SUMMARY REPORT

927 West Broadway
Minneapolis, Minnesota 55411

December 31, 2008

Prepared for:

Mr. Gregory P. Sautter
Assistant City Attorney
Minneapolis City Attorneys' Office
33 South 7th Street, Suite 300
Minneapolis, MN 55402

Mr. Phillip R. Krass
Krass Monroe, P.A.
8000 Norman Center Drive, Suite 1000
Minneapolis, MN 55437

Job Number: 08244

February 26, 2009

Mr. Gregory P. Sautter
Assistant City Attorney
Minneapolis City Attorney's Office
333 South 7th Street, Suite 300
Minneapolis, MN 55402

Mr. Phillip R. Krass
Krass Monroe, P.A.
8000 Norman Center Drive, Suite 1000
Minneapolis, MN 55437

RE: SUMMARY APPRAISAL REPORT OF 927 WEST BROADWAY, MINNEAPOLIS, MINNESOTA

Dear Messrs. Sautter and Krass:

At your request, we appraised the market value of the property at 927 West Broadway, Minneapolis, Minnesota, for the intended use of establishing a sale price as part of a legal settlement between the city of Minneapolis and the property owner, Robert Lee Fern. Our findings, analyses, and conclusions are presented in the attached Summary Report. The depth of discussion contained in the report is specific to the stated purpose and intended use. Shenehon Company is not responsible for unauthorized or improper use of the report. Detaching this transmittal letter from the report may mislead the intended user of the report.

The subject property is a three-story plus basement multi-tenant office and retail building. The improvements were constructed in 1901. The building is 11,161 square feet gross buildable area. Based on conversations with the parties and our physical inspection, the second and third floors are inhabitable. We consider the net rentable area only to be the street level which is 2,901 square feet. We note, however, that the leases for the street level space state it is 3,150 square feet. In our analysis, we are using the actual rent paid and the square footage as measured by the architect. We think there is little value to the basement and some contributory value to the second and third floors. The site is 4,840 square feet.

Based upon the analyses contained in the following report, it is our opinion that the subject property had a market value on December 31, 2008, of:

FOUR HUNDRED THIRTY THOUSAND DOLLARS---------------------$430,000

Our appraisal excludes any personal property, fixtures, or intangible items that are not real property.

Our report complies with the reporting requirements of the Uniform Standards of Professional Appraisal Practice. We personally inspected the property and investigated information believed to be pertinent to its valuation. To the best of our knowledge and belief, the statements and opinions contained in this report are correct and reasonable subject to the limiting conditions set forth.

Thank you for selecting Shenehon Company for your valuation needs. If you have any questions concerning the report, please contact us at 612-333-6533.

SHENEHON COMPANY

Certified to this 26th day
of February, 2009.

Robert J. Strachota, MAI, CRE, MCBA, FIBA
President
Minnesota License No. 4000882
Email: value@shenehon.com

/my

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

1. I considered the factors that have an impact on value in developing the market value in the appraisal report. I did not knowingly withhold any significant information from the appraisal report, and I believe that all the statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3. I have no present or prospective interest in or bias with respect to the business or property that is the subject of this report and have no personal interest in or bias with respect to the parties involved.

4. Neither my engagement nor my compensation is contingent upon a predetermined value estimate or conclusion.

5. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Appraisal Institute, the American Society of Appraisers, The American Society of Real Estate Counselors, and the Institute of Business Appraisers Code of Professional Ethics and Standards of the Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice.

6. Shenehon Company made a personal inspection of the property that is the subject of this report.

7. Wendy S. Cell provided significant additional professional assistance.

8. As of the date of this report, I have completed the requirements of the continuing education program of the states where I am licensed and of the associations in which I am a member.

9. I have previously appraised similar properties like the subject and, therefore, have the knowledge and experience to meet the competency provision of the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation.

10. The use of this report is subject to the requirements of the Appraisal Institute, the American Society of Appraisers, The American Society of Real Estate Counselors, and the Institute of Business Appraisers relating to review by its duly authorized representatives. The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice.

11. I am an employee of Shenehon Company and it accepts responsibility for the opinions in the report subject to the Certificate and the Assumptions and Limiting Conditions specified in the report.

Robert J. Strachota, MAI, CRE, MCBA, FIBA
President
License No. 4000882

This appraisal report was written based on the following assumptions and limiting conditions:

1. The property is appraised free and clear of any and all liens or indebtedness, unless otherwise stated. Documents dealing with such matters were not reviewed.

2. Title is assumed to be clear and marketable unless otherwise stated. No responsibility is assumed for title considerations.

3. All factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner is assumed to be accurate and correct. The information contained in this report was gathered from reliable sources and is assumed to be correct, but no warranty is given for its accuracy.

4. No responsibility is assumed for the legal description provided or for matters pertaining to legal issues. It is assumed that the land and improvements are located within the boundaries or property lines of the legally described property and that the building complies with all ordinances unless otherwise stated.

5. All value estimates in this report assume stable soils. No analysis of soil conditions was required and none was made. The appraiser is not qualified to make such an analysis. No responsibility is assumed for unknown soil conditions or for obtaining the engineering studies that may be required to discover them.

6. Estimates in this appraisal report are based upon the present status of the national business economy and the current purchasing power of the dollar. The forecasts, projections, or operating estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to change in future conditions.

7. Any maps, photographs, and exhibits included in this report are for illustrative purposes only and are included to assist the reader in visualizing the property. Data pertaining to the size or area of the subject and comparable properties were obtained from reliable sources.

8. The market value in this appraisal report is based upon the physical condition of the property at the time of inspection, unless otherwise indicated, and the market conditions applicable to the date of valuation which may differ from the market conditions applicable to the date of inspection.

9. The appraiser is not required to prepare for or appear in court or before any board or governmental body by reason of this appraisal report unless previous arrangements were made. If Shenehon Company is compelled to produce documents or testify with regard to work performed, the client shall reimburse Shenehon Company for all costs and expenses incurred.

10. Information relating to the appraisal report such as market data, studies, field notes, conversation notes, and calculations is more fully documented in Shenehon Company's confidential work files.

11. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated highest and best use of the property. The allocation of the value to the land and building must not be used in conjunction with any other appraisal and are invalid if so used.

12. Full compliance with all applicable zoning and use regulations and restrictions is assumed unless a nonconformity has been stated, defined, and considered in the appraisal report. Full compliance with all applicable federal, state, and local environmental regulations and laws is assumed unless noncompliance is stated, defined, and considered in the appraisal report. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authorizations from any local, state, or national government or private entity or organization were or may be obtained or renewed for any use on which the value estimate contained in this report is based.

13. The subject property is assumed to be under responsible ownership and competent management.

14. This appraisal recognizes that available financing is a major consideration by typical purchasers of income-producing real estate in the market, and the appraisal assumes availability of financing to responsible and sufficiently substantial purchasers of the property in amounts similar to those indicated or implied in this report.

15. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. Unless otherwise stated in this report, the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would result in a loss of value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

16. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the detailed requirements of the Americans with Disabilities Act (ADA) which became effective January 26, 1992. Alterations required to comply with ADA regulations may have a negative impact on the value of the property.

17. The client agrees that by performing the services rendered, Shenehon Company does not assume, bridge, abrogate, or undertake to discharge any duty of the client to any other entity.

18. Any use of this appraisal report, by the client, is contingent upon payment of all fees in accordance with the agreed upon terms.

19. In consideration for performing the services rendered at the fee charged, Shenehon Company expressly limits its liability to five times the amount of the fee paid or $100,000, whichever is less. Shenehon Company expressly disclaims liability as an insurer or guarantor. Any persons seeking greater protection from loss or damage than is provided for herein should obtain appropriate insurance. The client shall indemnify and hold harmless Shenehon

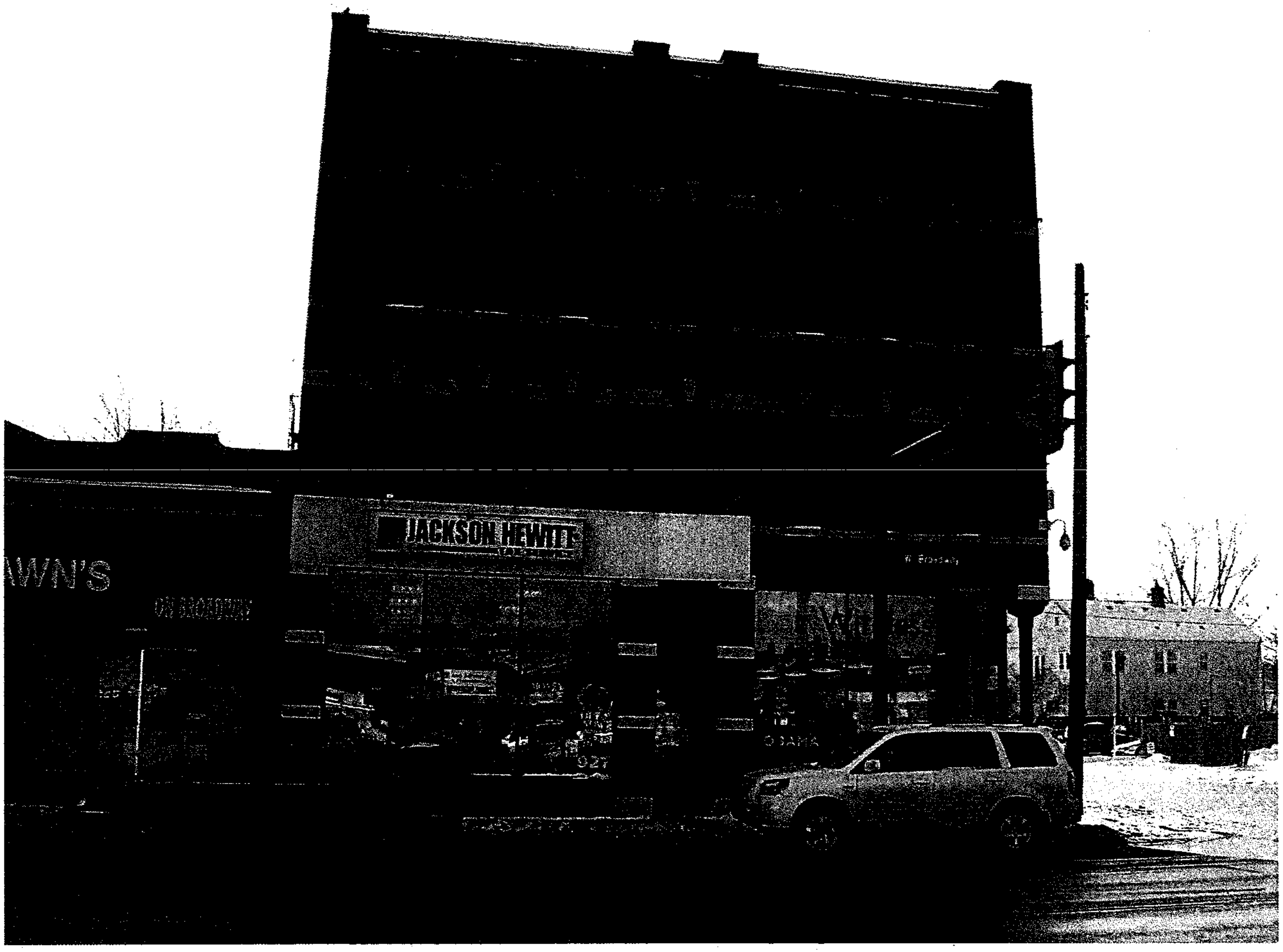
Company and its employees against all claims by any third party or any judgment for loss or damage relating to the performance or nonperformance of any services by Shenehon Company.

20. Unless specifically brought to the appraiser's attention, the appraiser assumes that there are no hidden or unexpected conditions of the asset to be appraised that would adversely affect or enhance the value.

21. In the event of a dispute involving interpretation or application of this agreement, the parties shall be governed under the laws of the State of Minnesota.

22. Shenehon Company and/or the appraisers are not qualified to render expert opinions regarding structural issues, water damage, environmental assessments (such as mold), engineering/mechanical issues, ADA and/or building code compliance, land planning, architectural expertise, or soil conditions. If requested, Shenehon Company will recommend qualified experts in these fields to assist the client and/or the appraisal process.

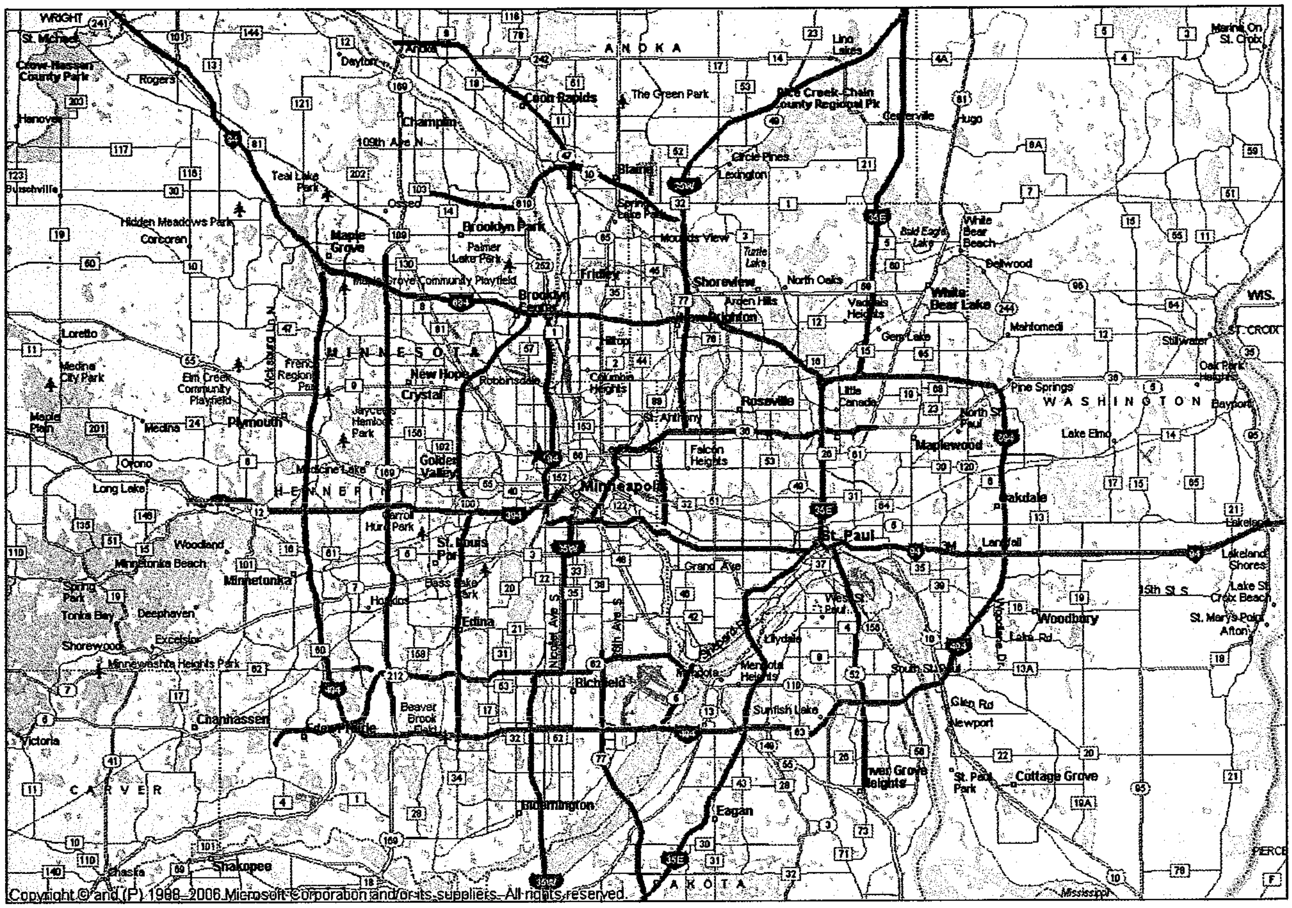
23. The appraisal report has been prepared for the intended use of our clients, Mr. Gregory P. Sautter, Assistant City Attorney, Minneapolis City Attorney's Office, and Mr. Phillip R. Krass, Krass Monroe, P.A., for establishing a sale price as part of a legal settlement between the city of Minneapolis and the property owner, Robert Lee Fern. Possession of this report, or a copy thereof, does not carry with it the right of publication, either in whole or in part, nor may it be used for any purpose other than the one stated in the Letter of Transmittal and the Purpose of the Report, without the express, written, consent of the appraiser and the client. Authorized copies of this report will be signed in blue ink by the appraiser. Unsigned copies or copies not signed in blue ink should be considered incomplete. All unauthorized or incomplete copies of this report should also be considered confidential and, as such, must be returned, in their entirety, to Shenehon Company.



Property Address	927 West Broadway, Minneapolis, Minnesota
Property Rights Appraised	Leased fee
Zoning	C2 Neighborhood Corridor Commercial District
Effective Date of Appraisal	December 31, 2008
Date of Report	February 26, 2009
Highest and Best Use	
As Vacant	Mixed-use commercial development
As Improved	Retail/service building
Land Area	4,840 square feet

Improvements	
Property Type	Multi-tenant office and retail building
Gross Building Area	11,161 square feet
Net Rentable Area	2,901 square feet (with contributory value to the second and third floors)
Year Built	1901
Condition	Average – main floor Poor – second and third floors
Value Indications	
Cost Approach	Not Applicable
Sales Comparison Approach	$360,000
Income Capitalization Approach	$440,000
Reconciled Value	$430,000

Addenda


A N O K A
Anoka
Dayton
Rogers
Champlin
Coon Rapids
Blaine
Brooklyn Park
Maple Grove
Fridley
Shoreview
White Bear Lake
Mahtomedi
Stillwater
WIS.
Loretto
Plymouth
New Hope
Crystal
Robbinsdale
Roseville
Little Canada
Maplewood
W A S H I N G T O N
Golden Valley
Minneapolis
Falcon Heights
Oakdale
Long Lake
Orono
Woodland
Minnetonka
St. Louis Park
St. Paul
Lakeland
Deephaven
Excelsior
Edina
Woodbury
Afton
Richfield
Mendota Heights
Chanhassen
Victoria
Eden Prairie
Bloomington
Eagan
Inver Grove Heights
Cottage Grove
Newport
C A R V E R
Chaska
Shakopee
D A K O T A
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PROPERTY IDENTIFICATION

The subject property is located at 927 West Broadway, Minneapolis, Minnesota. The improvements consist of a three-story plus basement multi-tenant office and retail building. The improvements were constructed in 1901 and consist of 11,161 gross building area. The property identification number is 16-029-24-14-0195.

LEGAL DESCRIPTION

West 44 feet of Lot 6, Block 21, except street, Highland Park Addition to Minneapolis, Hennepin County, Minnesota.

INTENDED USE AND USER OF THE REPORT

The intended use of this appraisal report is to estimate the market value of the subject property for establishing a sale price as part of a legal settlement between the city of Minneapolis and the property owner, Robert Lee Fern. The intended users of the report are our clients, Mr. Gregory P. Sautter, Assistant City Attorney, Minneapolis City Attorney Office, and Mr. Phillip R. Krass, Krass Monroe, P.A.

RELEVANT DATES

Date of Valuation

The market value for the subject property is estimated as of December 31, 2008.

Date of Report

The date of the report is the date on the Letter of Transmittal, February 26, 2009.

PROPERTY RIGHTS APPRAISED

The subject real estate was appraised by estimating the market value of the leased fee interest of the real estate. The definition of leased fee interest as used in this appraisal is from *The Dictionary of Real Estate Appraisal,* Fourth Edition, page 161.

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

The current and projected gross revenues, vacancies, and expenses were analyzed and presented in the income capitalization approach to value section of this appraisal report. (See that section of the report for details.)

MARKET VALUE DEFINITION

The definition of market value as used in this appraisal is from *The Dictionary of Real Estate Appraisal,* Fourth Edition, page 177.

> The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.

The corresponding definition in the *Uniform Standards of Professional Appraisal Practice (USPAP)*, 2008-2009 Edition, page A-105, was agreed upon by agencies that regulate federal financial institutions in the United States.

> 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 are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> 1. Buyer and seller are typically motivated;
> 2. Both parties are well informed or well advised and acting in what they consider their own best interests;
> 3. A reasonable time is allowed for exposure in the open market;
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

SCOPE OF WORK

The scope of work relates to the extent and manner information is researched and analyzed based upon the appraisal assignment. The appraiser completed the following steps:

1. Researched public data such as zoning requirements, flood zone status, legal description, assessment and tax information, and community data;
2. Gathered and verified information about the subject property;
3. Inspected the exterior and interior of the subject property;
4. Toured the neighborhood, and analyzed its boundaries, uses, and trends;
5. Reviewed and considered the real estate market;
6. Interpreted the market forces that affect the subject property and identified the use or uses on which the final opinion of value is based;
7. Researched and analyzed comparable improved sales to estimate the market value of the subject property via the sales comparison approach to value;
8. Researched and analyzed market rent and expenses to project the cash flow for the subject property to estimate its market value via the income capitalization approach to value; and
9. Reconciled the quality and quantity of data available to estimate the final market value conclusion of the subject property.

Sources utilized to obtain this information include public records, published data, client documents, client representative, city representatives, buyers, and sellers.

This appraisal is a Summary Report which complies with the reporting requirements set forth under Standards Rule 2-2(b) of USPAP. A Summary Report summarizes the data, reasoning, and analyses used in the assignment to develop the appraiser's opinion of value. Additional documentation is retained in Shenehon Company's confidential work files.

According to public records, the property is owned by Robert Lee Fern and has not sold within three years. The city of Minneapolis under the 2003 Empowerment Zone Commercial Corridor funding agreed to loan $250,000 to the property owner to help with redevelopment costs for the property. The loan agreement was signed in June 2005 and $50,000 was disbursed in July 2005. The loans were to be forgiven.

Between July 2004 and June 2006, the property owner had negotiated with Hennepin County to lease most of the property for a Juvenile Probation Office. In June 2006, the county withdrew from its negotiations. In the spring of 2006, the owner negotiated with the city to lease one-half or one-third of the street level for a Police Safety Center. In June 2006, the city withdrew from its negotiations.

As a result of the failure of the owner's redevelopment, the city sued the owner claiming breach and default on the $50,000 loan. The owner counterclaimed on both loans claiming breach on the city's part and damages of upwards of $200,000. The parties agreed to settle the matter with the city purchasing the property at fair market value. As part of the settlement, both loans were cancelled and neither party has any continuing financial obligation.

The property is within the territory of the West Broadway initiative. Minneapolis is driving redevelopment projects along West Broadway and across north Minneapolis that will bring over $100 million in investment in new housing, office, retail, and arts space. The city of Minneapolis currently has no redevelopment plans for the property. The property is currently leased to two tenants who occupy space on the street level, and a third tenant was under contract to occupy the second and third floors commencing on January 1, 2009. We note from our inspection that considerable renovation is needed before the second and third floors become tenantable. As of the inspection date and report date, the tenant does not occupy the space, has not begun remodeling, and has not requested a building permit. According to the city planning department, the electrical wiring in that space may need to be updated to current code among other issues, but the determination of code compliancy and requirements will not be known until remodeling plans are submitted for review and approval.

We were advised of three offers to purchase the property within the recent past. The owner of the tenant, Best Wireless, offered $500,000 to purchase the building in 2006 and 2008. To the best of our knowledge, no written offer was made and no purchase agreement was executed. Also, the owner of the tenant, Tax Services of America, spoke to the building owner in 2006 about purchasing the building. To the best of our knowledge, no written offer was made and no purchase agreement was executed, but the tenant has stated the asking price was $475,000. Further, the prospective tenant of the second and third floors, Hi-Quality Furniture Store, expressed interest in buying the building when the two current leases expire. To the best of our knowledge, no written offer was made.

Minneapolis/St. Paul is the geographic center of the Upper Midwest, as well as the center for the region's business, finance, and industry. The Minneapolis economy is characterized by diversity, stability, and long-term upward growth trends, ensured by the large number of major industries with long-term commitments to the area. The vital nature of the Minneapolis economy is shown by its stable demographic and economic growth, corporate diversity, and its ample transportation systems.

There are a number of specific definitions of the Twin Cities. Initially, the "Twin Cities" meant Minneapolis and St. Paul. As the cities grew and the suburbs expanded, the term more often referred to the central cities and their suburbs without any specific boundaries in mind. The many different geographic definitions have originated from a variety of places and serve many purposes. One of the most often used definitions is Region 11, the legislatively defined area of the Metropolitan Council authority which includes the seven counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington. The Council was created in 1967 to plan for growth and coordinate the delivery of regional systems. The other two most widely-used definitions are the 11-County Area used by the Department of Employment and Economic Development and the 13-County Metropolitan Statistical Area (MSA) as defined by the Office of Management and Budget (OMB) and used primarily by the U.S. Census Bureau.

Government

Each incorporated community within the Twin Cities Metropolitan Area (TCMA) has its own unit of government, but comprehensive planning in the TCMA is controlled by the Metropolitan Council, an agency set up for the orderly management of the seven-county area in the areas of land use planning, sanitary sewer, and waste control. The council carries out the process through internal agencies under its control. The primary function is to control random development by the counties and to coordinate activities to minimize waste and duplication.

Finance

The Twin Cities is the financial capital of the Upper Midwest, which includes Minnesota, western Wisconsin, upper Michigan, northern Iowa, North Dakota, South Dakota, and eastern Montana. Headquartered in the Twin Cities are U.S. Bancorp (formerly First Bank System) and Midwest headquarters of Wells Fargo & Co., two of the largest bank holding companies in the United States. Also located in the Twin Cities are two Fortune 500 life insurance companies: Thrivent Financial and Travelers Companies (formerly St. Paul Travelers).

Corporate Diversity

One of the most impressive aspects of the Minneapolis/St. Paul economy is its diversity. The Twin Cities has many major industries, including electronics, machinery and instrument manufacturing, food processing, and graphic arts. This area is the nation's largest producer of mainframe computers and related equipment and is the world's largest grain trading center. Eighteen Fortune 500 companies have located their headquarters in the Twin Cities area, and one company, Hormel Foods, is located 100 miles south of the Twin Cities in Austin, Minnesota. A list of those Fortune 500 companies and their 2007 ranking is located in the following table.

FORTUNE 500 COMPANIES

No.	Rank	Company	Revenues ($ millions)	Profits ($ millions)
1.	25	UnitedHealth Group	$75,431.0	$4,654.0
2.	31	Target	$63,367.0	$2,849.0
3.	62	SuperValue	$37,406.0	$452.0
4.	66	Best Buy	$35,934.0	$1,377.0
5.	93	Travelers	$26,017.0	$4,601.0
6.	100	3M	$24,462.0	$4,096.0
7.	122	U.S. Bancorp	$20,308.0	$4,324.0
8.	145	CHS	$17,216.0	$750.3
9.	213	Northwest Airlines	$12,528.0	$2,093.0
10.	214	General Mills	$12,442.0	$1,144.0
11.	217	Medtronic	$12,299.0	$2,802.0
12.	260	Xcel Energy	$10,034.2	$577.3
13.	294	Land O'Lakes	$8,924.9	$162.1
14.	296	American Financial	$8,909.0	$814.0
15.	341	C.H. Robinson Worldwide	$7,316.2	$324.3
16.	390	Hormel Foods	$6,193.0	$301.9
17.	398	Thrivent Financial for Lutherans	$6,132.6	$424.2
18.	422	Mosaic	$5,773.7	$419.7
19.	438	Ecolab	$5,469.6	$427.2

Source: FORTUNE, April 2008

Transportation

The Twin Cities is the center of the Upper Midwest's transportation network and includes barges, trucks, rail, and air transportation. Due to its strategic location at the head of the Mississippi River, the Twin Cities is the home of six barge lines and served by over 72 barge carriers. The Twin Cities comprises the nation's seventh largest wholesale distribution center and the third largest trucking distribution center, with over 100 first-class carriers. Additionally, there are seven trunk line railroads with over 5,400 miles of rail trackage. Seventeen national/international and eight local/regional air carriers serve the Twin Cities, with nearly 12 million passengers passing through the airport each year.

The Twin Cities is criss-crossed by an interconnecting system of major interstate freeways, consisting of 14,934 miles of streets and highways, in the seven-county area. Minnesota has over 135,000 miles of streets and highways. Like most major metropolitan areas, the Twin Cities has its share of expressways and freeways that were planned, but due to money or opposition were never built; however, there are currently no plans, according to Mn/DOT, to build those that were not built, nor are there any plans for additional interstate highways in Minnesota.

The Hiawatha Line Light Rail Transit, which initially broke ground in January 2001, partially opened in June 2004, and fully opened in December 2004. The line connects three of the Twin Cities' most popular destinations; downtown Minneapolis, the Minneapolis/St. Paul International Airport, and the Mall of America. Later this year, either light rail or bus rapid transit will be selected for the Central Corridor between downtown St. Paul and downtown Minneapolis.

The Northstar Corridor is an 82-mile transportation corridor that runs along Highway 10 from St. Cloud to downtown Minneapolis. The Northstar Commuter Rail project is being developed to serve a 40-mile portion of the corridor from Big Lake to Minneapolis. Initial planning began in 1997, Northstar is projected to be fully operational in 2009, and an estimated 5,600 daily passengers will ride it by 2025.

Culture and Education

Minnesota has developed excellent primary and secondary educational systems which rank among the nation's highest in percentage of graduating high school seniors. Minnesota also has consistently been in the top 10 states in percentage of population with college degrees. There are 15 colleges and universities in the Twin Cities metropolitan area, including the University of Minnesota with about 38,000 full-time students. About 39% of the Minnesota tax dollar is spent on educational support.

Cultural facilities include several dozen theaters, including the famous Tyrone Guthrie Theater, a science museum, two art museums, the well-known Minnesota Symphony Orchestra, and the Ordway Music Theater.

Recreational

There is a wide range of recreational opportunities in the Twin Cities, ranging from professional spectator sports to individual leisure sports. Within the metropolitan area are 951 lakes, 40 marinas, 53 camping areas, 105 public and private golf courses, and six county parks (12,714 acres). In addition, there are ski resorts, riding stables, tennis courts, and skating rinks. The Twin Cities also has two zoos, the older Como Zoo in St. Paul and the newer Minnesota Zoo in Apple Valley.

The Minnesota Vikings (football) and Minnesota Twins (baseball) play in the Hubert H. Humphrey Metrodome, and the Minnesota Timberwolves (basketball) play in the Target Center, both located in downtown Minneapolis. In addition, the Minnesota Wild, a National Hockey League franchise, began its inaugural season as of September 29, 2000 in downtown St. Paul. The city completed construction of a new arena for the franchise adjacent to RiverCentre in September 2000, known as the Xcel Energy Center. These indoor facilities reinforce the perception of the Twin Cities as a major metropolitan area.

Population

In 2000, the Minneapolis/St. Paul MSA had the 15th largest population among the nation's urban areas. The 2000 U.S. Census shows the Twin Cities metropolitan population at 2,968,806, a 16.94% increase over the 1990 census.

The Minneapolis-St. Paul-Bloomington MN-WI 13-county MSA boundary remained the same after the 2000 census. Metropolitan Statistical Areas (MSAs) are groupings of whole counties meeting various criteria related to the population size of the central cities, contiguity of development, density and comminuting links. MSAs have been defined after each census since 1950 by the OMB. These areas are intended for statistical analysis only, although they are widely used for various administrative purposes with financial ramifications. The U.S. Census Bureau designated Anoka, Dakota, Hennepin, and Ramsey Counties as the first SMSA (Standard Metropolitan Statistical Area) in 1950. Washington County was added in 1958; Carver, Chisago, Scott, Wright, and St. Croix, Wisconsin in 1973; Isanti in 1983; and Sherburne and Pierce, Wisconsin in 1992. A chart showing 1990 and 2000 census population statistics including 2006 estimates and 2020 projections is shown below.

MINNEAPOLIS/ST. PAUL POPULATION CHANGES - 1990 TO 2020

	1990		2000		Change 1990-2000		Estimated	Projected
County	Population	Percent	Population	Percent	Increase	Percent	2006	2020
Anoka	243,641	9.60%	298,084	10.04%	54,443	22.35%	328,614	399,810
Carver	47,915	1.89%	70,205	2.36%	22,290	46.52%	86,236	159,300
Chisago	30,521	1.20%	41,101	1.38%	10,580	34.66%	50,278	NA
Dakota	275,227	10.84%	355,904	11.99%	80,677	29.31%	391,613	480,150
Hennepin	1,032,431	40.67%	1,116,200	37.60%	83,769	8.11%	1,152,508	1,310,030
Isanti	25,921	1.02%	31,287	1.05%	5,366	20.70%	38,436	NA
Ramsey	485,765	19.13%	511,035	17.21%	25,270	5.20%	515,059	570,860
Scott	57,846	2.28%	89,498	3.01%	31,652	54.72%	119,646	193,900
Sherburne	41,945	1.65%	64,417	2.17%	22,472	53.57%	85,025	NA
Washington	145,896	5.75%	201,130	6.77%	55,234	37.86%	228,103	316,043
Wright	68,710	2.71%	89,986	3.03%	21,276	30.96%	114,806	NA
Pierce, WI	32,765	1.29%	36,804	1.24%	4,039	12.33%	NA	NA
St. Croix, WI	50,251	1.98%	63,155	2.13%	12,904	25.68%	NA	NA
TOTALS	2,538,834	100.00%	2,968,806	100.00%	429,972	16.94%	*3,110,324	**3,460,100

* 11-county area; ** 7-county area

Source: U.S. Census, 1990 and 2000; DATANET; Metropolitan Council *Regional Development Framework*, revised forecast, March 8, 2006

Household Trends

Reflecting the nationwide trend of fewer people forming a household, the number of households in the seven-county metropolitan area grew faster than the population from 1990 to 2000. Total number of households in the seven-county area for 2006 is estimated at 1,109,836, an 8.65% increase since 2000.

The following chart provides figures on historical and projected household trends in the Twin Cities metropolitan area.

NUMBER OF HOUSEHOLDS
MINNEAPOLIS/ST. PAUL METROPOLITAN AREA

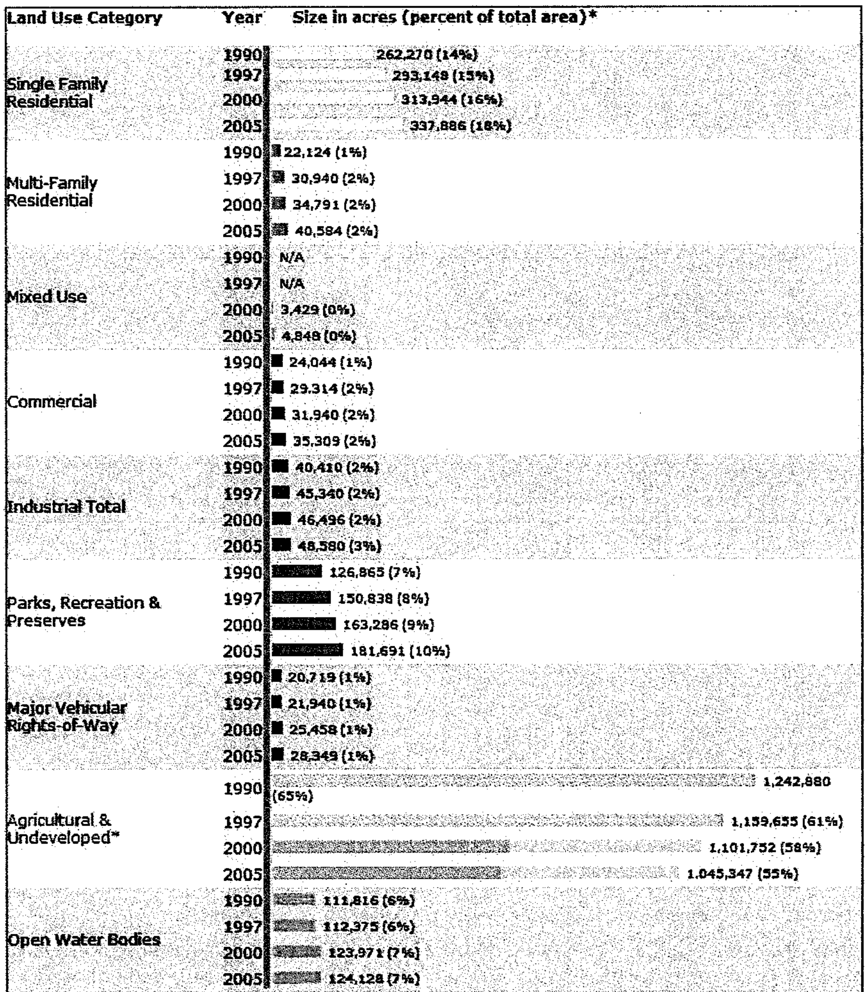
Area	1980	1990	2000	Estimated 2006	% Increase 2000-2006	Projected 2020
Seven-County Area Totals	721,444	875,504	1,021,454	1,109,836	8.65%	1,386,200
City of Minneapolis	161,858	160,682	162,352	167,317	3.06%	181,000
City of St. Paul	106,223	110,249	112,109	113,574	1.31%	127,000
13-County Area						
Anoka	60,716	82,437	106,428	119,138	11.94%	154,880
Carver	12,011	16,601	24,356	30,968	27.15%	60,660
Chisago	8,347	10,551	14,454	17,748	22.79%	NA
Dakota	64,087	98,293	131,151	147,824	12.71%	190,790
Hennepin	365,536	419,060	456,129	479,483	5.12%	550,480
Isanti	7,503	8,810	11,236	14,158	26.01%	NA
Ramsey	170,505	190,500	201,236	206,149	2.44%	231,670
Scott	13,501	19,367	30,692	42,512	38.51%	75,000
Sherburne	8,971	13,643	21,581	29,004	34.40%	NA
Washington	35,088	49,246	71,462	83,762	17.21%	122,744
Wright	18,426	23,013	31,465	41,923	33.24%	NA
Pierce, WI	NA	11,011	13,015	NA	---	NA
St. Croix, WI	NA	17,638	23,410	NA	---	NA

Source: U.S. Census, 1990 and 2000; DATANET; Metropolitan Council *Regional Development Framework*, revised forecast, March 8, 2006

The preceding charts show a steady, outward flow of the population moving from the city toward the suburbs. This trend will continue because the central cities of the metropolitan area are highly developed. This fast-growing population provides a conveniently located workforce for the expanding industrial and commercial base.

Urban Development

Urban development in the Twin Cities metropolitan area consumed over 8,800 acres of vacant/agricultural land annually between 1980 and 1990. Current data shows that the growth rate has increased to 12,647 acres annually developed per year between 1990 and 2005. The 15-year total was 189,698 acres. Of the 189,698 acres of land converted into urban usage from 1990 to 2005, land used for residential purposes consumed the most land; 94,076 acres, (49.59%). Parks, recreation and preserves grew by 54,826 acres (28.90%) Commercial uses increased by 11,265 acres (5.94%), industrial usage by 8,170 acres (4.31%), major vehicular right-of-way 7,630 acres (4.02%) and mixed use grew by 1,419 acres (.75%). Open bodies of water increased by 12,312 acres (6.49%). The most current land use for the metropolitan area, as broken down by the Metropolitan Council by categories, is displayed below:



*Agricultural & Undeveloped has two parts in 2000 and 2005: The green shows Agriculture and the gray shows Undeveloped land use.

Notes:
- Percentages and acres are rounded to the nearest whole number.
- The percentages shown are calculated using the total land area for the municipality, county or region. Not all land use categories are included in this chart, so percentages totaled by year may not equal 100. The total land area for Metro Area is 1,904,014 acres.
- For additional explanation of land use categories and how to compare numbers between years, please see the Land Use Notes page.

The Metropolitan Council forecasts envision a growth of 364,746 households (the equivalent of nine Bloomingtons) and 788,044 people by the year 2020, when compared to the 2000 census. The number expected is the same as the growth occurring in the region from 1970 to 1995. By 2020, the region's households are expected to top 1.3 million and its population will reach approximately 3.4 million.

The previous Metropolitan Council adopted the "Blueprint 2030" plan in December 2002. The current council started over and wrote a development framework that will help guide regional growth over the next 30 years. This "Regional Development Framework" has been discussed and a draft was written by the council. The Regional Development Framework was adopted in January 2004 and most recently revised with current estimates and projections on March 8, 2006.

There was an estimated 835 square miles (excluding lakes and rivers) of land within the 1995 Metropolitan Urban Service Area (MUSA), a subset of the seven-county metropolitan area. In 2000, there were an estimated 1,047 square miles (excluding open bodies of water). This equates to a growth in the area covered by MUSA to 42.2 square miles per year.

Income

According to data collected and published by the market research company Sales and Marketing Management (SMM) and Demographics USA, the Twin Cities is an affluent metropolitan area. 2000 median household effective buying income (roughly equal to disposable after-tax income) is estimated at $50,028 for the 13-county metropolitan area. Income estimates by SMM and Demographics USA for the metropolitan area appear in the following table.

MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME

County	1980	1990	2000	2006	% Increase 2000-2006
Anoka	$22,822	$35,012	$50,969	$52,065	2.2%
Carver	$22,201	$34,414	$51,939	$59,185	14.0%
Chisago	NA	$28,272	$36,349	$48,279	32.8%
Dakota	$21,881	$38,637	$58,793	$54,939	-6.6%
Hennepin	$23,737	$32,746	$50,003	$47,604	-4.8%
Isanti	NA	$26,319	$41,383	$46,888	13.3%
Ramsey	$22,788	$31,145	$42,732	$43,108	0.9%
Scott	$22,111	$32,320	$56,250	$59,436	5.7%
Sherburne	NA	NA	$46,144	$51,573	11.8%
Washington	$23,301	$45,247	$56,222	$58,386	3.8%
Wright	NA	$28,954	$45,509	$50,531	11.0%
Pierce, WI	NA	NA	$42,459	$46,108	8.6%
St. Croix, WI	NA	$32,356	$50,071	$49,081	-2.0%
Metro Area	$22,788	*$33,773	**$50,028	NA	---
Minnesota	$20,089	$26,848	$41,098	$44,950	9.4%

*11-county Minneapolis-St. Paul metro area defined by Sales & Marketing Management

**13-county Minneapolis-St. Paul metro area defined by Sales & Marketing Management

Source: Survey of Buying Power, 1981, 1991, 2001 Sales and Marketing Management; Trade*Dimensions* International, Inc. - Demographics USA 2006

Employment

Nonagricultural employment in the region has grown through 2006. In recent years, two of the 11 counties in the area have experienced some negative employment growth. Total employment in the metropolitan area was approximately 1,325,302 in 1990 and 1,670,120 in 2000, increasing 26% within this time period and showing a similar growth rate (20%) from 1980 to 1990. The most current 2006 data shows that total employment has increased by 1.68%. Job growth is expected in the future, as indicated by the 2020 projections. Employment details for the TCMA from 1980 through 2006, including 2020 projections are presented in the table below.

TCMA EMPLOYMENT - 1980 TO 2020

County	1980	1990	2000	% Increase 1990-2000	2006	% Increase 2000-2006	Forecasted 2020
Anoka	57,806	76,783	108,912	41.84%	115,513	6.06%	138,130
Carver	9,826	16,974	28,726	69.24%	33,335	16.04%	51,360
Chisago	5,878	8,364	12,667	51.45%	14,345	13.25%	NA
Dakota	61,675	102,089	153,375	50.24%	174,101	13.51%	199,340
Hennepin	600,978	732,796	874,603	19.35%	841,554	-3.78%	1,045,610
Isanti	5,376	6,873	9,167	33.38%	10,944	19.38%	NA
Ramsey	296,314	294,304	333,005	13.15%	330,852	-0.65%	404,380
Scott	13,219	18,525	34,689	87.26%	42,599	22.80%	53,830
Sherburne	6,000	9,946	19,087	91.91%	23,651	23.91%	NA
Washington	27,390	41,112	67,038	63.06%	74,233	10.73%	109,410
Wright	11,432	17,536	28,851	64.52%	37,127	28.69%	NA
TOTALS	1,095,894	1,325,302	1,670,120	26.02%	1,698,254	1.68%	*2,002,100

* 7-county Metropolitan Council area

Source: Minnesota Department of Employment and Economic Development; Metropolitan Council *Regional Development Framework*, revised forecast, March 8, 2006

Employment in the TCMA over the last year has grown, especially in the educational and health services sector which gained 9,400 jobs. A few sectors did experience negative growth; however, the net total growth was 8,000 jobs when January 2007 is compared with January 2008. The following table gives the employment breakdown by industry classification and shows the diversity in the regional economy.

NON-AGRICULTURAL EMPLOYMENT BY INDUSTRY CLASSIFICATION MINNEAPOLIS/ST. PAUL METROPOLITAN AREA ANNUAL AVERAGES*

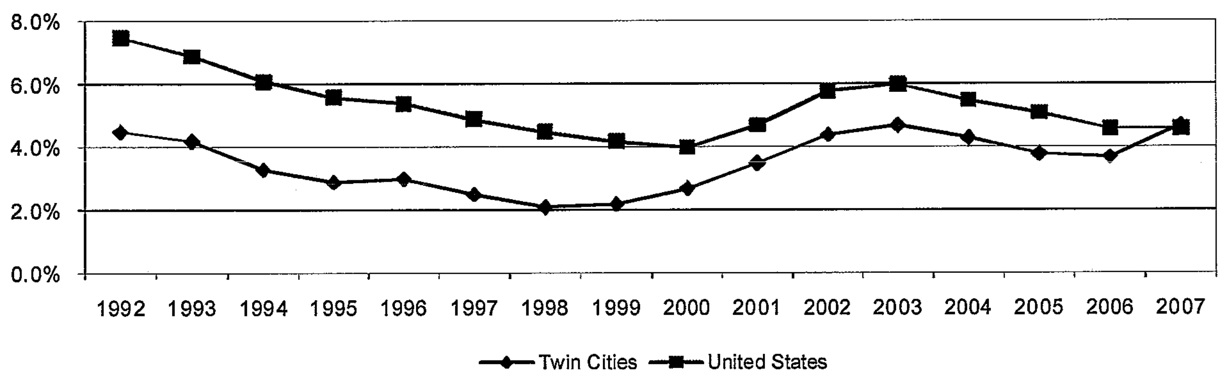
Industry	Jan. 2008 Number Employed (000)	Percent of Total	Jan. 2007 Number Employed (000)	Percent of Total	Change (000)	Percent Change
Manufacturing	198.4	11.2%	201.2	11.4%	-2.8	-1.4%
Natural Resources, Mining & Construction	66.0	3.7%	70.8	4.0%	-4.8	-6.8%
Wholesale Trade	86.4	4.9%	86.5	4.9%	-0.1	-0.1%
Retail Trade	186.8	10.5%	187.0	10.6%	-0.2	-0.1%
Transportation, Warehouse & Utilities	65.6	3.7%	64.6	3.7%	1.0	1.5%
Information	42.4	2.4%	42.1	2.4%	0.3	0.7%
Financial Activities	141.1	7.9%	141.1	7.9%	---	---
Professional & Business Services	260.2	14.7%	259.1	14.7%	1.1	0.4%
Educational & Health Services	254.2	14.3%	244.8	13.9%	9.4	3.8%
Leisure & Hospitality	157.5	8.9%	154.5	8.7%	3.0	1.9%
Other Services	74.2	4.2%	74.5	4.2%	-0.3	-0.4%
Government	241.3	13.6%	240.9	13.6%	0.4	0.2%
TOTALS	1,774.1	100.0%	1,767.1	100.0%	7.0	0.4%

*11-County Area: Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Washington, and Wright Counties in Minnesota; St. Croix County in Wisconsin

Source: Minnesota Department of Employment and Economic Development

A diversified economic base has helped this area weather hard economic times better than many other parts of the United States. As illustrated on the graph below, the unemployment rate of the Twin Cities MSA from 1992 through 2007 has been lower than the national unemployment rates. Current November 2007 statistics reflect the fact that the Twin Cities rate is .08% below that national rate.

Summary of Unemployment
Twin Cities vs. United States



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Twin Cities	4.5%	4.2%	3.3%	2.9%	3.0%	2.5%	2.1%	2.2%	2.7%	3.5%	4.4%	4.7%	4.3%	3.8%	3.7%	4.7%
United States	7.5%	6.9%	6.1%	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%

In summary, the Minneapolis/St. Paul SMSA is strong economically due to its diversified economic base. This base begins with 20 of the Fortune 500 companies having headquarters in the region. Historically, the rapid growth has kept unemployment rates considerably lower than the average for the United States.

Overview

Minneapolis is the largest city of the state of Minnesota and is the county seat of Hennepin County. The city lies on both banks of the Mississippi River, just north of the river's confluence with the Minnesota River, and adjoins St. Paul, the state's capital. Known as the Twin Cities, these two cities form the core of Minneapolis-St. Paul, the 16th largest metropolitan area in the United States, with about 3.2 million residents. The U.S. Census Bureau estimated the city's population at 369,051 people in 2006. Minneapolis and Minnesota celebrated their sesquicentennials in 2008. The city's celebration coincides with the 150th anniversary of its first town council meeting thought to have been held July 20, 1858.

The city is abundantly rich in water with 20 lakes and wetlands, the Mississippi riverfront, creeks and waterfalls, many connected by parkways in the Chain of Lakes and the Grand Rounds Scenic Byway. Minneapolis was once the world's flour milling capital and a hub for timber, and today is the primary business center between Chicago, Illinois, and Seattle, Washington. American's most literate city, Minneapolis has cultural organizations that draw creative people and audiences to the city for theatre, visual art, writing, and music. The community's diverse population has a long tradition of charitable support through progressive public social programs and through private and corporate philanthropy. Minneapolis is nicknamed the City of Lakes and the Mill City.

History, Geography, and Climate

Minneapolis history and the city's economic growth are tied to water, the city's defining physical characteristic. Minneapolis has a continental climate typical of the Upper Midwestern United States. Winters can be cold and dry, while summer can be comfortably warm, although at times it can be hot and humid. Because of its northerly location in the United States and lack of large bodies of water to moderate the air, Minneapolis is sometimes subjected to cold Arctic air masses, especially during late-December, January, and February.

Demographics

Dakota tribes as early as the 16th century were known as permanent settlers near their sacred site of St. Anthony Falls. New settlers arrived during the 1850s and 1860s in Minneapolis from New England, New York, and Canada. During the mid-1860s, Scandinavians from Sweden, Finland, Norway, and Denmark began to call the city home. Later immigrants came from Germany, Italy, Greece, Poland, and southern and eastern Europe. Immigrants from China, the Philippines, Japan, and Korea also came to the area. Beginning in the 1990s, a large Latino population arrived, along with refugees from Africa, especially from Somalia.

U.S. Census Bureau estimates in 2006 show the population of Minneapolis to be 369,051, a 3.5% decline since the 2000 census. The population grew until 1950 when the census peaked at 521,718, and then declined as people moved to the suburbs until about 1990. Compared to a peer group of metropolitan areas in 2000, Minneapolis-St. Paul is decentralizing, with individuals moving in and out frequently and a large young and white population and low unemployment.

Economy

The economy in Minneapolis is based in commerce, finance, rail and trucking services, health care, and industry. Smaller components are in publishing, milling, food processing, graphic arts, insurance, and high technology. Industry produces metal and automotive products, chemical and agricultural products, electronics, computers, precision medical instruments and devises, plastics, and machinery.

Five Fortune 500 headquarters are in Minneapolis proper: Target Corporation, U.S. Bancorp, Xcel Energy, Ameriprise Financial, and Thrivent Financial. Fortune 1000 companies in Minneapolis include PepsiAmericas, Valspar Corporation, and Donaldson Company. Apart from government, the city's largest employers are Target, Wells Fargo, Ameriprise, Star Tribune, U.S. Bancorp, Xcel Energy, IBM, Piper Jaffray, RBC Dain Rauscher, ING Group, and Qwest.

Arts

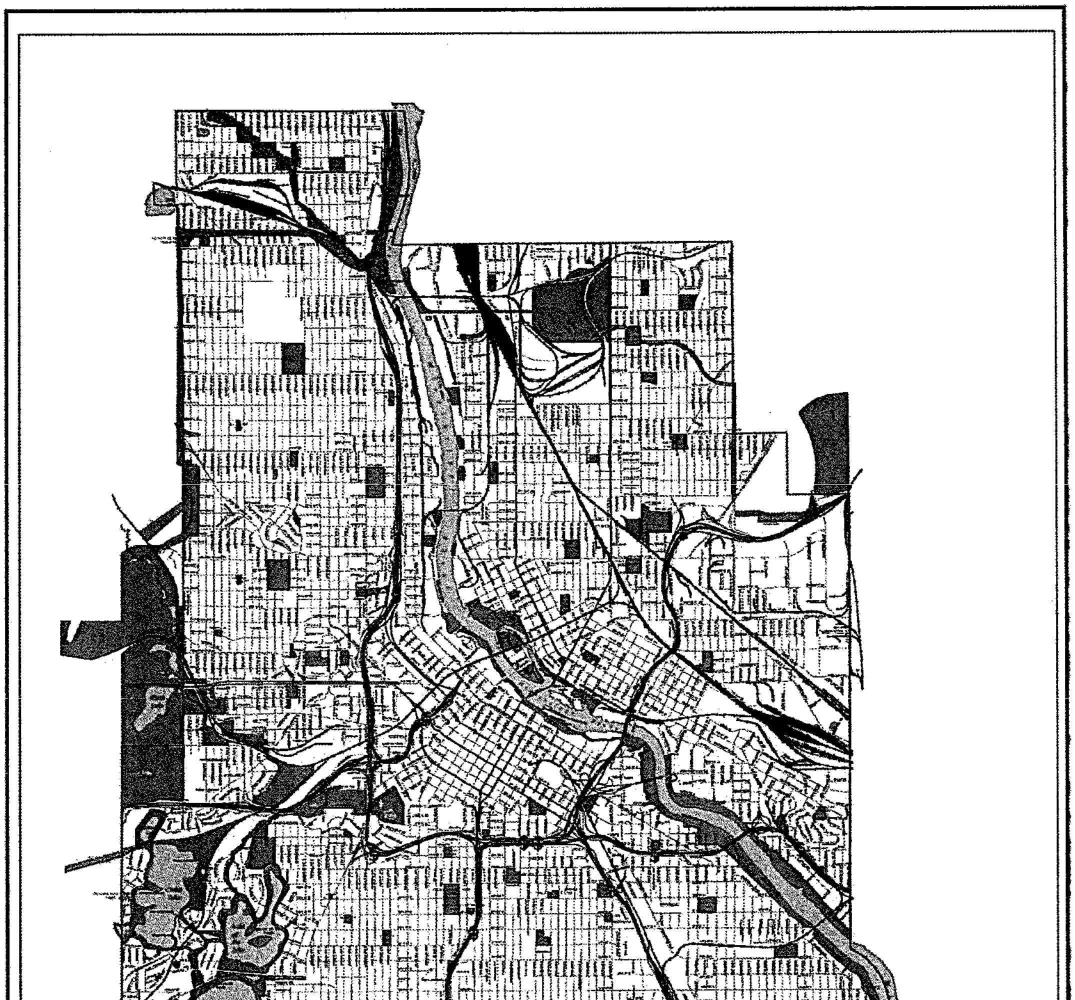
The region is second only to New York City in live theater per capita and is the third-largest theater market in the U.S. Minneapolis purchased and renovated the Orpheum, State, and Pantages Theaters on Hennepin Avenue. The Minneapolis Institute of Arts, built in 1915 in south central Minneapolis, is the largest art museum in the city with 100,000 pieces in its permanent collection. A new wing designed by Michael Graves was completed in 2006 for contemporary and modern works and more gallery space. The Walker Art Center sits atop Lowry Hill, near downtown, and doubled its size with an addition in 2005 and is continuing its expansion to 15 acres with a park designed by Michel Desvigne across the street from the Minneapolis Sculpture Garden. The Weisman Art Museum, designed by Frank Gehry for the University of Minnesota, opened in 1993. An addition is expected to open in 2009, also designed by Gehry.

Parks and Recreation

The Minneapolis park system has been called the best-designed, best-financed, and best-maintained in America. Foresight, donations, and effort by community leaders enabled Horace Cleveland to create his finest landscape architecture, preserving geographical landmarks and linking them with boulevards and parkways. The city's Chain of Lakes is connected by bike, running, and walking paths and is used for swimming, fishing, picnicking, boating, and ice skating. A parkway for cars, a bikeway for bikes, and a walkway for pedestrians run parallel paths along the 52 mile route of the grand Rounds Scenic Byway. Theodore Wirth is credited with the development of the park system. Today 15% of the city is parks, and there are 770 square feet of parkland for each resident.

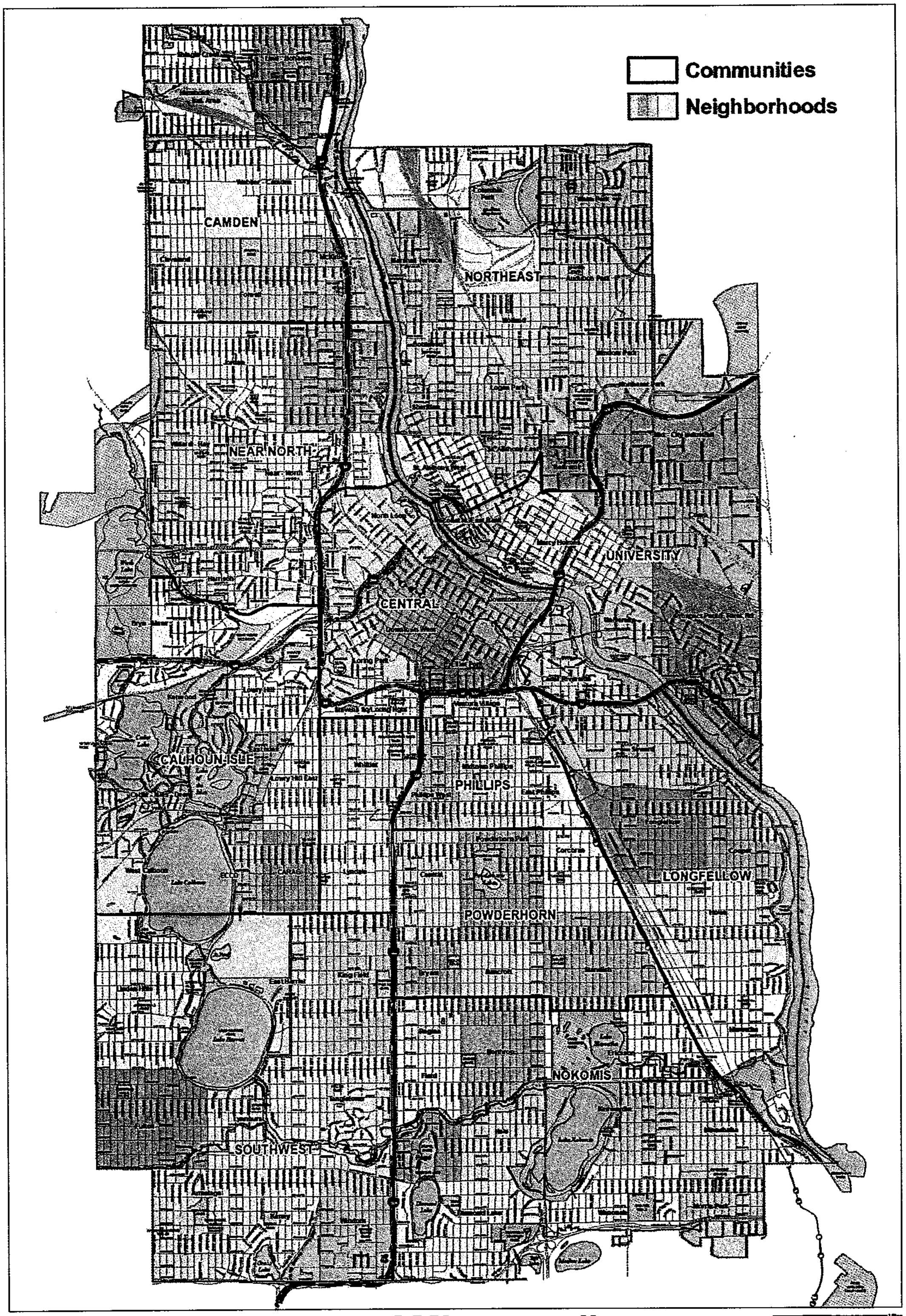
Transportation

Half the residents work in the city where they live. Most residents drive cars but 60% of the 160,000 people working downtown commute by means other than a single person per auto. Alternative transportation is encouraged. The Metropolitan Council's Metro Transit, which operates the light rail system and most of the city's buses, provides free travel vouchers through the Guaranteed Ride Home program to allay fears that commuters might otherwise be occasionally stranded if, for example, they work late hours. The Hiawatha Line Light Rail services 34,000 riders daily and connects the airport and Mall of America to downtown. The planned Central Corridor Light Rail will connect downtown with the University of Minnesota and downtown St. Paul via University Avenue. Expected completion is in 2014. Ten thousand cyclists use the bike lanes in the city each day. The city has a unique system of skyways one story above ground. The eight mile system can get you most anywhere downtown in a climate controlled environment.

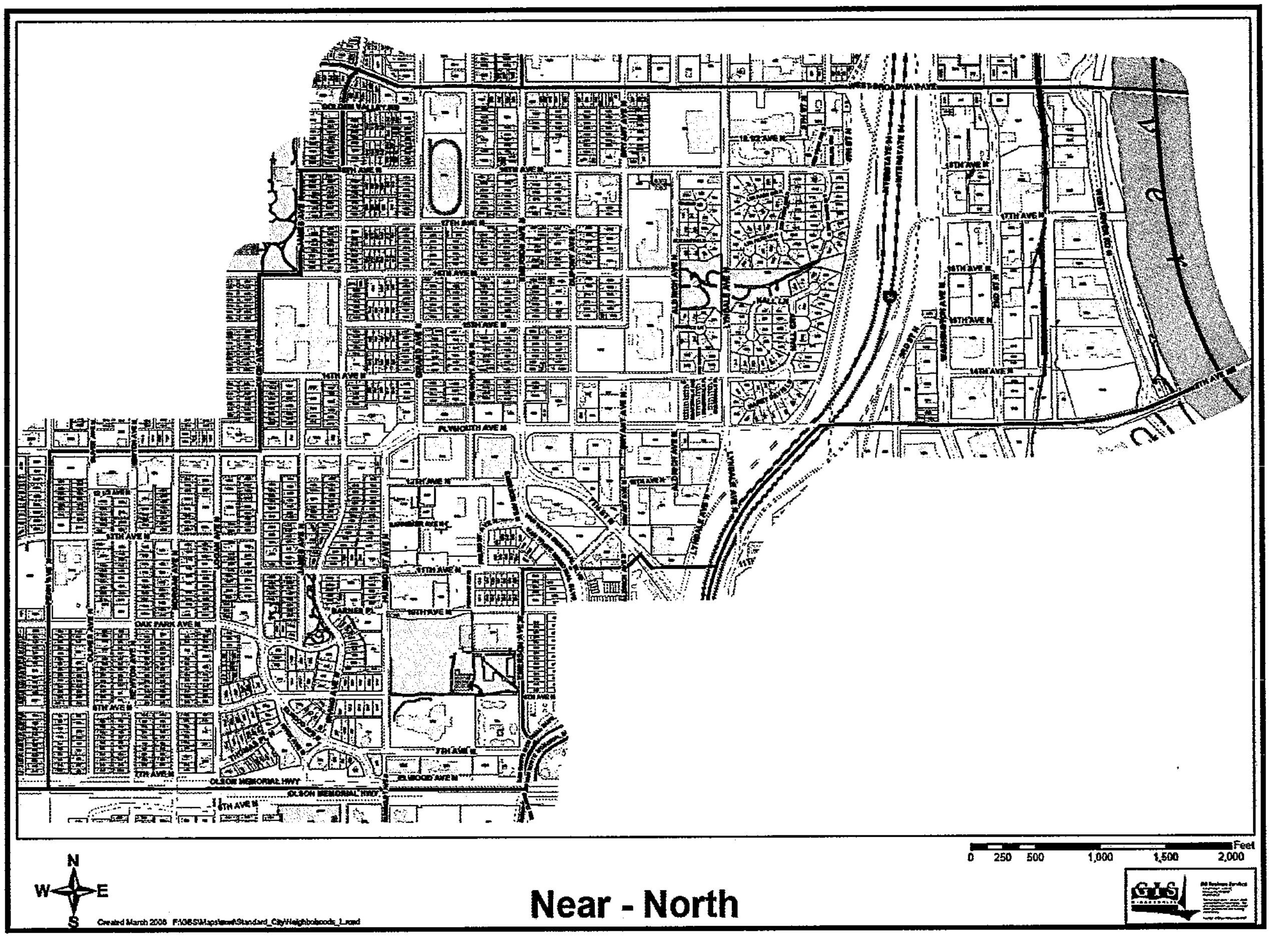

City of Minneapolis
Street Map
Updated July 2006; F:\GBS\Maps\mxd\Standard_City\Streetmap.mxd

The subject property is located in the Near North neighborhood, which is in the northwest portion of the city and north of downtown, hence its name. It stretches from the Mississippi River on the east to Penn, Knox, James, and Irving Avenues on the west, and from West Broadway Avenue on the north to Olson Memorial Highway and 11^{th} Avenue North on the south.

West Broadway has historically been the most significant commercial and cultural destination in north Minneapolis. Although much reduced from its boom years, it remains the main street of north Minneapolis. West Broadway is north Minneapolis' main street. The city is involved in development projects up and down the avenue that will bring over $23 million investment in new housing, office, retail, and arts space. Different sections of the corridor serve different roles, such as, some parts of West Broadway are residential and some are commercial. The neighborhood was development in the late-1800s



City of Minneapolis
Neighborhoods & Communities


Near - North
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Description

The site is located at the signalized southeast corner of West Broadway and Dupont Avenue. The site is generally level and rectangular; it is 4,840 square feet according to the survey provided to us. The building is generally on the north half of the property and abuts a sidewalk along West Broadway and Dupont Avenue and the building to the east. An asphalt parking lot is generally on the south half of the property, which abuts an alley; access to the parking lot is from Dupont Avenue.

Adjacent Properties

Adjoining properties are commercial and residential developments. Commercial development is to the north, west, and east of the site along West Broadway Avenue. Residential development is to the south of the property.

Easements and Encroachments

We are unaware of any easements or encroachments. A complete title search, furnished by the client, is recommended in order to determine if any other such conditions exist.

Covenants, Conditions, and Restrictions

There are no known covenants, conditions, or restrictions that affect the marketability or highest and best use of the subject other than zoning requirements.

Utilities and Services

The site is within the city of Minneapolis and is provided with all municipal services.

Flood Zone

According to the Flood Insurance Rate Map, the subject property is located in Zone X, as indicated on Map Panel Number 27053C0356E dated September 2, 2004. Zone X is an area of moderate or minimal hazard subject to flooding from severe storm activity or local drainage problems.

Environmental Issues

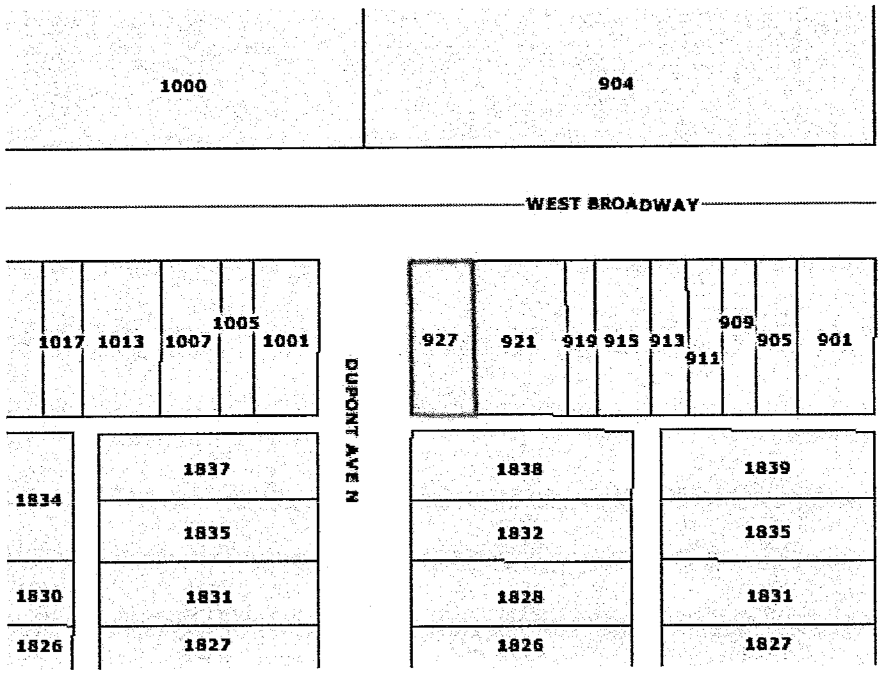
We were provided with a Phase I Environmental Site Assessment dated November 2004. The environmental report identified several environmental conditions. There is potential groundwater impacts beneath the property from listed upgradient leaking underground storage tanks reported to have impacted groundwater, and there is potential for groundwater impacts beneath the property from former uses of adjacent properties including a filling stations and paint stop. The former fuel source for heating the property and former residential dwellings is unknown; the potential exists for fuel oil to have been used for that purpose. The assessment reports that no asbestos was detected in the building materials sampled. The presence of substances such as asbestos, urea formaldehyde foam insulation, mold, contaminated groundwater, or other potentially hazardous materials may affect the value of the property. We are not qualified to detect hazardous substances. The value estimate is predicated on the assumption that the property is not affected by no hazardous substances.

Soils

No analysis of soil conditions was required and none was made. We are not qualified to analyze soil conditions. The value estimate assumes soils can support development.

Conclusion

The site is well located with average access and very good visibility. Generally, there are no known factors which would prevent the site from development to its highest and best use as vacant.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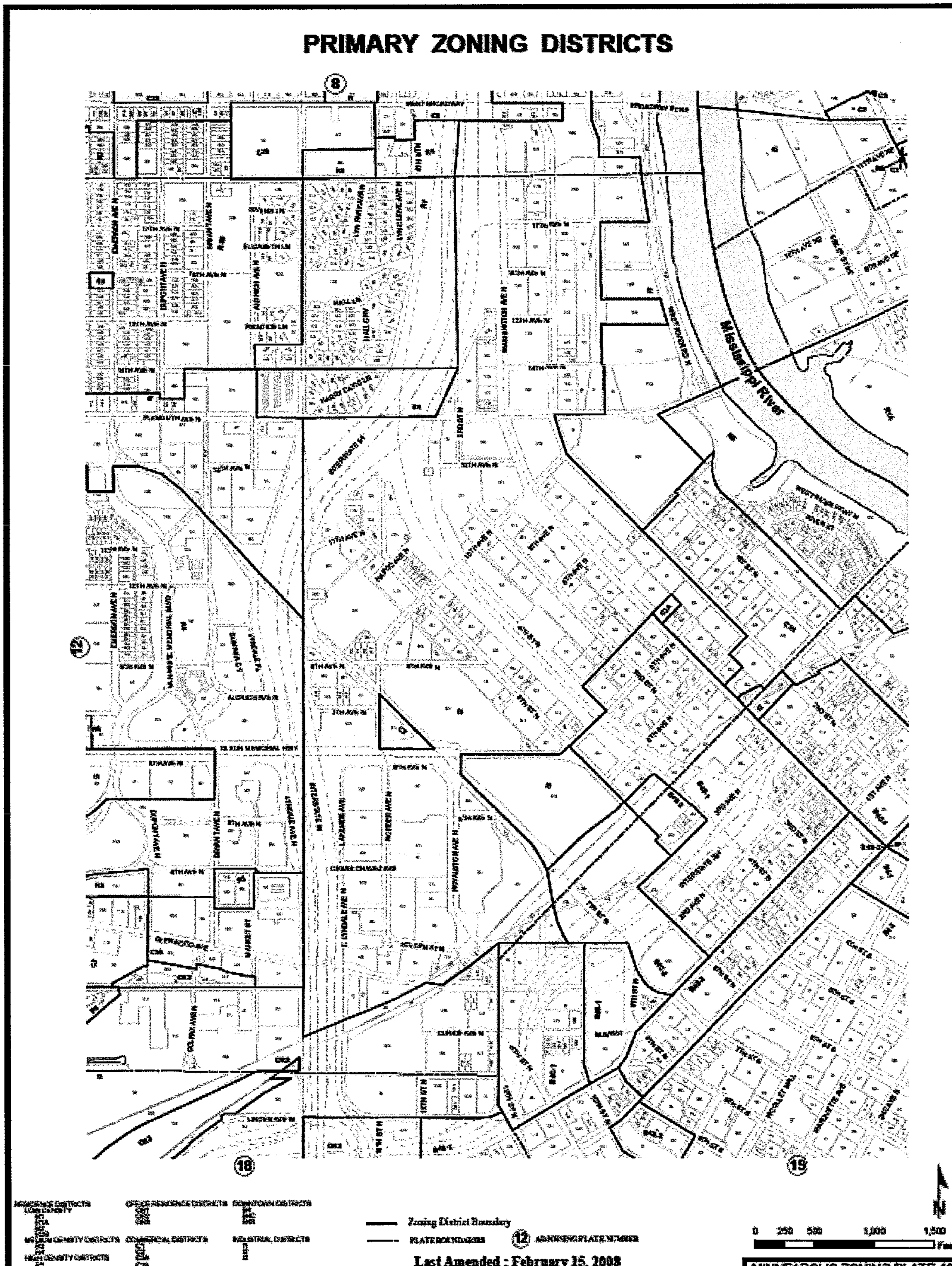
The subject property is in the C2 Neighborhood Corridor Commercial District, established to provide an environment of retail sales and commercial services that are larger in scale than allowed in the C1 District and to allow a broader range of automobile related uses. In addition to commercial uses, residential uses, institutional and public uses, parking facilities, limited production and processing and public services and utilities are allowed.

The minimum lot area for commercial uses varies from none to 12,000 square feet, to two acres for planned commercial development. Retail sales and services uses have no minimum lot area or minimum lot width. The maximum height of all principal structures, except single and two-family dwellings and cluster developments, shall be four stories or 56 feet, whichever is less. The maximum floor area ratio of all structures shall be one and seven-tenths. All commercial uses shall be limited to a maximum gross floor area of 30,000 square feet per use, except for planned unit developments.

Permitted uses include retail sales and services, general retail sales and services, bank, funeral home, grocery store, tattoo parlor, and offices. Uses located in the commercial districts shall not be subject to minimum yard requirements, except commercial districts near residence and office residence districts or residential structures, and residential uses and hotels.


PRIMARY ZONING DISTRICTS
Mississippi River
Zoning District Boundary
Last Amended : February 15, 2008
MINNEAPOLIS ZONING PLATE 13

Real estate taxes in Minnesota are payable either in one lump-sum payment or can be paid in two installments which are due on May 15th and October 15th. The annual real estate taxes are based on the assessor's estimated market value as of January 2nd of the prior year. The following are the real estate taxes and assessor's estimated market value for the subject property.

Assessment Date	**January 2, 2007**	**January 2, 2008**
Land Value	$38,700	$38,700
Building Value	191,300	191,300
Total Assessor's Estimated Market Value	$230,000	$230,000
Real Estate Taxes	**Payable2008**	**Payable2009***
Net Taxes	$6,597.29	$6,773.04
Solid Waste Fee	36.43	25.20
Total Real Estate Taxes	$6,633.72	$6,798.24

*Proposed

It is our opinion that the assessor's estimated market value for the subject property is lower than what we have observed in the marketplace based on our analysis of similar properties.

The property is a three-story plus basement multi-tenant office and retail building. A cellular phone store and tax preparer occupy the street level. The basement is vacant and the second and third floors are gutted and unoccupied. The building is constructed of brick and concrete. The ground level extends to the rear of the site and is larger than the other floors. There is an air conditioning unit on the roof and one gas heating unit with separate meters. The owner reported the roof was replaced about 10 years ago.

Below is a summary of the square footage of the building according to an architect's drawing provided to us.

	Original	Addition	Total
Lower level	2,618	406	3,024
Main floor	2,587	314	2,901
Second floor	2,618	0	2,618
Third floor	2,618	0	2,618
Total	10,441	720	11,161

The building was constructed in 1901, and the addition was constructed in or near 2004. As mentioned above, the second and third floors are gutted and are not tenantable in their current condition. Further, the basement is accessed only from one of the street level spaces; thus, it is not separately rentable and would be likely used only as storage. We consider the net rentable area only to be the street level which is 2,901 square feet. We note, however, that the leases for the street level space state it is 3,150 square feet. In our analysis, we are using the actual rent paid and the square footage as measured by the architect. We think there is little value to the basement and some contributory value to the second and third floors.

The cellular phone company leases the corner space on the street level. It has a private entrance with glass door and glass pane windows along the street front. There are high textured ceilings, estimated at about 20 feet. The space has painted sheetrock walls, hanging fluorescent lights, and ceramic tile floor. We noticed wall air conditioning units. In the rear of the space there is a storage room and a single bathroom. This space was remodeled in August 2008 by the tenant. The total remodeling was about $65,000.

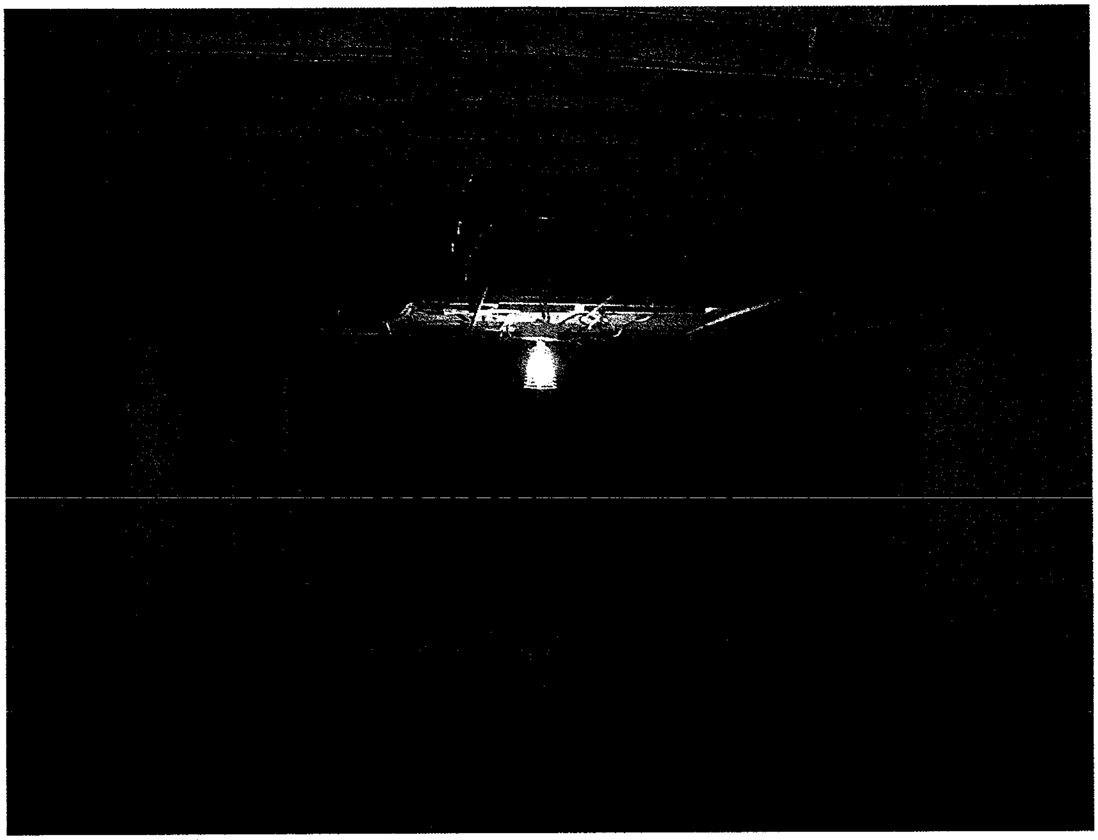
The tax preparer is the other tenant on the street level. Access is from a second entrance that has a very small vestibule that leads to both this space and the second floor. The vestibule has worn carpet and painted walls. The office/service space has commercial grade carpet, painted sheetrock walls, fluorescent lights and high textured ceilings. There are glass pane windows along the street front. The rear of the space is divided from the front storefront by a sheetrock wall. The rear space is the business office space with the same finish as the front space. There is an unfinished storage area in the very rear of the space.

The second and third floors are gutted with interior framed walls and brick exterior walls. The windows are boarded as is a rear door. The space has crumbling concrete, wood, and other material debris on the floor. There is wood plank flooring over concrete with gaps and buckling planks. The windows and rear door are boarded. Access to the third floor is only from an interior wood staircase from the second floor.

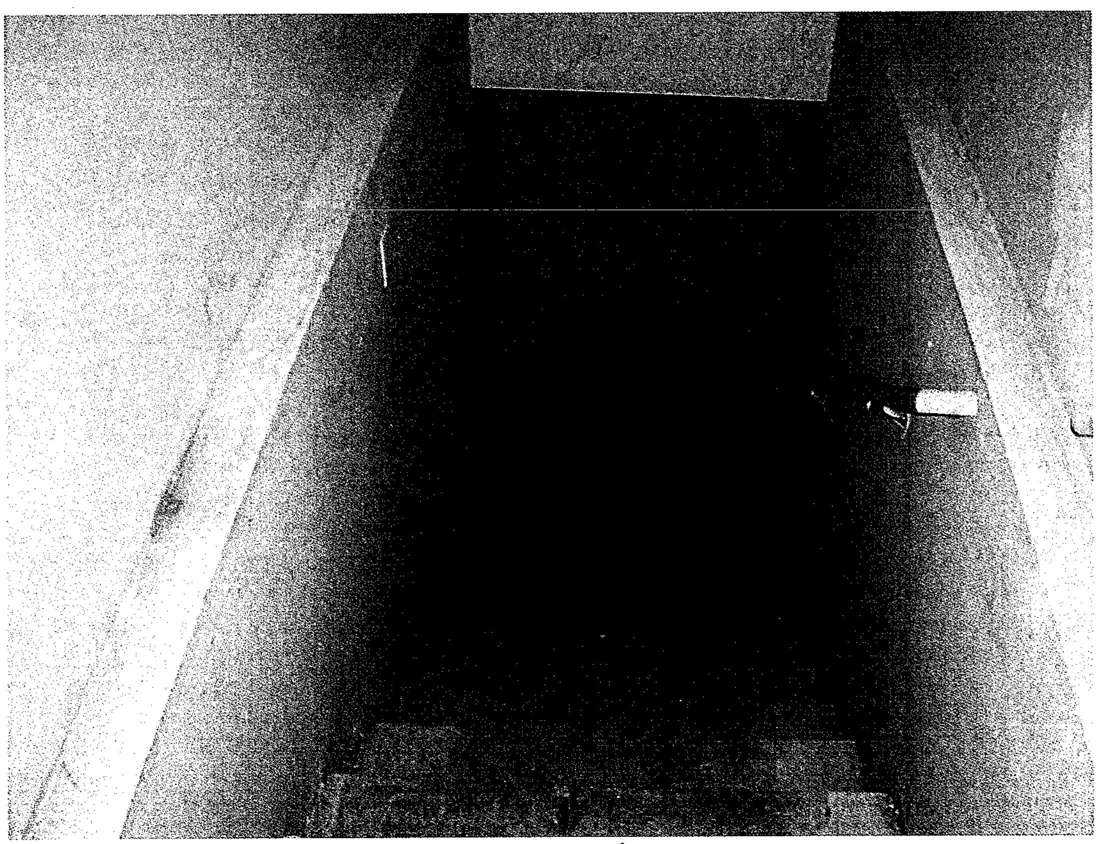
The basement is accessed via wooden stairs through the cellular phone store space. The basement has cement floor and no windows. There are two sections of the basement each leading from a door at the bottom of the stairs. The two sections are not separated. There are painted concrete walls, a concrete floor with drains, and eight foot ceiling. The east side slopes down from the west side.

Front of building facing West Broadway

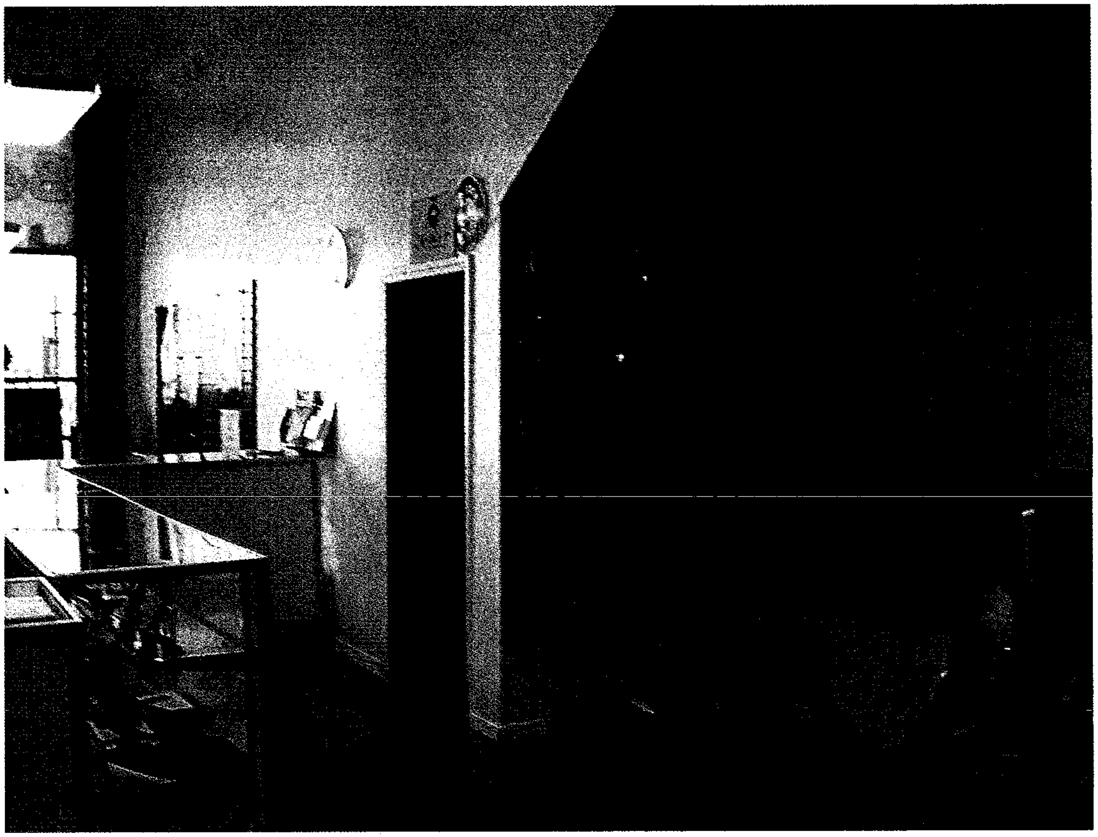

Rear of building



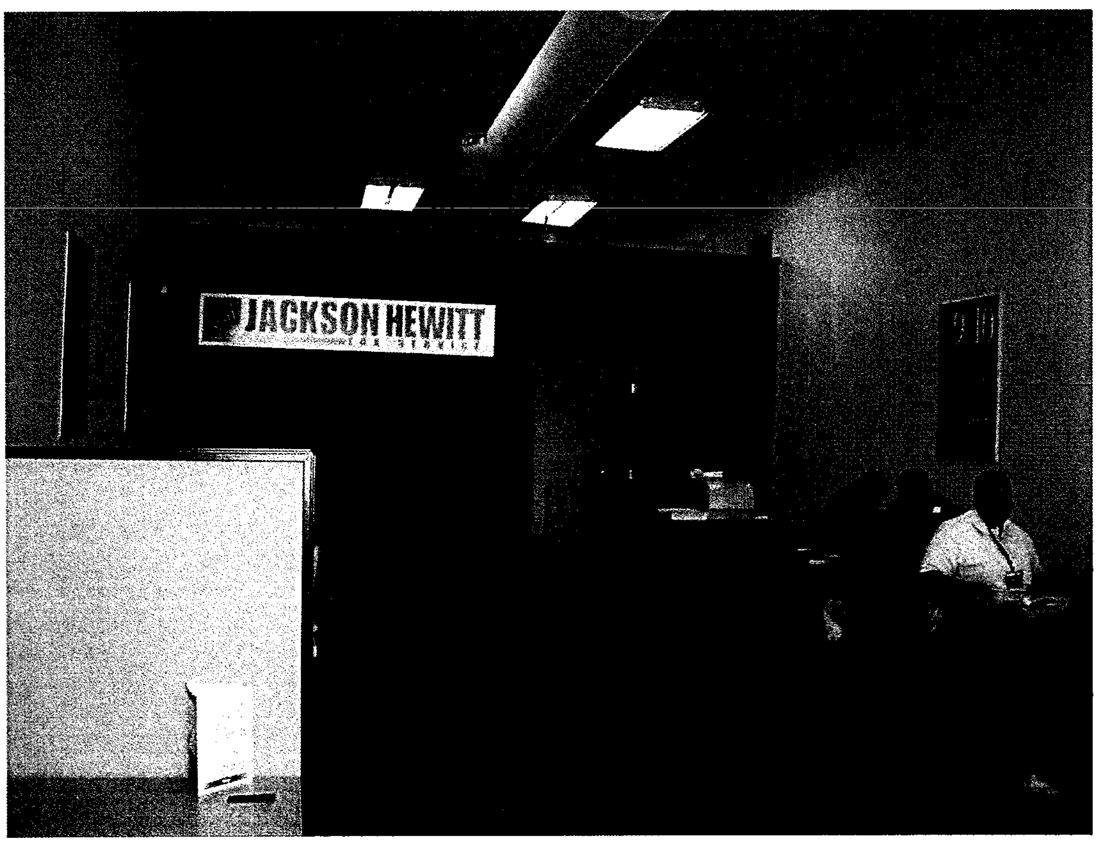
Basement space



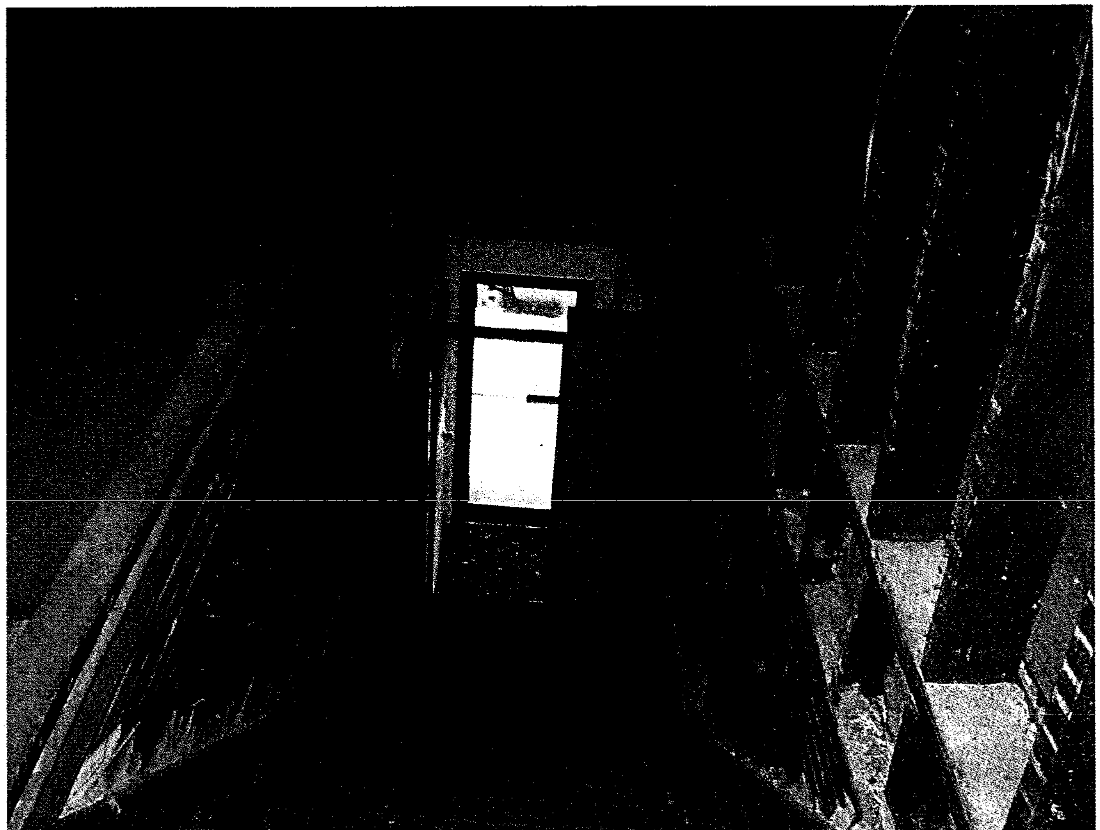
Basement stairs



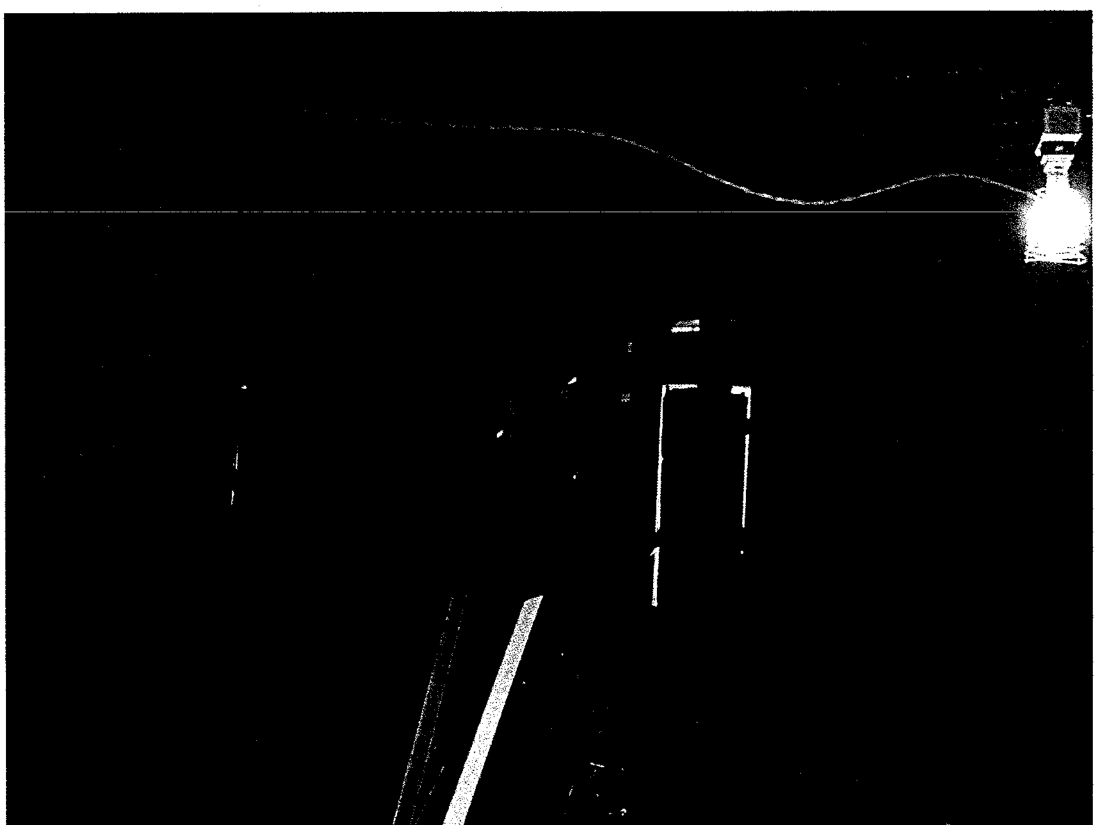
Cellular phone space



Tax preparer space

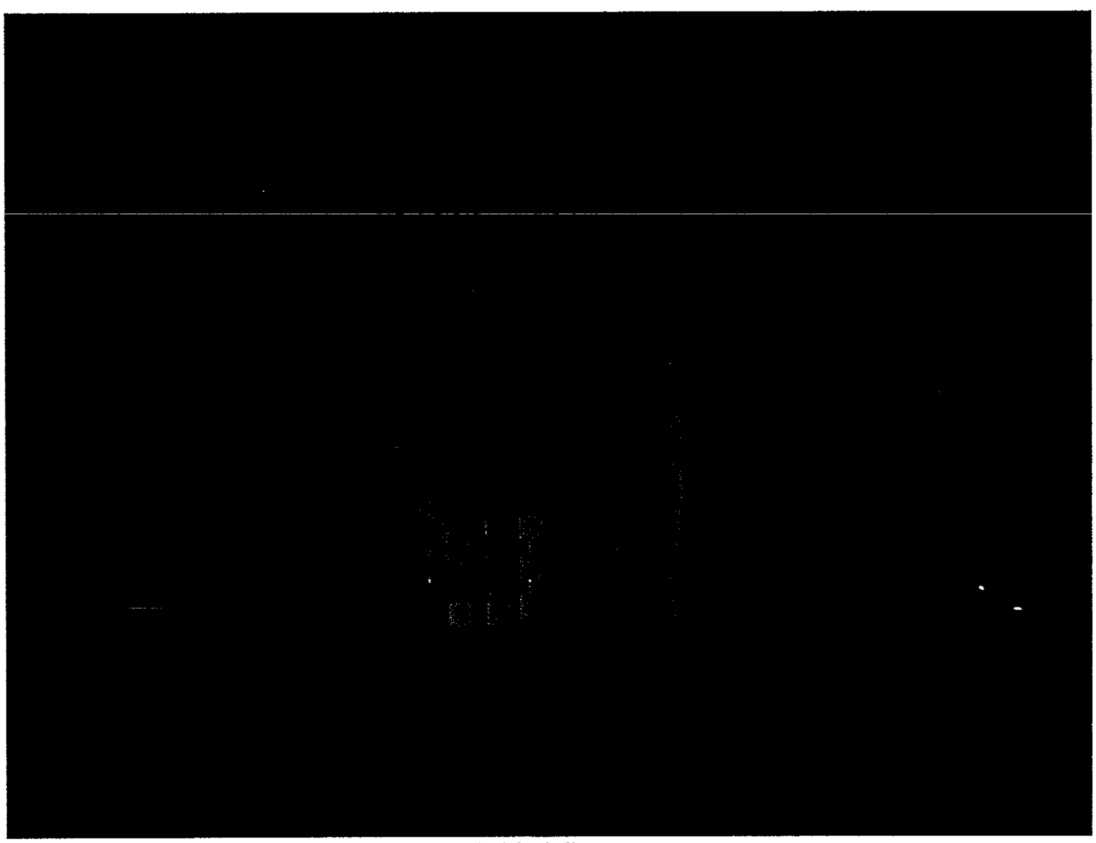


Stairs leading to the 2nd floor



Gutted 2nd floor space

Gutted third floor space



Gutted third floor space

West Broadway Area

Minneapolis is driving redevelopment projects along West Broadway and across north Minneapolis that will bring over $100 million in investment in new housing, office, retail, and arts space. The plan for revitalizing West Broadway is intended to be a main street meeting the local shopping needs of North Minneapolis residents, a destination offering sub-regional goods and services, and a community space supporting markets and festivals that activate the street and provide a community gathering point. The surrounding neighborhood is included in the area designated by HUD as an Empowerment Zone aimed to create sustainable communities through economic growth, affordable housing, safety, education, job training, and community services.

Twin Cities Retail Market

According to the January 2009 issue of *NorthMarq Compass Report*, the Twin Cities retail sector has cooled considerably after years of being the darling of real estate. Declining consumer confidence, the capital markets crisis, a weak economy, and the housing downturn took their toll. Absorption plummeted, new construction slowed, and rent concessions increased. Construction delivered 928,000 square feet of new space in 2008 – the lowest amount in 10 years. Developers are postponing projects or waiting for significant pre-leasing. Approximately 1.4 million square feet is underway with the majority being community and specialty centers. Most is phased and being developed more cautiously. Side-shop space has been postponed or limited due to weak leasing activity. According to their small-shop retail survey, 18% of small-shop space is vacant in community and neighborhood centers. Activity is slow, particularly in outer-lying suburbs. Developers are struggling to fill space built around anchors and are offering concessions.

Landlords are more flexible in renegotiating leases to retain tenants and offering attractive concessions to draw new retailers. Many will do shorter-term leases than the traditional 5 or 10 years that we are used to. However, landlords and developers who can afford to hang onto their vacancies and wait for the right deals may be better off long term. The wrong, long-term deals can decrease a property's value and hinder future leasing.

Vacancy will rise as more retailers close. Landlords, developers, and retailers who can survive the next year will be stronger when the market rebounds. The economy needs to bottom out before improvement occurs. Until then there will be a lot of waiting and bumping along. The growing inventory of space could mean new opportunities for retailers, including the opportunity to expand and negotiate more favorable leases or a chance to grab an attractive location.

Minneapolis Office Market

According to the January 2009 issue of *NorthMarq Compass Report,* many space users have gone silent in the face of unprecedented – at least in recent times – economic uncertainty. Expansion plans have been put on the back burner, and many companies are looking at staying put and identifying ways to lower their occupancy costs or even reducing their space needs going forward. This downturn is different in that the market is behaving as if conditions were much worse. Tenants' confidence in their ability to predict future business direction has been shaken. That means fewer tenants looking for new space, fewer deals getting made and more talk about possible downsizing and subleasing. Landlords are not seeing the response they expected when they offer existing tenants an opportunity to renew their leases early under more favorable terms than their present obligation. It could mean that tenants anticipate even better offers in the future, or it might mean that companies just do not have a handle on where their businesses will be in 6, 12, or 18 months down the line.

Expectations are lower heading into 2009, especially for the first half of the year as the economic shakeout continues and unemployment climbs. Downward pressure on rental rates is likely to continue to grow, along with the use of concessions and incentives as landlords work to maintain occupancy levels. Expectations are that building owners will be much more diligent in reducing operating costs and perhaps asking tenants to share more of the burden for non-routine costs of operations such as maintaining full service after-hours. Capital expenditures will likely be reduced, especially for non-essential items, as landlords seek to conserve capital, but not on marketing-related items.

The highest and best use of the property to be appraised provides the foundation for its market value. The highest and best use analysis identifies the most probable competitive use to which the property can be put. A distinction is made between the highest and best use of the land as vacant and the highest and best use of the property as improved.

The highest and best use for the real estate which is the subject of this report complies with the following definition from *The Appraisal of Real Estate*, Thirteenth Edition, page 278:

> Highest and best use is the reasonably probable and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value.

The criteria for the highest and best use analysis are:

1. Physically Possible
2. Legally Permissible
3. Financially Feasible
4. Maximally Productive

HIGHEST AND BEST USE OF THE LAND AS VACANT

Land is generally appraised as though vacant and available for development to its highest and best use. The appraisal report should clearly specify the highest and best use underlying the land value estimate, and state that the land value estimate may not be valid for a different highest and best use conclusion. The information presented and analyzed in this section is dictated by the purpose of the appraisal.

Physically Possible

The size, shape, and topography of the site are adequate for a variety of developments and allow for reasonable design and utilization of the land area. The site is 4,840 square feet according to the survey provided. The site is small but typical for the area. The site is also rectangular and is generally level. The site is at the southeast corner of West Broadway and Dupont Avenue in Minneapolis with very good visibility. The site has a very prominent location. Utilities are available and provided by the city. The physical characteristics of the site permit a variety of commercial development options due to the surrounding office and retail uses and zoning.

Legally Permissible

The subject property is in the C2 Neighborhood Corridor Commercial District, established to provide an environment of retail sales and commercial services. In additional to commercial uses, residential uses, institutional and public uses, parking facilities, limited production and processing and public services and utilities are allowed. Permitted uses include retail sales and services, general retail sales and services, bank, funeral home, grocery store, tattoo parlor, and offices. We do not anticipate any change in the zoning district.

Financially Feasible

There are several potential uses for the subject property that are physically possible and legally permitted. The zoning designation was established to provide retail sales and commercial services.

Retail development is a logical economic use for the subject site considering the location on a commercial corridor. The retail sector has cooled considerably. Small shop space has been postponed or limited due to weak leasing activity. Eighteen percent of small shop space is vacant in community or neighborhood centers, with vacancy expected to rise as more retailers close. Zoning allows multi-story buildings, but success of retail use above the street level of a new building is questionable given the visibility and potential access. Retail use in conjunction with office use would be a better mix for the site.

Office use is another potential use for the subject site. Tenants have lost their confidence to predict future business direction. This has resulted in fewer tenants looking for new space and some are talking about downsizing. Downward pressure on rental rates will continue, along with concessions and incentives by landlords.

Residential use is yet another potential use for the subject site. Despite weak job growth and a faltering economy, a strong demand for apartments continued in the Twin Cities, evidenced by low vacancies and continuing rent growth. Plus, there is a push for urban living. Despite strong fundamentals, it is difficult to get developments financed.

Given current economic conditions and the size of development possible on the subject site, we conclude that no single use could maximize the economic potential of the site. In our view, a mixed-use development combining two or more of the potential uses discussed is the maximally productive use of the subject. A mixed-use development combining retail on the street level with office or apartment uses above would stand the best chance of maximizing economic potential and would spread the inherent risks of urban development among several development components.

Maximally Productive

The property is located along a neighborhood, commercial corridor with mostly retail and service uses. The site is at the corner of a signalized intersection. The zoning district was established to provide retail sales and commercial services. The analysis indicates that a commercial development such as a mixed-use development with retail on the street level and office or apartments above would be most appropriate; services uses could also be on the street level to serve the neighborhood.

CONCLUSION FOR HIGHEST AND BEST USE AS VACANT

Based on the foregoing analysis, it is our opinion that the highest and best use of the site as vacant is for a mixed-use commercial development.

HIGHEST AND BEST USE OF THE LAND AS IMPROVED

To determine the highest and best use of a property as improved, the appraiser considers whether or not the removal and replacement of the existing improvements are economically warranted on the date of the appraisal. If an existing improvement is to be retained, the property's highest and best use is based on how the entire property should be used to maximize its benefits or the income it produces. The appraiser may suggest a possible course of action such as rehabilitation, improved maintenance, or better property management.

Physically Possible

The property is improved with a multi-tenant office and retail/service building. The tenant space on the first level is in average condition, while the tenant space on the second and third levels is in poor condition. The space on the second and third floors is gutted with no sheetrock, and buckled and partial flooring. The building has two entrances. The basement is accessible only from one tenant space, and the second and third floors are connected via an internal staircase. Functionally, the building works as a mixed-use office and retail building. There is very good visibility and adequate access.

Legally Permissible

The subject property is in the C2 Neighborhood Corridor Commercial District, established to provide an environment of retail sales and commercial services. In addition to commercial uses, residential uses, institutional and public uses, parking facilities, limited production and processing and public services and utilities are allowed. Permitted uses include retail sales and services, general retail sales and services, bank, funeral home, grocery store, tattoo parlor, and offices. We do not anticipate any change in the zoning district. According to the city zoning enforcement department, the parking lot needs paving and striping, and must be screened from view. During our inspection, we noted that the second and third floors are gutted. According to the city planning department, the electrical wiring in that space may need to be updated to current code among other issues, but the determination of code compliancy will not be known until remodeling plans are submitted for review and approval. It is our opinion that in its current condition, the utility of the building is limited to the available usable space.

Financially Feasible

The current use will continue unless and until the land value as vacant under its highest and best use exceeds the sum of the value of the entire property in its existing use and the cost to remove the improvements. Based upon our analysis, the use as a retail/service building exceeds the land value, and the operation should continue. The building is on West Broadway, which is a commercial corridor in north Minneapolis. The area has a concentration of commercial buildings along West Broadway. There are several buildings for sale with some transition in certain circumstances from commercial to residential use. There is still a strong commercial presence and the city's interest in revitalization should ensure continued demand for real estate in the area.

Maximally Productive

Although several uses may generate sufficient revenue to satisfy the required rate of return on investment and provide a return on the land, the single use that produces the highest price or value is typically the highest and best use. The office industry has slowed since tenants have lost their confidence to predict future business needs. Downward pressure on rental rates will continue. The retail industry has also slowed considerably with vacancy in commercial and neighborhood centers increasing.

Many office buildings and retail buildings in the area have been acquired for conversion to residential uses. These properties are located in the area but are several blocks from the subject property. However, as shown in the sales comparison approach, there are comparable buildings that were acquired for retail and/or mixed use. These comparables indicate that the maximally productive use of the subject property is its existing retail/service use with potential for a secondary use on the upper floors. Also, as shown in the income capitalization approach, the subject is producing a positive net cash flow and continued utilization of the improvements for retail/service use is considered maximally productive.

CONCLUSION FOR HIGHEST AND BEST USE AS IMPROVED

Based on the foregoing analysis, it is our opinion that the highest and best use of the site as improved is the current use as a mixed-use retail/service building.

There are three approaches to value. The appraiser develops each approach applicable to the subject property and derives an indication of value. A summary of each of the three approaches to value follows:

COST APPROACH

The cost approach is based upon the principle that a prudent buyer would pay no more for a property than the cost to develop a new or substitute property with the same utility. This approach is most applicable in valuing new or proposed construction when the improvements represent the highest and best use of the land, or valuing special-purpose properties and properties that are not frequently exchanged in the market.

In the cost approach, an estimated reproduction or replacement cost of the building and land improvements, as of the date of valuation, is developed, and an estimate of the losses in value that have taken place due to wear and tear, design and plan deficiencies, or negative neighborhood and market influences is subtracted. An estimate of the value of the land is then added to the depreciated building cost estimate. The total represents the value indicated by the cost approach.

SALES COMPARISON APPROACH

The sales comparison approach is based upon the principle that the value of a property tends to be set by the price necessary to acquire a substitute property of similar utility and desirability within a reasonable time period. The sales comparison approach is applicable to any real property type if there are sufficient recent, reliable transactions of similar properties to indicate price ranges and value trends in the market and to properties that are not usually purchased for their income-producing characteristics such as owner-occupied properties.

In the sales comparison approach, similar properties that have sold or are offered for sale at known prices are compared to the subject property. Price adjustments are made to compensate for the various differences between the comparable property and the subject property, and the adjusted prices are used to estimate the probable price at which the subject property would sell if offered on the market.

INCOME CAPITALIZATION APPROACH

The income capitalization approach is based upon the principle of anticipation. Any property that generates income can be valued using the income capitalization approach. When more than one approach to value is used to develop an opinion of value for an income-producing property, the value indication produced by the income capitalization approach might be given greater weight than that of the other approaches in the final reconciliation of value indications.

In the income capitalization approach, the rental income of the property is calculated and deductions are made for vacancy and collection loss, and expenses. The prospective net operating income of the property is then estimated. To support this estimate, historical operating statements for the subject property and comparable properties are reviewed. An applicable capitalization method and appropriate capitalization rate are developed and used in computations that result in an indication of value.

FOUNDATIONS OF APPRAISAL

Some basic economic principles are fundamental to understanding the dynamics of value. These include: anticipation, balance, change, externalities, substitution, and supply and demand. These principles are briefly described below. (These definitions are from *The Appraisal of Real Estate*, Thirteenth Edition, pages 35–42.)

> ***Anticipation:*** The perception that value is created by the expectation of benefits to be derived in the future.
>
> ***Change:*** The result of the cause and effect relationship among the forces that influence real property value.
>
> ***Supply and Demand:*** In economic theory, the principle that states that the price of a commodity, good, or service varies directly, but not necessarily proportionately, with demand, and inversely, but not necessarily proportionately, with supply. In a real estate appraisal context, the principle of supply and demand states that the price of real property varies directly, but not necessarily proportionately, with demand and inversely, but not necessarily proportionately, with supply.
>
> ***Substitution:*** The appraisal principle that states that when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution. This is the primary principle upon which the cost and sales comparison approaches are based.
>
> ***Balance:*** The principle that real property value is created and sustained when contrasting, opposing, or interacting elements are in a state of equilibrium.
>
> ***Externalities:*** The principle that economies outside a property have a positive affect on its value while diseconomies outside a property have a negative affect upon its value.

CONCLUSION

An appraisal is composed of a number of interrelated and inseparable procedures that have a common objective: a condensed, reliable estimate of value. Although the three approaches are seldom completely independent, it is important to note that in certain cases, greater emphasis is placed on one particular approach. The reasons for this are as varied as the properties themselves, and each appraisal must be addressed individually.

The subject property is a mixed-use retail and office building in Minneapolis. The area surrounding the subject property is developed and with potential growth through redevelopment and underutilized land. The area surrounding the subject property is primarily developed with retail buildings. We prepared the sales comparison approach and income capitalization approach to value. We think they provide a reliable indication of value for the intended purpose of the appraisal. The cost approach is not relied upon by buyers and investors, especially in older properties, although the cost of the existing improvements on the upper floors is discussed and considered, and we considered the land value in our highest and best use analysis. A summary of our research and findings are further detailed and reconciled in the following sections.

The sales comparison approach to value is defined by *The Appraisal of Real Estate*, Thirteenth Edition, page 297, as follows:

> The process of deriving a value indication for the subject property by comparing similar properties that have recently sold with the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale price (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.

A major premise of the sales comparison approach is that the market value of a property is related to the prices of comparable, competing properties. This valuation method assumes not only that both buyer and seller are fully informed about the property, but also that both have general knowledge of the market for that property type and that the property was exposed in the open market for a reasonable time.

The procedure for applying the sales comparison approach is as follows:

1. Research the competitive market for information on properties that are similar to the subject property, and that have recently sold, are listed for s ale or are under contract.
2. Verify the information by confirming that the data is factually accurate and that the transactions reflect arm's-length market considerations.
3. Select the most relevant units of comparison in the market (e.g., price per acre, price per square foot, price per front foot, price per room) and develop a comparative analysis for each unit.
4. Look for differences between the comparable sale properties and the subject property using all appropriate elements of comparison.
5. Reconcile the various value indications produced from the analysis of comparables to a value bracket and then to a single value indication.

COMPARABLE SALES

We researched properties with similar location, area demographics, and use. Listed below are the sales we selected as comparable.

SUMMARY OF COMPARABLE BUILDING SALES						
Sale	Location	Land Size (SF)	Building Size	Year Built	Sale Date	Sale Price PSF
1.	1110 West Broadway Minneapolis, MN	2,628	3,690	1924	10/23/06	$45.17
2.	1001 West Broadway Minneapolis, MN	4,968	7,588	1880	12/8/08	$15.29
3.	1501 Glenwood Avenue Minneapolis, MN	10,621	4,804	1924	3/14/07	$62.45
4.	3112 Emerson Avenue N. Minneapolis, MN	4,880	1,485	1914	5/12/08	$74.07
5.	2318 Lyndale Avenue N. Minneapolis, MN	9,049	2,000	1900	7/10/07	$60.00
Subject	927 West Broadway Minneapolis, MN	4,840	2,901	1925	12/31/08 valuation date	

Summary of Building Sales

Building Sale 1 – This building is mid-block between Emerson Avenue and Fremont Avenue on the north side of West Broadway, adjacent to an alley. There are a couple of parking spaces behind the building. The building is one story with stucco exterior and is in good condition. There is a very small basement. The property was appraised for $200,000 and sold for $166,667, a 20% difference. The buyer's representative did not know why the building sold for less than the appraised value. The property was not listed and the buyer learned of the sale through word of mouth; the buyer's representative said the buyer was a personal friend of the seller.

Building Sale 2 – This building is across the street from the subject property, located at the southwest corner of Dupont Avenue and West Broadway. The building is three stories plus a basement. The first floor extends toward the rear and is larger than the second and third floors. The ground level is 3,188 square feet, and the second and third floors are 2,200 square feet; the basement is also 2,200 square feet. The property was purchased by the city of Minneapolis and was not listed. The property was under threat of condemnation. Both parties had an appraisal prepared. The buyer's appraiser appraised the property for $116,000 in early 2008; the seller's appraiser appraised the property for $6,000. The purchase price was $116,000. The buyer purchased the property with the intent on using the improvements. The building is now vacant and boarded and under study to determine if it is usable.

Building Sale 3 – This building is two stories with two retail spaces on the street level and office space on the second floor. The two stories are both 2,402 square feet. There is also a basement with 1,960 square feet used as storage. The property was involved in a trade between the buyer and seller but is considered a good, arm's-length transaction. The property fronts Glenwood Avenue and is near the intersection of Cedar Lake Road. The site is irregularly shaped with 20 parking spaces.

Building Sale 4 – This is a one story commercial building located mid-block on the east side of Emerson Avenue. The area has neighborhood retail with a grocery outlet, day care, and service retail along Emerson and retail along nearly Lowry Avenue to serve the adjacent residential area. The building is brick and wood, and there is no onsite parking. The building is small with 1,485 square feet on the ground level and 1,056 square feet in the basement. The building is in average condition. The property sold on a contract for deed.

Building Sale 5 –This is a one story building at the signalized southeast corner of Lyndale Avenue North and 24th Avenue. The area is mostly residential. The store has 2,000 square feet on the ground level and 2,000 square feet in the basement. The buyer purchased the property for a store/deli. The neighborhood didn't want that use, and the buyer's plans stymied. The property is zoned R2B, and the prior use was not grandfathered. The property can be used, for example, as a daycare or two-unit residential building. Any change in use will require renovation and additional cost. The building is now vacant. While the property has a different zoning than the subject property, the buyer purchased it with the intention of using it for commercial use.

Adjustments

Differences in building characteristics between a comparable sale and the subject often require adjustments to increase the reliability of a given sale as an indicator of value for the subject. This adjustment is indicated as a percentage deduction. An explanation of the adjustments, a comparable sales location map, and a chart showing the adjustments are provided on the following pages.

Real Property Rights Conveyed

This adjustment compensates for differences between the property rights conveyed within each of the sales and the subject's property rights being appraised. Some of the buildings were purchased for use and others had tenants. We think that those buildings with tenants had rents at market levels. Sale 2 was vacant and was purchased under the threat of condemnation, although both parties had an appraisal; this sale is adjusted upward.

Financing Terms

The financing adjustment considers any favorable or unfavorable financing present within the sales that may have affected the purchase price paid. The seller of Sale 1 paid $5,000 in points or interest, and the seller of Sale 5 paid $7,200. These two sales are adjusted downward. Sales 2 and 3 were cash transactions requiring no adjustment. Sale 4 was purchased on a contract for deed; this sale is adjusted downward.

Conditions of Sale

Various types of extenuating circumstances such as buyer and seller relationships, motivations, or opinions at the time of sale may impact a sale price. Sale 1 was not exposed to the marketplace; the buyer stated she learned of the sale through word of mouth. The buyer's representative advised the buyer and seller were personal friends. There was an appraisal prepared, yet the property sold for less than the appraised value. We think an upward adjustment is warranted.

Expenditures Made Immediately after Purchase

A knowledgeable buyer considers expenditures that will be made upon purchase of a property because these costs affect the price the buyer agrees to pay. Such expenses may be related to demolition, deferred maintenance, and environmental contamination. The relevant figure, for adjustment purposes, is not the actual cost that was incurred, but the cost that was anticipated by the buyer and seller. We are unaware of any estimated renovation costs, especially to Sale 2. We will consider the condition of each sale in a separate adjustment.

Market Conditions

This adjustment considers changes within the market (either positive, negative, or neutral) caused by inflation, deflation, changes in supply and demand, or other market conditions which fluctuate over time. Sales and resales of the same property may be the best indicator of changing market conditions but we are unaware of any resales. In general, the metro retail market has cooled considerably after years of being the favored property type. Declining consumer confidence, the capital markets crisis, a weak economy, and the housing downturn have affected the retail market. Absorption has declined drastically, lease terms are shorter, and rent concessions increased. Prices have declined in every property sector. The subject market area is going through redevelopment and revitalization. There are several buildings for sale and several are closed and boarded. Many of the buildings are owner-occupied or operated by small businesses. While many of these users are having a difficult time during the weak economy, this neighborhood has been struggling for years. Given the foregoing, we think that market conditions increased modestly by 3% during 2006 and 2007, but declined 5% during 2008.

Location

A location adjustment considers differences in surrounding land uses, development, traffic counts, visibility, and access. The subject property is located in the Near North neighborhood of Minneapolis. It is located on a commercial corridor with heavy traffic. The neighborhood has high crime statistics and is going through redevelopment. Sales 1 and 2 are also both located on West Broadway. Sale 1 is designated in a different neighborhood but is really just blocks from the subject. Sale 1 is not a corner location, which we think requires an upward adjustment. Sale 2 is across the street from the subject property, requiring no adjustment. Sale 3 fronts Glenwood Avenue, a major thoroughfare, but has considerably less traffic and fewer commercial uses. Sale 3 is in the Harrison neighborhood which has lower crime. Overall, we think this site is inferior. Sale 4 is in a neighborhood retail area. It does not have a corner location, and is in a neighborhood with higher crime and lower traffic. We think this location is inferior. Sale 5 is in a primarily residential neighborhood. The site fronts Lyndale Avenue but has lower traffic counts and is not a corner site. We think this site is inferior. Adjustments are made accordingly.

Size

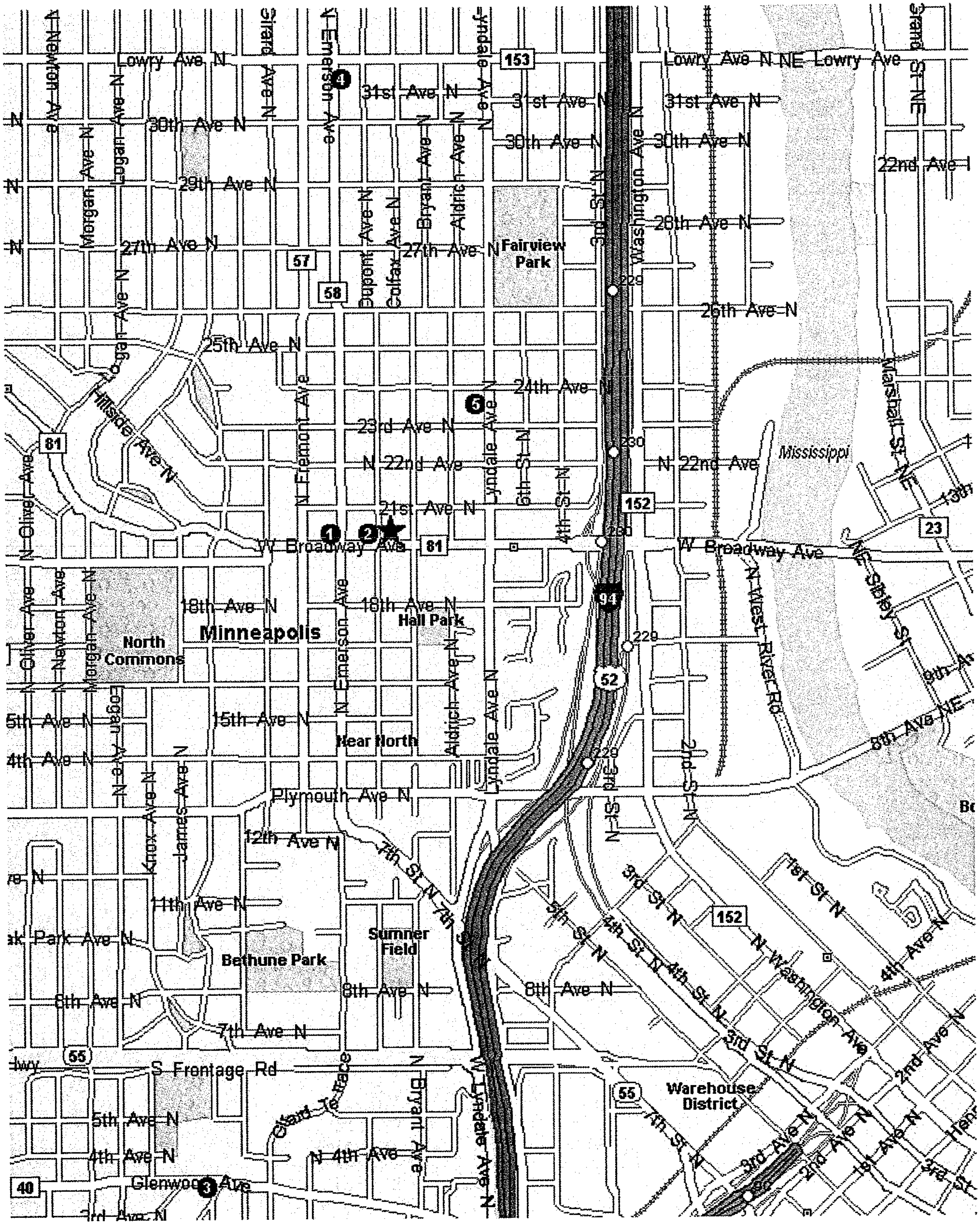
A general tendency of the real estate market is to pay higher unit prices for smaller buildings than larger ones. We think the comparable sales follow this trend. Adjustments are made accordingly.

Age/Condition

Older buildings tend to sell for lower unit prices than newer buildings, and similarly buildings with deferred maintenance tend to sell for lower unit prices than those in good condition. The subject property was constructed in 1901 and had a small addition in about 2004. A portion of the first floor was remodeled in 2008. The first floor of the building is in average condition given its age. The exterior had new brick façade in 2006 and new side windows in 2007. The second and third floors are gutted and are not tenantable in their current condition. There is some contributory value of these two floors. Sale 1 was built in 1924 and is average condition. Sale 2 was built in 1880. While the building is in poor condition, it was purchased with the intent of using the building; it is now being studied to determine if it is usable. Sale 3 was built in 1924 and is in average condition. Sale 4 was built in 1914 and is in average condition. Sale 5 was built in 1900 and is in average condition. The subject property is a brick building with newer front bricks and new windows. The quality and condition of the subject property is superior to the comparables. Adjustments are made accordingly to the comparables based on the above descriptions.

Amenities

Retail space often commands higher rents than office space. The subject property has retail space on the first and potential office space on the second and third floors. All of the properties have retail space on the street level, and Sale 3 has office space on the second floor. The subject property has a small parking lot in the rear of the site. Sale 4 does not have any onsite parking. The subject property has a basement as do all of the comparable sales. Basement space is generally used as storage and because of configuration cannot be separately leased. We have excluded the basement space from the building size in our analysis.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Lowry Ave N NE Lowry Ave
31st Ave N
30th Ave N
28th Ave N
26th Ave N
22nd Ave
N 22nd Ave
W Broadway Ave
8th Ave NE
Newton Ave
Morgan Ave N
Logan Ave N
Girard Ave N
Emerson Ave
Dupont Ave N
Colfax Ave N
Bryant Ave N
Aldrich Ave N
Lyndale Ave N
Washington Ave N
3rd St N
N Fremont Ave
N Emerson Ave
Hillside Ave N
N Oliver Ave
Lyndale Ave N
6th St N
4th St N
2nd St N
N West River Rd
Marshall St NE
NE Sibley St
Grand St NE
7th St N
3rd St N
5th St N
4th St N
1st St N
N Washington Ave
3rd St N
4th Ave N
2nd Ave N
3rd Ave N
1st Ave N
Knox Ave N
James Ave N
Bryant Ave
Girard Terrace
Fairview Park
Minneapolis
North Commons
Hall Park
Near North
Sumner Field
Bethune Park
Warehouse District
Mississippi
153
57
58
81
152
23
94
52
55
40
229
230
1
2
3
4
5

COMPARABLE BUILDING SALES ADJUSTMENT CHART					
Category	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Sale Price PSF	$45.17	$15.29	$62.45	$74.07	$60.00
Real Property Rights Conveyed	0%	50%	0%	0%	0%
Financing Terms	-3%	0%	0%	-16%	-6%
Conditions of Sale	20%	0%	0%	0%	0%
Expenditures Made Immediately	0%	0%	0%	0%	0%
Market Conditions	-1%	0%	-3%	-3%	-3%
Subtotal Price PSF	$52.05	$22.94	$60.58	$60.35	$54.71
Location	30%	0%	30%	50%	45%
Size	0%	0%	5%	-5%	0%
Age/Condition	10%	60%	10%	15%	15%
Amenities	0%	0%	-10%	-10%	0%
Net Adjustments	40%	60%	35%	50%	60%
ADJUSTED PRICE PSF	$72.87	$36.70	$81.78	$90.53	$87.54

SALES COMPARISON APPROACH CONCLUSION

Sale 2 is a very comparable property; it is located directly across the street from the subject property and also has three stories plus a basement. The city purchased this property under the threat of condemnation. The city identified this property to be on an important corner that will spur future economic development. The sale was based on an appraisal, and the city intended to use the improvements, but the building is now under study to determine if it is usable. We have included this sale for these reasons but place little weight on the sale for the reason that we do not have a clear picture of the condition of the building, even after talking to the buyer.

The remaining comparable sales range from about $73.00 per square foot to $91.00 per square foot. It is our opinion that the value of the usable area of the subject property is $90.00 per square foot or $261,090. The subject property is different in that it has two floors of structure that are not usable in their current condition. However, we do acknowledge that the space exists and there is contributory value to the property. The cost of an item does not necessarily equal its value, and the contribution of an existing improvement may not be in proper balance with the total property. This occurs especially in transitional areas where an interim use may continue until it is economically feasible for a developer to absorb the costs of converting the property, either by razing and replacing the improvements or by rehabilitating them. It is our opinion that the second and third floors contribute $100,000 to the property.

Indicated Market Value of the Usable Area	$260,000
Contributory Value of the Unused Space	$100,000
Total Value Under the Sales Comparison	$360,000

The income capitalization approach to value is defined by *The Appraisal of Real Estate*, Thirteenth Edition, page 449, as follows:

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

There are two methods of income capitalization: direct capitalization and yield capitalization. In direct capitalization a single year's income is divided by an income rate or multiplied by an income factor to reach an indication of value. In yield capitalization future benefits, typically a periodic income stream and reversion, are converted into a value indication by discounting them at an appropriate yield rate or applying an overall rate that reflects the investment's income pattern, value change, and yield rate.

Certain steps are integral to applying the income capitalization approach. Prior to applying a capitalization technique, an appraiser must work down from the potential gross income to the net operating income. The steps are as follows:

1. Research income and expense data for the subject property and comparable properties.
2. Project the potential gross income of the subject property by adding the rental income and any other potential income.
3. Estimate the vacancy and collection loss.
4. Subtract the vacancy and collection loss from the total potential gross income to arrive at the effective gross income of the subject property.
5. Estimate the total operating expenses for the subject property by adding fixed expenses, variable expenses, and a replacement allowance, when applicable.
6. Subtract the estimated total operating expenses from the estimate of effective gross income to arrive at net operating income.
7. Apply one of the direct or yield capitalization techniques to this data to generate an estimate of value via the income capitalization approach.

We chose the direct capitalization method since the subject property's net operating income is stable.

RENTAL ANALYSIS

Based upon our analysis of the subject property, its neighborhood, and the market area, we think the highest and best use of the property is for continued retail/service use. We reviewed the historical rent and researched comparable rent of this property type within the subject property's market area.

Actual Rent

Listed below are the historical income and expenses for the subject property for 2006, 2007, and 2008.

Actual Rent

Listed below are the historical income and expenses for the subject property for 2006, 2007, and 2008.

	2006	2007	2008
Rent	$6,150	$38,495	$42,900
Expenses:			
Real Estate Taxes	$2,853	$9,544	$6,634
Insurance	2,432	1,514	1,514
Utilities	1,532	586	0
Repairs and Maintenance	10,569	5,398	0
Supplies	3,336	522	0
Legal and Professional	165	31,135	25,088
Miscellaneous	3,044	1,833	0
Depreciation	543	543	543
Total Expenses	$24,474	$51,075	$33,779
Net Operating Income	($18,324)	($12,580)	$9,121

We have reconstructed a rent roll based on our review of the leases provided to us.

Tenant	Term	Monthly Rent	Base Rent	Comments
Best Wireless	4/1/08-4/30/11	$2,000	$15.24psf	Net lease Tenant paid $65,000 in TIs in 7/08 and received two months free rent
Tax Services of America	11/1/06-4/30/12	$1,575	$12.00 psf	Net lease
Hi-Quality Furniture Store	1/1/09-12/31/13	$8,046	$18.00 psf	Net lease Tenant is to accept the premises as-is with future free rent for consideration of the improvements; tenant will not occupy the space due to the owner's sale of the building

Currently, only the street level is occupied and leased.

Market Rent

Listed below is a summary of comparable rents. Since the highest and best use as well as the actual use is retail/service and office, we research both retail and office rents.

Address	Size	Age	Current Rent PSF	Type
2112 Broadway Street	Various sizes from 1,540 sf to 7,381 sf	1932	$4.89 - $10.02 net	Retail
1000-1030 West Broadway	2,500 sf	1993	$10.00 - $14.00 net	Retail
2110 Lyndale Avenue South	792 sf	1917	$15.00 gross	Retail
1213 Washington Avenue S.	10,000 sf	1901	$12.00 - $16.00 net	Retail
1919 Lowry	680 sf	1948	$12.35 semi-gross tenant pays utilities and maintenance, landlord pays insurance, RET, plow	Office
1500 44th Avenue North	1,056 sf	1925	$10.80 semi-gross tenant pays electricity, insurance	Office
3501 Penn Avenue North	3,318 sf	1922	$10.61 semi-gross tenant pays water, sewer, electricity	Office
224 South Cedar Lake Road	5,312 sf	1926	$14.85 semi-gross tenant pays utilities, insurance	Office
3759 Fremont Avenue North	1,040 sf	1901	$11.54 semi-gross tenant pays insurance, RET, lawn	Office

The survey reveals quoted base net rental rates range from about $9.00 to $14.00 with an average of about $11.00.

Rent Conclusion

We researched and analyzed market rent from several sources. First, we considered the actual rent received at the subject property from lease transactions. There are two newer leases that represent what a tenant is willing to pay for space in the subject property. The actual rent averages $13.62 per square foot. Next, we considered actual rent from comparable buildings. The comparable rents average about $11.00 per square foot. It is our opinion that actual rent is representative of market rent. In our analysis, we are relying on actual anticipated rents in the direct capitalization.

Vacancy and Credit Losses

The buildings in our comparable survey range from 100% vacant to 100% occupied. As of the valuation date, the subject property is 36% occupied, excluding the basement. The subject property is located at signalized intersection on West Broadway, a desirable location as shown by the rent paid and the interest of all three tenants in purchasing the building. It is our opinion that the street level of the building should continue to be successful because of its location. Both tenants are local, non-national retailers. Given the current economic client, a 10% vacancy and credit allowance is used.

Operating Expenses

Rental property may be leased on a net lease basis which means that all the operating expenses are paid by the tenant/lessee as additional rent, or on a gross lease basis which means that all expenses are paid by the owner/lessor. Lease terms may also result in a modified-net or modified-gross basis. Market participants as shown in the rental data generally pay net or semi-gross rents. In the case of the subject property, the tenants pay net rent and reimburse the landlord for the expenses. The landlord is currently paying for lighting on the second and third floors, and building liability insurance. Generally, the landlord is only responsible for the exterior building and structural items, plus the operating expenses on the vacant space.

Management Fees

Management expenses are typically negotiated as a percentage of collected revenues. Professional management fees in the local market range from 3% to 5% for comparable properties. The management fee for the subject property is roughly 3%. Given the subject's size and the competitiveness of the local market, we think this is reasonable and appropriate.

Reserves for Replacement

The owner is responsible for the exterior of the building, the roof, and other structural components. The roof was replaced about 10 years ago, and the owner paid for new windows and new brick front. Given the age of the building, we include a reserve for replacement of $.20 per square foot.

Capitalization Rate

We reviewed several sources for selecting a capitalization rate. Northmarq's *Compass Report* states that Twin Cities office cap rates as of December 2008 are 7.6% and retail cap rates are 8.1%. They report that cap rates – indicative of the initial level of return that a buyer expects on an investment – lurched upward as much has 150-250 basis points for certain types of office and retail properties in 2008.

The *Korpacz Real Estate Investor Survey, Fourth Quarter 2008,* reports that the average cap rate for all property types increased, with one of the largest being power centers where many retailers are struggle due to a decline in consumer spending. Employment losses, increases in supply, and a decline in leasing activity are jointly weakening the office market. Many landlords are bracing themselves for a difficult 2009. The retail sector is expecting a further decline in the coming year due to a pessimistic economic outlook and decline in consumer spending. The key for retail investing is to focus on densely populated or high-growth population areas. Suburban office overall cap rates ranged from 5.5% to 11.0% with an average of 7.59%. Strip center overall cap rates ranged from 5.8% to 9.0% with an average of 7.49%.

We also contacted knowledgeable real estate professionals and have summarized their conclusions below:

Respondent	Survey Date	Capitalization Rate
Broker	April 8, 2008	6.0% to 9.0%
Private Investor	April 11, 2008	5.5% to 8.0%

Lastly, we have a market-derived cap rate from 1510 Glenwood Avenue (Comparable Sale 3). Here, the reported cap rate is 9.27%.

Given the foregoing discussion, we think a cap rate of 8.75% is reasonable given the subject property's condition, location, age, and features.

Forecast of Net Operating Income

Listed below is our estimated of stabilized income and expense estimates supported by the market indicators discussed.

FORECAST OF POTENTIAL GROSS INCOME AND EXPENSE ANALYSIS	
Category	**Amount**
Revenue	
Best Wireless	$24,000
Tax Services of America	$18,900
Total Gross Revenue	$42,900
Vacancy and Credit Loss (10%)	$4,290
Effective Gross Income	$38,610
Operating Expenses	
Utilities	$645
Insurance	$1,590
CAM on Vacant Space	$1,000
Miscellaneous/Supplies/Professional Fees	$3,050
Reserve for Replacement	$2,232
Total Operating Expenses	$8,517
Net Operating Income	$30,093

Conclusion

Derivation of an overall rate from comparable sales is preferred when sufficient market data is available. In this case, the net operating income of one comparable sales was unavailable. However, national published survey data is also helpful as is the opinion of market participants. The subject property has a stable income stream. The subject property is an older building but in a location undergoing redevelopment. The market is not as strong as years past and a large portion of the building is unusable, yet the usable space of the subject property is fully leased. Considering the comparative risks, it is our opinion that a reasonable and appropriate overall capitalization rate for the subject property is 8.75%.

$30,000 Net Operating Income ÷ 8.75% Capitalization Rate= $342,857
Rounded $340,000

As previously stated, the second and third floors are not usable in their present condition and have not been included in the net rentable area. However, we do acknowledge that the space exists and there is contributory value to the property. The cost of an item does not necessarily equal its value, and the contribution of an existing improvement may not be in proper balance with the total property. This occurs especially in transitional areas where an interim use may continue until it is economically feasible for a developer to absorb the costs of converting the property, either by razing and replacing the improvements or by rehabilitating them. It is our opinion that the second and third floors contribute $100,000 to the property.

Indicated Market Value from the Income Stream	$340,000
Contributory Value of the Unused Space	$100,000
Total Value Under the Income Capitalization Approach	$440,000

The various approaches to value were described in the appraisal methodology section of this appraisal report and discussed in detail in each of the respective approach sections. The following values are indicated for final reconciliation.

COST APPROVAL TO VALUE -------------------------------- NOT APPLICABLE
SALES COMPARISON APPROACH TO VALUE -------------------------$360,000
INCOME CAPITALIZATION APPROACH TO VALUE-----------------$440,000

The cost approach is based on the understanding that market participants relate value to cost. We believe that for most existing properties, investors give little consideration to the cost method of estimating value other than as an indication or check on the sales comparison approach and income capitalization approach. The cost approach is valuable for estimating the market value of new construction or special purpose properties, which is not the case in this appraisal. We did not prepare the cost approach, although we considered the cost of the existing improvements on the upper floors and the land value.

The sales comparison approach is based on the principle of substitution which holds that a prudent buyer will not pay more for a property than the price to acquire a substitute property with similar desirability. The sales comparison approach is applicable when sufficient data on recent market transactions is available. We found several comparable buildings that sold in a relevant time period in the subject property's market area. The available market data provides a fair measure of support for this approach to value given that current lease rates and related data were not available for the comparable buildings. We think the sales comparison approach is a reliable consideration in estimating the final value conclusion.

The income capitalization approach is based on the principle of anticipation. Income capitalization may be used to simulate investor motivations. Investors are interested in income-producing factors and the future benefits of property ownership. The subject property is a multi-tenant income-producing property, with a stable building occupancy. We prepared the income capitalization approach and find this method reliable. We give the income capitalization approach the most weight.

After preparing and considering the appropriate approaches to value, it is our opinion that the estimated market value of the subject property as of December 31, 2008, is:

FOUR HUNDRED THIRTY THOUSAND DOLLARS--------------------$430,000

QUALIFICATIONS OF ROBERT J. STRACHOTA

BIOGRAPHICAL DATA AND EDUCATION

Born and raised in Milwaukee, Wisconsin. Graduated from Marquette University High School in Milwaukee. Relocated to the Twin Cities and graduated from the University of St. Thomas in St. Paul. Awarded a bachelor of arts degree in finance with honorable distinction. Holds a permanent membership in Delta Epsilon Sigma, a National College Honor Society. Awarded a master of business administration degree from the University of Minnesota. Awarded the distinguished alumni award by the University of St. Thomas for Corporate and Community Responsibility. Inducted into the College of Fellows in the Institute of Business Appraisers. Successfully completed numerous appraisal courses and seminars which have been sponsored by the Appraisal Institute, the Institute of Business Appraisers, the Minnesota Association of Professional Appraisers (MAPA), the American Society of Real Estate Counselors, the Hennepin County Bar Association, NAIOP, the American Institute of CPAs, and other professional groups.

PROFESSIONAL QUALIFICATIONS OR ASSOCIATIONS

Counselor of Real Estate - American Society of Real Estate Counselors (CRE)
Member - Appraisal Institute (MAI) - Certified through December 31, 2012
Member - Institute of Business Appraisers (MCBA) (BVAL) (Fellow)
Industrial Organization Economist Associate - American Bar Association (ABA)
Member - National Association of Industrial and Office Properties - Minnesota Chapter (NAIOP)
Member - Urban Land Institute (ULI)
Member - Building Owners and Managers Association - Greater Minneapolis Chapter (BOMA)
Member - Commissioner of Commerce Task Force for Appraiser Licensing - 1990
NAIOP Judges Panel for Building Awards
Member - Lambda Alpha International - Honorary Land Economics Society

CERTIFIED AND LICENSED APPRAISER

Licensed Appraiser - State of Minnesota, License #4000882, Expires August 31, 2009
Licensed Appraiser - State of Arizona, License #30727, Expires January 31, 2010
Licensed Appraiser - State of Colorado, License #CG40027370, Expires December 31, 2011
Licensed Appraiser - State of Florida, License #RZ0002662, Expires November 30, 2010
Licensed Appraiser - State of Wisconsin, License #585-010, Expires December 14, 2009
Licensed Appraiser - State of South Dakota, License #585CG-2007R, Expires September 30, 2009

PROFESSIONAL EXPERIENCE

Shenehon Company, Shareholder, since October 1980; President since 1985
Patchin Appraisals, Inc., Manager from February 1978 to September 1980
Shenehon-Goodlund and Associates, Inc., Appraiser from May 1975 to February 1978

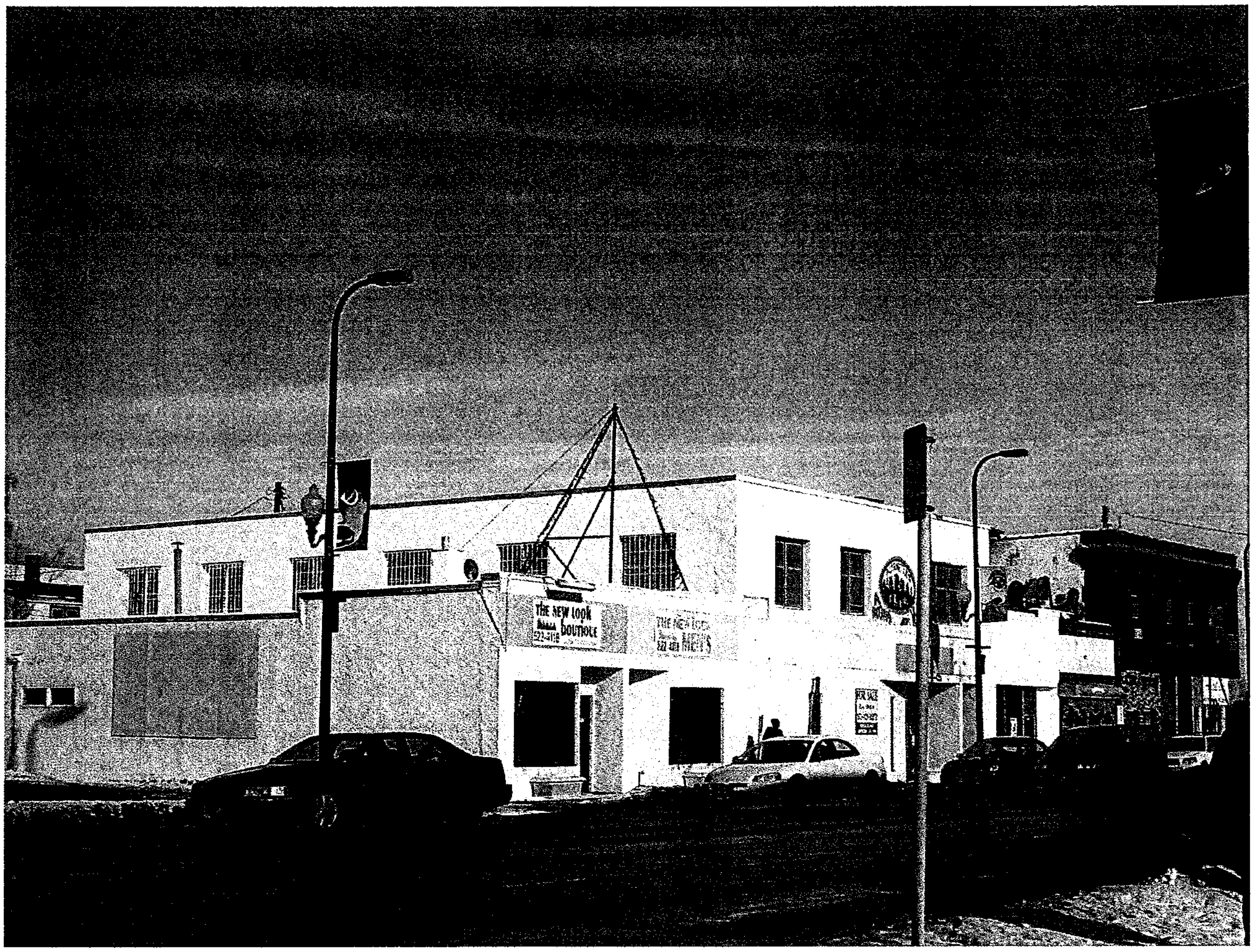
Duties and Responsibilities: Prepare professional valuations and market analysis of real estate, business enterprises and intangible property rights. Assignments have involved numerous types of real estate properties and businesses. These assignments have included highest and best use studies, mortgage financing/recapitalization, condemnation, marriage dissolution, economic loss analysis, tax abatement proceedings, feasibility analysis, investment counseling, potential sales and purchases, lease and rental analyses, bankruptcy proceedings, charitable donations, internal management decisions, easements, special assessment appeals, allocation of purchase price, going public or private, lost profits analyses, estate planning, gift tax, ESOP/ESOT, rights-of-way, valuation of limited and general partner interests in real estate and business partnerships, and insurance indemnification. Teaching experience has been with the Board of Realtors in the University of Minnesota Extension and as an adjunct professor and lecturer at the University of St. Thomas and the University of Minnesota degree programs. Additional teaching experience has been for various appraisal associations, bar associations, legal groups, and the Minnesota Institute of Legal Education. Court experience involves testifying at various commission hearings, district courts, tax courts, and federal courts throughout the U.S. Writing experience includes numerous published articles in various local and national trade journals. Arbitration and commissioner experience involves acting as a court approved arbitrator, commissioner or magistrate on numerous real estate and business valuation disputes. Investment experience has involved a variety of business and real estate assets. Appraisal experience has been throughout the U.S. (over 30 states) and Canada.

PARTIAL CLIENT LIST

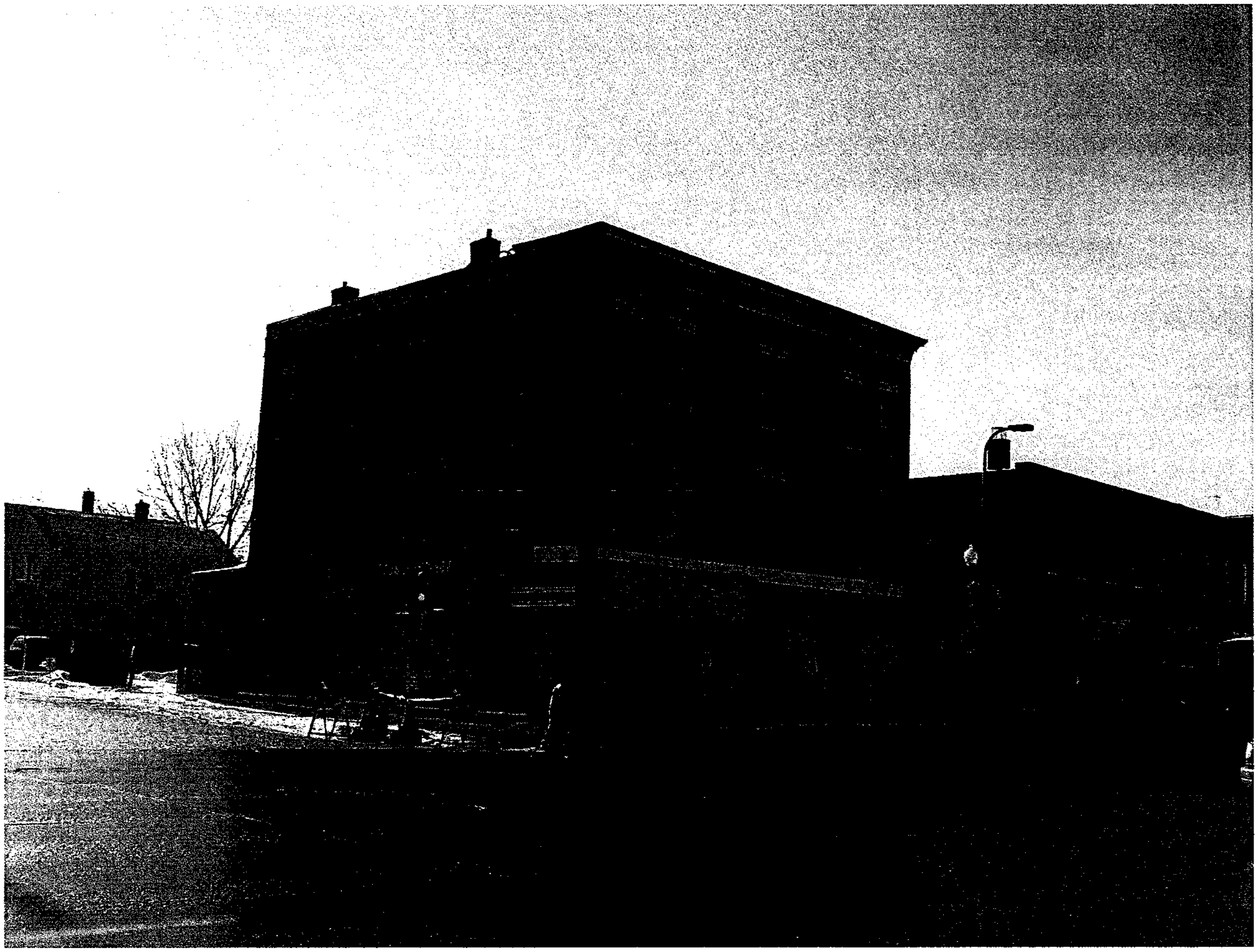
3M Corporation
AGA Medical Corporation
Allianz
AmeriPride Services
Bank of Montreal
Best Buy
Cargill
Catholic Charities
Citicorp
City of Minneapolis
City of St. Paul
CSM Corporation
Deutsche Bank Trust Company
Dominium Group
Dorsey & Whitney
Eaton Corporation
Equitable Life Insurance
Equity Office
Faegre & Benson
Federal Aviation Association
Federal Reserve Bank
GE Capital
Gerald Hines Interests
GMAC Mortgage
HUD
Hennepin & Ramsey Counties
Internal Revenue Service
J.P. Morgan Bank
Kraus Anderson
Lutheran Social Services
M&I Bank
Malt-O-Meal
Marquette Bank
Merrill Lynch-Hubbard
Metropolitan Airports Commission
Munsingwear
National Presto
Opus Group of Cos.
Pacific Gas & Electric
Pohlad Group of Companies
Principal Financial Group
Rahr Malting Company
Ryan Companies
San Diego Gas & Electric
Schmitt Music
SciMed Life Systems
State of Minnesota
SurModics
Target
United Health Care
United States Army
United States Fish & Wildlife
United States Justice Department
United States Post Office
University of Minnesota
University of St. Thomas
U.S. Bancorp
W.R. Grace Company
Walgreen Drug Stores
Waycrosse
Wells Fargo & Co.
Williams Energy Group
Xcel Energy
YMCA

ADDENDA

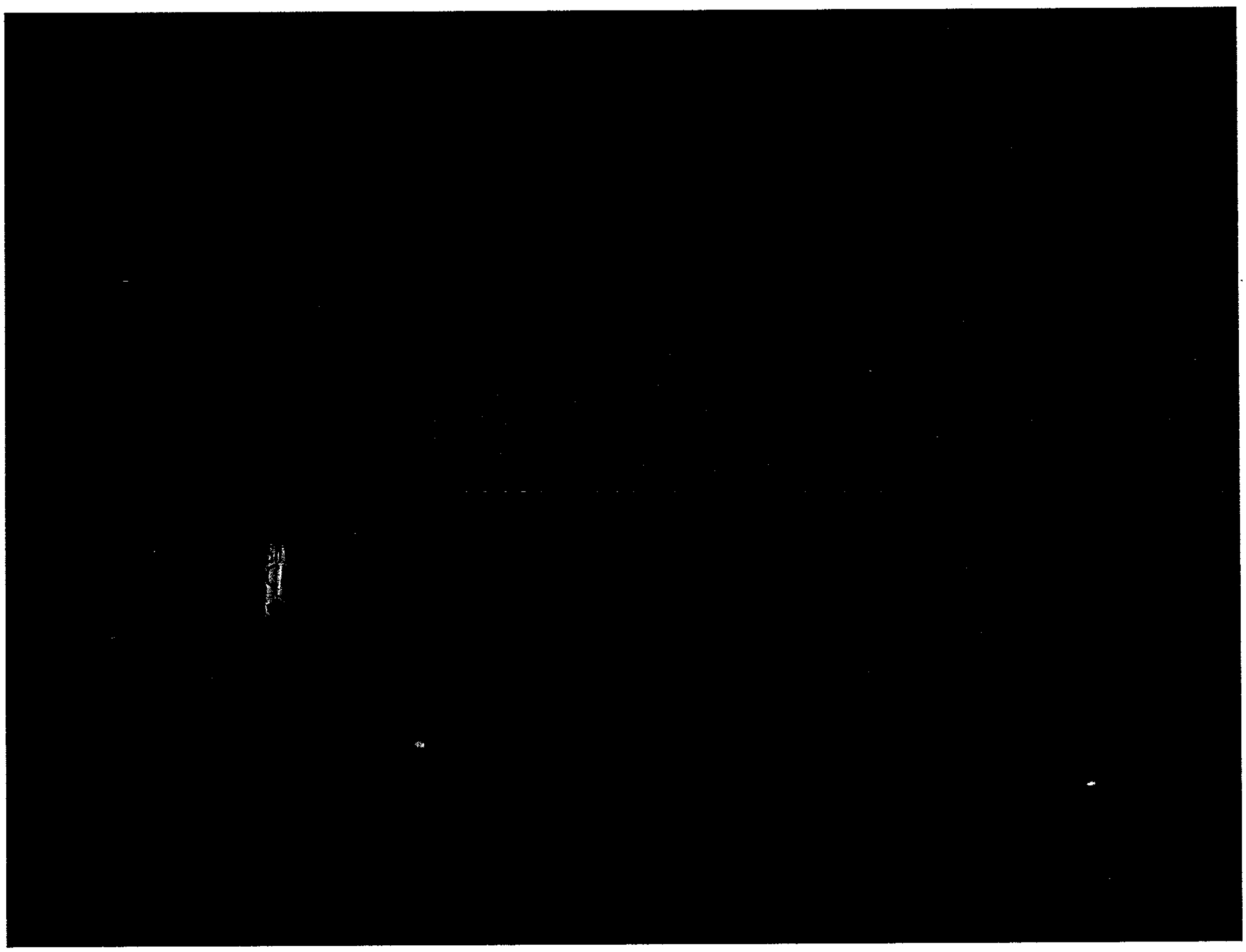
COMPARABLE BUILDING SALES



Source:	Buyer, public records, assessor
Address:	1110 West Broadway, Minneapolis, MN
Legal Description:	Lengthy, in appraiser's file
Property Identification Number:	16-029-24-13-0080
Buyer:	G. Garrett
Seller:	Robert H. Schlecter
Land Size:	2,628 square feet
Gross Building Area:	3,690 square feet
Net Rentable Area:	3,690 square feet
Year Built:	1924
Zoning:	C2
Condition:	Good
Sale Date:	October 23, 2006
Sale Price:	$166,667
Price Per Square Foot NRA:	$45.17

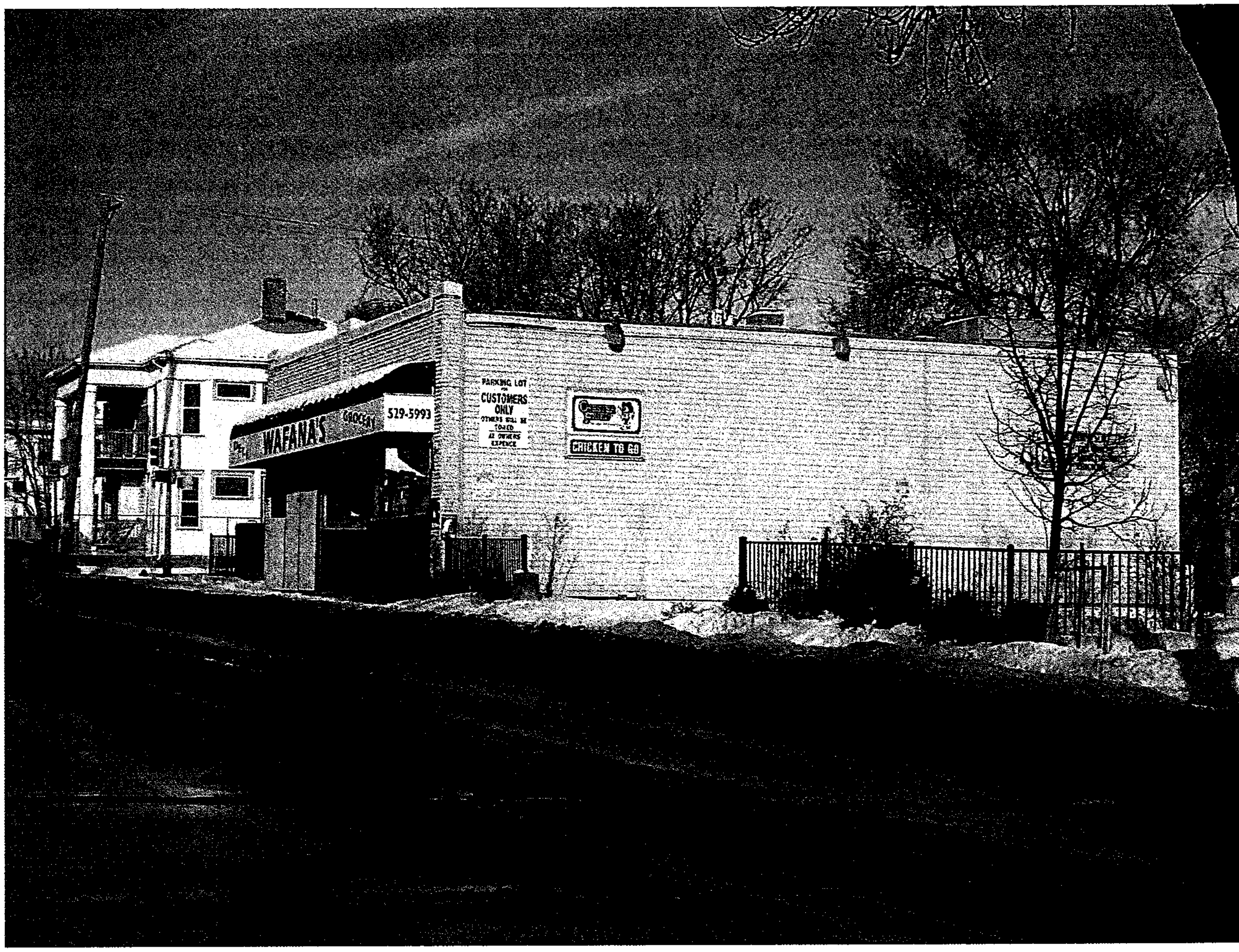


Source:	Buyer, public records
Address:	1001 West Broadway, Minneapolis, MN
Legal Description:	The east 44.25 feet of Lot 1, Block 22, Highland Park Addition to the city of Minneapolis
Property Identification Number:	16-029-24-14-0168
Buyer:	City of Minneapolis
Seller:	Trent Jaeger as personal representative of the Estate of William Franklin
Land Size:	4,968 square feet
Gross Building Area:	9,788 square feet
Net Rentable Area:	7,588 square feet
Year Built:	1880
Zoning:	C2
Condition:	Poor
Sale Date:	December 8, 2008
Sale Price:	$116,000
Price Per Square Foot NRA:	$15.29



Source:	Seller, broker, public records, assessor
Address:	1501 Glenwood Avenue, Minneapolis, MN
Legal Description:	That part of Lots 6, 7, and 8 lying west of Irving Avenue North as opened included adjacent ½ of vacated street, Grand View Addition to Minneapolis
Property Identification Number:	21-029-24-34-0137
Buyer:	Houly H. Xiong and Pakon Vang Xiong
Seller:	Trac Cao
Land Size:	10,621 square feet
Gross Building Area:	7,206 square feet
Net Rentable Area:	4,804 square feet
Year Built:	1924
Zoning:	C1
Condition:	Average
Sale Date:	March 14, 2007
Sale Price:	$300,000
Price Per Square Foot NRA:	$62.45

Source:	Buyer, public records, assessor
Address:	3112 Emerson Avenue North, Minneapolis, MN
Legal Description:	Lot 24, Block 9, Silver Lake Addition to Minneapolis except the North 6 and 2/3rds feet
Property Identification Number:	09-029-24-42-0024
Buyer:	Mark Allen Simmonds
Seller:	Homes and Associates Realty
Land Size:	4,880 square feet
Gross Building Area:	2,541 square feet
Net Rentable Area:	1,485 square feet
Year Built:	1914
Zoning:	C2
Condition:	Poor
Sale Date:	May 12, 2008
Sale Price:	$110,000
Price Per Square Foot NRA:	$74.07



Source:	Buyer, public records, assessor
Address:	2318 Lyndale Avenue North, Minneapolis, MN
Legal Description:	Lengthy, in appraiser's file
Property Identification Number:	15-029-24-22-0047
Buyer:	Mahmoud E. Abdel-Karem
Seller:	Palmer House on Lyndale, LLC
Land Size:	9,049 square feet
Gross Building Area:	4,000 square feet
Net Rentable Area:	2,000 square feet
Year Built:	1900
Zoning:	R2B
Condition:	Average
Sale Date:	July 10, 2007
Sale Price:	$120,000
Price Per Square Foot NRA:	$60.00