



Valbridge
PROPERTY ADVISORS

Appraisal Report

Rillito Park Racetrack Cell Tower Easement

4502 N First Avenue
Tucson, Pima County, Arizona 85718
Part of Parcel 108-19-004A
Within S19 T13S R14E



FOR
Pima County Real Property Services
Mr. Jeffrey Teplitsky
Appraisal Supervisor
201 N Stone Avenue, Floor 6
Tucson, AZ 85701

Valbridge Property Advisors | Tucson

6061 East Grant Road
Tucson, AZ 85712
520.321.0000
520.590.5293 fax

valbridge.com

Valbridge Job No.:
AZ01-18-L-119



6061 E. Grant Road
Suite 121
Tucson, AZ 85712
520-321-0000 phone
520-290-5293 fax
valbridge.com

October 3, 2018

Mr. Jeffrey Teplitsky
Appraisal Supervisor
Pima County Real Property Services
201 N Stone Avenue, Floor 6
Tucson, AZ 85701

RE: Appraisal Report
Rillito Park Racetrack Cell Tower Easement
4502 N. First Avenue, Tucson, Pima County, Arizona 85718
Pima Co Dept. of Information Technology – CTN-IT-CMS-140419
Verizon site name: TUC_MUSTANG PCS SMR (site # 212831)
American Tower Corp. site name: AZTU_Mall AZ (site # 418747)
Valbridge | MJN Job # AZ01-18-L-119

Dear Mr. Teplitsky:

At your request, I have appraised the above-referenced property. This appraisal report sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to my value opinion.

The subject property is a proposed 50-year easement for a cell tower facility located on the Rillito Park Racetrack property that is identified by Pima County Department of Information Technology by contact number CTN-IT-CMA-140419. The property consists of one parcel approximately 30' x 40' for the equipment shelter and another parcel approximately 10'x10' for the monopalm. There is an existing lease of the property; however, this is assumed to be null and void and has been utilized for this appraisal only to identify the property. The appraisal has supported my opinion of the market value of the specified property interest, which would include the right to utilize the property for the purposes of operating and maintaining a cell tower for a period of 50 years from the effective date of value, which is June 1, 2018.

[Client and Intended Users of the Appraisal](#)

The client in this assignment is Pima County Real Property Services. The intended user of this report is Pima County Real Property Services and other parties with an interest in the potential sale and acquisition of the subject property.

Intended Use of the Appraisal

The appraisal will be used as a basis for an open market auction of the specified easement right.

Real Estate Identification

The subject property is a non-perpetual easement interest in the defined property which is identified as follows by various parties:

Rillito Park Racetrack Cell Tower Easement
4502 N. First Avenue, Tucson, Pima County, Arizona 85718
Part of APN 108-19-004A
Pima Co Dept. of Information Technology: CTN-IT-CMS-140419
Verizon site name: TUC_MUSTANG PCS SMR (site # 212831)
American Tower Corp. site name: AZTU_Mall AZ (site # 418747)

Legal Description

A legal description has not been provided.

Real Property Interest Appraised

The appraisal has addressed a non-perpetual/temporary easement interest with a specified term of 50 years.

Personal Property Identification

No personal property (FF&E) has been included in the concluded opinion of value.

Definition of Market Value

Market value is the most probable price that a specified interest in real 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 seller to buyer under conditions whereby:

- a) buyer and seller are typically motivated;
- b) both parties are well informed or well advised, and each acting in what they consider their own best interest;
- c) a reasonable time is allowed for exposure to the open market;
- d) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- e) 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.

12 CFR 34.42(g) (2012).

The definition of market value set forth above is utilized for most federally-related transactions but is considered to be appropriate for general use as well, including this appraisal of the subject property. Use of an alternate definition of market value would not change that results of this appraisal as long as the general terms and conditions were similar.

Effective Date of Value

The effective date of value is June 1, 2018, which was the date of inspection.

Scope of Work

In undertaking this appraisal assignment I completed the following scope of work:

- Identify the property
- Inspect the property
- Research subject and comparable data
- Analyze data
- Report conclusions

Use of Real Estate as of the Effective Date of Value

As of the date of value, the subject property was being utilized as a leased cell tower site.

Ownership and Sales History

Title to the subject site is currently vested in Pima County, a political subdivision of the State of Arizona. There have been no sales of the property over the past three years and the property is not currently reported to be listed for sale or pending sale. Pima County reportedly received an offer to purchase the subject property (easement interest) from a party related to the current lease for a price of \$365,000, although I have not been provided with any additional details of the proposal. This appraisal has been commissioned by Pima County Real Property Services in order to assist in the decisions related to the potential sale of the subject property (easement interest).

The subject site is currently leased by Alltel Communications Southwest Holdings, Inc. (d/b/a/ Verizon Wireless) per the terms of a lease dated March 8, 2005 and most recently amended January 2, 2018 (5th Amendment). This lease is assumed null and void for the purposes of this appraisal.

List of Items Requested but Not Provided

- **None**

Extraordinary Assumptions

- **The subject property is a non-perpetual easement interest that is assumed to have a term of 50 years. The easement would permit the interest owner to develop and maintain a wireless cell tower on the property that is similar to the facility that is currently located on the site.**

Hypothetical Conditions

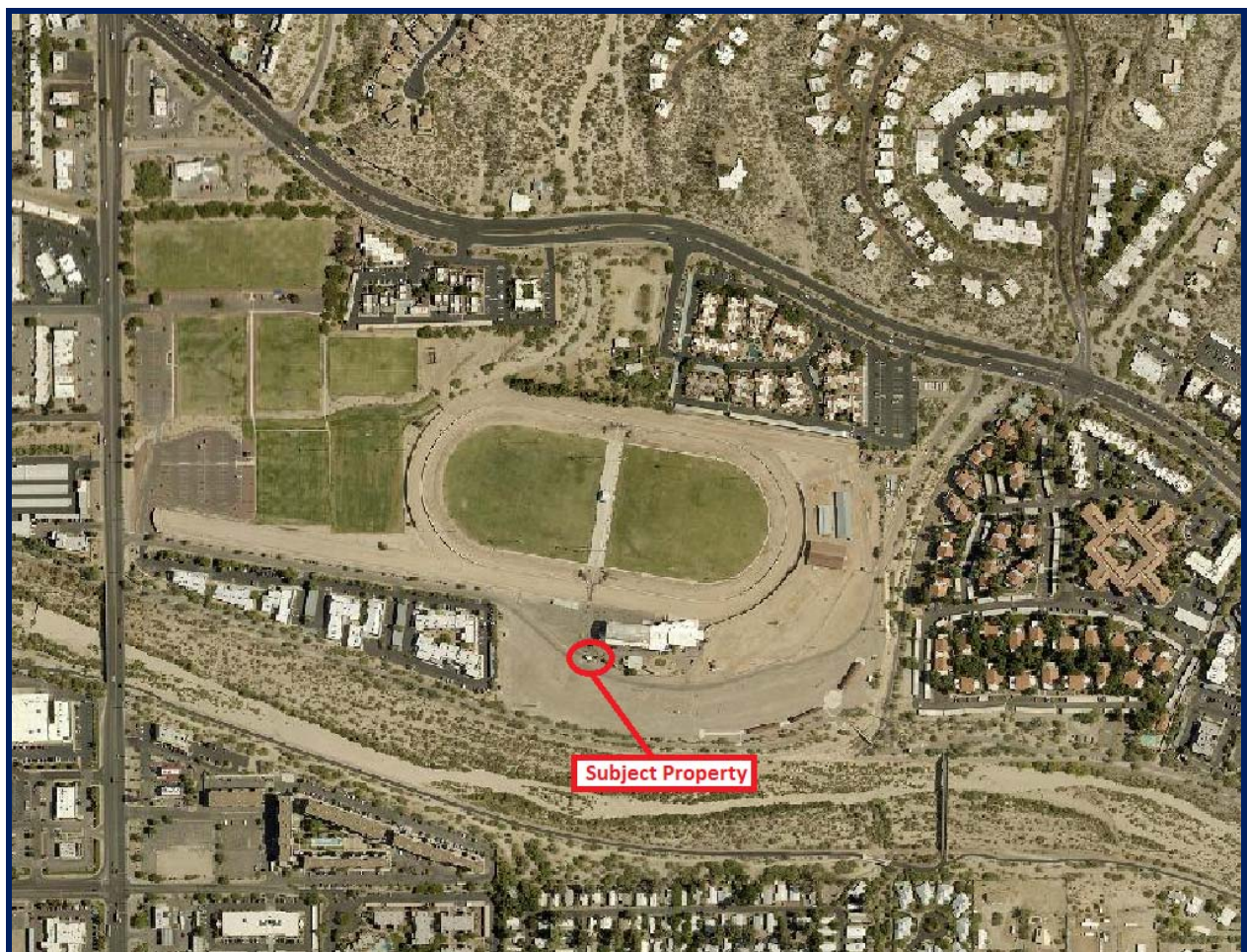
- **The appraisal has assumed that the subject property is not encumbered by the current lease in place between Pima County and Alltel Communications Southwest**

Holdings, Inc. (d/b/a/ Verizon Wireless) and that all existing equipment currently in place has been removed.

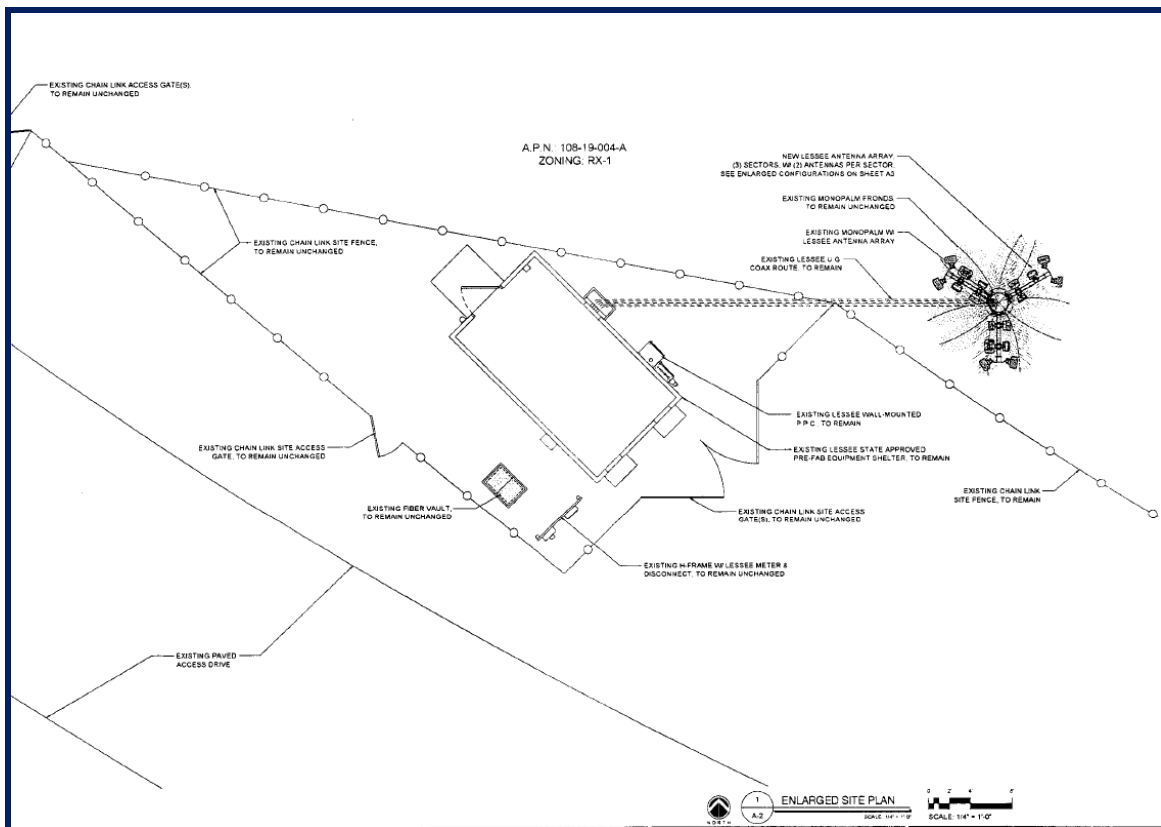
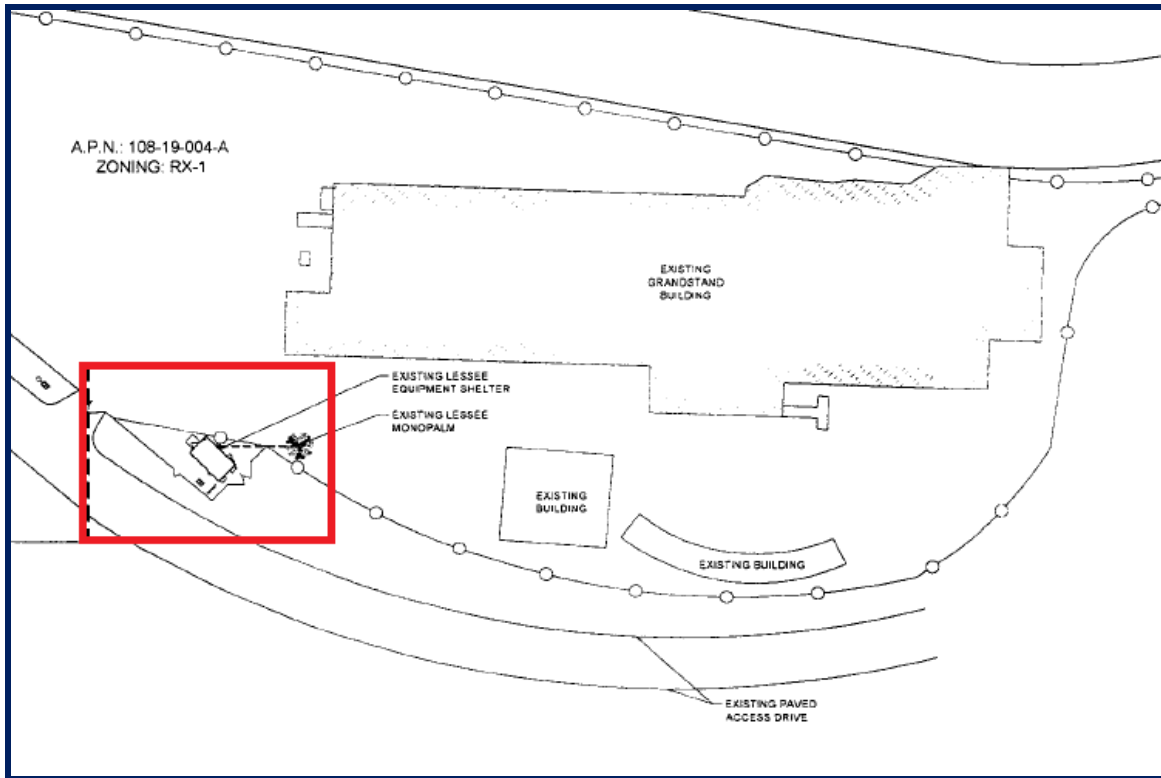
Elimination of or changes to the extraordinary assumptions and/or hypothetical conditions noted above could impact the results of this appraisal assignment.

Property Description

The subject property is a hypothetical 50-year easement for a cell tower facility located on the Rillito Park Racetrack (Rillito Regional Park) property as identified by Pima County Department of Information Technology by contact number CTN-IT-CMA-140419. The property, which is located just southwest of the racetrack grandstands, consists of one parcel approximately 30' x 40' for the equipment shelter and another parcel approximately 10'x10' for the monopalm. Thus, the property includes a land area of approximately 1,300 square feet and is also presumed to include the rights to access the two parcels and to provide cabling between the two parcels. The location of the property is noted by the site plan and other attachments that were part of the Fifth Amendment to the noted lease between Pima County and Alltel Communications Southwest Holdings, Inc. (d/b/a/ Verizon Wireless). The approximate location is shown in the aerial photo and lease excerpts shown below.



RILLITO RACETRACK CELL TOWER EASEMENT



The subject property is part of the larger 87-acre Rillito Regional Park parcel (108-19-004A) and is zoned RX-1, a low-density residential zone that permits some animal and agricultural uses as well as other civic and public uses. Wireless communication uses, limited to wireless communication towers and antennas, are permitted as Special Exception Uses, and have apparently been approved for the subject site. The site is not located within a special flood hazard zone per FIRM map 04019C1678L (6/16/11). Current assessments have no relevance to this appraisal and the property is currently exempt from paying real estate taxes.

The highest and best use of the subject property is considered to be for its current use as a cell tower site since there are no alternative uses that would yield a higher property value.

Appraisal Methodology and Valuation of Subject Property

The subject property is a proposed 50-year easement for a cell tower facility. After consideration of the significant factors, I concluded that its market value would be equal to the present value of the forgone rental payments over the 50-year easement term that would typically be expected if the property were leased over this period of time. This is an application of the Income Capitalization Approach and is considered to be the only reliable method. The sales comparison approach is not applicable due to the general lack of sales of comparable properties. The subject site is a part of the larger 87-acre property and its fee simple interest could be determined through analysis of recent comparable sales; however, this would not be insightful in determining the value of the subject property, which involves an easement interest that could generate rent of \$2,000 per month in the current market environment. Because the subject property does not include any improvements, the cost approach would not be applicable. Therefore, the subject property was valued based on application of the income capitalization approach, and more specifically based on a present value calculation of the rents that would be expected over the 50-year term of the easement.

The assumed market lease terms are summarized as follows:

Term:	50 years
Rent:	\$2,000 per month
Escalations:	3% per year over initial and extension terms
Co-Location:	Permitted with no additional rent payable to landlord (Pima County)
Permitted Uses:	Constructing, maintaining, removing, replacing, securing, and operating a tower communications facility and uses incidental thereto, including, but not limited to, the construction or installation and maintenance of a telecommunications tower, a building, and structural base(s), guy anchors, guy wires, communications equipment, one or more buildings or equipment cabinets, equipment, radio transmitting and receiving antennas, personal property and related improvements and facilities

Operating Expenses: All paid by tenant

The lease terms noted above are considered to be generally reflective of current market standards although the client has requested that the analysis not consider any co-location income, as is presently the case with the existing lease encumbering the subject property. Additionally, because the subject property is an easement interest rather than a leasehold interest, the term has been increased to 50 years rather than the typical 5-year lease term. Recent comparable cell tower site leases are summarized below.

Comparable Cell Tower Leases

No.	Location	Tenant	Lease Date	Initial Term (years)	Monthly Rent	Annual Escalations	Extension Options	Co-Location
1	Rillito Regional Park	T-Mobile	2018	5	\$2,000	3%/yr	6x5 yrs	50% to landlord
2	GV Wastewater Recl. Facility	Sun State Towers III	2017	5	\$2,000	3%/yr	6x5 yrs	50% to landlord
3	Pima County Fairgrounds	Verizon	2016	5	\$2,000	3%/yr	4x5 yrs	100% to tenant, but 100% of new land lease to landlord
4	Tucson Mall area	AT&T	2016	5	\$1,400	2%/yr	4x5 yrs	20% to landlord
5	Tucson Mall area	Verizon	2018	5	\$1,200	2%/yr	4x5 yrs	No provisions in lease

The current lease in place for the subject property was executed in 2005 and reflected an initial rent of \$1,500 per month, with annual CPI-U adjustments. The lease had a 5-year initial term with two 5-year extension options. I estimated that the current rent is equal to \$1,936.53 per month. There were no provisions for payment of additional rent due to co-location income received by the tenant.

Based on the above, the subject easement rights reflect a current market rental rate of \$2,000 per month for the first year, with 3% annual increases.

While reversionary value, the value of the property at the end of the lease, is often included in such calculations, in the present case, this is considered to be insignificant due to the small size of the site and its limited fee simple market value.

The most significant variable is the appropriate discount rate that would be applied in order to convert the income stream (annual rent payments) to a present value. There is limited published or comparable sales data related to temporary easement interests; however, data from purchases of net leased investments and ground leases is considered to be insightful. The PwC National Real Estate Investor Survey (first quarter 2018) indicated a range of discount rates from 6.0% to 10.0% and an average of 8.13% for the "national net lease" market. This includes a wide array of office, industrial and retail properties that are typically leased to national tenants for lease terms of 10 years or more. The survey also indicates a range of overall capitalization rates (initial annual income divided by purchase price) for this sector from 5.0% to 8.5%, with an average of 6.6%.

Sales of ground leases provide insight into overall capitalization rates, which are also useful in the selection of an appropriate discount rate for the subject property.

Ground Lease Sales

No.	Location	Tenant	Sale Date	Price	Site Size (SF)	Cap Rate	Annual NOI	Remaining Term (years)	Extension Options	Escalations
1	6920 E Sunrise	Wells Fargo	Dec-17	\$1,269,500	36,085	4.75%	\$60,300	3.5	5x5 yrs	15% / 5 yrs
2	5601 E Broadway	El Pollo Loco	Apr-17	\$1,800,000	32,139	5.10%	\$91,800	19	Unknown	Unknown
3	12025 N Thorneydale	Chase Bank	Nov-16	\$2,850,000	43,473	4.63%	\$131,955	14	4x5 yrs	10% / 5 yrs
4	15960 S Rancho Sahuarita	Chase Bank	Dec-15	\$2,950,000	34,848	4.85%	\$143,000	12	4x5 yrs	10% / 5 yrs
5	12140 N Dove Mt. Blvd.	Wells Fargo	Sep-15	\$2,118,000	30,928	4.79%	\$101,452	?	4x5 yrs	10% / 5 yrs
6	775 W Sahuarita Rd	McDonalds	Sep-15	\$2,152,000	43,560	3.95%	\$85,000	13	Unknown	10% / 5 yrs

Based on the available data, I concluded that it would be appropriate to utilize a 6% initial discount rate and apply this to the annual rental income that would be received for the first 15 years, and then to increase this by 2% for each subsequent 5-year period. The logic behind the increasing discount rates is that over time the user faces increasing risk that the current cell tower technology will change and that this could render the site obsolete for the current use. This logic could also be justified by an investor since the risk of receiving the rental payments increases over time because the risk of the site becoming obsolete for the current use also increases over time. This discount rates selected for the subject property recognize that the user has the ability to generate additional revenues from co-location users and this puts downward pressure on the discount rates.

The present value calculation is shown on the page that follows.

Present Value Calculation

\$2,000 Monthly Base Rent
3% Annual Rent Growth Rate

6.00%	Annual Discount Rate - Years 1-15	14.00%	Annual Discount Rate - Years 31-35
8.00%	Annual Discount Rate - Years 16-20	16.00%	Annual Discount Rate - Years 36-40
10.00%	Annual Discount Rate - Years 21-25	18.00%	Annual Discount Rate - Years 41-45
12.00%	Annual Discount Rate - Years 26-30	20.00%	Annual Discount Rate - Years 46-50

Lease Year				Lease Year			
Year	Starting June 1	Annual Rent	Present Value	Year	Starting June 1	Annual Rent	Present Value
1	2018	\$24,000.00	\$22,642	26	2018	\$50,250.67	\$2,639
2	2019	\$24,720.00	\$22,001	27	2019	\$51,758.19	\$2,427
3	2020	\$25,461.60	\$21,378	28	2020	\$53,310.94	\$2,232
4	2021	\$26,225.45	\$20,773	29	2021	\$54,910.26	\$2,053
5	2022	\$27,012.21	\$20,185	30	2022	\$56,557.57	\$1,888
6	2023	\$27,822.58	\$19,614	31	2023	\$58,254.30	\$1,003
7	2024	\$28,657.26	\$19,059	32	2024	\$60,001.93	\$906
8	2025	\$29,516.97	\$18,519	33	2025	\$61,801.99	\$819
9	2026	\$30,402.48	\$17,995	34	2026	\$63,656.05	\$740
10	2027	\$31,314.56	\$17,486	35	2027	\$65,565.73	\$668
11	2028	\$32,253.99	\$16,991	36	2028	\$67,532.70	\$323
12	2029	\$33,221.61	\$16,510	37	2029	\$69,558.68	\$287
13	2030	\$34,218.26	\$16,043	38	2030	\$71,645.44	\$255
14	2031	\$35,244.81	\$15,589	39	2031	\$73,794.80	\$226
15	2032	\$36,302.15	\$15,148	40	2032	\$76,008.65	\$201
16	2033	\$37,391.22	\$10,914	41	2033	\$78,288.91	\$88
17	2034	\$38,512.95	\$10,409	42	2034	\$80,637.57	\$77
18	2035	\$39,668.34	\$9,927	43	2035	\$83,056.70	\$67
19	2036	\$40,858.39	\$9,467	44	2036	\$85,548.40	\$59
20	2037	\$42,084.15	\$9,029	45	2037	\$88,114.85	\$51
21	2038	\$43,346.67	\$5,857	46	2038	\$90,758.30	\$21
22	2039	\$44,647.07	\$5,485	47	2039	\$93,481.05	\$18
23	2040	\$45,986.48	\$5,136	48	2040	\$96,285.48	\$15
24	2041	\$47,366.08	\$4,809	49	2041	\$99,174.05	\$13
25	2042	\$48,787.06	\$4,503	50	2042	\$102,149.27	\$11
				Present Value of Cash Flows		\$372,554	
				Cap Rate		6.44%	

The present value of the cash flows over the 50-year term is equal to about \$372,500. Based on the discount rates selected, about 75% of the present value comes from the first 15 years of payments, and this is considered realistic given the risk of technology change. If the first year's income is divided by this present value figure, an overall capitalization rate of 6.4% is indicated. This is compared to the cap rates of the ground lease sales, which ranged from about 4.0% to 5.1%; however, it is noted that all of the ground leases involved functional commercial sites that will have significant value at the end of the ground lease terms and this suggests that the cap rate for the subject property would have to be higher. I felt that the 6.4% cap rate indicated for the subject property was realistic when the lack of significant reversionary value is also considered. While the subject site may have potential to be re-leased or re-sold in the case of an easement interest, there is much greater uncertainty regarding this than there is with the ground lease sales.

Based on my investigation and analyses, I concluded the following:

Value Conclusion

Value Type	Market Value
Property Rights Appraised	50-Year Easement
Date of Value	June 1, 2018
Value Conclusion	\$372,500

Prior Appraisal

I have not appraised the subject property within the past three years nor have I been provided with any prior appraisals.

Exposure Time and Marketing Periods

Marketing and exposure time were each estimated at 6 to 12 months. The subject easement interest involves an attractive cell tower site and would most likely experience strong demand if offered for sale in the open market.

Respectfully submitted,
Valbridge Property Advisors |Tucson



Craig W. Johnson, MAI
Certified General Real Estate Appraiser
State of Arizona Certificate No. 30236
cjohnson@valbridge.com

General Assumptions and Limiting Conditions

This appraisal and appraisal certification are subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for matters legal in character, nor is any opinion rendered by us to title which is assumed to be marketable. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. The stamps and/or consideration placed on deeds/affidavits used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
4. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
5. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
6. Unless expressly specified in this Agreement, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | MJN Enterprises, Inc. is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
7. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
8. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
9. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.

10. The information, estimates and opinions which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
11. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by MJN Enterprises, Inc. Valbridge Property Advisors, Inc. nor any of its affiliates, has not been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. This appraisal was prepared for the sole and exclusive use of the client. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | MJN enterprises, Inc. and Client. We assume no liability for unauthorized use of the appraisal report by a third party.
14. No claim is intended to be expressed for matters of expertise which would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
15. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
16. The value opinion provided herein is subject to any and all predications set forth in this report.
17. If required by governmental authorities, any environmental impact statement prepared for the subject property will be favorable, unless otherwise stated in the report.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. If the appraisal is for mortgage loan purposes 1) we assume satisfactory condition of improvements if construction is not complete, 2) no consideration has been given for rent

loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income & Expense Projection" are anticipated.

20. 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 them.
21. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.
22. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy 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 conclusion contained in this report is based unless specifically stated to the contrary.
23. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
24. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
25. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a

survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.

26. In the absence of a professional Engineer's Feasibility Study, information regarding the existence of utilities is made only from a visual inspection of the site. The Appraiser assumes no responsibility for the actual availability of utilities, their capacity, or any other problem which may result from a condition involving utilities. The respective companies, governmental agencies or entities should be contacted directly by concerned persons.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.
28. This appraisal is not intended to be used, and may not be used, on behalf of or in connection with a real estate syndicate or syndicates. A real estate syndicate means a general or limited partnership, joint venture, unincorporated association or similar organization formed for the purpose of, and engaged in, an investment or gain from and interest in real property, including, but not limited to, a sale or exchange, trade or development of such real property, on behalf of others, or which is required to be registered with the United States Securities and Exchange Commission or any state regulatory agency which regulates investments made as a public offering. It is agreed that any user of this appraisal who uses it contrary to the prohibitions in this section indemnifies the appraisers and the appraiser's firm and holds them harmless of and from all claims, including attorney's fees, arising from said use.
29. Unless otherwise stated in this report, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value conclusion is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
30. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the Americans with Disabilities Act ("ADA") which became effective January 26, 1992. It is possible that a compliance survey of the property, together with an 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 could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.

31. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
32. If any claim is filed against any of Valbridge Property Advisors, Inc. a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
33. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
34. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
35. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
36. It is your responsibility to read the report and to inform the appraisers of any errors or omissions of which you are aware, prior to utilizing the report.
37. Disclosures of the contents of the appraisal report by the Appraiser are governed by the Bylaws and regulations of the professional appraisal organizations with which the Appraiser is affiliated.
38. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes subject to client data confidentiality.
39. All disputes shall be settled by binding arbitration in accordance with the then-existing commercial arbitration rules of the American Arbitration Association.
40. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Certification

I certify that, to the best of my knowledge:

1. The statements of fact contained in this report are true and correct.
2. 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.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest or bias with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My engagement in this assignment and my compensation are 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, approval of a loan, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. Craig Johnson has personally inspected the subject property.
9. No one provided significant professional assistance to the person(s) signing this report.
10. 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 and the Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
11. The undersigned hereby acknowledge that they have the appropriate education and experience to complete the assignment in a competent manner. The reader is referred to the appraiser's Statement of Qualifications.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

13. As of the date of this report, I, Craig W. Johnson, MAI, have completed the continuing education program of the Appraisal Institute.
14. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the property appraised, or upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
15. All conclusions and opinions concerning the real estate that are set forth in the appraisal were prepared by the Appraisers whose signature(s) appears on the appraisal, unless indicated as "Review Appraiser".
16. No change of any item in the appraisal report shall be made by anyone other than the Appraiser(s), and the Appraiser(s) shall have no responsibility for any such unauthorized change.
17. I have performed no other 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 the assignment.



Craig W. Johnson, MAI
Certified General Real Estate Appraiser
State of Arizona Certificate No. 30236
cjohnson@valbridge.com

Addenda

Glossary

Definitions are taken from the Dictionary of Real Estate Appraisal, 6th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP) and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and

is rarely affected by changes in corridor size or configuration. (BOMA)

Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4th Ed.)

Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ($DCR = NOI/Im$), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation

- 1) In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
- 2) In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and
- 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. (Dictionary)

Easement

The right to use another's land for a stated purpose. (Dictionary)

EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date

- 1) The date on which the appraisal or review opinion applies. (SVP)
- 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

Exposure Time

- 1) The time a property remains on the market.
- 2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.)

Fee Simple Estate

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. (Dictionary)

Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full service lease*. (Dictionary)

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of*

the going concern or market value of the total assets of the business. (Dictionary)

Gross Building Area (GBA)

- 1) Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
- 2) Gross leasable area plus all common areas.
- 3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values*, *aggregate retail selling price* or *sum of the retail values*. (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

Highest and Best Use

- 1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
- 2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
- 3) [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

Hypothetical Condition

- 1) A condition that is presumed to be true when it is known to be false. (SVP – Standards of Valuation Practice, effective January 1, 2015)
- 2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.) (Dictionary)

Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees). (Dictionary)

Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
- 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. (Dictionary)

Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

Market Value

The most probable price that 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 and 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 seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- 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.

(Dictionary)

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after

the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) (Dictionary)

Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., $OER = 1 - NIR$ (Dictionary)

Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed- reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of

the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease, net net net lease, or fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)



6061 E. Grant Road
Suite 121
Tucson, AZ 85712
520-321-0000 phone
520-290-5293 fax
valbridge.com

Date: May 23, 2018

Mr. Jeff Teplitsky
Appraisal Supervisor
Pima County Real Property Services
201 N Stone Avenue, Floor 6
Tucson, AZ 85701

Sent by e-mail: Jeffrey.Teplitsky@pima.gov

Re: Valuation of proposed cell tower parcel easement
Approx. 1,300 square foot parcel located on the Rillito Racetrack
Pima County, Arizona
Part of APN 108-19-004A

Dear Mr. Teplitsky:

I am submitting this proposal to complete an appraisal of the referenced property, which comprises an easement for an existing cell tower site. The appraisal would determine the market value of the easement interest based on standard lease terms and conditions specified by Pima County Real Property Services. The appraisal will be used as a basis for an open market auction of the easement right.

The scope of work proposed for this assignment will involve application of the income capitalization approach to determine the present value of the easement interest based on the income potential of the site assuming the specified lease terms. The report, which will meet USPAP standards, will provide brief summaries of the subject property, is market environment, proposed lease terms and the method utilized to determine the current market value.

The intended users of the addendum report are Pima County Real Property Services and other parties with an interest in leasing the subject property.

My certification on the report will be subject to the attached limiting conditions and to other specific and limiting conditions which will be set forth in the report if appropriate.

The total fee for the appraisal assignment will be \$1,500. Upon the timely receipt of the necessary information, and the mutually-executed agreement, the report will be completed within no more than four weeks.

The client hereby agrees to pay an 18% per annum finance charge on any unpaid balance of the fee if payment is not received when due. Accounts which must be assigned to an outside agency for collection will be assessed a \$200.00 service charge. In case legal action is instituted to collect a past due balance, the above-named client promises to pay collection costs and such additional sums as the court may adjudge reasonable such as court costs, attorney fees, service of process, and any other costs necessary to effect judgment and enforce payment. Please make all checks payable to MJN Enterprises, Inc.

If this agreement is not signed by the client and returned to the appraisers within two days from the above date, the fees set forth herein may be subject to change. Further, the above-quoted fee agreement is subject to change by the appraisers upon inspection of the property or upon change in the client's requested services. Appraisers shall notify the client of any such change in fees prior to commencement of the work.

The parties agree that the estimated fee does not include any services or expenses other than those as set forth above. For example, post appraisal consultation, appearance at legal proceedings, research, analysis, preparation, and testimony for depositions or court appearances for any legal proceedings are not included services, unless specifically set forth above. Any such additional services requested by the client and expenses occasioned thereby are subject to an additional fee to be billed at \$200.00 per hour, excepting expert witness testimony and testimony within depositions which are billed at \$250 per hour.

Your acceptance of this proposal, as confirmed by your signature on this letter, will acknowledge your understanding and agreement with the terms of this assignment as set forth in this letter, including the document entitled "General Assumptions and Limiting Conditions." This contract is made solely with Valbridge | MJN Enterprises, Inc., an independent corporation.

If these terms expressed in this letter are acceptable to you, please date and sign this original letter and return it to me, together with your check covering the retainer fee made payable to MJN Enterprises, Inc. I am enclosing a signed copy of this letter for your records.

If any provision of this agreement is determined to be void or unenforceable by any court of proper jurisdiction, such determination shall not affect any other provision of this agreement held to be enforceable and all such enforceable provisions shall remain in full force and effect. Any actions or proceedings brought by anyone relating to or arising out of this agreement shall be brought in a court of proper jurisdiction in Pima County, Arizona. It is agreed that this agreement and the performance hereunder and all suits and legal proceedings hereunder shall be construed in accordance with and pursuant to the laws of the State of Arizona. This agreement represents the entire agreement between the parties and supersedes all prior written or oral agreements, negotiations, or representations.

This agreement shall be binding upon the heirs, successors, and assigns of the parties.

I look forward to being of service to you.

Respectfully submitted,

VALBRIDGE PROPERTY ADVISORS | MJN ENTERPRISES, INC.



By _____
Craig Johnson, MAI
Managing Director
Certified General Real Estate Appraiser
State of Arizona, Certificate #30236

CLIENT ACCEPTED & APPROVED:

By  _____

Date 5/23/18

QUALIFICATIONS OF CRAIG W. JOHNSON, MAI
State of Arizona Certified General Real Estate Appraiser, Certificate #30236

PROFESSIONAL EXPERIENCE

2013 to present	Valbridge Property Advisors MJN Enterprises, Inc., Managing Director
2012 – 2013	US Department of Interior, Office of Valuation Services, Review Appraiser
2005 to 2012	MJN Enterprises, Inc., Senior Analyst and Consultant
2001 – 2005	Bruce D. Greenberg, Inc., Senior Analyst and Consultant
2000	KB Real Estate Advisors & Appraisers, Inc., Senior Analyst/Consultant
1994 - 2000	CB Richard Ellis, Inc., Assistant VP Valuation & Advisory Services
1992 - 1994	Craig W. Johnson, MAI, sole proprietor
1990 - 1991	RTC/Pima Federal Savings, Vice President and Chief Appraiser
1982 - 1990	Greenberg Chin Consultants, Senior Appraiser

PROFESSIONAL AFFILIATIONS AND MEMBERSHIPS

Member (MAI), #8241 of the Appraisal Institute. The Institute conducts a mandatory program of continuing education for its designated members. Mr. Johnson is currently certified under this program.

FORMAL EDUCATION

Bachelor of Science in Business Administration, University of Arizona, Finance major

PROFESSIONAL EDUCATION

All required classes to obtain MAI Designation and state certifications.

SCOPE OF PRACTICE

Mr. Johnson's appraisal practice is concentrated on valuations for the following purposes: Mortgage loan underwriting, Private negotiations, Legal proceedings, and Consultations.

Clientele include private individuals, corporate entities, financial institutions, and governmental agencies. Mr. Johnson is experienced in the appraisal of both residential and commercial properties and specializes in single- and multi-tenant industrial, retail, and office facilities, and conventional and subsidized multifamily projects, including apartments developed under the Low Income Housing Tax Credit (LIHTC) program. Assignments have been completed in Arizona, New Mexico, Colorado and Nevada, with the State of Arizona being the primary service area.





FAST FACTS


Company Information on Valbridge Property Advisors

- Valbridge is the largest national commercial real estate valuation and advisory services firm in North America:
 - Total number of MAIs (200 on staff)
 - Total number of office locations (68 across the U.S.)
 - Total number of staff (675 strong)
- Valbridge covers the U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by our local office leaders.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.



Independent Valuations for a Variable World

valbridge.com



Valbridge
PROPERTY ADVISORS

OFFICE LOCATIONS

ALABAMA

4732 Woodmere Boulevard
Montgomery, AL 36106
334.277.5077

ARIZONA

6061 E. Grant Road
Suite 121
Tucson, AZ 85712
520.321.0000

CALIFORNIA

4915 Calloway Drive
Suite 101
Bakersfield, CA 93312
661.587.1010

1370 N. Brea Boulevard
Suite 255
Fullerton, CA 92835
714.449.0852

2813 Coffee Road
Suite E-2
Modesto, CA 95355
209.569.0450

99 S. Lake Avenue
Suite 21
Pasadena, CA 91101
626.744.0428

3353 Bradshaw Road
Suite 213
Sacramento, CA 95827
916.361.2509

55 South Market Street
Suite 1210
San Jose, CA 95113
408.279.1520

3160 Crow Canyon Place
Suite 245
San Ramon, CA 94583
925.327.1660

COLORADO

7445 E. Peakview Avenue
Centennial, CO 80111
303.443.9600

23272 Two Rivers Road
Unit 101
Basalt, CO 81621
970.340.1016

1099 Main Avenue
Suite 311
Durango, CO 81301

CONNECTICUT

6 Central Row
Third Floor
Hartford, CT 06103-2701
860.246.4606

17 Covecroft Drive
Norwalk, CT 06853
203.286.6520

FLORIDA

2240 Venetian Court
Naples, FL 34109
239.514.4646

FLORIDA (cont'd.)

8200 NW 41st Street
Suite 200
Doral, FL 33166
305.639.6029

603 Hillcrest Street
Orlando, FL 32803
407.839.3626

1100 16th Street N
St. Petersburg, FL 33705
727.894.1800

2711 Poinsettia Avenue
West Palm Beach, FL 33407
561.833.5331

GEORGIA

2675 Paces Ferry Road
Suite 145
Atlanta, GA 30339
678.644.4853

IDAHO

1450 Tyrell Lane
Suite B
Boise, ID 83706
208.336.1097

1875 N. Lakewood Drive
Suite 100
Coeur d'Alene, ID 83814
208.292.2965

ILLINOIS

566 W. Lake Street
Suite 240
Chicago, IL 60661
312.288.8687

INDIANA

820 Fort Wayne Avenue
Indianapolis, IN 46204
317.687.2747

KANSAS

10990 Quivira Road
Suite 100
Overland Park, KS 66210
913.451.1451

KENTUCKY

900 Wessex Place
Suite 306
Louisville, KY 40222
502.585.3651

LOUISIANA

512 North Causeway Boulevard
Metairie, LA 70001
504.207.7730

MARYLAND

11100 Dovedale Court
Marriontsville, MD 21104
443.333.5522

MASSACHUSETTS

260 Bear Hill Road
Suite 106
Waltham, MA 02451
781.790.5645

MICHIGAN

1420 Washington Blvd.
Suite 301
Detroit, MI 48226
313.986.3313

2127 University Park Drive
Suite 300
Okemos, MI 48864
517.336.0001

MINNESOTA

222 South 9th Street
Suite 625
Minneapolis, MN 55402
612.253.0650

MISSOURI

10990 Quivira Road
Suite 100
Overland Park, KS 66210
913.451.1451

NEVADA

3034 S. Durango Drive
Suite 100
Las Vegas, NV 89117
702.242.9369

NEW JERSEY

2740 Route 10 West, Suite 204
Morris Plains, NJ 07950
973.970.9333

3500 Route 9 South, Suite 202
Howell, NJ 07731
732.807.3113

NEW YORK

424 West 33rd Street
Suite 630
New York, NY 10001
212.268.1113

NORTH CAROLINA

412 E. Chatham Street
Cary, NC 27511
919.859.2666

4530 Park Road, Suite 100
Charlotte, NC 28209
704.376.5400

OHIO

1655 W. Market Street
Suite 130
Akron, OH 44313
330.899.9900

8291 Beechmont Ave.,
Suite B
Cincinnati, OH 45255
513.785.0620

1422 Euclid Avenue
Suite 1070
Cleveland, OH 44115
216.367.9690

OKLAHOMA

6525 N. Meridian Avenue
Suite 309
Oklahoma City, OK 73116
405.603.1553

6666 South Sheridan Road
Suite 104
Tulsa, OK 74133
918.712.9692

PENNSYLVANIA

150 S. Warner Road
Suite 440
King of Prussia, PA 19406
215.545.1900

4701 Baptist Road
Suite 304
Pittsburgh, PA 15227
412.881.6080

SOUTH CAROLINA

610 N. Main Street
Greenville, SC 29601
864.233.6277

920 Bay Street
Suite 26
Beaufort, SC 29902
843.342.2302

1250 Fairmont Avenue
Mt. Pleasant, SC 29464
843.881.1266

TENNESSEE

112 Westwood Place
Suite 300
Brentwood, TN 37027
615.369.0670

701 Broad Street
Suite 209
Chattanooga, TN 37402
423.285.8435

213 Fox Road
Knoxville, TN 37922
865.522.2424

6750 Poplar Avenue
Suite 706
Memphis, TN 38138
901.753.6977

TEXAS

High Point Center
12225 Greenville Avenue
Suite 490
Dallas, TX 75243
214.446.1611

974 Campbell Road
Suite 204
Houston, TX 77024
713.467.5858

2731 81st Street
Lubbock, TX 79423
806.744.1188

111 Soledad
Suite 800
San Antonio, TX 78205
210.227.6229

UTAH

260 South 2500 West
Suite 301
Pleasant Grove, UT 84062
801.492.9328

1100 East 6600 South
Suite 201
Salt Lake City, UT 84121
801.262.3388

20 North Main
Suite 304
St. George, UT 84770
435.773.6300

VIRGINIA

656 Independence Parkway
Suite 220
Chesapeake, VA 23320
757.410.1222

7400 Beaufort Springs Drive
Suite 300
Richmond, VA 23225
804.672.4473

5107 Center Street
Unit 2B
Williamsburg, VA 23188
757.345.0010

WASHINGTON

18728 Bothell Way, NE
Suite B
Bothell, WA 98011
425.450.0040

2927 Colby Avenue
Suite 100
Everett, WA 98201
425.258.2511

419 Berkeley Avenue
Suite A
Firecrest, WA 98466
253.274.0099

8378 W. Grandridge Boulevard
Suite 110-D
Kennewick, WA 99036
509.221.1540

506 Second Avenue
Suite 1001
Seattle, WA 98104
206.209.3016

324 N. Mullan Road
Spokane Valley, WA 99206
509.747.0999

WISCONSIN

12660 W. North Avenue
Brookfield, WI 53005
262.782.7990

CORPORATE OFFICE

2240 Venetian Court
Naples, FL 34109

239-325-8234 phone
239-325-8356 fax

valbridge.com

Winter 2017 Each Valbridge office is independently owned and operated.