

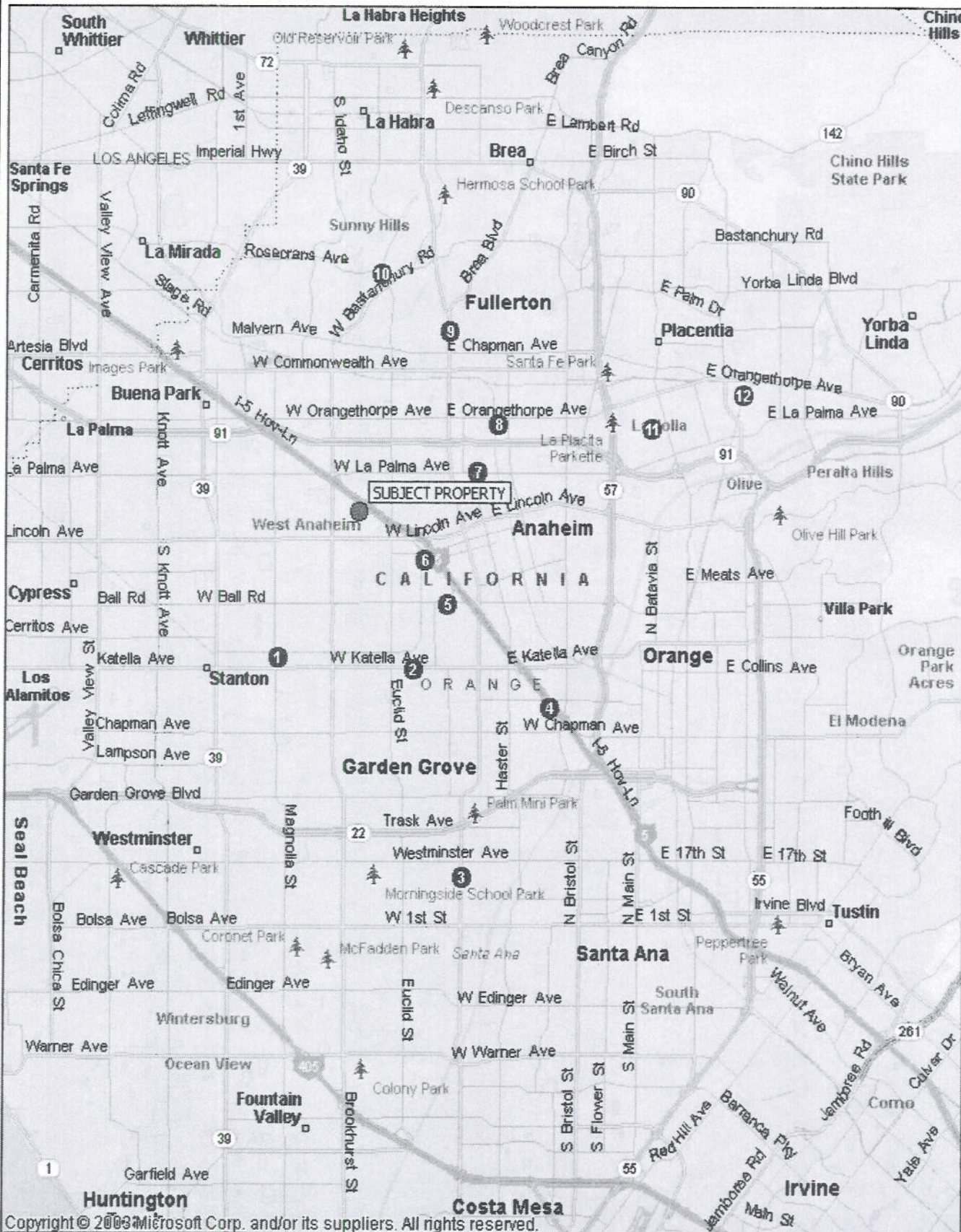
ADJACENT PARKING LOT VALUATION

According to the Assessor Parcel Map, the adjacent parking lot contains an area of 1.923 acres, or 83,766 square feet. Currently, it is used to provide parking for the ITT Technical Institute and 20 parking spaces for Golden State Water Company. The highest and best use of this portion of the subject property was judged to be the site of a small business building 'for sale' project. Because of the remaining term of the ITT lease, this use would have to be deferred at least two years as the lease runs out.

For the purpose of estimating the market value of the subject adjacent parking lot land, an investigation has been made into recent sales of industrial and commercial land in the Central County area. Here follows a summary of land sales with a Market Data Map to follow.

<i>Summary Of Land Sales</i>							
<i>No.</i>	<i>Location/Seller/Buyer-Broker</i>	<i>City/APN</i>	<i>Zoning</i>	<i>Date</i>	<i>Sq.Ft.</i>	<i>Price</i>	<i>/Sq.Ft.</i>
1	9051 Katella Ave. Ashwill Assoc./John Rendon	Anaheim 127-621-06, 07	Ind'l	Avail.	48,961	\$2,100,000	\$42.89
2	1556 W. Katella Ave. I-Hsiung/La Vue LLC	Anaheim 090-621-31	T	8/8/06	34,587	\$1,400,000	\$40.48
3	1310 N. Harbor Blvd. Lee & Assoc./Ted Sawyer	Santa Ana 198-043-25	SP2	Avail.	91,476	\$3,476,000	\$38.00
4	2333 S. Manchester Ave. Lee & Assoc./Douglas Garrett	Anaheim 137-451-25	GC	Avail.	26,136	\$1,450,000	\$55.48
5	1100 Ball Road Aftab Ahmad/Larry Huynh	Anaheim 129-291-06	SP92-01	9/21/06	22,499	\$1,150,000	\$51.11
6	318 S. Hessel St. Home Oil/City of Anaheim	Anaheim 036-050-04	I	2/25/08	73,181	\$2,480,000	\$33.89
7	Anaheim Blvd. & Patt St. Lee & Assoc./James de Regt	Anaheim N/A	M2	Avail.	200,977	\$10,048,800	\$50.00
8	800 Orangefair Lane P. Candelaria Tr./James Brown	Anaheim 267-051-01, 02	GI	3/9/06	37,505	\$1,650,000	\$43.99
9	1016 N. Harbor Blvd. Kymia Tr./Studio 1016, LLC	Fullerton 029-020-33	C-3	10/23/07	19,646	\$1,050,000	\$53.45
10	1715 N. Euclid Ct. Sunrise Terry, LLC/Koo Young	Fullerton 287-241-01+	C	2/29/08	558,875	\$24,000,000	\$42.94
11	3001 E. Miraloma Ave. Paul Kott Realtors/Paul Kott	Anaheim 344-221-11	SP94-01	Avail.	87,120	\$3,842,000	\$44.10
12	1401 Jefferson St. Ottis Pittman/BKM Jefferson	Anaheim 345-161-03	M1	9/27/07	213,444	\$6,500,000	\$30.45
Totals & Average					1,414,407	\$59,146,800	\$41.82

LAND SALES MAP



Analysis of Land Sales

The data reflect a relatively close range of unit prices of \$30.45 to \$55.48 per square foot and averaged \$41.82 per square foot. The typical range was \$40.00 to \$54.00 per square foot. Generally, the highest prices are associated with the land that is currently being offered for sale. A further examination of the data indicates a stable condition within the land market with little or no change in value over the past two years.

One of the most interesting comparables is Sale No. 7, which is located on Patt Street in Anaheim near the Harbor Boulevard-Riverside Freeway interchange. This land is next door to a recently developed project of small business buildings, which are being offered for sale. The asking price for this site, which, in my opinion, is similar to the property in question in terms of location, is \$50.00 per square foot. Allowing for a downward adjustment of 10% for the fact that the comparison reflects an asking price and will probably sell for something less, a comparative price of \$45.00 per square foot results.

Sale No. 10 is also an interesting comparison. This property comprises a site of 12.83 acres and sold for \$24,000,000, or \$42.94 per square foot. The seller had entitled this property for 375,000 square feet of residential improvements, plus 100,000 square feet of retail commercial, or in the alternative, 300,000 to 450,000 square feet of commercial use. At the present time, the buyer is rehabilitating the old shopping center on the property and re-leasing it. So, for the time being, the redevelopment of this property is on hold. This bares some relationship to the proposition of re-zoning the adjacent subject parking lot to residential use and, apparently, this is not the time or market to do it in.

Data No. 11 is considered to be a good indicator of land value. This property is situated in the northeast Anaheim industrial area. It comprises 2.00 acres of land and is available at \$3,842,000, or \$44.10 per square foot. It is a flagpole lot and has inferior access compared to the subject property, but it is a listing and a 10% discount would be in order for that factor. Since the

inferior access requires an upward adjustment and the listing status requires a downward adjustment, they tend to cancel each other and, therefore, this comparison would indicate a value of \$44.10 for the subject property.

Based upon the above and my knowledge of the market, it is my opinion that the adjacent parking lot has a current market of **\$45.00** per square foot, or **\$3,769,000**. It should be kept in mind however; that a portion of this property is under lease to ITT Technical Institute for another two years, so the leased fee interest is made up of the revenue from parking for another two years and then the reversionary value of the land. The calculation follows.

Adjacent Parking Lot Value Analysis

Estimated Parking Lot Revenue		
145 spaces @ \$63.00/space x 12 mos.		\$109,620
20 spaces @ \$0/space x 12 mos.		<u>0</u>
Total		\$109,620
 Estimated Expenses		
Maintenance.....	\$12,500	
Insurance.....	7,500	
Real Estate Taxes.....	<u>16,000</u>	
Total.....		<u>36,000</u>
Estimated Net Operating Income.....		\$73,620
 Capitalization of Income Stream		
\$73,620 x 1.783265*		\$131,284
Estimated Reversion		
\$3,769,000 x 0.857339**		<u>3,231,311</u>
Total		\$3,362,595
		Say \$3,363,000
		\$40.15/sq.ft.

* Present worth of \$1/year, 8.0%, 2 years
 ** Present worth of \$1, 8.0%, 2 years

Note: It is recognized that Golden State Water Company has a license to park 20 utility vehicles onsite through August 31, 2014. However, it is assumed that these can be parked temporarily in any redevelopment or the License can be terminated on payment of a relatively small compensation.

DISCUSSION AND CONCLUSIONS

According to Timothy D. Holcomb, Deputy Superintendent and Chief Financial Officer, of the School District, ITT may be interested in buying the property. Theoretically, they could pay more for the subject property than anyone else because they wouldn't have to do any further tenant improvements, nor would they have to bare any leasing costs or lost rent. They would, however, still have the benefit of their leasehold interest over the remaining term of the lease. From an economic perspective, the value of the office building to them would be:

Estimated Capital Value Before Lease-Up.....	\$6,628,585
Less Leasehold Interest.....	<u>177,199</u>
Estimated Value To ITT	\$6,451,386

There still remains the issue of the adjacent parking lot. They do not need it all, but they would have to buy it all and sell off what they don't need for no net gain or loss. The estimated value of the parking lot to them would be the leased fee valuation of \$3,363,000. The total value to ITT would therefore be:

Estimated Value To ITT	\$6,451,386
Plus Adjacent Parking Lot.....	<u>3,363,000</u>
Estimated Value To ITT	\$9,814,386

There is an argument, which can be made, that says that ITT should not have to pay any more than the value of the leased fee, including "lease-up" because that can be considered part of their bargaining position. All of the above issues would more than likely come up in the process of negotiating a sale.

In the alternative, ITT may be interested in renewing their lease for an extended term. The data set forth in the Income Approach should provide a basis for the rent to be charged in a new lease.

There is reportedly interest in acquiring the subject property by the neighboring property owner. The estimated market value of the leased fee would be an appropriate price in today's

market. There may be an advantage in dealing with the neighbor only because it would be a direct sale with no broker's commission to pay. It could be argued that they could pay from 4% to 5% more because a sales fee does not have to be paid. On the other hand, a good broker might be able to market the subject property for more than the appraisal and, therefore, earn a commission and still provide a profit beyond that. If ITT wants to renew and extend their lease it might be best to negotiate that prior to sale discussions with the neighbor. A fully leased property might cause the property to sell for a lower overall capitalization rate and higher price.

Finally, at the client's request, I investigated the probability of amending the General Plan and changing the subject zoning to medium-density residential. My inquiry with the City was not encouraging of a change because the City Planning Staff doesn't think it would be good practice. Furthermore, the residential market is quite unfavorable due to declining home prices and the difficulty in obtaining financing for development, as well as qualifying home buyers for the end product. In a few words, it doesn't appear to be feasible at this time.

VALUATION

Based on the examination and study made and my experience as a real estate appraiser, the market value of the leased fee interest in the subject property, as of July 18, 2008, assuming the conditions set forth herein, is in the amount of:

Office Building

*FIVE MILLION NINE HUNDRED THOUSAND DOLLARS
(\$5,900,000)*

Adjacent Parking Lot

*THREE MILLION THREE HUNDRED SIXTY-THREE THOUSAND DOLLARS
(\$3,363,000)*

LIMITING CONDITIONS

This report is made expressly subject to the following conditions and stipulations.

- 1) No responsibility is assumed by Parkcenter Realty Advisors for matters that are legal in nature.
- 2) No opinion of title is rendered and the property is appraised as though free of all encumbrances and the title marketable.
- 3) The appraisal covers the property described only.
- 4) No survey of the boundaries of the property has been made. All areas and dimensions furnished the appraiser(s) is assumed to be correct.
- 5) Sources of information are believed to be correct and, where feasible, have been verified.
- 6) The term "*market value*" as used in this report is defined and qualified as being, "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
 - a) buyer and seller are typically motivated;
 - b) both parties are well informed or well advised, and acting in what they consider their best interests;
 - c) a reasonable time is allowed for exposure in the open market;
 - d) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - e) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."
- 7) That the date of value to which the conclusions and opinions expressed in this report apply, is set forth in the letter of transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American dollar on that date.
- 8) That the appraiser(s) assumes no responsibility for economic or physical factors, which may affect the opinions herein stated occurring at some date after the date of value.
- 9) That the appraiser(s) reserves the right to make such adjustments to the valuation herein reported, as may be required by consideration of additional data or more reliable data that may become available.
- 10) That maps, plats, and exhibits included herein are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as a survey, or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.

- 11) By reason of this appraisal, Parkcenter Realty Advisors is not required to give testimony or to be in attendance in court or at any governmental or other hearing with reference to the property without prior arrangements having been made relative to such additional employment.
- 12) In this engagement, Parkcenter Realty Advisors has used their best efforts to perform the appraisal in a professional manner to the Standards of the Appraisal Institute, however, no warranties, assurances or guarantees of any kind are expressed or implied and the appraiser(s) accepts no liability in furnishing this report.
- 13) Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.

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

- 14) This appraisal report is prepared for the sole and exclusive use of the client identified herein for the stated intended use. No third parties are authorized to rely upon this report without the express prior written consent of Parkcenter Realty Advisors.

CERTIFICATION

Parkcenter Realty Advisors certifies that, to the best of their knowledge and belief,

- the statements of fact contained in this report are true and correct;
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
- we have no present or prospective interest in the property that is the subject of this report, and have no personal interest with respect to the parties involved;
- we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- our engagement in this assignment was not contingent upon developing or reporting predetermined results;
- our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;

- the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP);
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- Robert A. Steele made a personal inspection of the property that is the subject of this report;
- no one provided significant real property appraisal assistance to the person signing this certification;
- as of the date of this report, Robert A. Steele has completed the continuing education program of the Appraisal Institute; and
- in accordance with the USPAP Competency Provision, we certify that we have the knowledge and experience to complete this assignment and have appraised this property type before.

Respectfully submitted,

PARKCENTER REALTY ADVISORS

By:



Robert A. Steele, MAI, CRE
President
Certified General Real Estate Appraiser
State of California No. AG006307

RAS:pmd

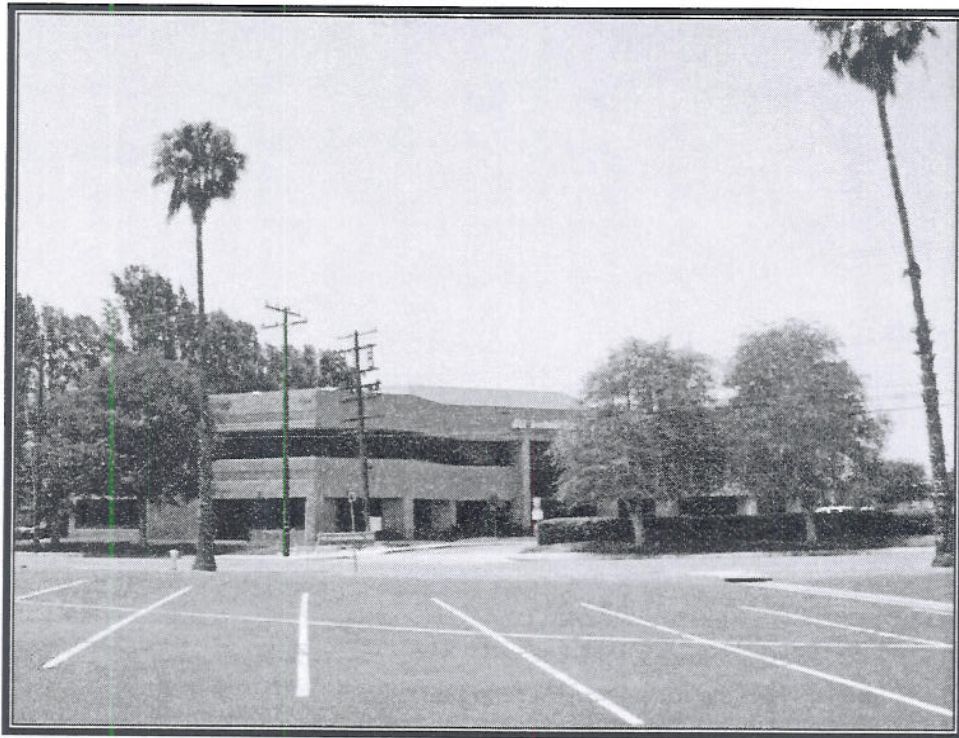
ADDENDUM

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EXHIBIT A

Subject Photographs

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*Subject Property
525 North Muller Street, Anaheim*



Subject Property Looking Northwest



Front Entrance



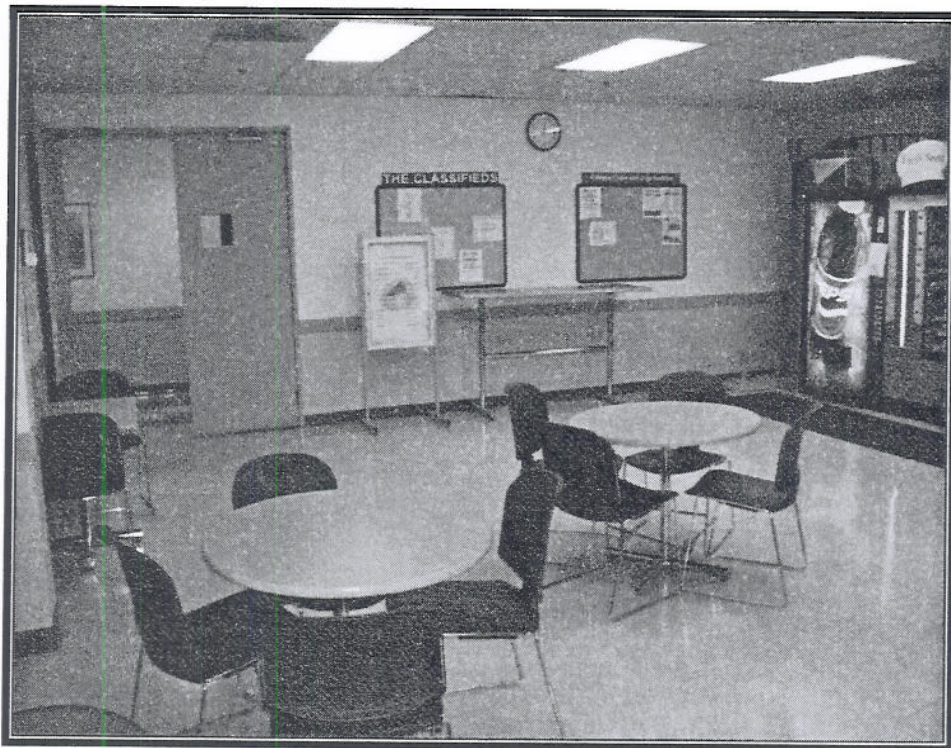
North Side Access



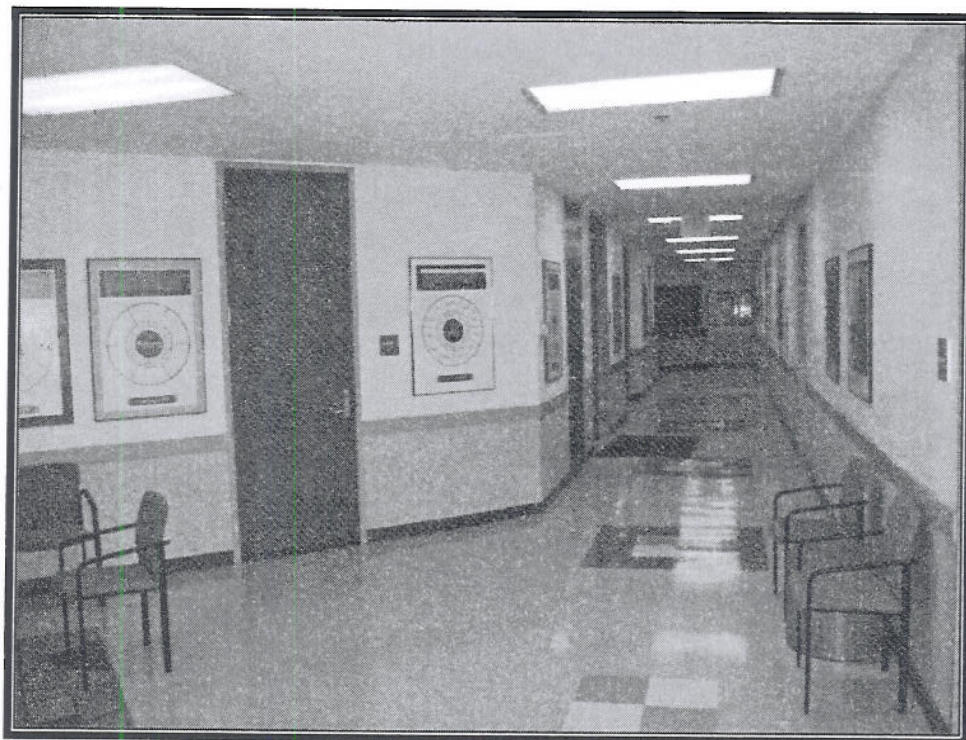
West Elevation



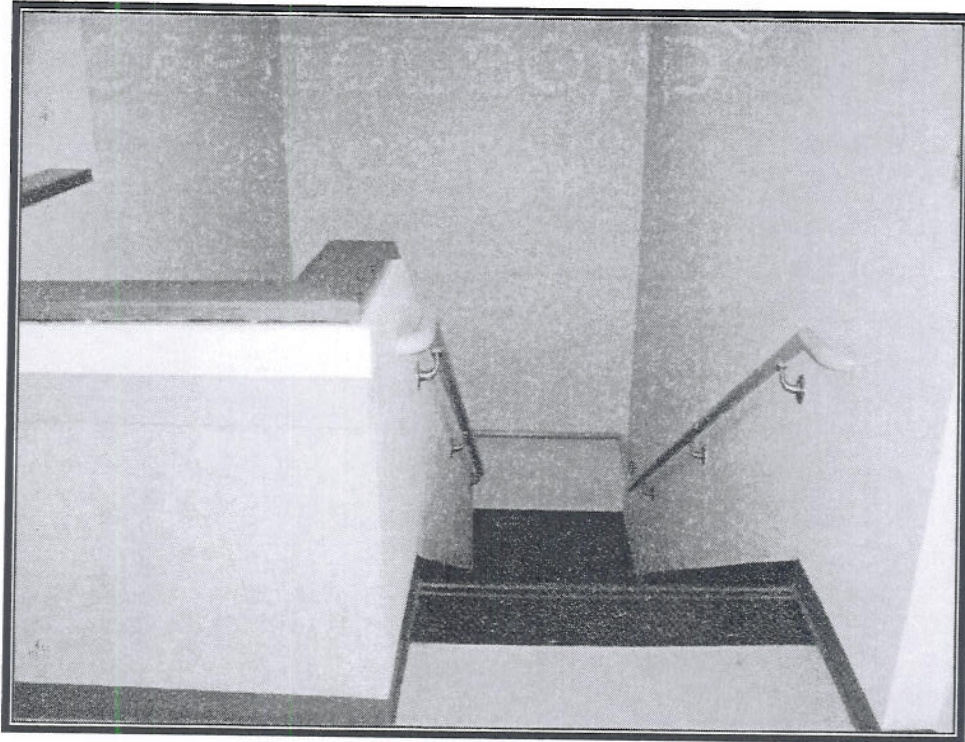
Common Area Parking Lot



Student Lounge



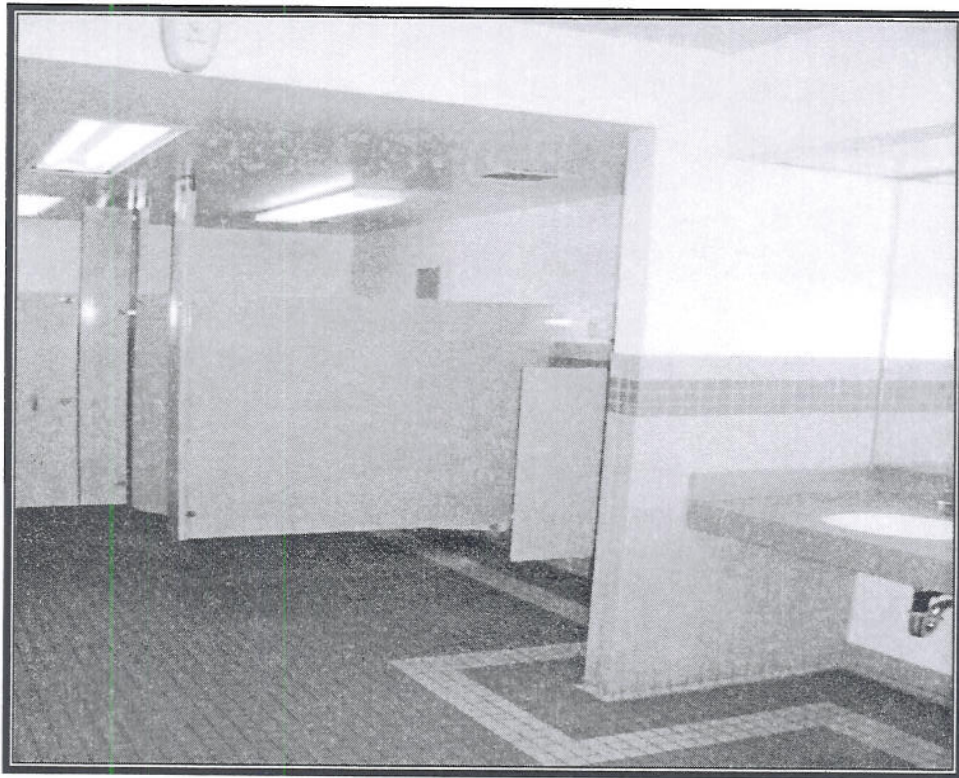
Ground Floor Hallway



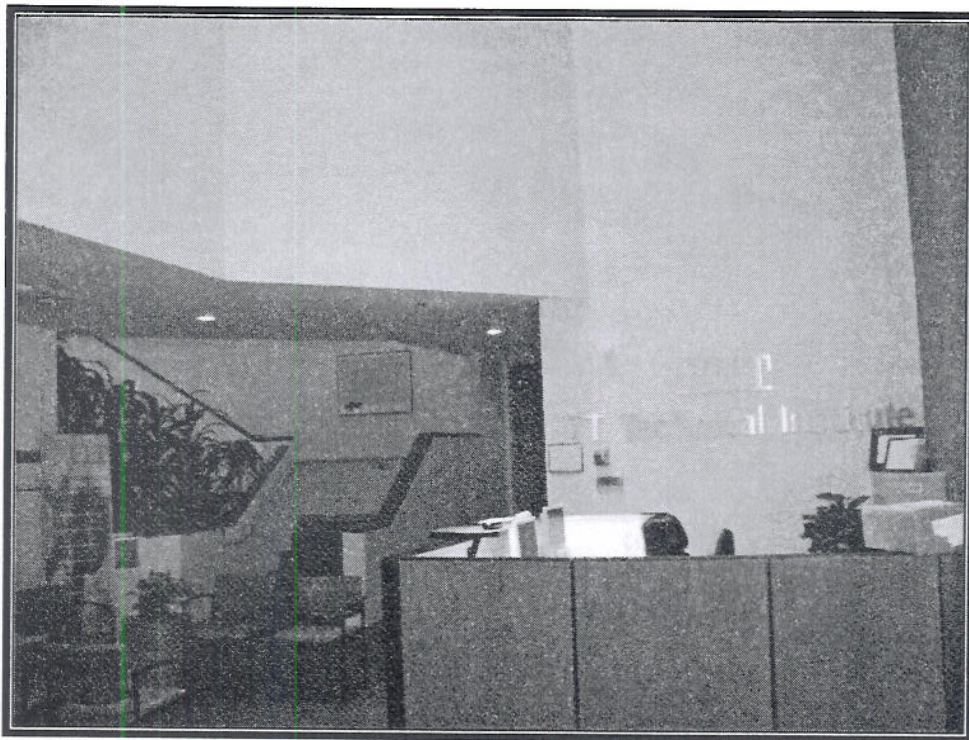
Interior Stairwell



Typical Laboratory



Men's Restroom



Main Lobby Area



South On Muller Street



North On Muller Street



West On Corporate Way

EXHIBIT B

Rental Data Photographs

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*Rental Data No. 1, 2411 West La Palma Avenue
Anaheim Palms Corporate Center*



Rental Data No. 2, 2301 West Lincoln Avenue, Anaheim

NO PHOTOGRAPH AVAILABLE

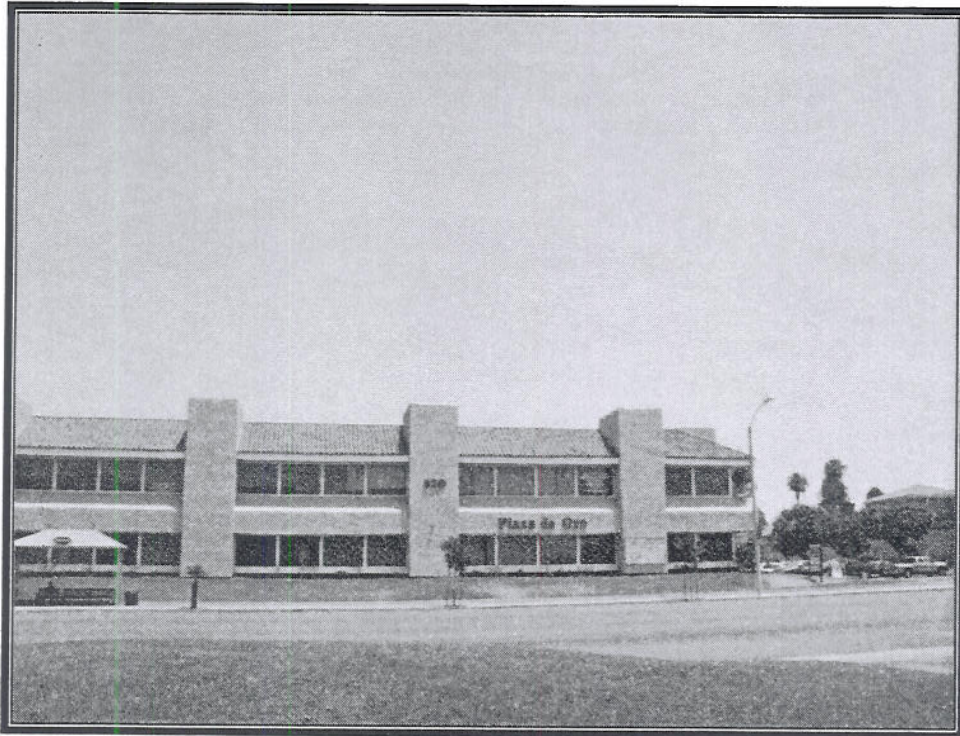
Rental Data No. 3, 1671 West Katella Avenue, Anaheim



***Rental Data Nos. 4, 5 & 6
2111, 2115 and 2121 West Crescent Avenue, Anaheim***



Rental Data No. 7, 501 North Brookhurst Street, Anaheim



Rental Data No. 8, 520 North Brookhurst Street, Anaheim



Rental Data No. 9, 910 South Brookhurst Street, Anaheim



Rental Data No. 10, 505 North Euclid Street, Anaheim



Rental Data No. 11, 222 South Harbor Boulevard, Anaheim



Rental Data No. 12, 888 South Disneyland Drive, Anaheim

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EXHIBIT C

Office Building Sales Photographs

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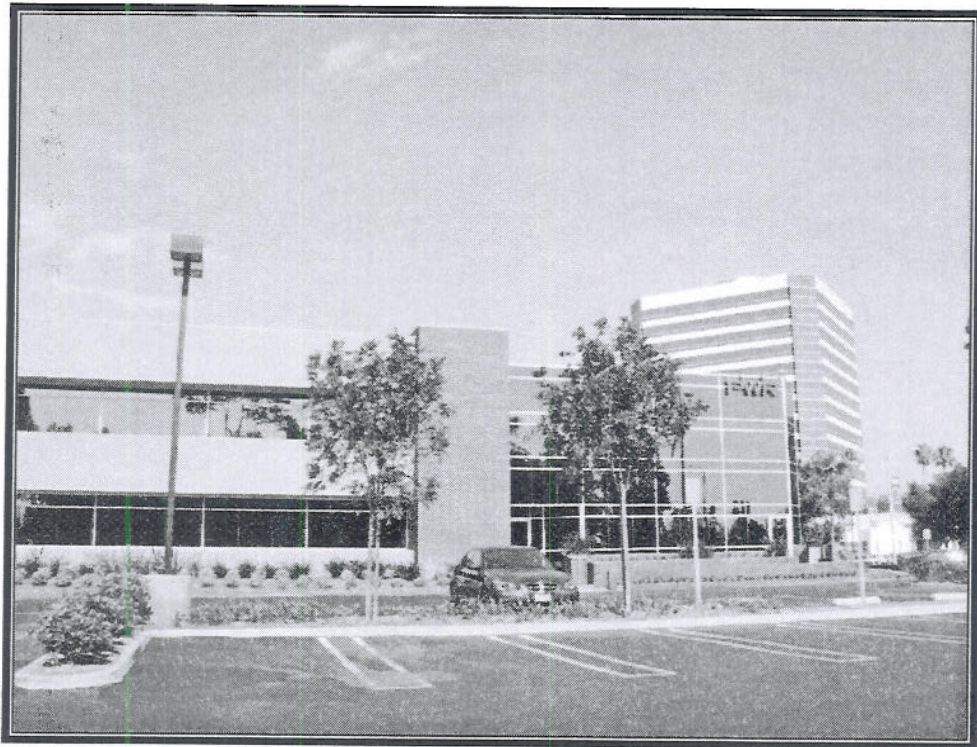
Sale No. 1, 5762-5772 Bolsa Avenue, Huntington Beach



Sale No. 2, 15061 Springdale Street, Huntington Beach



Sale No. 3, 10101 Slater Avenue, Fountain Valley



Sale No. 4, 1601 East Orangewood Avenue, Anaheim



Sale No. 5, 450 West 4th Street, Parkside Plaza, Santa Ana



Sale No. 6, 500 West Santa Ana Boulevard, Santa Ana



Sale No. 7, 1528 Brookhollow Drive, Santa Ana



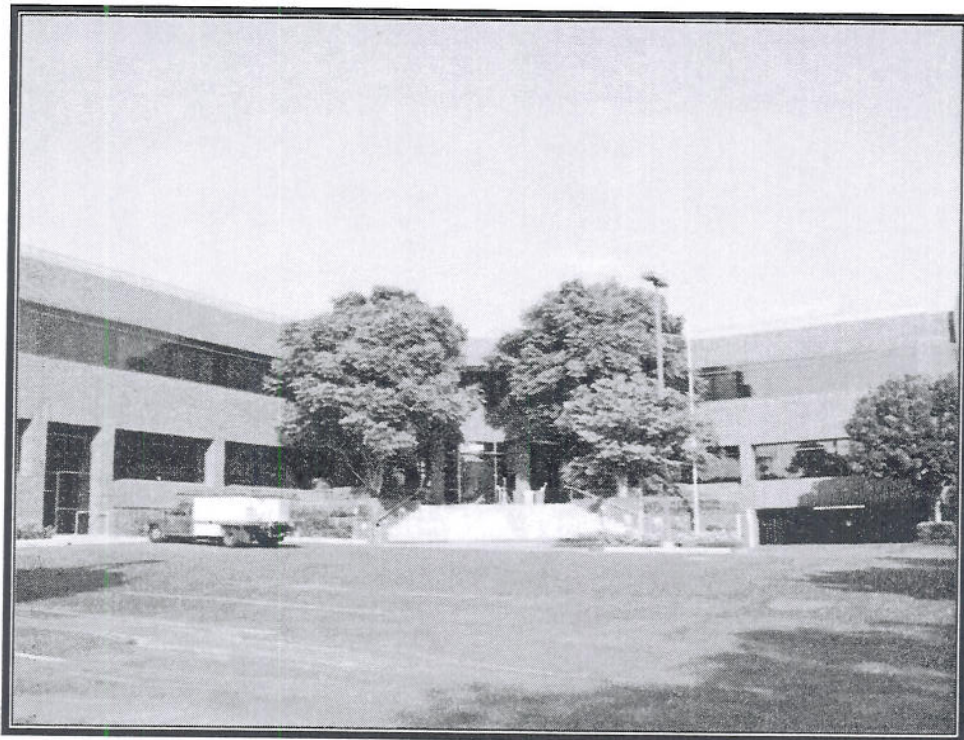
Sale No. 8, 2000 East 4th Street, Santa Ana



Sale No. 9, 1401 North Tustin Avenue, Santa Ana



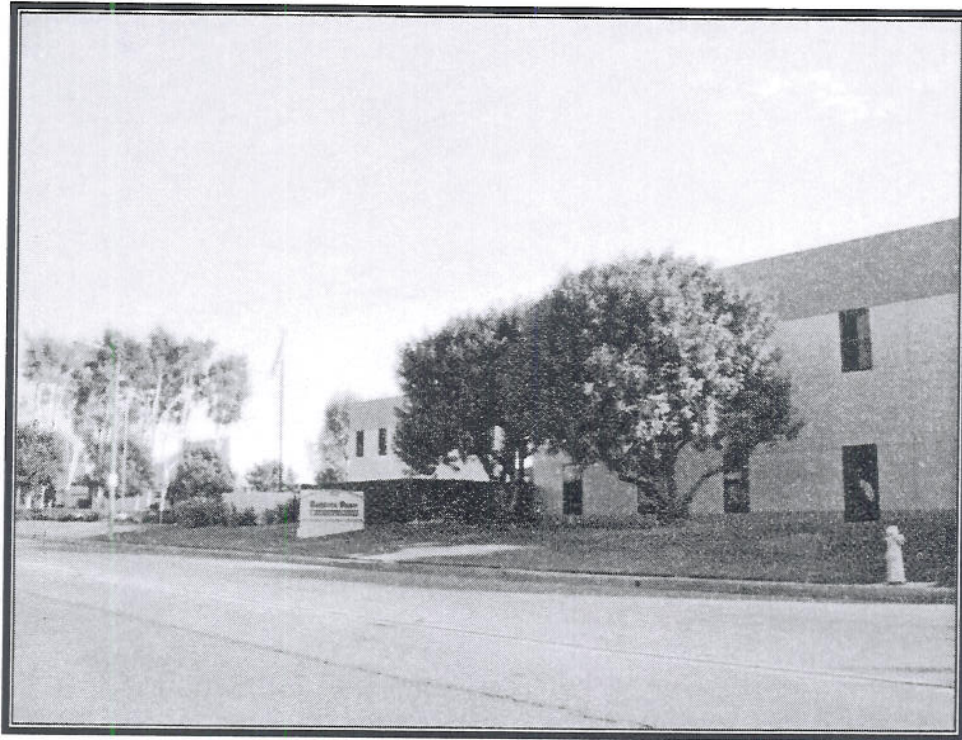
Sale No. 10, 1801 East Edinger Avenue, Santa Ana



Sale No. 11, 15101 Red Hill Avenue, Tustin



Sale No. 12, 14661 Franklin Avenue, Tustin



Sale No. 13, 2742 Dow Avenue, Tustin

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EXHIBIT D

Professional Qualifications

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PROFESSIONAL QUALIFICATIONS

ROBERT A. STEELE, MAI, CRE

Education: El Camino College, A.A., 1952
University of California Los Angeles, B.S., 1954
University of Southern California, M.B.A., 1962

Employment: President - PARKCENTER REALTY ADVISORS, Santa Ana, California, 1982-Present
President - MCO EQUITIES, INC., Los Angeles, California, 1981-1982
Senior Vice President - LANDAUER ASSOCIATES, INC., Santa Ana, California, 1975-1981
Vice President, Co-Owner - SHATTUCK COMPANY, Los Angeles & Santa Ana, California, 1964-1975
Employee - SHATTUCK COMPANY, Los Angeles, California, 1954-1964

Professional Organizations:

Governor, Governing Council, AIREA, 1975-1977, 1984-1986
Governor, Board of Governors, ASREC, 1979-1981, 1982-1984
President, Southern California Chapter, AIREA, 1974
Director, Pan American Properties, 1973-1983; Director, National Association of Realtors, 1973-1978
Director, California Association of Realtors, 1971-1974; Director, Los Angeles Board of Realtors, 1971-1974

State Certification: Certified General Real Estate Appraiser; State of California No. AG006307

Member: Appraisal Institute (MAI)
American Society of Real Estate Counselors (CRE)
National Association of Realtors
California Association of Realtors
East Orange County Board of Realtors
International Right-of-Way Association

Contributing Author:

"The Impact of Civil Disobedience on Property Values", published by AIREA in *The Appraisal Journal*, 7/68
"Appraising Apartment Houses, Market Data Approach", published by California Real Estate Association in *Apartment Houses*, 1968
"Review of an Appraisal of Residential Subdivision Land", published by AIREA in *The Appraiser*, 1969
"The Appraisal of Residential Income Property, Narrative Appraisal Reports for Residential Income Property", published by Southern California Chapter of AIREA, 1971
"Application of Equity Yield Analyses in Appraisal Reports", published by AIREA in *The Appraisal Journal*, 4/75
"The J Factor": A Valuable Ellwood Legacy", published by AIREA in *The Appraisal Journal*, 10/78
"DCR/Re Capitalization Rate Tables for Today's Financing", published by AIREA in *The Appraisal Journal*, 1/81
"Beware the Abusers of IRR Methodology", published by AIREA in *The Appraisal Journal*, 4/82
"Investment Analysis for Existing Projects", published by American Society of Real Estate Counselors in *Real Estate Counseling*, 1984
"A Recipe for Good Cash Flow Analysis", published by AIREA in *The Appraisal Journal*, 4/89
"How Interest Rates Affect Income - Property Returns", published by Commercial-Investment Real Estate Council in the *Commercial Investment Real Estate Journal*, Summer 1989

Teaching and Lecturing:

Investment Analysis, AIREA
Capitalization Theory and Techniques, AIREA
Urban Properties, AIREA
Litigation Valuation, AIREA
Principles of Real Estate Appraisal, UCLA Extension
Advanced Real Estate Appraisal, UCLA Extension

Has appeared as a lecturer at various chapter, regional and national meetings and seminars of AIREA. Has lectured to various real estate board meetings and state conventions. Appeared as a panelist on ASREC national convention programs. Has been a speaker at various professional association conventions.

Academic Affiliations:

Lambda Alpha, Land Economics Honorary Fraternity, 1980
Phi Kappa Phi, All University Academic Honorary, University of Southern California, 1963
Beta Gamma Sigma, School of Commerce, Academic Honorary, University of Southern California, 1963