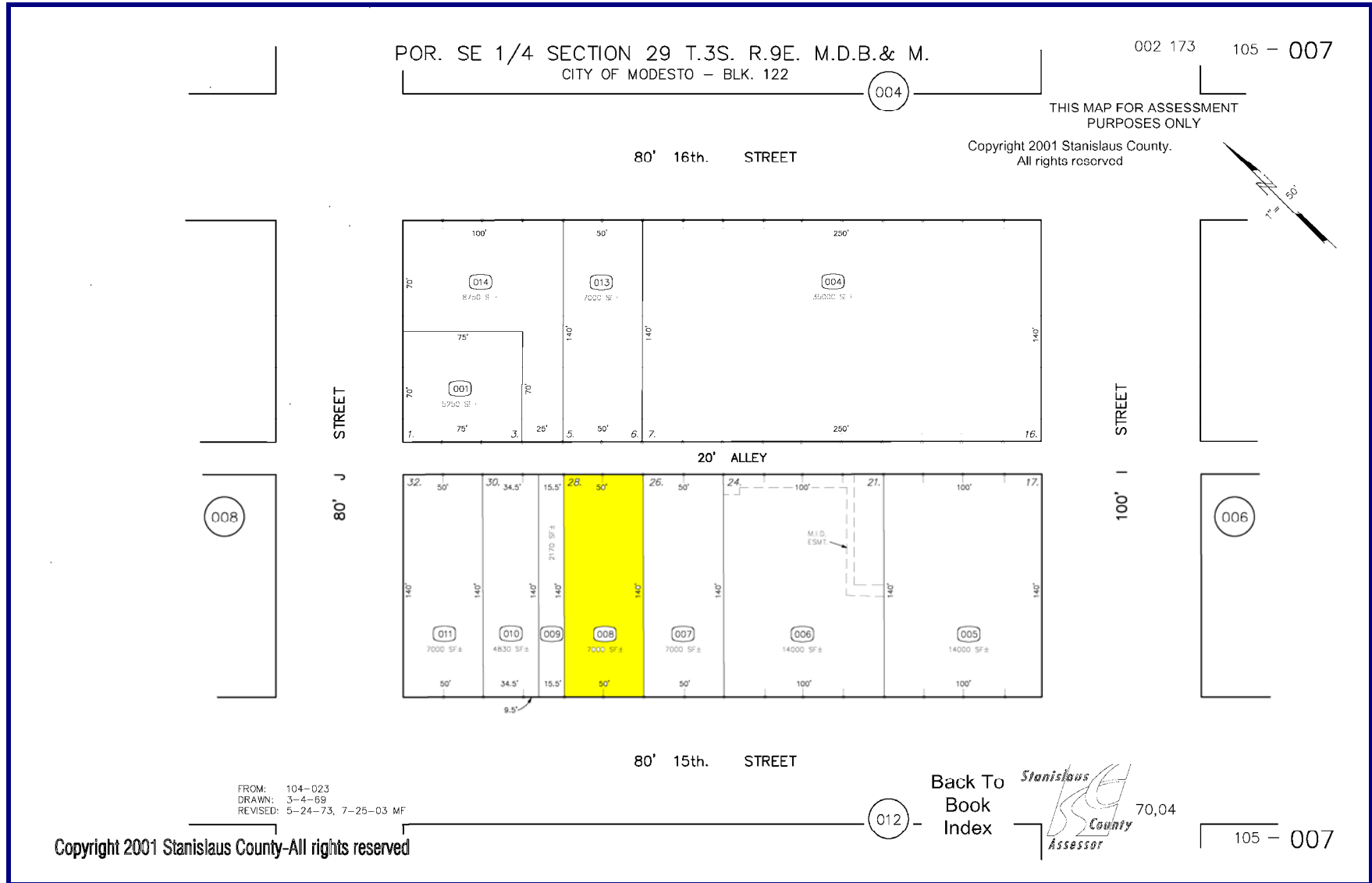
Close of Escrow: 10/7/2010

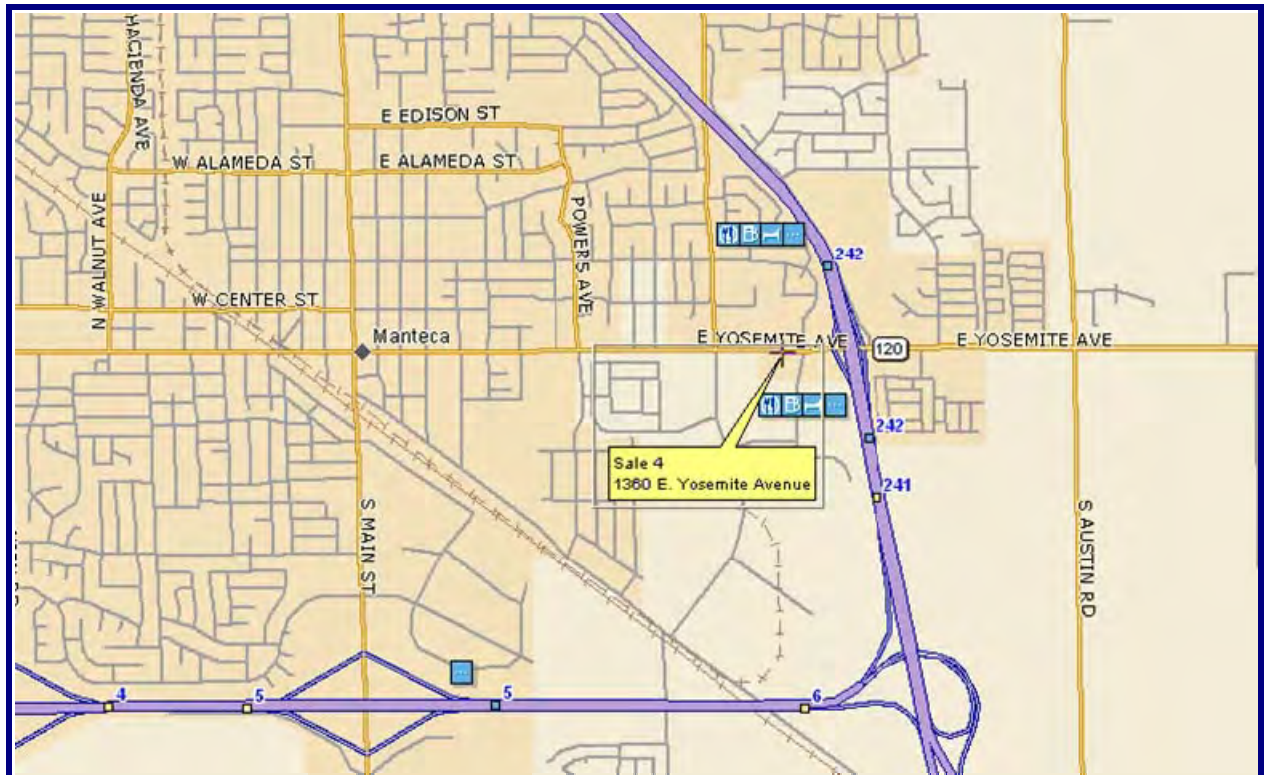
Sale Price: \$480,000
Sale Price/s.f. (bldg): \$138.89
Cap Rate: N/A
Grantor: Dennis W. & Audrey M. Helton
Grantee: McHenry Mansion Foundation
Document #: 091679

Comments on Sale

This is the sale of a free-standing former dwelling that was converted to retail use in downtown Modesto. Buyer intends to maintain the current retail use. The building was constructed in 1897 and contains 3,456 square feet. Maintenance appears no less than immaculate. The improvements are situated on 0.16 acres for site coverage of 50%. There are five parking spaces for a parking ratio of 1.5 per 1,000 square feet of building area. The grounds are extensively landscaped. The frontage consists of 50 feet along 15th Street.

At the time of sale, the building was 100% occupied by three tenants.



BUILDING SALE NO. 4**Location Data**

Address: 1360 E Yosemite Avenue
Manteca, CA 95336

APN: 221-200-67

Property Information

Building Size: 7,788

Land Size (s.f.): 30,928

FAR: 25%

Year Built: 1990's

Parking Ratio: 2.6/1,000 s.f.

Sale Information

Close of Escrow: 10/1/2010

Sale Price: \$1,300,000

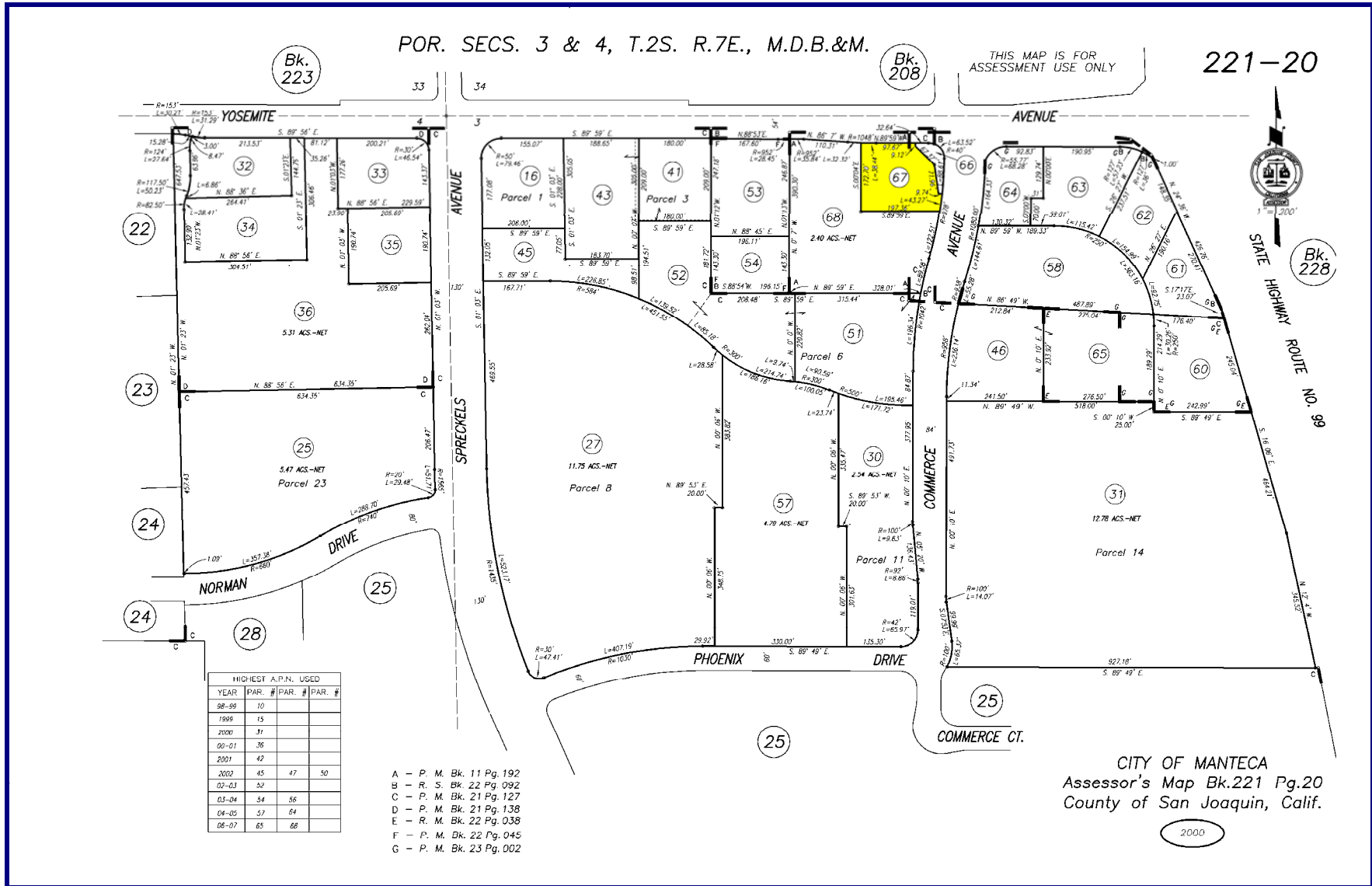
Sale Price/s.f. (bldg): \$166.92

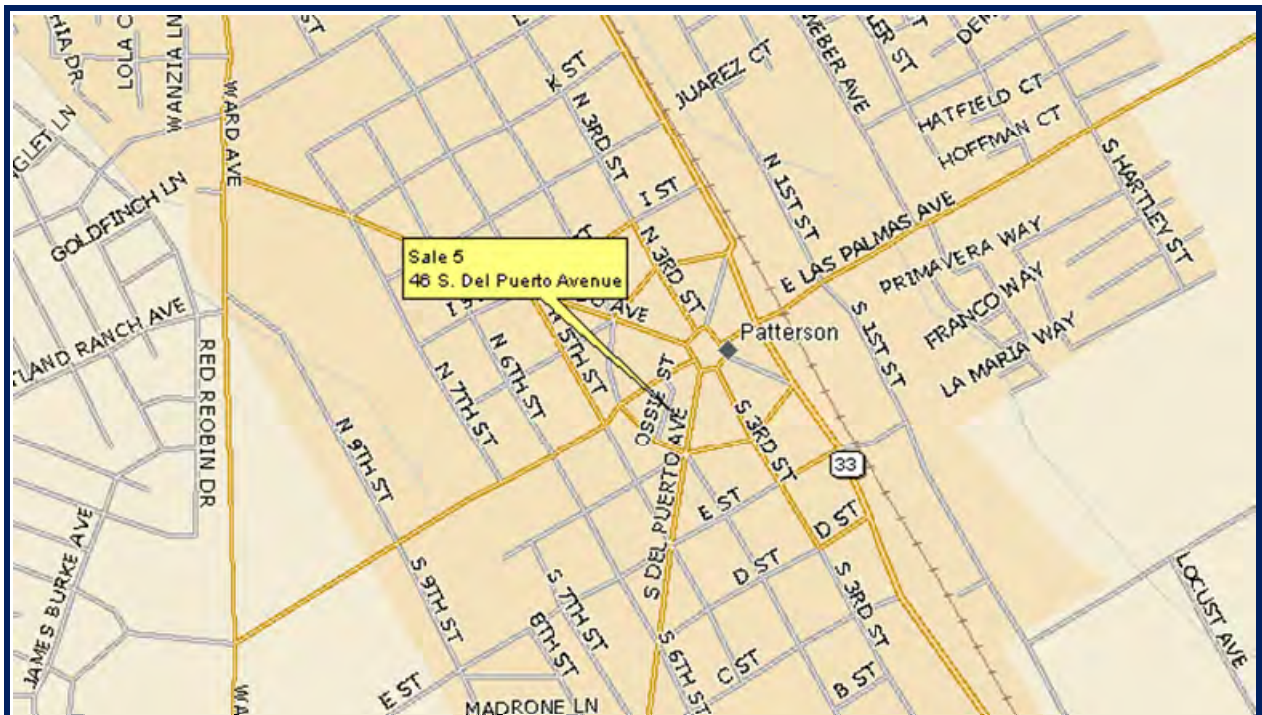
Cap Rate: N/A
Grantor: Marianne E. Machado
Grantee: Portfolio Yosemite, LLC
Document #: 129220

Comments on Sale

This is the sale of two detached retail pad spaces located in Manteca. The property is located on a corner with good visibility from Yosemite Avenue, a major commercial arterial. The improvements consist of one single-story and one two-story building containing an aggregate 7,788 square feet. The buildings were constructed in the 1990's and appear to be in good condition. Both spaces are 100% occupied by Mimosa Spa & Salon. The underlying site contains 30,928 square feet indicating a floor area ratio (FAR) of 25%. The on-site parking ratio is approximately 2.6/1,000 with 20 free spaces.

The building was purchased by an investor. The parties involved were not at liberty to disclose any vital data and no financial information was available.



BUILDING SALE NO. 5**Location Data**

Address: 46 S. Del Puerto Avenue
Patterson, CA 95363

APN: 131-015-054

Property Information

Building Size: 4,477

Land Size (s.f.): 4,792

FAR: 93 %

Year Built: 1952

Parking Ratio: 0.0/1,000 s.f.

Sale Information

Close of Escrow: 7/1/2010

Sale Price: \$474,000
Sale Price/s.f. (bldg): \$105.87
Cap Rate: N/A
Grantor: Chin, Freda & Brown, Troy P
Grantee: Park, Won H & Tae S
Document #: 057703

Comments on Sale

This is a sale of a retail building located in Patterson. Improvements consist of a single story building containing 4,477 square feet with the underlying site containing 4,792 square feet. The building is of masonry construction. Property is located in the central business district of Patterson, approximately 1/2 block from the Center Plaza Circle. Building has approximately 38' street frontage and a 3,000 square foot basement.

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POR. SEC. 30 T.5S. R.8E. M.D.B.& M.
TOWN OF PATTERSON - BLKS. 51-53 & 62-64 (04M39 & 04M47)

005 028 131 - 015

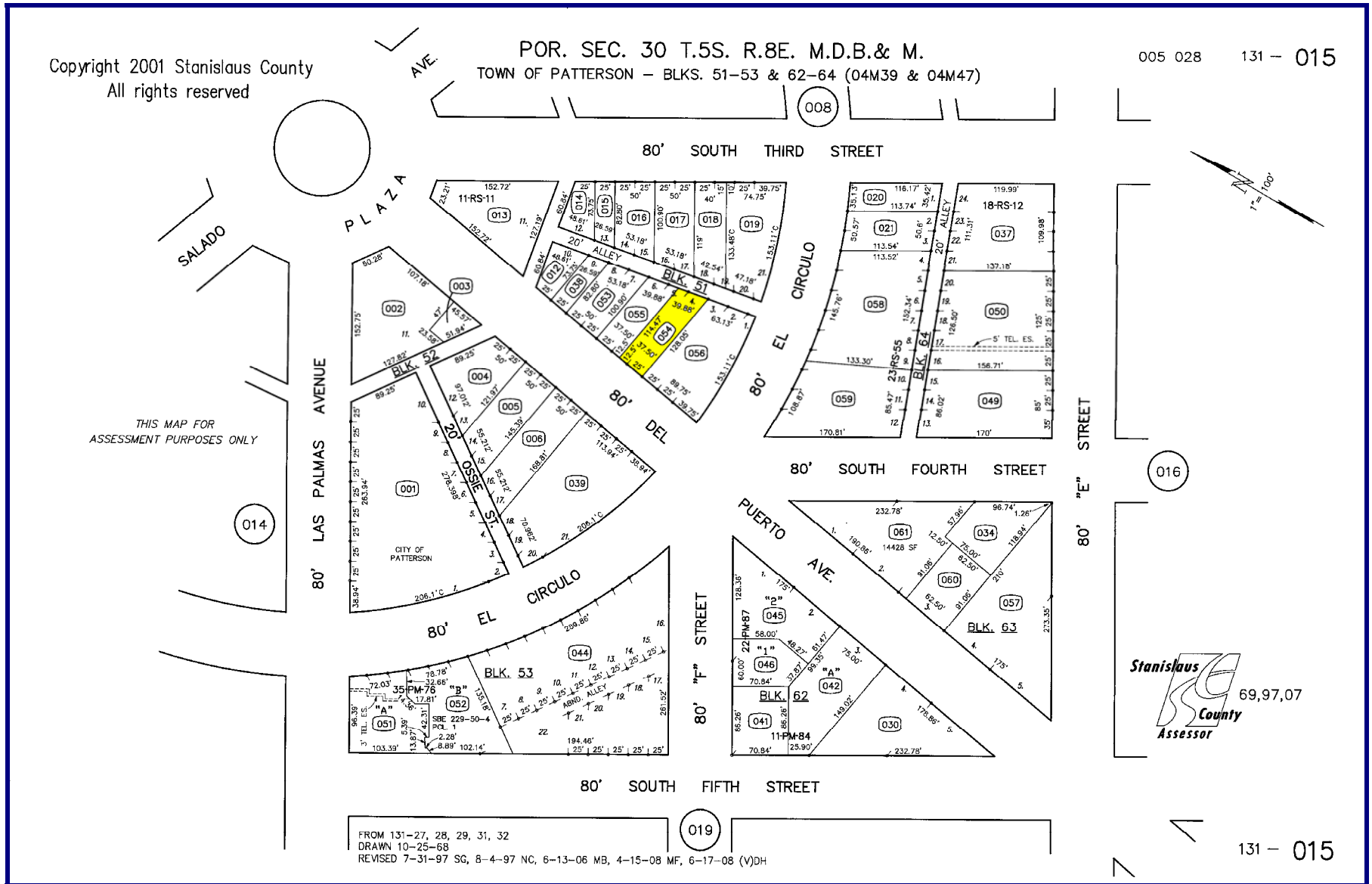
THIS MAP FOR
ASSESSMENT PURPOSES ONLY

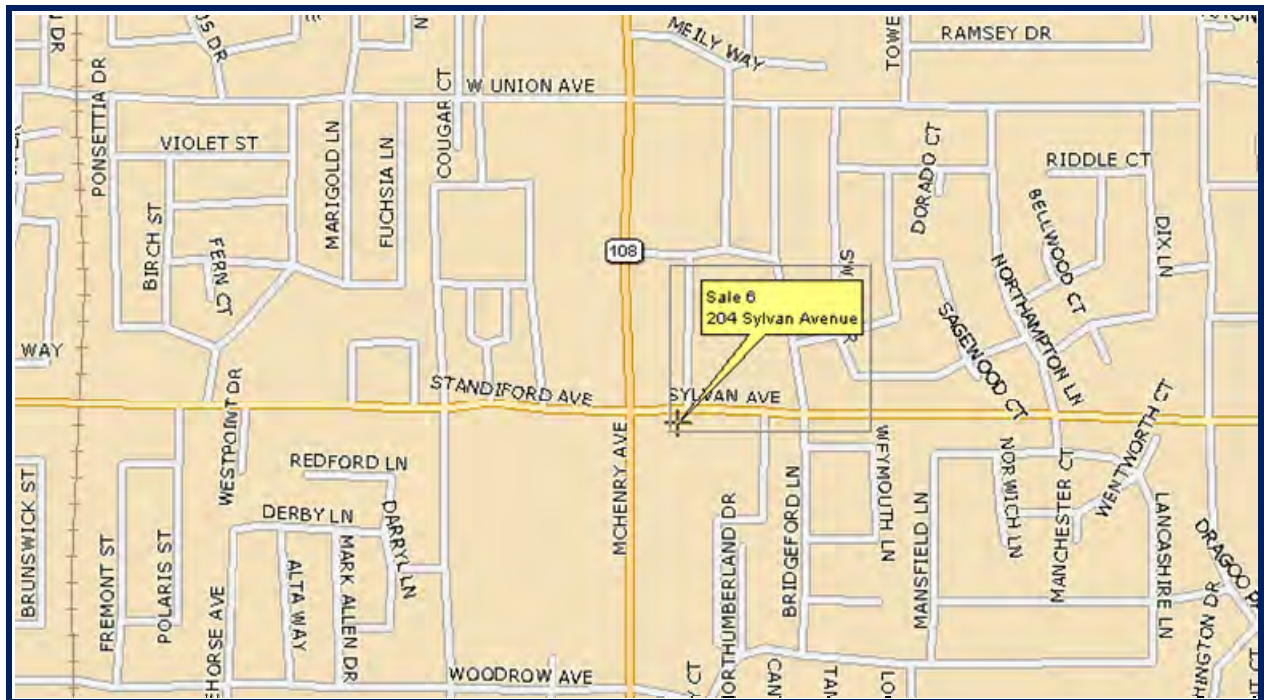
014

FROM 131-27, 28, 29, 31, 32
DRAWN 10-25-68
REVISED 7-31-97 SG, 8-4-97 NC, 6-13-06 MB, 4-15-08 MF, 6-17-08 (V)DH

019

131 - 015



BUILDING LISTING NO. 6**Location Data**

Address: 204 Sylvan Avenue
Modesto, CA 95350

APN: 013-005-002

Property Information

Building Size: 2,128

Land Size (s.f.): 3,485

FAR: 61 %

Year Built: 1962

Parking Ratio: 2.7/1,000 s.f.

Sale Information

Close of Escrow: Pending

Sale Price: \$250,000 list price

Sale Price/s.f. (bldg): \$117.48

Cap Rate: N/A
Grantor: Lim Kok Koon
Grantee: N/A
Document #: N/A

Comments on Sale

This is a pending sale of a single-tenant retail building located in Modesto. The improvements consist of a single-story building containing 2,128 square feet, constructed in 1962 and in average condition. The underlying site contains 3,485 square feet indicating a floor area ratio (FAR) of 61%. The property has six designated parking spaces for a parking ratio of 2.7 spaces per 1,000 square feet of building area. Notably, the larger parcel that wraps around this site is a retail shopping center.

Per listing agent, this single tenant retail building has had a lot of interest in it during the three weeks that it has been on the market. It was listed at \$125 per square foot or \$250,000, but our records indicate that the building contains 2,128 instead of 2,000 square feet. The actual list price based on the actual building size is shown above. It is currently under contract at terms he was not at liberty to disclose. He did confirm that the terms were relatively close to the listing price.

Adjustment Discussion

The appraiser must make adjustments to each comparable to account for dissimilarities between the individual sales and the subject property. For income-producing properties, the appraiser usually makes adjustments based on one or more units of comparison. Typical units of comparison are sale price per square foot, net income per square foot, gross income multiplier, etc. The price per square foot is the relevant unit of measure in this instance. Although this approach relies on past sales, it provides direct evidence of actions of both buyers and sellers.

Because of the difficulty in adjusting the comparable sales to the subject property, we have included a Building Adjustment Grid. The Building Adjustment Grid is not a scientific method in adjusting the comparable sales in comparison to the subject property. It is merely presented as an explanation to help the reader follow the appraiser's judgment in the adjustment process. While the amount of individual adjustments can be argued, they do help provide an order of magnitude and an adjustment direction based on the market data presented. Primarily, consideration was given to location, size, quality/appeal, functional utility, age/condition, tenancy, and parking/FAR.

Property Rights/Financing

Adjustments to the comparables for property rights and financing were not merited.

Conditions of Sale

The existing tenant in Sale 2 purchased the property on a lease option the year prior to close. Sale 3 is a historic building in the downtown Modesto area and sold to a foundation that operates two museum buildings near this property. It was not advertised for sale, as the building's owners knew that the museum's foundation was looking for property to expand. Sale 6 is a listing and although reportedly sold *near* the list price, an adjustment for conditions of sale reflects that sales typically transact below the asking price.

Market Conditions

The comparables have sold within twelve months from the date of value (2010 to 2011). As discussed in the Market Overview, most of the price declines happened in 2008/2009, and flattened out in 2010 and into 2011; overall, because the comparables all sold within 2010-2011, adjustments for market conditions were not required.

Location

The subject is located in the downtown zone of Modesto. Because the comparable sales are all located within different market locations, adjustments were considered. Property values are heavily dependent upon location. With all else equal, land and property values are generally higher in San Joaquin and Stanislaus Counties than they are in Merced. However, for retail buildings, visibility/exposure to traffic is also an important micro-locational consideration. Although location adjustments are very difficult to quantify, there is sufficient market data that suggests which locations are generally superior to others.

Sale 1 is located in Sacramento in a strong downtown location. Overall, a downward location adjustment is appropriate.

Sale 2 is located in Atwater which is a much smaller community in Merced County. It has a smaller retail base and the economic conditions in Merced County are inferior to those in Stanislaus County. That said, the specific location of Sale 2 is in a downtown core area of

Atwater, with higher traffic exposure than that of the subject. The macro and micro locational characteristics are offsetting.

Sale 3 is located in Modesto within close proximity to the subject; with similar exposure to traffic, as compared to the subject, no adjustment was warranted for location.

Sale 4 is located in Manteca which reflects higher average rental rates and average sales price per square foot. Sale 4 was given a downward adjustment because of its superior location.

Sale 5 is located in Patterson; a tertiary retail market. Patterson has lower average rental rates and values as Modesto is a stronger location than Patterson is in a general sense, and the immediate location of the subject is also quite strong in comparison. Overall, an upward adjustment is appropriate.

Listing 6 is located in north Modesto along the Standiford/Sylvan Avenue corridor. Listing 6 is located on a major retail corridor that is comparable to the downtown core area of the subject.

Size

The subject contains approximately 3,500 net rentable square feet. Because smaller buildings typically sell for a higher unit price (with all else equal) as compared to larger buildings, adjustments are made where the differences in size are significant. Sales 2 and 3 are similar in size and no adjustment was made for this factor. All of the other sales are larger or smaller properties and upward/downward adjustments were applied as indicated.

Quality/Appeal

Sale 5 is rated inferior to the subject for quality/appeal, Sale 1 is similar, while all of the other sales are superior in this regard as compared to the subject. Sale 3 is most superior in this regard.

Age/Condition

The subject was built in 1965 and is in overall average condition; we estimate the effective age at 30-years. Sale 5 is inferior in terms of age/condition, while Nos. 2, 3, 4, and 6 are superior to the subject in this regard.

Parking/FAR

The subject has an FAR of 0.34% and adequate parking. Sale 2 is similar, Sale 4 is superior, while all of the other sales have an inferior FAR as compared to the subject.

Tenant Improvements

We have also applied an adjustment for tenant improvements to acknowledge the superior restaurant finish as compared to basic retail space. Sales 1 and 3 included restaurant TIs while all of the others require upward adjustment for this factor.

| BUILDING SALE ADJUSTMENT GRID | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <u>COMPARABLE SALES</u> | 1 | 2 | 3 | 4 | 5 | 6 |
| DATE OF SALE | Apr-11 | Dec-10 | Oct-10 | Oct-10 | Jul-10 | Pending Sale |
| SALE PRICE | \$365,000 | \$675,000 | \$480,000 | \$1,300,000 | \$474,000 | \$250,000 |
| RENTABLE BLDG (SQ FT) | 2,600 | 3,990 | 3,456 | 7,788 | 4,477 | 2,128 |
| YEAR BUILT | 1900 | 2000+/- | 1897 | 1990's | 1952 | 1962 |
| EFFECTIVE AGE | 40 | 20 | 40 | 20 | 50 | 30 |
| FAR | 85% | 34% | 50% | 25% | 93% | 61% |
| NOI/SF | 8.15% | N/A | N/A | N/A | N/A | N/A |
| PRICE/SQ FT/ BUILDING | \$140.38 | \$169.17 | \$138.89 | \$166.92 | \$105.87 | \$117.48 |
| <u>ADJUSTMENTS</u> | | | | | | |
| Property Rights | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Financing | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Conditions of Sale/Listing | 0.0% | -10.0% | -10.0% | 0.0% | 0.0% | -5.0% |
| Dollar Adjustment | \$0.00 | (\$16.92) | (\$13.89) | \$0.00 | \$0.00 | (\$5.87) |
| <u>NORMAL SALE PRICE</u> | \$140.38 | \$152.26 | \$125.00 | \$166.92 | \$105.87 | \$111.61 |
| <u>MARKET CONDITIONS ADJUSTMENT</u> | | | | | | |
| Months Since Sale | 3 | 7 | 9 | 9 | 12 | N/A |
| Total Adjustment | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Dollar Adjustment | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| <u>TIME ADJ PRICE</u> | \$140.38 | \$152.26 | \$125.00 | \$166.92 | \$105.87 | \$111.61 |
| Location/Access | -5.0% | 0.0% | 0.0% | -10.0% | 5.0% | 0.0% |
| Size | -5.0% | 0.0% | 0.0% | 15.0% | 5.0% | -5.0% |
| Quality/Appeal | 0.0% | -5.0% | -10.0% | -5.0% | 10.0% | -5.0% |
| Age/Condition | 5.0% | -10.0% | -5.0% | -10.0% | 10.0% | 0.0% |
| FAR/Parking | 10.0% | 0.0% | 5.0% | -5.0% | 10.0% | 5.0% |
| Tenant Improvements | 0.0% | 10.0% | 0.0% | 10.0% | 10.0% | 10.0% |
| <u>TOTAL % ADJUSTMENT</u> | 5.0% | -5.0% | -10.0% | -5.0% | 50.0% | 5.0% |
| Dollar Amount Adjustment | \$7.02 | (\$7.61) | (\$12.50) | (\$8.35) | \$52.94 | \$5.58 |
| <u>INDICATED VALUE/Sq Ft</u> | \$147.40 | \$144.64 | \$112.50 | \$158.58 | \$158.81 | \$117.19 |

Hulberg & Associates, Inc.

Sales Comparison Approach Conclusion

After adjustments to the subject, the comparables indicate unit values ranging from \$113 to \$159 per square foot, with an average adjusted price of \$140 per square foot. The highest indicator is considered least reliable, as it required the most adjustment. The two comparables from Modesto are the lower indicators.

Overall, with consideration of Sales 3 and 6, we conclude a unit value of \$120 per square foot to be appropriate for the subject property. This yields a value indication by the Sales Comparison Approach of \$420,000, calculated as follows:

$$3,500 \text{ s.f.} \times \$120.00/\text{s.f.} = \$420,000$$

Rounded = \$420,000

INCOME APPROACH

This approach is based on the premise that the value of an income-producing property is represented by the present worth of anticipated future benefits, including the income generated as well as the value of the property upon re-sale (reversion). The income approach analysis can be based on Direct Capitalization or via Discounted Cash Flow Analysis.

In the analysis of the subject property via the Income Approach, we have relied on the Direct Capitalization technique. Direct capitalization reflects both the income stream and reversion in one step, and is the technique most utilized by investors purchasing single-tenant investments, such as the subject.

In direct capitalization, the appraiser forecasts the potential income stream based on the quality, quantity, and duration of the income. The potential income is then capitalized to arrive at a value for the subject property.

Market Rent Survey

The first step in the Income Approach is to estimate the current market rent for the subject property with the added amenity of the basement. The subject property consists of a retail building containing 3,500 net rentable square feet. Although we are valuing the fee simple estate, we have also considered the subject lease.

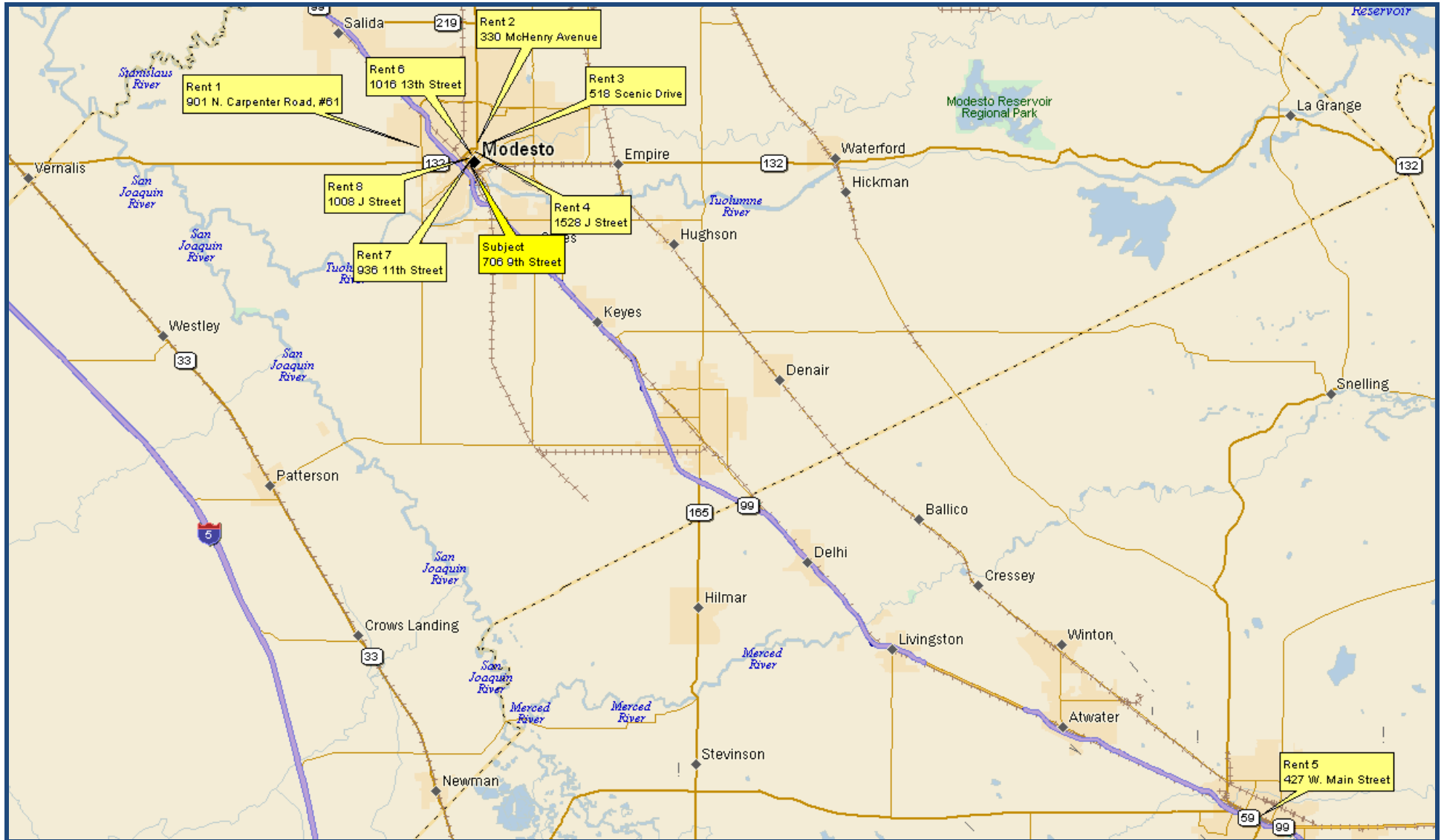
The subject property is primarily owner occupied at present as the owner operates a bar and restaurant in a 2,500 square foot space, and uses a 2,500 square foot basement for storage. One tenant occupies a 500 square foot suite as an office on a month-to-month basis and is a long-term tenant. This tenant pays \$0.80 per square foot per month, modified gross.

In order to estimate "market rent" for the subject property, a survey was made of leases of retail buildings in the subject market area. Due to a low level of activity, leases that are less proximate and less similar than ideal were used, and we have also considered listings.

From the numerous comparables surveyed, five executed leases and three listings were selected as most relevant to determine the market rental rate for the subject property. A summary of the comparables used in our analysis is presented on the following page, followed by a location map, photographs of the rent comparables, and adjustment grid.

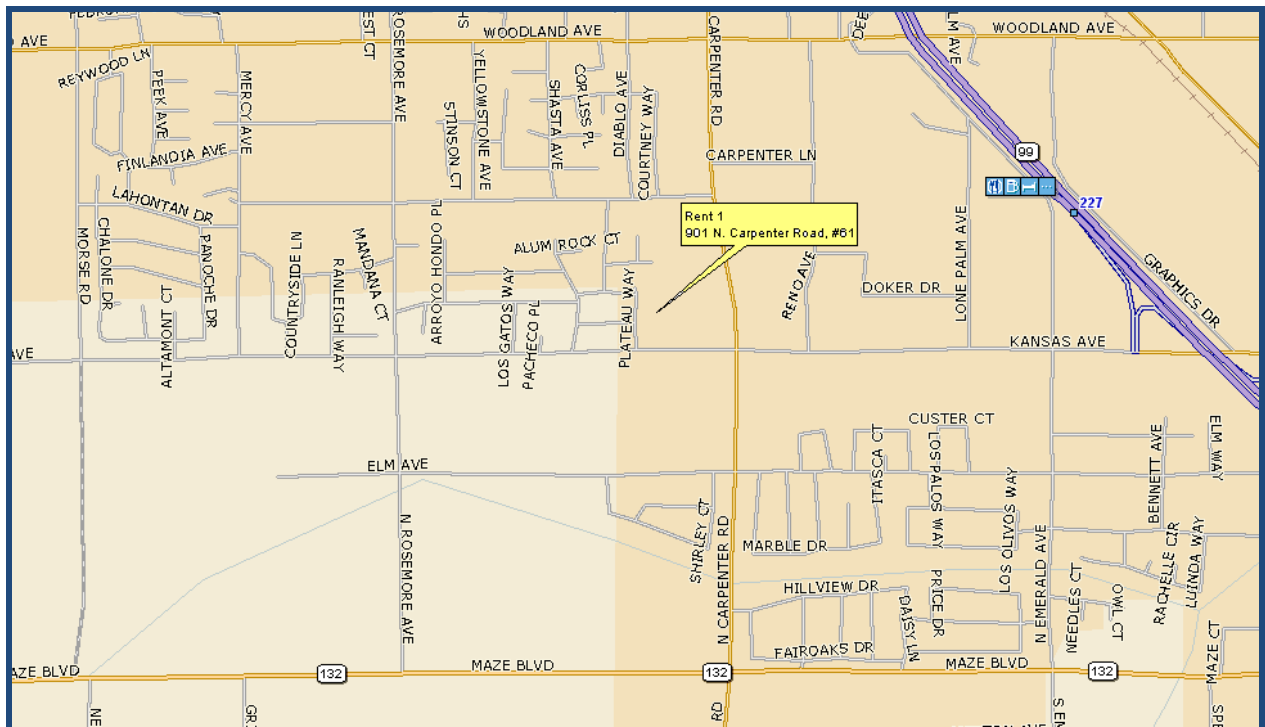
| RENT SURVEY SUMMARY | | | | | | | | | |
|--|---|---|-----------|------------|---------------|---------------|--------------|--------|--|
| Comp. No. | Location | Yr. Built | Unit Size | Lease Date | Rent/S.F. | Rent/S.F. NNN | Term (Years) | TI's | Comments |
| 1 | Vietnamese Noodle House 901 N. Carpenter Road Modesto | 1991 | 2,318 | Feb-11 | \$1.00 NNN | \$1.00 NNN | 10 | As-Is | Retail shop space located in the Crossroads Shopping Center, 3% annual increase, with 3 months free rent. |
| 2 | Beauty Shop 330 McHenry Modesto | 1950 | 1,000 | Feb-11 | \$1.00 MG | \$0.85 NNN | 5 | As-Is | Strip retail space in building that sides to McHenry Ave. This suite has little/no visibility. 3% annual rent increase. No free rent & no tenant improvement allowance. |
| 3 | 518 Scenic Drive Modesto | 1954 | 760 | Jan-11 | \$0.92 NNN | \$0.92 NNN | 1 | As-Is | Short term lease with a rent increase from \$0.78 to \$1.05 per square foot after six months. No tenant improvement allowances. Average rent for the one year term is shown at left. |
| 4 | The Boardroom 1528 J Street (SEC 16th & J) Modesto | 1930s | 2,800 | Jul-10 | \$1.10 MG | \$0.95 NNN | 10 | \$8.93 | Bar & Lounge at corner location on J at 16th. 6-months free rent. \$25,000 tenant improvements |
| 5 | 427 W. Main Street Merced | 2000's | 2,124 | Jul-10 | \$1.00 NNN | \$1.00 NNN | 10 | As-Is | Sports Bar / Restaurant; no annual increases or load factor, tenant is responsible for \$0.45 sf common area maintenance. |
| 6 | 1016 13th Street Modesto | 1948 | 1,900 | Pending | \$0.89 NNN | \$0.89 NNN | TBD | TBD | Former art studio just off the corner of 13th and J in downtown Modesto. Street parking only. |
| 7 | 936 11th Street Modesto | 1920 | 4,280 | Listing | \$0.82 MG | \$0.67 NNN | TBD | TBD | Former "Mongolian BBQ" restaurant between I and J across from parking garage in downtown Modesto. Street or garage parking only. |
| 8 | 1008 J Street Modesto | 1920s | 2,200 | Listing | \$1.00 NNN | \$1.00 NNN | TBD | TBD | Former "Paper Moon" chinese restaurant. J Street between 10th and 11th. Same block as parking garage. Street or garage parking only. Reported offer at \$0.90/sf. CAM is \$0.13/sf |
| Subject | 706 9th Street Modesto | 1965 | 500 | Long Term | \$0.80 MG | \$0.65 NNN | M/M | As-Is | One long-term tenant suite leased at subject on month to month basis for \$400, or \$0.80/sf on a gross basis ~ \$0.65 on a NNN basis. |
| MG = Modified Gross NNN= Triple Net | | Tenant is responsible for utilities and janitorial expenses. Tenant is responsible for all operating expenses. | | | | | | | |
| Hulberg & Associates, Inc. | | | | | | | | | |

Rent Comparable Location Map



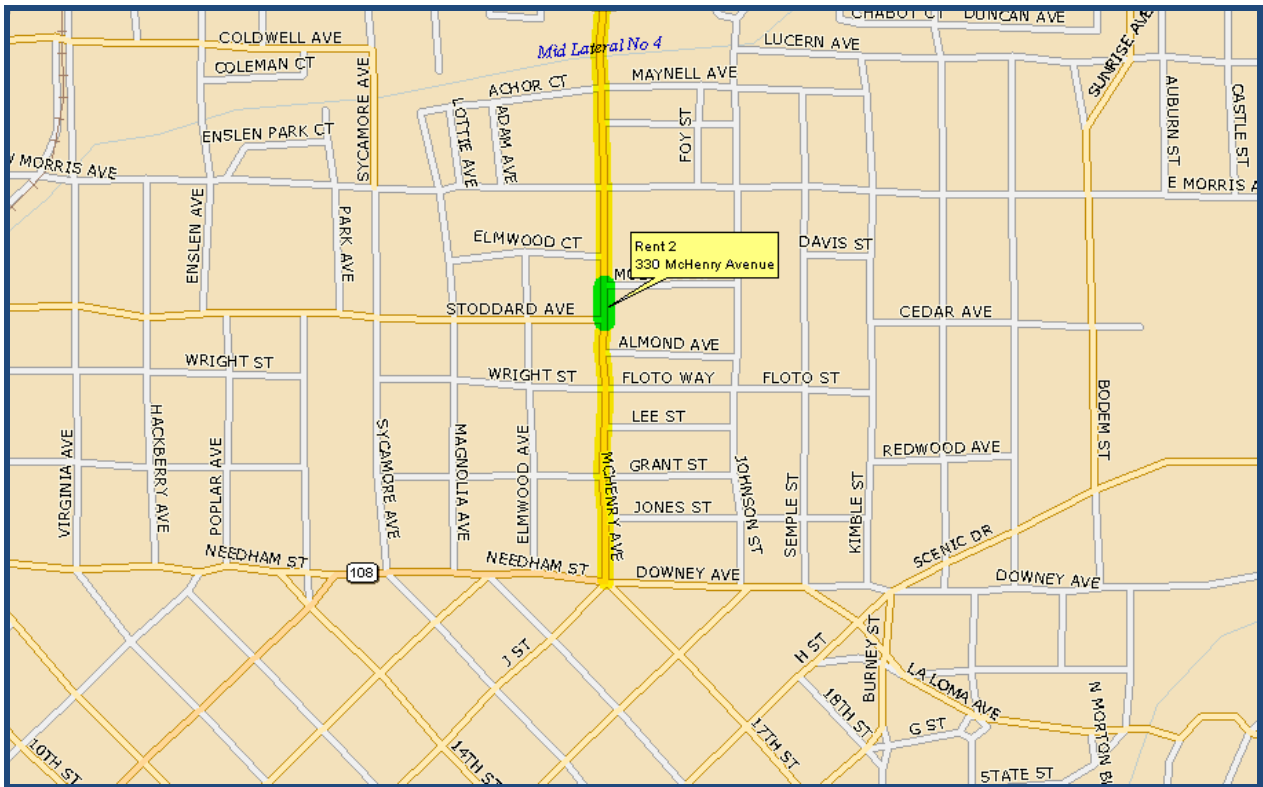


901 N. Carpenter Road, Modesto - Rent 1



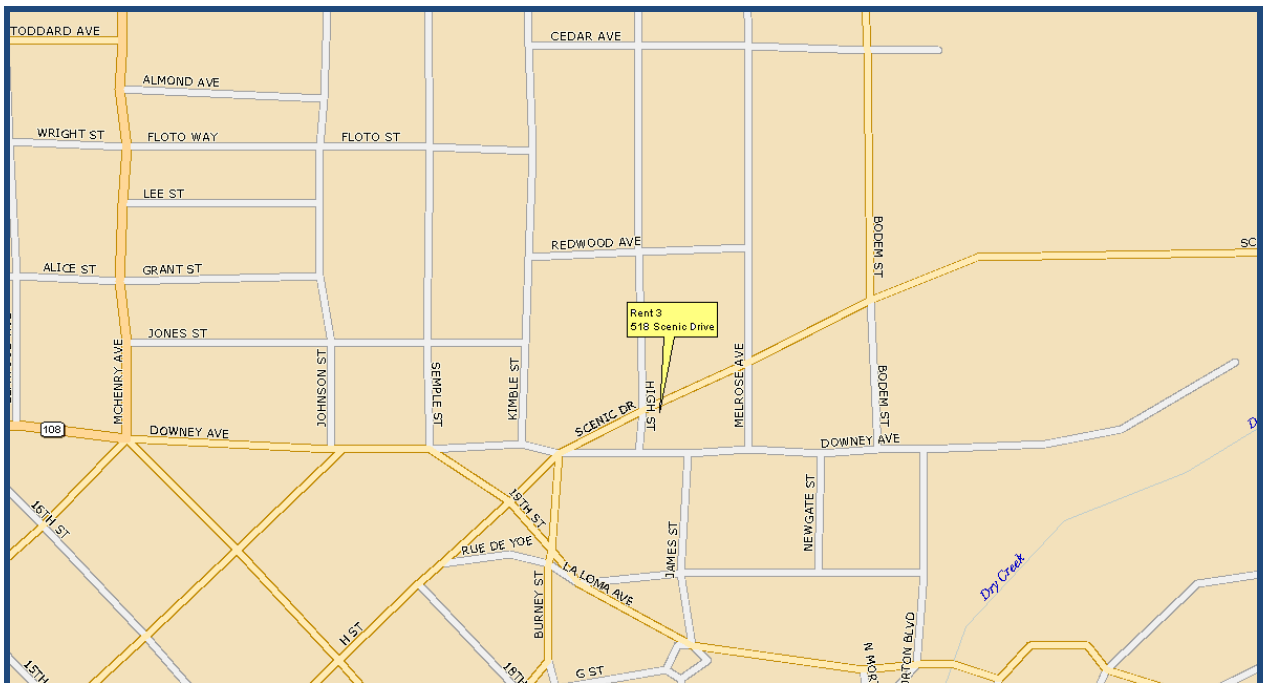


330 McHenry Avenue, Modesto – Rent 2



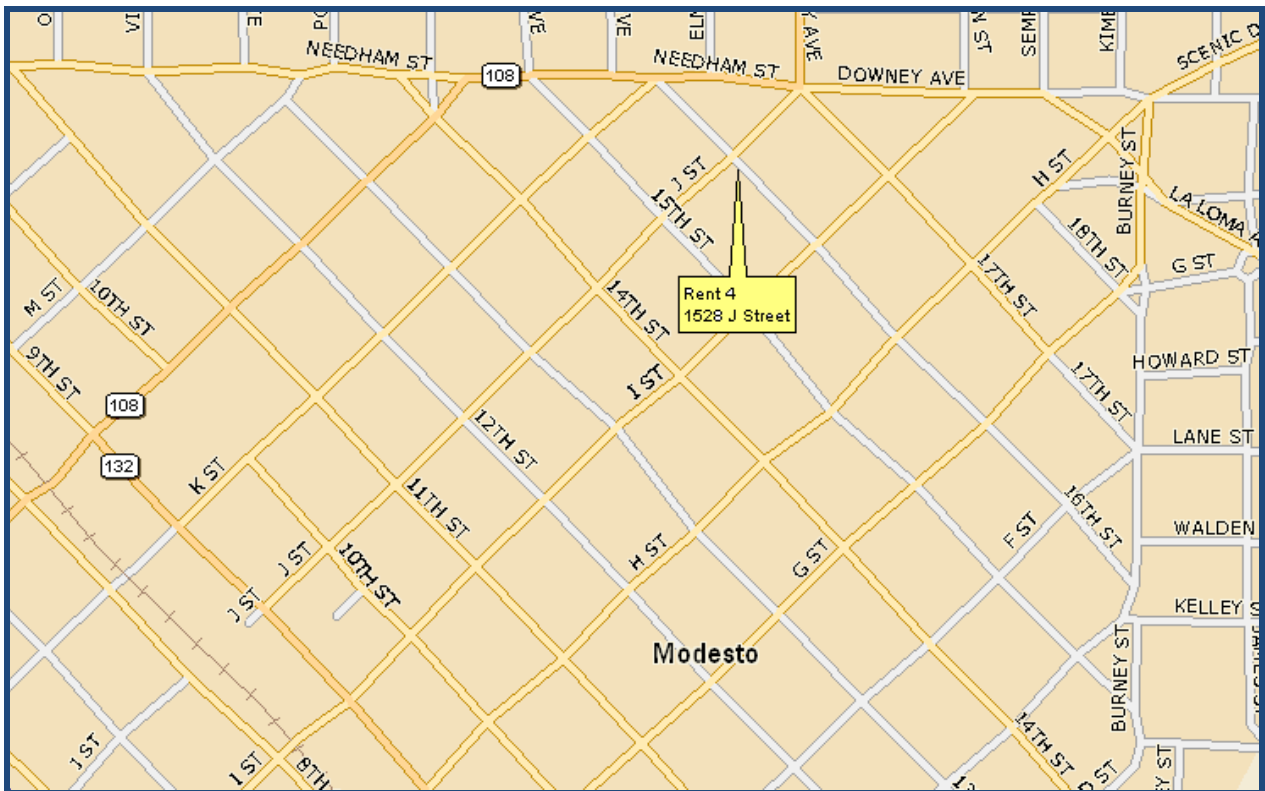


518 Scenic Drive, Modesto – Rent 3



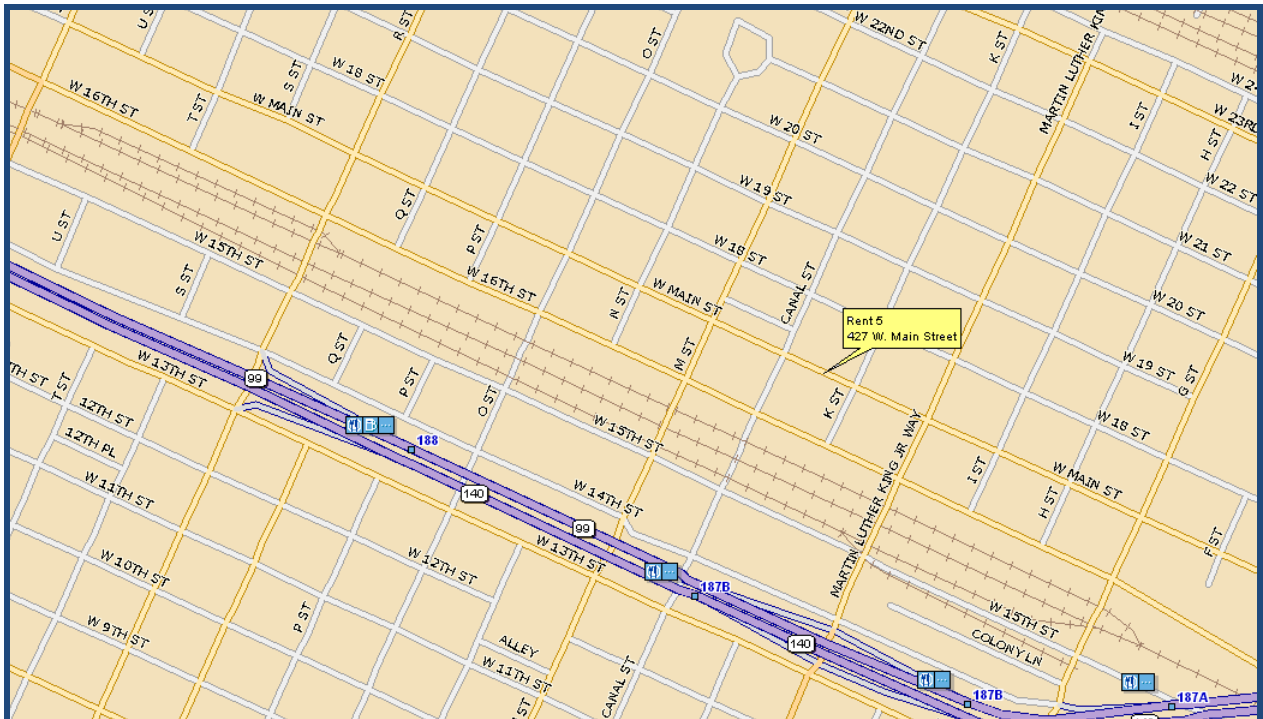


1518 J Street, Modesto – Rent 4



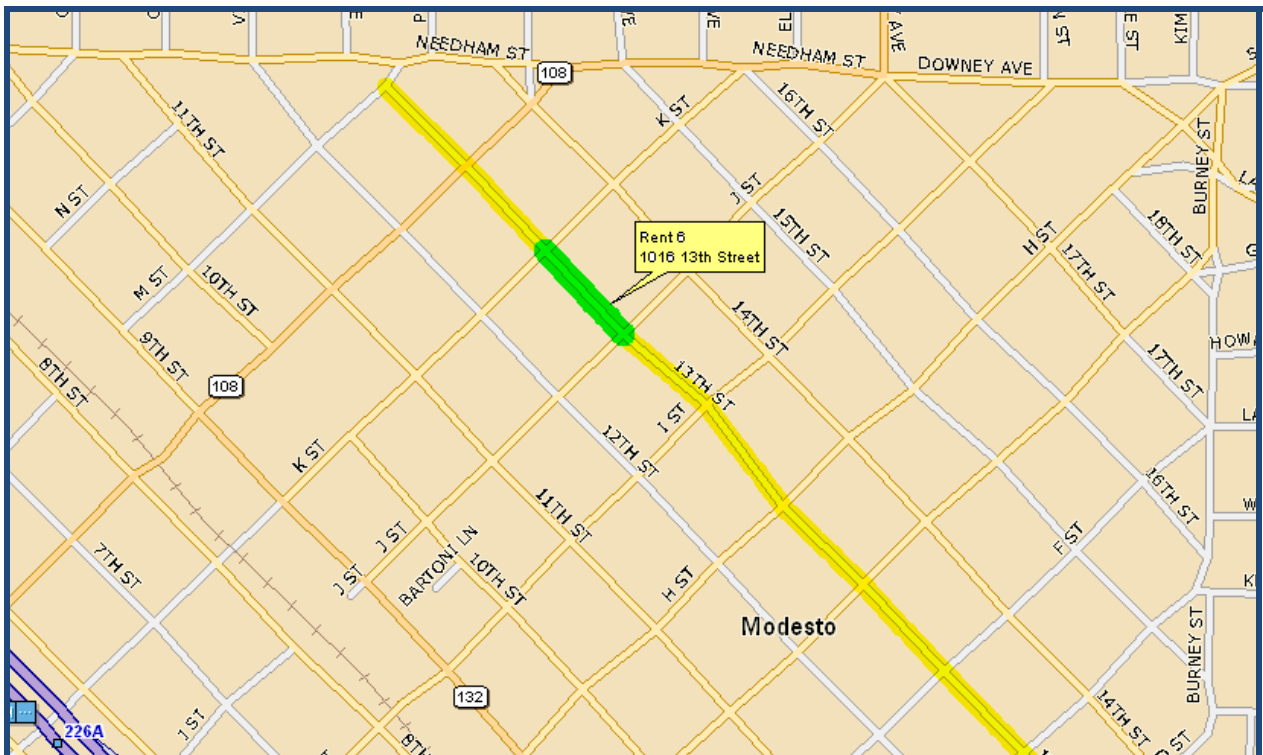


427 W. Main Street, Merced – Rent 5



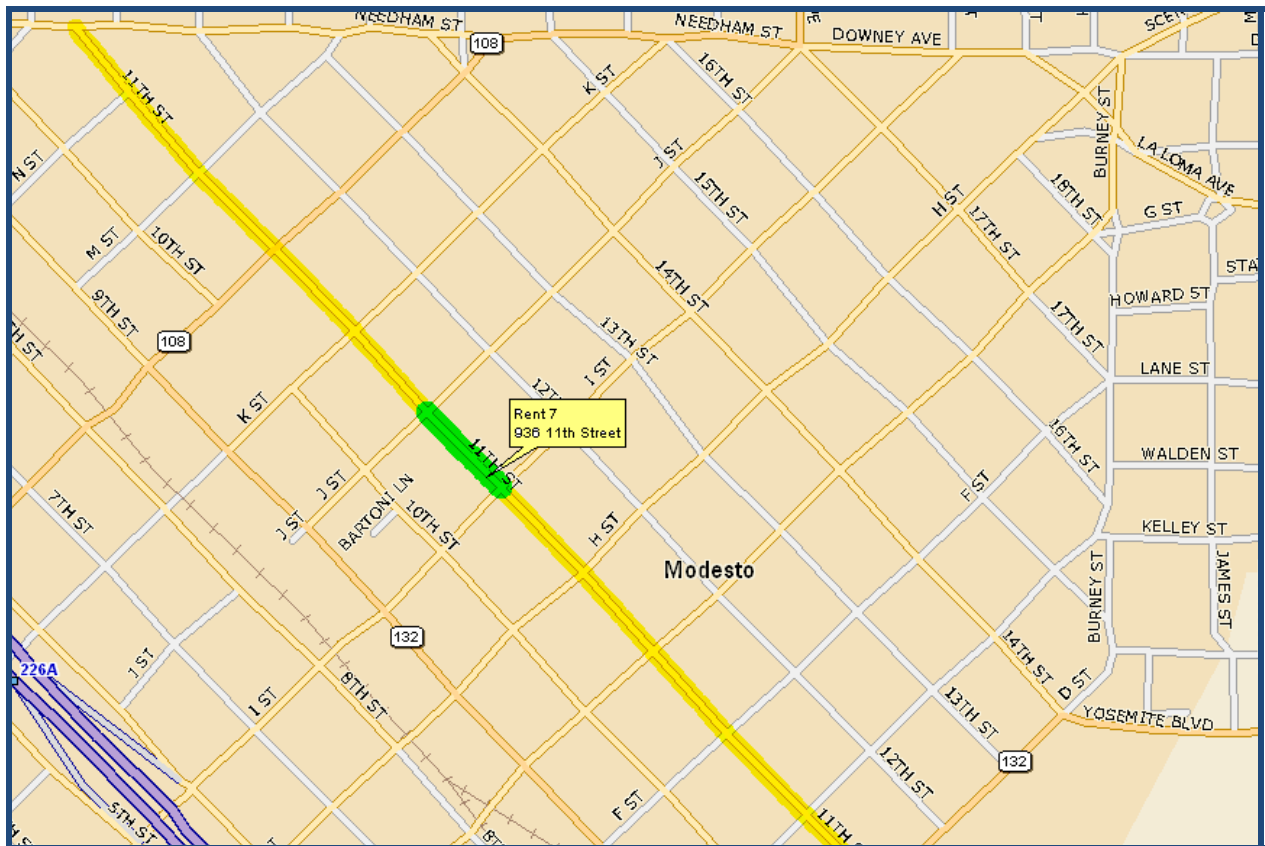


1016 13th Street, Modesto – Rent 6



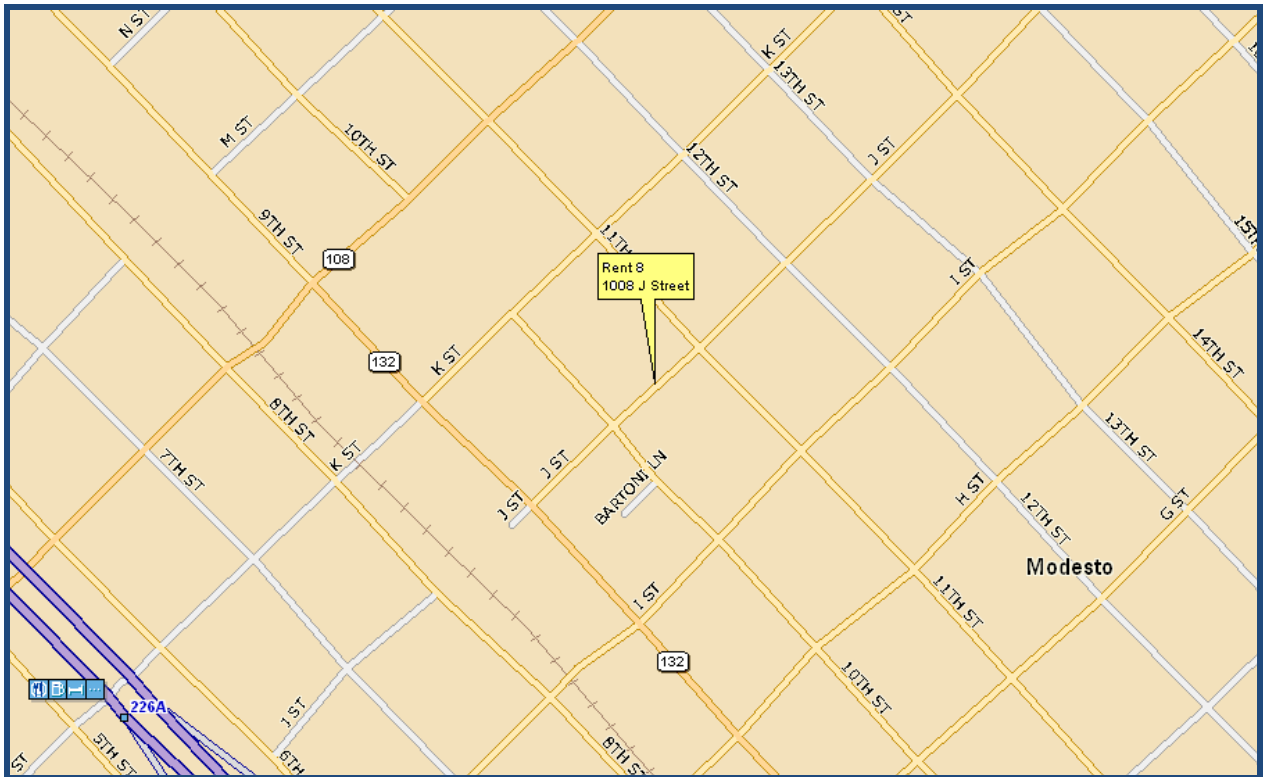


936 11th Street, Modesto – Rent 7





1008 J Street, Modesto – Rent 8



From the numerous comparables surveyed, five leases and three pending/listing leases were selected as most relevant to determine the market rental rate for the subject property. A summary of the comparables used in our analysis is presented above along with a location map. Photographs of the rent comparables and an adjustment grid are provided subsequently.

Five of the eight rental comparables are leased on “triple net” expense arrangements, where Rents 3, 5, and 7 are on a gross basis. Adjustments are made to these comparables to convert them to a NNN equivalent rent. Adjustments for Concessions are applied to Rents 1 and 4 due to free rent, while Rents 6, 7 and 8 are adjusted for their listing status. Rent 6 is believed to be pending at the asking rate, while Rent 8 reportedly received an offer at 90% of the asking rate. Rent 7 is adjusted at the same 10% rate as Rent 8.

Before any other adjustments, the rent comparables indicate a rental rate range from \$0.60 to \$1.00 per square foot. The lease comparables range in size from 760 to 4,280 square feet, while the subject suites are 500 and 2,500 square feet in size. The adjustment analysis will be based on comparisons to the subject restaurant space, with the rental value of the other two suites considered in reconciliation. The rent comparables have lease dates ranging from July 2010 to February 2011.

As discussed previously, although rental rates were on a decreasing trend, they appear to have stabilized over the last year. All of the rent comparables were leased in 2010/2011 and adjustments for market conditions were not justified.

All but one of the comparables are located in retail areas of Modesto, with one being in Merced. Most of the Modesto rents are located in or near downtown and are thus similar in location in general terms. Notably, Rent 2 has minimal/inferior exposure/visibility despite being on McHenry Avenue. Rents 4 and 8 on J Street have superior exposure/visibility. Rental 3 also enjoys greater visibility than the subject, but traffic moves very fast in this location and these factors are offsetting. Rental 1 is in a busy shopping center and is rated superior to the subject, while all of the others are similar in this regard.

The subject has adequate on-site parking. Rent 1 is proximate to adjacent/nearby parking within the shopping center. The remaining rents are considered to have inferior parking and are adjusted upward for this factor as compared to the subject.

The rent comparables are similar to the subject in terms of quality/appeal, and adjustments for this factor were not considered necessary.

The subject was built in 1965 and is in average condition overall. Rents 4 and 7 were given a downward adjustment for superior effective age, as compared to the subject. No other adjustments for age/condition were necessary.

Rents 1, 4, 5, 7, and 8 are most similar to the subject owner-occupied restaurant space, while the others are most similar to the smaller, non-restaurant subject suites. The adjustment analysis will be based on comparisons to the subject restaurant space, with the rental value of the other two suites considered in reconciliation. As compared to the subject restaurant space, Rents 2, 3 and 6 will be adjusted upward for tenant improvements.

RENTAL ADJUSTMENT GRID

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| COMPARABLE RENTAL | | | | | | | | |
| DATE OF LEASE | Feb-11 | Feb-11 | Jan-11 | Jul-10 | Jul-10 | Pending | Listing | Listing |
| UNIT SIZE | 2,318 | 1,000 | 760 | 2,800 | 2,124 | 1,900 | 4,280 | 2,200 |
| TERM (months) | 120 | 60 | 12 | 120 | 120 | TBD | TBD | TBD |
| TENANT IMPROVEMENTS | As-Is | As-Is | As-Is | \$8.93 | As-Is | TBD | TBD | TBD |
| LEASE RATE/SF/MONTH | \$1.00 | \$1.00 | \$0.92 | \$1.10 | \$1.00 | \$0.89 | \$0.82 | \$1.00 |
| EXPENSE ADJUSTMENT | \$0.00 | -\$0.15 | \$0.00 | -\$0.15 | \$0.00 | \$0.00 | -\$0.15 | \$0.00 |
| EXPENSE ADJUSTED RENT | \$1.00 | \$0.85 | \$0.92 | \$0.95 | \$1.00 | \$0.89 | \$0.67 | \$1.00 |
| CONCESSION/CONDITIONS ADJUSTMENT | -2.0% | 0.0% | 0.0% | -5.0% | 0.0% | 0.0% | -10.0% | -10.0% |
| CONCESSION/CONDITIONS ADJUSTMENT RENT | \$0.98 | \$0.85 | \$0.92 | \$0.90 | \$1.00 | \$0.89 | \$0.60 | \$0.90 |
| MARKET CONDITIONS ADJUSTMENT | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| MARKET CONDITIONS ADJUSTED RENT | \$0.98 | \$0.85 | \$0.92 | \$0.90 | \$1.00 | \$0.89 | \$0.60 | \$0.90 |
| <u>ADJUSTMENTS</u> | | | | | | | | |
| LOCATION/ACCESS | -5.0% | 5.0% | 0.0% | -5.0% | 0.0% | 0.0% | 0.0% | -5.0% |
| PARKING | 0.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| QUALITY/APPEAL | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| AGE/CONDITION | 0.0% | 0.0% | 0.0% | -10.0% | 0.0% | 0.0% | -5.0% | 0.0% |
| TENANT IMPROVEMENTS | 0.0% | 15.0% | 15.0% | 0.0% | 0.0% | 15.0% | 0.0% | 0.0% |
| SIZE | 0.0% | -5.0% | -10.0% | 0.0% | 0.0% | 0.0% | 10.0% | 0.0% |
| <u>TOTAL % ADJUSTMENT</u> | -5.0% | 20.0% | 10.0% | -10.0% | 5.0% | 20.0% | 10.0% | 0.0% |
| <u>TOTAL \$ ADJUSTMENT</u> | (\$0.05) | \$0.17 | \$0.09 | (\$0.09) | \$0.05 | \$0.18 | \$0.06 | \$0.00 |
| INDICATED LEASE RATE PER SQUARE FOOT "TRIPLE NET" | \$0.93 | \$1.02 | \$1.01 | \$0.81 | \$1.05 | \$1.07 | \$0.66 | \$0.90 |

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The subject has three suites of 2,500, 500 and 500 square feet. Because smaller units generally lease for a higher per square foot price, as compared to larger units, adjustments were merited where the differences are significant. Again, the analysis will focus on the larger subject restaurant space, with the size of the smaller spaces considered in reconciliation. Upward or downward adjustments are made as necessary depending on differences in size.

Potential Gross Income Conclusion

After adjustments to the 2,500 square foot subject restaurant space, the comparables indicate a rental rate range from \$0.66 to \$1.07 per square foot, with all but one being between \$0.81 and \$1.07 per square foot per month.

Rentals 1 through 5 are executed leases (\$0.81-\$1.05/sf), while Rents 6, 7 and 8 (\$0.66-\$1.07/sf) are pending/listed leases. Notably, both the lowest and highest ends of the adjusted range are reflected by the pending/listed leases.

Rentals 1, 4, 5, 7 and 8 are most similar to the 2,500 square foot subject restaurant space with regard to tenant improvements, and overall, an economic rent of \$0.90 is concluded.

After downward adjustment for tenant improvements, and upward adjustment for size, an economic rent of \$0.80 is concluded for the smaller 500 square foot non-restaurant spaces.

This is on par with the current (gross) rent being paid by a long term tenant in one of the spaces, on a month to month basis. It is greater than the estimated NNN equivalent rent of \$0.65 now being paid for this space, but the tenant is a reported long term tenant and the rental rate is not necessarily a market rate. Notably, the second vacant space is not known to be marketed at all. We have also considered heavily the indication from Rental 3, which is most similar in size.

| 706 9th Street, Modesto | | | |
|--------------------------------|----------------|------------------------------|-----------------|
| Potential Gross Income | | | |
| | S.F. | Contract Monthly Rent | |
| | | Per S.F. | Total |
| Restaurant Space | 2,500 | \$0.90 | \$2,250 |
| Non-Restaurant Space | 500 | \$0.80 | \$400 |
| Non-Restaurant Space | 500 | \$0.80 | \$400 |
| Monthly Total | | | \$3,050 |
| Total Gross Income | \$3,050 | X 12 Months = | \$36,600 |

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Expenses

As mentioned above, the market leases on a “triple net” expense arrangement, with the tenant being responsible for all operating expenses. As such, the lessor/landlord incurs an expense for potential vacancy and collection losses, un-reimbursed management expenses, and reserves for replacements.

Vacancy and Collection Loss includes lost rental between tenants and potential collection loss from the existing tenants. As indicated in the Market Overview presented earlier, retail vacancy

rates in the Stockton/Modesto market are currently in the 7% range, while the Stanislaus County vacancy is at 8%. It is acknowledged that the current vacancy rate is a snapshot in time, and the market is soft right now. It would not be appropriate to project an inordinately high vacancy rate into perpetuity. However, we note that the subject is a single tenant improvement, in a location best suited to an owner user or local owned business. A 3-6 month period marketing the space should achieve a three to five year lease term. Six months vacant in a 60 month term is equivalent to 10% vacancy. Overall, we conclude that the reported 8% vacancy is not an anomaly and have applied a long-term vacancy and collection loss at 8%. This recognizes market conditions as well as the locational aspects of the subject property.

A prudent investor would also deduct a certain amount for non-reimbursable management expenses. We estimate non-reimbursable management at 2% of the effective gross income. Reserves for replacements generally range between 1% and 2% of effective gross income for buildings of this type. We estimate reserves for replacement at 2% of effective gross income.

Total expenses are estimated at 4% of effective gross income or \$1,347.

Net Income Estimate

Subtracting the vacancy and collection loss, as well as operating expenses from Potential Gross Income yields a Net Operating Income of \$32,325.

| INCOME APPROACH SUMMARY | | | |
|--|----------|---------|---------------------|
| Gross Income (based on market rate) | | | \$36,600 |
| Less Vacancy & Collection Allowance | 8% | | (\$2,928) |
| Effective Gross Income | | | \$33,672 |
| Less Expenses | | | |
| Management | 2.0% EGI | (\$673) | |
| Reserves | 2.0% EGI | (\$673) | |
| Total Expenses | | | (\$1,347) |
| Net Operating Income | | | \$32,325 |
| Divided by Overall Capitalization Rate | | | <u>8.25%</u> |
| Value Indicated by the Income Approach | | | \$391,820 |
| Rounded to: | | | \$390,000 |
| Hulberg & Associates, Inc. | | | |

Capitalization Rate

The next step is to process the forecasted net income into a value indication. This is accomplished by determining and applying an appropriate capitalization rate for the subject property. The capitalization rate is the ratio of net income per sale price (i.e., rate = net income / sale price.)

Once a rate is selected for the subject and the net income forecasted, the same formula can be used to develop an indication of market value. The capitalization rate can be extracted from market sales if the net income is known or can reasonably be estimated at time of sale.

| RETAIL CAPITALIZATION RATE COMPARABLES | | | | | | | | |
|--|----------------------------------|--------------------------|---------------------------------|-------------------------|-------------|------------|----------|---|
| No. | Location | Site Size (S.F.) FAR (%) | Building Size (S.F.) Year Built | Sale Date | Sale Price | Price/S.F. | Cap Rate | Comments |
| 1 | 530 W. 16th Street Merced, CA | 67,518 43% | 29,239 2008 | 4/1/2010 Doc# 11954 | \$6,855,000 | \$234.45 | 7.50% | Purchased by Central California Alliance for Health, 7 tenants, fully leased, purchased on lease option to buy contract that was initiated in 1st quarter 2010, CAP rate of 7.5 is based on actual rents. |
| 2 | 1501 Mitchell Road Ceres, CA | 15,333 27% | 4,168 2006 | 1/13/2010 Doc# 2461 | \$800,000 | \$191.94 | 8.20% | Pad building located in unanchored retail strip center, good parking, 100% vacant, purchased by owner-user. Proforma Cap Rate from broker. |
| 3 | 860 N. Jack Tone Rd Ripon, CA | 128,060 18% | 22,528 2008 | 9/4/2009 Doc# 130865 | \$5,300,000 | \$235.26 | 7.30% | Purchased by LRF Properties, LLC, single tenant is Tractor Supply, 15-year lease in place, Cap Rate reported at 7.3%, parking is 4.6/1,000 sf., feeway visibility. |
| 4 | 3900 Sisk Road Modesto, CA | 62,726 23% | 14,400 2001 | 8/7/2009 Doc# 78466 | \$2,800,000 | \$194.44 | 7.10% | Purchased by Goodwill Industries of San Joaquin, retail store pad, CAP rate of 7.10% is based on estimated market rent. |
| 5 | 124 S. Western Ave Waterford | 17,860 30% | 5,424 2006 | 6/5/2009 Doc# 56023 | \$935,000 | \$172.38 | 7.80% | Purchased by Rusin, Paul & Connie, retail store, the center was 75% occupied, indicated cap was 7.8%. |

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Only one of the sales used in the Sales Comparison Approach indicates a capitalization rate. The primary market participants for these properties are owner-users.

Since the income information for most of the comparables in the Sale Comparison Approach was unavailable, we have also surveyed the marketplace for building sales with income information and market derived capitalization rates. The sales indicate a capitalization range from 7.10% to 8.20%, as indicated on the preceding page.

The property preference ratings taken from the Second Quarter 2011 Real Estate Investment Survey, published by Real Estate Research Corporation (RERC) indicate rates of 6.0% – 9.0% with an average of 7.1% for Institutional Investors of Neighborhood/Community shopping centers. The Korpacz Real Estate Investor Survey for the First Quarter of 2011 indicates an average rate of 7.40% for the National Strip Shopping Center market. Though rates increased over the past few years, they have slightly decreased more recently.

The selection of a particular rate within an indicated range depends on the evaluation of such factors as location, strength of tenancy, type, and quality of leases, building age, condition and quality, and perhaps most importantly, potential for future changes in net operating income and/or appreciation. Notably, the subject is not the type of retail investment property that is reflected in the RERC and Korpacz surveys. Although we feel that there is potential for rental rate upside for the subject, there is still considerable uncertainty in the market and an appropriate overall rate for the subject would be toward the upper end of the range, and/or greater than the *average* rates reflected in those surveys.

After considering all the above factors, we have concluded a capitalization rate at **8.25%** to be appropriate for the subject property due to the limited activity in the subject's competing market area. It is, however, high in the range reflected by the comparables sales and the rates indicated in the RERC and Korpacz reports.

As indicated in the "Income Approach" Summary presented earlier, the market value indicated by the Income Approach is **\$390,000** (rounded).

RECONCILIATION OF VALUE INDICATIONS

The subject property has been analyzed using both applicable approaches to value: the Sales Comparison and Income Approaches. The value indications given by each approach are summarized as follows:

| | |
|----------------------------------|------------------|
| Sales Comparison Approach | \$420,000 |
| Income Approach | \$390,000 |

The value range indicated by the two approaches to value is relatively tight. Although the market is slow and the quantity and quality of data used in both approaches is less than ideal, the two approaches provide good support for each other.

The subject property is considered primarily desirable to a partial owner-user, but would also be of interest to an investor. The Income Approach is weighed most heavily by investors, whereas the Sales Comparison Approach is most heavily weighed by owner-users. Recognizing that properties similar to the subject most often sell to owner-users, we have placed considerable

weight on the Sales Comparison Approach. However, as even an owner user would have two leasable units, we have placed the most weight on the Income Approach in our final reconciliation.

“AS IS” FEE SIMPLE MARKET VALUE CONCLUSION

Based on the market data presented, the valuation techniques applied, and the result thereof, it is our opinion that the “as is” market value of the fee simple interest of the subject property, as of July 7, 2011, subject to the assumptions and limiting conditions, certifications, and predicated on an exposure period of six to nine months, was:

FOUR HUNDRED THOUSAND DOLLARS

(\$400,000)

A D D E N D U M

**Assumptions and Limiting Conditions
Certification**

**ASSUMPTIONS AND LIMITING CONDITIONS
AND CERTIFICATION**

ASSUMPTIONS AND LIMITING CONDITIONS

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

HYPOTHETICAL CONDITIONS

None

EXTRAORDINARY ASSUMPTIONS

The analyses and conclusions presented within this report are predicated on the assumption that all data provided by others are factual and correct.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. Disclosure of the contents of the appraisal report is governed by the bylaws and regulations of the Appraisal Institute.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication.
3. This report contains a letter of transmittal, a body and an addendum. No parts of this report are to be separated.
4. Neither all nor any part of the contents of this report (including any conclusions as to value, the identity of the appraisers, the firm with which the appraisers are connected, or the professional organization of which the appraisers are members) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraisers.
5. Delivery of this appraisal report constitutes completion of the appraisal assignment.
6. The appraisers, by reason of this appraisal, are not required to give further consultation or testimony or to be in attendance in court with reference to the property in question. Such further consultation or testimony would constitute services beyond the scope of this appraisal. New arrangements would have to be made a reasonable time in advance, and additional fees would be charged.
7. Any allocation of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocation of value for land and improvements must not be used in conjunction with any other appraisal and is invalid if so used.
8. No responsibility is assumed for the legal description provided. The legal description used in this report is assumed to be correct.
9. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Maps and sketches are included only to assist the reader in visualizing the property.

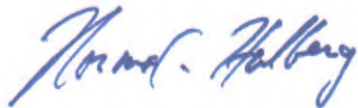
10. No responsibility is assumed for matters of a legal nature affecting title to the property, nor is an opinion of title rendered. The title is assumed to be good and merchantable unless otherwise stated.
11. The property is appraised, free and clear of any or all liens or encumbrances unless otherwise stated.
12. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
13. It is assumed that there are no hidden or non-apparent conditions of the property, subsoil, or structures, which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering that may be required to discover such.
14. Information furnished by others is assumed to be true, correct and reliable. A reasonable effort has been made to verify such information where possible or feasible; however, no responsibility for its accuracy is assumed by the appraisers.
15. Responsible ownership and competent management are assumed.
16. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraisers become aware of such during the appraisers' inspection. The appraisers have no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraisers, however, are not qualified to test such substances or conditions. The presence of such substances, such as asbestos, urea formaldehyde foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property. The value estimated herein is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.
17. Opinions of value contained in this report are estimates. There is no guarantee, written or implied, that the subject property will sell for the indicated amounts.
18. The appraisers reserve the right to amend and/or alter statements, analyses, conclusions and value opinions if information pertinent to this assignment is made known after the completion of the report.
19. Hulberg & Associates, Inc., Norman C. Hulberg, MAI, John A. Hillas, SRA, and Jeanine M. Kraus shall be completely indemnified against any and all losses, claims, damages, liabilities, costs or expenses to which the user of this report may become subject, but only if neither shall have been grossly negligent or shall have taken or omitted to take any action in bad faith in connection with the completion of this appraisal assignment.
20. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless non-conformity has been identified, described and considered in the appraisal report.

21. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
22. The Americans with Disabilities Act (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, would 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 impact upon the value of the property. Since the appraisers have no direct evidence relating to this issue, the appraisers did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.
23. It is assumed that all required licenses, certificates of occupancy, consents and other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value opinion(s) contained in this report is/are based.
24. Forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors. These forecasts are therefore, subject to changes with future conditions. The appraisers cannot be held responsible for unforeseeable events which might occur and which would alter market conditions after the effective valuation date.

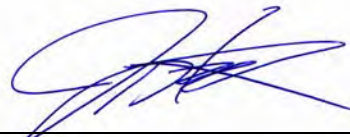
CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and they are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
8. We have made a personal inspection of the property that is the subject of this report.
9. No one provided significant real property appraisal assistance to the persons signing this certification.
10. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, I, Norman C. Hulberg, MAI have completed the continuing education program of the Appraisal Institute. As of the date of this report, I, John A. Hillas, SRA have completed the continuing education program of the Appraisal Institute. As of the date of this report, I, Jeanine M. Kraus have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.
13. We have not performed a previous appraisal of the subject property within the three years prior to this assignment.



Norman C. Hulberg, MAI
Certified-General Appraiser #AG003542
Expires June 26, 2012



John A. Hillas, SRA
Certified-General Appraiser #AG002432
Expires January 21, 2013



Jeanine M. Kraus
Associate Appraiser
#AR033221 (02/26/2012)