

May 3, 2011

P 612.414.8723
F 612.253.5250

Tyler Manning, Credit Analyst
Bridgewater Bank
3800 American Boulevard West, Suite 100
Bloomington, MN 55431

SUBJECT: 7-unit Apartment building @ 580 Minnehaha Avenue East, St. Paul, MN

Dear Mr. Manning:

In accordance with your request and authorization, we are pleased to have developed this complete, summary appraisal of the subject referenced above for the purpose of estimating the market value of the fee simple interest, as unencumbered. It is our intention to address and comply to all minimal appraisal standards of USPAP and *Bridgewater Bank*, the client for this appraisal.

This report follows the narrative appraisal engagement letter and together with the definitions and the minimum required appraisal standards reflect the appraisers' acknowledgment, understanding and acceptance of all instructions contained therein.

An on-site visit was conducted of the subject site and building interior. In addition, I drove through the subject neighborhood and by the market comparables contained herein. All measurements and dimensions utilized in this analysis were based upon information provided by the client, owner and public records (city and county).

SUBJECT OVERVIEW

The subject referenced above was built in 1971 and consist of a 7-unit apartment building located on 10,890 SF of land zoned R2-Single Family Residential by the City of St. Paul.

At time of inspection, the subject was found boarded up and in severe disrepair. It was terribly mis-managed and *not functionally adequate* for continued long-term apartment use. The long-lived components (roof, windows, exterior walls and boiler/water tanks) were in fair condition and the short-lived components of flooring (carpet/vinyl tile), paint, counter tops, appliances, fixtures and hardware) were at the end of their life and should be replaced to allow the subject to be competitive in the market. To that end, the new owner plans to spend \$150,000 (\$21,429/unit) to renovate the subject immediately after closing.

Construction	Concrete block and brick veneer
Height	2.5 stories
GBA (SF)	6,900; 986 SF/unit
Garages	7

Projected Market Rent - As Renovated

No.	Unit Type	Monthly Rent	Annual Rent
2	Studio	\$475	\$11,400
<u>5</u>	3-bedroom	\$999	\$59,940
7		\$849	\$71,340
7	Garages	\$35	\$2,940

After careful consideration of the factors that influence value, our analysis of the data suggests the prospective market value of the subject as of August 15, 2011 will be:

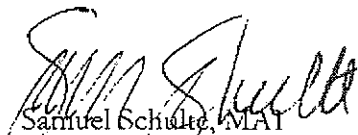
THREE HUNDRED FIFTEEN THOUSAND DOLLARS
\$315,000
(contributory value of the FF & E is \$5,000)

This appraisal is subject to the **Assumptions and Limiting Conditions** as stated herein and was completed in conformance with the **Uniform Standards of Professional Appraisal Practice (USPAP)** and the **Code of Professional Ethics of the Appraisal Institute**. This report sets forth our value conclusion, along with supporting data and reasoning derived therefrom considered essential to explain the reasoning which form the basis of our opinion.

It has been a pleasure to work with you. I would appreciate that you call us for your next appraisal need.

Respectfully Submitted,

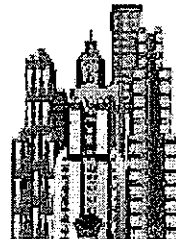
Schulte & Company



Samuel Schulte, MAI

MN State Certified General

Real Property Appraiser License #4003182





BRIDGEWATER BANK

www.bridgewaterbankmn.com
24 HOUR TELEPHONE BANKING: 866-482-5944

DRS INVESTMENTS, LLC
DOUG SIMEK
401 ROBERT ST N, SUITE 150
ST PAUL MN 55101

LINE: 5343

AS OF: 07/27/11

LOAN BILLING STATEMENT

PAGE 1

IF YOU HAVE ANY QUESTIONS ON THIS BILLING STATEMENT, PLEASE CALL OUR LOAN PROCESSING DEPARTMENT AT (952)893-6868.

COMMERCIAL CONSTRUCT LOAN 101518

DATE	DESCRIPTION	PRINCIPAL	INTEREST	TRANSACTION AMOUNT	PRINCIPAL BALANCE
06/27/11	BALANCE LAST STATEMENT				56,261.70
07/06/11	REGULAR PAYMENT	.00	257.86	257.86	56,261.70
07/27/11	BALANCE THIS STATEMENT				56,261.70

FINANCE CHARGE CALCULATION						
FROM DATE	** ANNUAL PERCENTAGE RATE	** DAILY PERIODIC RATE	PRINCIPAL	DAYS	ACCRUED FINANCE CHARGE	
06/28/11	5.5763 %	.00015277	56,261.70	8	68.76	
07/06/11	5.5763 %	.00015277	56,261.70	22	189.10	

LOAN SUMMARY			
COLLATERAL/PROPERTY: 580 MINNEHAHA AVE E, ST PAUL, MN			
CREDIT LIMIT:	200,000.00	INTEREST ACCRUED FROM:	06/28/11
AVAILABLE CREDIT:	143,738.30	INTEREST ACCRUED THRU:	07/27/11
MATURITY DATE:	06/06/14	PRINCIPAL DUE:	.00
ACTIVITY THIS PERIOD		INTEREST DUE:	266.46
FINANCE CHARGE PAID:	257.86	ESCROW DUE:	.00
		TOTAL PAYMENT DUE:	266.46
** FINANCE CHARGE **	257.86	PAYMENT DUE DATE:	08/06/11

ADD ADDITIONAL LATE CHARGE OF 13.32 IF NO PAYMENT IS RECEIVED BY 08/16/11

THE PAYMENT DUE WILL BE CHARGED TO CHECKING ACCOUNT 83012294

FINANCE CHARGE PAID 2011: 257.86

BLOOMINGTON
3800 AMERICAN BLVD. WEST, SUITE 100
BLOOMINGTON, MN 55431
952-893-6868

GREENWOOD
21500 HIGHWAY 7
GREENWOOD, MN 55331
952-653-0606

\$80	
\$350	
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\$1,000	
\$4,000	
\$3,250	
\$400	
\$1,200	
\$1,000	Carpet Clean
\$2,100	Unit Final Clean
\$7,500	PM Fee
\$11,645	Flooring
\$11,495	Appliances
\$16,146	Plumbing
\$9,000	Elec
\$23,000	HVAC
\$15,671	Conting 15%
\$120,147	Total



RESIDENTIAL & COMMERCIAL FULLY LICENSED & INSURED

Jared Kouri

612-203-0634

jaredkouri@aol.com

License # 20628514

Proposal for 580 Minnehaha ST PAUL, MN

Unit #1u

- Repair cabinets in kitchen \$ 80.00
- R&R fire rated door slab and hardware \$ 350.00
- R&R window \$ 350.00
- R&R countertop \$ 150.00
- Remove carpet \$ 80.00
- Replace broken or missing screens \$ 120.00
- Paint \$ 900.00
- Blinds \$ 120.00
- Remove broken bi-fold doors \$ 40.00
- Patch and sand walls and ceilings \$ 80.00
- Smoke detectors \$ 120.00

Unit #2

- Repair cabinets in kitchen \$ 80.00
- R&R fire rated door slab and hardware \$ 350.00
- Remove carpet \$ 80.00
- Replace broken or missing screens \$ 120.00
- Paint \$ 900.00
- Blinds \$ 120.00
- Remove broken bi-fold doors \$ 40.00
- Patch and sand walls and ceilings \$ 80.00
- R&R patio door \$ 750.00

Unit #3

- Repair cabinets in kitchen \$ 80.00
- R&R fire rated door slab and hardware \$ 350.00
- Remove carpet \$ 80.00
- Replace broken or missing screens \$ 120.00
- Paint \$ 900.00
- Blinds \$ 120.00
- Remove broken bi-fold doors \$ 40.00
- Patch and sand walls and ceilings \$ 80.00
- Smoke detectors \$ 120.00

Unit #4

- Repair cabinets in kitchen \$ 80.00
- R&R fire rated door slab and hardware \$ 350.00
- Remove carpet \$ 80.00
- Replace broken or missing screens \$ 120.00
- Paint \$ 900.00
- Blinds \$ 120.00
- Remove broken bi-fold doors \$ 40.00
- Patch and sand walls and ceilings \$ 80.00
- Smoke detectors \$ 120.00

Unit#5

- Repair cabinets in kitchen \$ 80.00
- R&R fire rated door slab and hardware \$ 350.00
- Remove carpet \$ 80.00
- Replace broken or missing screens \$ 120.00
- Paint \$ 900.00
- Blinds \$ 120.00
- Remove broken bi-fold doors \$ 40.00
- Patch and sand walls and ceilings \$ 80.00
- Smoke detectors \$ 120.00

Unit#6

- Repair cabinets in kitchen \$ 80.00
- R&R fire rated door slab and hardware \$ 350.00
- Remove carpet \$ 80.00
- Replace broken or missing screens \$ 120.00
- Paint \$ 900.00
- Blinds \$ 120.00
- Remove broken bi-fold doors \$ 40.00
- Patch and sand walls and ceilings \$ 80.00
- Smoke detectors \$ 120.00

Hallway

- R&R window \$ 350.00
- Paint \$1,000.00
- R&R seven 90 min fire rated door slabs and hardware \$4,000.00
- .Remove carpet \$ 120.00

Exterior

- Paint building and garage- colors to match pre-existing \$3,250.00
- Dumpster \$ 400.00
- Fire extinguishers in hallways and units \$1,200.00
- Condition of garage doors unknown due to no access
- Repairs in unit #7 unknown due to no access
- Repairs to deck unknown due to boarded up patio doors
- Repairs in boiler unknown until plumbing completed
- Permit unknown until code compliance blanket resolved

SPARK ELECTRIC

2114 Washington ST NE
Minneapolis, MN 55418
Phone (612) 781-6200
Fax (612) 788-9692
johnswierczek@yahoo.com

580 Miinehaha Ave E
St. Paul, MN

This is the best I could come up with. These are worst case scenarios. It's hard to put a number on this without testing everything.

Electrical

Grounding to code
Directory for each unit and common areas
Replace all illegal wired and broken outlets
Add exit signs as needed
Install hardwired smoke/carbons in each unit
Wire new bath fans in each unit
Install new range hoods in each unit
Replace any broken lights throughout building
Replace any broken lights outside of building
All wiring to code
Smoke detector affidavit
Permit
Worst case bid \$6-9,000

HVAC

Gas boiler to code
All boiler venting to code
Test, clean, and orsat boiler (if in working order)
Replace boiler if necessary
New combustion air to code
Pressure test system
Fix all leaks
Replace all broken radiators
Clean all older radiators
Revent all bath fans
Revent all kitchen fans
permit
Worst case bid \$18-23,000

I can't really change the boiler bid if you want a worst case scenario. I talked with the mechanical inspector and they are cutting no slack on these buildings. He doesn't want to see any corners cut. If a baseboard radiator has damaged fins then he wants its replaced, not fixed. If it's missing a cover then he wants us to find its exact replacement or replace the unit. Also we have to have an inspector out there to do a pressure test on all radiator and boiler water lines. He wants to see that personally. He also wants working bath and kitchen fans to code and I guarantee they are not vented to code. Also the boiler has to pass an orsat test. If it doesn't it needs to be replaced. I doubt the price would be this high, but if you want a worst case this would be it.

Citywide Plumbing, LLC.

2059 123rd Ave. NW
Coon Rapids, MN 55448

Estimate

Date	Estimate #
1/4/2011	707

Name / Address
TCM Properties 5858 Blackshire Path Inver Grove Heights, MN 55076

Project

Description	Qty	Cost	Total
580 Minnehaha Ave. E -- Address deficiency list for plumbing.		5,980.00	5,980.00
Install kitchen sink and faucet in one unit.		146.00	146.00
Water pipe -- worst case scenario if winterizing was totally incorrect.		9,500.00 =	9,500.00
Permit is dependant on what work is done but no more than \$1,780. If we leave all kitchen sinks as is we will save \$30 on permit. If we do not need to repair any water piping we will save on permit.		520.00	520.00
Thanks, Ryan 612 805 0810	Total		\$16,146.00



The appliance & cabinet destination.

ALL, Inc.

185 W. Plato Blvd, St. Paul, MN 55107
(651) 227-6331 Fax: (651) 292-0541

CONFIDENTIAL

PRICE QUOTATION

Prepared for: Simak Properties

Prepared by: Ray Votava

Project Name: 401 Robert St. N, #150
7 Unit Apt – St. Paul

Date: July 13, 2011
Expiration: December 31, 2011
Delivery on/or Before: December 31, 2011

ALL, Inc. is pleased to submit the attached Price Quotation on the merchandise listed, subject to terms and conditions. Prices quoted are for models specifically stated and do not apply to new or substituted models. Prices subject to change without notice.

QTY	MODEL	DESCRIPTION	Unit Price	Ext Price
7	FFRT1814LW	Frigidaire 18 Cu Ft Top Mount Refrigerator – Wire Shelf	\$402.00	\$2,814.00
7	FFEF3015LW	Frigidaire 30" Self Clean Electric Range	\$340.00	\$2,380.00
7	MIE44RDC	4 prong Range Cord installed	\$20.00	\$140.00
7	403001	Broan 30" Non Vented Range Hood	\$37.00	\$259.00
7	AJCM10ACD	GE 10,000 BTU Air Conditioner, 120 Volt	\$455.00	\$3,185.00
1	CAM2762TQ	Whirlpool Top Load Commercial Washer	\$626.00	\$626.00
1	CGM2761TQ	Whirlpool Commercial Gas Dryer	\$568.00	\$568.00
2	V8	Coin Slides	\$75.00	\$150.00

OPTIONAL
GE-RRB46A - R/C SLIDES 50⁰⁰
FRIGIDAIRE - FRA 124HT1 - FRIGIDAIRE 12,000 BTU R/C - 415⁰⁰
LIMITED QUANTITIES

Delivery	\$554.00
SubTotal	\$10,676.00
Sales Tax -7.675%	\$819.38
Grand Total*	\$11,495.38

Delivery includes uncrate and set appliances, attach range cords and anti-tip brackets. Dishwashers and microwaves spread to unit. Laundry uncrated – not hooked up. Lift must be provided above first floor at no charge.