

**APPRAISAL OF
A COMMERCIAL BUILDING**



LOCATED AT

**157 SOUTH BROAD 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: 3246
CLIENT'S P.O. NO: 2015-00000275**

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August 11, 2014

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

Re: Appraisal of a Commercial Building
Located at 157 South Broad Street, Globe, Arizona 85501
Appraiser's File No.: 3246
Client's Purchase Order No.: 2015-00000275

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:

**TWO HUNDRED SIXTY THOUSAND DOLLARS
(\$260,000)**

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 appraiser previously performed an appraisal of the subject property for the client on May 2, 2014. The client has ordered another appraisal of the subject property. Appraiser inspected the subject again on August 5, 2014, the effective date of value for the new appraisal, and again researched the market, talked with market participants, and examined the various aspects of the

subject as discussed herein. The new research disclosed no new pertinent comparables nor significant changes in market conditions since the May appraisal, and the value of the subject remains unchanged since the May appraisal.

Special Note:

The appraiser was provided an Asbestos Survey of the subject performed by Western Technologies, Inc., of Phoenix, dated February 19, 2014. The study found four areas of the subject with asbestos containing building materials (ACBMs). The four areas, which are delineated in greater detail in the body of the appraisal, include the boiler room, the area above the first floor ceiling, and two different areas of the roof.

The study includes remedial recommendations but not an estimated cost of said remediation. (According to the client, should the county sell the building on the open market the county would be required to abate the asbestos issues discussed herein. Should the county transfer the building, such as to the City of Globe, the said requirement wouldn't apply, but might come into the negotiations. County at any rate would if necessary obtain cost bids from qualified environmental companies to remove the ACBMs.)

The appraiser is not an expertise in environmental matters, nor cost estimating of same. In valuing the subject with respect to such, the subject as an older building (built 1929) is compared to various-aged comparables in the Sales Comparison Approach, including a handful of older buildings in downtown Globe. Such buildings are of the same general class as the subject, with respect to potential environmental issues plus condition issues such as with the roof, the subject roof exhibiting wear and tear over and above its environmental issues, and the said comparables are adjusted for age to the subject to account for the above, addressing the subject's environmental issues thereby.

The subject is deemed in overall average condition, as is, with respect to building components and TI's described (the subject is an adequate office building suited to a variety of uses), the roof in its noted state, and the ACBMs in place. The as is subject is further valued as such in the Sales Comparison Approach, by adjusting the comparables to it for condition based on differences in condition between them and the subject. The appraiser, keeping in mind the ACBMs plus other negatively influencing factors such as the age of the building and soft market conditions, has also estimated toward the lower end of the adjusted range.

Again, the subject is valued in its as is condition with ACBMs in place. Should an environmental cost estimate be in hand, the doing of the remedial environmental work by a licensed professional at the said cost would increase the value of the subject but not dollar-for-dollar. As in any appraisal and appraisal practice in general, cost doesn't equal value. Any value of the subject with the environmental issues taken care of would be a prospective value (not being addressed herein), vs. the as is value estimated herein. Prospective value is noted for the sake of discussion only, and would take into account the improved overall condition of the subject what with said environmental issues having been removed.

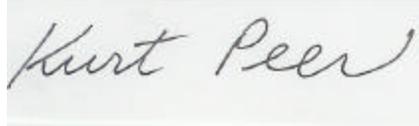
Summary:

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 handwritten signature in cursive script that reads "Kurt Peer". The signature is written in dark ink on a light-colored, slightly textured background.

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

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SUMMARY OF THE APPRAISAL

PROPERTY TYPE:	Commercial Building
ADDRESS:	157 South Broad Street, Globe, Arizona 85501
ASSESSOR'S PARCEL NUMBER:	208-03-084
BLDG SF:	7,730 SF
YEAR BUILT:	1929
ZONING:	C-3, Central Commercial, City of Globe
SITE SIZE:	3,992 SF, or 0.09 acres
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 11, 2014
HIGHEST AND BEST USE:	
As if Vacant:	Speculation and/or Development
As Is:	Continued Use as Commercial Building
MARKET VALUE CONCLUSION:	\$260,000
ESTIMATED EXPOSURE PERIOD:	6-12 months

INTRODUCTION TO THE APPRAISAL

EXECUTIVE SUMMARY AND PROPERTY IDENTIFICATION:

Herewith is a Narrative Commercial Appraisal Report of a Commercial Building, located at 157 South Broad 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:

The subject is legally described by the Gila County Assessor as follows: GLOBE TWNS S 35' OF LOT 8 BLK 77

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, A Body Politic. 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.

Subject is currently utilized by Gila County for offices for the County Attorney (second floor) and the County Attorney Child Support Division (first floor). Mr. Steve Stratton reports he is considering moving the said offices to the main Gila County Administration facilities on Ash Street, and that the City of Globe has expressed an interest in acquiring the subject for use as their police station.

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

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 in the Reconciliation section of the report. In the case of the subject property, the only approach deemed warranted by the appraiser in the case at hand was considered to be the Sales Comparison Approach.

The subject property is single-user and moreover represents a typical owner-occupied building. That is, many buildings of the subject's type in the local market, though leaseable, are owner-occupied and/or are purchased with that in mind. In addition, the subject is an older property, making the use of the Cost Approach inappropriate.

The Sales Comparison Approach is germane in the case of the subject property, as buyers and sellers look to market data, in the form of recent sales of similar properties to the one under appraisal, and current listings of similar properties as well, in helping them determine a property's value. Moreover, the market data was supportable in terms of enough recent sales of similar

properties to the subject, which gives strength and credence to the use of the Sales Comparison Approach and makes it a strong approach in the case of the subject valuation. The Sales Comparison Approach is considered a strong value indicator in the case of the subject property.

The Cost Approach is considered inapplicable, due to the strength and availability of the Sales Comparison Approach, which was appropriate and utilized, and the various weaknesses involved in the Cost Approach, one of the main ones being the estimated accrued depreciation. The Cost Approach is more germane for new or nearly new or somewhat unique properties, or in cases when one or both of the other two approaches are not available for use in the assignment.

The Income Capitalization Approach is also considered in the case of the subject, but a full-blown Income Approach was dismissed as the subject as noted is more typical of an owner-occupied property than one that would be purchased by an investor seeking an income stream. Nevertheless, the appraiser performed an abbreviated Income Approach, in the form of a pro forma only, as a test of reasonableness against the value via the Sales Comparison Approach and to consider the income (NOI) potential of the subject. This is found in Reconciliation section.

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. A thorough interior and exterior inspection occurred during which the appraiser took photographs and notes about the property, including size, building materials, layout, quality and condition, interior finish, surrounding uses, and mechanical characteristics such as HVAC, 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 in the assignment were physically inspected and photographed by the appraiser. 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 market such as supply and demand levels, vacancy levels, potential new supply coming on line, etc, 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 site and subject improvements. 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, 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, one block north of the subject. 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 as well.

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 which is encountered in the upper \$200's and lower \$300's. The market has remained essentially unchanged over the past 3 month period, and no pertinent market activity in terms of building sales has occurred over that period.

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.

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.

NEIGHBORHOOD MAP



SITE ANALYSIS

Address/Location:	157 South Broad Street, Globe, Arizona 85501
Assessor's Parcel Number:	208-03-084
Site Size:	3,992 SF, or 0.09 acres
Access, Frontage:	Site is rectangular and enjoys 35 feet of frontage on the east side of Broad Street, and 35 feet of alley frontage behind. Site includes 114.3 feet of frontage on the north side of Sycamore Street, and has a north property line of 113.79 feet.
Arterials:	<p>Subject is located at the northeast corner of Broad Street and Sycamore Street, in downtown Globe, Arizona.</p> <p>Sycamore Street is asphaltic paved for two opposing lanes of traffic, plus on-street parallel parking in designated spaces. Broad Street is asphaltic paved for two opposing lanes of traffic, plus on-street angled parking. Both streets included concrete curbs, gutters, and sidewalks at this location (wheelchair-accessible sidewalk at intersection). There is a four-way stop at the intersection. Streetlights are also in place.</p>
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-3, Central Commercial, by the City of Globe. The purpose of this district is "to provide for the full range of sales, services, and office uses necessary to maintain a vital downtown area and permits those uses which are oriented toward serving the entire community. The district is intended to preserve, protect, and enhance the central business district of downtown." This zoning district basically covers most of downtown Globe and some of the other central areas (along Highway 60) in Globe. A large variety of uses are permitted in the zone, including office, retail, food service, and the like. The subject is a conforming use within the district. Globe's C-2, Intermediate Commercial, zoning district is a similar zoning district that covers other main commercial areas of town.
Topography:	Subject site is slightly elevated west to east, going up Sycamore Street, as shown in photos.
Flood Hazard:	The appraiser has checked with available sources concerning the flood zone status of the subject, but the information was indeterminate with respect to the subject due to outdated/ updating and existence of several zones in the close vicinity. Nonetheless, the appraiser is not an expert in this area and makes no warranties nor assumes any liability for such. The

client is advised to make their own flood zone determination, if desired, and the appraiser is reporting the above in service to the client. See Underlying Assumptions and Limiting Conditions section of the report for additional discussion.

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 and building, no hazardous materials were evident except as noted herewith. The appraiser has no knowledge of any additional 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.

Appraiser has been provided an Asbestos Survey of the subject performed by Western Technologies, Inc., of Phoenix, dated February 19, 2014. The study found four areas of the subject containing asbestos containing building materials (ACBMs).

1. Boiler block and gaskets in the boiler room, assumed to contain ACBMs/friable but not inspected by Western Technologies due to inaccessibility. Boiler room is a contained area and as such would entail a relatively easy removal.

2. Above the first floor ceiling, considerable area confirmed by Western Technologies to contain ACBMs/friable, various pipes with old-style insulation, caked mud, wrapped in cloth, etc. 490 lineal feet of pipes, plus 60 lineal feet of pipe elbows, fittings, and tees, were reported in the study. Pipes are for heating and run throughout the ceiling and this fact plus friability and necessity of removing (and having to replace anew) the entire ceiling plus piping would make this area a more involved abatement process.

3. Roof penetration sealant areas of about 10 SF, at bases of skylights, pipe penetrations, and HVAC penetrations, confirmed to contain ACBMs/nonfriable and appeared in good condition. Straightforward removal likely.

4. Roof silver sealant areas of about 50 SF, on lips of skylights, confirmed to contain ACBMs/nonfriable and appeared in good condition. Straightforward removal likely.

Neighboring Uses: Commercial building adjacent north, on east side of Broad Street. (This three-story building, at 147 S. Broad St., it should be noted sold in 2012 for \$72,000, but the building is highly dilapidated, has suffered a fire, and was not suitable as a comparable property in the valuation section.).

Municipal parking lot adjacent west, across Broad Street from subject.

Holy Angels Parish Hall adjacent east, on Sycamore Street behind or across alley from subject.

Holy Angels Church adjacent south, across Sycamore Street from subject, at SEC of Broad and Sycamore.

Cate-corner to SW of subject, at SWC of Broad and Sycamore, is the old railroad station, currently a historic property utilized as a meeting hall and such.

Site Improvements: Site improvements are few, as the building essentially fully occupies the entire site, as shown in photos. Parking is on-street and at the municipal parking lot adjacent west, across Broad Street at the NWC of Broad and Sycamore. Subject includes covered porch, full-length.

Assessment and Taxes: The subject property, being government-owned, is tax-exempt. The subject's full cash value is as shown on the table below.

Subject's Assessment and Taxes	
Parcel	208-03-084
'15 Land FCV	\$18,408
'15 Impr FCV	<u>\$233,840</u>
'15 Total FCV	\$252,248

PLAT MAP (ENLARGED)



IMPROVEMENT ANALYSIS

Property Address: 157 South Broad Street, Globe, Arizona 85501
 Property Type: Commercial
 Number of Buildings: One
 Number of Stories: Two
 Year Built: 1929
 Effective Age: 30 years
 Remaining Economic Life: 30 years
 Building SF: 7,730 SF

Building measures approximately 35' by 114'. Building square footage is calculated as follows:

<u>Floor</u>	<u>Dimen</u>	<u>Size-SF</u>
1	35' x 114'	3,990
2	35' x 114' (less 2 stairways +/- 250 SF)	<u>3,740</u>
Totals		7,730

Site Coverage: Building occupies virtually the entire site. Site coverage ratio is essentially 100%. Zero-lot line building, in that it abuts adjacent building to the north on Broad Street. Such is typical for the area.

Foundation: Concrete

Exterior Walls: Masonry, block

Roof: Built up, wood frame truss, membranous system, asphalt roofing, asphalt shingles, felt-and-mop penetration sealant. According to Mr. Hickman with Gila County, the roof is soft/weak and moist in places both structurally and with the finish. Roof in addition has ACBMs in places – see prior discussion on the same.

Skylights in place, reportedly dated framing system of the same are aged, should be replaced with new package skylight units.

Windows: Recently replaced older wood sash second floor windows with good quality dual pane energy efficient type. No windows on first floor – first floor windows were filled in with block, window opening framework remains and windows could be reinserted.

Exterior Doors: Single storefront glass type.

HVAC: Air-conditioned and gas-heated with package and individual

units, roof-mounted. Reported and assumed adequate.

Electrical Service: Assumed adequate and to code

Interior Walls: Taped-textured-painted

Ceilings: Dropped acoustic ceiling tiles and textured drywall. Ceiling fans.

Interior Doors: Hollow or solid core wood. Second floor has nicer stained wood accent doors. First floor hollow core painted.

Flooring: Combination commercial grade carpeting, sheet vinyl, tile, and exposed concrete. Average condition, adequate.

Lighting: Combination fluorescent and incandescent.

Restrooms: Second floor has one, two-fixture restroom and one, three-fixture restroom, unisex. First floor has two, three-fixture restrooms, designated men's and women's.

Layout: County Attorney offices are located on second floor – 3 attorneys, 2 detectives, 3 victim services officials, and staff. There are some 10 individual offices, including an interrogation room, an open area, a reception area, a kitchenette area, and the two restrooms. The main stairway is located in the northwest corner of building, with a side stairway in the rear - subject lacks elevator.

County Attorney, Child Support Division, are located on the first floor. There are some 10 offices and the layout is similar to the first floor, with an open area, reception area, kitchenette, and the two restrooms. Access is ground level on the front elevation (Broad Street) and a stairway in the rear of the first floor accesses Sycamore Street.

Construction Quality: Average

Condition: Average

Functional Utility: Average

Summary: Subject is older, two-story general office building with typical items of wear and tear, with more excessive wear and tear to the roof as noted, but functional and suited to its current use. Building is dated as are some items of interior finish, but structurally and except as noted the building appears sound. Interior condition is overall average and the offices and interior finish and TI's are adequate and suitable for the present use.

SUBJECT PHOTOGRAPHS



View looking E on Broad St, Subj to L



View looking W on Broad St, Subj to R

SUBJECT PHOTOGRAPHS



View looking N on Sycamore St, Subj to L



View looking S on Sycamore St, Subj to R

SUBJECT PHOTOGRAPHS



View looking NE at Subj



View looking SW at Subj

SUBJECT PHOTOGRAPHS



View looking N at alley behind Subj



View looking S at rear of Subj

SUBJECT PHOTOGRAPHS – first floor



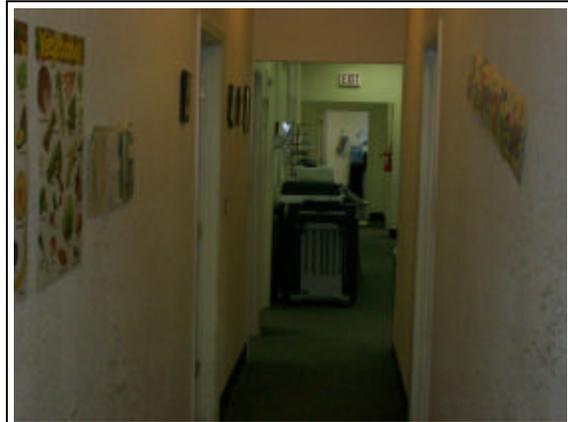
View of common area



View of office



View of hallway



View of hallway

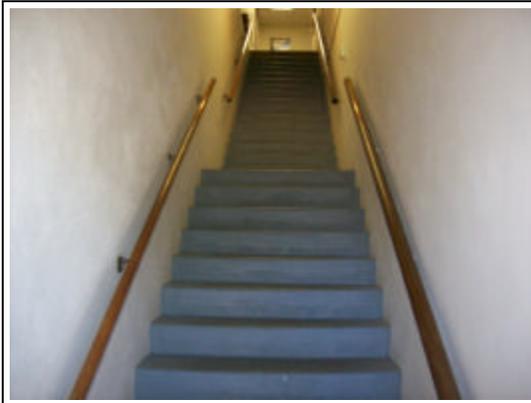


View of rest room



View of stairs to outside entrance

SUBJECT PHOTOGRAPHS – second floor



View of main stairway



View of common area



View of office



View of office



View of office



View of rest room

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, 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 If 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 if vacant, is for speculation and or development purposes consistent with underlying zoning, that is, for commercial development purposes.

Highest and Best Use, As Improved/As Is:

The second test of highest and best use theoretically asks the question whether the existing use should remain or be altered or removed in applying the four tests of highest and best use. First, the subject improvements meet the test of physical possibility (they are existing on the site, which supports them, and they have a lengthy remaining economic life) and legal permissibility (they are a permitted use under current zoning).

In applying the test of financial feasibility, typically, for income-producing properties, this test is based on the amount of rent generated, less operating expenses, whereas for owner-occupied properties, the test considers the overall successfulness or usefulness of the existing property. In the case of the subject property, financial feasibility is seen in the successful operating history of the property consistent with its intended use.

Concerning maximal productivity, clearly, the improvements contribute to the overall property value and hence put the property to its highest and best use. Conversion to different use would not be deemed feasible or appropriate. Thus, the current highest and best use of the subject property, as improved, is for a continuation of its existing use as a commercial office building.

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 valuation of the subject property, as noted earlier in the Introductory section of the appraisal, the primary approach was considered to be the Sales Comparison Approach. The Cost Approach and full-blown Income Approach were omitted, with an abbreviated Income Approach (in the form of a pro forma) included as noted.

SALES COMPARISON APPROACH

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 of building 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 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 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.

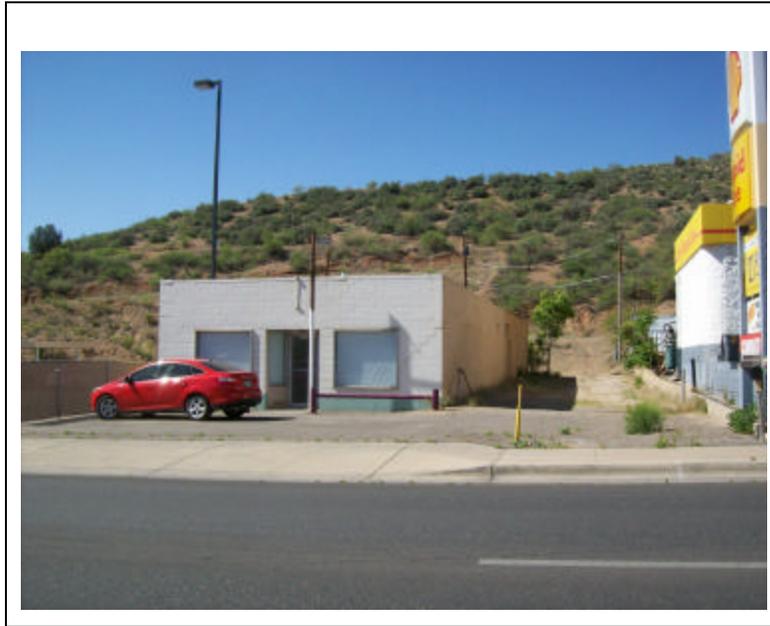
The comparables selected for use in this approach were the most appropriate and representative sales for comparison purposes to the subject property. Sale dates shown are closing dates. Additional data in terms of additional sales and listings were considered by the appraiser and are supportive of those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

IMPROVED COMPARABLE NO. 1



Property Type:	Commercial Building		
Address:	2005 Hwy 60		
City:	Globe	Tax Parcel No:	207-28-004A
Sale Price:	\$207,000	Sale Date:	Mar., 2013
Price Per SF:	\$90.79/SF	Instrument:	WD
Grantor:	Highway 60 LLC		
Grantee:	Zuniga		
Terms of Sale:	Cash to Seller		
Site Area:	22,216 SF, or 0.51 acres		
Zoning:	C-3 Commercial, Globe		
Building Area:	2,280 SF	Year Built:	1990
Condition:	Good	Site Coverage:	10%
Confirmation:	Public Records, Buyer Rep		
Comments:	Medical office building on Highway 60 in western portion of Globe. Block constructed, pitched roof. Bought by owner-user as Cobre Valley Heart Institute. Good condition, good interior TI's and set up as upscale medical office building, several offices, reception area, waiting room, etc. Large ample parking area.		

IMPROVED COMPARABLE NO. 2



Property Type:	Commercial Building		
Address:	1780 N. Broad St.		
City:	Globe	Tax Parcel No:	207-10-016
Sale Price:	\$80,000	Sale Date:	Dec., 2013
Price Per SF:	\$31.91/SF	Instrument:	WD
Grantor:	Yandell		
Grantee:	Frantz		
Terms of Sale:	\$8,000 cash down, unable to confirm terms		
Site Area:	17,424 SF, or .40 acres		
Zoning:	C-3 Commercial, Globe		
Building Area:	2,507 SF	Year Built:	1967
Condition:	Below Average	Site Coverage:	14%
Confirmation:	Public Records		
Comments:	General commercial building in western portion of Globe. Block constructed, flat built-up roof. Below average interior and exterior, interior has some office-type partitioning. Owner is a contractor and is utilizing the property as Franz Woodworks. Small, narrow, deep site, minimal parking.		

IMPROVED COMPARABLE NO. 3



Property Type:	Commercial Building		
Address:	191 W. Cedar St.		
City:	Globe	Tax Parcel No:	208-03-227
Sale Price:	\$225,000	Sale Date:	Mar., 2013
Price Per SF:	\$44.58/SF	Instrument:	WD
Grantor:	Marin		
Grantee:	Baird Dev LLC		
Terms of Sale:	Cash to Seller		
Site Area:	5,217 SF, or 0.12 acres		
Zoning:	C-3, Commercial, Globe		
Building Area:	5,047 SF	Year Built:	1910
Condition:	Average	Site Coverage:	Zero Lot Line
Confirmation:	Public Records		
Comments:	General commercial building utilized as retail in downtown Globe. Phoenix Welding Supply occupies about 2/3 of space (was tenant before and after the sale), at corner of Cedar and Pine Streets. Vida e Coffe shop occupies balance. Block constructed, flat built-up roof.		

IMPROVED COMPARABLE NO. 4



Property Type:	Commercial Building		
Address:	200 N. Broad St.		
City:	Globe	Tax Parcel No:	208-03-211
Sale Price:	\$135,000	Sale Date:	Mar., 2011
Price Per SF:	\$54.95/SF	Instrument:	WD
Grantor:	Staley		
Grantee:	Globe Farm Holdings LLC		
Terms of Sale:	Cash to Seller		
Site Area:	2,500 SF, or 0.06 acres		
Zoning:	C-3, Commercial, Globe		
Building Area:	2,457 SF	Year Built:	1900
Condition:	Average	Site Coverage:	Zero Lot Line
Confirmation:	Public Records, Knowledgeable Party		
Comments:	Commercial building in downtown Globe. Had been Copper Hills Jewelry and Gifts, mostly open retail space. Building sat vacant for a time after the new owners purchased it in 2011 (took time to get approvals, etc.), then was improved by the owners as Globe Pharmacy, a medical marijuana concern, once approvals were in place. Moderate new TI's.		

IMPROVED COMPARABLE NO. 5



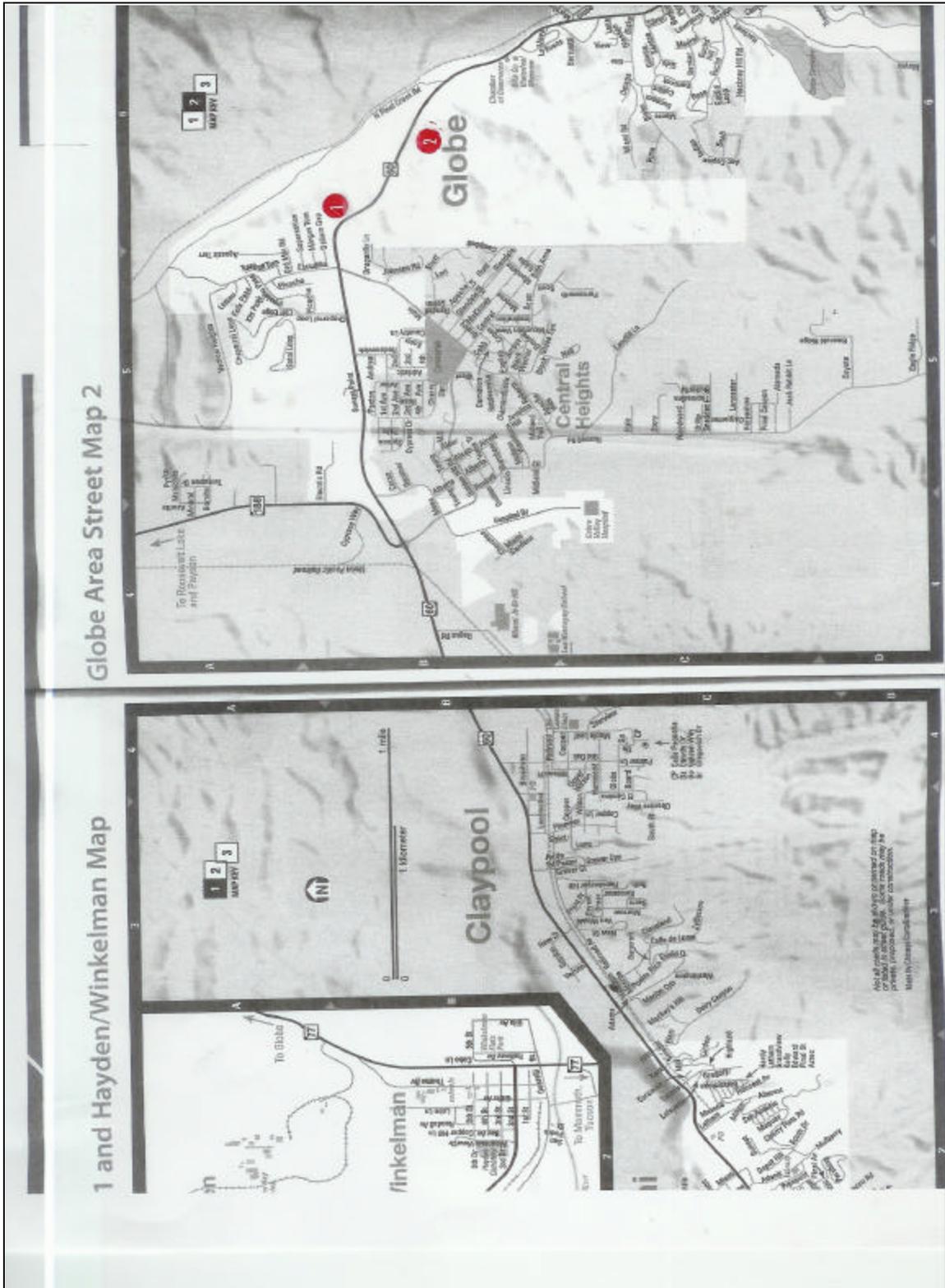
Property Type:	Commercial Building		
Address:	669 N. Broad St.		
City:	Globe	Tax Parcel No:	208-03-044B
Sale Price:	\$80,000	Sale Date:	Dec., 2012
Price Per SF:	\$41.80/SF	Instrument:	WD
Grantor:	Brazil		
Grantee:	High Desert Humane Society		
Terms of Sale:	Cash to Seller		
Site Area:	6,480 SF +/-, or 0.15 acres		
Zoning:	C-3, Commercial, Globe		
Building Area:	1,914 SF	Year Built:	1910
Condition:	Below Average	Site Coverage:	Zero Lot Line
Confirmation:	Public Records, Buyer		
Comments:	<p>Older, two-story commercial building in downtown Globe. Had been thrift store earlier. First floor (about 957 SF) was the store, second floor had been small apartment in past. Building also includes unfinished basement which is not considered in price/SF calculations or total of 1,914 SF size. Seller, Brazil, bought the building in January of 2012 as an investment for \$59,000 and leased it to High Desert Humane Society, as a cat rescue center. Humane Society then bought the building from Brazil in December, 2012, and are using it as owner-occupants.</p>		

IMPROVED COMPARABLE NO. 6



Property Type:	Commercial Building		
Address:	520 S. Hill St.		
City:	Globe	Tax Parcel No:	208-03-100A
Sale Price:	\$324,000	Sale Date:	Apr., 2011
Price Per SF:	\$90.00/SF	Instrument:	SWD
Grantor:	Wilson Management Inc.		
Grantee:	BDPEC Medical Properties LLC		
Terms of Sale:	Cash to Seller		
Site Area:	20,909 SF, or 0.48 acres		
Zoning:	C-3, Commercial, Globe		
Building Area:	3,600 SF	Year Built:	2003
Condition:	Good	Site Coverage:	17%
Confirmation:	Public Records, Broker		
Comments:	Retail building had been video store. Block constructed, flat built-up roof. Owners converted to good condition medical office, Dulaney Perkins Eye Center. Good TI's. Located on main arterial just east of downtown Globe, good exposure to traffic.		

MAP OF IMPROVED COMPARABLES



SUMMARY OF IMPROVED COMPARABLES

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Type:	Cmrc'l Bldg	Cmrc'l Bldg	Cmrc'l Bldg	Cmrc'l Bldg	Cmrc'l Bldg	Cmrc'l Bldg	Cmrc'l Bldg
Address:	157 S. Broad St.	2005 Hwy 60	1780 N. Broad St.	191 W. Cedar St.	200 N. Broad St.	669 N. Broad St.	520 S. Hill St.
City:	Globe	Globe	Globe	Globe	Globe	Globe	Globe
Sale Price	\$	207,000	\$	80,000	\$	225,000	\$
\$/SF		\$90.79		\$31.91		\$44.58	
Ppty Rights:	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Sale Terms:	Cash	Cash	Cash	Cash	Cash	Cash	Cash
Sale Cond.:	Typical	Typical	Typical	Typical	Typical	Typical	Typical
Sale Date:		Mar-13	Dec-13	Mar-13	Mar-11	Dec-12	Apr-11
Impr. SF:	7,730	2,280	2,507	5,047	2,457	1,914	3,600
Year Built:	1929	1990	1967	1910	1900	1910	2003
Bldg Cond.:	Average	Good	Fair	Average	Average	Below Avg	Good
Stories	2	1	1	1	1	2	1
Site Size (SF):	3,992	22,216	17,424	5,217	2,500	6,480	20,909
Site Size (Ac.):	0.09	0.51	0.40	0.12	0.06	0.15	0.48
Site Coverage	Zero LL	0.10	0.14	Zero LL	Zero LL	Zero LL	0.17

DISCUSSION AND ANALYSIS OF COMPARABLE SALES

The preceding comparables have been utilized in this valuation of the subject property, representing recent sales of similar commercial buildings in Globe. The comparables have been summarized in the comparable sheets, photographed, and mapped for the reader's reference. The comparables are market sales and were confirmed when possible with parties to or familiar with to them, and represent the best, most recent, and most appropriate data in the form of comparable sales for use in the analysis, and are consistent with additional sales considered but not utilized by the appraiser.

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.

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 (2012-14), to slightly declining before that (2010-11), as discussed earlier. As such, downward adjustments are made to the 2011 sales, as shown. The market has remained essentially unchanged over the past 3 month period.

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. Based on these differences between the subject and comparables, the indicated adjustments have been made. The subject enjoys a good location in downtown Globe, and the comparables which are also located in downtown Globe (but for No. 3, which is off the main street) are not adjusted for location. For the balance of the comparables, the noted adjustments have been made, with Nos. 1 and 6 being considered superior to the subject, and No. 2, while having highway frontage, being considered similar due to lesser visibility what with smallness of site and adjacent uses.

Size adjustments relate to economies of scale, with smaller properties tending to sell for more on a price per unit basis. The subject is 7,730 SF in size while the comparables range in size from 1,914 to 5,047 SF, and are adjusted accordingly.

The comparables are also adjusted for age, with newer properties tending to require downward adjustments for this superior characteristic. The subject was built in 1929, with the comparables having been constructed between 1900 and 2003, as shown. Adjustments are made accordingly. Please see additional discussion on this topic in the letter of transmittal section.

The comparables are additionally adjusted for condition, which takes into account the quality and condition of a property, its construction materials, market appeal, and similar factors. The subject's condition is considered average and has been described and discussed in greater detail in the report, including the letter of transmittal section. The comparables vary in condition from below average to good, and are adjusted accordingly.

Site coverage ratio relates to the amount of site area of a property vs. improved area. A larger site coverage ratio indicates a smaller site area vs. improved area and is an inferior characteristic. The subject and comparables include both zero lot line properties (in downtown Globe, with the properties abutting adjacent properties and occupying their entire sites and including off-site parking) and properties where the building only occupies a portion of the site and the site includes on-site parking. The zero lot line comps are not adjusted to the subject, which is also zero lot line; as for the balance of the comps, their site coverage ratios are considered within market norms, and no adjustments are warranted.

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. However, in the case of the subject property and comparables, no adjustments are considered warranted at this level in the adjustment process.

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 on the following page.

IMPROVED COMPARABLE ADJUSTMENT GRID

Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Sale Price	\$207,000	\$80,000	\$225,000	\$135,000	\$80,000	\$324,000
\$/SF (UNADJ.)	\$90.79	\$31.91	\$44.58	\$54.95	\$41.80	\$90.00
Ppty Rights Conv	0%	0%	0%	0%	0%	0%
Adjusted Price	\$90.79	\$31.91	\$44.58	\$54.95	\$41.80	\$90.00
Terms of Sale	0%	0%	0%	0%	0%	0%
Adjusted Price	\$90.79	\$31.91	\$44.58	\$54.95	\$41.80	\$90.00
Conditions of Sale	0%	0%	0%	0%	0%	0%
Adjusted Price	\$90.79	\$31.91	\$44.58	\$54.95	\$41.80	\$90.00
Market Conditions	0%	0%	0%	-10%	0%	-10%
ADJ PRICE - 1ST LEVEL	\$90.79	\$31.91	\$44.58	\$49.45	\$41.80	\$81.00
Location Adj.	-5.0%	0.0%	5.0%	0.0%	0.0%	-5.0%
Bldg SF Adj	-20.0%	-20.0%	-10.0%	-20.0%	-25.0%	-15.0%
Yr Blt Adj.	-15.0%	-10.0%	5.0%	5.0%	5.0%	-20.0%
Condition Adj.	-10.0%	20.0%	0.0%	0.0%	5.0%	-10.0%
Site Cov Adj.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Adj.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Adjustment	-50.0%	-10.0%	0.0%	-15.0%	-15.0%	-50.0%
Gross Adjustment	50.0%	50.0%	20.0%	25.0%	35.0%	50.0%
ADJ. \$/SF	\$45.39	\$28.72	\$44.58	\$42.03	\$35.53	\$40.50
Avg Adj \$/SF	\$39.46					

Final Estimate of Value Via Sales Comparison Approach

As noted, the comparables provided a pre-adjusted price range of from \$31.91/SF to \$90.79/SF. After the noted adjustments were made, the adjusted range in prices was from \$28.72/SF to \$45.39/SF. The average adjusted price was \$39.46/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, and also noting that emphasis is placed toward the lower end of the adjusted range, as discussed in the letter of transmittal section, the appraiser has estimated the value of the subject, via the Sales Comparison Approach, to be as follows:

$$7,730 \text{ SF} \times \$34.00/\text{SF} = \$262,820, \text{ rd., } \$260,000$$

(TWO HUNDRED SIXTY THOUSAND DOLLARS)

RECONCILIATION AND FINAL VALUE ESTIMATE

In the Reconciliation section, the value indications from the approaches utilized are summarized, and from them a final reconciled value estimate derived. In the case of the subject, only the Sales Comparison Approach was utilized, as discussed earlier. The Income Capitalization (but for abbreviated pro forma) 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	\$260,000

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

TWO HUNDRED SIXTY THOUSAND DOLLARS
(\$260,000)

Special Note:

The Income Capitalization Approach is considered, in form of an abbreviated pro forma only, as test of reasonableness against the value via the Sales Comparison Approach, and considers the income (NOI) potential of the subject.

The appraiser made inquiries with local realtors and knowledgeable parties, including Mr. Thomas Thompson, an attorney and property owner of long standing. Rents ranged generally from \$.40/SF/mo. to \$1.50/SF/mo. for best quality space (small medical suites). Properties are leased on a modified gross basis in Globe, with the landlord picking up real estate, insurance, major repairs, management, and miscellaneous expenses, and tenants their own utilities. Market rent blended for the subject of \$.70/SF/mo. (with its first floor space renting for more and second floor space for less), was determined reasonable from the analysis, plus 15% vacancy in the current soft market, and landlord-incurred expenses of \$3.50/SF, capped at 11% (OAR) as reasonable for the current market and small town. The value indication is thus as follows:

Subject Pro Forma

PGI: 7,730 SF x \$.70/SF x 12 mos. =	\$ 64,932
Vac @ 15%	<u>\$ 9,740</u>
EGI:	\$ 55,192
Less Exp @ \$3.50/SF =	<u>\$ 27,055</u>
NOI:	\$ 28,137
Divided by OAR @ 11%	\$255,791
Rd.,	<u>\$255,000</u>

Value indication via pro forma is \$255,000 as shown, which is supportive of the value via the Sales Comparison Approach of \$260,000.

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.

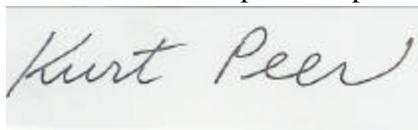
The client authorizes disclosure of all or any portion of this appraisal report and the related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the bylaws and regulations of said Institute hereafter in effect.

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.

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 performed an appraisal of the subject property for this client on May 2, 2014, but have not provided any other appraisals or professional services on the subject property within the three years prior of the effective date of valuation herein.
- No one provided professional assistance to the person signing this certification.



Kurt Peer
Certified General Real Estate Appraiser
AZ Cert. #30329
Date: August 11, 2014

APPRAISER'S LICENSE

