Fiscal Impact Analysis

East Gateway Urban Village - Parcel F
4406-4522 132nd St SE
Mill Creek, Snohomish County, Washington 98012

Prepared For:
Benjamin Pariser
Resource Transition Consultants, LLC
144 Railroad Avenue, Suite 310
Edmonds, WA 98020

Effective Date of the Analysis:
July 21, 2011

IRR - Seattle
File Number: 154-2011-0190

Integra Realty Resources
Local Expertise...Nationally

East Gateway Urban Village - Parcel F
4406-4522 132nd St SE
Mill Creek, Washington

August 22, 2011

Benjamin Pariser
Resource Transition Consultants, LLC
144 Railroad Avenue, Suite 310
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SUBJECT: Fiscal Impact Analysis
East Gateway Urban Village - Parcel F
4406-4522 132nd St SE
Mill Creek, Snohomish County, Washington 98012
Integra Seattle File No. 154-2011-0190

Dear Mr. Pariser:

Integra Realty Resources – Seattle is pleased to submit the accompanying fiscal impact study of the referenced property. The client for the assignment is Resource Transition Consultants, LLC. This fiscal impact analysis will be used by Resource Transition Consultants in discussions with the City of Mill Creek regarding sources of potential revenue to fund needed infrastructure improvements through the utilization of Local Revitalization Financing (LRF).

This analysis 1) evaluates the potential sales tax revenue generated by future development of the subject, 2) estimates projected property tax revenues to the City subsequent to redevelopment (over and above existing property tax revenues, and 3) estimates one-time sales tax revenues on construction costs. This analysis considers the following development scenarios: 1) 130,000 anchor tenant and 2) 60,000 anchor tenant, both with associated residential and retail components.

Based on the analysis contained herein and subject to the definitions, assumptions, and limiting conditions expressed in the report, our estimate of revenues from the two scenarios is as follows:

City of Mill Creek Revenue Forecasts

	60,000 SF Grocer Anchored	130,000 SF Big Box Anchored
Sales Tax Projections $2011s	$282,833*	$386,070*
Incremental Property Tax Increase at 75% 0ver 2011 AVs	$70,615	$51,068
Annual Revenue Forecasts	**$353,448**	**$437,138**

***Additionally, a 0.10% tax rate is credited to the city for a Criminal Justice levy, over and above the 0.85% general fund tax rate, or $33,275 per year on the Grocery Anchored Center and $45,420 per year on the Big Box Center.**

City of Mill Creek Tax on Construction Costs @ 0.85%	**$166,157**	**$149,991**

Additionally, the 0.10% tax rate for a Criminal Justice levy adds $19,548 for the Grocery Anchored Center and $17,959 for the Big Box Center.

This consulting study is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and applicable state appraisal regulations.

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

INTEGRA REALTY RESOURCES - SEATTLE

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ASSIGNMENT INFORMATION

EFFECTIVE DATE

The date of the report is August 22, 2011. The effective date of the analysis is July 21, 2011 the actual date of if our on-site inspection.

CLIENT, INTENDED USER AND INTENDED USE

The client and intended user is Resource Transition Consultants, LLC. This fiscal impact analysis will be used by Resource Transition Consultants in discussions with the City of Mill Creek regarding sources of potential revenue to fund needed infrastructure improvements through the utilization of Local Revitalization Financing (LRF).

This analysis is not intended for any other use or user. No party or parties other than Resource Transition Consultants, LLC or the City of Mill Creek may use or rely on the information, opinions, and conclusions contained in this report. Refer to the Assumptions and Limiting Conditions commencing on page 25 regarding limitations on use and distribution.

APPLICABLE REQUIREMENTS

This assignment is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations.

PRIOR SERVICES

We have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

SCOPE OF WORK

This analysis 1) evaluates the potential sales tax revenue generated by future development of the subject, 2) estimates projected property tax revenues to the City subsequent to redevelopment (over and above existing property tax revenues, and 3) estimates one-time sales tax revenues on construction costs. This analysis considers the following development scenarios: 1) 130,000 anchor tenant and 2) 60,000 anchor tenant, both with associated residential and retail components.

To determine the appropriate scope of work for the assignment, we considered the intended use of the analysis and the needs of the user. Our scope of work is described below.

ANALYSIS METHODOLOGY

1) Provide a market overview for two (2) retail development scenarios requested by the City: 1) a 130,000 square foot "big box" retail center and 2) a neighborhood center

anchored by a 60,000 square foot grocer. Both scenarios are to include a 43 unit townhome apartment community.

2) Project the taxable retail sales potential for each scenario and estimate the City sales tax potential based on the and projected .85% tax rate. Additionally, a 0.10% tax rate is credited to the city for a Criminal Justice levy, over and above the 0.85% general fund tax rate.

3) Estimate the potential assessed value for each scenario as a basis for projecting the increase in City property tax revenue, over and above the existing property taxes currently in-place.

4) Estimate the sales tax that would be paid during the construction phase of each project.

PROPERTY INSPECTION

Allen Safer, MAI, MRICS conducted an on-site inspection of the property on July 21, 2011.

SIGNIFICANT PROFESSIONAL ASSISTANCE

It is acknowledged that Mary Amey made a significant professional contribution to this analysis, including conducting research on the subject and its competitive markets, and assisting in the report writing, all under appropriate supervision.

CURRENT OWNERSHIP AND SALES HISTORY

According to the Snohomish County Assessor's office, the owner of record is Storytella Real Estate LLC. (Storytella). The Washington Secretary of State records show that James Nash is the Managing Member as well as registered agent for this LLC. In 2005 and 2006, each of the properties was Quit Claim deeded by Mr. Nash to Storytella. To the best of our knowledge, no sale or transfer of ownership has occurred within the past three years and as of the effective date of this analysis, the property is not subject to an agreement of sale or option to buy, nor is it listed for sale. However, on April 28, 2011, the Snohomish County Superior Court appointed RTC as general receiver for the subject property, and a disposition will be actively pursued.

SITE CHARACTERISTICS

The property consists of three contiguous tax parcels with a total area of 18.80 acres per the Snohomish County Assessor's office. The following table summarizes the subject's land area.

LAND AREA SUMMARY

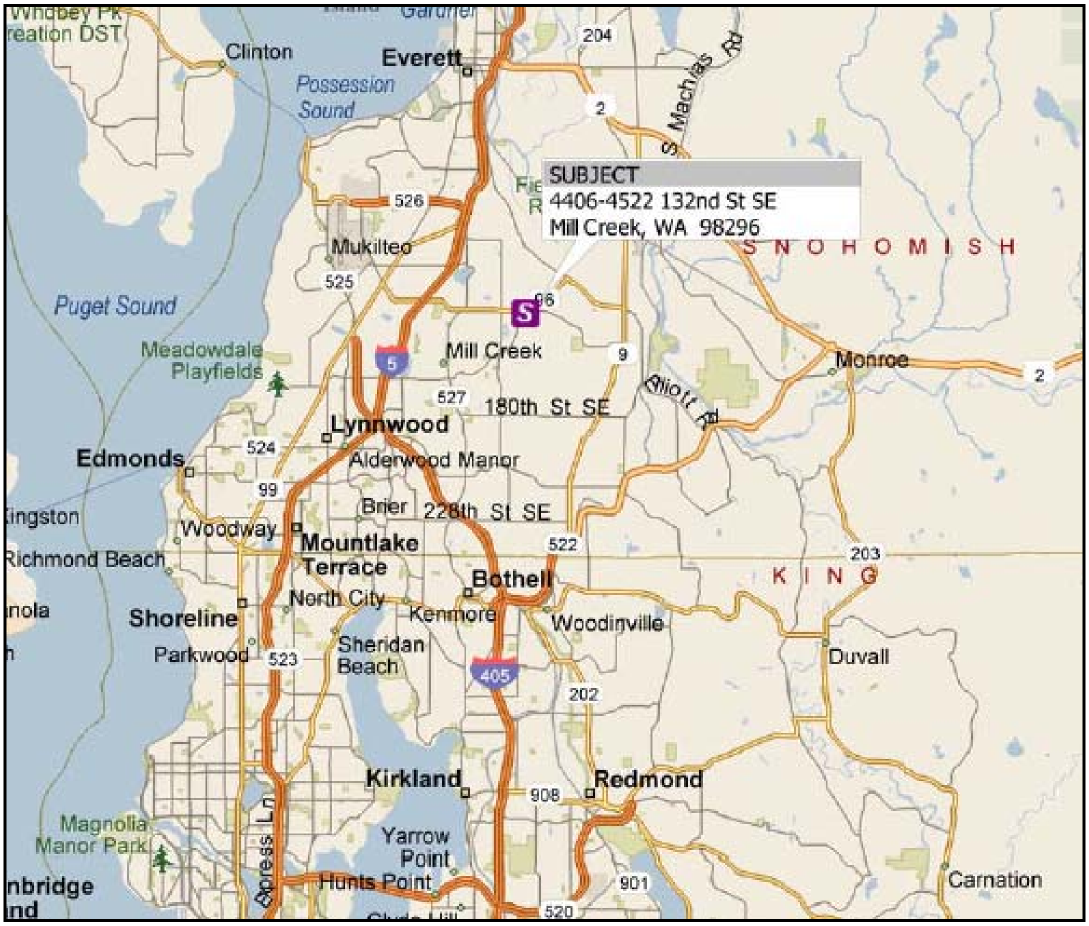
Tax ID	Address	SF	Acres
280533-001-015-00	4406 132nd St SE	431,680	9.91
280533-001-018-00	4510 132nd St SE	36,155	0.83
280533-001-019-00	4522 132nd St SE	351,094	8.06
Total		818,928	18.80

Source: Snohomish County Assessor

LOCATION

The property is located on the south side of 132nd Street SE approximately 0.25 mile east of its intersection with Seattle Hill Road and approximately 0.50 mile west of its intersection with 35th Avenue SE.

SUBJECT LOCATION



SHAPE, DIMENSIONS, TOPOGRAPHY AND CURRENT USE

The site is irregular in shape and measures approximately 725 feet wide by 900 to 1,250 feet deep. The site is generally level and at street grade. The topography does not result in any particular development limitations. The property is presently used as a wholesale plant farm known as Henry's Plant Farm and current improved with greenhouses, related nursery outbuildings and a cell tower.

AERIAL VIEW OF SUBJECT

Source: Snohomish County Assessor

ACCESS AND VISIBILITY

The property has excellent access and visibility from 132nd Street SE (State Route 96), a major east-west arterial street that connects the neighborhood with 35th Avenue SE, State Route 527 (Bothell-Everett Highway) and Interstate 5 to the west (via 128th Street SE) as well as Seattle Hill Road and State Route 9 to the east.

Interstate 5 is approximately 3 road miles to the west of the subject and is accessed by a full diamond interchange at 128th Street SE. State Route 9 is approximately 3.5 road miles to the east of the subject.

At the subject site, 132nd Street SE has two travel lanes in each direction with curbs, gutters and sidewalks on both sides of the street. The speed limit is 40 miles per hour.

TAXES AND ASSESSMENTS – 2011

TAXES AND ASSESSMENTS - 2011

	Assessed Value		Taxes and Assessments			
Tax ID	Land	Total	Tax Rate*	Ad Valorem Taxes	Direct Assessments**	Total
280533-001-015-00	$5,113,700	$5,113,700	$11.5126	$58,871.83	$5.67	$58,877.50
280533-001-018-00	$719,500	$719,500	$11.5126	$8,283.29	$5.19	$8,288.48
280533-001-019-00	$3,458,800	$3,458,800	$11.5126	$39,819.68	$5.56	$39,825.24
Total	$9,292,000	$9,292,000		$106,974.80	$16.42	$106,991.22

*Per $1,000 of Total Assessed Value

**Parcels are encumbered by one direct assessment for the Snohomish County Conservation District

The overall Property Tax rate is calculated at $11.5126 per $1,000 assessed value (or 1.15125%), including $1.91 per $1,000 assessed value allocated to the City's general revenue fund. Based on the $9,292,000 current assessed value, $17,748 is currently accruing to the City, exclusive County Conservation fees.

ZONING

The subject is part of the proposed East Gateway Urban Village and is EGPUV, East Gateway Planned Urban Village by the City of Mill Creek. The purpose of the planned urban village zone district is to implement the planned urban village policies and East Gateway Urban Village illustrative development plan contained in the Mill Creek comprehensive plan. This district is intended to accommodate pedestrian-oriented mixed-use commercial, office, residential and public uses that conform to the design and layout of an approved detailed master development plan.

ZONING SUMMARY	
Zoning Jurisdiction	City of Mill Creek
Zoning Designation	EGPUV
Description	East Gateway Planned Urban Village
Permitted Uses	Principal uses allowed under the zoning include retail sales and service (except automotive, boat and recreational vehicle sales); eating and drinking establishments (drive-through service prohibited); banks, financial and professional services; medium and high density residential; business and professional services; personal services (such as dry cleaners, salons, etc.); medical and dental clinics and offices; parking structures; commercial day care; craft shops and galleries; public buildings and facilities/utilities; transit facilities/stops; hotel and motels; open space, parks and plazas; religious facilities; theaters and performing arts uses; and other uses consistent with the purposes of the district. Secondary uses allowed under the zoning include: outside sales, display and eating/drinking establishment seating subject to the performance standards under the Mill Creek Municipal Code.

Category	Zoning Requirement
Minimum Dwelling Units	A minimum of 400 dwelling units shall be incorporated into the district consistent with the adopted illustrative development plan and applicable policies established within the comprehensive plan.
Minimum Setbacks	Setbacks will be established through the design guidelines, and compliance with other applicable city regulations
Maximum Building Height	The maximum height shall be four stories not to exceed 50 feet, except for mixed-use residential buildings, which shall be a maximum of five stories and 60 feet; provided, that the maximum height shall be three stories and 35 feet for buildings built adjacent to the single-family homes in the adjacent LDR zoning district.
Maximum Ground Floor Commercial	The maximum ground floor area that a single commercial building footprint may occupy is 60,000 square feet.
Master Development Plan Requirement	Development in this district requires approval of a detailed master development plan that shall include a binding site plan and a development agreement between the owner and the city setting forth conditions for development.

The comprehensive plan has numerous design requirements for the EGPUV, including but not limited to:

1. Minimum number of 400 dwelling units.
2. Maximum height not to exceed 60' for mixed use structure and 50' for residential structures.
3. Maximum ground floor area for commercial use not to exceed 60,000 square foot footprint.
4. Roadway buffers from 35' to 50'.
5. LEED Construction.

The owners of the 8 properties comprising the EGPUV have voiced concerns with this new zoning designation and subsequent land use restrictions to the City of Mill Creek.

The single largest issue was the unknown infrastructure costs and method of payment for the proposed design. The design shows a series of internal roads that are to be dedicated to the City for public access and utilities. Additionally, the 60,000 square foot maximum footprint limits the marketability of the site, as the trends in the retail development industry have transitioned to “big box” retail users of 130,000 square feet and larger.

LOCAL REVITALIZATION FINANCING (LRF)

In 2009 the City of Mill Creek was one of seven cities in Washington to be named by the legislature to receive up to $330,000 per year, over a 25 year term to service debt on a municipal bond. The bond would need to be issued by the City Council which would be predicated upon the realization of a matching $330,000 in tax revenue generated from the future EGPUV.

The estimated cost of the infrastructure improvements is $9.0 million. If the City Council were to authorize the LRF, the proceeds could be used to pay for these infrastructure costs.

Subject Redevelopment Scenarios

The two development scenarios that have been presented in this analysis include a big box anchored community center and a grocer anchored neighborhood center. Definitions are included in Addendum B.

- **Community Retail Center** - 130,000 square foot big box anchor tenant, 46,500 square feet of additional in-line and pad retail, 43 townhomes, 1-acre park/storm water system and 706 parking stalls.

Under the community center scenario above, a big box retailer such as Home Depot, Target, Lowes Hardware, or Fred Meyers typically anchor a center with ancillary retail and pads comprising up to 30 percent of the overall center square footage. At a combined area of 176,500 square feet, a 130,000 square foot big box retailer is an optimal size to attract a developer of retail properties.

Community Center Space Allocation

Tenant Type	Gross Leasable	
Anchor Big Box	130,000	73.65%
Retail Shops	46,500	26.35%
Overall Retail	176,500	SF

- **Neighborhood Retail Center** - 60,000 square foot grocery anchor tenant, 119,250 square feet of additional in-line and pad retail, 43 townhome, 1-acre park/storm water system and 717 parking stalls.

Under the grocery anchored neighborhood center scenario, a 60,000 SF grocer such as QFC or Safeway typically anchor a center with ancillary retail and pads comprising up to 30 percent of the overall center square footage. At a combined area of 179,250 square feet, a

60,000 square foot grocer is 33.47% of the overall square footage. At a maximum 30% ancillary shop space and pads (53,775 square feet), two secondary anchors such as TJ Maxx, Office Depot or, PetsMart typically make up the balance of the space, ranging from 30,000 to 35,000 square feet each. These secondary anchors are often referred to as “junior anchors”, and the combined drawing power of the grocer and junior anchors is what enables a developer to attract the 53,775 square feet of higher rent small shop and pad users required for an economically viable investment. The typical allocation used for the 179,250 square foot potential project analyzed is summarized below.

Neighborhood Center Space Allocation

Anchor Grocery	60,000	33.47%
Secondary Anchor	30,000	16.74%
Secondary Anchor	35,475	19.79%
Retail Shops	53,775	30.00%
Overall Retail	179,250	SF

RETAIL MARKET PROFILE AND TRENDS

East Gateway Urban Village is located in the Western Snohomish County submarket, as defined by REIS, Inc. Supply and demand indicators for Neighborhood and Community Shopping Centers are presented in this section.

NEIGHBORHOOD SHOPPING CENTERS

Prevailing market conditions for neighborhood shopping center space within Western Snohomish County are summarized in the following table.

SUBMARKET NEIGHBORHOOD SHOPPING CENTERS

Year	Quarter	Inventory (SF)	Completions (SF)	Vacancy %	Net Absorption (SF)	Effective Rental Rate	% Change
2002	Annual	2,518,000	0	4.5%	-40,000	$15.89	-3.9%
2003	Annual	2,518,000	0	5.2%	-18,000	$16.72	5.2%
2004	Annual	2,540,000	22,000	3.2%	72,000	$16.60	-0.7%
2005	Annual	2,540,000	0	5.0%	-46,000	$17.20	3.6%
2006	Annual	2,584,000	44,000	3.4%	83,000	$17.93	4.2%
2007	Annual	2,661,000	77,000	2.5%	98,000	$19.64	9.5%
2008	Annual	2,700,000	39,000	5.5%	-42,000	$19.83	1.0%
2009	Annual	2,700,000	0	7.3%	-49,000	$18.91	-4.6%
2010	Annual	2,700,000	0	9.0%	-46,000	$18.39	-2.7%
2011	2	2,700,000	0	9.7%	-19,000	$18.50	

Source: REIS, Inc.; compiled by Integra Realty Resources, Inc.

Supply Analysis

The submarket contains an overall inventory of 5,704,000 square feet of retail space, of which 2,700,000 square feet or 47% are in neighborhood shopping centers. Approximately 485,000 square feet of retail space have been added to the overall submarket inventory over the past 8.5 years, of which 182,000 square feet are located in neighborhood shopping centers.

New and Proposed Construction

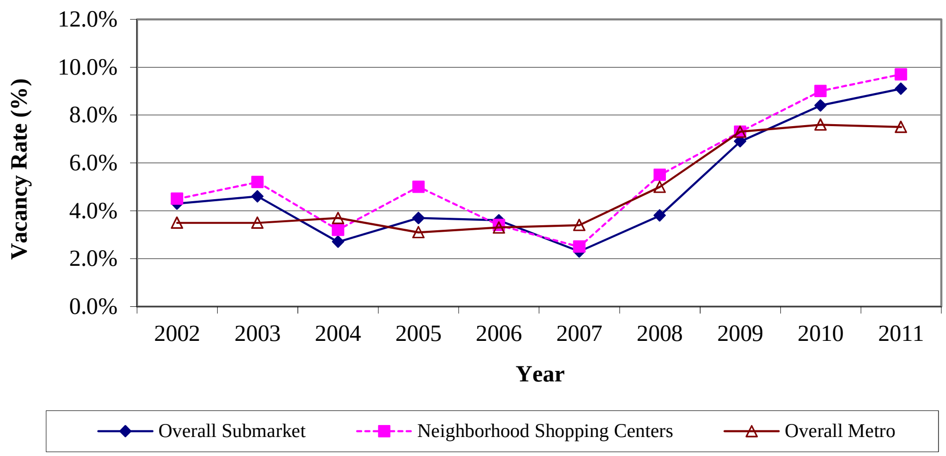
There is presently one grocery-anchored neighborhood retail center under construction in Western Snohomish County. Known as Lakeside at Canyon Park, this 154,000 square foot neighborhood center is under construction on the corner of Bothell Everett Hwy and 240th St SE in Bothell. The center will be anchored by a 56,552 square foot Safeway, which will be relocating from their current Bothell location 2 miles south of the project. The new Safeway is projected to be completed in December 2011.

There are no other grocery-anchored neighborhood centers currently proposed within the submarket.

Vacancy & Absorption Trends

Vacancy rate trends for the submarket are compared to the Seattle Metro area overall, depicted below.

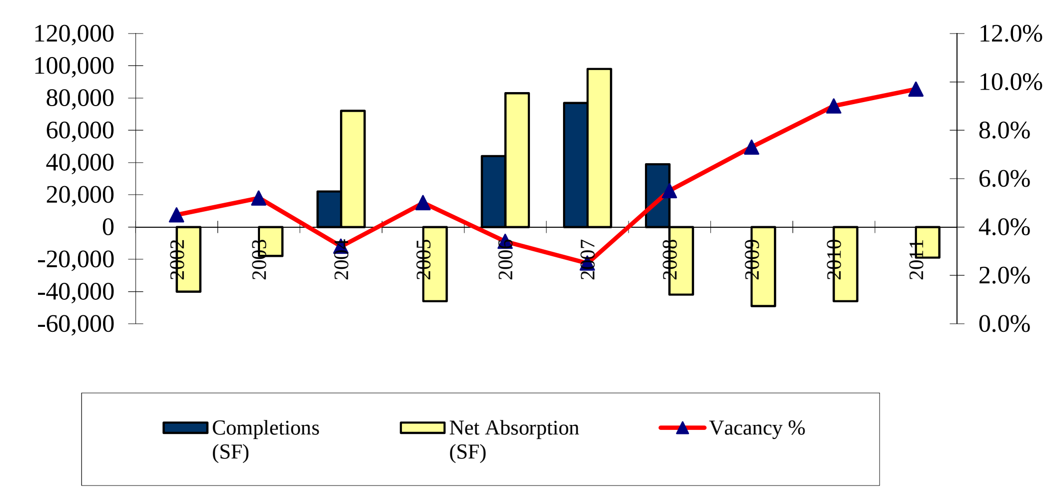
VACANCY RATE COMPARISON



Source: REIS, Inc.; compiled by Integra Realty Resources, Inc.

Submarket vacancy for neighborhood centers have generally mirrored overall vacancy for all classes of space combined. Vacancy rates have been on the rise since late 2008 as a result of the ongoing recession, and at 9.7% for neighborhood centers in Q2 2011, an increase of over 7 percentage points since its low point of 2.5% in 2007.

SUBMARKET ABSORPTION - NEIGHBORHOOD SHOPPING CENTERS



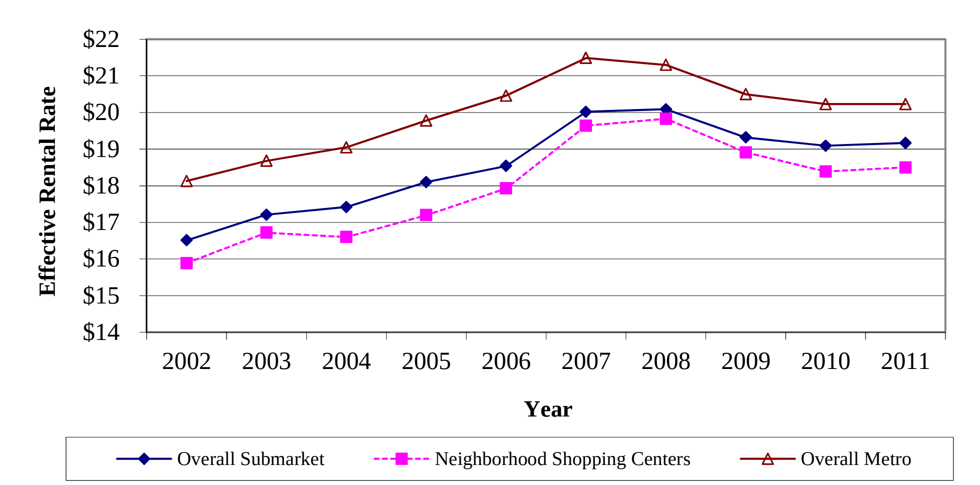
Source: REIS, Inc.; compiled by Integra Realty Resources, Inc.

Neighborhood shopping center net absorption in the submarket turned negative with the start of the recession in late 2008, and has remained negative ever since. Year-to-date net absorption was -19,000 square feet (as of Q2 2011) and assuming absorption maintains the same negative pace during the remainder of 2011, total negative absorption for 2011 could reach -38,000 square feet. Based on the existing inventory in neighborhood shopping centers and the 9.7% current vacancy rate, there is presently 261,900 square feet of vacant retail space in the submarket.

Rental Rate Trends

Trends in effective rents for the submarket are shown in the following chart.

RENTAL RATE COMPARISON



Source: REIS, Inc.; compiled by Integra Realty Resources, Inc.

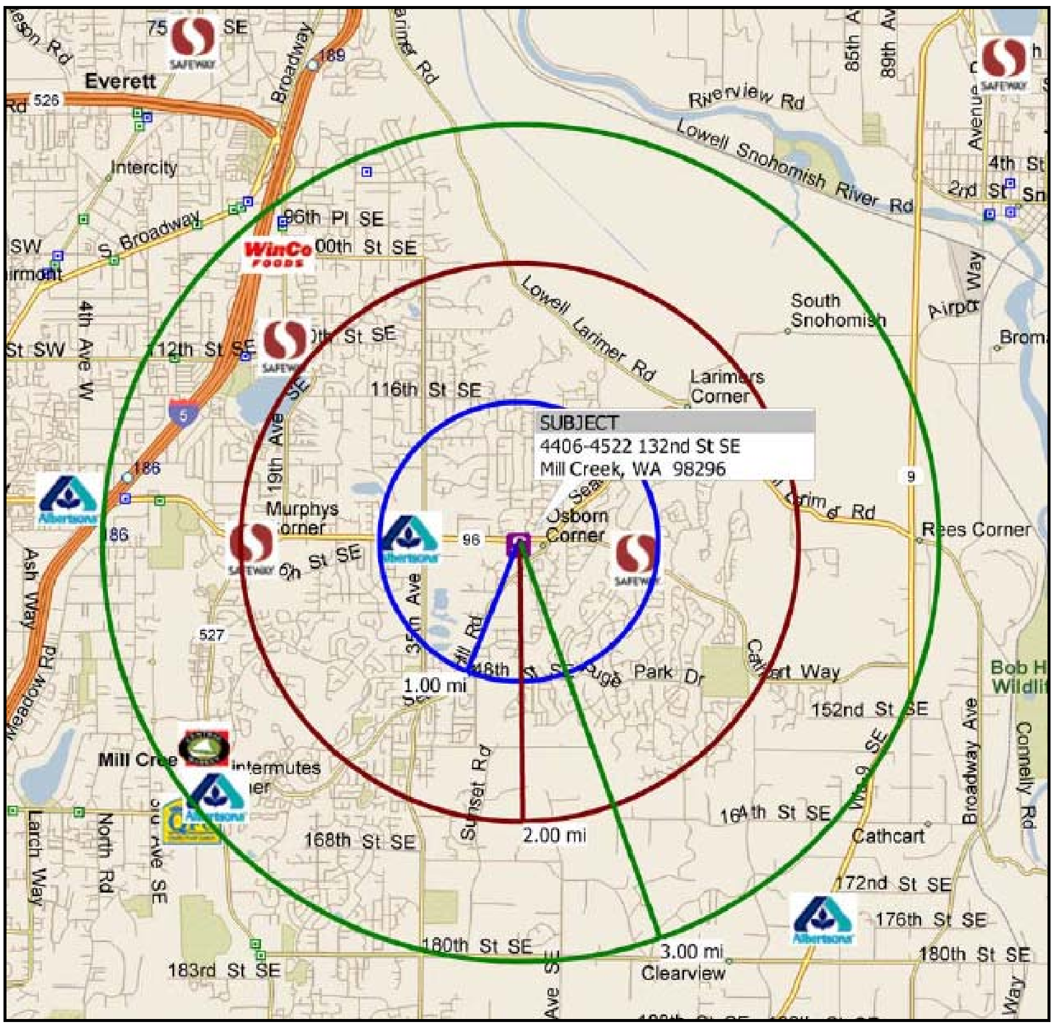
Neighborhood shopping center effective rents in the submarket have generally mirrored retail rate trends for all classes of space combined. Rental rates have been on the decline since late 2008 with on-set of the recession. Retail rental rates were reported to average $18.50 per square foot (NNN) for neighborhood shopping centers in Q2 2011, a decrease of 6.7% since the rental rates peaked at $19.83 in mid-2008.

COMPETITIVE GROCERY-ANCHORED NEIGHBORHOOD CENTERS

Those neighborhood centers considered most competitive to the subject are summarized as follows:

COMPETITIVE GROCERY-ANCHORED NEIGHBORHOOD CENTERS
3-MILE RADIUS

Center Name	Address	City	Total GLA	Yr. Blt	Anchor	Anchor SF	Proximity to Subject
--	5802 134th Pl SE	Everett	62,127	2007	Safeway	48,500	0.8 mile E
Thomas Lake Shopping Center	3202-3414 132nd St SE	Bothell	110,367	1996-1998	Albertson's	50,065	0.8 mile W
Gateway Shopping Center	13206-13416 Bothell Everett Hwy	Bothell	113,641	1995-1998	Safeway	55,275	1.9 miles W
--	11031 19th Ave SE	Everett	45,829	1979	Safeway	48,500	2.2 miles NW
--	9900 19th Ave SE	Everett	113,365	1999	WinCo Foods	95,000	2.7 miles NW
Mill Creek Town Center	15021-15605 Main St	Mill Creek	315,492	2005	Central Market	61,040	2.7 miles SW
Mill Creek Plaza	16202-16330 Bothell Everett Hwy	Bothell	101,265	1980/Renov 2001	Albertson's	53,772	2.9 miles SW
Mill Creek Square	910-1026 164th St SE	Mill Creek	72,313	1986	QFC	37,483	3.0 miles SW



There are presently eight grocery-anchored neighborhood centers located within a 3-mile radius of the subject. Grocery retailers active in the subject area include Safeway, Albertson's, QFC and Central Market (owned and operated by Town & Country Markets).

There is an Albertson's and a Safeway located within a 1-mile radius of the subject. Central Market is located 2.7 miles southwest of the subject. The closest WinCo is 2.7 miles northwest of the subject and the closest QFC is located 3.0 miles to the southwest.

COMPETITIVE AREA DEMOGRAPHICS

A demographic profile of the competitive area, including population, households, and income data, is presented in the following table.

COMPETITIVE AREA DEMOGRAPHICS

2010 Estimates	1-Mile Radius	2-Mile Radius	3-Mile Radius	Snohomish County	Seattle MSA
Population 2000	9,607	35,997	65,077	606,024	3,043,878
Population 2010	11,863	47,688	84,731	712,514	3,461,985
Population 2015	12,903	52,179	92,287	757,883	3,672,452
Compound % Change 2000-2010	2.1%	2.9%	2.7%	1.6%	1.3%
Compound % Change 2010-2015	1.7%	1.8%	1.7%	1.2%	1.2%
Households 2000	3,106	12,145	23,256	224,852	1,196,568
Households 2010	3,938	16,503	30,751	268,239	1,369,762
Households 2015	4,308	18,177	33,647	286,226	1,456,468
Compound % Change 2000-2010	2.4%	3.1%	2.8%	1.8%	1.4%
Compound % Change 2010-2015	1.8%	2.0%	1.8%	1.3%	1.2%
Median Household Income 2010	$96,157	$88,977	$81,044	$68,912	$69,015
Average Household Size	3.0	2.9	2.8	2.6	2.5
College Graduate %	35%	38%	36%	28%	36%
Median Age	36	36	36	36	37
Owner Occupied %	90%	81%	72%	63%	57%
Renter Occupied %	9%	16%	24%	31%	36%
Median Owner Occupied Housing Value	$360,289	$370,791	$360,608	$308,632	$311,965
Median Year Structure Built	1989	1988	1986	1980	1973
Avg. Travel Time to Work in Min.	32	30	29	30	28

Source: STDB/ ESRI

As shown above, the current population within a 3-mile radius of the subject is 84,731 within 30,751 households. The population and number of households within a 3-mile radius are projected to continue growing over the next five years. Over the next five years, the population is projected to increase to 92,287 residents (an increase of 7,556 residents overall or 1,511 residents per year). The number of households is projected to increase to 33,647 households by 2015 (an increase of 579 households per year). Median household income within a 3-mile radius is $81,044, which is higher than the household income for Snohomish County and the Seattle MSA as a whole.

MARKETABILITY AS A NEIGHBORHOOD SHOPPING CENTER SITE

The subject has a good location within the submarket in an area that is sizable, growing and affluent. Although the number of households is projected to increase over the next 5 years, demand for new neighborhood shopping centers is presently very low given high vacancy rates, and continued negative absorption trends. Additionally, the immediate area is oversaturated with grocery retailers, with two grocery stores within 2-miles of the subject and seven grocery stores within a 3-mile radius of the subject. Finally, availability of construction financing for new neighborhood shopping centers has not been available since mid-2008, reducing further the pool of potential buyers for a neighborhood shopping center site.

Overall, demand within the real estate development community for a 60,000 square foot grocery anchored shopping center site is rated "low".

COMMUNITY SHOPPING CENTERS

Supply and demand indicators for community shopping centers within the submarket are summarized in the following table.

SUBMARKET COMMUNITY SHOPPING CENTERS

Year	Quarter	Inventory (SF)	Completions (SF)	Vacancy %	Net Absorption (SF)	Effective Rental Rate	% Change
2002	Annual	2,701,000	0	4.1%	-33,000	$17.08	0.8%
2003	Annual	2,701,000	0	4.0%	3,000	$17.66	3.4%
2004	Annual	2,701,000	0	2.3%	46,000	$18.19	3.0%
2005	Annual	2,701,000	0	2.5%	-6,000	$18.94	4.1%
2006	Annual	2,701,000	0	3.7%	-32,000	$19.13	1.0%
2007	Annual	2,701,000	0	2.0%	46,000	$20.40	6.6%
2008	Annual	2,701,000	0	2.1%	-3,000	$20.34	-0.3%
2009	Annual	3,004,000	303,000	6.6%	162,000	$19.69	-3.2%
2010	Annual	3,004,000	0	7.9%	-38,000	$19.72	0.2%
2011	2	3,004,000	0	8.6%	-22,000	$19.77	

Source: REIS, Inc.; compiled by Integra Realty Resources, Inc.

Supply Analysis

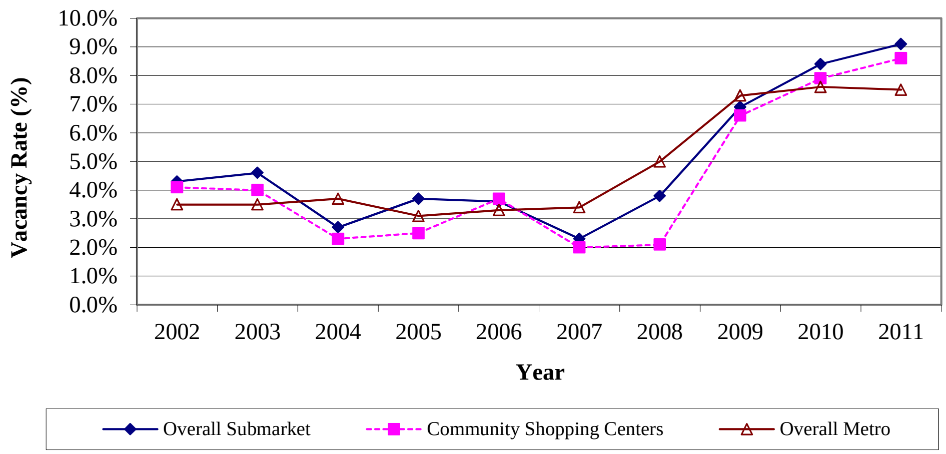
Out of the overall inventory of 5,704,000 square feet of submarket retail space, 3,004,000 square feet or 53% are in community shopping centers. Approximately 485,000 square feet have been added to the submarket inventory over the past 8.5 years, of which 303,000 square feet are in community centers.

New and Proposed Construction

There is presently no new construction of big-box anchored community centers proposed or under construction within the submarket.

Vacancy Rate Trends

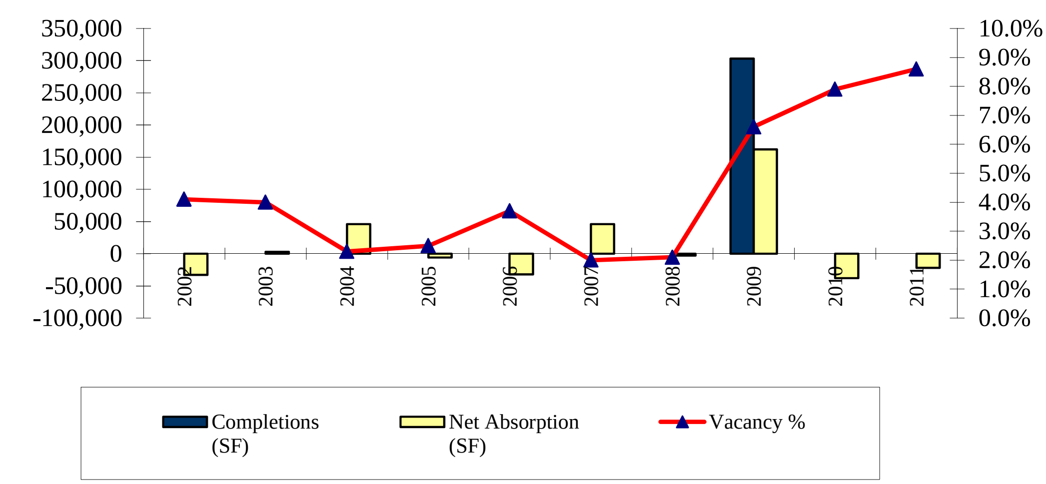
VACANCY RATE COMPARISON



Source: REIS, Inc.; compiled by Integra Realty Resources, Inc.

Submarket vacancy rates have been on the rise since late 2008, reported at 8.6% for community shopping centers in Q2 2011.

COMMUNITY SHOPPING CENTER ABSORPTION

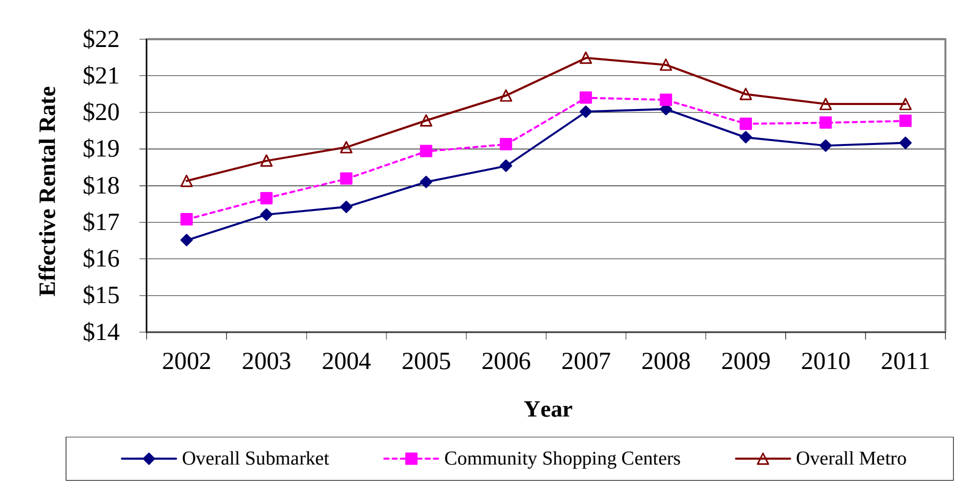


Source: REIS, Inc.; compiled by Integra Realty Resources, Inc.

Community shopping center net absorption has remained negative since 2010. Year-to-date net absorption was -22,000 square feet as of Q2 2011 and assuming continued negative absorption during the remainder of 2011, total absorption for 2011 could reach -44,000 square feet. Based on 3,004,000 square feet of existing community center inventory and current vacancy of 8.6%, there is presently 258,344 square feet of existing vacant and available retail space in the submarket.

Rental Rate Trends

RENTAL RATE COMPARISON



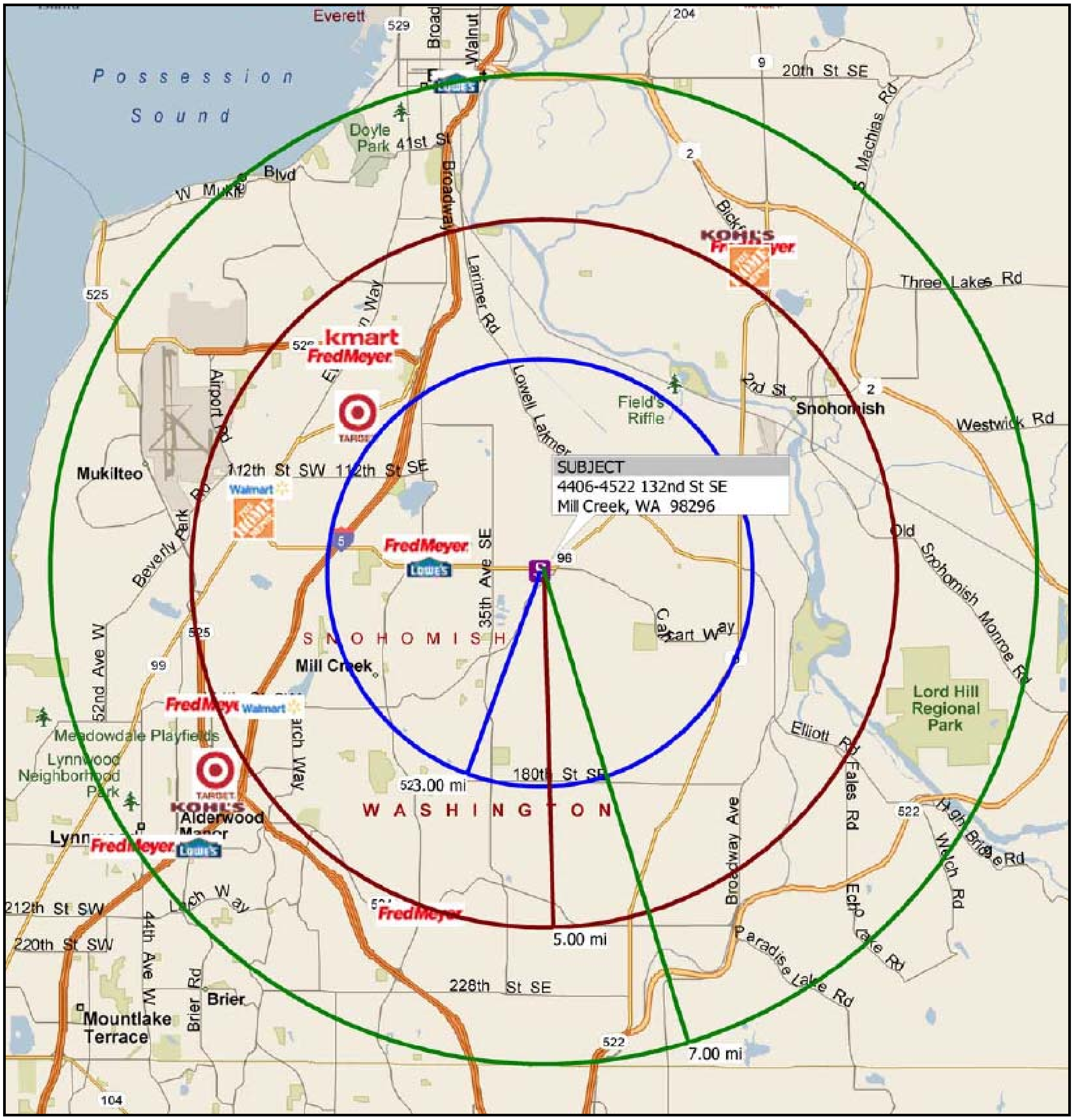
Source: REIS, Inc.; compiled by Integra Realty Resources, Inc.

Rental rates have been on the decline since 2008 as a result of the recession and is reported at $19.77 per square foot (NNN) for community shopping centers in Q2 2011, a decrease of 3.1% since the peak at $20.40 in 2007.

COMPETITIVE BIG-BOX RETAIL STORES

COMPETITIVE BIG-BOX RETAILERS
7-MILE RADIUS

Center Name	Address	City	Total GLA	Yr. Blt	Anchor	Anchor SF	Proximity to Subject
--	2002 132nd St SE	Bothell	140,067	2003	Lowes	139,567	1.6 mile W
--	12906 Bothell Everett Hwy	Bothell	167,319	1999	Fred Meyer	100,000	1.7 mile W
Greentree Plaza Shopping Center	305-515 SE Everett Mall Wy	Everett	184,807	1998/Renov 2004	Target	110,916	3.4 miles NW
--	9530 Evergreen Wy	Everett	182,203	1989	Fred Meyer	173,023	4.0 miles NW
Big K Mart Center	7920-8130 Evergreen Wy	Everett	156,614	1966	Kmart	101,200	4.1 miles NW
--	11400 Hwy 99	Everett	143,364	2006	Walmart	142,114	4.1 miles W
--	11915 SR-99	Everett	107,492	1997	Home Depot	107,492	4.1 miles W
--	1400 164th St SW	Lynnwood	123,474	2000	Walmart	119,012	4.3 miles SW
	21045 Bothell Everett Hwy	Bothell	130,664	2000	Fred Meyer	126,164	5.1 miles NW
Northpoint Retail Center	2902 164th St SW	Lynnwood	170,293	2009	Fred Meyer	151,942	5.1 miles SW
Snohomish Station Power Center	2601-2909 Bickford Ave	Snohomish	450,180	2008	Kohl's Fred Meyer Home Depot	96,062 164,753 106,278	5.3 miles NW
Target Plaza	18305 Alderwood Mall Pkwy	Lynnwood	119,914	1988	Target	104,000	5.4 miles SW
--	18405 Alderwood Mall Pkwy	Lynnwood	97,160	2006	Kohl's	86,000	5.7 miles SW
--	3100 196th St SW	Lynnwood	138,044	1995	Lowes	137,044	6.2 miles SW
--	4615 196th St SW	Lynnwood	198,706	1968	Fred Meyer	198,706	7.0 miles SW
--	2505 Pacific Ave	Everett	135,000	1994	Lowes	135,000	7.0 miles NW



There are presently eighteen big-box retailers located within a 7-mile radius of the subject located in community centers, power centers and free-standing retail. Big-box retailers in the submarket include Lowes, Fred Meyer, Target, Kmart, Walmart, Home Depot and Kohl's. Most of the existing big-box retailers are concentated along the I-5 corridor. The only big-box stores within a 3-mile radius are Lowes and Fred Meyer. There are no big-box retailers within 7 miles southeast of the subject.

COMPETITIVE AREA DEMOGRAPHICS

A demographic profile of the competitive area, including population, households, and income data, is presented in the following table.

SURROUNDING AREA DEMOGRAPHICS					
2010 Estimates	3-Mile Radius	5-Mile Radius	7-Mile Radius	Snohomish County	Seattle MSA
Population 2000	65,077	165,199	281,144	606,024	3,043,878
Population 2010	84,731	203,733	335,707	712,514	3,461,985
Population 2015	92,287	219,668	358,551	757,883	3,672,452
Compound % Change 2000-2010	2.7%	2.1%	1.8%	1.6%	1.3%
Compound % Change 2010-2015	1.7%	1.5%	1.3%	1.2%	1.2%
Households 2000	23,256	62,406	105,648	224,852	1,196,568
Households 2010	30,751	77,962	128,352	268,239	1,369,762
Households 2015	33,647	84,306	137,614	286,226	1,456,468
Compound % Change 2000-2010	2.8%	2.3%	2.0%	1.8%	1.4%
Compound % Change 2010-2015	1.8%	1.6%	1.4%	1.3%	1.2%
Median Household Income 2010	$81,044	$68,103	$70,459	$68,912	$69,015
Average Household Size	2.8	2.6	2.6	2.6	2.5
College Graduate %	36%	29%	31%	28%	36%
Median Age	36	35	36	36	37
Owner Occupied %	72%	59%	60%	63%	57%
Renter Occupied %	24%	35%	34%	31%	36%
Median Owner Occupied Housing Value	$360,608	$318,384	$327,113	$308,632	$311,965
Median Year Structure Built	1986	1984	1982	1980	1973
Avg. Travel Time to Work in Min.	29	28	28	30	28

Source: STDB/ ESRI

The current population within a 7-mile radius of the subject is 335,707 in 128,352 households. Over the next five years, the population is projected to increase by 22,844 or 4,569 residents per year. The number of households is projected to increase by 9,262 households by 2015 or 1,852 households per year.

MARKETABILITY AS A COMMUNITY SHOPPING CENTER SITE

Although there is presently little demand for new retail space within submarket (given high vacancy rates and negative absorption in the market), households in the submarket are projected to increase over the next 5 years and there are relatively few big-box retailers located in the immediate area. Additionally, there are no big-box stores within a 7 mile swath southeast of the subject.

If developed with roads and extension of sewer and water, the subject would likely capture unmet big-box retail demand within this market. Accordingly, marketability of the subject as a potential community shopping center site is rated " good" as the economy emerges from the recession.

PROJECTED CITY REVENUES FROM REDEVELOPMENT

Retail Sales Tax Estimates

Neighborhood Center Scenario

Taxable Grocery Sales. The neighborhood center scenario includes a 60,000 square foot grocer, two secondary anchors and 53,775 square feet of small shop and pad tenants. In Washington State, only a portion of grocery sales are taxable. According to figures published by the Washington state Department of Revenue, grocery sales subject to retail sales tax was between 26% statewide in 2008 to 23% for the 1Q2011 (latest quarter data was available). These figures are for grocery and non-restaurant food sales of all types, and are not representative of a 60,000 square foot supermarket.

We also interviewed a representative of United Grocers (a retailer-owned wholesale grocery cooperative) for guidance. Based on that interview, we've estimated a 30% taxable sales ratio is well supported for the 60,000 square foot supermarket analysis.

Grocery Sales are estimated by comparing 1) median sales published in Dollars and Cents of Shopping Centers: 2008 (the latest version available), a study of receipts and expenses in shopping center operations published by the Urban Land Institute, and 2) reviewing average store sales for Safeway.

ULI indicates median sales per square foot of gross leasable area (GLA) was $485.75(for stores averaging 52,567 square feet), and Safeway stores averaged $24,230,000 per store system wide (1,694 stores averaging 46,753 square feet per store), or $518.31 per square foot of GLA.

As the subject scenario is somewhat larger at 60,000 square feet, we have projected gross sales for the grocery anchor at $500.00 per square foot of GLA.

Secondary Anchors. ULI reports secondary or junior anchors of 30,000 square feet had median sales of $170.01 for junior department stores, $245.49 for discount mixed apparel, $127.24 for a national furniture tenant, $219.40 for office supplies, and $219.40 for pet shops. Accordingly, our sale projections for the secondary anchors are tiered between $250 for the $30,000 module and $200 for the larger 35,475 module.

Retail Shops & Pad Users. General merchandise tenants were reported in ULI as having median GLAs of 8,048 square feet and median sales volumes of $148.07. Personal service providers with median GLAs of 1,420 square feet had median sales of $175.61, with gifts and specialty stores with median GLAs of 4,041 square feet having median sales of $155.52. Pad users can be expected to comprise about 10,000 square feet of the 53,775 square foot retail shop total, with median sales skewed by food service with median sales of $325. The blended average of in-line shops at $150 and pad users at $325 results in a weighted average of about $180.00 (rounded) which we have used in our proforma analysis.

Applying the 0.85% city sales tax rate to $185.63/SF in taxable sales results in projected retail sale taxes of $282,833 per year after lease-up and stabilization).

Neighborhood Retail Sales Tax Projections

		% of Center	Gross Sales Per SF	Taxable	Taxable Sales	.85% City Tax Rate *
Anchor Grocery	60,000	33.47%	$500	$150	$9,000,000	$76,500
Secondary Anchor	30,000	16.74%	$250	$250	$7,500,000	$63,750
Secondary Anchor	35,475	19.79%	$200	$200	$7,095,000	$60,308
Retail Shops	53,775	30.00%	$180	$180	$9,679,500	$82,276
Overall Retail	179,250			$185.63	$33,274,500	$282,833

***Additionally, a 0.10% tax rate is credited to the city for a Criminal Justice levy, over and above the 0.85% general fund tax rate, or $33,275 per year.**

Community Center Scenario

Big Box Anchors. Researching the annual reports for several of the big box retailers, Lowes reported average sales of $248 per GLA in 2010 (with 1,749 stores reporting); Home Depot reported sales of $288 per GLA (with 2,248 stores reporting); Target reported sales of $288 (with 1,750 stores reporting).

Assuming $285 per GLA for the big box analysis and the same $180 for the retail shops and pad users, results in more than $12.145 million more per year in taxable retail sales for the Big Box Scenario, and over $100,000 more per year in sale taxes.

Community Center Retail Sales Tax

Tenant Type	Gross Leasable	% of Center	Gross Sales Per SF	Taxable	Taxable Sales	.85% City Tax Rate *
Anchor	130,000	73.65%	$275	$285	$37,050,000	$314,925
Retail Shops	46,500	26.35%	$175	$180	$8,370,000	$71,145
Overall	176,500			$257	$45,420,000	$386,070

***Additionally, a 0.10% tax rate is credited to the city for a Criminal Justice levy, over and above the 0.85% general fund tax rate, or $45,420 per year.**

Allocation of Property Tax Increases

The current wholesale landscape use is being assessed as land value only, with annual property taxes of $17,748 accruing to the city at the current and projected rate of $1.91 per $1,000 assessed value (This is also the projected 2012 budget estimate from 2011-2012 of Mill Creek adopted budget).

Property taxes for three potential uses (big box anchored community center, grocer anchored neighborhood center and 43 townhome units) have been estimated based on property tax comparisons to other properties in Snohomish County.

The assessed value (AV) for the neighborhood and big box retail centers have both been estimated at $200 per square foot of GLA, whereas the 43 townhomes have been estimated at $170,000 per unit. The City's share of property taxes to the general revenue is currently and projected at $17,748 per year. Applying $1.91 per $1,000 of AV, less $17,748 results in the net increase in estimated property taxes after completion of redevelopment and stabilization.

A 75% property tax allocation of the increase in value of new construction over the existing assessed value is applicable to funding a Local Revitalization Financing Program, calculated below in the last row of each table. Additionally, 75% of the County's share of the increase in assessed value accrues to the City to assist in payment of debt service on the LRF financing, currently calculated at $0.87 per $1,000 of assessed value. Hence, the combined tax rate for City & County is $2.78.

The three sets of tax comparisons utilized as a basis for projections are summarized on the following page.

Grocery Anchored Scenario

Improvement		Projected AV		Stabilized AV	$2.78 per $1,000 AV
Neighborhood Retail	179,250	$200	/SF	$35,850,000	$99,663
Townhomes	43 units	$170,000	/unit	$7,310,000	$20,322
Projected Property Taxes to Mill Creek					$119,985
Less Existing Property Taxes at $1.91/$1,000					($25,832)
Incremental Increase Over 2011 Property Taxes					$94,153
Property Tax Allocation Revenue @ 75%					**$70,615**

Big Box Anchored Scenario

Improvement		Projected AV		Stabilized AV	$2.78 per $1,000
Big Box Retail	176,500	$150	/SF	$26,475,000	$73,601
Townhomes	43 units	$170,000	/unit	$7,310,000	$20,322
Projected Property Taxes to Mill Creek					$96,922
Less Existing Property Taxes at $1.91/$1,000					($25,832)
Incremental Increase Over 2011 Property Taxes					$68,091
Property Tax Allocation Revenue @ 75%					**$51,068**

TAX COMPARABLES - GROCERY ANCHORED NEIGHBORHOOD CENTERS

No.	Property Name	Address	Year Built	SF	Anchor	Total Assessed Value	Assessed Value/SF	Total Taxes	Taxes/SF
1	--	5802 134th Pl SE, Everett	2007	62,127	Safeway	$9,080,000	$146.15	$123,383.91	$1.99
2	Gateway Shopping Center	13206-13416 Bothell Everett Hwy, Everett	1995-1998	113,641	Safeway	$22,256,600	$195.85	$252,211.84	$2.22
3	Thomas Lake Center	3202-3414 132nd St, Bothell	1996-1998	110,367	Albertson's	$22,489,000	$203.77	$258,916.91	$2.35

TAX COMPARABLES - BIG BOX ANCHORED COMMUNITY CENTERS

No.	Property Name	Address	Year Built	SF	Anchor	Total Assessed Value	Assessed Value/SF	Total Taxes	Taxes/SF
1	Greentree Plaza Shopping Center	305-515 SE Everett Mall Way, Everett	1998/Renov 2004	184,807	Target	$28,153,300	$152.34	$303,454.49	$1.64
2	--	12906 Bothell Everett Hwy	1999	167,319	Fred Meyer	$18,964,000	$113.34	$223,828.04	$1.34
3	--	2902 164th St SW, Lynnwood	2009	170,293	Fred Meyer	$18,065,000	$106.08	$223,383.12	$1.31

TAX COMPARABLES - APARTMENTS WITH TOWNHOMES

No.	Property Name	Address	Year Built	Units	SF	Total Assessed Value	Assessed Value/SF	Assessed Value/Unit	Total Taxes	Taxes/SF	Taxes/Unit
1	Aspen Meadows	15319 Ash Way, Lynnwood	2009	32	41,173	$5,485,000	$133.22	$171,406	$64,952.14	$1.58	$2,029.75
2	Bella Terra	12101 Greenhaven, Mukilteo	2002	235	246,362	$34,120,000	$138.50	$145,191	$328,335.96	$1.33	$1,397.17
3	Hawthorne at Mill Creek	14701 Main St, Mill Creek	2003	284	278,646	$39,519,200	$141.83	$139,152	$447,663	$1.61	$1,576.28

Sales Tax on Construction Costs

Taxable construction costs are estimated utilizing the Marshall Valuation Services Cost Indices, an industry standard in appraisal assignments. These costs are adjusted to reflect market conditions as well as local factors. However, certain costs are not taxable (such as architectural & engineering fees, loan fees, loan interest during construction, leasing commissions. marketing costs and professional services. These are typically categorized as "soft costs" and have been estimated as 25% of overall construction cost estimates. The net amount represents our estimate of taxable construction costs to which is applied the 0.85% Mill Creek City Sales Tax rate.

Sales Tax on Neighborhood Center

Tenant Type		$/SF		.85% City Tax Rate
Anchor Grocery	60,000	$114.16	$6,849,822	
Secondary Anchor	30,000	$95.36	$5,721,634	
Secondary Anchor	35,475	$95.36	$2,860,817	
Retail Shops	53,775	$97.16	$3,446,684	
	179,250	SF	$18,878,957	
Less Soft Costs (1) @		25.00%	($4,719,739)	
Subject to Mill Creek Sales Tax			$14,159,218	$120,353 (2)

(1) Soft cost include A & E, Financing Fees, Leasing Commissions, etc.
(2) Additionally, a 0.10% tax rate is credited to the city for a Criminal Justice levy, over and above the 0.85% general fund tax rate, or $14,159.

Sales Tax on Big Box Construction

Tenant Type		$/SF		.85% City Tax Rate
Anchor Big Box	130,000	$90.96	$11,825,279	
Retail Shops	46,500	$97.16	$4,517,852	
	176,500	SF	$16,343,132	
Less Soft Costs @		25.00%	($4,085,783)	
Subject to Mill Creek Sales Tax			$12,257,349	$104,187

The 0.10% tax rate for a Criminal Justice levy adds $12,570.

Sales Tax on 43 Townhomes

Townhomes (43)	1,350	$116.46	$6,760,451	
Garages (43)	400	$24.68	$424,565	
			$7,185,016	
Less Soft Costs (1) @		25.00%	($1,796,254)	
Subject to Mill Creek Sales Tax			$5,388,762	$45,804

The 0.10% tax rate for a Criminal Justice levy adds $5,389.

CONCLUSIONS

Based on the preceding analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our estimate of revenues from the two scenarios is as follows:

City of Mill Creek Revenue Forecasts

	60,000 SF Grocer Anchored	130,000 SF Big Box Anchored
Sales Tax Projections ($2011s)	$282,833	$386,070
Incremental Property Tax Increase at 75% 0ver 2011 AVs	$70,615	$51,068
Annual Revenue Forecasts	**$353,448**	**$437,138**

City Tax on Construction Costs	**$166,157**	**$149,991**

CERTIFICATION

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

1. 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 our personal, impartial, and unbiased professional analyses, opinions, conclusions and recommendations.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My 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 assignment.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Allen Safer, MAI, MRICS made a personal inspection of the property that is the subject of this report.
12. Significant real property appraisal assistance was provided by Mary Amey, who has not signed this certification.

13. As of the date of this report, Allen Safer, MAI, MRICS has completed the continuing education program of the Appraisal Institute.

Allen Safer, MAI, MRICS
Certified General Real Estate Appraiser
Washington Certificate # 1100662

ASSUMPTIONS AND LIMITING CONDITIONS

This assignment is based on the following assumptions, except as otherwise noted in the report.

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect development of the property to its highest and best use.
3. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This assignment is subject to the following limiting conditions, except as otherwise noted in the report.

1. A real property consulting study is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our analysis apply only as of the effective date of the analysis, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this assignment, and we reserve the right to revise or rescind any of the opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the analysis assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The assignment covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.

8. The analysis shall be considered only in its entirety. No part of the assignment shall be utilized separately or out of context.
9. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the person signing the report.
10. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
11. Any revenue estimates contained in the analysis are used only for the purpose of estimating the fiscal impact of proposed development to the City and do not constitute predictions of future operating results.
12. The current purchasing power of the dollar is the basis for the value stated in our appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
13. The projections found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
14. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
15. The consulting report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
16. The consulting report and projections assumes the satisfactory completion of construction in a workmanlike manner.
17. It is expressly acknowledged that in any action which may be brought against Integra Realty Resources – Seattle, Integra Realty Resources, Inc. or their respective officers, owners, managers, directors, agents, subcontractors or employees (the “Integra Parties”), arising out of, relating to, or in any way pertaining to this engagement, the consulting reports, or any estimates or information contained therein, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with gross negligence. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with gross negligence. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

18. Integra Realty Resources – Seattle, an independently owned and operated company, has prepared the appraisal for the specific purpose stated elsewhere in the report. The intended use of the appraisal is stated in the General Information section of the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).

19. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. Integra Realty Resources, Inc. and the undersigned are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

20. All findings presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

ADDENDUM A

APPRAISER QUALIFICATIONS

Professional Qualifications

Mr. Allen Safer, MAI, MRICS

Experience

Managing Director for Integra Realty Resources-Seattle in Washington State. Integra Realty Resources Seattle is part of Integra Realty Resources (IRR), a national valuation and consulting firm with 59 offices in the U.S. and Mexico.

Mr. Safer and his firm are experienced in the analysis of various property types including: vacant land, residential plats, master planned communities, multi family developments, retail, office, industrial and special purpose properties in Washington State and Alaska. Clients served include various financial concerns, law and public accounting firms, private and public agencies, pension and advisory companies, investment firms, and the general public. Further, utilizing the resources of Integra's nationwide coverage, the firm is actively involved in the completion of large portfolio engagements.

Mr. Safer's background includes 30+ years of consultation and valuation analysis for the general public on commercial and residential properties in Washington and Alaska. Entered the appraisal profession with Coldwell Banker Appraisal Services from 1977 to 1981. Founded Safer & Company in 1982 and transitioned to Property Counselors from 1986 to 2001.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI)
President: Local Chapter of the Appraisal Institute, January 2007 - December 2007
Chairman: Seattle Chapter Real Estate Fall Conference, January 2008 - December 2010
Chairman: National Appraisal Institute Regional Chairs, January 2000 - December 2000
Chairman: National Appraisal Institute Executive Committee, January 2000 - December 2000
Chairman: Pacific NW Region 1 Board of Directors, January 1998 - December 1999
Board of Director: Appraisal Institute, January 1996 - December 2001
Member: Appraisal Institute Finance Committee, January 1996 - December 1997
Board of Director: General Appraisal Board of the Appraisal Institute, January 1994 - December 1996
Chairman: National Comprehensive Exam Subcommittee of the Appraisal Institute, January 1990 - December
Member: National Comprehensive Exam Subcommittee of the Appraisal Institute, January 1983 - December 1992
Member: Government Relations Committee, January 2002 - December 2004
Member: National Admissions Committee of the Appraisal Institute, January 1990 - December 1993
Board of Director: Seattle Chapter of the Appraisal Institute, January 1989 - December 1992
Member: Regional Professional Standards Panel of the Appraisal Institute, January 1984
Chairman: Local Chapter Admissions and Programs, January 1986 - December 1991

Licenses

Alaska, Appraiser, 412
Washington, Appraiser, 1100662, Expires September 2011
Washington, Designated Broker, 3341, Expires December 2011

Education

Bachelor of Science, Real Estate, University of Colorado, Boulder, Colorado

Qualified Before Courts & Administrative Bodies

United States Bankruptcy Court, Seattle Washington
King County Superior Court, Washington
King County Board of Equalization
Pierce County District Court
Washington State Board of Tax Appeals
Various Arbitration & Land Use Hearings

Miscellaneous

Recipient of the Seattle AI Chapter's "Appraiser of the Year" Award for 2001.
Recipient of the Seattle AI Chapter's 2009 "President's Award".

INTEGRA REALTY RESOURCES, INC.
CORPORATE PROFILE

Integra Realty Resources, Inc. offers the most comprehensive property valuation and counseling coverage in the United States with 59 independently owned and operated offices in 33 states. Integra was created for the purpose of combining the intimate knowledge of well-established local firms with the powerful resources and capabilities of a national company. Integra offers integrated technology, national data and information systems, as well as standardized valuation models and report formats for ease of client review and analysis. Integra's local offices have an average of 25 years of service in the local market, and each is headed by a Managing Director who is an MAI member of the Appraisal Institute.

A listing of IRR's local offices and their Managing Directors follows:

ATLANTA, GA - Sherry L. Watkins., MAI, MRICS
AUSTIN, TX - Randy A. Williams, MAI, SR/WA, FRICS
BALTIMORE, MD - G. Edward Kerr, MAI, MRICS
BOISE, ID - Bradford T. Knipe, MAI, ARA, CCIM, CRE, FRICS
BOSTON, MA - David L. Cary, MAI, MRICS
CHARLOTTE, NC - Fitzhugh L. Stout, MAI, CRE, FRICS
CHICAGO, IL - Gary K. DeClark, MAI, CRE, FRICS
CHICAGO, IL - Eric L. Enloe, MAI, MRICS
CINCINNATI, OH - Gary S. Wright, MAI, SRA, FRICS
CLEVELAND, OH - Douglas P. Sloan, MAI
COLUMBIA, SC - Michael B. Dodds, MAI, CCIM, MRICS
COLUMBUS, OH - Bruce A. Daubner, MAI, FRICS
DALLAS, TX - Mark R. Lamb, MAI, CPA, MRICS
DAYTON, OH - Gary S. Wright, MAI, SRA, FRICS
DENVER, CO - Brad A. Weiman, MAI, MRICS
DETROIT, MI - Anthony Sanna, MAI, CRE, FRICS
FORT WORTH, TX - Donald J. Sherwood, MAI, SR/WA, FRICS
GREENVILLE, SC - Michael B. Dodds, MAI, CCIM, MRICS
HARTFORD, CT - Mark F. Bates, MAI, CRE, FRICS
HOUSTON, TX - David R. Dominy, MAI, CRE, FRICS
INDIANAPOLIS, IN - Michael C. Lady, MAI, SRA, CCIM, MRICS
KANSAS CITY, MO/KS - Kenneth Jaggers, MAI, FRICS
LAS VEGAS, NV - Shelli L. Lowe, MAI, SRA, MRICS
LOS ANGELES, CA - John G. Ellis, MAI, CRE, FRICS
LOS ANGELES, CA - Matthew J. Swanson, MAI
LOUISVILLE, KY - George M. Chapman, MAI, SRA, CRE, FRICS
MEMPHIS, TN - J. Walter Allen, MAI, MRICS
MIAMI/PALM BEACH, FL - Scott M. Powell, MAI
MILWAUKEE, WI - Gary K. DeClark, MAI, CRE, FRICS
MINNEAPOLIS, MN - Michael Amundson, MAI, CCIM, MRICS
NAPLES, FL - Carlton J. Lloyd, MAI
NASHVILLE, TN - R. Paul Perutelli, MAI, SRA, MRICS
NEW JERSEY COASTAL - Anthony Graziano, MAI, CRE, FRICS
NEW JERSEY NORTHERN - Barry J. Krauser, MAI, CRE, FRICS
NEW YORK, NY - Raymond T. Cirz, MAI, CRE, FRICS
ORANGE COUNTY, CA - Larry D. Webb, MAI, FRICS
ORLANDO, FL - Charles J. Lentz, MAI, MRICS
PHILADELPHIA, PA - Joseph Pasquarella, MAI, CRE, FRICS
PHOENIX, AZ - Walter Winius, Jr., MAI, CRE, FRICS
PITTSBURGH, PA - Paul D. Griffith, MAI, MRICS
PORTLAND, OR - Brian A. Glanville, MAI, CRE, FRICS
PROVIDENCE, RI - Gerard H. McDonough, MAI
RALEIGH, NC - Chris R. Morris, MAI, MRICS
RICHMOND, VA - Kenneth L. Brown, MAI, CCIM, MRICS
SACRAMENTO, CA - Scott Beebe, MAI, FRICS
ST. LOUIS, MO - Kenneth Jaggers, MAI, FRICS
SALT LAKE CITY, UT - Darrin Liddell, MAI, CCIM, MRICS
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ADDENDUM B

DEFINITIONS

DEFINITIONS

The source of the following definitions is *The Dictionary of Real Estate Appraisal, Fifth Edition*, Appraisal Institute, Chicago, Illinois, 2010, unless otherwise noted.

As Is Market Value
The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Common Area

1. The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities.
2. In a shopping center, the walkways and areas onto which the stores face and which conduct the follow of customer traffic.

Common Area Charges
Income collected from owners or tenants for the operation and maintenance of common areas; typically specified in commercial and retail leases.

Common Area Maintenance (CAM)

1. The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.
    a. CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas and sometimes the exterior walls of the buildings.
    b. CAM can refer to all operating expenses.
    c. CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative load. An example would be a 15% addition to total operating expenses, which are then prorated among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee.
2. The amount of money charged to tenants for their shares of maintaining a center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of the parking lots. The area maintained in common by all tenants, such as parking lots and common passages. The area is often defined in the lease and may or may not include all physical areas to be paid for by all tenants. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security, and upkeep.

Deferred Maintenance
Needed repairs or replacement of items that should have taken place during the course of normal maintenance.

Depreciation
A loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

Discounted Cash Flow (DCF) Analysis
The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

Disposition Value
The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a future exposure time specified by the client.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time specified by the client.
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. 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.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date of Appraisal
The date on which the analyses, opinions, and advice in an appraisal, review, or consulting service apply.

Entrepreneurial Profit
1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.

2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Excess Land; Surplus Land

Excess Land: Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued independently.

Surplus Land: Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.

Exposure Time

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

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region.

Gross Leasable Area (GLA)

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to outside wall surfaces.

Highest and Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value.

Insurable Value
Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost plus allowances for debris removal or demolition less deterioration and noninsurable items. Sometimes cash value or market value, but often entirely a cost concept. *(Source: Marshall Valuation Service*)

Lease
A contract in which rights to use and occupy land or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

Leased Fee Interest
A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e, a lease).

Leasehold Interest
The tenant's possessory interest created by a lease.

Lease Type

Full Service Lease or Gross Lease: A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses.

Full Service + Tenant Electric Lease or Gross + Tenant Electric Lease: A lease in which the tenant pays electric charges for its space but in other respects is a full service or gross lease as defined above. Tenant electric is often abbreviated as "TE". *(Source: Integra Realty Resources)*

Modified Gross Lease: A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease.

***Net Lease*:** A general term for a lease in which the tenant pays all or most of the operating and fixed expenses of a property. Whenever the term net lease is used, an analyst should identify the specific expense responsibilities of the tenant and owner. *(Source: Integra Realty Resources)*

***Triple Net Lease*:** A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN, net net net, or fully net lease.

Absolute Net Lease: A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant.

Liquidation Value
The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars, or in terms of financial arrangements comparable thereto.
9. 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.

This definition can also be modified to provide for valuation with specified financing terms.

Marketing Time
An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Market Rent
The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements.

Market Value
The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g])

Overage Rent
The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakpoint sales volume.

Percentage Rent
Rental income received in accordance with the terms of a percentage lease; typically derived from retail store and restaurant tenants and based on a certain percentage of their gross sales.

Prospective Opinion of Value
A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Replacement Cost
The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design and layout.

Reproduction Cost
The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.

Shopping Center Classifications

Convenience Center: provides for the sale of personal services and convenience goods similar to those of a neighborhood center. It contains a minimum of three stores, with a total GLA of up to 30,000 square feet. Instead of being anchored by a supermarket, a convenience center is usually anchored by some other type of personal/convenience service such as a minimarket. *(Source: Dollars & Cents of Shopping Centers, Urban Land Institute, Washington, DC, 2008[Dollars & Cents])*

Neighborhood Center: provides for the sale of convenience goods (foods, drugs, and sundries) and personal services (laundry and dry cleaning, barbering, shoe repairing, etc.) for the day-to-day living needs of the immediate neighborhood. It is built around a supermarket as the principal tenant and typically contains a GLA of about 60,000 square feet. In practice, it may range in size from 30,000 to 100,000 square feet. *(Source: Dollars & Cents)*

Super Community / Community Center: any center larger than a neighborhood center but with neither a traditional department store nor the trade area of a regional shopping center. This includes traditional community shopping centers, power centers, town centers, lifestyle centers, and outlet/off-price centers that meet these criteria. The traditional community shopping center contains many of the convenience tenants that are found in the neighborhood shopping centers, while offering a wider range of apparel, hardware, home furnishings, home improvement, and specialty stores. In addition, the center also may include banking and professional services, personal services, and recreational facilities. Many centers are built around a discount department store, super drugstore, mixed apparel (women/men/children) store, as well as a supermarket. *(Source: Dollars & Cents)*

Power Center: type of community center that contains at least four category-specific anchors of 20,000 or more square feet. These anchors typically emphasize hard goods such as consumer electronics, sporting goods, office supplies, home furnishings, home improvement goods, bulk foods, drugs, health and beauty aids, toys, and personal computer hardware/software. They tend to be narrowly focused but deeply merchandised “category killers” together with the more broadly merchandised, price-oriented warehouse club and discount department stores. Anchors in power centers typically occupy 85 percent or more of the total GLA. *(Source: Dollars & Cents)*

Stabilized Income

Income at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those expected to continue over the economic life of the property; projected income that is subject to change, but has been adjusted to reflect an equivalent, stable annual income.