

**A REAL PROPERTY APPRAISAL REPORT**

**EXECUTIVE APPRAISAL**  
**Office/Warehouse Property**  
**XXX Main Street**  
**Anytown, Minnesota 55XXX**

**Appraisal Report Date:**  
July 7, 2010

**Effective Date of the Appraisal:**  
July 4, 2010 "As Is"

**Prepared For:**  
**Mr. Banker**  
**Vice President**  
**Anytown Bank**  
XXX Main Street  
Anytown, MN 55XXX  
800/XXX-XXXX

**By:**  
**COMMERCIAL APPRAISAL & CONSULTING GROUP**  
8710 Central Avenue NE, Suite 200  
Blaine, Minnesota 55434  
763/398-3282

**Jack Prill, MSA**  
**Ryan D Herlofsky**  
**Jeremiah C. Johnson**

**&**

**MARKETPLACE COMMERCIAL**  
4911 Learning Lane  
Red Wing, MN 55066  
651/639-0821

**Eddie R. Rymer, CCIM**



*Certified General Real Property Appraisers  
Jack Prill, MSA  
Ryan Herlofsky  
Jere Johnson  
Harvey Swenson, MAI*

July 7, 2010

Mr. Banker  
Vice President  
Anytown Bank  
XXX Main Street  
Anytown, MN 55XXX  
800/XXX-XXXX

Re: Executive Appraisal Report

Office/Warehouse Property  
XXX Main Street  
Anytown, Minnesota 55XXX

Dear Mr. Banker:

In accordance with your request, we have completed n "Executive" appraisal report of the above referenced property for the purpose of estimating the current market value of the property's fee simple interest.

The subject property has been appraised utilizing one of the three recognized standard approaches to valuation; the *Sales Comparison Approach* or the *Income Capitalization Approach*.  
*(Whichever approach is most appropriate)*

The subject is a XXX square foot, concrete block, office/warehouse property that was constructed in XXX. The property is located in the Anytown Industrial Park on Main Street in Anytown. The site contains XXX square feet according to the plat.

The following report describes our application of standard appraisal methods, contains data gathered in our investigation, and demonstrates our analysis in estimating the market value of the subject property. Care has been exercised in verifying the factual data presented in this report, and it is assumed to be reliable. This appraisal is made subject to certain assumptions and limiting conditions contained herein.

It is our opinion that the value of the subject property "As Is" as of July 4, 2010, the effective date of the appraisal, based on an exposure time of one year is as follows:

**XXX HUNDRED THOUSAND DOLLARS  
\$XXX,000**

Mr. Banker  
July 7, 2010  
Page two

We have no personal interest with respect to the subject matter of this appraisal report or the parties involved.

This appraisal has been made in conformity with the requirements of the *Uniform Standards of Professional Appraisal Practice* and the *Financial Institutions Reform, Recovery and Enforcement Act*. This appraisal has also been completed in conformance with the Professional Ethics of the Appraisal Institute.

We were not provided with an environmental report on the subject property. During our inspection of the property, we did not observe any potential environmental problems. However, we are not trained in environmental discovery and will not be held liable for the existence of or future discovery of any potential contamination or other environmental problem.

The undersigned appraisers conform to all legal and educational requirements for the appraisal of real estate in the State of Minnesota and are considered competent to perform this appraisal. Mr. Prill has valued industrial property of all types. He assisted in the appraisal process and performed the final review of this report. Mr. Herlofsky (or Johnson), who has also valued industrial property of all types, is responsible for the bulk of the appraisal work for this assignment, including the research, the report composition and concurrence in the valuation conclusions.

Please contact us if you have any questions regarding this appraisal report.

Respectfully submitted,

*COMMERCIAL APPRAISAL & CONSULTING GROUP*

Jack Prill, MSA  
Certified General Real Property Appraiser #4001494  
National Association of Master Appraisers #8312

Ryan D Herlofsky  
Certified General Real Property Appraiser #20285610  
General Associate Member of the Appraisal Institute

Jeremiah C. Johnson  
Registered Real Property Appraiser #20500887

<b>SUMMARY OF SALIENT FACTS AND CONCLUSIONS</b>
---

**Appraised Property:**

Address:	XXX Main Street, Anytown, Minnesota 55xxx
Fee Owner:	XXX
Purpose/Use of Appraisal:	Estimate Market Value for Marketing Purposes
Highest and Best Use:	Industrial

**Office/Warehouse Building****Description**

Site Size:	XXX sq. ft.
Gross Building Area:	XXX sq. ft.
Age of Improvements/Year Built:	XXX Years / 19XX

**Legal Information**

Property Identification Number:	XX-XX-XX-XX-XXXX
Zoning:	Industrial District
Real Estate Tax Levy (2009):	\$XXX
Assessor's Market Value (01/09):	\$XXX

**Value By Cost Approach**

Not Addressed.

**Value By Sales Comparison Approach**

\$XXX

Sale Price per Square Foot	\$XX
----------------------------	------

**Value By The Income Capitalization Approach**

\$XXX

Market Lease Rate:	\$XX/Sq. Ft.
--------------------	--------------

**Appraiser's Estimate of Market Value**

\$XXX

**Appraisal Report Date**

July 7, 2010

**Effective Dates of the Appraisal**

July 4, 2010 "As Is"

**Appraisers**

Jack Prill, Ryan D Herlofsky, Jere Johnson

**PHOTOGRAPHS OF SUBJECT PROPERTY**

AERIAL

**TABLE OF CONTENTS**

SUMMARY OF SALIENT FACTS AND CONCLUSIONS ..... 1

PHOTOGRAPHS OF SUBJECT PROPERTY ..... 2

IDENTIFICATION OF APPRAISED PROPERTY ..... 14

IDENTIFICATION OF PROPERTY RIGHTS TO BE VALUED ..... 14

PURPOSE AND INTENDED USE OF APPRAISAL ..... 14

DEFINITION OF VALUE ..... 15

DEFINITION OF MARKET VALUE ..... 15

HISTORY ..... 16

DESCRIPTION OF SCOPE OF APPRAISAL ..... 16

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS ..... 17

CITY DATA ..... 20

NEIGHBORHOOD DESCRIPTION ..... 23

SITE DATA ..... 24

BUILDING DESCRIPTION ..... 30

HIGHEST AND BEST USE ANALYSIS ..... 33

SALES COMPARISON APPROACH ..... 37

INCOME CAPITALIZATION APPROACH ..... 47

RECONCILIATION AND FINAL ESTIMATE OF VALUE ..... 59

EXPOSURE TIME ..... 60

MARKETING TIME ..... 61

CERTIFICATION ..... 62

QUALIFICATIONS ..... 63

ADDENDA ..... 67

## **THE VALUATION PROCESS**

### **IDENTIFICATION OF APPRAISED PROPERTY**

*Property Address:* XXX Street  
XXX, Minnesota 55XXX

*Type of Building:* Concrete block, office/warehouse building.

*Building Area:* XXX square feet based on the appraiser's measurements. There are XXX square feet of office space and XXX square feet of warehouse space.

*Site Area:* XXX square feet according to the plat map. The buildable area is estimated at XXX square feet.

*Personal Property:* Not addressed.

### **Property Identification Number**

XX-XX-XX-XX-XXXX

### **IDENTIFICATION OF PROPERTY RIGHTS TO BE VALUED**

#### **Fee Simple:**

The subject real estate will be appraised in fee simple interest. Fee simple interest is defined as: absolute ownership unencumbered by any interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.<sup>1</sup>

### **INTENDED USE OF APPRAISAL**

The valuation process presented in this appraisal report is to estimate Market Value (as defined by the Office of the Comptroller of the Currency under *12 CFR, Part 34, Subpart C*) of the fee simple interest. This appraisal addresses the subject "As Is".

The use of an appraisal is the manner in which a client employs the information contained in the appraisal report. A value estimate may be used to determine price, amount of loan, basis for taxation, terms of a lease, eminent domain, etc.

This appraisal is to be used by:

**Client & Intended User:** Mr. Banker, Vice President, Anytown Bank.

**Intended Use:** For the sole purpose of assisting the client for marketing purposes involving the subject property.

---

<sup>1</sup> *The Appraisal of Real Estate*, Thirteenth Edition, pg. 114.

## **DEFINITION OF VALUE**

Types of appraised value include market value, use value, going concern value, investment value, assessed value, and insurable value. The defined value of the subject property to be estimated in this report is Market Value.

## **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;
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.<sup>2</sup>

## **APPRAISAL REPORT DATE:**

July 7, 2010

## **APPRAISAL INSPECTION/EFFECTIVE DATE:**

July 4, 2010 "As Is"

## **REPORT OPTION**

This report is an *Executive Appraisal Report*. As such, it presents no 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.

---

<sup>2</sup>Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). This could be modified to provide for valuation with specified financing terms.

## **DESCRIPTION OF SCOPE OF APPRAISAL**

The subject property has been appraised utilizing two of the three of the recognized standard approaches to valuation; the *Sales Comparison Approach* ---or--- *Income Capitalization Approach*. This appraisal does not include valuation of equipment, inventory or business value.

In preparing this appraisal, the appraiser:

1. Mr. XXXXXXXXX inspected the subject property on July 4, 2010.
2. gathered information on comparable sales and rentals; researched data files, examined past sales, inspected and photographed comparables.
3. confirmed and analyzed the data and applied the *Sales Comparison* and *Income Capitalization Approaches*. In the *Income Capitalization Approach*, the appraiser used direct capitalization.
4. spoke with members of the real estate community, including brokers, and other appraisers. They also provided information to assist us in the valuation of the subject property.

There are no Hypothetical Conditions, Extraordinary Assumptions, Supplemental Standards or Jurisdictional Exceptions in this report. See the following *General Assumptions and Limiting Conditions* section for further details regarding the scope of work.

## **GENERAL ASSUMPTIONS AND LIMITING CONDITIONS**

The appraiser's certification presented in this appraisal report is subject to the following conditions and to such specific and limiting conditions as are set forth by the Appraiser in the report:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the properties.
6. It is assumed that there are no hidden or unapparent conditions of the properties, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state and local environmental regulations and laws unless the lack of compliance is stated, described and considered in the appraisal report.
8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.

## General Assumptions and Limiting Conditions - continued

9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the properties described and that there is no encroachment or trespass unless noted in the report.
11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the properties, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the properties. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the properties. The value estimated is predicated on the assumption that there is no such material on or in the properties that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them.
12. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
13. Possession of this report, or a copy thereof, does not carry with it the right of publication.
14. The appraisers, by reason of this appraisal, are not required to give further consultation or testimony or to be in attendance in court with reference to the properties in question unless arrangements have been previously made.
15. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of these properties to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the properties, together with a detailed analysis of the requirements of the ADA, could reveal that the properties are not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the properties. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in estimating the value of the properties and assume no responsibility for measuring the effects of any non-compliance with this act on the value of these properties.
16. 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 the prior written consent and approval of the appraiser.
17. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.
18. Disclosure by the Appraisers of the contents of this appraisal report is subject to review in accordance with the by-laws and regulations of the professional appraisal organizations with which the Appraisers are affiliated.
19. This appraisal report and its contents must be regarded as a whole. Any excerpts from this appraisal cannot be used separately, and if used separately, this appraisal is not to be considered valid.

## General Assumptions and Limiting Conditions - continued

20. The appraisers assume that the reader or user of this report has been provided with copies of available building plans and all leases and amendments, if any, that encumber the properties.
21. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued relatively stable economy.
22. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and general limiting conditions.

**PROPERTY SUMMARY**

***City Summary:***

***Site Summary:***

***Building Summary:***

## **HIGHEST AND BEST USE ANALYSIS**

### **DEFINITION:**

*Highest and Best Use* may be defined as;

"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".<sup>3</sup>

*Highest and Best Use* Analysis identifies the most profitable, competitive *use* to which a property can be put.

### **CONCLUSION**

**Highest and Best Use, as Vacant** - Based on the preceding analysis, it is our conclusion that the Highest and Best Use of the subject property "As Vacant", is for a variety of small industrial developments.

**Highest and Best Use, as Improved** - Based on the preceding analysis, it is our conclusion that the subject property, "As Improved" with the existing improvements described in this report represents the current Highest and Best Use of the site.

---

<sup>3</sup>Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, Chicago, Illinois; 2008, pg. 277-278.

## IF USED...

### **THE SALES COMPARISON APPROACH**

The *Sales Comparison Approach* is the process in which a market value estimate is derived by analyzing the market for similar properties and comparing these properties to the subject property. Market value is estimated by comparing the subject property to similar properties that have recently sold, are listed for sale, or are under contract (recently drawn up purchase offers accompanied by a cash or equivalent deposit). The major premise of the *Sales Comparison Approach* is that the market value of a property is directly related to the prices of comparable properties.

The concepts of anticipation and change, together with the principles of supply and demand, substitution, balance, and externalities, are basic to the *Sales Comparison Approach*. The *Sales Comparison Approach* is applicable to all types of real property interest when there are sufficient reliable transactions to indicate value patterns or trends in the market. When the number of market transactions is insufficient, the applicability of the *Sales Comparison Approach* may be limited. It usually provides the primary indication of market value in appraisals of properties that are not purchased for their income producing characteristics. Buyers of income producing properties usually concentrate on a property's economic characteristics, most often focusing on the rate of return on an investment made in anticipation of future cash flows.

### **PROCEDURE:**

A general outline of the basic procedure follows:

1. Research the market to obtain information on sales transactions, listings, and offers to purchase or sell properties that are similar to the subject in terms of characteristics such as property type, date of sale, size, location, and zoning.
2. Verify the information by confirming that the data obtained is factually accurate and that the transactions reflect arms-length market considerations. Verifications may also illicit additional information about the market.
3. Select relevant units of comparison, e.g., dollars per square foot, and develop a comparative analysis for each unit.
4. Compare comparable sale properties with the subject property using the elements of comparison and make appropriate adjustments of the sale price of each comparable property to the subject property or eliminate the sale property as a comparable.
5. Reconcile the various value indications produced from the analysis of comparables into a single value indication or a range of values. In an imprecise market subject to varying occupancies and economic factors, a range of values may be a better conclusion than a single value estimate.

The application of the *Sales Comparison Approach* is found on the following pages. Comparable sales data is presented, summarized, and analyzed.

Sales Comparison Approach - continued

**COMPARABLE SALES GRID**

<i>COMP</i>	<i>ADDRESS / PID</i>	<i>BUYER / SELLER</i>	<i>SALE DATE</i>	<i>YEAR BUILT</i>	<i>SITE SF LAND/BLDG</i>	<i>SF GBA BLDG. TYPE</i>	<i>PRICE</i>	<i>PRICE PER SF</i>
#1								
#2								
#3								

**PHOTOGRAPHS OF COMPARABLES**

***Comparable #1***

***Comparable #2***

***Comparable #3***

Sales Comparison Approach - continued

**MARKET SALES ADJUSTMENTS GRID**

<b>COMPARABLE SALE DATA</b>	<b>Subject</b>	<b>Comp #1</b>	<b>Comp #2</b>	<b>Comp #3</b>	<b>Comp #4</b>	<b>Comp #5</b>
SALE PRICE PER SQUARE FOOT						
DATE OF SALE						
<b>ELEMENTS OF COMPARISON</b>						
<ul style="list-style-type: none"> <li>• Property Rights Conveyed</li> <li>• Financing Terms</li> <li>• Conditions of Sale</li> <li>• Market Conditions</li> </ul>						
<b>CUMULATIVE ADJUSTED PRICE PER SQ. FT.</b>						
LOCATION						
<b>PHYSICAL CHARACTERISTICS</b>						
<ul style="list-style-type: none"> <li>• Square Foot Size</li> <li>• Land-to-Building Ratio</li> <li>• Age, Quality, Condition</li> </ul>						
<b>NET ADDITIVE ADJUSTMENT</b>						
<b>INDICATED SUBJECT VALUE PER SQ. FT.</b>						

*Note:* Adjustments for the first four items in the Adjustment Analysis Grid above are cumulative and must be calculated by multiplying the percentage adjustments before the last three items which are additive and are netted out after the cumulative adjustments have been applied.

Adjusted Price Range:       \$ to \$  
 Adjusted Mean Price:       \$  
 Adjusted Median Price:     \$

Sales Comparison Approach Summary - continued

**CORRELATION OF THE SALES COMPARISON APPROACH**

The range in adjusted sale prices of the foregoing properties is from \$ to \$ per square foot. The mean adjusted price is \$ per square foot. The median adjusted price is \$ per square foot. None of the properties were given any additional consideration, because none of them were significantly more comparable to the subject.

In consideration of the data presented and after analysis and adjustment of the previously reported comparable sales, we have estimated a value between the mean and median adjusted values. A value of \$XX per square foot is considered to represent the market value for the subject "As Is" as of July 4, 2010. Therefore:

	XXX	Square Feet
x	<u>\$ XX</u>	Value per Square Foot
	<b>\$XXX</b>	<b>Total</b>

**INDICATED VALUE BY SALES COMPARISON APPROACH:**

**XXX HUNDRED XXX THOUSAND DOLLARS**  
**\$XXX**

## IF USED...

### **INCOME CAPITALIZATION APPROACH**

The *Income Capitalization Approach* to value consists of methods, techniques, and mathematical procedures that an appraiser uses to analyze a property's capacity to generate benefits (i.e., usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value.

All income capitalization methods, techniques, and procedures attempt to consider anticipated future benefits and estimate their present value. This may involve either forecasting the anticipated future income or selecting a capitalization rate that implicitly reflects the anticipated pattern of change in income over time.

The principle of supply and demand and the related concept of competition are particularly relevant in forecasting future benefits and estimating rates of return in the *Income Capitalization Approach*. The prices, rents, and rates of return for property tend to be set by the prevailing prices, rents, and rates of return for equally desirable substitute properties. A good balance between the types and locations of income producing properties creates and sustains value; an imbalance in efficient land use may result in a decline in value. External forces can then affect the value of income producing property either positively or negatively.

The net operating income and pre-tax cash flow expectancy of a property are analyzed to determine its earning power. The appraiser examines: 1) the income and expense history of the subject property; 2) the income and expense histories of competitive properties; 3) recently signed leases, proposed leases, and asking rents for the subject and competitive properties; 4) actual vacancy levels for the subject and competitive properties; 5) published operating data; 6) market expectations; and 7) tax assessment policies.

### **INCOME CAPITALIZATION APPROACH METHODS**

Two capitalization methods - direct capitalization and yield capitalization - are used. These methods are based on different measures of expected earnings and include different assumptions concerning the relationship between expected earnings and value. For this appraisal, direct capitalization was utilized.

The following portion of the *Income Capitalization Approach* involves the analysis of rents for comparable properties in the subject market area. The following rental data was analyzed to determine an appropriate gross potential income applicable to the subject property.

Income Capitalization Approach - continued

**Comparable Rental Properties**

<i>Comp</i>	<i>Building Name / Address</i>	<i>Year Built</i>	<i>Total Area (Vac. Area)</i>	<i>Expenses</i>	<i>Lease Rate</i>	<i>Comments</i>
#1						
#2						
#3						

**PHOTOGRAPHS OF RENTAL COMPARABLES**

**Comparable #1**

**Comparable #2**

**Comparable #3**

Income Capitalization Approach - continued

**ANALYSIS OF COMPARABLE RENTALS**

We have utilized lease rates for three comparable office/warehouse buildings. We were only able to find one comparable metal sided structure, so we included two comparable concrete block buildings of various ages. Typically, an older concrete block structure is considered to be comparable to a newer metal sided building.

We have determined that our projected gross income of \$XX per square foot overall is a reasonable market rate. The gross potential income is, therefore, \$XXX.

Income Capitalization Approach - continued

**CALCULATION OF NET OPERATING INCOME “AS IS”**

As discussed previously, we are projecting the net operating income (NOI) for the subject property “as is”:

<b>GROSS POTENTIAL INCOME</b>
<b>Base Rentals per Previous Analysis</b>
Reimbursed Expenses Paid by Net Tenants
• Real Estate Taxes
• Operating Expenses
<b>Total Expenses to Tenants</b>
<b>Total Gross Potential Income</b>
<b>Less Vacancy and Credit Loss</b>
<b>Effective Gross Annual Income</b>
<b>EXPENSES</b>
Total Expenses Including Reimbursements
• Real Estate Taxes
• Operating Expenses
• Reserves
<b>Total Expenses</b>
<b>NET OPERATING INCOME</b>

**SELECTION OF THE CAPITALIZATION RATE**

We will apply a cap rate of X% for the purposes of this analysis.

**DIRECT CAPITALIZATION METHOD**

Indicated Fee Simple Value = Net Operating Income (NOI) ÷ Overall Capitalization Rate (OAR)

$$\begin{array}{r} \$XXX \\ \div \quad X\% \\ \hline \$XXX \\ \$XXX \end{array} \begin{array}{l} \text{Net Operating Income} \\ \text{Capitalization Rate} \\ \text{Indicated Fee Simple Value} \\ \text{Rounded Fee Simple Value} \end{array}$$

**INDICATED FEE SIMPLE VALUE BY THE INCOME CAPITALIZATION APPROACH IS:**

**XXX HUNDRED XXX THOUSAND DOLLARS  
\$XXX**

## **CERTIFICATION**

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

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
- we have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- neither the engagement to make this appraisal (or any future appraisals for this client), nor any compensation therefore, are 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.
- our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of 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.
- our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics* of the Appraisal Institute.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Ryan Herlofsky made a personal inspection of the property that is the subject of this report on July 4, 2010.
- no one provided significant professional assistance to the persons signing this report.
- as of the date of this report, Jack Prill and Ryan D Herlofsky have met the continuing education requirements of the State of Minnesota.
- we have not appraised the subject property in the three years prior to accepting this assignment.

Based on the information contained in this report and other data considered in this analysis, it is our opinion that the value of the subject property "As Is" as of July 4, 2010, the effective date of the appraisal, based on an exposure time of one year is as follows:

**XXX HUNDRED XXX THOUSAND DOLLARS**  
**\$XXX**

Jack Prill, MSA  
Certified General Real Property Appraiser #4001494  
National Association of Master Appraisers #8312

Ryan D Herlofsky  
Certified General Real Property Appraiser #20285610  
General Associate Member of the Appraisal Institute

Jeremiah C. Johnson  
Registered Real Property Appraiser #20500887

## **QUALIFICATIONS**

### **Jack Prill, MSA**

Certified General Real Property Appraiser #4001494

National Association of Master Appraisers #8312

### **Types of Appraisals**

Experience includes appraising and financial analysis of many types of commercial real estate including:

Warehouses	Manufacturing Plants	Shopping Centers
Supermarkets	Office Buildings	Truck Terminals
Apartments	Retail Stores	Medical Buildings
Condominiums	Churches	Greenhouses
Hotels	Research and Development Buildings	Restaurants
Auto Washes	Auto & Boat Dealerships	Sub-Divisions

### **Appraisals of Special Interest**

A small sample of specialized appraisals includes:

IDS Center, Minneapolis, MN	American National Bank Building, St. Paul, MN
Brandon Mall, Brandon, Manitoba	Central National Bank Building, Des Moines, IA
Kennedy Mall, Dubuque, IA	Glen Pond Estates (300 Unit Apartment) Eagan, MN
Murphy Mart Center, Youngstown, OH	Grant Park Plaza Shopping Center, Winnipeg, Manitoba
Governor's Square, Columbus, OH	Ridgedale Shopping Center, Minnetonka, MN
Five Lakes Center, Fairmont, MN	Giants Ridge Hotel, Biwabik, MN
Hawthorne Suites Hotel, Duluth, MN	Country Inn & Suites, Hastings, MN
Wingate Inn, Coon Rapids, MN	Hampton Inn & Suites, Lino Lakes, MN

### **Business Experience**

- Commercial Appraisal & Consulting Group - Owner.
- Senior Commercial Real Estate Appraiser, Forsythe Appraisals, Inc.
- The Equitable Life Assurance Society of the United States, City Mortgage Department from 1964 to 1972. Completed Equitable's formal two-year training program in commercial real estate finance, construction, and appraisal; and subsequently headed the appraisal staff in the Minneapolis office.

### **Education**

University of Minnesota, B.A. English

### **Specialized Education**

"Fundamentals of Real Estate Practice", "Real Estate Law", and "Real Estate Appraisal", 1965 University of Minnesota, "Real Estate Appraisal I" Indiana University, 1968 and "Real Estate Appraisal II", University of Missouri, 1968, sponsored by the Appraisal Institute.

Accredited Real Estate Schools, Minneapolis, Minnesota(Continuing Education):

"Introduction to Small Business Sales," "Investment Cash Flow Analysis," "How to Put Together a Real Estate Exchange," "Real Estate Investment and Taxation," "How to Put Together a Real Estate Syndicate," "Business of Real Estate," 1990; "Condemnation and Tax Appeals," "Financing with Contract for Deed," and "The Power of Appraisals," 1991; "Intro to Standards & Ethics," "Fair Housing," and "Advanced Yield Capitalization," 1992; "Obtaining Market Data by Abstraction," "Direct Capitalization," "Discounted Cash Flow Analysis," "Retail and Shopping Center Trends," "Appraiser Licensing and Certification Issues," 1993; "Appraisal Standards & Regulations," "How to Avoid Environmental Hazards Liability," 1994; "Expert Testimony," "Contract for Deed", and "Real Estate Closing," 1995; "Special Purpose Properties," and "Hotel/Motel Valuation," 1996; "Real Estate Exchanges," "Real Estate Practice Update" 1997; "Minnesota Real Estate," "The Farm Sale," 1998; "USPAP Update," Energy Efficient Housing," 1999; "Environmental Issues affecting Real Estate," 2000; "MN Building Codes," 2001; "Appraisal Standard and Ethics," 2002 and 2005; "Appraisal Investment and Financial Analysis," 2005; "Advanced Residential Construction," 2005; "National Uniform Standards of Professional Appraisal Practice(USPAP) Update," 2006; "2006 USPAP Update and Scope of Work," "Appraisal Liability: Are you Exposed?," Houses from the Ground Up," and "F-AL-2007 Agency/Fair Housing: Culture, Custom and Communication," 2007; "USPAP Update," and Agency/Fair Housing: Culture, Custom and Communication," 2009.

STATE OF MINNESOTA



PRILL, JOHN M  
12085 - 284TH ST  
CHISAGO CITY, MN 55013

Department of Commerce

The Undersigned COMMISSIONER OF COMMERCE for the State of Minnesota hereby certifies that  
JOHN M PRILL

12085 - 284TH ST  
CHISAGO CITY, MN 55013

has complied with the laws of the State of Minnesota and is hereby licensed to transact the business of

**Resident Appraiser : Certified General**

**License Number: 4001494**

unless this authority is suspended, revoked, or otherwise legally terminated. This license shall be in effect until August 31, 2011.

IN TESTIMONY WHEREOF, I have hereunto set my hand this August 31, 2009.

A handwritten signature in cursive script, appearing to read "Adam Wilson".

**COMMISSIONER OF COMMERCE**

Minnesota Department of Commerce  
Licensing Division  
85 7th Place East, Suite 500  
St. Paul, MN 55101-3165  
Telephone: (651) 296-6319  
Email: [licensing.commerce@state.mn.us](mailto:licensing.commerce@state.mn.us)  
Website: [commerce.state.mn.us](http://commerce.state.mn.us)

**Continuing Education:**

<u>CE Requirement Type</u>	<u>CE Required Hours</u>
Total - Appraiser	30
USPAP	7

**Notes:**

- **Continuing Education:** 15 hours is required in the first renewal period, which includes a 7 hour USPAP course. 30 hours is required for each subsequent renewal period, which includes a 7 hour USPAP course.
- **Appraisers:** You must hold a licensed Residential, Certified Residential, or Certified General qualification in order to perform appraisals for federally-related transactions. **Trainees do not qualify.** For further details, please visit our website at [commerce.state.mn.us](http://commerce.state.mn.us).

## **QUALIFICATIONS**

### **Ryan D Herlofsky**

Certified General Real Property Appraiser #20285610  
General Associate Member of the Appraisal Institute

### **Types of Appraisals**

Experience includes appraising and financial analysis of many types of commercial real estate including:

Retail	Industrial	Office
Mixed-Use	Subdivision Analysis	Multi-Family Residential
Vacant Residential Land	Vacant Commercial Land	Vacant Industrial Land
Day Care Facilities	Religious Facilities	Auto Repair Facilities
Convenience Stores	Office Condominiums	Industrial Condominiums
Institutional Properties	Mini-storage	Golf Courses
Student Housing	Movie Theaters	

### **Professional Experience**

Real Estate Appraiser Commercial Appraisal & Consulting Group	October 2001-Present
Participant Services Advisor The Vanguard Group	August 1999-June 2000

### **Education**

University of Minnesota, B.A. in Philosophy	September 1998
---	----------------

### **Specialized Training**

Appraisal Institute Comprehensive Exam Successful Completion of all Four Modules	August 2007
Appraisal Institute Courses	
Course 420: Business Practices and Ethics	August 2007
Course 520: Highest & Best Use and Market Analysis	June 2007
Course 550: Advanced Applications	February 2007
Course 530: Advanced Sales Comparison & Cost Approaches	November 2006
Course 540: Report Writing & Valuation Analysis	May 2006
Course 510: Advanced Income Capitalization	March 2006
Course 310: Basic Income Capitalization	April 2004
General Education	
Appraisal Institute: General Demonstration Appraisal Writing	January 2008
Appraisal 107: How to Perform FHA Appraisals	October 2003
Appraisal Institute: Effective Appraisal Writing Seminar	July 2003
Appraisal 106: Appraisal Investment & Financial Analysis	June 2003
45 Hours of Minnesota Certified Real Estate Appraisal Training	May 2001

### **Real Estate Appraisal License**

Certified General Real Property Appraiser License #20285610



STATE OF MINNESOTA



RYAN D HERLOFSKY  
691 85TH LANE NW, UNIT 4  
COON RAPIDS, MN 55433

Department of Commerce

The Undersigned COMMISSIONER OF COMMERCE for the State of Minnesota hereby certifies that  
RYAN D HERLOFSKY

691 85TH LANE NW, UNIT 4  
COON RAPIDS, MN 55433

has complied with the laws of the State of Minnesota and is hereby licensed to transact the business of

**Resident Appraiser : Certified General**

**License Number: 20285610**

unless this authority is suspended, revoked, or otherwise legally terminated. This license shall be in effect until August 31, 2011.

IN TESTIMONY WHEREOF, I have hereunto set my hand this August 20, 2009.

**COMMISSIONER OF COMMERCE**

Minnesota Department of Commerce  
Licensing Division  
85 7th Place East, Suite 500  
St. Paul, MN 55101-3165  
Telephone: (651) 296-6319  
Email: [licensing.commerce@state.mn.us](mailto:licensing.commerce@state.mn.us)  
Website: [commerce.state.mn.us](http://commerce.state.mn.us)

**Continuing Education:**

<u>CE Requirement Type</u>	<u>CE Required Hours</u>
Total - Appraiser	30
USPAP	7

**Notes:**

- **Continuing Education:** 15 hours is required in the first renewal period, which includes a 7 hour USPAP course. 30 hours is required for each subsequent renewal period, which includes a 7 hour USPAP course.
- **Appraisers:** You must hold a licensed Residential, Certified Residential, or Certified General qualification in order to perform appraisals for federally-related transactions. **Trainees do not qualify.** For further details, please visit our website at [commerce.state.mn.us](http://commerce.state.mn.us).

## **QUALIFICATIONS**

### ***Jeremiah C. Johnson***

Registered Real Property Appraiser #20500887

### **Types of Appraisals**

Experience includes research, analysis and appraisal of many types of commercial real estate including:

Retail Centers	Industrial Buildings	Manufacturing Plants
Condominiums	Convenience Stores	Truck Terminals
Commercial Land	Restaurants / Bars	Warehouses
Residential Land	Mixed-Use Buildings	Office Buildings
Subdivision Analysis	Auto Service Facilities	Religious Facilities

### **Appraisals of Special Interest**

A small sample of specialized appraisals includes:

- Territorial Springs Condominiums, Stillwater, Minnesota
- Waterfront East PUD, Otsego, Minnesota
- Seville Club, Minneapolis, MN
- Edgewater Subdivision, Rogers, Minnesota
- Crystal Pierz Marine, Rogers, Minnesota
- Federal Plaza Business Condominiums, Minneapolis, Minnesota
- Eagan Auto Mall, Eagan, MN

### **Professional Experience**

Real Estate Appraiser & Analyst Commercial Appraisal & Consulting Group	March 2003-Present
Skilled Construction Laborer (Local #563) Newmech Companies	June 1998-March 2003

### **Education**

University of Wisconsin-Stout, B.A. Degree	December 1998
--	---------------

### **Specialized Training**

General Market Analysis and Highest & Best Use	April 2009
Basic Income Capitalization	March 2007
Analyzing Distressed Real Estate	October 2005
Subdivision Valuation	March 2005
Real Estate Appraiser License Series	November 2004
Effective Appraisal Writing	June 2003

STATE OF MINNESOTA



JOHNSON, JEREMIAH C  
P.O. BOX 56  
CHISAGO CITY, WI 55013

Department of Commerce

The Undersigned COMMISSIONER OF COMMERCE for the State of Minnesota hereby certifies that  
JEREMIAH C JOHNSON

P.O. BOX 56  
CHISAGO CITY, WI 55013

has complied with the laws of the State of Minnesota and is hereby licensed to transact the business of

**Non-Resident Appraiser : Trainee**

**License Number: 20500887**

unless this authority is suspended, revoked, or otherwise legally terminated. This license shall be in effect until August 31, 2010.

IN TESTIMONY WHEREOF, I have hereunto set my hand this October 06, 2008.

A handwritten signature in cursive script, appearing to read "Adam Wilson".

**COMMISSIONER OF COMMERCE**

Minnesota Department of Commerce

Licensing Division

85 7th Place East, Suite 500

St. Paul, MN 55101-3165

Telephone: (651) 296-6319

Email: [licensing.commerce@state.mn.us](mailto:licensing.commerce@state.mn.us)

Website: [commerce.state.mn.us](http://commerce.state.mn.us)

**Notes:**

- **Continuing Education:** 15 hours is required in the first renewal period, which includes a 7 hour USPAP course. 30 hours is required for each subsequent renewal period, which includes a 7 hour USPAP course.
- **Appraisers:** You must hold a licensed Residential, Certified Residential, or Certified General qualification in order to perform appraisals for federally-related transactions. **Trainees do not qualify.** For further details, please visit our website at [commerce.state.mn.us](http://commerce.state.mn.us).