
REAL ESTATE APPRAISAL REPORT

LIVE OAK SPRINGS RESORT
37820 OLD HIGHWAY 80
BOULEVARD, CALIFORNIA

JOHN P. NEET, MAI



**COMPLETE / SUMMARY
APPRAISAL OF**

The Fee Simple Interest in Nineteen Unimproved, Legally Separate Parcels located in the community of Live Oak Springs, Boulevard, in an unincorporated area of San Diego County, CA 91905

APPRAISAL CLIENT / INTENDED USER PREPARED FOR

Mr. Brian Jurczak, Commercial Banking Officer
PREFERRED BANK
601 S. Figueroa Street, 20th Floor, Los Angeles, CA 90017
(213) 891-1188

PREPARED BY

CONNOLLY COMMERCIAL

Real Estate Valuation and Consulting

Terence M. Connolly, MAI

State Certified General Real Estate Appraiser

California OREA ID # AG 009708


Office (951) 526-2300 / Fax (951) 346-9270

PREPARED ON

Effective Date of Value: January 4, 2006

Date of Report: January 6, 2006

The Client makes no warranties or representations regarding this document or the conclusions contained herein. The report is prepared for the sole use and benefit of the Client and is based, in part, upon documents, writings, and information owned and possessed by the Appraiser or the Client. Any persons or entity other than the Client should not rely upon the information and conclusions contained in this report without independent verification.



CONNOLLY COMMERCIAL
Real Estate Valuation and Consulting
Mail: P.O. Box 890822, Temecula CA 92589-0822
Office: 26845A Jefferson Avenue, Murrieta, CA 92562
(951) 526-2300 / Fax (951) 346-9270 / cnly@earthlink.net
Terence M. Connolly, MAI

January 6, 2006

Mr. Brian Jurczak, Commercial Banking Officer
PREFERRED BANK
601 S. Figueroa Street, 20th Floor, Los Angeles, CA 90017

Subject: The Fee Simple Interest in Nineteen Unimproved, Legally Separate Parcels
Live Oak Springs, Boulevard, CA 91905

Dear Mr. Jurczak:

At your request, I prepared an appraisal of the above-referenced property. The appraised value date is January 4, 2006, the date of my most recent property inspection. The date of this report is January 6, 2006. According to your instructions, I provided my value opinions of the interest for the subject property under the following scenario(s):

- **Market Value As Is of the Fee Simple Interest in Land Only**

The assumed intended use of this appraisal report is to assist PREFERRED BANK in its loan program. The assumed users of this appraisal report will be PREFERRED BANK or designated representatives.

The appraised subject is the fee simple interest in 19 unimproved, legally separate parcels located in Live Oak Springs, a community within the larger area referred to as Boulevard, an unincorporated area of San Diego County, California. The S-92 – General Rural and RS-4 – Residential-zoned parcels of varying topography have an approximate 77.31-acre / 3,367,603 SF total land area. Individual parcels zoned for residential use ranged from 0.04-acres to 0.62 acres, but with no finished street access or frontage. S-zoned, commercial use parcels were in a 2.78-acre to 38.881-acre range, some with improvements not included in this valuation per agreement with the client. Three contiguous S-zoned parcels totaling 27.13-acres are considered open space which includes local water service improvements also not included in this appraisal.

AN
APPRAISAL
OF A
MANUFACTURED HOUSING COMMUNITY

*Live Oak Springs Resort
37820 Old Highway 80
Boulevard, CA 91905*

AS OF

December 12, 2005

PREPARED FOR

*Mr. Walt Duchanin, Chief Credit Officer
Preferred Bank
601 S. Figueroa St., Suite 2000
Los Angeles, CA 90017*

PREPARED BY

JOHN P. NEET, MAI
CALIFORNIA GENERAL APPRAISAL CERTIFICATE AG003494

JOHN P. NEET, MAI

APPRAISAL & CONSULTING SERVICES FOR MANUFACTURED HOUSING COMMUNITIES AND RV PARKS
December 13, 2005

Mr. Walt Duchanin, Chief Credit Officer
Preferred Bank
601 South Figueroa Street, Suite 2000
Los Angeles, CA 90017

Re: Live Oak Springs Resort, 37820 Old Highway 80, Boulevard, CA 91905

Mr. Duchanin:

As requested and authorized by the letter of engagement dated November 23, 2005, I have appraised the captioned property for the purposes of expressing my opinion of its market value as defined herein. The interests appraised are those of the **Fee Simple** estate.

As a result of my investigation and analysis, it is my conclusion that the market value of the subject property, as of December 12, 2005, and subject to the assumptions, certification, and limiting conditions stated herein, was

ONE MILLION SEVEN HUNDRED SIXTY THOUSAND DOLLARS
\$1,760,000

This estimate of market value is for the real estate only, and the estimate is based in part on a allocation between the real estate and the ongoing business enterprise value. An estimate of the business enterprise value is beyond the scope of this valuation assignment. See Page 8 for additional analysis.

This appraisal has been made in conformity with the Standards of Professional Practice and Code of Ethics of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice (USPAP), the appraisal guidelines of Preferred Bank, and applicable state and federal government regulations.

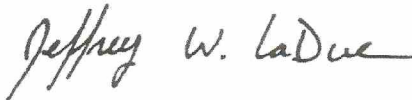
The scope of the appraisal is defined as *complete*. This letter is part of the attached *summary report* which contains descriptions of the subject property, factual data, and my analysis of that data upon which the value conclusion is predicated in line with the scope of work agreed to. Please refer to the limiting conditions, certification, and assumptions contained on Pages 3 through 9.

In addition to these items, your attention is specifically directed to comments referring to the provision of water, RV sites, and Business Enterprise Value as outlined on Pages 7 through 11 of the report. The purpose, function, and intended use of this appraisal are described on Page 4.

Respectfully submitted,



John P. Neet, MAI
California General Appraisal Certificate No. AG003494; Expires 3/14/2006



Jeffrey W. LaDue
Real Estate Trainee Appraiser #AT033573. Expires 4/1/2006

26845 JEFFERSON AVENUE, SUITE A
MURRIETA, CA 92562
(951) 526-2300 FAX (951) 346-3558

P.O. Box 1379
LAKE ELSINORE, CA 92531
john.neet@johnneet.com

Based on analysis presented in the following report, it is my opinion that on January 4, 2006, the **Market Value As Is** of the fee simple interest in the subject property was:

\$2,100,000

TWO MILLION ONE HUNDRED THOUSAND DOLLARS

The "Market Value As Is" is subject to the following significant factor:

- **the parcel containing the mini-mart and gas station and any other improved parcels are valued as land only. No value assessment is made concerning the market value of any leasehold improvements.**

If the property were placed on the market for sale on the Market Value "As Is" date at or near the value estimated in this report, the marketing time would be approximately twelve months. The estimated exposure time would also have been approximately twelve months.

This appraisal report has been prepared in conformity with: 1) Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by The Appraisal Foundation; 2) the Office of the Comptroller of the Currency's (OCC) Final Rule regarding real estate appraisals; 3) the State of California's "Real Estate Appraiser Regulations" and "Real Estate Appraiser's Licensing and Certification Law", and; 4) PREFERRED BANK's appraisal reporting guideline requirements, if provided.

The narrative report that follows sets forth the data and analyses upon which my conclusions were based. This letter of transmittal and information contained herein is invalid if not accompanied, with, and part of, the entire appraisal report.

Sincerely,



Terence M. Connolly, MAI
California Certified General Real Estate Appraiser #AG009708
Expires October 25, 2006

SPECIFIC ASSUMPTIONS/NOTICES OF THE APPRAISAL

- The site valuation has not been included in the appraisal due to the limited market data available concerning sales of sites zoned for mobile home park usage or purchased for mobile home park development and the lack of development of mobile home parks over the past decade in the state of California.
- The Cost Approach has not been included for several reasons including general unreliability in the valuation of mobile home parks, the age of the improvements, lack of market use, and other factors, which are discussed in the appropriate section of the appraisal report.
- In defining the relationship between space tenant and park owner, it should be noted that manufactured housing communities typically combine features of both fee simple and leased fee interests. While rental agreements between the homeowner and park owner are often made on a month-to-month basis, tenancies commonly last for many years making the relationship between lessor and lessee long term in nature. State laws and local ordinances also formalize the relationship beyond the month-to-month term. In addition, investors typically rely on contract rent as the basis for valuation. As a result, while this valuation is based on the fee simple interest, elements of the analysis of leased fee interests also affect the valuation.
- Water service is provided by an on-site water well and distribution system not a part of the subject property. Any determination of the adequacy and condition of this system is beyond the scope of the appraisal and the expertise of the appraiser. The appraisal assumes that the system is adequate and in good working order. Inspection by a qualified professional is recommended to ascertain the adequacy and condition of the system. It should be noted that the water is provided by a separate water company under the same ownership as the subject property. It is a specific assumption in this appraisal that the availability of water remains at the same cost reported in the historic documents provided and copied in the addenda.
- Waste collection and disposal service is provided by an on-site septic system. Any determination of the adequacy and condition of this system is beyond the scope of the appraisal and the expertise of the appraiser. The appraisal assumes that the system is adequate and in good working order. Inspection by a qualified professional is recommended to ascertain the adequacy and condition of the system.
- This appraisal is based on Assessor Parcel Numbers and property descriptions provided by the owner and copied in the addenda. The title report provided did not reference Assessor's Parcel Numbers. A survey delineating the location of the improvements and the land used in the production of income was not available. The appraisal assumes that the improvements noted herein are located on the subject property. An engineer's survey is recommended.
- According to HCD, the subject is licensed for 45 RV spaces. However, upon inspection, there were no designated on-the-ground spaces in the RV section of the subject property. Additionally, no utilities to the sites were evident.