

APPRAISAL OF

Fred C. Nelles Site

75± acres

Whittier, CA

Date of Value:

July 1, 2005

Date of Report:

August 8, 2005

Our File No.:

605-3

Submitted To:

Mr. Ken Nilmeier
MVE & Partners
1900 Main Street, 8th Floor
Irvine, CA 92614

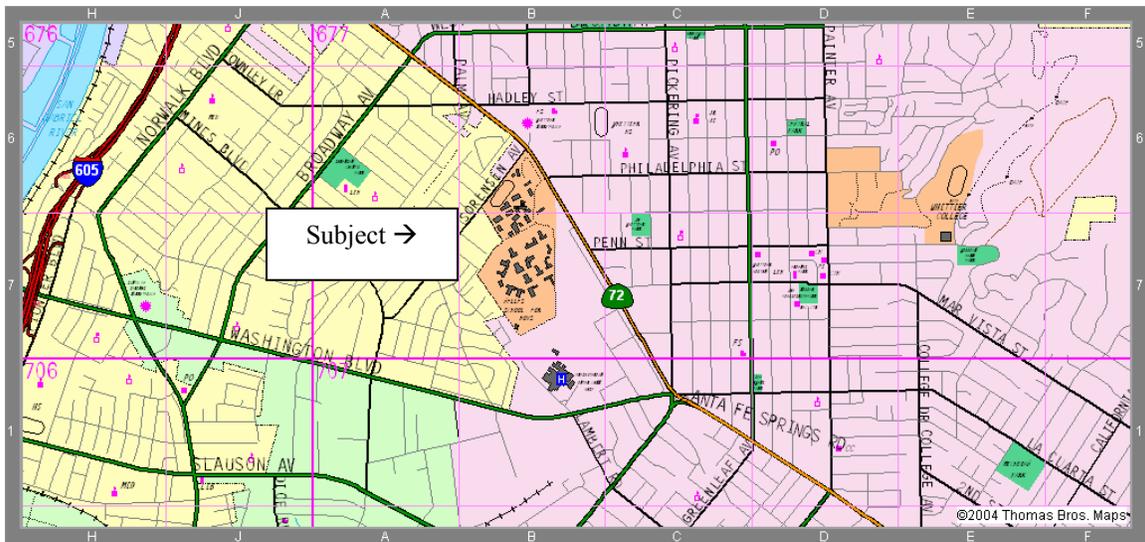
Submitted By:

George Hamilton Jones, Inc.

Aerial Photo of Nelles Property



Location of Nelles Site



GEORGE HAMILTON JONES, INC.
APPRAISAL CONSULTANTS

GEORGE HAMILTON JONES, MAI
STUART D. DuVALL, MAI
CASEY JONES

717 LIDO PARK DRIVE, SUITE D
NEWPORT BEACH, CALIFORNIA, 92663

TELEPHONE (949) 673-6733
FAX (949) 673-6924

August 8, 2005

Mr. Ken Nilmeier
MVE & Partners
1900 Main Street
Irvine, CA 92614

Re: Fred C. Nelles Site
Whittier, California

Dear Mr. Nilmeier:

In accordance with your request and authorization, I have examined the Fred C. Nelles Youth Correctional Facility located in Whittier, California. The purpose of my study was to express my opinion of the market value of the approximately 75-acre site (74 ± acres net) under the hypothetical condition of a proposed land re-use plan. That plan, described later in the report, would permit development of 674 residential units, 22,000 sq. ft. of retail space, and 20,000 sq. ft. of office space. In addition, portions of the property would be used for parks, streets, recreational facilities, and other open space. Reportedly, this plan is derived from market analysis and community input. It is assumed to be legally permitted, physically possible, financially feasible, and maximally productive. I have not made an independent analysis of highest and best use.

Please note that my value conclusion would be lower if the property were limited to the existing R-1 (Single Family Residential) zoning. Note also that my value estimate would change if the land re-use plan were to be altered in regard to the mix of uses or the area allocated to each use.

The value estimate considers the property in its "as is" physical condition. This means that the eventual buyer of the property would be responsible for the cost of demolition of the existing youth correctional facilities other than the superintendent's residence and the administration building. Further, the development costs to prepare the site for future structures would also be borne by the buyer. I have noted that off-site sewer work may require acquisition of an easement over adjoining lands. It is beyond the scope of this assignment to value such an easement.

Mr. Ken Nilmeier

August 8, 2005

Page 3

Your attention is directed to the following summary appraisal report which sets forth, in brief, premises and limiting conditions, descriptions, exhibits, factual data, discussions, computations, and analyses which form, in part, the basis of my value conclusions. Supporting documentation and analyses are retained in my files.

Respectfully submitted,

Stuart D. DuVall, MAI
(State Certified General Real Estate
Appraiser No. AG006754)

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**PRELIMINARY LAND USE PLAN
 FRED C. NELLES PROPERTY
 WHITTIER, CALIFORNIA**

CALIFORNIA DEPARTMENT
 OF GENERAL SERVICES

DATE: MAY 10, 2005
 PROJECT #: 2004-270
 SCALE: 1" = 100'
 NORTH
 SHEET #:

THE INFORMATION CONTAINED HEREIN IS PRELIMINARY AND IS SUBJECT TO CHANGE WITHOUT NOTICE. THE INFORMATION CONTAINED HEREIN IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TO BE USED FOR ANY OTHER PURPOSE. THE INFORMATION CONTAINED HEREIN IS NOT TO BE USED FOR ANY OTHER PURPOSE. THE INFORMATION CONTAINED HEREIN IS NOT TO BE USED FOR ANY OTHER PURPOSE.



McL and Vasquez Emsiek & Partners, Inc.



TOTAL UNITS: 674 DU

NOTE: THIS PLAN IS FOR PRELIMINARY YIELD PURPOSES AND RELATED COST ANALYSIS ONLY AND IS SUBJECT TO MODIFICATION.

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property Type: Acreage available for in-fill development

Location: Southeast corner of Whittier Boulevard and Sorenson Avenue, Whittier

Assessor Parcel Number: 8170-013-904

Date of Value: July 1, 2005

Date of Report: August 8, 2005

Property Rights Appraised: Fee simple estate

Site: 75± acres (74± net acres). Irregular shape.

Improvements: Youth correctional facility. Improvements to be demolished for redevelopment to residential and commercial uses.

Land Use Regulations: Zoning is R-1. Appraisal is made assuming a hypothetical land use plan described in the report that permits 674 residential units and 4.2 acres of commercial land.

Highest and Best Use: For this assignment, highest and best use is assumed to be development according to the proposed land use plan.

Market Value Conclusion: \$108,500,000

This conclusion would be different if not for the hypothetical condition and extraordinary assumption considered in the analysis.

CERTIFICATION

The undersigned hereby certifies that:

1. I inspected the subject property on June 20, 2005.
2. To the best of my knowledge and belief, the statements of fact contained in this report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.
3. The reported analyses, opinions, and conclusions are limited only by the assumptions and limiting conditions stated herein, and are the personal, impartial, unbiased professional analyses, opinions, and conclusions of the undersigned. Those limiting conditions (imposed by the terms of the assignment or by the undersigned) considered to affect the analyses, opinions, and conclusions are contained in this report.
4. I have no present or prospective interest in the property that is the subject of this report. I have no personal interest or bias with respect to the subject matter of this report or the parties involved.
5. The engagement of our firm and the compensation for this assignment are 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.
6. This report is not conditioned upon a requested minimum valuation, a specific valuation, or the approval of a loan.
7. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute which includes the Uniform Standards of Professional Appraisal Practice (USPAP). This complete appraisal is in the format of a Summary Appraisal Report.
8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
9. I have relied upon several other experts for various portions of this analysis. I have considered demolition costs prepared by the engineering firm of CH2MHill. Fuscoe Engineering and Leland Saylor and Assoc provided development costs. The proposed land use plan was prepared by MVE & Partners. Kunzman Associates provided traffic mitigation information. I also reviewed and relied upon portions of market studies relating to the demand for office, retail, and residential uses prepared by Gruen Gruen + Assoc. Otherwise, no one other than the undersigned prepared the analyses, conclusions, and opinions or provided other significant professional assistance concerning the real property interests that are the subject of this report.

10. The Appraisal Institute conducts a program of continuing education for its designated members. As of the date of this report, I have completed the continuing education program of the Appraisal Institute.

Stuart D. DuVall, MAI
Calif. Lic. No. AG006754

LIMITING CONDITIONS

The Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice (USPAP), require that all assumptions and limiting conditions that affect the analysis be clearly and accurately set forth. To assist the reader in interpreting this report, the primary assumptions and limiting conditions affecting the analysis of the subject property are set forth below. Other assumptions and conditions may be cited in relevant sections of the following report.

1. That the date of value to which the conclusions and opinions expressed in this report apply is July 1, 2005. The dollar amount of any value opinion herein rendered is based upon the purchasing power of the U. S. dollar existing on that date.
2. That the appraisers assume no responsibility for economic or physical factors that may affect the opinion herein stated occurring at some date after the date of value.
3. That the appraisers reserve the right to make such adjustments to the valuation herein reported, as may be required by consideration of additional data or more reliable data that may become available.
4. That no opinion as to title is rendered. Data related to ownership and legal description was obtained from public records, and is considered reliable. Title is assumed to be free and clear of all liens and encumbrances, easements and restrictions, except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management, and available for its highest and best use.

Investigation of the property's history is confined to examination of recent transactions or changes in title or vesting, if any, and does not include a "use search" of historical property utilization.

5. That no engineering survey has been made by the appraisers. Except as specifically stated, data relative to size and area was taken from sources considered reliable and no encroachment of real property improvements is considered to exist.
6. That maps, plats, and exhibits included herein are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.

LIMITING CONDITIONS - continued

7. As a premise of this report it is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the following analysis.
8. That only under the program of utilization and conditions described in this report does this distribution between land and improvements, as stated, exist. This distribution is invalid under any other program of utilization.
9. That no opinion is intended to be expressed for matters that require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. It is assumed that there are no hidden or unapparent conditions of the property that render it more or less valuable. No responsibility is assumed for such conditions or for the arranging of studies that may be required to discover them.

The function of this report is to provide an opinion of the value of the real property as herein defined. Under no circumstances should this report be considered as providing any service or recommendation commonly performed by a building inspector, structural engineer, environmental inspector, architect, pest control inspector, geologist, etc.

10. That no soil reports concerning subject property were available. These valuations are based upon the premise that soil and underlying geologic conditions are adequate to support standard construction consistent with highest and best use.
11. It is noted that the demolition cost report identifies asbestos, lead based paint, and other toxic materials in the buildings on the subject property. It is assumed that the demolition and abatement program will remove such materials and that there will be no residual effect on the subject property. Unless otherwise stated in the report, we did not become aware of the presence of any other toxic material or substance during our investigation or inspection of the appraised property. However, we are not qualified by reason of experience or training to identify such materials or substances. The presence of such materials and substances may adversely affect the value of subject property.

This valuation is predicated on the assumption that no additional toxic material or substance is present on or in the subject property or in such proximity thereto that it would prevent or impair development of the land to its highest and best use or otherwise affect its value. The appraiser assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state, and local environmental laws, regulations, and rules.

LIMITING CONDITIONS - continued

12. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute, or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval of the authors.

13. This is a Summary Appraisal Report of a Complete Appraisal, prepared in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice. Therefore, this report presents summary discussions of the data, reasoning and analysis used in the valuation process. Additional supporting documentation regarding factual data and analyses is retained in our files.

INTRODUCTION TO THE APPRAISAL PROBLEM

Purpose and Intended Use of the Appraisal:

The purpose of the appraisal is to estimate the market value of the Fred C. Nelles site located in Whittier, California. The site is currently improved with an abandoned youth correctional facility. The site is appraised under the hypothetical condition that the City has approved a proposed land re-use plan, which permits a mixture of residential and commercial uses. That specific plan is described later in the report.

We are informed that the intended use of the appraisal is in connection with the potential sale of the property from the State of California to the City of Whittier.

The client is Ken Nilmeier of MVE & Partners, a consultant to the State of California.

Date of Value:

The date of value, or effective date, for this appraisal is July 1, 2005.

Definition of Fair Market Value¹:

Market value means 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;*

¹ Title 12, Code of Federal Regulations: Office of the Comptroller of the Currency - 12 CFR 34.42 (g); Federal Reserve Board - 12 CFR 225.62 (g); Federal Deposit Insurance Corporation - 12 CFR 323.2 (g); Office of Thrift Supervision - 12 CFR 564.2 (g); Farm Credit Administration - 12 CFR 614.4241 (l); and National Credit Union Administration - 12 CFR 722.2 (f).

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.*

Definition of Reasonable Exposure Time²:

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

In my judgment, due to the size of the ownership and the potential for multiple uses, the reasonable exposure time prior to sale would be on the order of six months or more.

Scope of the Appraisal:

The scope of the work required to formulate a reliable opinion of value for the appraised property is outlined below.

Assignment Analysis: Define the basic elements of the appraisal problem, and the purpose and intended use of the report. Identify the property and research property history including current use, prior use, prior sales and leasing information, and current market activity.

Regional, City,
And Neighborhood
Analysis:

Identify and discuss pertinent economic, governmental, social, and environmental forces, which may influence real property values. This includes, among other things, trends in population and employment, patterns of development, transportation infrastructure,

² USPAP 2003 Edition, p. 93

INTRODUCTION TO THE APPRAISAL PROBLEM - continued

governmental services, and economic conditions. Identify and describe pertinent features of the subject neighborhood.

Site Description and Analysis:

Document the physical characteristics of the site and its surroundings. Review and interpret applicable zoning, general plan, and environmental restrictions.

Improvement Description and Analysis:

Briefly describe the improvements on the site including size, construction, finish, age, and condition. Analyze utility of the improvements that will be re-used.

Highest and Best Use:

For the purposes of this assignment, highest and best use is assumed to be that represented by the proposed land use plan described later in the report. This plan is derived from market analysis and community input. It is assumed to be legally permitted, physically possible, financially feasible, and maximally productive.

Market Data:

Search and acquire data relative to land purchased for residential development, strip retail development, and low-rise office development. Verify sales price and terms, inspect and analyze data characteristics.

In the market data search, in addition to public records we utilized real estate information services such as Marshall & Swift, RealQuest, and CoStar COMPS, Inc. We also obtained recorded documents such as grant deeds from title companies.

The primary search for land sales was contained within southeastern L. A. County and north-central Orange County within two years of the date of value. The sales data was personally inspected and attempts were made to verify information obtained from the sources above by interviewing principals or agents involved with each transaction. More detailed information regarding data search parameters is discussed in the valuation section.

Other Reports:

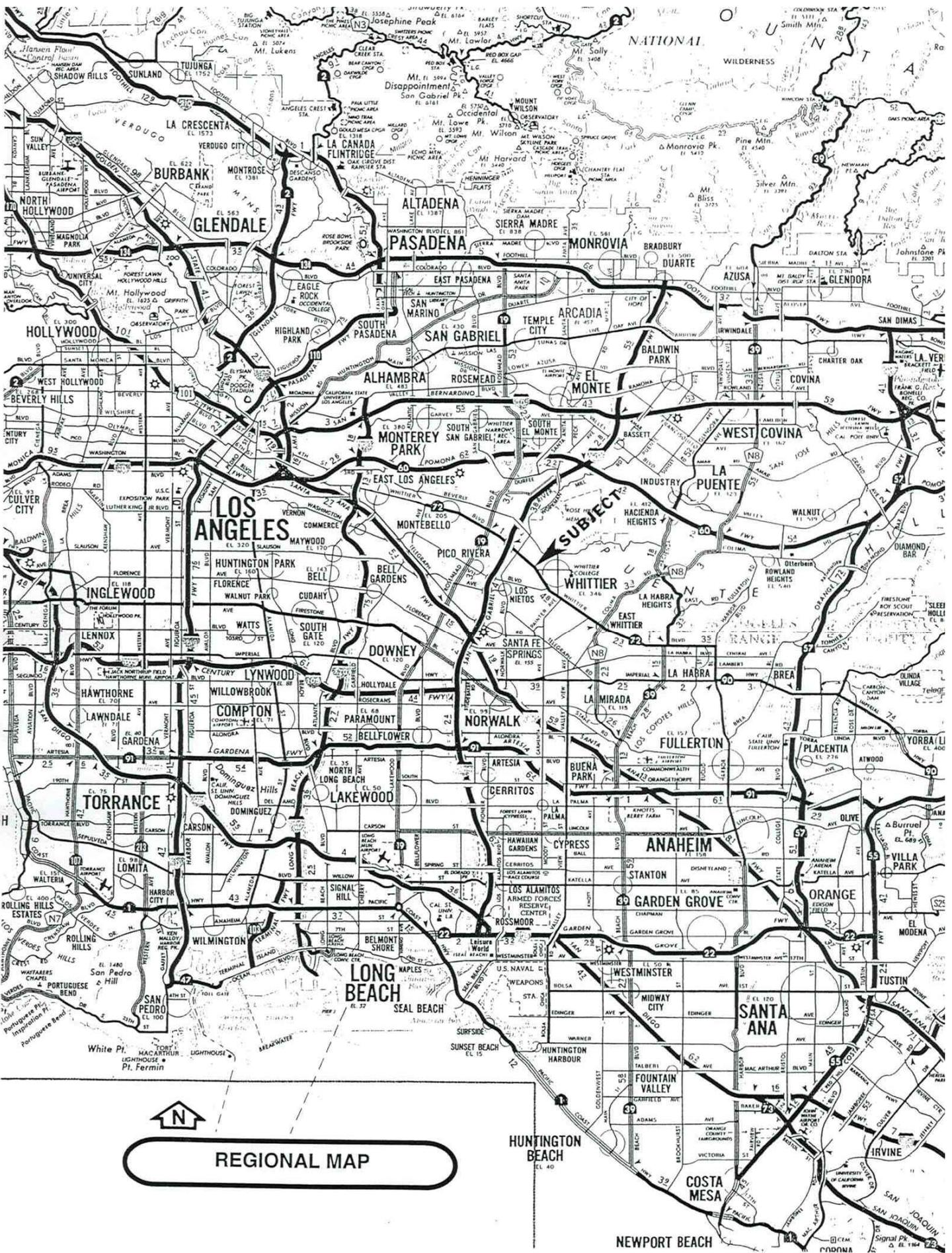
Review reports prepared by others regarding development costs, demolition estimates, retail market, office market, residential market, traffic, and title

INTRODUCTION TO THE APPRAISAL PROBLEM - continued

issues. Analyze the findings relative to impact on value.

Valuation Analysis: Process data through the Sales Comparison Approach with elements of the Cost Approach and Income Approach also utilized. Consideration was given to demolition costs, development costs, and traffic mitigation, among other factors.

Reconciliation: Reconcile the indications to a final value conclusion.




REGIONAL MAP

NEWPORT BEACH

REGIONAL, CITY AND NEIGHBORHOOD ANALYSIS

The Regional Environment:

The subject property is located in the city of Whittier, which is in the southeasterly portion of Los Angeles County, California. Los Angeles County is at the heart of the Southern California region.

With the exception of periodic recessions, the Southern California region has experienced dynamic growth and economic development in the post-World War II period. The region's Mediterranean climate, a consequence of its border on the Pacific Ocean, has been a major factor in drawing people and businesses to the area. One out of every eight Americans now lives in Southern California according to state government and one of every 12 dollars worth of goods and services is produced here, according to the Wall Street Journal.

The region is served by an extensive freeway system, numerous national and international airports, the ports of Long Beach and Los Angeles, and enjoys good freight rail transportation systems. The region has benefited from increased trade with the Pacific Rim countries and is recognized as a major market, tourist destination, transportation hub, and manufacturing center.

The population continues to grow in Southern California. Los Angeles County now exceeds 10 million people. It grew by 1.2 percent in the past year.¹ Job growth is also occurring throughout the region. San Bernardino and Riverside County are expected to have a 3.5% non-farm job growth in 2005 while Orange County and Los Angeles County jobs will increase by 1.6% and 1.7% respectively.² Unemployment statewide has declined from about 6% one year ago to about 5%.³ Los Angeles County unemployment stands at about 6%.

The national economy, as a whole, has added more workers each month for the past two years. Consumer spending has been increasing at a strong pace apparently fueled by rising incomes, low mortgage rates and

¹ State of California, Department of Finance

² Los Angeles County Economic Development Corporation, press release, 1/26/05.

³ California Economic Development Department as reported in the Southern California Region Office Market Overview, First Quarter 2005 prepared by CB Richard Ellis, Inc.

appreciation in housing prices (increased equity). Job growth in the region is being driven by expansion in business and professional services, trade and transportation, and tourism. A weaker dollar has resulted in an influx of visitors boosting the tourism and hotel industries. Aerospace, housing and the entertainment industry are also of strong at the present. Problem areas for the region include state budget problems, potential military base closings, a difficult business environment due to regulations and workers compensation costs, and congestion.⁴

Los Angeles County:

Los Angeles County is the most populous county in the nation with over 10 million residents. Its population is larger than all but eight states. It is also one of the largest counties with an area of 4,084 square miles, which is 800 square miles larger than the combined area of Rhode Island and Delaware.

Los Angeles County Market Conditions:

The real estate market for retail properties in the Los Angeles area is one of the strongest in the nation at this time according to the Marcus & Millichap Retail Research Report Mid-Year 2005 for the Los Angeles Long Beach area. Retail sales growth is expected to be on the order of 5% this year. Retail construction will be on the order of 2.3 million square feet, which is up from the prior year but less than the five-year average of 4.1 million square feet. Vacancy rates are low and are expected to decline slightly to just under 4%. Asking rents have been steadily rising for the past five years with an increase of nearly 4.6% in 2004 and a similar increase expected in 2005 to \$2.11 per sq. ft. The median sale price for shopping centers jumped 27% in 2004 to nearly \$200.00 per sq. ft. as the average cap rate fell to 6.8%.

It is reported that major retailers, as well as smaller ones, are planning to expand in the Los Angeles market in the near future. For example, Wal-Mart has plans for 40 Supercenter stores in California by the year 2009. Much of the demand for shopping centers is coming from private investors and those who are looking to complete a 1031 exchange.

⁴ Los Angeles County Economic Development Corporation, press release, 1/26/05.

The Los Angeles County office market has been improving. Vacancy rates have declined in the past year by over 10% to an overall rate of 12.6% (Class A: 11.9% and Class B: 15.6%). Average asking lease rates have risen slightly (about 2%) to \$2.16 per sq. ft. on a full service gross basis. Office space under construction has ranged from 900,000 sq. ft. to 1.3 million sq. ft. per quarter in the last year with a net absorption of 731,000 sq. ft. in the first quarter of 2005.⁵

CoStar Comps reports that average office building prices rose almost 31% in 2004 to approximately \$196 per sq. ft. Constraints on the office market include rising land prices and rapidly increasing costs of steel and concrete. In addition, in many submarkets, land use regulations favor residential or mixed-use projects rather than other commercial development.⁶

The Los Angeles County industrial market is very strong with one of the lowest vacancy rates in the nation at 2.3%.⁷ The low vacancy is creating some upward pressure on lease rates, which have increased 6% over the past year to an average asking rate of \$0.54 per sq. ft. per month. The Mid-Counties sub area (including the subject location) has the highest vacancy at 3.5% and an average asking lease rate of \$0.49.

Demand for industrial properties by institutional investors is strong. The average capitalization rates fell about 150 basis points between 2002 and 2004 to a rate between 7% and 7.5%.⁸ Leasing and sale activity was up 20% in 2004 and is expected to continue to be strong in 2005. New construction is less than 1% of existing space, in part due to a lack of land availability. Construction costs are rising and land values are increasing due to competition from alternative uses such as residential and retail development.⁹

The housing market in Southern California has seen tremendous price appreciation in the past five years. Year to year increases have been over 10% each year. In 2004, the increase was over 25% in Los Angeles

⁵ Los Angeles Office Market Overview, First Quarter 2005, prepared by CB Richard Ellis, Inc.

⁶ Los Angeles Office Market 2004, prepared by Grubb & Ellis.

⁷ Los Angeles Industrial Market Overview, First Quarter 2005, prepared by CB Richard Ellis, Inc.

⁸ Grubb & Ellis Real Estate Forecast 2005, Southern California Investment

⁹ Los Angeles Industrial Market Overview, First Quarter 2005, prepared by CB Richard Ellis, Inc.

County. The rate of appreciation retreated but the median price was still 16.5% higher between May 2004 and May 2005. The median priced home in LA County is now at \$459,000, which is a new record. In Whittier, the median priced home was \$450,000 in May 2005, up 18.4% from the previous May.¹⁰

Price appreciation has been driven by population and job growth, supply constraints, and low mortgage rates. There is only a three-month supply of homes, meaning that the current rate of monthly sales would exhaust the current supply in three months time.¹¹ Sales volume is near record levels at over 10,000 sales per month in May in Los Angeles County, but that number is about 4% lower than last May. Sales volume is expected to slow as fewer households (less than 15%) can afford the median priced home. More buyers are choosing adjustable rate mortgages and interest only loans to keep payments lower. Many homeowners have decided to stay in their current house and remodel rather than selling and moving up to a more expensive house with the accompanying selling costs and significantly higher property taxes.

City of Whittier:

The City of Whittier is located about 12 miles southeasterly of downtown Los Angeles. Its population is about 85,000. The city was primarily an agricultural community until World War II when it grew rapidly into a bedroom community for Los Angeles. The median age is 33 years. Approximately 79% of the population over 25 years of age has a high school degree and 22% have a college degree. The median household income is \$49,256. There are approximately 29,000 housing units in the city with 58% owner-occupied and 42% renter-occupied.

The Redevelopment Agency is working on a revitalization of Whittier Boulevard, the City's commercial corridor. The 480-acre project area includes the subject property.

Market Studies:

¹⁰ www.DQNews.com

¹¹ Los Angeles Times, 6/13/05

I have reviewed market studies prepared by Gruen Gruen + Associates relative to demand for residential, office and retail uses at the subject site.

In regard to residential use, the report suggests that there is strong demand and limited supply of housing in the Whittier market. It is anticipated that the primary market for potential buyers for housing on the subject site will come from within three miles of the site. Buyers are expected to be empty nesters, trade-up buyers, and first time buyers or younger households. It is further noted that the subject is large enough at 75 acres to create its own neighborhood identity. The authors suggest that housing products for the subject property should be in the general range of 9 to 15 units per acre.

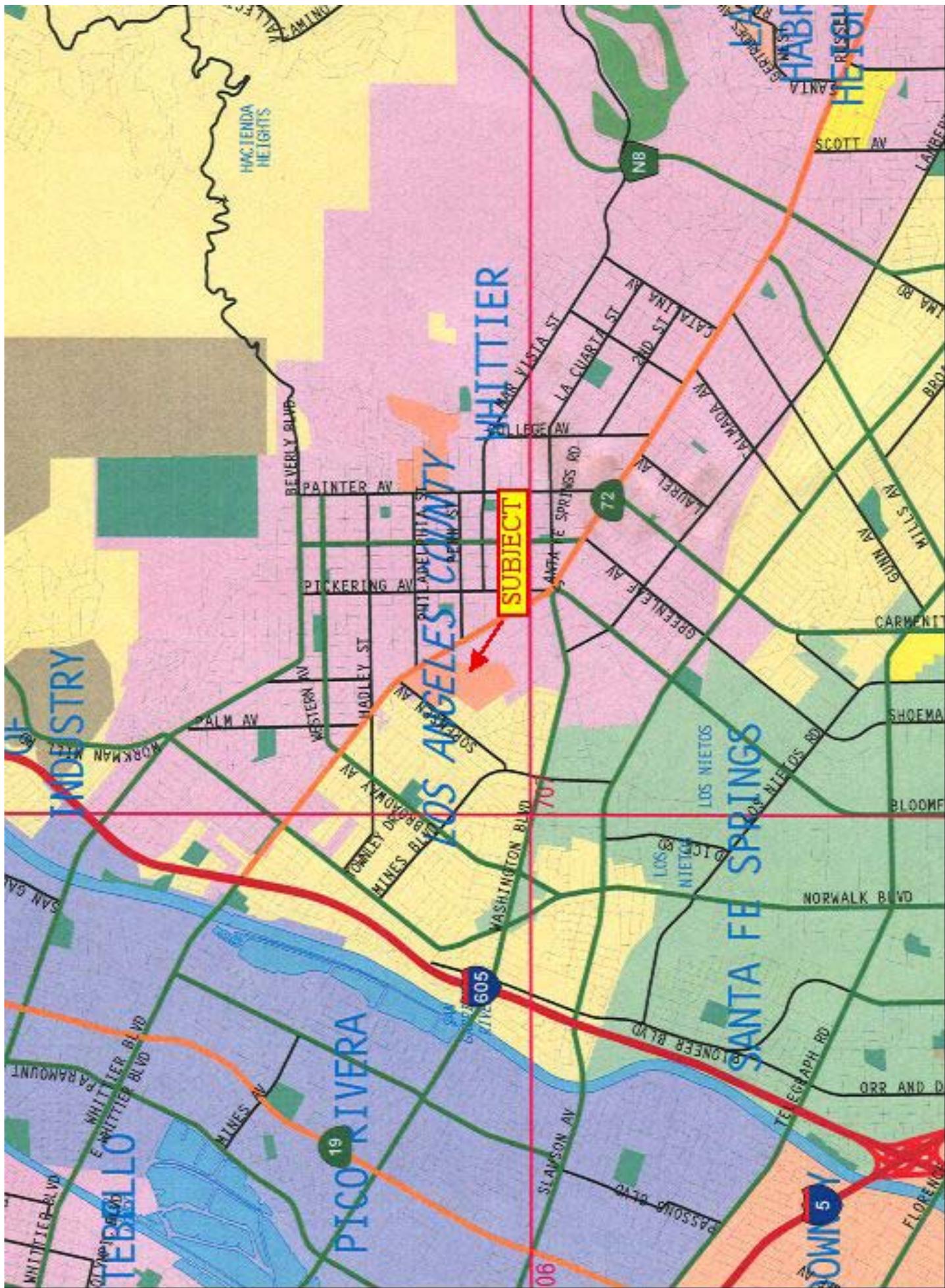
For retail uses, the Gruen study indicates that any new retail space will be coming into a highly competitive market; one in which supply of space may exceed demand. They recommend a small retail development on the subject site geared toward the residents of the proposed new neighborhood with uses such as coffee shop, bakery, or casual dining restaurants. The report indicates that shop space rentals in the better projects in the vicinity range from \$24 per sq. ft. per year to as much as \$40 per sq. ft. per year on a triple net basis. Large-scale retail developments were not considered to be feasible.

For office uses, the study suggests that the subject location is most suitable for service /commercial oriented uses or smaller businesses of a more local nature. Again, the report indicates that there is little demand for new office space at the subject site. The report suggests that office space be limited to less than 20,000 sq. ft. of building area. Obtainable rents were suggested to be in the range of \$1.50 to \$1.75 per sq. ft. per month.

Summary of Regional, City and Neighborhood Influences:

The subject is located in the midst of a region experiencing strong economic growth. It is a suburban location situated relatively near to the urban core of the greater Los Angeles metropolitan area. Demand for new housing at this location is expected to be high for the foreseeable future. Demand for retail and office land is less strong due to competitive

influences and the subject's specific location away from major transportation corridors.



PROPERTY DESCRIPTION
Fred C. Nelles Youth Correctional Facility Site
Whittier

Location:

The subject property is located at the southerly corner of Whittier Boulevard and Sorenson Avenue in the city of Whittier, in Los Angeles County, California. It is roughly 75 acres in size.

The street address is 11850 E. Whittier Boulevard.

The Thomas Guide map reference is Page 677:B6 and B7.

The approximate distance and direction from the site to significant influences, developments, and locations, are as follows:

Presbyterian Inter-Community Hospital	Adjacent southerly
Uptown (downtown) Whittier	1/2 mile easterly
Santa Fe Springs Boundary	1/2 mile southerly
Whittier Civic Center	1 mile easterly
Whittier College	1 mile easterly
San Gabriel River Freeway (I-605)	1.5 miles northwesterly
Los Angeles Civic Center	12 miles northwesterly
Long Beach Harbor / Pacific Ocean	20 miles southerly

Apparent Owner:

State of California

Legal Description:

Portions of the Rancho Paso De Bartolo. See the Addenda for a complete legal description.

Property Rights Appraised:

Fee interest

History of Ownership:

The property was dedicated to reform school purposes by the State of California in 1890. It was renamed for Fred C. Nelles, a former superintendent, in 1941. It appears from the legal description that the site was once larger and that portions of the original site have been sold off, although not within the past five years. It is our understanding that the State ceased operating the correctional facility in 2004 and that the property has been vacated.

Surrounding Influences in the Immediate Area:

□ The lands to the west and southwest of the Nelles site are improved with single-family residential properties within an unincorporated area of Whittier. Most homes are one-story, single family residences that appear to be about fifty years of age. There is a church property next to the subject on the Sorensen Avenue frontage.

A Stater Brothers supermarket is located across Sorenson Avenue at the corner with Whittier Boulevard. There is also a furniture store next to the supermarket. The Whittier Marketplace is a community shopping center located on the opposite side of Whittier Boulevard at the same intersection. It is anchored by a Ralph's supermarket and Sav-On Drugstore. It also includes Blockbuster, Auto Zone, and McDonalds. Other uses on the northeast side of Whittier Boulevard are a mixture of commercial, wholesale, and retail uses.

There is a small auto wrecking yard and also light industrial buildings to the east and southeast of the subject property. Adjacent to the south is the Presbyterian hospital.

Parcel Size and Shape:

The appraised site contains approximately 75.10 acres in an irregular shape. The frontage on Whittier Boulevard is approximately 1,050 feet long. The Sorenson Avenue frontage is approximately 1,271 feet. Net area is anticipated to be roughly 74 acres after dedications.

Land Contour and Soil:

The site is gently sloping to the south. The site is near grade with Sorenson Avenue and slightly below the grade of Whittier Boulevard adjacent to the streets.

No soil report was available for our review. It is therefore a premise of this report that soil and geologic conditions are adequate to support standard construction consistent with highest and best use.

Flood Zone:

The Nelles site is in Flood Zone C which is an area of minimal flooding potential.¹ Flood insurance is not required.

Seismic Hazard:

The site is not situated within a specific earthquake fault zone or Alquist-Priolo Special Studies District. As with most properties in Southern California, there is some potential for damage from seismic activity.

Toxic or Hazardous Material:

The demolition cost estimate prepared by CH2Mhill indicates the presence of asbestos, lead based paint, and other toxic materials in the existing buildings. It is assumed that such materials will be removed in the proposed demolition and abatement program and that there will be no residual effects on the property. Otherwise, I am not qualified by reason of training or experience to identify the presence of toxic or hazardous wastes or materials. Except as noted, I have no knowledge of the existence of any other hazardous or toxic materials, wastes or residues either within or adjacent to the subject property which would have a material impact on value. It is a premise of this report that that there are no toxic contamination issues with soils or groundwater that would materially affect the value of the property.

¹ www.floodsource.com FEMA Map # 0601690002B dated 1/16/81

Streets and Access:

The appraised property is situated at the southerly corner of Sorenson Avenue and Whittier Boulevard (State Route 72). Whittier Boulevard intersects the I-605 Freeway approximately 1.5 miles to the northwest.

Whittier Boulevard:

Existing Right of Way:	160 feet
Ultimate Right of Way:	Same. No dedication required on subject side.
Improvements:	Asphaltic concrete paving, concrete curbs, and concrete gutters. Raised and planted median. No sidewalks.
Configuration	Two lanes each direction with left and right turn pockets.
Traffic Count:	26,500± cars per day

Sorenson Avenue:

Existing Right of Way:	50 feet
Ultimate Right of Way:	Same. Possible dedication required on subject side.
Improvements:	Asphaltic concrete paving, concrete curbs, and concrete gutters. No sidewalk on subject side.
Configuration	One lane each direction.
Traffic Count:	Not available

A draft traffic impact analysis report prepared by William Kunzman, P. E., dated May 11, 2005, was reviewed along with other material. The report notes that Whittier Boulevard is currently a four-lane road, but is designated as a six-lane road in the City's General Plan. Additional traffic generated by the proposed development will likely result in the requirement for the developer to add one lane on the subject side and to improve nearby intersections. The report estimated traffic mitigation costs to be on the order of \$1.21 million. These have been considered in the

valuation analysis, with some adjustments for costs already included in the other development cost estimates.

Assessed Valuation and Property Taxes 2004-2005:

Property taxes are based upon assessed valuation. Under California law (Proposition 13), assessed value is automatically adjusted to market value (typically cash equivalent sale price) when the property transfers in an open market, arm's length transaction. In subsequent years, until the next market transfer, the assessor can increase the assessed value by a maximum of 2% per year if property values increase. Assessed value can also be decreased by the assessor or by appeal if property values decrease.

Therefore, if the property is sold, property tax liability will change in relation to the change in assessed value. Our fair market value conclusion assumes a sale of the property on the date of value.

Assessor Parcel No.:	8170-013-904
Land:	\$4,563,827
Improvements:	<u>\$0</u>
Total:	\$4,563,827
Tax Rate Area:	5931
Total Taxes 2004-2005:	None - government owned

Utilities:

All typical utility services are available and currently serve the subject site. Additional utility improvements will be necessary to meet the requirements of the property under the proposed plan of development. These include construction of a 10" diameter sewer line through the hospital property, upgrading the water main in Whittier Boulevard to a 12" diameter line from an 8" diameter line, and under-grounding the power lines along the perimeter of the property. The cost of this offsite work is included in the development cost estimate and considered in the valuation analysis.

Note that the extension of the sewer line may require acquisition of an easement over adjoining properties. It is beyond the scope of this assignment to ascertain the necessity or cost of acquiring such an easement. Therefore, I have made the extraordinary assumption that such an easement, if necessary, will be provided to the owner at no significant cost.

Condition of Title:

We have reviewed a preliminary report issued by First American Title Company, Order Number 1609121 (50), dated November 10, 2004 at 7:30 am and a preliminary report issued by Commonwealth Land Title Company, File No. 05031564-08, dated September 13, 2004 at 7:30 am. We have also reviewed a letter from Timothy Randall of the law firm of Songstad & Randall, LLP to Dave Bartlett of Brookfield Homes which discusses the significance of the First American preliminary title report. The preliminary reports and the letter are included in the addenda.

Pertinent exceptions to title from the First American report include the following:

- Item 3 deals with water rights. Mr. Randall suggests that the buyer require a "103.5 Water Rights and Surface Damage Endorsement, modified to include damage to any future improvements".
- Item 4 relates to water rights and an easement for water conveyance and irrigation purposes to the State of California. Mr. Randall suggests that the State, as seller, should relinquish the water and easement rights or specifically fix their location on the property.
- Item 5 deals with an application for an oil and gas prospecting permit. Mr. Randall recommends that this item be disapproved or that an endorsement be provided "to insure the owner of the property against any damage resulting from the exercise of any right to use the surface of the land for extraction or development of minerals."

PROPERTY DESCRIPTION - Fred C. Nelles Site - continued

- Item 6 relates to a waiver of damages related to the existence of a highway (Whittier Boulevard) next to the subject property.
- Item 7 is apparently a license granted to Southern California Edison Company (SCE) for underground electrical systems. The owner may force relocation of the easement with 90 days notice or terminate it with 60 days notice. Mr. Randall suggests that the buyer check the location of the easement to insure that it will not impair the future development of the property.
- Item 8 is an easement with undefined purpose in favor of Los Nietos School District. Again, the location and purpose of the easement needs to be determined to evaluate its impact on any proposed development of the property.
- Item 9 refers to the rights of parties in possession of the land by reason of unrecorded leases. Mr. Randall suggests that this exception be disapproved and that the State should supply information on any leases related to the subject property.

Other pertinent exceptions to title from the Commonwealth report include the following:

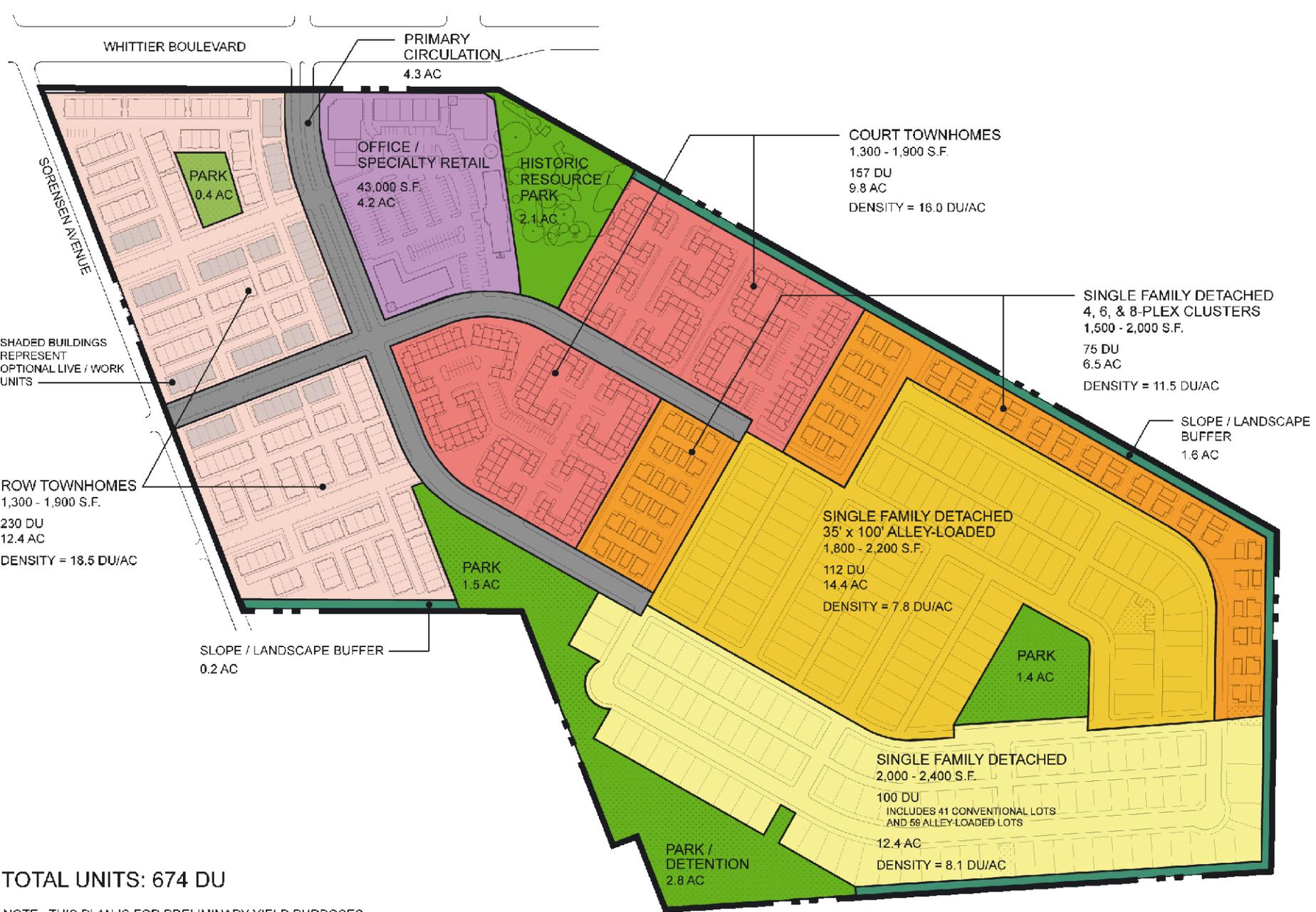
- Item 1 refers to the right of the United States to recover any federal funds advanced for the property. It is beyond the scope of our assignment to determine if this provision has any application to the subject property.
- Item 2 refers to covenants, conditions, and restrictions set forth in a 1956 document except any related to race, color, religion, etc.
- Items 13 and 14 refer to leases between the California Department of Public Works and the California Department of Youth Authority. These are related to bonds sold by the state that are partially secured by the subject property. Revenue from the sale of the property will be used to retire a portion of

PRELIMINARY LAND USE PLAN FRED C. NELLES PROPERTY WHITTIER, CALIFORNIA

CALIFORNIA DEPARTMENT
OF GENERAL SERVICES

DATE: MAY 10, 2005
PROJECT #: 2004-270
SCALE: 1" = 100'
0 100' 200' 300'
NORTH
SHEET #:

THE LAND USE PLAN IS FOR PRELIMINARY YIELD PURPOSES ONLY AND IS SUBJECT TO MODIFICATION. THIS PLAN IS FOR PRELIMINARY YIELD PURPOSES ONLY AND IS SUBJECT TO MODIFICATION. THIS PLAN IS FOR PRELIMINARY YIELD PURPOSES ONLY AND IS SUBJECT TO MODIFICATION.



NOTE: THIS PLAN IS FOR PRELIMINARY YIELD PURPOSES AND RELATED COST ANALYSIS ONLY AND IS SUBJECT TO MODIFICATION.

the bonded indebtedness. For the purposes of this appraisal the property is assumed to be free and clear of any such lease, encumbrance, or indebtedness.

- Several items deal with utility, sewer, and road easements that are not specifically located. It is a premise of this report that such easements, if still utilized, can be relocated without significant additional expense as the property is developed.

It is a premise of this valuation that there exist no other conditions of title that would adversely affect the value or marketability of the subject property.

Land Use Regulations:

The zoning of the property is currently R-1, Single Family Residential. However, the city is working toward a new specific plan for the site, which incorporates residential use with some retail. It is reasonably probable to assume that a more intensive use than R-1 would be permitted.

This appraisal is based upon a hypothetical land use plan, which has been prepared by MVE and Associates, based upon an analysis of market factors and community input. The plan is shown on the opposite page. The valuation assumes that the plan has been approved by the city. A different plan with a different distribution of residential and commercial types and uses would lead to a different value conclusion. In my judgment, the value conclusion in this report is higher than that which would be indicated for the property under the existing zoning of R-1.

The land use distribution from the proposed plan is set out in a table in the highest and best use section below.

Current Use:

The property is improved with the State of California's Fred C. Nelles Youth Correctional Facility. The facility has been closed and the buildings are essentially vacant. By instruction, this appraisal considers a re-use of

the property for residential and commercial use. Further descriptions of the improvements are included below.

Buildings and Improvements:

The site has been improved with a youth correctional facility for more than 100 years. The proposed land re-use plan that is a basis of this report does not contemplate retention of the existing buildings with the exception of the superintendent's residence and the administration building. It is beyond the scope of our assignment to determine if any of the other buildings have contributory value. They are not described in this report.

Note that the Division of the State Architect (DSA) did a survey of asbestos and lead-based paint in the buildings. CH2MHill, which prepared demolition cost estimates, assumed that the buildings contain hazardous materials in the form of PCB light ballasts and PCB transformers, fluorescent tubes, smoke detectors and mercury switches. It is also reported that there is an abandoned 30,000-gallon fuel oil tank on the premises. These factors have all been considered in the CH2MHill's demolition estimate.

More detailed descriptions for the residence and the administrative building are set out below. We have been instructed to consider that these buildings will be retained and re-used for historical reasons.

Residence:

The residence, built in 1920, is a two-story Tudor style home with brick walls and gabled wood shake roof. It has a concrete foundation and raised wood floors. There is a small basement. Windows are wood frame, multi-pane, casement style. There are numerous French doors. Ceilings are approximately eight feet. Forced air units provide heating and air conditioning. There is a large covered porch at the rear of the house.

The first floor contains a living room, dining room, solarium, entry, office, kitchen, two bedrooms and two bathrooms and a powder room. It would appear that at least one of the bedrooms and baths was a servant's quarters. The second floor consists of four bedrooms and two bathrooms.

Typical interior finish is wood floor, painted plaster walls and ceilings. There is some painted wood paneling in the entry area. Bathrooms and kitchen have vinyl tile or ceramic tile floors and painted walls and ceilings.

There are two single car garages; one attached and one detached. They are wood frame construction with stucco exterior and gabled wood shake roofs. Garage doors are swinging double doors.

Bldg. Area: 4,400± sq. ft.
Year Built: 1920
Bedrooms, baths: Six bedrooms; four and 1/2 baths
Garage: Two single car garages.

It appears that the house has been well maintained. Rooms are generally large. The floor plan, kitchen and baths have not been updated for quite some time.

Administrative Building:

The administrative building is a similar style to the residence. It has a concrete foundation, brick walls and gabled wood shake roof. It is one-story. There is forced air heating and cooling. Most ceilings are 9 ft. to 10 ft. tall.

The building is long with a central hallway down the entire length. There are offices on both sides of the hallway. There is a large lobby near the entry with vaulted, open beam ceiling and a brick fireplace. Typical interior finish is vinyl tile flooring, painted plaster walls and acoustic tile ceilings.

Building area: 8,164± sq. ft.
Year built: N/A

The administrative building has been well maintained and is reasonably functional but has an older institutional feel.

Highest and Best Use:

Highest and best use is that use or combination of uses selected from reasonably probable and legal alternatives, found to be physically possible, appropriately supported by market conditions, financially feasible, and which results in the highest land value as of the date of value. I have not made an independent study of highest and best use for the site. By instruction, my assignment is to consider the value of the property for development according to the proposed land use plan. These uses are summarized in the table below.

PROPERTY DESCRIPTION - Fred C. Nelles Site - continued

Type	Acres	Density (Du/acre)	No. of Units
Single Family Detached, 7.8 du/acre	14.4	7.8	112
Single Family Detached, 8.1 du/acre	12.4	8.1	100
Single Family Cluster Detached, 11.5 du/acre	6.5	11.5	75
Court Townhomes, 16.0 du/acre	9.8	16.0	157
Row Townhomes, 18.5 du/acre	12.4	18.5	230
Residential Subtotal / Average Values	55.5	12.1	674
Office Land	1.9	---	---
Retail Land	2.3	---	---
Parks, Open Space, Detention	10.0	---	---
Primary Streets	4.3	---	---
Total Acreage	74.0	---	---

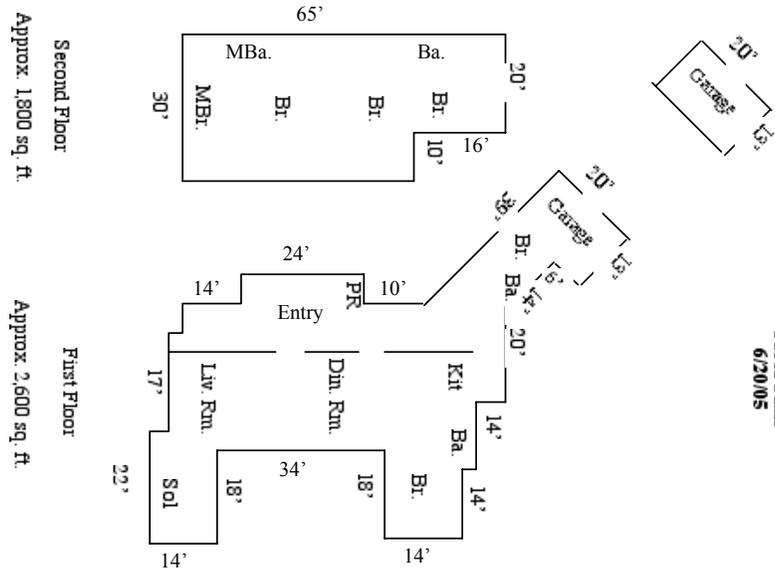
The analysis assumes that this land use plan is similar to a specific plan and that there is no uncertainty as to the approval of tract maps or development proposals which conform to this plan. The valuation considers the cost to demolish existing structures (except two historic buildings) and the costs to plan and build the necessary off-site infrastructure.

Nelles Superintendent's Residence



Photo taken 6/20/05.

N
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 Appraiser's sketch
 1 cm = 10'
 approximate dimensions



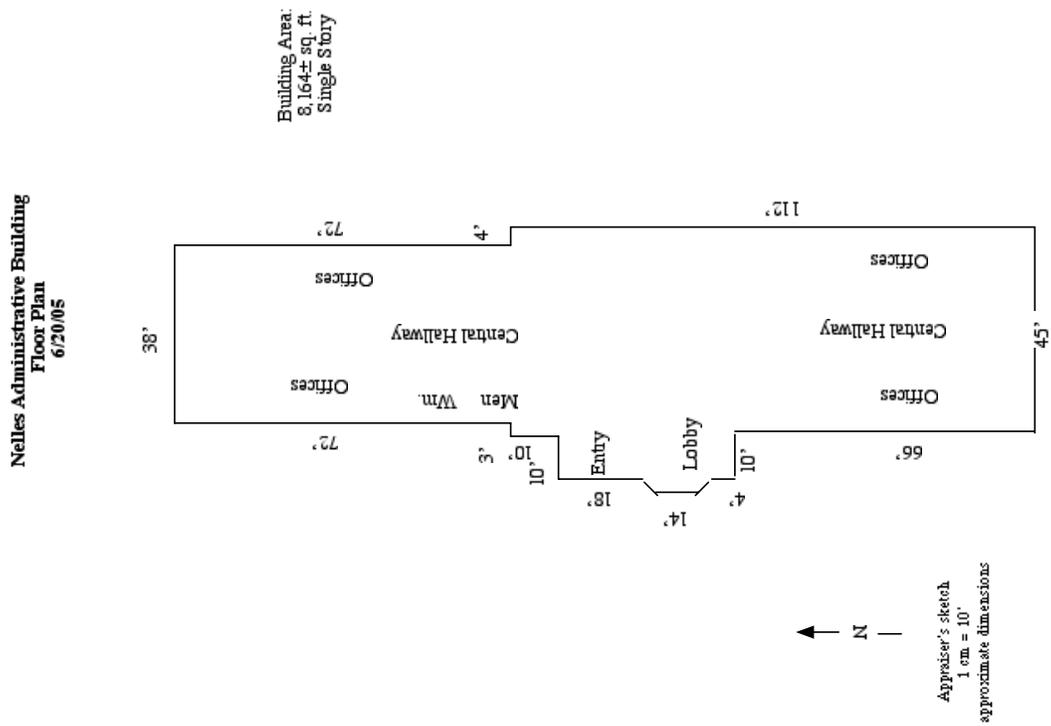
Total Structure: 4,400± sq. ft.
 6 bedrooms: 4.5 baths
 2 1-car garages: 2,600± sq. ft. ea.

Nelles Residence
 Floor Plan
 6/20/05

Nelles Administration Building



Photo taken 6/20/05.



VALUATION

Methodology:

The subject property is appraised under the hypothetical condition that the Preliminary Land Use Plan referenced in this report has been approved by the City of Whittier and that no further entitlement work will be necessary to build out the plan with the types of uses shown. In other words, the value is based upon the premise that this plan will have been approved by the close of escrow. The site is currently zoned R-1, Single Family Residential. If the property were valued as R-1 land, the value conclusion would be lower. If a different land use plan with a different mix of uses and/or areas were considered, the value conclusions would likely change.

There are three traditional methods of real property valuation. They are the cost approach, the sales comparison approach, and the income capitalization approach. These approaches to value are often used as complementary analyses, which serve as useful checks on one another.

Sales Comparison Approach:

The Sales Comparison Approach is based on the premise that an informed purchaser would pay no more for a property than the cost of acquiring another property with the same utility. Sale prices of properties similar to the subject are used as a guide to subject value with adjustments made for significant differences between the characteristics of the subject and data. This approach is appropriate when an active market provides sufficient quantities of reliable data to indicate value patterns or trends in the market.

Cost Approach:

The cost approach is based on the proposition that the informed buyer would pay no more than the cost of developing a substitute property with the same utility as the subject property. This approach requires estimating land value,

replacement or reproduction cost of the improvements, and depreciation from all causes. It is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land or when relatively unique or specialized improvements are located on the site for which there exist no comparable properties in the market.

Income Capitalization Approach:

The income capitalization approach converts anticipated future benefits (rental income or amenities) to be derived from the ownership of property into a value estimate. The primary technique recognized by active principals involved in the purchase or sale of income producing properties is the overall capitalization method. In this method, net income (before loan payments and depreciation deductions) is divided by a capitalization rate obtained from market analysis giving an indication of the property's value.

In this instance, the primary component of value is the land. The existing improvements contribute little to the total value under the proposed land use plan. It is my judgment, that the most reliable of the three approaches is the Sales Comparison Approach. Portions of the Cost Approach and the Income Approach are utilized to make adjustments to the indications derived from the sales comparison analysis.

Valuation Process:

There are no directly comparable land sales for the total 75-acre Nelles property. There is data available which is useful in estimating the value of portions of the subject site as though vacant and available for independent sale. Adjustments are made to reflect the actual condition of the property as a single large ownership that requires demolition and some infrastructure work.

In the first portion of the valuation discussion, I will discuss the value of the residential portions of the property as if ready for sale independently. Then I will explain the deductions for demolition and

development costs. The net value is then discounted for a one-year holding period to reflect the time involved to do the planning, demolition and development work necessary. The remainder is the value of the residential portion.

To check the preliminary residential value opinions, another approach is taken. This involves an estimation of ultimate selling prices of the finished homes, application of a ratio comparing finished home price to finished lot cost, and deduction of appropriate development costs. The finished lot cost is the sum of the land price plus the costs to put in off-site improvements, interior streets, utilities, fine grading, and other work on the builder's site up to the actual construction of the units. In other words, the owner of a finished lot can immediately begin constructing units after paying for building permits.

After discussion of the residential portion, the analysis will turn to the retail and commercial land. The land sales analyzed are first compared to the subject retail and commercial land as though demolition and off-site development costs have been completed. Then, again, deductions are made for the cost and timing of demolition and necessary development work.

Due to the strength of the market and the demand for new housing in the subject vicinity, no further discount is applied for the sale of portions of the property over time. It is assumed that the buyer of the site will be able to sell or utilize all parts of the property after one year.

Sales Comparison Approach:

The first step was to search the relevant market areas for sales of land suitable for the types of uses within the proposed land use plan. I searched for sales of parcels bought for strip retail and low-rise office development as well as sales involving land that could be developed for single family and low-rise condominium development. Potential data items were investigated further to verify price, terms, and other facts and to understand the characteristics of each property.

In order to compare sales data with the subject property, appropriate units of comparison must be determined. These

comparative units eliminate some of the variations in price that are primarily due to parcel size differences. The units are then used as a common denominator to relate and contrast the sales data with the subject. In the commercial and retail land market, price per sq. ft. of land is the primary unit utilized. For residential land, price per sq. ft., price per unit, and price per acre are useful.

The analysis involves a comparison of the characteristics of the sale properties with the subject property. Adjustments are made to the sale price of each comparable for differences with the subject property when such an adjustment is supported by market evidence. Where numerical adjustments cannot reasonably be derived from empirical data, the comparative analysis consists of determining whether the sale is similar, inferior or superior to the subject with regard to each element of comparison.

Elements of comparison include consideration of:

- Real property rights conveyed
- Financing terms
- Conditions of sale
- Date of sale
- Location
- Physical characteristics
- Demolition costs
- Development costs
- Permitted density
- Current use

Reconciliation:

The final step in the sales comparison process is to form a value conclusion based upon the indications from the comparative analysis. This involves judgment of the weight or reliability of each item of data or value indicator.

Scope of the Data Search:

Since the land re-use plan is primarily residential in character, the first part of the discussion will focus on residential land sales. A

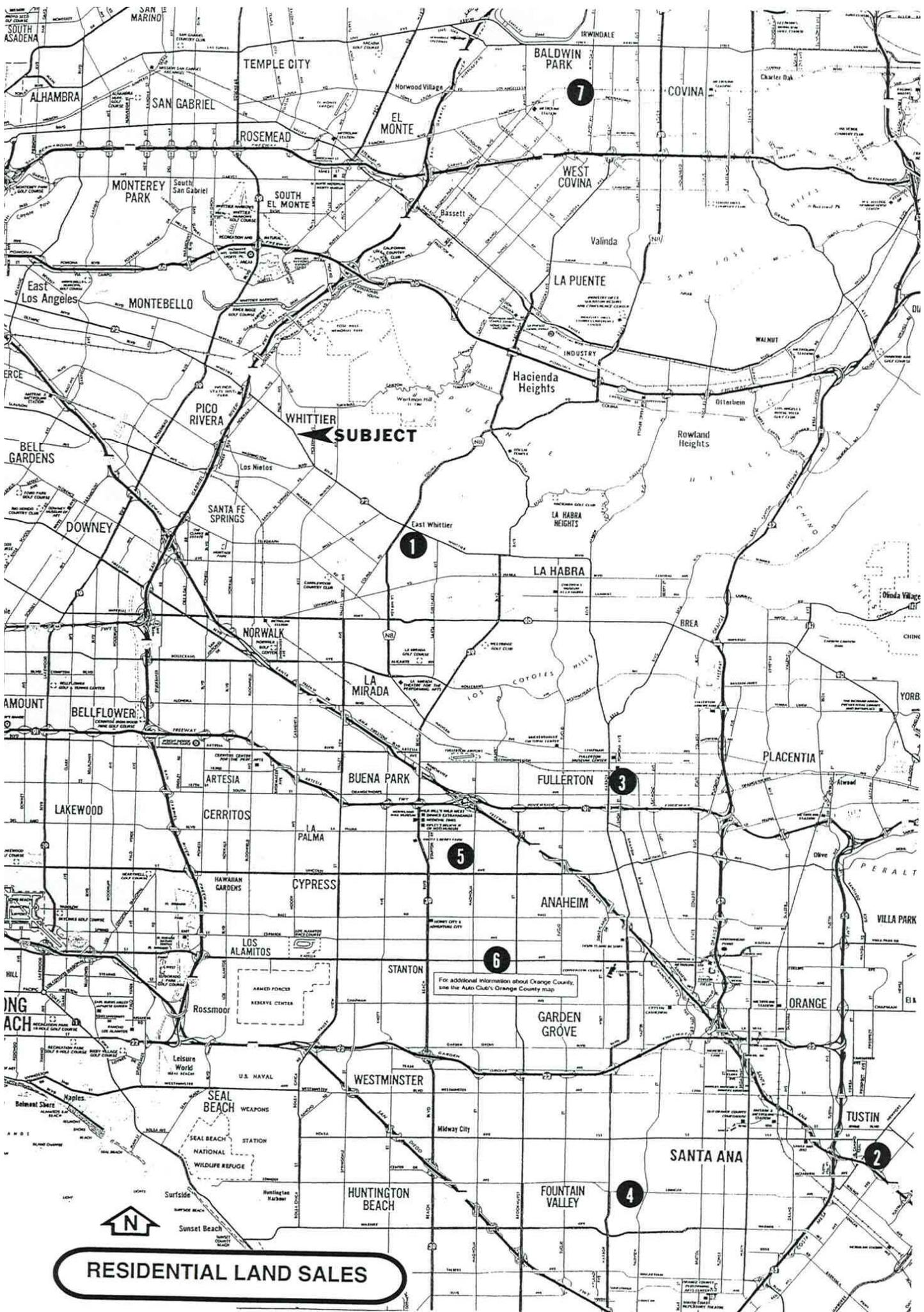
search was conducted for residential land sales in the in-fill areas of the San Gabriel Valley, the subject's mid-counties area, and northern and central Orange County. Sales of parcels from one to 30 acres were considered. I focused on those sales which had the potential for residential development at densities between seven and 20 units per acre and which transferred within the last two years. Approximately one dozen sales met the initial criteria. The most useful sales are shown in the table and map on the following page.

Comparative Sales Analysis for Residential Land:

The seven sales utilized range from approximately three to 10 acres in size. Five are located in central or northern Orange County and two are located in Los Angeles County. The price per square foot indications are in the range of approximately \$25 to \$68. The price per acre range is from nearly \$1.1 million to almost \$3 million. The price per unit range is from approximately \$105,000 to \$205,000.

There has been a considerable upward trend in residential land values over the past several years throughout Southern California. For instance, the median home price in Whittier has increased approximately 20% in one year. Residential land values are linked to home sale prices. Land values appear to be growing faster than construction costs. The upward trend in the value of land alone is judged to be somewhat higher than that of the median priced home.

Another significant factor in land valuation is density. Residential land that is available for higher density (more units per acre) typically sells for more per sq. ft. than land of lower density, all other factors being equal. Conversely, price per unit is greater for lower density land due to a greater land area per unit. For example, in the planned community of Irvine, there were 10 sales of land in 2004 within the new Woodbury neighborhood. These are vacant, superpad sites with adjacent streets and off-site improvements in place. The primary difference between the sites was the permitted density that ranged from 4.5 dwelling units per acre (du/acre) to 18.8 du/acre. The parcel with the lowest density sold for the lowest price per sq. ft. (\$60±) and the parcel with the highest density sold for the highest price per sq. ft. (\$85±). Conversely, the lower density parcel had the highest unit price \$584,000 compared to \$227,000 per unit for the highest density site.



SUBJECT

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For additional information about Orange County, see the Auto Club's Orange County map.

RESIDENTIAL LAND SALES

MARKET DATA SUMMARY

Residential Land Sales

Item No.	Location A.P. Number	Seller Buyer	Date Doc. No.	Sale Price	Acres Sq. ft.	Units	Density (du/ac)	Price/acre Price/Acre	Price/sq. ft.	Price/unit	Remarks
Sub.	Nelles Site Whittier		7/1/2005	N/A	N/A			N/A			Generally level land along southerly side of Whittier Boulevard, east of Sorenson.
RESIDENTIAL LAND SALES											
1	SEC Scott & Cullen Whittier 8230-028-51	Lennar MBK Homes	3/1/2005 N/A	\$14,820,000 ±	6.10 265,716	114	18.7	\$2,429,508	\$55.77	\$130,000	Vacant site at rear of Whittwood Town Center project. Buyer to construct 114 townhomes.
2	1361 El Camino Real Tustin 500-141-22	Cottages Apartments, LLC IRP Nevis Tustin LLC	8/31/2004 789892	\$15,100,000	5.12 223,027	93	18.2	\$2,949,219	\$67.70	\$162,366	Buyer to demolish existing apartment project to build 93 new townhomes. Adjacent to I-5 Freeway.
3	NEC Truslow & Harbor Fullerton 033-041-08 thru 30 except 31 033-043-04 thru 11, and 28	Bushala LLC The Olson Co.	6/30/2004 600064	\$10,700,000	6.00 261,360	120	20.0	\$1,783,333	\$40.94	\$89,167	Buyer to build 120 townhomes and lofts next to Fullerton train station. Land area includes abandoned streets and alleys.
4	N/S Edinger, W/O Fairview Santa Ana 407-107-16, 17 407-041-31, 32, 39	John Laing Homes	5/9/2005 355081	\$6,200,000	2.97 129,158	44	14.8	\$2,087,542	\$48.00	\$140,909	Old medical office and other bldgs to be demolished. Buyer plans 44 townhomes over garages.
5	W/S Magnolia, N/O Lincoln Anaheim 070-171-05	Commons Apartments Brandywine Homes	2/26/2004 146800	\$17,000,000	9.26 403,366	114	12.3	\$1,835,853	\$42.15	\$149,123	Apartment bldgs. demolished by buyer. 76 townhomes and 38 SFR's planned.
6	S/S Katella, W/O Gilbert Garden Grove 132-071-09, 10, 11, 13, 31-37	Garden Grove Redevelop Brandywine Homes	12/7/2004 1086839	\$8,605,000	4.16 181,136	42	10.1	\$2,068,510	\$47.51	\$204,881	Competitive bid. Will be 42 detached SFR's on 3,500 to 4,000 sq. ft. lots. 2,500± sq. ft. each. Prices in mid \$700,000's.
7	1773 W. San Bernardino Rd. West Covina 8435-015-036	Arakelian Trust DC Corporation	2/18/2005 377018	\$6,500,000	6.02 262,231	60 to 64	10.0±	\$1,079,734	\$24.79	\$104,839 (average)	Small retail bldg. and house to be demolished. Buyer is planning for 60 to 64 homes. Level site.

VALUATION – continued

The Irvine sales are not considered to be directly comparable to the subject, but are used here to illustrate the point.

The first three sale items are useful for estimating the value of the higher density pads within the Nelles site (16.0 to 18.5 units per acre). For initial comparative purposes, the subject pads are considered to be in a superpad condition with off-site street and utility improvements in place. The data are in a similar condition being in-fill properties in developed areas with adjoining streets and utilities in place. These three sales range in density from 18.2 to 20.0 units per acre. The sales indicate an unadjusted value range of \$40.94 per sq. ft. to \$67.70 per sq. ft.

The Verrado Townhomes project is located on the west side of Scott Avenue at Cullen Street, at the rear of the Whittwood Town Center shopping center in Whittier. This 6.1-acre site is just off of Whittier Boulevard near the communities of La Habra and La Mirada. Lennar Homes sold the property to MBK for approximately \$14,820,000 or \$55.77 per sq. ft. The sale closed in March 2005. The buyer is planning to build 114 townhomes. The density is equivalent to 18.7 units per acre. The parcel sold with entitlements and neighboring streets in place.

The deal was actually struck at the end of 2003, one and on-half years prior to the date of value, so there is an upward adjustment required for trend on the order of 20% to about \$67 per sq. ft. Whittwood Town Center is in the midst of a major renovation. The amenities and demographic influences of the site are superior to the subject. However, the entire subject site is large enough that it can develop its own identity as a new community within Whittier.

Item No. 2 is the Tustin Cottages property that sold at the end of August 2004 for \$67.70 per sq. ft. The property is located near the I-5 Freeway and Tustin High School. It is improved with 65 single story apartments that the buyer will be demolishing in order to build 93 townhome units averaging 1,600 sq. ft. Project density is 18.2 units per acre. Estimated selling prices for the finished units are \$580,000 or more at this time. Construction will begin in October of 2005.

VALUATION – continued

In comparison to the subject, an upward adjustment on the order of 20% is made for trend. Demolition costs are offset by income from the units during the planning period. The Tustin location is judged to be significantly superior to that of subject, more than offsetting the trend.

Item No. 3 is the site of the SOCO Walk project near downtown Fullerton and the Metrolink station. The Olson Co. purchased a previously assembled site for \$40.94 per sq. ft. in June 2004. The seller paid for demolition or relocation of old structures. Olson plans to build 120 townhomes and lofts on the site. The density will be 20.0 units per acre. Originally, pricing for the new units was going to be in the low \$500,000's. Adjustment upward is required for trend. The general Fullerton location is considered to be superior. The sale's specific location has the advantage of walking distance to downtown and the Metrolink, offset by railroad noise and some inferior surrounding influences.

After adjustments, the range is narrowed to approximately \$50/sq. ft. to \$67/sq. ft. with the indication from the Fullerton sale at the lower end of the range. The other two sales suggest an approximate range of \$60 to \$67 per sq. ft. The Whittier sale is judged to be the most reliable indicator of value although it is considered to be slightly superior to the subject pads of similar density. In my judgment, a value of \$66 per sq. ft. is indicated for the subject townhome pad with a density of 18.5 du/acre and a slightly lower value of \$62 per sq. ft. is indicated for the 16.0 du/acre pad if the sites were already in a superpad condition.

Item No. 4 is the sale of approximately three acres on Edinger Avenue in southwest Santa Ana to John Laing Homes in May 2005. The buyer paid \$48.00 per sq. ft. of land. The site will be developed with 44 townhome units over ground floor garages. Density will be 14.8 units per acre.

There are minor demolition costs and street widening costs to be borne by Laing suggesting a small upward adjustment. Minor upward adjustment to price is also considered for upward market trend. Demographics and general location, and higher density, are considered to be slightly superior to that of the appraised, but overall this sale is considered to be a good indicator of value for the mid-range density (11.5 du/acre) pad on the subject site if in a superpad condition.

VALUATION – continued

Item No. 5 is also useful for valuing the mid-range density site. It is the sale of a 9.26-acre site in Anaheim that closed escrow in February 2004 at a price of \$42.15 per sq. ft. The buyer demolished an existing 128-unit apartment project after operating it for 6 months. Demolition costs are considered to be offset by the temporary income from the units. Current plans call for 114 units including 76 townhomes and 38 detached single-family residences on small lots. A significant upward adjustment is required for nearly 1.5 years of upward trend. This is partially offset by a downward adjustment for the superior Orange County location of the sale. The indication from No. 5 is on the order of \$50 per sq. ft. of land.

In my opinion, Sale Nos. 5 and 6 suggest a value on the order of \$50 per sq. ft. for the 11.5 du/acre cluster site on the Nelles property, as of the date of value.

Item Nos. 6 and 7 are the most useful for judging the value of the lower density residential land at Nelles. Item No. 6 is a 4.16-acre property on Katella Avenue in Garden Grove that sold for \$47.51 per sq. ft. in December of 2004. Pacific Cities Real Estate Group assembled the site and sold the property to Brandywine Homes. The buyer plans to build and sell 42 detached single-family homes on 3,500 to 4,000 sq. ft. lots.

The City of Garden Grove Redevelopment agency will contribute up to \$1.5 million dollars to the buyer for relocation, demolition, and other costs through tax increment funding which will be paid out over the next 20 years. Using a discount rate of 6.5%, the present value of such an income stream is approximately \$825,000 that effectively reduces the buyer's costs by about \$4.50/sq. ft. This offsets a 10% upward adjustment for market trend. After considering the sale's location and superior demographics, a value of less than \$45 per sq. ft. is indicated for the lower density (8± du/acre) pads on the subject property.

Item No. 7 is located in West Covina. It sold in February 2005 for \$24.79 per sq. ft. The six-acre site was not entitled for residential use at the time of sale. However, the buyer is processing plans to build 60

to 64 units on the property after demolishing an older single-family residence and a drive through dairy mart.

A large upward adjustment is required for time to process entitlement issues and for entitlement risk. Smaller upward adjustments are indicated for location and upward trend. Demolition costs are offset by interim use. After considering these adjustments, it is my opinion that a value of more than \$40 per sq. ft. is applicable to the subject’s lower density residential pads (if in superpad condition).

Although both lower density pads on the subject property have similar densities (7.8 to 8.1 per acre) a differentiation is made between the two due to differences in the type of product envisioned for each. One anticipates 2,000 to 2,400 sq. ft. detached homes on 3,200 to 3,600 sq. ft. while the other is planned for 1,800 to 2,200 sq. ft. homes on 3,500 sq. ft. lots. In my opinion the range of value for these pads is \$43 per sq. ft. to \$45 per sq. ft. with the higher land value corresponding to the larger lot size.

My preliminary conclusions for the various residential portions of the subject property are summarized below.

Type	Units	Acres	\$/sq. ft.	Total
SFR Detached, 7.8 du/acre	112	14.4	\$43.00	\$26,972,352
SFR Detached, 8.1 du/acre	100	12.4	\$45.00	\$24,306,480
SFR Cluster, 11.5 du/acre	75	6.5	\$50.00	\$14,157,000
Court Townhomes, 16.0 du/acre	157	9.8	\$62.00	\$26,467,056
Row Townhomes, 18.5 du/acre	<u>230</u>	<u>12.4</u>	\$66.00	<u>\$35,649,504</u>
Totals	674	55.5		\$127,552,392

I have checked these numbers by using a finished lot to finished product ratio analysis. I examined data collected by Gruen Gruen + Associates relative to sale prices of new homes in new developments in the San Gabriel Valley and northern Orange County. This study was done in the spring of 2005. I also gathered similar data and re-checked the current price data in some of the same tracts. I used this information to estimate the level of value that might be expected for new homes on the subject property.

VALUATION – continued

Market evidence suggests that there is a relationship between new home prices (finished product) and the cost of buying and developing a finished lot. In Irvine, where land is sold in master planned communities, within a master planned city, with Mello Roos obligations, recent land sales have finished lot costs which exceed 50% of the anticipated home selling price. Attached product ratios are typically less than detached. At the subject location, the lower level of home values, the lack of community amenities and the absence of an improvement district suggest lower ratios. For this check, I have considered ratios ranging from 40% to 45%. After applying the ratio, finishing costs necessary to prepare individual finished lots from a superpad are deducted to arrive at superpad value, equivalent to my preliminary conclusions above. For this brief analysis, I have used finishing costs of \$35,000 per attached unit and \$45,000 per detached unit, which are typical for the general area. The tables below summarize this check analysis.

VALUATION – continued

Type	Units	Est. Price	Ratio	Est. Fin. Lot
SFR Detached, 7.8 du/acre	112	\$600,000	0.45	\$270,000
SFR Detached, 8.1 du/acre	100	\$627,000	0.45	\$282,150
SFR Cluster, 11.5 du/acre	75	\$550,000	0.425	\$233,750
Court Townhomes, 16.0 du/acre	157	\$520,000	0.40	\$208,000
Row Townhomes, 18.5 du/acre	<u>230</u>	\$500,000	<u>0.40</u>	\$200,000

Type	Est. Fin. Lot	Est. Fin. Cost	Lot Value	\$/sq. ft.
SFR Detached, 7.8 du/acre	\$270,000	\$45,000	\$225,000	\$40.29
SFR Detached, 8.1 du/acre	\$282,150	\$45,000	\$237,150	\$44.10
SFR Cluster, 11.5 du/acre	\$233,750	\$45,000	\$188,750	\$49.83
Court Townhomes, 16.0 du/acre	\$208,000	\$35,000	\$173,000	\$63.54
Row Townhomes, 18.5 du/acre	\$200,000	\$35,000	\$165,000	\$70.08

Type	Sales Comp.	Fin. Lot Ratio
SFR Detached, 7.8 du/acre	\$43	\$40.29
SFR Detached, 8.1 du/acre	\$45	\$44.10
SFR Cluster, 11.5 du/acre	\$50	\$49.83
Court Townhomes, 16.0 du/acre	\$62	\$63.54
Row Townhomes, 18.5 du/acre	\$66	\$70.08

The finished lot ratio method is used as a check. It indicates that my preliminary value conclusions from the sales comparison approach are within reason as can be seen from the last table in the series.

Demolition Costs:

The youth correctional facilities must be demolished in order to put the property to new residential and commercial uses. The buyer of the property will bear the costs of demolition so these costs must be deducted.

I have reviewed a demolition cost estimate prepared by CH2Mhill dated March 2005. The estimate includes the costs to demolish and remove all buildings, roads, and other site improvements, as well as the costs to remove an abandoned 30,000-gallon underground storage tank. Labor, equipment and materials, contingency, management and overhead, permits and fees, and inspections and certificates have been included. Some materials will be recycled on site. More than 60% of the costs involve the removal and abatement of hazardous material such as asbestos, lead based paints, mercury, and PCB's that are contained within the structures. The site will be left free of trash and debris.

The total cost of demolition is estimated to be \$4,976,040. I have allocated these costs on a pro rata basis to the revenue producing acreage of the Nelles site (the residential and commercial pads). Total acreage apart from streets, open space and park areas is 59.7 acres or approximately 2,600,532 sq. ft. Demolition costs are equivalent to approximately \$1.91 per sq. ft. of land allocated over 59.7 acres.

Off-Site Development Costs:

To achieve the pad values set out above, the buyer of the Nelles property would have to do certain off-site work. This will likely include the cost to extend sewer from the site, upgrade the water main in Whittier Boulevard, roadway work on Whittier Boulevard and Sorenson Avenue, under-grounding perimeter utility lines and creation of parks and community amenities.

I have reviewed development cost estimates provided by Fuscoe Engineering as well as cost information from Leland Saylor and Associates. These cost studies included all development work required prior to the construction of individual buildings. Only a portion of those costs are related to the off-site work described above. I have also reviewed traffic mitigation costs prepared by William Kunzman, P. E. The costs I have used for off-site work are estimated based upon a review of the total development costs for the site and the traffic mitigation study, as well as interviews with the cost engineers and the MVE architect. I have considered the following in my analysis. Note that the traffic mitigation costs are lower than the Kunzman numbers since some of those costs are already in the development costs.

VALUATION – continued

Kunzman also included the cost of land acquisition, while I have considered a dedication of land by the owner.

Site Prep	\$88,116
Slope and Erosion control	\$354,583
Grading	\$500,000
Off-tract sewer	\$294,000
Off-tract water	\$168,000
Off-site roadway	\$407,000
Add'l traffic mitigation	\$550,000
Under-ground utilities	\$453,000
Community Amenities	\$5,000,000
Fees, etc.	<u>\$250,000</u>
Total	\$8,064,699

The total is equivalent to approximately \$3.10 per sq. ft. of land when allocated across the 59.7 acres of marketable development area.

Off-site development costs and demolition costs added together are equivalent to \$5.01 per sq. ft. For this analysis, considering the judgments involved, I have used a combined figure of \$5.00 per sq. ft. These costs are deducted from my initial conclusions to yield the figures in the table below.

Type	Units	Acres	\$/sq. ft.	Total
After adjustment for demolition and development costs.				
SFR Detached, 7.8 du/acre	112	14.4	\$38.00	\$23,836,032
SFR Detached, 8.1 du/acre	100	12.4	\$40.00	\$21,605,760
SFR Cluster, 11.5 du/acre	75	6.5	\$45.00	\$12,741,300
Court Townhomes, 16.0 du/acre	157	9.8	\$57.00	\$24,332,616
Row Townhomes, 18.5 du/acre	<u>230</u>	<u>12.4</u>	\$61.00	<u>\$32,948,784</u>
Totals	674	55.5		\$115,464,492

The indicated values shown in the table must be further discounted to reflect the time involved to do the demolition and off-site work prior to the sale of pads. Discussions with cost engineers and others suggest a one-year time period for the work involved. The discount rate utilized is 10% which reflects holding costs including financing and

VALUATION – continued

property taxes. No entitlement risk is considered. Market risk in the current market is considered to be minor.

Type	Units	Acres	\$/sq. ft.	Total
SFR Detached, 7.8 du/acre	112	14.4	\$34.20	\$21,452,429
SFR Detached, 8.1 du/acre	100	12.4	\$36.00	\$19,445,184
SFR Cluster, 11.5 du/acre	75	6.5	\$40.50	\$11,467,170
Court Townhomes, 16.0 du/acre	157	9.8	\$51.30	\$21,899,354
Row Townhomes, 18.5 du/acre	<u>230</u>	<u>12.4</u>	\$54.90	<u>\$29,653,906</u>
Totals	674	55.5		\$103,918,043

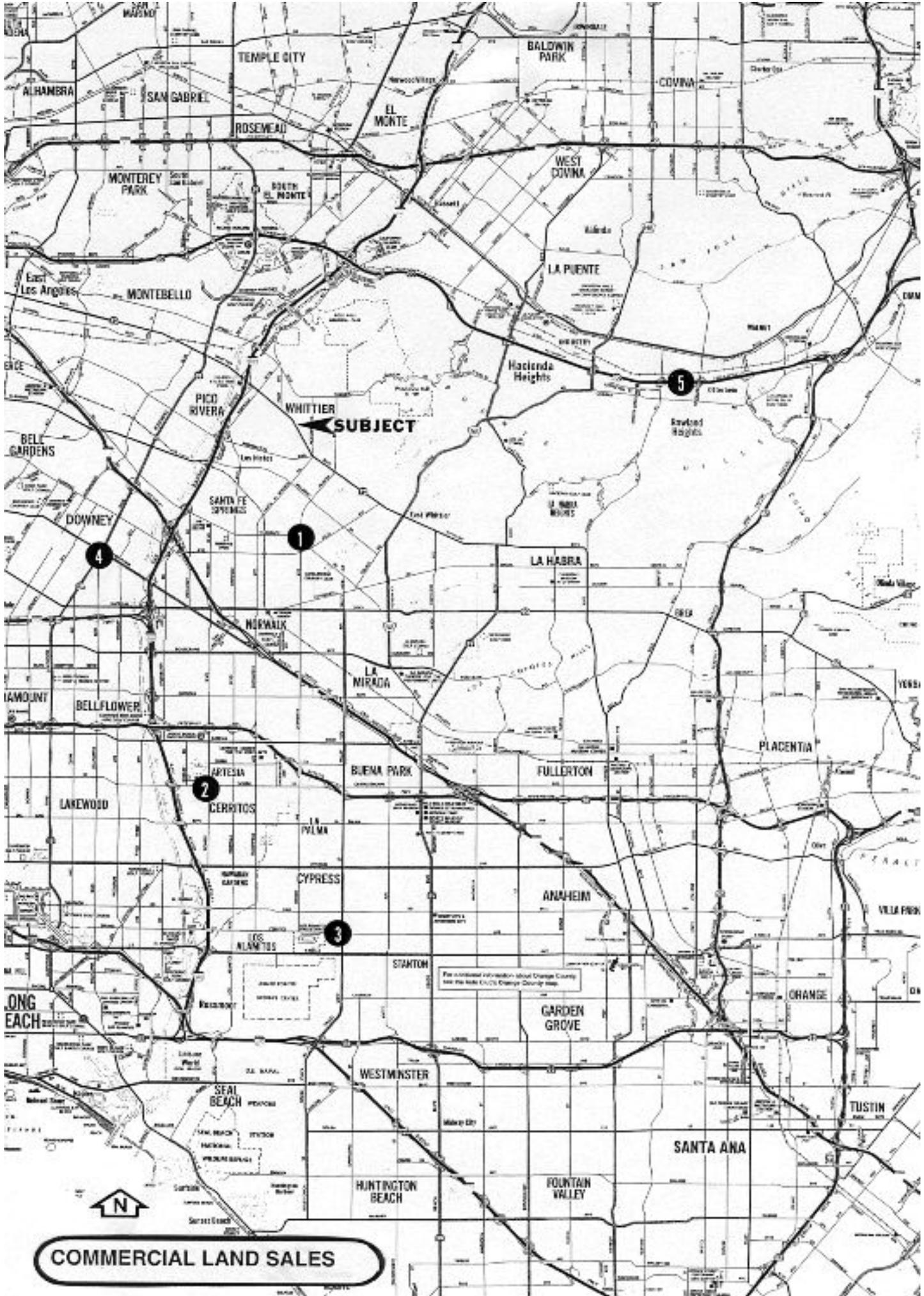
Commercial Land Valuation:

The land re-use plan for the Nelles property includes a total of 4.2 acres of commercial land. This area is considered to be 1.9 acres of office land and 2.3 acres of retail land. These parcels will be located at the southeasterly corner of Whittier Boulevard and Philadelphia Street, at the entry to the new neighborhood. The intersection will be signalized.

The data search focused on commercial parcels between one and ten acres in Whittier or nearby communities, which sold in the past year. A handful of sales meeting the criteria were found. The five most useful sales are shown in the table on the following page and are located on the accompanying map.

The data range in size from approximately 1.5 to 6.1 acres. The earliest sale was in June 2004. The most recent is a current escrow. Four are located in Los Angeles County and one is located in Orange County near the Los Angeles County line. Sale prices per sq. ft. range from approximately \$23.50 to \$31.00.

Two of the sales were transferred twice in the past year. Both sales show an increase in price indicative of an upward trend in land values. The price trend indicated by these sales is 17% to 30% per year; however, the short time frame between sales distorts the measure of trend. On the basis of more general data, I have considered a 10% annual upward trend in commercial land value.



COMMERCIAL LAND SALES

MARKET DATA SUMMARY

Commercial Land Sales

Item No.	Location A.P. Number	Seller Buyer	Date Doc. No.	Sale Price	Size (Acres)	Price/sq. ft.	Remarks
Sub.	SEC Whittier & Philadelphia Whittier (Portion of Nelles site)		7/1/2005	N/A	4.20 182,952	N/A	Site for 42,000 sq. ft. of retail and office buildings. 23.5% coverage ratio. Will be adjacent to 674 new residences. 1.9 acres for office; 2.3 acres for retail.
COMMERCIAL LAND SALES							
1	13331 Telegraph Rd. Whittier 8157-026-019 thru 021	Children's Hospital of OC Whittier Telegraph Assoc.	1/19/2005 126971	\$1,650,000	1.46 63,600	\$25.94	Old retail building of 10,354 sq. ft. built in 1952 to be demolished. Across Telegraph from Gateway Plaza hybrid power-center.
2	11700 South Street Artesia 7039-024-024 and 025	Concord Artesia Inv. Artesia Partners, LLC	6/18/2004 1560694	\$6,300,000	6.14 267,450	\$23.56	L-shaped, vacant, level site with frontage on South & Pioneer. Planned for 80,000 sq. ft. retail, restaurant, and office.
3	SWC Cerritos & Walker Cypress Portion of 241-081-10	Ushio America, Inc. Cypress Medical Partners	Escrow Aug-05 Closing	\$2,288,220 (approximate)	1.75 76,274	\$30.00	Vacant, level corner site to be improved with single-story medical office buildings totalling 18,000 sq. ft. Sold 9/20/04 for 23.00/sq./ ft.
4	11239 Lakewood Blvd. Downey 6255-005-019 thru 027	Phillips Revocable Trust Foundations, LLC	8/2/2004 1974729	\$1,895,000	1.45 63,087	\$30.04	Vacant, level site just south of Firestone Bl. Near heavily travelled commercial area,
5	SEC Gale & Jellick City of Industry 8264-022-015	LBA Realty Fund Y Y Lin	3/23/2005 661409	\$6,680,000	4.93 214,751	\$31.11	Vacant, generally level. Adjacent to 60 freeway. 92,000 sq. ft. of office and retail planned. Sold 6/14/04 for \$26.39/sq. ft.

VALUATION – continued

Item No. 1 sold for \$25.94 per sq. ft. in January 2005. It is located in an unincorporated area of Whittier adjacent to Santa Fe Springs, between Telegraph Road and Carmenita Road. Both are arterial streets. Gateway Plaza, with Wal-Mart, Sav-on, and Gigante Supermarket, is located across Telegraph Road. The buyers purchased an older retail building that will be demolished to make way for a new Walgreen's Drug Store.

Item No. 2 was purchased for \$23.56 per sq. ft. in June 2004. No. 2 is a 6.1-acre site situated on South Street and Pioneer Boulevard in Artesia, adjacent to Cerritos, 3/4 mile east of the 605 Freeway. It is an L-shaped, vacant parcel that will be improved with an 80,000 sq. ft. restaurant, retail and office project.

Item No. 3 sold for \$23.00 per sq. ft. in September 2004 and is currently in escrow for \$30.00 per sq. ft. It is a 1.75-acre parcel at the southwest corner of Cerritos Avenue and Walker Street in Cypress. This is an area of corporate headquarters and large newer light industrial and R&D uses. A new Costco is nearing completion one block to the south. Los Alamitos Medical Center is two miles westerly and West Anaheim Medical Center is two miles easterly. The buyers plan to build single-story medical office buildings on the property.

Item No. 4 is located in Downey on Lakewood Boulevard near the intersection with Firestone Boulevard, a heavily traveled commercial corridor. The 1.45-acre site sold for \$30.04 per sq. ft. in August of last year. The City reports that the buyer is planning a commercial project for the site.

Item No. 5 is located in the City of Industry with frontage and good visibility on the 60 Freeway. It sold for \$26.39 per sq. ft. in June 2004 and resold for \$31.11 per sq. ft. in March 2005. Approximately 92,000 sq. ft. of office and retail uses are planned for the site.

Items 2 and 5 are both mixed office/retail sites which are similar in size to the subject's 4.2 acres of commercial land. The recent sale of No. 5 at \$31.11 per sq. ft. sets an upper limit for subject value due to its freeway influence (over 106,000 cars per day). Upward adjustments to No. 2 are necessary for trend and shape, offset in part by its somewhat superior location. It sets a lower limit at \$25 per sq. ft.

VALUATION – continued

No. 3 is a current escrow for single story medical office use; a type of use that would be suitable for the subject office land. The sale is judged to have a slightly superior location. The current escrow price of \$30 sets an upper limit for the office land portion of the Nelles site.

The primary adjustments to No. 1 are upward for trend and minor demolition costs. It is not a corner location but does have arterial access from two sides and a superior general location. The main consideration with Sale No. 4 is upward trend. These two sales are in relatively close proximity to the subject and in similar areas. They indicate a range of \$28 to \$33 per sq. ft. for commercial or retail land after adjustments.

In my opinion, the data set most strongly suggests a value of \$30 per sq. ft. for the retail and office land as of the date of value. Once again, this value is for the site if it were vacant with most off-site work complete. In contrast, the land re-use plan assumes that the existing administration building of approximately 8,000 sq. ft. will be incorporated into a new development.

The administration building is a good quality, single-story brick office building with an attractive design that is assumed to be structurally sound. Interior configuration is outdated and it is assumed that the demolition of interior partitions and other tenant improvements are included in the site demolition costs. If new, shell costs for this type of building are on the order of \$75 to \$100 per sq. ft. However, the building is not new and some modifications to the shell are likely in regard to entries and other characteristics. Using a depreciation factor of 1/3, the indicated contributory value of the shell is on the order of \$50 to \$67 per sq. ft. At \$60 per sq. ft., the building would contribute approximately \$480,000 to the site. This contributory value is equivalent to \$5.80 per sq. ft. of office land area.

Demolition and off-site development costs are allocated to the commercial land in the same manner as for the residential land. Pro rata off-site and common development costs are approximately \$5.00 per sq. ft. In addition, a discount of 10% is made for the time to do the demolition and off-site work as explained before.

VALUATION – continued

Type	Acres	\$/sq. ft.	Total
Office Land	1.9	\$30.00	\$2,482,920
Plus Office Bldg. Contribution		\$5.80	\$480,031
Less Demo & Off-site Costs		<u>-\$5.00</u>	<u>-\$413,820</u>
Subtotal		\$30.80	\$2,549,131
One-year discount @ 10%		<u>-\$3.08</u>	<u>-\$254,913</u>
Totals	1.9	\$27.72	\$2,294,218

For the retail land, there is no offsetting contribution from an existing building.

Type	Acres	\$/sq. ft.	Total
Retail Land	2.3	\$30.00	\$3,005,640
Less Demo & Off-site Costs		<u>-\$5.00</u>	<u>-\$500,940</u>
Subtotal		\$25.00	\$2,504,700
One-year discount @ 10%		<u>-\$2.50</u>	<u>-\$250,470</u>
Totals	2.3	\$22.50	\$2,254,230

Reconciliation:

In the discussion above, the values for various portions of the subject site have been estimated. The preliminary value estimates are summarized below.

VALUATION – continued

Type	Units	Acres	\$/sq. ft.	Total	\$/acre
SFR Detached, 7.8 du/acre	112	14.4	\$34.20	\$21,452,429	\$1,489,752
SFR Detached, 8.1 du/acre	100	12.4	\$36.00	\$19,445,184	\$1,568,160
SFR Cluster, 11.5 du/acre	75	6.5	\$40.50	\$11,467,170	\$1,764,180
Court Townhomes, 16.0 du/acre	157	9.8	\$51.30	\$21,899,354	\$2,234,628
Row Townhomes, 18.5 du/acre	<u>230</u>	<u>12.4</u>	\$54.90	<u>\$29,653,906</u>	\$2,391,444
<i>Subtotal Residential</i>	<i>674</i>	<i>55.5</i>	<i>\$42.98</i>	<i>\$103,918,043</i>	<i>\$1,872,397</i>
Office Land (include bldg)	---	1.9	\$27.71	\$2,293,390	\$1,207,048
Retail Land	---	2.3	\$22.50	\$2,254,230	\$980,100
Parks, Open Space, Detention	---	10.0	\$0.00	\$0	\$0
Primary Streets	---	4.3	\$0.00	\$0	\$0
Total	674	74.0	\$33.65	\$108,465,663	\$1,465,752

No values are assigned to the open space, parks, backbone streets, and other non-marketable land. The superintendent's residence is considered to be retained on the park site, but no value is assigned to it as it is assumed to be dedicated to community use as part of the community park. It is part of the community amenities that contribute to the demand for other portions of the Nelles property.

No specific discount is made for absorption of the various pads. In the current market for in-fill sites, it is my judgment that the buyer of the whole property could pre-sell the pads and anticipate a close of escrow at the end of the off-site work period.

Therefore, it is my opinion, based upon my investigation and analysis, that the value of the subject property to the market generally, as of July 1, 2005, was on the order of \$108,500,000.

Market Value Conclusion: \$108,500,000

Equivalent to: 74 net acres at \$1,466,216 per acre

3,223,440 sq. ft. @ \$33.66 per sq. ft.

VALUATION – continued

Note that the subject property is appraised under the hypothetical condition that the preliminary land use plan referenced in this report has been approved by the City of Whittier and that no further entitlement work will be necessary to build out the plan with the types of uses shown. If the property were valued under the existing R-1 zoning, the value conclusion would be lower. If a different land use plan with a different mix of uses and/or areas were considered

Legal Description

LEGAL DESCRIPTION

Real property in the City of Whittier, County of Los Angeles, State of California, described as follows:

Those portions of the Rancho Paso De Bartolo conveyed to the State of California, et al., in the deeds recorded in Book 562 Page 186, in Book 724, Page 262 and the land first-described, in Book 3750, Page 257 all of Deeds, which lie Westerly line of the land first-described in the deed to the Long Beach, Whittier and Los Angeles County Rail Road, recorded in Book 374, Page 69, Deeds and which lies Southwesterly of the Southwesterly line of the land described in the agreement for transfer (Whittier Boulevard) recorded in Book 23437 Page 308, Official Records.

Except therefrom those portions lying Southeasterly of the Northwesterly line of the land conveyed to the Presbyterian Inter Community Hospital in the Deed recorded September 6, 1961 as Instrument No. 1997 in Book D1345 Page 671, Official Records.

Also Except therefrom that portion conveyed to the Los Nietos School District in the deed recorded May 13, 1955 as Instrument No. 33 in Book 47764 Page 108, Official Records.

Also Except therefrom that portion conveyed to Woodington Development Inc. in the deed recorded April 5, 1976 as Instrument No. 2503, Official Records.

APN: 8170-013-904

May 10, 2005

Site Summary

FRED C. NELLES PROPERTY

<i>Product Type</i>	<i>Unit Size Range (sq. ft.)</i>	<i>Total Units</i>	<i>Acres</i>	<i>Density (du/ac)</i>
Single Family Detached: 45' x 80' Conventional Lots: 41 DU 40' x 80' Alley-Loaded Lots: 59 DU	2,000 - 2,400	100	12.4	8.1
Single Family Detached: 35' X 100' Alley-Loaded Lots	1,800 - 2,200	112	14.4	7.8
Single Family Detached: 4, 6, and 8-Plex Clusters	1,500 - 2,000	75	6.5	11.5
Court Townhomes	1,300 - 1,900	157	9.8	16.0
Row Townhomes	1,300 - 1,900	230	12.4	18.5
Office / Specialty Retail			4.2	
Parks, Open Space & Detention			10.0	
Primary Circulation			4.3	
Total:		674	74.0	

Qualifications

Stuart D. DuVall, MAI

Stu is a partner with the real estate appraisal and consulting firm of George Hamilton Jones, Inc., in Newport Beach, California. He has been appraising real property since 1986. His appraisal experience covers a broad range of assignments in California and Nevada including standard property types as well as railroad rights of way, transmission line corridors, acquisitions for freeways, wetlands, physically damaged property, landslides, amusement parks, marinas, ranches, waterfront homes and ocean bluff land. Interests appraised include fee simple, leased fee, leasehold, fractional fee, fair rental value, partial acquisitions, easements of various types and rights of way.

Recent projects have included a 9,000 acre ranch in Beaumont, a large commercial shipyard in San Diego, and takings for new freeways in the vicinity of Riverside and San Bernardino, California and Reno, Nevada. He worked on several matters related to the widening of the I-5 corridor in Orange County. He has also worked on assignments involving Disneyland, Knott's Berry Farm, and the Crystal Cathedral.

Stu has a BA from Claremont McKenna College and an MBA from the University of Washington. He is active in the leadership of the Appraisal Institute at the local and regional level and currently sits on the Board of Directors of IRWA Chapter 67 in Orange County. Stu and his wife, Leslie, live in Irvine with their two teenage daughters.

Stuart D. DuVall, MAI
George Hamilton Jones, Inc.
717 Lido Park Drive, Suite D
Newport Beach, CA 92663

Phone: 949-673-6733
Fax: 949-673-6924
E-mail: stu@georgehamiltonjones.com

California Certified General Real Estate Appraiser No. AG006754

QUALIFICATIONS OF STUART D. DuVALL, MAI

Member of the Appraisal Institute

Certified General Real Estate Appraiser, State of California, No. AG006754

Certified General Real Estate Appraiser, State of Nevada, No. 04568

Education:

Bachelor of Arts (BA), Claremont McKenna College, 1978

Master of Business Administration (MBA), University of Washington, 1982

Real Estate Appraisal Courses:

Appraisal Institute:

Real Estate Appraisal Principles, 1986

Basic Valuation Procedures, 1987

Capitalization Theory and Techniques, Part A, 1988; Part B, 1988

Standards of Professional Practice, 1988, 1993, 1999

Case Studies in Real Estate Valuation, 1989

Valuation Analysis and Report Writing, 1989

Comprehensive Appraisal Workshop, 1995

Real Estate Appraisal Seminars (Partial List):

Appraisal Institute:

Litigation Seminars, 1986-1993, 1997, 1998, 1999, 2001, 2002

Subdivision Seminar, 1992

Operating Expenses, 1993, 1996, 1997

Discounted Cash Flow (Residential Land Development), 1993

Land Appraising in Southern California, 1995

Southern California Market Trends, 1996, 1997, 1998

Inland Empire Market Trends, 2002, 2003

Valuation of Fast Food Restaurant Facilities, 1997

Real Estate Trends in Agricultural Properties, 1997

Valuation of Estate Homes, 1997

Trends in Appraisal of Small Residential Income Properties, 1997

Small Hotel/Motel Valuation, 1997

Winning Strategies for Shopping Centers, 1998

Damages, Diminution, and Mitigation, 1998

Land Development Seminar, 1999

Professional Affiliations:

Appraisal Institute (MAI Member No. 10838)

Regional Representative (Region VII), 2001-2004

Experience Review Chair, Southern California Chapter, 2003

Chair, Southern Branch (Orange County) of Southern California Chapter, 2002

Vice Chair, Southern Branch (Orange County) of Southern California Chapter, 2001

Chair, Litigation Seminar, 2002

International Right of Way Association

Chapter 67 Valuation Chair, 2003

Employment:

1987 - Present: Real Estate Appraiser and Consultant
George Hamilton Jones, Inc., Newport Beach, California

1986 - 1987: Independent Real Estate Appraiser, Laguna Niguel, California

1983 - 1986: Controller, Imperial Automation, Inc., Costa Mesa, California

1978 - 1980: Operations Agent, Airborne Freight Corp., Seattle, Washington

Scope of Experience:

Appraisal experience includes valuation of most categories of real property. Interests appraised include fee simple, leased fee, leasehold, fractional fee, fair rental value, partial acquisitions, easements, and rights-of-way. Work has been concentrated in Southern California and Nevada.

Property Types Appraised (Partial List):

Apartments	Auto Dealerships
Commercial Buildings	Condominium Projects
Industrial Buildings	Multi Tenant Industrial Buildings
Offices	Medical Offices
Mobile Homes	Retail Buildings
Single Family Residences	Shopping Centers
Service Stations	Waterfront and Oceanfront Properties
Residential Land	Commercial-Industrial Land
Subdivision Land	Undeveloped Acreage
Vacant Lots	

Specialized Properties and Assignments (Partial List):

AT&SF Railroad main line, San Onofre to Fullerton, commuter rail acquisition
So. Pacific Railroad right-of-way, Santa Ana - Anaheim, for freeway widening
Tidelands, fair rental value of Beacon Bay, Newport Beach
Yacht club site, Newport Beach
Southern California Edison transmission right-of-way at Disneyland
H.U.D. apartment projects in Long Beach, Hawaiian Gardens and Downey
Campus buildings at Southern California School of Theology
957-acre ranch in Ramona
9,117 acres and 2,668 acres of natural lands in Beaumont
65 acres of wetlands in Huntington Beach
Smithcliffs, 10-acre ocean bluff estate in Laguna Beach
Surface rights over flood control channel at Crystal Cathedral
Damaged 87-unit condominium project in Monterey Hills, Los Angeles
Portion of Knott's Berry Farm for widening of Beach Boulevard
9-acre fee/leasehold luxury auto dealership in Newport Beach
Properties with soils, subsidence or construction defects issues in So. California
Fair rental valuations in Marina del Rey

Clients (Partial List):

Attorneys & Corporations

Allen, Matkins, Leck, Gamble & Mallory, LLP - Stephen R. Thames, Attorney
The Bixby Ranch Company
Barger & Wolen - Don Adkinson, Attorney
Barton, Klugman & Oetting - Ronald R. St. John, Attorney
Carlsberg Management Company
Chase Development Company
Citation Homes
DiCastro, West, Chodrow & Burns - Menasche Nass, Attorney
Drew & Driscoll - Donald Drew, Attorney
Ewen & Ewen - Elaine Ewen, Attorney
Frank H. Ayres & Sons
The Gersten Companies
Gibson, Dunn & Crutcher - Michelle M. Mulrooney, Attorney
The Irvine Company
Koeller, Nebeker, Carlson & Haluck - Mark Newcomb, Attorney
Lee & Ro, Inc.
Lockheed Martin Corporation
Meserve, Mumper & Hughes - J. Robert Meserve, Attorney
Michael D. McCaffrey, Attorney
McKittrick, Jackson, DeMarco & Peckenpaugh - Edward. A. Galloway, Attorney
Nossaman, Guthner, Knox & Elliott - Alvin S. Kaufer, Attorney

O'Melveny & Myers - Russell G. Allen, Attorney
Pri-Vest Bank
Richards Watson & Gershon - Michael Yoshiba, Attorney
Paone, Callahan, McHolm & Winton - Kenneth D. Johnson, Attorney
Southern California Edison Company
Southern Pacific Transportation Company
St. Bernardine Medical Center
Wells Fargo Bank
Woodruff, Spradlin & Smart - Craig Farrington, Attorney

Public Agencies, Governmental:

City of Newport Beach
City of Tustin
Community Redevelopment Agency of Los Angeles
County of Orange
Los Angeles County Department of Beaches and Harbors
Orange County Transportation Authority
Riverside County Flood Control District
State of California Attorney General's Office
State of California Department of Transportation (Caltrans)
State of Nevada Department of Transportation (NDOT)
United States District Court, Santa Ana
University of California