BULK VALUE UPON COMPLETION

COST APPROACH

17 VACANT LOTS

As stated in the Valuation Methods section of this report, the Cost Approach will be utilized as a second indicator of the bulk market value for the 17 future vacant lots upon completion.

DEVELOPMENT COSTS

The developer of the subject property has provided the appraisers with a preliminary hard and soft cost estimate. A portion of the hard cost estimate is from a formal cost bid from KRG Underground. The developer's hard cost estimate, after adjustment by the appraisers, equates to $55,262 per lot. For comparison purposes, we have looked at actual completed plats and formal cost bids from several other smaller plats in Clark County, which are summarized in the chart below.

Subdivision Construction Cost Comparables (Hard Costs)

Name	Developed	# Lots	Avg. Lot Size	Construction Cost Per Unit
Subject: Forest Creek	**Proposed**	**17**	**7,289**	**$55,262**
Harju Estates	2005 UC*	16	6,543	$26,000
Salmon Creek Place	2005	24	7,352	$26,842
Cole Heights	2005 UC*	33	5,796	$30,000
Mayer Estates	2005 UC*	37	6,000	$32,000
Canyon's Ridge PUD	Proposed	58	7,768	$33,348
Renaissance At Salmon Creek	2006	21	8,000	$34,367
Confidential	2006 UC*	16	10,096	$41,000
Wedgewood	Proposed	38	7,720	$42,000

*Under Construction

The overall range in hard costs indicated by the comparables is from $26,000 to $42,000 per lot. The hard cost estimate for the subject is outside of the indicated range.

Per a conversation with Randy Matson of KRG Underground, the construction costs for the subject plat are extraordinarily high for a few reasons, which all stem from the sensitive areas (wetlands and associated buffers) which bisect the site. Because of these "sensitive" areas, the overall 17 lot subject plat is essentially two separate subdivisions. Lots no. 1-7 are located in the northern portion of the plat and will require their own respective stormwater facility and road entrance. Lots no. 8-17 are located in the southern portion of the plat and will require their own respective stormwater facility and road entrance. A plat of this size (17 lots) would typically need only one stormwater facility. In addition to requiring two stormwater facilities, each facility will be required to have several features that are not typically required due to the wetlands/stream sensitive areas. The overall stormwater system will cost $386,001, or $22,706 per lot. Per Mr. Matson, approximately $14,729 per lot of this cost is extraordinary and would not be

required in a typical plat with "no issues." Second, because of the sensitive area the subject requires two entrances, one from the north for lots no. 1-7, and one from the south for lots no. 8-17. Typically, a subdivision with a scope of only 17 lots would require only one entrance. The extraordinary cost associated with the additional entrance is $4,562 per lot. Lastly, due to the layout of the overall plat, extraordinary costs of $1,886 per lot will be required for sewer and water. The overall extraordinary costs associated with the plat equate to $21,170 per lot. These costs are not typical for other plats of similar size and scope. If these costs were not required, the developer's cost estimate would be within the range indicated by the comparables. However, they will be required to construct the proposed plat and must be included. Due to these required extraordinary costs, the developer's cost estimate will be utilized in this analysis. This acknowledges that the developer's estimate is higher than any of the cost comparables. The higher lot construction costs have been taken into consideration in the "as-is" valuation of the subject site.

SOFT COSTS

With respect to soft costs, the developer has provided an initial soft cost estimate. The developer's soft cost estimate has been adjusted to include an appraisal fee, a construction loan fee, and construction loan interest incurred during the 4 month construction phase of the lots. Both the loan fee and loan interest have been calculated based on a 75% loan to value ratio (LTV). The developer's adjusted soft cost estimate equates to $113,052 or $6,650 per lot. This is within the typical range of between $4,000 and $7,000 per lot for similar plats.

SITE VALUE

The "as-is" market value of the vacant land component as approved with engineering was estimated at $1,530,000 or $90,000 per approved lot for the 17 lots. The "as-is" value conclusion acknowledges the extraordinarily high hard construction costs.

TOTAL DEVELOPMENT COSTS WITH LAND

The total development hard and soft costs are $61,912 per lot for the 17 lots. Adding these costs to the previously concluded "as-is" land value of $90,000 per lot with approvals/engineering equates to total development costs (excluding profit/overhead) for the 17 vacant lots of $151,912 per lot.

ENTREPRENEURIAL PROFIT

Entrepreneurial profit represents the monetary compensation for the time and effort expended to initiate the development and follow through to its successful completion. The developer begins to earn this profit at the project inception. The return grows as the land is bought, plans are drawn up, plat approvals and engineering are completed, financing is secured, construction bids are let, construction is begun and ultimately completed, and the lots are sold. It is difficult to quantify exactly how much is earned at each step of the project, and it is even possible that the project will fail in its later stages of development, resulting in the loss of most or all of the implied profit earned up to that time. In the case of the subject, given the current market conditions with limited supply