

MID STATE APPRAISAL SERVICES

1836 MISSION DRIVE
SOLVANG, CA 93463
(805) 688-0911
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LIMITED LETTER REPORT OF
THE PROPERTIES LOCATED AT:
508 NORTH T STREET, 501-505 NORTH S STREET
& 509-513 NORTH S STREET
LOMPOC, CA 93436

Client:
Lompoc Housing Assistance
Attention: Ms. Ehrlich
604 East Ocean Avenue, Suite E
Lompoc, CA 93436

Appraiser:
Sharon A. Steele, SRA

MID STATE APPRAISAL SERVICES
Professional Real Estate Appraisers and Consultants
P.O. Box 289
Solvang, CA 93464
(805) 688-0911 FAX (805) 688-8405

October 19, 2005

Lompoc Housing Assistance
604 East Ocean Avenue, Suite E
Lompoc, CA 93436

Regarding:
508 North T, 501-505 North S Street and 509-513 North S Street
Lompoc, CA

Dear Ms. Ehrlich,

In accordance with your request, I have personally made an inspection of the above referenced properties for the purpose of estimating its contribution to fair market value which is defined to mean: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he considers his own best interest; (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.

It is my opinion that the market value of the leased fee interest in the properties as of October 19, 2005 were as follows:

508 North T Street - \$720,000
501-505 North S Street - \$920,000
509-513 North S Street - \$1,200,000

It should be noted that this letter report is an update to reports prepared on July 17, 2001. The subject property was not reinspected for purposes of this report. Please refer to prior report for all pertinent information including disclosures.

It should also be noted that the subject properties are now under an income restriction covenant, however valued at market value.

It should be clearly understood that this letter constitutes only a statement of final value, but that said value has been based upon a complete appraisal analysis. The appraisal, although in rough form, has been prepared and retained in my files, and the data contained therein is available for your review should you desire.

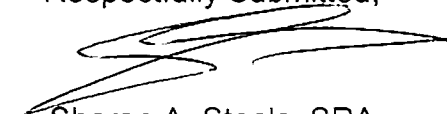
This letter constitutes a limited report and is designed to be used by the client for stated purpose only. Any other use of this letter could be misleading. Should you require a more formal typed report; the same is available to you upon request. My fee for this service would be \$3000.

I hereby certify that I have no present or contemplated future interest in the real estate that is the subject of this report and that I have no personal interest or bias with respect to the subject matter of this report or the parties involved and that the amount of the fee is not contingent upon reporting a predetermined value or upon the amount of the value estimate.

I certify that, to the best of my knowledge and belief the statements of fact contained in the appraisal, upon which the analysis, opinions and conclusions are based, are true and correct subject to the special and limiting conditions attached, that this report has been made in conformity with, and is subject to, the requirements of the Code of Ethics and the Standards of Professional Practice and Conduct of the Professional Appraisal Organizations to which I am a member and that no one other than the undersigned prepared the analyses, conclusions and opinions concerning real estate that are set forth in the written appraisal.

If you should have any questions regarding the above referenced property please feel free to contact me at your convenience.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Sharon A. Steele', with a stylized flourish at the end.

Sharon A. Steele, SRA

SUBJECT DESCRIPTION

508 North T Street

The property consists of 6 apartment units on a 7,000 square foot lot. There is one building containing six units. The building is two stories with three units on each level. Building is wood frame construction on a concrete slab. Roof covering is built up tar and gravel. Exterior walls are stucco.

Interior finish includes carpet and vinyl flooring, Heating is provided by wall units. Each unit has two bedrooms and one bathroom. Total square footage of the improvements is 4,264. Each unit contains approximately 710 square feet. At the time of inspection repairs were being made. According to the owner repairs will be completed prior to the close of escrow. Water stains were noted on the ceiling of several units and the acoustic ceiling in most units is peeling. Overall quality and condition are average. New stucco recently applied to the exterior.

At the time of the original report many repairs were in progress, however escrow was subject to repairs being completed.

501-505 North S Street

The property consists of 8 apartment units on a 13,981 square foot lot. There are two buildings containing four units each. The building is one level. Building is wood frame construction on a concrete slab. Roof covering is composition shingle. Exterior walls are stucco.

Interior finish includes carpet and vinyl flooring, Heating is provided by wall units. Each unit has two bedrooms and one bathroom. Total square footage of the improvements is 6,000. Each unit contains approximately 750 square feet. At the time of inspection repairs were being made. According to the owner repairs will be completed prior to the close of escrow. Overall quality and condition are average.

At the time of the original report many repairs were in progress, however escrow was subject to repairs being completed.

509-513 North S Street

The property consists of 12 apartment units on a 13,984 square foot lot. There are two buildings, each containing six units. Both buildings are two story with three units on each level. Buildings are wood frame construction on a concrete slab. Roof covering is built up tar and gravel. Exterior walls are stucco.

Interior finish includes carpet and vinyl flooring. Heating is provided by wall units. Each unit has two bedrooms and one bathroom. Total square footage of the improvements is 8,528. Each unit contains approximately 710 square feet. At the time of inspection repairs were being made. According to the owner, repairs will be completed prior to the close of escrow. Water stains were noted on the ceiling of several units and the acoustic ceiling in most units is peeling. Overall quality and condition are average.

Drywall repair in progress in several of the units and no flooring in Unit A at the time of the prior appraisal. These items were to be completed by the seller prior to the close of escrow.

The subject units were acquired by Lompoc Housing Assistance Corporation on 3/22/2002 for \$1,404,000. Sale price included all 26 units.

LIMITING CONDITIONS

This appraisal report has been made expressly subject to the following limiting conditions and assumptions.

General Limiting Conditions

1. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations of land and 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. It may not be used for any purpose by any other person other than the party to whom it is addressed without written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.

Specific Use Limitations - Neither all nor any part of the contents of this report shall be conveyed to a person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization or appraisal designation. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make such party aware of all the assumptions and limiting conditions of the assignment. Acceptance of this report denotes the client's acceptance of the assumptions and limiting conditions contained herein.

3. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
4. Neither all nor part of the contents of this report (especially any conclusions as to the value, identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through the use of advertising, public relations, news, or other media without the prior written consent and approval of the appraiser.

General Underlying Assumptions

1. The date of value to which the conclusions and opinions expressed in this report apply is set forth in the letter of transmittal. The dollar amount of any value opinion herein rendered is based on the purchasing power of the U.S. dollar as of that date.
2. The appraiser assumes no responsibility for economic or physical factors occurring subsequent to the date of the letter transmitting this report which may affect the opinions herein.

3. The information supplied by others is believed to be reliable. A reasonable effort has been made to verify such information; however, no warranty is given for its accuracy.
4. The appraiser reserves the right to make adjustments to this appraisal, at a later date, if more reliable or other data becomes available for analysis.
5. No opinion as to title is rendered. Title to the property is assumed to be marketable and free and clear of all liens, encumbrances, easements and restrictions except those specifically discussed in the report. The appraisal has been completed without the benefit of a Preliminary Title Report. The Appraiser assumes no responsibility for matters of title or easement.
6. The property is appraised assuming that it is available for its highest and best use as defined and discussed within this report, based on the facts and information available at the time of the appraisal.
7. No opinion is intended to be expressed for matters which require legal expertise or specialized investigation, or knowledge beyond that customarily employed by real estate appraisers.
8. The property is appraised assuming it to be under responsible ownership and competent management.
9. The maps, plot maps and exhibits in this report are for illustration only as an aid to assist the reader in visualizing matters discussed. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.
10. The appraiser assumes no responsibility for 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 arranging for engineering studies that may be required to discover them.
11. The property is appraised assuming it to be in full compliance with all applicable federal, state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the appraisal report.
12. The property is appraised assuming that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in the appraisal report.
13. The property is appraised assuming that all required licenses, certificates of occupancy, consents or 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 value estimate contained herein is based, unless otherwise stated.
14. No engineering survey has been made by the appraiser. Data relative to size and area were taken from sources considered reliable: except as specifically stated, the appraiser has utilized the County Assessor's Office plat map to ascertain the physical dimensions and size of the property. Should a survey prove these characteristics inaccurate, the appraiser reserves the right to amend the opinion of value. It is assumed that utilization of the land and

improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

15. The property is appraised assuming that there are no drainage conditions which render the site less usable or less valuable, other than those discussed within this report. No responsibility is assumed for such conditions.

16. No opinion is expressed by the appraiser as to the value of the subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials except as expressly stated in this report.

17. Since earthquakes are a part of the geological make-up of the Western United States, no responsibility is assumed for their possible effect on the subject property.

18. In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the building, such as presence of urea-formaldehyde foam insulation, and/or existence of toxic waste, which may or may not be present on the property, was not observed by me; nor do I have any knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. 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. The appraiser reserves the right to modify this valuation if any such potentially hazardous materials are detected by a qualified expert. The existence of urea-formaldehyde insulation or other potentially hazardous waste material may have an effect on the value of the property. The client is urged to retain an expert in this field, if desired.

19. No soils, termite or structural reports have been reviewed and the appraiser is not responsible for same. Should such reports reveal defects in the property the appraiser reserves the right to modify this valuation.

20. The central coast of California is known to have a long history of Indian and Spanish Heritage. The existence of Indian artifacts on the property is not known to the appraiser. Any future discovery and subsequent cost of excavation could affect the value of the property. The appraiser reserves the right to modify this valuation if any such materials are detected by a qualified expert.

21. The legal description as shown in the base of this report is taken from the County Assessor Map. A full legal description was not made available to the appraiser for purposes of this report.

22. The value herein considers the real estate only. No value estimate was included for chattels, furnishings, equipment, etc. unless specifically noted.

Specific Underlying Assumptions- It should be noted that the property was not inspected for purposes of this report.

PURPOSE AND FUNCTION OF THIS APPRAISAL REPORT

- The purpose of this appraisal report is to estimate the "Market Value" of the fee simple interest in the subject property as defined by the Federal Bank Board.
- The function of this appraisal report is to assist in the valuation of the property for financing purposes.

DEFINITION OF "MARKET VALUE "

The term "market value" as used in this report 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 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 interest.
3. A reasonable time is allowed for exposure to the open market.
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
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: FDIC Rule and Regulations, Part 323 - Appraisals, Section 323.2, Definitions (f).)

SCOPE OF THE APPRAISAL

- All sales information has been verified through one or all of the following sources. Multiple listing, lender, buyer, seller or recorded grant deeds. All detail of the sold and rental (if applicable) properties has been verified through one or all of the following sources:
- Physical inspection, buyer, seller, County Assessor's Office or other appraiser files. The effective date of this appraisal and the date prepared are the same (within 1-2 days) unless otherwise stated.
- A physical inspection of the subject property was conducted. Among other things, information regarding the subject's physical characteristics, its highest and best use, its remaining physical and economic life, its relation to the surrounding market area and any influences having impact on it were noted. Although due diligence was exercised during this inspection, the appraiser is not an expert in such matters as pest control, structural or soils engineering, hazardous materials, etc. and no warranty is given or implied as to these elements. Please refer to the pertinent sections of the Assumptions and Limiting Conditions.
- Following the physical inspection of the subject property, additional data made available by other parties (such as owner or real estate agent) as well as additional data researched by the appraiser was added to the existing database. The sources and the data in the report were considered reliable. Occasionally, different data sources will give conflicting information. If this occurs, the data source believed to be the most accurate has been used. Each of the comparable sales utilized in this report was examined from the front (as a minimum) and a database of sufficient scope was assembled to allow the appraiser to express an opinion of market value for the subject property.
- An analysis of this data was then completed by utilizing the three recognized approaches to value, the Market Approach, the Cost Approach and the Income Approach. It is likely that one or more of the three approaches are not appropriate for use in estimating the market value of the subject property (please see the Final Reconciliation Statement for an explanation of which approaches were utilized and why an approach might not have been used). A summary appraisal report that clearly supports the subject's estimate of value and leads the reader to the same conclusion was then prepared.
- The Approach to value which best reflects market conditions was given the most weight in the final analysis and the logic and conclusions utilized to reach the final valuation figure is explained in the reconciliation section of this report.
- The sales used in this report are the best available. Every attempt has been made to utilize data which conforms to adjustments, percentages, and time constraints desired by the different agencies. When this data is not available we have used sales of the most comparable data available. This is a common situation in our market due to the small populations of the area .

FIRREA\USPAP

- The purpose of this appraisal is to estimate the market value of fee simple interest in the subject property as defined by FNMA, FHLMC, and FIRREA. The function of the appraisal is to assist the identified client in the function as stated.
- The appraisal is based on a physical inspection of the neighborhood and subject property, information gathered from public or private records and subsequent exterior inspection of the comparables. The data obtained is verified through public records, published demographic data and sources involved in the sale transaction.
- The analysis and opinions of the appraiser are based on her/his sole education, experience and knowledge concerning the type of property being appraised. The only assistance obtained in preparation of this appraisal is that of co-signing review appraiser or the appraiser's employer.
- The appraiser's analyses, opinions and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice. The Departure Provision in USPAP was not utilized in preparation of the report.
- In accordance with the competency provision in the Uniform Standards of Professional Appraisal Practice, the appraiser certifies that her/his education experience and knowledge is sufficient to appraise the type of property being appraised and that no appraiser has provided significant professional assistance to the person inspecting the subject property and in the completion of the analyses other than the co-signing appraiser.
- The appraiser's compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event. The appraisal assignment was not based on a requested minimum or specific valuation, or on the approval of a loan.
- I have no financial interest in the loan transaction and do not stand to benefit in any way from the value placed on the property.
- I have not included a separate assessment of personal property, fixtures, or intangible items that are attached to or located to the real property.
- Any creative financial or sales concessions that I was made aware of have been adjusted in the comparable of this appraisal.
- The appraisal was done with an "as is" market value unless otherwise stated in the report. This is the value of the property in its current physical condition and subject to the zoning in effect as of the current date of value.

LISTING STATUS

The subject property _____ (is) (is not) listed for sale. The listing price is \$_____. This has been determined through our search in the local MLS during the normal course of completing this assignment.

This report has been prepared for Lompoc Housing Assistance to assist in the valuation of the property for financing purposes. No other use of this report is allowed without the written consent of the appraiser.

REASONABLE EXPOSURE TIME

Exposure time is always presumed to precede the effective date of the appraisal. It is the estimated length of time the property would have been offered on the market prior to the hypothetical sale at market value on the

effective date of the appraisal. It is a retrospective estimate based upon an analysis of past events assuming a competitive and open market. This includes not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. It is often expressed as a range and is based on the following:

1. statistical information about days on the market, most commonly obtained from the local multiple listing service.
2. information gathered through sales verification
3. interviews with market participants

Reasonable exposure time for the subject property under current market conditions is 6 to 12 months. This is based on analyses of current market trends in the general area and takes into account the size, condition, and price range of the subject and surrounding properties and is presupposes that a listing price would be at or near the appraised value. It also assumes aggressive professional marketing by reputable local real estate sales office.

(Statement on Appraisal Standees No. 6, SMT-6; Appraisal Standards Board of the Appraisal Foundation)

REASONABLE MARKETING TIME

This is the estimate of the amount of time it might take to sell a property at the estimated market value during the period immediately after the effective date of the appraisal. The sources for this information include those uses in estimating the reasonable exposure time but also may include anticipated changes in market conditions. A request to estimate a reasonable marketing time exceeds the normal information required for the conduct of the appraisal process and should be treated separately from that process. (Advisory Opinion AO-7, Appraisal Standards Board of the Appraisal Foundation.)

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal unbiased professional analyses, opinions and conclusions.
- I have no (or specified) present or prospective interest in the property that is the subject of this report, and, I have no (or specified) personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved in the assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent upon the reporting of a predetermined value or the direction in value that favors the cause of the lien, the amount of value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- My analyses, opinions, and conclusions were developed, and the report has been prepared, in conformity with the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute, including the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant professional assistance to the person signing this report. Any exceptions have been so stated.
- The use of this report is subject to requirements of the Appraisal Institute relating to review by it duly authorized representatives.

Comment: Departure for this binding requirement is not permitted.

As of the date of this report, I, Sharon A. Steele, SRA have completed the requirements under the continuing education program of the Appraisal Institute. Continuing Education-current.

October 19, 2005


Sharon A. Steele, SRA
AG 001591

SHARON STEELE, SRA

EDUCATION

California State University Fullerton
Bachelor of Arts, Business Administration - Finance

PERTINENT COURSES AND SEMINARS

Society of Real Estate Appraisers -
Course 101 - Introduction to Appraising Real Property
Course 102 - Applied Residential Property Valuation
American Institute of Real Estate Appraisers & Appraisal Institute
Course 1A-1-8 Real Estate Principles
Course 1A-2 Basic Valuation Course 8-2 Residential Valuation
Course 1B-A Capitalization Theory, Part A
Course 1B-B Capitalization Theory, Part B
Standards of Professional Practice-1999
Demonstration Report Writing-1994
State Laws and Regulations-1999
Course 540 Report Writing and Valuation Analysis-1995
Advanced Applications-1997
Course 410 - National Uniform Standards of Professional Practice 7/2003
Course 420 - Business Practices & Ethics 7/2003
Course 530-Highest and Best Use Analysis 10/2003
Appraising Modular Homes 10/2003
Appraising Distressed Properties 10/2003

SEMINARS

HP 12 C Seminar-1987
Review Seminar for State Licensing-July 1991
Appraising Apartments-October 1992
Residential Exam Seminar-1992
FNMA Guideline Seminar-January 1994
FHA Appraisal Seminar-1995
The Future of Appraising-March 1995
Loss Prevention-1996
Detrimental Condition-1997
Litigation Skills for the Appraiser-1997
Real Estate Forecasting-1997
Appraisal Guidelines-1997
General Report Writing-1999
Real Estate Conference Group-Apartments 2002

EXPERIENCE

1990-Current - Appraiser, Mid State Appraisal Services, Solvang, CA;
Single Family Residences, Multi-Family, Commercial/Industrial

1989-90 - Appraiser, Dammarell and Associates, Laguna Hills; CA
Single Family Residences and 2-4 Units

1987-89 - Appraiser, Interstate Appraisal, Newport Beach; CA
Single Family Residences, Commercial/Industrial, Subdivisions

1983-87 - Appraiser, Coastline Group Inc., Santa Ana; CA
Single Family Residences, Commercial/Industrial, Condemnation

PROFESSIONAL DESIGNATIONS

SRA-Member Appraisal Institute (Awarded 9/8/94)

STATE OF CALIFORNIA
CERTIFIED GENERAL APPRAISER
OREA IDENTIFICATION #AG001591
EXPIRES 1-29-2006

PRO FORMA - Refinance**Project: Jay Apartments**

501-505, 609-513 North S Street, 508 N. T Street, Lompoc

Date: 26 October 2005

Uses

| | | |
|---|--------------------|----------------|
| Acquisition | \$1,404,000 | 98.63% |
| Title, Taxes, Insurance, etc. | \$3,500 | 0.25% |
| Rehabilitation | \$0 | 0.00% |
| Site Improvements and Landscaping | \$0 | 0.00% |
| Off-Site Improvements | \$0 | 0.00% |
| Architecture and Engineering | \$0 | 0.00% |
| Survey and Environmental | \$0 | 0.00% |
| Soils Report and Testing | \$0 | 0.00% |
| Predevelopment Costs (Option, Insp., appraisal) | \$2,000 | 0.14% |
| Termite | \$0 | 0.00% |
| Bridge Loan Costs | \$0 | 0.00% |
| Mortgage Loan Fees (2%) | \$0 | 0.00% |
| Legal | \$0 | 0.00% |
| Rent-Up and Operating Reserve (2% each) | \$0 | 0.00% |
| Contingency (5%) | \$0 | 0.00% |
| Replacement Reserve | \$0 | 0.00% |
| Developer Fees (1%) | \$14,040 | 0.99% |
| Other: | \$0 | 0.00% |
| | \$0 | 0.00% |
| TOTAL: | \$1,423,540 | 100.00% |

Original Sources of Funds

| | | |
|--|-----------|--------|
| Seller Carryback (8%, 30 yrs.) | \$997,715 | 70.09% |
| City of Lompoc CDBG (3%, 40 yrs.) | \$243,950 | 17.14% |
| City of Lompoc CHFA (3%, 30 yrs amort., 4 yr term) | \$181,875 | 12.78% |

| | | |
|---------------|--------------------|----------------|
| TOTAL: | \$1,423,540 | 100.00% |
|---------------|--------------------|----------------|

Cost Per Unit

| | | |
|----------------|-----------|----------|
| # of Units: 26 | Cost/Unit | \$54,752 |
|----------------|-----------|----------|

Refinance Sources of Funds

| | |
|---|-----------|
| 1st Trust Deed (Seller Note#1, 8%, 30 yrs) | \$954,203 |
| 2nd Trust Deed (Seller Note#2, 4.8%, 30 yrs.) | \$500,000 |
| City of Lompoc CDBG (3%, 40 yrs.) | \$243,590 |

| | |
|---|------------|
| Less balance of City of Lompoc CHFA HELP loan | -\$166,965 |
|---|------------|

| | |
|-------------------|------------------|
| Equity Out | \$333,035 |
|-------------------|------------------|

| | |
|------------|----------|
| Value/Unit | \$65.300 |
| LTV | 60% |

PRO FORMA - Refinance

Project: Jay Apartments

501-505, 509-513 North B Street, 508 N. T Street, Lompoc

Date: 26 October 2005

| | Effective Gross Monthly Income: | | \$15,462 | |
|---|---------------------------------|-----------------|----------------|---------------|
| | Monthly | Annual | Per Unit | %EGI |
| GENERAL & ADMINISTRATIVE | | | | |
| Property Management Fee (5%) | \$773 | \$9,277 | \$357 | 4.93% |
| Office Supplies & Expense | \$25 | \$300 | \$12 | 0.16% |
| Legal & Accounting | \$25 | \$300 | \$12 | 0.16% |
| Miscellaneous | \$0 | \$0 | \$0 | 0.00% |
| TOTAL GENERAL & ADMINISTRATIVE | \$823 | \$9,877 | \$380 | 5.24% |
| PAYROLL & RELATED | | | | |
| Resident Manager Payroll | \$435 | \$5,220 | \$201 | 2.77% |
| Maintenance-Contracted Services | \$0 | \$0 | \$0 | 0.00% |
| Benefits | \$0 | \$0 | \$0 | 0.00% |
| Payroll Taxes | \$35 | \$418 | \$16 | 0.22% |
| Other | \$0 | \$0 | \$0 | 0.00% |
| TOTAL PAYROLL & RELATED | \$470 | \$5,638 | \$217 | 2.99% |
| UTILITIES | | | | |
| Electricity | \$350 | \$4,200 | \$162 | 2.23% |
| Gas | \$400 | \$4,800 | \$185 | 2.55% |
| Water, Trash & Sewer | \$350 | \$4,200 | \$162 | 2.23% |
| Cable | \$502 | \$6,024 | \$232 | 3.20% |
| TOTAL UTILITIES | \$1,602 | \$19,224 | \$739 | 10.21% |
| MAINTENANCE & REPAIR | | | | |
| Trash Removal | \$0 | \$0 | \$0 | 0.00% |
| Landscaping | \$150 | \$1,800 | \$69 | 0.98% |
| Exterminating | \$175 | \$2,100 | \$81 | 1.11% |
| Painting & Decorating | \$100 | \$1,200 | \$46 | 0.64% |
| Maintenance Supplies | \$100 | \$1,200 | \$46 | 0.64% |
| Repairs | \$100 | \$1,200 | \$46 | 0.64% |
| TOTAL MAINTENANCE & REPAIR | \$625 | \$7,500 | \$288 | 3.98% |
| MARKETING & LEASING | | | | |
| Advertising | \$0 | \$0 | \$0 | 0.00% |
| Credit Investigations | \$0 | \$0 | \$0 | 0.00% |
| Leasing Fees | \$0 | \$0 | \$0 | 0.00% |
| TOTAL MARKETING & LEASING | \$0 | \$0 | \$0 | 0.00% |
| TAXES & INSURANCE | | | | |
| Real Estate Taxes | \$0 | \$0 | \$0 | 0.00% |
| Other Taxes, Licenses & Fees | \$0 | \$0 | \$0 | 0.00% |
| Insurance | \$650 | \$7,800 | \$300 | 4.14% |
| TOTAL TAXES & INSURANCE | \$650 | \$7,800 | \$300 | 4.14% |
| TOTAL OPERATING EXPENSES | \$4,170 | \$50,039 | \$1,925 | 26.57% |
| | \$160 per unit | | | |

PRO FORMA - Refinance
 Project: Jay Apartments
 501-505, 509-513 North S Street, 508 N. T St.

Date: 26 October 2005

Address: 501-505, 509-513 North S Street, 508 N. T St.
 Lompoc, CA

Total Res. Units: 26

ANALYSIS ASSUMPTIONS

| | |
|----------------------|------|
| Income Increase | 3.0% |
| Expense Increase | 3.5% |
| Operating Reserves | 2.0% |
| Replacement Reserves | 2.0% |
| Vacancy Rate | 3% |

GROSS INCOME

| UNIT TYPE | # MARKET | RENT | # @ Existing Rents | RENT* | # VERY LOW INCOME (50% MED.) | RENT | INCOME |
|-----------|----------|------|--------------------|-------|------------------------------|-------|---------|
| 0 Bedroom | 0 | 0 | 0 | \$0 | 0 | \$0 | \$0 |
| 1 Bedroom | 0 | 0 | 0 | \$0 | 0 | \$0 | \$0 |
| 2 Bedroom | 0 | 0 | 0 | \$0 | 16 | \$595 | \$9,520 |
| 2 Bedroom | 0 | 0 | 0 | \$0 | 8 | \$635 | \$5,080 |
| 3 Bedroom | 0 | 0 | 0 | \$0 | 2 | \$670 | \$1,340 |
| 3 Bedroom | 0 | 0 | 0 | \$0 | 0 | \$0 | \$0 |
| Total DUs | 0 | | 0 | | 26 | | |

*Includes all utilities

Total Monthly Residential Income \$15,940

CASH FLOW ANALYSIS

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Gross Residential Income (+) | \$191,280 | \$197,018 | \$202,829 | \$209,017 | \$215,287 | \$221,746 | \$228,398 |
| Other Income (+) | \$2,808 | \$2,892 | \$2,979 | \$3,068 | \$3,160 | \$3,255 | \$3,353 |
| Vacancy/Loss (-) | -\$5,738 | -\$5,911 | -\$6,088 | -\$6,271 | -\$6,459 | -\$6,652 | -\$6,852 |
| Effective Gross Income (=) | \$188,350 | \$194,000 | \$199,820 | \$205,815 | \$211,989 | \$218,349 | \$224,899 |
| Operating Costs (-) | -\$50,039 | -\$51,790 | -\$53,603 | -\$55,479 | -\$57,421 | -\$59,430 | -\$61,510 |
| Net Operating Income (=) | \$138,311 | \$142,210 | \$146,217 | \$150,336 | \$154,569 | \$158,919 | \$163,389 |
| Debt Service (-) | -\$127,086 | -\$127,086 | -\$127,086 | -\$127,086 | -\$127,086 | -\$127,086 | -\$127,086 |
| Operating Reserves (-) | -\$3,826 | -\$3,940 | -\$4,059 | -\$4,180 | -\$4,306 | -\$4,435 | -\$4,568 |
| Replacement Reserves (-) | -\$3,826 | -\$3,940 | -\$4,069 | -\$4,180 | -\$4,306 | -\$4,435 | -\$4,568 |
| Cash Flow (=) | \$3,574 | \$7,244 | \$11,015 | \$14,890 | \$18,871 | \$22,963 | \$27,167 |

Debt Coverage Ratio 1.09 1.12 1.15 1.18 1.22 1.25 1.29