

Nagy Property Consultants, Inc.

Real Estate Appraisal • Investment Analysis

October 2, 2014

Mr. Dennis Lindsey, Real Estate Manager
Maricopa County Department of Finance
Real Estate Services
301 West Jefferson Street, Suite 960
Phoenix Arizona 85003

Re: Basement Level Lease Space
Technology Lease Space, 64 s.f.
Chambers Building
301 South 4th Avenue
Phoenix, Arizona

Dear Mr. Lindsey:

At your request and authorization, I have conducted an analysis of the above referenced property for the purpose of rendering a current opinion of the market rental rate. This is a limited scope appraisal analysis, presented in a summary format, addressing rental rates for the specific basement level component of the property, described as Technology Lease Space. It is analyzed as if leased as a single space of approximately 64 s.f. as a chain link fence enclosed area, serviced by electricity, air conditioning, and other basic building services, plus fiber optic conduit points. This current analysis is not intended to be a complete appraisal on the full property. The intended use of this analysis is to provide the client with an estimate of market rental rate for the property, to be used in negotiation between the owner, and existing tenant. The intended user of the report is Maricopa County, as property owner and the client. The effective date of appraisal is September 5, 2014.

Introduction/Scope of the Appraisal/Assumptions:

The subject property consists of a 64 s.f. segment of a multiple user general commercial use building, known as the Chambers Building, located at 301 South 4th Avenue, Phoenix. The appraisal addresses estimated market rental rate (market rent) for the property. Market rent is defined as:

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby:

1. Lessee and lessor are typically motivated.

2. Both parties are well informed or well advised, and acting in what they consider their best interests.
3. A reasonable time is allowed for exposure in the open market.
4. The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract.
5. The rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction.

To accomplish the intended purpose of the appraisal, the appraiser has inspected the subject property and the surrounding neighborhood, collected and considered pertinent demographic, economic, governmental and environmental data, analyzed supply, demand, and absorption trends and the effect that these forces have on the subject property. The appraiser has collected, confirmed, and analyzed pertinent market data necessary for a conclusion of value. The property description is based on a specific site inspection, and general information provided by the property management representative. The analysis analyzes the property as if it is specifically suitable for technology oriented use, for the existing use to accommodate computer communication and processing equipment connected to fiber optic lines that service the building and connect via conduit access points at the lease space, or alternatively for storage or other general use of the space consistent with uses in this and other buildings.

The appraisal recognizes several specific assumptions of the property as follows:

1. The subject lease space is a basement segment of the building, segregated as a 8 foot by 8 foot chain link fenced area, totaling 64 s.f. It is accessible from the exterior common area key card secured front door, at street/sidewalk level, then accessed within the building by interior stairway and elevator. The area calculation is for the usable area, with no common area load factor in area calculation.
2. The lease space is part of a larger sized room, with electric utilities servicing equipment within the space, air conditioning and connectivity to fiber optic lines via conduits directly to the space. The space has access to common area corridors, restroom, and other building facilities. No parking arrangements are included, other than those commonly available to the public.
3. The property is appraised as if it is marketed under conventional marketing methods, typically using real estate professionals to adequately expose the property, then negotiate with prospective tenants on a case by case basis.
4. It is assumed that the property is not subject to unusual environmental considerations that hinder the typical use of the property.
5. Typical terms of a proposed lease for general use commercial space in an office or other commercial building in this downtown Phoenix market area, are assumed to be for a 5 year time period, with modest annual escalations, and a full service lease language relating to property operating expenses, consistent with lease terms associated with typical competitive full service properties in this area. Under the full service type of lease agreement, the tenant pays a single base lease rate, with all property operating expenses paid by the building owner/landlord. Communication charges for fiber optic services are paid by the tenant. It is noted that operating

expenses for mixed-use buildings of this type, as the operating expense charges, often range from approximately \$8-\$12/s.f., on an annual basis, as a component part a full service lease rate.

Location/Market Characteristics:

This limited scope appraisal report is prepared in a summary format. A detailed descriptive section addressing location characteristics of the State of Arizona, the Phoenix metropolitan area, and the local submarket of the subject property is not provided within the text of this report, beyond a synopsis of information provided below. Further information is retained in the appraisal file. It is assumed that the users of this report have reasonable and appropriate knowledge relating to location issues. Reference is made to location maps included as addenda exhibits attached to this report.

The subject property is located in the downtown Phoenix portion of the Phoenix metropolitan area, within the south part of the Central Business District. Phoenix is the state capital and dominant city in this region, with a population of approximately 1,500,000 persons. This is a growth-oriented area, which has historically experienced a very strong progression in population growth. The entire metropolitan area has an estimated total population of approximately 3.6 million persons. The population had historically increased at a rate of 2.5-3.5% per year. The growth has slowed to much lower levels during the difficult economic time period of 2007 to 2011, with recent increases. The pace of population growth is likely to resume at a rate near recent historic levels, in the future, as economic and real estate market conditions improve. Of particular importance is job growth progression, which had been at strong levels prior to the recent recession, at minimal or negative levels in 2007 to 2011, then gradual recovery since that time.

The subject property is specifically located in the south central portion of the downtown Phoenix area, on 4th Avenue, at the southeast corner of Jackson Street. This downtown central business district area is the original core area of commercial development activity and local government functions. It is characterized by a combination of private sector offices, governmental service office and court facilities, sport and entertainment venues, education facilities, plus retail and residential uses. The immediate area of the subject identifies with cluster of low-rise and mid-wise buildings used for government service functions, with a significant cluster of municipal and private sector office buildings, courthouse, and other mixed use properties in this area. The properties vary in their marketability and use potential, with Class A, B, and C appeal. Moderate metropolitan area economic conditions persist; the metro office market vacancy has recently declined to an average of approximately 20%, with the subject downtown Phoenix office submarket at approximately 15% vacancy, as one of the stronger submarket areas. Construction of major sports venues, expansion/new construction of Civic Plaza, Metro Light Rail construction, and significant expanding presence of TGen and Arizona State University downtown campus, medical school facilities associated with the University of Arizona, have bolstered general downtown CBD commercial activity. Vacancy factors in all types of commercial space have increased in downtown submarket, at a slower rate than in the most distressed submarket areas. Two new large projects, as the CityScape complex, and an office building at the northeast corner of Central Avenue and Van Buren Street, have been completed in the past several years, increasing the mass of business activity.

The subject property is specifically located at the southeast corner of 4th Avenue and Jackson Street. These are both local access streets in the south peripheral part of the downtown area. Commercial visibility of the property is good, on streets with a moderate to low level of traffic. The property is north of a former Union Station train depot building, where no train operations exist, and the property is used for a quasi commercial/industrial use by Sprint. A large county jail facility on a full city block is to the north, with a cluster of significant Maricopa County administrative and courthouse buildings to the north and east. Mature industrial/commercial buildings are to the west. This location has a service commercial character, 4 to 8 blocks southwest of the core area of commercial high rise building activity in downtown Phoenix, and 4 to 8 blocks west of major sports venues for professional basketball and baseball.

Property Description:

The subject property consists of space within the basement level of Chambers Building, also known as Telecom Center Phoenix, a three level plus basement commercial-industrial containing approximately 126,500 s.f. building, built in approximately 1923. It is situated on a land parcel that is zoned DTC, permitting a wide variety of commercial uses. Reference is made to photographs attached to this analysis. It was originally built as a multi-level mixed use facility, potentially for combination retail, office and warehouse use, as strategically located adjacent to the Union Station railroad depot. The building is of concrete and masonry design, in a Spanish colonial revival design. It was one of several buildings that was to take advantage of local railroad shipping business, and passenger traffic exiting the train station. A majority of the space was used by Chambers Transfer & Storage (later named Chambers Moving & Storage, before merging into Mayflower trucking). Local train use declined dramatically after several decades, and freight operations moved to other locations. Use of the building changed to general use commercial and office space over time, with an emphasis on technology oriented uses, as the building has very good power availability, and direct access to fiber optic communication connections. The building has historic designation, listed on the National Register of Historic Places. Significant portions of the building are occupied by data center/technology divisions for Maricopa County, the current building owner. The interior of main portions of the building is currently built out as air conditioned office space, with drop ceiling and recessed lighting, and carpeted floors. Access between floors is by passenger elevator and stairways. The building has common area restrooms. Significant segments of the interior has the character of Class B-C office space, with a moderate functional level of maintenance and appearance. The basement area has a combination of air conditioned use areas, for general commercial use, storage, and technology oriented use areas with electrical access and availability of fiber optic connections.

As previously stated, the subject lease space is a basement segment of the building, segregated as a 8 foot by 8 foot chain link fenced area, totaling 64 s.f. It is accessible from the exterior common area key card secured front door, at street/sidewalk level, then accessed within the building by interior stairway and elevator. The lease space is part of a larger sized room, with electric utilities servicing equipment within the space, air conditioning and connectivity to fiber optic lines via conduits directly to the space. This particular space is used by the tenant for operation of automated computer equipment/servers/communication devices, with electric connections and connection to fiber optic communication lines. It is essentially un-manned, except for maintenance of the equipment. The space has access to common area corridors,

restroom, and other building facilities. Reference is made to photographs and property exhibits as an attachment to this report.

Comparison Property Analysis:

The analysis of the estimated market rental rate of this property involves investigation of comparison property rental rate activity. This information is derived from several sources such as listing information from Loopnet, CoStar, and personal interviews with real estate brokers and other leasing representatives at a variety of local properties. The analysis targeted basement level space in various downtown Phoenix commercial buildings, including office complexes, general commercial use buildings, and storage buildings. Despite extensive survey of downtown Phoenix buildings, information from local properties was very limited, with none specifically set up for data service use similar to that of the subject property. Adjustments of the available data is appropriate.

The appraiser also investigated leasing activity in “Data Center” or “Colocation” facilities, as this type of facility accommodates automated computer and communication equipment on a large scale for multiple users, similar to the use of the subject property space. These are typically secure facilities, with extensive and redundant electrical service, air conditioning, and communication access (fiber optics, T-1 lines, etc.), accommodating large and small users. This type of space is often used by private and public entities for disaster recovery functions, and also by cloud service providers. Space in these facilities is often in extensive cabinet configurations, as cubic feet of space catered specifically for the electrical consumption and communication requirements of the user, rather than in individual rooms. Some users are very large, and take major components of buildings. None of this specific type of facility was discovered in the local submarket area. General rates for this type of space, if equivalent to ground floor space can be at \$25 to over \$50 per square foot, full service.

As a matter of perspective, the client indicates that the existing user has been in place for several years, and pays a current rate that is equivalent to approximately \$25/s.f., full service.

The following is a summary of lease activity derived from the current analysis. A map of these properties are included as an attachment to this report.

<u>Comp</u>	<u>Location</u>	<u>Type of Space</u>	<u>Rate/S.F./Year</u>
1	101 N First Avenue	Basement Storage, High rise building	\$12.00 ¹
2	111 W Monroe	Basement Storage, High rise building	\$12.00 ²
3	NWC Jackson/First Street	Mini- Storage	\$7.80 ³
4	2 North Central Ave	Basement Storage, High rise building	\$8.00-\$20.00 ⁴
5	25 West Jefferson Street	Basement Storage, Mid rise building	\$6.00 ⁵

As indicated, our investigation of market activity did not reveal lease information for space in downtown area buildings that closely matches the subject property space, as a basement use area, suitable for telecom related activities, with air conditioning, electric service connection, and direct access to fiber optic communications, in a secured building environment. The closest comparisons are finished basement or other general use areas in other buildings, that are adaptable for storage and general low intensity commercial use, with rates adjusted upward for the full air conditioning, electric, and telecommunications access. This does not include rates for fully improved office space. The information summarized above indicates that the overall range in lease rates is between approximately \$6.00 and \$20.00/s.f., and \$6.00 to \$12.00/s.f. for basement level. Basement level space is typically the low exposure, low intensity use areas, that support the other primary functions of the buildings. If the subject space were simply storage space, within a larger building with Class B-C character, a rate of \$8.00 - \$10.00/s.f. would be appropriate. From this it is appropriate to build up the rate for the extra services offered, as an adequate level air conditioning intensity to accommodate computer equipment, electric service, and telecom network access, along with the secured access nature of the building itself. These items in a relatively small space (without economy of scale for moderate to larger sized tenant spaces), are estimated to contribute an additional \$10.00/s.f. to a lease rate. The combination of these factors, as the base rate at \$8.00-\$10.00/s.f., then the add on amount of \$10.00/s.f. totals \$18.00-\$20.00/s.f. for the subject space. Considering the relatively small size of the space, and the common area access for the balance of the building, a current annual \$20.00/s.f. rate is appropriate, as the estimate of market rent.

The client specifies that a specific lease for the subject property is to be for a 15 year term, payable as a single prepaid payment. The appropriate amount of the payment is estimated based on a financial cash flow calculation. For this, the technique is to project the annual rental

¹ 101 North Building, high rise building complex. Basement area primarily for tenants in other parts of the building, moderate to low intensity air flow, lighting but no electric service or communications access.

² 111 Monroe Building, high rise building complex. Basement area primarily for tenants in other parts of the building, moderate to low intensity air flow, lighting but no electric service or communications access.

³ Space within a multi-level mini storage structure, currently being converted to office and general use commercial use space.

⁴ Renaissance Square, modern style high rise building complex. Basement area rates starting at \$8/s.f. primarily for tenants in other parts of the building, moderate to low intensity air flow, lighting but no electric service or communications access. Other storage in upper level floors at approximately \$20/s.f. in moderate to small odd configuration areas adjacent to office lease areas, rate is a discount from the \$25-30+/s.f. rates achieved for conventional built out office space in the building.

⁵ Luhrs Tower, mature mid rise building complex. Basement area primarily for tenants in other parts of the building, moderate to low intensity air flow, lighting but no electric service or communications access.

amounts over the full term of the 15 year lease, then discount the cash flow for the anticipated lease payments to a present value. Observation of the local rental market indicate that rental rates have been relatively flat over the past several years, and had declined during the difficult economic time period of approximately 2007 to 2011. Recent leases are being written with modest periodic escalation clauses, often at 1% to 3% annual increases, or alternatively based on specific increase change in the Consumer Price Index. For this analysis a 2% annual escalation for the lease rate, beginning with \$20/s.f. annual rate (\$1,280/year) derived in the prior discussion. The following chart shows the projections for the lease payments, with a 2% annual escalation.

<i>Lease Year</i>	<i>Annual Payment</i>
1	\$1,280.00
2	\$1,305.60
3	\$1,331.71
4	\$1,358.35
5	\$1,385.51
6	\$1,413.22
7	\$1,441.49
8	\$1,470.32
9	\$1,499.72
10	\$1,529.72
11	\$1,560.31
12	\$1,591.52
13	\$1,623.35
14	\$1,655.82
15	\$1,688.93

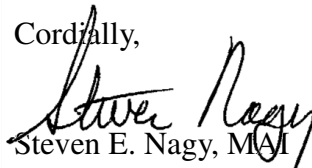
The cash flow for the anticipated 15 year lease is discounted to a present value, using an appropriate yield rate, or internal rate of return. The figure utilized as an appropriate internal rate of return is derived from real estate market observations, and from published real estate market survey information. One specific source is the PwC Real Estate Investor Survey, using the category of the net lease market, as a reasonable comparison for the subject property. Recent results in that real estate investment category indicate a range in discount rates (internal rate of return) of 7.00% to 9.00%, and an average of 7.98%. An 8% rate is appropriate here. Or an 8% discount rate, the present value of the lease payments, if prepaid, is \$12,282. This amount is an indication of the market supported indication of the lease arrangement specified herein, payable as a single prepaid payment

Conclusion:

The preceding analysis presented an analysis of a specific lease scenario for the subject property, based on an anticipated lease. With various factors considered, the appropriate amount for a prepaid lease payment for the property as described, for a 15 year time period is \$12,282, on a full service basis.

The preceding analysis is subject to the Limiting and Contingent Conditions attached to this letter.

Cordially,



Steven E. Nagy, MAI

Arizona Certified General Appraiser 30136

Attachments

Photographs

Property Exhibits

Map

Limiting and Contingent Conditions

Company Profile

Appraiser Qualifications

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 performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this 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.

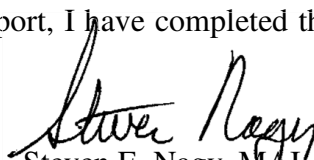
The reported analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice, and also in conformity with the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

I have made a personal inspection of the property that is the subject of this report.

No one provided significant real property appraisal assistance to the person signing this certification, except for Cynthia Nagy, in inspection, research, and analytical capacities.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

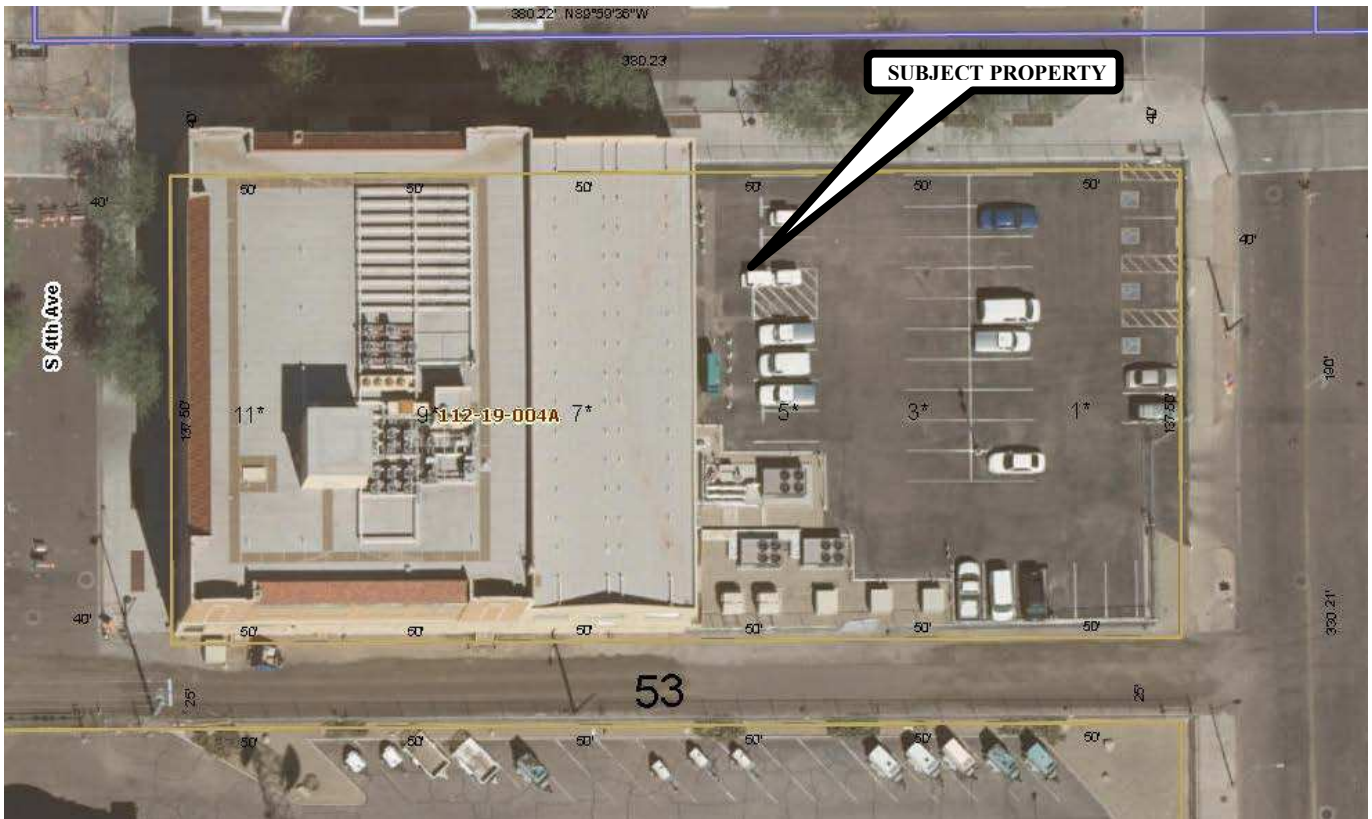
As of the date of this report, I have completed the continuing education program of the Appraisal Institute.


Steven E. Nagy, MAI

ATTACHMENTS

SUBJECT PROPERTY PHOTOGRAPHS

Subject Property Aerial Photo





EXTERIOR VIEWS OF THE SUBJECT PROPERTY





SUBJECT PROPERTY LEASE SPACE, AS THE AREA
WITHIN THE CHAIN LINK FENCED AND LOCKED AREA





CORRIDORS LEADING TO THE SUBJECT PROPERTY LEASE SPACE





INTERIOR ELEVATOR ACCESS



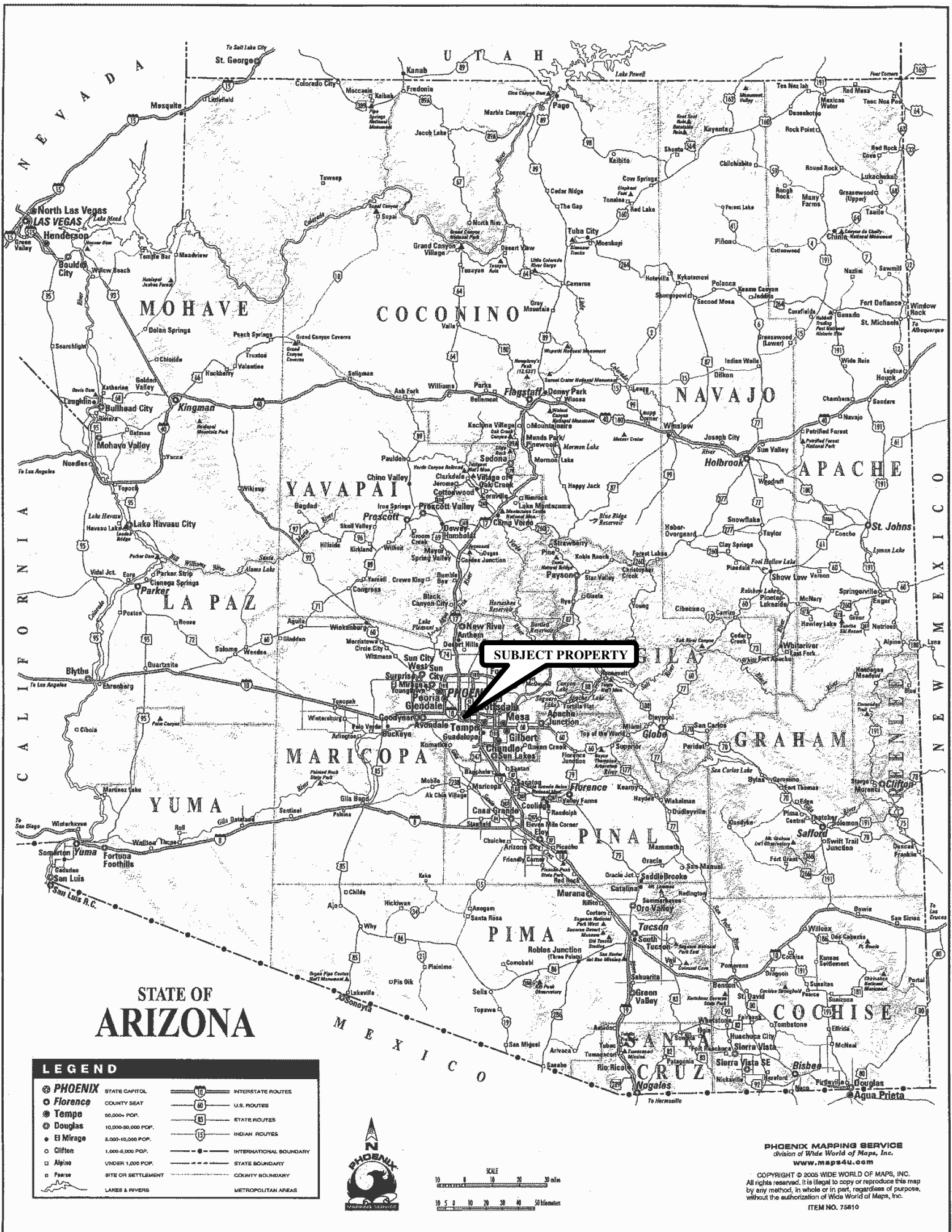
INTERIOR STAIRWAY ACCESS



TYPICAL BUILDOUT OF OFFICE SPACE ON OTHER FLOORS
WITHIN THE SUBJECT PROPERTY BUILDING



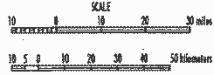
PROPERTY EXHIBITS



STATE OF ARIZONA

LEGEND

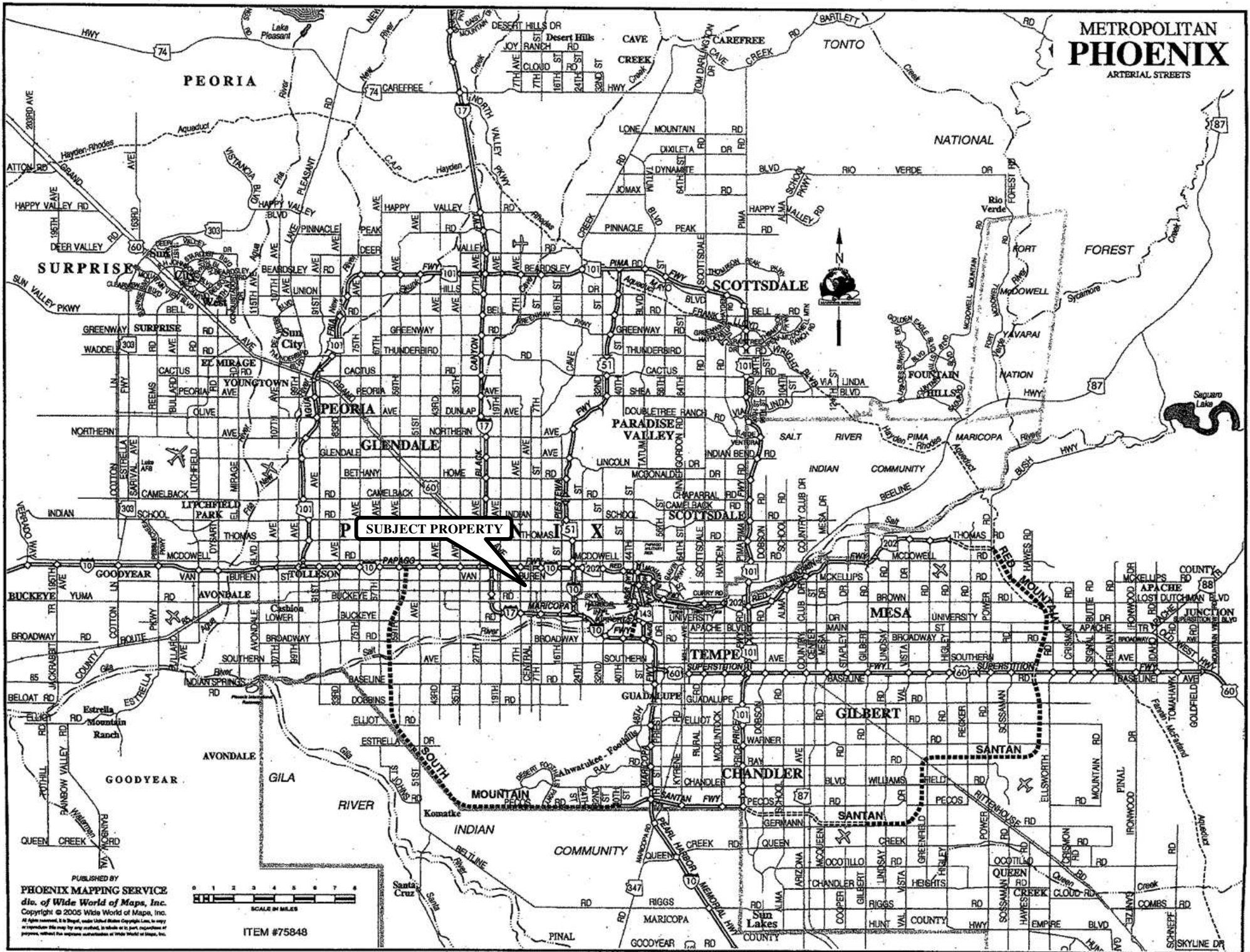
<ul style="list-style-type: none"> ⊙ PHOENIX ⊙ Florence ⊙ Tempe ⊙ Douglas ● El Mirage □ Clifton □ Alpine □ Pearce 	<ul style="list-style-type: none"> STATE CAPITAL COUNTY SEAT 50,000+ POP. 10,000-50,000 POP. 5,000-10,000 POP. 1,000-5,000 POP. UNDER 1,000 POP. SITE OR SETTLEMENT LAKE & RIVERS 	<ul style="list-style-type: none"> INTERSTATE ROUTES U.S. ROUTES STATE ROUTES INDIAN ROUTES INTERNATIONAL BOUNDARY STATE BOUNDARY COUNTY BOUNDARY METROPOLITAN AREAS
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 ITEM NO. 75810

METROPOLITAN PHOENIX

ARTERIAL STREETS



P SUBJECT PROPERTY

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ITEM #75848

Neighborhood Map

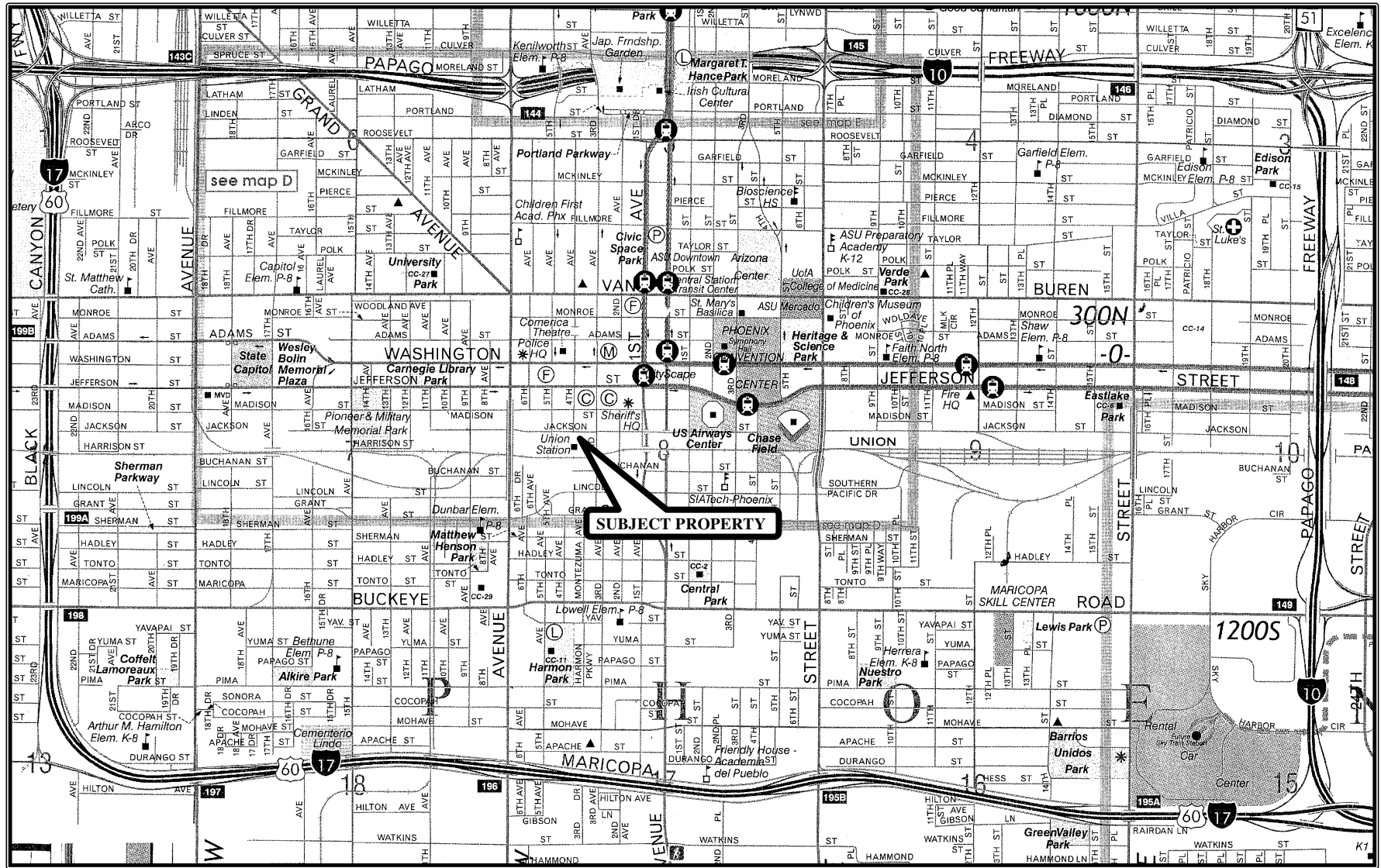


EXHIBIT "B"

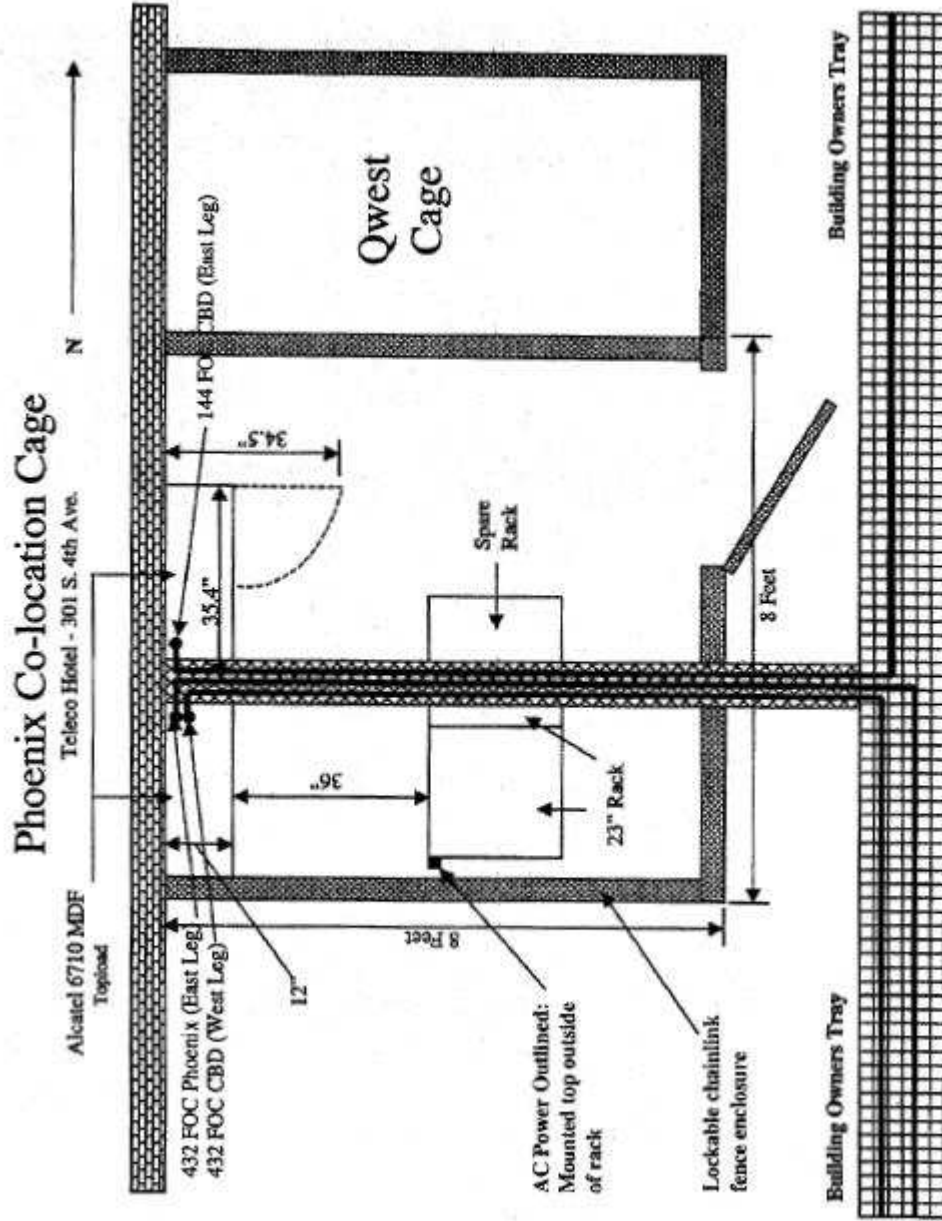
PREMISES AND BUILDING SITE PLAN



CHAMBERS BUILDING
301 South 4th Avenue, Phoenix, AZ

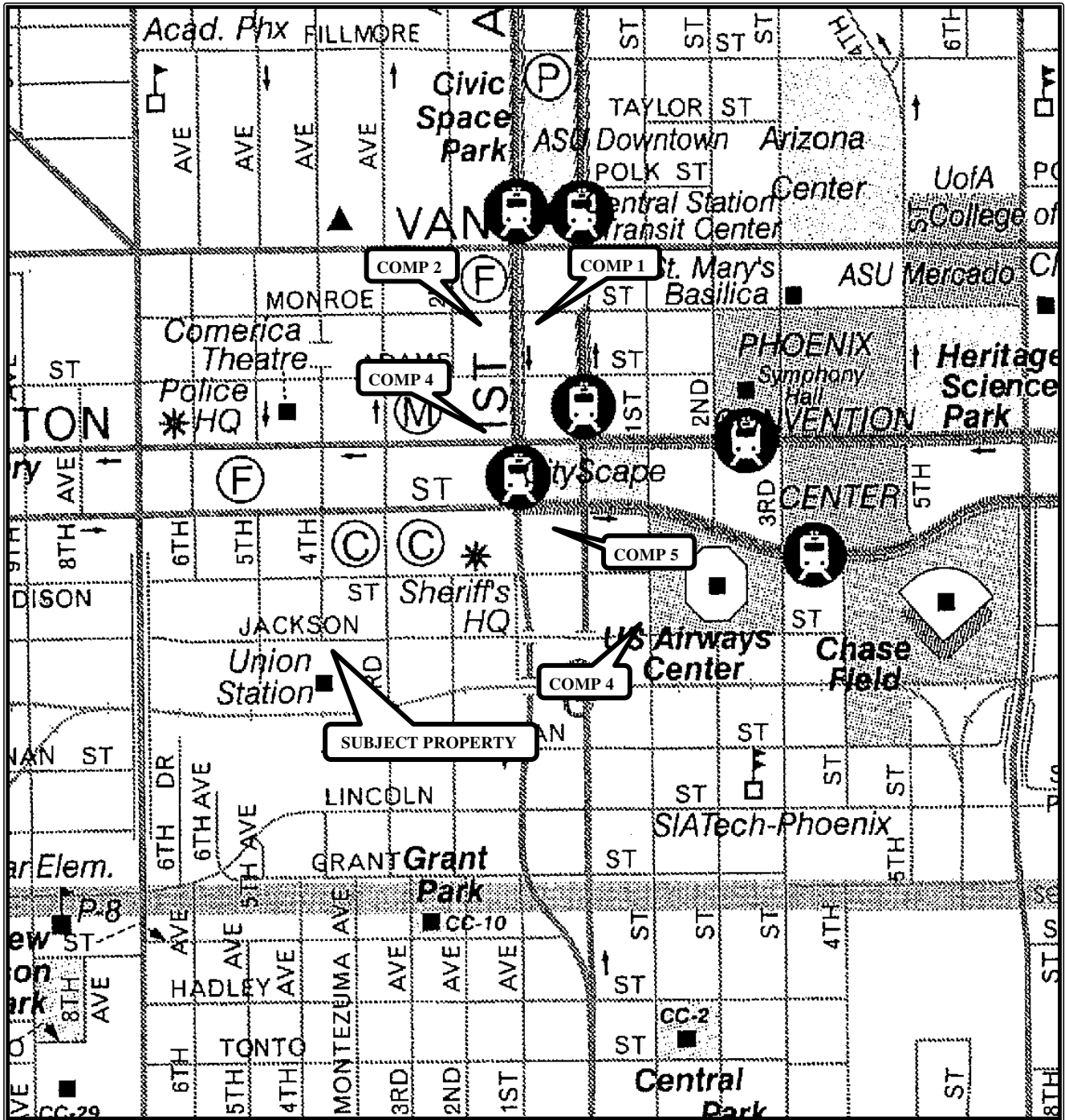
EXHIBIT "B"

PREMISES AND BUILDING SITE PLAN (continued)



LEASE COMPARISON MAP

Lease Comparison Map



LIMITING AND CONTINGENT CONDITIONS

LIMITING AND CONTINGENT CONDITIONS

This appraisal report is subject to the following Limiting and Contingent Conditions:

1. The title is assumed to be held in fee simple, and is good and merchantable. All mortgages, liens, encumbrances, restrictions and servitude have been disregarded unless so specified within the report. No separate consideration has been given to a division of fractional interest, partial interests, or interests of tenants in possession and mortgage holders, excepting as specifically otherwise noted. The property is appraised as though under responsible ownership and competent management, and available for its highest and best use.
2. The appraiser carries no responsibility for legal matters connected with the subject property. The appraiser will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements are made a reasonable time in advance for such additional employment.
3. No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.
4. Information furnished by others is assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser. The appraiser reserves the right to make such adjustments to the valuation herein reported, as may be required by consideration of additional data or more reliable data that may become available.
5. The appraiser assumes no responsibility for economic or physical factors which may affect the opinions herein stated occurring at some date after the date of valuation.
6. Maps, plats, and exhibits included herein are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purposes, nor should they be removed from, reproduced, or used apart from this report.
7. That no opinion is expressed as to the value of subsurface oil, gas, or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials except as is expressly stated.
8. That no opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by a real estate appraiser.
9. That no detailed soil report covering the subject property was available to the appraisers. Therefore, premises as to soil qualities employed in this report are not conclusive. It is assumed that structures can be supported without major soil preparation cost or unusual foundation costs except to the extent considered in cost estimates in this report.
10. Disclosure and discussion regarding property zoning are limited to information available in currently published and readily available zoning maps and zoning ordinances.
11. It is assumed that all required licenses, permits, zoning, clearances, use clearances,

consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.

12. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors.
13. Neither all nor any part of the contents of this report, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales or any other media without written consent and approval of the appraiser. Nor shall the appraiser, firm or professional organization of which the appraiser is a member be identified without written consent of the appraiser.
14. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.
15. If the property has improvements in place, it was assumed to be improved as described herein, in accordance with properly executed plans and specifications. The physical condition of any existing improvements described herein, are based on limited visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the conditions of mechanical equipment, plumbing or electrical components since complete tests were not conducted.
16. No consideration has been given in this appraisal as to the value of any personal property located on the premises, or the cost of moving or relocating such personal property; only the real estate has been considered for valuation.
17. That no warranties are made by virtue of this appraisal as to health and safety problems which may exist or which future evidence may show exists as a result of use of potentially hazardous or substandard material used in the construction or maintenance of the building, except as noted otherwise. The appraiser is not qualified to detect such substances as formaldehyde foam insulation, toxic waste, and/or the existence of asbestos materials which may be present on the property, or adjacent properties. Furthermore, the appraiser is not qualified to conduct a soil or material analysis to detect the possible presence of environmental contaminants at, below, or above the land surface of the site, or from external sources. Known existence of these substances or contaminants may adversely influence property value, and create liability for past, present and future owners and/or tenants. The appraiser accepts no responsibility for these items, or their ramifications on liability, marketability or value. Should the client or any other interested party have concern over the existence of such substances he is urged to retain the services of a qualified, independent engineer or contractor to determine the extent of the condition, and the cost of any required or desired treatment or removal. The cost must be borne by the client or owner of the property, but has not been considered in

the valuation contained herein.

18. It is assumed that the utilization of the land and any improvements is within the boundaries of property lines of the property described and that there is no encroachment or trespass unless noted within the report.
19. If improvements are addressed in this report, the distribution of the total valuation between land and improvements applies only under the reported highest and best use of the property. The allocation of value between land and improvements applies only under the program of property utilization presented, and is invalidated if the appraisal is used for any other purpose or function.
20. The appraiser cannot predict or evaluate potential effects of future wage or price control actions of the government upon rental income or financing of the subject property. It is assumed that no controls will apply which would impact the ability of the property to achieve market revenue, or nullify contractual agreements.
21. Virtually all land in Arizona is affected by pending or potential litigation by various Indian tribes claiming superior water rights for their reservations. The amounts claimed and the effects on other water users are largely undetermined, but the claims could result in some curtailment of water usage or ground water pumping on private land.
22. Statement of Policy. The following statements represent official policy of the *Appraisal Institute* with respect to neighborhood analysis and the appraisal of residential real estate:
 - (a) It is improper to base a conclusion or opinion of value upon the premise that the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.
 - (b) Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.
 - (c) It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped or biased presumptions relating to race, color, religion, sex, or national origin, or upon unsupported presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

23. This appraisal assumes the subject property complies with the requirements of the *ADA, Americans With Disabilities Act*. The appraiser is not qualified to analyze the existing or proposed improvements based on ADA compliance, or the reasonableness relating to modification to create compliance. The value estimate is predicated on the assumption that there is no lack of compliance that would cause a loss in value.
24. This appraisal assumes the subject property, as vacant or as improved, has no historical or archeological significance, unless specifically stated in the report. The value estimate is predicated on the assumption that no such condition exists which would restrict or enhance property rights associated with the property.
25. The projections of income and expenses, including reversion at the time of resale, are not predictions of the future. Rather, they are the best estimate of current market thinking of what future trends may be. No warranty or representation is made that these projections will actually materialize. The real estate market is constantly fluctuating and changing. It is not the task of the appraiser to determine the conditions of future real estate markets, but rather to monitor, analyze, reflect and report what the consensus of the investment community envisions for the future, and upon what assumptions investment decisions are based.
26. Use of the appraisal report by the client, or any other party, for any purpose, constitutes acceptance of the Limiting and Contingent Conditions, and terms relating to authorization or instructions of the appraisal/consulting assignment between the appraiser and the client. Liability of the appraiser, if any, relating to this assignment is limited to the fee paid for services rendered.

COMPANY PROFILE
APPRAISERS QUALIFICATIONS

COMPANY PROFILE
NAGY PROPERTY CONSULTANTS, INC.

Nagy Property Consultants, Inc. is a real estate appraisal and consulting firm in Phoenix, Arizona, that assists in the real estate and lending decision process of banks, life insurance companies, mortgage brokers, asset managers, pension fund advisors, attorneys, government agencies, owners, tenants, etc., regarding valuation and analysis of a wide spectrum of properties. The specific scope of services includes:

Real Estate Appraisal
Expert Witness Testimony
Highest and Best Use Analysis
Project Marketability Analysis
Real Estate Appraisal Review

Areas of Expertise:

Apartments	Vacant Land
Office Buildings	Subdivision Analysis
Medical Office Buildings	Single Family Residences
Retail Projects	Special Use Properties -
Distribution Industrial Buildings	Auto Centers, Churches, Military Bases,
Office Warehouse Buildings	Hotels, Golf Courses, Mini Storage, RV
Master Planned Communities	Resort Parks, etc.

Geographic areas principally involve the Phoenix metropolitan area, additional Arizona locations such as Tucson, Casa Grande, Flagstaff, Sedona, Prescott, and Payson, plus selected areas of California and Nevada.

Background of the Principal - Steven E. Nagy, MAI, CCIM:

MAI Designated Member, Appraisal Institute
MBA Degree, Arizona State University
CCIM Designated Member, Commercial Investment Real Estate Institute
Arizona Certified General Real Estate Appraiser 30136
Appraisal office in Phoenix, Arizona, since 1977, with a research and appraisal staff utilizing a wide array of information services, and contemporary analytical techniques.

Business Affiliations/Clients:

Local and national major lending institutions operating in Arizona
Real Estate Trust and Pension Fund Advisors
Attorneys - Bankruptcy, Eminent Domain, Divorce Settlement Property Analysis
A wide variety of local and national real estate development entities
Government agencies and private parties - Condemnation Acquisition Analysis
A partial list of clients served by the firm are listed on the next page.

COMPANY PROFILE
NAGY PROPERTY CONSULTANTS, INC. (Continued)

The following is a partial list of clients served by the firm:

Chase Bank	National Bank of Arizona
Bank of America	Sunrise Mortgage & Investment
Wells Fargo Bank	KredietBank
Amegy Bank	Vectra Bank
M & I Thunderbird Bank	Keystone Mortgage Partners
Fleet Bank	Roadway Express Co.
KeyBank	Johnson Capital
Arizona State University	GMAC Commercial Mortgage
Trammel Crow Company.	Harris Trust Bank
Aid Association for Lutherans	American Capital Resources
First National Bank of Chicago	Property Reserve, Inc.
Allstate Insurance Company	Evangelical Christian Credit Union
ReliaStar Insurance Co.	Namwest
Standard Insurance Company	Auto-Owners Insurance Company
State Farm Insurance Co.	Sundt Corp.
CUNA Mutual Life Insurance	CitiBank
General Electric Financial Assurance	Salt River Project
Federal Deposit Insurance Corporation	Bureau of Land Management
General Services Administration	United States Army Corps of Engineers
City of Phoenix	Federal Aviation Administration
City of Glendale	Maricopa County Dept. of Transportation
City of Scottsdale	Arizona Department of Transportation
City of Tempe	Flood Control District of Maricopa County
City of Chandler	Phoenix Union High School District
City of Peoria	Treon Strick Lucia & Aguirre
Cavanagh Law Firm	Warner Angle Roper & Hallum
Tielborg, Sanders & Parks	Fennemore Craig
Ryley Carlock & Applewhite	Gust Rosenfeld
Millennium Property & Development Co.	Gallagher & Kennedy
Discount Tire Co.	Snell & Wilmer
Weyerhaeuser Mortgage Co.	Big O Tires, Inc.
United States Department of Agriculture	Trinity Broadcasting Network
GPM Life Insurance	General American Life Insurance Co.
Argent Financial Corp.	Blue Cross/Blue Shield of Arizona

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snagy@ccim.net nagypc.com

QUALIFICATIONS OF STEVEN E. NAGY, MAI

General Education

Master of Business Administration Degree, Arizona State University,
Tempe, Arizona

Bachelor of Arts Degree, Business Administration, Michigan State University,
East Lansing, Michigan

Professional Membership/Qualification

MAI Member, Appraisal Institute,

Member Appraisal Institute Designation (1983), currently certified.

Certified General Real Estate Appraiser 30136, State of Arizona

CCIM Designated Member, Commercial Investment Real Estate Institute

Phoenix Association of Realtors

Arizona Association of Realtors

Licensed Real Estate Salesman, State of Arizona

Qualified as an Expert Witness in Superior Court of Maricopa County, Arizona,
and United States Federal Bankruptcy Court.

Appraisal Experience

1986 to Present - Principal of Nagy Property Consultants, Inc., Phoenix, Arizona. Specializing in the appraisal and marketability analysis of office, retail, industrial, and apartment properties, plus master planned sites, vacant land, and residences, for lending, development consulting, eminent domain, and litigation support purposes.

1977 to 1986 - Staff Appraiser and Consultant for Ryan and Associates, Inc., Phoenix, Arizona. Appraisal of all types of properties with emphasis on commercial, industrial, and multiple-family income producing properties, plus vacant land and single-family residences.

Appraisal Education

Fundamentals of Real Estate Appraisal

Case Studies in Real Estate Valuation

Income Capitalization

Statistical Analysis

Real Estate Law

Financial Spreadsheet/DCF Analysis

Hotel/Resort Valuation

Risk Analysis

Water Rights

Low and Moderate Income Housing

Litigation Valuation

Business Valuation

Fair Lending

Uniform Residential Appraisal Report

Environmental Factors in Appraisal

Uniform Standards of Prof. Appr. Practice

Geographic Information Systems

Subdivision Analysis

Americans with Disabilities Act

Economic Forecast (Annually)

Contact Information

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