

SUMMARY APPRAISAL REPORT

SUBJECT PROPERTY

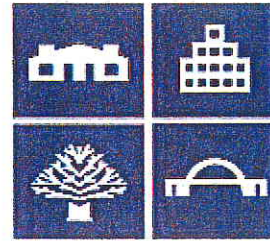
Toledo Court Apartments
306 Toledo Avenue
Lubbock, TX 79416
Appraisal Order #: 09-00238-01

PREPARED FOR

Sara Lackey
Compass Bank
8200 A Nashville Avenue
Lubbock, TX 79423

PREPARED BY

Stan E. Wolf, MAI
Philip L. Steffen, MAI



PGP
VALUATION INC





February 13, 2009

Sara Lackey
Compass Bank
8200 A Nashville Avenue
Lubbock, TX 79423

RE: Toledo Court Apartments
306 Toledo Avenue
Lubbock, TX 79416
Appraisal Order #: 09-00238-01

Ms. Lackey:

In accordance with your request, we have conducted an appraisal of the above captioned property. The property is valued using generally accepted appraisal principles and theory. The report is intended to conform to the Uniform Standards of Professional Appraisal Practice (USPAP), the Federal Deposit Insurance Corporation (FDIC), and the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) standards.

At the request of the client, this appraisal report is presented in a summary appraisal format as defined by USPAP Standards Rule 2-2(b). This format provides a summarized description of the appraisal process, subject and market data and valuation analyses. The appraisal service was performed in such a manner that the results of the analysis, opinion, or conclusion are that of a disinterested third party.

The purpose of this appraisal is to estimate the as-is and as stabilized market value of the subject property. The subject property is an existing 70-unit, garden style apartment complex located in the northwest portion of Lubbock. The subject's unit mix consists of 401 SF studios, 666 SF one-bedroom, and 774 SF two-bedroom units situated in four residential buildings. The complex is located at 306 Toledo Avenue and was constructed in 1975. The subject improvements are of average quality and in average condition. As of the date of inspection 57 of the 70 units were occupied. Our rent conclusions reflect the existing condition of the subject. The subject's site and improvements will be described further in the body of this report.

VALUE SCENARIO(S)	INTEREST APPRAISED	DATE	VALUE
Prospective Market Value at Stabilization	Fee Simple	April 10, 2009	\$1,920,000
As-Is Market Value	Fee Simple	February 10, 2009	\$1,890,000

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National-International Real Estate Appraisal,
Consulting & Advisory Services

www.pgpinc.com

LETTER OF TRANSMITTAL (CONTINUED)

Additional Comments:

The subject is currently listed for sale at \$2,000,000 (\$28,571/unit) with duration on the market of over six months. However, it should be noted that the owners are not actively marketing the subject and do not represent a motivated seller. Based on our concluded market value from this report, the listing price is near market.

The subject was acquired by the current owners in October 2007 for consideration of \$825,000. At the time of purchase, the subject was reportedly in poor condition. Since the acquisition, the current ownership has invested over \$430,000 in capital improvements which has subsequently increased occupancy and rent levels.

Last week, a small fire ignited in a waste basket in the common laundry facility. According to the property owner and manager, the fire was quickly contained. Total damages are nominal and estimated below the insurance deductible. They are currently in the process repairing the damage and anticipate the common laundry facility will be operational by next week. Remnants of the fire damage are depicted in the subject photograph section.

The concluded value considers the macro-economic conditions; the impact on demand (tenant stability) and capitalization rates as investors adjust return requirements on equity in relation to the availability and cost of debt financing. Whenever possible, the most current data will be used to effectively mirror current economic conditions.

This valuation is subject to the conditions and comments presented in this report. Matthew Steffen provided significant real property appraisal assistance to the persons signing this report. ***If questions arise concerning this report, please contact the undersigned or Matthew Steffen at 602.222.5166 or matt.steffen@pgpinc.com.***

Sincerely,

PGP VALUATION INC



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EXECUTIVE SUMMARY



APPRAISAL SUMMARY

Name: Toledo Court Apartments

Property Type: Apartment (Garden)

Address: 306 Toledo Avenue
Lubbock, TX 79416

Assessor's Parcel No.: R112191

Census Tract No.: 4.05/2

Site Description:
Size: 1.53 acres (66,603 SF)
Topography: Generally Level
Zoning: A-2 (High Density Apartment District)
Seismic Zone: 2B
Flood Zone: X

Improvement Description:
Number of Units: 70
Quality: Average
Condition: Average
Year Built: 1975
Occupancy: 81.1 %
No. of Total Buildings: Four
Project Amenities: common laundry facility

Highest & Best Use:
As Vacant: A multi-family use
As Improved: Continued use as an apartment complex

Property Rights Appraised: The fee simple interest

PGP File Number: P090111

VALUATION SUMMARY

VALUE CONCLUSION(S)		
Cost Approach		Not Presented
Income Approach		\$1,920,000
Sales Comparison Approach		\$1,930,000
	Date of Value	Value Conclusion(s)
Prospective Market Value at Stabilization	4/10/2009	\$1,920,000
As-Is Market Value	2/10/2009	\$1,890,000
Insurable Cost Estimate	2/10/2009	\$2,620,000

SCOPE OF WORK

Report Organization

This report is designed to inform the reader of all factors influencing the property's value in a clear and concise manner. The Executive Summary section provides an overview of the property and general information related to this report. The Description sections briefly describe general area information and present detailed explanations of the site and improvements. The Highest and Best Use section establishes the premise on which the value estimate of the property is based. The Valuation section describes the appraisal methods used to estimate the various values of the property and includes comparable information, application of market information to the subject and valuation analysis. In the Analysis of Value Conclusions section, the relative merits of each approach are discussed, and the value conclusion is presented.

Purpose, Use, and Users of the Appraisal

The purpose of this appraisal is to estimate the market value as-is and at stabilized occupancy of the subject property. This appraisal is to be used by the client (Compass Bank) and/or participants for loan underwriting and/or credit decision purposes.

Definitions

All applicable definitions for this analysis are located in the addenda.

Property Rights Appraised

The property rights appraised constitute the fee simple interest. See the addenda for a definition of the property rights appraised.

Subject Property Inspection

An inspection of the subject property was conducted on February 10, 2009, by Matthew Steffen. Stan E. Wolf, MAI and Philip L. Steffen, MAI did not make a personal inspection of the subject but are familiar with the surrounding market.

Appraisal Development and Reporting Process

Preparation of this appraisal included an inspection of the subject property, reviewing assessor's maps, reviewing income and expense information, reviewing county records for information on taxes and assessments, inspecting the subject property neighborhood, gathering and confirming rent comparables and improved sales from immediate and competing neighborhoods, inspecting the exterior of all comparables utilized, analyzing supply and demand conditions in the area, and applying traditional approaches to value to arrive at an indication of value for the subject property.

Sources of Information

The relevant market data was obtained from developers, real estate agents/brokers, appraisers, lenders, and various sources of secondary market data. In addition representatives from various municipal offices were also contacted to obtain relevant market and/or property information.

Disclosure of Competency

We are aware of the competency provision of USPAP and the authors of this report meet the standards.

Availability of Information

All necessary information was provided for this analysis.

Personal Property

Personal property is included in this valuation. Removable fixtures such as the kitchen appliances and hot water heaters are considered to be real estate fixtures that are essential to the use and operation of the complex. Supplemental income typically obtained in the operation of an apartment complex is included; which may include minor elements of personal and business property. As immaterial components, no attempt is made to segregate these items.

Deductions and Discounts

No deductions or discounts were made to derive the prospective market value at stabilized occupancy. Deductions were applied to the stabilized value estimate to derive the as-is market value.

PRELIMINARY APPRAISAL INFORMATION

Legal Description

A legal description is located in the addenda of the report.

Sales History and Ownership

Current Owner - The subject property is currently vested in 306 Toledo LP.

Date of Acquisition - The current owners acquired the property October 2007 for consideration of \$825,000 (\$11,785/unit) with low occupancy and in poor condition. Since the acquisition, the current owners have spent over \$430,000 in rehabilitation which has correspondingly increased occupancy and rent levels. The concluded as-is market value is warranted based on the extensive rehabilitation, increased occupancy and increased rent levels the subject has experienced since the acquisition.

Three-Year Sales History - To the best of our knowledge there has been no other transfers of ownership in the past three years.

Subject Sale Status - The subject is currently listed for sale at \$2,000,000 (\$28,571/unit) with duration on the market of over six months. However, it should be noted that the owners are not actively marketing the subject and do not represent a motivated seller. Based on our concluded market value from this report, the listing price is near market.

Assessment and Tax Information

The subject's assessed values and property taxes for the current year are summarized in the following table:

TAX INFORMATION (2008 Tax Year)			
APN	Taxable Value	Mill Levy	Tax
R112191	\$820,000	2.1362	\$17,516.92
Total Taxes			\$17,516.92

In Texas, the amount of tax is determined by the product of the tax rate and the assessed valuation of the property. The tax rate is set each year by the governing bodies of local taxing entities such as county commissioners, school boards, cities and special districts, usually in October. The assessed valuation of each piece of property is set by the county assessor according to state statutory guidelines. In the case of the subject, the current taxable value is representative of \$825,000 October 2007 sale consideration. Taxable value is re-assessed sale and/or refinance, thus the subject is likely to experience an increase real property taxes in future tax bills.

Exposure Time

Exposure time is defined as "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 opinion based on an analysis of past events assuming a competitive and open market."

Reasonable exposure time is impacted by the aggressiveness and effectiveness of a property's exposure to market participants, availability and cost of financing, and demand for similar investments. According to the most recent *Korpacz Real Estate Investor Survey*®, marketing periods range from 1-12 with an average of 6 for the National Apartment Market.

Exposure time is best established upon the experience of recent comparable sales and discussions with market participants. Comparable sales over the last year indicate exposure times ranging from six months to one year. Days on market were available for four of the comparables; indicating exposure times ranging from 200 to 270 days. Based upon this information and considering the physical characteristics and location of the subject property, a reasonable estimate of exposure time for the subject is nine months.

ASSUMPTIONS AND LIMITING CONDITIONS



The use of an extraordinary assumption or hypothetical condition might have affected the assignment results. This appraisal is subject to the following assumptions and limiting conditions:

Extraordinary Assumptions

It is an assumption of this report that the units not inspected by PGP Valuation Inc are in similar finish and condition as the units inspected.

Hypothetical Conditions

None

General Assumptions and Conditions

The legal description provided has not been compared with the assessor's records. The analysis assumes that this description accurately represents the subject property. A survey has not been provided to the appraisers. If further verification is required, a survey by a registered surveyor is advised.

We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.

The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.

Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.

The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.

Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.

This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.

The appraisers may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.

The statements of value and all conclusions shall apply as of the dates shown herein.

ASSUMPTIONS AND LIMITING CONDITIONS (CONTINUED)

The appraisers have no present or contemplated future interest in the property which is not specifically disclosed in this report.

Neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent or approval of the authors. This applies particularly to value conclusions and to the identity of the appraisers and the firm with which he or she is connected.

This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. No portion of the report stands alone without approval from the authors.

The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.

The liability of PGP Valuation Inc, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.

The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. PGP Valuation Inc and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property damage, or personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.

The appraisers assume no responsibility for determining if the subject property complies with the Americans with Disabilities Act (ADA). PGP Valuation Inc, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with ADA standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.

An on-site inspection of the subject property was conducted. No evidence of asbestos materials on-site was noted. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.

ASSUMPTIONS AND LIMITING CONDITIONS (CONTINUED)

A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.

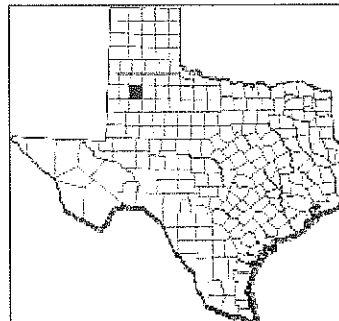
This analysis assumes that the financial information provided for this appraisal, including rent rolls and historical income and expense statements accurately reflect the current and historical operations of the subject property.

REGIONAL & MARKET AREA DESCRIPTIONS



REGIONAL DESCRIPTION

The subject is located in the city of Lubbock, Lubbock County, TX. Lubbock County is located in northwest Texas. The county is influenced by its rural nature, cattle ranching and agriculture. Lubbock County is abutted by the counties of Hale to the north, Crosby to the east, Lynn to the south and Hockley to the west. Lubbock is approximately 70 miles from the New Mexico border and 250 miles from the Dallas Fort Worth metro area. The county seat is Lubbock. According to the United States Census Bureau, Lubbock County has a total area of 901 square miles.



The County of Lubbock was founded in 1876. The settlement that is the present-day city of Lubbock was not formed until late 1890. Two settlements within the county, Old Lubbock and Monterey, were combined to form the settlement of Lubbock. The city was incorporated in 1909. Shortly after incorporation, rail service was established in Lubbock. As agriculture continued to grow within the region and as the railroads continued to expand, Lubbock became the marketing center of the region and earned the name "Hub of the Plains".

Lubbock is located at the southern end of Interstate 27 which provides approximately 100 miles of access between Amarillo and Lubbock. Lubbock also is provided access via Highway 62, 82 and 84 with state route 289 providing beltway access to travelers and residents around the perimeter of the city.

The 1,850-acre Texas Tech University campus is located in Lubbock with a total enrollment over 28,000. Both undergraduate and graduate students are a significant participant in the apartment renting cohort. The area around Texas Tech has been undergoing gentrification in the recent past with significant new commercial development.

The following table depicts historical population growth from 2000 to 2007 (the most recent data available) of Lubbock and Lubbock County:

Population Statistics									Population Change 00-07
Location	2000	2001	2002	2003	2004	2005	2006	2007	
Lubbock	199,564	202,524	204,761	207,854	210,226	212,341	215,203	217,326	8.90%
Lubbock County	242,628	246,240	248,554	251,899	253,725	255,305	258,560	260,901	7.53%

Source: US Census Bureau

REGIONAL & MARKET AREA DESCRIPTION (CONTINUED)

Employment in the Lubbock MSA, as of December 2008 (the most recent data available), totaled 139,800, indicating an unemployment rate of 3.8%. The Lubbock MSA unemployment rate has been relatively stable over the past several years and has generally been between 3.50% and 5.00%. Top employment in Lubbock includes education, healthcare and agriculture. The following table summarizes unemployment rate trends for the Lubbock MSA since 2000:

Date	Unemployment Rate Lubbock MSA
2000	3.60%
2001	3.70%
2002	4.40%
2003	4.90%
2004	4.60%
2005	4.10%
2006	4.00%
2007	3.60%
Dec '08	3.80%

Source: US Census Bureau

Summary

Lubbock is a viable community that has experienced moderate growth over the past few years. The area's relatively low cost of living, quality of life, and the presence of Texas Tech University has been the catalyst for this growth. While most of the county has been experiencing rising unemployment, Lubbock has a stable and relatively low unemployment rate attributed to its education, health care and agriculture employment base. Based on current activity and recent trends, planning agencies project continued stability and growth cautioned by the current state of the national economy.

MARKET AREA DESCRIPTION

General - The subject property is located in the Northwest portion of the City of Lubbock, in Lubbock County. The subject's immediate area is characterized as an established residential area with supporting amenities located along commercial arterials. The following sections summarize factors pertinent to the social, economic, and physical development of the market area.

Demographics - The following table summarizes the demographics for the subject's area:

MARKET AREA DEMOGRAPHICS			
Description	1.0 Mile Radius	3.0 Mile Radius	5.0 Mile Radius
Population			
2013 Population	7,227	78,572	152,454
2008 Population	7,176	76,985	150,190
2000 Census Population	7,109	73,421	146,260
Change 2008-2013	0.71%	2.06%	1.51%
Change 2000-2008	0.94%	4.85%	2.69%
Households			
2013 Households	3,235	31,459	62,318
2008 Households	3,189	30,551	60,867
2000 Census Population	3,114	28,709	58,276
Change 2008-2013	1.44%	2.97%	2.38%
Change 2000-2008	2.41%	6.42%	4.45%
Housing Units (current year)			
Total Housing Units	3,493	33,893	67,551
Owner Occupied	56.20%	46.10%	46.70%
Renter Occupied	35.10%	44.00%	43.40%
Vacant Housing Units	8.70%	9.90%	9.90%
Income (current year)			
Average Household Income	\$72,544	\$50,281	\$51,347
Median Household Income	\$43,466	\$35,900	\$37,512
Per Capita Income	\$32,316	\$21,027	\$21,593

Source: STDB Online

As noted in the table above, moderate growth is anticipated to occur in the subject's market area (3-miles radius) over the next few years.

Residential Development - There is a substantial amount of residential development located in the subject's market area. The residences in the area are commonly in average condition and were typically built in the 1970's. The median home value for single-family residences in the subject's market area (3-mile radius) is \$79,749.

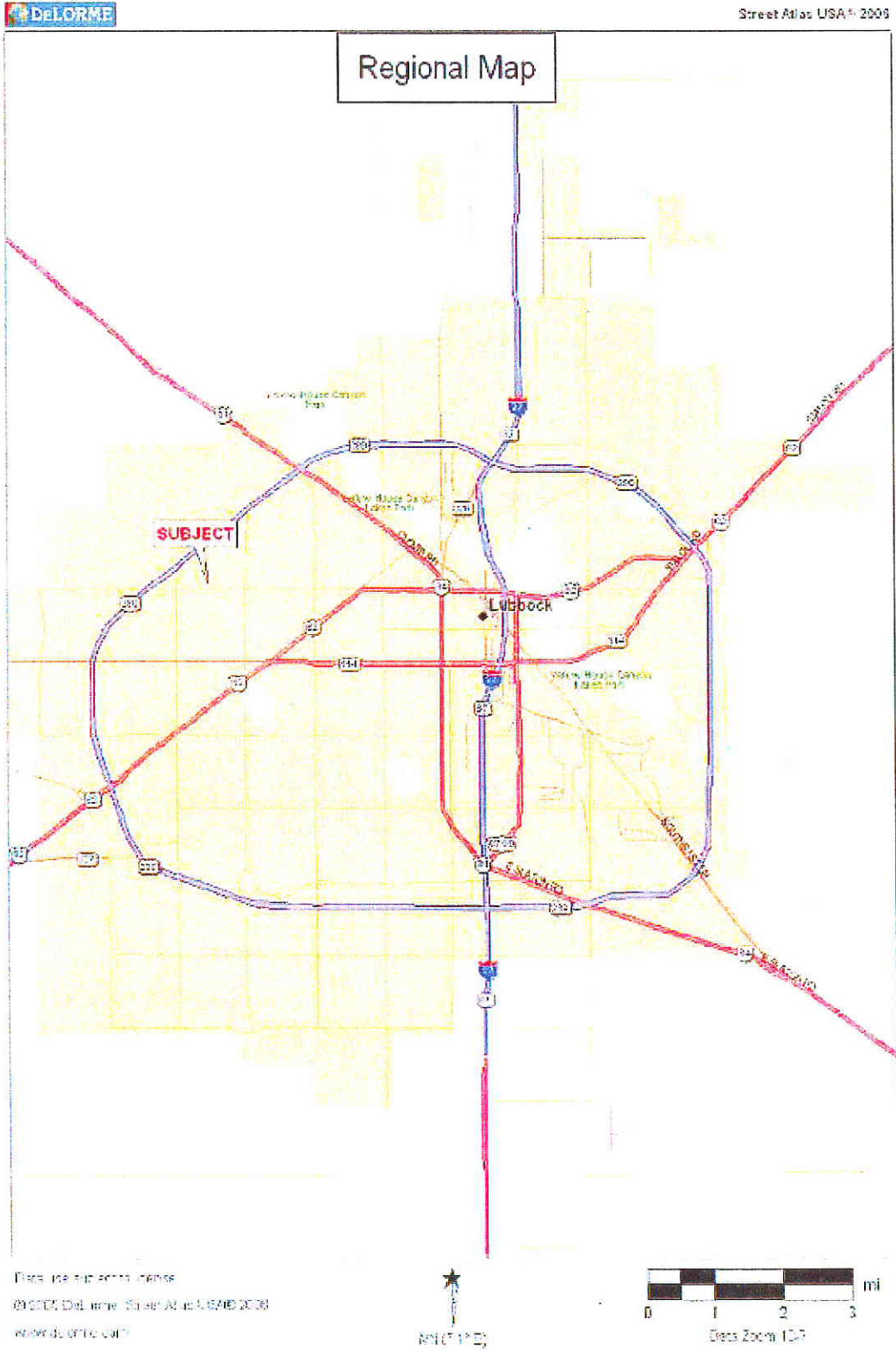
Multi-family developments within proximity to the subject were generally built in the 1970's and consist of garden style facilities. Please refer to the Market Analysis section for additional multi-family information.

Commercial & Industrial Development - The subject is located off 4th Street, a commercial arterial running in an east-west direction. Commercial buildings in the immediate area consist of neighborhood shopping centers along 4th Street, including a Big Lots, Albertsons, Walgreen's and Starbucks. A Shell fuel station and convenience store abut the subject immediate to the south. Overall, there are adequate commercial service amenities in the subject's market area.

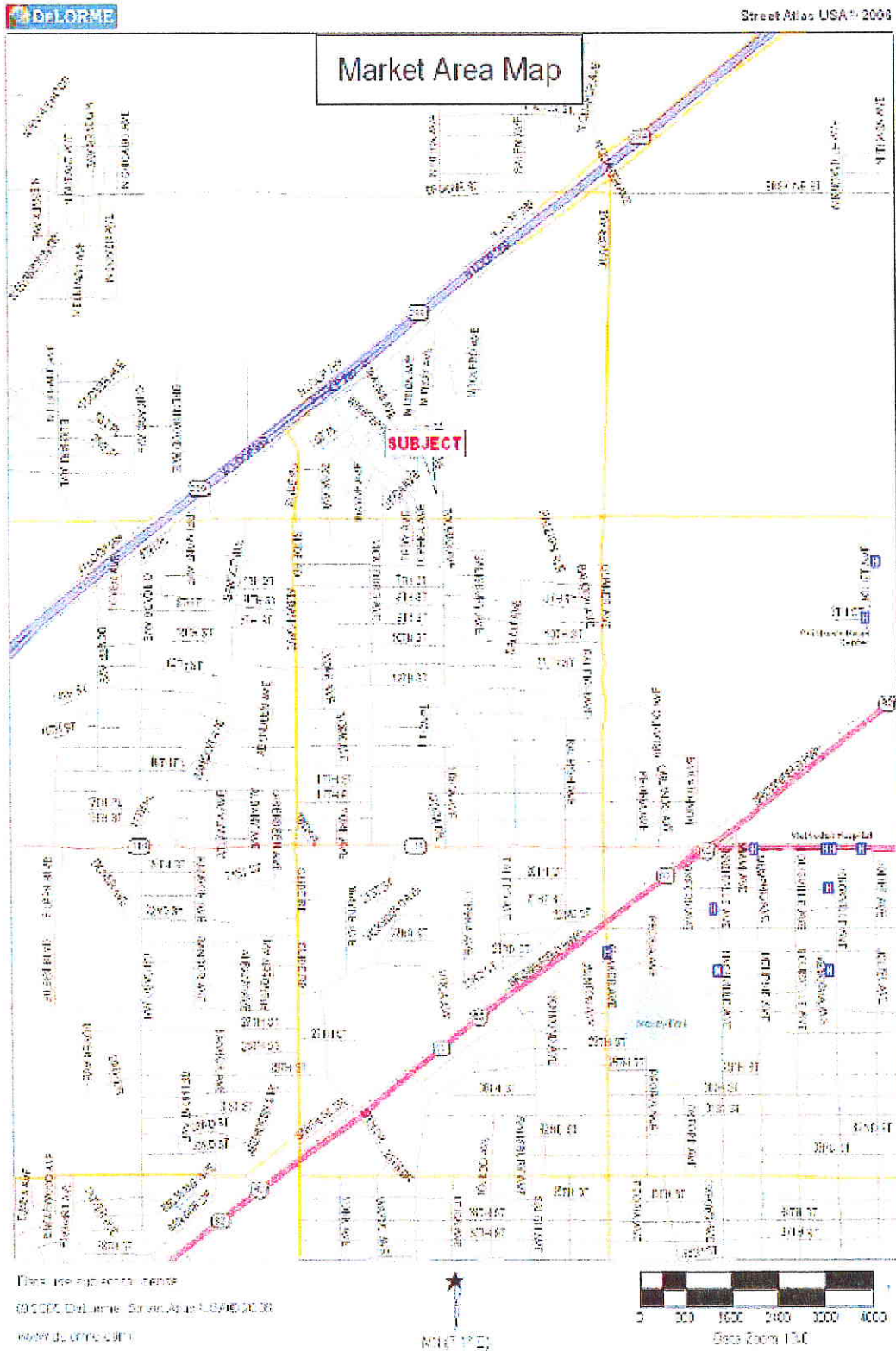
Community Services - Community services include a fire station within four-miles; a hospital within two-miles; a middle school within one-mile and freeway access (289 Loop) within one-mile. The entrance to the campus of Texas Tech University is located about 1.5 miles to the east of the subject along 4th street. Highlights of the campus with reference to community services include open space, a library, medical center and an affluence of college sporting events.

Summary - The subject is in the Northwest portion of Lubbock. Commercial developments are located along major thoroughfares. The subject property has an average location with respect to commercial services, thoroughfares, and community services. Condition and appeal of the area is generally good. The area is anticipated to experience moderate growth in the foreseeable future.

REGIONAL & MARKET AREA DESCRIPTION (CONTINUED)



REGIONAL & MARKET AREA DESCRIPTION (CONTINUED)



SITE & IMPROVEMENT DESCRIPTIONS



SITE DESCRIPTION

Size:	1.53 acres (66,603 SF)
Topography:	Generally Level
Excess/Surplus Land:	None
Adjacent Properties:	Surrounding development includes a mobile home park adjacent to the north; religious facility to the east, fuel station and convenience store to the south; and vacant land to the west.
Utilities:	All utilities are available to the site.
Street Improvements:	Toledo Avenue is a two-lane, two-way, asphalt paved street with curbs, gutters and streetlights.
Accessibility/Exposure:	Access to the subject site is unrestricted. Exposure of the subject is partially restricted from Toledo Avenue by the fuel station and convenience store.
Easements:	A title report was not provided for this appraisal. No adverse easements were noted. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.
Zoning:	<p>The subject site is zoned A-2 (High Density Apartment District). The purpose of this district is to promote high-density multi-family developments and compatible land uses in harmony with lower-density uses. The regulations are designed to provide the occupants with safe and convenient housing within an aesthetically pleasing environment in proper relationship to adjacent land uses. Development is limited to a site coverage ratio of 40% and FAR of 0.75. Height is limited to three stories or 40 feet.</p> <p>According to the City of Lubbock Planning Department, the subject is a legal, conforming use. If the subject were destroyed, it could be rebuilt.</p>
Earthquake Zone:	According to the USGS, Lubbock is located in Seismic Zone 2B, a moderate risk zone.

SITE & IMPROVEMENT DESCRIPTIONS (CONTINUED)

Flood Plain: The subject property is in Flood Zone X. Flood Zone X represents areas of minimal flood hazard from the principal source of flood in the area and determined to be outside the 0.2 percent annual chance floodplain. This is referenced by Federal Emergency Management Agency Flood Map, No. 35001C0378G, dated September 26, 2008. This is referenced by Federal Emergency Management Agency Flood Map, Community Panel Number #0002, dated September 26, 2008.

Site Rating: Overall, the subject site is considered an adequate multi-family site in terms of its location, exposure and access to employment and shopping centers.

IMPROVEMENT DESCRIPTION

Property Type: Apartment (Garden)

Buildings:
No. Apt. Buildings: Four
No. Common Area Buildings: None
No. Total Buildings: Four

Unit Mix:

Unit Types	No. Units	Size (SF)	Total (SF)
Studio/0 BR/1 BA	19	401	7,619
Flat/1 BR/1 BA	18	666	11,988
Flat/2 BR/1 BA	33	774	25,542
Unit Total/Avg.	70	645	45,149
None			0
Gross Building Area			45,149

Year Built: 1975

Age/Life Analysis:
Actual Age: 34 years
Effective Age: 25 years
Economic Life: 55 years
Remaining Life: 30 years

Quality & Condition: The subject property is an average quality complex and is in average condition.

Density: 45.8 units per acre (70 units/1.53 acres)

Foundation: Reinforced concrete slab

Exterior Walls: Wood-frame and painted stucco

Roofing: Pitched roof with asphalt shingles

SITE & IMPROVEMENT DESCRIPTIONS (CONTINUED)

Appliances:	Refrigerator w/ freezer, electric range and oven, and dishwasher
Heating and A/C:	Efficiencies and one-bedrooms are equipped with wall mounted packaged units. Two-bedrooms have a central heating and air system.
Hot Water:	Central boiler with two hot water tanks
Laundry:	Common laundry with four washers and four dryers
Interior Walls:	Painted wood paneling
Windows:	Windows are single-pane aluminum casing. Window coverings consist of mini-blinds
Floor Covering:	Typical floor coverings in living areas are wall to wall carpeting and vinyl in bath and kitchen areas
Project Amenities:	Common laundry facility
Unit Amenities:	No additional
Parking:	
Total Parking Spaces:	80
No. Open Spaces:	80
No. Covered Spaces:	0
No. Garages:	0
Per Unit Parking Ratio:	1.14 (Spaces/Unit)
Requirement:	Parking requirements are as follows: one space per studio, 1.5 spaces per one-bedroom and two spaces per two-bedroom unit, plus one additional space for each four units in the development. The subject would require 97 parking spaces. The subject currently has about 80 spaces. Despite recent inspections by the City, the owner has not been notified for being out of code with regard to parking. From the inspection, it is our opinion that there is ample space to configure the additional parking spaces required to mathematically conform to the city requirements.
Security Features:	Unit deadbolt

Capital Improvements:

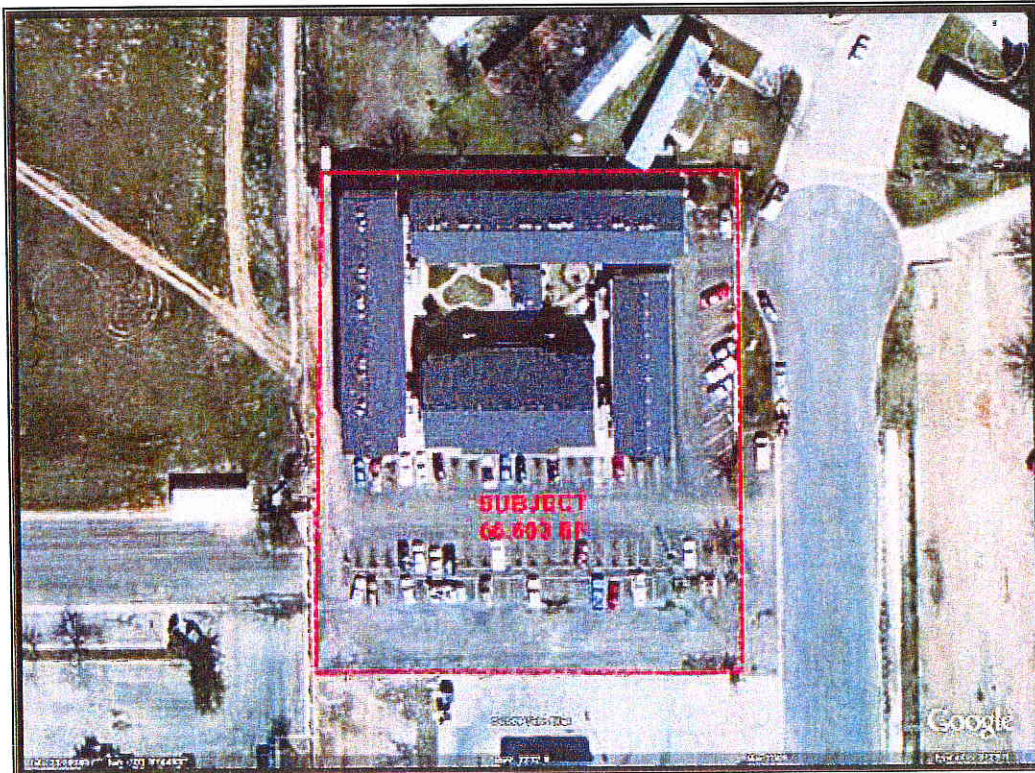
Since being acquired in October 2007, the subject has undergone extensive rehabilitation. Most notably, new stairwells have been installed, new exterior paint, restructuring of the plumbing system, central heating and air system in the two-bedroom units, and new packaged units in the studio and one-bedroom units. Notable interior renovations include new appliances, floor coverings, windows and paint. According to the owner, renovations have totaled \$433,780. A copy of the itemized renovations is located in the addenda. Overall, the benefit of the renovation has been reflected in the increase in occupancy and rent levels.

Deferred Maintenance:

The subject has deferred maintenance. Deferred maintenance was noted in the parking area of the subject. According to the owner, they plan on re-sealing the parking area in the next few years at an estimated cost of around \$25,000. We have deducted this estimated cost to cure in our as-is analysis. The fire damage noted earlier is considered nominal and does not warrant further deductions.



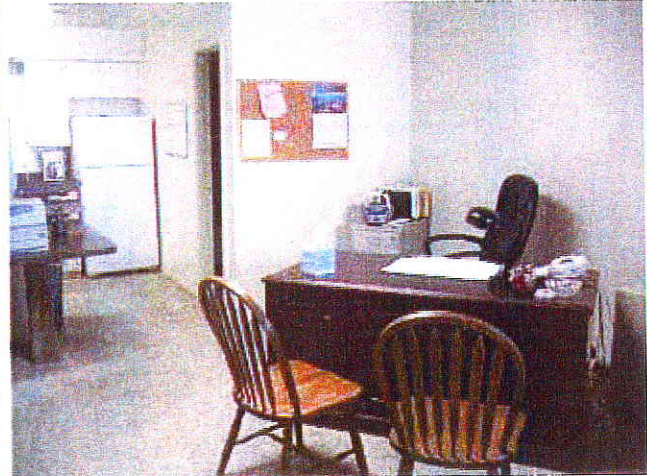
SUBJECT AERIAL



SUBJECT PROPERTY PHOTOGRAPHS



Subject Profile



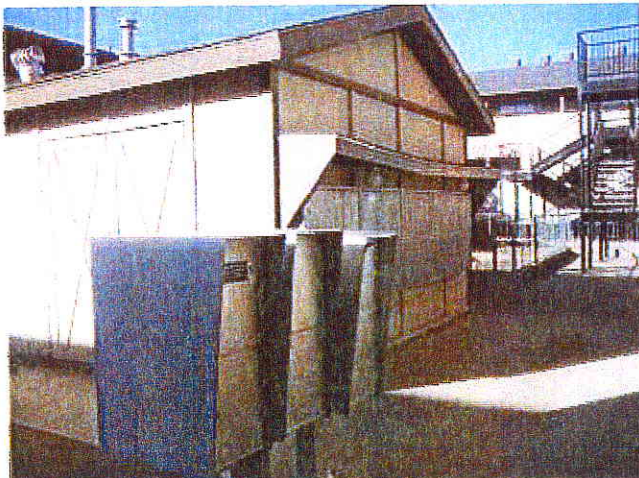
Office



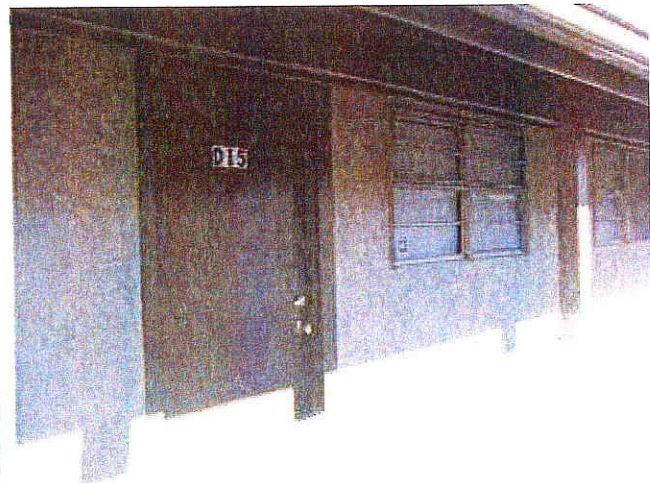
Common Laundry (Fire Damage)



Subject Grounds



Subject Grounds



Typical Unit Entry

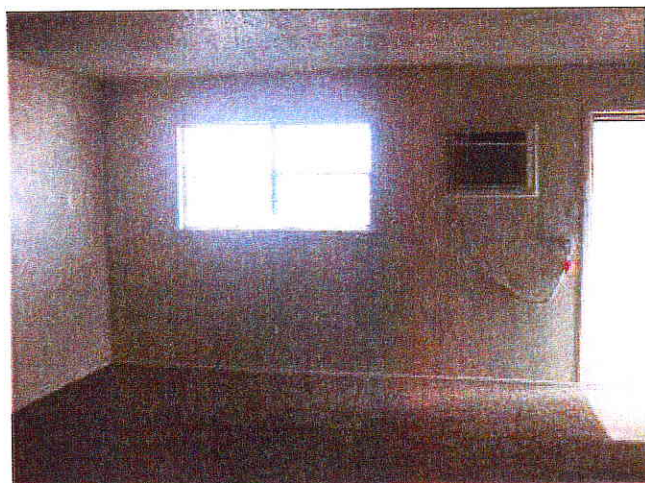
SUBJECT PROPERTY PHOTOGRAPHS (CONTINUED)



Typical Kitchen Area



Typical Kitchen Area



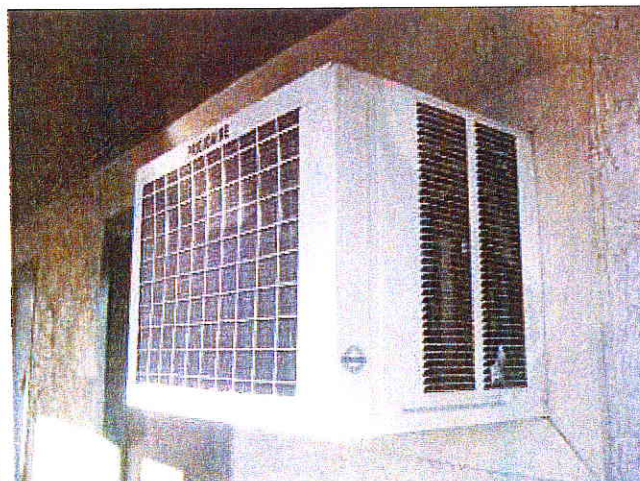
Typical Living Area



Typical Bathroom



Typical Bedroom



Heating/Cooling Package Unit

SUBJECT PROPERTY PHOTOGRAPHS (CONTINUED)



Typical New Stairwell



First Floor Walkway



Subject Grounds



Parking Area Deferred Maintenance



Looking North on Toledo



Looking South on Toledo

MARKET ANALYSIS & HIGHEST AND BEST USE



MARKET ANALYSIS

In this section, an overview of market conditions which influence the marketability of the subject property, as a multi-family development will be considered. In our research, we estimate around 180 operating apartment complexes within the City of Lubbock. Lubbock is divided into four submarket quadrants and subject is located in the Northwest portion. Apartment complexes are primarily clustered around the Texas Tech campus in the Northwest and Northeast submarkets. The following paragraphs discuss existing and potential inventory will be analyzed.

Supply

The majority of existing supply in the subject's immediate neighborhood has been constructed in the 1970's. The general area has average to good appeal due to its quality of life and the proximity of its location to employment, Texas Tech University and retail centers.

The following chart presents a sampling of major apartment developments that are considered to compete with the subject:

VACANCY SURVEY				
Project Name	No. Units	No. Vacant Units	Vacancy %	Year Built
Toledo Court Apartments (Subj.)	70	13	18.6%	1975
Waterford Place Apartments	228	25	11.0%	1971
* Branchwater Apartments	72	N/A	N/A	1963
Somerset Square Apartments	128	4	3.1%	1973
* Bear Creek Apartments	74	N/A	N/A	1967
Quaker Pines Apartments	40	2	5.0%	1968
Hickory Tree	88	16	18.2%	1958
The Villas	36	5	13.9%	1961
Cedar Ridge	34	4	11.8%	1980
*Adjusted Total / Average	624	69	11.1%	NAP

Source: PGP Valuation Inc

The subject's market area indicates a current average vacancy rate of 11.1% for the most similar properties as of our February 2009 survey. We noted during our survey that complexes tended to report higher occupancies with more proximate locations around the central Texas Tech campus reflecting the general appeal to the student cohort. The subject's current vacancy rate is 18.9%. As of our inspection, there were 13 vacant units, of which five were ready and available for lease. When the subject was acquired in October 2007, the complex was between 40-50% occupied. With immediate evictions and initial heavy renovation, occupancy decreased to 20% by January 2008. The subject is currently around 80% occupied and essentially in a lease-up phase following the extensive renovations. Leasing activity in the subject from January 2008 to present indicates an absorption rate of about 3 units per month. According to the owner, the stabilized operating occupancy goal is 90%. From our research, 10-12% reflects the current typical vacancy for complex of a similar vintage in the subject's market area.

Several multi-family projects are planned and/or under construction in the subject market area. These projects are located in and around the Texas Tech campus and are larger complexes targeted towards undergraduate and graduate students. As such, they will likely not adversely impact the subject marketability.

Demand

Vacancy in the subject's market area is anticipated to be stable in upcoming months. This is based on relatively strong employment in the fields of health care and education and overall stable unemployment rates the Lubbock is experiencing. The projects listed in the supply section indicate an overall vacancy ranging from 3.1% to 18.6% with an overall average of 11.1%.

Property managers in the area indicate that rents have been stable in the area over the past few years. The following is chart represents an annual survey conducted by Apartment Ratings for complexes within Lubbock:

Year	Studios	1 BR	2 BR	% Change
2008	\$468	\$503	\$613	3.5%
2007	\$419	\$520	\$591	1.4%
2006	\$449	\$529	\$531	2.0%
2005	\$450	\$501	\$527	-1.8%
2004	\$412	\$499	\$596	-3.6%
2003	\$520	\$469	\$575	-12.7%
2002	\$412	\$471	\$502	--

Source: ApartmentRatings.com

As noted in the table above, average rents dipped in 2005 and have rebounded with marginal growth since. Overall, rent levels are anticipated to remain stable for the next four quarters.

The level of rental concessions being offered in a market area provides another indication of the level of demand for apartment units. Concessions are being offered at the subject. The subject is offering a move-in special whereby tenants pay about half of the first months rent. Concessions are characteristic in the subject's market area and typically range from half-off first months rent to the waiver of the application fee and/or security deposits.

Summary of Market Analysis

Overall, given the positive absorption experienced by the subject in 2008 coupled with the stable market area occupancy and rental rates, there is a healthy balance between supply and demand in the subject's market area. Lubbock has a relatively low unemployment rate which is attributed to its education and healthcare based workforce. We anticipate sufficient marketability for the subject cautioned by the prevailing state of the national economy.

HIGHEST & BEST USE

As Vacant - The legal factors influencing the highest and best use of the subject property are primarily government regulations such as zoning ordinances. The subject site is comprised of one parcel zoned A-2 (High Density Apartment District). The purpose of this district is to promote high-density multi-family developments and compatible land uses in harmony with lower-density uses. The regulations are designed to provide the occupants with safe and convenient housing within an aesthetically pleasing environment in proper relationship to adjacent land uses. Development is limited to a site coverage ratio of 40% and FAR of 0.75. Height is limited to three stories or 40 feet.

The site is generally level with average access and average exposure. The subject is located in the Northwest portion of the City of Lubbock off 4th Street. Surrounding development is primarily single and multifamily residential, including a mobile home park adjacent to the north. 4th Street features neighborhood commercial services with access to Texas Tech University approximately 1 mile to the east and access to the Loop 289 to the west. Financial feasibility, maximal productivity, marketability, legal, and physical factors have been considered and the highest and best use of the subject site "as vacant" is concluded to be a multi-family use.

As Improved - The legal factors influencing the highest and best use of the subject property are primarily governmental regulations such as zoning and building codes. The subject improvements were constructed in 1975. According to the City of Lubbock, the subject is a legal, conforming use. If destroyed, the subject could be rebuilt as an apartment complex. Physical site and location features including topography, shape, access, exposure and surrounding commercial development also support the property's current use as its highest and best use. The physical and location characteristics of the property have been previously discussed in this report. The project is of an average quality construction, with adequate service amenities. In addition to legal, physical and location considerations, analysis of the subject property "as improved" requires the treatment of alternative uses for the property. The five possible alternative treatments of the property are demolition, expansion, renovation, conversion, and continued use as is. Among the five alternative uses, continued use as an apartment complex is the Highest and Best Use of the subject property.



The appraisal process, which is applied to most real estate properties, is designed to evaluate all factors that influence value. Regional and market area information has been presented to inform the reader of general outside influences that may affect value. In addition, the site and improvements have been described in detail. The interaction of the site and improvements establishes the utility and desirability of the entire property. The Highest and Best Use section evaluates the effect of legal, physical, and market considerations that influence the use of the property. The following paragraphs discuss the various methods used to value the subject property.

Cost Approach - This approach is based upon the principle that the value of the property is significantly related to its physical characteristics, and that no one would pay more for a facility than it would cost to build a like facility in today's market on a comparable site. In this approach, the market value of the site is estimated and added to the estimated depreciated value of the improvements. The Cost Approach was not utilized in this analysis, because investors of properties of this type and age do not typically utilize a Cost Analysis in their decision making. In addition, it is difficult to accurately estimate accrued depreciation. The omission of the Cost Approach is not detrimental to the reliability of the estimated market values.

Income Approach - The Income Approach is based on the premise that properties similar to the subject are income producing, and that investors purchase these properties based upon their income-producing ability. In the Income Approach, market rents for the subject property are estimated, the applicable operating expenses are deducted, and the resulting net income is capitalized into a value estimate. The Income Approach is an applicable method for valuing the subject and will be used in this analysis.

Sales Comparison Approach - This approach is based on the principle of substitution. This principle states that no one would pay more for the subject property than the value of a similar property in the market. This approach analyzes sales of comparable properties with regard to the nature and condition of each sale. Comparisons are made for varying physical characteristics. The Sales Comparison Approach is used in this analysis.

Analysis of Value Conclusions - The approaches used to value the subject property will be correlated into a value estimate reflecting stabilized occupancy in the Analysis of Value Conclusion section. Following the Analysis of Value Conclusion section, an As-Is analysis will be presented.

INCOME APPROACH



The Income Approach is a good and accurate measure of the value of income-producing properties, as the value estimate by this approach is based on the premise that multiple family properties are income producing, and that investors purchase these properties based upon their income-producing ability. The Direct Capitalization Method is the appropriate methodology used within this approach and is discussed below.

In the Direct Capitalization Method, market rents for the subject property are estimated, the applicable operating expenses are deducted, and the resulting net income is capitalized into a value estimate. This approach is based on an analysis of information extracted from the market, and provides a comparison of the subject to properties of similar character and income-producing ability.

DIRECT CAPITALIZATION METHOD

The first step in the Direct Capitalization Method is to estimate the subject's potential gross income. This process is accomplished through a comparison of the subject with similar properties having similar locations and utility. The concluded rents reflect our estimate of the average rent achievable by each unit type over the next 12 months. Vacancy allowance and operating expenses are deducted, based on market analysis. Finally, the resulting net operating income is capitalized at an appropriate supported rate.

Subject Income History

Residents typically sign six to 12 month leases at the subject. Rental rates are determined by the property manager who conducts periodic rent surveys of surrounding and competing properties. Overall, rent levels have been level the last six months as the subject is in a lease up phase after extensive renovation commencing in October 2007. Rent increases have not occurred over the past year.

The subject receives additional income from laundry NSF/late fees and application fees. Concessions are being offered at the subject. As previously discussed, the subject is currently offering a move-in special whereby tenants pay about half of the first months rent. However, concessions are typical in the subject's market area.

Subject Utility Structure

The subject pays all utilities included in the rent with the exception of phone, cable and internet services. According to the owner, utilities average around \$100 per unit depending on unit type. It is not typical in the subject's market area to for utilities to be included in rent. Of the complexes we surveyed; only wireless internet is included in the rent and tenants are individually metered for electricity and reimburse the owner for water, sewer, trash and common area gas. The utility breakdown is as follows:

- **Hot Water -** Included in the rent
- **Cold Water -** Included in the rent
- **Sewer -** Included in the rent
- **Trash Removal -** Included in the rent
- **Gas -** Included in the rent
- **Electricity -** Included in the rent
- **Telephone -** Not included in the rent; directly billed from utility company
- **Cable -** Not included in the rent; directly billed from utility company

Selection of Comparables

A complete search of the area was conducted in order to find the most comparable complexes in terms of age, appeal, condition, number of units, and amenities. Rent comparables located in the subject's market area are used in this analysis. The subject is in average condition with average appeal. The comparables selected in this analysis are the most similar properties to the subject property.

Concessions - The comparables are adjusted for concessions prior to analysis.

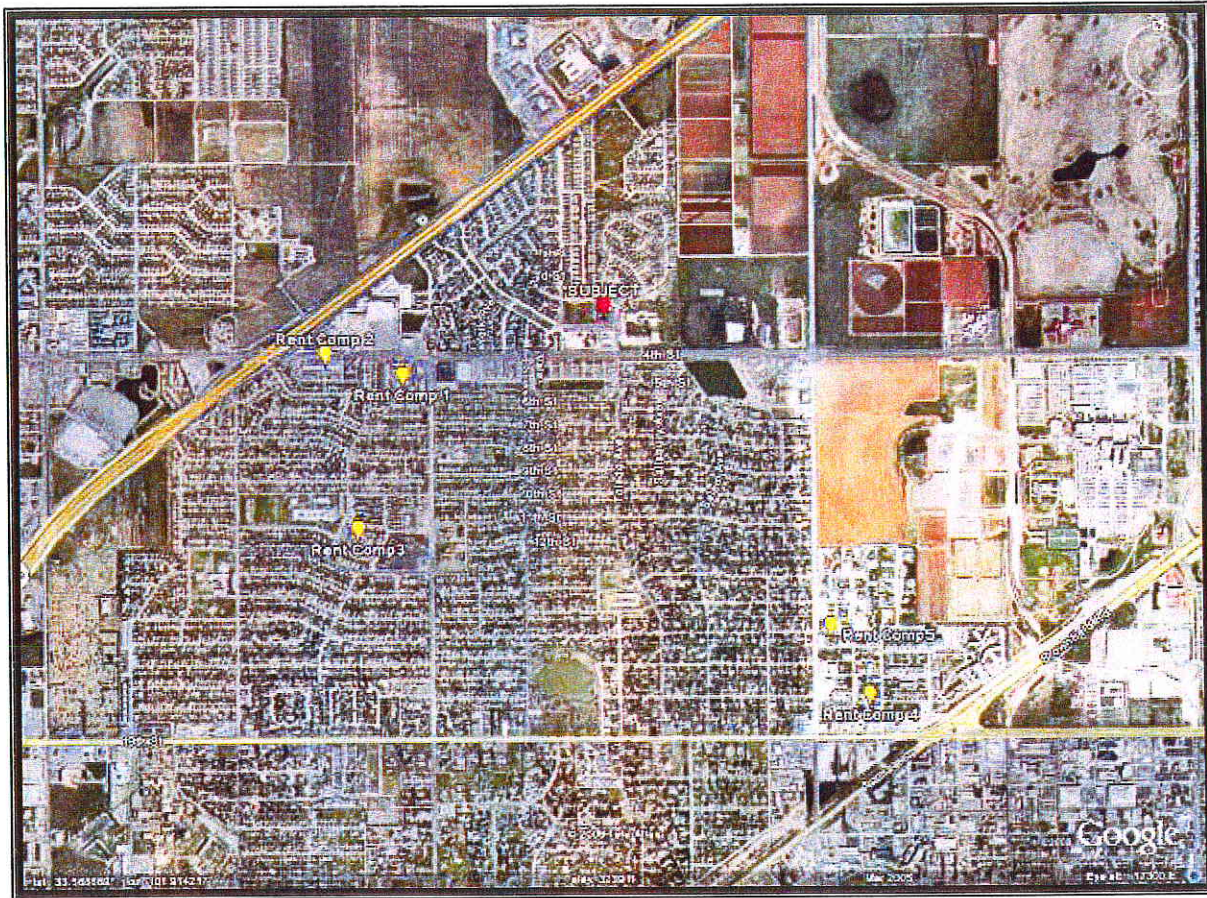
Presentation

The following presentation summarizes the comparables most similar to the subject property. A Rent Comparable Summation Table, Rent Comparable Location Map, Rent Comparable Datasheets and analysis of the rent comparables is presented on the following pages.

INCOME APPROACH (CONTINUED)

RENT SUMMATION TABLE										
	Project Design	No. Units	Year Built	Project Size (NRA)	Avg. SF per Unit	Rent Type	Occup. Rate	Eff. Rent Range ¹		Eff. Rent Avg.
Comparable 1										
Waterford Place Apartments 502 Slide Road Lubbock, TX	Garden	228	1971	N/A	N/A	Rents	89%	\$490	\$570	\$530
Comparable 2										
Branchwater Apartments 5441 4th Street Lubbock, TX	Garden	72	1963	63,330	880	Rents	N/A	\$550	\$645	\$598
Comparable 3										
Somerset Square Apartments 5301 11th Street Lubbock, TX	Garden	128	1973	120,660	943	Rents	97%	\$400	\$550	\$479
Comparable 4										
Bear Creek Apartments 4203 18th Street Lubbock, TX	Garden	74	1967	51,960	702	Rents	N/A	\$495	\$605	\$545
Comparable 5										
Quaker Pines Apartments 4314 16th Street Lubbock, TX	Garden	40	1968	34,478	862	Rents	95%	\$515	\$620	\$568

¹ The Effective Rent has been adjusted for concessions. Please refer the data sheets for the unadjusted rent.



RENT COMPARABLE MAP

INCOME APPROACH (CONTINUED)

Apartment Rent 1

Location Information

Name: Waterford Place Apartments
 Address: 502 Slide Road
 City, State: Lubbock, TX 79416
 MSA: Lubbock, TX MSA

Physical Information

Project Design: Garden No. Units: 228
 Rent Type: Market Rents Year Built: 1971
 Project Size: N/A (NRA SF) Avg. Unit Size: N/A SF
 Density: 39.20 (Units per Ac)
 Construction: Wood Stucco Tar & Gravel

Project Amenities

Pool Clubhouse Playground
 Exercise Tennis Ct Elevator
 Basketball Raquetball Laundry
 Business Ctr Sauna Tanning Spa
 Other:

Unit Amenities

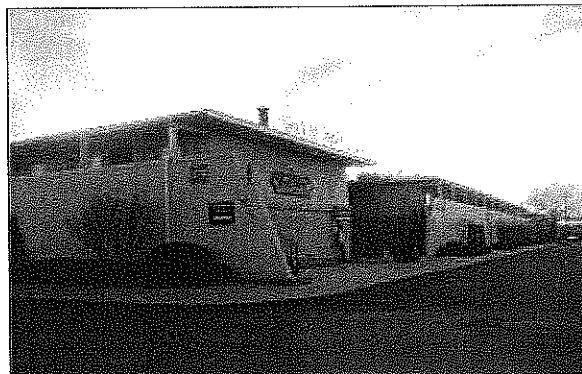
Security Alarm Storage Fireplace
 Deck/Patio Dishwasher Disposal
 Vaulted Ceilings W/D Hookup W/D AC
 Other:

Security

Perm. Fence Gated Security Patrol
 Other:

Parking Available Incl. in rent

Open	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Garage	<input type="checkbox"/>	<input type="checkbox"/>
Covered	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>



Utilities Information

x = Included in rent
 Electricity Water Telephone
 Hot Water Sewer Cable/Satellite
 Gas Trash Removal Internet

Occupancy / Absorption

Vacant Units: 25 Vacancy %: 11%
 Date Opened: Date Stabilized:
 No. Units Rented: 0 Rented/Mo: 0.0
 Fees and Deposits: Refundable security deposit varies depending on unit-type. \$35 application fees.
 Concessions: None currently offered.

Confirmation

ID #: 389638

Name:
 Source: Manager
 Phone No. / Date: 806.792.6165 / 2/10/2009

Unit Mix Information

Description	BR/BA	No Units	Avg. Size	Avg. Rent
Flat	1 BR/1 BA	0	704	\$490
Flat	2 BR/1 BA	0	890	\$570
Flat	3 BR/1 BA + Den	0	1,166	\$675

Remarks

This complex is located in the Northwest portion of Lubbock along 4th Street. The property manager reported 25 available units at the time of survey which is typical for the complex. Tenants are individually metered for electricity and are on a RUBS system for water, sewer, trash and gas.

INCOME APPROACH (CONTINUED)



Apartment Rent 2

Location Information

Name: Branchwater Apartments
 Address: 5441 4th Street
 City, State: Lubbock, TX 79416
 MSA: Lubbock, TX MSA

Physical Information

Project Design: Garden No. Units: 72
 Rent Type: Market Rents Year Built: 1963
 Project Size: 63,330 (NRA SF) Avg. Unit Size: 880 SF
 Density: 16.70 (Units per Ac)
 Construction: Wood Stucco Built-up w/ Mansard Facing

Project Amenities

Pool Clubhouse Playground
 Exercise Tennis Ct Elevator
 Basketball Raquetball Laundry
 Business Ctr Sauna Tanning Spa
 Other:

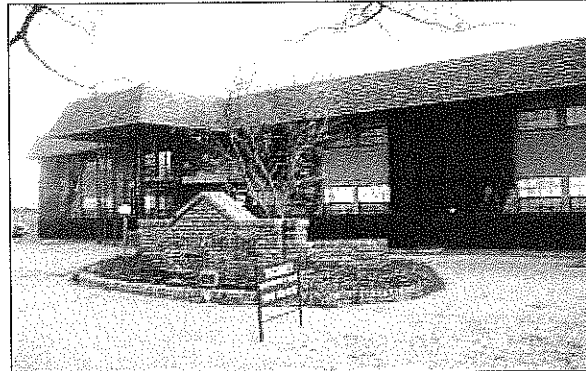
Unit Amenities

Security Alarm Storage Fireplace
 Deck/Patio Dishwasher Disposal
 Vaulted Ceilings W/D Hookup W/D AC
 Other:

Security

Perm. Fence Gated Security Patrol
 Other:

Parking	Available	Incl. in rent
Open	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Garage	<input type="checkbox"/>	<input type="checkbox"/>
Covered	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>



Utilities Information

x = Included in rent
 Electricity Water Telephone
 Hot Water Sewer Cable/Satellite
 Gas Trash Removal Internet

Occupancy / Absorption

Vacant Units: 0 Vacancy %: 0%
 Date Opened: Date Stabilized:
 No. Units Rented: 0 Rented/Mo: 0.0
 Fees and Deposits: Refundable security deposit varies depending on unit-type. \$35 application fees.
 Concessions: None currently being offered.

Confirmation

ID #: 389636

Name:
 Source: Manager
 Phone No. / Date: 806.793.1038 / 2/10/2009

Unit Mix Information

Description	BR/BA	No Units	Avg. Size	Avg. Rent

Remarks

This complex is located in the Northwest portion of Lubbock along 4th Street. The property manager would not disclose vacancy information. Tenants are individually metered for electricity and are on a RUBS system for water, sewer, trash and gas.

INCOME APPROACH (CONTINUED)



Apartment Rent 3

Location Information

Name: Somerset Square Apartments
 Address: 5301 11th Street
 City, State: Lubbock, TX 79416
 MSA: Lubbock, TX MSA

Physical Information

Project Design: Garden No. Units: 128
 Rent Type: Market Rents Year Built: 1973
 Project Size: 120,660 (NRA Avg. Unit Size: 943 SF
 SF)
 Density: 22.50 (Units per Ac)
 Construction: Wood Stucco Built-up

Project Amenities

Pool Clubhouse Playground
 Exercise Tennis Ct Elevator
 Basketball Raquetball Laundry
 Business Ctr Sauna Tanning Spa

Other:

Unit Amenities

Security Alarm Storage Fireplace
 Deck/Patio Dishwasher Disposal
 Vaulted Ceilings W/D Hookup W/D AC

Other:

Security

Perm. Fence Gated Security Patrol

Other:

Parking Available Incl. in rent

Open	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Garage	<input type="checkbox"/>	<input type="checkbox"/>
Covered	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>



Utilities Information

x = Included in rent

Electricity Water Telephone
 Hot Water Sewer Cable/Satellite
 Gas Trash Removal Internet

Occupancy / Absorption

Vacant Units: 4 Vacancy %: 3.1%
 Date Opened: Date Stabilized:
 No. Units Rented: 0 Rented/Mo: 0.0
 Fees and Deposits: Refundable security deposit varies depending on unit-type. \$35 application fees.
 Concessions: None currently offered.

Confirmation

ID #: 389639

Name:
 Source: Manager
 Phone No. / Date: 806.795.4454 / 2/10/2009

Unit Mix Information

Description	BR/BA	No Units	Avg. Size	Avg. Rent
Studio	0 BR/1 BA	0	465	\$400
Flat	1 BR/1 BA	0	667	\$465
Townhouse	1 BR/1.5 BA	0	778	\$470
Flat	2 BR/1.5 BA	0	888	\$500
Flat	2 BR/2 BA	0	954	\$550
Townhouse	2 BR/1.5 BA	0	1,221	\$625

Remarks

This complex is located in the Northwest portion of Lubbock along 11th Street. According to the property manager, the complex had experienced occupancy around 75% as late as September 2008. Since then, the property has achieved 100% occupancies. At the time of survey, the complex had 4 available units. Tenants are individually metered for electricity and are on a RUBS system for water, sewer, trash and gas.

INCOME APPROACH (CONTINUED)



Apartment Rent 4

Location Information

Name: Bear Creek Apartments
 Address: 4203 18th Street
 City, State: Lubbock, TX 79416
 MSA: Lubbock, TX MSA

Physical Information

Project Design: Garden No. Units: 74
 Rent Type: Market Rents Year Built: 1967
 Project Size: 51,960 (NRA SF) Avg. Unit Size: 702 SF
 Density: 39.70 (Units per Ac)
 Construction: Wood Stucco Tar & Gravel

Project Amenities

Pool Clubhouse Playground
 Exercise Tennis Ct Elevator
 Basketball Raquetball Laundry
 Business Ctr Sauna Tanning Spa

Other:

Unit Amenities

Security Alarm Storage Fireplace
 Deck/Patio Dishwasher Disposal
 Vaulted Ceilings W/D Hookup W/D AC

Other:

Security

Perm. Fence Gated Security Patrol

Other:

Parking Available Incl. in rent

Open	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Garage	<input type="checkbox"/>	<input type="checkbox"/>
Covered	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>



Utilities Information

x = Included in rent

Electricity Water Telephone
 Hot Water Sewer Cable/Satellite
 Gas Trash Removal Internet

Occupancy / Absorption

Vacant Units: 0 Vacancy %: 0%
 Date Opened: Date Stabilized:
 No. Units Rented: 0 Rented/Mo: 0.0
 Fees and Deposits: Refundable security deposit varies depending on unit-type. \$35 application fees.
 Concessions: None currently being offered.

Confirmation

ID #: 389637

Name:
 Source: Manager
 Phone No. / Date: 806.791.3773 / 2/10/2009

Unit Mix Information

Description	BR/BA	No Units	Avg. Size	Avg. Rent

Remarks

This complex is located in the Northwest portion of Lubbock along 18th Street on the westside of Texas Tech University. The property manager would not disclose vacancy information. Tenants are individually metered for electricity and are on a RUBS system for water, sewer, trash and gas.

INCOME APPROACH (CONTINUED)



Apartment Rent 5

Location Information

Name: Quaker Pines Apartments
 Address: 4314 16th Street
 City, State: Lubbock, TX 79416
 MSA: Lubbock, TX MSA

Physical Information

Project Design: Garden No. Units: 40
 Rent Type: Market Rents Year Built: 1968
 Project Size: 34,478 (NRA SF) Avg. Unit Size: 862 SF
 Density: 28.60 (Units per Ac)
 Construction: Wood Brick Built-up w/ Mansard Facing

Project Amenities

- Pool
- Exercise
- Basketball
- Business Ctr
- Clubhouse
- Tennis Ct
- Raquetball
- Sauna
- Playground
- Elevator
- Laundry
- Tanning
- Spa

Other:

Unit Amenities

- Security Alarm
- Deck/Patio
- Vaulted Ceilings
- Storage
- Dishwasher
- W/D Hookup
- Fireplace
- Disposal
- W/D
- AC

Other:

Security

- Perm. Fence
- Gated
- Security Patrol

Other:

Parking Available Incl. in rent

Open	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Garage	<input type="checkbox"/>	<input type="checkbox"/>
Covered	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>

Remarks

This complex is located in the Northwest portion of Lubbock along 16th Street on the westside of Texas Tech University. The manager reported 2 available units at the time of survey. Tenants are individually metered for electricity and are on a RUBS system for water, sewer, trash and gas.



Utilities Information

x = Included in rent

- Electricity
- Hot Water
- Gas
- Water
- Sewer
- Trash Removal
- Telephone
- Cable/Satellite
- Internet

Occupancy / Absorption

Vacant Units: 2 Vacancy %: 5%
 Date Opened: Date Stabilized:
 No. Units Rented: 0 Rented/Mo: 0.0
 Fees and Deposits: Refundable security deposit varies depending on unit-type. \$35 application fees.
 Concessions: Move-in special currently being offered.

Confirmation

ID #: 389635

Name:
 Source: Manager
 Phone No. / Date: 806.799.1821 / 2/10/2009

Unit Mix Information

Description	BR/BA	No Units	Avg. Size	Avg. Rent

INCOME APPROACH (CONTINUED)

Discussion of Rental Adjustments

Adjustments for differences between the subject property and the comparables can be made quantitatively or qualitatively. Adjustments for some differences can be derived from the market and are addressed in the Quantitative Adjustments paragraph. Other items for which dollar adjustments are more difficult to derive are addressed in the Qualitative Adjustments paragraph.

Quantitative Adjustments - The subject property and the comparables vary to some degree in terms of project amenities, unit amenities, parking, laundry, and utilities. The following grid illustrates the quantitative adjustments applied to the comparables (when necessary) in order to make the comparables similar to the subject in terms of these features. Support for our adjustment values, when necessary, is based on our experience and recent survey of the market area.

RENT COMPARABLE ADJUSTMENTS												
Adjustments		Subject	Comp. Comparison to the Subject									
Subcategory	\$ Adj.		Comp. 1	Comp. 2	Comp. 3	Comp. 4	Comp. 5	Comp. 1	Comp. 2	Comp. 3	Comp. 4	Comp. 5
Project Amenities												
Pool	\$5	No	No \$0	Yes (\$5)	Yes (\$5)	No \$0	Yes (\$5)	No \$0	Yes (\$5)	No \$0	Yes (\$5)	
Clubhouse	N/A	No	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	
Exercise facilities	\$5	No	No \$0	No \$0	Yes (\$5)	No \$0	Yes (\$5)	No \$0	No \$0	No \$0	No \$0	
Subtotal			\$0	(\$5)	(\$10)	\$0	\$0	\$0	\$0	\$0	(\$5)	
Unit Amenities												
Fireplace	\$5	No	Yes (\$5)	Yes (\$5)	Yes (\$5)	Yes (\$5)	Yes (\$5)	Yes (\$5)	No \$0	No \$0	No \$0	
Dishwasher	N/A	Yes	Yes \$0	Yes \$0	Yes \$0	Yes \$0	Yes \$0	Yes \$0	Yes \$0	Yes \$0	Yes \$0	
Subtotal			(\$5)	(\$5)	(\$5)	(\$5)	(\$5)	(\$5)	\$0	\$0	\$0	
Laundry												
Laundry	N/A	Yes	Yes \$0	Yes \$0	Yes \$0	Yes \$0	Yes \$0	Yes \$0	Yes \$0	Yes \$0	Yes \$0	
Washer/Dryer Hookups	\$10	No	Yes (\$10)	Yes (\$10)	No \$0	Yes (\$10)	No \$0	Yes (\$10)	No \$0	No \$0	No \$0	
Washer/Dryer	N/A	No	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	
Subtotal			(\$10)	(\$10)	\$0	(\$10)	\$0	(\$10)	\$0	\$0	\$0	
Parking												
Open	N/A	Yes	Yes \$0	Yes \$0	Yes \$0	Yes \$0	Yes \$0	Yes \$0	Yes \$0	Yes \$0	Yes \$0	
Carport	N/A	No	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	
Garage	N/A	No	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	
Subtotal			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Utilities Included in Rent												
Electricity	\$50	Yes	No \$50	No \$50	No \$50	No \$50	No \$50	No \$50	No \$50	No \$50	No \$50	
Water	\$15	Yes	No \$15	No \$15	No \$15	No \$15	No \$15	No \$15	No \$15	No \$15	No \$15	
Hot Water	\$5	Yes	No \$5	No \$5	No \$5	No \$5	No \$5	No \$5	No \$5	No \$5	No \$5	
Sewer	\$10	Yes	No \$10	No \$10	No \$10	No \$10	No \$10	No \$10	No \$10	No \$10	No \$10	
Garbage	\$10	Yes	No \$10	No \$10	No \$10	No \$10	No \$10	No \$10	No \$10	No \$10	No \$10	
Telephone	N/A	No	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	
Gas	\$10	Yes	No \$10	No \$10	No \$10	No \$10	No \$10	No \$10	No \$10	No \$10	No \$10	
Cable/Satellite	N/A	No	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	No \$0	
High-Speed Internet	\$35	No	Yes (\$35)	Yes (\$35)	Yes (\$35)	Yes (\$35)	Yes (\$35)	Yes (\$35)	Yes (\$35)	Yes (\$35)	Yes (\$35)	
Subtotal			\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	
Total Adjustments			\$50	\$45	\$50	\$50	\$50	\$50	\$50	\$60	\$60	

Qualitative Adjustments - Adjustments for quality, design, appeal, and location are more subjective. For these adjustments, a bracketing comparative process is used, which emphasizes general upward and downward rental indicators. No specific dollar adjustments are made due to the subjective nature of these adjustments and the lack of direct market evidence.

INCOME APPROACH (CONTINUED)

Rent Comparable Adjustment Grids - The following tables adjust the comparables to the subject property both quantitatively and qualitatively:

RENT QUANTITATIVE ADJUSTMENT GRID										
Comp. #	No. Units	Avg. Size	Effective Rent	Comparison to Subject					Total Adjustment	Adjusted Rent
				Structure	Parking	Appliances	Furnishings	Facilities		
Comp. 1										
Flat#1 BR#1 BA	0	701	\$480	(\$5)	\$0	\$0	(\$5)	(\$11)	\$50	\$511
Flat#2 BR#1 BA	0	690	\$570	(\$5)	\$0	\$0	(\$5)	(\$10)	\$50	\$560
Comp. 2										
Flat#1 BR#1 BA	0	0	\$550	(\$5)	\$0	(\$0)	(\$5)	(\$11)	\$45	\$595
Flat#2 BR#1 BA	0	0	\$645	(\$5)	\$0	(\$0)	(\$5)	(\$10)	\$45	\$680
Comp. 3										
Studio BR#1 BA	0	465	\$400	(\$5)	\$0	(\$10)	(\$5)	\$0	\$50	\$450
Flat#1 BR#1 BA	0	667	\$465	\$0	\$0	(\$10)	(\$5)	\$0	\$50	\$515
Flat#2 BR#1 BA	0	698	\$500	(\$5)	\$0	(\$10)	(\$5)	\$0	\$50	\$530
Flat#2 BR#2 BA	0	664	\$550	(\$5)	\$0	(\$10)	(\$5)	\$0	\$50	\$600
Comp. 4										
Studio BR#1 BA	0	0	\$500	(\$5)	\$0	\$0	(\$5)	(\$10)	\$50	\$515
Flat#1 BR#1 BA	0	0	\$505	(\$5)	\$0	\$0	(\$5)	(\$10)	\$50	\$505
Flat#2 BR#1 BA	0	0	\$600	(\$5)	\$0	\$0	(\$5)	(\$10)	\$50	\$600
Comp. 5										
Flat#1 TR#1 BA	0	0	\$515	(\$5)	\$0	(\$5)	\$0	\$0	\$50	\$575
Flat#2 TR#1 BA	0	0	\$600	(\$5)	\$0	(\$5)	\$0	\$0	\$50	\$660

The Effective Rent has been adjusted for vacancies. Please refer to the data sheet for the breakdown for this adjustment.

RENT QUALITATIVE ADJUSTMENT GRID										
Comparable #	No. Units	Year Built	Comparison to Subject					Avg. Unit Size	Overall Indicator	
			Quality	Condition	Appeal	Age	Location			
Comparable 1										
Waterford Place Apartments	228	1971	Similar	Similar	Similar	Similar	Similar	Similar	Good	
Comparable 2										
Branchwater Apartments	72	1963	Similar	Similar	Superior	Sl. Older	Similar	Larger	High	
Comparable 3										
Somerset Square Apartments	128	1973	Similar	Superior	Superior	Similar	Inferior	Larger	High	
Comparable 4										
Bear Creek Apartments	74	1967	Similar	Similar	Superior	Similar	Similar	Similar	Sl. High	
Comparable 5										
Quaker Pines Apartments	40	1968	Similar	Similar	Superior	Similar	Similar	Larger	High	

Market Rent Analysis

The following tables summarize the various indicators of market rent, and provide the market rent analysis and conclusions for the subject property.

RENT RANGE BY UNIT TYPE

Studio Units						
Apt.	Unit Type	Unit Size	Unadjusted Rent		Adjusted Rent	
Rent Comp.			\$	Per SF	\$	Per SF
4	Studio/0 BR/1 BA	N/A	\$495	N/A	\$545	N/A
3	Studio/0 BR/1 BA	465	\$400	\$0.86	\$450	\$0.97
Minimum		465	\$400	\$0.86	\$450	\$0.97
Maximum		465	\$495	\$0.86	\$545	\$0.97
Average		465	\$448	\$0.86	\$498	\$0.97

Subject Averages & Analysis

Studio/0 BR/1 BA	401	\$450	\$1.12	Asking
		\$453	\$1.13	Actual

Analysis

The comparables indicate an adjusted rent between \$450 and \$498 for the subject with an average of \$498 per month. The subject's actual rent is slightly higher than the asking rent and there is currently one of this unit type available. The relationship between asking and actual rent is explained by the fact that all tenants occupying this unit type are paying \$450 per month with the exception of one paying \$500 per month. With primary weight on the actual average rent and supporting emphasis on the rent comparables, we have concluded a rent of \$450 to reflect our estimate of the average rent achievable by this unit type over the next 12 months.

Estimated Market Rent Conclusion:	\$450	\$1.12
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1 Bedroom Units						
Apt.	Unit Type	Unit Size	Unadjusted Rent		Adjusted Rent	
Rent Comp.			\$	Per SF	\$	Per SF
5	Flat/1 BR/1 BA	N/A	\$515	N/A	\$575	N/A
4	Flat/1 BR/1 BA	N/A	\$535	N/A	\$585	N/A
2	Flat/1 BR/1 BA	N/A	\$550	N/A	\$595	N/A
3	Flat/1 BR/1 BA	667	\$465	\$0.70	\$515	\$0.77
1	Flat/1 BR/1 BA	704	\$490	\$0.70	\$540	\$0.77
Minimum		667	\$465	\$0.70	\$515	\$0.77
Maximum		704	\$550	\$0.70	\$595	\$0.77
Average		686	\$511	\$0.70	\$562	\$0.77

Subject Averages & Analysis

Flat/1 BR/1 BA	666	\$550	\$0.83	Asking
		\$548	\$0.82	Actual

Analysis

The comparables indicate an adjusted rent between \$515 and \$595 for the subject with an average of \$562 per month. The subject's actual rent is slightly below the asking rent and there is currently four of this unit type available. With primary weight on the actual average rent and supporting emphasis on the rent comparables, we have concluded a rent of \$550 to reflect our estimate of the average rent achievable by this unit type over the next 12 months.

Estimated Market Rent Conclusion:	\$550	\$0.83
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INCOME APPROACH (CONTINUED)

2 Bedroom Units						
Apt. Rent Comp.	Unit Type	Unit Size	Unadjusted Rent		Adjusted Rent	
			\$	Per SF	\$	Per SF
4	Flat/2 BR/1 BA	N/A	\$605	N/A	\$655	N/A
5	Flat/2 BR/1 BA	N/A	\$620	N/A	\$680	N/A
2	Flat/2 BR/1 BA	N/A	\$645	N/A	\$690	N/A
3	Flat/2 BR/1.5 BA	888	\$500	\$0.56	\$550	\$0.62
1	Flat/2 BR/1 BA	890	\$570	\$0.64	\$620	\$0.70
3	Flat/2 BR/2 BA	954	\$550	\$0.58	\$600	\$0.63
Minimum		888	\$500	\$0.56	\$550	\$0.62
Maximum		954	\$645	\$0.64	\$690	\$0.70
Average		911	\$582	\$0.59	\$633	\$0.65
Subject Averages & Analysis						
Flat/2 BR/1 BA		774	\$650	\$0.84	Asking	
			\$624	\$0.81	Actual	
Analysis						
The comparables indicate an adjusted rent between \$550 and \$690 for the subject with an average of \$633 per month. The subject's actual rent is below the asking rent and there is currently eight of this unit type available. With primary weight on the actual average rent and supporting emphasis on the rent comparables, we have concluded a rent of \$640 to reflect our estimate of the average rent achievable by this unit type over the next 12 months.						
Estimated Market Rent Conclusion:					\$640	\$0.83

Additional Income

The other income for the subject is discussed below:

Laundry - The subject property features one laundry facility with four washer and four dryers. Laundry services generated \$2,413 in 2008. The washers and dryers are owned and maintained by Apartment Laundry Specialists (ALS). The laundry facility is cleaned and maintained by property management. A portion of laundry revenue is allocated for ALS services. We concluded \$3,000 per year for our analysis. Our conclusion is based on historical data with consideration of the trend in increasing occupancy which translates to an increased use of the laundry facility.

Miscellaneous - The miscellaneous income category includes application fees and late/NSF fees. These items totaled \$3,190 in 2008. We concluded based on historical data, or \$3,500 per year for our analysis, with similar consideration to increasing occupancy.

Vacancy and Credit Loss

This category accounts for the time period between tenants, as well as possible prolonged vacancies under slow market conditions. Vacancy in the subject's area is 11.1%, according to our survey. The subject is currently 18.9 % vacant. The historical vacancy was not available for this analysis since the subject has undergone extensive renovations and is in a corresponding lease-up phase. Based on the above information and contact with various developers, property owners, and managers, a vacancy rate of 10.0 % is concluded. This includes an allowance for credit loss and considers concessions as necessary. This rate is applied to the unit rent conclusions. The other income items are based on historical income that already reflects vacancy and credit loss.

Estimated Expenses

Operating expenses include those items necessary to maintain the subject property and generate income at the forecasted level. Expenses associated with debt financing, depreciation, or other accounting items are disregarded. Expenses are estimated based on one or more of the following sources: (1) historical or projected operation of the subject; (2) comparable expense properties; (3) published operating sources; or (4) individual suppliers. The expense comparables reflect varying accounting methods with respect to individual line items and reserves for replacement expenses. On a line-item basis, due to the variances in accounting and classification, their applicability is diminished. Since the subject transferred ownership and management in October 2007, limited historical operating data was available. It should also be noted that the historical operating data present reflects the subject in a rehabilitation and lease-up phase; however, capital expenditures have been separated from operating expenses. The following section provides supporting information and discusses the individual expense conclusions for the subject property.

Year	2008	
	Total	\$/Unit
INCOME ITEMS		
Rental Income	\$236,664	\$3,381
Laundry/Vending	\$2,413	\$34
Miscellaneous Income	\$3,190	\$46
EFFECTIVE GROSS INCOME	\$242,267	\$3,461
EXPENSE ITEMS		
Real Estate Taxes	\$20,351	\$291
Additional Tax Charges	\$0	\$0
Insurance	\$0	\$0
Utilities	\$72,687	\$1,038
Repairs and Maintenance	\$10,373	\$148
Landscaping	\$668	\$10
Turnover Expenses	\$0	\$0
Off-Site Management	\$9,058	\$129
% of EGI		3.7%
On-Site Management	\$21,367	\$305
Other Salaries	\$38,887	\$556
Payroll Taxes/Benefits	\$3,040	\$43
General/Administrative	\$13,717	\$196
Reserves	\$0	\$0
TOTAL EXPENSES	\$190,148	\$2,716
Expenses as % EGI	78.5%	
NET OPERATING INCOME	\$52,119	\$745

INCOME APPROACH (CONTINUED)

EXPENSE COMPARABLES							
COMPARABLE	Comp. 1	Comp. 2	Comp. 3	Comp. 4	Comp. 5	Low	High
Expense Year	2007	2007	2007	2007	2007	2007	2007
Number of Units	60	78	152	98	34	34	152
Year Built	1984	1977	1972	1977	1980	1972	1984
EXPENSE ITEMS	\$/Unit	\$/Unit	\$/Unit	\$/Unit	\$/Unit	Low	High
Real Estate Taxes	\$315	\$396	\$240	\$605	\$593	\$240	\$605
Additional Tax Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance	\$141	\$137	\$127	\$187	\$142	\$127	\$187
Utilities	\$510	\$726	\$934	\$326	\$150	\$150	\$934
Repairs and Maintenance	\$719	\$559	\$153	\$657	\$600	\$153	\$719
Landscaping	\$95	\$69	\$51	\$0	\$15	\$0	\$95
Turnover Expenses	\$33	\$114	\$136	\$0	\$353	\$0	\$353
Off-Site Management	\$456	\$0	\$216	\$0	\$181	\$0	\$456
% of EGI	7.0%	0.0%	3.5%	0.0%	2.8%	0.0%	7.0%
On-Site Management	\$272	\$713	\$290	\$262	\$900	\$262	\$900
Other Salaries	\$48	\$432	\$333	\$762	\$0	\$0	\$762
Payroll Taxes/Benefits	\$175	\$61	\$90	\$0	\$0	\$0	\$175
General/Administrative	\$356	\$123	\$289	\$352	\$270	\$123	\$356
Reserves	\$0	\$0	\$200	\$125	\$0	\$0	\$200
TOTAL EXPENSES (\$/Unit)	\$3,120	\$3,330	\$3,058	\$3,276	\$3,204	\$3,058	\$3,330

INCOME APPROACH (CONTINUED)

CAPITALIZATION RATE ANALYSIS						
COMPARABLES	Subjed	Comp. 1	Comp. 2	Comp. 3	Comp. 4	Comp. 5
Analysis Price:	-	\$1,275,000	\$10,460,000	\$20,300,000	\$3,750,000	\$1,100,000
Net Operating Income:	-	N/A	\$851,920	\$1,528,360	\$320,538	\$116,177
Capitalization Rate:	-	N/A	8.1%	7.5%	8.5%	10.6%
Date of Sale:	-	2/26/08	5/19/08	5/19/08	2/10/09	2/10/09
Analysis:		Older	Older	Older	Listing	Listing
Location:	Good	Good	Good	Good	Good	Good
Analysis:		Similar	Similar	Similar	Similar	Similar
Year Built (Age):	1975	1978	1984	1982	1977	1980
Analysis:		Similar	Similar	Similar	Similar	Similar
Avg. Unit Size (SF):	645	800	845	865	1,035	916
Analysis:		Larger	Larger	Larger	Larger	Larger
Quality:	Average	Average	Good	Good	Average	Average
Analysis:		Similar	Superior	Superior	Similar	Similar
Condition:	Average	Average	Good	Good	Average	Average
Analysis:		Similar	Superior	Superior	Similar	Similar
No. of Units:	70	62	224	415	98	34
Analysis:		Similar	Larger	Larger	Similar	Similar
Density (Units/Acre):	45.8	27.8	24.6	23.5	19.4	47.9
Analysis:		Lower	Lower	Lower	Lower	Similar
Overall Rate Indicator:	-	N/A	Low	Low	Sl. Low	Good

The sale comparables range from 7.50% to 10.60%. The comparables were purchased at or near stabilized occupancy and at or near market rents. A capitalization rate in the middle of this range is supported. Based on the capitalization rates derived from the comparables above, a capitalization rate of 8.50% is appropriate for the subject. However, these sales reflect historic data and must be viewed in the context of the current state of the capital markets.

Capital Market Retrospective

The 2002–2007 bull market for commercial property was largely driven by capital market factors. Equity poured into the asset class from many different sources. Interest rates hit historic lows and the CMBS (Commercial Mortgage Backed Securities) market generated huge amounts of debt capital. Consequently, asset prices nearly doubled over this period.

While the capital markets were hot, market fundamentals were negative for the first few years. Vacancies spiked and rents dropped in the wake of the dot com bust and subsequent recession. There was a great deal of discussion about a “disconnect” between the capital and space markets as prices improved despite weak fundamentals.

Eventually, fundamentals began to improve and optimism was wide-spread by mid-2005. A spike in construction costs and minimal pipeline of new development contributed to the positive outlook. After interest rates hit their lows, lenders continually improved their terms, eased their underwriting, and interest only loans became standard.

The smooth sailing was briefly interrupted when the housing market turned and rates spiked in the first half of 2006. However, rates retreated quickly, buyers had pent-up demand resulting from strong capital inflows and lenders became extremely aggressive. Between Q4'06 and Q2'07, the rate of price appreciation was higher than at any other time throughout the cycle. In September '08, a year after the mortgage markets seized up, the entire financial system froze—and the already limping property investment markets suffered another tremendous blow.

INCOME APPROACH (CONTINUED)

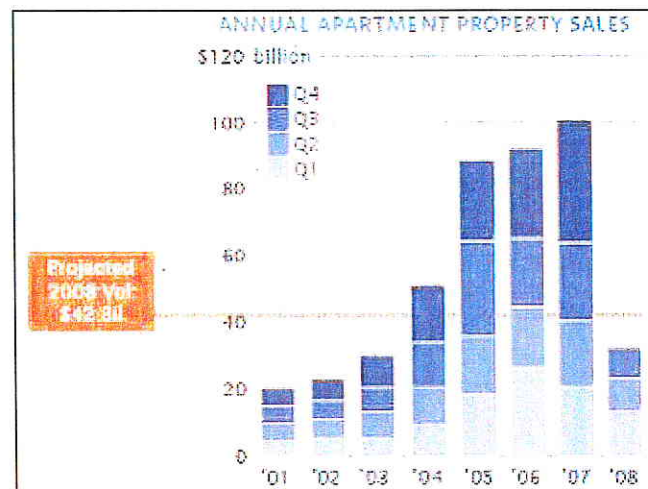
It became clear that the economic ramifications of the credit crunch and this ongoing deleveraging period would seriously undermine rent and occupancy fundamentals. Both the capital markets and space markets started moving solidly in the same direction; down. As quickly as property prices rose when the space and capital markets were both positive, property prices could fall with equal force now that the space and capital markets are deteriorating. Capitalization rates are rising, but prices are more likely to be measured as a discount to what a property recently sold for, what its current mortgage balance is, or its replacement cost, rather than for its yield.

Apartment Sales Activity – Investor Survey's

According to Marcus & Millichap Real Estate Investment Services (third quarter 2008 report on the local market), "Solid fundamentals will prop up investor demand in the local investment market, though financing restrictions will continue to limit the number of qualified buyers and temper sales activity through year end." "As a result, institutions will remain dominant in the marketplace, actively pursuing value-add opportunities near major employment hubs. In the last 12 months, cap rates have averaged in the high-4% range, though some recent transactions have topped the mid-5% mark." For properties sold over the 12-month span ending with mid-year, Reis reports average cap rate and selling price at 5.3% and \$194,488 per unit. Values for the second quarter alone are nearly identical.

According to the 3rd Quarter *Korpacz* Investor Survey, capitalization rates for the National Apartment Market have increased 10 basis points over the past year to 5.86%.

According to *Real Capital Analytics* October 2008 Apartment report, apartment property sales have decreased significantly in 2008 vs. 2007, as depicted in the following chart.

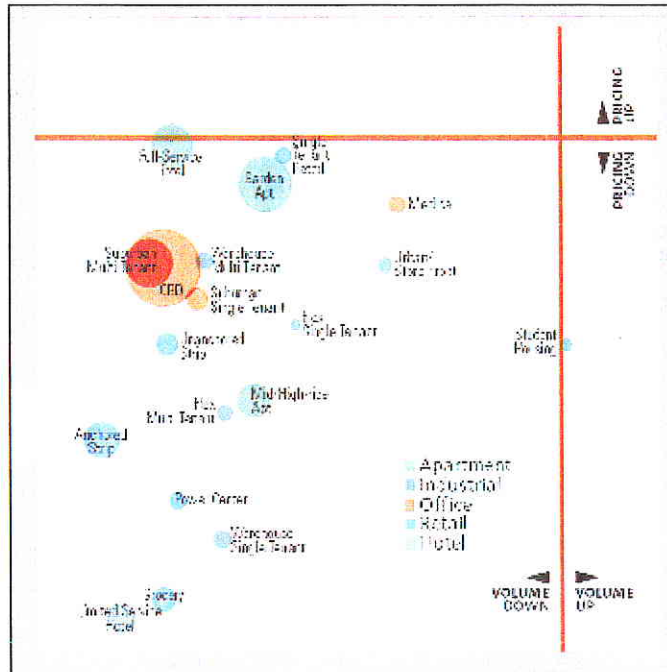


Source: *Real Capital Analytics* (Capital Trends Monthly – Apt – Oct 08)

The report indicates that the year-to-date average capitalization rate for garden apartments surveyed is 6.3%, a 30 basis point increase over the average rate for 2007. The year-to-date capitalization rate for the 3rd quarter 2008 is reported at 6.5%, a 29 basis point increase over the same time period last year.

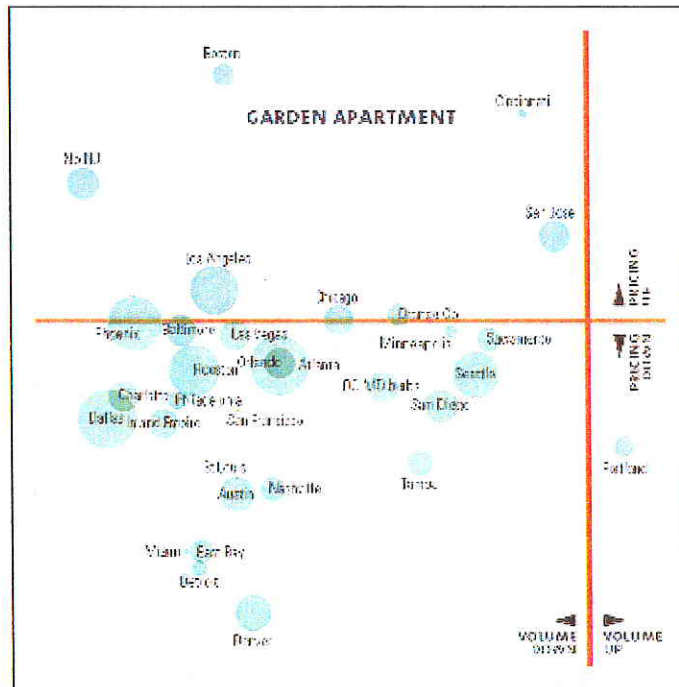
The Apartment report indicates that for every property type and across all markets, investors are facing the same two overriding trends; declining sales transactions and falling prices.

INCOME APPROACH (CONTINUED)



Source: *Real Capital Analytics* (Capital Trends Monthly – Apt – Oct 08)

Just one market, Portland, has seen more apartment properties trade this year than last. Only a handful of markets have posted pricing gains, but those increases are likely due to a flight to quality.



Source: *Real Capital Analytics* (Capital Trends Monthly – Apt – Oct 08)

INCOME APPROACH (CONTINUED)

Real Capital Analytics does not specifically cover the Lubbock Metro Area; however it reports a year-to-date average cap rate for the tertiary Southwest market of 7.2% with a range between 3.4% and 10% based on 95 transactions. By comparison, Dallas, a proximate Southwest MSA, reports a year-to-date average cap rate of 7.7% based on 80 transactions.

The pro-forma income conclusions for the subject property are based on market rent and stabilized vacancy. As such, there is average income upside potential. Based on the capitalization rate comparables and the investor surveys, a capitalization rate of 9.00% is indicated for the subject. This is within the comparables range (7.5% to 10.6%) and supported by the investor surveys.

As noted, in September of 2008, the financial markets experienced another blow which has made it more difficult for investors to obtain financing. These issues are not reflected in the capitalization comparables or the investor surveys previously presented. Higher capitalization rates are anticipated due to these recent events.

For this analysis an upward adjustment of 100 basis points will be applied to the previously concluded capitalization rate (8.50%) which reflects a potential buyer's additional risk of higher vacancy and the affects of the recent turmoil in the financial markets on investor's sentiment. Therefore the concluded capitalization rate is **9.50%** (8.50% + 1.00%).

Band of Investment Technique - Because most properties are purchased with debt and equity capital, the overall capitalization rate must satisfy the market return requirements of both investment positions. Lenders must anticipate receiving a competitive interest rate commensurate with the perceived risk of the investment or they will not make funds available. Lenders also require that the principal amount of the loan be repaid through period amortization payments. Similarly, equity investors must anticipate receiving a competitive equity cash return commensurate with the perceived risk or they will invest their funds elsewhere.

To analyze the capitalization rate from a financial position, the Band of Investment Technique is used. Available financing information from lenders and the sales comparables indicates the following terms:

BAND OF INVESTMENTS ASSUMPTIONS	
Loan Amortization Period	30 Years
Interest Rate	6.50%
Loan-to-Value Ratio	65%
Mortgage Constant	0.07585

Equity dividend rates vary depending upon motivations of buyers and financing terms. The previous terms and an appropriate equity dividend rate are used in the Band of Investments calculations, which are presented on the following chart.

BAND OF INVESTMENTS				
Mortgage Component	65%	x	0.076	= 0.049
Equity Component	35%	x	0.100	= 0.035
Indicated Capitalization Rate				0.084
Capitalization Rate (rounded):				8.4%

Capitalization Rate Conclusion - The indicated overall rates by the comparable sales and the Band of Investment Technique are discussed above. For this analysis, primary emphasis is placed on the comparable sales, with secondary emphasis on the Band of Investment Technique. Therefore, a capitalization rate of 9.50% is concluded for this analysis.

Direct Capitalization Conclusion

The table on the following pages summarizes the Direct Capitalization Method and its value conclusion.

INCOME APPROACH (CONTINUED)



DIRECT CAPITALIZATION SUMMATION TABLE

Income Items	Unit Mix	Market Rent	Monthly	Annual	
Rental Income					
Studio/0 BR/1 BA	19	\$450	\$8,550	\$102,600	
Flat/1 BR/1 BA	18	\$550	\$9,900	\$118,800	
Flat/2 BR/1 BA	33	\$640	\$21,120	\$253,440	
Total Rental Income	70	\$565	\$39,570	\$474,840	
Other Income					
Laundry/Vending			\$250	\$3,000	
Miscellaneous Income			\$292	\$3,500	
Total Other Income			\$542	\$6,500	
POTENTIAL GROSS INCOME (PGI)			\$6,876/unit	\$1066/SF	\$481,340
Vacancy & Credit Loss					
Rental Income		10%	\$3,957	\$47,484	
Other Income		0%	\$0	\$0	
Total Vacancy & Credit Loss		10%	\$3,957	\$47,484	
EFFECTIVE GROSS INCOME (EGI)			\$6,198/unit	\$961/SF	\$433,856
Estimated Expense Items	% of PGI	% of EGI	Total	Per Unit	Per SF
Real Estate Taxes	8.5%	9.5%	\$41,085	\$587	\$0.91
Insurance	2.2%	2.4%	\$10,500	\$150	\$0.23
Utilities	14.5%	16.1%	\$70,000	\$1,000	\$1.55
Repairs & Maintenance	5.1%	5.6%	\$24,500	\$350	\$0.54
Landscaping	0.1%	0.2%	\$700	\$10	\$0.02
Turnover Expenses	1.5%	1.6%	\$7,000	\$100	\$0.16
Off-Site Management	3.2%	3.5%	\$15,185	\$217	\$0.34
On-Site Management	4.4%	4.8%	\$21,000	\$300	\$0.47
Other Salaries	7.3%	8.1%	\$35,000	\$500	\$0.78
Payroll Taxes/Benefits	0.7%	0.8%	\$3,500	\$50	\$0.08
General Administrative	2.9%	3.2%	\$14,000	\$200	\$0.31
Reserves	1.8%	2.00%	\$8,677	\$124	\$0.19
Total	52.2%	57.9%	\$251,147	\$3,588	\$5.56
NET OPERATING INCOME (NOI)			\$2,610/unit	\$4.05/SF	\$182,709
Valuation of Income	NOI	Divided by	Cap. Rate	Equals	Value
	\$182,709	÷	9.50%	=	\$1,923,254
ESTIMATED VALUE (rounded)			\$27,429/unit	\$4253/SF	\$1,920,000

SALES COMPARISON APPROACH



This approach is based on the principle of substitution. This principle states that no one would pay more for the subject property than the value of similar properties in the market. In active markets with a large number of sales that are physically similar comparables, this approach is generally a good indicator of value. In this section, the market value of the subject property will be estimated by comparing improved sales to the subject property on a price per unit basis.

Selection of Comparables

A thorough search was made for similar improved sales in the area. The sales were selected due to their similarities in appeal, location, and quality. In selection comparables, emphasis was placed on finding the most recent sales of apartment complex properties that are similar to the subject property in terms of location, quality, age, condition, and income-producing potential. With a limited number closed sale available in Lubbock, we have considered three closed sales and two listing in our analysis. The comparables selected for this analysis were the best comparables available to us as of the date of this report. The sales used represent the best comparables available for this analysis.

Adjustments

The analysis price indicated for each of the comparable sales in the Sales Comparable Summation Table and the Sales Comparable Analysis Table is based on an analysis of the sales for property rights transferred, financing terms, conditions of sale, and expenditures immediately after purchase. In addition to the above elements of comparison, additional quantitative adjustments are used in this analysis. They are reflected in the Sales Comparable Analysis Table. The Percentage Adjustment Table below summarizes the percentage adjustments used in this analysis.

PERCENTAGE ADJUSTMENT TABLE					
Category	Inferior	Sl. Inferior	Similar	Sl. Superior	Superior
Location	10%	5%	0%	-5%	-10%
Quality	10%	5%	0%	-5%	-10%
Condition	10%	5%	0%	-5%	-10%
Category	Older	Sl. Older	Similar	Sl. Newer	Newer
Year Built	10%	5%	0%	-5%	-10%
Date of Sale	-10%	-5%	0%	-	-
Category	Smaller	Sl. Smaller	Similar	Sl. Larger	Larger
Average Unit Size	10%	5%	0%	-5%	-10%
No. of Units	-10%	-5%	0%	5%	10%
Category	Lower	Sl. Lower	Similar	Sl. Higher	Higher
Density (units/acre)	-10%	-5%	0%	5%	10%

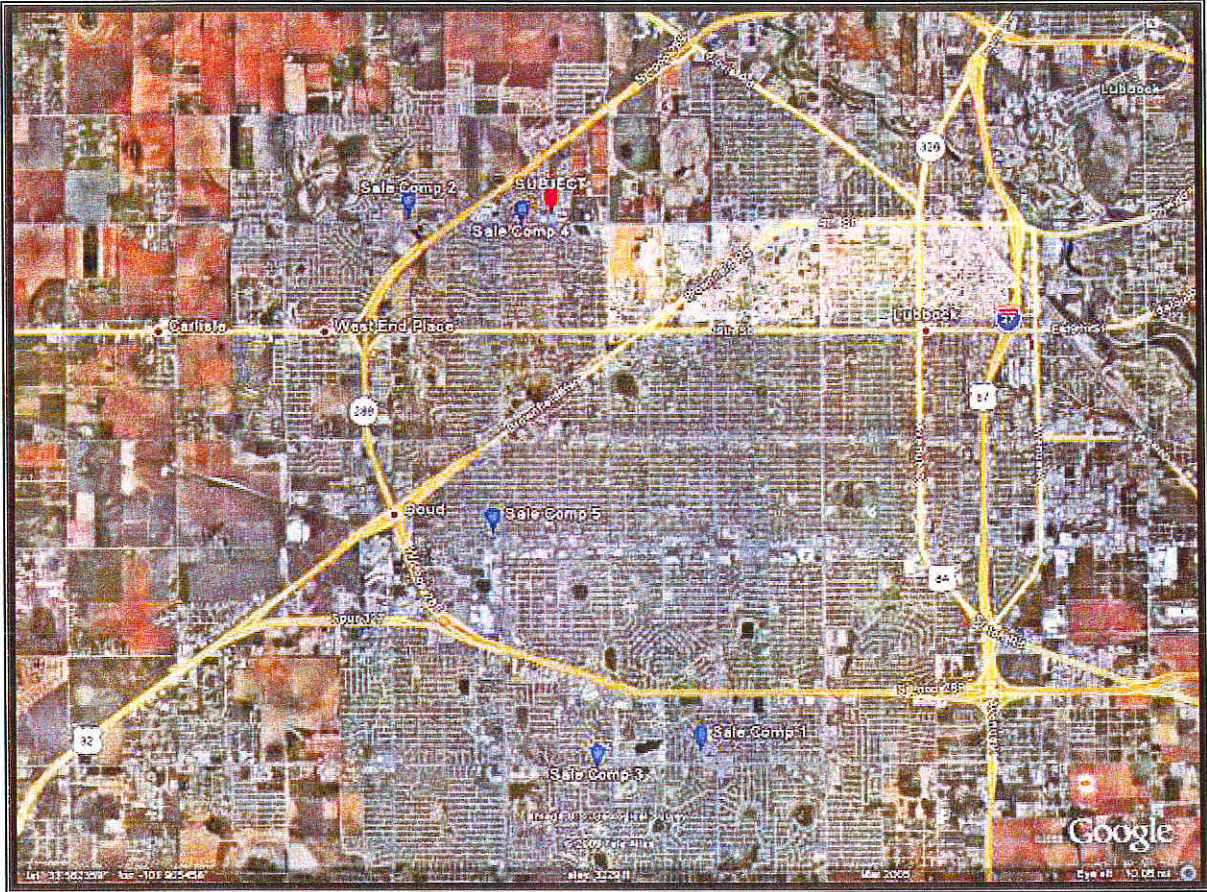
Presentation

In the following discussion, the physical differences and similarities between the subject property and the comparables will be discussed. The comparables presented are considered the best available for analysis. Following the Sale Comparable Summation Table, Sale Comparable Map and Sale Comparable Datasheets, a discussion of the Price per Unit method will be presented. In the following discussion, the physical differences and similarities between the subject property and the comparables will be discussed. All of the sales are considered to be cash equivalent transactions.

SALES COMPARISON APPROACH (CONTINUED)

SALES COMPARABLE SUMMATION TABLE

	Sale Date	No. Units	Avg. SF	EG1	Expenses	NOI per	Price per	Cap.	GIM
	Analysis Price	Yr. Bit	Occup. %	NOI	Exp. % EGI	(Unit / SF)	(Unit / SF)	Rate	EGIM
Comparable 1									
Coachlife Apartments	2/26/2008	62	800	N/A	N/A	N/A	\$20,565	N/A	N/A
7906 Indiana Place Lubbock, TX	\$1,275,000	1978	N/A	N/A	N/A	N/A	\$26		N/A
Comparable 2									
Meridian Park Apartments	5/19/2008	224	845	\$1,583,071	\$731,151	\$3,803	\$46,696	8.1%	5.9
5710 4th Street Lubbock, TX	\$10,460,000	1984	96%	\$851,920	46%	\$4.50	\$55		6.6
Comparable 3									
Willow Hill Apartments	5/19/2008	415	865	\$2,750,387	\$1,222,027	\$3,683	\$48,916	7.5%	6.3
4421 82nd Street Lubbock, TX	\$20,300,000	1982	95%	\$1,528,360	44%	\$4.26	\$57		7.4
Comparable 4									
Stratford Place	2/10/2009	98	1,035	\$641,679	\$321,141	\$3,271	\$38,265	8.5%	5.3
4901 4th Street Lubbock, TX	\$3,750,000	1977	86%	\$320,538	50%	\$3.16	\$37		5.8
Comparable 5									
Cedar Ridge	2/10/2009	34	916	\$234,408	\$118,231	\$3,417	\$32,353	10.6%	4.2
5430 50th Street Lubbock, TX	\$1,100,000	1980	90%	\$116,177	50%	\$3.73	\$35		4.7



SALE COMPARABLE MAP

SALES COMPARISON APPROACH (CONTINUED)

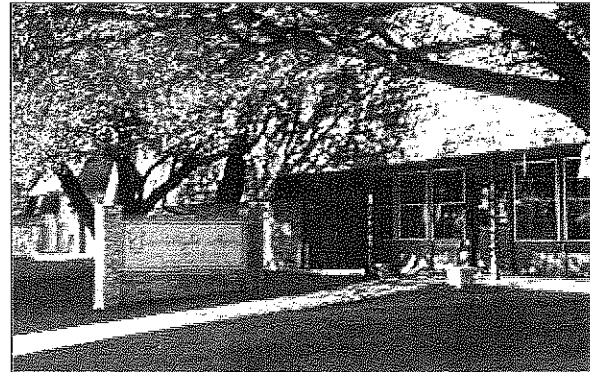
Apartment Sale 1

Location Information

Name: Coachlite Apartments
 Address: 7906 Indiana Place
 City, State: Lubbock, TX 79423
 APN: R55158

Sale Information

Sales Price: \$1,275,000 Analysis: \$1,275,000
 Sale Status: Recorded DOM: 208 Days
 Contract Date: 2/26/2008
 Transaction Date: 2/26/2008
 Buyer: Mantooth, John T and Amanda L
 Seller: Bowden Properties Ltd
 Financing: Cash Equivalent
 Conditions of Sale: None reported
 Recording No: 6661-62 Rights: Fee Simple
 Down PMT: \$0 Down %: 0%



Confirmation

ID #: 389646

Name:
 Source: CoStar
 Phone No. / Date: / 2/10/2009

Physical Information

Project Design: Garden No. Units: 62
 Rent Type: Market Rents Year Built: 1978
 Project Size: 49,592 (NRA Avg. Unit Size: 800 SF)
 Density: 27.80 (Units per Ac)
 Construction: Wood Wood Built-up

Project Amenities

Pool Clubhouse Playground
 Exercise Tennis Ct Elevator
 Basketball Raquetball Laundry
 Business Ctr Sauna Tanning Spa

Other:

Unit Amenities

Security Alarm Storage Fireplace
 Deck/Patio Dishwasher Disposal
 Vaulted Ceilings W/D Hookup W/D AC

Other:

Security

Perm. Fence Gated Security Patrol

Other:

Parking # Spaces Ratio: 0.97

Open 60
 Garage 0
 Covered 0
 Other 0

Operating Income

	Total	Per Unit	Per SF
Rent Income	\$0	\$0	\$0.00
Other Income:	\$0	\$0	\$0.00
Potential Gross Income:	\$0	\$0	\$0.00
Vacancy & Credit Loss:	\$0		
Effective Gross Income:	\$0	\$0	\$0.00
Expenses:	\$0	\$0	\$0.00
Net Operating Income:	\$0	\$0	\$0.00
Occupancy at Sale:	0%		
Expense % PGI / EGI:	0%	0%	
Income Source:			
Expense Source:			

Analysis Information

Price per Unit / SF	\$20,565 / Unit	\$25.71 / SF
Capitalization Rate:	0%	
PGIM / EGIM:	0.00	0.00

Unit Mix Information

Description	BR/BA	No Units	Avg. Size

Remarks

This is the listing of a 62 unit complex located off Indiana Drive, south of the 289 Loop in the Southwest portion of Lubbock. Income and expense data were not available.

SALES COMPARISON APPROACH (CONTINUED)



Apartment Sale 2

Location Information

Name: Meridian Park Apartments
 Address: 5710 4th Street
 City, State: Lubbock, TX 79416
 APN: R58906

Sale Information

Sales Price: \$10,460,000 Analysis: \$10,460,000
 Sale Status: Recorded DOM: 201 Days
 Contract Date: 5/18/2008
 Transaction Date: 5/19/2008
 Buyer: Lubbock Meridian Park, LP
 Seller: US Housing Partners VI, LP
 Financing: Cash Equivalent
 Conditions of Sale: None reported
 Recording No: N/A Rights: Fee Simple
 Down PMT: \$2,092,000 Down %: 20%



Confirmation

ID #: 389647

Name:
 Source: Seller's Broker
 Phone No. / Date: / 2/10/2009

Physical Information

Project Design: Garden No. Units: 224
 Rent Type: Market Rents Year Built: 1984
 Project Size: 189,384 (NRA Avg. Unit Size: 845 SF)
 Density: 24.60 (Units per Ac)
 Construction: Wood Stucco Built-up

Project Amenities

Pool Clubhouse Playground
 Exercise Tennis Ct Elevator
 Basketball Raquetball Laundry
 Business Ctr Sauna Tanning Spa

Other:

Unit Amenities

Security Alarm Storage Fireplace
 Deck/Patio Dishwasher Disposal
 Vaulted Ceilings W/D Hookup W/D AC

Other:

Security

Perm. Fence Gated Security Patrol

Other:

Parking # Spaces Ratio: 2.29

Open 512
 Garage 0
 Covered 0
 Other 0

Remarks

This complex is located northeast of the 289 Loop along 4th Street in the Northwest portion of Lubbock. Income and expense data is based on seller's pro-forma.

Operating Income

	Total	Per Unit	Per SF
Rent Income	\$1,671,840	\$7,464	\$8.83
Other Income:	\$106,000	\$473	\$0.56
Potential Gross Income:	\$1,777,840	\$7,937	\$9.39
Vacancy & Credit Loss:	\$194,769		
Effective Gross Income:	\$1,583,071	\$7,067	\$8.36
Expenses:	\$731,151	\$3,264	\$3.86
Net Operating Income:	\$851,920	\$3,803	\$4.50
Occupancy at Sale:	96%		
Expense % PGI / EGI:	41.1%	46.2%	
Income Source:	Seller's Pro Forma		
Expense Source:	Seller's Pro Forma		

Analysis Information

Price per Unit / SF	\$46,696 / Unit	\$55.23 / SF
Capitalization Rate:	8.14%	
PGIM / EGIM:	5.88	6.61

Unit Mix Information

Description	BR/BA	No Units	Avg. Size

SALES COMPARISON APPROACH (CONTINUED)



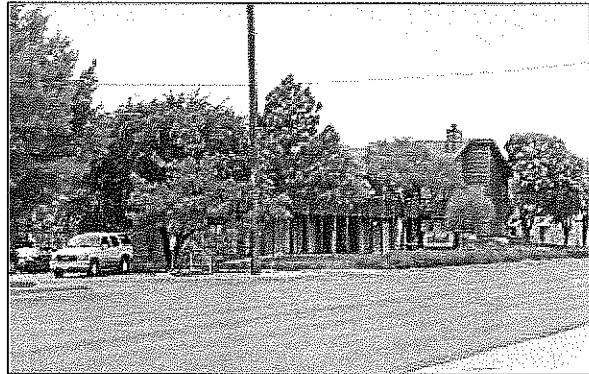
Apartment Sale 3

Location Information

Name: Willow Hill Apartments
 Address: 4421 82nd Street
 City, State: Lubbock, TX 79424
 APN: R27320

Sale Information

Sales Price: \$20,300,000 Analysis: \$20,300,000
 Sale Status: Recorded DOM: 201 Days
 Contract Date: 5/18/2008
 Transaction Date: 5/19/2008
 Buyer: Lubbock Meridian Park, LP
 Seller: US Housing Partners VI, LP
 Financing: Cash Equivalent
 Conditions of Sale: None reported
 Recording No: N/A Rights: Fee Simple
 Down PMT: \$4,060,000 Down %: 20%



Confirmation

ID #: 389648

Name:
 Source: Seller's Broker
 Phone No. / Date: / 2/10/2009

Physical Information

Project Design: Garden No. Units: 415
 Rent Type: Market Rents Year Built: 1982
 Project Size: 359,030 (NRA SF) Avg. Unit Size: 865 SF
 Density: 23.50 (Units per Ac)
 Construction: Wood Stucco Built-up

Project Amenities

Pool Clubhouse Playground
 Exercise Tennis Ct Elevator
 Basketball Raquetball Laundry
 Business Ctr Sauna Tanning Spa

Other:

Unit Amenities

Security Alarm Storage Fireplace
 Deck/Patio Dishwasher Disposal
 Vaulted Ceilings W/D Hookup W/D AC

Other:

Security

Perm. Fence Gated Security Patrol

Other:

Parking # Spaces Ratio: 1.20

Open: 500
 Garage: 0
 Covered: 0
 Other: 0

Operating Income

	Total	Per Unit	Per SF
Rent Income	\$3,003,807	\$7,238	\$8.37
Other Income:	\$229,000	\$552	\$0.64
Potential Gross Income:	\$3,232,807	\$7,790	\$9.00
Vacancy & Credit Loss:	\$482,420		
Effective Gross Income:	\$2,750,387	\$6,627	\$7.66
Expenses:	\$1,222,027	\$2,945	\$3.40
Net Operating Income:	\$1,528,360	\$3,683	\$4.26
Occupancy at Sale:	95%		
Expense % PGI / EGI:	37.8%	44.4%	
Income Source:	Actual		
Expense Source:	Actual		

Analysis Information

Price per Unit / SF	\$48,916 / Unit	\$56.54 / SF
Capitalization Rate:	7.53%	
PGIM / EGIM:	6.28	7.38

Unit Mix Information

Description	BR/BA	No Units	Avg. Size

Remarks

This complex is located south of the 289 Loop along 82nd Street in the Southwest portion of Lubbock. Income and expense data is based on seller's pro-forma.

SALES COMPARISON APPROACH (CONTINUED)



Apartment Sale 4

Location Information

Name: Stratford Place
 Address: 4901 4th Street
 City, State: Lubbock, TX 79416
 APN: R31974

Sale Information

Sales Price: \$3,750,000 Analysis: \$3,750,000
 Sale Status: Listing DOM: 270 Days
 Contract Date:
 Transaction Date: 2/10/2009
 Buyer: Active Listing
 Seller: McDougal Companies
 Financing: Listing
 Conditions of Sale: Listing
 Recording No.: Listing Rights: Fee Simple
 Down PMT: \$0 Down %: 0%



Confirmation

ID #: 389644

Name:
 Source: Seller
 Phone No. / Date: 806.793.0703 / 2/10/2009

Physical Information

Project Design: Garden No. Units: 98
 Rent Type: Market Rents Year Built: 1977
 Project Size: 101,430 (NRA Avg. Unit Size: 1,035 SF SF)
 Density: 19.40 (Units per Ac)
 Construction: Masonry Brick Built-up

Project Amenities

Pool Clubhouse Playground
 Exercise Tennis Ct Elevator
 Basketball Raquetball Laundry
 Business Ctr Sauna Tanning Spa
 Other:

Unit Amenities

Security Alarm Storage Fireplace
 Deck/Patio Dishwasher Disposal
 Vaulted Ceilings W/D Hookup W/D AC
 Other:

Security

Perm. Fence Gated Security Patrol
 Other:

Parking # Spaces Ratio: 1.97

Open: 193
 Garage: 0
 Covered: 0
 Other: 0

Operating Income

	Total	Per Unit	Per SF
Rent Income	\$704,424	\$7,188	\$6.94
Other Income:	\$8,553	\$87	\$0.08
Potential Gross Income:	\$712,977	\$7,275	\$7.03
Vacancy & Credit Loss:	\$71,298		
Effective Gross Income:	\$641,679	\$6,548	\$6.33
Expenses:	\$321,141	\$3,277	\$3.17
Net Operating Income:	\$320,538	\$3,271	\$3.16
Occupancy at Sale:	85.7%		
Expense % PGI / EGI:	45%	50%	
Income Source:	Seller's Pro Forma		
Expense Source:	Seller's Pro Forma		

Analysis Information

Price per Unit / SF	\$38,265 / Unit	\$36.97 / SF
Capitalization Rate:	8.55%	
PGIM / EGIM:	5.26	5.84

Unit Mix Information

Description	BR/BA	No Units	Avg. Size
Flat	2 BR/2 BA	98	1,035

Remarks

This is the listing of a 98 unit complex located along 4th Street in the Northwest portion of Lubbock. Income and expense projections are based on seller's pro-forma.

SALES COMPARISON APPROACH (CONTINUED)



Apartment Sale 5

Location Information

Name: Cedar Ridge
 Address: 5430 50th Street
 City, State: Lubbock, TX 79416
 APN: R132855

Sale Information

Sales Price: \$1,100,000 Analysis: \$1,100,000
 Sale Status: Listing DOM: 250 Days
 Contract Date:
 Transaction Date: 2/10/2009
 Buyer: Active Listing
 Seller: MC Cedar Ridge LC
 Financing: Listing
 Conditions of Sale: Listing
 Recording No: Listing Rights: Fee Simple
 Down PMT: \$0 Down %: 0%



Confirmation

ID #: 389645

Name:
 Source: Seller's Broker
 Phone No. / Date: 972.980.4800 / 2/10/2009

Physical Information

Project Design: Garden No. Units: 34
 Rent Type: Market Rents Year Built: 1980
 Project Size: 31,159 (NRA SF) Avg. Unit Size: 916 SF
 Density: 47.90 (Units per Ac)
 Construction: Wood Stucco Built-up

Project Amenities

Pool Clubhouse Playground
 Exercise Tennis Ct Elevator
 Basketball Raquetball Laundry
 Business Ctr Sauna Tanning Spa

Other:

Unit Amenities

Security Alarm Storage Fireplace
 Deck/Patio Dishwasher Disposal
 Vaulted Ceilings W/D Hookup W/D AC

Other:

Security

Perm. Fence Gated Security Patrol

Other:

Parking # Spaces Ratio: 3.24

Open 110
 Garage 0
 Covered 0
 Other 0

Remarks

This is the listing of a 34 unit complex located off Slide Road in the Southwest portion of Lubbock. Income and expense projections are based on seller's pro-forma.

Operating Income

	Total	Per Unit	Per SF
Rent Income	\$255,000	\$7,500	\$8.18
Other Income:	\$4,908	\$144	\$0.16
Potential Gross Income:	\$259,908	\$7,644	\$8.34
Vacancy & Credit Loss:	\$25,500		
Effective Gross Income:	\$234,408	\$6,894	\$7.52
Expenses:	\$118,231	\$3,477	\$3.79
Net Operating Income:	\$116,177	\$3,417	\$3.73
Occupancy at Sale:	90%		
Expense % PGI / EGI:	45.5%	50.4%	
Income Source:	Seller's Pro Forma		
Expense Source:	Seller's Pro Forma		

Analysis Information

Price per Unit / SF	\$32,353 / Unit	\$35.30 / SF
Capitalization Rate:	10.56%	
PGIM / EGIM:	4.23	4.69

Unit Mix Information

Description	BR/BA	No Units	Avg. Size
Flat	1 BR/1 BA	1	700
Flat	2 BR/2 BA	33	923

SALES COMPARISON APPROACH (CONTINUED)

Analysis of Comparable Sales

The grid below details the comparables and displays quantitative (percentage) adjustments that account for differences between the comparables and the subject.

SALES COMPARABLE ADJUSTMENT GRID						
COMPARABLES	Subject	Appl. Sale 1	Appl. Sale 2	Appl. Sale 3	Appl. Sale 4	Appl. Sale 5
Analysis Price:	-	\$1,275,000	\$10,460,000	\$20,300,000	\$3,750,000	\$1,100,000
Analysis Price/Unit:	-	\$20,565	\$46,696	\$48,916	\$38,265	\$32,353
Analysis Price/SF:	-	\$26	\$55	\$57	\$37	\$35
Date of Sale:	-	2/26/08	5/19/08	5/19/08	2/10/09	2/10/09
Analysis:		Older	Older	Older	Listing	Listing
% Adjustment		-10%	-10%	-10%	-10%	-10%
Location:	Good	Average	Good	Good	Good	Good
Analysis:		Inferior	Similar	Similar	Similar	Similar
		10%	0%	0%	0%	0%
Year Built (Age):	1975	1978	1984	1982	1977	1980
Analysis:		Similar	Similar	Similar	Similar	Similar
		0%	0%	0%	0%	0%
Avg. Unit Size (SF):	645	800	845	865	1,035	916
Analysis:		Larger	Larger	Larger	Larger	Larger
		-10%	-10%	-10%	-10%	-10%
Quality:	Average	Average	Good	Good	Average	Average
Analysis:		Similar	Superior	Superior	Similar	Similar
		0%	-10%	-10%	0%	0%
Condition:	Average	Average	Good	Good	Average	Average
Analysis:		Similar	Superior	Superior	Similar	Similar
		0%	-10%	-10%	0%	0%
No. of Units:	70	62	224	415	98	34
Analysis:		Similar	Larger	Larger	Similar	Similar
		0%	10%	10%	0%	0%
Density (units/acre):	45.8	27.8	24.6	23.5	19.4	47.9
Analysis:		Lower	Lower	Lower	Lower	Similar
		-10%	-10%	-10%	-10%	0%
NOI/Unit:	\$2,610	N/A	\$3,803	\$3,683	\$3,271	\$3,417
Analysis:		Similar	Higher	Higher	Higher	Higher
		-	-	-	-	-
Adj. Price per Unit:	-	\$16,657	\$29,419	\$30,817	\$27,551	\$26,206
Adj. Price per SF:	-	\$25	\$45	\$46	\$33	\$35

*The analysis price is first adjusted for date of sale, and then multiplied by the total net adjustment % for the remaining categories.

SALES COMPARISON APPROACH (CONTINUED)

Conclusion

The following table illustrates how the subject property is bracketed by the comparables on a price per unit basis and displays the price per unit value conclusion. The following table illustrates how the subject property is bracketed by the comparables on a price per unit basis and displays the price per unit value conclusion. The comparables indicate a value range of \$16,657/unit to \$30,817/unit. The subject should be above Comparables 1 and below Comparables 2 and 3 based on the previous analysis. A price per unit near the middle of this range, or \$27,500/unit is appropriate and concluded. The indicated market value by the Price per Unit method is \$1,930,000 (\$27,500/unit x 70 Units).

SUMMARY OF COMPARABLE ANALYSIS					
Comp.	Adjustments				
No.	Anal. Price/Unit	Date of Sale Adj.	Subtotal	Adj. Price/Unit	
1	\$20,565	-10%	\$18,508	-10%	\$16,657
2	\$46,696	-10%	\$42,027	-30%	\$29,419
3	\$48,916	-10%	\$44,024	-30%	\$30,817
4	\$38,265	0%	\$38,265	-20%	\$30,612
5	\$32,353	0%	\$32,353	-10%	\$29,118
Statistical Analysis (Adj. Price/Unit)					
	Low	\$16,657	Median	\$29,419	
	High	\$30,817	Average	\$27,325	
CALCULATION OF VALUE					
Concluded Price/Unit	No. Units			Value	
\$27,500	x	70	=	\$1,930,000	

ANALYSIS OF VALUE CONCLUSIONS



The analysis of Value Conclusions is the final step in the appraisal process and involves the weighing of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property.

The Cost Approach is not a valid indicator of value for the subject property, and has been excluded from this analysis. The Cost Approach was not utilized in this analysis, because investors of properties of this type and age do not typically utilize a Cost Analysis in their decision making. In addition, the lack of market based support for a reliable estimate of accrued depreciation further diminishes the validity of this approach. The elimination of the Cost Approach does not diminish the reliability of the value conclusion.

The Income Approach to value is generally considered to be the best and most accurate measure of the value of income-producing properties. The value estimate by this approach is based upon the premise that income-producing properties are owned for their income-producing ability. As such, they best reflect the analysis which knowledgeable buyers and sellers carry out in their decision-making processes regarding this type of property. In this case, the market data used in this analysis is reliable. A reliable analysis of expenses was performed. Market sales data and market financing data and also allowed for a reliable conclusion of the capitalization rate. The value conclusion from the Income Approach is given primary weight in the final value conclusion.

This approach is based on the principle of substitution. This principle states that no one would pay more for the subject property than the value of similar property in the market. This approach analyzes sales of comparable properties with regard to the nature and condition of each sale. Comparisons are made for varying physical characteristics. The Sales Comparison Approach is an applicable method for valuing the subject and is used in this analysis. However, recognizing that Lubbock does not reflect an active market with a large number of sales, and that investors of similar properties typically place most emphasis on the Income Approach, the value by the Sales Approach is given secondary emphasis in the final value conclusion.

After considering all factors relevant to the valuation of the subject property, with primary weight on the Income Approach, the concluded prospective stabilized value is presented in the following table. Our indicated date of value represents our prospective date we anticipate the subject will achieved stabilized occupancy, based on our previously discussed absorption rate of three units per month and concluded stabilized occupancy of 90%.

ANALYSIS OF VALUE CONCLUSION(S)		
Cost Approach		Not Presented
Income Approach		\$1,920,000
Sales Comparison Approach		\$1,930,000
	Date of Value	Value Conclusion(s)
Prospective Market Value at Stabilization	4/10/2009	\$1,920,000

The subject is currently listed for sale at \$2,000,000 (\$28,571/unit) with duration on the market of over six months. However, it should be iterated that the owners are not actively marketing the subject and do not represent a motivated seller. Based on our concluded market value from this report, the listing price is near market.



The previous prospective market value conclusion reflects the subject at stabilized occupancy. In order to estimate the As-Is Value, deductions are necessary. The deductions are discussed below, which are then followed by the as-is value conclusion.

Deferred Maintenance

Based on our inspection of the subject property, the subject property has various items of deferred maintenance. According to discussions with the owner, the cost to repair these items is approximately \$25,000. It is assumed this estimate is accurate and appropriate to repair all deferred maintenance items.

Rent Loss

As previously indicated the subject property is below stabilized occupancy. The rent loss is calculated by multiplying the market rent by the number of units that must be rented to reach stabilized occupancy. The subject property is currently 81.1% occupied and will achieve stabilized occupancy of 90% after four more units have been rented. As previously stated in the report, the concluded absorption rate for apartment units in the subject's market is three spaces per month. The total rent loss is estimated to be \$1,705.

Marketing

Additional marketing will be necessary to fill the spaces. Based on typical marketing expenses, \$1,000 per unit is considered appropriate for marketing, which includes concessions necessary to lease the units. The total marketing costs are estimated \$6,000.

Profit

Profit is estimated at 15% of the above costs, which is typical for cash on cash expectations by multi-family investors in the market. This profit reflects the risk to an investor of bringing an un-stabilized property to stabilized occupancy. The total profit is estimated at \$1,156.

As-Is VALUATION (CONTINUED)

Conclusion

The following table summarizes the costs associated with the lease-up/absorption period. It also presents the deduction from the prospective market value at stabilization. The detailed Lease-Up Table is presented below.

AS-IS MARKET VALUE	
Prospective Market Value at Stabilization	\$1,920,000
Less:	
Deferred Maintenance	\$25,000
Rent Loss	\$1,705
Marketing	\$6,000
Profit	\$1,156
Total Deductions	\$33,861
As-Is Market Value (rounded)	\$1,890,000

LEASE-UP ANALYSIS					
Total Units	70	Units Preleased/Occupied	57		
Absorption Rate	3 Units/Mo.	PGI per Unit per Month	\$573		
Stabilized Occupancy	90%	Discount Rate	10.00%		
Month	Units Absorbed	Units Remaining	Units Occupied	Rent Loss (per month)	PV of Rent Loss
1	3	3	60	\$1,719	\$1,705
2	3	0	63	\$0	\$0
Total Lost Income					\$1,705
Plus: Marketing	\$1,000/unit				\$6,000
Profit	15%				\$1,156
Total (rounded)					\$9,000

INSURABLE REPLACEMENT COST ESTIMATE



At the client's request, we have included an estimate of the insurable replacement cost estimate of the subject improvements. The insurable value represents the replacement cost new, of the subject improvements, as defined by *Marshall Valuation Service*, exclusive of land value and profit, and the costs associated with excavation, site work, foundations and architects fees.

Insurance coverage is usually specific to a given project. We have not been provided with the specific policy requirements, which limit the reliability of the conclusion. Insurable Replacement Cost Estimate is a matter of underwriting as opposed to valuation. Users of this report should not misconstrue the conclusion of insurable replacement cost to be an indication of market value.

It is also noted that the insurable estimate is made using base costs and multiplier adjustments for market conditions and location from *Marshall Valuation Service*, which is assumed to accurately reflect replacement cost of the subject. We assume no liability as to the subject's insurable replacement cost and recommend that an estimate from a reputable insurance company be obtained if further assurance is required.

The methodology summarized below mirrors the format provided by the client with the exception that costs for each of the individual buildings is not concluded. As noted previously in this report, the appraisers did not have access to plans; nor did they have access to the Engineers report. As such, the aggregate size of the improvements (including common buildings) was utilized to derive an insurable cost.

The following chart summarizes the insurable replacement cost estimate:

INSURABLE REPLACEMENT COST TABLE	
Marshall Valuation Service Sec./Page/Class	12 / 16 / D
Quality Rating	Average
Gross Building Area	45,149 SF
Base Cost (per SF)	\$61.90
Square Foot Refinements	
Appliances	\$5.69
Heating And Cooling	\$3.55
Subtotal	\$71.14
Height and Size Refinements	
Height per Story Multiplier	1.000
Area Multiplier	1.030
Subtotal	\$73.27
Cost Multipliers	
Current Cost Multiplier	1.010
Local Multiplier	0.870
Final Square Foot Cost	\$64.39
Base Improvement Cost	\$2,906,965
Non-perishable Items	10% of Total Replacement Cost (\$290,697)
Insurable Replacement Cost Conclusion	\$2,616,269
Rounded	\$2,620,000
Cost per Unit	\$37,429
Cost per SF	\$58.03


CERTIFICATE OF APPRAISAL



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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is the signer's personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The signers of this report 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.
- The signers have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The 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.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics* and *Standards of Professional Appraisal Practice* of the Appraisal Institute, and the *Uniform Standards of Professional Appraisal Practice*, as set forth by the Appraisal Standards Board of the Appraisal Foundation.
- Matthew Steffen made a personal inspection of the property that is the subject of this report. Stan E. Wolf, MAI and Philip L. Steffen, MAI did not make a personal inspection of the subject but are familiar with the market area, contributed to the analysis; thoroughly reviewed the report and concurs with the content and conclusions of value.
- Matthew Steffen provided significant real property appraisal assistance to the persons signing this certification.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this appraisal, the designated MAI signing this report is currently certified under the continuing education program of the Appraisal Institute.


Stan E. Wolf, MAI
Certified General Real Estate Appraiser
State of Texas License #TX-1337486-G


Philip L. Steffen, MAI
Certified General Real Estate Appraiser

ADDENDA



Letter of Engagement
Legal Description
Rent Roll
Historical Income and Expenses
Capital Expenditures
Flood Map
Definitions
Qualifications

DEFINITIONS



These definitions were extracted from the following sources or publications:

- *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, Chicago, Illinois, 2002 (*Dictionary*).
- *Uniform Standards of Professional Appraisal Practice*, 2006 Edition (*USPAP*).
- *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, Chicago, Illinois, 2001 (*12th Edition*).
- *Marshall Valuation Service*, Marshall & Swift, Los Angeles, California (*MVS*).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance and repairs; usually a long-term lease to a credit tenant. (*Dictionary*)

Accrued Depreciation

The difference between the reproduction or replacement cost of the improvements on the effective date of the appraisal and the market value of the improvements on the same date. (*Dictionary*)

Ad Valorem Tax

A real estate tax based on the assessed value of the property, which is not necessarily equivalent to its market value. (*12th Edition*)

Aggregate of Retail Values (ARV)

The sum of the appraised values of the individual units in a subdivision, as if all of the units were completed and available for retail sale, as of the date of the appraisal. The sum of the retail sales includes an allowance for lot premiums, if applicable, but excludes all allowances for carrying costs. (*Dictionary*)

Arm's-length Transaction

A transaction between unrelated parties under no duress. (*12th Edition*)

As-Is Value

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

Assessed Value

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. (*12th Edition*)

Average Daily Room Rate (ADR)

In hotel analysis, total guest room revenue divided by the total number of occupied rooms. (*Dictionary*)

Band of Investment

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment. (*Dictionary*)

Cash Equivalence

A price expressed in terms of cash, as distinguished from a price expressed totally or partly in terms of the face amounts of notes or other securities that cannot be sold at their face amounts. Calculating the cash-equivalent price requires an appraiser to compare transactions involving atypical financing to transactions involving comparable properties financed at typical market terms. (*Dictionary*)

Common Area

The total area within a property that is not designated for sale or rental but is available for common use by all owner, tenant, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. (*Dictionary*)

Contract Rent

The actual rental income specified in a lease; may be a combination of base rent, percentage rents, and expense reimbursements. (*12th Edition*)

Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial profit, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. (*12th Edition*)

Curable Functional Obsolescence

An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design. (*Dictionary*)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service; measures the ability of a property to meet its debt service out of net operating income; also called debt service coverage ratio (DSCR). (*Dictionary*)

Deferred Maintenance

Curable, physical deterioration that should be corrected immediately, although work has not commenced; denotes the need for immediate expenditures, but does not necessarily suggest inadequate maintenance in the past. (*Dictionary*)

Depreciation

In appraising, a loss in 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. (*Dictionary*)

DEFINITIONS (CONTINUED)

Direct Costs

1. Expenditures for the labor and materials used in the construction of improvements;
2. The labor, material, subcontractor, and heavy equipment costs directly incorporated into the construction of physical improvements. (R.S. Means)
Also called hard costs. (*Dictionary*)

Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis. (*Dictionary*)

Discount Rate

An interest rate used to convert future payments or receipts into present value. The discount rate may or may not be the same as the internal rate of return (IRR) or yield rate depending on how it is extracted from the market and/or used in the analysis. See also risk rate; safe rate; yield rate (Y). (*Dictionary*)

Easement

An interest in real property that conveys use, but not ownership, of a portion of an owner's property. Access or right of way easements may be acquired by private parties or public utilities. Governments dedicate conservation, open space, and preservation easements. (*Dictionary*)

Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. (*USPAP*)

Effective Date

The date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. (*USPAP*)

Effective Date

The rental rate net of financial concessions such as periods of no rent during the lease term; may be calculated on discounted basics reflecting the time value of money, or on a simple, straight-line basis. (*12th Edition*)

Economic Life

The period over which improvements to real property contribute to property value; the term relates to the market extraction and age-life methods of estimating depreciation. (*12th Edition*)

Effective Gross Income (EGI)

The anticipated income from all operations of the real property after an allowance is made for vacancy and collection losses. Effective gross income includes items constituting other income, i.e., income generated from the operation of the real property that is not derived from space rental (e.g., parking rental or income from vending machines). (*Dictionary*)

Effective Gross Income Multiplier (EGIM)

The ratio between the sale price (or value) of a property and its effective gross income; a single year's EGI expectancy or an annual average of several years' EGI expectancies ($EGIM = V/EGI$). (*Dictionary*)

Eminent Domain

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the takings clause, guarantees payment of just compensation upon appropriation of private property. (*Dictionary*)

Entrepreneurial Incentive

A market-derived figure that represents the amount an entrepreneur expects to receive for his or her contribution to a project and risk. (*12th Edition*)

Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. (*12th Edition*)

Excess Land

In regard to an improved site, the land not needed to serve or support the existing improvement.

In regard to a vacant site or a site considered as though vacant, the land not needed to accommodate the site's primary highest and best use. Such land may be separated from the larger site and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement. (*Dictionary*)

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect a locational advantage, unusual management, unknowledgeable parties, or a lease execution in an earlier, stronger rental market. Due to the higher risk inherent in the receipt of excess rent, it may be calculated separately and capitalized at a higher rate in the income capitalization approach. (*Dictionary*)

Expense Stop

A clause in a lease that limits the landlord's expense obligation because the lessee assumes any expenses above an established level. (*Dictionary*)

Exposure Time

The time a property remains on the market. 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 opinion based on an analysis of past events assuming a competitive and open market. (*Dictionary*)

DEFINITIONS (CONTINUED)

External Obsolescence

An element of depreciation; a defect, usually incurable, caused by negative influences outside a site and generally incurable on the part of the owner, landlord, or tenant. *(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. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions. *(USPAP)*

Feasibility Analysis

A study of the cost-benefit relationship of an economic endeavor. *(12th Edition)*

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 Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. See also land-to-building ratio. *(Dictionary)*

Functional Obsolescence

An element of depreciation resulting from deficiencies or superadequacies in the structure. See also curable functional obsolescence; incurable functional obsolescence. *(Dictionary)*

Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. *(12th Edition)*

Furniture, Fixtures, and Equipment (FF&E)

The movable property of a business enterprise not classified as stock or inventory or leasehold improvements; frequently found in the ownership of hotels or motels, restaurants, assisted-living facilities, service stations, car washes, greenhouses and

nurseries, and other service-intensive properties. Furniture, fixtures, and equipment frequently wears out much more rapidly than other components of those properties. *(Dictionary)*

Gross Building Area (GBA)

The total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. Gross building area for office buildings is computed by measuring to the outside finished surface of permanent outer building walls without any deductions. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded. See also area. *(Dictionary)*

Gross Leasable Area or Gross Living Area. (GLA)

The total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines, and measured from the center of interior partitioning to outside wall surfaces; the standard measure for determining the size of shopping centers where rent is calculated based on the GLA occupied. The area for which tenants pay rent. See also area. *(Dictionary)*

Garden Apartments

An apartment development of two- or three-story, walk-up structures built in a garden-like setting; customarily a suburban or rural-urban fringe development. *(Dictionary)*

Going-concern Value

1. 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; also called value of the going concern.
2. Tangible and intangible elements of value in a business enterprise resulting from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place.
3. The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value. *(USPAP)*

Highest & Best Use

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

Highest and Best Use of Land or a Site as Though Vacant

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements. *(Dictionary)*

DEFINITIONS (CONTINUED)

Highest and Best Use of Property as Improved

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one. (*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*)

Hypothetical Value

The monetary relationship between properties and those who buy, sell or use those properties, based on a hypothetical condition. (*USPAP*)

Income Capitalization Approach

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's (stabilized) income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate. (*12th Edition*)

Incurable Functional Obsolescence

An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design, which cannot be practically or economically corrected. (*Dictionary*)

Indirect Costs

Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs; professional fees; financing costs and the interest paid on construction loans; taxes and the builder's or developer's all-risk insurance during construction; and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. Also called soft costs. (*Dictionary*)

Insurable Value

The value of an asset or asset group that is covered by an insurance policy; can be estimated by deducting costs of non-insurable items (e.g., land value) from market value. (*MVS*)

Interim Use

The temporary use to which a site or improved property is put until it is ready to be put to its future highest and best use. (*12th Edition*)

Leased Fee Interest

An ownership interest held by a landlord with the rights of use and occupancy conveyed by the lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease. (*Dictionary*)

Leasehold Interest

The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. (*Dictionary*)

Legally Nonconforming Use

A use that was lawfully established and maintained, but no longer conforms to the use regulations of the current zoning in the zone where it is located. (*Dictionary*)

Market Study

A macroeconomic analysis that examines the general market conditions of supply, demand, and pricing or the demographic of demand for a specific area or property type. A market study may also include analyses of construction and absorption trends. (*12th Edition*)

Marketability Study

A microeconomic study that examines the marketability of a given property or class of properties, usually focusing on the market segments in which the property is likely to generate demand. Marketability studies are useful in determining a specific highest and best use, testing development proposals, and projecting an appropriate tenant mix. (*12th Edition*)

Market Analysis

1. The identification and study of the market for a particular economic good or service.
2. A study of market conditions for a specific type of property. (*USPAP*)

Market Area

The defined geographic in which the subject property competes for the attentions of market participants; the term broadly defines an area containing diverse land uses. (*12th Edition*)

Market Rent

The rental income a property would probably command in the open market; indicated by the current rents that are either paid or asked for comparable space as of the date of the appraisal. (*12th Edition*)

Market Value

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

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;

DEFINITIONS (CONTINUED)

3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. 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. (*Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); This is also compatible with the RTC, FDIC, FRS and NCUA definitions of market value.*)

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service and book depreciation are deducted; may be calculated before or after deducting replacement reserves. (*Dictionary*)

Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. (*12 Edition*)

Off-site Costs

Costs incurred in the development of a project, excluding actual building construction costs, e.g., the costs of streets, sidewalks, curbing, traffic signals, water and sewer mains; also called common costs; or off-site improvement costs. (*Dictionary*)

On-site Costs

Costs incurred for the actual construction of buildings and improvements on a particular parcel of land. See also construction cost; direct costs. (*Dictionary*)

Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. (*12th Edition*)

Overall Capitalization Rate (OAR)

An income rate for a total real property interest that reflects the relationship between a single year's net operating income expectancy and the total property price or value; used to convert net operating income into an indication of overall property value. (*Dictionary*)

Potential Gross Income (PGI)

The total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. (*Dictionary*)

Potential Gross Income Multiplier (PGIM)

The ratio between the sale price of a property and its potential gross income (PGIM / VPGI). (*Dictionary*)

Present Value (PV)

The value of a future payment or series of future payments discounted to the current date or to time period zero. (*Dictionary*)

Parking Ratio

The number of available parking spaces per rentable unit of area, residential unit, hotel room, restaurant seat, etc.; also, the ratio of total parking area to gross leasable area. The parking ratio is a standard comparison that indicates the relationship between parking spaces or parking area and an economic or physical unit of comparison. (*Dictionary*)

Prospective Value Opinion

A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written. (*Dictionary*)

Qualitative Analysis

In the sales comparison approach, the process of accounting for differences between comparables that are not quantified; usually follows quantitative adjustment. (*Dictionary*)

Quantitative Adjustment

In the sale comparison approach, the process of making numerical adjustments to the sale prices of comparable properties, including data analysis techniques (paired data analysis, grouped data analysis, and secondary data analysis), statistical analysis, graphic analysis, trend analysis, cost analysis (cost-to-cure, depreciated cost), and capitalization of rent differences; usually precedes qualitative analysis. (*Dictionary*)

Rentable Area

The amount of space on which the rent is based; calculated according to local practice. (*Dictionary*)

Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a building with utility equivalent to the building being appraised, using modern materials and current standards, design, and layout. (*12 Edition*)

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 the deficiencies, superadequacies, and obsolescence of the subject building. (*12 Edition*)

Retrospective Value Opinion

An opinion of value that is likely to have applied as of a specified historic date. A retrospective value opinion is most frequently sought in connection with appraisals for estate tax, condemnation, inheritance tax, and similar purposes. (*Dictionary*)

DEFINITIONS (CONTINUED)

Sales Comparison Approach

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when comparable sales data is available. (12th Edition)

Scope of Work

The amount and type of information researched and the analysis applied in an assignment. Scope of work includes, but is not limited to, the following:

- The degree to which the property is inspected or identified;
- The extent of research into physical or economic factors that could affect the property;
- The extent of data research; and
- The type and extent of analysis applied to arrive at opinions or conclusions. (Dictionary)

Shopping Center Types

Community Center: A shopping center of 100,000 to 300,000 square feet that usually contains one junior department store, a variety store or discount department store, a supermarket, and specialty stores. A community shopping center generally has between 20 and 70 retail tenants and the market support of more than 5,000 households.

Neighborhood Center: The smallest type of shopping center, generally with a gross leasable area of less than 100,000 square feet. Typical anchors include supermarkets and pharmacies. Neighborhood shopping centers offer convenience goods and personal services and usually depend on the market support of more than 1,000 households.

Power Center: A large community shopping center with more than 250,000 square feet of space anchored by three or more tenants that occupy 60% to 90% of the space; the number of specialty stores is kept to a minimum. See also shopping center.

Regional Center: A shopping center that offers a variety of general merchandise, apparel, furniture, home furnishings, services, and recreational facilities and is built around one or more full department stores of at least 100,000 square feet each. Regional shopping centers generally have between 400,000 and 750,000 square feet of gross leasable area. (Dictionary)

Superadequacy

An excess in the capacity or quality of a structure or structural component; determined by market standards. (Dictionary)

Surplus Land

Land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or

neighborhood norms, cannot be sold off separately. Such land may or may not contribute positively to value and may or may not accommodate future expansion of an existing or anticipated improvement. (Dictionary)

Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed and paid for by a tenant or lessee.
2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. (Dictionary)

Triple net lease

A net lease under which the lessee assumes all expenses of operating a property, including both fixed and variable expenses and any common area maintenance that might apply, but the landlord is responsible for structural repairs. (Dictionary)

Usable Area

The area available for assignment or rental to an occupant, including every type of usable space; measured from the inside finish of outer walls to the office side of corridors or permanent partitions and from the centerline of adjacent spaces; includes subdivided occupant space, but no deductions are made for columns and projections. There are two variations of net area: single occupant net assignable area and store net assignable area. (Dictionary)

Useful Life

The period of time over which a structure may reasonably be expected to perform the function for which it was designed. (Dictionary)

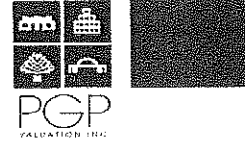
Vacancy and Collection Loss

An allowance for reductions in gross potential income attributable to projected vacancy (physical or economic) and potential collection loss considerations. Vacancy is an expected loss in income as a result of periodic vacant space attributable to unrented space and tenant turnover. Credit loss considers nonpayment of rent and can consider units rented at below-market rates (also known as lag vacancy). Vacancy and collection loss is usually estimated on a property-specific basis as part of the reconstructed operating statement in the income capitalization approach and applied, as a percentage, to potential gross income or as a percentage of rentable area of the property; may also refer to a study of vacancy and collection loss in a defined market or submarket. See also frictional vacancy. (Dictionary)

Yield Capitalization

The capitalization method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate. (Dictionary)

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Senior Managing Director



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EDUCATIONAL

Bachelor of Science Degree, Business (major), Communications (minor)
Southern Oregon State College, Ashland, Oregon

Master of Science Degree, Business Management
Troy State University, Troy, Alabama

Successfully completed all the necessary courses to qualify for the MAI designation, and to meet continuing education requirements.

LICENSE(S)/CERTIFICATION(S)

State of Oregon Certified General Real Estate Appraiser No. C000459
State of Washington Certified General Real Estate Appraiser No. 1100117
State of Texas Certified General Real Estate Appraiser No. TX-1337486-G

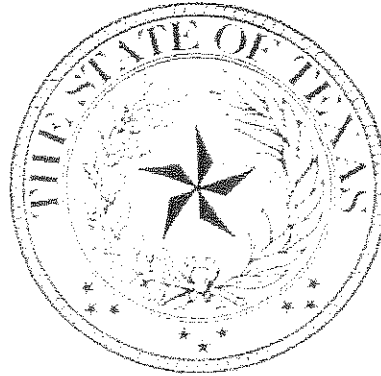
PROFESSIONAL

Designated Member of the Appraisal Institute (MAI), Certificate No. 11474

EMPLOYMENT EXPERIENCE

Approximately 17 years of professional experience in the fee preparation of real estate appraisals, feasibility studies, rent analyses and market studies of commercial, industrial and residential investment properties. Primary experience encompasses a wide variety of property types including suburban and CBD office (professional/medical), retail (shopping centers/free-standing), industrial (parks/free-standing), multi-family, manufactured home park, and subdivision. Experience also includes special purpose properties such as golf courses, hotel/lodging, regional malls, service stations, churches, banks, hospitals, congregate care, restaurants, corporate retreats, schools, etc.

2007-Present	PGP Valuation, Inc. Senior Managing Director	Dallas, TX
1999-2007	CB Richard Ellis, Inc. Vice President	Portland, OR Seattle, WA
1994-1999	Herrmann & Company Staff Appraiser	Salem, OR
1992-1994	Powell, Goss & Associates Staff Appraiser	Portland, OR
1991-1992	Mark D. Barry & Associates Staff Appraiser	Portland, OR



TEXAS APPRAISER LICENSING AND CERTIFICATION BOARD

BE IT KNOWN THAT

STANLEY EARL WOLF

HAVING PROVIDED SUFFICIENT EVIDENCE OF THE QUALIFICATIONS REQUIRED BY THE TEXAS APPRAISER LICENSING AND CERTIFICATION ACT (TEXAS OCCUPATIONS CODE, CHAPTER 1101) IS AUTHORIZED TO USE THE TITLE

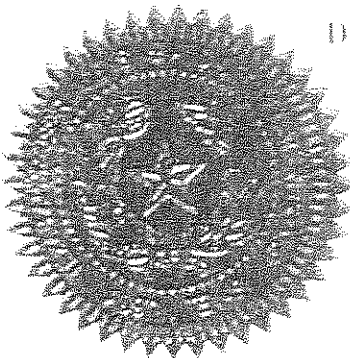
**STATE CERTIFIED
GENERAL REAL ESTATE APPRAISER**

Number: TX-1337486-G

Date of Issue: April 17, 2008

Date of Expiration: May 31, 2010

In Witness Whereof



Handwritten signature of Clayton F. Sayers over a horizontal line.

Clayton F. Sayers, Chairman

Handwritten signature of Timothy K. Ivimey over a horizontal line.

Timothy K. Ivimey, Commissioner

Clayton F. Sayers, Chairman
Marilyn J. Deason
Dana S. Seberry

James B. Rainey, Vice Chairman
William A. Lindke, Jr.
Shirley J. Ward

Mark A. McAnally, Secretary
Larry D. Kokey

PHILIP L. STEFFEN, MAI

Executive Vice President | Senior Managing Director - Phoenix



RECENT EXPERIENCE

Phil Steffen has been involved in appraisal and consulting assignments relating to Commercial Real Estate for over 30 years. Mr. Steffen has appraised commercial properties all over the country with an emphasis in the Western United States. Mr. Steffen joined PGP Valuation in January 1979 in Portland, OR. Mr. Steffen opened the PGP Seattle office in 1984 and helped to develop the Seattle operation into a \$4.5M business. During his tenure in the Pacific Northwest, Mr. Steffen became a well known valuation expert, establishing expertise in Institutional grade Multi-family; Tax Credit Apartments; Partial Interests, and Going Concerns. Mr. Steffen has established long-standing relationships with a number of nationally recognized clients.

PRESENT EMPLOYER

PGP VALUATION INC
2390 E. Camelback Road, Suite 100
Phoenix, AZ
Telephone: 760.444.8049

PRESENT POSITION

In January 2006, Mr. Steffen assumed the role of Executive Vice President for PGP Valuation Inc / Colliers International. He is responsible for US Business Development and overseeing the National Appraisal Practice. Mr. Steffen is also a part of the National Capital Market Solutions team for Colliers. In January 2009, Mr. Steffen took on the additional role of Senior Managing Director of PGP/Phoenix, establishing a full service valuation practice focusing on properties in the greater southwest.

PROFESSIONAL LICENSES

Idaho License No: CGA-000235	Montana License No: 528
Nevada License No: 03837	Oregon License No: C000816
Washington License No: 27011 1100342	Alabama License No: G00868
Arizona License No: 31642	Georgia License No: 335053
Colorado License No: 100023492	Michigan License No: 1201073602
Minnesota License No: 40058988	Ohio License No: 2007003721
Wyoming License No: 26912	

PROFESSIONAL AFFILIATIONS

Member of the Washington/B.C. Chapter of the Appraisal Institute
Panel Member of the Northwest Regional Ethics and Standards Committee
Affiliate member of the Seattle Mortgage Banker/Income Property Division

APPRAISAL EXPERIENCE

Senior Managing Director	PGP Valuation Inc, Phoenix/Greater Southwest markets
Executive Vice President	PGP Valuation Inc, 2006 to Present
Managing Director, Seattle	PGP Valuation Inc, 1984 to 2006
Senior Appraiser	PGP Valuation Inc, 1979 to 1984
Senior Appraiser	Equitable Savings and Loan, 1978 to 1979
Associate Appraiser	State Mutual Savings and Loan, 1977 to 1978
Associate Appraiser	Great Western Savings, 1975 to 1977

GEOGRAPHIC AREA SERVED

Mr. Steffen regularly performs and reviews appraisal assignments in 13 states.
State of Washington; State of Oregon; Northern and Southern California; Reno/Carson, Nevada; Boise, Idaho; Salt Lake City, Utah

APPRAISAL AND RELATED EDUCATION

Claremont McKenna College, Claremont, California
Graduated Cum Laude with a degree in Economics. Emphasis included "Money and Banking" and "Cost Benefit Analysis"

Appraisal Institute Courses (formerly AIREA)
Principles of Real Estate Appraisal
Basic Valuation Procedures
Theory of Income Capitalization parts 1,2 & 3
Case Studies in Real Estate Valuation
Valuation Analysis and Report Writing
Standards of Professional Appraisal Practice
Real Estate Investment Analysis

PHILIP L. STEFFEN, MAI (CONTINUED)

Seminars sponsored by the Appraisal Institute
Issues in Appraising Low-Income Rental Housing
Financing Commercial Real Estate In The 90's
Highest and Best Use Concepts
Advanced Electronic Spreadsheets
Depreciation Analysis
H.U.D. Multifamily Training Seminar
Real Estate Law for Real Estate Appraisers
Standards of Professional Practice Update

Office Leasing and Management
Technical Inspection of Real Estate
Environmental Appraisal Issues
Appraising for Pension Funds
Real Estate Appraisal Reform (OTS)
Federal Home Loan Bank Board Regulations
FIRREA: Overview and Practical Applications
HUD MAP Training Seminar

REPRESENTATIVE CLIENT LIST

ARBOR Commercial Mortgage
Greenpark Financial
Fannie Mae
Cohen Financial
Deutsche Bank
TA Associates
ARCS
CAPMARK

Wachovia
Citibank
Wells Fargo Bank
Centro
Greystone Commercial Mtg
Principal Real Estate
CW Capital
Bank of America

QUALIFICATIONS OF PGP VALUATION INC



PGP Valuation Inc is a leading provider of real estate valuation and consulting services. Founded in 1978, PGP has offices in Boise, Carlsbad, Chicago, Columbus, Dallas, Denver, Honolulu, Irvine, Phoenix, Portland, Sacramento, San Diego, San Francisco, Seattle, and Vancouver. PGP's partnership with Colliers Macaulay Nicholls, Inc (Colliers CMN), one of the largest commercial real estate services providers in the world, has expanded PGP's ability to serve clients globally.

PGP has extensive experience in a diverse range of commercial property appraisals, with an expertise in large portfolio valuations. With over 200 experienced appraiser professionals and an efficient commercial appraisal system, PGP has built a reputation for excellence, customer service and responsiveness.

PGP's comprehensive valuation reports are created using the most advanced analytical tools and recognized appraisal methods. PGP's appraiser professionals adhere to the Code of Ethics established by the Appraisal Institute, and strive to maintain the highest level of professional integrity.

PROFESSIONAL SERVICES

PGP Valuation Inc offers a wide range of services related to the valuation of real estate:

Appraisals:	Single asset and portfolio valuations on all property types, including residential, commercial, industrial, Low Income Housing Tax Credits (LIHTC), infrastructure and easements Partial interest and business valuations
Highest and Best Use & Market Studies:	Consultation regarding the most profitable utilization of real property assets Feasibility and absorption studies of housing and commercial developments Preparation of FNMA condominium market studies and valuation
Consultation:	Analysis of real estate regarding values, site development potential, market standards versus competitive edge amenities, market conditions, etc.
Litigation Support:	Professional opinions as expert witnesses regarding the valuation of real estate
Property Tax Analysis/Appeal:	Representation before government agencies regarding ad valorem taxes, including preliminary value consultation appraisals and Board of Equalization presentations
Government Services:	Consultation, litigation expertise and valuation for the Departments of Defense, Justice, Navy, Agriculture and Interior. In November 2008, PGP Valuation was named as the exclusive Quality Control oversight manager for FDIC.

PGP VALUATION INC OFFICE LOCATIONS



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Travis Brown
Chief Operations Officer
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Gary Fessenden
Financial Officer

Natalie Rodriguez
Central Administration Director

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Managing Director

Reid Erickson
Managing Director

Cheryl Lotz
Managing Director

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Ed Carlson, MAI
Senior Managing Director

Sean S. Yousofy
Managing Director

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360.699.1904 Fax

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Senior Managing Director

Steve Waugh
Managing Director

Mark Lawwill
Director of Central Review