

**APPRAISAL OF
A VACANT COMMERCIAL SITE**



**LOCATED AT
THE SOUTHWEST CORNER OF
ASH STREET AND SOUTH STREET
GLOBE, ARIZONA 85501**

**PREPARED FOR
MR. STEVE STRATTON
GILA COUNTY PUBLIC WORKS ADMINISTRATION
1400 EAST ASH STREET
GLOBE, ARIZONA 85501**

AS OF AUGUST 5, 2014

**PREPARED BY
KURT PEER, APPRAISER
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TUCSON, AZ 85740**

**APPRAISER'S FILE NO: 3245
CLIENT'S P.O. NO: 2015-00000276**

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August 14, 2014

Mr. Steve Stratton
Gila County Public Works Administration
1400 East Ash Street
Globe, Arizona 85501

Re: Appraisal of a Vacant Commercial Site
Located at the Southwest Corner of Ash Street and South Street
Globe, Arizona 85501
Appraiser's File No.: 3245
Client's Purchase Order No.: 2015-00000276

Dear Mr. Stratton:

Pursuant to your request, I have prepared herewith a Narrative Appraisal estimating the As Is Market Value of the fee simple interest in the above-noted real property. The date of inspection is August 5, 2014, which is the effective date of value.

As a result of my investigation and analysis, I have estimated the Market Value of the property to be as follows:

**THREE HUNDRED TWENTY-FIVE THOUSAND DOLLARS
(\$325,000)**

The purpose of the appraisal is to estimate the subject's Market Value in fee simple interest. The intended use of this report is for disposition purposes on the part of the client, Gila County.

This appraisal has been prepared in accordance with the current edition of:

- Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) (12 U.S.C. 3331 et seq.); and
- the regulations adopted by the Office of the Comptroller of the Currency pursuant to Title XI, including, without limitation, the current version of the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Foundation.

In addition, this valuation is based on the attached appraisal report and all the assumptions and limiting conditions contained therein.

The subject property is a vacant, 1.43 acre commercial site and enjoys a good location on Ash Street (Highway 60) in an established commercial district in Globe. There aren't a large number of additional competitive vacant sites in town, which makes the subject one of the better located

ones, plus the subject is generally level, has good access, and lacks major issues with respect to developability. However, the local commercial real estate market has been slow, if steady, for the past few years. The subject's market value estimate is present value, based on the effective date of value, and what with the current depressed market conditions. However, should there be a turnaround or upswing in the future, there is good upside value potential for the well-located subject property.

Special Note:

Subject site is portion of larger Gila County parcel 205-14-027F, which houses the main Administration facilities. Were subject site itself to be disposed of by the County, a Survey would be performed to determine its exact size, dimensions, legal description, etc. Some preliminary work for the Survey has been performed, and the appraiser has been provided an Aerial View of the subject from Mr. Mark Guereña with the Gila County Public Works Department. The Aerial View shows the approximate boundaries of the site, and Mr. Guereña reports that said preliminary work bore out a site size of 1.43 acres (62,291 SF), which is made an Extraordinary Assumption in this appraisal. That is, the appraiser is utilizing the said figure of 1.43 acres as reported by the client to be the subject site size in this appraisal. Should the actual site size ultimately borne by the Survey differ (other than negligibly) from the said figure, the appraiser reserves the right to modify the valuation conclusion.

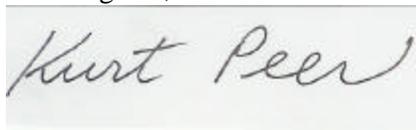
In addition, in describing the site in this appraisal, it is noted that, concerning its Assessor's Parcel Number, it's a portion of the larger APN of 205-14-027F, whereas a split and Survey would render a new APN. Likewise, the same would render a new and distinct legal description for the subject. As it is, the subject's legal description as reported herein is to be determined.

Summary:

I hereby certify that I have made a personal inspection of the subject property; that my fee was not contingent on the value contained herein, including a minimum valuation, a specific valuation, or the approval of a loan; that I have no interest, present or prospective, in the subject property; and that I have the current licensing and the necessary experience and competency to perform this assignment. Furthermore, I hereby certify that, to the best of my knowledge and belief, all statements and opinions contained in this report are correct, subject to the General Assumptions and Limiting Conditions, as well as any Extraordinary or Hypothetical Assumptions and Limiting Conditions, and the Certification which are made a part of this report.

I appreciate the opportunity to be of service. If you should have any questions, please don't hesitate to call.

Best Regards,

A rectangular box containing a handwritten signature in cursive script that reads "Kurt Peer".

Kurt Peer
Certified General Real Estate Appraiser
AZ Cert. #30329

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SUMMARY OF THE APPRAISAL

PROPERTY TYPE:	Vacant Commercial Site
ADDRESS:	Southwest Corner of Ash Street and South Street Globe, Arizona 85501
ASSESSOR'S PARCEL NUMBER:	Ptn 205-14-027F
SITE SIZE:	1.43 acres, or 62,291 SF
ZONING:	C-2, City of Globe
PURPOSE OF APPRAISAL:	Estimate Market Value
FUNCTION OF APPRAISAL:	Disposition
PROPERTY RIGHTS APPRAISED:	Fee Simple
DATE OF VALUE:	August 5, 2014
DATE OF REPORT:	August 14, 2014
HIGHEST AND BEST USE:	Speculation and/or Development
MARKET VALUE CONCLUSION:	\$325,000
ESTIMATED EXPOSURE PERIOD:	6-12 months

INTRODUCTION TO THE APPRAISAL

EXECUTIVE SUMMARY AND PROPERTY IDENTIFICATION:

Herewith is a Narrative Commercial Appraisal Report of a Vacant Commercial Site, located at the Southwest Corner of Ash Street and South Street, in Globe, Arizona, described in further detail in the body of the report. Appraiser is Certified General Real Estate Appraiser with current License in the State of Arizona, and has the experience and qualifications necessary to appraise the subject property. Appraisal has been prepared in conformance with the current requirements of the Uniform Standards of Professional Appraisal Practice, and sets forth the description, analysis, and valuation estimates of the subject property. Subject property was inspected by the appraiser on August 5, 2014, which is the effective date of value herein.

PURPOSE AND FUNCTION OF THE APPRAISAL:

The purpose of the appraisal is to provide an estimate of the as is Market Value of the subject property. The value opinion is predicated on the forthcoming definitions of value and property rights as utilized in this appraisal. The function or intended use of this appraisal is for disposition purposes on the part of the client. The intended user of the report is the prior-noted client. This report may not be utilized for any other purpose, nor for any other client, than the purpose and client noted in the report, and is considered invalid if done.

DEFINITION OF MARKET VALUE:

“Market Value” is defined by Federal Financial Institutions Regulatory Agencies, including the Office of the Controller of the Currency, as: “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 the 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.”

PROPERTY RIGHTS APPRAISED

The property rights being appraised herewith are those associated with the fee simple estate. According to the Dictionary of Real Estate Appraisal, “fee simple estate” is defined as: “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.”

AS IS CONSIDERATION:

The subject is valued in its “as is” condition, or the physical and economic state the property was observed in by the appraiser on the date of inspection. Specifically, the as is value is the value of the subject’s specific ownership rights to what physically exists on the appraiser’s date of

inspection, excluding all assumptions concerning hypothetical conditions. It also assumes typical marketing for the subject property, based on the above market value definition.

LEGAL DESCRIPTION:

Subject legal description to be determined pending completion of Survey. Please see Letter of Transmittal for additional discussion.

OWNERSHIP HISTORY:

A guideline of the Appraisal Institute calls for the reporting and analysis of any conveyances of the subject property over the 3 year period prior to the effective date of value, in addition to the reporting of any current listing or escrow of the subject property.

According to the Gila County Assessor's records, the current legal owner of the subject is Gila County. In addition, there have been no conveyances involving the subject property over the prior 3 year period, nor is it currently in escrow or listed for sale. The client, Gila County, is reportedly considering disposing of the subject property in order to provide funds to develop a modular building behind the Courthouse, adjacent west of the subject.

SCOPE OF THE APPRAISAL:

The scope of the appraisal considers several factors, including the valuation approaches pertinent to and utilized in the assignment (Cost Approach, Sales Comparison Approach, Income Approach), and the general procedure the appraiser followed in preparing the report, including the inspection of the subject property and the data collection, analysis, and presentation.

The Three Approaches to Value

Concerning the approaches utilized, all three approaches to value were considered in the case of the subject property, including the Cost Approach, Sales Comparison Approach, and Income Capitalization Approach. Each approach has its strengths and weaknesses depending on the nature of the assignment and the subject property. The approaches which are deemed appropriate for the assignment are then utilized, each resulting in its own value indication. The value indications from the approaches utilized are then reconciled into a final value estimate for the subject property in the Reconciliation section of the report.

In this assignment, the Sales Comparison Approach only was utilized. The subject is a vacant site and the Sales Comparison Approach is the only applicable approach. It's germane, as buyers and sellers look to market data, in the form of recent sales and current listings of similar properties to the subject, in helping them determine a property's value. Moreover, the market data was supportable in terms of sales and listings, which gives strength and credence to the use of this approach. The Income Approach was omitted in that the subject as a vacant site is not income-producing, and the Cost Approach in that there are no improvements to be valued. Therefore, only the Sales Comparison Approach was employed. In it, recent sales and current listings of similar vacant sites were considered as comparables, and produced a reliable market value estimate. Moreover, in the Reconciliation section of the report, since only the one approach was utilized, its value indication becomes the final reconciled value of the subject property.

Appraiser Work Methodology

Concerning the procedure the appraiser followed in the course of the assignment, the appraiser first communicated with the client in order to identify the subject property to be appraised, the intended use of the appraisal, and the client's expectations concerning the assignment.

As for the subject property itself, a physical inspection was performed on August 5, 2014. During the inspection, a thorough examination occurred during which the appraiser took photographs and notes about the various aspects of the subject site, topography, site improvements, fronting arterials, nearby uses, etc. Information about the site such as zoning, utilities, flood zone status, and taxes and assessments were obtained from the appropriate governmental sources.

Concerning the data utilized, all of the comparables were physically inspected by the appraiser. (Normally, vacant land comparables in appraisals are simply inspected by the appraiser but aren't depicted in the appraisal through a photo and plat/survey, and this is the case with all of the comparables but No. 1, the sale of a 9.02 acre site in Globe to the Holiday Inn Express concern. The site is atypical in size and configuration and as such a survey and photo are included in the appraisal.)

In addition, where appropriate, the appraiser spoke with parties knowledgeable about the comparables to confirm their details, and in addition confirmed details about them through county records, sale records, etc. All sale comparables were sought and selected based on their comparability to the subject property and appropriateness, and the search for them went back in time far enough to acquire the necessary data.

The appraiser also researched the characteristics of the immediate and larger neighborhood and region in which the subject property is located, and especially the characteristics of the real estate market, gaining such information from published sources, the internet, governmental agencies, and appropriate knowledgeable parties.

Summary of Scope

In summary, the scope of this narrative appraisal report includes the gathering and analysis of pertinent market information in order to apply the most applicable valuation methodology in accordance with the guidelines and standards of the Uniform Standards of Professional Appraisal Practice.

REGIONAL AND NEIGHBORHOOD OVERVIEW

The description portion of the appraisal report begins with a discussion and analysis of the subject's location within the larger region, city, and neighborhood. This is then followed by the more specific descriptive sections including those of the subject. The regional and neighborhood discussion begins herewith.

The subject property is located in central Arizona in Gila County. The county covers some 4,750 square miles and is a source of great mineral wealth. Silver was the area's first attraction, in the late 1800's, with copper mining soon becoming important, and continuing to be so. Gila County's land ownership is broken down by ownership as follows:

<i>Owning Entity</i>	<i>% of Total</i>
U.S. Forest Service	55%
State Government	4%
Privately Owned	4%
Apache Indian Reservation	37%
Total	100%

As noted, a considerable portion of the county belongs to the Apache Indian Tribe, with the San Carlos Apache Indian Reservation being located just to the east of Globe. Also of note, only about 4% of the land is privately owned in Gila County.

Globe is the county seat. The majority of the eastern part of the county belongs to the Indian Reservation, while most of the balance of the county (central, northern, and southern) belongs to the U.S. Forest Service. The county is located just east of the Phoenix metropolitan area and benefits from this proximity.

There are 3 main highways traversing the county, but no freeways. The main highway is State Highway 87 (the Beeline Highway) which travels north/south and provides access from the Phoenix metro area on the south, through Payson, and then north to Winslow on Interstate-40. This highway some time back was improved to a four lane divided highway on the Phoenix to Payson run. Additional highways are State Highway 60/77 (in the eastern part of the county, connecting Globe to the White Mountains), Highway 188 (connecting Globe to Payson), and Highway 260 (connecting Payson to Show Low). Highway 260 has recently undergone improvement to four lanes in some portions, as the White Mountains and Show Low area recently saw a boom in construction, which increased traffic flow from Phoenix to Show Low, through Payson.

The leading municipalities in Gila County by population are Globe-Miami and Payson. The balance of the municipalities are very small, as shown on the attached map. Many are small unincorporated former mining and/or ranching towns, or tourist or second home destinations, such as Pine and Strawberry. The recent population figures are shown on the following table, with little change from the 2010 figures to the current year of 2014:

Municipality – Population	1990	2000	2010
Globe-Miami	8,080	9,422	9,552
Payson	8,377	13,620	16,256
Gila County	40,216	51,335	56,368

The subject property is located in Globe. Globe was founded in 1876 and incorporated in 1907 (Miami was incorporated in 1918). The nearest major metropolitan areas are Phoenix, about 85 miles to the west, and Tucson, about 100 miles to the south. Principal economic activities in Globe are mining, ranching, manufacturing, government, and tourism.

Globe and Miami are adjacent to each other, being connected by Highway 60. Highway 60 is the main and in fact only east/west thoroughfare in the metropolitan area, and nearly all of the main commercial facilities are located thereon. In the east portion of Globe, Highway 60 goes north to Show Low at its intersection with Highway 70. Highway 70 connects Globe with Safford.

The Globe/Miami area experienced growth in the early 1990s and early 2000s. Notable commercial development took place, along Highway 60, with some dozen or so commercial sites being developed with a variety of newer, mainly chain uses (hotels, restaurants, grocery stores, service stations, etc.).

Basically, concerning commercial development in the area, the new commercial development is concentrated in two locations. One location is in the western portion of the area, mostly Miami, and includes a Wal-Mart/Safeway retail center, a Smith's food store, some auto dealerships, and various additional commercial uses. The other area of new commercial development is located in the eastern portion of Globe, and stretches basically from the Gila County Administration Building (and subject property), east about 2 miles. This area houses a handful of newer hotels (Days Inn, Comfort Inn), service stations, restaurants, a Dollar General store, etc. There is a three-story Holiday Inn Express under construction in this area. Between these areas is an older portion of Globe, housing many older commercial uses and some residential uses, mobile home parks, as well as historic downtown Globe.

Globe is largely noted for its historic downtown district. Numerous buildings built around the turn of the last century are located here, including the historic courthouse. Downtown Globe still houses many businesses, including retail, offices, restaurants, and banks. While many of the retail uses are found at the Wal-Mart and dollar stores in the community, some retail uses still exist downtown. Just off the commercial district of downtown is an older residential district.

The commercial real estate market in Globe saw greater activity in the early 2000s, as it typically did throughout the state and country. The market has declined since that time and has been flat over the past 2-3 year period. There have been a handful of sales of commercial buildings, typically ranging

from \$30-\$80/SF. There is also market resistance on a total price basis for buildings, which is encountered in the upper \$200's and lower \$300's.

Moreover, there's an oversupply of commercial space (office and retail) available for rent, as the rental market is somewhat soft. Rents are typically quoted on a modified gross basis (landlord pays real estate taxes, insurance, and major repairs, tenants pay their own utilities – no pass-throughs), and rents range from as low as about \$.40/SF/month to \$1.50/SF/month for best quality space.

The residential market, however, is stronger, due to a paucity of available rental homes in the market. Rents are as high as some places in the Phoenix area for comparable homes, and there are few homes available. When they come up they're rented right away. There is also a shortage of apartments in town and available land for the same, with much of the vacant land mine- or government-owned. The local mines (Freeport/McMoRan, Capstone, Carlota) have continued to operate over the recent past, due to the high price of copper, and while not planning any large expansions, they bring residents and short-term commercial renters (subcontractors for the mines, etc.) into town.

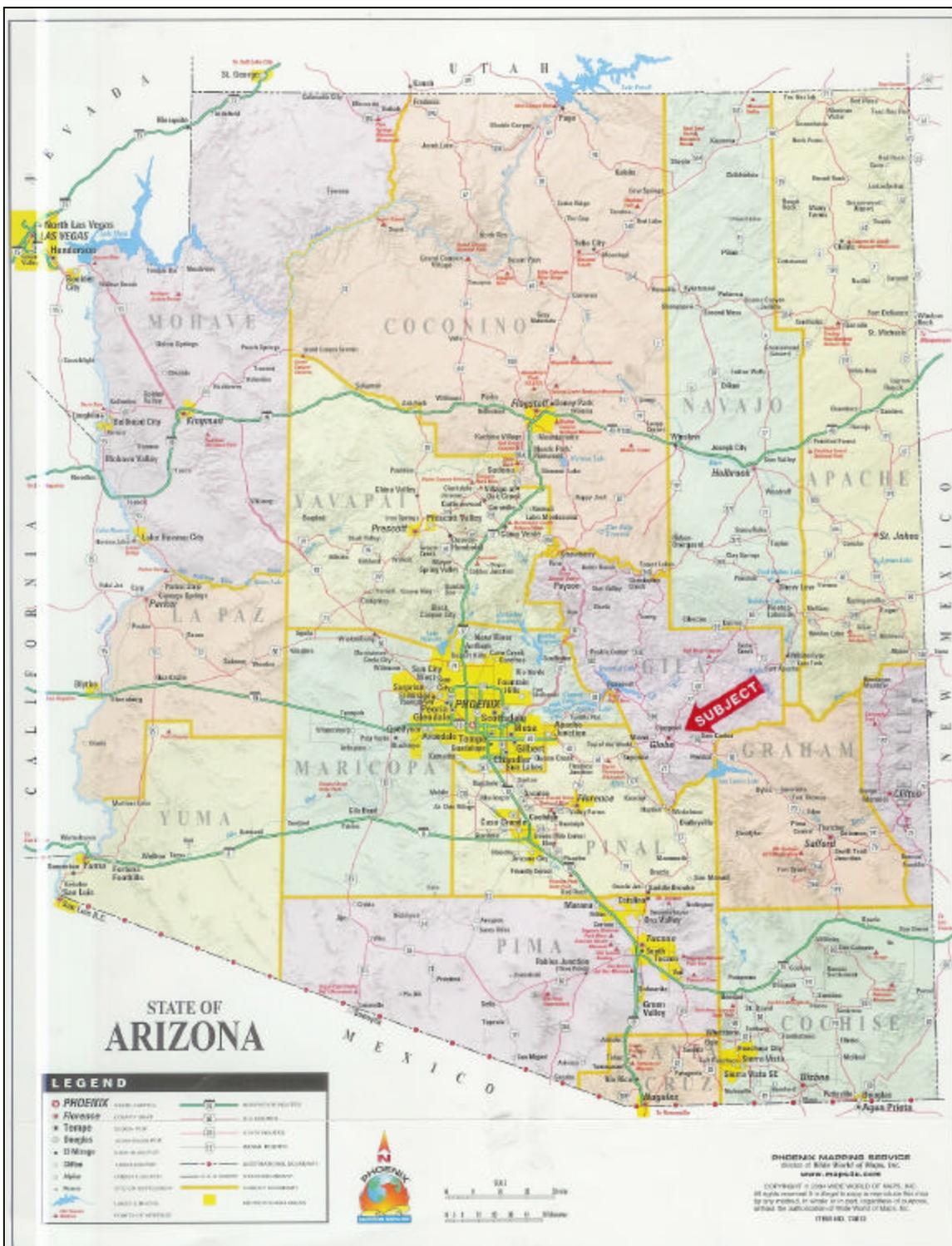
Concerning the market for commercial sites in Globe, there has been a lack of sales over the past two year period, but a handful of sales in the 2010-2011 period (see analysis section).

Globe is a more desirable location for commercial real estate (commanding higher sale prices and rental rates) than Miami, to the west. Some properties in downtown Globe lack on-site parking and this is seen by some as a negative, while properties on the "main drag"/Ash Street typically have ample on-site parking, a plus for concerns such as retail and medical.

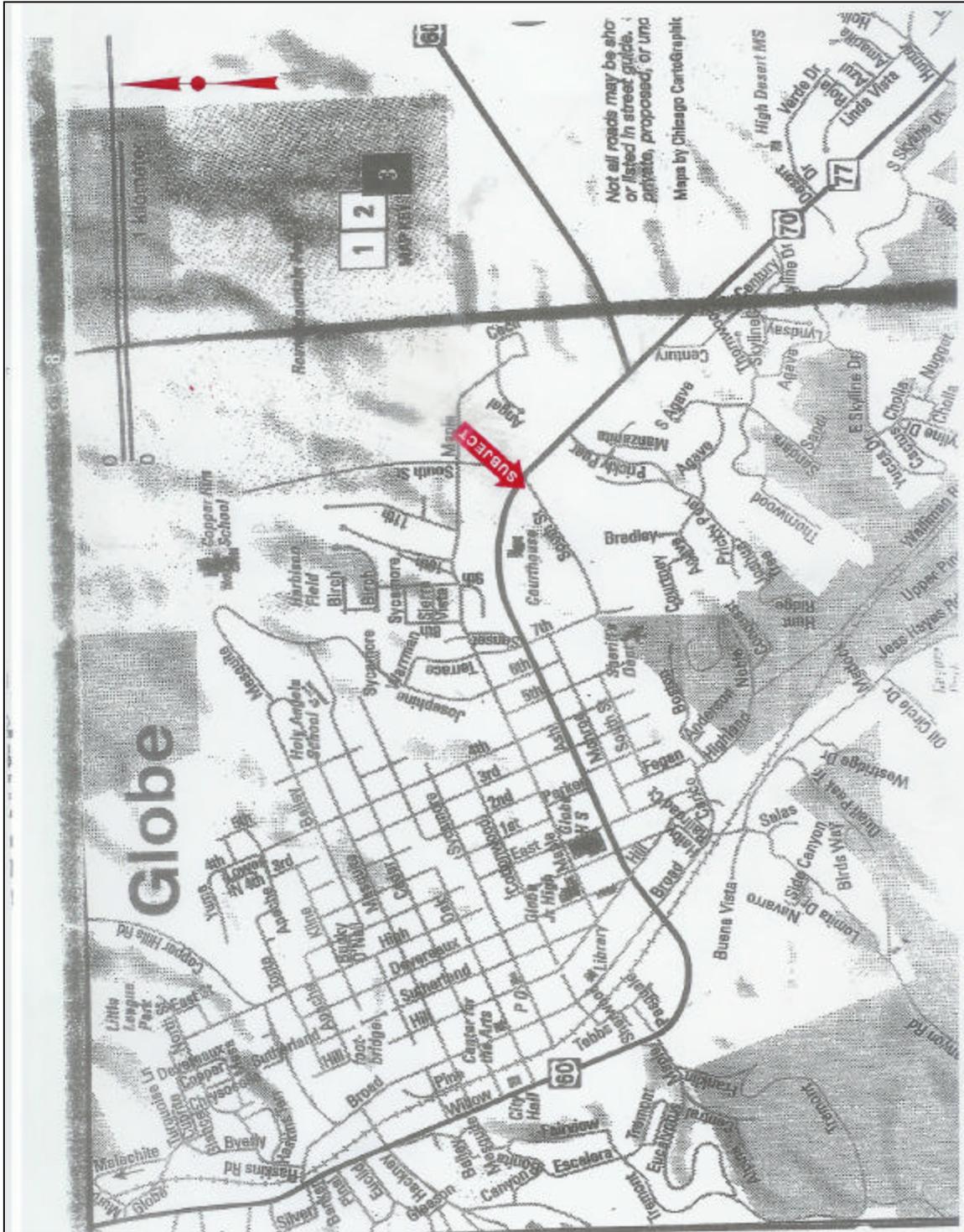
Globe and Miami are located in a steep canyon in the Pinal Mountains and scenic views are afforded in all directions. The elevation is about 3,500 feet, meaning the area has a milder climate than Phoenix, which is at about 1000 feet in elevation. Downtown Globe retains its historic flavor, with many restored historic buildings found. Educational facilities are adequate, including public and private schools and a community college, and the Cobre Valley Community Hospital also serves the area. The Globe/San Carlos Regional Airport has a lighted 4,750 foot runway.

Overall, the area is an established commercial neighborhood in a stability phase of its life cycle. There no overly detrimental or adverse factors regarding the location of the subject or the immediate vicinity that would negatively impact the subject's marketability or value.

STATE MAP



NEIGHBORHOOD MAP



SITE ANALYSIS

Address/Location: Southwest Corner of Ash Street and South Street, Globe, Arizona 85501

Assessor's Parcel Number: Ptn 205-14-027F

Site Size: 1.43 acres, or 62,291 SF

Subject site is portion of larger Gila County parcel 205-14-027F. Were site to be disposed of, a Survey would be performed to determine exact size, dimensions, etc. Some preliminary work for the Survey has been performed, and the appraiser has been provided an Aerial View of the subject from Mr. Mark Guerena with the Gila County Public Works Department. The Aerial View (see exhibit forthcoming) shows the approximate boundaries of the site, and Mr. Guerena reports that said preliminary work bore out a site size of 1.43 acres, and such is made an Extraordinary Assumption in this appraisal. That is, the appraiser is utilizing the said figure of 1.43 acres as reported by the client to be the subject site size in this appraisal.

Access, Frontage: Site includes extensive frontage (lineal feet TBD by Survey – see above discussion) along the south side of Ash Street, as well as along the west side of South Street. Ash Street is the main point of access for the subject site. In addition, there is a small paved lane located south of or behind the adjacent church, which provides “interior” access from the subject site to the larger Gila County facility.

Arterials: Ash Street (aka U.S. Highway 60), upon which the subject fronts, is the main east/west thoroughfare in Globe. It's asphaltic paved for four opposing lanes of traffic at this location, plus a two-way center turn lane, which provides left turn access for traffic turning onto South Street. The arterial is also improved with concrete curbs, gutters, and sidewalks, as well as street lights, at this location.

South Street is asphaltic paved for two opposing lanes of traffic, and includes a stop sign at its intersection with Ash Street. This arterial is improved with concrete curbs, gutters, and sidewalks along the subject's frontage.

Utilities: All utilities are available to the site, including electric ity from Arizona Public Service, water and sewer from Arizona Water Company, natural gas from Southwest Gas Corporation, and telephone from Qwest.

Zoning: The site is zoned C-2, Intermediate Commercial, by the City of Globe. A large variety of uses are permitted in the zone, including office, retail, health services, food services, hotels,

auto sales, etc. This zone is found along Highway 60 (Ash Street) in this portion of town, and for all practical purposes, when valuing the subject, this commercial zoning designation is considered similar to the other commercial zoning districts in Globe, including C-3, Central Commercial, which covers other portions of Highway 60 as well as downtown Globe.

- Topography: Subject site is generally level to slightly increasing in elevation east to west. Site is built up to higher elevation along east and south property lines, and drops off along those general property lines, to fronting South Street on the east, and to the adjacent Gila County Juvenile Detention Center to the south.
- Flood Hazard: According to Flood Insurance Rate Map 040007C2119D, dated December 4, 2007, the subject is located within Flood Zone X, which is not a designated flood hazard area. Please see Underlying Assumptions and Limiting Conditions for additional information.
- Soils and Drainage: No soils analysis was provided the appraiser, and in the absence of such and lacking information to the contrary and based on the appraiser's inspection, it is assumed that the soils are adequate to support the site's highest and best use, and that drainage is adequate. However, appraiser is not an engineer and assumes no liability for such issues.
- Easements: From inspection and lacking information to the contrary, no restrictive and only typical easements such as utility easements are assumed in place on the site.
- Environmental Concerns: During physical inspection of the site, no hazardous materials were evident. The appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions, however, the appraiser is not an expert in this field and assumes no liability for such matters. See Underlying Assumptions and Contingent Conditions for additional discussion.
- Neighboring Uses: Adjacent west of the subject is the Globe Church of Christ. The Gila County Courthouse property is adjacent to the south and further west (west of the church directly adjacent). Adjacent north of the subject, on the north side of Ash Street, are various commercial uses, including Zen's Café, Quality Inn, and Express Fuels, all at the general northwest corner of Ash and South Streets. Humphreys 2 Lanes Saloon is at the northeast corner of the intersection. Adjacent east of the subject is a small multi-tenant office building, at the southeast corner of Ash and South Streets, with a larger multi-tenant office building south of that. Adjacent south of the subject is the Juvenile Detention Center building (part of larger Gila County property).
- Site Improvements: Subject site is essentially devoid of improvements, other than asphalt paving in fair condition on a majority of the site, and iron fence as shown in photos along the east and south borders.

In addition, there are four curb cuts to the site on Ash Street, and one on South Street.

Assessment and Taxes:

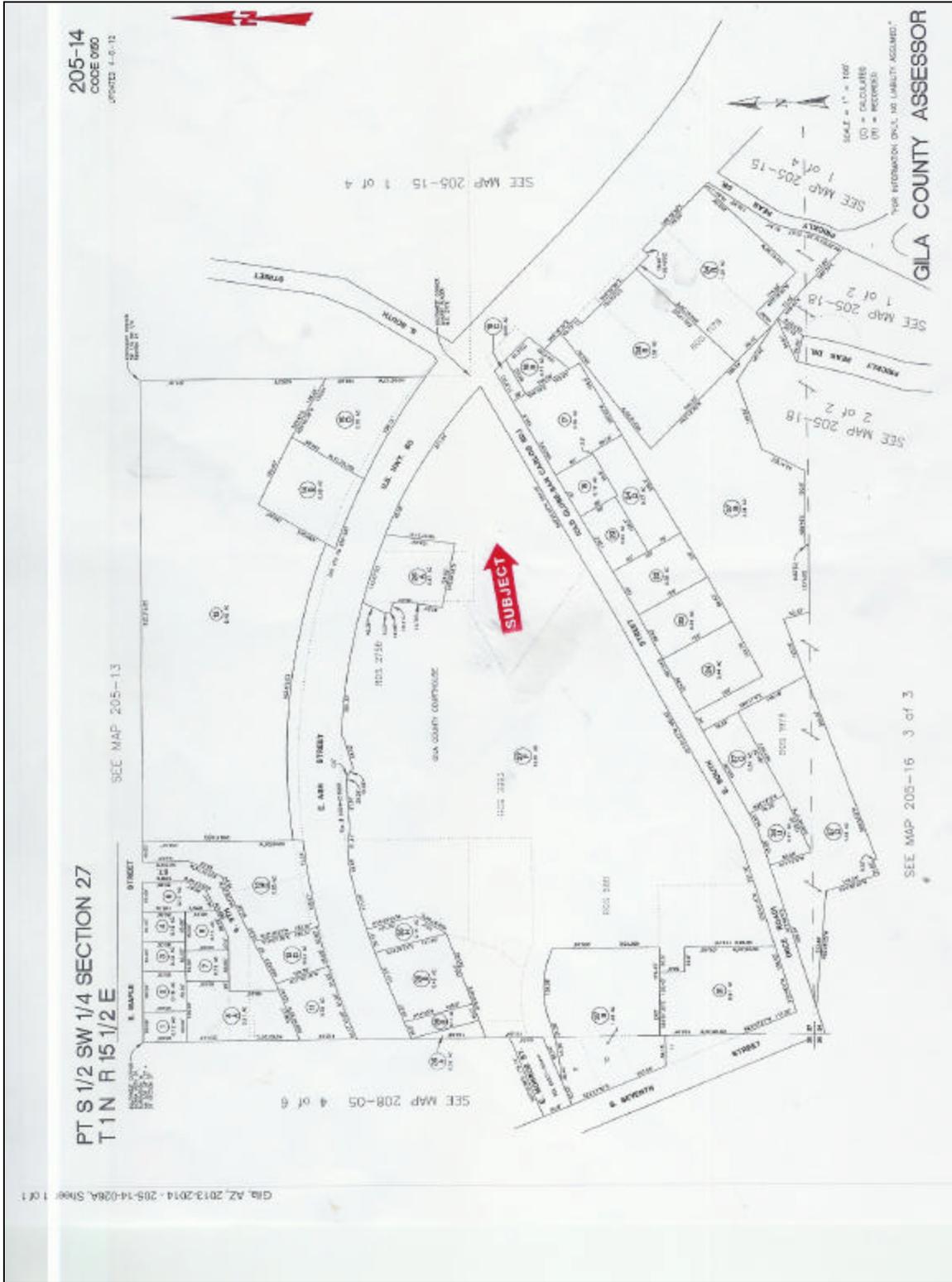
The subject property, being government-owned, is tax-exempt. Furthermore, being a part of the much larger Gila County Courthouse parcel, and with the subject to be split from said parcel were it disposed of, a new APN would be assigned. The FCV for the larger improved parcel of which the subject is a part is included below for the reader's reference.

Subject's Assessment and Taxes	
Parcel	(*PTN) 205-14-027F
'15 Land FCV	\$468,354
'15 Impr FCV	<u>\$4,083,257</u>
'15 Total FCV	\$4,551,611

AERIAL VIEW



PLAT MAP



SUBJECT PHOTOGRAPHS



View looking SW at Subj from Ash St.



View looking SE at Subj from Ash St.

SUBJECT PHOTOGRAPHS



View looking W on Ash St., Subj to L



View looking E on Ash St., Subj to R

SUBJECT PHOTOGRAPHS



View looking S on South St., Subj to R



View looking N on South St., Subj to L

SUBJECT PHOTOGRAPHS



View looking W across Subj, adj Church
and Gila County Administration Building shown



View looking E across Subj

SUBJECT PHOTOGRAPHS



View looking S along Subj E border



View looking W at point adj S of Subj,
showing embankment along Subj S and E borders

HIGHEST AND BEST USE ANALYSIS

The concept of Highest and Best Use is central to the appraisal problem. It is defined in the Dictionary of Real Estate Appraisal as: “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 that highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximal productivity.”

The Highest and Best Use section of the appraisal is the apex which links the first or descriptive section of the report with the second or valuation section. The first section builds up to the highest and best use analysis, which determines the valuation methodology to be used. Implied within the definition of highest and best use is the recognition of that specific use to the community development goals in addition to wealth maximization of the individual property owner. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

For an improved property, highest and best use is considered from two points of view, first, from the point of view of the site as if it were vacant. Second, highest and best use is considered from the point of view of the property as it is currently improved. For a vacant site or property, such as the subject property, highest and best use is analyzed from only one point of view, that being considering the property as vacant. Based on the preceding, the following is set forth.

Highest and Best Use, As Is/Vacant:

Considering the subject site’s locational and physical characteristics as discussed in the report, as well as zoning and market conditions, the current highest and best use of the subject property, as is/vacant, is for speculation and or development purposes consistent with underlying zoning, that is, for commercial development purposes.

The subject enjoys an excellent location in east part of Globe in an established commercial district. There is good access, frontage, and visibility to the subject site. Moreover, the subject site lacks major physical issues or drawbacks with respect to developability.

The subject’s commercial zoning allows most kinds of commercial uses. The subject size, at 1.43 acres, limits certain larger uses, such as hotels, but makes the subject a good size for a host of smaller uses. The adjacent Juvenile Detention Center is a slight negative, not overly detrimental, but somewhat offset by the larger administration facilities (court, etc.) also adjacent. An office use might be more likely for the subject than a retail use (though both are allowed), what with the Gila County administration facilities adjacent.

Concerning financial feasibility and maximal productivity, the local commercial real estate market conditions have been slow but generally steady for the past few years. There haven’t been any pertinent commercial land sales in Globe as of late (past two years), though there have been several building sales. Plus there’s a somewhat limited supply of additional competitive vacant commercial sites in Globe, especially such well-located ones as the subject, which factors positively with respect to the subject. A few of the listings investigated by the appraiser had various issues (access, hilly terrain, etc.), that the subject itself doesn’t suffer from. The local mines have been busy and have drawn residents, and the Holiday Inn Express under construction is a positive sign.

The highest and best use of the subject remains to either hold for speculation, or to be developed consistent with the legal and physical characteristics, and depending on the needs of a potential buyer. The market value estimated herein is present market value, as of the effective date of value, and what with the current depressed market conditions. However, should there be a turnaround or upswing in the future, there is good upside value potential for the subject property.

THE APPRAISAL PROCESS

The appraisal process is the systematic procedure utilized to provide an answer to the client concerning the Market Value of the real property appraised. In it, the process is planned as to the collection, analysis, and presentation of the necessary data in order to arrive at an estimated value. Three approaches are involved and considered for use in an assignment, and all, one, or two are utilized depending on the assignment. The approaches are the Cost Approach, Sales Comparison Approach, and Income Capitalization Approach. Each approach has its strengths and weaknesses depending on the nature of the assignment and the subject property. The approaches which are deemed appropriate for the assignment are then utilized, each resulting in its own value indication. The value indications from the approaches utilized are then reconciled into a final value estimate for the subject property in the Reconciliation section of the report. Each of the approaches is considered and discussed as follows.

The Cost Approach is based on the principal of substitution, which states that no prudent person would pay more for a property than the amount it would cost to obtain a property of similar desirability, by way of purchasing a vacant site and constructing a building thereon. In the Cost Approach, the subject's land value is first determined, through a Sales Comparison analysis using as comparables recent sales of similar vacant sites to the subject site. To the estimated site value is then added the estimated replacement cost new of the improvements, through such published sources as the Marshall Valuation Service Cost manuals. When applicable, actual construction costs for the subject property are also considered, along with construction costs of similar buildings from builders and developers in the area. From the estimated replacement cost new of the building is then deducted accrued depreciation caused by physical, functional, and exterior or adverse economic sources. This results in the estimated depreciated cost new of the building, to which is then added the estimated land value, determined earlier, for the final value estimate via this approach to value.

In the Sales Comparison Approach, the appraiser estimates the value of the subject property by comparing it with similar improved properties which have recently been sold, or are currently available for sale. The subject and comparables are broken down into similar units of comparison, in this case the price per square foot. The fundamental basis for valuation in this approach involves differences between the subject and comparables in their various specific characteristics. There are two levels of adjustment, the first involving characteristics of the market and the actual transaction, such as property rights conveyed, changed market conditions since the date of sale, financing, and conditions of sale (such as atypically motivated parties to the transactions). The second level of adjustment considers the characteristics of the building itself, such as size, age, location, utility, quality and condition, amenities, and the like. Adjustments are applied to these characteristics, based on the appraiser's judgment. Downward adjustments are applied when a comparable's characteristic is superior to the subject's, and upward for when inferior. If the characteristic is basically similar, no adjustment is applied. The adjustments are then tallied and result in the adjusted sale price per unit of a comparable. This then renders the range in adjusted price per unit, and from the range the appraiser makes a determination as to the best value indication for the subject. This figure is then multiplied by the number of units of the subject, resulting in the final value estimate via this approach to value.

The Income Capitalization Approach reflects the subject's income-producing capabilities, and is based on the assumption that value is created by the expectation of benefits to be derived in the future. It reflects the amount an investor would be willing to pay in anticipation of these benefits,

which can be a single year's income (direct capitalization, for stabilized properties) or an income stream over several years plus a reversion at the end of that period (estimated via a Discounted Cash Flow Analysis, when a property is either not stabilized, is proposed, or is expected to have a varying income stream over a period of time, and the like).

For direct capitalization, the potential gross income (PGI) is first estimated, based on market rents or actual subject rents, from which is then deducted vacancy (again based on the market or subject property), resulting in the estimated effective gross income (EGI). Expenses are then deducted (market/subject), resulting in the estimate of net operating income (NOI), which is then capitalized into a value estimate. The estimated NOI is divided by the appropriate capitalization rate, determined by the appraiser through market analysis.

For yield capitalization or the DCF, the estimation process is similar in that each year over the holding period results in an estimated NOI. However, there are more factors involved as the income stream varies due to lease up, capital expenses, tenant improvements, etc. In addition, a selling price or reversion is estimated at the end of the holding period. The cash flows from each year of the holding period, and the estimated reversion, are discounted to a present value estimate via this method.

In the Reconciliation section of the appraisal, the various approaches are then summarized and a final reconciled value estimate derived, again based on the appraiser's judgment and considering the various strengths and weaknesses of the approaches utilized.

Approaches Utilized

In the case of the subject property, as noted earlier, with the subject property being a vacant site, the only approach utilized in its valuation was the Sales Comparison Approach, and the value indication from this approach is the final reconciled value of the subject property.

SALES COMPARISON APPROACH

In the Sales Comparison Approach, the appraiser estimates the value of the subject property by comparing it with similar vacant properties which have recently been sold, or are currently listed. The subject and comparables are broken down into similar units of comparison, in this case the price per square foot of site area. The fundamental basis for valuation in this approach involves differences between the subject and comparables in their various specific characteristics.

There are two levels of adjustment, the first involving characteristics of the market and the actual transaction, such as property rights conveyed, changed market conditions since the date of sale, financing, and conditions of sale (such as atypical seller motivation). The second level of adjustment considers the characteristics of the site itself, such as size, location, site improvements, utility, and the like. Adjustments are applied to these characteristics, based on the appraiser's judgment. Downward adjustments are applied when a comparable's characteristic is superior to the subject's, and upward for when inferior. If the characteristic is basically similar, no adjustment is applied. The adjustments are then tallied and result in the adjusted sale price per square foot of a comparable. This then renders the range in adjusted price per square foot of the comparables, and from the range the appraiser makes a determination as to the best per square foot value indication for the subject. This figure is then multiplied by the number of square feet of the subject, resulting in the final value estimate via this approach to value.

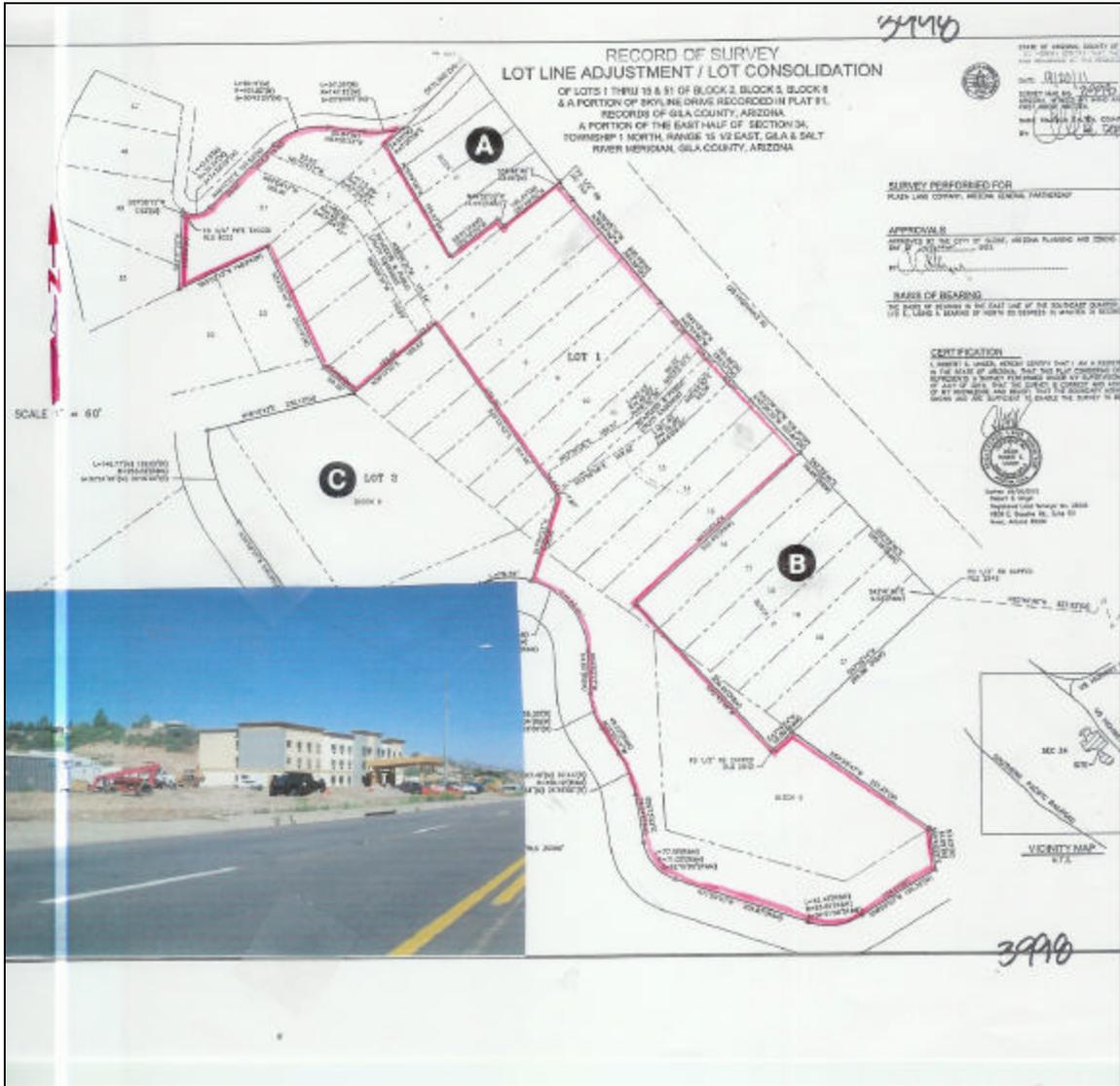
The market sales selected for use in this approach were the most appropriate and representative sales for comparison purposes to the subject property. Sale dates shown are closing dates. Additional data in terms of additional sales and listings were considered by the appraiser.

The Globe/Miami market included just a few commercial land sales, as the market for land sales in Globe has been slow as of late. The area was searched for sales for the past several years and bore the forthcoming data. There've been no pertinent sales within the past two years, but three relevant market sales from 2010 and 2011 were found, including the sale of the Holiday Inn Express site. Due to the preceding, the next nearest towns of Payson and Safford (both about 75 miles from Globe) were also searched for recent sales of commercial sites as supplementary data in the analysis. There've been no recent pertinent land sales in Payson according to various knowledgeable brokers there. However, the Safford market disclosed a few recent sales (2013 and 2014) of small commercial sites, and they've been included as comparables herewith. Please see forthcoming discussion and analysis.

VACANT COMPARABLE NO. 1

Property Type:	Vacant Commercial
Location:	1862 E. Ash St.
City:	Globe
County:	Gila
Assessor's Parcel No.:	205-21-015A
Sale Date:	October, 2011
Sale Price:	\$1,200,000 (see comments **)
\$/ SF:	\$3.94/SF
Instrument:	WD
Grantor:	Plaza Land Company (aka Ellsworth, et al)
Grantee:	GLOBE HI LLC (Holiday Inn Express)
Terms of Sale:	Cash to Seller
Site Area (SF):	304,920 SF
Site Area (Ac.):	9.02 acres (overall site); 7.00 acres (est. net usable – see comments *)
Zoning:	C-3, Globe
Confirmation:	Public Records, Broker
Comments:	<p>Site is a new split (ROC #3998), new APN 205-21-015A and rendered site size of 9.02 acres. Site wasn't listed. Buyer approached Stacey Murry, local broker with Kachina Properties, who represented them. Much back and forth on negotiated price, site conditions, etc. Site (depicted via Survey on following page) includes fair amount of backage behind Family Dollar store adjacent west ("A" on Survey) and Ace Hardware Store adjacent east ("B"). Also, there's a bowling alley (not used in years) behind the site ("C"), which owners kept. Front portions of site fairly level, but backage portions irregular to steep, as site rests against hill to south. Site "was what it was" and entire 9.02 acres inclusive of backage conveyed. Much of site in floodplain; buyer doing much mitigating site work (preliminary estimate of dirtwork reported to be \$200,000 by Mr. Chris Collopy with City of Globe P&Z), with At Risk Grading and Drainage permit. FEMA's Conditional Letter of Map Revision (CLOMR) issued in conjunction, final LOMR to be applied for with completion of sitework. Some of the site's backage used for fill dirt and other parts for drainage. (*)Per appraisal principles, est. net usable portion of 9.02 acre overall site deemed 7 acres based on plat, survey, inspection, and what with parts of backage used in hand with dirtwork. 3-story hotel u/const. on west approx 60% of the front part of site; balance of front part of site denoted "for future development" on bldg plans - buyer to reportedly hold, maybe develop later. (**)The \$200,000 site work figure is added to the \$1,000,000 actual sale price to render the total consideration paid of \$1,200,000, for comparison purposes in using this property as a comparable land sale.</p>

COMPARABLE NO. 1 – SURVEY



VACANT COMPARABLE NO. 2

Property Type:	Vacant Commercial
Location:	1770 E. Ash St.
City:	Globe
County:	Gila
Assessor's Parcel No.:	205-17-007
Sale Date:	February, 2010
Sale Price:	\$150,000
\$/ SF:	\$2.69/SF
Instrument:	WD
Grantor:	Nowlin
Grantee:	Picacho Valley Group LLC
Terms of Sale:	Cash to Seller
Site Area (SF):	55,757 SF
Site Area (Acres):	1.28 acres
Zoning:	C-3, Globe
Confirmation:	Public Records, Broker
Comments:	Sale just east of intersection of Hwys 60 and 70, a little to east of subject. Site was improved with an older industrial/commercial building, not in use at time, and per broker site was purchased for land value. Seller was also motivated per broker. Property subsequently sold for \$220,000 (Sept., 2013), new owner is utilizing improvements and sold for same.

VACANT COMPARABLE NO. 3

Property Type:	Vacant Commercial
Location:	1405 E. Ash St.
City:	Globe
County:	Gila
Assessor's Parcel No.:	205-13-012E
Sale Date:	June, 2010
Sale Price:	\$175,000
\$/ SF:	\$4.73/SF
Instrument:	WD
Grantor:	Fogle, et al
Grantee:	Globe Land LLC
Terms of Sale:	Cash to Seller
Site Area (SF):	37,026 SF
Site Area (Acres):	0.85 acres
Zoning:	C-2, Globe
Confirmation:	Public Records, Broker
Comments:	Sale of a site improved with older service station (Whiting Brothers) at time of sale. Bought for site value. Improved by buyer as a Social Security office building, 4,175 SF, const. 2011.

VACANT COMPARABLE NO. 4

Property Type:	Vacant Commercial
Location:	1120 S. 20 th Ave.
City:	Safford
County:	Graham
Assessor's Parcel No.:	104-35-125
Sale Date:	March, 2013
Sale Price:	\$310,000
\$/ SF:	\$2.88/SF
Instrument:	WD
Grantor:	Hancock
Grantee:	Farm Credit Services SW
Terms of Sale:	Cash to Seller
Site Area (SF):	107,593 SF
Site Area (Acres):	2.47 acres
Zoning:	C-3, Safford
Confirmation:	Public Records, Broker
Comments:	Sale of 2.47 acre site at SWC of 20 th Ave. (minor commercial arterial) and Bulldog St. in Safford. Buyer split the site in half, built 3,018 SF office building on north half (1.19 ac – new APN 104-35-499) and sold off south half (1.29 ac – APN 104-35-500), in Dec. 2013 (\$185,900, or \$3.29/SF).

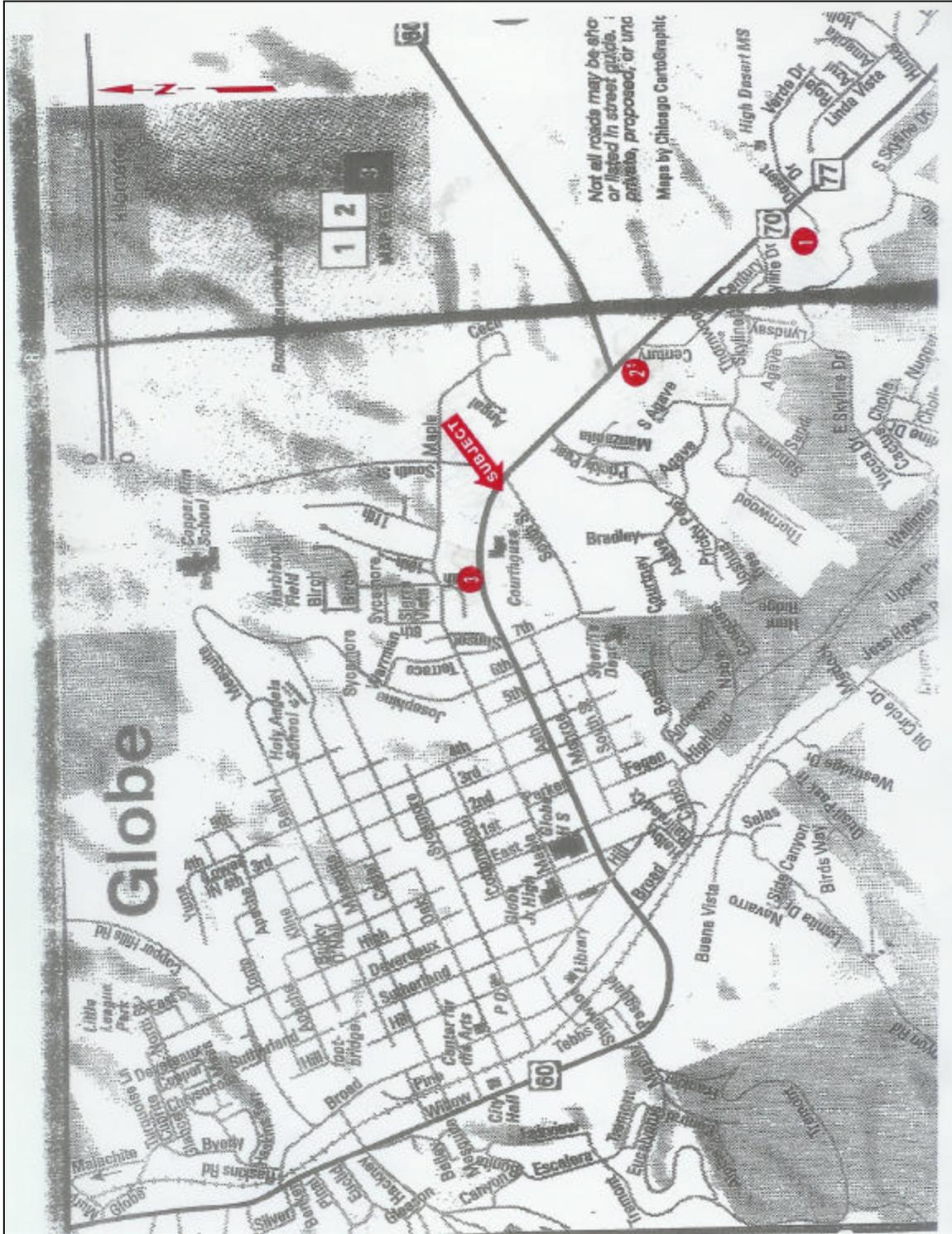
VACANT COMPARABLE NO. 5

Property Type:	Vacant Commercial
Location:	NEC 20 th Ave. & 8 th St.
City:	Safford
County:	Graham
Assessor's Parcel No.:	102-15-076
Sale Date:	April, 2014
Sale Price:	\$200,000
\$/ SF:	\$6.38/SF
Instrument:	WD
Grantor:	Wal-Mart Stores
Grantee:	CHD ENTS LLC
Terms of Sale:	Cash to Seller
Site Area (SF):	31,363 SF
Site Area (Acres):	0.72 acres
Zoning:	C-2, Safford
Confirmation:	Public Records, Broker
Comments:	Sale of vacant 0.72 Wal-Mart pad site, at SEC corner of larger Wal-Mart site. Frontage on 20 th Ave. and 8 th St. Buyer plans to construct partially owner-occupied strip building; he'll use portion as dentist office and lease out the balance.

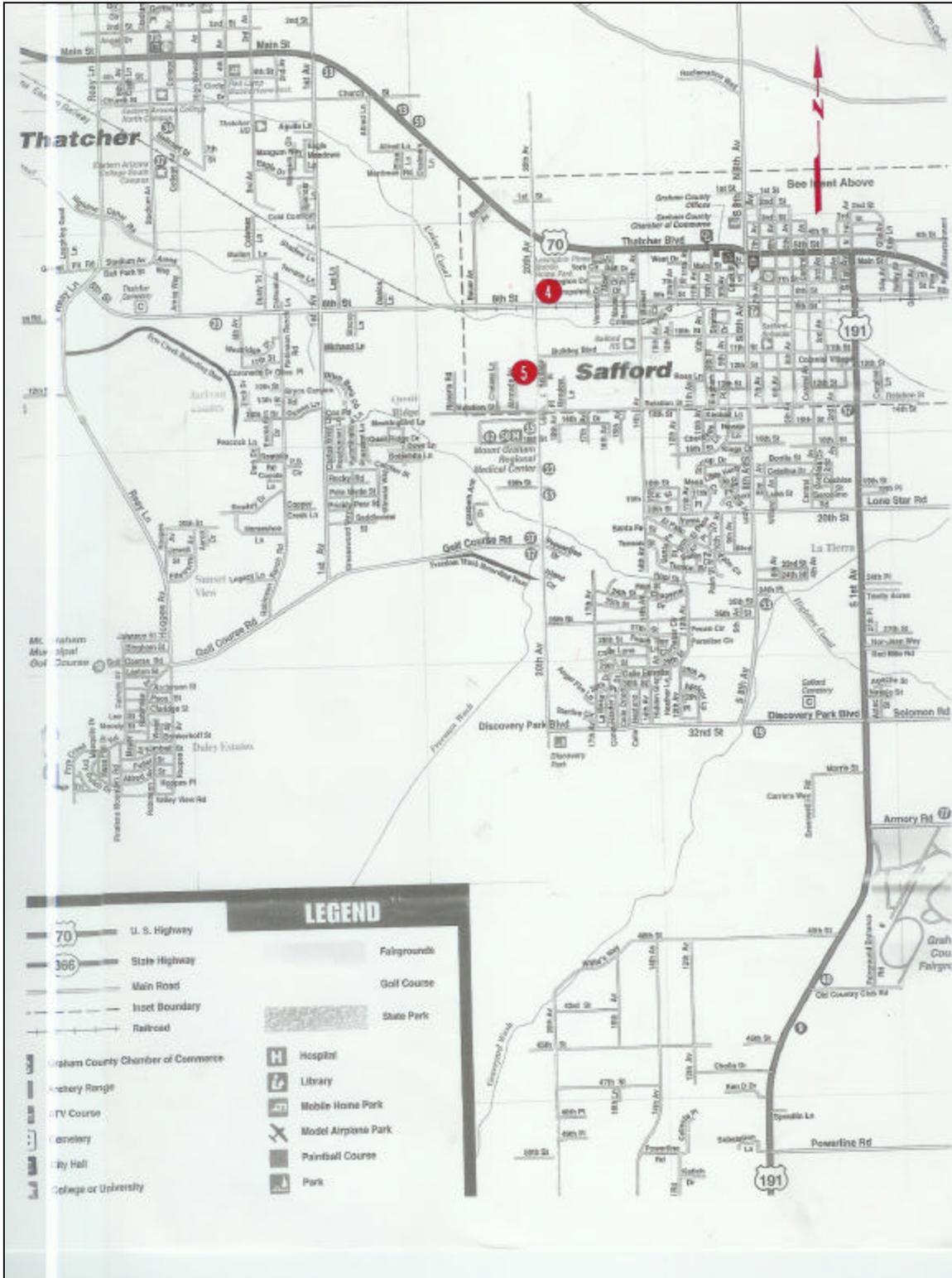
SUMMARY OF VACANT COMPARABLES

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Address:	SWC Ash St. & South St.	1862 E. Ash St.	1770 E. Ash St.	1405 E. Ash St.	1120 S. 20th Ave.	NEC 20th Ave. & 8th St.
APN:	Ptn 205-14-027F	205-21-015A	205-17-007	205-13-012E	104-35-125	102-15-076
City:	Globe	Globe	Globe	Globe	Safford	Safford
County:	Gila	Gila	Gila	Gila	Graham	Graham
Ppty Type:	Vac Comm.	Vac Comm.	Vac Comm.	Vac Comm.	Vac Comm.	Vac Comm.
Sale Price		\$ 1,200,000	\$ 150,000	\$ 175,000	\$ 310,000	\$ 200,000
\$/SF		\$3.94	\$2.69	\$4.73	\$2.88	\$6.38
Ppty Rights:	Fee Simple Cash Typical	Fee Simple Cash Typical	Fee Simple Cash Atypical	Fee Simple Cash Typical	Fee Simple Cash Typical	Fee Simple Cash Typical
Sale Terms:						
Sale Cond.:						
Sale Date:		Oct-11	Feb-10	Jun-10	Mar-13	Apr-14
Site Size (SF):	62,291	304,920	55,757	37,026	107,593	31,363
Site Size (Ac.):	1.43	7.00	1.28	0.85	2.47	0.72
Zoning:	C-2	C-3	C-3	C-2	C-3	C-2
Topography:	Gen Level	Irregular	Gen Level	Gen Level	Gen Level	Gen Level
Notes:		Build Hotel	Land Value	Build Office	Build Office	Build Strip Ctr

MAP OF VACANT COMPARABLES



MAP OF VACANT COMPARABLES



DISCUSSION AND ANALYSIS OF COMPARABLE SALES

The preceding comparables have been utilized in this valuation of the subject property, representing recent sales of similar vacant commercial sites to the subject. The comparables have been summarized in the comparable sheets, photographed, and mapped for the reader's reference. The comparables were confirmed when possible with parties to or familiar with them, and represent the best, most recent, and most appropriate data in the form of comparable sales for use in the analysis.

In this section of the appraisal, the comparables are then adjusted to the subject property. This results in value indication via this approach for the subject.

Adjustments – First Level

The adjustments are discussed herewith. The first level of adjustments is for property rights conveyed, financing terms, conditions of sale, and market conditions. Property rights conveyed were fee simple in all cases, and no adjustments were required for this.

Concerning financing terms, the sales were either cash to the seller or for terms which were undisclosed or considered cash equivalent, and as such no adjustments for financing were warranted.

The conditions of sale adjustment accounts for atypical conditions or motivations on the part of the parties to the transactions, and in the case of the comparables, based on the appraiser's research and discussions with confirming parties, no adjustments are required at this level to any of the comparables but No. 2, which required an upward adjustment for atypical seller motivation, as noted.

The final level of adjustment in the first set of adjustments is for changed market conditions over the period from when the sales took place to the date of valuation of the subject. The local commercial real estate market fell considerably off its peak in the mid-to-late 2000's, but appears to have bottomed and has been generally flat over the past few years (2010 to the present for land values). As such, no adjustments for changed market conditions have been applied.

Adjustments – Second Level

The second level of adjustments concern the physical and locational features of the comparables as they compare to the subject property.

Concerning location, this adjustment takes into account such locational features as the overall character and desirability of the area, surrounding uses, demographics, and general access and visibility characteristics.

The subject and Comparable Nos. 1 and 2 enjoy similar locations nearby on Ash Street in Globe, and these comparables aren't adjusted. Comparable No. 3 is near the subject but has inferior access/visibility, and is somewhat outside the main commercial area of East Ash Street, which starts just to its east. As such, this comparable is adjusted upward for location.

When considering the broader Globe vs. Safford locations, Safford is considered superior due to the economy there, more recent land sale activity there than in Globe, etc. As an example, Fed

Ex was considering building a facility in Globe and was in escrow on the site for it (see discussion forthcoming), but changed their mind and went to Safford instead, where they're in escrow on a commercial site there. As such, concerning the two Safford sales, Comparable No. 5 is adjusted downward for location considering the two different markets, plus this is a well-located pad site on a major commercial arterial. Comparable No. 4 however, is located on a minor commercial arterial, which significantly offsets its superior overall Safford location, and this comparable is adjusted upward.

Size adjustments relate to economies of scale, with smaller properties tending to sell for more on a price per unit basis. The subject is 1.43 acres in size while the comparables range in size from 0.72 acres (usable) to 7.00 acres, as discussed.

The subject's 1.43 acre size makes it suitable to a number of potential commercial uses (office, retail, service, etc.), but limits larger types of uses such as hotels. Comparable No. 3, at 0.85 acres, is adjusted downward as shown. No. 5 is 0.72 acres and it's a pad site within the Wal-Mart center in Safford, and benefits thereby – pad sites though small enjoy extreme utility. This comparable is thus adjusted downward as shown. No. 2 is similar in size to the subject and not adjusted. No. 4, at 2.47 acres, is adjusted upward as shown.

Comparable No. 1, the Holiday Inn Express site, is 7.00 acres net usable in size, which brings into account economies of scale with respect to the smaller sites and the subject. Due to the preceding, this comparable is adjusted upward to the subject as shown.

Adjustments are next considered for zoning; however, the comparables and subject are similarly commercially zoned, and no adjustments are warranted.

Utilities adjustments are next considered, but, as with zoning, the subject and comparables are similar with respect to the availability of utilities, and no adjustments are applied.

Finally, the comparables are adjusted, if appropriate, for other or miscellaneous factors not covered in the prior categories, such as amenities, site improvements, and the like. Comparable No. 3 required demolition (of existing service station improvements) and is adjusted upward. Comparable No. 1 is requiring considerable site work, but this factor has been accounted for in its modified sale price, and as such no additional adjustment is required at this level.

After adjustments to each of the comparables, their adjusted sale prices are derived, and displayed on the adjustment grid. The adjusted unit value is then reconciled into a final value indication via this approach. The reader's attention is directed to the adjustment grid forthcoming.

Additional data in Globe/Miami was considered, including a few current listings of commercial sites, but the listings were either brand new, very old, or skewed due to various factors and/or also reported by the listing agents as being way too high in list price.

In addition, a canceled escrow was reported by the client, Mr. Steve Stratton. Fed Ex was in escrow on some 12 acres, for \$75,000/acre just north of Globe, on Highway 60/77, at the old Globe Drive-In Theatre. However, Fed Ex suddenly backed out and is currently in escrow on a vacant site in the heart of the main commercial district (Wal-Mart, McDonald's) in Safford. This data is included mainly for informational purposes and as support for the discussion of the local market conditions.

Final Estimate of Value Via Sales Comparison Approach

As noted, the comparables provided a pre-adjusted price range of from \$2.69/SF to \$6.38/SF. After the noted adjustments were made, the adjusted range in prices was from \$3.36/SF to \$5.58/SF. The average adjusted price was \$4.50/SF. Comparable No. 2 set the low end of the adjusted range, at \$3.36/SF, and is generally discounted from the analysis as being the least applicable sale. The average of the balance of the adjusted prices then becomes \$4.78/SF. When considering the subject's locational and physical characteristics, as well as the strength of the data and market conditions, plus discussions with local knowledgeable parties in the course of the research (including brokers at Kachina Properties and Stallings and Long Realty, plus Mr. Thomas Thompson, a local property owner/investor and attorney of long standing) as to the value of the subject property, the appraiser has estimated the value of the subject, via the Sales Comparison Approach, in the middle to upper portion of the adjusted range, or as follows:

$$62,291 \text{ SF} \times \$5.25/\text{SF} = \$327,027, \text{ rd., } \$325,000$$

(THREE HUNDRED TWENTY-FIVE THOUSAND DOLLARS)

VACANT COMPARABLE ADJUSTMENT GRID					
Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Sale Price	\$1,200,000	\$150,000	\$175,000	\$310,000	\$200,000
\$/SF (UNADJ.)	\$3.94	\$2.69	\$4.73	\$2.88	\$6.38
Ppty Rights Conv	0%	0%	0%	0%	0%
Adjusted Price	\$3.94	\$2.69	\$4.73	\$2.88	\$6.38
Terms of Sale	0%	0%	0%	0%	0%
Adjusted Price	\$3.94	\$2.69	\$4.73	\$2.88	\$6.38
Conditions of Sale	0%	25%	0%	0%	0%
Adjusted Price	\$3.94	\$3.36	\$4.73	\$2.88	\$6.38
Market Conditions	0%	0%	0%	0%	0%
ADJ PRICE - 1ST LEVEL	\$3.94	\$3.36	\$4.73	\$2.88	\$6.38
Location Adj.	0.0%	0.0%	5.0%	25.0%	-5.0%
Size Adj.	20.0%	0.0%	-2.5%	5.0%	-7.5%
Zoning Adj.	0.0%	0.0%	0.0%	0.0%	0.0%
Utilities Adj	0.0%	0.0%	0.0%	0.0%	0.0%
Other Adj.	0.0%	0.0%	5.0%	0.0%	0.0%
Net Adjustment	20.0%	0.0%	7.5%	30.0%	-12.5%
Gross Adjustment	20.0%	0.0%	12.5%	30.0%	12.5%
ADJ. \$/SF	\$4.72	\$3.36	\$5.08	\$3.75	\$5.58
Avg Adj \$/SF	\$4.50				

RECONCILIATION AND FINAL VALUE ESTIMATE

In the Reconciliation section of the appraisal, the value indications from the approaches utilized are summarized, and from them the final reconciled value estimate for the subject property is then derived. In the case of the subject, which is a vacant site, only the Sales Comparison Approach was utilized, as discussed earlier in the report. The Income Capitalization and Cost Approaches were dismissed for the reasons discussed. The value indication from the Sales Comparison Approach is summarized following:

<u>Approach</u>	<u>Value Indication</u>
Sales Comparison	\$325,000

As the Sales Comparison Approach was the only approach utilized, its value indication becomes the final reconciled value of the subject property in this assignment. Due to the preceding, the subject's final reconciled market value is estimated by the appraiser as follows:

FINAL RECONCILED MARKET VALUE ESTIMATE

THREE HUNDRED TWENTY-FIVE THOUSAND DOLLARS
(\$325,000)

UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute and the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice by the Appraisal Foundation.

This appraiser is not responsible for any costs incurred to discover or correct any deficiencies of any type present in the property; whether physical, financial, and/or legal. In the case of limited partnerships, or syndication offerings, or stock offerings in real estate, the client agrees that in case of a lawsuit (brought by lender, partner or part owner in any form of ownership, tenant, or any other party), any and all awards or settlements of any type in such suit, regardless of the outcome, the client and all parties will completely hold harmless the appraiser.

The liability of the appraiser and the firm with which he is connected is limited to the client in this assignment only and to the fee collected for the assignment.

The validity of legal, engineering, or auditing opinions is assumed to be good, and no responsibility is assumed therefore.

Unless otherwise stated, the appraiser assumes and believes that information furnished by others is reliable, but assumes no responsibility for its accuracy.

Should this valuation opinion be ascribed in regard to proposed public or private improvements, then in that event, this appraisal is subject to the completion thereof in the manner proposed.

The appraiser reserves the right to alter statements, analyses, conclusions, or any value estimate in the appraisal if there becomes known to me facts pertinent to the appraisal process which were unknown when the report was finished. Appraisal report and value estimate are subject to change if physical or legal entity or financing is different than that envisioned in this report.

The title to the property being appraised is assumed to be marketable and competent management and/or ownership is assumed. Consideration has been given to the existing or potential financing associated with the subject and the impact of such financing on value.

All mechanical components are assumed to be in operable condition and status standard for properties of the subject age and type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment are considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.

The appraiser has inspected as far as possible, by observation, the land and the improvements; however, it was not possible to personally observe conditions beneath the soil, or hidden structural, mechanical, or other components, and the appraiser shall not be responsible for defects in the property related thereto. Appraiser assumes that there are no conditions that are not apparent, relating to the real estate, sub-soil conditions, or structures located on the real estate which would affect the analyses, opinions, or conclusions with respect to the real estate.

If the appraiser has not been supplied with a termite inspection, survey, building inspection, or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranties are made concerning obtaining the above mentioned items.

The appraiser has noted in the appraisal report any adverse conditions (such as needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he became aware of during the normal research involved in performing the appraisal. Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. Whether or not environmental hazards are stated in the report, the appraiser is not responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property.

The Americans with Disabilities Act of 1990 (ADA) became effective in 1992. Appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could 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 effect on the value of the property. Since the appraiser has no direct evidence relating to this issue, appraiser did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

Maps, drawings, or sketches have been made a part of the report to aid the reader in visualizing the property, neighborhood, and region. The appraiser has made no survey of the property and assumes no responsibility in connection with such matters.

The distribution of the total valuation between land and any improvements applies only under the program of utilization and any additional conditions stated in this report, and are invalidated under other programs of utilization, or conditions, if used in making a summation appraisal.

The appraiser is not required, because of this appraisal report, to appear or to testify at a public hearing, committee, or corporate meeting, deposition, or legal proceeding of any kind unless satisfactory arrangements have been made in advance for said appearance.

The appraiser has examined the available flood maps, if available, that are provided by the Federal Emergency Management Agency (or other data sources) and, if it has been possible to make such determination from said sources, has noted in the appraisal report whether the subject site is located in an identified Flood Hazard Area. Because the appraiser is not a surveyor, the appraiser makes no guarantee, express or implied, regarding this determination. It is up to the client to make or confirm their own determination regarding the subject's flood zone status and to take responsibility therefore.

The appraiser must provide his written consent before the lender/client specified in the appraisal can distribute the appraisal report (including conclusions about the property value, the appraiser's identity or firm with which he is connected or any professional designations he may or may not have, and any references to any appraisal organizations with which he may or may not be associated) to

anyone other than the borrower; the mortgagee or its successors and assigns; the mortgage insurer; consultants; professional appraisal organizations; any state or federally approved financial institutional or any department, agency, or instrumentality of the United States or any state or the District of Columbia; except that the lender/client may distribute the property description section of the report only to data collection or reporting services without having to obtain the appraiser's prior written consent. The appraiser's written consent and approval must also be obtained before the appraisal can be conveyed by anyone to the public through advertising, public relations, news, sales, or other media.

Moreover, this report or any portion thereof is for the exclusive use of the client for the stated purpose and function and is not intended to be used, given, sold, transferred, or relied on by any person other than the client without the prior, express written permission of the author. Use of or reliance upon this report by third parties is specifically prohibited. The appraiser assumes no responsibility for potential claims arising from unauthorized use of this report, or any portion thereof. The client will forever indemnify and hold the appraiser harmless from any claims by third parties related in any way to the appraisal or study which is the subject thereof.

The appraisal report, including all addendums, is meant to be used only in its entirety; no part may be used without the full or entire report.

Unless otherwise stated, the present purchasing power of the dollar is the basis for the values ascribed.

The client authorizes disclosure of all or any portion of this appraisal report and the related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the bylaws and regulations of said Institute hereafter in effect.

Acceptance of, and/or use of, this appraisal report by the client constitutes acceptance of the above general underlying assumptions and limiting conditions, as well as any extraordinary or hypothetical assumptions and limiting conditions included herewith.

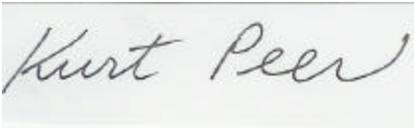
Extraordinary Assumptions and Limiting Conditions

Subject site size is 1.43 acres, or 62,291 SF, as reported herein. Please see discussion in the Letter of Transmittal and Site Analysis sections of the appraisal for additional details.

APPRAISER'S 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, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest 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 with the assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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, 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.
- 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*.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.
- I have not performed any appraisal or other kinds of professional services on the subject property within the three years prior of the effective date of valuation herein.
- No one provided significant real property appraisal assistance to the person signing this certification.



Kurt Peer
Certified General Real Estate Appraiser
AZ Cert. #30329
Date: August 14, 2014

APPRAISER'S LICENSE

