

Self-Contained Appraisal Report

Summit Place

King County, Washington



as of September 18, 2007

Prepared for:

Yarrow Bay Development LLC

Kathy Orni

Prepared By:

Randall C. Gilliam, MAI

DRAFT

GVA Kidder Mathews

Valuation Advisory Services

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September 24, 2007

Ms. Kathy Orni
Yarrow Bay Development LLC
825 Fifth Avenue
Kirkland, WA 98033

DRAFT

RE: Summit Place
27250 228th Avenue SE
Unincorporated King County, Washington
Client Ref. No. NA

Dear Ms. Orni:

At your request, I have prepared an appraisal of the above-referenced property, which is fully described in the attached *self-contained* report. As requested, I have estimated the market value of the fee simple interest in the subject real estate. The undersigned has inspected the subject property and obtained data regarding other similar real estate in the area.

The accompanying appraisal report identifies the subject, describes the general market, and presents the specific market data and analyses leading to the estimate of value. The report has been prepared in accordance with the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute and complies with the reporting requirements of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation. It is also prepared to comply with Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended, governing appraisals used for federally related transactions. The general assumptions and limiting conditions of the appraisal are outlined in the addenda to this report. Any extraordinary assumptions and limited conditions are presented in the Introduction section of this report.

As a result of my investigation and analysis, I have concluded that the market value of the fee simple interest in the subject real estate, subject to the limiting conditions and extraordinary assumptions contained herein, is:

As Is, September 18, 2007 \$40,000,000

Ms. Kathy Orni
Re: Summit Place
Page ii

Thank you for the opportunity to be of service. We hope you will find the details of this self-contained appraisal relevant to your decisions.

Sincerely,

GVA KIDDER MATHEWS-VALUATION ADVISORY SERVICES



Randall C. Gilliam, MAI

State-Certified General Real Estate
Appraiser #1100634

RCG/em

Certification

I certify that, to the best of my 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 is our personal, impartial and unbiased professional analyses, opinions, and conclusions.
- 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 no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 6) 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 appraisal.
- 7) My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- 8) I have made a personal inspection of the property that is the subject of this report.
- 9) No one provided significant real property appraisal assistance to the person signing this certification.
- 10) I certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice and reporting requirements of the Financial Institutions Reform, Recovery and Enforcement Act of 1989.
- 11) I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 12) As of the date of this report, Randall C. Gilliam, MAI has completed the requirements of the continuing education program of the Appraisal Institute.



Randall C. Gilliam, MAI
State-Certified General Real Estate
Appraiser #1100634

Limiting Conditions

Limiting conditions specific to this appraisal are:

- 1) The appraiser has made no survey of the property and assumes no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
- 2) I assume that there are no hidden or unapparent conditions of the property, subsoil, or structures (including asbestos, soil contamination, or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.
- 3) No responsibility is assumed for the legal description or for matters including legal or title considerations.
- 4) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 5) The appraiser is not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made therefor.
- 6) The allocation of total value to land, buildings, or any fractional part or interest as shown in this report, is invalidated if used separately in conjunction with any other appraisal.
- 7) The appraiser is competent and qualified to perform the appraisal assignment.
- 8) Valuation Advisory Services is a subsidiary of GVA Kidder Mathews, a full service commercial real estate brokerage firm. On occasion, employees or agents of the firm have interests in the property being appraised. When present, interests have been disclosed, and the report has been made absent of any influence from these parties.

RESTRICTION UPON DISCLOSURE & USE:

Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraisers.

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ADDENDUM

- Engagement Letter
- Appraiser's Experience Data
- State Certification

Summary of Appraisal

Summary of Appraisal

Identity of Property Summit Place
27250 228th Avenue SE
Unincorporated King County, Washington

Property Description The subject property consists of a 156.5-acre parcel that is presently improved with a mix of different uses. At the northwest corner, King County operates a roads operation and maintenance facility on about 13.7 acres; around the perimeter of the site (approx. 61.9 acres) is the front nine of Elk Run Golf Course, which is leasing the land on a short-term basis; the balance of the site (80.9 acres) is an aggregate mine and fill material disposition operation. A BPA (Bonneville Power Administration) power line with its 375-foot easement runs through the property.

The purpose of the assignment is to estimate the market value of the subject, assuming redevelopment as single-family residential lots. The site is currently zoned (King County) RA-5, but the current owner (King County) indicates that the property will be rezoned to R-8, which will provide for a higher density (eight units or lots per acre). Assessment of the existing operations are outside the scope of this assignment.

Scope of Work See the Introduction section for the detailed discussion on the scope of work.

Approaches to Value & Final Value Conclusion	Sales Comparison Approach	\$40,700,000
	Development Approach	\$39,300,000
	Value Conclusion:	\$40,000,000

Date of Report September 24, 2007

Date of Last Inspection September 18, 2007

Effective Date of Appraisal September 18, 2007

Exposure Time 12 to 18 months

Marketing Time 12 to 18 months



Aerial View of Subject Property

Subject Photographs

View of subject from the intersection of Kent-Kangley Road & 228th Avenue SE.



View of subject from its southwest corner (the intersection of 228th Avenue SE & SE 280th Street).



Looking north along 228th Avenue SE. The subject is to the left.

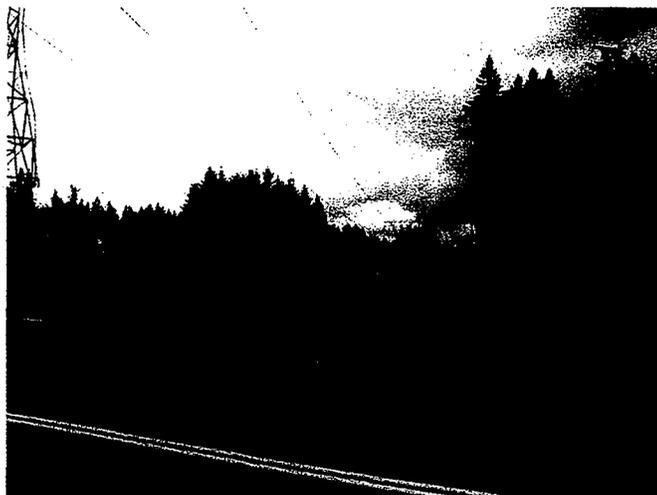


Subject Photographs

View of King County's
maintenance facility.



View of the power lines that
run through the subject.



Introduction

Introduction

Identity of Property

The subject property consists of a 156.5-acre parcel that is presently improved with a mix of different uses. At the northwest corner, King County operates a roads operation and maintenance facility on about 13.7 acres; around the perimeter of the site (approx. 61.9 acres) is the front nine of Elk Run Golf Course, which is leasing the land on a short-term basis; the balance of the site (80.9 acres) is an aggregate mine and fill material disposition operation. A BPA (Bonneville Power Administration) power line with its 375-foot easement runs through the property.

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Address

27250 228th Avenue SE
Unincorporated King County, Washington

Legal Description

The subject is briefly described as follows:

NW ¼ of Section 34, Township 22 North, Range 6 East, except portions within 228th Avenue SE and with SE 272nd Street; and except portions conveyed to City of Maple Valley by deed under recording no. 20040824000981, subject to the Bonneville Transmission Line.

The property's tax parcel number is 342206-9006

Ownership History

The property is currently owned by King County since 1953. Over the past three years, there have been no warranty deed transactions and to the best of my knowledge, the property is not listed for sale. I do note that the subject client is interested in acquiring the property. A portion of the property is leased on a short-term basis to Covington Golf Course, Inc. (Elk Run Golf Course). A copy of the lease was not provided. Based on third party information, this lease is reportedly to be terminated by King County who is planning to buy out the leasehold interest.

**Property Rights
Appraised**

This is an appraisal of the fee simple estate. The definition of "fee simple estate" is as follows:

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.

Source: The Dictionary of Real Estate Appraisal, Fourth Edition. Chicago: Appraisal Institute, 2002.

Purpose of Appraisal

The purpose of this appraisal is to estimate market value of the subject property. The term "Market Value" is defined as:

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 the buyer under conditions whereby:

- a. *the buyer and seller are typically motivated;*
- b. *both parties are well informed or well advised, and acting in what they consider their own 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."*

Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [f].

Scope of Work

The subject property is appraised based on the following scope of work.

- The subject consists of a 156.5-acre site that is nearly square-shaped. Currently it includes a mix of operations including the front nine holes of Elk Run Golf Course who is leasing this portion of the land; King County has a maintenance facility at the northwest corner; and the balance is a gravel pit operation.
- I inspected the subject property on September 18, 2007, and the report is presented in a self-contained format.

- Highest and best use is for development as residential. As such, two methods are employed in the valuation of the subject land. The first is the Sales Comparison Approach in which sales of large residential-zoned sites are compared to the subject. The second method is the Development Approach. This is multi-step process in which the net cash flows from developing and selling off the finished lots are discounted to a present value. While there is an on-going gravel pit operation, a value in use was not performed as this is outside the scope of the assignment.
- The research of data included both general and specific data. Sources of general data that are included in the market trends were obtained from various sources such as MLS, Site to do Business, and the Washington Center for Real Estate Research.
- Specific data concerning the subject was obtained from various sources including the King County (site aerial, assessed value, real estate taxes, and zoning).
- Data compiled in the analysis of the land sales (raw land and finished lots) was obtained from Costar Comps, NWMLS, CBA (Commercial Brokers Association), and Metroscan.
- All of the sales data was confirmed with a party involved in the transaction and/or through public records and each was inspected.
- The Sales Comparison Approach was based on an analysis of improvement value per lot and value per acre (raw land). The area of research of comparable land sales included an approximate 10-mile radius around the subject.
- The Development Approach includes several steps. The first is estimating the price of the finished lot and projecting the sellout of these lots over several years. Site development, selling, real estate taxes on unsold lots, and developer profit are deducted to arrive at a net cash flow. A discount rate is applied to arrive at a present value of the net cash flow.
- The reconciliation and final value estimate(s) is based on an overview of which approach or approaches is believed the best indicators of value for the subject.

Intended Use & Intended Users The intended use of this appraisal is to assist the client, Yarrow Bay Development LLC, in estimating market value for potential acquisition.

Extraordinary Assumptions There are several extraordinary assumptions that need to be identified.

- The subject property is currently zoned RA-5, Rural Area, one dwelling unit per five acres. The analysis assumes the property's zoning will be changed to R-8, an urban residential designation that allows 8 dwelling units per acre.
- The property is improved with a King County maintenance and operations facility (13.7 acres) in the northwest corner; Elks Run Golf Course (61.9 acres) along the perimeter of the property; and the remaining 80.9 acres is undeveloped and contains an active gravel pit in its southeast corner. The prospective buyer/developer is planning to redevelop the site with a total of 1,248 residential lots based on the R-8 zoning. My value is based on 1,248 lots will be approved. Should this not be the case, then I reserve the right to revise my value estimate.
- As indicated, a portion of the subject is an on-going gravel pit operation. I assume the gravel pit as well as the entire site does not have any environmental issues. Should this not be the case, I reserve the right to revise my value estimate.

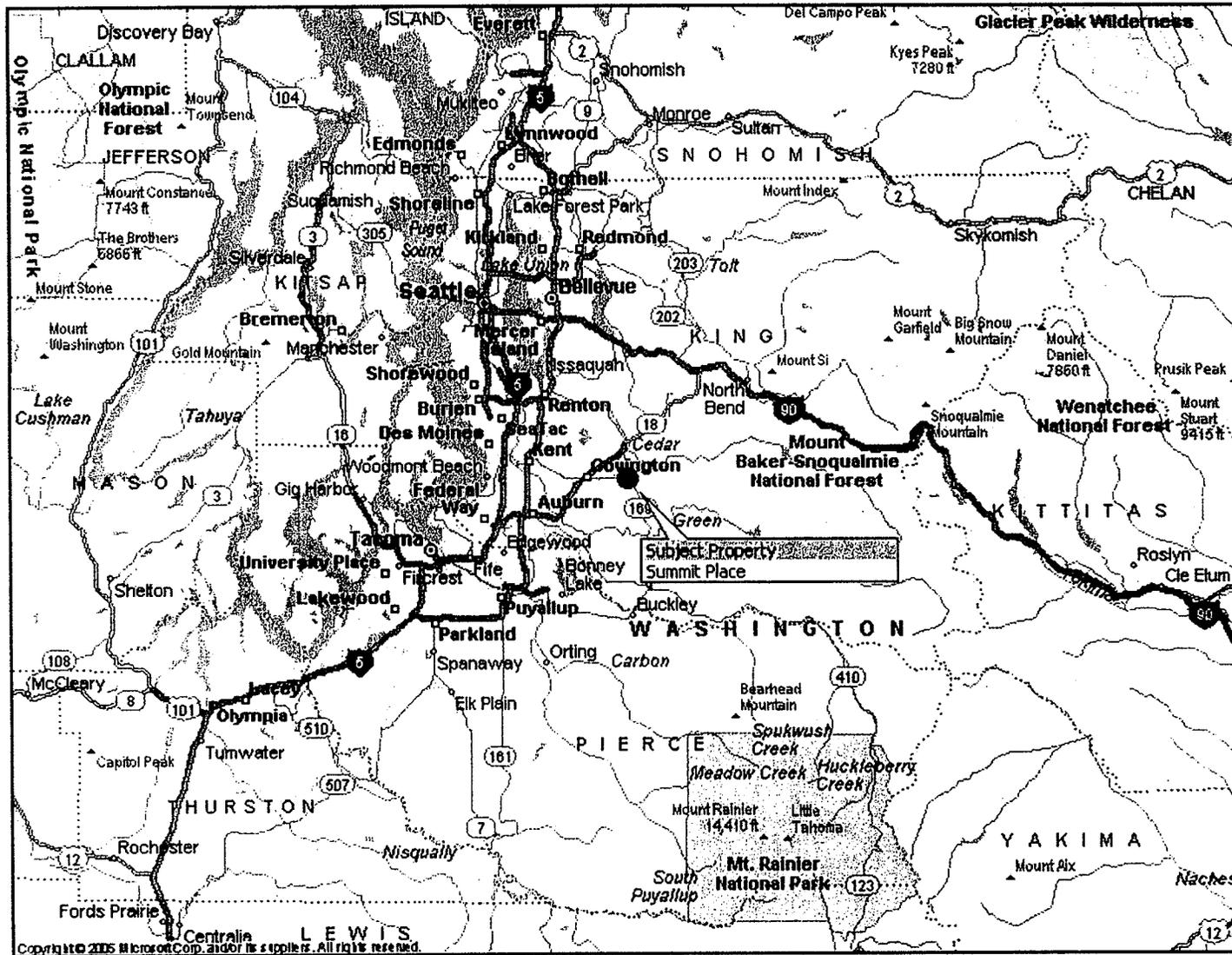
Competency Provision Please see the Appraiser's Experience Data included in the Addendum for specific information regarding the Appraiser's background and experience. The undersigned has previously appraised this property type, and is capable of competently completing this assignment.

Date of Report September 24, 2007

Date of Last Inspection September 18, 2007

Effective Date of Appraisal September 18, 2007

Market Overview



REGIONAL MAP

Market Overview

Regional Overview

The subject is located in the south end of King County near Maple Valley. The following is an overview of the Puget Sound region.

Following the recession of 2001 through 2003, the regional economy started to show improvement the second half of 2004, a trend that continued through 2006. A net loss of jobs occurred through 2001 to 2003, but in 2004 the region gained 67,700 jobs (3.8%), followed by 43,700 (2.4%) jobs in 2005. Through 2006, employment grew by 48,560 jobs (3.5%) over 2005, much better than early projections. During the recession, major losses occurred in the high-tech and manufacturing sectors, specifically almost 50,000 Boeing jobs from their peak in 1998. All of those jobs have now been recovered, although tech employment was slow to ramp back up. Over the past year, the region has outperformed the national economy, buoyed by the job growth and sustained by consumer spending fueled by tax cuts and home refinancing.

Some of the local real estate markets were hit hard by the disappearance of many new economy and dot.com companies. The hardest hit market was office space where vacancy rates peaked in 2003 over 20%. Job growth in 2004 through 2006 and into 2007 decreased vacancy rates, which are now low enough to create rent increases. The office market is at a very positive point of the cycle, especially in the Seattle CBD where the vacancy rate is approaching stabilization and on the Eastside which has actually fallen into an under-supply situation allowing significant rent increases over the past year. The region's industrial market followed much the same path; however, its recovery was started by significant absorption by large retail distribution facilities. The apartment market tightened up very quickly in 2006 with the regional vacancy rate falling below 5%. Some of this was tied to a large number of condominium conversions that caused apartment inventories to decrease in each of the past two years. Apartment rents are expected to continue to increase over the next two years.

Unemployment rates have moved slightly downward and low interest rates have boosted the housing market. Home buying has continued to be strong even with recent interest rate increases. As prices have increased, condominiums have stepped into the entry level position, and continually worsening traffic has prompted demand for condominiums in close-in locations. Following a limited amount of

new construction, employment growth and the jump in home prices, apartment vacancies have fallen back to stabilized levels and rental rates have been increased.

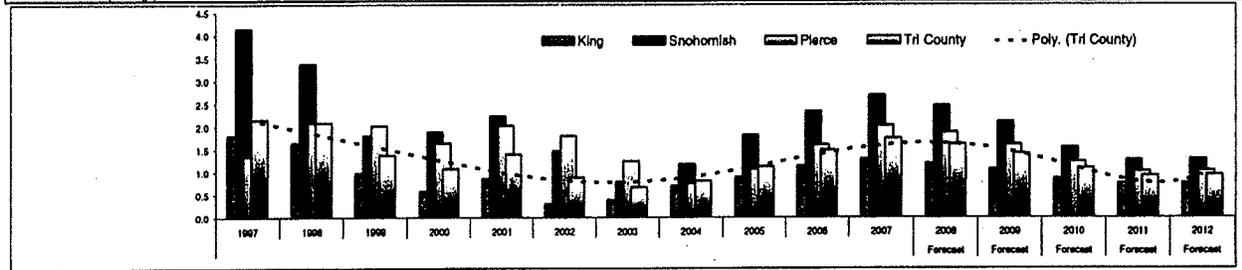
Even though the recovery from the regional recession was slow to get started, it picked up some momentum in 2005, and continued through 2006. The region's economy remains structurally sound, although high fuel and construction costs and rising interest rates are moderating the rate of the economic expansion.

BOEING Boeing has been a major driver in the central Puget Sound region for more than eight decades and remains one of the largest private employers in the region. The total employment in Washington, with most based in the Puget Sound region, fell from 104,000 in 1998 to 53,534 in 2004. 2005 saw a rebound with an increase of 6,669 jobs, with another 5,728 added in 2006, and another 3,000 in the first half of 2007 reaching 71,353 in June. Forecasts are for 12,500 more jobs in the next two years. The company booked a record of 1,044 net orders for passenger planes in 2006, and another 417 through May 2007, again besting Airbus. An additional 81 freighter orders were received. Deliveries of finished planes has also rebounded. From a 2003 low point of 239 planes, 285 planes were delivered in 2004, 290 in 2005 and 398 in 2006. 2007 deliveries are anticipated to be between 350 and 400 planes with the first deliveries of the new 787 airliner taking place in 2008. Overall, it is expected that Boeing employment will decline somewhat after a 2009 peak as the 787 program turns from development to production.

MICROSOFT In the 1990s, Microsoft surpassed Boeing in terms of total payroll dollars. Worldwide employment as of June 2006 is 71,553, up by 10,000 over June 2005, of which 33,333 are located in Washington State, almost all in the Puget Sound region. Microsoft's employment almost doubled from 1999 to 2005, and the past year saw 3,938 new positions added in the region. Another 2,000 job are anticipated in 2007. In 2001 through 2004, Microsoft gave up almost 500,000 sq ft of leased office space in the Eastside market in favor of owned buildings. Expansion of the company had been focused on properties around their

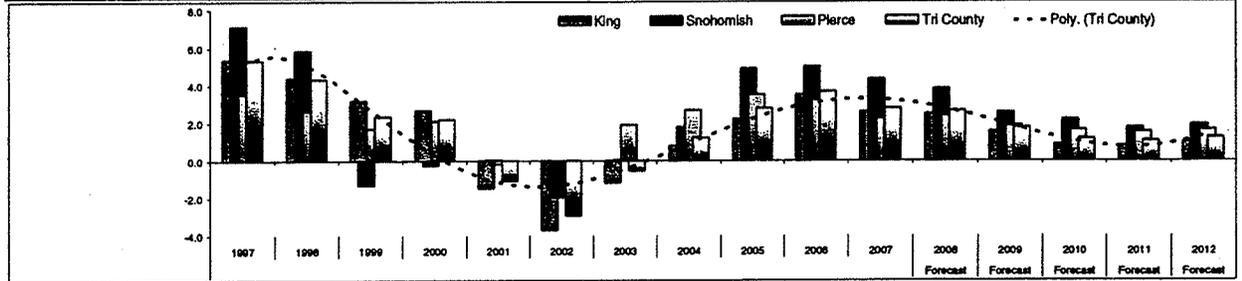
KING, PIERCE & SNOHOMISH COUNTIES POPULATION, MID-20

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
King County (thous)	1,684.8	1,712.4	1,728.1	1,738.9	1,753.7	1,758.9	1,765.5	1,777.8	1,793.4	1,813.9	1,837.1	1,859.0	1,878.8	1,894.4	1,908.9	1,923.3
Annual Growth (%Change)	1.8	1.6	1.0	0.6	0.9	0.3	0.4	0.7	0.9	1.1	1.3	1.2	1.1	0.9	0.7	0.8
Pierce County (thous)	665.1	679.0	692.7	704.0	718.2	731.1	742.2	745.8	753.8	765.9	781.3	796.0	808.8	818.8	827.1	835.7
Annual Growth (%Change)	1.4	2.1	2.0	1.6	2.0	1.8	1.2	0.8	1.1	1.6	2.0	1.9	1.6	1.2	1.0	1.0
Snohomish County (thous)	568.2	587.4	597.0	608.2	622.7	631.0	638.6	644.2	656.9	671.2	689.2	706.1	721.0	732.1	741.4	751.0
Annual Growth (%Change)	4.1	3.4	1.8	1.9	2.2	1.5	0.8	1.2	1.8	2.3	2.7	2.5	2.1	1.5	1.3	1.3
Tri County (thous)	2,918.1	2,978.8	3,019.7	3,052.1	3,094.6	3,121.6	3,142.5	3,167.7	3,203.3	3,250.9	3,307.7	3,361.1	3,408.5	3,445.7	3,477.4	3,510.0
Annual Growth (%Change)	2.1	2.1	1.4	1.1	1.4	0.9	0.7	0.8	1.1	1.5	1.7	1.6	1.4	1.1	0.9	0.9



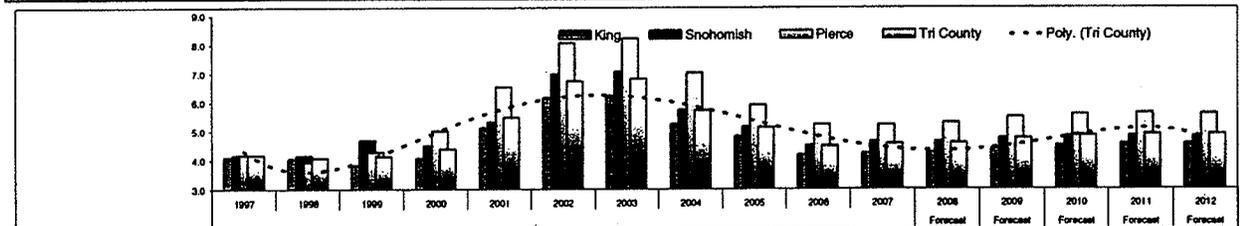
KING, PIERCE & SNOHOMISH COUNTIES EMPLOYMENT TRENDS

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
King County (thous)	1,072.5	1,118.8	1,155.2	1,185.7	1,188.2	1,125.0	1,111.8	1,120.2	1,144.7	1,164.7	1,215.2	1,245.3	1,264.6	1,275.2	1,285.2	1,298.0
Annual Growth (%Change)	5.4	4.4	3.2	2.6	-1.5	-3.7	-1.2	0.8	2.2	3.5	2.6	2.5	1.5	0.8	0.8	1.0
Pierce County (thous)	229.4	235.4	239.4	244.4	244.0	243.6	248.2	254.8	263.7	272.3	278.3	285.0	290.3	295.1	298.8	304.5
Annual Growth (%Change)	3.5	2.6	1.7	2.1	-0.2	-0.2	1.9	2.7	3.5	3.2	2.2	2.4	1.9	1.6	1.5	1.6
Snohomish County (thous)	207.8	220.0	217.1	216.5	216.6	212.4	212.5	218.2	228.8	238.2	248.4	257.9	264.5	270.2	274.9	280.2
Annual Growth (%Change)	7.1	5.8	-1.3	-0.3	0.0	-2.0	0.0	1.8	4.9	5.0	4.3	3.8	2.5	2.2	1.8	1.8
Tri County (thous)	1,508.8	1,575.0	1,611.7	1,646.7	1,628.8	1,580.9	1,572.2	1,591.2	1,635.2	1,695.1	1,742.0	1,798.1	1,818.3	1,840.5	1,859.8	1,882.7
Annual Growth (%Change)	5.3	4.3	2.3	2.2	-1.1	-2.9	-0.6	1.2	2.8	3.7	2.8	2.6	1.7	1.2	1.0	1.2



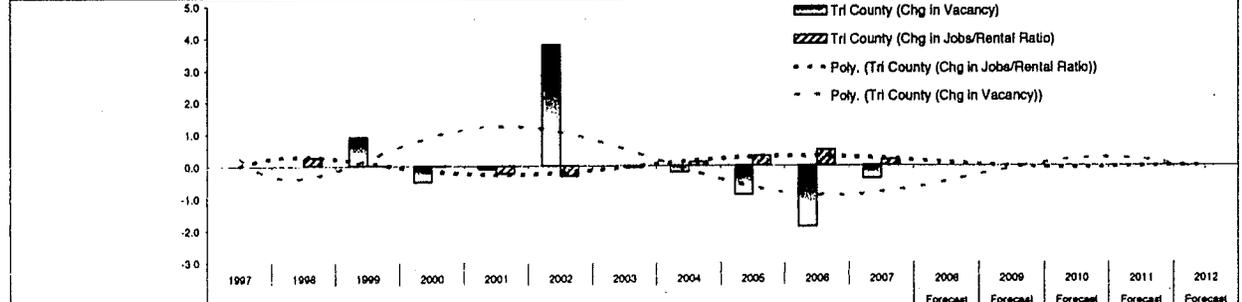
KING, PIERCE & SNOHOMISH COUNTIES UNEMPLOYMENT RATE TRENDS

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
King County (%)	4.1	4.0	3.8	4.0	5.1	8.2	8.2	5.2	4.8	4.2	4.2	4.2	4.4	4.5	4.5	4.8
Pierce County (%)	4.2	3.9	4.3	5.0	6.5	8.1	8.2	7.0	5.9	5.2	5.2	5.3	5.5	5.6	5.6	5.6
Snohomish County (%)	4.2	4.1	4.7	4.5	5.3	7.0	7.1	5.7	5.1	4.5	4.6	4.6	4.7	4.8	4.8	4.8
Tri County (%)	4.2	4.1	4.1	4.4	5.5	6.7	6.8	5.7	5.1	4.5	4.6	4.6	4.7	4.8	4.8	4.9



KING, PIERCE & SNOHOMISH COUNTIES RENTAL UNITS - 00 Units +

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Tri County (thous)	200.8	202.9	207.8	212.7	216.9	219.9	220.7	220.1	217.2	211.5	212.3
Jobs/Rental Unit Ratio*	7.5	7.8	7.8	7.7	7.5	7.2	7.1	7.2	7.5	8.0	8.2
Vacancy Rate	3.6	3.6	4.5	4.0	3.9	7.7	7.7	7.5	6.6	4.7	4.3
Chg. In Jobs/Rental Unit Ratio	NA	0.2	0.0	0.0	-0.2	-0.3	-0.1	0.1	0.3	0.5	0.2
Chg. In Vacancy Rate	NA	0.0	0.9	-0.5	-0.1	3.8	0.0	-0.2	-0.9	-1.9	-0.4



Source: The Puget Sound Economic Forecaster - Online March 2007

Redmond headquarters, including the purchase of Safeco's Redmond campus in 2006. In 2006 the company also made a move back into leased space, announcing major leases of 300,000 sq ft in Lincoln Square in the Bellevue CBD and 87,000 sq ft in Eastpointe in Issaquah, and in April of 2007 leasing 1,300,000 sq ft in projects under construction in the Bellevue CBD and the I-90 Corridor. Overall, the company continues to diversify into other non-software products, its base business is considered solid and it is the core of the economy in the Eastside market of the Puget Sound Region.

The regional economy should continue its steady growth pattern that began in 2004 and continued through of 2006. On a regional basis, there are numerous positive items, continuing the diversification away from Boeing. Microsoft, Starbucks, Costco are among the locally headquartered companies that continue to expand. While service and retail companies carried the initial stages of the recovery, it appears that it will now be sustained with help from the manufacturing and tech sectors.

Population

During the past 40 years, the population of Washington State has grown by an average of approximately 20% per decade, according to figures compiled by the Puget Sound Regional Council. The five counties that comprise the Central Puget Sound Region, and account for 59% of Washington's 2006 population (6,375,600), experienced a population increase of more than 15% during the previous decade. The State growth rate slowed to 1.0% for 2002 through 2004, but increased by 2.6% in 2005 dipping slightly to 1.9% growth in 2006, with continuing employment gains and in-migration.

Current projections for the MSA show growth at 1.3% per year through 2010. King County's lower growth rate, which is projected at an average of 0.6% per year (actual growth through April 2006 was 1.5% over the previous April), is attributable mainly to increased housing prices caused by a lack of new residential building sites and increased development costs, partially resulting from increased environmental regulations and infrastructure concerns.

Employment

For 2006, the region's annual employment was 1,938,000. The average unemployment rate ranged from a low of 4.7% in King County to a high of 6.1% in Pierce County. As of November 2006, the regional unemployment rate was 4.6%, down from 4.9% in 2005. The forecast is for a slightly lower rate of employment growth in 2007 at 2.9%, which would add about 56,000 new jobs. Overall, the business cycle is

still improving and the region is doing better on average than the nation. Boeing hiring has increased, in response to increased orders and development of the new 787 line. Projections of population and job growth for the next two years should improve unemployment rates.

Economic Indicators

The June 2007 edition of *The Puget Sound Economic Forecaster* indicates that the region continues to grow well with no substantial change to the original expectations and projections. Employment gains in 2006 were 3.2%, the best showing in eight years. The prognosis for the regional economy is for slowing but healthy growth. The growth of current-dollar personal income is anticipated to decline from 7.6% to 7.0% by 2008, and inflation is projected to remain in check, dropping from 3.8% in 2006 to 3.1% in 2007, assuming that energy costs do not rise appreciatively. Boeing and Microsoft are still adding thousands of jobs. Boeing is benefiting from favorable overseas market conditions and robust sales of the new 787 jetliner. What this means is that locally, Boeing and its aerospace suppliers will add between 7,000 and 10,000 jobs over the next two years with aerospace employment forecast at 82,100 in 2008, up from 71,500 in 2006. Microsoft's strategy for strengthening and diversifying its product line is to spend billions of dollars on research and development. This means they plan to hire lots of individuals. It is anticipated that they will hire about 2,000 workers per year in 2007 and 2008 in the region.

ECONOMIC INDICATORS							
Annual % Change	2002	2003	2004	2005	2006	2007	2008
Puget Sound Region							
Employment	-2.5	-0.7	1.4	2.7	3.2	2.9	2.6
Personal Income	1.0	2.7	8.3	1.4	7.5	7.6	7.0
Consumer Price Index	2.1	1.7	1.1	2.8	3.8	3.1	2.7
Housing Permits	-7.6	-0.8	12.5	10.7	-3.0	9.7	-8.1
Population	1.0	0.7	0.7	1.0	1.6	1.9	1.8
United States							
GDP (96\$)	2.6	3.0	4.2	3.5	3.3	2.3	2.9
Employment	-1.0	-0.3	1.1	1.5	1.9	1.3	1.4
Personal Income	3.0	3.2	5.9	5.2	6.3	5.9	5.5
Consumer Price Index	2.5	2.3	2.7	3.4	3.2	2.1	2.4
Housing Starts	-5.0	2.3	5.2	6.1	-12.4	-18.5	3.8

Source: Blue Chip Economic Indicators, June 2007

Real Estate Markets

The Puget Sound region's real estate markets have been improving or strong over the last two years. Through the end of 2006, the apartment and office markets showed the strongest improvement, although all sectors are healthy. An overview of vacancy rates, or occupancy rates

in the case of hotels, in the regional real estate markets is outlined in the chart below.

REGIONAL VACANCY RATES-2 nd QUARTER 2007					
Segment	Seattle	Eastside	Northend	Southend	Pierce
Office	7.7%	6.2%	19.4%	18.4%	7.9%
Industrial	4.5%	7.9%	14.0%	5.8%	8.6%
Apartment (April 2007)	3.2%	4.3%	4.0%	4.9%	5.8%
Retail (Mid-2007)	5.7%	3.0%	3.4%	3.3%	3.7%
Hotel Occupancy (YE-2006)	71.0%	63.7%	67.7%	67.8%	69.3%

Source: Colliers International (office and industrial), Dupre+Scott (apartment),
CB Richard Ellis (retail) and Wolfgang Rood Hospitality Consulting (hotel).

Overall, the office market is ascending with vacancies falling and rents rising. The apartment market has seen continuing and significant rent increases with vacancy at almost frictional levels in most markets. Hotel occupancy rates are up over last year but will be tested by new rooms being added to the market. Average daily rates are up by 5-10% over last year's performance. Industrial and Retail markets have been steady, active but showing some mid-cycle reserve.

On the investment side, there has been continuing activity, spurred to a great extent by low interest rates and unattractive options in the stock and bond markets. With mortgage rates hovering between 5.5% and 6.5%, the equity returns are better than alternative investments at this time. This has allowed overall capitalization rates to remain low, prompting sellers to make some moves. All product types have seen strong interest, with office and apartment investments in high demand and institutional investors bullish on the Puget Sound market. It continues to be a seller's market for most property types and sizes.

Area Market Summary

The general long-term outlook for the Puget Sound region continues to be positive, with the rate of growth slowing only slightly in 2007 from that seen in 2006. The regional economy was slow to come out of the recession of late 2001 through 2003. The past two years have seen employment growth exceed forecasts with a wide variety of new jobs created. The projection is for some continued, moderate economic upside in 2007 with employment growth of 2.9% and population increasing by 1.5% as the region outperforms most of the nation. Real estate markets are also continuing to improve, with vacancy falling for the third straight year and rental rates increasing. Income is nearly back to levels that make new construction financially feasible in most product types, promoting new cycles of apartment and office construction. So far, the new inventory does not appear to be in

danger of overshooting demand, with the possible exception of high-end condominiums. Investment in real estate never faltered during the down side of the cycle as alternatives were less attractive and low interest rates allowed for good equity returns even as income levels fell. Currently there continues to be very strong investor interest, and there has been an increase in the inventory of product being offered for sale as sellers sense a beneficial combination of capitalization rates and firming rental rates and buyers continue to achieve attractive leveraged returns at those low rates.

Neighborhood Overview

Community Description

The subject is located in unincorporated King County, but is surrounded entirely by the city of Maple Valley. Maple Valley has traditionally been a rural and mining community that is in transition to a suburban residential community. The population of the city of Maple Valley as of the 2000 US Census was 14,209 but has grown to 20,020 as of 2007, an average annual growth of 5.8%. By comparison, King County's population has grown at a slower rate of 1.0% per year.

Neighborhood Identification

A property is an integral part of its neighborhood. As indicated above, the subject is situated within unincorporated King County, but all of the surrounding parcels are located within the city of Maple Valley. The subject's immediate neighborhood is generally delineated by SR-18 to the north; 244th Avenue SE to the east; SE 288th Street to the south; and 212th/216th Avenue SE to the west. The subject is located within the western portion of the neighborhood.

Access & Infrastructure

Regional access is very good. SR-169, aka the Maple Valley-Black Diamond Road provides a directly link to I-405 to the north in Renton and Enumclaw to the south. SR-18 runs diagonally in a northeasterly/southwesterly direction and provides access to I-5, about 15 miles to the southwest and I-90, approximately 11 miles to the northwest. SR-516, aka the Kent-Kangley Road or SE 272nd Street is an east/west road that provides a direct link to Covington and Kent to the west and the rural areas east of SR-169.

The terrain within the neighborhood is rolling hills with some steeper sloping. Public utilities including electricity, natural gas, telephone, water, and sewer are provided throughout the neighborhood.

Historical Development

Historically, Maple Valley has been a rural area with some residential dwellings on larger tracts and farmland scattered throughout. There are pockets of commercial uses, primarily along the main arterials. Within the past 20 years, the area has been the focus of numerous subdivisions with tremendous population growth. Along with the residential growth has been new retail developments, particularly along SR-169 at major intersections.

**Development Trends &
New Projects**

Residential development continues to evolve in the Maple Valley area. Most of the available land is east of SR-169 with some smaller pockets available to the west. The largest tract in the immediate area is the subject site at 156.5 acres.

The city is currently making improvements to the Four Corners intersection (SR-169 and Kent-Kangley Road), which is designed to improve traffic flow and improve overall safety and alleviate traffic congestion.

**Immediate
Surroundings**

The subject is bounded to the north, east, south and west by single-family subdivisions. The back nine of the Elk Run Golf Course is immediately to the west. At the southeast corner of the subject site is the Glacier Park Elementary school.

Conclusion

Maple Valley has evolved from a rural location to more of a suburban community over the past several years. Based on various demographic studies, the neighborhood should continue to grow at more modest levels.

Single-Family Residential Market Analysis

Residential Market Overview

This analysis will look at the single-family market in south King County. This includes the communities of Maple Valley, Black Diamond, Enumclaw, Kent, and Auburn. I have also included information regarding overall King County. Sales and building data was collected from the Northwest Multiple Listing Service, the Washington Center for Real Estate Research (WCRER), and New Home Trends. The absorption data reflect sales activity in the newer single-family plats around the market area.

Existing Residential Supply & Sale Trends- King County

Building activity has been very active in King County over the past five years. The following table summarizes permit activity since 2000.

**Building Permits Issued
King County
Single- and Multi-Family
2000-2006**

Year	SF	Total	% SF to Tot
2006	6,024	14,339	42.0%
2005	7,047	12,762	55.2%
2004	7,298	12,296	59.4%
2003	6,499	10,074	64.5%
2002	5,783	10,551	54.8%
2001	4,302	9,855	43.7%
2000	4,483	11,726	38.2%

Source: Washington Center for Real Estate Research

After dropping off in 2001 and remaining somewhat stagnant through 2003, building activity took off again in 2004, although single-family permits did tail off in 2006. So far in 2007 (through the first two quarters) building permits are down nearly 15% from this time last year.

The following table provides a current snap shot of trends in King County through the 2nd Quarter 2007.

Housing Market Snapshot
2nd Quarter 2007

	Home Resales		Housing Starts		Median Prices		Affordability	
	No.	% Change	No.	% Change	(\$'000)	% Change	Index	% Change
King County	34,090	-7.7%	3,588	-14.9%	\$470,000	9.6%	66.1	37.1
Washington State	132,560	11.6%	10,850	-16.1%	\$316,700	8.1%	84.5	49.5

Source: Washington Center for Real Estate Research

Note: Affordability index measures ability of typical family to make payments on median price resale home and assumes 20% down payment. First buyer affordability assumes a less expensive home, lower downpayment and lower income.

While building permits are down both in King County and Washington State as are existing home sales, the median price continues to increase both in the county and state. However, conversations with realtors indicate that while the local economy continues to perform well, that there may be a leveling off of pricing given the increase in supply of homes listed for sale.

**Existing & New
Residential Supply &
Sale Trends-Subject
Market Area**

The following information pertains to the subject's immediate area. Population is a demographic measuring growth. It is an important tool in considering the supply and demand trends for an area. Area demographics for this analysis were obtained from STDBonline (Site to do Business). Selected population and housing data are summarized in the following table. The survey includes a one-, three-, and five mile ring from the subject.

Area Demographics

Demographics	Rings		
	1 Mile	3 Mile	5 Mile
2000 Population Estimate	6,959	30,432	53,418
2007 Population Estimate	9,872	36,883	63,584
2012 Population Estimate	11,423	40,632	69,623
Est. Annual Growth-2000-2007	6.0%	3.0%	2.7%
Est. Annual Growth-2007-2012	3.1%	2.0%	1.9%
No. of Households-Current	3,261	12,936	21,722
Avg. Household Size-Current	3.28	3.25	2.93
Median Home Value-Current	\$357,943	\$360,746	\$362,285
Median Household Income-Current	\$94,055	\$88,672	\$87,239
Per Capita Income-Current	\$34,609	\$35,467	\$35,375
Median Age	32.0	34.6	36.3

Source: STDBonline

Housing Demographics

Category	1 Mile	3 Mile	5 Mile	6 Mile
Total Housing Units-2000	2,321	100.0%	10,443	100.0%
Occupied	2,286	98.5%	10,182	97.5%
Owner	2,124	91.5%	9,148	87.6%
Renter	162	7.0%	1,034	9.9%
Vacant	35	1.5%	261	2.5%
Total Housing Units-2007	3,352	100.0%	12,936	100.0%
Occupied	3,261	97.3%	12,470	96.4%
Owner	3,060	91.3%	11,397	88.1%
Renter	201	6.0%	1,073	8.3%
Vacant	91	2.7%	466	3.6%
Total Housing Units-2012	3,921	100.0%	14,389	100.0%
Occupied	3,776	96.3%	13,770	95.7%
Owner	3,541	90.3%	12,576	87.4%
Renter	235	6.0%	1,194	8.3%
Vacant	145	3.7%	619	4.3%
Est. Median Owner Occ Housing Value-2000	\$191,418		\$193,259	\$196,365
Est. Median Owner Occ Housing Value-2007	\$357,943		\$360,746	\$362,285
Est. Median Owner Occ Housing Value-2012	\$441,867		\$446,948	\$449,408

Source: STBDonline

The subject's immediate market is best indicated within the one-mile ring, while the five-mile ring closely approximates the portions of Renton, Kent, Auburn, and Black Diamond areas. Population growth within each of the rings since 2000 has been very good, particularly within a one-mile radius of the subject (6.0%). Growth is expected to continue for the next five years at a lower level, but still healthy at 3.1% for the one-mile ring. Further beyond in the three-mile and five-mile rings, growth is also positive, but at a slower rate. The median household income within the one-mile ring is very good at nearly \$95,000.

Home ownership within the subject's one-mile ring is very high at 91.3% and is expected to generally remain at this level over the next five years. The percent of ownership within the one-mile ring is highest of the other two rings, but overall they are very close to each other. These levels are expected to remain fairly constant over the next five years. Current vacancy is estimated at 2.7%, and is projected to increase slightly to 3.7% in 2012.

The subject is located in Area 320 as defined by the Northwest MLS. The following tables summarize how the subject market has performed over the past five years. I have included both sales activity of existing as well as new homes. For comparison purposes, I have included King County.

Historical Statistical Data-Listing Activity
2002-2006
Area 320 -Mpl Valley/Blk Diamond

Year	New Listings	Total Active	Avg Price	Median Price	Avg Time on Mkt
Active Listings-Residential					
2002	1,839	372	\$311,022	\$254,725	63
2003	1,985	312	\$311,274	\$259,950	74
2004	1,906	254	\$360,815	\$294,950	66
2005	1,897	239	\$417,366	\$372,500	61
2006	1,812	313	\$488,634	\$424,950	68
5-Yr Average	1,888	298	\$377,822	\$321,415	66
Avg Annual Incr.-Price			11.4%	13.4%	
Active Listings-New Construction-Residential					
2002	398	128	\$353,656	\$282,968	84
2003	428	127	\$326,897	\$275,950	105
2004	547	120	\$348,839	\$301,950	86
2005	465	104	\$427,073	\$391,000	85
2006	331	116	\$548,495	\$455,950	104
5-Yr Average	432	119	\$400,992	\$341,564	83
Avg Annual Incr.-Price			11.0%	12.2%	

Historical Statistical Data-Listing Activity
2002-2006
King County

Year	New Listings	Total Active	Avg Price	Median Price	Avg Time on Mkt
Active Listings-Residential					
2002	44,934	7,058	\$502,097	\$329,950	65
2003	42,206	5,985	\$518,212	\$349,000	70
2004	41,474	4,298	\$590,369	\$389,000	66
2005	40,722	4,411	\$721,192	\$459,900	60
2006	38,952	5,423	\$751,431	\$514,950	65
5-Yr Average	41,658	5,435	\$616,660	\$408,560	65
Avg Annual Incr.-Price			9.9%	11.2%	
Active Listings-New Construction-Residential					
2002	6,506	1,834	\$542,309	\$356,823	100
2003	5,539	1,781	\$547,048	\$387,000	107
2004	5,872	1,292	\$591,485	\$434,950	98
2005	5,036	1,160	\$798,936	\$557,225	101
2006	5,460	14,115	\$844,415	\$599,950	102
5-Yr Average	5,683	4,036	\$684,839	\$467,190	102
Avg Annual Incr.-Price			11.1%	13.6%	

Historical Statistical Data-Closed Sales
2002-2006
Area 320 -Mpl Valley/Blk Diamond

Year	Total Sold	Avg Price	Median Price	Avg Time on Mkt
Closed-Residential				
2002	863	\$238,340	\$226,989	45
2003	1,352	\$259,335	\$232,250	58
2004	1,527	\$289,160	\$260,885	55
2005	1,550	\$322,992	\$290,725	45
2006	1,370	\$387,787	\$365,000	51
5-Yr Average	1,332	\$299,523	\$275,170	51
Avg Annual Incr.-Price		12.5%	12.2%	
Closed-New Construction-Residential				
2002	122	\$274,061	\$241,810	56
2003	278	\$292,315	\$261,475	102
2004	440	\$315,686	\$284,031	87
2005	421	\$326,417	\$304,395	79
2006	307	\$434,026	\$413,000	98
5-Yr Average	314	\$328,501	\$300,942	84
Avg Annual Incr.-Price		11.7%	14.2%	

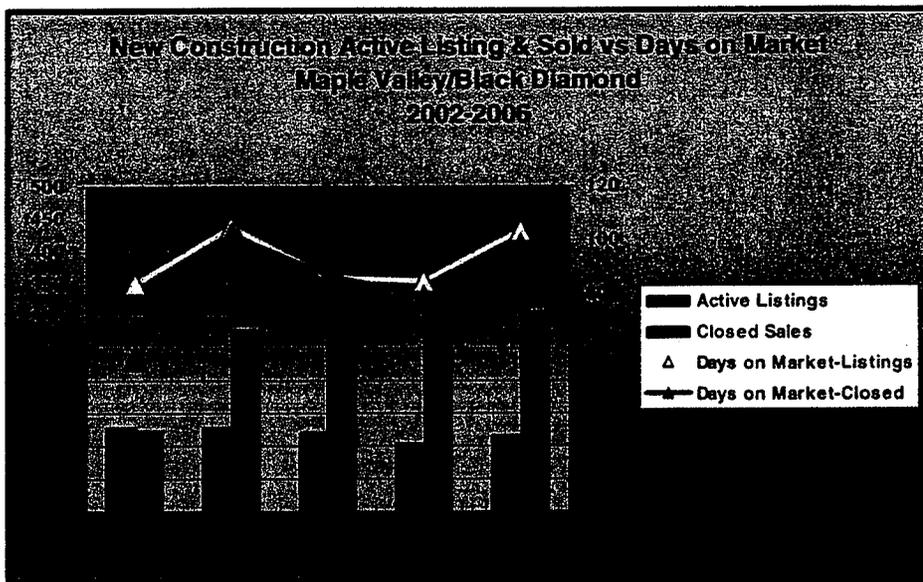
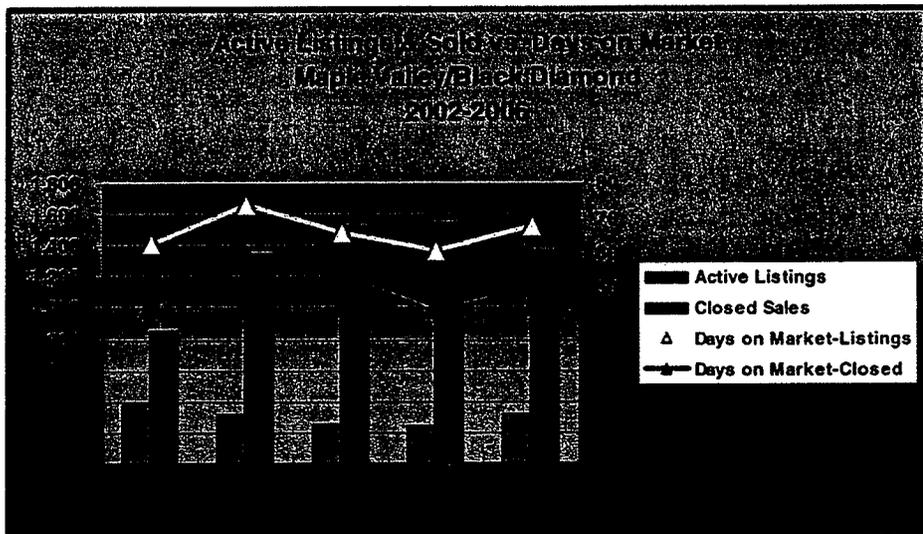
Historical Statistical Data-Closed Sales
2002-2006
King County

Year	Total Sold	Avg Price	Median Price	Avg Time on Mkt
Closed-Residential				
2002	23,614	\$338,969	\$273,725	47
2003	28,773	\$353,120	\$292,430	53
2004	31,334	\$390,659	\$324,000	48
2005	31,939	\$455,774	\$374,000	39
2006	27,834	\$518,108	\$425,000	42
5-Yr Average	28,699	\$411,326	\$337,831	46
Avg Annual Incr.-Price		10.6%	11.1%	
Closed-New Construction-Residential				
2002	3,234	\$401,394	\$328,000	90
2003	3,744	\$409,805	\$334,500	103
2004	4,574	\$435,506	\$356,453	96
2005	4,187	\$494,449	\$399,950	81
2006	4,023	\$594,645	\$474,800	78
5-Yr Average	3,952	\$467,160	\$378,741	90
Avg Annual Incr.-Price		9.6%	9.0%	

The high point of active listings of existing homes in the subject's market area was 372 homes in 2002 with a continual drop in the ensuing years to a low of 239 in 2005. The number of listings did increase in 2006 to 313. A similar trends was experienced county wide as well. In general, the average days on the market tended to follow the flow of active listings. When the number of listings declined so did the average time on the market and vice versa.

Active listings in the Maple Valley/Black Diamond area for new homes rose slightly in 2006 to 116 compared to 104 in 2005. Average days on the market increased from 85 days to 104.

Closed sales in 2006 dropped off in both the subject's market and in the county. Despite the decline and increase in average time on the market, the median price of homes increased. The following graphs provides a better visual presentation of the trends between total number of listings and closed sales and days on the market for both existing and new homes.



As the graphs shows, as listings increase or closed sales decline, the days on the market increases.

**Current Listing & Sale
Activity**

The previous discussion pertained to trends over the past five years. As indicated above, in 2006 the days on the market increased but the median price of homes continued to increase. The table on the facing page summarizes year-to-date activity (through August 2007) for the subject's market area as well as for adjacent markets (Auburn, Kent, Enumclaw) and King County.

As seen in the tables, total active listings of existing homes are up in all market areas, including the subject's, which now totals 553 compared to 390 one year ago. New homes are also higher at 145 compared to 118 one year ago. Not surprising the days on the market are up as well at 93 (compared to 61) on existing homes and 165 versus 88 on new homes. Despite the increase in listings and days on the market, median price of active listings is up for both existing and new homes.

Pending and closed sales are also down compared to 2006 numbers. Year-to-date pending sales on existing homes stands at 851 compared 1,118 at this time one year ago. New home pending sales is 162 versus 255. Year-to-date closed sales for the subject's market area total 768 (existing) and 128 (new homes), both below 2006 levels. Again, days on the market is up for both pending and closed sales. However, the median price of homes (existing and new homes) is up as well.

The median price of homes can be skewed for various reasons, such as the type and size of home and size and therefore may not be as reliable indicator. There has been concern that based on the record foreclosures nation-wide that the single-family market is in decline. The, record foreclosures is a result of the sub-prime lending collapse and mortgage fraud. However, my discussion with realtors locally indicate that our market is not as impacted as the rest of the nation. Our foreclosure rate is only 49th in the nation and that appreciation in real estate is still occurring, but it has slowed down. Opinions vary whether a continuation of the build-up of inventory will cause prices to level out or drop. Most believe that a leveling off will occur but no significant if any drop will occur.

Given the increase in active listings of both existing and new homes, the estimated inventory of supply is between five and six months for existing homes (compared to three months from one year ago) and approximately nine months for new homes compared to just over four months in 2006.

Absorption

The following table illustrates the absorption activity at the new plats in the South King County market area, which includes Renton, Kent, Covington, Auburn, Maple Valley, Black Diamond and Enumclaw. Data from New Home Trends is used in this table. This data reflects new development located in these cities. The first table includes all new subdivisions (under 5,000 SF in size) while the second table represents those subdivisions that have more than 100 lots (also under 5,000 SF in size) for all of King County.

**South King County Subdivisions
Absorption-Lot Sizes 5,000 SF and Under**

Project Name	Location	Typical Lot Size	No. of Lots	Lots Sold	Start of Sales	Avg./Month
Adler's Cove	Blk Diamond	4,400	94	34	11/06/06	3.86
Arbors at Maple Woods	Maple Valley	3,800	60	22	01/31/07	3.68
Aubrey Lane	Maple Valley	4,100	30	2	05/01/07	0.66
Cascade Meadows	Renton	3,600	10	5	07/12/07	3.54
Crystal Firs	Maple Valley	5,000	48	17	07/06/06	1.32
Elk Meadows 1	Enumclaw	5,000	42	27	06/01/06	1.93
Fern Crest 1-3	Kent	4,000	191	181	12/14/04	5.60
Fern Crest West	Kent	4,840	129	114	01/01/06	5.78
Flower Court	Kent	2,450	31	21	07/25/06	1.62
Jessie Glen	Renton	4,700	49	7	06/01/07	2.53
Kentlake Highlands 1A/1B/2	Blk Diamond	5,000	247	184	06/06/05	6.85
Lake Park	Maple Valley	4,500	34	13	02/24/06	0.76
Maple Creek	Covington	5,000	17	3	05/15/07	0.90
Meadows @ Rock Creek	Maple Valley	4,750	241	229	03/15/05	8.02
Rainier Vista @ Jenkins Crk	Covington	5,000	145	69	08/01/06	5.41
Reserve at Stone Haven	Renton	4,500	36	34	04/01/06	2.03
Rock Creek Meadows	Maple Valley	4,750	241	229	03/15/05	7.74
Royal Crest Estates	Kent	4,600	18	8	02/07/06	0.43
Shamrock Heights	Renton	5,000	118	71	01/01/06	3.64
Sun Top Farms	Enumclaw	4,800	24	0	04/13/07	0.00
Trail Run	Auburn	4,300	169	7	08/01/07	7.00
Valley Crest	Maple Valley	4,600	29	28	10/01/05	1.27
Villa Real	Renton	4,050	128	10	03/02/07	1.74
West Creek Court	Kent	5,000	11	4	03/17/06	0.23
Woodberry Lane	Renton	4,000	18	15	06/18/07	6.81
Woodbridge	Maple Valley	4,400	80	17	06/19/06	1.27
Total/Average			2,240	1,351		5.75

Source: NewHome Trends

King County Subdivisions 100 Lots or Greater
Absorption-Lot Sizes 5,000 SF and Under

Project Name	Location	Typical Lot Size	No. of Lots	Lots Sold	Start of Sales	Avg/ Month
Crossings at Pine Lake	Sammamish	5,000	132	2	05/31/07	0.88
Fern Crest 1-3	Kent	4,000	191	181	12/14/04	5.60
Fern Crest West	Kent	4,840	129	114	01/01/06	5.78
Kentlake Highlands 1A/1B/2	Blk Diamond	5,000	247	184	06/06/05	6.85
Lakeland Vista Heights	Auburn	2,400	125	79	02/01/06	2.57
The Parks	Des Moines	4,900	148	143	11/01/05	6.58
Rainier Vista @ Jenkins Crk	Covington	5,000	145	69	08/01/06	5.41
Rock Creek Meadows	Maple Valley	4,750	241	229	03/15/05	7.74
Shamrock Heights	Renton	5,000	118	71	01/01/06	3.64
Snoqualmie Ridge Heights	Snoqualmie	5,000	253	229	01/05/06	11.53
Trail Run	Auburn	4,300	169	7	08/01/07	7.00
Villa Real	Renton	4,050	128	10	03/02/07	1.74
Woodbridge @ No. Creek	Bothell	3,600	103	81	03/01/06	4.49
Total/Average			2,129	1,399		6.83

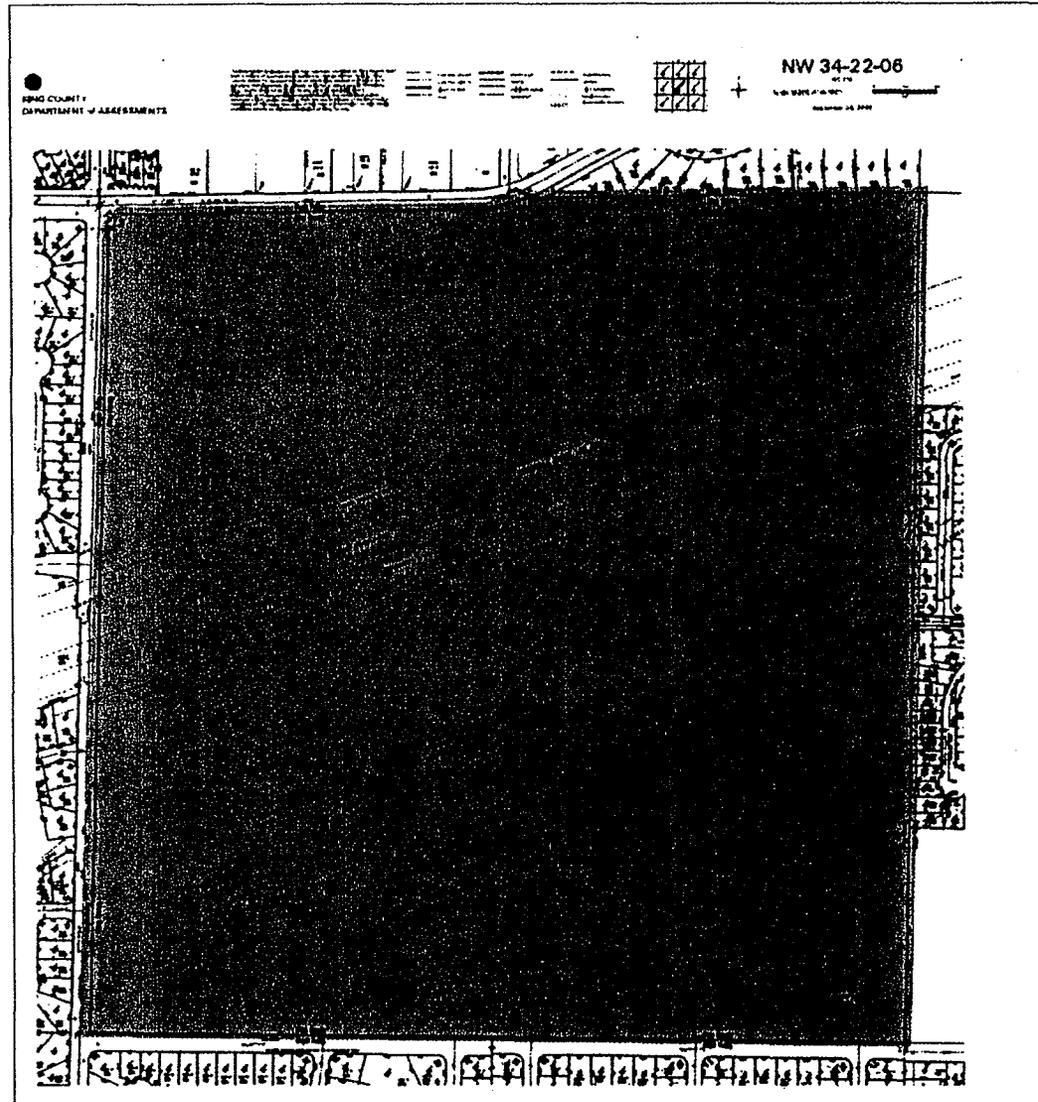
Source: NewHome Trends

The two largest subdivisions in terms of number of lots closest to the subject include Rock Creek Meadows and Kentlake Highlands, which had average monthly absorption of 7.74 and 6.85 lots respectively. As indicated in a previous table, sales of new homes in the subject's market area has averaged 314 homes per year over the past five years, varying from a low in 2002 of 122 to 440 in 2004. I would expect this trend to continue or possibly increase as inventory of available residential land becomes more scarce in closer-in neighborhoods.

Conclusion

Overall, the single-family residential home market in South King County has been strong in recent years, but appears to be slowing somewhat given the lower number of sales and increased inventory. Overall inventory for the subject's market area is still adequate at between five and six months for existing homes and nine months for new homes. Long-term, this market will continue to be a viable and desirable location and the outlook is positive as our region's employment growth continues to be good.

Property Description



PLAT MAP

Property Description

Site Description

ADDRESS 27250 228th Avenue SE
Unincorporated King County, Washington

SITE AREA & DIMENSIONS The subject property is nearly squared-shaped and totals 6,816,268 sq ft, or 156.5 acres. Its dimensions (north/south) and east/west are just over 2,600 lineal feet. While there is an easement for overhead transmission lines that runs through the property, no deduction for loss of site area is estimated. This is because the area under the power lines could be used as part of the designated open space area. A plat map is situated on the facing page.

STREETS, ACCESS & EXPOSURE The subject fronts three streets: Kent Kangley Road (aka SE 272nd Street) to the north; 228th Avenue SE on its west side and SE 280th Street to the south. Kent-Kangley Road is a State Highway (SR-516) that provides direct access to Covington and Kent to the west. The other two streets are local feeder roads, with SE 280th Street providing access to SR-169 further east. Each road has two-way traffic flow and portions are improved with concrete curbing and sidewalks. The intersection of Kent-Kangley Road and 228th Avenue SE is signalized.

TOPOGRAPHY & SOIL CONDITIONS The site's topography is best described as mostly level at its northwest corner and rolling terrain with a mostly upward slope to the southwest and downward toward the southeast corner. A topographical map was not available, but the estimated change in elevation is approximately 50' or so. Soil conditions are unknown but portions of the site is used as a gravel pit. Any redevelopment will most likely require some fill be brought in. A geotechnical report is advised.

FLOOD ZONE According to FEMA Map No.53033C1285F, the subject is situated in a Zone "X", an area outside the designated flood plain.

EARTHQUAKE ZONE The International Building Code (IBC) is the newly adopted building code in Washington State. The IBC uses a new parameter called the Seismic Design Category rather than seismic zones used in previous building codes. The Seismic Design Category is a function of three parameters: ground motion, soil type, and building occupancy. The typical Seismic Design Category in the Puget Sound is category "D" or greater, but because these parameters interact, this category can vary. The higher the category (A is lowest, F is highest), the more

stringent the structural requirements. As the appraiser does not possess the expertise in seismic, structural & geotechnical engineering, further analysis is required to determine the subject's degree of risk.

UTILITIES Public utilities including natural gas, electricity, telephone, water and sewer are available to the subject site.

ZONING The subject is currently zoned RA-5, which is a rural residential zoned that allows one dwelling unit per five acres of land. However, as indicated in the extraordinary assumptions, the subject is likely to be rezoned to R-8. This is an urban residential zoning classification which allows single-unit dwellings, with a base 8 units/lots per acre and some multi-family, with a maximum density of 18 units per buildable acre, depending on meeting certain conditions. Other uses such as parks, golf, day care, police facilities are also allowed subject to additional conditions.

Development standards include a base density of 8 units/acre up to a maximum of 12; 30' minimum lot width; 10' street setback and 5' minimum interior setback; base height of 35' up to 45' depending if a building footprint is built on slopes exceeding a 15% finished grade. Maximum impervious surface coverage is 75%.

EASEMENTS, ENCROACHMENTS, COVENANTS & RESTRICTIONS No title report was available for this assignment. I assume the site is encumbered with utility easements that are typical of most properties and not considered adverse. I note that overhead transmission lines run through a portion of the center part of the property. While many believe these are a negative, recent data on sale transactions indicate that while not necessarily desirable, they do not materially impact value. This report assumes that there are no unusual easements, restrictions, covenants or encroachments that have a negative impact on the value or marketability of the subject site.

ASSESSOR'S INFORMATION

Summary of Property Tax and Assessment-2007

APN	Land	Assessed Value		R.I.E.
		Improvements	Total	Taxes
342206-9006	\$3,135,400	\$533,400	\$3,668,800	\$136.54
Subject Total	\$3,135,400	\$533,400	\$3,668,800	\$136.54

Source-King County Assessor

Currently the subject is exempt from taxes due to the ownership by King County. The payments made are for various fees for surface water management, weed control and conservation. Combined, these total \$136.54. Should the property be acquired by a for-profit group, the mil levy rate as of 2007 would be \$12.14300 per \$1,000 of assessed value. This mil levy rate is updated annually.

HAZARDOUS DISCLAIMER An environmental report was not provided for this assignment. The analysis assumes that there are no environmental issues that will negatively impact the subject. However, as an appraiser, I have no expertise in the detection or identification of hazardous waste, nor in determining its impact on real property. I have not been made aware of any current environmental concerns, nor were any areas of obvious concern noted during the inspection. If such materials are found to exist, I reserve the right to revise the value conclusion reached in this report.

CONCLUSION In summary, the site characteristics are similar to other properties in the immediate vicinity. There are no site conditions known to the appraiser that have a negative impact on the value or marketability of the subject site.

Improvement Description

SITE & BUILDING IMPROVEMENTS & CONCLUSION: As indicated previously, the subject is presently utilized with a number of different uses. At the northwest corner is the King County maintenance facility which includes a small wood-frame structure that was built in 1970 and contains 4,720 sq ft. The golf course, which leases a portion of the land also has several small maintenance sheds that were built in the mid 1990s and vary in size from 560 to 1,560 sq ft. In the central portion of the site is the gravel pit operation. Based on the proposed rezone to R-8, these improvements do not contribute economic value and redevelopment is likely. There is some value in use of the gravel pit and timber located on the site, but this is outside the scope of the assignment.

Highest & Best Use

Highest & Best Use

Highest & Best Use

AS VACANT

The four criteria analyzed in our determination of highest and best use "as vacant" analysis are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

The subject is a 156.5-acre site that is nearly square-shape and fronts three streets: Kent-Kangley Road to the north; 228th Avenue SE to the west; and SE 280th Street to the south. Terrain on the site varies from level in the northwest corner to rolling and sloping upward toward the southwest and then sloping downward to the southeast. All utilities are available and to the site. While located in unincorporated King County, all other properties surrounding the subject are located in Maple Valley.

The subject property is within the King County's jurisdiction for zoning and land use. The site is zoned R-8, an urban residential zone which allows primarily single-unit developments as well as some multi-family. Density requirements vary depending on use. Single-units base density is a minimum of 8 lots or units per acre up to a maximum of 12. Multi-family can have up to 18 units depending on meeting certain conditions. Single-family developments have been very prevalent in the area. Several are located adjacent the subject.

Considering the uses and development standards in the zoning code, physical characteristics, location, and surrounding uses, it would appear that single-family or possibly a mixed-use of single- and multi-family would be the highest and best use as vacant.

AS IMPROVED

The subject is currently improved with an on-going gravel pit operation, a maintenance facility, and a portion is leased out and used as part of a golf course. The golf course lease is short-term and the owner is planning to terminate the lease. The maintenance facility encumbers less than 10% of the site and is owner-occupied. As I understand, the gravel pit operation still has a few years remaining.

These uses in my opinion represent an interim use with redevelopment likely in the next several years.

As such, the highest and best use as improved is for continuation of the current uses until redevelopment of a higher-density residential development.

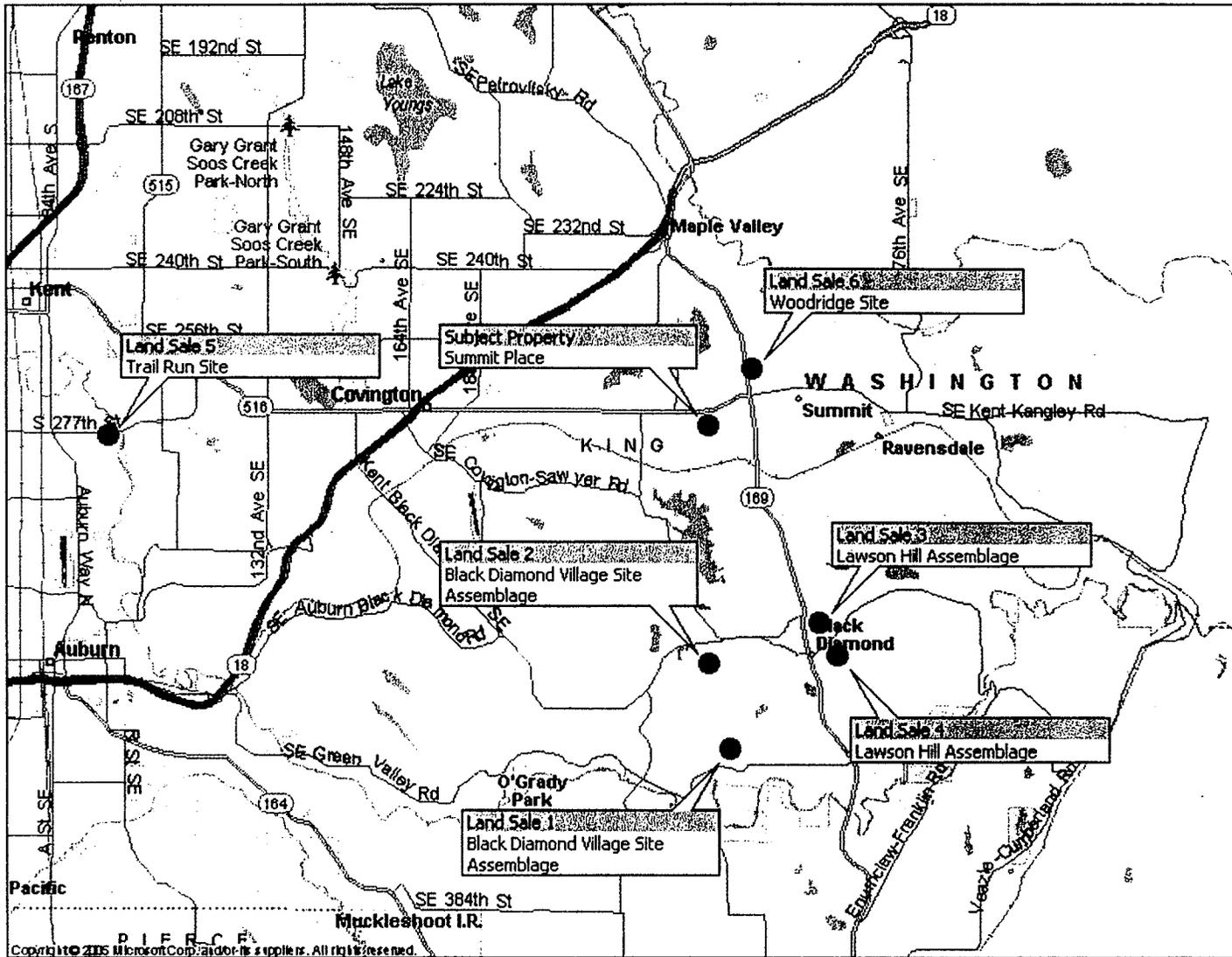
Property Valuation

Sales Comparison Approach

Introduction

The Sales Comparison Approach is based on the premise that market value of the property is directly related to recent sale prices of competitive properties and the availability of substitute properties with similar utility and desirability.

The subject property consists of a large site (156.5 acres) that is zoned R-8. I have researched the market for comparable land sales of similar-zoned acreage sites of 100 acres or larger in size. While there were no R-8-zoned sites, I expanded the search to include other large acreage residential-zoned sites as well as some higher-density residential tracts that were smaller. After reviewing several sales, I have selected six for comparison to the subject. Pertinent details regarding the comparable sales are presented in the table on the next page. A location map is on the page facing the table. Photographs of each comparable follows.



LAND SALE COMPARISON MAP

SUMMARY OF LAND SALE COMPARISONS

No.	Address/Parcel Number	Buyer/Seller/Confirmation	Sale Date	Site Size	No. Lots	Analysis Price	\$/Ac	\$/Lot	Density	Comments	
1 & 2	Black Diamond Village Site SE Green Valley Road Black Diamond, WA 54 tax parcels	Black Diamond Village Partners Washington Real Estate Holdings LLC	8/31/2006	400	ac	\$37,500,000	\$93,750			Assemblage of 54 tax parcels between SE Green Valley Road to the south and Auburn-Blk Diamond Rd to the north. Price negotiated based on \$/acre.	
		Black Diamond Village Partners Plum Creek Land Company <i>David MacDuff, Buyer rep-425-445-4252</i>	9/22/2006	850	ac	\$43,000,000	\$50,588				
3 & 4	Lawson Hills Site Old Lawson Rd @ 3rd Ave. Black Diamond, WA 7 tax parcels	BD Lawson Partners LP Palmer Coking Coal Co. <i>David MacDuff, Buyer rep-425-445-4252</i>	7/25/2007	50	ac	188	\$5,074,220	\$101,484	\$26,991	3.76	2nd takedown of a five-year option of land that overall totals 320 acres. Project known as Lawson Hills. Options have CPI clause for future takedowns. Total estimated lots is 1,200, or 3.75 lots/acre.
		Black Diamond Properties LP Palmer Coking Coal Company <i>David MacDuff, Buyer rep-425-445-4252</i>	7/26/2006	67	ac	251	\$6,683,092	\$99,748	\$26,626	3.75	Initial takedown of rolling option as discussed above. No. lots based on 3.75/acre density.
5	Trail Run Site S Sd S. 277th St @ Green River Auburn, WA 000420-0023	Centex Homes River Sand LLC <i>Public Records/Costar</i>	8/9/2006	42	ac	286	\$12,812,512	\$303,327	\$44,799	6.77	Initial takedown of rolling option as discussed above. No. lots based on 3.75/acre density. Will include some townhome units.
6	Woodridge Site NEC SR-169/SE 264th Street Maple Valley, WA 412700-0928; -0930	SBI Developing LLC Mario & Karen Sorci <i>Public Records/Costar</i>	1/12/2005	22	ac	168	\$5,765,000	\$265,913	\$34,315	7.75	Site located along SR-169 in Maple Valley.
Summit Place 27250 228th Ave SE Maple Valley, WA 23 tax parcels			Appraisal	156	ac	1,248				7.98	

Land Sale No. 1



Land Sale No. 2



Land Sale Nos. 3 & 4



Land Sale No. 5



Land Sale No. 6



Comparative Analysis I have considered two units of valuation. They include price per acre and the other is price per lot or residential unit. In reviewing the comparables, the number of lots on these large tracts at the time of sale was very speculative. As such, the price per acre is considered the better unit of measure and will be applied in this analysis. As a test for reasonableness, a price per lot will also be considered.

Prior to adjusting for differences, the six comparisons indicate a range in price from \$50,588 to \$303,327 per acre. The sales are analyzed using the ten basic elements of comparison cited in "The Appraisal of Real Estate", 12th Edition as published by the Appraisal Institute. Particular attention is given to condition of sale, market conditions (time), location, as well as the physical differences and overall functionality of each property. The analysis of these elements, pertinent each comparable property follows.

LAND SALE NOS. 1 & 2 Land Sales 1 and 2 represent an assemblage of two large tracts of land of 400 and 850 acres. These represent 54 tax parcels overall and the sites were acquired by Yarrow Bay Group out of Kirkland. The sales closed in August and September 2006 and combined total about 1,250 acres. Individually, Sale 1 sold at \$93,750/acre and Sale 2 at \$50,588/acre. Although each was acknowledged as arm's length transactions, it does appear that the Sale 2 is a below-market transaction. The blended price per acre is \$64,400. Current estimate by the developer is that they will develop the site with 4,000 lots, which would indicate a price per lot of \$20,125. Sale 1 is primarily land located west of SR-169 and north of SE Green Valley Road. Sale 2 is located south of the Auburn-Black Diamond Road. The price paid was for land only and did not include any entitlements. Overall average density based on the 4,000 lots is 3.20, which is much lower than the subject.

Overall, land prices have continued escalate over the past year. While the comparisons don't provide any indication of an increase, discussions with other buyers and individuals familiar with the market indicate that prices have indeed increase. For this analysis, I have applied an upward adjustment for market conditions for both of these sales. An upward adjustment is also made for condition of sale on Sale 2 as indicated above, it appears to be a below-market transaction. Significant upward adjustments are appropriate for density differences to each of these two comparisons. Finally, I have also applied upward adjustments for their larger size. After adjusting, a higher unit value is appropriate for the subject.

LAND SALE NO. 3 & 4 This is another sale of two options on the Lawson Hills project that is the same developer as Sales 1 and 2. Sale 3 represents the second takedown in July 2007 and Sale 4 is the first takedown that occurred in July 2006. The indicated price per acre is \$101,484 for the most recent takedown and \$99,748 for the July 2006 takedown. According to the buyer representative there will be three more takedowns and the price is adjusted according to CPI. Land Sale 3 was approximately 50 acres and Land Sale 4 was about 67 acres. Based on projected lots for the entire development, the anticipated density per acre is 3.75 lots.

Since Sale 3 was the most recent takedown and reportedly adjusted for CPI. However, land prices have increased at a higher rate than the CPI and an upward adjustment for market conditions is required for Sale 3. Sale 4 also requires an upward adjustment for market conditions. Both require upward adjustments for their lower density and overall a significantly higher unit value would be appropriate for the subject.

LAND SALE NO. 5 Land Sale 5 is the acquisition of a 42-acre site in the northern portion of Auburn. It is situated on the south side of S. 277th Street near the Green River and in close proximity to the Valley Freeway. The site was closed in August 2006 and the developer is planning to finish the site with 286 lots. The price per acre is \$303,327 and the density is 6.77 lots/acre.

An initial upward adjustment for market conditions is applied. Downward adjustments are appropriate for its superior location and smaller size. Overall, a lower unit value is indicated for the subject.

LAND SALE NO. 6 Land Sale 6 is an older sale (January 2005), but is included as it is the only R-8 zoned site that has sold in Maple Valley within the past couple of years. It is a smaller site at 22 acres and the buyer is developing 168 lots in two phases. The development is called Woodridge and is located at the northeast corner of SR-169 and SE 264th Street. The price paid per acre is \$265,913 and the density is similar to the subject at 7.75 lots/acre.

An upward adjustment is made for market conditions and is offset somewhat by its smaller size. Overall, a similar to slightly lower unit value is reasonable for the subject.

Adjustment Summary The adjustments described above are summarized in the following table.

Sales Approach Adjustment Grid

Name No.	\$/acre	Condition of Sale	Market Condition	Adj. \$/acre	Location	Density	Access	Size	Other	Final Indicators
Black Diamond Village Site 1	\$93,750	0%	10%	\$103,125	0%	125%	0%	10%	0%	135% \$242,344
Black Diamond Village Site 2	\$50,588	50%	10%	\$83,471	0%	125%	0%	20%	0%	145% \$204,503
Lawson Hills Site 3	\$101,484	0%	5%	\$106,559	0%	125%	0%	0%	0%	125% \$239,757
Lawson Hills Site 4	\$99,748	0%	10%	\$109,722	0%	125%	0%	0%	0%	125% \$246,875
Trail Run Site 5	\$303,327	0%	10%	\$333,659	-10% (\$33,366)	0%	0%	-10% (\$33,366)	0%	-20% \$266,927
Woodridge Site 6	\$265,913	0%	20%	\$319,096	0%	0%	0%	-20% (\$63,819)	0%	-20% \$255,277

Average:	\$242,614
Subject:	\$260,000

Conclusion

As indicated in the preceding table, the six comparisons range in value between \$204,503 to \$266,927 per acre, averaging \$242,614 per acre. Sale 2 at \$204,503 indicates the lowest value and as discussed previously appears to be a below-market transaction and is given little to no weight in this analysis. Sales 1, 3 and 4 each required significant adjustments for density differences, but believe this adjustment is appropriate based on a review of other sales that have occurred in the marketplace. These three sales indicate a range in value from \$239,757 to \$246,875 per acre. Sales 5 and 6, while smaller sites required the fewest adjustments and indicate a value between \$255,277 to \$266,927 per acre. More weight is placed on these two comparisons.

Considering the preceding analysis, it appears that a value in the range from about \$250,000 and \$265,000 is appropriate for the subject. Considering the data and placing more weight on Sales 5 and 6, I conclude that the market value of the subject land is \$260,000 per acre, summarized as follows:

$$156.5 \text{ Acres @ } \$260,000/\text{Acre} = \$40,690,000$$

$$(R.d) \quad \$40,700,000$$

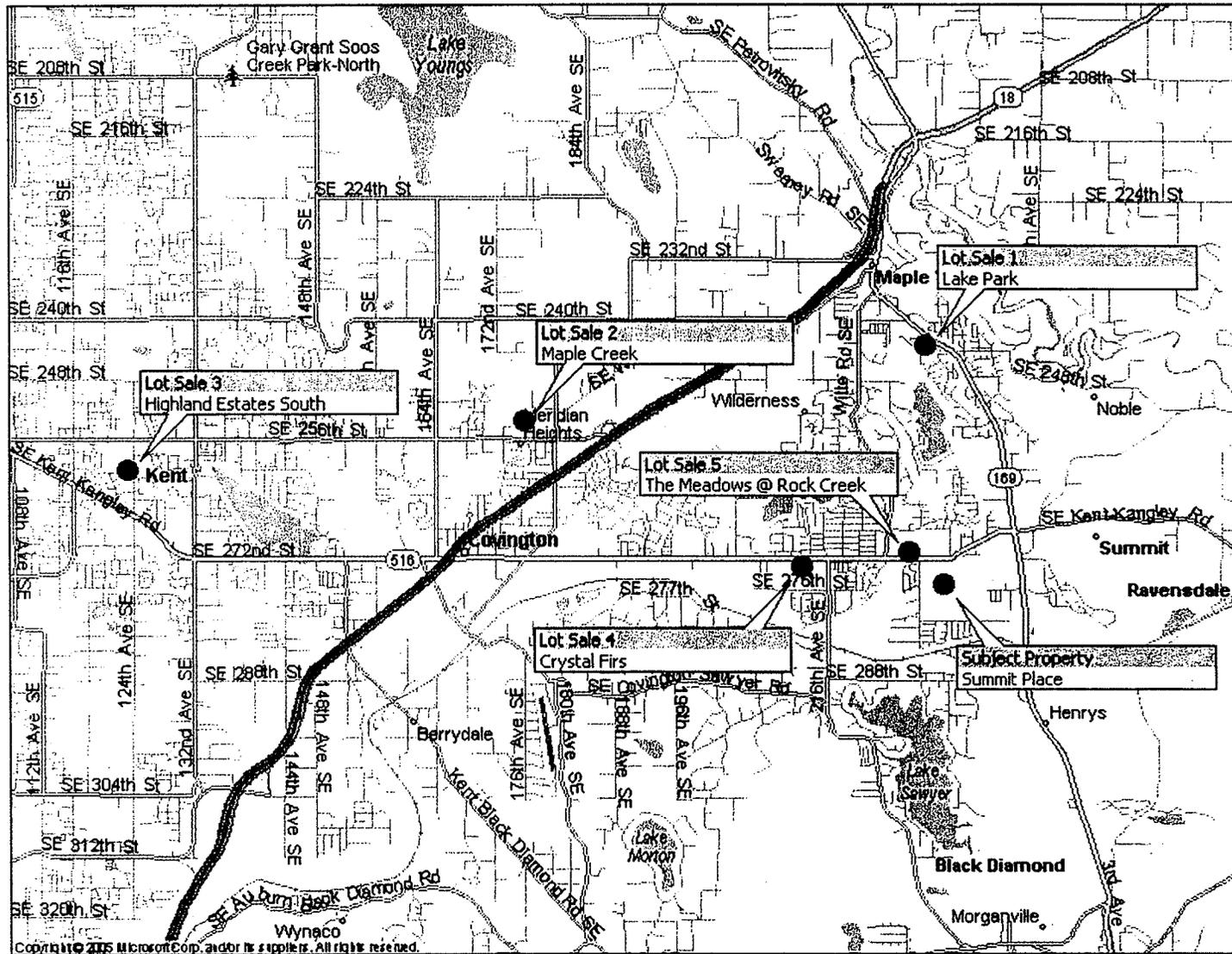
As a test for reasonableness, I have considered the price/lot as a secondary unit of value. Based on the concluded value above and dividing by the number of lots (1,248), the indicated unit value per lot is \$32,612. The six comparisons indicated a range from \$20,125 to \$44,799 per lot. The subject's concluded value is within this range and is generally supportive of the value conclusion based on the price per acre.

Development Approach

Introduction

Another method used by developers is the development approach. This method estimates land value by forecasting cash flow. The income is the proceeds from the sale of lots over an anticipated sellout period. The cost of the development is deducted to arrive at a net cash flow. These costs include site development (direct and indirect), selling expenses, real estate taxes on unsold lots, and developer profit. The net proceeds are discounted to the present time with an appropriate discount rate to arrive at a market value estimate.

This analysis begins with an estimate of the subject as if the site has 1,248 finished lots. I have researched the market place for sales of finished lots within the past year. Emphasis was placed on those lots that were under 6,000 sq ft in size. Four comparisons have been selected for comparison to the subject. Pertinent information regarding these sales is included in the following table. A map identifying the location is on the page facing this table. Photographs of the comparisons follow the table.



FINISHED LOT SALE MAP

SUMMARY OF FINISHED LOT SALE COMPARISONS

No.	Address/Parcel Number	Buyer/Seller/Confirmation	Sale Date	Analysis Price	No of Lots/Units	Price/Lot/Unit	Avg. Lot Size (SF)	Comments
1	Lake Park 228th Avenue SE Maple Valley, WA 33 Lots	Lake Park Homes LLC Baja Properties LLC <i>Public Records / Costar</i>	6/1/2006	\$4,721,621	33	\$143,079	4,504	Single-family subdivision just west of SR-169. Buyer is Murray Franklyn.
2	Maple Creek 176th Avenue SE Covington, WA 17 Lots	Harbour Homes Inc. Wakefield Covington LLC <i>Public Records / Costar</i>	5/21/2007	\$3,060,000	17	\$180,000	5,988	Small subdivision on the north side SE 256th Street in Covington.
3	Highland Estates South 26203 124th Avenue SE Kent, WA 17 & 7 Lots	Norris Homes Meridian Highlands LLC <i>Public Records / Costar</i>	2/23/2007 2/23/2007	\$3,145,000 \$1,295,000	17 7	\$185,000 \$185,000	6,227 6,024	Subdivision located in the East Hill area of Kent.
4	Crystal Firs SE 272nd Street Maple Valley, WA 47 Lots	Dreamcraft Homes Sherman Development LLC <i>Public Records / Costar</i>	6/19/2006	\$8,248,500	47	\$175,500	5,382	Lot price does not include mitigation fees of \$7,000 per lot for water.
5	The Meadows @ Rock Creek 226th Pl SE Maple Valley, WA 37 Lots	Cambria Homes Rock Creek Meadows <i>Confidential</i>	12/2/2005	\$5,010,000	37	\$135,405	4,726	Subdivision near subject at northwest corner of Kent Kangley and 228th Ave SE. Lots prices in this subdivision have ranged from \$109,500 to \$135,405.
Summit Place 27250 228th Avenue SE Maple Valley, WA 1,248 Lots			Appraisal		1,248		3,000	

Finished Lot Sale 1



Finished Lot Sale 2



Finished Lot Sale 3



Finished Lot Sale 4



Finished Lot Sale 5



Comparative Analysis The unit of valuation will be the price per finished lot. Prior to adjusting for differences, the four comparisons indicate a range in price from \$135,405 to \$185,000 per lot. The sales are analyzed using the ten basic elements of comparison cited in "The Appraisal of Real Estate", 12th Edition as published by the Appraisal Institute. Particular attention is given to condition of sale, location, as well as the physical differences and overall functionality of each property. The analysis of these elements, pertinent each comparable property follows.

LOT SALE NO. 1 Lot Sale 1 is the acquisition by Murray Franklyn (Lake Park Homes LLC) of 33 finished lots in a subdivision just off of SR-169 on 228th Avenue SE. The lots vary in size, but average just over 4,500 sq ft. The buyer acquired the lots in June 2006 for \$143,079 per lot. Construction of the homes is currently on-going. The lots are generally level and do not have views.

An upward adjustment is made for market conditions as this sale occurred over one year ago. A higher unit value is appropriate for the subject.

LOT SALE NO. 2 This is the May 2007 sale of 17 finished lots in the Maple Creek subdivision in Covington, located on the north side SE 256th Street. The entrance to this subdivision is 176th Avenue SE. The buyer is Harbour Homes who paid \$180,000 per lot with an average lot size of just under 6,000 sq ft. They are currently constructing new homes on these lots.

This comparison is superior to the subject in terms of its location and larger lot size. A lower unit price is indicated for the subject.

LOT SALE NO. 3 Lot Sale 3 is the acquisition of 24 lots (in two separate transactions) by Norris Homes in the Highland Estates South project in Kent. It is located just west of 124th Avenue SE in the East Hill area of Kent. The sale occurred in February 2007 and the buyer paid \$185,000 per lot. The average lot size is just over 6,000 sq ft.

Overall, downward adjustments are made for its superior location and larger size. These adjustments suggest a lower unit value is appropriate for the subject.

LOT SALE NO. 4 This is the June 2006 sale of 47 lots in the Crystal Firs subdivision located west of the subject on the south side of SE 272nd Street (Kent-Kangley Road). The average lot size is 5,382 sq ft and the buyer, Dreamcraft Homes paid \$175,500 per lot. The lot price excluded some mitigation fees for water. The lots have territorial and mountain views. While some of the subject site will also have mountain views, others will be situated by the overhead power lines. As such, overall, the views at Crystal Firs are believed to be superior to the subject.

An initial upward adjustment is made for the mitigation fees and market conditions. These are offset by its superior views and size. A net downward adjustment is applied indicating a lower unit value for the subject.

LOT SALE NO. 5 Lot Sale 5 the December 2005 sale of 37 lots in The Meadows at Rock Creek subdivision that is kitty corner to the subject to the northwest. This sale was to Cambria Homes for \$135,405 per lot and the average lot size is 4,726 sq ft.

This is the oldest sale of the five comparisons and an upward adjustment for market conditions is required. A higher unit price is appropriate for the subject.

Adjustment Summary The adjustments described above are summarized in the following table.

Sales Approach Adjustment Grid

Name No.	\$/lot	Condition of Sale	Market Condition	Adj. \$/lot	Location	Views	Access	Size	Other	Final Indicators
Lake Park 1	\$143,079	0%	10%	\$157,387	5%	0%	0%	0%	0%	5%
		\$0	\$14,308		\$7,869	\$0	\$0	\$0	\$0	\$165,257
Maple Creek 2	\$180,000	0%	0%	\$180,000	-5%	0%	0%	-5%	0%	-10%
		\$0	\$0		(\$9,000)	\$0	\$0	(\$9,000)	\$0	\$162,000
Highland Estates South 3	\$185,000	0%	0%	\$185,000	-5%	0%	0%	-5%	0%	-10%
		\$0	\$0		(\$9,250)	\$0	\$0	(\$9,250)	\$0	\$166,500
Crystal Firs 4	\$175,500	5%	10%	\$202,703	0%	-10%	0%	-5%	0%	-15%
		\$8,775	\$18,428		\$0	(\$20,270)	\$0	(\$10,135)	\$0	\$172,297
The Meadows @ Rock Creek 5	\$135,405	0%	20%	\$162,486	0%	0%	0%	0%	0%	0%
		\$0	\$27,081		\$0	\$0	\$0	\$0	\$0	\$162,486

Average:	\$165,708
Subject:	\$165,000

**Conclusion-
Aggregate Retail
Value**

After making the necessary adjustments, the five comparisons indicate a range from \$162,000 to \$172,297 per lot. Four of the five comparisons indicate a narrower range from \$162,000 to \$166,500. Considering the data as presented and narrow range of these four comparisons, I correlate to a unit price of \$165,000 per lot.

I will incorporate the unit price in the discounted cash flow analysis. Because of time involved to obtain approvals and permits (the entitlement process) as well as completing the site development, sales of the lots will not occur until Year 4 of my analysis. As such, the price needs to be trended upward. For this analysis, I have applied a 3% per year inflation factor. This is below the historical, but considering current supply and difficulty in projecting what will happen in the future, is a reasonable estimate.

**Site Development
Costs**

The next step in the residual analysis is to estimate the cost to bring the site up to a finished lot condition. For this analysis, I was provided cost data on several recent subdivisions and these are summarized in the following table. Please note the specific identity of these projects were not provided for confidentiality reasons.

Summary of Cost Comparisons

Location	No. of Lots	Typical Lot Size	Total Cost/Lot
Kent	16	3,600	\$118,000
Maple Valley	13	4,500-5,000	\$93,000
Kent	18	6,800	\$78,000
Kent	42	6,700	\$61,000
Kent	18	2,300	\$53,000
Kent	19	6,500-7,000	\$45,000

** Total costs include direct & indirect costs, including financing.*

These are projects that have already occurred one or two years ago. In general, conversations with other appraisers and developers indicate that site costs are continuing to increase. Given the subject's attributes, of overall number of lots and lot size, I believe a cost of \$65,000 per lot (inclusive of financing and entitlement) is reasonable.

Similar to the projected sellout of the lots, the actual start and completion of the site development will not start until Year 3 of this analysis as there will be substantial time up front spent on the entitlement process. Adjusting the cost with an inflation factor is therefore appropriate. Discussion with developers and a review of costs on other projects indicate that costs are rising faster than various inflation factors. For this analysis, I have applied an inflation factor of 5% per year for site development costs. All other costs that are presented below such as selling, etc., are based on a 3% per year inflation adjustment.

The second cost to consider is selling and marketing, which based on data provided me is concluded at \$2,500 per lot, which is adjusted upward at a rate of 3% per year. The next cost is real estate taxes on unsold lots. Based on the current mil levy rate, and applying an assessed value of 75% of the concluded market value, the average cost per lot for real estate taxes is about \$292/lot, which again is adjusted over time at a rate of 3% per year. A developer profit is either deducted as a line item expense or included in the discount rate. For this analysis, I have included the profit in the discount rate.

Absorption/Sellout

Previously in the Single-Family Market Analysis section, I indicated the subject's market area has sold on average over the past five years 314 new homes per year. Projecting ahead is difficult, but it would not be unreasonable for this average to increase, particularly as other competing market areas have fewer residential sites to develop. This could end up being anywhere from 350 to 400 or more homes per year. The highest year was in 2004 when 440 homes were sold. The subject will be the largest new project in Maple Valley when it is ready to be marketed for sale. Given its location between SR-169 and Covington to the west, it should be able to compete quite well in the marketplace. An annual absorption of 175 lots would appear to be reasonable for the subject.

Discount Rate

Investors involved with income-producing properties expect a certain return on their investment through annual cash flows and from the sale of the property at the end of a specified holding period. Anticipated yield rates vary with the type of income-producing property, its size, location, level of quality and appeal and complexity. Yield rates typically range from a low of around 6% to 12.5%. However, residential subdivisions are not income-producing properties, and participants in this market view them differently.

Subdivision developers typically think in terms of profit rather than yield. There are no yield rates because there are no income streams generated by rents or leases and no reversion at the end of a holding period. In the case of the subject, cash flows are generated by sales of individual lots. Purchasers of the individual lots are end users and once the subdivision is sold out, the cash flows cease and there is no product remaining to sell to other investors. Therefore, the market value to a developer of a subdivision involves estimating the potential sale price of the lots less appropriate costs and allows for the cost of holding the unsold units throughout the holding period.

According to the Korpacz Real Estate Investor Survey 2nd Quarter 2007 report, land developers typically will apply a discount rate from 10% to 25% with an overall average of 17.72%, which is down from six months ago when the overall average was 18.15%. This includes developer profit. Locally, our firm has discussed discount rates with other developers. The consensus is that discount rates for our region tend to be below the national average. One developer indicated that they recently used around a 15% discount rate. Some have been more aggressive and applied lower rates. Considering all factors, I have concluded to a discount rate of 14% for the subject.

Applying a 14% discount rate the market value based on the Development Approach is concluded at \$39,300,000 summarized in the following table.

Present Value of Net Cash Flows
Summit Place
Residential Subdivision

Period (Month)	Yr 1 01	Yr 2 02	Yr 3 03	Yr 4 04	Yr 5 05	Yr 6 06	Yr 7 07	Yr 8 08	Yr 9 09	Yr 10 10	Yr 11 11	Yr 12 12	Total
Sales Summary:													
Lots Sold	0	0	0	175	175	175	175	175	175	175	175	23	1,248
Lots Unsold	1,248	1,248	1,248	1,073	898	723	548	373	198	23	0	0	1,248
Average Value/Lot	\$165,000	\$169,950	\$175,049	\$180,300	\$185,709	\$191,280	\$197,019	\$202,929	\$209,017	\$215,288	\$221,746	\$221,746	\$197,812
Gross Retail Sales/Period	\$0	\$0	\$0	\$31,552,492	\$32,499,067	\$33,474,039	\$34,478,260	\$35,512,608	\$36,577,986	\$37,675,326	\$38,800,000	\$39,950,000	\$246,869,940
Indirect Costs:													
Site Development Costs	\$2,500,000	\$1,519,095	\$49,106,052	\$29,949,154	\$4,277,449	\$2,082,714							\$89,434,465
Commission & Closing	\$0	\$0	\$0	\$478,068	\$492,410	\$507,182	\$522,398	\$538,070	\$554,212	\$570,838	\$0	\$0	\$3,663,178
RE Taxes-Unsold Units	\$364,290	\$375,219	\$386,475	\$342,250	\$295,024	\$244,657	\$191,001	\$133,907	\$73,214	\$8,760	\$0	\$0	\$2,414,798
Total Costs	\$2,864,290	\$1,894,314	\$49,492,527	\$30,769,473	\$5,064,883	\$2,834,553	\$713,399	\$671,976	\$627,426	\$579,598	\$0	\$0	\$95,512,441
Net Cash Flow	(\$2,864,290)	(\$1,894,314)	(\$49,492,527)	\$783,019	\$27,434,183	\$30,639,485	\$33,764,861	\$34,840,631	\$35,950,560	\$37,095,728	\$5,100,163	\$5,100,163	\$109,161,609

Present Value of Cash Flows @ 14.00%
(R) \$39,270,418
(R) \$39,300,000

Reconciliation & Final Value Estimate

Reconciliation & Final Value Estimate

Market Value Estimate Two methods were employed in the value of the subject property. These include the Sales Comparison Approach and the Development Approach

Sale Comparison Approach	\$40,700,000
Development Approach	\$39,300,000

SALES COMPARISON APPROACH Land value is estimated by analyzing recent sales of sites with similar highest and best use. The Sales Comparison Approach is a method of direct comparison of the subject property to market sales of similar land properties. It is the best indication for the fee simple interest in the subject property. This approach requires adjustments for differences between the subject property and sale comparison properties. In this case, there were six sales selected for comparison. A residual analysis was also completed as a test for reasonableness. Overall, it is an approach that is likely to be heavily considered for properties of this type and is heavily considered in the final analysis of the subject land.

DEVELOPMENT APPROACH This method includes an estimate of the sale price of individual lots by comparing recent sales of finished lots and a projected sellout of the lots is estimated. Deductions are made for cost and the net cash flow are discounted to arrive at an indicated value for the subject land. This method is also employed in the marketplace and is given weight as well.

Conclusion Equal weight is placed on both methods. Based on the data as presented, the "as is" fee simple market value of the subject's unimproved land as of September 18, 2007, is concluded at:

\$40,000,000

Market & Exposure Time The definition of "marketing time" is as follows:

An estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of an appraisal.

Source: The Dictionary of Real Estate Appraisal, Fourth Edition. Chicago: Appraisal Institute, 2002.

The definition of "exposure time" is as follows:

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

Source: The Dictionary of Real Estate Appraisal, Fourth Edition. Chicago: Appraisal Institute, 2002.

Considering the market trends, both market and exposure times are estimated at 12 to 18 months.

ADDENDUM

Engagement Letter

Consider this e-mail your authorization to proceed. Can we meet on Thursday (tomorrow) or Friday when you return to discuss the scope?

Katherine E Orni
Project Manager



825 Fifth Avenue
Kirkland, WA 98033
(425) 202 3606
(206) 280 8011 cell
(425) 202 3694 fax
www.yarrowbaygroup.com

From: Randy Gilliam [mailto:rgilliam@gvakm.com]
Sent: Tuesday, August 07, 2007 9:12 PM
To: Kathy Orni
Subject: Summit Pit

Kathy,

Got your message about a quote for an appraisal on Summit Pit. A question for you-are you looking for a value of the real estate, excluding the pit operation? If so, the fee for a self-contained appraisal would be \$4,000 and \$3,500 if you prefer a summary. Delivery would be in four weeks from authorization.

FYI, I will be finishing up field work in Spokane tomorrow and be back in the office on Thursday. I have finished the review of the Brewster appraisal on Icy Creek. I will review my drafts on Thursday and get the pdfs to you on Thursday as well for both Brackett and Brewster appraisals. My initial feeling is that the Brackett report appears to be the more credible of the two.

Randy

Randy Gilliam, MAI
GVA Kidder Mathews
Valuation Advisory Services
500 108th Avenue NE, Suite 2400
Bellevue, WA 98004
Telephone: 425.454.7040
Direct: 425.450.1181
Fax: 425.450.1179

Appraiser's Experience Data

Randall C. Gilliam, MAI
SENIOR APPRAISER & CONSULTANT

Career Highlights

Randy Gilliam has over 26 years experience in real estate, including 14 years as an appraiser. His professional focus is on the valuation of income producing properties with experience in market analysis, and economic studies. Assignments have been completed on a diverse group of property types that include retail centers, office buildings, medical office, industrial properties of all types, hotels, senior care facilities, automobile dealerships and service stations. Assignments have been completed in Washington, Oregon, Utah and Alaska.

In August 2006, Cornerstone Consulting Group, Inc. merged with GVA Kidder Mathews Valuation Advisory Services. Randy co-founded Cornerstone in 2001 and was a principal of that firm. Prior to Cornerstone, he worked as a senior associate at various real estate appraisal firms in downtown Seattle and Bellevue. Before beginning his appraisal career in 1993, he had worked for 12 years for various real estate developers, including Daly Homes of California/Nevada, Trammell Crow Residential, Linclay Corporation, and Urban Investment & Development Co.

Randy is actively involved with the Seattle Chapter of the Appraisal Institute. He is a two-time attendee of the Leadership Development and Advisory Council (2006-2007) in Washington D.C., and is currently the Vice Chair for Education. Past leadership positions include Regional Representative (2005-2006), Membership Admissions, Development and Retention Chair (2002-2003), and Associate Guidance Chair (2004-2005). He is also an instructor for the Appraisal Institute.

Education

University of Colorado, Boulder – Bachelor of Science Degree – Business Administration with specialization in accounting and finance, 1978

Professional Affiliations

- MAI designation – Appraisal Institute (No. 11714)
- State of Washington - Certified General Real Estate Appraiser (No. 1100634)



VALUATION ADVISORY

Partial Client List

- Aegon USA Realty Advisors, Inc.
- Auburndale Properties
- Bank of America (Seafirst Bank)
- Banner Bank
- Bonz/REA, Inc.
- City of Bothell
- City of Mill Creek
- First Mutual Bank
- First Bank, St. Louis
- Glacier Real Estate Finance
- Goodale & Barbieri Companies
- Harbor Properties
- HomeStreet Bank
- Intervest Mortgage Investment Co.
- Key Bank
- Lane Powell Spears Lubersky
- Metzler Realty Management, Inc.
- National Bank of Tukwila
- National City Bank of Kentucky
- National Mortgage
- North Coast Mortgage
- Northshore Baptist Church
- Old Standard Life
- Opus NW
- Ronald Nelson Associates
- Seattle Mortgage
- State Farm Life Insurance
- Sterling Savings Association



www.gvakm.com

Randall C. Gilliam (cont.)

Representative Assignments

Office/Medical Properties

Washington Technical Center, Renton, WA.....	155,720 sq ft
Intergate West, Tukwila, WA.....	238,661 sq ft
AT&T Wireless, Bothell, WA.....	102,591 sq ft
Commerce Center, Tacoma, WA.....	84,196 sq ft
Northgate Executive Center, Seattle, WA.....	108,771 sq ft
Olympic Building, Bellingham, WA.....	69,429 sq ft
Memorial Clinic, Olympia, WA.....	97,193 sq ft
Skagit Cancer Center, Mount Vernon, WA.....	53,373 sq ft
The Doctor Clinic Portfolio, Kitsap Co., WA.....	55,989 sq ft

Industrial Properties

Former Ace Hardware Distribution, Yakima, WA.....	510,127 sq ft
Hartung Glass I & II, Kent, WA.....	180,175 sq ft
Price Cold Storage, Yakima, WA.....	124,082 sq ft
Wal-Mart Distribution Center, Grandview, WA.....	884,626 sq ft
Paine Field II, Everett, WA.....	112,079 sq ft

Retail Properties

Sunset Square, Bellingham, WA.....	376,023 sq ft
Willows Shopping Center, Puyallup, WA.....	114,906 sq ft
Jefferson Square, Seattle, WA.....	146,928 sq ft
Stanwood Towne Center, Stanwood, WA.....	92,000 sq ft
Gateway Center, Yakima, WA.....	121,521 sq ft

Special Purpose Properties

Wesley Homes Des Moines and Auburn, WA.....	524 & 174 Beds
Silver Cloud Inn-Lake Union & Univ., Seattle, WA.....	184 & 180 Rooms
Newport Yacht Club, Bellevue, WA.....	119 Slips
Freestanding Movie Theaters.....	10-14 Screens
Portfolio Limited Service Hotels (West Coast).....	4 States

Partial Client List (cont.)

Texaco Refining & Marketing, Inc.
Triad Mortgage & Realty Funding
TRF Pacific, Inc.
University Presbyterian Church
US Bancorp
Valley Bank
Voldal Wartele & Co. PS
Vulcan Northwest
Wal-Mart Corporation
Washington Capital Management
Washington Mutual Bank
Wells Fargo RETECHS

State Certification

STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON NAMED HEREON IS AUTHORIZED, AS PROVIDED BY LAW, AS A

CERTIFIED GENERAL REAL ESTATE APPRAISER



RANDALL C GILLIAM
10514 114TH PLACE NE
KIRKLAND WA 98033

Cert/Lic No.
1100634

Issued Date
12/06/1995

Expiration Date
04/24/2009

Elizabeth A. Luce

Director

PL-630-159 (R/2/04)

KC052229