

Summary of Review Appraiser's Report

I, Lee D. Peterson, the undersigned, hereby certify that I have reviewed the appraisal report submitted to me. A personal on-site review of the property listed below was considered necessary. I further certify that all improvements, structures, appurtenances, the determinations made as to various classes to types of real and personal property found therein, as well as other elements of value thereon and thereunder, were appraised in accordance with recognized appraisal practices. Any exceptions will be noted below.

DESCRIPTION: Hollywood Theater–2815-2819 Johnson Street NE
APPRAISERS: Marc E. Knoche, MAI, & Terry A. Ward, Appraiser, of BRKW Appraisals
REPORTED ESTIMATE OF MARKET VALUE : \$275,000

Based upon my review of the appraisal updated report dated January 28, 2009, with an effective date of January 21, 2009, it is my considered opinion that the fair market value is as follows:

<i>Project</i>	<i>Block/Parcel</i>	<i>Name of Owner</i>	<i>Fair Market Value</i>
Johnson Street	2-10,11	City of Minneapolis	\$275,000

Comments:

The appraisers determined that the subject is a rectangular site located on the east side of Johnson Street NE, in the Audubon Park neighborhood of Minneapolis. The improvements include a vacant theater building (aka. Hollywood Theater) constructed in 1935, on the southern 2/3 of the site and a vacant single family house on the northern 1/3. The theater building is essentially a shell that will require new electrical, plumbing and mechanicals. The vacant house on the north 1/3 will be demolished and the site redeveloped as parking to serve the commercial improvements on the remainder of the site.

The theater building has been designated as a neighborhood historical landmark. Therefore the building cannot be demolished, and any renovations will require maintaining the aesthetic appearance from the 1930's. The appraiser has determined that this is a single screen theater that is no longer suitable in the current market where multiplex theaters and stadium seating have become the norm, and thus, the use as a theater is not viable, and an alternative use must be considered. This site would significantly benefit from on-site parking; however, the availability of vacant land is nominal in the neighborhood. The appraisers noted that there is an exception, a 0.55 acre vacant site directly west, across Johnson Street NE. Considering the traffic volume on Johnson Street NE, and the lack of traffic controls at the intersection of 28th Avenue NE, would present more functional obsolescence than benefit to the subject property. This is offset by the inclusion of the single family house on the north 1/3 of the property, which will be demolished and converted to parking, to serve the southern 2/3s of the property.

The appraisers have determined that the highest and best use of the property as improved, is for a commercial/office development and demolition of the existing home to support on-site parking for the remainder of the site.

In the Cost Approach, the appraisers identified 4 comparable land sales to determine the value of the site. The unadjusted price range, on a per square foot basis was \$10.10 – 10.94 per square foot. After adjustments for all material differences the range was determined to be \$7.74 - \$10.02 per square foot, with an average of \$9.13 per square foot. The appraisers also found a pending sale located at 1817 Stinson Boulevard. This site has a superior location, but is triangular in shape, limiting its utility. This property was listed at \$11.48 per square foot, which lends additional support to the value conclusion of \$9.25 per square foot. Using this data the appraisers calculated the land value at a rounded value of \$128,000. The appraisers used Marshall and Swift Valuation Services to calculate the cost of the improvements, utilizing the appropriate adjustments arrived at a depreciated value of the improvements of \$156,009. The appraisers then used these figures to calculate the value as follows:

Depreciated Cost of Improvements		\$156,009
Plus the Land Value		<u>128,000</u>
Total Value		\$284,009
Cost Approach Value Indication	(rounded)	\$285,000

In the Direct sales comparison Approach the appraisers identified 4 comparable sales. The unadjusted value range is \$10.14 - \$36.67 per square foot. After adjustments the value range is \$15.01 - \$27.46 per square foot, with an average of \$23.06. Comparable #3 is significantly larger than the subject, thus greater weight was given to the other 3 comparables. The adjusted average of these 3 comparables is \$25.75, and \$26.00 per square foot was used. When the appraisers applied this value to the subject, the calculations were as follows:

Above Grade Area		10,923 square feet
Adjusted value		<u>\$26.00</u>
Total		\$283,998
Minus Demo of House and Soil Correction		<u>(20,000)</u>
Total		\$263,998
Direct Sales Comparison Approach Value Indication	(rounded)	\$265,000

The appraisers then reconciled their approaches, stating that both approaches to value lend insight to the market value of the subject property, and gave equal weight to each approach and concluded that the final estimate of market value is \$275,000, and the reviewer concurs.



Lee D. Peterson
 Staff Appraiser
 Comm. Planning & Economic Development
 105 Fifth Avenue South, Suite 600
 Minneapolis, Minnesota 55401-2538
 (612) 673-5034

Date: February 18, 2009

A SUMMARY APPRAISAL REPORT
(BRKW File No. 6133)

HOLLYWOOD THEATER
A VACANT THEATER BUILDING
2815-2819 JOHNSON STREET NE
MINNEAPOLIS, MN 55418

FEE OWNER: CITY OF MINNEAPOLIS

CPED APPRAISAL #: C-20834

VALUATION DATE: JANUARY 23, 2009

FOR

MINNEAPOLIS COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT
(CPED)

C/O: MR. LEE D. PETERSON
CROWN ROLLER MILL, 105 FIFTH AVE. SO., SUITE 200
MINNEAPOLIS, MN 55401

BY

MARC E. KNOCHE, MAI
AND
TERRY A. WARD





February 5, 2009

Mr. Lee D. Peterson
Minneapolis Community Planning and Economic Development (CPED)
Crown Roller Mill, 105 Fifth Ave. So., Suite 200
Minneapolis, MN 55401

RE: A vacant theater building
2815-2819 Johnson Street NE
Minneapolis, MN 55418
Fee Owner: City of Minneapolis
CPED Appraisal #: C-20834

Dear Mr. Peterson:

At your request, we have inspected the above referenced property and have made a study of conditions affecting its value. The purpose of the appraisal is to provide an opinion of the fee simple market value of the property. The intended use of the appraisal is for government planning purposes and the intended user is The City of Minneapolis Community Planning & Economic Development (CPED). The appraisal is performed in accordance with the appraisal requirements of CPED. The appraisal is presented in a Summary Report format.

The subject property is an improved site located on the east side of Johnson Street NE in the Audubon Park neighborhood of Minneapolis. The improvements include a vacant theater building (aka. Hollywood Theater) constructed in 1935 on the southern 2/3 of the site and a vacant single-family house on the north 1/3 of the site. The theater building has been vacant since the mid 1980's. The single-family home was built in 1925 and vacated in late 2008. The above grade area of the theater is 10,923 SF and the GBA is 12,407 SF that includes a storage basement. The above grade area includes the building footprint of 8,524 SF and an inclining mezzanine level of 2,399 square feet. Structurally, the theater building appears to be sound, however it is essentially a "shell" that will require all new electrical, plumbing and mechanicals. The Hollywood Theater has been designated as a neighborhood historical landmark, therefore the building cannot be demolished and any renovations will require maintaining the aesthetic appearance from the 1930's. An alternative use is being considered for the theater.

The site size is 16,029 SF, or 0.37 acres and is zoned C-1, Neighborhood Commercial. The properties in the immediate area are older commercial buildings including retail, restaurant, service and office. As many of the homes within this neighborhood were built in the early 1900s, the neighborhood is entering the revitalization stage. The site has varying levels of grade from steep slopes to gradual inclines that elevate approximately 6' higher than the grade of Johnson Street NE. The site currently does not have on-site parking, however the highest and best use analysis indicates the residential home should be demolished in order to redevelop that portion of the site for parking to serve the commercial improvements on the balance of the site. The cost of demolition and site abatement has been estimated at \$20,500.

The effective date of valuation is January 23, 2009, which is the date of inspection. By virtue of our investigation, we have formed the opinion that the market value of the fee simple interest, as of January 23, 2009 is:

TWO HUNDRED SEVENTY FIVE THOUSAND DOLLARS
(\$275,000)

This appraisal assignment was not based on a requested minimum valuation or a specific valuation for approval of a loan. The opinion of market value identified in this report was developed independent of any undue influence.

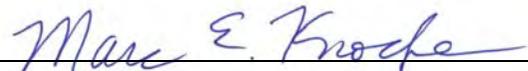
The value assumes all real estate taxes and special assessment balances, if any, have been paid in full. It is a gross value and no allowance was made for brokerage commissions, real estate taxes or other carrying costs associated with the property during the marketing period. No personal property is included in this valuation.

This appraisal report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Foundation.

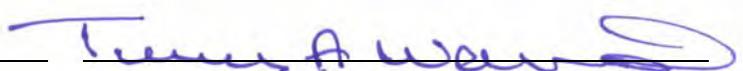
The facts and information contained in this report were obtained from sources that are considered to be reliable and are true to the best of our knowledge and belief, but are not guaranteed. This appraisal report is contingent upon the assumptions and limiting conditions included within this report. Your attention is directed to the following report for the supporting data, analyses and conclusions that support the market value opinion.

Sincerely,

BRKW APPRAISALS, INC.



Marc E. Knoche, MAI
Certified General Real Property Appraiser
Minnesota License #4001101



Terry A. Ward
Certified General Real Property Appraiser
Minnesota License #20323636

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SALIENT FACTS AND CONCLUSIONS

Market Value Opinion:	\$275,000 As Is
Property & Location:	Hollywood Theater 2815-2819 Johnson Street NE Minneapolis, MN 55418
Fee Owner:	City of Minneapolis
Tax Parcel I.D No.:	12-029-24-12-0062 & 12-029-24-12-0224
Date of Valuation:	January 23, 2009
Date of Report:	February 5, 2009
Property Rights Appraised:	Fee simple interest
Property Data:	
Property Type	A "shell" commercial building; formerly a theater
Gross Building Area	8,524 SF - Main Floor 2,399 SF - Inclining Mezzanine <u>1,484</u> SF - Basement 12,407 SF GBA 10,923 SF Above Grade
Year Built	1935
Condition	Poor (Shell)
Land Area	16,029 SF or 0.37 acres
Zoning	C-1, Neighborhood Commercial
Highest and Best Use:	
As Vacant	Commercial/office use
As Improved	Commercial/office development with demolition of the existing home to support on-site parking for the remainder of the site.
Value Indications:	
Cost Approach	\$285,000
Direct Sales Comparison Approach	\$265,000
Income Approach	Not Applied
Appraisers:	Marc E. Knoche, MAI & Terry A. Ward

EXTERIOR PHOTOS



2815 Johnson Street NE, Minneapolis – A vacant theater, aka. Hollywood Theater



2819 Johnson Street NE - Vacant single-family home



View of theater from the NW corner of Johnson St. NE & 28th Avenue NE



South and west sides of theater



North side of theater and west sides of the house and theater fronting to Johnson Street NE



North side of theater viewing west from alley



East side of theater viewing south from the alley



East side of house viewing west from the alley

INTERIOR PHOTOS



Main entrance



Hallway - entrances to theater on either side of the north and south ends of the hallway.



Theater



Interior of the theater



Inclining mezzanine level and projection room



Basement stairway off main hallway



Basement common area and two gender-specific restrooms



Restroom with mechanical room in background

PROPERTY IDENTIFICATION

The subject of this appraisal is a vacant theater property located at 2815-2819 Johnson Street NE in the City of Minneapolis, Hennepin County, Minnesota. The property is essentially a “shell” that can be converted to an alternate commercial use. The county tax parcel identification number for the property is 12-029-24-12-0062 & 12-029-24-12-0224.

LEGAL DESCRIPTION

Lots 10, 11 & 12, Block 2, Richardson’s 2nd Addition to Minneapolis

PURPOSE/INTENT OF THE APPRAISAL/INTENDED USER

The purpose of the appraisal is to provide an opinion of the fee simple market value of the property. The intended use of the appraisal is for government planning purposes and the intended user is The City of Minneapolis Community Planning & Economic Development (CPED). The appraisal is performed in accordance with the appraisal requirements of CPED.

DATES OF INSPECTION AND VALUATION

The effective date of this appraisal is January 23, 2009. On this date, the property was inspected by the appraisers in the presence of Mr. Steve Maki, CPED Engineer and Mr. Lee Peterson, CPED Real Estate Appraiser.

SCOPE OF WORK

An interior and exterior inspection of the theater building was made by the appraisers. An exterior inspection of the house was also made by the appraisers. As the highest and best use analysis indicates the house should be removed in order to redevelop the site to a parking lot, an interior inspection of the house was not warranted. The demolition cost for the house was provided by CPED. The appraisers also inspected the surrounding neighborhood on the same and subsequent dates. An analysis of the highest and best use of the property was completed, based on the property attributes and market factors. Consideration was given to each of the three primary valuation approaches – the Cost Approach, the Direct Sales Comparison Approach and the Income Approach – for developing value indications for the subject property. The applicable approaches were processed and their value indications were reconciled into a final opinion of market value for the property.

In this appraisal, the following were applied in valuing the subject property: The Cost Approach and the Direct Sales Comparison Approach. The Income Approach was not applied due to the current “shell” condition. The subject property could not generate any viable income until an alternate use is identified.

This appraisal is presented in a **Summary Report format** under the requirements of Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. The property description, analysis and valuation process are presented using a brief narrative format in this report. Additional notes, data, analyses and other documentation supporting the appraisal are retained in the office appraisal file.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

These special assumptions which may apply in an appraisal assignment are defined in the Uniform Standards of Appraisal Practice, 2006 Edition, Page 3, Definitions, as follows:

*“**Extraordinary Assumption:** An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions.”*

*“**Hypothetical Condition:** That which is contrary to what exists but is supposed for the purpose of analysis.”*

Comments: No special conditions apply for this appraisal. See Contingent and Limiting Conditions, which are standard assumptions that apply to the appraisal, later in this report.

MARKET VALUE DEFINITION

Market Value as defined by the United States Department of the Treasury through the Comptroller of the Currency and the Office of Thrift Supervision is:

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, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- ◆ buyer and seller are typically motivated;
- ◆ both parties are well informed or well advised, and each acting in what he considers his own best interest;
- ◆ a reasonable time is allowed for exposure in the open market;
- ◆ payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- ◆ the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

PROPERTY RIGHTS APPRAISED

The property rights appraised are those of the fee simple estate. The property is appraised subject to usual easements for streets and utilities, if any. The source of the following definition of fee simple estate is the Dictionary of Real Estate Appraisal, 4th edition, published in 2002 by the Appraisal Institute:

“Fee Simple:

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.”

CONTINGENT AND LIMITING CONDITIONS

This appraisal report is subject to the following Limiting Conditions and Assumptions:

1. The legal description contained herein is assumed to be correct.
2. The appraiser assumes no responsibility for matters legal in nature affecting the property appraised or the title thereto, nor does the appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.

3. No survey has been prepared of the property by the appraiser and no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.
4. Information furnished by others is assumed to be reliable. However, the appraiser assumes no responsibility for its accuracy.
5. In cases where no soil tests have been submitted, the appraiser has assumed a good subsoil condition, subject to visual observations noted in the report.
6. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil or structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions or for engineering that might be required to discover such factors.
7. The appraiser is not required to give testimony or appear in court because of having made this appraisal with reference to the property in question, unless arrangements have been previously made.
8. The distribution of the total valuation in this report between land and improvements applies only under the highest and best use of the property.
9. The Bylaws and Regulations of the professional appraisal organizations with which the appraiser is affiliated govern disclosure of the contents of the appraisal report.
10. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and, in any event, only with proper written qualifications and only in its entirety.
11. Neither all nor any part of the contents of this report, or a copy thereof, shall be conveyed to the public through advertising, public relations, news, sales or any other media without written consent and approval of the appraiser. Nor shall the appraiser, firm or professional organization of which the appraiser is a member be identified without the written consent of the appraiser.
12. The value conclusion assumes all taxes and special assessments are paid in full.

Environmental Disclaimer: The values estimated in this report are based on the assumption that the property is not adversely affected by the existence of hazardous substances or detrimental environmental conditions. A routine inspection of the property did not reveal or indicate any such conditions. In that the appraiser is not qualified in this field of expertise, the client is encouraged to retain an expert in such investigations if so desired.

Americans With Disabilities Act: Title III of the Americans with Disabilities Act, "Public Accommodations and Services Operated by Private Entities", requires all privately owned/operated buildings, which provide public accommodations and/or services, to be equally accessible for persons with disabilities. All architectural, transportation and communication barriers must be removed, if readily achievable. The Appraisers are not qualified to make a determination as to whether the property under appraisal is in total compliance with this act.

COMPETENCY PROVISION

Marc E. Knoche, MAI has been a full time professional real estate appraiser since 1982. Terry A. Ward has been a professional real estate appraiser since 2002. Included in this report for your review are copies of their professional qualifications. Both appraisers have had extensive experience in the appraisal of a wide variety of commercial real estate, including the subject property type. Experience and knowledge provide each appraiser with the necessary background to complete this appraisal assignment in accordance with the competency provision of the Uniform Standards of Professional Appraisal Practice.

TAXES AND ASSESSMENT DATA

Parcel I.D. #	Land AEMV*	Improvements AEMV*	Total AEMV*	R. E. Taxes	Effective Tax Rate	Specials & Charges	Total Tax & Specials
12-029-24-12-0062	\$38,500	\$85,500	\$124,000	\$1,363.45	1.10%	\$143.19	\$1,506.64
12-029-24-12-0224	Exempt	Exempt	Exempt	Exempt		\$24.90	\$24.90
Totals	\$38,500	\$85,500	\$124,000	\$1,363.45	1.10%	\$168.09	\$1,531.54
Source: Hennepin County							
* Assessor's Estimated Market Value - 2007 for payable 2008							
Assessor's Estimated Market Value - 2008 for payable 2009 = \$109,500 for 12-029-24-12-0062							

The vacant theater building is owned by the City of Minneapolis, therefore the property is tax exempt. There is a \$24.90 fee, however, for solid waste fees. There are no outstanding taxes due on 2819 Johnson Street NE. Note the assessed value for 2819 Johnson Street NE declined from 2008 to 2009 by 12%.

HISTORY OF OWNERSHIP

The City of Minneapolis is the owner of the Hollywood Theater property located at 2815 Johnson Street NE, which was acquired by the city in November 1993. The property remains vacant to date. The property directly north of the theater, 2819 Johnson Street NE, is currently improved with a vacant single-family home. The house was purchased by YSD, LLC, which is a subsidiary of Hillcrest Development, in November 2008 for \$222,352. This price is significantly higher than market, however Hillcrest Development was assembling this site to serve the theater property to the south as a parking lot. Hillcrest Development is working with the City of Minneapolis to renovate/prepare the Hollywood Theater building for sale. Mr. Steve Maki, CPED Engineer, indicated that the City of Minneapolis purchased the vacant residence at 2819 Johnson Street in December 2008 from YSD, LLC in order to proceed with plans to demolish the home and redevelop the site into a parking lot. A purchase price was not disclosed, however, the purchase is not an arms length transaction because the buyer and seller are working together on the redevelopment project. There are no apparent recorded transfers of the property within at least three years prior to the date of valuation other than those noted above. The appraisers are not aware of any current listing, pending sale or purchase option pertaining to the property.

ZONING

The subject property is zoned **C-1, Neighborhood Commercial**, the intent of which is to "provide a convenient shopping environment of small scale retail sales and commercial services that are compatible with adjacent residential uses. In addition to commercial uses, residential uses, institutional and public uses, parking facilities, limited production and processing and public services and utilities are allowed."

Permitted uses include, but are not limited to general retail sales & service, bank or financial institution, child care center, grocery store, offices, sit-down restaurant including service of alcoholic beverages with limited entertainment, theater and more. In addition, the district allows for single and two family residential uses, multi-family 3-4 units and community residential serving six or fewer persons. Uses allowed by conditional use permit include but are not limited to a shopping center, auto convenience facility, auto repair, fast-food restaurant, parking facility, residential cluster developments and multi-family dwelling of 5 units or more.

The lot requirements and setbacks within this district vary based on the use. The minimum lot size for single or two-family residential uses is 5,000 SF. Higher density residential uses also require a minimum lot size of 5,000 SF plus 900 SF per dwelling unit. Minimum lot sizes for commercial uses range from 0 to 12,000 SF. Parking facilities require a minimum lot size of 5,000 SF. It is advisable to refer to the zoning codes for minimum lot sizes and setback requirements on a case-by-case basis. The subject property does not reside within an overlay district.

The current zoning designation allows for commercial, low to medium-density residential or a combination of both. The uses of a theater and single-family home are considered a "Legal, Conforming Use".



Zoning Map

METROPOLITAN AREA DESCRIPTION

The subject property is located within the City of Minneapolis, Hennepin County, Minnesota. This is one of the seven counties that form the “Twin Cities” metropolitan area. The metropolitan area is located in the northern end of the southern 1/3 of the State of Minnesota adjacent to the state’s east boundary with Wisconsin. The federal government has designated 13 counties as being the “Twin Cities” metropolitan area. However, within the local market, emphasis is placed on a seven county area as the focus of activity with the remaining counties in the periphery. The following data relates to the seven county area of which the subject is a part.

The City of Minneapolis, in Hennepin County, together with the City of St. Paul, adjacent to the east in Ramsey County, forms the hub of the metropolitan area. These two cities are known nationally as the “Twin Cities”. The 7 county metropolitan area has a population, according to the 2000 census, of 2,642,056 residents, with a 13 county population of 2,968,806, and ranks as the 16th largest metropolitan area in the United States. Presented below is population data for census years 1980, 1990, 2000 and 2007 estimate for the seven counties in the hub metropolitan area and the two urban centers.

Minneapolis - St Paul Area Population Change, 1980 - 2007								
County	POPULATION				POPULATION CHANGE			
	1980	1990	2000	2007 Est	1980-1990	1990-2000	2000-2007	1980-2007
Anoka	195,998	243,688	298,084	331,246	24.3%	22.3%	11.1%	69.0%
Carver	37,046	47,915	70,205	88,384	29.3%	46.5%	25.9%	138.6%
Dakota	194,279	275,186	355,904	398,177	41.6%	29.3%	11.9%	105.0%
Hennepin	941,411	1,032,431	1,116,200	1,157,400	9.7%	8.1%	3.7%	22.9%
Ramsey	459,784	485,783	511,035	517,074	5.7%	5.2%	1.2%	12.5%
Scott	43,784	57,846	89,498	123,735	32.1%	54.7%	38.3%	182.6%
Washington	113,571	145,890	201,130	233,104	28.5%	37.9%	15.9%	105.2%
TOTALS	1,985,873	2,288,739	2,642,056	2,849,120	15.3%	15.4%	7.8%	43.5%
Urban Centers								
Minneapolis	370,951	368,383	382,618	388,020	-0.7%	3.9%	1.4%	4.6%
St. Paul	270,230	272,235	287,151	287,669	0.7%	5.5%	0.2%	6.5%
TOTALS	641,181	640,618	669,769	675,689	-0.1%	4.6%	0.9%	5.4%
Source: U.S. Census (1980,1990,2000) Metropolitan Council (2007 Est.)								

The seven county metropolitan area encompasses 2,984.6 square miles in which are located 142 cities and 43 townships. Each of these municipalities are separate entities with their own form of government, economic structure, social and cultural activities and so forth. In each of the seven counties is a county board made up of elected officials who coordinate the activities of the communities within the county. There is also a Metropolitan Council which oversees those facilities that extend beyond county boundaries and involve the entire metropolitan area, including public water, sanitary sewer, public transportation and metropolitan parks. The Metropolitan Council also coordinates and guides land use planning and development within the metropolitan area.

The metropolitan area has a strong and diversified economic base. Many industries serving regional, national and international markets have their corporate headquarters here, including 3M Company, General Mills/Pillsbury, Cargill, Land O'Lakes/Cenex, Xcel Energy, Medtronic and Thomson West Publishing. Other companies with corporate headquarters here include Target, Best Buy, and U.S. Bancorp. The unemployment rate for the metropolitan area (November 2008) was 5.8 % as compared with the national rate for the same time frame of 7.1 %. The unemployment rate for the metropolitan area has typically been one to two percentage points below the national average. For the first time in many years the local unemployment rate is near or actually has exceeded the national rate. However, recognizing the low unemployment rates, the data continues to reflect a positive situation for the metropolitan area.

One factor influencing the metropolitan area is its highway system. A series of interstate highways allows residents to share in the benefits of the metropolitan area. Interstate Highway 94 enters the eastern portion of the metropolitan area from the State of Wisconsin. The interstate travels westward, passing the downtown areas of St. Paul and Minneapolis, then turning northwestward and continuing through the state to the state of North Dakota. Interstate Highway 35 extends through the state in a north/south direction. As it enters the metropolitan area from the south, the interstate separates into I-35W, which extends through Minneapolis, and I-35E, which extends through St. Paul. At the opposite end of the metropolitan area, the interstate reconnects and continues north through the balance of the state to Duluth. Interstate Highway 694/494 forms a beltway surrounding the cities of Minneapolis and St. Paul together with the first tier suburbs.

The interstate system, coupled with the network of major and minor highways, allows easy access through the entire metropolitan area. It is common for residents in one community to work in another portion of the metropolitan area. As a result, the impact of plant closings or layoffs, while hurting, fails to have a devastating impact upon the metropolitan area. Also, the economic base is diversified which enables stronger segments of the markets to offset the weaker ones. This situation is reflected in the low unemployment rate.

The Mississippi River passes through the metropolitan area providing barge service. The Minneapolis/St. Paul International Airport along with smaller commuter airports serves the area. Rail facilities also serve the metropolitan area.

The general growth profile of the area's economy includes a well educated labor force; good training institutions; and a significant portion of the Twin Cities employment being in such growth industries as computers, business services, banking, and health services. Negative economic aspects for the area are a lack of an independent supply of energy; high wages in the manufacturing sectors; and relatively high taxes. On the following page is a metropolitan area location map.



Metropolitan Location Map

COMMUNITY/AREA DESCRIPTION

Community: The subject property is located within the City of Minneapolis, Hennepin County, Minnesota. Minneapolis encompasses an area of 57.73 square miles, located on the Mississippi River. Minneapolis has the largest population of a city within the State of Minnesota. Through the 1960s, 70s and 80s, the City of Minneapolis saw its population decline while the population of the county and Metropolitan Area increased. Reasons for the decline include, among other factors, the movement of population from city to suburbs, the replacement of neighborhoods with interstate highways, along with the decline in household size. The 1990s saw a reversal of this trend. This reversal reflects the hard work of city officials and the strength of the employment base. The residential base of the downtown area has expanded, with a residential development along the riverfront portion of downtown and at the opposite end near Loring Park, while residential redevelopment continues in other portions of the city.

The downtown area forms the financial, office and retail center of the city. The downtown area is the corporate headquarters of U.S. Bank, Twin City Federal (TCF) and other financial institutions. The downtown area also serves as the headquarters for the 9th District of the U. S. Federal Reserve.

The focus of retail activity is Nicollet Mall, a pedestrian walkway extending 10 blocks through the central portion of the downtown area. One of the major retail areas along the mall is at the intersection of 7th Street with Macy's at the southwest corner, City Center at the northwest corner and the Crystal Court of IDS Center in the southeast corner. The downtown retail has struggled over the years.

The downtown area also serves as a center for cultural and sports activities. The downtown area is home to the Minnesota Orchestra and Opera. The renovated State and Orpheum Theaters serve as major locations for performing arts. The Hubert H. Humphrey Metrodome is home to the Minnesota Twins of Baseball's American League and the Vikings of the National Football League. A new outdoor baseball stadium is under construction for the Twins in the Warehouse District, scheduled for completion by 2010. The Target Center serves as the home of the Timberwolves of the National Basketball Association and the Lynx of the Women's National Basketball Association. The Guthrie Theater has moved from the south end of downtown, to a new facility on the riverfront. This move has allowed a major expansion of the Walker Art Center, which is taking place.

Recreational activities expand beyond the downtown area into the neighborhoods of Minneapolis. Known as the "City Of Lakes," six major lakes are located within the city boundaries. The Mississippi River passes through the central portion of the city. Minnehaha creek meanders through the southern portion of the city, with Minnehaha Falls at the east end connecting with the Mississippi River near the junction of the Mississippi and the Minnesota rivers. Historic Fort Snelling overlooks the river junctions. The fort has been restored and serves as an historic attraction, with actors in costume illustrating life in the 19th century.

A good transportation system provides access between the city and local, regional and national markets. Interstate Highways 94 and 35W pass through the city, offering direct access to other portions of the metropolitan area together with the surrounding region and beyond. The area is served by rail service of Burlington Northern/Santa Fe, Canadian Pacific Rail and others. Adjacent to the southeast corner of the city is the Minneapolis/St. Paul International Airport. Construction is complete on the first phase of a light rail project for the metropolitan area. This first segment extends from downtown Minneapolis to the airport and continues to the Mall of America, located in the adjacent city of Bloomington. The next phase of light rail development will be between the downtown areas of Minneapolis and St. Paul.

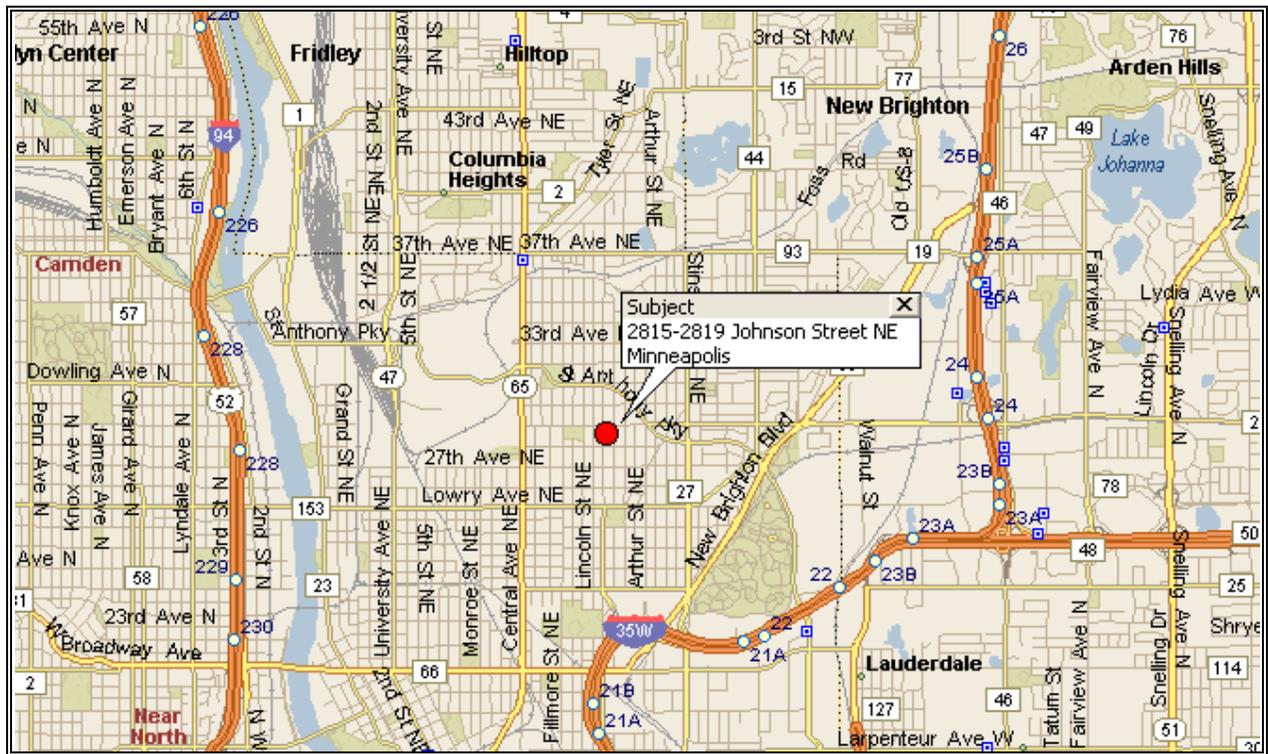
The future of the city appears positive, with the community expected to remain the center of commerce and other activities within the Twin Cities metro area well into the foreseeable future.

Area: The subject property is located within the Audubon Park neighborhood of Minneapolis, which is located in the northeast portion of the city. This neighborhood is generally bounded by St. Anthony Parkway on the north; Central Avenue NE on the west, Stinson Boulevard on the east and Lowry Avenue NE on the south. Stinson Boulevard is also the city's border with St. Anthony. A majority of the houses in this relatively hilly neighborhood were built in the 1940's. Johnson Street is one of the areas urban commercial districts that have transitioned to the revitalization stage of its life cycle.

The subject neighborhood is predominantly residential in use; however several non-franchise commercial uses are located in pockets along the Johnson Street NE corridor. The area is fully developed with neighborhood retail/commercial properties along the more heavily traveled routes, with single family situated along the interior secondary streets. The nearest shopping district is located northeast in St. Anthony. Employment centers are situated east in Roseville, St. Anthony, and southwest in the CBD area of Minneapolis.

Uses surrounding the subject include commercial buildings directly north and south, single-family residential (1940s vintage) directly east and vacant commercial land and a convenience store directly west (across Johnson Street NE). Uses along Johnson Street NE are generally residential-type that is primarily single-family residential vs. medium-density, however there are some apartments along this corridor as well. The neighborhood in which the subject is located is the largest concentration of commercial uses on Johnson Street NE that generally runs from 27th Avenue NE to 29th Avenue NE. This two block area has a variety of non-franchise neighborhood businesses including a grocery store, bakery, convenience store, Chinese restaurant, financial services, beauty salons and more. The Hollywood Theater (subject property) has been designated a neighborhood historical landmark and is also located in this neighborhood.

In summary, the subject neighborhood has the essential municipal services of a major urban core city, such as hospitals, public transportation, police and fire protection, as well as the amenities of numerous art and entertainment venues, restaurants, and shopping. The subject property is within five miles of the largest employment center in the state, downtown Minneapolis, and within three miles of the University of Minnesota. Due to regional trends in employment, transportation, housing and the ongoing redevelopment of the neighborhood, there should be continued strong demand for all types of property uses within the subject neighborhood. The neighborhood influences on the subject property value are generally positive. Sales of vacant land are minimal in the subject neighborhood because it is nearly totally built-up.



Community Map



Area Map



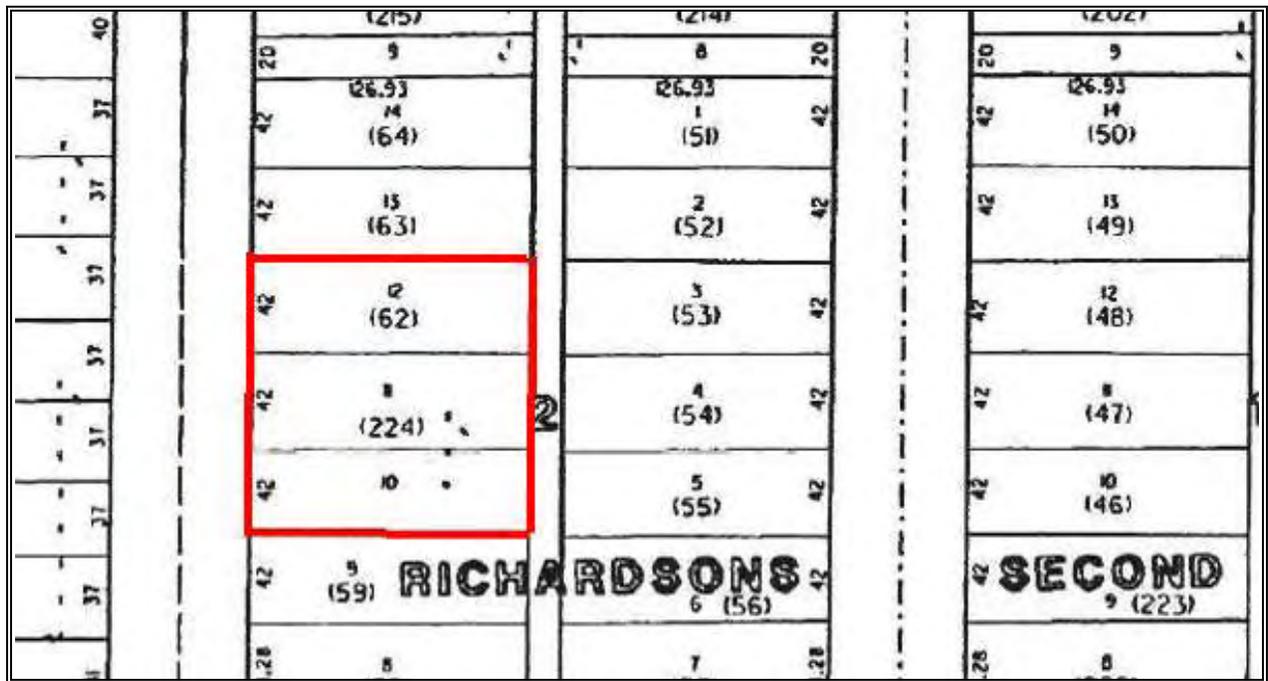
2007 Mn/DOT Traffic Volume Map

SITE DESCRIPTION

Land Area:	16,029 SF or 0.37 acre(s), based on a survey provided for the theater site and according to Hennepin County for the northern site that is currently improved with a house.	
Shape:	Rectangular	
Topography:	The site has varying levels of grade. The southern 2/3 of the site inclines from west to east from street grade to approximately 6 feet above street grade at the alley. The northern 1/3 of the site has a steep elevation along the west side of the site approximately 6 feet above street grade and levels off toward the alley to the east. The highest and best use analysis indicates the north 1/3 of the site should be redeveloped into a parking lot to serve the theater building to the south. Higher than average sitework is necessary to accomplish this in order to grade the site for access from Johnson Street NE. Retaining walls will be required to account for the grade changes from the surrounding uses.	
Vegetation/ Ground Cover:	Nominal vegetation and ground cover as the theater occupies 53% of the entire site. The portion of the site with the house has some grass cover along the boulevard of Johnson Street NE. The remainder of the site is gravel surface for a driveway.	
Wetlands:	None	
Access:	Street Frontage	126' on Johnson Street NE. 126' on Alley on the east side of the site
	Street Type/Surface	2-lane, bituminous paved with on-street parking, no center median
	Corner/Interior	This is an interior site accessed from Johnson Street NE.
	Curb/Gutter	Concrete
	Sidewalk	Along Johnson Street NE
	Other	The site does not have on-site parking currently, however the City of Minneapolis plans to demolish the home on the north side of the site to develop a parking lot to serve the theater building. Access to the future parking lot will be from Johnson Street NE. The highest and best use supports this analysis.

- Visibility:** The site is clearly visible from Johnson Street NE in a neighborhood commercial district of Minneapolis. The site has exposure from 6,200 - 8,200 vehicles per day on Johnson Street NE
- Utilities:** The subject site features all public utilities including water, sanitary sewer, storm sewer, natural gas, electricity, and telephone. There is a vacated well in the basement level that used to serve the heating/cooling needs of the theater. This well is currently obsolete.
- Soils/
Environmental:** It has been reported that there is some site contamination on the northern portion of the lot that will be redeveloped into a parking lot. Mr. Steve Maki, CPED Engineer, indicated the cost for abatement has been estimated at \$1,500.
- The site is appraised assuming adequate subsoil conditions to support normal development. Also, it is assumed that adequate steps will be taken to insure contaminants will be removed from the subject site that would adversely affect its value.
- Flood Plain
Status:** Zone X, an area not subject to flooding, per FEMA Flood Insurance Rate Map Community Panel No. 27053C0240E dated 9/2/04.
- Easements:** Typical utility easements assumed to exist along some or all property edges. No apparent adverse easements have been identified.

Parking to serve the site is currently available on-street only. The parcel directly north of the theater building is currently improved with a vacant single-family home. The highest and best use of the home is for demolition and redevelopment into a parking lot. The cost of demolition has been reported to be \$19,000. Redevelopment to a parking lot will require higher than average sitework due to the hilly topography that will require retaining walls. It has also been reported that the site for a future parking lot has some site contamination and the cost of abatement has been estimated at \$1,500. The subject site physical characteristics are considered adequate to support a variety of development possibilities. The appeal and marketability of this site, as vacant, is considered good for commercial/service-oriented uses.



Plat Map



2007 Aerial Photograph

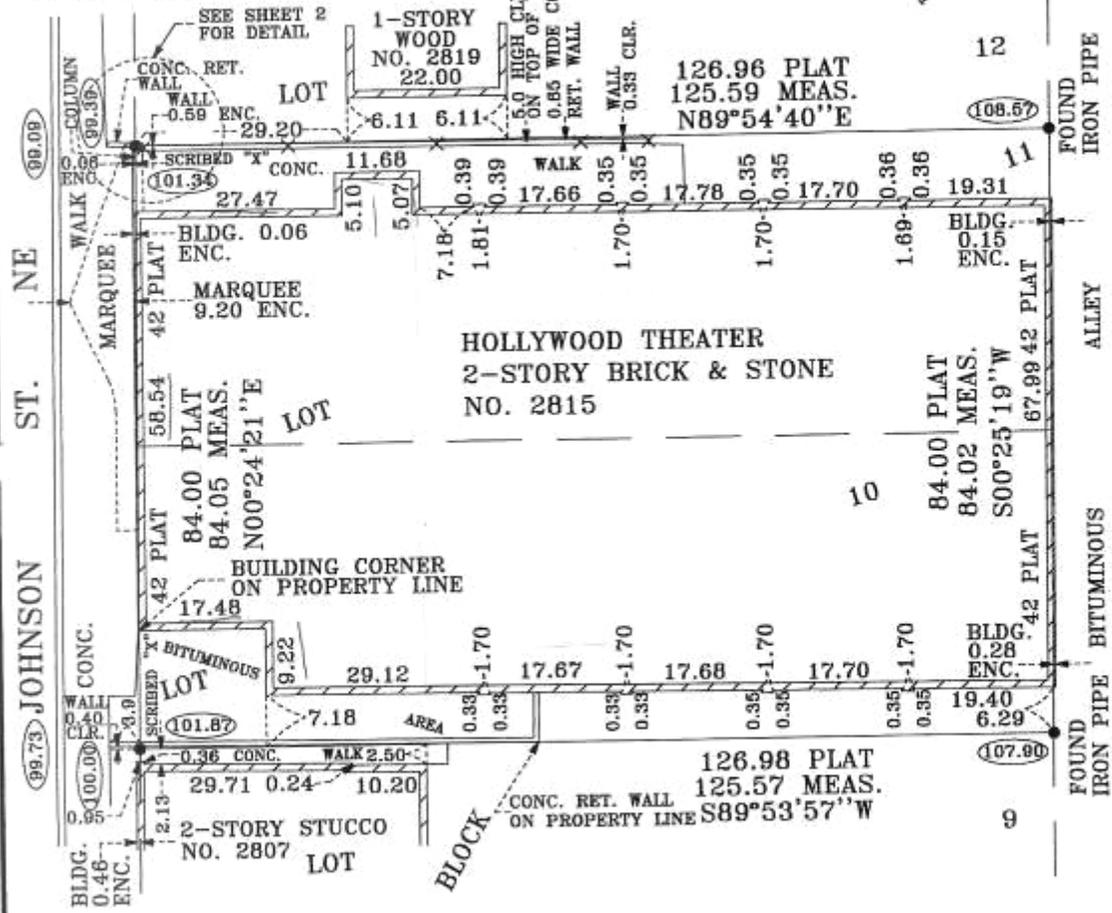
2815 Johnson St. NE



C. E. COULTER & ASSOCIATES, INC
 LICENSED LAND SURVEYORS IN MINNESOTA, WISCONSIN AND IOWA
 Wood Park I Suite 216
 1000 East 146th St.
 Burnsville, Minnesota 55337-4656
 Phone: 952-953-3639 Fax: 952-953-3971
 E-mail: coulter1@frontiernet.net



2815 JOHNSON STREET N.E. - HOLLYWOOD THEATER
 MCDA Contract No. 017435
 Release No. 006



NOTE: THIS SURVEY CERTIFICATE IS NOT VALID WITHOUT
 A RAISED SEAL.

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I HEREBY CERTIFY THAT THIS SURVEY, PLAN OR REPORT WAS PREPARED BY
 ME OR UNDER MY DIRECT SUPERVISION AND THAT I AM A DULY REGISTERED
 LAND SURVEYOR UNDER THE LAWS OF THE STATE OF MINNESOTA.

John Coulter Peterson
 DATE: 10/2/02 LIC. NO. 13792

CLIENT: MCDA	
JOB NO. 11,969	SCALE: 1" = 20'
BK./PG. 801/32	SHEET 1 OF 2

Survey



C. E. COULTER & ASSOCIATES, INC

LICENSED LAND SURVEYORS IN MINNESOTA, WISCONSIN AND IOWA

Wood Park I Suite 216
1000 East 146th St.
Burnsville, Minnesota 55337-4656
Phone: 952-953-3639 Fax: 952-953-3971
E-mail: coulter1@frontiernet.net

2815 JOHNSON STREET N.E. - HOLLYWOOD THEATER
MCDA Contract No. 017435
Release No. 006

LEGAL DESCRIPTION:

Lots 10 & 11, Block 2, Richardson's Second Addition to Minneapolis, according to the recorded plat thereof, and situate in Hennepin County, Minnesota.

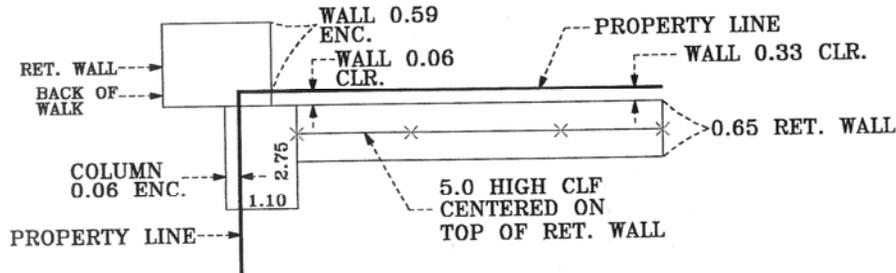
Abstract Property.

NOTES:

- 1) ALL BEARINGS SHOWN ARE ASSUMED DATUM.
- 2) ELEVATIONS SHOWN ARE BASED ON ASSUMED DATUM.
- 3) LEGAL DESCRIPTIONS ARE PER OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY COMMITMENT NO. H 676774 H, (REF: JOHNSON ST. PROJECTS-PARCELS 2-10, 11) POLICY DATE 11/24/93.
- 4) PARCEL CONTAINS 10,549 SQUARE FEET OR 0.242 ACRES.
- 5) LOTS 10 & 11 P.I.D. NO. 12-029-24-12-0224

LEGEND:

- | | | | |
|------|--|----------|------------------------------|
| ENC. | DENOTES PROPERTY CORNER. | CLF | DENOTES CHAIN LINK FENCE. |
| CLR. | DENOTES ENCROACHMENT OVER PROPERTY LINE. | OH | DENOTES BUILDING OVERHANG. |
| RET. | DENOTES CLEAR OF PROPERTY LINE. | MEAS. | DENOTES MEASURED DISTANCE. |
| | DENOTES RETAINING. | BLDG. | DENOTES BUILDING. |
| | | ---x--- | DENOTES FENCE LINE. |
| | | (107.90) | DENOTES EXISTING ELEVATIONS. |



NOTE: THIS SURVEY CERTIFICATE IS NOT VALID WITHOUT A RAISED SEAL.

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I HEREBY CERTIFY THAT THIS SURVEY, PLAN OR REPORT WAS PREPARED BY ME OR UNDER MY DIRECT SUPERVISION AND THAT I AM A DULY REGISTERED LAND SURVEYOR UNDER THE LAWS OF THE STATE OF MINNESOTA.

John Coulter Peterson

DATE: 10/2/02

LIC. NO. 13792

CLIENT: MCDA

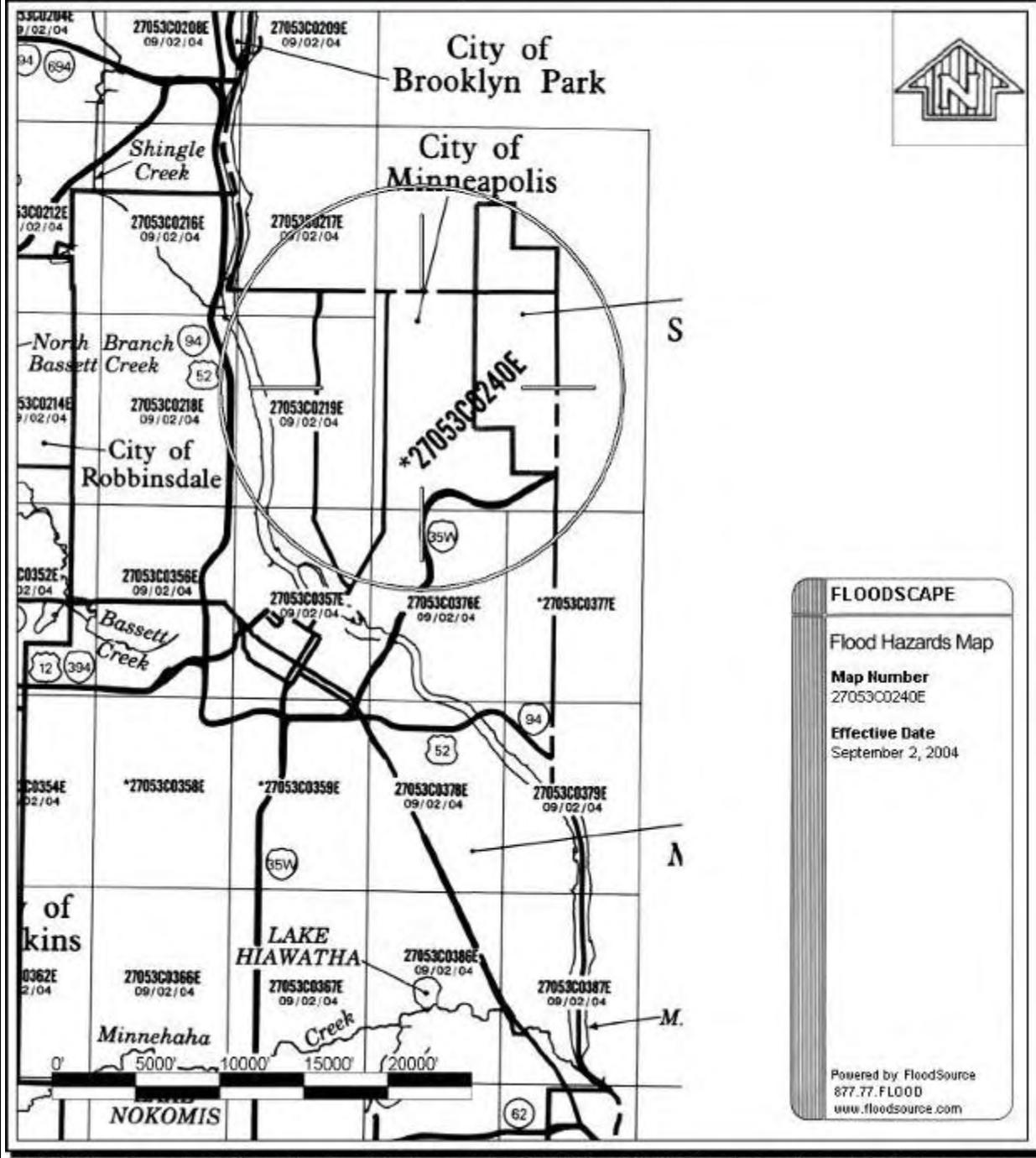
JOB NO. 11,969

SCALE: NONE

BK./PG. 801/32

SHEET 2 OF 2

Survey Part 2



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Flood Map

DESCRIPTION OF THE IMPROVEMENTS

General:	Design/Type	One story plus basement / vacant theater to be converted to an alternative commercial use. One story single-family home
	Gross Building Area	8,524 SF - Main Floor 2,399 SF - Inclining Mezzanine <u>1,484 SF - Basement</u> 12,407 SF GBA 10,923 SF Above Grade
	Net Rentable Area	The building is currently a shell and the net rentable area does not apply for this analysis.
	Year Built	1935
	Other	The footprint of the building is 8,524 square feet and the basement is 1,484 square feet. There is also a 2,399 square foot inclining mezzanine level that was used for seating for the former theater use. The Hollywood Theater has been designated a neighborhood historical landmark. This designation does not allow demolition and the exterior/interior aesthetics will need to be preserved, i.e. marquee, exterior façade, inclining mezzanine, elevated stage etc. Demolition costs for the vacant home have been estimated at \$19,000.
Construction Features:	Frame	Heavy Steel Frame
	Exterior	Brick & Block - The west side of the building fronting to Johnson Street NE has a sandstone-type veneer with granite wainscot.
	Floor	Exposed concrete
	Roof	Arched - A new membrane roof was replaced in 2003. It has been reported that the marquee roof will be replaced in February 2009.

Windows	The theater has nominal fenestration. Essentially there are three openings on the west side upper wall of the building that measure approximately 6" x 3' that will need to be replaced with stained glass; reflective of the original building. These windows are currently boarded up.
Doors	Entrance doors are aluminum frame with glass inlay along the west side of the building. The glass in many of the doors is broken and the doors are boarded up. Salvage of these doors is unlikely. Interior doors are wood and need to be replaced.
Heating/Cooling	The building is currently not heated or cooled, however there is a temporary air, heat and circulation system installed to mitigate mold. The building has internal ducts below the main floor that was used to circulate warmed or cooled air from the basement and blow out from the ceiling of the theater.
Electrical	Electricity is currently coming from extension cords in portions of the building. All electrical will need to be replaced upon redevelopment.
Plumbing	Two gender-specific restrooms are located in the basement level. No plumbing on the main floor. All plumbing will need to be replaced.
Sprinklered	None

Other

The City of Minneapolis has already completed asbestos abatement to a safe level for continued use.

The theater area has an inclining mezzanine level that was used for seating for the former theater. The inclining mezzanine is 2,399 square feet. At the top of the mezzanine is a projection room.

The front (west side) of the building features a marquee that is representative of this vintage movie theater.

There is an elevated stage (5') on the east side of the building.

The theater area has approximate wall heights of 25'. The wall heights are unusually high and would require a higher expense to heat/cool for an alternative use.

The Hollywood Theater has been designated a neighborhood historical landmark. This designation does not allow demolition and the interior/exterior aesthetics will need to be preserved, i.e. marquee, exterior façade, inclining mezzanine, elevated stage etc.

**Floor Plan/
Layout/Finish:**

The main entrance is located on the west side of the building where there is a fairly large entrance vestibule with 12' ceilings. Upon entrance, there is a hallway that spans the width of the building from north to south and provides entrances to the theater on either side of the hallway. The theater area features an open area with 25' ceiling height with exposed steel beams and roof deck.

The east side of the building has an elevated stage (approximately 5' high) and theater screen. On both sides of the screen, there are stairs that lead to a small second level that is elevated approximately 8' above the main floor level. The west 1/3 portion of the theater (rear) has an inclining mezzanine and a projection room in the center, top of the mezzanine. There is an exit doorway in the southeast corner of the building that leads to the alley. The northwest and southwest corners of the building have brick/block exterior wall enclosures that lead to secondary entrances on the northwest and southwest corners of the building and enter at the interior hallway described above.

A basement level is accessible from the center of the main hallway. Concrete spiral stairs lead to a basement common area with two gender-specific restrooms off the common area. A mechanical room is located in the northwest corner of the building.

Site Improvements:	Sidewalks	Concrete sidewalks along Johnson Street NE leading to the front entrance.
	Landscaping	There are some mature deciduous trees on the north lot; however these will be removed upon demolition of the home and offer no contributory value.
	Lighting	Street lights
	Signage	None
	Parking Lot/Driveways	The site does not currently have on-site parking. The lot to the north will be redeveloped to accommodate on-site parking.
Land-To-Building Ratio:	1.47:1	
Quality/Appeal:	The building appears to be structurally sound / The theater building is essentially a shell. All electrical, plumbing, heating/cooling will have to be replaced. The theater has been designated a neighborhood historical landmark. An alternative use is viable and commercial/office is most likely.	
Age/Condition Factors:	The improvements are 73 years old. The property is in poor overall condition, which is essentially a shell for redevelopment to an alternative use. The economic life of the property is about 45 years. The effective age is estimated at 40 years and thus the remaining economic life is approximately 5 years.	

The following illustrations give a depiction of the building dimensions/layout as is. Additional exhibits provide rendering sketches as an alternative use.

SKETCH/AREA TABLE ADDENDUM

Case No 6133

File No 6133

Property Address 2815-2819 Johnson Street NE

City Minneapolis

County Hennepin

State MN

Zip 55418

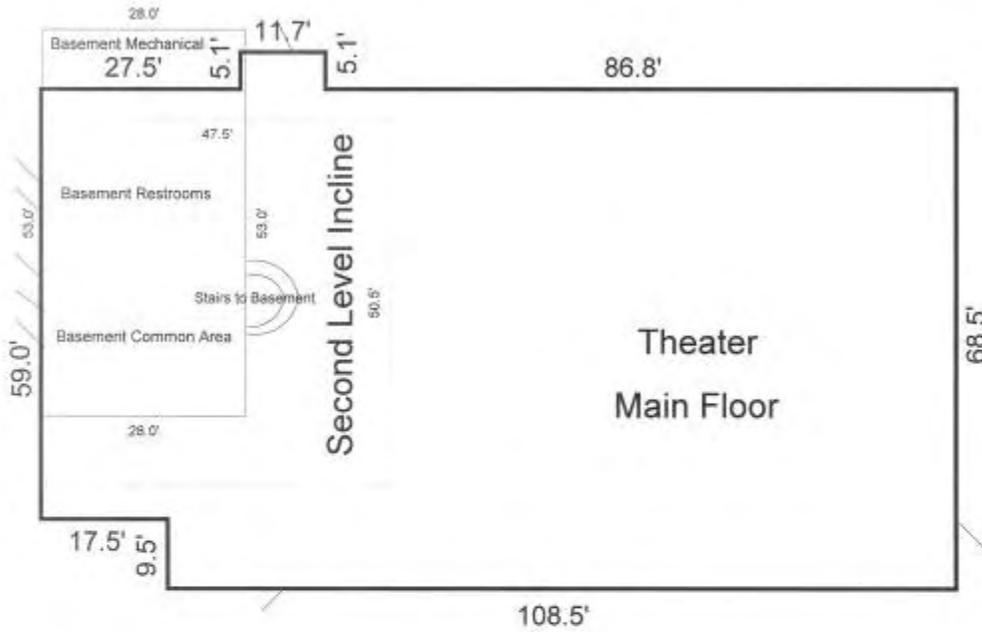
Borrower

Lender/Cliant Minneapolis CPED

L/C Address 105 Fifth Avenue South, Suite 200, Mpls, MN

Appraiser Name BRKW Appraisals, Inc.

IMPROVEMENTS SKETCH



Scale: 1" = 20'

AREA CALCULATIONS

AREA CALCULATIONS SUMMARY			
Code	Description	Size	Net Totals
GLA1	First Floor	2398.75	2398.75
GBA1	Second Level (Inclining)	8524.42	8524.42
BSMT	Basement	1484.00	1484.00
ABOVE GRADE		(rounded)	10,923
TOTAL BUILDING		(rounded)	12,407

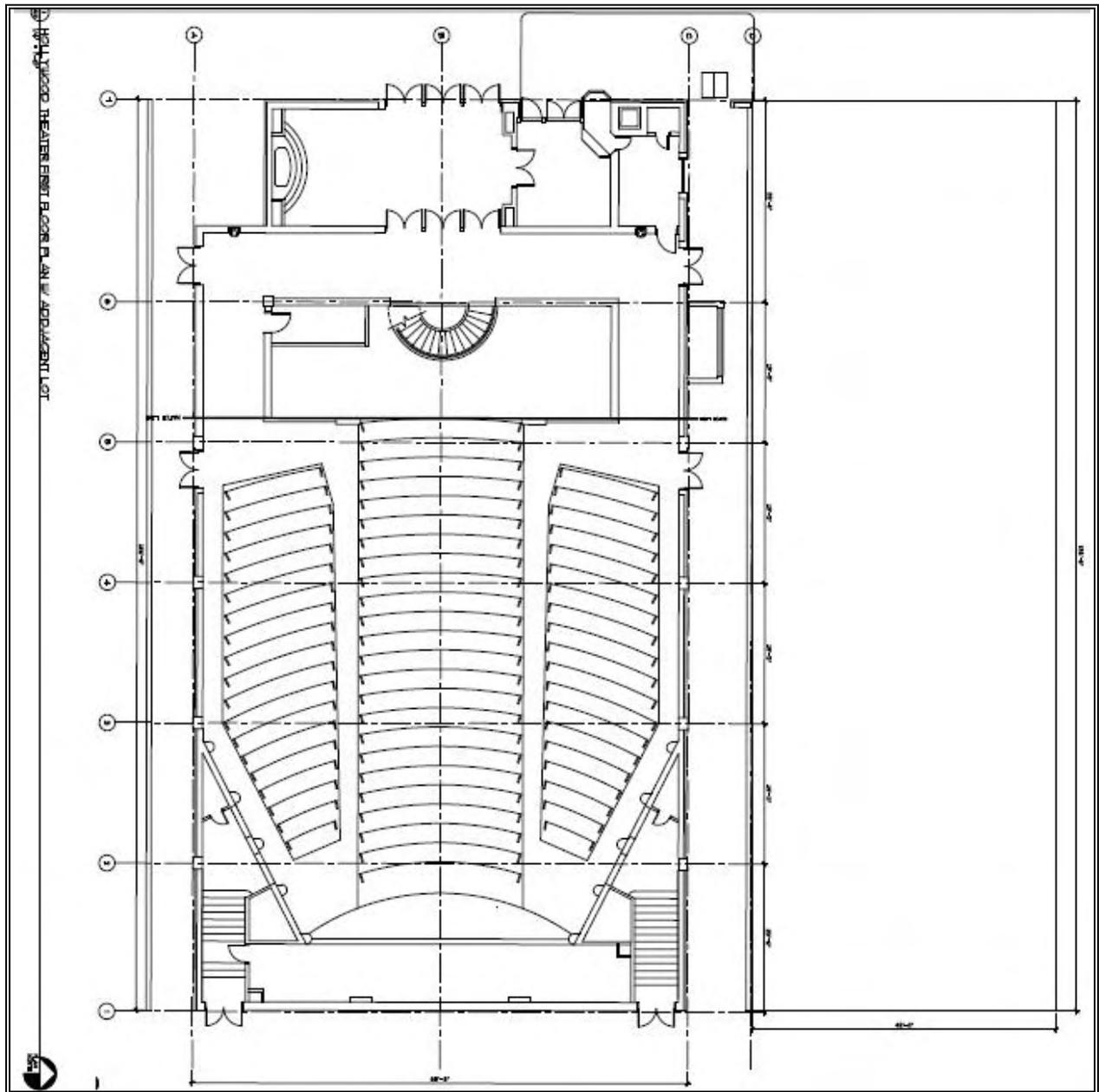
LIVING/BUILDING AREA BREAKDOWN		
Breakdown		Subtotals
First Floor		
47.5 x	50.5	2398.75
5.1 x	11.7	59.67
68.5 x	108.5	7432.25
17.5 x	59.0	1032.50
4 Calculations Total (rounded)		10923

BRKW APPRAISALS

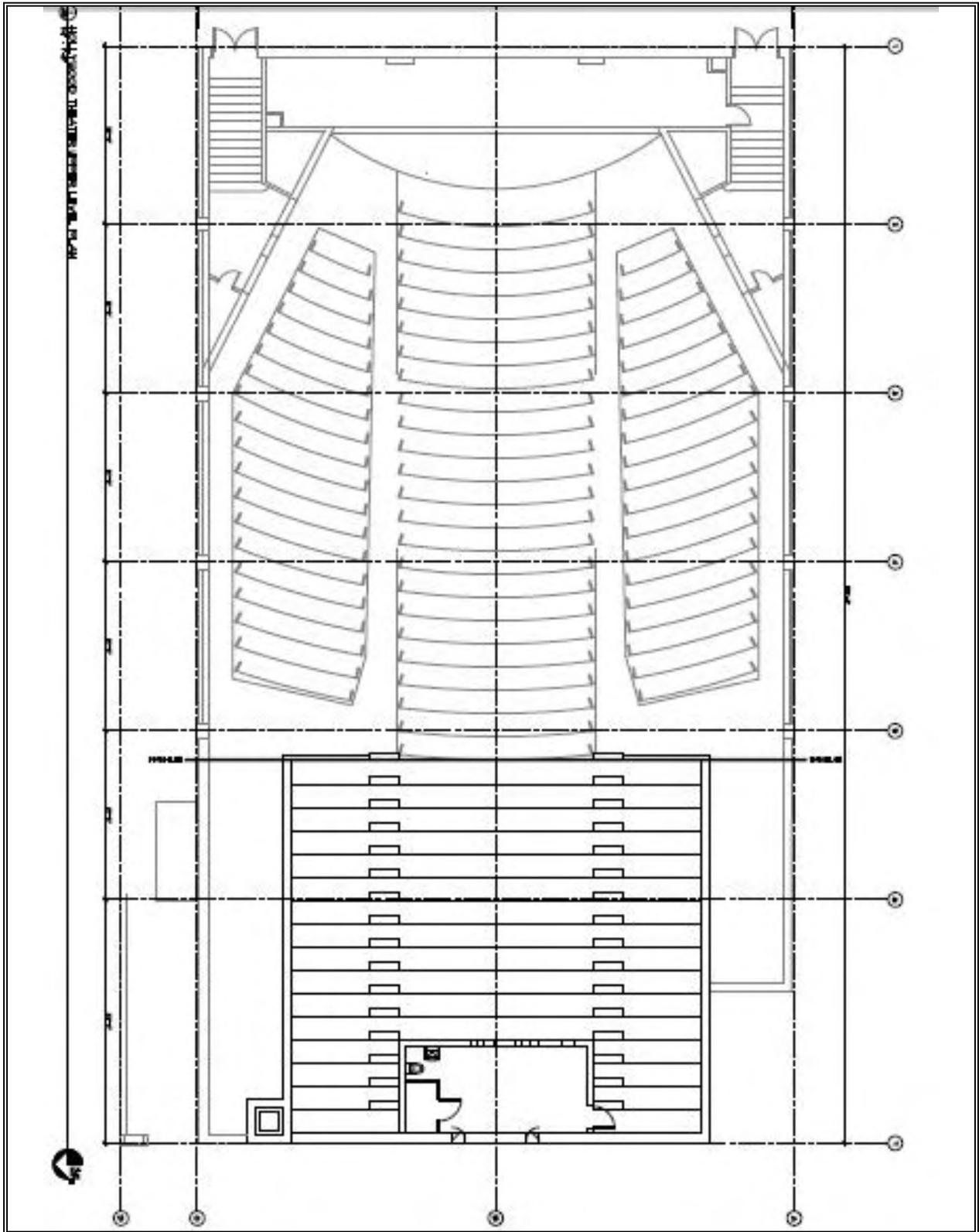
APEX SOFTWARE 800-858-0956

Apd7100-4r-Appd2

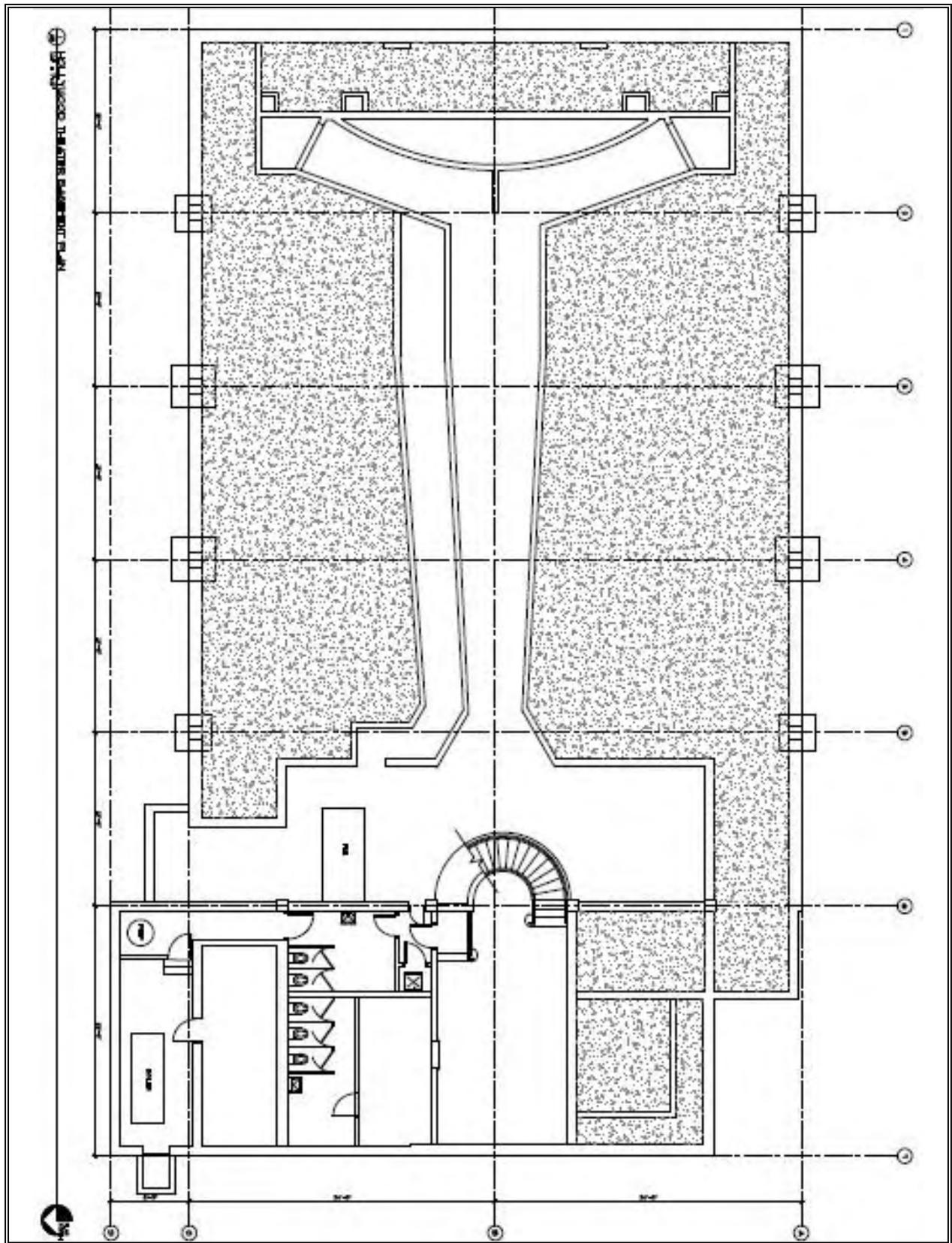
Building Sketch



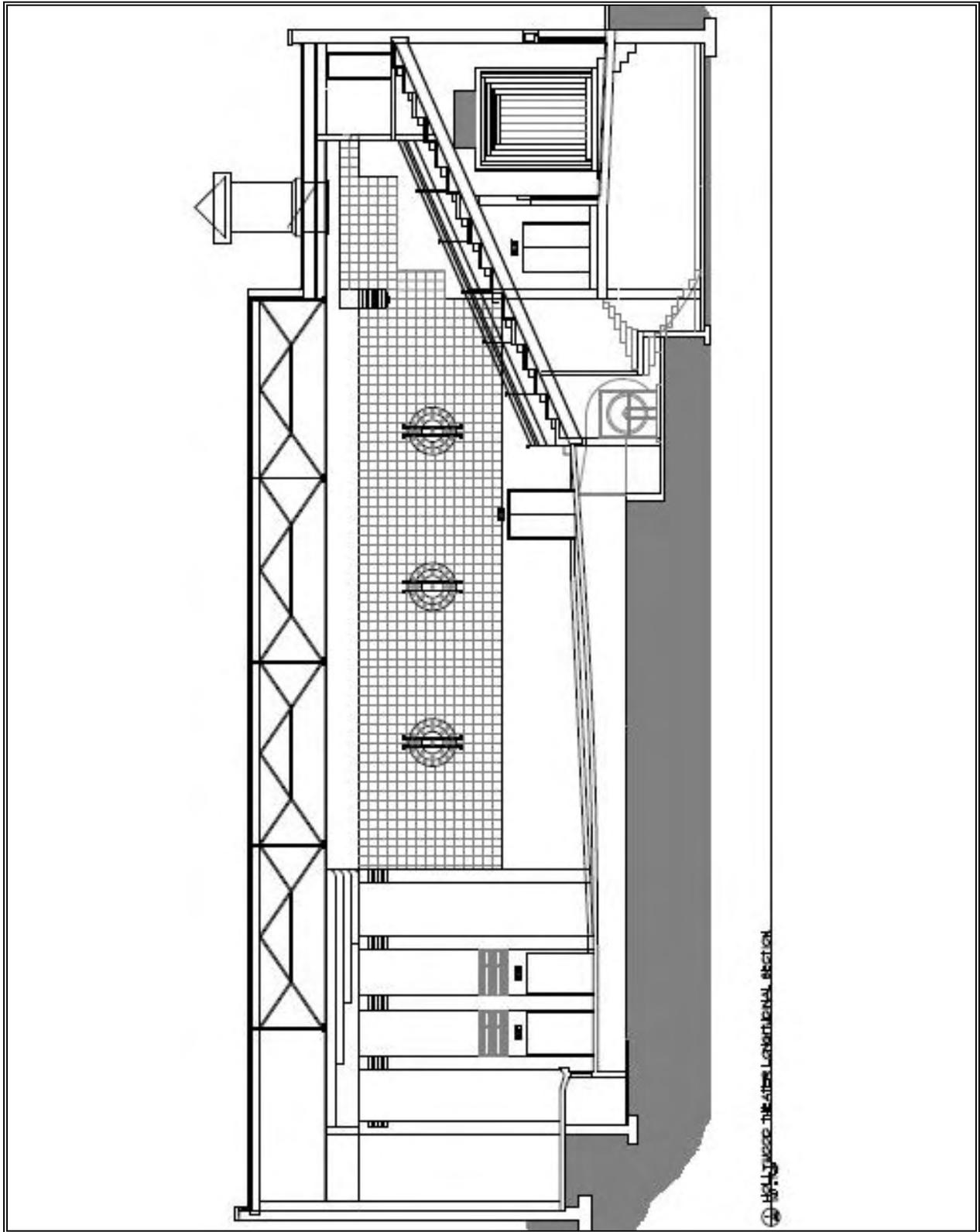
First Floor Plan



Inclining Mezzanine Floor Plan



Basement Floor Plan



Longitudinal – Cut View

Rendering- View of Stage



Existing



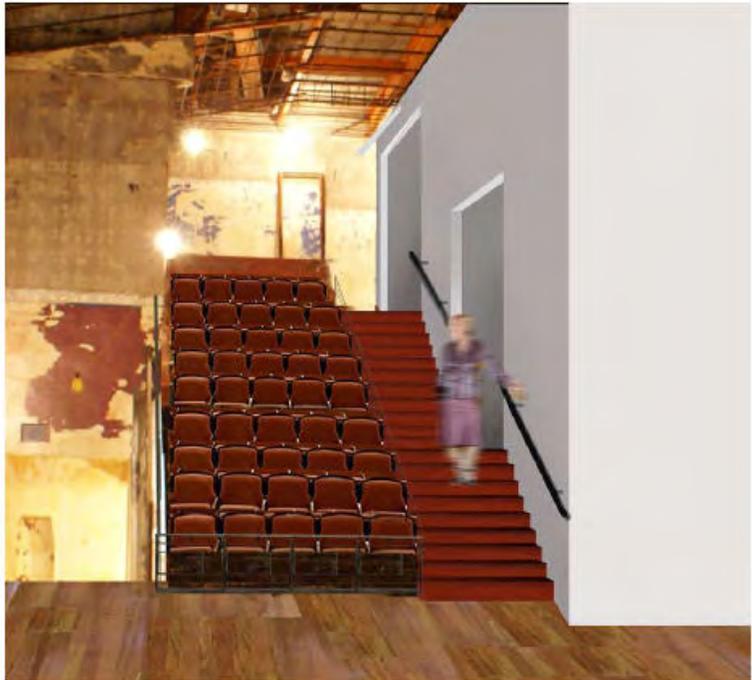
Rendering

Rendering Theater

Rendering- View of Stairs



Existing



Rendering

Rendering Inclining Mezzanine

Rendering- View from Southeast Corner



Existing



Rendering

Rendering Office Use

HIGHEST AND BEST USE ANALYSIS

The term highest and best use is defined in The Dictionary of Real Estate Appraisal, fourth edition, published by the Appraisal Institute, page 135, as:

“The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.”

Highest and Best Use As Vacant: The subject is a rectangular shaped, interior site with a total area of 16,029 square feet, or 0.37 acres. The property is zoned C-1, Neighborhood Commercial District. The properties in the immediate area are older residential and commercial buildings. As many of the homes within this neighborhood were built in the 1940's, the neighborhood is entering the revitalization stage. The subject neighborhood is predominantly residential in use; however several smaller, non-franchise commercial uses reside in pockets along the Johnson Street NE corridor. The subject is located in a concentrated area of commercial uses on Johnson Street NE that generally runs from 27th Avenue NE to 29th Avenue NE. This two block area has a variety of neighborhood businesses including a grocery store, bakery, convenience store, Chinese restaurant, financial service, salons and more.

The site has varying levels of grade. The southern 2/3 of the site inclines from west to east from street grade to approximately 6 feet above street grade at the alley. The northern 1/3 of the site has a steep elevation along the west side of the site approximately 6 feet above street grade and levels off toward the alley to the east.

The site has 126' of frontage on Johnson Street NE. Johnson Street NE is a neighborhood collector road. 29th Avenue NE and Johnson Street NE is the nearest traffic light controlled intersection in the neighborhood. The site also has 126' of frontage on a public alley on the east side of the site. The rectangular shape of the site and interior location provides multiple opportunities for development and a commercial use is suggested from the surrounding uses.

The C-1, Neighborhood Commercial District allows for multiple uses including general retail sales & service, bank or financial institution, child care center, grocery store, offices, sit-down restaurant including service of alcoholic beverages with limited entertainment, theater and more. In addition, the district allows for single and medium density residential uses. In summary, the current zoning designation allows for commercial, medium-density residential or a combination of both.

The overall location is commercial in nature with good access and visibility. This analysis of the subject property suggests that a commercial/office use would be the most compatible with the location and market for the subject property. The location is along a secondary commercial roadway; therefore a commercial/office use would be the most compatible with the size and location of the site. This type of use would be legally permissible and financially feasible, and would generate a positive return to the site.

Given all of the above, it is concluded that the highest and best use of the subject land, as vacant, is for commercial/office use in conformance with C-1, Neighborhood Commercial District zoning.

Highest and Best Use As Improved: The subject site is currently improved with a vacant theater building constructed in 1935 on the southern 2/3 of the site and a vacant single-family residential house on the north 1/3 of the site.

The main improvement on the site is the former Hollywood Theater building that has been vacant since the mid 1980's. Structurally, the building appears to be sound; however the building is essentially a "shell" and will require all new electrical, plumbing and mechanicals. The Hollywood Theater has been designated as a neighborhood historical landmark. Therefore, the building cannot be demolished and any renovations will require maintaining the aesthetic appearance from the 1930's. This is a single screen theater that is no longer suitable in the current market where multi-plex theaters and stadium seating have become the norm. Therefore the use as a theater is not viable. Given the historic designation, an alternative use must be considered.

The interior of the building has many unique features including 25' ceiling heights in the theater area, concrete floors and walls, a 5' elevated stage and an inclining mezzanine area formerly used for theater seating and a projection room. The architectural features offer strong appeal to a segment of commercial users who value the historical significance of the building and urban neighborhood characteristics which together are not generally available except for the downtown office market.

The northern 1/3 of the site is currently improved with a vacant single-family home. The subject is located in a concentrated area of commercial uses on Johnson Street NE that generally runs from 27th Avenue NE to 29th Avenue NE. Although the C-1, Neighborhood Commercial District allows commercial and residential uses alike, a more commercial-office use is indicated.

The property would significantly benefit from on-site parking. The availability of vacant land is nominal in the subject neighborhood. There is one exception, however, directly west and across Johnson Street NE where there is a vacant 0.55 acre site. This site could be developed for parking to support the subject property. Considering traffic volumes on Johnson Street NE and the lack of traffic controls at the intersection of 28th Avenue NE makes this option less viable. The non-contiguous nature of this site combined with these other factors would present more functional obsolescence than benefit to the subject property.

Contiguous onsite parking is an amenity in this neighborhood and the availability of this feature has notable contributory value to a property. As such, the single-family home on the site should be demolished and redeveloped for parking to support the commercial/office use on the remainder of the site.

A typical buyer would view the urban neighborhood location, combined with on-site parking as an added value over paying contract parking in the downtown market. The topography of the site is currently above street grade and the elevation of the alley along the eastern boundary of the site is approximately 6' above street grade. It is recognized that considerable site work and retain walls would be required for redevelopment to a parking lot.

The highest and best use, as improved, is for a commercial/office development and demolition of the existing home to support on-site parking for the remainder of the site.

MARKET OVERVIEW

Market conditions in the Twin Cities area for investment real estate improved significantly during the 1990s from the depressed market conditions present in the early part of that decade. The improvement was spurred by the national and local economies making a full recovery from the recession of the early 1990s, sustained by a record-length expansion cycle, and bolstered by the resurgence of substantial levels of capital from lenders, institutional investors, real estate investment trusts, and other sources.

Ultimately, however, by late 2000, the general economy's pace slowed from its impressive growth streak and entered a recessionary period which lasted substantially through 2002 and part of 2003. The leveling off and downturn in the general economy resulted in the stabilization and softening in the local real estate market as well, causing vacancy levels to rise significantly in most segments. The economy made significant steps toward recovery beginning in 2003 and 2004. 2006 was another good year, even though some segments did not experience the strength of 2005. The office market continued its positive absorption trend. The industrial market continued its positive direction but has slowed down dramatically, and retail saw continued new construction, although the market is showing signs of cooling. The multi-family market was helped by the slumping housing market.

The weakness in the U.S. economy in the fourth quarter 2007 was affirmed by very soft job figures for December. Investment property sales volume was down in 2007 anywhere from 30% to 70% from a year ago, depending on the property type. In September 2008, the credit crisis erupted, causing great uncertainty in the financial and real estate markets throughout the United States.

The Twin Cities industrial market experienced negative absorption for the third consecutive quarter, with negative absorption of 333,430 SF for the quarter and negative 870,364 SF for the year. The 3rd Quarter 2008 *industrial market* survey by Colliers Turley Martin Tucker found an overall vacancy rate of 11.5%, up from the 11.2% in the 2nd Quarter.

The Twin Cities *apartment* market has remained relatively steady. A GVA Marquette Advisors survey showed a 3.7% vacancy rate for the 2nd quarter of 2008, down from 3.9% last quarter and 3.9% a year ago. A total of 440 rental units have been completed thus far in 2008 and year-to-date absorption is estimated at 800 units. Average market rent is up 3% over the past 12 months and 2008 rent growth is estimated at 1.2%. Overall, a sluggish economy and persistent competition from single family homes, condos and townhomes for rent are restricting rent increases.

The most recent *office* market survey (3rd Quarter 2008, Colliers Turley Martin Tucker) indicates an overall metro-wide vacancy rate of 17.1%. This is a 0.2% decrease from the 2nd quarter of 2008. The Twin Cities Office market continues to remain relatively flat. The market experienced positive absorption for the first time this year, with 360,089 SF, but leaves year-to-date absorption figures at a negative 107,986 SF. Average asking rates continued to rise in the third quarter. The overall asking rate for office space was \$12.86 per foot for the quarter, up almost 4% from last quarter.

The Twin Cities *retail* market continued on a flat pace in the third quarter. Absorption registered a negative 4,146 SF for the quarter, making year-to-date absorption a negative 19,908 SF. Vacancy remained steady for the third straight quarter at 5.5%. Average asking rents for retail properties continued to decline in the third quarter. Overall average asking rent for the market was \$17.86 SF, down 6% for the quarter. Increasingly, landlords are giving incentives to secure a tenant, such as free rent and more tenant improvement allowances. This situation is supported by the Minnesota Shopping Center 2008 State of Retail Real Estate Report (November, 2008) that places the average vacancy rate at 5.8% with a median vacancy rate of 2%, up from 0.0% last year.

Land values in the Twin Cities continue to decline in the second half of 2008 as the economy buckled under the weight of the financial crisis. Speculative land values for all product types have declined by as much as two-thirds from the recent peak. Discounts are steepest in areas that buyers anticipated were next in line for new residential and retail expansion because of the highly inflated values. Some of the areas most directly affected include cities like Lakeville, Farmington, Blaine, Buffalo and Otsego.

THE APPRAISAL PROCESS

There are three basic valuation methodologies that may be used in estimating the market value of real estate: the Cost Approach, the Direct Sales Comparison Approach and the Income Approach. These three valuation approaches analyze data from the market to develop independent value indications for the subject property.

The **Cost Approach** is based on the premise that an informed buyer will pay no more for a property than the cost of constructing a comparable property with similar utility. In this analysis, the cost to reproduce or replace the improvements is calculated, which is reduced by the estimated accrued depreciation that has occurred. Accrued depreciation includes physical deterioration, functional obsolescence, and external obsolescence. To the depreciated value of the improvements is then added the site value, which is estimated through the direct comparison with other vacant sites that have sold in the area in recent years, with adjustments made for dissimilarities. The Cost Approach is particularly applicable and reliable when the property being appraised is relatively new with little accrued depreciation, or is of a highly specialized design and/or utility.

The **Direct Sales Comparison Approach** has as its premise a comparison of the subject property with others of similar design, utility and features that have sold in the recent past. To indicate a value for the property, adjustments are made to the comparables for dissimilarities with the subject property. This approach is based on the proposition that an informed buyer would pay no more for a property than the cost of acquiring an existing property with the same utility. This approach is most applicable and reliable when an active market provides sufficient sales of comparable properties for analysis.

The **Income Approach** develops a value estimate for a property predicated on a detailed analysis of its earnings potential and the rate of return on an investment demanded by prudent investors in the marketplace. This analysis converts anticipated benefits and income to be derived from ownership of a property into a value estimate. Detailed income and expense analysis results in a net operating income that the subject is able to generate, which is then converted to a value indication for the property through the capitalization process.

The final step of the appraisal process involves the appraiser analyzing the strengths and weaknesses of each of the three approaches utilized, with the value indications reconciled and correlated to arrive at a final value estimate for the property.

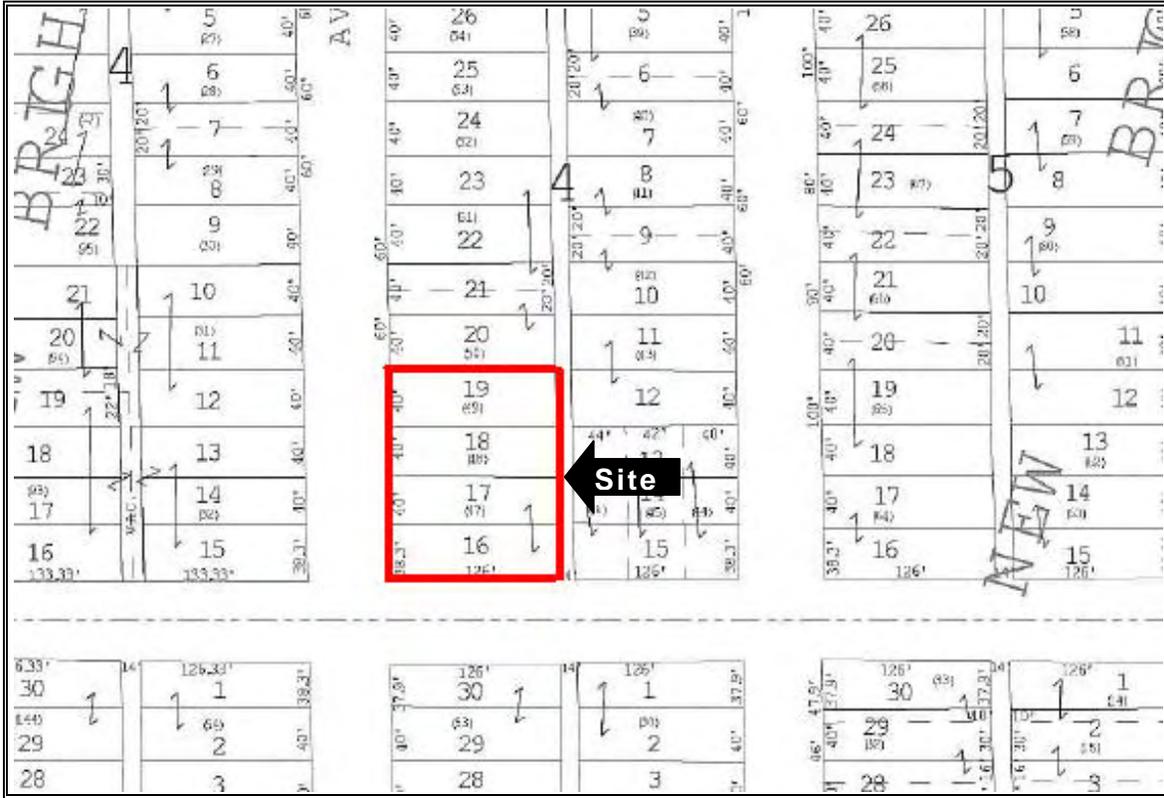
COST APPROACH

LAND VALUATION

On following pages are data describing sales of land similar to the subject land, which are used in a sales comparison analysis to arrive at an opinion of the subject property land value.

Consideration has been applied for the demolition cost required to redevelop a portion of the site for a parking lot. It has been reported that the cost to demo the house is \$19,000 and site abatement costs are estimated at \$1,500. The total cost for demolition and soil correction is \$20,500.

COMPARABLE LAND SALES



Land Sale 1:

715 Old Highway 8, New Brighton

Legal Description:

Lots 16-19, Block 4, First Addition to New Brighton

Buyer/Seller:

Timbercraft Enterprises, Inc. / City of New Brighton

Zoning:

B4, Downtown Business

Sale Date:

April 18, 2007

Sale Price:

\$182,000, Market financing, verified by seller

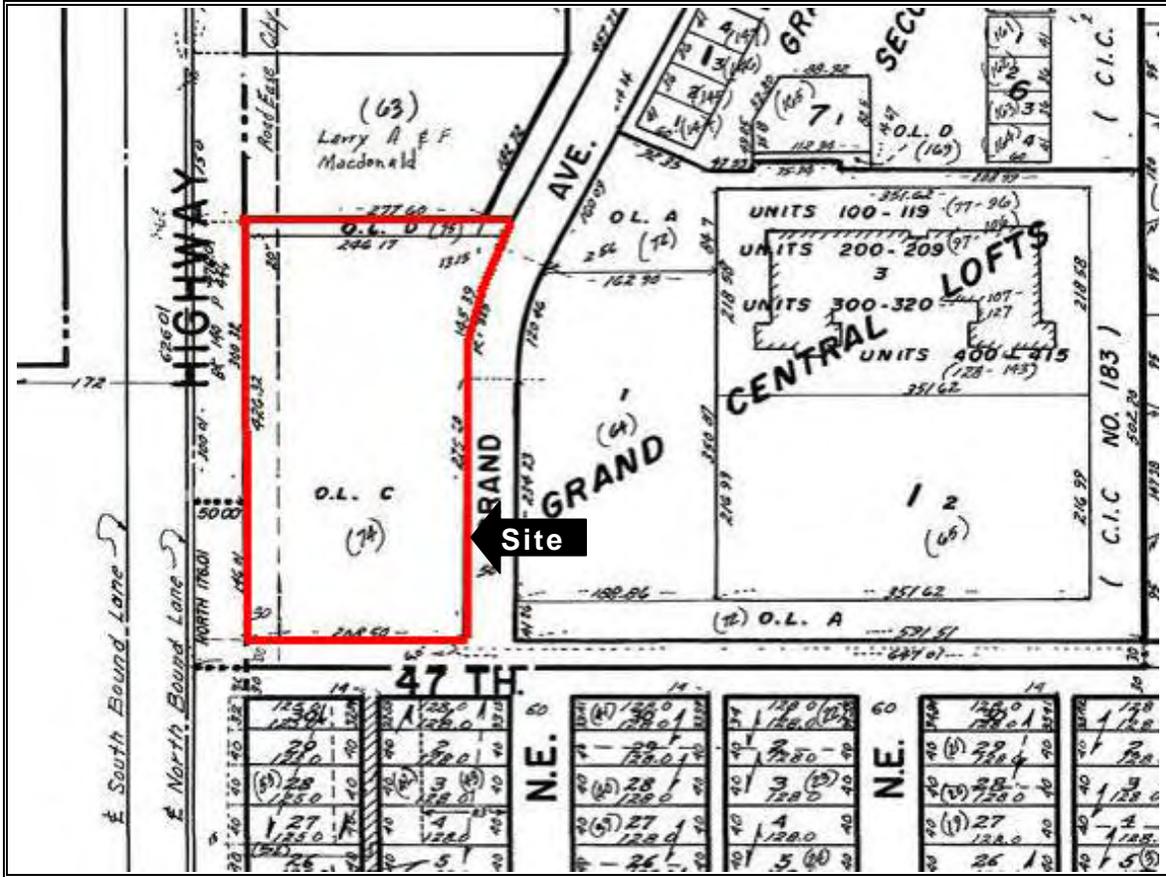
Land Area:

17,859 SF or 0.41 acres

Indicated Factor(s):

\$10.19/SF

This is a commercial zoned site located on the northeast corner of Old Highway 8 and 7th Street NW in New Brighton. The site was improved with a 1,421 SF auto repair facility. The City of New Brighton sold the site for redevelopment and the buyers were responsible for demolition. The cost of demolition has been reported to be \$7,000, which has been added to the base purchase price of \$175,000. The site was redeveloped into an office building. The site is rectangular and has good visibility from these two streets. The east side of the site abuts an alley.



Land Sale 2: 4707 Central Avenue NE, Columbia Heights

Legal Description: Outlot C, Grand Central Lofts

Buyer/Seller: Grand Central Commons, LLC / Grand Central Properties, LLC

Zoning: MD, Mixed-Use

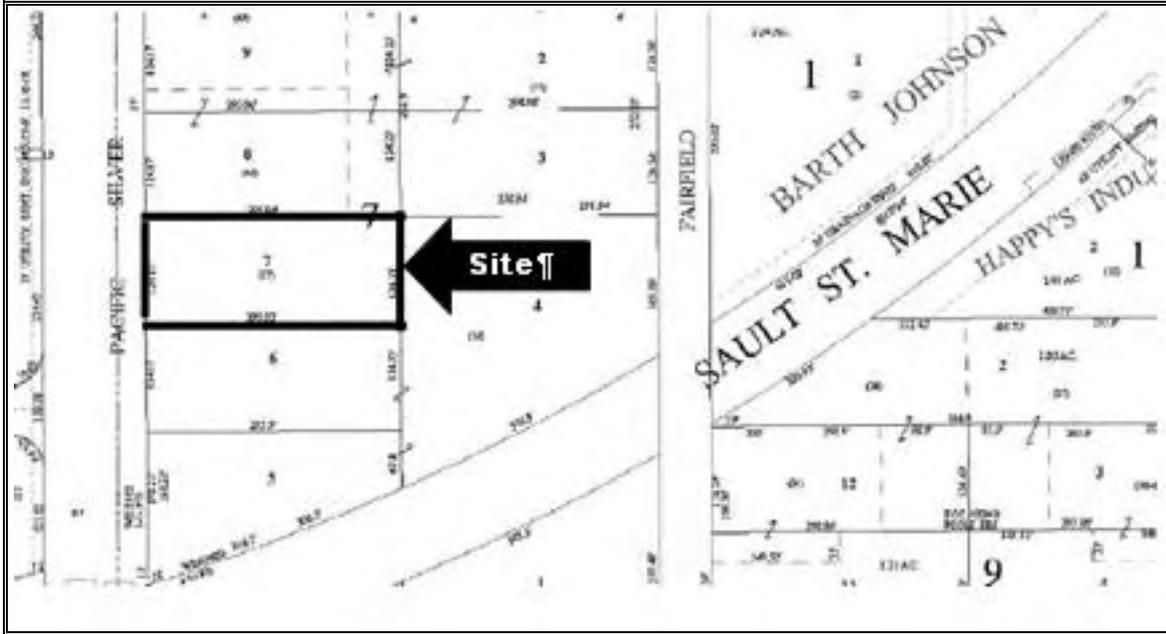
Sale Date: October 26, 2007

Sale Price: \$1,400,000, Market financing, verified by seller

Land Area: 127,929 SF or 2.94 acres

Indicated Factor(s): \$10.94/SF

This site is in the NE corner of Central Avenue NE and 47th Avenue NE in Columbia Heights. This is a high traffic commercial location. Access is from north and south bound Central Avenue NE. I-694 is 2 miles north. The site was vacant at the time of the sale and it was reported that there was no contamination. This is a redevelopment site split from a larger site formerly used as a Kmart. The site is level to rolling with stable soils. The seller verified there was no relation to the buyers and this was an arms length transaction.



Land Sale 3:

38XX Silver Lake Road, St. Anthony

Legal Description:

Lot 7, Block 7, Mounds View Acres 2nd Addition and an access easement over the south part of Lot 8, Block 7.

Buyer/Seller:

S & T Development / Dennis & Kari Knapp

Zoning:

C, Commercial

Sale Date:

May 09, 2006

Sale Price:

\$369,500, cash sale, verified by buyer

Land Area:

36,590 SF or 0.84 acres

Indicated Factor(s):

\$10.10/SF

This is a vacant site located on the east side of Silver Lake Road, just north of 37th Avenue NE in St. Anthony. The site is on the east fringe of St. Anthony Village, which is a new community shopping center anchored by Wal-Mart and Cub Foods. Access is good. The property is rectangular in shape and is an interior site. The buyer bought the land for development of a multi-tenant office building. The site is mostly open and slopes down from west to southeast with all utilities available. The site has an access easement over the south 17.5' of Lot 8, which is developed with a new Tires Plus facility.



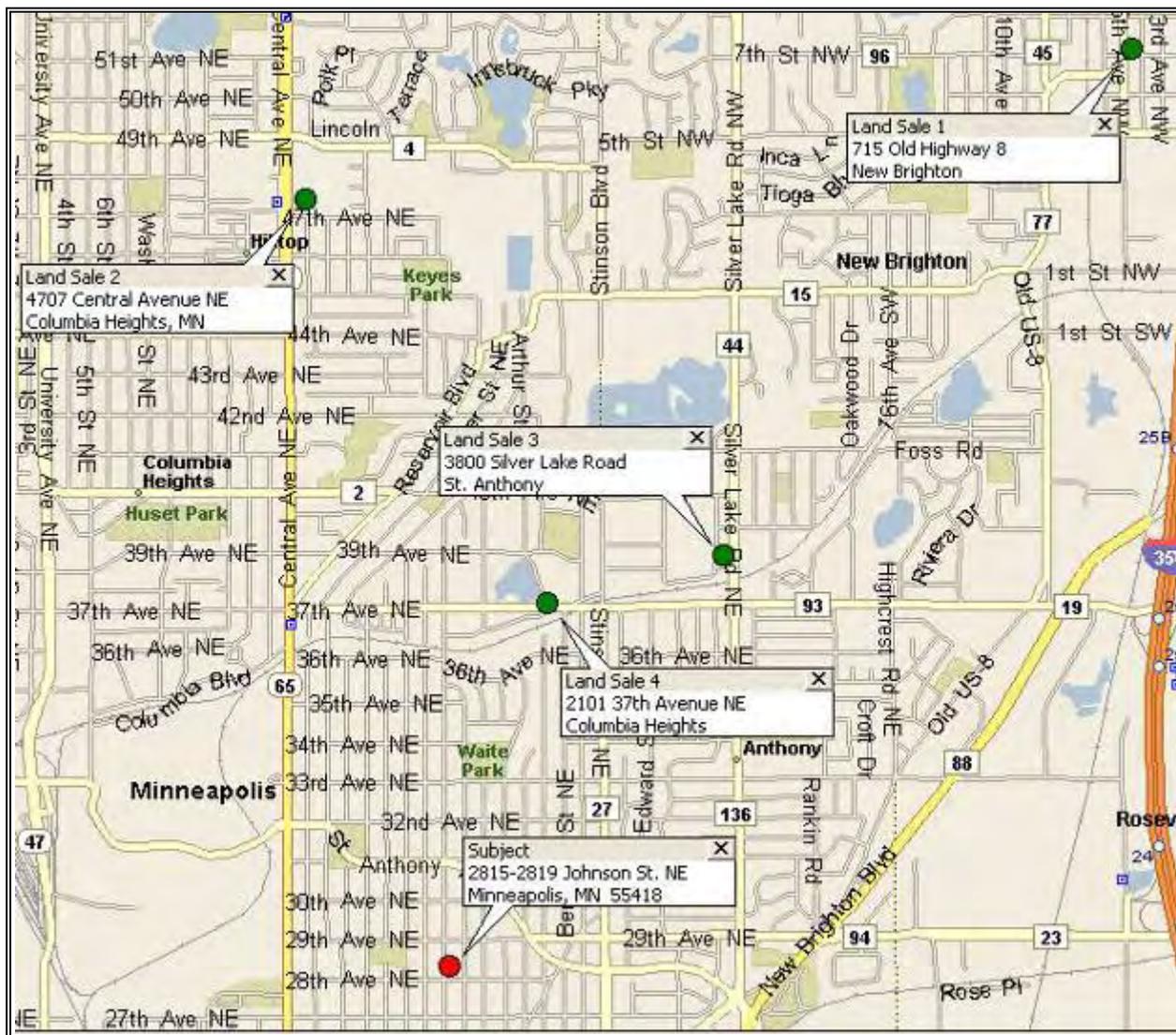
Land Sale 4:	2101 37th Avenue NE, Columbia Heights
Legal Description:	Lots 13-17, Block 2 Waltons Sunny Acres 2nd Addition; subject to easement of record
Buyer/Seller:	Pratt-Ordway, LLC / Gerry & Mary Ann Herringer
Zoning:	GB, General Business
Sale Date:	January 26, 2007
Sale Price:	\$1,760,000, Market financing, verified by seller
Land Area:	166,820 SF or 3.83 acres
Indicated Factor(s):	\$10.55/SF

This commercial zoned site was sold for redevelopment into senior housing and a municipal liquor store. The site was split after the sale. The buyer was responsible for the demolition of a 27,338 SF theater building (Apache Theater) at a reported cost of \$110,000. The demo cost has been added to the purchase price. The site is level to rolling and has no contamination. The seller reported the price was consistent with market.

Comparable Land Sales Summary								
#	Location/PID	Sale Date	Sale Price ¹	Buyer	Land Area ²	Price/SF	Zoning	Comments
				Seller				
1	715 Old Highway 8 New Brighton 29-30-23-11-0093	4/18/07	\$182,000	Timbercraft Enterprises, Inc.	17,859 SF	\$10.19	B4 Downtown Business	Commercial zoned site located on the NEC Old Highway 8 & 7th Street NW; site was improved with a 1,421 SF auto repair facility; buyers responsible for demolition (\$7,000), which has been added to the base purchase price of \$175,000; redeveloped into an office building; rectangular shape; good visibility ; east side of the site abuts an alley.
				City of New Brighton	0.41 Acres			
2	4707 Central Ave. NE Columbia Heights 25-30-24-32-0074	10/26/07	\$1,400,000	Grand Central Commons, LLC	127,929 SF	\$10.94	MD Mixed-Use	SEC of Central Avenue NE and 47th Avenue NE; high traffic location; commercial zoned; frontage on Central Avenue NE; vacant site at sale; no contamination; level to rolling with stable soils; arms length transaction; generally rectangular.
				Grand Central Properties, LLC	2.94 Acres			
3	38XX Silver Lake Road St. Anthony 31-30-23-43-0047	5/9/06	\$369,500	S & T Development	36,590 SF	\$10.10	C Commercial	On east side of Silver Lake Road in St. Anthony Village; community shopping center district; good access; rectangular; interior site; purchased for multi-tenant office building; sloping topography; access easement.
				Dennis & Kari Knapp	0.84 Acres			
4	2101 37th Avenue NE Columbia Heights 36-30-24-44-0015	1/26/07	\$1,760,000	Pratt-Ordway, LLC	166,820 SF	\$10.55	GB General Business	Commercial zoned site sold for redevelopment; split after the sale; demolition of a 27,338 SF theater building (Apache Theater) at a cost of \$110,000 and included in purchase price; level to rolling; no contamination; market price.
				Gerry & Mary Ann Herringer	3.83 Acres			
Subject	2815-2819 Johnson Street NE Minneapolis 12-029-24-12-0062 & 12-029-24-12-0224	1/23/09 Value Date	---	---	16,029 SF 0.37	---	C-1 Neigh. Commercial	Neighborhood commercial district; rectangular site; varying levels of topography that generally slope up from west to east; abuts an alley on the east side of site; on-site parking is available after demo of the house; higher than average site work to convert north portion of site to parking lot.

¹ Sale price includes assumed special assessments and building demolition costs, if any.

² Land area excludes existing road right of way, if any.



Land Sales Location Map

Analysis of Land Sales

The comparable land sales are adjusted for value-related differences in relation to the subject land. Upward adjustments are made to the comparable sale prices for characteristics inferior to the subject site, and downward adjustments are made for attributes which are superior to the subject. Following are items for which adjustments were considered and made, where applicable and necessary:

Property Rights Conveyed: If property rights different than those appraised for the subject property were transferred, an adjustment may be necessary (i.e., leased fee vs. fee simple). All sales were of Fee Simple interest.

Financing: The opinions of market value in this appraisal reflect payment in cash or cash equivalent terms. An adjustment may be necessary when the payment is something other than cash, or financing terms differ from those typically available in the market. All sales represented market rate transactions.

Sale Conditions: Consideration is given to whether transaction was arms-length or was influenced by conditions causing buyer or seller to be atypically motivated. No special conditions were attributed for any of the sales.

Market Conditions/Time: Reflects changes in prices, if any, between date of each comparable sale and valuation date, due to changes in market conditions. There had been a pattern of very strong commercial land price appreciation beginning in the mid to late 1990's which had prevailed in the subject market area as well as the Twin Cities area in general. However, this rapid pace of price increases has receded significantly over the past few years due to the steady increase of foreclosures, generally diminished market conditions and the recent collapse of the financial markets. Market demand for commercial land had been strong for a number of years; however the market began to slow in 2006, and by 2007 prices were declining. Based on this, the sales are adjusted upward 3% annually for 2006, 0% annually during 2007 and a 5% downward annual adjustment for 2008.

Location: Takes into account location factors such as proximity to major access routes and shopping, visibility, surrounding development, and general area desirability/demand. The subject property is located within a neighborhood commercial district of NE Minneapolis. The interior location is considered inferior to a corner site; however the site has good visibility and direct access from Johnson Street NE.

Sale 1 is located in a similar neighborhood commercial district, but the corner location is superior. A downward adjustment was applied for Sale 1. Sale 2 is a corner site with superior visibility/exposure on Central Avenue. A downward adjustment was applied for Sale 2. Sale 3 is located in a superior commercial district of St. Anthony with higher visibility and the interior location is similar. A downward adjustment was applied for Sale 3. Sale 4 is a corner site that is located in a similar neighborhood commercial district of Columbia Heights. A downward adjustment was applied for the corner orientation.

Size: Generally, as parcel size increases, total price increases, but price per square foot typically decreases. The subject site contains approximately 16,029 square feet, or 0.37 acres. The area size of a property can affect the sale price on a per square foot or per unit basis. Typically, very large parcels sell on a reduced \$/unit basis. The size of each comparable sale is considered, and adjustments made as applicable.

Shape/Utility: Development utility is affected by shape and other factors, including items such as easements. Regular shaped sites with few or no restrictions from easements and other factors are preferred in the market. The subject has an attractive shape for development with a rectangular configuration. None of the comparable sales has a grossly irregular shape that would adversely impact development. Sale 3 has an access easement and resulted in a moderate upward adjustment. No other adjustments were required for this category.

Soils/Topography: Stable subsoils needing no corrective measures for building, and level to moderately sloping topography are preferred in the market. The site has varying levels of grade. The southern 2/3 of the site inclines from west to east from street grade to approximately 6 feet above street grade at the alley. The northern 1/3 of the site has a steep elevation along the west side of the site approximately 6 feet above street grade and levels off toward the alley to the east. The highest and best use analysis indicates the north 1/3 of the site should be redeveloped into a parking lot to serve the theater building to the south. Higher than average sitework is necessary to accomplish this in order to level the site for access from Johnson Street NE and retaining walls will be required to account for the variations in grade.

Sales 1 & 4 have superior topographical features with level grade requiring nominal sitework/correction. A downward adjustment was applied to Sales 1 & 4. Sales 2 & 3 have moderate rolling/sloping topography that somewhat restricts development, but not as significant as the subject site. Smaller downward adjustments were applied for Sales 2 & 3.

Zoning/Use: Addresses differences in zoning or intended/allowable use for the site. More intensive allowable uses typically command higher prices per square foot. The subject site is currently zoned C-1, Neighborhood Commercial. Uses within this district include multiple commercial uses as well as residential or mixed-uses. All the comparables represented similar neighborhood commercial type uses. No adjustment was required for any of the sales.

Land Sales Adjustment Grid				
	Sale 1	Sale 2	Sale 3	Sale 4
Sale Price (\$/SF)	\$10.19	\$10.94	\$10.10	\$10.55
Property Rights	<u>x 1.00</u>	<u>x 1.00</u>	<u>x 1.00</u>	<u>x 1.00</u>
	\$10.19	\$10.94	\$10.10	\$10.55
Financing	<u>x 1.00</u>	<u>x 1.00</u>	<u>x 1.00</u>	<u>x 1.00</u>
	\$10.19	\$10.94	\$10.10	\$10.55
Sale Conditions	<u>x 1.00</u>	<u>x 1.00</u>	<u>x 1.00</u>	<u>x 1.00</u>
	\$10.19	\$10.94	\$10.10	\$10.55
Market Conditions	<u>x 0.95</u>	<u>x 0.95</u>	<u>x 0.97</u>	<u>x 0.95</u>
Adjusted Price	\$9.68	\$10.39	\$9.80	\$10.02
Location	-5%	-15%	-5%	-5%
Size	0%	15%	8%	20%
Shape/Utility	0%	0%	3%	0%
Soils/Topography	-15%	-10%	-10%	-15%
Zoning/Use	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Net Adjustment	-20%	-10%	-4%	0%
Indicated Value For Subject	\$7.74	\$9.35	\$9.41	\$10.02

After adjustments, the land sale comparables result in value indications for the subject land ranging from \$7.74 to \$10.02 per square foot of land area. The average of the value indications is \$9.13 per square foot. All of the sale comparables provided good insight into the value of the subject property with a neighborhood commercial, service-oriented type use. Equal emphasis was applied to all comparables.

An additional pending sale was identified within the subject market. This 0.25 acre site located at 1817 Stinson Boulevard is located on the corner of Stinson Parkway and Coolidge Street NE; an area of superior exposure. The site is zoned "OR-1", Neighborhood Office Residence District. The site is triangular in shape, somewhat limiting the utility of the site. The site was listed for 6 months at an asking price of \$125,000, or \$11.48/SF. This is a pending sale that is due to close at the end of January 2009. This pending sale provides added credibility to our value conclusion. Market evidence best supports a value of approximately \$9.25/square foot. Market evidence best supports a value of approximately \$9.25/square foot.

Land Area: 16,029 SF or 0.37 Acres

16,029 SF @ \$9.25 / SF = \$148,268
 Minus Demolition and Soil Correction \$20,500 = \$127,768

Rounded to

OPINION OF LAND VALUE: \$128,000

IMPROVEMENTS VALUATION

The contributory value of the improvements is derived by estimating the replacement cost new of the building and site improvements and deducting from this the loss in value from all forms of depreciation.

Cost New

The replacement cost of the subject improvements is estimated by using the Marshall Valuation Service, a nationally recognized cost data service. The cost new calculations are shown below:

Replacement Cost Calculations

Source: Marshall & Swift Valuation Service

	Theater Cinema	Mezzanines & Live Stage	Theater Basements
Building Area			
Building Class	C	C	C
Quality	Average	Average	Average
Section	16	16	16
Page	13	12	14
Base Square-Foot Cost (Interpolated)	\$ 81.97	\$ 28.67	\$ 51.42
Square Foot Refinements			
Heating and Cooling	+ 6.60	+ 0.00	+ 0.00
Sprinklers	0.00	0.00	0.00
	<u>\$ 88.57</u>	<u>\$ 28.67</u>	<u>\$ 51.42</u>
Height and Size Adjustments			
Wall Height	1.262	1.000	1.000
Floor Area/Perimeter	1.034	1.000	1.000
Refined Square-Foot Cost	<u>\$ 115.58</u>	<u>\$ 28.67</u>	<u>\$ 51.42</u>
Multipliers			
Current Cost Multiplier	1.04	1.04	1.04
Local Multiplier (Mpls./St. Paul)	<u>x 1.15</u>	<u>x 1.15</u>	<u>x 1.15</u>
Final Square-Foot Cost	\$ 138.23	\$ 34.29	\$ 61.50
Building Area (SF GBA)	<u>x 8,524</u>	<u>x 2,399</u>	<u>x 1,484</u>
Building Cost New (Rounded)	\$ 1,178,273	+ \$ 82,262	+ \$ 91,266
Total Building Cost New (Rounded)	= \$ 1,351,801		
Site Improvements: Parking lot, sidewalks, landscaping, signage, etc.		\$ 135,180	
Subtotal		<u>\$ 1,486,981</u>	
Entrepreneurial Profit @ 8%		\$ 118,958	
		<u>\$ 1,605,939</u>	
Rounded to			
REPLACEMENT COST NEW:		\$ 1,610,000	

Depreciation

Depreciation is a loss in value to improvements, relative to the cost to construct them, caused by three major sources: physical deterioration, functional obsolescence and external obsolescence.

Physical: The age-life methodology of estimating physical deterioration was applied. The subject improvements have a chronological age of 73 years and an effective age of about 40 years. Dividing the subject effective age by the total economic life of 45 years indicates physical deterioration of approximately 88%.

Functional: The subject building is designed as a theater building from early 1900s design standards. This design is no longer functional to modern construction/design standards. Since the subject property has been designated a neighborhood historical landmark, an alternative use must be considered, while the architectural aesthetics are maintained. The building does not reflect an ideal design for an alternative commercial use due to the extremely high ceilings and lack of utility of the inclining mezzanine. This reflects a form of functional obsolescence within the improvements, which is estimated at 15% of the remainder replacement cost, after first deducting for physical deterioration.

External: The commercial real estate markets started to experience a downturn in 2006 and continues into 2008. According to the 1st Quarter Colliers Market Report the asking prices for buildings on the market for sale are coming down, and the Twin Cities continues to have negative job growth. A 5% factor was applied for declining market conditions.

The calculations for the Cost Approach value indication are shown as follows:

Cost Approach Calculations Summary

Replacement Cost New		\$	1,610,000
Less Accrued Depreciation			
Physical Deterioration -	88%	\$	<u>1,416,800</u>
Cost New Less Physical		\$	193,200
Functional Obsolescence -	15%	\$	<u>28,980</u>
Cost New Less Physical & Functional		\$	164,220
External Obsolescence -	5%	\$	<u>8,211</u>
Cost New Less Physical, Functional & External		\$	156,009
Total Accrued Depreciation -	90%	\$	<u>(1,453,991)</u>
Depreciated Value of Improvements		\$	156,009
Plus Land Value		\$	128,000
		\$	284,009
		Rounded to:	
COST APPROACH VALUE INDICATION:		\$	285,000

DIRECT SALES COMPARISON APPROACH

A number of building sales similar to the subject property type have been researched and reviewed, with primary emphasis given to sales of properties in reasonable proximity to the subject property and possessing similarities in design, size, age, utility, and other attributes. On following pages are details describing the comparable sales which are concluded to possess the highest degree of overall similarity to the subject property and are analyzed within the Direct Sales Comparison Approach.

Comparable Building Sales Summary

#	Location/ PID #	Sale Date	Sale Price	Buyer	Gross Building Area (SF)	Price/S F GBA	Land-to- Building Ratio	Age/ Condition	Comments
				Seller					
1	1901 & 1928 2nd Street North Minneapolis 15-029-24-24-0025, 15- 029-24-31-0111	6/18/04	\$350,000	Landmark 125 West Broadway, LLC	13,337	\$26.24	2.10	1962 / Poor "shell"	Former bowling alley; vacant at time of sale; all equip. was removed; parking lot across the street; I-94 is within 1 block; constructed in 1962; steel frame; brick veneer ; hip roof w/metal surface; poor condition ("shell) and in need of complete renovation.
				Eduardo Salgado & Elodia Diaz Contreras					
2	516 Hennepin Avenue Minneapolis 22-029-24-43-0025	10/16/06	\$1,100,000	Artspace Projects, Inc.	30,000	\$36.67	0.45	1900 / Fair "shell"	Vacant at time of sale; "shell" at the time of sale; parking lot directly north was purchased by buyers five years earlier and is available to the property for parking fees; full basement; in the heart of Downtown Minneapolis; 0.5 blocks south of the light rail transit line; no site contamination.
				City of Minneapolis					
3	1901 Hennepin Avenue East Minneapolis 18-029-23-33-0031	6/23/04	\$500,000	5th Street Ventures, LLC	49,295	\$10.14	0.99	1923 / Poor "shell"	"Shell" at the time of purchase; converted from a warehouse to residential condo units; "near clean" site at the time of sale; vacant at the time of the sale; 12,000 SF basement; constructed in 1923; steel frame; brick exterior; on-site parking.
				The Glidden Company					
4	7200 147th Street West Apple Valley 01-11730-021-07	2/12/04	\$985,000	Seventy-Two Hundred, LLC	28,536	\$34.52	2.40	1989 / Average to Good	Vacant movie theater converted to a music school; constructed in 1989; adequate electrical, plumbing and heating at the time of the sale; adequate on-site parking with a cross-parking easement..
				B & G Realty, Inc.					
Subject	2815-2819 Johnson Street NE Minneapolis 12-029-24-12-0062 & 12-029-24-12-0224	1/23/09 Value Date	---	---	10,923	---	1.47	1935 / Poor "shell"	Vacant theater; poor condition; "shell" commercial building; 2,399 SF of above grade area is inclining mezzanine level that limits utility; on-site parking; partial basement; 25' ceilings.



Building Sale 1:	1901 & 1928 2nd Street North, Minneapolis
Type:	Commercial shell
Buyer/Seller:	Landmark 125 West Broadway, LLC / Eduardo Salgado & Elodia Diaz Contreras
Sale Date:	June 18, 2004
Sale Price:	\$350,000, Market financing, verified by buyer
Gross Building Area:	13,337 SF
Age/Condition:	1962 / Poor "shell"
Land Area:	27,958 SF or 0.64 ac.; Land/bldg. ratio of 2.10:1
Indicated Factor(s):	\$26.24/SF GBA

This was a former bowling alley that was vacant at the time of the sale. All bowling alley equipment was removed prior to the sale. The sale also included a parking lot across the street. The property is located on the southeast corner of 2nd Street North and West Broadway. Access to I-94 is within one block. The building was constructed in 1962 with a steel frame, brick veneer exterior. The hip roof has a metal surface. The overall condition at the time of the sale was poor and in need of complete renovation. The buyer converted the use into a multi-tenant office.



Building Sale 2:	516 Hennepin Avenue, Minneapolis
Type:	Vacant theater building
Buyer/Seller:	Artspace Projects, Inc. / City of Minneapolis
Sale Date:	October 16, 2006
Sale Price:	\$1,100,000, Market financing, verified by buyer
Gross Building Area:	30,000 SF
Age/Condition:	1900 / Fair "shell"
Land Area:	13,530 SF or 0.31 ac.; Land/bldg. ratio of 0.45:1
Indicated Factor(s):	\$36.67/SF GBA

This was a vacant two-story commercial building at the time of the sale. The building was essentially a "shell" at the time of sale. The buyers had been assembling sites on this block. The parking lot directly north was purchased five years earlier and is available to the property for parking fees. The buyer stated that the sale price was consistent with market. There is a full basement that is used for storage. The basement has not been included in the price per square foot. The property has frontage on Hennepin Avenue in the heart of Downtown Minneapolis and 0.5 blocks south of the light rail transit line. There was no site contamination.

Analysis of Building Sales

The comparable building sales are adjusted for value-related differences in relation to the subject property. Upward adjustments are made to the comparable sale prices for characteristics inferior to the subject property, and downward adjustments are made for attributes which are superior to the subject. The unit of comparison for this analysis will be price per SF of Above Grade Area.

Property Rights Conveyed: If property rights different than those appraised for the subject property were transferred, an adjustment may be necessary (i.e., leased fee vs. fee simple). All sales were of Fee Simple interest.

Financing: The opinions of market value in this appraisal reflect payment in cash or cash equivalent terms. An adjustment may be necessary when the payment is something other than cash, or financing terms differ from those typically available in the market. All sales involve cash equivalent financing and therefore no adjustments are required.

Sale Conditions: Consideration is given to whether transaction was arms-length or was influenced by conditions causing buyer or seller to be atypically motivated. The buyer of Sale 2 had been assembling sites in this block for two years, however they indicated the building was acquired at a market level. No other special conditions were attributed for any of the sales.

Market Conditions/Time: Reflects changes in prices, if any, between date of each comparable sale and valuation date, due to changes in market conditions. There had been a pattern of very strong commercial price appreciation beginning in the mid to late 1990's which had prevailed in the subject market area as well as the Twin Cities area in general. However, this rapid pace of price increases has receded significantly over the past few years due to the steady increase of foreclosures, generally diminished market conditions and the recent collapse of the financial markets. Market demand for commercial properties had been strong for a number of years, however the market began to slow in 2006, and by 2007 prices were declining. Based on this, the sales are adjusted upward 2% annually for 2004 - 2006, 0% annually during 2007 and a 5% downward annual adjustment for 2008.

Location: The subject property is located within an urban commercial district of NE Minneapolis with an emphasis on neighborhood commercial services. Access to I-35 is within 0.5 miles south and I-94 is one mile west. Sale 1 has superior exposure and visibility on West Broadway and access to I-94 is within one block. A downward adjustment was applied for Sale 1. Sale 2 is located in Downtown Minneapolis having superior exposure on Hennepin Avenue, the main thoroughfare for Downtown. A downward adjustment was applied for Sale 2. Sale 3 is located in a similar neighborhood commercial district of East Minneapolis and no adjustment was required. Sale 4 is located in the suburb of Apple Valley. The property is one block east of Cedar Avenue, a community commercial corridor. Access to major interstates is within 2 miles. Overall, the location is slightly inferior to an urban commercial location in Minneapolis but the superior commercial corridor slightly offset the adjustment. An upward adjustment was applied for Sale 4.

Age/Condition: Adjustments are made based on building age and/or overall condition of the comparables relative to the subject. The subject property was constructed in 1935 and is in poor overall condition. Essentially the building is a shell, where all electrical, plumbing and mechanicals will need to be replaced. Sale 1 was built in 1962 and was also a building "shell" at the time of sale. No adjustment as applied for Sale 1. Sale 2 is of a similar vintage commercial building; however some of the building mechanicals could be salvaged/updated. Overall the condition is superior resulting in a downward adjustment. Sale 3 is a similar vintage commercial building with a similar "shell" condition at the time of sale. No adjustment was required for Sale 3. Sale 4 was constructed in 1989, a superior age. Many of the building mechanicals, plumbing and electrical were already available. A downward adjustment was applied for Sale 4 due to the superior age and condition.

Quality/Appeal: Significant differences in construction quality, building design, and overall curb appeal are accounted for in this adjustment. The subject property is a Class C, steel frame building with brick exterior. The front of the building has some architectural appeal due to a sandstone veneer and granite wainscot. Sale 1 has an inferior level of appeal due to more average appearance and no specialty features. An upward adjustment was applied for Sale 1. Sale 2 has the architectural features from the early 1900s and is similar in quality and appeal. No adjustment was required for Sale 2. Sale 3 has a four level design and the architectural appeal is inferior. An upward adjustment was applied for Sale 3. Sale 4 has a more modern design and functionality, being superior. A downward adjustment was applied for Sale 4.

Building Size: Typically, as building area increases, price per square foot decreases. The subject above grade area is 10,923 SF. With respect to the real estate market, very large buildings tend to sell on a lower dollar per unit basis than small buildings. The \$/SF factor tends to increase as building size diminishes with respect to both construction costs and sale prices. The comparable properties range in size from 13,337 SF to 49,295 SF, and adjustments are made accordingly.

Land Area: Addresses significant differences in land-to-building ratios between the comparable sales and the subject. Properties with greater amounts of land area typically offer the potential for more off-street parking and/or building expansion. The subject land area is 16,029 SF and the building area is 10,923 SF which indicates a land area to building area ratio of 1.47 to 1. The site is large enough to accommodate on-site parking, however significant site work is required to accommodate the site's topographical features, i.e. retaining walls, site leveling etc. The house on the site will also have to be removed, however this expense will be adjusted at the conclusion of this approach.

Sale 1 has adequate off-street parking, however the parking lot is non-contiguous. The inferior site layout is offset by the superior topography and parking improvements already on the site. Therefore no adjustment is applied to Sale 1. Sale 2 did not include a parking lot in the sale price. The buyers had already acquired a site directly north, however parking is available by fee only. An upward adjustment was applied for inferior parking. Sale 3 has onsite parking available, however the land-to-building ratio is inferior. An upward adjustment was applied for Sale 3. Sale 4 has ample onsite parking with a cross-parking easement. The land-to-building ratio is also superior. A downward adjustment was applied to Sale 4.

Other Features: Consideration is given as to whether there are any additional features present within the comparables or the subject property that add to property value.

Functional Utility: The subject building has an inclining mezzanine level due to the former use as a theater. Due to the historical designation of the property, this layout must be retained for an alternate use. The inclining nature reduces the utility of this area. In addition, the high 25' ceilings are considered an inferior factor for commercial/office use due to the high cost to heat/cool. All the Sales were adjusted upward for superior utility of the above grade floor area.

Basement: The subject property has a partial basement that provides added utility. Sale 1 has a similar partial basement and no adjustment is required. Sales 2 and 3 have full basement levels, being superior to a partial basement. Downward adjustments were applied for Sales 2 and 3. Sale 4 does not have a basement and an upward adjustment was applied.

Building Sales Adjustment Grid				
	Sale 1	Sale 2	Sale 3	Sale 4
Sale Price (\$/SF)	\$26.24	\$36.67	\$10.14	\$34.52
Property Rights	<u>x 1.00</u>	<u>x 1.00</u>	<u>x 1.00</u>	<u>x 1.00</u>
	\$26.24	\$36.67	\$10.14	\$34.52
Financing	<u>x 1.00</u>	<u>x 1.00</u>	<u>x 1.00</u>	<u>x 1.00</u>
	\$26.24	\$36.67	\$10.14	\$34.52
Sale Conditions	<u>x 1.00</u>	<u>x 1.00</u>	<u>x 1.00</u>	<u>x 1.00</u>
	\$26.24	\$36.67	\$10.14	\$34.52
Market Conditions	<u>x 1.00</u>	<u>x 0.96</u>	<u>x 1.00</u>	<u>x 1.00</u>
Adjusted Price	\$26.24	\$35.20	\$10.14	\$34.52
Location	-5%	-30%	0%	10%
Age/Condition	0%	-5%	0%	-30%
Quality/Appeal	5%	0%	15%	-10%
Building Size	0%	10%	30%	10%
Land Area	0%	10%	10%	-5%
Functional Utility	-5%	-5%	-5%	-5%
Basement	<u>0%</u>	<u>-2%</u>	<u>-2%</u>	<u>2%</u>
Net Adjustment	-5%	-22%	48%	-28%
Indicated Value For Subject	\$24.93	\$27.46	\$15.01	\$24.85

RECONCILIATION

The applicable approaches indicate the following market values for the subject property:

Cost Approach	\$285,000
Direct Sales Comparison Approach	\$265,000
Income Approach	Not Applied

The Cost Approach is most useful in the appraisal of new construction. It becomes more difficult to ascertain losses in market value due to various forms of depreciation and obsolescence as buildings age from new. The subject property is 73 years old and there is a significant amount of accrued depreciation. This depreciation is somewhat subjective; however the approach lends insight into the value of the land and the contributory value of the improvements. The value indication from this approach is given some weight and is generally supportive of the final opinion of value.

The Direct Sales Comparison Approach to value is founded on the principle of substitution, in that a prudent buyer will pay no more for a property than for an equally desirable substitute. An informed buyer seeks the best available property at the lowest price possible. Several sales of vacant commercial buildings were available for detailed analysis. The sales utilized in this analysis provided a strong representation of the subject building as a commercial "shell" with potential for conversion to an alternate use. After appropriate adjustments, the comparable sales are considered to provide a strongly supported value indication for the subject property.

The Income Approach to value is based on the theory that market value is the present worth of estimated future income benefits. The Income Approach value indication is based on a thorough analysis of the property's potential to generate a net income after analyzing market rent comparables, vacancy levels, operating expenses, and capitalization rates. The subject property is a "shell" building that will need to be converted to an alternate use. Until that alternate use is identified, this approach lends no credibility to the final valuation.

Both the Cost and Sales Approaches lend insight into the market value of the subject property, and equal emphasis was applied to both approaches. It is our opinion that the market value of the fee simple interest in the subject property, as of January 23, 2009 is as follows:

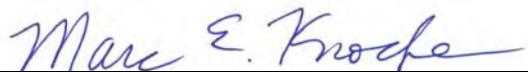
TWO HUNDRED SEVENTY FIVE THOUSAND DOLLARS
(\$275,000)

The market value opinion for the subject property is based on a marketing time and exposure period of 12 months.

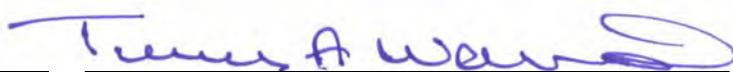
CERTIFICATION

The undersigned does hereby certify that in this appraisal report:

1. This appraisal assignment is not based on a requested minimum valuation or specific valuation for approval of a loan. The estimate of market value identified in this report was developed independent of any undue influence.
2. Neither our engagement to make this appraisal (or any future appraisals for this client), nor any compensation, therefore, are contingent upon the development or report of a predetermined value or direction in value that favors the cause of the client, the amount of value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.
3. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
4. We have no present or contemplated future interest in the real estate that is the subject of this appraisal report.
5. We have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.
6. To the best of our knowledge and belief the statements of fact contained in this appraisal report upon which the analyses, opinions and conclusions expressed herein are based, are true and correct.
7. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, impartial, and unbiased analyses, opinions, and conclusions.
8. This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice.
9. No one provided significant professional assistance to the person(s) signing this certification.
10. We have made a personal inspection of the property that is the subject of this report.
11. 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, Marc E. Knoche, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
13. The by-laws and regulations of the Appraisal Institute govern disclosure of the contents of this appraisal report.
14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he/she is connected, or any reference to the Appraisal Institute or 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.
15. We have the knowledge and experience to complete this appraisal in a competent manner. Neither our company nor ourselves individually have been sued by a regulatory agency or financial institution for fraud or negligence involving an appraisal report.



Marc E. Knoche, MAI
Certified General Real Property Appraiser
Minnesota License #4001101



Terry A. Ward
Certified General Real Property Appraiser
Minnesota License #20323636

PROFESSIONAL QUALIFICATIONS

MARC E. KNOCHE, MAI

BRKW APPRAISALS, INC.
1600 University Avenue, Suite 314
St. Paul, Minnesota 55104

Telephone: (651) 646-6114
Facsimile: (651) 646-8086
e-mail: mknoche@brkw.com

EMPLOYMENT HISTORY

March 1991 to Present: Principal – BRKW Appraisals, Inc., St. Paul, MN
May 1985 to February 1991: Appraiser - Dahlen & Dwyer, Inc., St. Paul, MN
February 1982 to May 1985: Appraiser - E.F. LaFond Company, Inc., St. Paul, MN
October 1973 to November 1981: Investigator -U.S. Consumer Product Safety Commission
August 1972 to September 1973: Investigator - U.S. Food and Drug Administration

PROFESSIONAL MEMBERSHIPS AND ASSOCIATIONS

Member - The Appraisal Institute, MAI (Member #9548). I have completed the requirements under the continuing education program of the Appraisal Institute.
President - The Metro/Minnesota Chapter of the Appraisal Institute, 1992 & 1993
Officer - The Metro/Minnesota Chapter of the Appraisal Institute, 1991-1994
Officer and Director - St. Paul Chapter #16 of Society of Real Estate Appraisers, 1985-1990
Director - Minnesota Association of Professional Appraisers, 1996-1999

PROFESSIONAL EXPERIENCE

Qualified and experienced as an Expert Witness for litigation.
Served as a District Court appointed condemnation commissioner.

Appraisal assignments have been completed for the following purposes:

- | | |
|---------------------------|-----------------------------|
| ◆ Mortgage Financing | ◆ Real Estate Tax Abatement |
| ◆ Condemnation/Litigation | ◆ Special Benefits Analysis |
| ◆ REO Portfolio Valuation | ◆ Estate Valuation |
| ◆ Buy/Sell Decisions | ◆ Feasibility Studies |
| ◆ Review Appraisals | ◆ Client Consultation |

Property types appraised include the following:

- | | | |
|------------------------|------------------------|-------------------------|
| ◆ Apartment Buildings | ◆ Manufacturing Bldgs. | ◆ Recreation Facilities |
| ◆ Auto Service Centers | ◆ Medical Clinics | ◆ Restaurants |
| ◆ Banks | ◆ Mini-Storage Bldgs. | ◆ Retail Stores |
| ◆ Churches | ◆ Mixed Use Properties | ◆ Schools |
| ◆ Condos & Townhomes | ◆ Office Buildings | ◆ Shopping Centers |
| ◆ Convenience Stores | ◆ Office-Showrooms | ◆ Single Family Homes |
| ◆ Dealerships | ◆ Office-Warehouses | ◆ Special Purpose |
| ◆ Gas Stations | ◆ R & D Buildings | ◆ Subdivision Land |
| ◆ Government Bldgs. | ◆ Railroad Corridors | ◆ Vacant Land |

APPRAISER LICENSING

Certified General Real Property Appraiser - State of Minnesota License #4001101,
expires 8/31/10

EDUCATION

Macalester College, St. Paul, Minnesota

Bachelor of Arts Degree – Biology Major, 1972

Professional Real Estate Studies

- ◆ S.R.E.A. Course 101: “Introduction to Appraising Real Property”, 1981
- ◆ S.R.E.A. Course 102: “Applied Residential Property Valuation”, 1983
- ◆ S.R.E.A. Course 201: “Principles of Income Property Appraising”, 1982
- ◆ S.R.E.A. Course 202: “Applied Income Property Valuation”, 1985
- ◆ Business Practices & Ethics Course, Appraisal Institute, 2007
- ◆ Standards of Prof. Practice – Update , Appraisal Institute, 1997, 2000, & 2002
- ◆ National USPAP Update Course #400, Appraisal Institute, 2004, 2006
- ◆ Real Estate Trends, North Star Chapter of A.I., 2000, 2003, 2004, 2005
- ◆ Right-of-Way Professionals Conference, Minnesota Department of Transportation: 1995, 1998, 2000, 2002, 2003, 2004, 2006, and 2007
- ◆ Real Estate Value Cycles and Valuation Analysis, Appraisal Institute, 2001
- ◆ Appraisal Consulting, Appraisal Institute, 2001
- ◆ Subdivision Analysis, Appraisal Institute, 2001
- ◆ Case Studies in Commercial Highest & Best Use, Appraisal Institute, 2000
- ◆ Partial Interest Valuation-Divided, Appraisal Institute, 2000
- ◆ Valuation of Detrimental Conditions In Real Estate, Appraisal Institute, 1999
- ◆ Easement Valuation, Appraisal Institute, 1996
- ◆ Industrial Property Valuation, Appraisal Institute, 1995
- ◆ Limited Appraisals & Appraisal Reporting Options, Appraisal Institute, 1994
- ◆ Standards of Professional Practice - Part A, Appraisal Institute, 1992
- ◆ Standards of Professional Practice - Part B, Appraisal Institute, 1994
- ◆ Income Property Valuation for the 1990s, Appraisal Institute, 1992
- ◆ Appraising Troubled Properties (Commercial), Appraisal Institute, 1992
- ◆ Highest and Best Use Seminar, A.I.R.E.A., 1987
- ◆ Analyzing Distressed Real Estate, Appraisal Institute, 2005
- ◆ Real Estate Licensing Course 1, 30 Hours, 1982
- ◆ Real Estate Finance (30 Hours), University of Minnesota, 1983

PARTIAL LIST OF CLIENTS

Bremer Bank, U.S. Bank, M & I Bank, Wells Fargo Bank, TCF Bank, American Bank, Anchor Bank, Associated Bank, Highland Bank, Community National Bank, Lake Community Bank, University National Bank, The Trust for Public Land, Securian Trust Company, CSM Corporation, Century College, Minnesota Department of Transportation, Anoka County Dept. of Highways, Ramsey County, Dakota County Community Development Agency, Minnesota Valley Transit Authority, St. Paul Public School District #625, South Washington County School District #833, Minneapolis Community Planning & Economic Development, Cities of St. Paul, Minneapolis, Hastings, Bloomington, Oakdale, Woodbury, Inver Grove Heights, Savage, Chanhassen, and Apple Valley, plus a variety of other banks, mortgage companies, communities, law firms, developers, and individual property owners.

Revised: August 2008

**PROFESSIONAL QUALIFICATIONS
TERRY A. WARD**

BRKW APPRAISALS, INC.
1600 University Avenue, Suite 314
St. Paul, Minnesota 55104

Telephone: (612) 646-6114
Facsimile: (612) 646-8086
email: tward@brkw.com

EDUCATION

Mini Master in Real Estate Appraising, University of St. Thomas, 5/06
Registered Real Estate Appraiser, ProSource, 3/02
FastTrack II Entrepreneurial Success Program – University of St. Thomas, 6/01
B.S. Business Management – St. Cloud State University, 2/87

CONTINUING EDUCATION

2006 Scope of Work Update (06)	Market Analysis & Feasibility Studies & Reports (06)
Condemnation Appraisal Practices (06)	The Appraiser as an Expert Witness (06)
Appraiser Liability & Risk Management	Separating Business Value from Real Estate Value (06)
Application of the Cost Approach (06)	Income Property Appraisal: The Market Approach (06)
Appraisal Report Writing (06)	Income Property Appraisal: Income Approach (06)
Defining the Appraisal Approach (06)	General Applications (04)
Business Practice & Ethics (03)	Basic Income Capitalization (03)
National USPAP Update (03)	Effective Appraisal Writing (03)
Standards & Ethics for Professionals–USPAP (03)	

PROFESSIONAL EXPERIENCE

BRKW Appraisals, Inc.	July 2007 to present	Commercial Real Estate Appraiser
The Appraisal Group, LTD,	March 2004 to 2007	Commercial Real Estate Appraiser
Orion Appraisals, Inc.	July 2002 March 2004	Commercial Real Estate Appraiser
Marketing Connections, LLC	1999 to 2002	President
Professional Alternatives, LLC	1996 to 1999	Vice President
Carlson Marketing Group, Inc.	1987 to 1994	Operations Manager

TYPES OF APPRAISALS

Apartment & Multi-Family Residence	Office/Warehouse	Restaurant
Commercial/Agricultural Land	Retail Strip Mall	Retail
Office	Industrial	Mixed-Use
New Construction	Gas/Convenience Market	Church
Hotels/Motel	Automotive Service Center	Nursery
Redevelopment	Self-Storage Facility	Airplane Hangar

LICENSE

Certified General Real Property Appraiser
(License Number 20323636) in the State of Minnesota

Appraisal Licenses

STATE OF MINNESOTA



KNOCHE, MARC E
1940 FULHAM ST
UNIT 100
ROSEVILLE, MN 55113

Department of Commerce

The Undersigned COMMISSIONER OF COMMERCE for the State of Minnesota hereby certifies that
MARC E KNOCHE

1940 FULHAM ST
UNIT 100
ROSEVILLE, MN 55113

has complied with the laws of the State of Minnesota and is hereby licensed to transact the business of

Resident Appraiser : Certified General

License Number: 4001101

unless this authority is suspended, revoked, or otherwise legally terminated. This license shall be in effect until August 31, 2010.

IN TESTIMONY WHEREOF, I have hereunto set my hand this August 29, 2008.

A handwritten signature in cursive script, appearing to read "Glenn Wilson".

COMMISSIONER OF COMMERCE

Minnesota Department of Commerce
Licensing Division
85 7th Place East, Suite 500
St. Paul, MN 55101-3165
Telephone: (651) 296-6319
Email: licensing.commerce@state.mn.us
Website: commerce.state.mn.us

Continuing Education:

<u>CE Requirement Type</u>	<u>CE Required Hours</u>
Total - Appraiser	30
USPAP	7

Notes:

- **Continuing Education:** 15 hours is required in the first renewal period, which includes a 7 hour USPAP course. 30 hours is required for each subsequent renewal period, which includes a 7 hour USPAP course.
- **Appraisers:** You must hold a licensed Residential, Certified Residential, or Certified General qualification in order to perform appraisals for federally-related transactions. **Trainees do not qualify.** For further details, please visit our website at commerce.state.mn.us.

STATE OF MINNESOTA



Department of Commerce

WARD, TERRY A
12460 87TH AVE N
MAPLE GROVE, MN 55369

The Undersigned COMMISSIONER OF COMMERCE for the State of Minnesota hereby certifies that
TERRY A WARD

12460 87TH AVE N
MAPLE GROVE, MN 55369

has complied with the laws of the State of Minnesota and is hereby licensed to transact the business of

Resident Appraiser : Certified General

License Number: 20323636

unless this authority is suspended, revoked, or otherwise legally terminated. This license shall be in effect until August 31, 2009.

IN TESTIMONY WHEREOF, I have hereunto set my hand this August 29, 2007.

COMMISSIONER OF COMMERCE

Minnesota Department of Commerce
Licensing Division
85 7th Place East, Suite 500
St. Paul, MN 55101-3165
Telephone: (651) 296-6319
Email: licensing.commerce@state.mn.us
Website: commerce.state.mn.us

Continuing Education:

CE Requirement Type	CE Required Hours
Total - Appraiser	30
USPAP	7

Notes:

- **Continuing Education:** 15 hours is required in the first renewal period, which includes a 7 hour USPAP course. 30 hours is required for each subsequent renewal period, which includes a 7 hour USPAP course.
- **Appraisers:** You must hold a licensed Residential, Certified Residential, or Certified General qualification in order to perform appraisals for federally-related transactions. Trainees do not qualify. For further details, please visit our website at commerce.state.mn.us.

COMPANY PROFILE

BRKW APPRAISALS, INC.

1600 University Avenue, Suite 314
St. Paul, Minnesota 55104

- ◆ Phone: 651-646-6114
- ◆ Fax: 651 646-8086
- ◆ e-mail: brkw@brkw.com

BRKW Appraisals, Inc. (formerly known as Bettendorf Rohrer Knoche Wall, Inc.) is a full service professional real estate appraisal company formed in 1991. The three principals have more than 70 years of combined experience in the valuation of a wide variety of real estate. Located in the Midway area of St. Paul, we concentrate on the appraisal of real estate primarily in the Twin Cities Metropolitan Area, as well as outlying communities in Minnesota.

Our extensive professional training and experience enable us to provide the expertise necessary for consistently reliable real estate valuation. Our appraisal reports are confidential documents completed in accordance with all current standards of professional appraisal practice and ethics. Our appraisers stay current with advances in appraisal techniques and the changing real estate market through continuing education programs.

At BRKW Appraisals, Inc. we strive to build and maintain long-lasting relationships with our clients. Our goal is to provide high-quality professional real estate valuation services in a timely manner that is consistent with the needs of our clients.

Appraisal & Consulting Services

- ◆ Real Estate Appraisals
- ◆ Mortgage Financing Appraisals
- ◆ Condemnation/Litigation Appraisals
- ◆ Review Appraisals
- ◆ Real Estate Tax Abatements
- ◆ Special Benefits Analysis
- ◆ Expert Witness Testimony
- ◆ REO Portfolio Valuation
- ◆ Feasibility Studies
- ◆ Market Surveys
- ◆ Partial Interest Valuations

Property Types

- ◆ Commercial Properties
- ◆ Industrial Properties
- ◆ Multiple Family Residential
- ◆ Single Family Residential
- ◆ Subdivision Analysis
- ◆ Vacant Land Parcels
- ◆ Special Purpose Properties
- ◆ Gas Station / Conv. Stores
- ◆ Schools and Churches
- ◆ Recreation Facilities
- ◆ Railroad Corridors

APPRAISAL STAFF

Michael J. Bettendorf, MAI - Principal

Active as an appraiser since 1971, Michael has the MAI designation of the Appraisal Institute and specializes in commercial, industrial, multiple family, residential, and special purpose property appraisals with extensive litigation experience. Court appointed Commissioner in Ramsey County, past President of Minnesota Chapter A.I.R.E.A. (1987), instructor of appraisal courses and seminars. Michael is a graduate of St. John's University. Licensed as a Certified General Real Property Appraiser.

Marc E. Knoche, MAI - Principal

Marc has been an appraiser since 1982, and has the MAI designation of the Appraisal Institute. He specializes in commercial, industrial, multiple family, residential, vacant land, and special purpose property appraisals. Marc has done numerous condemnation acquisition appraisals and special benefit studies involving a wide variety of property types. Marc has extensive litigation / expert witness experience and has served as a court appointed commissioner. He is a Past President of the Metro/Minnesota Chapter of the Appraisal Institute (1992 & 1993). A graduate of Macalester College, Marc is licensed by the State of Minnesota as a Certified General Real Property Appraiser.

Paul J. Gleason - Principal

Paul has been appraising real estate since 1992. He has in-depth experience in the valuation of numerous real estate property types. Over the years, he has developed special expertise in the valuation of land and in eminent domain appraising. Paul is a graduate of the University of Wisconsin at La Crosse. Associate Member of the Appraisal Institute and licensed as a Certified General Real Property Appraiser.

William E. Petersen, Appraiser

Bill has been an active appraiser since 1986 specializing in the valuation of commercial, industrial, multi-family, office and special purpose properties with experience as an expert witness. Bill is a graduate of the University of Minnesota and practiced dentistry from 1970-1986 before becoming licensed as a Certified General Real Property Appraiser.

Joseph P. Deutsch, Appraiser

Joe has been appraising real estate since 1998, specializing in commercial properties. Types of property appraised include multi-family, industrial, office, retail, and special purpose properties. Joe worked for two years as a city building inspector prior to becoming an appraiser. Joe is a graduate of the University of Minnesota majoring in accounting and is a Certified General Real Property Appraiser.

Terry A. Ward, Appraiser

Terry has over 20 years of experience in business management, operations and marketing. Since 2002, she began applying this experience to commercial real estate appraising. Types of properties appraised include office, industrial, hotel/motel, retail/commercial, and other special use properties. She has a degree in Business Management from St. Cloud State University and a Mini Masters in Real Estate Appraising from St. Thomas University. Terry is a Certified General Real Property Appraiser.

ENGAGEMENT LETTER

Community Planning & Economic Development
Crown Roller Mill, 105 Fifth Ave. S.
Suite 200
Minneapolis, MN 55401



MEMORANDUM

DATE: January 8, 2009

MEMO TO: Marc E. Knoche, MAI
BRKW Appraisals, Inc

PHONE: 6516466114

FAX: 651-646-8086

EMAIL: mknoche@brkw.com

FROM: Lee D. Peterson
CPED Real Estate Appraiser

SUBJECT: Appraisal Assignment
C-20834

I am requesting your appraisal services for a summary report of a complete appraisal on the following two (2) properties which consists of a vacant lot located at 2800 Johnson Street NE, and the other at 2815 & 2819 Johnson Street NE, Minneapolis, a vacant movie theatre. Please contact Steve Maki, CPED engineer, @ 612-673-5033, for access to the property. If you have any questions please contact Miles Mercer, interim project coordinator, @ 612-673-5043, or call me @ 612-673-5034, or email lee.peterson@ci.minneapolis.mn.us

PROPERTY ADDRESS	PID
2800 Johnson Street NE	12-029-24-21-0002
2815 Johnson Street NE	12-029-24-12-0224
2819 Johnson Street NE	12-029-24-12-0062

\$1500 LAND
\$4000 THEATER
\$5500

Please send the appraisals and invoices to my attention. Thank you.