

APPRAISAL REPORT:
MULTI-TENANT PROFESSIONAL AND MEDICAL OFFICE BUILDING



970 EMBARCADERO DEL MAR
ISLA VISTA, CALIFORNIA

Date of Value:
July 10, 2013

Prepared For:
Don Grady
GS, Real Property
County of Santa Barbara
1105 Santa Barbara St.
Santa Barbara, CA 93101

Date of Report:
July 26, 2013

SCHOTT & COMPANY

REAL ESTATE APPRAISAL & CONSULTING

July 26, 2013

Don Grady
GS, Real Property
County of Santa Barbara
1105 Santa Barbara St.
Santa Barbara, CA 93101

Reference: Real Estate Appraisal
Multi Tenant Professional and Medical Office Building
970 Embarcadero Del Mar
Isla Vista, California

Dear Mr. Grady:

As requested, I have proceeded with the work necessary to provide my opinion of the market value of the above referenced real property, as of July 10, 2013, the date that I inspected the property.

The findings of my investigations are summarized on the following pages. Please refer to the Addenda of this letter for more specific property identification, definitions, assumptions, limiting conditions, and certification.

This is a Summary Appraisal Report. It is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. As such, this letter presents only statements regarding the data, reasoning, and analyses that were used in the appraisal process to develop an opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in my files. The depth of discussion contained within this report is specific to the needs of the client and may be misleading to a disinterested third party. My work has included an inspection of the subject property, a survey of market data, and valuation analyses.

Introduction

In 2012 and 2013 the South Coast has experienced robust real estate market conditions with both investors and owner-users active in the marketplace. Currently, values appear to be increasing.

Office vacancies in Goleta (the subject would be considered as part of the Goleta submarket) jumped to 12.4% in the first quarter of 2013 compared with 9.7% at the end of 2012. During the past 10 years, the vacancy rate has averaged approximately 9%. Currently, rental rates are falling slightly, likely as a result of reduced demand. The average asking rent for office space in Goleta is \$1.61 per square foot, gross.

The subject property consists of a commercially zoned parcel of land improved with a two story multi-tenant office building and parking lot. The property is located in the unincorporated community of Isla Vista, California.

Isla Vista is located along the South Coast of Santa Barbara County adjacent southerly to the City of Goleta and westerly of the City of Santa Barbara. Isla Vista is bounded by the University of California to the east, Goleta and the Santa Barbara Airport to the north, the Santa Barbara Channel of the Pacific Ocean to the south, and lightly improved lands owned by the University to the west. The community is approximately one half mile square. It is a small, densely populated, largely student occupied community.

Set out below is an aerial photograph of the subject property.



The primary influence on Isla Vista is the University of California at Santa Barbara. The University a public research university. It has an undergraduate population of approximately 19,800 students and a graduate student population of 3,050.

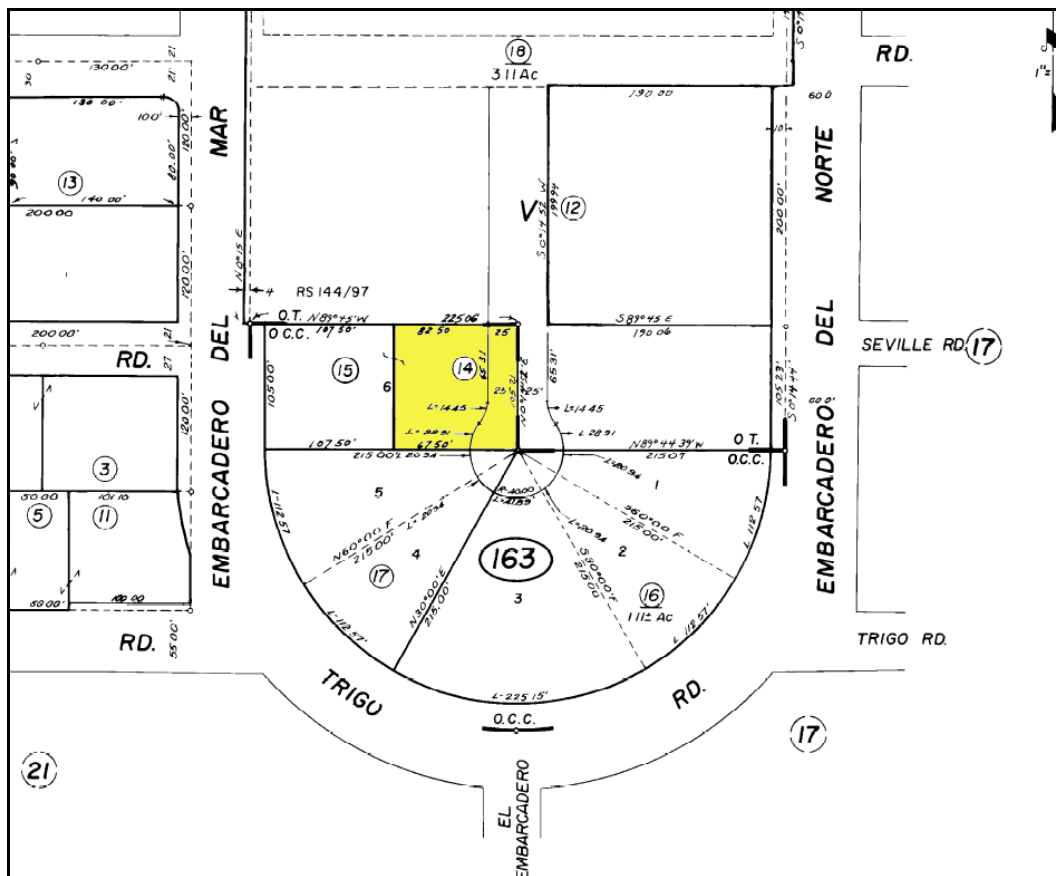
The bulk of Isla Vista was developed in the 1960s. From the early 1970's until 1998, there was a moratorium on new water meters due to the local water supply being over drafted. However, in 1998, local water agencies finished the construction of a pipeline that connected the area with the State Water System. This has allowed for a variety of new development in Isla Vista and, particularly, Goleta to take place. The majority of residential development in Isla Vista ranges from duplexes to fifty unit two and three story buildings. There is a small area of commercial development in

the area closest to the University. The subject is located within this area. There are four significant private redevelopment projects that were recently constructed in the subject neighborhood. These three and four story mixed-use developments have retail uses on the ground floor and residential apartments above.

The County of Santa Barbara's Master Plan for Isla Vista was updated and adopted several years ago and a major rezoning of much of the community is pending approval by the California Coastal Commission. If approved, higher density housing will be allowed in many areas and it is likely that the population of Isla Vista will grow at least modestly. The vision for Downtown Isla Vista, where the subject is located, consists of redevelopment of many of the properties with three story mixed-use structures with commercial space on the ground floor and apartment units on the second and third floors. This vision is beginning to be realized as four mixed use projects in the downtown area were recently constructed.

Site Description

The subject parcel is located on the easterly Embarcadero Del Mar behind another property. The subject parcel is highlighted in yellow in the parcel map set out below.



The site is rectangular in shape and level at street grade. It has no frontage on Embarcadero Del Mar and is accessed via an easement that encumbers the adjacent

parcel. Gross and net site area is 11,288 square feet. It appears that the paper street shown on the easterly side of the subject property has been abandoned.

Access to the subject site is via easements encumbering the southerly 10 feet and easterly 15 feet of the parcel adjacent westerly of the subject (APN: 75-163-015) and the northerly 10 feet of parcel that is adjacent southerly of the subject (APN: 75-163-017) . By the same token, the westerly 15 feet and southerly 10 feet of the subject parcel are encumbered with access easements that are appurtenant to the adjacent parcels.

The subject is zoned C-2 “Retail Commercial,” under the jurisdiction of the County of Santa Barbara. This designation is intended to provide areas for a wide variety of commercial uses and mixed-use (residential/commercial) structures. There is no minimum lot size. Building height is limited to 35 feet. Required setbacks are 30 feet from the centerline and 10 feet from the right-of-way line of any street, no side yard setback, and 10% of the lot depth (10 feet max) for the rear setback. Required parking is generally two spaces per bedroom and one space per 500 square feet of commercial building area. It should be noted that recently approved mixed-use projects in downtown Isla Vista received modifications to allow for less onsite parking, no setbacks, and greater building height than is allowed under current zoning. The subject appears to be legally conforming to current zoning.

Improvement Description

General:	Improvements to the subject consist of a two story wood frame and concrete block structure with stucco siding. The building is used as professional and medical office space with associated site improvements.
Age:	The building appears to have been constructed in phases. The building is estimated to be approximately 30 years old.
Quality:	Average
Condition:	Average. It is estimated that the subject needs approximately \$10 per square (say \$100,000) in remodeling costs to attract tenants. This amount has been subtracted from the conclusion of the Income Approach to account for lease up costs.
Gross Building Areas:	
Ground Floor:	5,325 Square Feet
Second Floor:	<u>3,897</u> Square Feet
Total:	9,222 Square Feet

(Per Building Plans)

Interior Finish:

Floors: Carpet/Tile/Vinyl/Concrete
Walls: Drywall
Ceilings: Acoustic Panel

Interior Description:

The building is effectively apportioned into four potential tenancies (with further division easily achievable). Each tenancy has at least one restroom and multiple individual offices. The east half of the ground floor is used as a medical office space. This suite is apportioned into six exam rooms, four offices, a reception and waiter room and two restrooms.

Mechanical Equipment:

The building has seven restrooms, a two-stop 2,500 lb hydroelectric elevator, and is fully heated and at least partially air-conditioned.

Site Improvements:

Site improvements consist of an asphalt paved driveway and parking area, concrete walkways, stairways and decking, a trash enclosure, and landscaping. The subject has approximately 9 onsite parking spaces. The subject has a parking ratio of 1 space per 1,000 square feet of building area, a parking ratio that is inferior to many competing office buildings in the wider area.



Front of Subject Building



Side and Rear of Subject Building



Interior of Subject Building



Interior of Subject Building



Interior of Subject Building



Interior of Subject Building

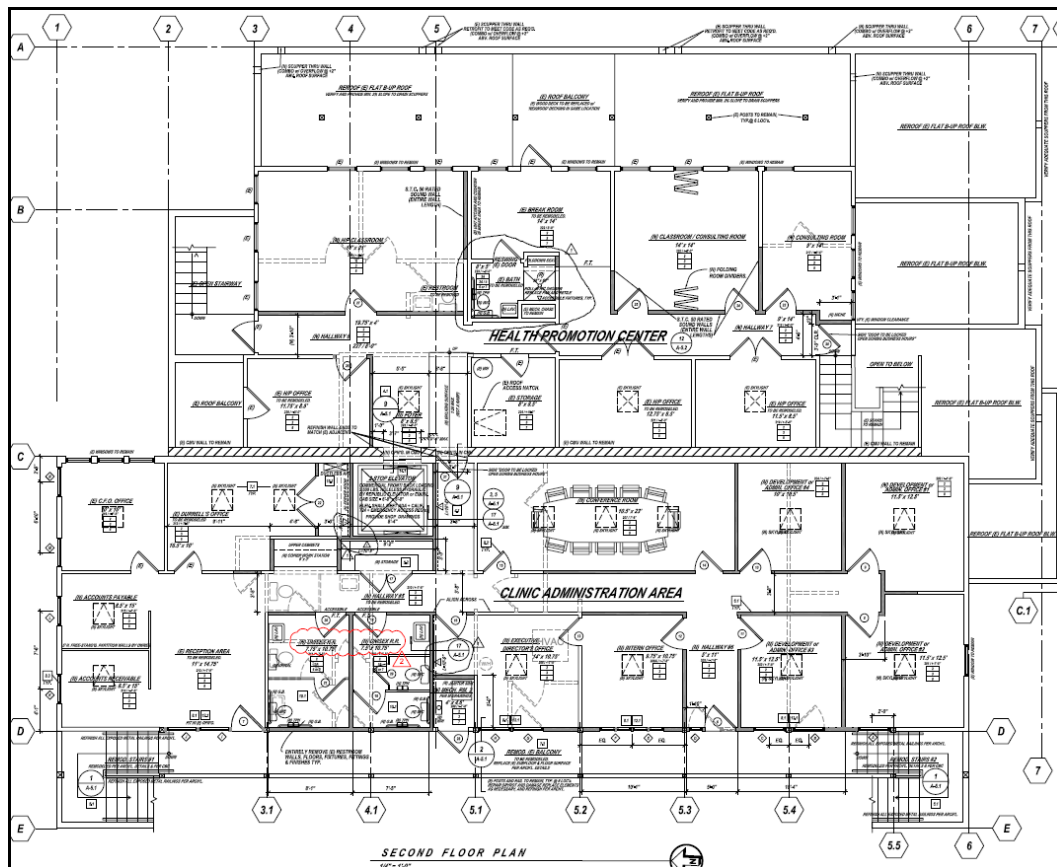
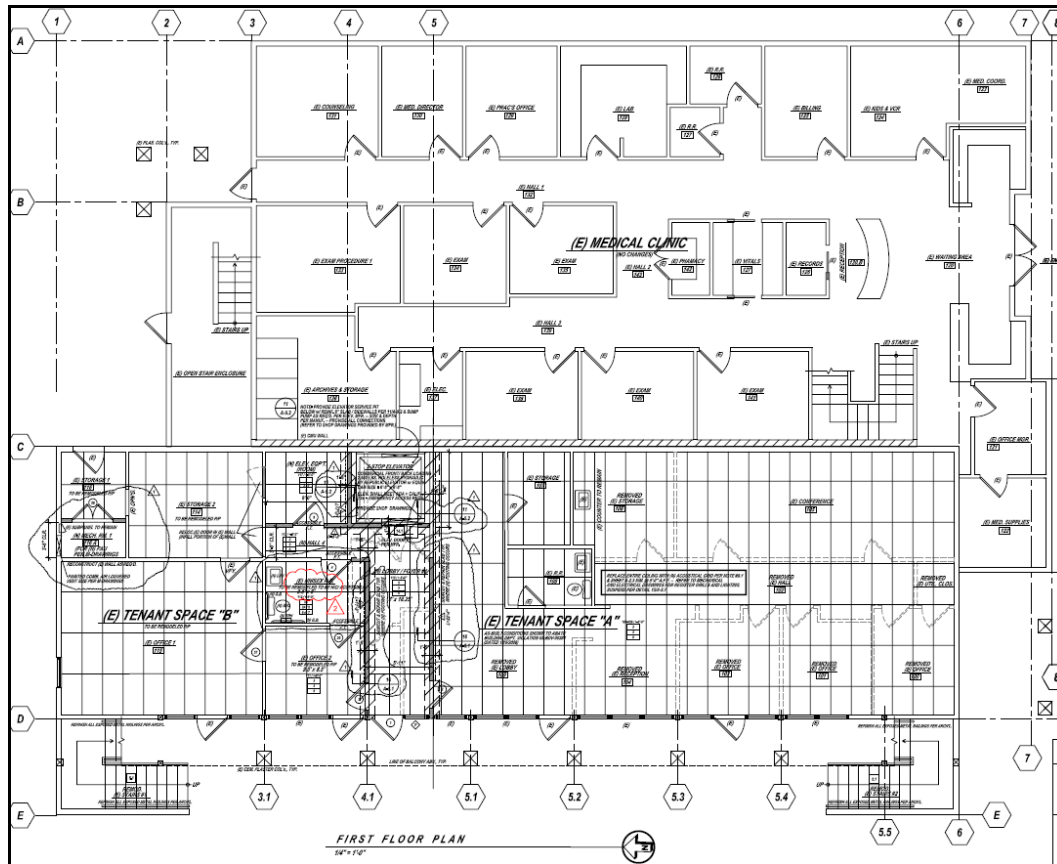


Interior of Subject Building



Interior of Subject Building

Set out below are copies of the subject floorplans:



Highest & Best Use (As Though Vacant)

Given current levels of demand and rental values in Isla Vista, it is likely that the highest and best use of the subject property “as though vacant” would be to develop a multi-story mixed-use (commercial/residential) project.

Highest & Best Use (As Improved)

As improved, the current use of the subject as an office building is a reasonable use. It is unlikely that an alternative use of the subject would result in a higher return. Therefore, the highest and best use, “as improved” of the subject property would be to continue the current office/medical office use.

Valuation

The valuation of the subject property will include an Income Approach and a Sales Comparison Approach. A Replacement Cost Analysis has not been performed due to the fact that this approach does not reflect the decision making process of the market participants and due to the difficulty of accurately estimating depreciation.

Income Approach

The Income Approach is an analysis of the present worth of anticipated future benefits. In a property such as the subject, the benefits are generally measured in terms of net operating income. This analysis is based on the assumption that income bears a fixed mathematical relationship to value.

As of the date of value, the subject was approximately 66% vacant with the remainder of the building occupied on a month to month basis. Santa Barbara Neighborhood Clinics occupies 3,110 square feet of the ground floor (on the east side of the building) on a month to month basis at a rate of \$1.00 per square foot, gross (with the tenant paying utility costs and the lessor paying all other fees).

For comparison purposes, if it were reassessed at the concluded value herein, the subject would have triple net expenses of approximately \$0.30 per square foot per month. In order to estimate market rent for the subject, a rental survey has been completed. Set out below is a summary of recent comparable commercial leases.

MARKET SURVEY – COMPARABLE RENTALS					
No.	Location	Area in Sq. Ft.	Date	Monthly Rent/SF	Terms
1.	5901 Encina Rd, A-1, Goleta	3,515	2/2013	\$1.20	NNN (84¢)
2.	26 Castilian Dr., Goleta	5,487	4/2013	\$1.20	NNN (31¢)
4.	900 Emb Del Mar, Isla Vista	588	Current	\$1.27	NNN Equiv.
4.	6489 Calle Real #C, Goleta	1,345	1/2013	\$1.30	NNN (35¢)

The comparable rental data listed above narrowly range in price from \$1.20 to \$1.30 per square foot on a triple net basis. Based on current market conditions, the data above, and considering the appeal of the subject, market rent is estimated to be \$1.25 per square foot, triple net.

Calculations to determine potential gross annual income at the subject based on market rent are as follows:

Subject Building Area (Sq. Ft.):	9,222
Market Rent/Mo./SF:	<u>x \$1.25</u>
Potential Gross Monthly Income:	\$11,528
Multiplied by Twelve Months:	<u>x 12</u>
Potential Gross Annual Income:	\$138,336

In order to estimate net operating income, property expenses must be subtracted from potential gross income. Lessor property expenses include vacancy and collection loss, management, and reserves for replacement of short lived building components. In this projection (where a triple net lease rate has been projected), property taxes, insurance, maintenance and repairs are paid for by the tenant.

Current vacancy for office in Goleta is approximately 12%. Considering historic vacancy levels (which have averaged approximately 9% over the past 10 years) for Goleta, a figure of 9% of potential gross income has been selected as the appropriate stabilized vacancy and collection loss rate for the subject. Management of properties like the subject generally falls within the range of 4% to 6% of effective gross income. A figure of 5% has been selected for the subject. Reserves for replacement are estimated at 1% of effective gross income. Set out below is a summary of historic and projected stabilized operations at the subject.

Potential Gross Annual Income (PGI):	\$138,336
Less Vacancy & Collection Loss (9% of PGI):	<u>(\$12,450)</u>
Effective Gross Income:	\$125,886
Less Management (5% of EGI):	<u>(\$6,294)</u>
Less Reserves (1% of EGI):	<u>(\$1,259)</u>
Net Operating Income:	\$118,333

At its simplest, the overall capitalization rate is a reflection of the perceived balance between exposure to risk and potential for gain. A survey of recent transactions in the wider local area involving the sale of income producing properties is summarized below.

OVERALL CAPITALIZATION RATE SURVEY						
No.	Location	Property Type	Sale Price	Net Income	Sale Date	Overall Rate
1.	29 E. Victoria St. Santa Barbara	Retail	\$2,600,000	\$114,725	5/2013	4.41%
2.	1111 Coast Village Road Santa Barbara	Retail/Office	\$3,190,000	\$158,363	4/2013	4.96%
3.	25 W. Anapamu St. Santa Barbara	Office/Retail	\$3,475,000	\$172,302	12/2012	4.96%
4.	18 E. Ortega Street Santa Barbara	Restaurant	\$2,900,000	\$153,700	11/2012	5.30%
5.	102-104 W. Mission St. Santa Barbara	Commercial/ Apartment	\$990,000	\$52,880	4/2013	5.34%
6.	1046 Coast Village Rd. Santa Barbara	Multi-Tenant Retail	\$10,200,000	\$553,237	12/2012	5.42%
7.	427 E. Carrillo St. Santa Barbara	Office	\$3,175,000	\$172,349	3/2013	5.43%
8.	3759 State St. Santa Barbara	Single Tenant Retail	\$35,000,000	\$1,907,500	12/2012	5.45%
9.	3204 State St. Santa Barbara	Retail/ Apartment	\$805,000 + Costs	\$47,266	Escrow	5.53%
10.	518 E. Haley St. Santa Barbara	Warehouse/ Retail	\$2,275,000	\$126,187	5/2013	5.55%
11.	740 State St. Santa Barbara	Office/Retail	\$11,245,148	\$624,525	12/2012	5.56%
12.	210 E. Ortega St. Santa Barbara	Commercial	\$1,107,000	\$62,252	3/2013	5.62%
13.	5392 Hollister Ave. Goleta	Mixed-Use Retail/Apt	\$1,350,000	\$75,849	6/2012	5.62%
14.	1515 State #2 Santa Barbara	Dental Condominium	\$445,000	\$25,989	12/2012	5.84%
15.	24 E. Cota St. Santa Barbara	Office/Retail	\$2,740,000	\$161,137	12/2012	5.88%
16.	1001 Mark Ave. Carpinteria	Office	\$4,400,000	\$258,986	5/2013	5.89%
17.	52 N. Fairview Ave. Goleta	Retail	\$2,190,500 + Leasing Costs	\$139,738	2/2012	6.01%
18.	310-316 N. Milpas St. Santa Barbara	Retail	\$2,600,000	\$156,677	1/2012	6.03%
19.	99 Aero Camino Goleta	Lt. Industrial	\$3,415,000	\$213,178	11/2012	6.24%
20.	2720 De La Vina St. Santa Barbara	Retail	\$1,300,000	\$81,586	10/2012	6.28%
21.	212 Cottage Grove Santa Barbara	Office/ Apartment	\$1,500,000	\$95,149	4/2012	6.34%
22.	3609-3617 State St. Santa Barbara	Multi-Tenant Retail	\$3,900,000	\$249,037	12/2012	6.38%
23.	433 E. Canon Perdido Santa Barbara	Office	\$4,200,000 +Leasing Costs	\$287,916	3/2012	6.62%

The overall rates of the commercial data summarized above range from approximately 4.4% to 6.6%. Variations among the overall rates demonstrated by the sales indicate not only differences in the quality, quantity, and durability, of the properties' income streams, but also the specific needs and desires of the buyers and sellers in each transaction. All of the data were either cash sales or cash equivalent. The subject income stream is based on market rent and, therefore, has average risk characteristics. However, given the fact that the rent is projected and that there will be costs associated with locating a tenant, the appropriate overall capitalization rate for the subject is estimated to be near the high end of the range indicated above. Considering the data and discussion above, the appropriate overall capitalization rate for the subject is estimated to be 6.5%.

Using the estimates arrived at above, an indication of value can be derived as follows. Lease up costs include tenant improvement allowances, leasing commissions, and rent loss during lease up. I estimate that three to nine months of vacancy will be required to reach stabilized occupancy. A rent loss of \$69,165 has been projected for the subject. This is based on six months' loss for 9,222 square feet at \$1.25 per square foot per month (\$1.25 x 9,222 SF x 6 months). Lease commissions are based on an estimated three year lease term and a 5% leasing commission on the 9,222 square feet of vacant space or \$20,750 (\$1.25 x 9,222 SF x 36 months x 5%):

Net Operating Income:	\$118,333
Overall Rate:	÷ 0.065
Subtotal:	\$1,820,508
Less Remodeling Costs/Tenant Improvements:	(\$100,000)
Less Rent Loss During Lease Up:	(\$69,165)
Less Leasing Commissions:	(\$20,750)
Value Conclusion:	\$1,630,593

VALUE INDICATED BY

INCOME APPROACH, Rounded:	\$1,630,000
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Sales Comparison Approach

In the Sales Comparison Approach to value, sales of comparable properties are analyzed for the purpose of indicating what a typical well-informed buyer and/or seller would consider in forming an opinion of the worth of the subject property as of the date of value. This valuation concept is based on the theory of substitution in which a basic premise is that a typical buyer would not pay more for a particular property than the cost to acquire an alternative property that similarly satisfies his wants and needs.

I have investigated sales that are deemed to be comparable to the subject. The unit of comparison used in the following analysis is price per square foot of gross building area. Set out below is a summary of the most pertinent data.

MARKET SURVEY – IMPROVED SALES						
No.	Location	Bldg. Sq. Ft.	Land Sq. Ft.	Sale Date	Sale Price	Price/ Sq. Ft.
1.	439-449 Kellogg Way, Goleta	5,622	23,087	8/2012	\$600,000	\$107
2.	510 S. Fairview Ave, Goleta	10,191	20,038	6/2012	\$1,600,000	\$157
3.	1001 Mark Ave. Carpinteria	19,131	43,560	5/2013	\$4,400,000	\$230
	Subject	±9,222	11,288	6/2008	\$2,601,229	\$282

Discussion of Market Data



Data No. 1 (439-449 Kellogg Way;; \$107/Sq. Ft.) is the mid-2012 sale of a vacant below average quality office building located in a peripheral location in Goleta. Improvements to this property are estimated to be 50 years old and were in fair condition at the time of sale. This property sold to an adjacent property owner who paid cash. This data is inferior to the subject in terms of quality

and condition as well as market conditions. It is judged to indicate a value of more than \$107 per square foot for the subject.



Data No. 1 (510 S. Fairview; \$157/Sq. Ft.) is the mid-2012 sale of a single tenant light industrial building located in Goleta. This property has no street frontage and is behind other buildings which reduced its visibility and hampered its marketing. Improvements consist of a one and two story concrete block structure that is 44% office space. This building

was constructed in 1970 and is of average quality construction and condition. It has a clear height of 18 feet and one grade level roll up door. This property has a parking ratio of 2.75 spaces per 1,000 square feet of building area. This property is zoned M-RP. This data sold with conventional financing from US Bank and Trust.

This data is inferior to the subject in terms of quality of construction and market conditions. It is judged to indicate a value of more than \$157 per square foot for

the subject.



Data No. 3 (1001 Mark Ave., \$230/Sq. Ft.) is the mid-2013 sale of a newly remodeled office building in an R & D park in Carpinteria. This building was constructed in 1989 but completely remodeled in 2012. This building has a parking ratio of 3.0 spaces per 1,000 square feet of building area. The property was fully leased and sold to an investor who paid cash. This property is superior to

the subject in terms of quality and condition. On balance, despite being twice the size of the subject, this data is judged to indicate a value of less than \$230 per square foot for the subject.

Conclusion

The data range in price per square foot from \$107 to \$230. Data Nos. 1 (\$107/Sq. Ft.) and 2 (\$157/Sq. Ft.) indicated higher values for the subject. Alternatively, Data No. 3 (\$230/Sq. Ft.) was judged to indicate a lower value for the subject. Therefore, considering the market data and discussion above, market conditions as of the date of value, and the appeal of the subject, a value of between \$170 and \$190, say \$180 per square foot, is judged to be indicated for the subject. Value calculations are as follows:

Subject Building Area (Sq. Ft.):	9,222
Value Factor:	<u>x \$180</u>
Indicated Value:	\$1,659,960

VALUE INDICATED BY

SALES COMPARISON APPROACH:	\$1,660,000
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Value Conclusion

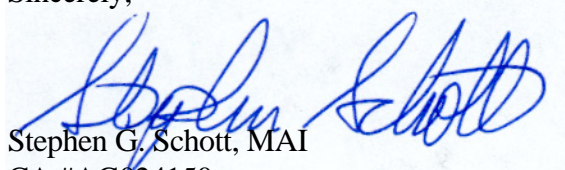
The Income Approach resulted in an estimate of value of \$1,630,000. The Sales Comparison Approach resulted in a slightly higher value of \$1,660,000. The Income Approach best reflects the decision making process of an investor type buyer. Alternatively, the Sales Comparison Approach best reflects the decision making process of an owner-user type buyer. The subject would appeal to either an investor or an owner-user. Thus, the approaches are judged to have equal applicability. The quality of the data used in each approach was judged to be equal. Therefore, equal weight has been placed on the conclusions of the two approaches and a value from near the midpoint of the range has been selected as the final opinion of value for the subject.

Therefore, the opinion has been formed that the market value of the Leased Fee Estate in the subject property, based on assumptions, limiting conditions and certification stated, as of the date of value, was the sum of \$1,650,000

ONE MILLION SIX HUNDRED FIFTY THOUSAND DOLLARS

I hope the information contained within this summary appraisal report is sufficiently explanatory. Should you have any questions or require further detail, please feel free to contact me.

Sincerely,



Stephen G. Schott, MAI
CA #AG024150

ADDENDA/USPAP REPORTING REQUIREMENTS

Ownership Information

The owner of record for the subject property is the Santa Barbara County Redevelopment Agency. There are no sales of the subject property within the past three years.

Assessors Parcel Number

Book 75, Page 163, Parcel 014

Pertinent Conditions of Title

A title report for the subject issued by Chicago Title and dated June 20, 2008 has been reviewed. Aside from those discussed herein, it is an assumption of this appraisal that there are no existing easements, liens or encumbrances that could adversely affect the value or use of the subject property.

Type of Value and Date of Appraisal

This appraisal sets forth my opinion as to the *market value* of the leased fee estate in the real property described herein. Opinions and other matters expressed in this report are stated as of July 10, 2013.

Function of Appraisal

The function of this appraisal is to provide valuation information to the client for decision making purposes.

Intended Use & User

The intended use of this appraisal report is for decision making purposes. The intended user is the owner of the property.

Scope of Appraisal

Generally, a valuation analysis has been completed including an inspection and description of the subject property and surrounding area, consideration of highest and best use, and the application of valuation analyses. Insofar as is practical, every effort has been made to verify as factual and true all data set forth in this report. However, no responsibility is assumed for the accuracy of any information furnished by others. This is a Summary Appraisal Report.

Exposure Time

The estimated exposure time (the time prior to the date of value that the property would have needed to have been marketed for in order for it to sell) for the subject property would have been six months, assuming a realistic asking price.

Definition of Terms

MARKET VALUE

Market value is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined. A current economic definition agreed upon by federal financial institutions in the United States of America is:

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:

- (a) Buyer and seller are typically motivated;
- (b) Both parties are well informed or well advised, and acting in what they consider their best interest;
- (c) A reasonable time is allowed for exposure in the open market;
- (d) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (e) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Source: Uniform Standards of Professional Appraisal Practice (of the Appraisal Foundation)

LEASED FEE ESTATE

The term "leased fee estate", as used in this report is defined as follows:

A property held in fee with the right of use or occupancy conveyed by lease to others. A property consisting of the right of ultimate repossession at the termination of the lease.

FEE SIMPLE ESTATE

The term, "fee simple estate", as used in this report, is defined as follows:

An absolute fee; a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions and limiting conditions:

- 1) This is a Summary Appraisal Report, which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
- 2) No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
- 3) The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.
- 4) Responsible ownership and competent property management are assumed unless otherwise stated in this report.
- 5) The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- 6) All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
- 7) It is assumed that there are no hidden or non-apparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
- 8) It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.

- 9) It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.
- 10) It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
- 11) Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
- 12) It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
- 13) The appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
- 14) Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

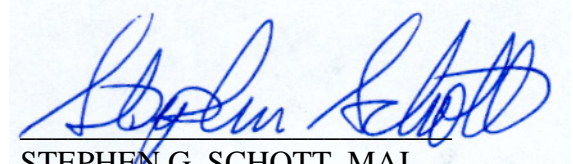
- 15) Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
- 16) The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- 17) Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with property written qualification and only in its entirety.
- 18) Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.

CERTIFICATION

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

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinion, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment is not contingent upon developing or reporting predetermined results
- my compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- that this appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- my analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation and in accordance with the Code of Professional Ethics and the standards of Professional Practice of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant professional assistance to the person signing this report.
- that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have performed no services as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

As of the date of this report, I have completed the requirements under the continuing education program of the Appraisal Institute.



STEPHEN G. SCHOTT, MAI
CA#AG024150