

LS APPRAISAL SERVICES

Lucas P. Still
President

*Real Estate Appraisal &
Real Estate Consulting*

Including:

Financing

Condemnation

Partial Interests

Lease-by-Lease

Leasehold Interests

General Consulting

August 13, 2007 & Revised September 11, 2007

FILE: LS2007-281

Jim Kunisch
2015 Freda Lane
Cardiff by the Sea, CA 92007
760-505-8999
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RE: For an appraisal report based upon all applicable approaches to value, communicated in summary format for the 50 acres that consists of two assessor parcel numbers. The physical address of the 40 acre parcel is 51626 Avenue 23 E, Quartzsite, LA Paz County, AZ. The parcel is also known as APN 302-32-012. APN-302-32-013B is a contiguous 10 acre parcel of land proposed as a future 50 lot RV subdivision (condo sites), with a pitch and putt golf course and good common amenities. The purpose of this report is to estimate an "as is" value of the 50 contiguous acres as of a current effective date, and the "at complete" value assuming all horizontal improvements and common amenities are complete. The intended use of this report is to assist the client in obtaining financing from private party lender(s).

Dear Mr. Kunisch:

In response to your request and authorization, I have inspected the above referenced property on May 20, 2007, (the effective date of this report) to prepare a complete appraisal report communicated in a summary appraisal format as of a current valuation date. The purpose of the appraisal is to provide a supported opinion of market value for the "as is" condition of the subject property, in addition to a value assuming all entitlements are in place and all site development work is complete.

This transmittal letter is accompanied by an appraisal communicated in summary report format. The intended use of this appraisal is for the client to submit to potential investors for financing the development of the proposed subdivision. The intended users of this report are limited to the client and potential investors considering financing the project. We note further work required by users other than the stated client may require additional work and additional fees. This appraisal is to be used only in conjunction with the stated purpose and intended use of the appraisal. The appraiser intends this appraisal for use by the client only, but understands copies may be provided to prospective investors and financial institutions that may finance the subject property. Utilization of the appraisal by any other third party is considered an unintended and unauthorized use. The appraisal firm will assume no responsibility for any unauthorized or unintended use of the appraisal report unless specifically authorized in writing.

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LS Appraisal Services
70 Scott Drive, STE B, Lake Havasu City, AZ 86403
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www.lsappraisal.org

We have not been provided with an environmental assessment or study pertaining to the appraised subject parcel. For the purposes of this report, we have employed several assumptions regarding environmental, mineral, and/or any other unknown conditions do not exist or adversely affect the subject property. Based on our casual observation, we found no reason to believe this is not the case, but we recommend that the client investigate the potential for any environmental hazards by having an independent environmental assessment conducted by a qualified professional

Any adverse or unusual findings from subsequent studies may require additional appraisal analysis at an additional cost to the client. Before disposing of or otherwise committing funds to the subject parcels, it is strongly advised that appropriate experts be employed to inspect and estimate the cost to cure both land suffering from any detrimental conditions that may be suspected. Based on our casual observation of the subject parcel, and because we found no evidence to suggest any detrimental conditions, we have appraised the property as though none exist.

This appraisal is based on the assumption that the subject parcels will be conveyed without accompanying mineral rights. This is typical practice for the area. In practice, any mineral rights pertaining to the subject parcels are assumed to have no contribution to the inherent value of the properties. Mineral rights contributions are extremely limited in areas like that of the subject parcel where the highest and best use potential for vacant land is for commercial, industrial or residential development. Typically, mineral operations are undertaken on substantially larger tracts of land and are not generally economically feasible in locations where parcels are actively being sold for single-family residential development or commercial uses. Generally, residential or commercial development and mineral uses are mutually exclusive uses.

Based on the data contained in this appraisal report, and taking into consideration the assumptions, limiting conditions, and conclusions contained herein, and considering all noted encumbrances, the estimated market value of the fee simple estate of the vacant 50 acre subject parcel, as of May 20, 2007, was determined to be as follows:

FEE SIMPLE "AS IS" MARKET VALUE AS OF May 20, 2007

TWO MILLION ONE HUNDRED AND FIFTY THOUSAND DOLLARS

ESTIMATED LAND AREA	50 Acres
Estimated Unit Value*	\$43,000/Acre
Estimated Market Value *	\$2,150,000

*Rounded to the Nearest \$10,000

FEE SIMPLE "AS COMPLETE" MARKET VALUE AS OF May 20, 2007

EIGHT MILLION ONE HUNDRED AND FORTY THOUSAND DOLLARS

ESTIMATED LAND AREA	50 Acres
Estimated Unit Value*	\$162,800/Acre
Estimated Market Value *	\$8,140,000

*Rounded to the Nearest \$10,000

Please refer to the hypothetical and extraordinary assumptions section of this report. The value would be different the hypothetical assumption was not employed.

Thank you for giving us the opportunity of completing this appraisal assignment. It has been a pleasure working with you.

Respectfully submitted,



Lucas P. Still
President

Arizona Certified General Appraiser's License # 31123
Expires 1/31/2009

A SUMMARY APPRAISAL REPORT

For the 50 Contiguous acres that can be generally described as:

The NE4 of the SE4 of Section 19, T3N, R19W and The SW4 of the SE4 of the NE4 of Section 19, T3N, R19W

Prepared For

James Kunisch

for the purpose of estimating

**Current Fee Simple Market Value for the “AS IS” Condition of the Property
& the hypothetical value assuming all entitlements and site development
work is complete (ready for vertical construction)**

as of

May 20, 2007

TABLE OF CONTENTS

LS2007-281

TABLE OF CONTENTS.....	I
TABLE OF FIGURES	II
TABLES	II
ADDENDUM	II
EXTRAORDINARY AND HYPOTHETICAL ASSUMPTIONS.....	1
HYPOTHETICAL CONDITION(S).....	1
APPRAISERS' CERTIFICATION.....	4
SUMMARY OF IMPORTANT CONCLUSIONS.....	6
THE SCOPE OF THE APPRAISAL REPORT	10
SUMMARY OF APPRAISAL PROBLEMS.....	11
APPRAISAL DEFINITIONS.....	12
ECONOMIC AND DEMOGRAPHIC OVERVIEW FOR LA PAZ COUNTY	28
NEIGHBORHOOD / MARKET AREA ANALYSIS	36
HIGHEST AND BEST USE.....	50
HIGHEST AND BEST USE OF A SITE AS THOUGH VACANT	51
HIGHEST AND BEST USE "AS PROPOSED"	53
THE VALUATION PROCESS.....	54
SALES COMPARISON APPROACH LAND VALUE ESTIMATE.....	56
COST APPROACH TO VALUE.....	74
LAND RESIDUAL ANALYSIS.....	78
DISCOUNTED CASH FLOW ANALYSIS.....	83
RECONCILIATION OF MARKET VALUES.....	91

TABLE OF FIGURES

FIGURE 1 REGIONAL MAP (LA PAZ COUNTY)	14
FIGURE 2 NEIGHBORHOOD MAP.....	15
FIGURE 3 SUBJECT PROPERTY PLAT MAP.....	16
FIGURE 4 SUBJECT AERIAL PHOTOGRAPH	17
FIGURE 5 POPULATION AND ANNUAL GROWTH RATES	18
FIGURE 6 POPULATION 25 YEARS OLD AND OLDER	19
FIGURE 7 EXISTING PLANNING AND LAND OWNERSHIP IN LA PAZ COUNTY	25
FIGURE 8 PLANNED LAND USE LA PAZ COUNTY	29
FIGURE 9 SUBJECT PARCEL PHOTOGRAPH LEGEND	40
FIGURE 10 SUBJECT PHOTOGRAPHS.....	41
FIGURE 11 LAND SALES COMPARISON MAPS	55
FIGURE 12 LAND SALES TABLE	57
FIGURE 13 MARKET TREND ANALYSIS.....	68
FIGURE 14 LAND SALE ADJUSTMENT GRID	72
FIGURE 15 ITEMIZED SUBDIVISION COST ESTIMATES (MARSHALL AND SWIFT)	75
FIGURE 16 ESTIMATED COSTS TO REACH FINAL PLAT	76
FIGURE 17 PHASE I COST APPROACH “AT COMPLETION” VALUE	77
FIGURE 18 “AS IS” LAND RESIDUAL ANALYSIS THE ARROYOS PRESERVE.....	79
FIGURE 19 ASSUMPTIONS	80
FIGURE 20 LAND RESIDUAL ANALYSIS ASSUMING ALL SITE DEVELOPMENT WORK IS COMPLETE ...	81
FIGURE 21 ASSUMPTIONS FOR COMPLETION OF HORIZONTAL IMPROVEMENTS	82
FIGURE 22 CONDO SITE VALUE ESTIMATE	85
FIGURE 23 AVERAGE INITIAL SITE VALUES	85
FIGURE 24 DISCOUNT RATE REALTYRATES.COM.....	89
FIGURE 25 KORPACZ REPORT, 2 ND QUARTER 2007 (LAND DEVELOPMENT)	89

TABLES

TABLE 1 RENTER AND OWNER OCCUPIED HOUSING.....	20
TABLE 2 AGE OF HOUSING STOCK.....	21
TABLE 3 LA PAZ COUNTY EMPLOYMENT 16 YEARS AND OLDER.....	21
TABLE 4 OCCUPATIONAL OVERVIEW	22
TABLE 5 RAINBOW ACRE SITE SALES AND EXTRACTED LAND VALUES	84
TABLE 6 RECONCILED VALUE CONCLUSIONS.....	91

ADDENDUM

GLOSSARY OF ABBREVIATIONS
APPRAISERS’ QUALIFICATIONS
APPRAISER’S CERTIFICATION
CONCEPTUAL SITE PLAN / PRELIMINARY PLAT
APPROVAL LETTER FOR ZONING CHANGE

EXTRAORDINARY AND HYPOTHETICAL ASSUMPTIONS

An extraordinary assumption is an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraisers' opinions or conclusions.

USPAP 2006 (Uniform Standards of Professional Appraisal Practice) offers this explanatory comment pertaining to extraordinary assumptions:

Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are contingent upon the extraordinary assumptions and/or limiting conditions below:

1. An extraordinary assumption has been employed regarding the "at complete" value estimate for the proposed SFR residential and RV resort subdivision. We have been provided with cost estimates to complete entitlement work, offsite and onsite improvements. We have used cost comparable from other markets and believe the costs are reasonable, but employ the extraordinary assumption the proposed subdivisions is built out in conformance with the plans provided to the appraiser and the costs incurred to development are inline with those provided to the appraiser. If the build out of the subdivision, or the costs to do so change; the value estimated herein for the "at complete" condition is subject to change.

HYPOTHETICAL CONDITION(S)

A hypothetical condition is described in USPAP's definition section as "that which is contrary to what exists, but is supposed for the purpose of analysis."

USPAP 2006 (Uniform Standards of Professional Appraisal Practice) offers this explanatory comment pertaining to hypothetical conditions:

Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted here in are contingent upon hypothetical assumptions and or limiting conditions below.

1. The estimate of value for the property "at completion" assumes all horizontal improvements are complete as of a current effective date. As of the effective date, the property was vacant and unimproved and horizontal improvements had not been completed for the subject site. Horizontal improvements will include bringing infrastructure and preliminary roads into the subject parcel so that vertical improvements can be made to each individual site. This includes entitlements and engineering studies along with the execution of completing water, sewer and electric infrastructure. Typically entitlements and horizontal improvements for a medium sized subdivision like the subject take roughly twelve to twenty four months to complete. The subject has already received zoning approval and a public report is anticipated to be approved in March of 2008. Given the entitlement work that has already been complete, the horizontal improvements for the first phase of the SFR subdivision are anticipated to be completed within six months following the public report approval. If significant unforeseen changes to the economy occur between now and the time the subdivision is ready to begin selling sites, the value estimate could be impacted significantly. If the hypothetical condition were removed, the value would reflect the "as is" value estimated herein.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are contingent upon the following assumptions and limiting conditions.

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

The appraisal report has been made with the following general limiting conditions:

1. Any allocation of the total value estimated in this report between the land and the improvements applied only under the stated program of utilization. The separate values allocated to the land and the buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication.

3. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
4. 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 the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
5. Any opinions of value provided in the report apply to the entire property, and any pro-ratio or division of the total into fractional interests will invalidate the opinion of value, unless such pro-ratio or division of interests has been set forth in the report.
6. Only preliminary plans and specifications were available for use in the preparation of this appraisal; the analysis, therefore, is subject to a review of the final plans and specifications when available.
7. Any proposed improvements are assumed to have been completed unless otherwise stipulated, so any construction is assumed to conform with the building plans referenced in the report.
8. The appraiser assumes that the reader or user of this report has been provided with copies of available building plans and all leases and amendments, if any, that encumber the property.
9. No legal description or survey was furnished, so the appraiser used the county tax plat to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, it may be necessary for this appraisal to be adjusted at possible additional expense to the client.
10. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued state economy. These forecasts are, therefore, subject to changes with future conditions.
11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

APPRAISERS' CERTIFICATION

I hereby certify that I (Lucas P. Still) am a competent appraiser of real estate and am competent and qualified to appraise the subject property. My expertise and experience encompasses over ten years in real estate consulting, appraising, and management. My consulting and appraisal assignments have included various commercial real estate projects, hotel/casinos, industrial properties, vacant commercial land, shopping centers, subdivisions and offices. I also have experience doing feasibility studies and appraising for special-use properties. I have broad experience conducting real estate market studies and market analyses.

The undersigned do hereby certify that, except as otherwise noted in this appraisal report, the following is true and correct to the best of our knowledge and belief.

USPAP 2006 CERTIFICATION

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions, and conclusions. All contingent and limiting conditions and/or assumptions are contained herein.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client or the property owner, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Uniform Standards of Professional Appraisal Practice (USPAP)*. The report has also been prepared in conformance with the Code of Professional Ethics and the Supplemental Standards of Professional Practice of the Appraisal Institute.
8. We have made a personal inspection of the property that is the subject of this report.
9. No one provided significant real property appraisal assistance to the person(s) signing this certification.

ADDITIONAL CERTIFICATIONS

1. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice. (AI C.S.R. 1-1)
2. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. (AI C.S.R. 1-2)
3. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the property appraised, or upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property being appraised.
4. Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report. Neither the employment to make the appraisal, nor the compensation for it is contingent upon the appraised value of the property.

5. To the best of the appraisers' knowledge and belief, all statements and information in this report are true and correct, and the appraiser(s) have not knowingly withheld any significant information.
6. To the best of the appraiser(s) ability, the analyses, opinions, and conclusions contained in the appraisal were developed; and the report was prepared in accordance with the appraisal standards of the client.
7. The appraiser(s) that have prepared this report have not had their Arizona State general appraisal certification, or Arizona State residential certification revoked, suspended, canceled, or restricted.
8. This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or a pre-determined valuation.

Based on the data contained in this appraisal report, and taking into consideration the assumptions, limiting conditions, and conclusions contained herein and considering all noted encumbrances, the estimated market value of the fee simple estate of the vacant subject parcel, as of May 20, 2007, was determined to be as follows:

FEE SIMPLE "AS IS" MARKET VALUE AS OF May 20, 2007

TWO MILLION ONE HUNDRED AND FIFTY THOUSAND DOLLARS

ESTIMATED LAND AREA	50 Acres
Estimated Unit Value*	\$43,000/Acre
Estimated Market Value *	\$2,150,000

*Rounded to the Nearest \$10,000

FEE SIMPLE "AS COMPLETE" MARKET VALUE AS OF May 20, 2007

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ESTIMATED LAND AREA	50 Acres
Estimated Unit Value*	\$162,800/Acre
Estimated Market Value *	\$8,140,000

*Rounded to the Nearest \$10,000

Please refer to the hypothetical and extraordinary assumptions section of this report. The value would be different the hypothetical assumption was not employed.

Thank you for giving us the opportunity of completing this appraisal assignment. It has been a pleasure working with you.

Respectfully submitted,



Lucas P. Still
President

Arizona Certified General Appraiser's License # 31123
Expires 1/31/2009

SUMMARY OF IMPORTANT CONCLUSIONS

LS2007-281

DATE OF INSPECTION

The subject parcel was inspected on May 20, 2007 in its “As Is” condition. The photographs shown within this report were taken during that inspection.

PROPERTY TYPE

At the time of the inspection, the subject parcel was a vacant and unimproved piece of land in an area largely undeveloped with some low density housing surrounding. The parcel is located within an area primarily surrounded by BLM lands with several natural washes in the near vicinity. Zoning approval for the 40 acre parcel proposed for SFR subdivision development have already been achieved. Other entitlements, including working towards approval of the public report are already underway.

REPORT TYPE

The subject appraisal report is a complete appraisal communicated in summary format. The report is intended to comply with Standards 1 and 2 of USPAP 2006. The client has specifically requested a value for the “as is” condition of the 50 contiguous acres in addition to a current fee simple market value assuming the horizontal improvements are complete. The appraiser has used both comparable sales from the market area and a cash flow analysis in estimating values for this report. Since no sales of subdivisions with horizontal improvements complete were available, the cash flow analysis was used in determining a hypothetical value estimate. The cost approach is also summarized and provides support for the feasibility of completing this project. In order to complete the cash flow estimate the appraiser has investigated various cash flow inputs such as infrastructure costs and potential individual site values and has provided a brief summary in the income section, otherwise referred to as the discounted cash flow section of the report.

PROPERTY ADDRESS/LOCATION

The subject property consists of two contiguous parcels, which equal a total of 50 gross acres.. The 40 acres of the subject is relatively square in shape, and is known by a physical address of 51626 Avenue 23E, and identified as APN#302-32-012. The 10 acres of the subject is also square in shape, and the property is known by a physical address of 51520 Avenue 23E, and identified as APN#302-32-011B.

HIGHEST AND BEST USE

The current zoning for the subject property was recently approved for R1-6 (Low Density Residential, 6,000 SF site minimum) from RA-40 (Rural Area Forty Acres). The 10 acre portion of the property is currently being considered for rezoning to a condominium site development that would create small sites that can be purchased by RV owners. Based upon the proposed plans and upon our brief analysis of feasibility, we believe the highest and best use for the subject site assuming it were vacant and unimproved would be for a SFR subdivision and RV resort as proposed. This appears to maximize the value of the subject site and is both a legally permissible and physically possible use. Surrounding land uses and development patterns in the Quartzsite area would also support this conclusion for our highest and best use. Please refer to the highest and best use section for additional details.

LAND SIZE

The subject consists of two contiguous square parcels, a 40 acre and a 10 acre parcel, for a total of 50 gross acres.

SHAPE AND TOPOGRAPHY

The subject parcels are square. The combined parcels do not have an irregular shape that will diminish the building utility of the site. There are some small wash areas running through portions of the subject site. Based on the proposed site plan, the unusable areas can serve as good divisions and drainage areas for the neighborhood. These washes have natural vegetation and cacti that provide for good appeal. The subject site is mostly level with rolling topography but excavation will be required upon development. The amount of excavation is less than hillside type sites and average in contrast to most desert sites in the area.

The subject parcel is located in flood map **0401220775A**, however the location of the subject within the zone could not be ascertained with certainty. We recommend the client obtain a flood certification if concerned with flood issues in the area.

The shape, size and physical characteristics of the subject property are typical for the market area and no adverse conditions were noted. The shape and size of the subject parcel allow for a small to medium sized residential development.

TAX DATA

2006 TAXES						
APN	Land Value	Improvements	Assessed Limited value	Full Cash Value	Exempt	2006 Taxes
302-32-012	\$19,000	\$8,812	\$27,812	\$27,812	\$0	\$397.60
302-32-011B	\$20,044	\$7,000	\$27,044	\$27,044	\$0	\$296.92

The tax values are significantly less than the amount paid for the land before entitlements and market inflation. This value is significantly below appraised value, but we note other competing sites also have similar assessed values that are well below actual sales prices. We could not find a pattern of tax values for the comparable properties we have researched as part of the scope of work for this report; therefore no consideration is given to the tax values as part of our reconciliation of value. Once final entitlements and horizontal infrastructure is completed, the tax values are anticipated to increase substantially. Please refer to the income approach for estimated tax values for the proposed improved sites.

EASEMENTS/ENCROACHMENTS

The subject property has no apparent encroachments based on our observations during the site inspection. The estimated value conclusion does consider any adverse impact the easements may have on the marketability of the subject property in its "as is" condition. No adverse easements were noted, only typical utility easements. The proposed subdivision will require the approval a BLM access easement which as already been applied for.

IMPROVEMENTS

The 40 acre portion of the subject property is currently vacant and unimproved. The 10 acre parcel has a single family residence with 600 square feet of living area built in 1979. Given the use potential of the subject property, the improvements have no contributory value.

The proposed improvements are horizontal site improvements and infrastructure improvements are summarized in the cash flow analysis section of this report.

SALES HISTORY

A requirement of the Uniform Standards of Professional Appraisal Practice (USPAP) is that any pending or prior sales of the subject property over the last three years must be analyzed.

The subject 40 acre parcel has had a prior sale in the past three years taking place in April of 2005 for \$332,000. The subject 10 acre parcel has had a prior sale in the past three years taking place in May of 2005 for \$140,000, while our client purchased this parcel for \$300,000 in November of 2005. These sales were confirmed with the current owner who indicated they were arms length transactions, but the properties did not receive adequate market exposure before these sales. Market conditions have changed drastically over the past 24 months for properties like this and no consideration is given to these sales for that reason. We also note that the limited market exposure diminishes the reliability of any previous sale. In addition, entitlement work has been completed and the 40 acre parcel has been rezoned for a higher density use. These factors make the previous sale prices less relevant.

We note that there are other re-sales in the Quartzsite market area that show very large gains over the past 24 months and some rather sporadic sales that do not seem to conform to any pattern of values. As a case in point, we note one large rural acreage that was purchased for just over \$125,000 and then re-sold at over \$700,000 within a 12 month period. We interviewed the person that bought and sold this property who indicated the seller was happy to receive the initial purchase price and was not concerned with what market value might be. This is an example of an atypical seller, which does happen in this market.

There were no other sales found for the subject site when we researched La Paz County assessor records. We also verified with First American Title that no other sales have occurred within the past three years.

There have been no other pending sales, exchanges, listings, or offers to the knowledge of this appraiser. No other sales or listing activity has been reported by the local MLS.

IDENTIFICATION OF THE SUBJECT PROPERTY

The identification of the 40 acre subject parcel can be legally described as:

NE4 SE4 of SEC 19, T3N, R19W PRIVATE EASEMENT DKT 837 PG 983

The subject can also be identified by the physical address of 51626 Avenue 23E, La Paz Valley, as indicated by assessor records. The subject can also be identified by the La Paz County Assessors Parcel Number 302-32-012.

The identification of the 10 acre subject parcel can be legally described as

SW4 SE4 NE4 of SEC 19, T3N, R19W PRIVATE EASEMENT DKT 837 PG 983

The subject can also be identified by the physical address of 51520 Avenue 23E, La Paz Valley, as indicated by assessor records. The subject can also be identified by the La Paz County Assessors Parcel Number 302-32-011B.

STATEMENT OF OWNERSHIP

According to county records the subject property is currently owned by James and Marie Ann Kunisch.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate a current fee simple market value for the “as is” condition, along with a hypothetical value assuming horizontal improvements are complete as of the current effective date. The definition of market value is summarized within this report. The estimated market value assumes a typical marketing period and a cash equivalent transaction. .

FUNCTION/USE OF THE APPRAISAL

The intended use of this appraisal is to assist the client in obtaining financing for the proposed project. The client, Mr. James Kunisch, has advised the appraiser that this appraisal will be submitted to potential investors and/or financial institutions for the purposes of financing the proposed project. This report has been written for the use of the client based on the intended purpose of the report and intended solely for the client for this purpose. The conclusions and opinions set forth in this report are intended for the client and the client alone although we understand copies may be distributed to other parties involved with the project such as potential investors and/or financial institutions.

EFFECTIVE DATE OF VALUATION

May 20, 2007 – “As Is” Market Value Estimate

DATE OF THE REPORT

August 13, 2007

REVISIONS TO REPORT

September 11, 2007

Revisions were made to the report after original submission. The developer provided evidence the planning and zoning is no longer requiring a bridge across Tyson Wash. Costs and discussion within the body of the report was revised accordingly, and a slightly higher “as is” value resulted from these changes. The client should destroy all other copies of the original report to avoid any potential confusion.

MARKETING AND EXPOSURE TIME ESTIMATE

There have been very few sales of vacant land with a similar use potential to the subject property. The sales used in the sales comparison approach, along with other sales that were found during the search for the most similar sales, indicated a concentrated range of exposure periods from five to nine months. Many sales were found that had very limited exposure on the MLS, but were exposed by word of mouth. Given the lack of sales information, listing agents active in the market were interviewed as a secondary source. Listing agents indicated the growth in the area has continued despite other surrounding markets realizing stabilized values and a much lower rate of sales activity. The consensus of those interviewed indicated an exposure period of six to nine months would be reasonable.

Based upon the summary of market data above, an exposure and marketing time estimate of six to nine months is most reasonable for the subject property. The market time estimate is similar to the exposure time estimate because market conditions are forecasted to remain stable for the foreseeable future.

THE SCOPE OF THE APPRAISAL REPORT

The scope of the appraisal includes primary and secondary research. We researched the Quartzsite market area including other competing areas along I-10 between areas east of Palm Springs to the Vicksburg exit which is roughly 23 miles east of Quartzsite. The most similar competing market within this area was Blythe, CA, which is located near the California / Arizona border. Blythe is slightly more built out than Quartzsite but the nearest town in terms of proximity to Quartzsite and is similar in terms of exposure to I-10. The Blythe market does have the appeal of being right on the Colorado River. Both Blythe and Quartzsite attract hundreds of thousands of winter visitors every year.

The objective of this appraisal is to estimate the current fee simple value for the subject property in “as is” condition, and assuming horizontal improvements are complete as of a current effective date. Given the purpose and intended use of the appraisal, all applicable approaches to value have been employed for the purpose of this report. The sales comparison approach and income approach are the most applicable valuation approaches for the “as is” condition of the property. The income and cost approach are used to estimate the value of the property “at completion”, assuming all entitlements and horizontal site improvements have been completed.

The data we judge relevant to the estimation of the subject market value was confirmed and is shown in this report. Primary market data includes property inspections, analysis of land sales, land use data, and demographic data. Public entities were interviewed and queried pertaining to relevant characteristics of the subject parcel that are reported in this appraisal analysis.

The land sales information was verified by one or more of the parties involved in each transaction and correlated to public record or other such reliable sources. In the cases where parties to the transaction were not available and only public record was used, we denote that as well as any further steps taken to confirm the sales information.

Primary and secondary market data, our analysis, and our conclusions are reported in the body of this report. A physical inspection and photographs of the subject property and an inspection and photographs of the comparables were made by Lucas P. Still, a Certified General Appraiser competent for this type of assignment.

The valuation process included techniques and procedures that would be considered appropriate to this assignment. The scope of the appraisal was limited only by the subject’s property type, size, and location.

The scope of this assignment included receiving the appraisal order and doing initial research before inspecting the subject property as the effective date of this report and interviewing the property owner and developer. Subsequently, information was verified with public records including La Paz County Recorder, Assessor and Title Company records and with listing agents active in the market during our search for comparable sales and micro and macro economic information. After comparable sales and economic and demographic information were researched and analyzed, we organized the information and reported our conclusions in this summary format report. Additional support for our conclusions can be found in the work folder for the interested reader.

Given the purpose and intended use of this report, only a brief summary of regional and neighborhood market information is provided. A level A market analysis is sufficient for the market analysis in this instance. The client has agreed a more detailed analysis is not needed for the purpose of this appraisal report.

SUMMARY OF APPRAISAL PROBLEMS

The term “appraisal problems” is referred to in the text of the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) as a description of the principal problems presented in estimating the market value of the property under appraisal. The definition also suggests that the appraisers describe the estate (i.e. property rights). The estate, as mentioned previously, is the fee simple estate of the subject parcel “as is” and a value based on the hypothetical condition horizontal improvements are complete as of a current effective date.

The most critical problem for this appraisal assignment is finding comparable sales. As noted throughout the report, the subject parcel is surrounded primarily by BLM lands and therefore sales of similar private lands in the immediate neighborhood are very limited. The bulk of surrounding private land has already been developed or absorbed with lower density residential housing. Given the lack of ideal sales, several adjustments were required for critical elements of comparison such as location, site improvements and/or entitlements, differences in development linkages and differences in size. Given the lack of ideal sales, we have also provided a residual land analysis based on the proposed subdivision which does lend support to our conclusions found in the sales comparison approach (for the “as is” value). We also note we have conducted several additional studies to support some of the required adjustments in the sales comparison approach to mitigate the critical problems of this appraisal. The appraisal conclusions would be more reliable if ideal sales were available.

No other atypical, unusual, extraordinary, or otherwise problematic conditions were discovered during the appraisal process.

APPRAISAL DEFINITIONS

MARKET VALUE

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

- (1) **Buyer and seller are typically motivated;**
- (2) **Both parties are well informed or well advised, and acting in what they consider their own best interests;**
- (3) **A reasonable time is allowed for exposure in the open market;**
- (4) **Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and**
- (5) **The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.**

Source: Code of Federal Regulations (CFR), Title 12-Banks and Banking, Chapter I - Comptroller of the Currency, Department of the Treasury, Part 34 –Real Estate Lending and Appraisals, Table of Contents, Subpart C – Appraisals, Section 34.42 Definitions, Part (g), Source/Revisions: [55 FR 34696, Aug. 24, 1990, as amended at 57 FR 12202, Apr. 9, 1992; 59 FR 29499, June 7, 1994]. Electronic Source: Electronic Code of Federal Regulations at <http://www.gpoaccess.gov/ecfr/index.html>

HIGHEST AND BEST USE

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 OF LAND OR A SITE AS THOUGH VACANT

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel can be vacant by demolishing any improvements.

HIGHEST AND BEST USE OF PROPERTY AS IMPROVED

The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

SALES COMPARISON APPROACH

A set of procedures in which an appraiser derives a value indication by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments, based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when comparable sales data are available.

COST APPROACH

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of, or replacement for, the existing structure; deducting accrued depreciation from the reproduction or replacement cost; and adding the estimated land value plus an entrepreneurial profit. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.

INCOME CAPITALIZATION APPROACH

A set of procedures in which an appraiser derives a value indication for income-producing property by converting its anticipated benefits (cash flow and reversion) into property value. This conversion is accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.

FEE SIMPLE ESTATE

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

LEASED FEE ESTATE

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

NEIGHBORHOOD

A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.

DISTRICT

1. A type of neighborhood that is characterized by homogeneous land use (e.g., apartment, commercial, industrial, agricultural).
2. A unit of local government with the authority to levy taxes and issue bonds to finance schools, parks, sewers, etc.

Source: The Dictionary of Real Estate Appraisal, Fourth Edition

FIGURE 1 REGIONAL MAP (LA PAZ COUNTY)

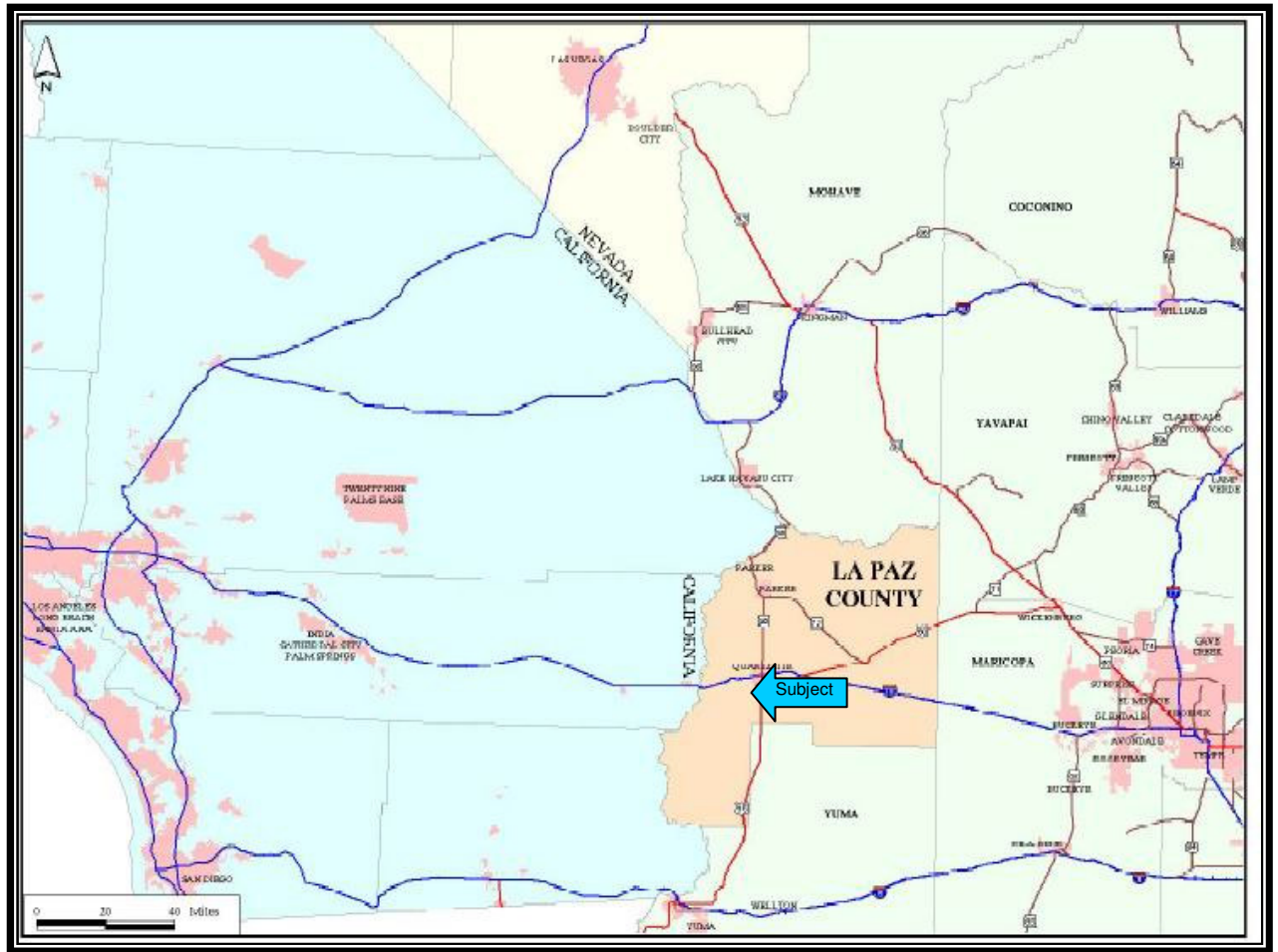


FIGURE 2 NEIGHBORHOOD MAP



FIGURE 3 SUBJECT PROPERTY PLAT MAP

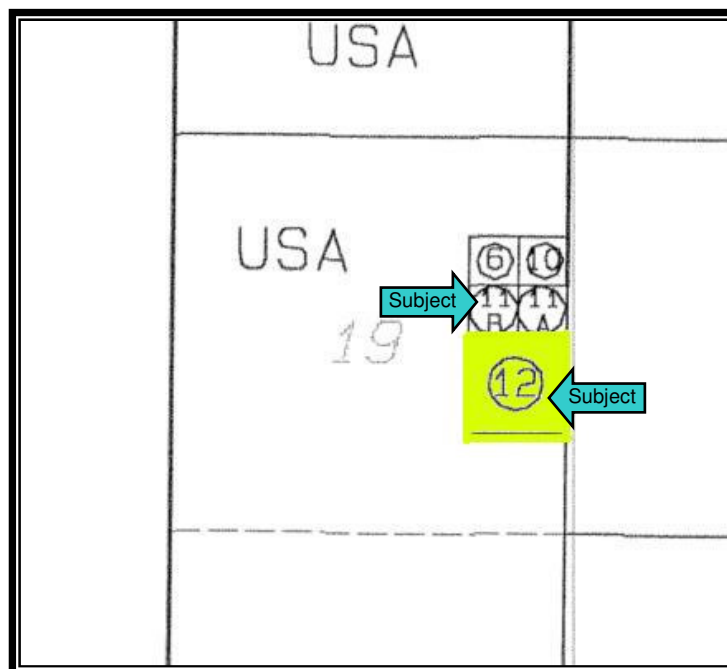


FIGURE 4 SUBJECT AERIAL PHOTOGRAPH



REGIONAL DATA

HISTORY

The Regional Map, (shown two pages previous), shows the La Paz County Area which is located on the west side of Arizona. Parker is the County Seat for La Paz County. The estimated population for Parker in 2003 was 3,064. The median household income in Parker reported by the 2003 census was \$34,625 in contrast to the national average of \$41,994. The community was named after General Ely Parker, an American Indian who served as an aide to General Ulysses S. Grant. Crime in the county is very low with the FBI reporting two incidences of violent crimes in 2003 and zero homicides. La Paz County and the Parker area in general offer good recreational opportunities with several state parks including Buckskin State Park, River Island State Park and La Paz County Park all within a thirty mile radius of the subject property. Other recreational attractions include Indian gaming casinos, and of course the Colorado River which attracts boaters all year round. We have summarized the general demographic, economic and lifestyle characteristics of the area in the following sections of this regional analysis.

POPULATION

La Paz County's population growth rate from 1990 was almost identical to that of the State of Arizona. The rate was slightly slower than neighboring Yuma County and significantly below the growth rate of rapidly growing Mohave County to the north.

FIGURE 5 POPULATION AND ANNUAL GROWTH RATES

	2000	1990	Change
La Paz County	19,715	13,844	42.4%
State of Arizona	5,130,632	3,165,432	40.0%
Town of Parker	3,140	2,897	8.4%
Town of Quartzsite	3,354	1,876	78.8%
Mohave County	155,032	93,497	65.8%
Yuma County	160,026	106,895	49.7%

Source: 2000 United States Census

La Paz County has slightly more males than females with 51.3% males and 48.7% female. The State of Arizona is overall 50.1% female. The median age of the residents of La Paz County is 46.8 years of age. This median age is more than 12 years higher than the state's of 34.2 years reflecting the County's significant retirement population.

Percent Per Age Group

	La Paz County	State of Arizona	Town of Parker	Town of Quartzsite
Under 5	4.9%	7.5%	7.6%	1.1%
5-14	12.0%	15.0%	18.8%	3.3%
15-19	6.1%	7.2%	9.5%	2.1%
20-24	4.2%	7.1%	6.4%	1.0%
25-34	8.6%	14.5%	10.6%	2.8%
35-44	11.8%	15.0%	14.8%	4.8%
45-54	12.2%	12.2%	14.4%	9.5%
55-59	6.8%	4.7%	5.5%	8.5%
60-64	7.5%	4.0%	2.9%	11.9%
65-74	16.6%	7.1%	5.4%	33.7%
75-84	7.8%	4.6%	3.0%	18.3%
85+	1.4%	1.3%	1.0%	3.0%

Source: 2000 United States Census

The Town of Parker is by far the younger of the two municipalities in the County with over 50 percent of its population between the ages of 20 and 59. Quartzsite has over two-thirds of its population age 60 and over. La Paz County has nearly twice as many residents by percentage of population over age 64 (25.8%) than the State of Arizona (13.0%).

EDUCATION

Attainment levels in the County are similar to those of the County's two municipalities. There are more La Paz County residents that have attained a high school diploma and went on to attain some college credits than the average for the State of Arizona (56.2% vs. 50.7%) See Figure 6.

FIGURE 6 POPULATION 25 YEARS OLD AND OLDER

	La Paz County	State of Arizona	Town of Parker	Town of Quartzsite
Less than 9th grade	9.9%	7.8%	10.4%	8.1%
9th - 12th no diploma	20.8%	11.2%	19.2%	21.9%
High school diploma	33.9%	24.3%	27.3%	34.1%
Some college	22.3%	26.4%	21.2%	22.8%
Associates degree	4.4%	6.7%	6.4%	3.2%
Bachelor's degree	5.5%	15.2%	10.0%	6.1%
Grad/prof. degree	3.2%	8.4%	5.4%	3.8%
High school grad and higher	69.3%	81.0%	70.4%	70.0%
Bachelor's degree and higher	8.7%	23.6%	15.5%	10.0%

Source: 2000 United States Census

Housing

La Paz County's average persons per household figure is well below that of the state and Town of Parker but well above that of Quartzsite. Just over half of the residents lived in the same home from 1995 until the 2000 Census. More people moved to the County from out of state than the state's overall rate. There is a significantly higher ratio of houses built since 1990 in the unincorporated areas of La Paz County compared with the two municipalities in the County. The town of Parker is mostly built out and surrounded by Native American Lands that limit the potential for expansion. The Parker Strip area on the other hand has much more vacant land and these areas continue to experience good rates of development in contrast to other areas of the county.

The two municipalities showed very low new housing stock growth since 1990 compared to the state and county overall. La Paz County's population growth, which has been very similar to the state's rate over the past two decades, is mirrored by the growth in new housing stock. Total housing units are illustrated by renter and owner occupied units in the table below. Parker is slightly above the state, very almost identical to the US average percentage of renter occupied housing.

TABLE 1 RENTER AND OWNER OCCUPIED HOUSING

	PARKER		AZ	US
HOUSING UNITS				
	Number		Number	Number
Total housing units	1,157			
RENTER-OCCUPIED HOUSING UNITS				
	Number	Pct	Pct	Pct
Renter-occupied housing units	357	30.9	27.8	30.8
	Number		Number	Number
Average number of household members	2.38		2.48	2.36
Average number of rooms	4.25		3.77	4.04
Average number of vehicles	1.29		1.27	1.19
Median year structure was built	1972		1980	1969
Median year householder moved in	1997		1999	1998
Median rent (\$)	386		538	519
Median rent asked for vacant units (\$)	369		573	469
	Number	Pct	Pct	Pct
Rent includes utilities	41	11.5	18.7	16.5
	Number		Number	Number
Rent as a pct of household revenue	24.9		26.6	25.5

OWNER-OCCUPIED HOUSING UNITS				
	Number	Pct	Pct	Pct
Owner-occupied housing units	707	61.1	59.1	60.2
	Number		Number	Number
Average number of household members	3.21		2.71	2.71
Average number of rooms	5.63		5.79	6.30
Average number of vehicles	1.63		1.66	1.64
Median year structure was built	1974		1982	1971
Median year householder moved in	1990		1994	1991
Median value (\$)	86,100		109,400	111,800
	Number	Pct	Pct	Pct
With mortgage or contract to purchase	456	64.5	59.8	55.4
With second mortgage, equity loan	47	6.6	13.8	12.7
	Number		Number	Number
Median price asked for vacant housing (\$)	46,300		115,900	89,600
Monthly cost, with mortgage (\$)	738		1,039	1,088
Monthly cost, without mortgage (\$)	271		268	295

TABLE 2 AGE OF HOUSING STOCK

Year Built	La Paz County	State of Arizona	Town of Parker	Town of Quartzsite
1999 to March 2000	4.8%	5.1%	1.0%	2.3%
1995 to 1998	14.0%	13.7%	5.4%	7.6%
1990 to 1994	8.3%	10.5%	5.3%	12.2%
1980 to 1989	23.6%	24.7%	16.1%	26.2%
1970 to 1979	30.8%	23.6%	33.7%	35.6%
1960 to 1969	10.9%	10.6%	15.9%	7.9%
1940 to 1959	6.0%	9.6%	18.5%	5.4%
1939 or earlier	1.6%	2.2%	4.1%	2.8%

Source: 2000 United States Census

EMPLOYMENT

The County has a small workforce compared to the rest of the state with less than half of its residents considered in the workforce. Only one in five Quartzsite residents is considered part of the workforce. The unemployment rate in the county is much higher than in the state overall, but is similar to the rate found in much of rural Arizona.

TABLE 3 LA PAZ COUNTY EMPLOYMENT 16 YEARS AND OLDER

	La Paz County	State of Arizona	Town of Parker	Town of Quartzsite
Employed	40.7%	57.2%	63.9%	18.9%
In labor force	44.3%	61.1%	70.0%	20.2%
Not in labor force	55.7%	38.9%	30.0%	79.8%
Unemployment rate	8.0%	5.6%	8.5%	6.2%

Source: 2000 United States Census

Occupations

Management and professional occupations in the County and both municipalities lagged behind the state percentages with more jobs being held in the service sector than in the state. Over five percent of jobs held in the County were related to agriculture with less than one percent holding similar positions in the state illustrating the importance of agriculture to the County's economy. Construction, mining, and maintenance, and production and transportation occupations were in very similar percentages to those in the entire state.

TABLE 4 OCCUPATIONAL OVERVIEW

	La Paz County	State of Arizona	Town of Parker	Town of Quartzsite
Management, professional	23.8%	32.7%	28.2%	18.4%
Service	23.4%	16.2%	24.4%	25.3%
Sales and office	23.8%	28.5%	24.7%	32.6%
Farming, fishing	5.3%	.6%	2.5%	.8%
Construction, mining, maintenance	11.1%	11.0%	8.8%	11.0%
Production, transportation	12.6%	10.9%	11.4%	11.8%

Source: 2000 United States Census

INCOME

La Paz County's median household income lagged 36 percent below that of the state, was below the Town of Parker but above Quartzsite. More than a quarter of households were below the \$15,000 per year household income figure and less than four percent were above \$100,000 compared with nearly ten percent in the state.

Household Income

	La Paz County	State of Arizona	Town of Parker	Town of Quartzsite
Less than \$10,000	15.8%	8.6%	9.1%	15.3%
\$10,000 - \$14,999	10.4%	6.4%	6.0%	12.8%
\$15,000 - \$24,999	21.9%	13.9%	17.6%	27.5%
\$25,000 - \$34,999	15.8%	14.0%	17.8%	18.5%
\$35,000 - \$49,999	16.4%	17.5%	19.0%	16.0%
\$50,000 - \$74,999	11.9%	19.2%	18.6%	6.2%
\$75,000 - \$99,999	4.1%	9.7%	8.3%	2.2%
\$100,000 - \$149,999	2.4%	6.9%	2.3%	.8%
\$150,000 - \$199,999	.6%	1.9%	.8%	.2%
\$200,000+	.6%	2.0%	.5%	.5%
Median Income	\$25,839	\$40,558	\$34,625	\$23,053

Source: 2000 United States Census

LAND USE

La Paz County continues to work on and improve the land use plan aimed at creating appropriate land uses throughout the County and the guidelines to determine how the land can and will be developed over time. The following Land Use Element includes the following:

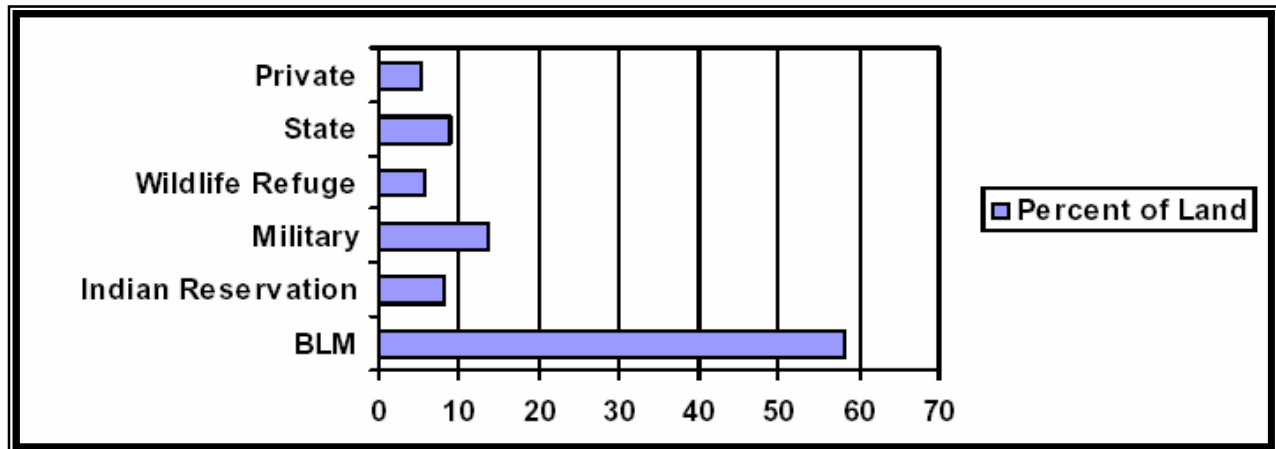
- Discussion of existing land ownership
- Overview of land uses within the County
- Outline of goals and policies that will guide further development
- A Land Use Plan that presents the appropriate mix and location of land uses that will meet
- potential County growth.

The La Paz County planning area (the entire county) covers 4,518 square miles comprised of different sub-areas with a mix of land uses and character. It is the third smallest of Arizona's counties and has the lowest population density with slightly more than four persons per square mile. La Paz County has over 100 miles of frontage on the Colorado River with nearly half of that in the Colorado River Indian Tribes(CRIT) Reservation.

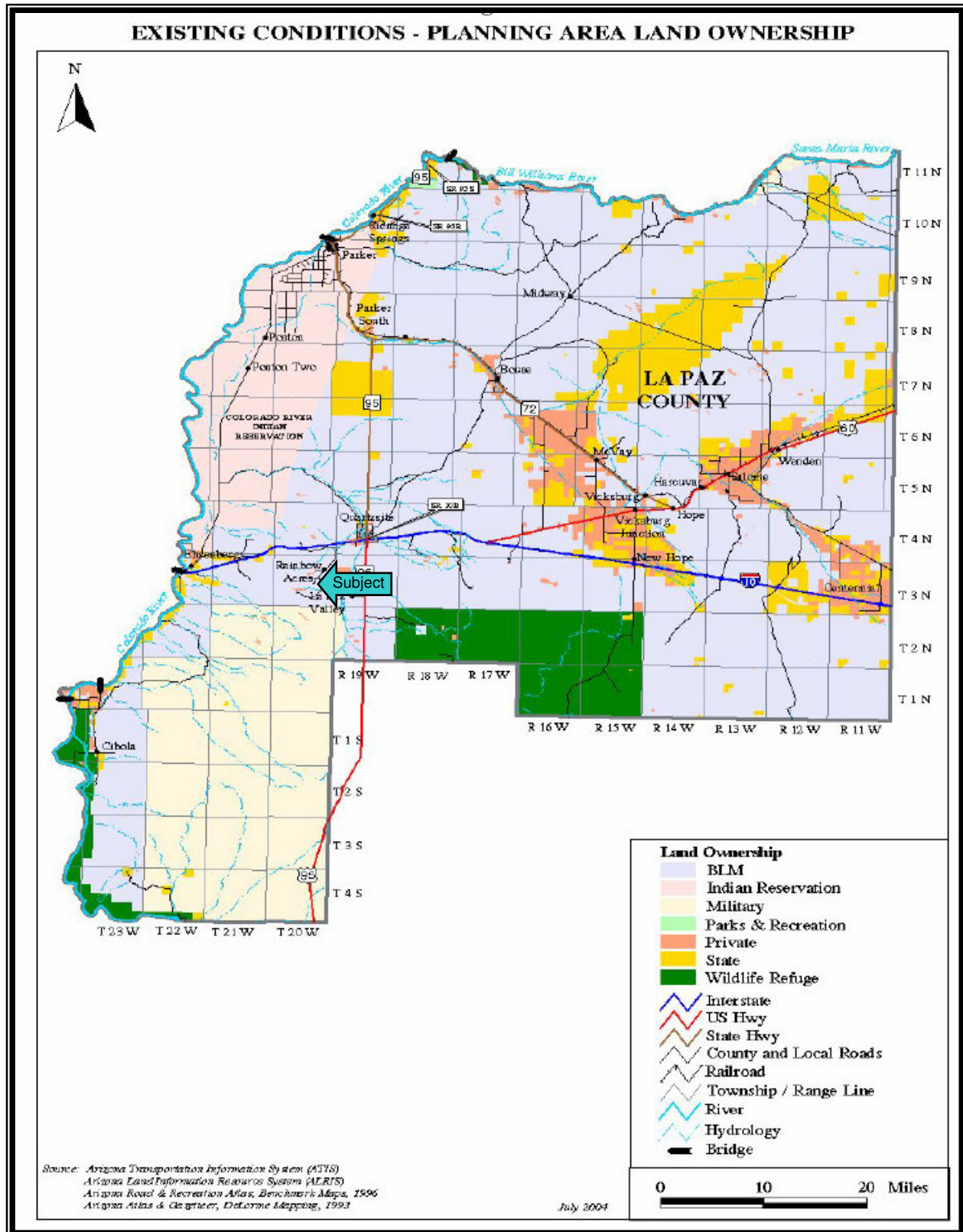
The County's land area is characterized by sandy beaches, rugged mountains, open desert, and vast agricultural lands. Many of these areas can be found adjacent to each other with sheer cliffs rising from the Colorado River channel and irrigated farmland abutting open desert. The County is located in the north-central portion of the Sonoran Desert and exhibits both very arid and lush desert characteristics. Elevations range from 5,691 feet at Harquahala Peak on the far eastern edge of the County to just a few hundred feet above sea level at the Colorado River. The County is home to over a dozen designated Wilderness Areas and Wildlife Refuges as well as the northern portion of the Yuma Proving Grounds owned and operated by the United States Military.

The County abuts on its eastern border Arizona's largest population center, Maricopa County. Yuma County is located to the south, Mohave County to the north separated by the Bill Williams River, and San Bernardino, Riverside, and Imperial Counties across the Colorado River in the State of California to the west. The County is strategically positioned between the rapidly growing metropolitan areas of Phoenix, Las Vegas, and southern California with rail and interstate highway access.

Of the 4,518 square miles in La Paz County, only a small percentage of the land is privately held. As shown in the table below (Land Ownership/Jurisdiction in La Paz County). The United States Bureau of Land Management (BLM) controls 58.3 percent of the land; the state of Arizona 8.8 percent; 13.7 percent by the United States Military, 5.8 percent in Wildlife Refuges, and 5.3 percent of the land is owned privately or by corporations. 8.1 percent of the county's total land area is found within the CRIT reservation.

Land Ownership/Jurisdiction in La Paz County

The vast majority of privately held land is located in the eastern half of the County intermixed with holdings from the Arizona State Land Department (ASLD). There is good access to most of the privately held land since most of the parcels are within a few miles of either Interstate 10, US 60, or SR72. We have included a map illustrating the planning area and land ownership in La Paz County in the figure on the following page. Following is a brief analysis of the current major land uses and potential future trends within La Paz County.

FIGURE 7 EXISTING PLANNING AND LAND OWNERSHIP IN LA PAZ COUNTY

Residential Development

The County is currently very sparsely populated with about a third of the County's population living within the two municipalities of Quartzsite and Parker. Overall, residential development would be considered low density except in the Town of Parker, Parker Strip, and some small pockets of development within Quartzsite, Salome, Wenden, and Ehrenberg.

Due to the lack of privately-held land, residential densities should be expected to increase as the population grows. It is anticipated that increased population densities will be concentrated in dispersed pockets throughout the County. While this trend will provide more affordable and efficient infrastructure and services, it may change the County's rural character in some areas. Planning and managed growth will likely continue to aim and preserving development is compatible with the County's character.

Commercial Development

Commercial development is located throughout the County to varying degrees. The majority of commercial development is located in the Town of Parker and on SR 95 on the CRIT Reservation just north of Parker. There is also considerable tourism related commercial development in the area along the Colorado River called the Parker Strip area. Significant commercial development can be found in Quartzsite and Ehrenberg mostly related to I-10 motorist support services. Small commercial and convenience store development is found in the rural, unincorporated

communities. In Quartzsite, seasonal commercial activity occurs serving the influx of winter visitors and tourists. The Quartzsite area annually hosts one of the largest gem and mineral shows in the nation that attracts people from around the world. Normally quiet streets are filled with exhibitors and temporary shops during this event and the balance of the winter months.

Significant retail leakage occurs due to the lack of commercial development, population base, and the County's proximity to larger and more diverse commercial areas located in Lake Havasu City, Blythe, California, and the west side of the Phoenix Metropolitan Area. Until the County achieves population centers large enough to support more substantial commercial uses, retail leakage will continue to be an issue.

Industrial/Employment Development

There is very little traditional industrial/employment type development in the County as most jobs are in the governmental and services sector. There is some warehousing and transportation related

industrial development in conjunction with the agriculture industry, trucking, and railroad activities. Significant industrial parcels are available particularly in the Parker South area. The County has excellent, multimodal transportation facilities and available land to accommodate future industrial/employment opportunities.

Colorado River Indian Tribes (CRIT) Reservation

The CRIT Reservation encompasses over eight percent of the County's total land area. A variety of activities are found in this area including residential development, governmental, and agri-business. Some of the residential development is located in the vicinity of the governmental complex, schools, and medical facilities just to the west of the Town of Parker but the majority of the housing is found scattered throughout the reservation.

Arizona State Land Trust

As part of Arizona achieving statehood, significant portions of Arizona's land base were placed into a land trust. The ASLD manages this land and it can sell or lease these lands to generate revenues for the beneficiaries of the trust, the largest being the public school system. The state's Constitution allows for the lease or sale at auction of this land for the "highest and best use" in order to raise funds for trust beneficiaries. In La Paz County, the majority of state land that has been leased is for agricultural uses.

State law requires that counties confer with the ASLD "for the purpose of guiding and accomplishing a coordinated adjusted, and harmonious development of the County." ASLD is required to develop conceptual land use plans for all state lands. To date (2007) no such plan has been developed by the ASLD in La Paz County.

Additionally, the Growing Smarter Initiative established the Arizona Preserve Initiative that allows state lands with high environmental and open space values to be temporarily reclassified for conservation while entities (municipalities, counties, or other groups) raise funds to purchase the lands. To date (2007), there have been no requests for reclassification of lands within La Paz County.

ECONOMIC AND DEMOGRAPHIC OVERVIEW FOR LA PAZ COUNTY

DEVELOPMENT PATTERNS

The careful placement of future land uses is critical for La Paz County to ensure that the County's environmental quality and rural character are protected. A vast majority of the La Paz County's land base is currently and is intended to remain undeveloped. Maintaining this open space and encouraging rational land use planning is the Land Use Plan's ultimate objective. The amount of Federal and State lands as well as a vast Native American reservation lands have contributed to the historic land use pattern and will ensure that it continues.

The future land use pattern focuses new development around currently incorporated or unincorporated communities, such as Quartzsite, Parker, Bouse, Salome, Wenden, Cibola, Ehrenberg, and the Parker Strip. Nearly 60,000 acres have been designated as Rural/Incorporated Community of which 62 percent is currently within the Town limits of Quartzsite, Parker, and Parker South.

There are several "Growth Areas" that are anticipated for future development. These areas include:

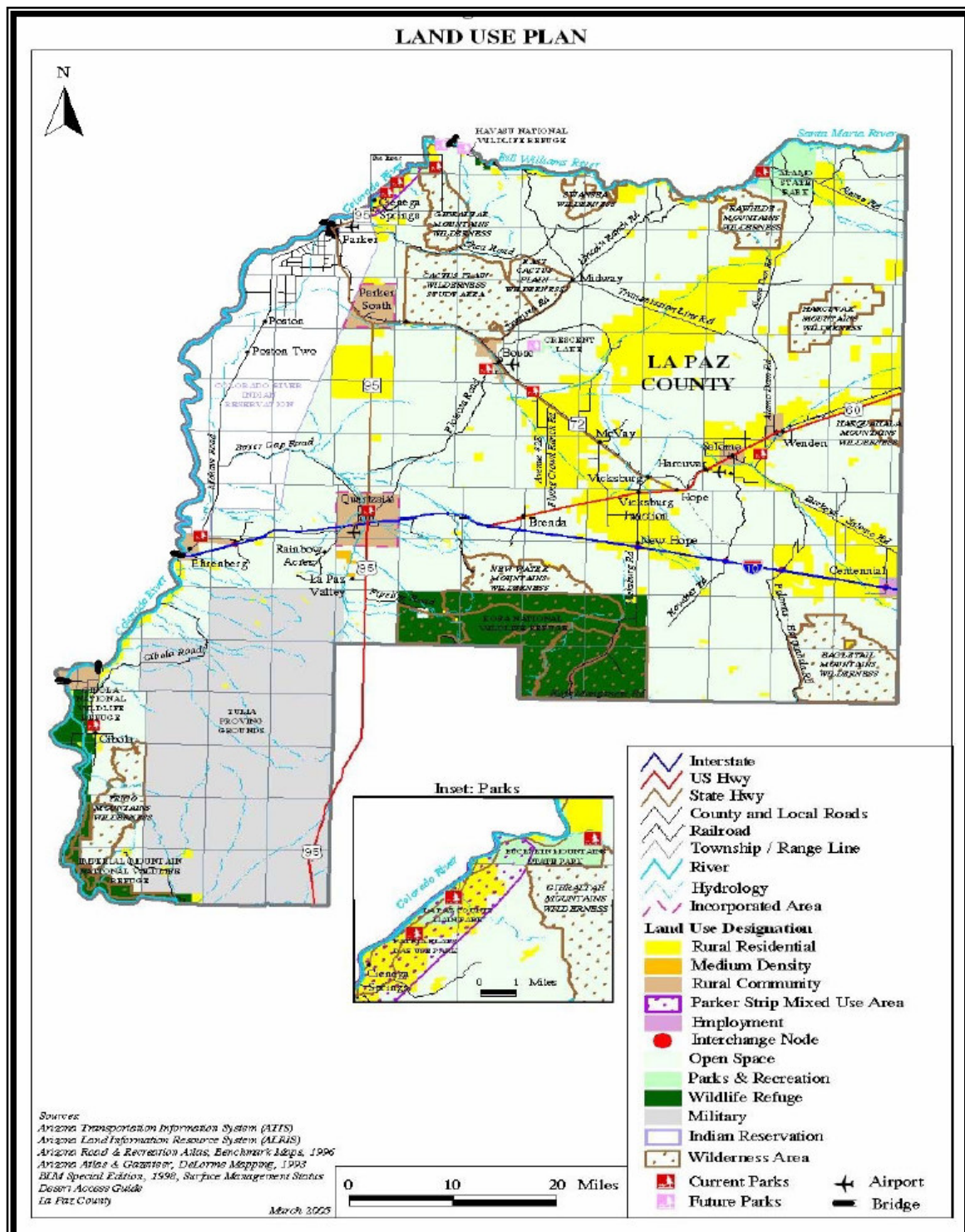
- Quartzsite has the land base and a significant amount of privately-held land within its incorporated boundaries to support development. The Town has aggressively taken steps to develop its water and wastewater systems and other infrastructure to accommodate future development.
- Parker South is located just over 10 miles south of the original town site. This area is considered within the Town of Parker's municipal limits though separated by the CRIT Reservation. The Town of Parker has invested significant infrastructure development resources in anticipation of and to encourage a full range of land uses.
- The Salome-Wenden area, Cibola, Brenda, and the Parker Strip are also anticipated to grow as privately-held land is abundant in these areas.

Ehrenberg also has growth potential based on its strategic location on the California border and excellent transportation access. Lack of privately-held land in Ehrenberg could hinder growth but there are significant holdings of state lands in the vicinity that could accommodate new development should the market warrant. There is one water fronting parcel that was purchased in the past two years and is anticipated to be developed with a single family residential neighborhood.

Bouse is also an area where growth can be expected. The community consists of mostly privately-held land with several miles of frontage along SR 72. The area is anticipated to continue to attract residential and neighborhood-type commercial development

The following discussion describes the "Land Use Designations" as summarized in the La Paz County Land Use Plan shown as **Figure 8**. Unlike most traditional plans, the La Paz County Land Use Plan does not have a designation for Commercial uses. While the County strongly encourages quality commercial and retail development, this type of development will be encouraged in the existing incorporated communities, rural community designations, and in conjunction with development in the freeway Interchange Nodes.

FIGURE 8 PLANNED LAND USE LA PAZ COUNTY



Acreage of Each Land Use Designation

Land Use Designation	Acreage
Rural Residential	370,085
Medium Density Residential	1,673
Rural/Incorporated Community	59,545
Employment	2,097
Interchange Node	1,286
Open Space	1,641,274
Parks and Recreation	21,997
Wildlife Refuge	168,616
Military	391,319
Indian Reservation	232,627
<i>Source: PSA, Inc., Geographic Information Systems mapping</i>	

Rural Residential

Development in this land use category is intended to be low density single family homes on minimum one acre lots. While one acre lots are permitted, the County will encourage housing development in the more rural areas to be on larger parcels with 5 to 40 acre ranchettes preferred. The locations determined to best accommodate this land use are generally based on where privately-held land and State Trust Land are located. Privately-held land will be developed according to County standards. The disposition of State Trust Land will be done according to state requirements. If the land is sold or leased, it will be developed based on County standards. While BLM land has been sold or traded within Arizona, La Paz County anticipates that the BLM will maintain the majority of the land in the County as open space. However, it may be advantageous for some BLM land to be converted to other uses as needs arise in the future. A significant portion of the rural density residential designated land is in very remote locations with poor access and no infrastructure. It is anticipated that much of this land will be developed well into the future if at all. The ranchette approach will be preferred in these areas.

The County encourages all quality residential development and an increased mix and availability of housing opportunities where designated and appropriate, but new development will be preferred near existing infrastructure and where services are currently being provided. Medium Density Residential Development in this land use category will consist of single family residential development from one to three dwelling units per acre. There is a small amount (1,673 acres) of land designated for this purpose in the County. Many of these designated areas currently have medium density residential development.

While there is very little of this land use category designated, residential densities above one dwelling unit per acre may be permitted should a project be determined by the County to be compatible with surrounding land uses. For example, infill housing development within existing rural communities may be permitted at higher densities.

Rural Community

The Rural Community designation indicates both incorporated (Quartzsite and Parker) and unincorporated communities within the County. The two municipalities have general plans and other municipal planning and policy documents that guide and regulate development within the town limits.

Parker Strip Mixed Use Area

The Parker Strip Area in the extreme northwest portion of the La Paz County planning area is one of the more unique places in Arizona. It reminds one of a “beach town” albeit approximately 200 miles from the ocean. This strip of privately-held land is nestled between Federal and Arizona State Land and the Colorado River. Due to the relative scarcity of privately-held riverfront property, the Parker Strip has developed at densities very unlike the rest of the County’s unincorporated areas. On summer weekends, the number of visitors and recreational users increases dramatically.

There is an eclectic mix of full time residences, vacation homes, small commercial businesses, eating and drinking establishments, and boating and recreational related industrial operations. Some development is over 40 years old and showing its age while there are new homes interspersed on infill and redevelopment lots. There is already property being purchased and buildings being demolished and rebuilt. Some of the new construction is large, single family homes. Lot consolidation and development of higher priced housing has already occurred and is anticipated to continue.

This special area has been designated on the Land Use Plan due to existing land use patterns and future development that are much different than in the balance of the County. With that, rapid change is anticipated over the next decade. Property values are anticipated to continue to increase due to the desire to be near the beauty and recreational opportunities of the Colorado River. This will prompt more infill development and redevelopment.

La Paz County Department of Community Development reported processing upwards of 500 building permits and 200 mobile or manufactured home placement permits each year and our certified building inspectors conduct nearly 5000 inspections annually. Additionally, the staff schedules and conducts over 64 public hearings with various boards and commissions throughout the year to consider rezoning and variance applications. The growth that we are seeing in Arizona means that these numbers will only continue to go up.

Colorado River

The Colorado River stretches approximately 1,400 miles through the southwestern United States and northern Mexico. Over 100 miles of that trek is on the western border of La Paz County starting at the Parker Dam south of the border with Mohave County and leaving the County near the Imperial Mountain National Wildlife Refuge.

Drought conditions have lowered the reserves of the entire Colorado River’s storage facilities to just over 50 percent of capacity but flow has remained fairly steady at between 10,000 and 14,000 cubic feet per second at the Parker Dam during the summer months.

While the Colorado River serves as a significant water resource for agriculture and uses on the CRIT Reservation, there is little allocation for the rest of La Paz County. However, the river does

provide tremendous economic benefit to the area in the form of tourism and recreation.

Water quality of the river is of paramount importance to the region's economy. Degradation of water quality, real or perceived, can have negative economic impacts on La Paz County and the entire region. Much of the threat to water quality lies in the development on the shores and in the watershed areas along the river in La Paz County. There is significant residential and commercial development in the

Parker Strip area and other intensive uses such as the Blue Water Resort and Casino on the CRIT Reservation.

Much of the older development along the river has aging infrastructure and uses septic systems for waste disposal. As new development and redevelopment of older developments occur, precautions must be taken to ensure that environmental issues impacting the river are mitigated.

COMPETING OR RECENTLY FINISHED RESIDENTIAL

Quartzsite has had very little new residential development over the past five years. The nearby competing neighborhoods of Blythe and Ehrenberg along with Parker and the Parker Strip area are reviewed for competing residential developments. The bulk of new planned developments or recently developed residential medium or high density properties have consisted of condominiums or high density SFR neighborhoods on or near the Colorado River. Most of these communities have been located in the Parker Strip area. We noted one gated residential subdivision in the Parker Strip known as Miraleste Shores. This community consisted of roughly 40 single family medium density residential building sites. Several of these sites do have water frontage. This development opened roughly 7 years ago and is sold out with over 85% of the sites developed with new homes. Lot pricing 5 to 6 years ago in the initial stages of the development started at less than \$125,000 per lot. The minimal lot price now is over \$300,000 with the most recent sales ranging between \$225,000 and \$330,000. The most recent river fronting site sale sold for \$575,000. These sites have been developed with large mostly multi-story custom homes.

One older exiting community on the Parker Strip known as Moovalya Keys is also noted. Moovalya Keys has over 200 sites and is unique because it has several water canals created from the Colorado River providing water access to the back porches of the majority of sites. We also noted a new condominium development in the Parker Strip area known as the Springs Del Sol Condominiums project. We have confirmed this project with the developer who indicated there would be a total of 35 condominium units. The first phase of this project is now complete with several units in escrow and a few units that have closed in recent months. These condominium units are located within the Havasu Springs RV Resort which includes a restaurant and several water fronting amenities and a small par 3 9 hole golf course. These new condominium units will range in prices from the high \$600,000's up to a \$800,000 depending view and size. The developer indicated there was an initial waiting list of over 200 people, but most decided not to purchase when delays were encountered due to water right issues.

Another condominium development noted in the Parker Strip area is known as Toscana. This is a new 25 unit townhouse development in the Parker Strip, but not adjacent to the Colorado River. These condominium units range from 2,200 to 3,600 square feet and were initially priced from \$370,000 to over \$500,000. The developer reported having a waiting list three times longer than the number of units that will be available when initial plans were announced and building began. Roughly six of the units were completed and four were under contract as the project neared

completion of vertical construction in the initial phase. The developer is now in the process of foreclose and the homes in contract were cancelled. The reason for the foreclosure was slower than anticipated sale velocities according to a source that was interviewed familiar with the project. With no capital funds to finish the project, the developer was forced into foreclosure.

We found no multi-family or condominium residential developments in Quartzsite or Blythe, but the demand demonstrated by the newly developed condominium units in the Parker Strip area is very good. There is a single family development in La Paz County near Bouse, Arizona. The neighborhood is know as Caballo Farm Subdivision. The neighborhood has roughly 62 sites that have an average size of roughly 5.5 acres. These sites have received relatively good absorption for a rural community. There have been roughly 29 sales over the past 30 months. Over the past 12 months there were ten sales, indicating a sale velocity of roughly .83 sales per month. The sale velocities have remained relatively stable over the sell out period. The price range is from roughly \$39,000 to \$90,000 per site. Based on the interviews with the real estate agent, Sat Randhawa (480) 323 2421, demand has been consistent with mostly second home buyers and water recreation enthusiasts as the primary target market. Many buyers are from California and other areas of Arizona.

Concentrating on more proximate developments in or around Quartzsite, we have found a handful of planned or under development residential projects. We note a rural subdivision known as Rainbow Acres has experienced increasing vacant land values and a good absorption rate or sales velocity over the past 36 months. La Paz Valley is the only competing neighborhood in the immediate area (within a three mile radius). La Paz Valley is roughly 40% to 50% built out with mixed housing types being primarily manufactured and varying degrees of differed maintenance.

Other single family and multi-family developments in the Quartzsite area include the Arroyos at Quartzsite along with a senior housing project located adjacent to the single family subdivision. The Arroyos at Quartzsite is a 103 unit planned subdivision being developed by the same developer as the subject property. The subdivision has smaller sites that are all roughly similar in size and will have inferior common amenities. This subdivision started selling in December of 2006. A total of 20 homesites have sold as of July of 2007. The sale velocities are anticipated to peak from November through March each year because the population swells with winter visitors, the primary target market. The sites are typically between 6,000 and 7,000 square feet. The bulk of sites are sold as a lot plus home package. The only site that sold as an individual site sold for \$65,000; an all cash transaction. Four of the homes sold as a double site. A recent residential appraisal estimated the double site value to be \$135,000. The lot plus home package was contracted at \$377,316. Based upon extraction analysis using other sites that have sold, the average site value is roughly \$65,000 to \$70,000. Based upon the sales to date, the sale velocities are roughly 2.5 sales per month. Homes in the neighborhood generally range from 1,256 square feet to 1,950 square feet. Many home buyers have opted for a RV garage.

We were able to confirm the costs for horizontal infrastructure which is helpful in making cost estimates for the subject property. The developer noted that costs of infrastructure including rough grading for each lot, pad certifications and infrastructure to each site (electricity, city water, city sewer), plus permitting fees for the 103 lots was roughly 1.5 million dollars. This works out to roughly just under \$15,000 per site, which is relatively low in contrast to competing residential developments that have occurred in La Paz or Mohave County over the past two years. Typically, fees are slightly higher in other more populated areas and the developer noted that this was one advantage to building in the Quartzsite area. One of the reasons the infrastructure costs per lot were

on the lower side was due to lower permitting fees and other fees associated with individual hook-ups etc.

York Village is a planned luxury condominium development in Quartzsite with mixed commercial uses. The land was purchased in 2005 and the entitlement process is still ongoing. This project is in its initial stages of development and has not yet broken ground. The development includes plans for two seven story luxury condominium buildings that will include a total of roughly 100 units plus roughly fifteen additional two-story mixed retail and residential buildings. Plans for a pub and restaurant are also part of this development. We note the buyer initially purchased the comparable property as a potential site for his light industrial business. Upon further review, he believed a project such as this would be a better use and would maximize the value of the site. Upon our interviews with the buyer, we confirmed his intentions and his optimistic view that this type of project could be sold off in less than two to three years after construction was complete. He believes the luxury condominium units, which would generally range between 1,400 and 1,700 square feet should command prices of at least \$200,000 to \$250,000.

One other subdivision noted is the Solar Chimney Village which is a proposed development based on using solar energy for the community. Very little details were confirmed regarding this project other than it is only in its initial stages and would likely not compete with the subject property due to the long development period.

One other existing subdivision that we note continued sales and build out for is the Q Mountain subdivision which is an RV oriented community. This subdivision has mixed improvements, mostly oriented to be complimentary to RV's. There are several sites with only large RV ports and/or RV ports with storage sheds or smaller accessory living quarters. There are also several manufactured homes within this development. We noted one listing for \$57,000 for a vacant lot. We note sales generally range between \$45,000 and \$55,000 over the past 24 months, but only a preliminary search was completed. Rainbow Acres is a similar RV development that sells individual lots. These site sales were considered as part of estimating revenues for the subject property and are discussed in further detail in the income section of this report.

SUMMARY AND CONCLUSIONS

The four forces (social, economic, political, and environmental) that influence market values have been discussed. The various governing bodies have sponsored growth with generally pro-development attitudes balanced by projects that are in harmony with the surrounding area. There are some areas of political debate concerning development but nothing that is foreseen to drastically change the pro-development landscape. The government administrations also promote funding and infrastructure necessary for growth. These factors, along with the recreational opportunities offered by the Colorado River and the rural appeal of La Paz County area, will continue to attract a larger population to the La Paz County area. County officials continue to expand and improve land planning in the county for the purpose of creating complimentary uses while retaining its current appeals.

Future economic growth is contingent upon several factors. The first being the adequate supply of utilities to new development (i.e. water); and secondly, that the recreational opportunities along the Colorado River are not diminished by any unforeseen contamination or limitations on use. Any major changes with the use of the Colorado River and recreational opportunities in the area could have a profound impact on the subject property.

As a result of our research in the regional and general area, we expect the market to maintain it's over all level of health with continued record levels of new growth over the foreseeable future. The county has already experienced record levels of new growth in the past two years, but we note

growth levels in the 90's were relatively minimal in contrast to other areas of Arizona. No individual property market appears to be headed for a long recovery or a disastrous down cycle. The market is a long way from experiencing the systemic, long-term market problems such as those experienced in the late 1980's in many real estate markets around the nation. We have noted increasing supply levels in Lake Havasu, Bullhead City, Kingman, Yuma and other competing market areas surrounding the subject property. The supply levels in the immediate market appear to be relatively stable, but slightly higher in comparison to the same time in 2005. We note 2004 and 2005 were record sales years and property inflation was very significant. Single family residential vacant sites and subdivisions such as Rainbow Acres and Q Mountain increased in excess of 20% per year in 2004 and 2005. A stabilization of property values is anticipated based on the surrounding market areas. We note California, Las Vegas, and the most populated areas of Mohave County have already realized stabilized to slightly declining residential property values. Never the less, the more affordable appeal of the Quartzsite market is expected to have a healthy and active future.

Based upon the proposed plans for the subject site, we believe the proposed subject development is a complimentary to the subject neighborhood. We have not noted direct competition with the same rural but higher density appeal. This neighborhood will have a superior degree of conformity than other areas in the Quartzsite area. In the immediate neighborhood, the existing developed private lands have mixed conformity and varying degrees of deferred maintenance with only a small percentage of private lands vacant and ready for development to the highest and best use. For this reason, we believe that the subject will have a constant and good demand. We have noted some potential competing subdivisions, primarily the Arroyos at Quartzsite, which is also being completed by the same developer, but none that are in direct competition with the subject. We believe the subject is well positioned within the neighborhood to capture a large percentage of new residents or potential second home owners in the Quartzsite market area.

We have found no adverse external or economic conditions that are anticipated to impact the subject's proposed residential developments. The rate of appreciation for single family properties and single family vacant and unimproved sites is expected to be much less than the record years of 2004 and 2005. We expect absorption levels to be less than the absorption or sales velocities in 2004 or 2005 as have been demonstrated by surrounding market areas in Mohave County and Yuma. Never the less, we do believe a proposed residential subdivision like the subject will have a good demand. A more detailed analysis of the expected sale velocities or absorption is contained in the land residuals section of this analysis. Please refer to the land residual analysis for more details regarding our conclusions of current market conditions and potential development scenarios.

The demographic and economic characteristics that are discussed in the above section are considered in our overall feasibility analysis that is highlighted in the Highest and Best Use section of this report. The Highest and Best Use section as proposed concentrates on the conceptual plan proposed by the developer and the feasibility of such a plan given the economic characteristics of the area.

NEIGHBORHOOD / MARKET AREA ANALYSIS

QUARTZSITE/LA PAZ VALLEY NEIGHBORHOOD

The subject is located in La Paz Valley; a 320 acre privately owned area surrounded by BLM lands and located just north of Quartzsite, AZ. For the purposes of this report, the subject neighborhood is considered the Quartzsite market area. The town of Quartzsite, Arizona is located approximately 125 miles west of Phoenix at the junction of Interstate 10 and Highway 95, and lies 17 miles east of the Colorado River. Quartzsite has a total land area of 36.6 square miles and has one zip code for the town; 85346. The community is located in La Paz County and it has an elevation of 879 feet above sea level giving it a desert like setting. Quartzsite was established in 1867 on the site of Old Fort Tyson, a privately built structure constructed in 1856 by Charles Tyson. Named Quartzsite because quartz was occasionally found in the area, the name evolved to Quartzsite due to an error in spelling.

Tourism is the major contributor to Quartzsite's economy. The retail trade and service sectors benefit from the visitors who reside at the numerous (more than 70) mobile home and trailer parks in the vicinity between October and March. Beginning in October, nine major gem, mineral, and over 15 general swap meeting shows are popular tourist attractions. The Bureau of Land Management and law enforcement agencies estimate more than 1.5 million people attend these events.

Quartzsite's largest employers are Love's Truck/Auto Center with 50; Pilot Truck Center, Dairy Queen and Subway Restaurant with 40; McDonald's with 20 permanent and 20 seasonal; the Town of Quartzsite with 37; and Burger King/Woodys/Mobil with 25 permanent and 30 seasonal; ADOT; Quartzsite Post Office.

POPULATION

	1990	2000	2001	2003
Quartzsite	1,876	3,354	3,375	3,425
La Paz County	13,844	19,715	19,935	20,715
Arizona	3,665,228	5,130,632	5,319,895	5,629,870

*The massive influx of winter visitors creates inconsistencies in estimating population for Quartzsite. The winter population may reach a temporary peak of over 250,000.

POPULATION

Quartzsite's estimated population as of the year 2000 was 3,354, where as in July of 2004 it was estimated to be 3,355 lending it a +0.0% change. Quartzsite's median resident age is 66.5 years old, with a median household income of \$23,053 (in the year 2000), median house value in 2000 was \$84,500.

LABOR FORCE DATA

	2000	2001	2003
Civilian Labor Force	846	792	852
Unemployed	48	38	42
Unemployment Rate	5.7%	4.8%	4.9%

Source: Arizona Department of Economic Security.

GROWTH INDICATORS

	1998	1999	2000	2001	2003
Taxable Sales (\$)	26,300,700	31,994,300	29,153,600	30,389,960	30,861,080
Net Assessed Valuation	16,142,337	14,004,678	14,154,965	14,179,405	15,339,498
New Building Permits *	116	98	95	134	163**

*Sources: Arizona State University; AZ Dept. of Revenue; AZ Tax Research Foundation

**Incomplete Data: One or more months not available

BUILDING PERMITS

Single-family new house construction building permits:

- 1996: 0 buildings
- 1997: 0 buildings
- 1998: 4 buildings, average cost: \$94,800
- 1999: 3 buildings, average cost: \$67,500
- 2000: 2 buildings, average cost: \$72,100
- 2001: 0 buildings
- 2002: 4 buildings, average cost: \$119,900
- 2003: 3 buildings, average cost: \$177,900
- 2004: 2 buildings, average cost: \$97,800
- 2005: 79 buildings, average cost: \$25,400

Building permits per year were almost non existent until 2005 when the number of building permits jumped by 77 single family permits up to 79 total permits in 2005. We note some of these building permits were for smaller accessory structures and the average was much lower than in years past where permits generally reflected new housing only. Since some of these permits were only for accessory buildings we have not included an estimate of 79 building permits looking forward for single family housing in Quartzsite assuming market conditions remained stable. We believe roughly 40% of the 79 building permits, or roughly 32 single family housing units were permitted in 2005 and this is used as a basis for forecasting going forward. This is an important forecast because it used in estimating absorption which has a significant impact on the discounted cash flow analysis or land residual analysis.

UTILITIES

Electricity	APS (Statewide)	800-253-9407
Propane	Various Dealers	
Telephone	TDS Telecom & Q-West	928-927-6345
Trash Pick-up	Palo Verde Disposal	760-922-9107
Waste Disposal	Allied Waste	928-669-8886
Water/Sewer	Individual Wells/Septic Tanks	
Public Water	Town of Quartzsite	928-927-4333

Gas: El Paso Natural Gas

Cable Provider: NO

Cable Internet Service Provider: NO

Digital Switching Station: NO

Fiber Optics: YES

Internet Service Provider: YES

The subject property is located in an area that will require a common wastewater treatment facility, and a common well water system. The subject subdivision has already had initial approval for a common well and is anticipating no future problems. The proposed subdivision is currently in application for the 100 year water approval, which is anticipated to be approved before March of 2008. The community will also use a common sewage disposal which will refine water and be paid for through the homeowner's association fees (initial construction costs will be paid by the developer). Electricity and telephone are immediately available. The cost of the wells and common sewer system are part of the estimated infrastructure costs per site.

COMMUNITY FACILITIES

Quartzsite offers a broad range of community facilities including an 80-acre town park, Celia's Rainbow Botanical Gardens, three swimming pools (private for mobile home park patrons), a senior citizens hall, recreation centers, a public library, and 22 private shuffleboard courts. A community service building.

COMMUNICATION

In addition to news sources from the rest of the state, Quartzsite has two weekly newspapers, The Quartzsite Times and The Parker Pioneer also KBUX-FM radio station. Internet access is provided by local servers.

EDUCATIONAL

There is one elementary school in Quartzsite; high school students attend Bicentennial Union High School in Salome or the Quartzsite Scholars' Academy. For more information please visit the Quartzsite Elementary School. For more information on Salome High School please visit Salome High School. The Quartzsite Scholars' Academy is available on line.

MEDICAL

There is a medical center staffed (four) year-round, and two medical centers staffed by four doctors from fall to spring with reduced staff during the summer. Ambulance service is available in Quartzsite; full medical facilities are available in Blythe, CA (22 miles away), and Parker, AZ (35 miles away). A medivac heliport is located at the Quartzsite Fire Department with 24-hour EMT service.

FINANCIAL

Five banks are available in Parker and three in Blythe, CA. ATMs are available throughout Quartzsite and there is a local Horizon Community Bank in the town of Quartzsite. Quartzsite businesses are eligible for assistance in financial fixed assets through the Finance Division of the Arizona Department of Commerce. La Paz County is designated an Enterprise Zone which offers significant incentives to expanding or newly locating businesses.

GOVERNMENTAL

Quartzsite is governed by a Mayor, Town Council, Town Manager and Town Clerk. The Town is served by the Town Police Department with eight officers, the Department of Public Safety and the La Paz County Sheriff's Department. The fire department has seven full-time and 10 part-time personnel. Quartzsite is located within La Paz County www.co.la-paz.az.us.

AIRPORT

Residents of Quartzsite have access to the Parker Municipal Airport with one 4,800-foot, hard surface, lighted runway, equipped with UNICOM radio. Quartzsite has four private air strips, permission required for use.

LODGING & MEETING FACILITIES

There are three (3) motels with a total of 74 units available and four meeting facilities with the largest seating more than 1,000 persons. Quartzsite also offers over 70 mobile home and RV parks with 6,117 total spaces. Quartzsite is surrounded by BLM land for day use, long-term camping and 14-day free camping, for more information contact www.az.blm.gov.

FIGURE 9 SUBJECT PARCEL PHOTOGRAPH LEGEND

Note: Numbers above indicate the view number and approximate location from where the subject photograph was taken (see following photographs). Arrows indicate approximate direction in which the photograph was taken. All photographs taken by Lucas Still on May 20, 2007.

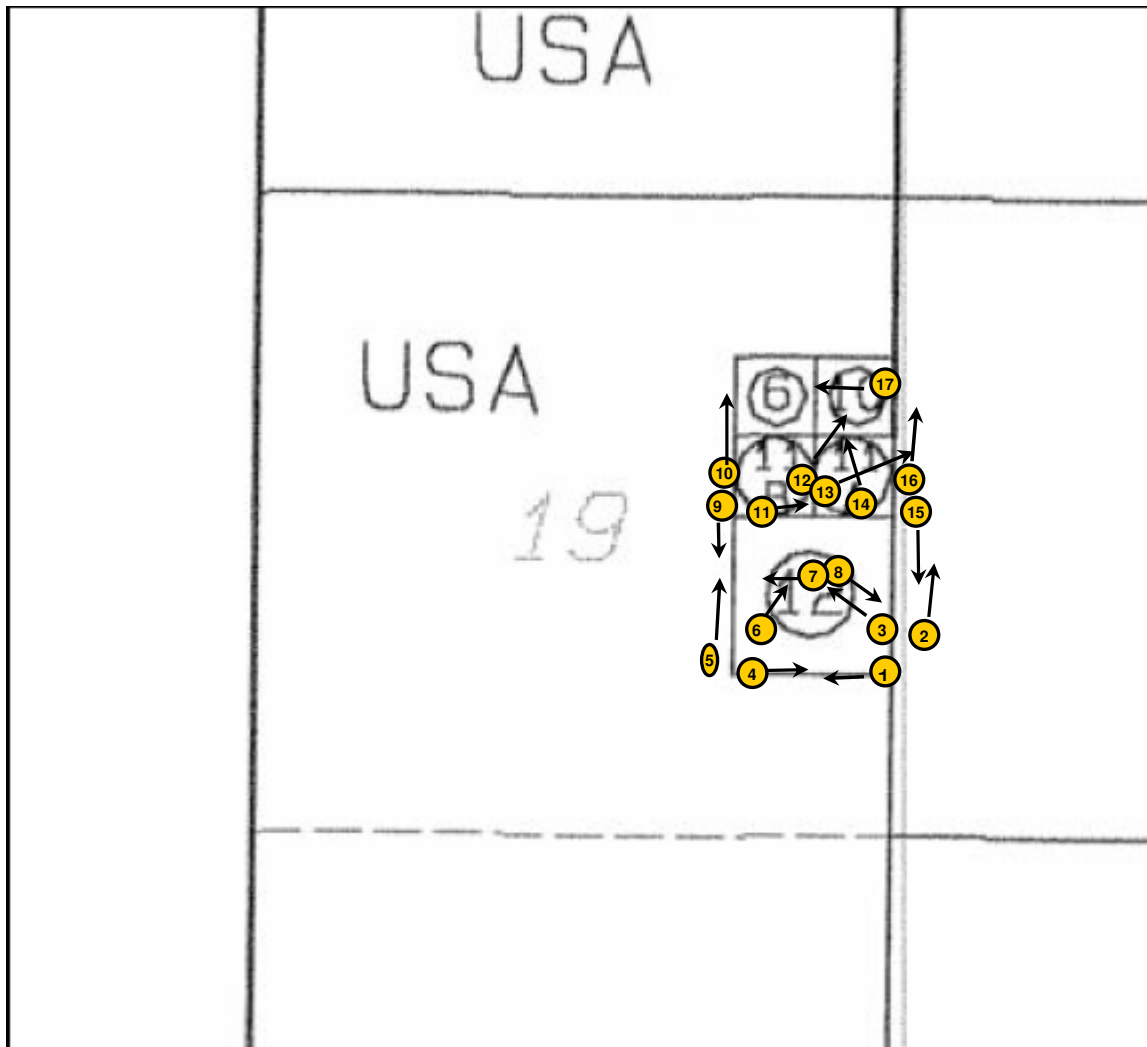


FIGURE 10 SUBJECT PHOTOGRAPHS



VIEW 1



VIEW 2

SUBJECT PHOTOGRAPHS (CONT.)



VIEW 3



VIEW 4

SUBJECT PHOTOGRAPHS (CONT.)



VIEW 5



VIEW 6

SUBJECT PHOTOGRAPHS (CONT.)



VIEW 7



VIEW 8

SUBJECT PHOTOGRAPHS (CONT.)



VIEW 9



VIEW 10

SUBJECT PHOTOGRAPHS (CONT.)



VIEW 11



VIEW 12

SUBJECT PHOTOGRAPHS (CONT)



VIEW 13



VIEW 14

SUBJECT PHOTOGRAPHS (CONT)



VIEW 15



VIEW 16

SUBJECT PHOTOGRAPHS (CONT)



VIEW 17

HIGHEST AND BEST USE

INTRODUCTION

The purpose of the highest and best use analysis is to determine the optimal use of the subject parcel "as vacant". The purpose of the "as vacant" analysis is to determine if the site should be developed, and if so, what use the site should be developed with.

The definition of Highest and Best Use is defined in the Dictionary of Real Estate Appraisal, Fourth Edition, 2002 as follows:

“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 is often looked upon as a sifting out process. Many uses can be eliminated from reasonably probable consideration by investigating legal permissibility and physical possibility. After analyzing legal permissibility and physical possibility, an analysis of the financial feasibility and maximum profitability of a site further narrow down the most likely candidates for the highest and best use of a site. Typically one is left with one or several reasonably probable uses for a site before determination of which use may be maximally productive.

The Appraisal Institute has suggested limitations as to what may be considered in an appraisal assignment and its corresponding effect on the highest and best use conclusion of a parcel. It is deemed unethical to perform an assignment that is based on a hypothetical condition, unless a) the use of the hypothesis is clearly disclosed; and b) the assumption of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison and would not be misleading and c) the report clearly describes the rationale for this assumption, the nature of the hypothetical condition, and its effect on the result of the assignment. We have employed hypothetical conditions for the purposes of this report. Please refer to the hypothetical condition section of the report for more details.

The Appraisal Institute recognizes the concept of highest and best use as being distinguished between the highest and best use of the land and the highest and best use of the property as presently improved. We will estimate the highest and best use based on that framework in the sections that follow.

- “The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.”

The highest and best use is an opinion supported rather than an absolute fact to be discovered. Different possible highest and best uses "as if vacant" and "as improved" can occur when a property is developed to a use other than its highest and best use. In this appraisal we have considered the highest and best use potential of the subject parcel in it's "as is" state and from an "as proposed" condition.

HIGHEST AND BEST USE OF A SITE AS THOUGH VACANT

The definition of Highest and Best Use of land or a site as though vacant is defined in the Dictionary of Real Estate Appraisal, Fourth Edition, 2002 as follows:

“Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.”

The following analysis presents our analysis of the physically possible, legally permissible, financially feasible, and maximally productive use of the subject site.

PHYSICALLY POSSIBLE

The subject is a medium to large parcel in relation to other undeveloped parcels in the subject's immediate neighborhood. The subject is surrounded by BLM lands with very little private land available for development. The subject current has a 12 foot access but is in the application process for a larger access easement (ROW) from the BLM. Given the history of similar ROW easements being accepted by the BLM, we appraise the property as though this is a likely outcome for the subject property.

There is a small wash area and some rolling topography on the subject site, but the physical characteristics do not significantly diminish the building utility of the site. Given the site and physical characteristics, any number of uses could be accommodated by the subject site. After considering the surrounding land uses, and the rural nature of the subjects' location, a retail or commercial type of use is ruled out as a likely use for the subject site.

LEGALLY PERMISSIBLE USE

In this instance, a portion of the subject parcel was recently rezoned for medium density single family residential use potential. The 10 acre portion of the property is in the application process for rezoning to allow for smaller condominium sites. There are two other projects in the initial stages of development that are applying for a similar use potential in the Quartzsite area. We have interviewed a planning and zoning representative a believe the likelihood of achieving such a zoning is good. For this reason, a mixed use SFR residential subdivision, with a small portion of smaller condominium sites is believed to be a legally permissible use for the subject site, although the final approvals for this use have not been achieved as of the effective date of this report.

A commercial or retail use is ruled out because this would not be a legally permissible use given the existing zoning and land use patterns in the immediate neighborhood. The analysis of legally permissible limits the potential use of the subject site to some form of residential use (low to high density).

FINANCIALLY FEASIBLE USE

The use that will produce the highest net return to a site is a use that can tolerate the cost to develop the property and complement the location of the site within the neighborhood.

From a financially feasible perspective, the development of the site will be primarily hindered by the physical characteristics described above and the locational characteristics detailed in the neighborhood section of this analysis. The immediate neighborhood is currently largely undeveloped, but other privately owned sites with a similar legally permissible use are limited in the immediate

neighborhood. The demand for single family housing for second home owners and retirees is good based upon the sale velocities of the existing subdivisions of the Arroyo's Preserve and Rainbow Acres. The fact that two other property owners in Quartzsite are currently trying to develop communities with condominium sites (typically less than 4,000 square feet) provides additional market evidence this type of use is a feasible use, and likely the use that will create the highest profitability for the subject site. The appraiser has spoke with the potential developer of these other two parcels, but they are only in the planning and initial grading phase at this point in time, and the information has not become public record at this point.

Given the price paid by the land owner, and considering the infrastructure extensions and right of way easements that will be required before the land can be developed, a lower density residential use is ruled out as a financially feasible use for the subject site.

Given the scope of work for this report, a more in depth use by use testing analysis has not been completed as it is outside the scope of work for this assignment. Given the surrounding land uses, recent zoning approval for 40 of the 50 acres for medium density SFR development, and use by use testing analysis is not required to produce a credible conclusion for this valuation assignment. Using testing involves creating a discounted cash flow analysis for various development scenarios, comparing the net present value of each scenario and determining which ones are feasible, and which one creates the maximally productive use for the land. Given recently approved zoning, testing outside a legally permissible use would be speculative.

MAXIMALLY PRODUCTIVE

After narrowing the type of use we have concluded the subject site would most likely be developed with a medium density residential type of use. The local market depends upon tourism and has a population over 250,000 persons during the winter months because of sun seeker visitors that often visit the area in their RV's. Many of the most recent subdivisions in the area target this RV market and develop subdivisions that are complimentary to the RV visitors. Based upon the analysis above, a use that would target this market is the use that will create the maximally productive use for the subject site.

The ideal improvement is a subdivision with medium to high density housing, that conforms to existing zoning or can achieve zoning through application, and includes common amenities that are not offered in the market area. No subdivisions in the area offer a high degree of common amenities. By offering such common amenities the subject can differentiate itself from the market and have a larger percentage of market capture. The ideal site size is from 6,000 to 10,000 square feet. Offering some smaller condominium sites would diversify the appeal of the subdivision and create a higher sale velocity over the projected sell out period. The proposed subdivision meets the expectations of the ideal improvements, and will create the highest profitability to the subject site. Please refer to the highest and best use as proposed for more details.

HIGHEST AND BEST USE "AS PROPOSED"

The definition of Highest and Best Use of a property as improved is defined in the Dictionary of Real Estate Appraisal, Fourth Edition, 2002 as follows:

“The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.”

It is important to recognize the possibility that the highest and best use of the land could differ from the highest and best use of the property. The "demolition rule" as stated by the Appraisal Institute in its Advanced Income Capitalization Course states:

“If the value of the property as improved is equal to or greater than the value of the land as if vacant less costs of demolition, then the current improvements should not be demolished. This does not mean that the current use is necessarily the highest and best use, because conversion or renovation must be considered.”

For there to be a change in the highest and best use from the "as if vacant" to the "as improved" condition, one of three conditions must occur: (1) the site value, less the cost of demolishing the improvements, less the cost of acquiring occupancy (leased condition) must exceed the value of the property as improved, (2) the current improvement is a higher use than is available as if vacant (legally nonconforming use), or (3) the cost to add improvements to the property is financially feasible. None of the above scenarios are determined to apply to the subject site. This is discussed in further detail below.

We have determined the highest and best use assuming the site were vacant and unimproved to be the development of a mixed density residential subdivision. The proposed subdivision will have roughly 129 residential single family sites. In addition, the owner is in the process of having the 10 additional acres to the north rezoned for smaller condominium sites. Given our interview with the planning and zoning department, this appears to be a likely use for this portion of the subject site. The proposed subdivision will be exclusive for the market area because it will offer good common amenities that include a pool, clubhouse and nine hole pitch and put golf course. These amenities are anticipated to be well received by the market and should create a higher level of absorption for the subject than other competing developments. The proposed subdivision is a legally permissible use (we note the 10 acres is still in the process of approval, but it is more likely it will be approved than not). Based upon the site plans provided to the appraiser, the subject subdivision is a physically possible use.

The feasibility of the proposed subdivision is tested using the income and cost approach assuming all site development work is complete. The cost approach indicates a value below, but close to the the income approach indicating good feasibility for the proposed project. Please refer to the cost and income section of this analysis for the “at complete” value indications from each approach. A different density, or adding additional common amenities is not anticipated to create a more profitable scenario for the subject site; therefore, the proposed use is the highest and best use as proposed (similar to the ideal improvement).

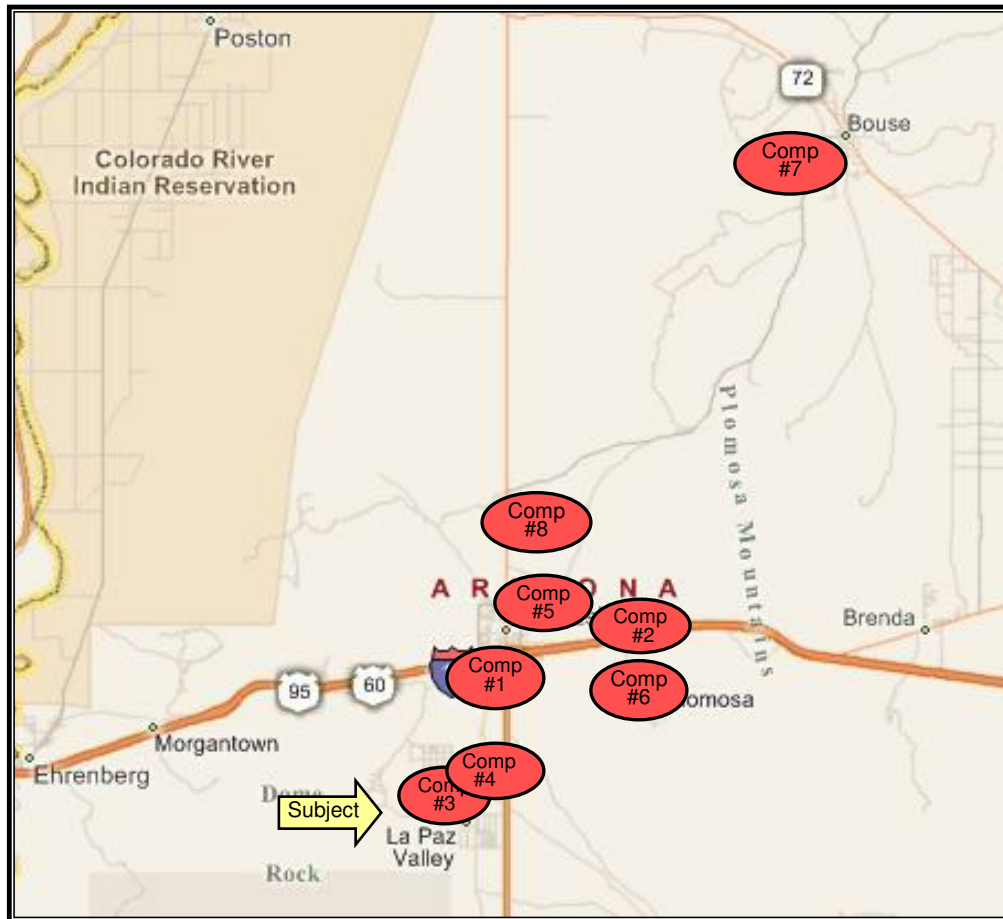
THE VALUATION PROCESS

Three approaches to value are available to the appraisers to estimate the market value of a property. They are the Cost Approach, the Sales Comparison Approach, and the Income Approach. In this appraisal, the Sales Comparison Approach and Income Approach are given primary consideration in our final reconciliation of value. The property is currently vacant and unimproved land, but the client has requested a value based upon the hypothetical condition the site development work for the proposed subdivision has been complete as of a current effective date. The Cost Approach is not applicable for the “as is” condition of the property, but is helpful in determining the feasibility of the proposed project for the “at complete” value estimated herein.

The Sales Comparison Approach is typically considered the most reliable approach when estimating raw land value. In this instance however, very limited sales were available with similar use potential, size and locational appeal. We have not searched for sales older than 36 months as market conditions have changed significantly since that time and with very limited re-sales a reliable adjustment is very difficult to obtain. Given the lack of ideal sales, the reliability of the Sales Comparison Approach is diminished. Giving both the sales comparison and land residual technique some weight in the final reconciliation of value is the most appropriate and reasonable method of reconciling an “as is” market value for the subject property.

Given the scope of work for this report, the discounted cash flow method (land residual) is given primary weight in the estimated hypothetical value assuming horizontal improvements are complete for the proposed subdivision. As additional support, the cost approach is completed. The cost approach adds the estimated site development costs, including soft costs and profit to the “as is” land value. The cost approach is helpful in determining the feasibility of the proposed subdivision (see Highest and Best Use Analysis).

FIGURE 11 LAND SALES COMPARISON MAPS



SALES COMPARISON APPROACH LAND VALUE ESTIMATE

The Sales Comparison Approach is a method of estimating market value by comparing the subject property with similar properties that have sold recently or are available for purchase. One premise of the Sales Comparison Approach is that the market will determine a price for the property being appraised in the same manner that it determines the prices of comparable, competitive properties. Essentially, the Sales Comparison Approach is a systematic procedure for carrying out comparative shopping. As applied to real estate, the comparison is applied to the unique characteristics of the economic factors that cause real estate prices to vary.

We believe the data presented to be the best available from the local marketplace given the information at our disposal at the time of this report. There have been very few sales of parcels in the immediate market area with similar use potential to the subject. The bulk of land sales with similar size have a much lesser use potential, typically RA-40 or one building site for every 40 acres. Given the approved zoning for the 40 acre portion of the parcel for medium density SFR use, these sales are considered a floor value indication for the subject property. Three sales with subdivision potential were found, although they did not have entitlements in place at the time of the sale. These sales are given primary weight in the final reconciliation of value because of the similar use potentials. Some sales are illustrated in the table and abstracts, but are given no weight in the final reconciliation of value because of different use potentials. These sales were illustrated because they are the next best sales available. Given the lack of ideal sales, and lack of recent sales in the market area, the income approach is also given weight in the determination of a “as is” value estimate for the subject property.

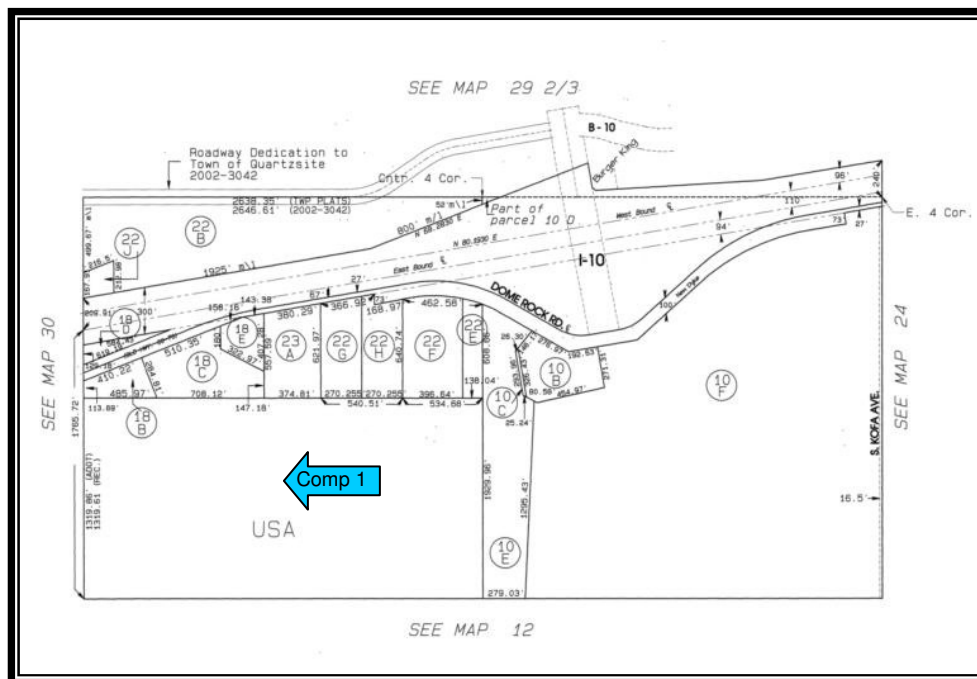
The sales used were selected because they establish a common denominator for comparisons to the subject in order to estimate the current fee simple market value. The location of the comparable sales is shown in the map above. Figure 12 below is a table showing a summary of the sales considered for this report. Abstracts for each of the sales follows the sales table. An adjustment grid showing estimated differences between the subject and each respective comparable sale leads to the conclusion of the “as is” market value for the subject site. We have also provided a brief summary of most critical elements of comparison and support the adjustments that have been made. Other support is contained in the appraiser’s work file for the interested reader.

Given the use potential of the subject property, we have concentrated on two units of comparison; a price per acre and a price per potential site. Some of the comparable sales do not have specific plans but a maximum density can be derived by current zoning and surrounding land uses. The price per unit is given no consideration for these sales because the actual use may change upon application to the planning and zoning department. The use potential was confirmed with primary sources when possible, which lead to a more objective comparison for the price per potential site comparison.

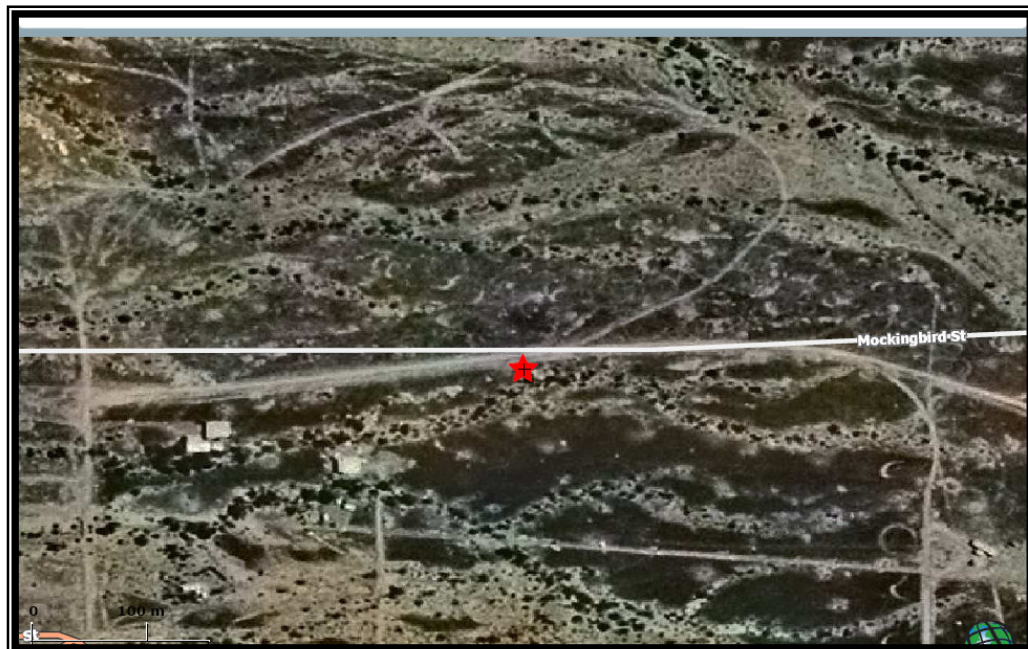
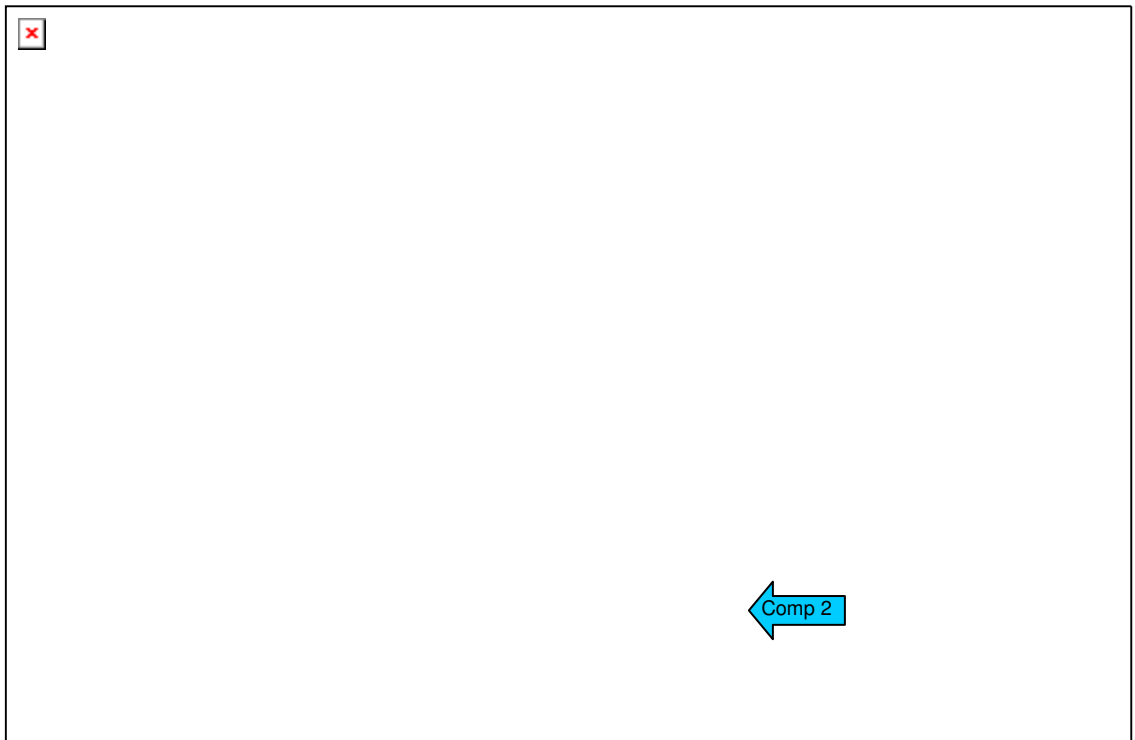
FIGURE 12 LAND SALES TABLE

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6	Comp 7	Comp 8
Location	51626 Avenue 23E, La Paz Valley, Quartzsite	1955 Dome Rock Road, Quartzsite	5855 Mockingbird, La Paz Valley, Quartzsite	51520 Avenue 23E, La Paz Valley, Quartzsite	29700 53rd Street, La Paz Valley, Quartzsite	40 Riggles Road, Quartzsite	200 & 250 E. Kuehn Street, Quartzsite	Caballo Farms Lots 1 thru 60/A - B Bouse	Arroyo's at Quartzsite 181 N. Riggles, Quartzsite
Confirmation	Owner/Public Records	Agent/Assessor Records MLS #9002150	Agent/Assessor Records MLS #1006487	Owner / Public Records	MLS #1006577/ Public Records	Assessors Records/ MLS #1006670	Assessor's Records	Bob Gory (Agent) 928-667-3381 Assr.Recrd/MLS #2001782	Owner's/Public Records
Seller	N/A	Silva Leland	Eric Larson	Ward & Jewel Seim	Rockstad Living Trust	Alice Wills	OM Eighteen LLC	Ronald & Teresa Chambers	Chicago Title Insurance Number 2057
Buyer	N/A	Akbaralia Nagji	New Vista Inc.	Elmer & Lynda Kunisch	Ward & Jewel Seim	Shay Oil Co. Inc.	Quartzsite Environment Technol	Pawar Balwinger	Vanquard Development, LLC.
Sale Date	NA	January 1, 2006	August 2, 2005	November 1, 2005	March 20, 2006	January 5, 2007	November 1, 2005	June 25, 2005	May 1, 2005
Contract Date	NA	November 1, 2005	June 28, 2005	January 4, 2006	January 14, 2006	November 8, 2006	November 7, 2005	December 28, 2004	January 1, 2005
Document	N/A	582	4688	837	2122	125	6458	3864	2006/5172
APN	302-32-012 & 013B	306-29-018A	306-20-007	302-32-011B	302-56-005	306-20-011	306-23-003J & 306-23-003K	307-02-001 thru 060	306-20-016D
Water/Sewer	None Noted	Roughly 1500 feet away	Existing/To Site	None	Existing Septic/Well	Immediately Available	\$80,000 Fee (City)	City Nearby	To Site
Power	To Site	To Site	Within 1/4 mile	Near Site	To Site	Immediately Available	To Site	City Nearby	To Site
Area (acres+/-)	50	5.58	5	10	9.55	4.33	20	380	30.08
Orientation	Rural	I-10 Visibility, No Frontage	Rural Community	Rural	Rural Community	Rural Community	I-10 Frontage	Rural	Town of Quartzsite
Improvements	None Noted	Older MH (No Value)	Older MH (No Value)	Older MH (No Value)	Older MH (No Value)	No Significant Improvements	No Significant improvements	No Significant Improvements	No Significant Improvements
Zone	Recently changed to R-1-6	I-2 (Industrial)	SR (Suburban Ranch)	RA-40	RA-40	C-2	C-2/R3	Recently Approved SFR Sub R-190	RA-40 (Contg. Upon approval of Init. Subd. Plans)
Entitlements	Medium to high density residential approved	None Noted	None Noted	Small to med. Density approved	None Noted	None Noted	Mixed use plan approved	Subdivision Approval (public report just obtained)	Initial Subdivision Plans
Pot. Blding Sites	179	1	NA	NA	NA	Commercial Use Potential	166	62	103
Topo/Shape	Mostly Level Rolling/Square	Level/Irr., Unusable area	Relatively level/Rolling/Slightly Irreg.	Mostly Level/Rolling/Square	Level/Normal	Mostly Level	Level/Rect.	Rough Graded/Normal	Level/Mostly Rect.
Sale Price	N/A	\$325,000	\$105,000	\$300,000	\$175,000	\$1,000,000	\$1,000,000	\$872,000	\$1,500,000
Price/Bldg.Site	N/A	N/A	N/A	N/A	\$29,167	N/A	\$6,024.00	\$14,065	\$14,563
Price/Acre	N/A	\$58,244.00	\$21,000.00	\$30,000.00	\$18,325.00	\$230,947.00	\$50,000	\$2,295.00	\$49,867
Prior Sale	\$332,000	None Noted	\$50,000.00	\$140,000.00	None Noted	None Noted	None Noted	Unable to Confirm (multi-parcels)	None Noted
Prior Sale Date	April 1, 2005	NA	2/1/2005	May 1, 2005	NA	N/A	NA	NA	Unable to Confirm
Comments	Located in an area surrounded by BLM lands with natural washes and good desert terrain offering good views of the surrounding mountains. Good locational appeal. Approved for 123 unit subdivision	Commercial Parcel in Quartzsite. Price per potential building site was not considered for this site. Given less weight in reconciliation because of different use potential.	Residential Parcel in La Paz Valley with an inferior use potential (low density residential). Current zoning of SR is Suburban Ranch, which allows for residential only on from one to 40 acres. Price per potential building site was not considered for this site.	Sale of the northern 10 acre parcel of the subejct. Given recent approval of the subject this parcel could also be rezoned and more than one building parcel created. Given the current owner, it is likely a candidate for assembldege as well. Due to the assembldege, this sale is given no weight. Older improvements had no value at the time of sale given the intended use of the parcel (assemble for a larger subdivision)	This property consists of an older manufactured home that has no value. The site was purchased because it is a large site with potential for division into 6 sites according to the grantee. The property already has a septic system and a well. Power is to the site.Number of potential sites estimated by appraiser based on typical site sizes in the area. This seems reasonable given potential accessand trends for the neighborhood.	Good location along interchange of I-10. Utilities immediately available and good traffic counts and exposed noted. Included because it is the most recent sale found, but given very little weight because of different use potential and good I-10 exposure.	Sale confirmed with owner. Plans for mixed use subdivision (high desinty residential and commercial shops). Located along I-10 close to an interchange this is considered a good location with no adverse conditions noted.	Public report was issued and an unsolicited offer was made to the developer for the entire subdivision. We note the power was close but the site did not have any infrastructure but had had initial approval for a common well water type of system. This is a good indication of value o a per site basis, although the average site size is much larger than subject. The average site size is between 4 and 6 acres.	Subdivision that now has entitlements that include approval for the 103 site subdivion currently in initial stages of development. The property did not have the entitlements and horizontal improvements ATOS, but city water and sewer were assumed available. 6,000 SF sites offered as home+lot package. A small portion of the site is planned for commercial development.

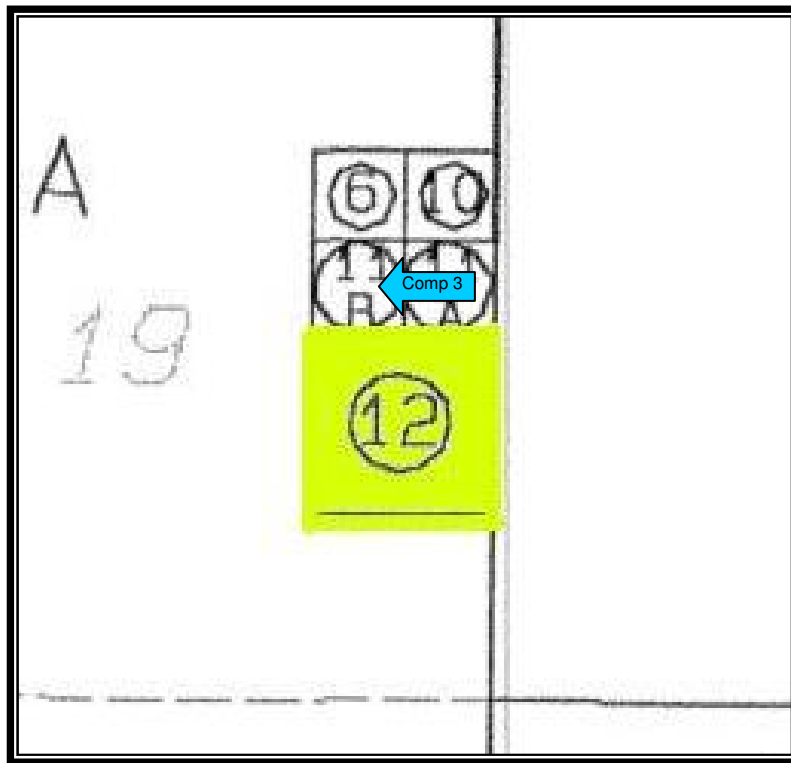
COMPARABLE SALE 1



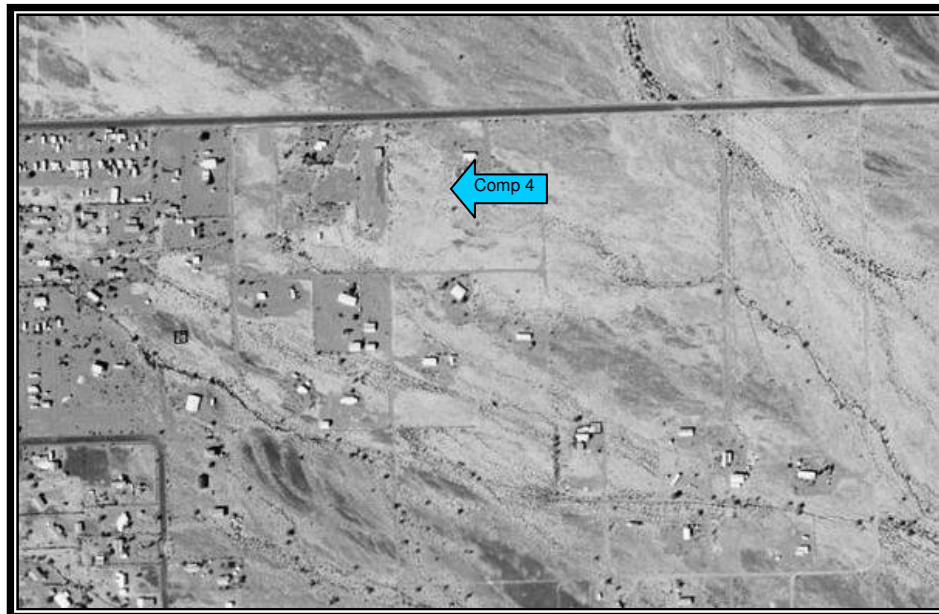
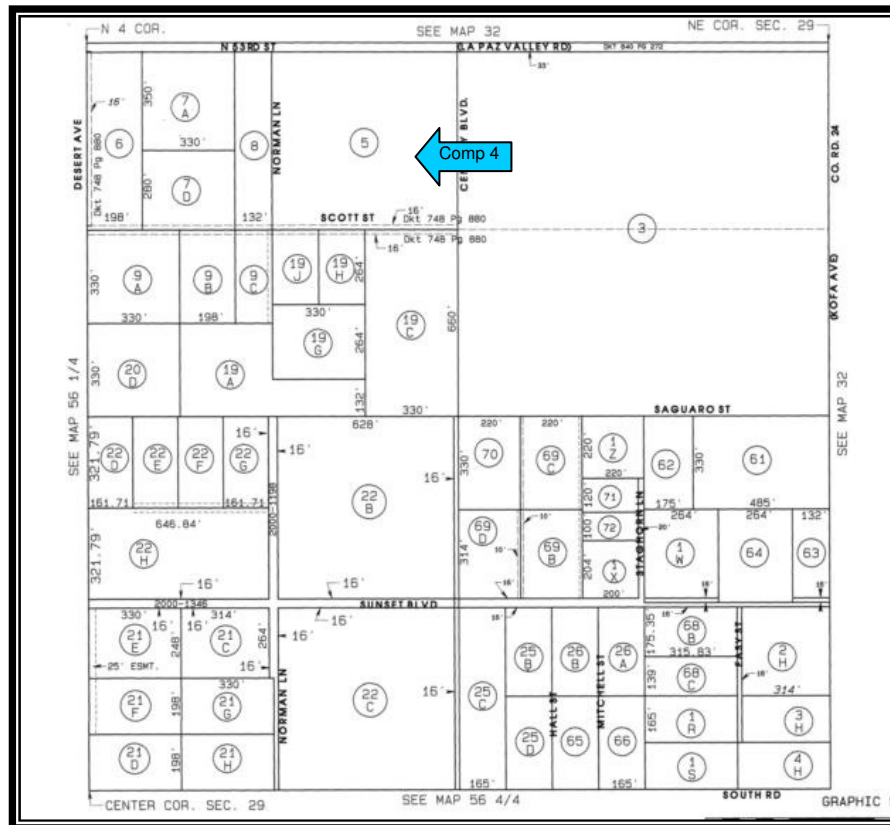
COMPARABLE SALE 2



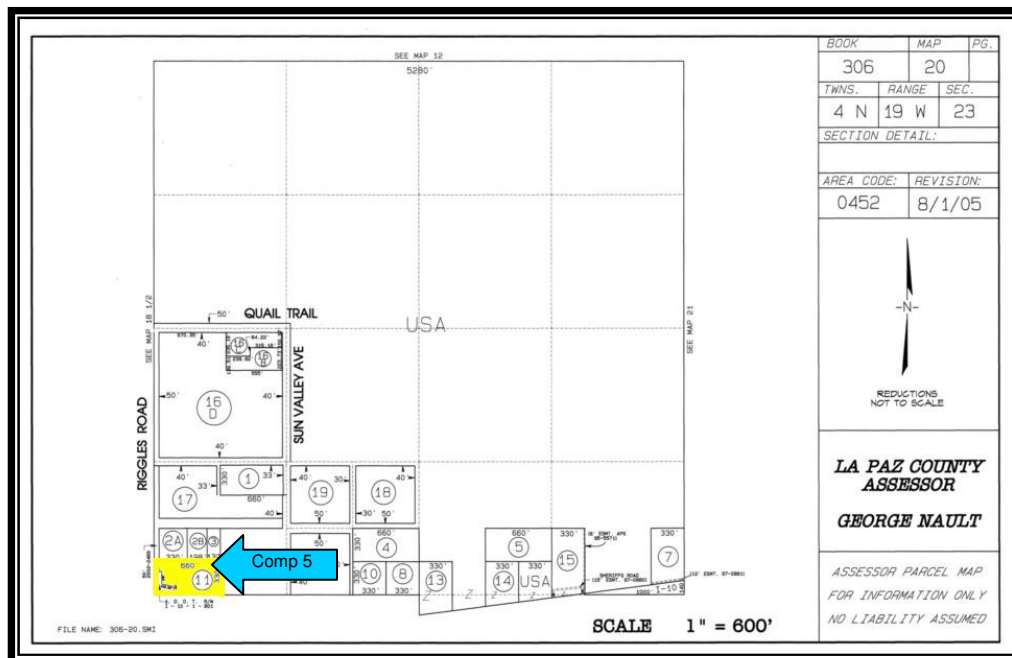
COMPARABLE SALE 3



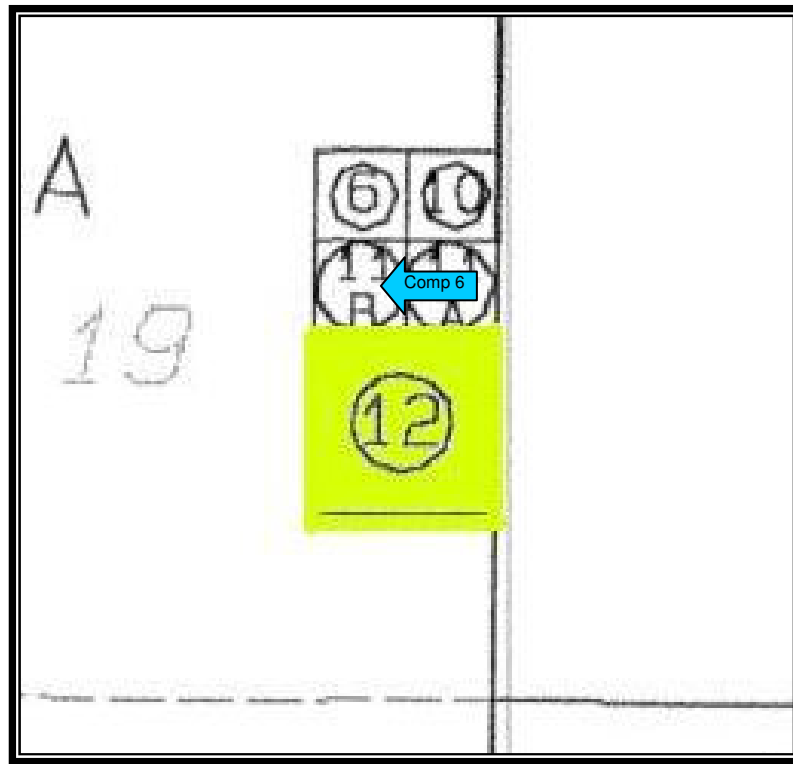
COMPARABLE SALE 4



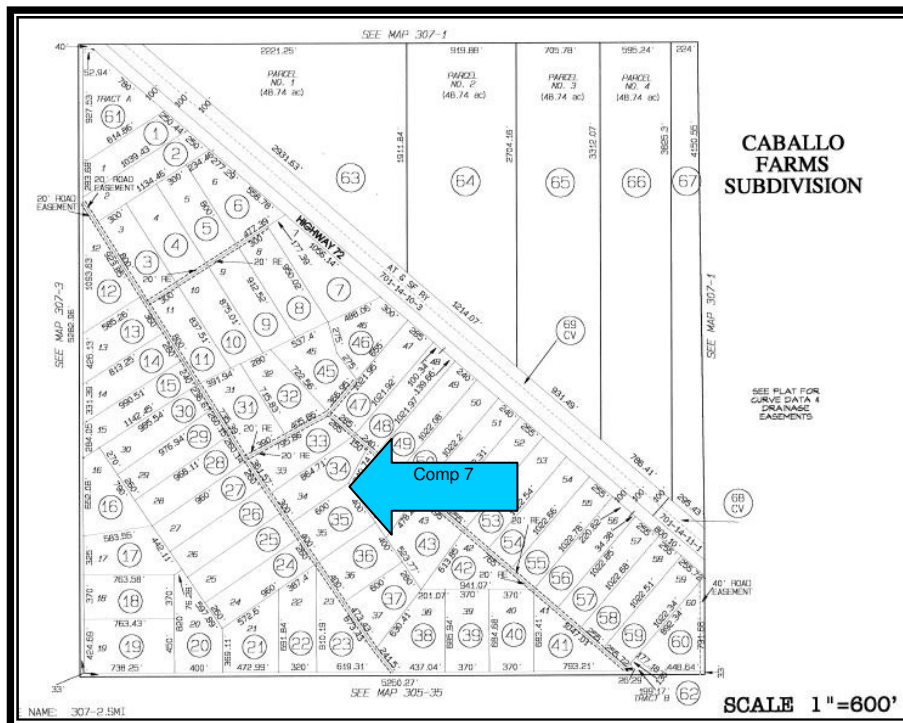
COMPARABLE SALE 5



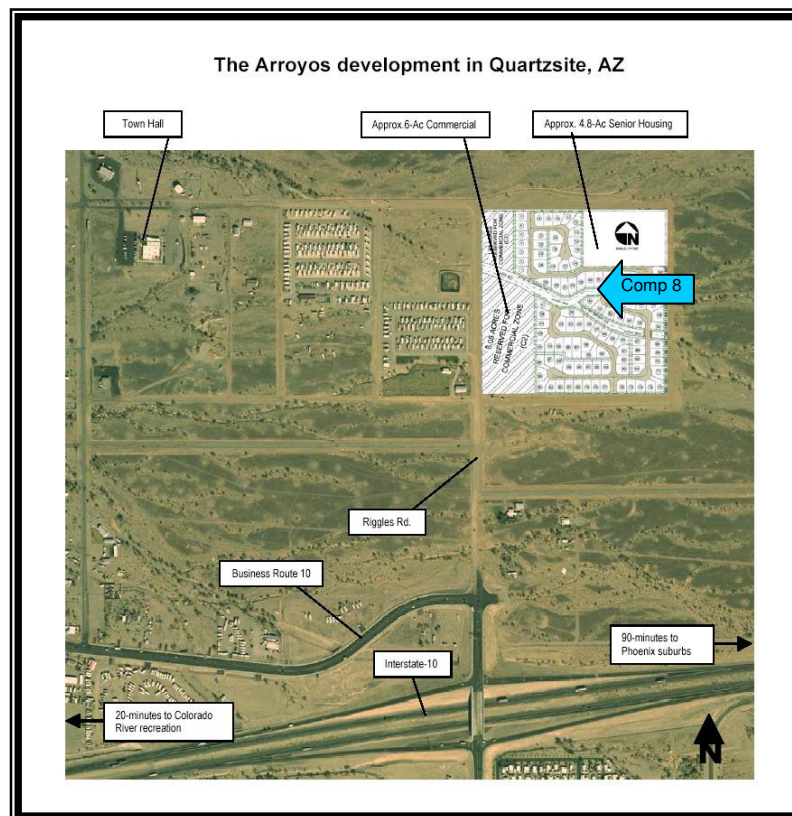
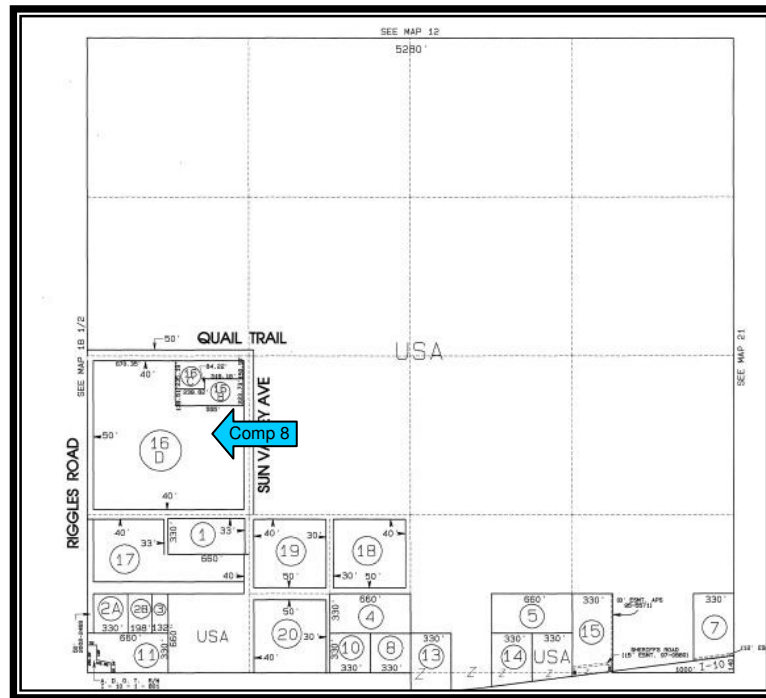
COMPARABLE SALE 6



COMPARABLE SALE 7



COMPARABLE SALE 8



RECONCILIATION

The eight sales detailed above are intended to demonstrate a pattern of values. The pattern of values is related to certain locations commanding higher values, development linkages and use potentials. We surveyed a large number of sales including sales from competing markets such as Blythe, Bouse, Wickenburg and Parker. We found several sales from the subject's market area, including sales from La Paz Valley. The sales with the most similar use potentials and location appeal are given the most weight in the final reconciliation of value.

The subject property is located in a small island of private land and is one of the last larger parcels currently available, vacant and unimproved. The bulk of the neighborhood has scattered low density residential housing. For this reason, sales were very limited. We note one sale of a 10 acre parcel bordering the 40 acre portion of the subject property to the north was used, but is part of the subject property and given no weight for this reason. This sale has received some entitlements and preliminary approval for zoning changes since being purchased in 2005. We also note one other sale that was purchased by the borrower for this project in the Town of Quartzsite that is in the initial stages of subdivision development. The recorder could only confirm an August of 2006 sale, but we were able to confirm the sale with a primary source.

Given the lack of ideal sales in the immediate neighborhood, we have searched for comparable sales that bracket the critical elements of comparison for the subject property. We were able to find sales with higher and lower density residential development potential along with a handful of sales of similar or larger size. Sales that could only be developed into one or a very low density residential type of property were given very little weight in our final reconciliation of values because of the different use potential. Historically, properties with subdivision potential like that approved for the subject property have sold at multiple times the value of similar sized parcels with lower density residential development potential. We have used two sales of a C-2 zoned properties, and one sale of a mixed use (C-2 and high density residential) property. The commercial or mixed commercial use potentials are considered slightly superior to the subject, but this is also accounted for with the location adjustment if applicable.

After considering the sales data at hand, along with other aggregate market data from our initial search, we were able to identify the elements of comparison that have the most profound impact on market value. We have formulated the following bullet list of the most significant elements of comparison to analyze for the subject parcel in comparison to the sales in the figure above. These elements of comparison will be discussed in more detail subsequently.

- Market Conditions (price appreciation/price depreciation)
- Conditions of Sale
- Location and Orientation
- Size and Shape of Parcel
- Topography and Wash Areas (Usable areas)
- Zoning and Use Potential (Entitlements ATOS)_
- Development Linkages (Infrastructure and Access)

We have attempted to identify differences in critical development linkages such as access and infrastructure availability by contacting various public offices in La Paz county, and by making notes of the nearest paved access and water, electricity and sewer at the time of inspections. The subject will need to create a waste water treatment plant and water distribution system (from on-site well water) as part of the offsite improvements. Sites having city water and sewer services available are a

superior comparison because they will require less offsite improvement costs. We have also made adjustments for differences in size, shapes and topography/wash areas. These adjustments are briefly summarized in the following sections below.

REAL PROPERTY RIGHTS CONVEYED

A transaction price is always predicated on the real property interest conveyed. The sales are based on the buyer's purchasing fee simple interest without restrictive covenants or conditions, allowing the land to be developed to its highest and best use. A ground lease is an example of a restriction affecting vacant land.

All of the comparable sales were conveyed in fee simple property rights or are assumed transferred in fee simple if the transaction was not confirmed. None of the comparable land sales were affected by a leased fee interest in the ground. No adjustment will be made for this condition amongst the comparable sales.

FINANCING TERMS

The transaction price of one property may differ from that of an identical property due to different financing arrangements. The terms of the comparable sales' transactions must be carefully investigated to determine which sales, if any, required adjustment to reflect typical market financing terms. Below-market interest rates, installment sale contracts, and wrap-around loans are examples of financing arrangements that may not represent the typical market.

Typical land sales occur with seller financing, construction financing, or all cash. Some sales are consummated with the buyer tendering a small down payment, the seller receives all cash, and a bank loan is recorded using the property as collateral. In some instances, buyers tend to think that all cash commands a discount from sales consummated with seller financing. However, in many instances in the current local market, we have seen sellers desiring or even insisting on seller-financing due to the ability of seller-financed notes to earn a satisfactory return above other investment vehicles with a similar level of risk. The desire by many sellers to finance their properties has eliminated any price differential one saw in the past for seller-financing versus all cash. We have interviewed the sellers, buyers, and/or brokers to the seller-financed transactions in order to determine if any of the properties consummated with seller-financing created a premium or discount from the required cash price.

The comparables sales used in this report were all equivalent to cash transactions. We note that one of the sales did include a partial carry back, but terms were equivalent to market rates with no points. The majority of land transactions in the market area are cash equivalent. However, we have made every attempt to verify the cash equivalency of the comparable sale properties with one or more of the parties to the transaction before assuming cash equivalency. We have found that the best and most supportable method of verification involves asking one or more of the parties involved with the sale if the financing terms affected the price paid for the property. We have made adjustments (if any) as appropriate for the differential in financing terms from typical market terms.

CONDITIONS OF SALE

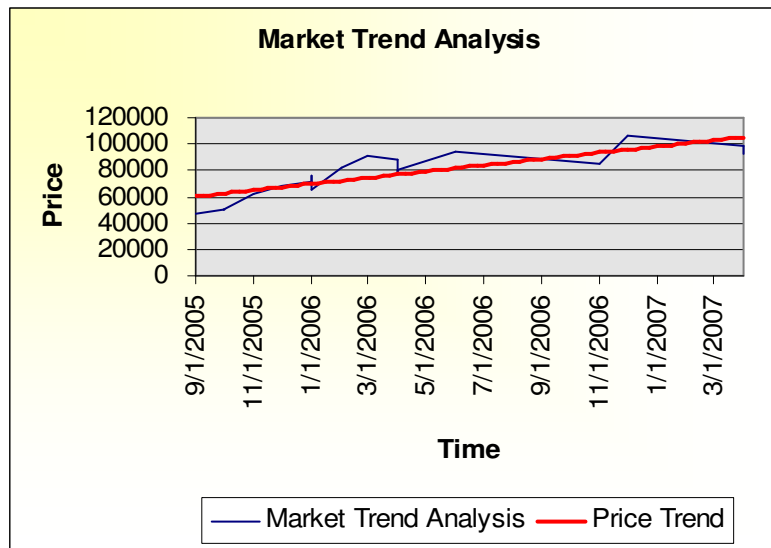
The selling price of a property may be affected by atypical sale conditions and motivations. We reviewed several sales over the past thirty six months located in the general area of the subject parcel. There have been no other known unusual motivations or conditions of sale with the sales comparables utilized herein.

MARKET CONDITIONS

Market conditions generally change over time. Past market conditions are examined from older sales. Changes in market conditions may be caused by inflation, deflation, supply/demand considerations, zoning actions, presence of utilities, and/or access. Changes in market conditions are measured as a percentage change per month on a straight-line basis. There have been very few resales or sales in general over the past 36 months that are similar to the subject that we can use to derive an accurate estimate for increases in market conditions. Empirical market evidence and inferred demand analysis indicate prices have been increasing over the past 36 months, with more stabilized prices realized in the past 12 months. . Indications of surrounding market areas show an increasing supply and a stabilization of price increases. Since there were no resales of larger parcels like the subject, the prices for single family residential sites in the most similar competing development have been analyzed. This is a good indication for market conditions of vacant land with residential subdivision potential like the subject. In addition, interviews with local market participants were also conducted to devise an estimate for market condition increases over the past 36 months. Since no ideal sales have closed in the immediate market area over the past 12 months, older sales were used and required upward adjustments for increasing market conditions.

In looking at market conditions for single family residential building sites such as those planned for the subject subdivision, we find a stable rate of appreciation over the past 36 months. A figure is included below that illustrates the price trends for the most similar single family development, Rainbow Acres. Many of the sales in this subdivision were improved and extraction was used to find the underlining site value. This subdivision is nearly built-out, therefore it is not necessarily a good indication of absorption for the subject property.

FIGURE 13 MARKET TREND ANALYSIS



A similar trend was noted for sales in the Q Mountain subdivision. The sales are discussed in further detail in the income section of the report as part of estimating the individual site values for the subject property. Based upon the trend analysis above, it appears market values have increased roughly 40% since 2005 when some of the sales occurred. This is higher than the estimated price increases noted by market participants. The consensus of those interviewed indicate a price increase of 15% to 30% since 2005 for vacant land with subdivision use potential. Given the indication of the

market trend analysis, along with the indication of inferred analysis, a 25% upward market condition adjustment has been made to all of the sales occurring in the middle part of 2005. Sales occurring in late 2005 and early 2006 were adjusted at 20%. Sales occurring in the past 12 months were not adjusted for market conditions because the market has realized more stable values over that time period.

LOCATION

An adjustment for location is required when the locational (productive) characteristics of a comparable sale are different from those of the subject property. This adjustment is subjective, based on our observation of market sales and the actions of market participants.

It is often very difficult to support finite and meaningful location adjustments to arrive at point estimates of value for properties similar to subject. Typically, quantitative locational adjustments are derived through comparable sales pairing or other techniques such as multiple regression analysis. The adjustment for location can be very difficult to quantify for each and every location due to the slight nuances and variances between different locations that exist. Pairing of sales data is very difficult to present convincingly since a variety of other adjustments usually need to be applied before a locational pairing is accomplished. The various adjustments necessary to reach a locational comparison via paired sales or regression often already contain enough estimation error to create an adjustment indication with a lower level of confidence. The bulk of empirical evidence we have analyzed indicates the subject's area of La Paz Valley competes well with other areas in and around Quartzsite depending upon the competing orientation and availability to development linkages. As an example, the Rainbow Acres subdivision is located in a rural area outside of Quartzsite and has had higher average sale prices than individual sites in the town of Quartzsite or in the Q-Mountain Subdivision which is similar, but located on the outskirts of the town. For this reason, no locational adjustment is made for the sales used with the exception of the sale located in Bouse. Bouse is considered an inferior locational comparison based upon the site sales within that area in contrast to the Quartzsite area.

There was one sale with good orientation and exposure to I-10. This sale is considered a superior locational comparison for this reason. The location adjustment also captures the superior appeal of the commercial development potential.

Two other sales had I-10 exposure, but were more difficult to reach from the interstate; therefore, no location adjustment is made. The sales with the most similar location were given the primary weight in the final reconciliation of values.

PHYSICAL CHARACTERISTICS

If the physical characteristics of a comparable property and the subject property differ, these differences may require comparison and adjustment to the comparable. Physical differences affecting vacant land include size, shape, access, frontage, hazards, topography, and visibility. Physical and locational characteristics are collectively referred to as development linkages. Development linkages refer to the ability of the owner to use the property in a productive manner (income production for instance). With the diverse market information available it is very difficult if not impossible to confidently separate the development linkages from other aspects of location. For this reason, shape and size can be isolated and are considered separately.

We also account for differences in access and differences in the availability for water, sewer and other infrastructure separately. We have attempted to confirm the proximity to water and sewer along with access for each of the sales in comparison to the subject. We note the subject property currently

has rough dirt road access but eventually will have paved county road access. The owner has already submitted for the ROW easement from the BLM. As part of the development agreement with the city, the developer will be required to pay for the low water crossing that will be required over Tyson Wash. These additional fees that will be incurred due to the proximity to paved access and infrastructure are considered when making the adjustment for differences in access and utility availability. The subject will be required to create a wastewater treatment facility onsite due to the lack of sewer and public water in the immediate neighborhood. The cost of creating this system in contrast to the cost of extending existing public sewer for each respective sale is considered when making the adjustment for differences. A similar method is used when considering the adjustment for differences in water availability. The subject has already had two new additional wells dug for the water system, but additional costs will be incurred for the system to deliver water to the individual sites.

The subject has relatively level topography. The comparable sales are adjusted if significant differences in projected excavation costs are noted between the subject and each respective sale.

SIZE

Size adjustments emanate from the market observation that smaller parcels typically sell at higher unit values than do larger parcels, all else equal, due to supply/ demand considerations. There are typically a greater supply of smaller parcels and buyers for smaller parcels than there are larger parcels and investors who have the dollars to afford them. Economies of scale also dictate the differential in pricing from larger to smaller parcels and vice versa.

The comparable sales found bracketed the subject size. One of the comparables was a large subdivision in a different location. The subdivision included a total of roughly 380 acres and was given very little weight in our reconciliation of value via a price per acre. The large differences in size and differences in location and use potential make this a less than reliable indication from a price per acre standpoint. All of the other comparables are smaller than the subject site, and therefore, those required downward adjustments for size (marginal utility).

From a price per acre or price per square foot standpoint, a downward adjustment is needed when a larger parcel is compared to the subject, and an upward adjustment is required conversely for a smaller parcel (marginal utility).

UTILITY AVAILABILITY

The subject property is located in a rural community with power to the site, but no water or sewer available. It is custom for sites in the subject's neighborhood to have septic systems and individual wells. The subject property will have two large wells providing a common water system for the entire planned subdivision. Well tests have already been conducted that indicate the water flow levels are available for such an undergoing, but final approval from the ADWR is required (all indications show water approval is likely).

The planned neighborhood will also include a common sewage disposal that will be included as part of the homeowners association fees. This is not unique for this type of rural development, but is one of the first for a neighborhood in the Quartzsite area. The costs for creating such common water and sewage systems is higher than the costs for connecting to city water and/or city sewer but the ongoing affects are anticipated to be relatively similar. In other words, the fees and the appeal of having city water and sewer versus common water and sewer are not expected to be noticeable. Three of the comparable sales from within the Town of Quartzsite, comparable one, four, six and

comparable eight do have city water and sewer available, but the cost of extending the water and sewer to these sites will vary. We were able to confirm the costs of extension for one of these sales. A city official indicated the cost of extension for sale six will be at least \$60,000 to \$90,000.

Access is typically similar to the water and sewer availability. In the case of the subject, development costs will be incurred for paving the access and creating a low water crossing over the Tyson Wash. The initial zoning approval called for a bridge, but this decision was changed to require a low water crossing (less expensive). This has been accounted for with an access adjustment if comparable properties will not be required to have as significant of development costs for access. The subject is considered inferior to the bulk of sales because of the lack of public access and costs that will be incurred to extend paved access to the subject site (less than ¼ mile). Most of the comparable sales had dirt access, but sales with paved access and no development fees for widening access require a larger than desired adjustment for the differences.

ZONING AND USE POTENTIAL

The subject parcel was recently approved for a medium density zoning of no more than 3.25 units per acre. This would allow for up to 130 units for the 40 acre subdivision. The planned subdivision called for 123 sites, which was later revised to 129 sites. The 10 acre portion of the 50 acre total parcel is currently on the agenda for rezoning consideration for individual condominium sites and will be incorporated as part of the larger subdivision. Based upon phone interviews with a planning official, and based upon the approval for a similar development in Quartzsite, the parcel is anticipated to achieve this use potential which will include an additional 50 RV type sites that can be sold individually as condo's. None of the sales had similar entitlements at the time of sale, but sale six, seven and eight were able to achieve subdivision approvals (sale six only has a preliminary approval at this point). Typically, the rezoning process takes six to twelve months for initial approval, and twelve to twenty four months for a public report and final plat approval. Currently, the subject is estimated to be within eight months of final plat approval.

The adjustment for zoning/use potential reflects the time and money that will be required to reach a similar entitlement condition as the subject. The commercial sales were given little to no weight because they have a different use potential, but these sales will not require rezoning.

Previous appraisals that have been completed for subdivisions in Mohave County show a typical premium of 20% to 35% for raw land verses otherwise similar land with platted and engineered sites ("paper sites"). This is also considered in making the adjustment for differences in use potential and zoning. Subdivision with a higher density approved can sell at substantial premiums to otherwise similar land with a lower density zoning. The sale in Bouse has very low density sites, therefore a large adjustment is required for the difference. The subdivision in Bouse has sites that are roughly 6 acres in average. These sites are now selling for an average of roughly \$66,000 per site. With 62 sites, the overall potential sales are much less than the sales potential for the subject, which will have a higher average selling price, and nearly three times as many sites.

FIGURE 14 LAND SALE ADJUSTMENT GRID

SALES DATA	SALES DATA							
	SALE 1	SALE 2	SALE 3	SALE 4	SALE 5	SALE 6	SALE 7	SALE 8
SALE PRICE	\$ 325,000	\$ 105,000	\$ 300,000	\$ 175,000	\$ 1,000,000	\$ 1,000,000	\$ 872,000	\$ 1,500,000
SIZE (ACRES)	5.58	5	10	9.55	4.33	20	380	30.08
PRICE/ACRE	\$ 58,244	\$ 21,000	\$ 30,000	\$ 18,325	\$ 230,947	\$ 50,000	\$ 2,295	\$ 49,867
PRICE/BLDG SITE	NA	NA	NA	NA	NA	\$6,024.10	\$14,064.52	\$14,563.11
PROPERTY RIGHTS	0%	0%	0%	0%	0%	0%	0%	0%
TERMS OF SALE	0%	0%	0%	0%	0%	0%	0%	0%
MARKET CONDITIONS	20%	25%	20%	10%	0%	20%	25%	25%
ADJUSTED VALUE	\$ 390,000	\$ 131,250	\$ 360,000	\$ 192,500	\$ 1,000,000	\$ 1,200,000	\$ 1,090,000	\$ 1,875,000
IMPROVEMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED VALUE	\$ 390,000	\$ 131,250	\$ 360,000	\$ 192,500	\$ 1,000,000	\$ 1,200,000	\$ 1,090,000	\$ 1,875,000
ADJUSTED VALUE/ACRE	\$ 69,892	\$ 26,250	\$ 36,000	\$ 20,157	\$ 230,947	\$ 60,000	\$ 2,868	\$ 62,334
ELEMENTS OF COMPARISON								
LOCATION/ORIENTATION	0%	0%	0%	0%	-20%	0%	35%	0%
SIZE	-20%	-20%	-15%	-15%	-20%	-10%	60%	-5%
TOPOGRAPHY/FLOOD ISSUES	0%	0%	0%	0%	-5%	-5%	0%	-5%
SHAPE	0%	0%	0%	0%	0%	0%	0%	0%
SITE IMPROVEMENTS	0%	0%	0%	0%	0%	0%	0%	0%
ACCESS	-5%	-5%	0%	-5%	-15%	-10%	-5%	-10%
WATER,SEWER,ETC.	-5%	-5%	-5%	-5%	-20%	-15%	-5%	-15%
ZONING/USE POTENTIAL	0%	25%	15%	15%	0%	0%	25%	10%
ADJUSTED SALES PRICE	\$ 273,000	\$ 124,688	\$ 342,000	\$ 173,250	\$ 200,000	\$ 720,000	\$ 2,289,000	\$ 1,406,250
ADJUSTED PRICE/ACRE	\$ 48,925	\$ 24,938	\$ 34,200	\$ 18,141	\$ 46,189	\$ 36,000	\$ 6,024	\$ 46,750
WEIGHT OF EACH SALE	15%	0%	0%	15%	0%	35%	0%	35%
WEIGHTED AVERAGE	\$ 39,022.53	<div>SUBJECT VALUE</div> <div>Size \$/Acre</div> <div>50 39,000</div> <div>Rounded (nearest 10,000) \$ 1,950,000</div>						
AVERAGE PRICE/ACRE	\$ 32,646							
STANDARD DEVIATION	\$ 15,304							
MEDIAN	\$ 35,100							
ROUNDED VALUE CONCLUSION								

Given the discussion above, we have prepared an adjustment chart showing the estimated adjustments to the comparable sales. A series of quantitative adjustments is employed in order to arrive at a final valuation conclusion for the subject. The upward adjustments are indicative of those attributes that are inferior to the subject or require upward adjustment in order to compare with the subject. The downward adjustments are made for those attributes that are superior to the subject and require downward adjustment.

We have employed percentage or dollar value adjustments with the support given in the preceding discussion. It is difficult to adequately support percentage or dollar-value adjustments for different elements of comparison due to the lack of empirical market evidence. For this reason, we look at the unadjusted value range from a qualitative standpoint as well. The unadjusted values range from roughly \$2,220 per acre to nearly \$231,000 per acre. The lowest end of the range is a very large parcel that was used because it had a rural subdivision potential, albeit a far inferior density to the subject. The highest end of the range is a commercial parcel that is much smaller than the subject, with very good exposure to I-10, all infrastructure immediately available and the zoning in place for the development of the site to its highest and best. Neither of these sales is given weight in the final reconciliation of values, but they are used to demonstrate the lack of ideal sales available, and bracket some of the critical elements of comparison for the subject.

After narrowing the sales to the most similar available, a range of roughly \$21,000 to \$58,000 is indicated. The lower end of this range was a smaller parcel with a substantially inferior development potential. The upper end of the range is a commercial parcel that is considered superior to the subject. The two most similar sales have an unadjusted value roughly \$50,000. Both of these sales

have inferior entitlements in place at the time of sale, but will require less offsite development costs, are smaller parcels, and had superior existing access at the time of sale. The increasing market conditions and superior entitlements are offset by the inferior access, infrastructure availability and marginal utility (larger parcels sell at less per acre). Given this discussion, a value less than the \$50,000 per acre from the two most similar, but slightly superior comparable sales is concluded from the unadjusted comparable sales.

After making applicable adjustments, the sales that are given weight in the final reconciliation of values indicate a range of roughly \$22,000 to \$49,000 per acre (nearest 1,000). The concentration of adjusted values is near \$46,000. The weighted average price per acre is nearly \$40,000. A final value near the weighted average is most reasonable. A value of \$39,000 per gross acre is estimated for the subject site. This equates to \$1,950,000; or roughly \$10,900 per proposed site. The value per proposed site is bracketed by the three comparable sales we were able to confirm plans for, adding further evidence to the reasonableness of the final market value conclusion for the “as is” condition of the subject site.

One comparable listing was found for a fifteen acre parcel in the market area. The listing indicated a value well above the estimated value found from the comparable sales. With no other listings found indicating a lower ceiling value, the estimated market value of \$39,000 is considered reasonable. The most reasonable range of value is \$36,000 to \$46,000 per gross acre.

FEE SIMPLE “AS IS” MARKET VALUE AS OF MAY 20, 2007

ONE MILLION NINE HUNDRED AND FIFTY THOUSAND DOLLARS

Estimated Land Area	50 Acres
Estimated Unit Value	\$ 39,000/Acre
Estimated Market Value*	\$ 1,950,000

** Rounded to the Nearest \$10,000*

COST APPROACH TO VALUE

The cost approach to value is based upon the principle of substitution. This principle states that an informed buyer will not typically pay more for a property than the cost of purchasing a vacant site and developing a subdivision of equal desirability and utility.

METHOD

We have estimated the horizontal improvement costs (site development costs) that will be required to bring the subject from the “as is” condition to “finished site” condition for the 179 unit proposed subdivision. We have used a combination of developers cost estimates, estimates from Marshall and Swift, and comparative cost estimates from competing subdivisions primarily in the Mohave County market area.

The developer provided cost estimates that totaled \$5,122,300 for direct construction costs for offsite, onsite and common amenities. The costs were not segregated into categories. This section estimates these costs by itemizing the different site improvements that are classified as either offsite work, onsite work or common amenities. Please refer to the following figure for details. In addition, comparative costs are used from competing subdivision with a similar density in Mohave County. The appraiser was able to confirm costs for four different subdivisions in Bullhead City, and one large subdivision in Lake Havasu City. These subdivisions had costs that ranged from roughly \$17,000 per site up to \$55,000 per site. A concentration from roughly \$28,000 to \$35,000 was noted. These subdivisions have varying common amenities. The RV park subdivision costs and RV Parks we have confirmed ranged from \$9,000 to \$22,000 per RV site. The appraiser has made an estimate of onsite, offsite and common amenities by comparing the subjects’ proposed subdivision to the costs that were confirmed for these other subdivisions.

The cost estimates from comparable subdivisions are supported by the itemized estimates that were made using the Marshall and Swift cost handbook in conjunction with the developers estimate for the wastewater treatment plant (see figure below).

FIGURE 15 ITEMIZED SUBDIVISION COST ESTIMATES (MARSHALL AND SWIFT)

	Marshall Cost/Appraiser Est	Cost/Site
OFFSITE IMPROVEMENTS		
Wastewater Treatment Plant	\$550,000	\$3,072.63
Water System	\$225,000	\$1,256.98
Low Water Crossing Tyson Wash	\$85,000.00	\$474.86
Total Offsite Costs	\$860,000.00	\$4,804.47
ONSITE IMPROVEMENTS		
Perimeter Fencing 5940 Ln Feet @ \$9/Ln Feet (4 foot)	\$54,000.00	\$301.68
Lighting/Traffic Signs	\$23,000.00	\$128.49
Rough Grading (Streets/Pads)	\$400,000.00	\$2,234.64
Street Paving (4" Concrete)	\$890,000.00	\$4,972.07
Concrete Curbs	\$124,000.00	\$692.74
Interior Water Lines	\$270,000.00	\$1,508.38
Interior Sewer Lines	\$200,000.00	\$1,117.32
Interior Electric Lines	\$240,000.00	\$1,340.78
Interior Telephone Lines	\$80,000.00	\$446.93
Final Grade (179 sites)	\$108,000.00	\$603.35
Interior Water Crossing	\$55,000.00	\$307.26
Drainage	\$225,000.00	\$1,256.98
Total Onsite Costs	\$2,669,000.00	\$14,910.61
COMMON AMENITIES		0
Golf	\$261,000.00	1458.10056
Pool	\$90,000.00	502.793296
Lake	\$25,000.00	139.664804
Landscaping	\$135,000	754.189944
Clubhouse (3,500 Ft @ \$115/SF)	\$402,500.00	2248.60335
Total Common Amenities	\$913,500.00	5103.35196
Pre-Final Plat Work	\$310,274.00	\$1,733.37
TOTAL SITE DEVELOPMENT COSTS	\$4,752,774.00	\$26,551.81

FIGURE 16 ESTIMATED COSTS TO REACH FINAL PLAT

ESTIMATED COSTS FOR BEFORE PHASE I FINAL PLAT APPROVAL				
FINAL PLAT COSTS				
DIRECT COSTS		TOTAL COSTS	PAID	BALANCE
Right of Way (BLM)		\$26,000.00	\$26,000.00	\$0
Professional Fees (App/Eng)		\$130,000.00	\$18,250.00	\$111,750
Well(s)		\$68,800.00	\$50,800.00	\$18,000
Total Direct Costs		\$224,800.00	\$95,050.00	\$129,750
SOFT COSTS				
Contingencies	25%	\$56,200.00	\$0.00	
Financing & Interest Res.	8%	\$57,480.00	\$0.00	
Total Soft Costs		\$113,680.00		
Developer Profit	30%	\$101,544.00		
Total Costs to Reach Final Plat		\$440,024.00		
Balance of Costs to Reach Final Plat				\$310,274.00
Remaining Cost/Site	179 Sites			\$1,733.37
<i>Based upon Developers Estimates (financing est. by appraiser)</i>				
<i>Financing Considers the Holding Cost from effective date of the report, until a final plat is reached. This includes points paid on the loan amounts for direct costs to reach plat, plus land interest fees. Additional holding costs and fees will be incurred during the site development period.</i>				
<i>Developer Profit is based on the direct and indirect costs, and only reflects the profit anticipated for brining the site from raw land to an entitled subdivision. Since no profit is realized until sell-off begins, the profit for the entire entitlement process is estimated (typically a 12 to 18 month period to reach similar level of entitlements). Roughly eight months estimated to reach final plat condition from the "as is" condition of the subject.</i>				

FIGURE 17 PHASE I COST APPROACH “AT COMPLETION” VALUE

ARROYO PRESERVE & RV RESORT			
SITE DEVELOPMENT COSTS (FROM "AS IS" CONDITION)			
	# of Sites	\$/Site	TOTAL COST
Onsite Development Costs (129 Sites)	129	\$15,000.00	\$1,935,000.00
Condo Sites w/RV Hook Ups	50	\$13,000.00	\$650,000.00
Offsite Development Costs	179	\$4,804.47	\$860,000.00
Common Amenities	179	\$5,103.35	\$913,500.00
Total Direct Site Development Costs			\$4,358,500.00
Costs Per Proposed Site (179)		\$ 24,349.16	
INDIRECT DEVELOPMENT COSTS			
Engineering/Permits/ROW/Professional Fees		\$220,000.00	
Financing Costs (does not include holding costs)	6%	\$ 261,510.00	
Contingencies	4%	\$ 174,340.00	
Total Indirect Site Development Costs		\$655,850.00	\$ 655,850.00
ENTREPRENEURIAL INCENTIVE	18%	\$902,583.00	\$902,583.00
TOTAL SITE DEVELOPMENT COSTS (cost/site)	\$33,055.49		\$5,916,933.00
"AS IS" LAND VALUE (From Sales Approach)			\$ 1,950,000.00
TOTAL INDICATED VALUE OF THE "BULK RESALE" 179 SITES			\$ 7,870,000.00
<i>Rounded to the nearest (10,000)</i>			

Based upon the cost approach and the information discussed above, the “at complete” fee simple market value estimate for the proposed subdivision is \$7,870,000, or \$43,966 per site. Using an allocation method to test the reasonableness of this estimate; the price per site is divided by a typical bulk land value per site to improvement ratio of 20% to 25% (based on interviews with developers and previous subdivision appraisals that are not selling finished homes). A finished home price of \$176,000 to \$220,000 (nearest 1,000) is indicated. A typical home for this size of site is 1,300 to 1,600 square feet with a two car garage and room for RV Parking. The price for subject a home in the market area should be between roughly \$216,000 and \$246,200. This indicates the “at complete” bulk sale value for the individual sites is reasonable, but on the lower end of the range. If only the 129 SFR sites are used, site development costs would be closer to \$5,000,000, or \$38,800 per site. This includes the same common amenities. With a land value of \$39,000 per acre, the “as is” value is added to reach \$1,560,000 in total costs including the land value and profit. This equates to \$50,853 per site. Using the same allocation of a 20% to 25% bulk site value, the indicated range of values for the improved sites should be between \$203,000 and \$254,000, a reasonable range given the market indication from sales.

The estimated value from the cost approach for the current “at complete” condition of the proposed subdivision, as of May 20, 2007 is as follows:

SEVEN MILLION EIGHT HUNDRED AND SEVENTY THOUSAND DOLLARS

\$7,870,000*

**Rounded to the Nearest \$10,000*

***See Hypothetical Condition*

LAND RESIDUAL ANALYSIS

The client has requested we provide an estimate of fee simple value for both the “as is” condition of the property and assuming the site development work is complete. The second estimate of value requires hypothetical conditions that assumes offsite improvements such as required access, wash mitigation, and a wastewater treatment plan have been completed. Please refer to the hypothetical condition section for additional details. For the purposes of this report, our reference to “horizontal improvements” is specific to the subject and the requested value by the client as described above. These include all improvements, including common amenities (pool, clubhouse, lake and golf) that will be required so that site sales can begin. The costs for these improvements are projected in the discounted cash flow analysis “as is” in the periods in which they are anticipated to occur.

Given the lack of ideal sales in the neighborhood, we have used a land residual analysis to estimate both the “as is” value of the property and the value assuming horizontal improvements are complete and the subdivision is ready for individual site sell-off. There were no sales of properties with horizontal improvements complete as described above; therefore our estimate is based primarily upon the discounted cash flow analysis presented herein for this value scenario. The cost approach provides additional support to this estimate.

We note the indications of the discounted cash flow analysis are slightly higher than the indications of the sales comparison approach for the “as is” condition. The two value indications are reconciled which is discussed in the reconciliation section below. We believe a value above the indication from the sales comparison approach is justified based on the land residual analysis for the “as is” site value. This section of the report discusses the critical variables that impact the value conclusion reached from the discounted cash flow analysis, and presents two different land residual models that estimate cash flows over the projected sell off of the subdivision. We first present each of the discounted cash flow models in the following tables. Following each table is page outlining the assumptions used in each analysis. The “at complete” value assumes all site development work has been complete; therefore, the site sales begin immediately and no site development costs are incurred. The reasoning and support for the assumed variables included in each of the discounted cash flow models is discussed following those tables. After summarizing each of the variables we briefly summarize our value conclusion for each of the two models and present our conclusions.

We note that the reliability of this approach is dependent upon the accuracy of our variables. In this instance, we are confident the property is being developed to its highest and best use and some cost bids have been provided by the developer. These cost estimates are generally direct costs and do not include soft costs which must also be considered in a land residual analysis. The costs are summarized in the cost approach section of this analysis. The costs are based on actual bids, Marshall and Swift estimates and comparative costs for other subdivisions. If any of the critical variables such as end unit pricing, absorption, estimation of direct or indirect costs and/or the discount rate is found to be significantly different than estimated herein, the value is subject to change. There are very few SFR and RV Resort type subdivisions in the Quartzsite area, but the most similar site sales have been used to estimate potential revenues. Please refer to each of the land residual models in the following tables below.

FIGURE 18 “AS IS” LAND RESIDUAL ANALYSIS THE ARROYOS PRESERVE

ARROYOS PRESERVE ("AS IS")													
Date	Aug-07	Feb-08	Aug-08	Feb-09	Aug-09	Feb-10	Aug-10	Feb-11	Aug-11	Feb-12	Aug-12	Feb-13	Aug-13
PERIOD	0	1	2	3	4	5	6	7	8	9	10	11	12
Beginning SFR Lot Inventory	129	129	129	114	104	94	82	70	58	46	31	16	0
Closings per Period	0	0	15	10	10	12	12	12	12	15	15	16	0
Ending Lot Inventory	129	129	114	104	94	82	70	58	46	31	16	0	0
Beginning Condo Lot Inventory	50	50	50	50	40	35	25	20	8	3	0	0	0
Closings per Period	0	0	0	10	5	10	5	12	5	3	0	0	0
Ending Lot Inventory	50	50	50	40	35	25	20	8	3	0	0	0	0
Starting Average Retail Site Price	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	0
SFR Site Appreciation Rate	0.00%	0.00%	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Estimated Average Sale Price	83,000	83,000	83,000	83,000	84,660	86,353	88,080	89,842	91,639	93,471	95,341	97,248	0
Starting Average Retail Condo Site Price	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	0
Condo Site Appreciation Rate	0.00%	0.00%	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Estimated Average Sale Price	49,000	49,000	49,000	49,000	49,980	50,980	51,999	53,039	54,100	55,182	0	0	0
Total Gross Revenues	0	0	1,245,000	1,320,000	1,096,500	1,546,034	1,316,959	1,714,573	1,370,164	1,567,618	1,430,114	1,555,964	0
OPERATING EXPENSES													
On Site Development Costs	0	0	1,597,879	0	0	1,113,912	0	0	0	0	0	0	0
Off Site Development Costs	430,000	430,000	0	0	0	0	0	0	0	0	0	0	0
Engineering/Permitting/ROW	220,000	0	0	0	0	0	0	0	0	0	0	0	0
Common Amenities, Clubhouse and Golf Area	0	0	470,555	477,614	0	0	0	0	0	0	0	0	0
Construction Supervision & Construction Financing	29,250	19,350	93,080	21,493	0	50,126	0	0	0	0	0	0	0
Pro-rata Share of H.O.A./RE Taxes	350	32,895	32,895	29,070	26,520	23,970	41,820	35,700	29,580	23,460	15,810	8,160	0
Sales Commission	0	0	62,250	66,000	54,825	77,302	65,848	85,729	68,508	78,381	71,506	77,798	0
Advertising	3,000	5,000	18,675	19,800	16,448	23,191	19,754	25,719	20,552	23,514	21,452	0	0
General Administrative Expense	5,000	5,000	24,900	26,400	21,930	30,921	26,339	34,291	27,403	31,352	28,602	31,119	0
TOTAL EXPENSES	687,600	492,245	2,300,234	640,376	119,723	1,319,421	153,762	181,439	146,044	156,708	137,370	117,077	0
NET REVENUE	(687,600)	(492,245)	(1,055,234)	679,624	976,778	226,614	1,163,198	1,533,134	1,224,120	1,410,911	1,292,744	1,438,886	0
Discount Factor	1.0000	0.8969	0.8044	0.7214	0.6470	0.5803	0.5204	0.4667	0.4186	0.3754	0.3367	0.3020	0.0000
Safe Rate Discount Factor (negative cash flows)	1.0000	0.9615	0.9246	0.8890	0.8548	0.8219	0.7903	0.7599	0.7307	0.7026	0.6756	0.6496	0.0000
Present Worth of Revenue	(687,600)	(473,313)	(975,623)	490,280	631,970	131,496	605,347	715,576	512,419	529,695	435,275	434,513	0
Present Value of Cash Flows ("As-Is" Market Value)		\$2,350,035											
Average PV/Site		\$13,128.69											

FIGURE 19 ASSUMPTIONS

ASSUMPTIONS		
Start Date (August 2007)	-----	Aug-07
Beginning SFR Site Inventory	-----	129
Estimated Total No. Years to Sell Out	-----	5
Beginning Condo Site Inventory	-----	50
Site Inputs		
Estimated Average Sale Price per Site	-----	\$83,000
Estimated Average Condo Site Price	-----	\$49,000
Engineering/Permitting Fees	-----	\$220,000
Off Site Development Costs(Road Ext, Water, Sewer)	-----	\$860,000
On Site Site Development Costs	-----	\$2,585,000.00
Clubhouse and Common Amenities	-----	\$913,500.00
Const/Super/Financ., Misc. as % of Hard Cost	-----	4.50%
Absorption Rate		
Absorption Rate (Units/month)	-----	1.5 to 3
Home Appreciation		
Semi-Annual Site Price Appreciation	-----	2.00%
Appreciation Start (After Year 2)	-----	6
Other Expenses & Builder Criteria		
H.O.A. & RE Taxes/Fees (per lot/Month)	-----	\$85.00
General Administrative Expense	-----	2.00%
Sales Cost (Commission)	-----	5.00%
Advertising & Marketing	-----	1.50%
Safe Rate Discount Rate	-----	8.00%
Discount Rate	-----	23.00%
Present Value of Cash Flows		\$2,350,035
Rounded to		\$2,350,000
Estimated Market Value of Potential Building Site "As Is"		\$13,128

FIGURE 20 LAND RESIDUAL ANALYSIS ASSUMING ALL SITE DEVELOPMENT WORK IS COMPLETE

ARROYOS PRESERVE ("AFTER HORIZONTAL OFF SITE IMPROVEMENTS)												
Date	Aug-07	Feb-08	Aug-08	Feb-09	Aug-09	Feb-10	Aug-10	Feb-11	Aug-11	Feb-12	Aug-12	Feb-13
Quarter	0	1	2	3	4	5	6	7	8	9	10	11
Beginning SFR Lot Inventory	129	114	104	94	84	74	62	50	38	26	11	0
Closings per Period	15	10	10	10	10	12	12	12	12	15	11	0
Ending Lot Inventory	114	104	94	84	74	62	50	38	26	11	0	0
Beginning Condo Lot Inventory	50	50	40	35	25	20	8	0	0	0	0	0
Closings per Period	0	10	5	10	5	12	8	0	0	0	0	0
Ending Lot Inventory	50	40	35	25	20	8	0	0	0	0	0	0
Starting Average Retail Site Price	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	0
SFR Site Appreciation Rate	0.50%	0.50%	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Estimated Average Sale Price	83,412	83,826	83,826	83,826	85,502	87,212	88,957	90,736	92,551	94,402	96,290	0
Starting Average Retail Condo Site Price	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000
Condo Site Appreciation Rate	0.00%	0.00%	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Estimated Average Sale Price	49,000	49,000	49,000	49,000	49,980	50,980	51,999	0	0	0	0	0
Total Gross Revenues	1,251,179	1,328,259	1,083,259	1,328,259	1,104,924	1,658,305	1,483,474	1,088,830	1,110,607	1,416,024	1,059,186	0
OPERATING EXPENSES												
On Site Development Costs	0	0	0	0	0	0	0	0	0	0	0	0
Off Site Development Costs	0	0	0	0	0	0	0	0	0	0	0	0
Common Amenities, Clubhouse and Golf Area	0	0	0	0	0	0	0	0	0	0	0	0
Construction Supervision & Construction Financing	0	0	0	0	0	0	0	0	0	0	0	0
Pro-rata Share of H.O.A./RE Taxes	350	29,070	26,520	23,970	21,420	37,740	31,620	25,500	19,380	13,260	5,610	0
Sales Commission	62,559	66,413	54,163	66,413	55,246	82,915	74,174	54,442	55,530	70,801	52,959	0
Advertising	18,768	19,924	16,249	19,924	16,574	24,875	22,252	16,332	16,659	21,240	15,888	0
General Administrative Expense	25,024	26,565	21,665	26,565	22,098	33,166	29,669	21,777	22,212	28,320	21,184	0
TOTAL EXPENSES	106,700	141,972	118,597	136,872	115,339	178,696	157,715	118,051	113,782	133,622	95,641	0
NET REVENUE	1,144,479	1,186,287	964,662	1,191,387	989,586	1,479,609	1,325,759	970,780	996,825	1,282,402	963,545	0
Discount Factor	1.0000	0.9091	0.8264	0.7513	0.6830	0.6209	0.5645	0.5132	0.4665	0.4241	0.3855	0.0000
Present Worth of Revenue	1,144,479	1,078,443	797,241	895,107	675,900	918,721	748,356	498,163	465,026	543,863	371,488	0
Present Value of Cash Flows ("At Complete" Market Value)		\$8,136,788										
Average PV/Site		\$45,456.91										

FIGURE 21 ASSUMPTIONS FOR COMPLETION OF HORIZONTAL IMPROVEMENTS

ASSUMPTIONS		
Start Date (August 2007)	-----	Aug-07
Beginning SFR Inventory	-----	129
Estimated Total No. Years to Sell Out	-----	5
Beginning Condo Site Inventory		50
Site Inputs		
Estimated Average Sale Price per Site	-----	\$83,000
Estimated Average Condo Site Price		\$49,000
Engineering/Permitting Fees		\$0
Off Site Development Costs(street imprs, power)	-----	\$0
On Site Site Development Costs	-----	\$0.00
Clubhouse and Common Amenities		\$0.00
Const/Super/Financ., Misc. as % of Hard Cost	-----	4.50%
Absorption Rate		
Absorption Rate (Units/month)	-----	1.5 to 3
Home Appreciation		
Semi-Annual Site Price Appreciation	-----	2.00%
Appreciation Start (After Year 2)	-----	
Other Expenses & Builder Criteria		
H.O.A. & RE Taxes/Fees (per lot/Month)	-----	\$85.00
General Administrative Expense	-----	2.00%
Sales Cost (Commission)	-----	5.00%
Advertising & Marketing	-----	1.50%
Discount Rate	-----	20.00%
Present Value of Cash Flows		\$8,136,788
Rounded to		\$8,140,000
Estimated Market Value of Potential Building Site "At Completion"		\$45,475

DISCOUNTED CASH FLOW ANALYSIS

This land residual analysis is a form of discounted cash flow analysis intended to reflect a current land value for the subject property. In this instance, both an “as is” estimate of land value and a current value assuming horizontal improvements have been completed is derived from the discounted cash flow analysis. The discounted cash flow analysis shows itemized incomes, expenses and cash flows on a semi-annual basis over the projected absorption period. The cash flows are then discounted to derive an indication of present value. The model is intended to account for all cash flows in the periods in which they are anticipated to occur. This is an applicable approach to value in this instance given the lack of ideal sales or similar sales with horizontal improvements complete. We also believe that investors looking at a project like the subject would also consider a form of a discounted cash flow analysis. We have used forecasting but acknowledge very little empirical evidence exists to support some of the estimates made for the critical variables that impact this analysis. For this reason, this approach does have a diminished reliability, but is still considered a valuable valuation method in this instance. The variables that have a critical affect on this discounted cash flow analysis are summarized below.

ABSORPTION

During our market area study we interviewed several market participants to find existing and proposed subdivisions that may compete with the subject property. The most similar existing subdivisions are the Arroyo Preserve subdivision, the Q Mountain subdivision and the Rainbow Acres subdivision.

The neighborhood discussion in this report indicates the sale velocities for the most similar neighborhoods ranged from roughly .85 sales per month to 2.5 sales per month. The Rainbow Acres subdivision is nearly built out; therefore, the sales per month are less than that of other subdivisions. The lowest end of the range was from a subdivision in Bouse which is anticipated to be slower than the subject subdivision. The projected unit prices for the subject subdivision are on the high end of the market range because of the superior common amenities that will be offered. Nevertheless, with price on the high end of the value range, an absorption slightly less than that indicated from the Arroyo neighborhood in the town of Quartzsite is projected. An initial sales velocity is expected to be high because the developer should be able to attract ten to fifteen buyers on a reservation list while site improvements are completed. After that, initial sales are projected between one and two units per month. For the first two years, the subdivision will have average sales of roughly ten units every six months for the SFR sites, with an additional ten sales of RV sites. The RV sites will be developed after the SFR sites, therefore sales are not anticipated until the period after SFR sites are initially released. The sales during summer months for the RV sites is anticipated to be slower, so a lower absorption is estimated during these periods.

The current market appears to have stabilized, but prices and demand are anticipated to increase as the current similar Arroyo subdivision in the town of Quartzsite reaches build-out. Once this subdivision is sold out, the rate of sales is anticipated to increase gradually over time (in correspondence with population growth). Using the absorption estimates above, the entire 179 unit subdivision is anticipated to be sold out within roughly four and a half years. This equates to a sale velocity of roughly 3.3 units per month. Given the mixed types of sites being offered, the exclusive appeal of the rural neighborhood with good common amenities, and the increased sale velocities over time as the population grows, this is a reasonable estimate of absorption.

PRICING

The most recent and similar land sales available in the Quartzsite and La Paz market areas were researched to estimate retail price points for sites in the proposed subdivision. Several sales in the Rainbow Acres subdivision were found which indicate property values have been increasing over the past 24 months. A table illustrating sales since the end of 2005 is presented below. In addition, the sales of the homes and on home site in the Arroyo subdivision in Quartzsite are considered. These sites are similar in size to the subject sites. The only site that recently sold was for \$65,000. Using extraction for the other sales that have occurred, a concentration of values from \$65,000 to \$75,000 is indicated. The subject will have a golf course, small lake, clubhouse and pool area which will create a premium for the Homesites and condominium sites. Given the superior common amenities, a value of \$75,000 to \$85,000 is most reasonable for the subject sites. Please refer to the table below for a list of site sales and extracted land values from the Rainbow Acres subdivision which is also in a rural area near Quartzsite.

TABLE 5 RAINBOW ACRE SITE SALES AND EXTRACTED LAND VALUES

Lot	Price	Date	Site Size	Impr. Value	Land Value
76	47500	Sep-05	10000	0	47500
391	54900	Oct-05	9794	4800	50100
292	49900	Oct-05	10384	0	49900
261	84900	Nov-05	9440	22000	62900
237	75000	Dec-05	9600	6000	69000
17	135000	Jan-06	10000	64000	71000
419	129900	Jan-06	13000	54000	75900
110	82000	Jan-06	10160	16500	65500
495	84900	Feb-06	11280	3500	81400
187	102000	Mar-06	9600	11000	91000
186	145000	Apr-06	11400	57000	88000
314	128000	Apr-06	9440	49000	79000
497	125000	Apr-06	10640	45000	80000
230	103000	Jun-06	9600	9000	94000
278	160000	Nov-06	9440	75000	85000
409	112000	Dec-06	9440	6000	106000
396	145000	Apr-07	9440	47000	98000
433	95000	Apr-07	9440	3000	92000
Average			10116.56		\$77,011.11

The most recent sales indicate a range from \$65,500 up to roughly \$106,000. Most of the sales in the Rainbow Acres subdivision are between 9,440 and 13,000 square feet. They include RV hook ups and a fenced yard area (low cost masonry fence). The average price of the sales since late 2005 is \$77,000 (nearest 100), but the average price of the most recent sales is roughly \$87,300 (nearest 100). The sites are larger and include RV hook-ups, but the subject subdivision will have better conformity and superior common amenities.

Given the indication of the most similar and recent site sales in the two competitive subdivisions an average site value of \$83,000 for the SFR sites is anticipated. This price is anticipated to remain stable for the first two years, but prices are anticipated to increase at 4% per year after the second year.

No sales of similar RV sites or “condo” sites were available, although two such subdivisions are in the initial stages of development in the town of Quartzsite (not public record at this point). To estimate the value of the proposed RV sites, the competing market area of Lake Havasu City was considered. Lake Havasu is the most similar community which current has an active RV site subdivision in the sell-off stage. The subdivision in Havasu known as Havasu RV Resort has been averaging roughly three sales per month with an average price near \$70,000 per site for sites of roughly 2,700 square feet on average. Given the price difference between the estimated SFR site values in the subject subdivision in contrast to Lake Havasu City, a discount must be applied to the subject RV sites. Please refer to the figure below for a visual illustration of this calculation.

FIGURE 22 CONDO SITE VALUE ESTIMATE

Lake Havasu Average	\$110,000.00
Rainbow Acres Average	77011
Location Difference	29.99%
LHC RV Site Average	70000
Location Adjustment	-30%
Indicated RV Site Price	\$49,000.00

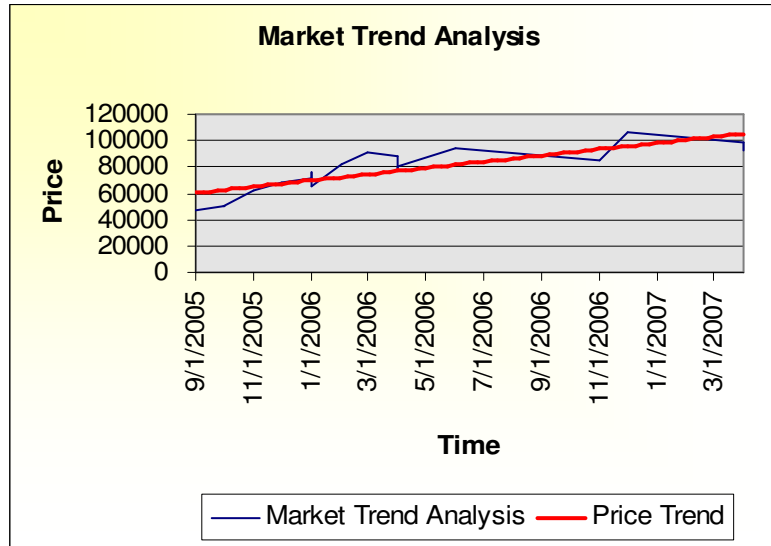
A value of \$49,000 per site is estimated based on the sales in Lake Havasu City. This value is reasonable given site sales of smaller sites in the competitive community of Q-Mountain, which has current listings as high as \$79,900 for a 7,500 square foot site. The most recent sale that could be confirmed for a vacant site was \$60,000 in Feb. of 2006 for 5,000 square feet. The subdivision has improvements that are primarily orientated towards complimenting RV's. The subdivision is over 90% built out with very few vacant sites available, which is the reason more sales have not occurred over the past 18 months.

Using \$83,000 and \$49,000 as the average site values for the two types of sites within the proposed subdivision, a average site value for the entire subdivision is derived as follows:

FIGURE 23 AVERAGE INITIAL SITE VALUES

Average Site Values		
		Total Potential Sales Income
129 SFR Sites	\$83,000.00	\$10,707,000.00
50 Condo Sites	\$49,000.00	\$2,450,000.00
Total Sales Income		\$13,157,000.00
Average Site Price		\$73,502.79

Site values for similar sites have been increasing over the past 24 months. Given the changes in lending standards which will limit the number of potential buyers, and the downward trend in surrounding market areas, property values are anticipated to remain stable for the first two years, then start increasing at 4% per year. Please refer to the market trend analysis illustrated below as evidence of market conditions over the past 24 months.



OPERATING EXPENSES

Operating expenses including the direct costs, soft costs and estimate of a discount rate are based upon interviews with local developers and the most similar competing projects the appraiser was able to confirm. National studies are also used in estimating a discount rate, which is inclusive of profit. The site development costs are estimated in the cost approach. Please refer to the cost approach for additional details.

One of the most critical cost estimates is the estimate of operating costs. Interviews with developers provided the primary basis for the estimated sale commissions, advertising/marketing and general and administrative expenses. The consensus of those interviewed revealed a typical sale commission of 2% for onsite staff (or the listing agent) was typical, with buyers agents receiving 3% as an incentive. A 5% sales commission is estimated for the sell-off of the subject subdivision. In addition, a 1.5% advertising budget and 2% general and administrative cost is estimated. This is inline with the expectations and experience of other developers that were interviewed as part of the scope of work for this assignment.

DISCOUNT RATE

The device that compensates all types of investors for foregoing present benefits (immediate use of capital) in favor of accepting future benefits is the payment of a return on the investment. This payment is also called interest (usually for lenders) and yield (usually for equity investors). An inherent assumption is that the return of capital will be accomplished through the periodic income, the reversion, or the combination of both. The specific discount or interest rate selected to convert future income into present value typically reflects the timing of the cash flows and the level of perceived risk of the investment. The discount rate is synonymous with "Internal Rate of Return".

Several methods of analysis are applied throughout the appraisal field since there is no clear cut formula for the projected elements that pertain to deriving a discount rate. There are basically three elements of risk that need to be considered as part of the discount rate consideration: Permitting Risk (entitlement risk), Development Risk and Marketing Risk. In addition, developers profit needs to be considered either as a line item within the DCF, or as part of the overall discount rate estimated and

used in the analysis. In this instance, the subdivision is close to receiving final entitlements; therefore, entitlement risk has been minimized. Marketing risk is the risk of failure to sell finished lots in a timely and profitable manner once the permitting and development risks have been overcome. These factors are considered as part of our reconciliation of a discount rate.

For the purposes of this analysis, we have relied upon using a discount rate that is inclusive of the developers profit. Profit is based on the perceived risk associated with the development. Profit is estimated based upon the expectations' of developers that were interviewed. The profit must be sufficient to attract investment based on the relative risks of the project.

Based primarily upon inferred market analysis, a profit of 8% of gross sales is appropriate for the subject subdivision. It is more reliable to use a discount rate inclusive of profit for two main reasons: A developer does not realize profit every period as would be suggested by using a line item for profit, and because developers typically develop an expectation of profit based upon the costs (not revenues) and time associated with a given project. Support for this method is included below.

An appraisal book written by James H. Boykin ("Land Valuation: Adjustment Procedures and Assignments, 2001, 115) considers it unnecessary to include a separate pro forma line item for developer's profit, arguing that developers' profit is contained in the anticipated price (value) of the finished sites. He recommends that a provision for profit be included in the discount rate applied to net revenue from lot sales. It is not readily possible to correlate a separate, fixed developers profit computed as a percentage of lot revenues and post-profit residential discount rate approach with a single-rate discount approach that includes an implied provision for profit. According to Wincott, MacCrate, and Koenig, the market typically does not make provision for developer's profit as a separate line item during each period of a multi period cash flow projection. Where a separate line item for profit is applied in the valuation model, it is difficult to support a residual discount rate to apply to the cash flows after deduction of developers profit. Wincott, MacCrate, and Koenig, along with Guntermann point out certain weaknesses of the approach using a line item for profit:

- *"It assumes profit is earned evenly throughout the development period. In reality, developers do not receive any cash profits during the early stage of development, because costs generally exceed revenue during the initial construction period. That is, developers really make their profit on the last sites that are sold. According to surveys and discussions with market participants, this approach does not reflect the actions of buyers/developers in the marketplace. Developers generally do not include a separate line item for profit in their cash flow analysis except when the (lender-requested) financing arrangements of a deal require it".*

The discount rate for the entire 179 site subdivision should be on the higher range indicated by national studies due to the rural nature of the subdivision, and the slower than average sell-off projected in contrast to a more urban location. The discount rate will be significantly less for the "at completion" condition of the subject subdivision because entitlement and development risk will be eliminated, but market risk and profit still need to be accounted for.

Korpacz and Realtyrates.com are the best source for the estimate of a discount rate inclusive of profit. These sources are applicable for discount rates for residential subdivision development when a line item for profit is not included. Both of these sources provide a rate that is inclusive of developers profit and no separate line item for profit is needed.

One common reference from which discount rates can be inferred is the quarterly report by Peter F. Korpacz & Associates, Inc.. This study is conducted on a nationwide basis. A recent Korpacz report

indicates that average discount rates, inclusive of developers profit for land development (nationwide) ranged from roughly 11% to 25%, with an average of 17.72% (2nd Qrt. 2007). This is down slightly from the 4th Quarter of 2006 (18.15%). We note this report does not consider a line item for entrepreneurial profit, but rather makes this item inclusive of the discount rate estimated. Given the location and size, and current level of entitlements for the subject's subdivision, a discount rate of on the high end of the range between 20% and 25% is indicated from this study for the "as is" condition. The same study indicates a discount of 3% to 5% is reasonable for finished sites. For this reason, the "at complete" DCF uses a discounted rate that 3 basis points lower.

A second source is the Realtyrates.com report which reports discount rates in a consistent manner with our application (no line item for builder's profit). Realtyrates.com presents information for different regions around the country. The most recent developer's survey, the 2nd Quarter 2007 report indicates a minimal discount rate in the southwest desert region for subdivisions of 100 to 500 units ranges from 14.51% up to 33% with an average of 22.80%. We have included the developer market study as a figure on the following page.

Considering the physical and location characteristics of the subject property, along with the absorption rate and developmental patterns of the neighborhood, it is our opinion that discount rate of 23% is applicable for the subject in "as is" condition. Once the entitlement and development risk is eliminated, a discount rate of 20% is used (the "at completion" scenario).

FIGURE 24 DISCOUNT RATE REALTYRATES.COM

RealtyRates.com DEVELOPER SURVEY - 2nd Quarter 2007*						
Desert Southwest - Subdivisions & PUDs						
	Actual Rates			Pro-Forma Rates		
	Min	Max	Avg	Min	Max	Avg
Site-Built Residential	14.15%	34.80%	22.66%	13.59%	33.41%	21.76%
-100 Units	14.15%	30.00%	21.64%	13.59%	28.80%	20.77%
100-500 Units	14.51%	33.00%	22.80%	13.93%	31.68%	21.89%
500+ Units	14.86%	34.50%	23.20%	14.27%	33.12%	22.27%
Mixed Use	15.21%	34.80%	23.01%	14.61%	33.41%	22.09%
Manufactured Housing	14.44%	34.76%	22.80%	13.87%	33.37%	21.89%
-100 Units	14.44%	30.22%	21.89%	13.87%	29.01%	21.01%
100-500 Units	14.80%	33.25%	23.06%	14.21%	31.92%	22.14%
500+ Units	15.17%	34.76%	23.46%	14.56%	33.37%	22.53%
Business Parks	14.54%	35.09%	23.00%	13.96%	33.69%	22.08%
-100 Acres	14.54%	30.51%	22.08%	13.96%	29.29%	21.19%
100-500 Acres	14.90%	33.57%	23.27%	14.31%	32.22%	22.33%
500+ Acres	15.27%	35.09%	23.67%	14.66%	33.69%	22.72%
Industrial Parks	14.54%	35.66%	23.26%	13.96%	34.23%	22.33%
-100 Acres	14.54%	31.01%	22.32%	13.96%	29.77%	21.43%
100-500 Acres	14.90%	34.11%	23.53%	14.31%	32.74%	22.58%
500+ Acres	15.27%	35.66%	23.94%	14.66%	34.23%	22.98%

*1st Quarter 2007 Data

Copyright 2007 RealtyRates.com™

FIGURE 25 KORPACZ REPORT, 2ND QUARTER 2007 (LAND DEVELOPMENT)

Exhibit DL-1		
DISCOUNT RATES (IRRS)		
INCLUDING DEVELOPER'S PROFIT		
Second Quarter 2007		
	CURRENT QUARTER	FOURTH QUARTER 2006
Free & Clear		
RANGE	10.00% – 25.00%	12.00% – 25.00%
AVERAGE	17.72%	18.15%
CHANGE	–	0

VALUE CONCLUSION

Based upon the analysis above, a value for the “as is” and “at complete” condition of the subject property has been estimated using the discounted cash flow method. Based upon summary of information above, the current fee simple value estimates as of May 20, 2007, for each value scenario have been estimated as follows:

“AS IS” FEE SIMPLE MARKET VALUE ESTIMATE

TWO MILLION THREE HUNDRED AND FIFTY THOUSAND DOLLARS

\$2,350,000

***Rounded to the Nearest \$10,000**

“AT COMPLETE” FEE SIMPLE MARKET VALUE ESTIMATE

EIGHT MILLION ONE HUNDRED AND FORTY THOUSAND DOLLARS

\$8,140,000

***Rounded to the Nearest \$10,000**

****Please see hypothetical conditions section**

RECONCILIATION OF MARKET VALUES

We have estimated the "as is" value of the vacant and unimproved land, with preliminary entitlements in place for the 40 acre portion using the sales and income approach to value. Each approach is given similar weight in the final reconciliation of value. The income approach indicates a slightly higher value than the sales comparison approach; therefore, a value near the middle of the range is estimated. The reliability of the sales comparison approach is diminished due to the lack of similar and recent sales in the market area, but enough sales were found to bracket the key elements of comparison and a credible conclusion can be reached from this approach alone.

The reliability of the income approach is diminished due to the lack of similar and recent individual SFR and Condo sites in the market area. Nevertheless, enough market support was found to estimate a credible conclusion of value using the income approach (discounted cash flow analysis).

Given the lack of sales with horizontal improvements complete, the income and cost approach are the only applicable valuation methods to estimate the value of the subject property assuming all site development work has been completed as of the current effective date. The income approach is given primary weight for this value scenario. The cost approach is used to test the feasibility of the proposed subdivision. The cost and income approach indicate a very similar value indicating good feasibility for the proposed subdivision, and strength in the income approach to value. The following table illustrates the value conclusions for each approach to value along with the reconciled value for each value scenario.

TABLE 6 RECONCILED VALUE CONCLUSIONS

RECONCILIATION OF VALUE	
	Value Estimate
"As Is" Value Conclusion	
Sales Comparison Approach	\$1,950,000.00
Income Approach	\$2,350,000.00
Final Value Conclusion	\$2,150,000.00
"As Complete" Value Conclusion	
Cost Approach	\$7,870,000.00
Income Approach	\$8,140,000.00
Final Value Conclusion	\$8,140,000.00

Based on the data presented in this summary appraisal report, and taking into consideration the limiting conditions, general assumptions and any noted easements or encroachments, the estimated current fee simple market value for each of the valuation scenarios requested by the client, as of May 20, 2007 has been determined as follows:

“AS IS” FEE SIMPLE MARKET VALUE ESTIMATE

TWO MILLION AND FIFTY THOUSAND DOLLARS

\$2,150,000

**Rounded to the Nearest \$10,000*

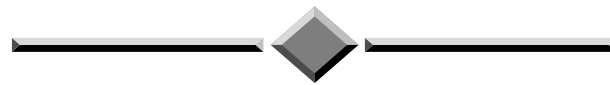
“AT COMPLETE” FEE SIMPLE MARKET VALUE ESTIMATE

EIGHT MILLION ONE HUNDRED AND FORTY THOUSAND DOLLARS

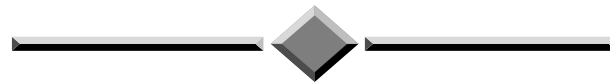
\$8,140,000

**Rounded to the Nearest \$10,000*

***Please see hypothetical conditions section*



ADDENDUM



GLOSSARY OF ABBREVIATIONS



GLOSSARY OF ABBREVIATIONS

AC	Acre
APN	Assessor's Parcel Number
AVE	Avenue
AVG	Average
BLVD	Boulevard
CAM	Common Area Maintenance
CBD	Central Business District
CF	Cash Flow
CPI	Consumer Price Index
CR	Circle
CT	Court
DCR	Direct Capitalization Rate
EGI	Effective Gross Income
E/S	East Side
G	Gross
GC	Golf Course
GIM	Gross Income Multiplier
GLA	Gross Lease Area
GPI	Gross Potential Income
I-15	Interstate 15
I-515	Interstate 515
MO	Month
N	Net
N/A	Not Available/Not Applicable
NOI	Net Operating Income
N/S	North Side
NEC	Northeast Corner
NWC	Northwest Corner
OAR	Overall Rate
PC	(P.C.) Planned Community
PKWY	Parkway
PMA	Primary Market Area
PSF	Per Square Foot
RD	Road
S/S	South Side
SEC	Southeast Corner
SF	(S.F.) Square Feet/Square Foot
SFD	Single-Family Dwelling
SFR	Single-Family Residence
ST	Street
SWC	Southwest Corner
UC	Under Construction
W/S	West Side
UNK	Unknown
UNLV	University of Nevada, Las Vegas
VAC	Vacancy

APPRAISER'S QUALIFICATIONS



LUCAS P. STILL

POSITION Owner, LS Appraisal Services

BIOGRAPHY I first started working in the Appraisal Profession in September of 1993 for my father at Northwest Appraisal Services in Baker City, Oregon. I received my Oregon Residential License in August of 1999. I started working with Jon Smith, MAI in Baker City Oregon in November of 1999 on commercial properties. I began working for Pioneer Bank in Baker City Oregon as their Chief Appraiser in December of 1999 and continued working on commercial reports for Jon Smith, MAI, on a part time basis. I moved to Arizona in December of 2000 and started working for Charles E. Jack IV, MAI to achieve experience for a general certification, which I earned in November of 2002 in the state of Nevada.

EDUCATION BS - University of Oregon – Eugene, 1998
Business Administration, Concentration in Finance

UNIVERSITY REAL ESTATE COURSES

Fundamentals of Real Estate

Real Estate Valuation

COURSES SUCCESSFULLY PASSED, SPONSORED BY THE APPRAISAL INSTITUTE:

- Course 110: Real Estate Appraisal Principles, 1994, 39 Hours
- Course 120: Basic Valuation Procedures, 1994, 39 Hours
- Course 410: USPAP - Part A, 2000, 16 Hours
- Course 500: Advanced Narrative Report Writing, 2000, 40 Hours
- Course 410: USPAP – Part A, 2002, 16 Hours,
- Course 420: USPAP – Part B, 2002, 8 Hours
- Course 530: Adv. Cost and Sales Comparison, 2004, 39 Hours
- Course 400: USPAP Update Course, 2004, 7 Hours
- Course 520: Advanced Highest & Best Analysis, 2006, 40 Hours
- Course 400: USPAP Update Course, 2006, 7 Hours
- Course 540: Advanced Narrative Report Writing, 2007, 40 Hours

LS Appraisal Services
70 Scott Drive Ste. B,
Lake Havasu City, AZ 86403
Phone: (928) 854-5436 Fax: (928) 854-1918
Cell: (702) 349-3717
lsappraisal@citlink.net

LUCAS P. STILL

COURSES SUCCESSFULLY PASSED, SPONSORED BY OTHER APPRAISAL COURSE PROVIDERS:

-REAL PROPERTY INCOME VALUATION, 1998, 40 HOURS
-USPAP – PART A, 1997, 16 HOURS
-Nevada Appraisal Law, 2002, 4 Hours

SEMINARS:

Oregon Appraisal Law, Regulation and Enforcement- ACLB,
2000, 4 Hours

USFLA, "Yellow Book"- Appraisal Institute, 2002, 16 Hours

FHA and the New Residential Appraisal Forms, 2006, 7 Hours

CUMULATIVE PROFESSIONAL TESTS SUCCESSFULLY PASSED:

Oregon Residential Appraisal License Exam, 1998
HUD/FHA Residential Appraisal Exam, 2000
Nevada Certified General Appraisal Exam, October 2002

**RANGE OF
EXPERIENCE**

Nine Years of licensed/certified Real Estate Appraisal and consulting for a wide variety of local, regional, and national clients in Southern Nevada, Northwestern Arizona and Eastern Oregon.

Significant valuation experience involves a wide range of residential properties including mixed use and complex valuation assignments. Specialized valuation experience includes, Custom Built Homes, Condemnation, Detrimental Conditions, Easements, Federal Land Acquisition, Highest and Best Use, Leased Fee, Leasehold, Limited Market Property, Public and Private Easements, Special Use Property (a.k.a Special Purpose Property), Undivided Partial Interests, etc.

**PROFESSIONAL
AND BUSINESS
HISTORY**

Staff Appraiser, Northwest Appraisal Services, September 1993-
December 1999, Baker City, OR (part time from 1993 to 1998)

Chief Appraiser, Pioneer Bank FSB, December 1999-December
2001, Baker City, OR

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LUCAS P. STILL

Independent Fee Appraiser, Associate, Charles E. Jack Appraisal and Consulting, Inc., January 2002-Present, Las Vegas, Nevada.

Independent Appraisal Services, Owner, January 2001-Present, Lake Havasu City, AZ

PROFESSIONAL CERTIFICATIONS

Arizona General Certification: #31123, Expires 01-31-2009

Nevada General Certification: #04102, Expires 11-30-2008

PARTIAL LIST OF IMPORTANT CLIENTS SERVED:

Lending/Financial/Insurance Institutions

Amerquest Mortgage	Wells Fargo
First Security Bank	National City Mortgage
Bank of America	Bank West of Arizona
National American Mortgage	1 st Horizon Home Loans
GMAC Mortgage	First Republic Bank
Countrywide Home Loans	Running Bear Mortgage
Howard Hughes Corporation (Consulting)	Compass Bank
1 st National Bank of Arizona/Nevada	Mercury Real Estate Solutions
AMEC (sewer easements in Lake Havasu)	Army Core of Engineers (eminent domain)
Lake Havasu City	Bullhead City
Mohave County	Department of Economic Security (LHC)
Capital Lenders	Bank One

PARTIAL LIST OF PERSONAL AND CLIENT REFERENCES

John Bartel

Branch Manager
1st Horizon Home Loans
2375 E Camelback Rd STE 380
Phoenix, AZ 85016
(928) 486 7681

Charles Jack, MAI

Owner
Charles Jack Appraisal & Consulting
8324 Antler Ridge
Las Vegas, NV 89149
(702) 395-5962

Jon Smith, MAI

President
Western Land Company
135 County Road 3215
Mount Pleasant, TX 75455
(903) 577-8238

Gregg Baker

Chief Appraiser
1st National Bank of Arizona/Nevada
Scottsdale, AZ
(480) 458-3163

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Lake Havasu City, AZ 86403
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APPRAISER'S CERTIFICATION



STATE OF ARIZONA
BOARD OF APPRAISAL

BE IT KNOWN THAT

LUCAS P. STILL

HAS MET ALL THE REQUIREMENTS AS A

Certified General Real Estate Appraiser

In accordance with Arizona Revised Statutes
and on authority of the Board of Appraisal, State
of Arizona.

This certificate shall remain evidence thereof
unless or until the same is suspended, revoked
or expires in accordance with the provisions of
law.

CERTIFICATE NUMBER

31123

EXPIRATION DATE

JANUARY 31, 2009



In witness whereof the Arizona Board of Appraisal
caused to be signed by the Chair of the Board
and the Executive Director

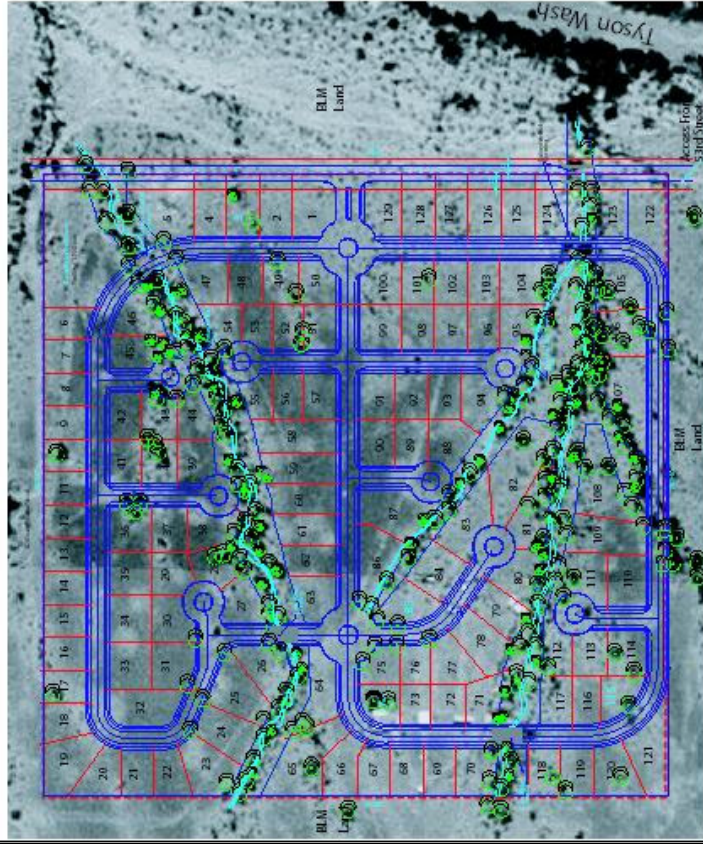

Chair, Board of Appraisal


Executive Director of the Board of Appraisal

SHALL REMAIN PROPERTY OF ARIZONA BOARD OF APPRAISAL

CONCEPTUAL SITE PLANS PRELIMINARY PLAT

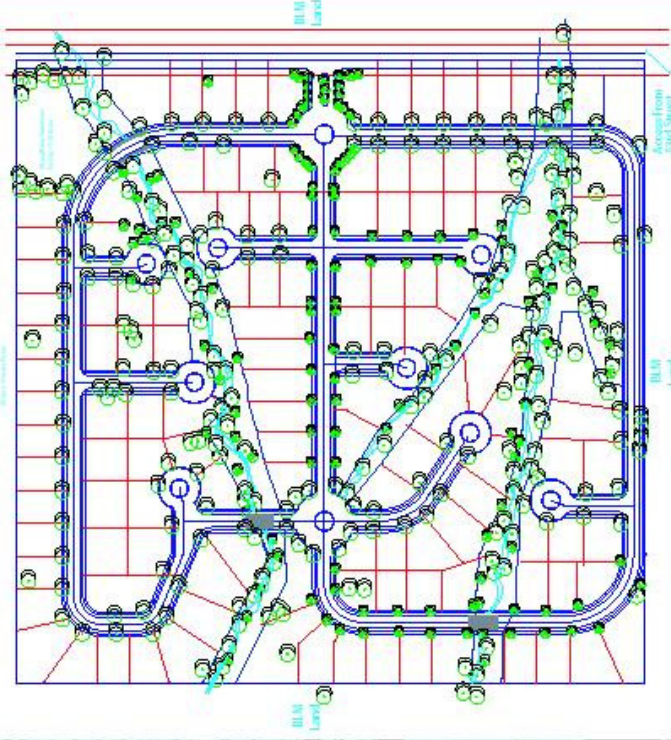




40 Acres Parcel - Legal Description:
The Northeast quarter of the Southwest quarter of Section 15, Township 3 North, Range 19 West of the Colorado River, BLM and National Forest.

Zoning is R1-6-129 Lots/Sites

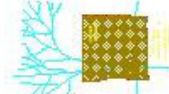
- CC&R's will be developed to control quality of development - Site Built Homes
- Arroyos are to be left in tact and bolstered with effluent water
- Native and/or low water use vegetation shall be encouraged for development
- Wastewater Treatment - By Sartez Corporation, Castle Rock, CO
- Domestic Water - Wells on Site - Graydonwater 130-130 wells will be completed to 130 feet +/- for 100 year requirement per ADLQ.
- Streets are 30 foot R/W with 40 foot and no parking a consideration to be determined at plot stage.
- Street pavement width is suggested at 22-28 feet with ribbon curb



THE ARROYOS PRESERVE

La Paz Valley - La Paz County, Arizona
owners

James E. Luniach, partner
Castillo by the Sea, CA
760-758-8999



APPROVAL LETTER FOR ZONING CHANGE





La Paz County Department of Community Development

1112 Joshua • Suite 202 • Parker, Arizona 85344
(928) 669-6138 • Fax (928) 669-5503 • TDD (928) 669-8400

September 19, 2005

Mr. James F. Kunisch
2015 Freda Lane
Cardiff by the Sea, CA 92007

RE: Docket No.: Z2005-35 – APN: 302-32-012

Dear Mr. Kunisch,

The La Paz County Board of Supervisors at their Regular Meeting of September 6, 2005, **approved** your request to rezone the property from RA-40 (Rural Area Forty Acres) Zoning District to R-1-6 (Low Density Residential, 6,000 sq. ft.) Zoning District for the purpose of development, located at 51626 Avenue 23 E., Quartzsite, with the stipulations that the overall density will not exceed 3.25 lots per acre; a subdivision map be provided within one year; right-of-way access be perfected with the minimum easterly 30 feet of the access road as required by BLM; and that a plan be approved by La Paz County Public Works and construction completed for improvements to the 53rd Street crossing of Tyson Wash.

In accordance with State Law, the rezoning will become effective 30 (thirty) days after the approval of the September 6, 2005 Board minutes (approved on September 19, 2005).

If you have any questions, please do not hesitate to call (928) 669-6138 or visit our office at the above address.

Sincerely,

Robert L. Wall, Special Projects Coordinator
Community Development

RW:blm

cc: Guy Gorman - Building Inspector
GIS / 911 Street Address

Planning Building & Safety Floodplain Administration Environmental Service



La Paz County Department of Community Development

1112 Joshua • Suite 202 • Parker, Arizona 85344
(928) 669-6138 • Fax (928) 669-5503 • TDD (928) 669-8400

December 22, 2005

Mr. & Mrs. James F. Kunisch
2015 Freda Lane
Cardiff by the Sea, CA 92007

Re: Docket No. TR2005-3 - APN: 302-32-012

Dear Mr. & Mrs. Kunisch:

The La Paz County Board of Supervisors at their Regular Meeting of December 5, 2005, **approved** Docket TR2005-3, James & Ann Marie Kunisch, Arroyos Preserve, APN: 302-32-012, for a Tentative Map for the Arroyos Preserve, located at 51626 Avenue 23E, La Paz Valley, with the stipulations that the Final Map contain all engineering, drainage, BLM, right-of-way access, and types of wash-crossing plans; with approval of the County Engineer of all requirements for the final map submitted to the Board of Supervisors; and ADEQ and other State and Federal permits pertaining to the wastewater treatment plant must be in place prior to final County approval of improvement plans.

In accordance with State Law, the Rezone request will become effective 30 (thirty) days after the approval of the December 5, 2005 Board minutes (effective January 3, 2006).

If you have any questions, please call (928) 669-6138 or visit our office at the above address.

Sincerely,

Robert L. Wall, Special Projects Coordinator
Community Development

RW:blm

cc: Guy Gorman - Building Inspector
GIS / 911 Street Address

Planning Building & Safety Floodplain Administration Environmental Service
