Effective Date of Report
April 10, 2017

Narrative Summary Appraisal Report
An existing office building located at
4323 North 12th Street
Phoenix, Arizona 85014

Prepared For
Sidney M. Rosen
Rosen, Ocampo, and Fontes
Managing Partner
4323 North 12th Street, Suite 104
Phoenix, Arizona 85014

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May 8, 2017

Sidney M. Rosen
Rosen, Ocampo, and Fontes
Managing Partner
4323 North 12th Street, Suite 104
Phoenix, Arizona 85014

Re: Appraisal of the Property Known As:
4323 North 12th Street
Phoenix, Arizona 85014

Mr. Rosen:

A narrative appraisal report has been prepared for you for the property at 4323 North 12th Street, Phoenix, Arizona. The purpose of this appraisal is to develop an opinion of the market value of the fee simple ownership interest in the aforementioned property as of the effective date of appraisal. The property was inspected on April 10, 2017. The effective date of the “as is” valuation is April 10, 2017. The intended use of this report is for marketing/sales purposes. The intended user of the report is the client.

This report has been prepared in compliance with the Uniform Standards of Professional Appraisal Practice (effective date January 1, 2016) and Title XI of the Federal Financial Institution’s Reform, Recovery, and Enforcement Act (FIRREA) of 1989.

After considering all facts available, subject to the underlying assumptions and limiting conditions included, it was concluded the fee simple interest in the subject property had a “as is” market value on April 10, 2017, of:

One million six hundred and forty eight thousand dollars

$1,648,000

Exposure time is a "retrospective" opinion, looking back (from the effective date) to the beginning of the "hypothetical" process of selling the asset, so that the sale would have been consummated on the "effective date" of appraisal. Marketing time is a "forward looking" estimate (from the effective date), to estimate the amount of time it might take a seller (sometimes the Intended User of the appraisal), to market and sell the asset. A definition of exposure time per the Uniform Standards of Professional Appraisal Practice is included in the Definitions section of the report.

Based on exposure periods of office properties throughout Maricopa County and discussions with investors and brokers active in marketing similar properties, an exposure period of eight months, or approximately 244 days, has been estimated for the subject under the hypothetical situation that it sold on the effective date of appraisal. Based upon the estimated exposure time, forecasted market conditions and if adequately marketed with a price consistent with the value conclusion and exclusive of the liquidation and auction value conclusions, a marketing time of 6 to 12 months is estimated to be required for the subject to sell at the appraised value.

Respectfully submitted,

Michael L. Wright

Michael Wright
Arizona Certified General
Real Estate Appraiser #31268

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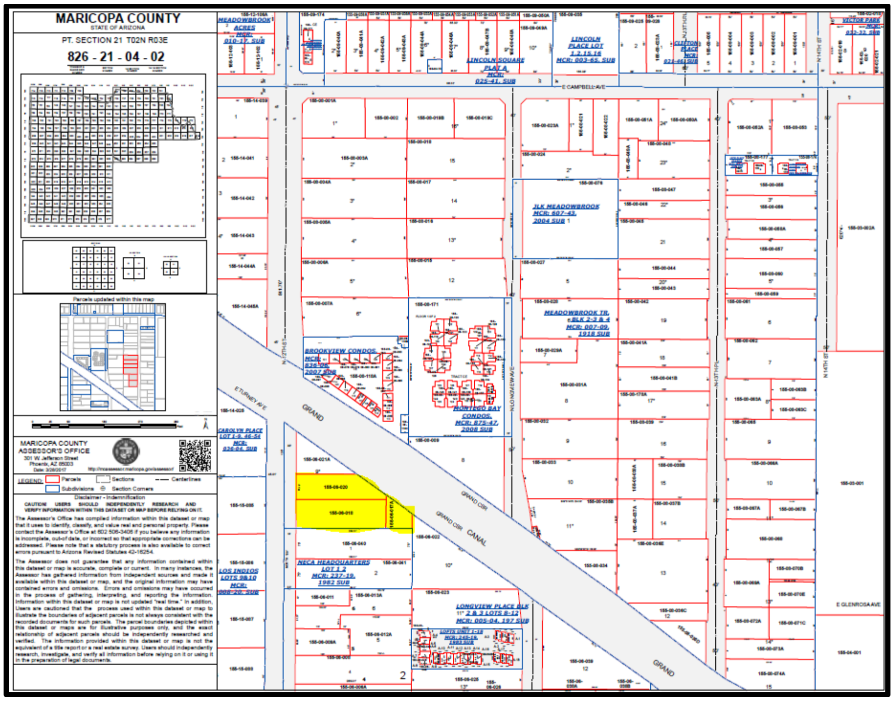
Preface



Assessor's Plat Map

Property Identification

The property being appraised is identified as Maricopa County parcels 155-05-017A, 155-05-018, and 155-05-020 with a mailing address of 4323 North 12th Street, Phoenix, Arizona. A copy of the legal description is included in the report addenda.

A survey of the site was not available at the time of appraisal. A copy of the assessor's site map, with approximate boundaries and configuration of the subject site highlighted has been included. While this map cannot be considered accurate from a technical standpoint, it nevertheless shows the site's general configuration and relationship to abutting properties and roadways.

Scope of the Appraisal

The extent of data collection for this appraisal report involved collecting, confirming, researching and analyzing market data in order to develop an opinion of the market value of the subject property. This report is a brief recapitulation of the appraisers' data, analyses, and conclusions. Supporting documentation is retained in the appraisers' file and is available to the client if required.

Various data sources were utilized such as: U.S. Department of Commerce; Arizona Department of Economic Security; Maricopa County; Arizona State University; Federal Emergency Management Agency; Landiscor; COMPS Infosystem, Inc.; ARMLS; and the City of Phoenix. These sources provided information pertaining to demographic, economic, governmental, and environmental characteristics of Maricopa County and the subject neighborhood. Additionally, these sources provided relevant information regarding historical and projected supply, demand, and absorption trends affecting the subject property.

The description of the property is based upon a physical inspection of the property by the appraiser on April 10, 2017. During the inspection of the property, efforts were made to become familiar with the subject's general neighborhood. Attempts were also made to become familiar with any future planned uses or development that could affect the subject property and the immediate area. The agreed upon fee for the completed appraisal is $1200.

History of the Subject Property

Standard Rule 1-5 of the Standards of Professional Appraisal Practice of the Appraisal Institute states:

"In developing a real estate appraisal, an appraiser must:

(a) analyze all current agreements of sale, options, or listings of the property being appraised as of the effective date of the appraisal;

(b) consider and analyze any prior sales of the subject property that occurred within the three (3) years prior to the effective date of the appraisal."

Ownership: The subject property was owned by the North Kenilworth Medical Building LLC, at the time of appraisal.

Listings, Pending Contracts and Sales Data: No listings were found for the subject within the past 12 months. No pending contracts were known of at the time of appraisal. No sales were found for the property within the past 36 months.

Occupancy: The building was occupied by an owner-run business and buy tenants at the time of appraisal.

Purpose of the Appraisal and Property Rights Appraised

The purpose of this appraisal is to develop an opinion of the market value of the fee simple ownership interest in the aforementioned property as of the effective date of appraisal. The property was inspected on April 10, 2017. The effective date of the "as is" valuation is April 10, 2017. The intended use of this report is for marketing/sales purposes. The intended user of the report is the client. This appraisal does not include valuation of any personal property, fixtures, or intangible items.

This report has been prepared in compliance with the Uniform Standards of Professional Appraisal Practice (effective January 1, 2016) and Title XI of the Federal Financial Institution's Reform, Recovery, and Enforcement Act (FIRREA) of 1989.

The following terminology details the type of appraisal prepared, values being estimated and the property rights being appraised:

Appraisal: "(noun) the act or process of developing an opinion of value; an opinion of value.
(adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services."[1]
Fee Simple Ownership Interest: Fee simple title is "regarded as an estate without limitations or restrictions."[2]
Market Value: Market value means 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 being knowledgeable, 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:

(1) Buyer and seller are typically motivated;
(2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
(3) A reasonable time is allowed for exposure in the open market;
(4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
(5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.[3]

Market Value "As Is": Market value "as is" on appraisal date means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date the appraisal is prepared.[4]

Underlying Assumptions and Limiting Conditions

1. Title to the property is assumed to be good and merchantable.
2. The legal description utilized in this report is assumed to be correct.
3. No liability is assumed on account of inaccuracy or errors in any information furnished by others contacted at the site or elsewhere and which were used in writing this appraisal.
4. No responsibility is assumed for legal matters affecting the property, such as title defects, liens, overlapping boundaries, etc.

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[1] *Appraisal Foundation, USPAP, 2014 Edition, Definitions section, effective January 1, 2014.*

[2] *Appraisal Institute, The Appraisal of Real Estate, 13thed., p8-9.*
[3] *Federal Register, Volume 55, No. 165, p. 34696, Aug. 24, 1990, Rules and Regulations 12 CFR, Part 34.42(f)*
[4] *Appraisal Policies and Practices of Insured Institutions and Service Corporations, Federal Home Loan Bank Board, "Final Rule", 12 CFR parts 563 and 571, December 21, 1987.*

5. A land survey was not made by the appraisers of the property analyzed for the purpose of this appraisal.
6. No right is given to publish this report or any part thereof without the written consent of the writers of this report.
7. The opinion of value contained herein applies as of the effective date of this appraisal only.
8. Possession of the appraisal report or a copy of it does not carry with it the right of publication through advertising media or any other public means of communication. It is a privileged communication. The appraisal report may not be used for any purpose other than the purpose stated in the report by any person or corporation other than the client or the party to whom it is addressed. The appraisal report may not be copied without the written consent from the appraisers, and then only in its entirety.
9. The liability of the appraisers, or those assisting in the preparation of the report, is limited to the fee collected for the preparation of the appraisal. There is no accountability for liability to any third party. No third parties may rely upon this appraisal report for any purpose whatsoever, including the provision of financing for the acquisition of improvement of the subject property. This appraisal was prepared specifically for our client. Third parties who desire us to prepare an appraisal report for the subject property for their use should contact the signatory of this report.
10. The appraisal is based upon there being no hidden or apparent conditions of the property site, subsoil, or structures or toxic materials that would render the site more or less valuable. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them. All mechanical components are assumed to be in operational condition and status standard for properties of the subject type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment are considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment was made as to the adequacy of the type of insulation or energy efficiency or the improvements of equipment.
11. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraisers become aware of such during the appraisers inspections. The appraisers have no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraisers, however, are not qualified to test such substances or conditions. If subsequent inspection by an expert should uncover such a problem, it may affect the conclusion of the value estimated herein.

12. The appraisers have viewed, as far as possible by observation, the land and the improvements; however, it was not possible to personally observe conditions beneath the soil or hidden structural or other components. We have not critically inspected mechanical components within the improvements unless specifically stated and considered in the report. The value estimate considers no such conditions being present that would cause a loss of value. Unless otherwise stated in some particular section of the report, the land or the soil of the subject being appraised appears firm, however, subsidence in the area is unknown. The appraiser does not warrant against this condition or occurrence of problems arising from soil conditions.
13. If the appraisers have not been supplied with a termite inspection or survey of occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are discovered. No representations or warranties are made concerning the above mentioned items.
14. The appraisers were not provided with a title report for the purposes of this appraisal. Such a report may reveal rights-of-way or easements that may be favorable or which adversely affect the subject property, but are not identified in this report. Only those rights-of-way and easements that were made known to the appraisers or were apparent in the information obtained by the appraisers have been considered in this report.
15. The writers of this report, and those providing assistance, 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 have been previously made.
16. Full compliance with all applicable federal, state, and local environmental regulations and laws is assumed, unless otherwise stated in the report. Further, the subject is assumed to be in compliance with all applicable zoning, building use regulations and restrictions of all types unless otherwise stated in the appraisal report.
17. Responsible ownership and competent management are assumed to exist for the property.
18. This is a summary appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for summary appraisal reports. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser’s opinion of value. Supporting documentation concerning data, reasoning, and analyses is retained in the appraiser’s file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraisers are not responsible for unauthorized use of this report.

Certification

I hereby certify, 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 contemplated future interest in the property subject to this report. I have no personal interest or bias with respect to the parties involved.
4. My engagement in this assignment was not contingent upon delivering or reporting predetermined results.
5. The appraisal assignment was not based on requested minimum valuations, specific valuations, or the approval of a loan. Additionally, our compensation is not contingent upon the development or reporting of predetermined values or direction of value favoring 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 user of the appraisal.
6. This report has been prepared in compliance with: the Uniform Standards of Professional Appraisal Practice (effective date January 1, 2016) and Title XI of the Federal Financial Institution's Reform, Recovery, and Enforcement Act (FIRREA) of 1989.
7. Use of this report is subject to the requirements of the Arizona Appraisal Board relating to reviews by their duly authorized representatives.
8. Michael L. Wright made a personal inspection of the property that is the subject of this report on April 10, 2017.
9. Michael L. Wright has the appropriate knowledge, education and experience to complete this appraisal assignment in a competent manner and has appraised properties of similar type. The reader is referred to the appraisers' qualifications in the Addenda.
10. 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.

Michael L. Wright

Michael Wright
Arizona Certified General
Real Estate Appraiser #31268

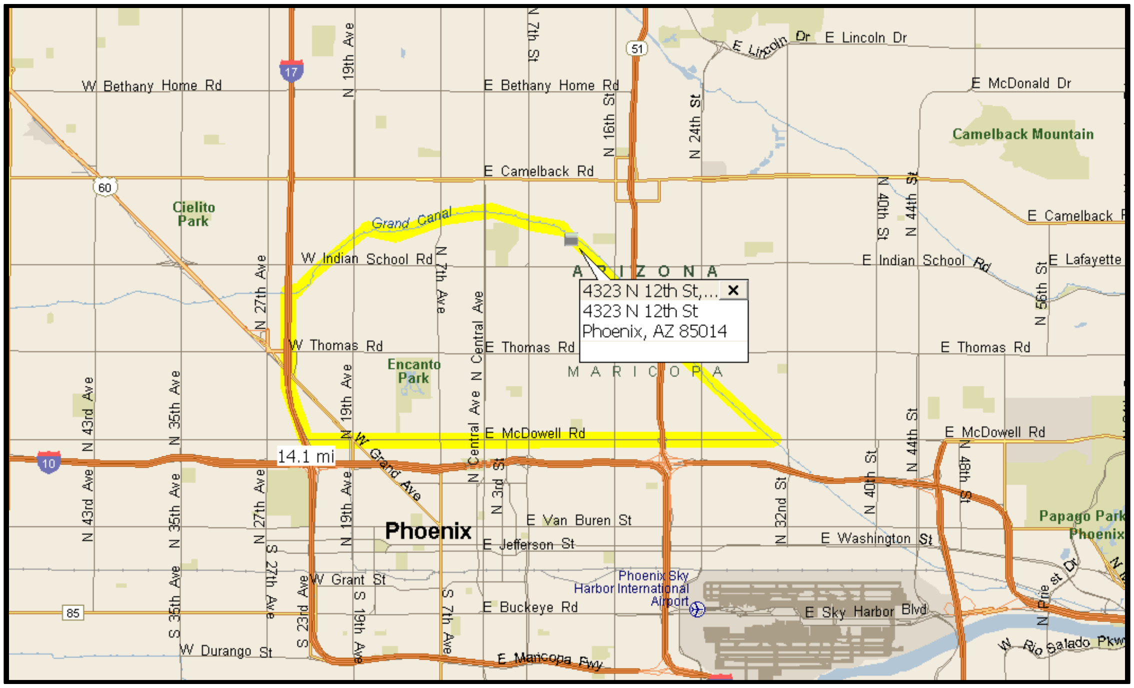
Introduction

Regional Map

Regional Data

The property under study is located in Phoenix Metropolitan Statistical Area in central Arizona. The area population was 3,648,000 as of the 2010 census and has been growing on average about 3% per year for the past few decades.. The area has a growing economic base with major private employment sectors of transportation, utilities, professional and business services. Major corporations in the area include Bank of America, JPMorgan Chase, Wells Fargo, AVNET, Freeport-McMoRan, US Airways Group, Republic Services, Banner Health, Honeywell International, Intel, General Dynamics and Boeing. In addition to private sector employers, the area also has many large public sector employers including the U.S. Air Force, the State of Arizona, Maricopa County and the City of Phoenix.

The unemployment rate in the Phoenix Metro Area was 4.8% in September 2016 per the U.S. Bureau of Labor Statistics, lower than the state and national rates. The employment rate has generally been on a downward trend since 2010. The area is an active transportation and distribution hub with several active interstate rail lines and highways connecting West Coast entry ports in Los Angeles and San Diego with interior points further east in the United States. Additionally, the areas proximity to the border with Mexico makes it a distribution point for exports and imports to Mexico.



Neighborhood Map

Neighborhood/Trade Area

The subject is located in an established residential area approximately 2 miles northeast of downtown Phoenix. It is within the Encanto Area, one of 15 designated urban villages within the city. The area population was 54,614 per 2010 Census data. The area has 27,669 housing units, 43% of which are owner-occupied. Vacancy is approximately 18%. The area is an established area with high-build-up that has been slowly transitioning from older suburban uses to urban uses.

Market area boundaries are defined as the Interstate Highway 17 to the west, Grand Canal to the north, State Route 51 to the east, and East McDowell Road to the south. A map illustrating the neighborhood boundaries is shown above. The area is within reasonable proximity to employment centers, shopping, schools, and neighborhood support facilities and amenities. Employment factors have been historically stable. No adverse factors affecting market ability noted.

Residential uses comprise approximately 45% of all uses in the area. Within the area typical single-family residences are single-story homes ranging in size from 456 to 5,928 square feet, in age between one and one hundred years old, and have median prices ranging from $45,000 to $1,355,000. The area contains some of the oldest homes in Phoenix and has several historic districts. Newer homes in area are typically rebuilds of older homes. The area contains several newer high-rise condominium projects in addition to severl older apartment compexes.

Commercial uses comprise approximately 45% of all uses in the area. The area contains the southern portion of the Central Corridor, a strip of commercial uses including high-rise office buildings and condominiums between 7th Avenue and 7th Street and running parallel to Central Avenue. In addition, there are a large number of retail storefront and small office uses along the major arterial routes in the area.

Industrial uses comprise approximately 10% of all uses in the area. These are located in the southwest portion of the area near Grand Avenue. Uses include warehouses and office-warehouses.

Interstate Highway 17 and State Route 51 are limited access, multi-lane highways in the market area. Phoenix Sky Harbor International Airport is located approximately 3 miles southeast of the subject.

Market Conditions

Market conditions for retail properties in the Phoenix Metropolitan Area have been improving for all property types recently following a national recession and its aftereffects. This follows the national trend and slow growth is expected for the near future.

Dividend Capital Research's Real Estate Market Cycle Monitor records that office properties in the Phoenix Metropolitan Area are currently entering the expansion phase of the market cycle. The cycle is characterized by declining vacancy and new construction

Market data for smaller (15,000sf or less) office properties in the Phoenix Metropolitan Area extracted by CoStar Analytics are included below:

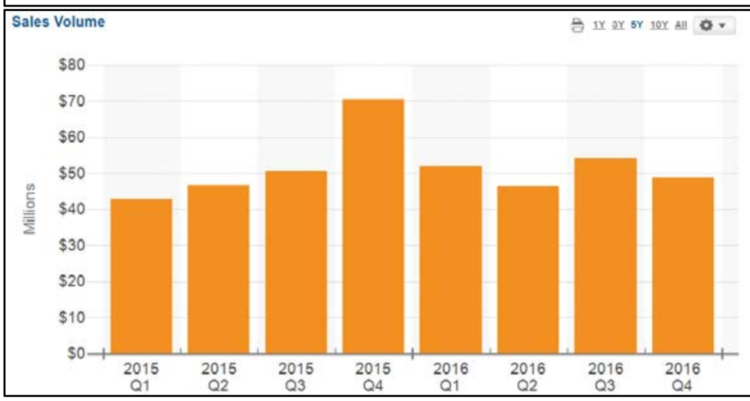
Period	Number of Transactions	Average Price	Building SF	Average Price Per Bldg SF	Median Price Per Bldg SF	Average Cap Rate	Median Cap Rate
Survey	621	$662,753	2,854,180	$139.79	$137.07	7.67	7.5
2016	306	$656,824	1,329,499	$145.80	$143.31	7.61	7.29
2015	315	$668,512	1,524,681	$134.54	$132.83	7.7	7.58

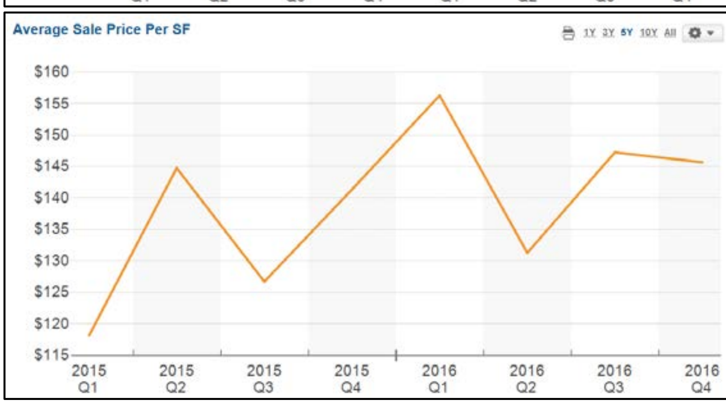
Sales Volume	Survey	Min	Max
Transactions	621	-	-
Sold SF	2,879,092	492	21,298
Sales Volume (Mil.)	$412	$0.0	$3.8
Avg SF	4,712	492	21,298

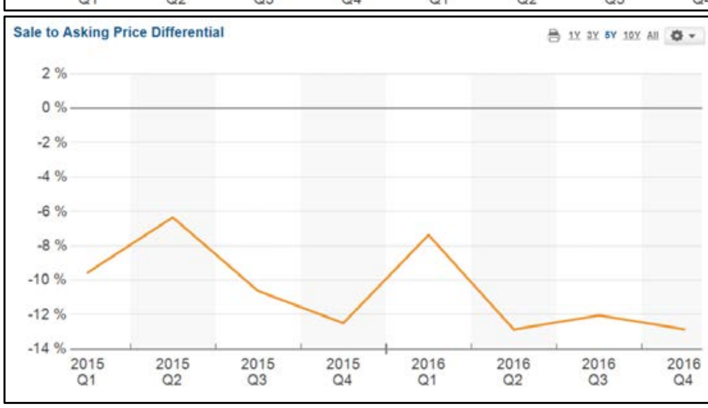
Sales	Survey	Min	Max
Sale Price Per SF	$139	$14	$583
Avg Sale Price (Mil.)	$0.7	$0.0	$3.8
Cap Rate	7.7%	3.0%	14.9%
Percent Leased	78.4%	0.0%	100%

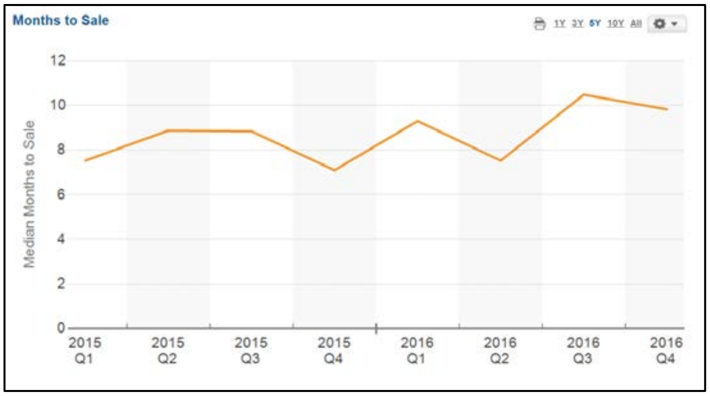
For Sale	Survey	Min	Max
Listings	-	-	-
For Sale SF	-	-	-
For Sale Volume (Mil.)	-	-	-
Asking Price Per SF	-	-	-
Avg Asking Price (Mil.)	-	-	-

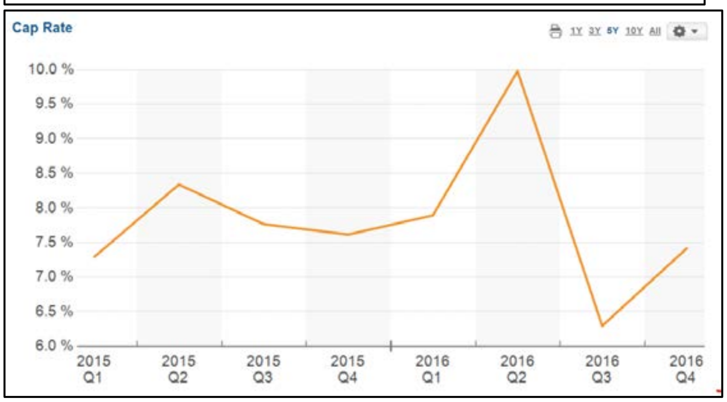
Properties	Survey	Min	Max
Existing SF	5,144,304	924	136,500
Vacancy Rate	10.3%	0.0%	100%
Rent Per SF	$17.73	$7.95	$36.26
12 Mo. Absorption	531,568	-13,466	33,293
12 Mo. Leasing SF	359,170	0	29,864



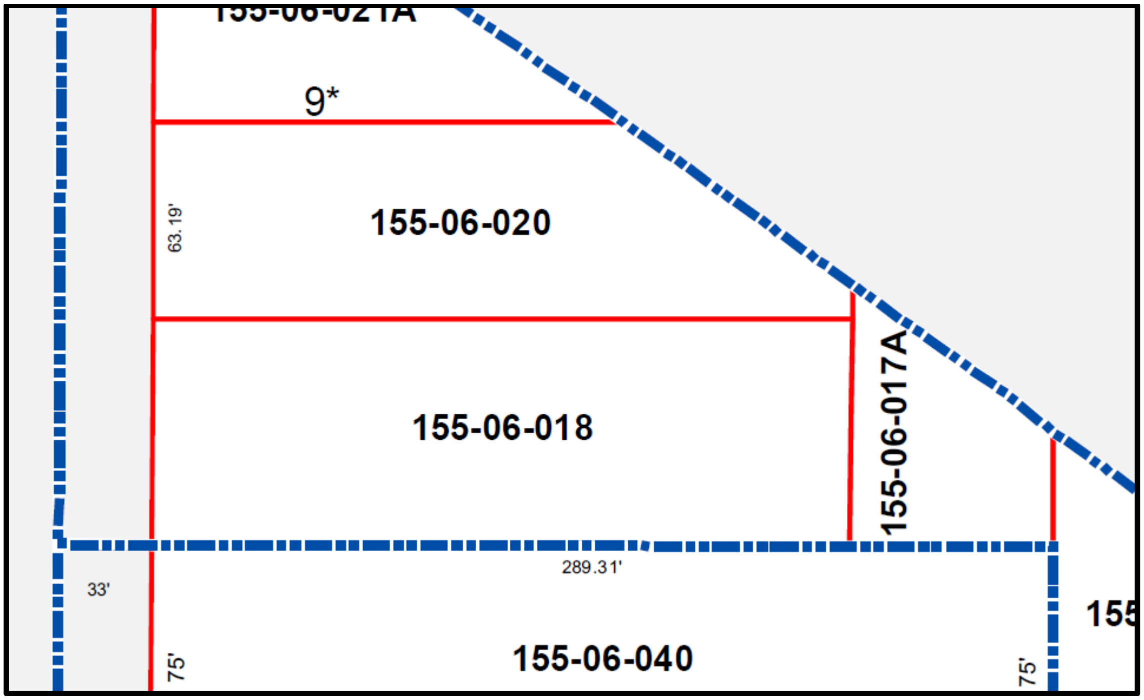








Based upon a market analysis of area sales, the median sales price per square foot for office properties in the Phoenix market area has increased 8% during the past 24 months, or approximately 0.33% per month average.



Site Map

Aerial Photo

Property Data

Site Data

The subject property is a combination of three interior lots located north of the intersection of North 12th Street and East Indian School Road, a major arterial route. The direct neighborhood is a mix of commercial and residential properties. The property has direct ingress and egress to North 12th Street. A site plan with the rough dimensions for the property is located on the preceding pages. The total site area is 37,262 square feet, or 0.86 acres, per county records. The site is level and at grade.

The subject is located in a Zone C flood hazard area according to FEMA Flood Insurance Rate Map #04013C2210L dated 10/16/2013. This is not a special flood hazard area and should not require flood hazard insurance. The subject property has access to community water, sewer, electric and gas lines. The available utilities are typical for the area and in sufficient capacity to service the current improvements. The subject does not appear to be impacted adversely by any easements or encroachments. No apparent adverse soil or subsoil conditions or hazardous waste contamination were observed or are known to exist. No known nuisances, hazards or environmental problems exist.

Zoning

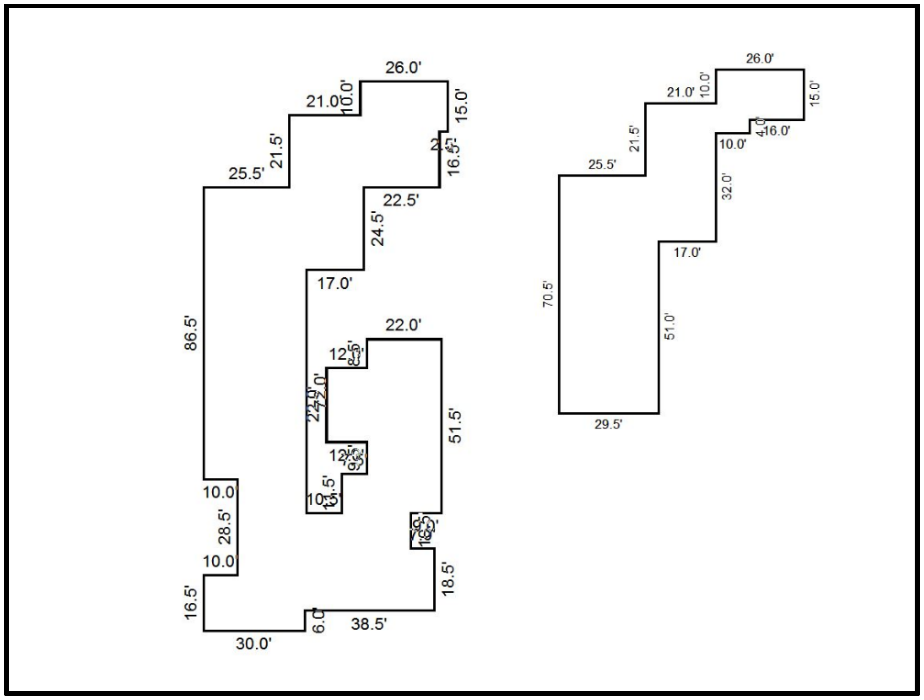
The subject property is currently zoned R-5 Multiple-family Residence District, by the city of Phoenix. Per the city of Phoenix Zoning ordinance, the purpose of the R5 zoning district is:

"The purpose of the multifamily residence districts is to provide for alternate living styles including rental, condominiums and single ownership of land with multiple units thereon or single or attached townhomes."

The R-5 zoning district is primarily designed to accommodate multi-family residences, but also permits single family residences, residential supporting uses such as schools and churches and offices and motels/hotels. Based upon neighboring uses, a change of zoning would not be expected. The subject's current use as an office building is a legally conforming use in this zoning.

TAX AND ASSESSMENTS

The combined Maricopa County Assessor's 2016 Full Cash Values (FCV) for the parcels was $482,900 or $44.90 per square foot. The FCV may or may not approximate actual market value since the assessor uses mass formula techniques for these determinations. Combined taxes for the parcels in 2016 were $12,241.



Improvements Sketch

Site Improvements

The description of the subject improvements is derived from a physical inspection of the property on April 10, 2017. Subject photographs are included in the appraisal addenda. The exterior walls and some interior walls of the building were measured using a Pacific Laser Systems PLS1 laser measuring device. A sketch of the interior walls with measurements is included above.

The subject parcel is improved with a two story office building. The measured gross building area is 11,173 square feet. The ground coverage ratio is 21%. The building was constructed in 1975. Basic construction is a reinforced concrete foundation, block exterior walls with stucco siding, and a wood-framed roof with tile cover. The building is fully finished and utilized as an office building. Interior finish includes tile and wood flooring, sheetrock walls and acoustic tile ceilings. The building is considered to be grade B.

There were items of deferred maintenance noted at the time of inspection (see attached photos). The subject property has a single, dated HVAC unit for the entire subject building. The unit was functional at the time of inspection, and has recently been upgraded with a new compressor unit. However, the external water tower unit but will need replacement in the near future. Additionally, because the building has only a single AC unit, electric expenses for multiple tenants would need to be paid by the owner. Owners who pay their tenants' electric expense are rare in this market area and the rental terms present challenges to marketing units for rent.

Other site improvements include approximately 16,500 square feet of asphalt paving with 54 marked parking spaces, 20 of which are covered by metal awnings (1,600 sf and 4,000 sf) and two areas of landscaping at the building front and rear respectively.

Highest and Best Use

Highest and best use is best defined as that of reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal. Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible and which results in the highest land value.

Since the use of the land can be limited by the presence of improvements, separate conclusions are derived for the highest and best use for the site: as if vacant and as improved. It is recognized where a site has existing improvements on it, the highest and best use, may be determined to be different from the existing use. However, the existing use will continue unless land value exceeds the total value of the property in its existing use plus demolition costs. To derive conclusions regarding the highest and best use of the subject property, four criteria must be considered: 1) physically possible; 2) legally permissible; 3) financially feasible; and 4) maximally productive.

<u>As If Vacant</u>

The subject site is a rectangular interior lot with a total net area of 37,262 square feet (0.86 acres). There is adequate access to the site, availability to all customary utilities, and no unusual restrictions impacting the site. The subject is currently zoned R-5 Multiple-family Residence District, by the city of Phoenix.

The zoning district permits multi-family uses, offices, hotels and single family residences. The physical aspects of the site would allow any of these uses, all of which would be also be financially feasible for the site as vacant. Demand in the market area is currently high for multi-family uses and moderate for office uses. There is reduced demand for land for single family residences and hotels. Considering area demand, the most maximally productive use of the site as vacant, and thereby the highest and best use, would be as land to be developed with either a multi-family use or an office use.

<u>As Improved</u>

As noted, the subject site is improved with a commercial office building with a total area of 11,173 square feet. It was constructed in 1975. The interior of the building is fully finished.

The existing improvements are a legally permitted use of the site. The existing improvements have been finished to serve as an office building and would require significant changes to serve another use. Therefore, the most maximally productive use for the site as improved and also its highest and best would be as an office use.

Valuation Analysis

The Valuation Process

The development of a real property's market value opinion involves a systematic process in which the problem is defined, the work necessary to solve the problem is planned, and the data required is acquired, classified, analyzed and interpreted into an opinion of value. In this process, three basic approaches, when applicable, are used by the appraisers: the Cost Approach, the Income Approach, and the Sales Comparison Approach. In addition, the site or land valuation is typically analyzed by sales comparison methodology. When one or more of these approaches is not applicable in the appraisal process, full justification must be presented. Three approaches to value are defined as follows:[5]

Cost Approach

> *That approach in appraisal analysis which is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements, which represent the highest and best use of the land, or when relatively unique or specialized improvements are located on the site and for which there exist no comparable properties on the market.*

Income Approach

> *That procedure in appraisal analysis which converts anticipated benefits (dollar income or amenities) to be derived from the ownership of the property into a value estimate. The income approach is widely applied in appraising income-producing properties. Anticipated future income and/or reversions are discounted to a present worth figure through the capitalization process.*

Sales Comparison Approach

> *Traditionally, an appraisal procedure at which the market value estimate is predicated upon prices paid in actual market transactions and current listings; the former fixing the lower limit of value in a static or advancing market (price wise), and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market. It is a process of analyzing sales of similar recently sold properties in order to derive an indication of the most probable sale price of the property being appraised. The reliability of the technique is dependent upon (a) the availability of comparable sales data, (b) the verification of the sales data, (c) the degree of comparability or extent of adjustment necessary for time*

[5] Byrl N. Boyce (ed), Real Estate Appraisal Terminology, American Institute of Real Estate Appraisers and the Society of Real Estate Appraisers (1st ed. Rev.; Cambridge, Ballinger Publishing Co., 1981),pp.62,126,132,160.

differences and (d) the absence of non-typical conditions affecting the sales price.

In essence, all approaches to value (particularly when the purpose of the appraisal is to establish market value) are market data approaches since the data inputs are presumably market derived.

The value estimates, as indicated via the three approaches, are then reconciled into a final opinion of the property's value based upon the appropriateness of each, quantity, quality, and accuracy of the data.

The Cost Approach

The cost approach to value typically involves the following steps:

(1) *Provide an opinion of value for the site as if vacant and available to be put to its highest and best use, as of the effective date of the appraisal.*
(2) *Estimate the reproduction or replacement cost new of the improvements, as of the effective date of the appraisal.*
(3) Estimate all elements of accrued depreciation including physical deterioration, functional obsolescence, and external obsolescence.
(4) Add the present value of all improvements to the indicated site value to arrive at the value of the property as indicated by the Cost Approach.

Each step will be discussed as it is utilized. A Sales Comparison Approach has first been employed to provide an opinion of the subject site value.

Land Valuation

The land valuation of the Sales Comparison Approach involves comparing the subject site with similar vacant land parcels which have either recently sold or are currently listed for sale. This approach is based on the principal of substitution, which states: "… the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time."[6]

The subject property site contains 0.86 acres and is zoned R-5, Multi-Family Residential District.

Recent land sales suitably zoned for office uses and with similar size within the subject's market area include:

4175 North 12th Street	2033 E Thomas Rd	2001 E Osborn Rd
Phoenix, AZ 85014	Phoenix, AZ 85016	Phoenix, AZ 85016
0.95 acres	0.76 acres	0.35 acres
Zoned R-5	Zoned C-O	Zoned C-1
Sold for $200,000	Sold for $375,000	Sold for $212,000
Sold on 10/29/2015	Sold on 7/12/2016	Sold on 2/5/2016
Cash sale	Seller carryback loan	Conventional financing
Parcel #155-05-086	Parcels #117-02-011/-013	Parcel #119-23-134B
Price per acre: $210,526	Price per acre: $490,581	Price per acre: $605,714

The comparable land sales had sales prices per acre ranging from $210,526 to $605,714 with a mean of $435,600 and a median of $490,581.

[6] The Appraisal of Real Estate, 12th ed., p. 335

Land Value Conclusion

With consideration for the sales dates of the comparable lots and their respective zoning districts in comparison to the subject, a value of $550,000 per acre is estimated for the subject as of the effective date of appraisal. The application of the concluded price per square foot factor to the subject's site reveals a land value of:

0.86 acres x $550,000 per acre = $473,000

Rounded: $473,000

ESTIMATED REPRODUCTION COSTS

The next step in the Cost Approach is to estimate the reproduction or the replacement cost new of the improvements as of the effective date of the appraisal. In this valuation, reproduction cost will be utilized. Reproduction cost is defined as "the estimated cost to construct, at current prices as of the effective appraisal date, an exact duplicate replica of the building appraised, using the same materials, construction standards, design, layout, and quality of workmanship, and embodying all the deficiencies, superadequacy, and obsolescence of the subject building."[7] Reproduction cost is sometimes difficult to estimate because identical materials may be unavailable and construction standards may have changed.

Direct Construction Costs

The Marshall and Swift Valuation Service was been utilized in order to determine a reasonable cost estimate for the subject property. A print-out of the cost break down is presented on the following page.

Depreciation and Obsolescence

The subject is in average condition with minor deferred maintenance. The actual age is 42 years. The improvements are estimated to have an effective age of 30 years with a remaining economic live of 40 years. Depreciation from physical deterioration is estimated to be 43% (30 years effective age/70 year total economic life). The design and quality of construction are considered very good. No functional or external obsolescence is considered to exist.

[7] The Appraisal of Real Estate, 12th ed., p.357

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

General Information

Estimate ID:	MW1703015	**Date Created:**	05-16-2017
Property Owner:		**Date Updated:**	05-16-2017
Property Address:	4323 N 12th St Phoenix, AZ, 85014	**Date Calculated:**	05-17-2017
Local Multiplier:		**Cost Data As Of:**	05-2017
Architects Fee:		**Report Date:**	using default

Section 1

Area	11173	**Overall Depreciation %**	43
Stories in Section	2	**Physical Depreciation %**	
Stories in Building		**Functional Depreciation %**	
Shape	very irregular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
344 Office Building	100	C	10	3.5
Occupancy Total Percentage	100			

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	11,173	$122.44	$1,368,022	$588,249	$779,773
Exterior Walls	11,173	$33.68	$376,307	$161,812	$214,495
Heating & Cooling	11,173	$10.04	$112,177	$48,236	$63,941
Basic Structure Cost	**11,173**	**$166.16**	**$1,856,506**	**$798,297**	**$1,058,209**
Less Depreciation					
Physical & Functional	43.0%			$798,297	$1,058,209
Depreciated Cost	**11,173**	**$94.71**		**$798,297**	**$1,058,209**

Cost data by CoreLogic, Inc.

Except for items and costs listed under "Addition Details," this SwiftEstimator report has been produced utilizing current cost data and is in compliance with the Marshall & Swift Licensed User Certificate. This report authenticates the user as a current Marshall & Swift user.

CoreLogic®

Notes:

- Height in the CoreLogic SwiftEstimator estimate refers to ceiling height, not building height.
- The SwiftEstimator Class rating is based upon construction materials and techniques solely and is not a rating of the grade or quality of construction. Class ratings noted through the rest of this report are based upon the quality and grade of construction generally utilized by CoStar and LoopNet.

Developer's Profit
Entrepreneurial profit for retail building construction generally range from 10% to 20% of the total costs (direct and indirect). For the purposes of this analysis, an estimated developer's profit of 20% of direct and indirect costs will be utilized.

Commercial Building Improvements (Rounded)	$1,058,000
Entrepreneurial Profit (Rounded)	$ 200,000
Site Value (Rounded)	$ 473,000
Adjusted Direct Cost	$1,731,000

COST APPROACH VALUE ESTIMATE

The estimated reproduction cost of the subject improvements, minus applicable depreciation, added to the estimated land value of the subject site indicates a value for the subject of:

One million seven hundred and thirty one thousand dollars

$1,731,000

The Income Approach

The Income Approach consists of methods and techniques used to analyze a property's capacity to generate benefits. These benefits are then converted into a property value via capitalization of a single year's income expectancy at a market-derived rate or by application of a discounted cash flow analysis. The Income Approach is comprised of four basic, but important, steps:

1. Estimate the potential gross income for the subject property.
2. From available data, estimate a proper allowance for vacancy and collection loss.
3. Estimate anticipated fixed and variable expenses to be incurred by the real estate.
4. Convert the estimated net operating income into a present value using a capitalization rate and/or a discounted cash flow analysis.

Based on discussions with buyers, sellers, and brokers involved in the transactions of similar properties, direct capitalization is the most commonly applied method to value offices. Therefore, direct capitalization is considered the most appropriate method to value the subject property.

As the subject property currently only has three tenants, one being the owner, and a high vacancy, an estimate based upon market rents and pro forma expenses is being utilized to indicate potential value to investors as an income producing property.

Current Leases and Additional Income

The subject building was partially occupied by an owner-run business and two tenants at the time of appraisal. Current rents for the tenants have not been included.

Estimate of Gross Potential Income

Office properties in the subject's market area typically lease under one of the following terms:

1) Triple Net - The tenant pays all expenses. Triple net terms are the most favorable to landlords. Class A properties in the market tend to lease under full service terms.
2) Gross - The owner pays all expenses. Sometimes referred to as Full Service Gross with No Pass Thru, Industrial Gross, or Full Gross. Gross terms are least favorable to landlords and are generally found in properties which have difficulties leasing such as Class C or D properties.
3) Modified Gross – The owner and the tenant each pay an agreed upon share of the expenses. Typical owner paid expenses in this market area include: water, sewer, taxes, insurance, legal fees and replacement reserves. Modified gross terms are the most typical terms in the market area and are common in Class B and some Class C properties.
4) Full Service Gross - The expenses are paid by the owner, but all or some are passed-thru to the tenant. Full service gross terms are the least common in the

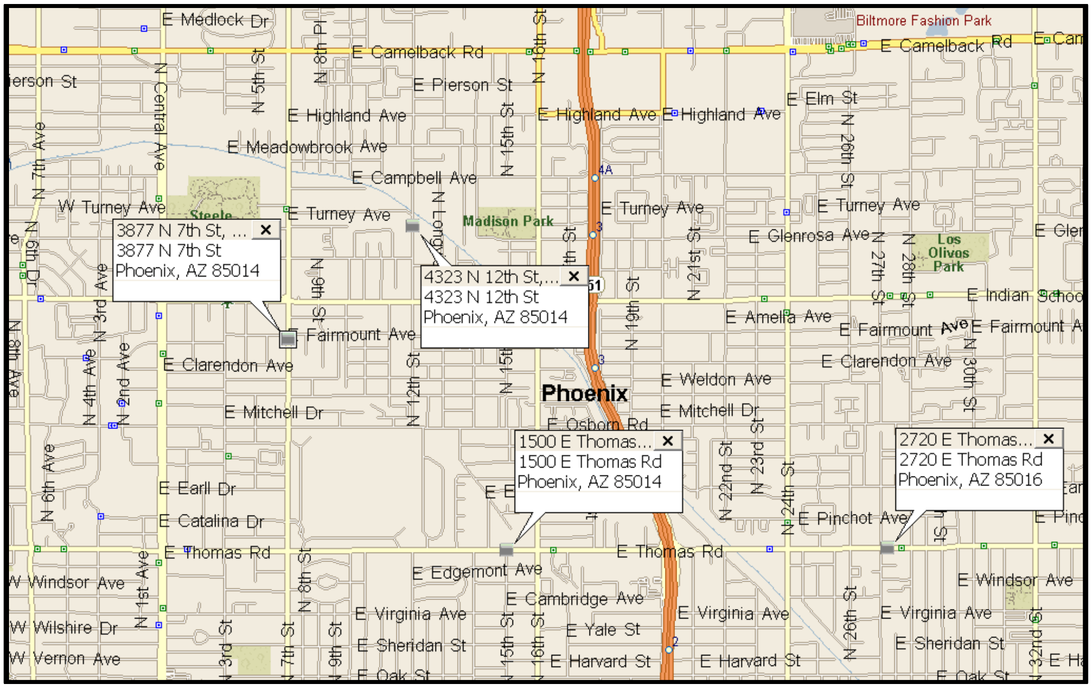
market area and are most typical in multi-tenant properties where the utilities have not been divided out among the tenants.

The subject property is considered to be a Class B property. Because the subject property does not have split-out utilities, it is required to lease under Gross or Full Service Gross terms as a multi-tenant property. However, the property would not be required to lease under those terms if occupied by a single tenant and could lease under the more typical modified gross terms. Therefore, separate expense and Income Approach estimates have been rendered for the subject as a multi-tenant property and as a single tenant property.

Estimate of Market Rent

Market rent is defined as "rental income a property would most likely command in the open market."[8] In order to estimate market rent for the subject property, several office building rentals in the subject's market area were surveyed. The comparable rentals utilized provide a reasonably good indication for determining an appropriate lease rate for the subject.

[8] The appraisal of Real Estate, 12th ed., p.83



Comparable Rentals Map

Comparable Rental 1

Building Name:	N/A		Tenant:	Moore Tanning LLC
Address:	1500 E Thomas Rd		Landlord:	Reliance Mgmt
City:	Phoenix, AZ		Lease Type:	Direct/New Lease
Zip Code:	85014		Lease Status:	Executed
Suite:	107		Start Date:	11/1/2016
Use:	Office		Expiration Date:	3/31/2027
Building Size:	45,073 sf		Lease Terms:	Full Service Gross
Year Built:	1972		Base Start Rent:	$13.00
Stories:	2		Effective Rent:	$12.86
Rental Area:	14,289 sf		Escalations:	$0.50 Annual
Floor Level:	1st		CAM:	None
Distance:	1.37 miles S		TI Allowance:	$15.00

Comparable Rental 1 was the executed direct new lease of a first floor suite at the noted building. It was a long term lease under full service gross terms.
The base starting negotiated rent was $13.00 per square foot annually with $0.50 annual programmed escalations. Effective rent is $12.86. The suite has no CAM payments. Build-out was only partially complete. The property had a TI allowance of $15.00 per square foot. Specific terms of the TI agreement are not known.

Comparable Rental 2

Building Name:	N/A		Tenant:	N/A
Address:	2720 E Thomas Rd		Landlord:	Palm Court Inv
City:	Phoenix, AZ		Lease Type:	Direct/New Lease
Zip Code:	85016		Lease Status:	Executed
Suite:	A		Start Date:	12/20/2015
Use:	Office		Expiration Date:	12/19/2016
Building Size:	33,275 sf		Lease Terms:	Full Service Gross
Year Built:	1985		Base Start Rent:	$9.00
Stories:	2		Effective Rent:	$9.00
Rental Area:	10,000 sf		Escalations:	None
Floor Level:	1st		CAM:	None
Distance:	2.28 miles SE		TI Allowance:	None

Comparable Rental 2 was the executed direct new lease of a first floor suite at the noted building. It was a short term lease under full service gross terms. The base starting negotiated rent was $9.00 per square foot annually with no programmed escalations. Effective rent is $9.00. The suite has no CAM payments.

Comparable Rental 3

Building Name:	N/A		Tenant:	AZ Health E Connection
Address:	3877 N 7th St		Landlord:	Merced Capital
City:	Phoenix, AZ		Lease Type:	Direct/New Lease
Zip Code:	85014		Lease Status:	Executed
Suite:	130		Start Date:	07/01/2016
Use:	Office		Expiration Date:	08/31/2019
Building Size:	56,580		Lease Terms:	Full Service Gross
Year Built:	1986		Base Start Rent:	$18.00
Stories:	4		Effective Rent:	$18.00
Rental Area:	6,446 sf		Escalations:	$0.50 annual
Floor Level:	1st		CAM:	None
Distance:	0.67 miles SW		TI Allowance:	None

Comparable Rental 1 was the executed direct new lease of a first floor suite at the noted building. It was a short term lease under full service gross terms. The base starting negotiated rent was $18.00 per square foot annually with $0.50 annual programmed escalations. Effective rent is $18.00. The suite has no CAM payments.

Market Rent Discussions and Conclusions

Recent comparable rentals from the market area show a range of annual rental rates per square foot between $9.00 and $18.00 with a mean of $13.29 and a median of $12.86. Therefore, a market rent based upon the mean lease rate of comparables $12.86 per square foot appears most reasonable for the subject. The total potential gross revenue of the subject, based upon the area of 11,173 square feet, is estimated to be **$148,452** per annum.

Vacancy and Collection Loss

CoStar Comps Analytics shows the mean vacancy rate for all office properties in the Phoenix Metropolitan Area is currently 10.2% and a mean office vacancy rate within the Midtown Submarket of 5%. Therefore, a vacancy rate of 5% is estimated.

Operating Expenses

Professional management fees in the metropolitan Phoenix area generally range between three and five percent of effective gross revenue for retail buildings. For purposes of this analysis, a management fee of 3% of the base effective gross revenue ($4,454) has been estimated.

Replacement reserves typically range from $0.10 to $0.20 per square foot of building area per annum for retail properties similar to the subject property. Given the improvements to the subject property, an allowance of $0.20 per square foot per year is estimated, indicating a total expense of $2,235 per annum rounded.

The 2016 taxes for the property were based upon the Maricopa County Treasurer's Office total assessed values for the property and current tax rates in the area. Insurance, utilities, legal fees and license, and maintenance fees were estimated based upon review of similar properties' records.

Because the subject property does not have split-out utilities, it is required to lease under Gross or Full Service Gross terms as a multi-tenant property. However, the property would not be required to lease under those terms if occupied by a single tenant and could lease under the more typical modified gross terms. Therefore, separate expense and Income Approach estimates have been rendered for the subject as a multi-tenant property and as a single tenant property.

Revenue and Expense Summary – Multi-Tenants

INCOME	
Gross Potential Income	$148,452
Vacancy and Collection Loss (5%)	($7,423)
Pass Thru Reimbursements	$0
Effective Gross Income	**$141,029**
EXPENSES	
Property Taxes (2016)	($12,241)
City Rental Tax (Estimated)	($2,969)
Insurance (Estimated)	($2,400)
Property Management (Estimated)	($4,454)
Utilities (Estimated)	($7,800)
Legal Fees and Licenses/Permits (Estimated)	($1,000)
Maintenance (Estimated)	($2,400)
Replacement Reserves (Est. $0.20/SF)	($2,235)
Total Expenses	($35,498)
Net Operating Income	**$105,531**
Expenses per Square Foot	$3.18
Expense Ratio	25%

Revenue and Expense Summary – Single Tenant

INCOME	
Gross Potential Income	$148,452
Vacancy and Collection Loss (5%)	($7,423)
Pass Thru Reimbursements	$13,169
Effective Gross Income	**$154,198**
EXPENSES	
Property Taxes (2016)	($12,241)
City Rental Tax (Estimated)	($2,969)
Insurance (Estimated)	($2,400)
Property Management (Estimated)	($4,454)
Utilities (Estimated)	($7,800)
Legal Fees and Licenses/Permits (Estimated)	($1,000)
Maintenance (Estimated)	($2,400)
Replacement Reserves (Est. $0.20/SF)	($2,235)
Total Expenses	($35,498)
Net Operating Income	**$118,700**
Expenses per Square Foot	$3.18
Expense Ratio	23%

Capitalization of the Net Operating Income

When viewed as an income-producing property, the basis for valuation of the subject under the Income Approach is present worth of future benefits derived from ownership. The net income is transformed into an indication of value through application of the capitalization rate. This technique is referred to as direct capitalization. An overall rate (OAR) is calculated by dividing the comparable sale property's net income by its sale price. The strength of the technique is dependent on the availability of reliable income data for truly comparable properties. In deriving an overall capitalization rate, reliance has been placed upon data obtained from supplemental sales, market participant surveys and an investor surveys.

Sales

A survey of recent office sales with reported capitalization rates in the Phoenix market area showed a range of cap rates from 4.22% to 10.00%. The accuracy of some of the reported cap rates is questionable due to incomplete reporting of expenses. The median reported cap rate of sales analyzed was 7.29%.

Investor Survey

A survey of office property sales in the Phoenix area by CoStar Comps found the median reported cap rate in 2016 was 7.29%. RealtyRates.com mean cap rate for the Phoenix/Mesa market area was 7.70% in the second quarter of 2016.

Market Participant Survey

A survey of agents, brokers and investors active in the north Phoenix area office markets showed a range of typical capitalization rates for the area from 6.80% to 8.25% with a median rate of 7.25%.

Capitalization Rate Summary

The median cap rate of recent sales in the area appears to be the best indicator. Therefore, an overall capitalization rate of 7.29% is considered to be reasonable for the subject property.

Summary of the Income Approach
Applying a capitalization rate of 7.29% to the respective net operating income estimates reveals the following value indications for the subject property via the Income Approach, as shown below.

As a multi-tenant property:

$105,531 divided by 0.0729 = $1,447,615

Rounded to $1,448,000

As a single-tenant property (or with split-out utilities):

$118,700 divided by 0.0729 = $1,628,260

Rounded to $1,628,000

As the current subject use is as a multi-tenant property the multi-tenant estimate above will be recorded in the value reconciliation.

The Sales Comparison Approach

The Sales Comparison Approach develops an indication of market value of the subject property by a comparison to the sales of similar properties or properties currently listed for sale. This approach is based upon the principal of substitution which states "…the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time."[9]

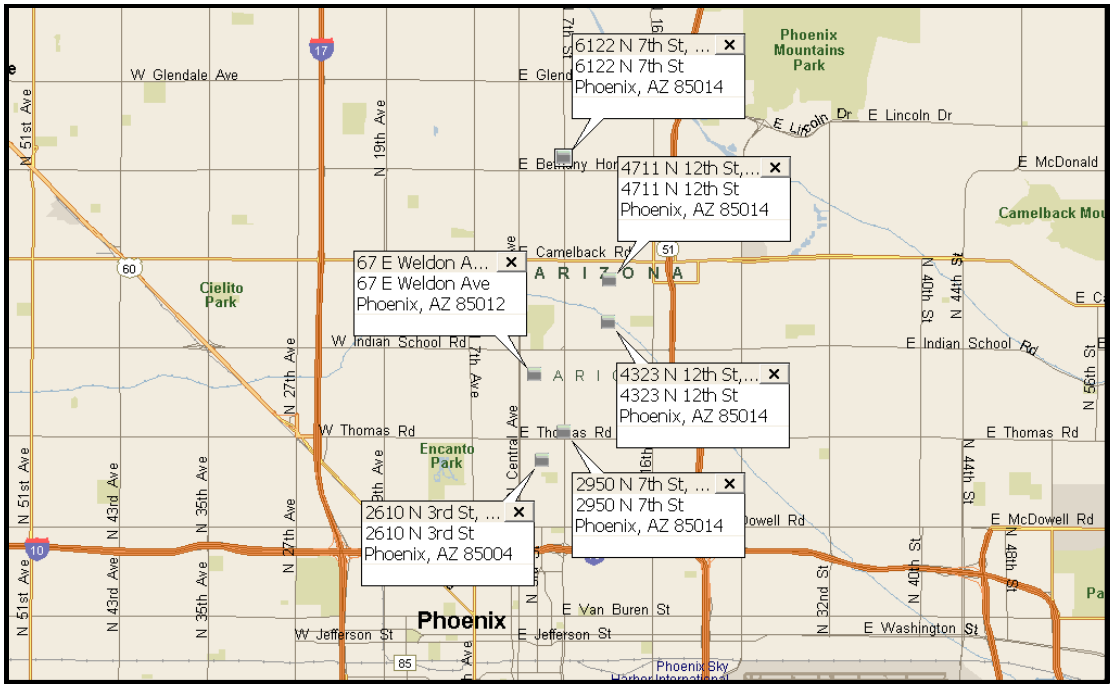
The advantage of this approach is it reflects the actions of buyers and sellers in the marketplace. The primary weakness of this approach is it is based on historical data, introducing the assumption that market conditions will continue to perform in a similar manner in the future.

Since office buildings vary in size, sales prices are typically reduced to price per square foot of building area for comparative purposes. The units of comparison are adjusted to the subject property for various differences and then applied to the subject's building area to arrive at an indication of value. Each sale comparison was related to the property appraised in terms of the following factors:

1. Real Property Rights Conveyed
2. Financing Terms
3. Conditions of Sale
4. Date of Sale
5. Location
6. Physical Characteristics
7. Economic Characteristics

A search of public records was conducted. Additionally, several real estate brokers and market participants active in the Phoenix office market were contacted in an attempt to discover sales of similar office buildings. In the selection of comparable sales, physical characteristics considered included: location, building size, age/condition of improvements, parking ratio, and yard characteristics. A location map and summary of the improved sales considered in the analysis are presented on the following two pages, followed by photographs of the comparable sales.

[9] The Appraisal of Real Estate, 11th ed., p.398



Comparable Sales Map

Comparable Sale 1

Building Name:	N/A		Sales Price:	$1,320,000
Address:	4701-4719 N 12th St		Sale Date:	08/03/2016
City:	Phoenix, AZ		Doc Number:	20160552225
Zip Code:	85014		Seller:	Tu D. & Hoan N Vu
Parcel Number:	155-10-001, -2, -3A, -5, -7		Buyer:	Clayton 12th Street, LLC
Use:	Office Building		Financing:	Conventional loan
# of Buildings:	2		Concessions:	None
Building Size:	11,197 sf		Price per Sq Ft:	$117.89
Site Size:	1.10 ac		Listing Price:	$1,550,000
Year Built:	1971		DOM	315
Stories:	1		Distance:	0.47 miles N

Comparable Sale 1 was the sale of an office building located approximately 1/2 mile north of the subject.

The building is highly similar in size and age to the subject. The building exterior shows obvious signs of wear and tear and the interior is reported to be in similar condition. It is rated Class C.

It is located on a larger lot than the subject.

The property sold in August of 2016 for $1,320,000. The sale was financed by a conventional loan.

No prior sales were noted within the past 12 months.

Comparable Sale 2

Building Name:	N/A		Sales Price:	$1,250,000
Address:	67 E Weldon Ave		Sale Date:	06/17/2016
City:	Phoenix, AZ		Doc Number:	20160425348
Zip Code:	85012		Seller:	D&M Development Group LLC
Parcel Number:	118-33-038A		Buyer:	The M2 Group
Use:	Office Building		Financing:	Conventional loan
# of Buildings:	1		Concessions:	None Noted
Building Size:	14,438 sf		Price per Sq Ft:	$86.58
Site Size:	0.66 ac		Listing Price:	$1,500,000
Year Built:	1981		DOM:	745
Stories:	3		Distance to Subject	1.01 mile SW

Comparable Sale 2 was the sale of an office building located approximately 1 mile southwest of the subject.

The building is larger and slightly newer than the subject. The property required significant upgrades and repairs at the time of sale according to the listing agent (Michael Finch of Calber Realty). The condition of the property was the primary reason for the extended listing period. The final sales price had a negotiated discount of approximately $16.00 per square foot due to the condition of the improvements according to the agent. The building was substantially remodeled following the sale. The building is rated Class B.

It is located on a smaller lot than the subject.

The property sold in June of 2016 for $1,250,000. The sale was financed by a conventional loan.

No prior sales were noted within the past 12 months.

Comparable Sale 3

Building Name:	N/A		Sales Price:	$1,250,000
Address:	2950 N 7^{th} St		Sale Date:	12/09/2016
City:	Phoenix, AZ		Doc Number:	20160907846
Zip Code:	85014		Seller:	Double F – LLC
Parcel Number:	118-21-024A		Buyer:	Antiqua LLC
Use:	Office Building		Financing:	Conventional Loan
# of Buildings:	1		Concessions:	None Noted
Building Size:	9,256 sf		Price per Sq Ft:	$135.05
Site Size:	0.79 ac		Listing Price:	$1,500,000
Year Built:	1970		DOM:	280
Stories:	3		Distance to Subject	1.35 miles SW

Comparable Sale 3 was the sale of an office building located approximately 1.5 miles southwest of the subject.

It is a smaller building than the subject, but is similar in age. It is in similar condition to the subject and is rated Class B.

It is located on a smaller lot than the subject.

The property sold in December of 2016 for $1,250,000.

The sale was financed with a conventional loan.

No prior sales were noted within the past 12 months.

Comparable Sale 4

Building Name:	N/A		Sales Price:	$1,450,000
Address:	2610 N 3rd St		Sale Date:	04/15/2016
City:	Phoenix, AZ		Doc Number:	20160251858
Zip Code:	85004		Seller:	LMST Ventures LLC
Parcel Number:	118-44-091A		Buyer:	McDowell Corridor Prtrs LLC
Use:	Office Building		Financing:	Cash
# of Buildings:	1		Concessions:	None Noted
Building Size:	10,150 sf		Price per Sq Ft:	$142.86
Site Size:	1.00 ac		Listing Price:	$1,500,000
Year Built:	1979		DOM:	234
Stories:	1		Distance to Subject	1.72 miles SW

Comparable Sale 4 was the sale of an office building located approximately 2 miles southwest of the subject.
It is a slightly smaller building, but is similar in age to the subject. The interior finish at the time of sale was reported to be serviceable, but dated (“circa 1980’s”) per the listing agent (Shannon King of Cushman & Wakefield). The new owner has been remodeling the property since the sales date. The building is rated Class B.
It is located on a slightly larger lot to the subject.
The property sold in April of 2016 for $1,450,000.
The sale was a cash transaction.
No prior sales were noted within the past 12 months.

Comparable Sale 5

Building Name:	N/A		Sales Price:	$1,600,000
Address:	6122 N 7th St		Sale Date:	02/09/2017
City:	Phoenix, AZ		Doc Number:	20170100089
Zip Code:	85014		Seller:	6122 N 7th St LLC
Parcel Number:	161-17-028B		Buyer:	Highland Studios LLC
Use:	Office Building		Financing:	Private lender
# of Buildings:	2		Concessions:	None Noted
Building Size:	10,609 sf		Price per Sq Ft:	$150.82
Site Size:	0.65 ac		Listing Price:	$1,600,000
Year Built:	1963		DOM:	140
Stories:	1		Distance to Subject	1.86 miles N

Comparable Sale 5 was the sale of an office building located approximately 2 miles north of the subject.
It is a slightly smaller and older building than the subject. It is in similar condition to the subject and is rated Class B.
It is located on a smaller lot than the subject.
The property sold in February of 2017 for $1,600,000.
The sale was a financed by a construction loan from a private lender.
No prior sales were noted within the past 12 months.

Improved Sales Analysis
The comparables are all office buildings located in the same general market area of Phoenix as the subject. The closed transactions occurred between April of 2016 and February of 2017. The comparable sales range in age from 36 to 54 years. They range in size from 9,256 square feet to 14,428 square feet. Unadjusted prices per square foot of building area range from $86.58 to $150.82.

Elements of Comparison
Elements of comparison are defined as "the characteristics or attributes of properties and transactions that cause the prices of real estate to vary; including real property rights conveyed, financing terms, conditions of sale, market bconditions (time), location, physical characteristics, and other characteristics, such as economic characteristics, use, and non-realty components of value."[10] Any differences between the comparable sales and the subject affecting value must be identified and reconciled. Adjustments are applied to the comparable sales, as a result of the differences, to derive more equal comparable sales. These differences are reconciled as of the effective date of the appraisal.

The following is a discussion of the various elements of comparison. The first four elements of comparison will be discussed for each sale. Thereafter, qualitative comparisons will be discussed for factors as each property compares to the subject property. This is followed by cumulative adjustments which recognize the overall superiority or inferiority of the comparable sales in relationship to the subject property.

Real Property Rights Conveyed:
This analysis represents the fee simple interest in the subject property. All the comparable sales were purchased and transferred in fee simple interest. Therefore, no adjustments were found appropriate for property rights conveyed.

Financing Terms:
The market value opinion for the subject property is based on all cash, or cash equivalent financing. Cash transactions typically sell for less than those sales that involve favorable financing terms such as below market interest rates, buy downs, wrap around mortgages, interest only loans, or seller carryback mortgage, etc. Therefore, cash equivalency adjustments must be made to sales involving favorable financing terms. Comparable Sales 1, 2, and 3 were financed by conventional loans. Comparable Sale 4 was a cash transaction. Comparable Sale 5 was financed by a loan from a private lender with terms comparable to conventional loans. Therefore, no adjustments for financing were deemed appropriate.

Conditions of Sale:
An adjustment for conditions of sale is used to reflect the motivations of buyers and sellers in sales that are not arms-length transactions due to duress, special

[10] The Dictionary of Real Estate Appraisal, 3rd ed., p.114

relationships, or unusual circumstances. The comparables are considered to be arms-length transactions with no special conditions. Therefore, no condition of sale adjustments were applied.

Market conditions (Date of Sale):
The subject property is being appraised as of a specific date. Therefore, adjustments to the comparable sales must be recognized for changes in the market conditions between the sale dates of the comparables and the date of valuation. The adjustment for market conditions is not always related to “time”, but also changes in market conditions may be caused by inflation, deflation, fluctuations in supply and demand, or other factors.

Based upon a market analysis of area sales, the median sales price per square foot for office properties in the Phoenix market area has increased 8% during the past 24 months, or approximately 0.33% per month average. Adjustments were applied to comparables based upon mean monthly appreciation.

Summary of the First Four Elements of Comparison
Factors considered include property rights conveyed, financing terms, conditions of sale, and date of sale. Following is a summary of the adjustments for the first four elements of comparison concluded for each sale.

Elements of Comparison	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Sales Price/Sq Ft	$117.89	$86.58	$135.05	$142.86	$150.82
Property Rights	0.0%	0.0%	0.0%	0.0%	0.0%
Financing Terms	0.0%	0.0%	0.0%	0.0%	0.0%
Conditions of Sale	0.0%	0.0%	0.0%	0.0%	0.0%
Market Conditions/Date of Sale	3.0%	3.0%	1.0%	4.0%	1.0%
Adjusted Price	$121.43	$89.18	$136.40	$148.57	$152.33

Remaining Elements of Comparison
In addition to the preceding adjustments, adjustments must be applied to the comparable sales for significant differences form the subject with regard to location and physical characteristics as discussed below.

Location:
The comparable sales are located within the subject’s direct market area and are subject to the same external influences. Therefore, no location adjustments were applied.

Physical Characteristics:
Adjustments for physical characteristics are necessary when the physical characteristics of a comparable property are significantly different from those of the subject. Factors analyzed include the size, age, condition and grade, and site area. Included in the following table is a qualitative comparison of the physical

characteristics of the comparable sales in relation to the subject property, based upon the comparative analysis.

Economic Characteristics:

Economic characteristics include attributes of a property which affect its net operating income. No adjustments were applied to the comparable sales as none were impacted by any atypical economic characteristics.

Summary of Improved Sales Analysis:

Several additional factors were considered in the improved sales analysis, including location and physical characteristics. Presented in the following chart is a summary of the adjustments concluded for each sale.

Elements of Comparison	**Sale 1**	**Sale 2**	**Sale 3**	**Sale 4**	**Sale 5**
Adjusted Price/Sq Ft	$121.43	$89.18	$136.40	$148.57	$152.33
Location	Similar	Similar	Similar	Similar	Similar
Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Price/Unit	$121.43	$89.18	$136.40	$148.57	$152.33
Physical Characteristics					
Building Size	Similar	Inferior	Superior	Similar	Similar
Age	Similar	Superior	Similar	Similar	Inferior
Lot Size	Superior	Inferior	Inferior	Superior	Inferior
Grade	Inferior	Similar	Similar	Similar	Similar
Condition	Inferior	Inferior	Similar	Inferior	Similar
Overall Adjustments	32.0%	39.0%	-1.0%	4.0%	13.0%
Final Adjusted Unit Price	***$160.28***	***$123.96***	***$135.04***	***$167.89***	***$156.90***

The comparable sales reveal an adjusted unit value range for the comparable sales from $123.96 to $167.89 per square foot of building area with a mean of $148.81 and a median of $147.66. The comparable sales were weighted based upon the total gross adjustment percentage for each comparable. The lower the gross adjustment percentage, the more similar the comparable is to the subject.

COMP #	**ADJUSTED VALUE**		**WEIGHT**		**WEIGHTED VALUE**
1	$160.28	X	0.04101	=	$6.57
2	$123.96	X	0.03821	=	$4.74
3	$135.04	X	0.42035	=	$56.76
4	$167.89	X	0.08007	=	$13.44
4	$156.90	X	0.42035	=	$65.95
TOTALS			**1.00000**		**$147.47**

The weighted comparison indicates a value for the subject of $147.47 per square foot. The weighted indication of value appears to be the most reasonable estimate of value for the subject.

<u>“As Is” Market Value Conclusion</u>

In recognition of the market conditions of the subject area as of the effective date of appraisal and the location and physical characteristics of the subject property, a unit price of $147.47 per square foot of building area was concluded. The application of the concluded price per square foot for the building involved reveals an opinion of the “as is” market value as of April 10, 2017 of:

11,173 Square Feet at $147.47 per Square Foot = $1,647,665

Rounded to $1,648,000

<u>Exposure Period</u>

Exposure time is a "retrospective" opinion, looking back (from the effective date) to the beginning of the "hypothetical" process of selling the asset, so that the sale would have been consummated on the "effective date" of appraisal. Marketing time is a "forward looking" estimate (from the effective date), to estimate the amount of time it might take a seller (sometimes the Intended User of the appraisal), to market and sell the asset. A definition of exposure time per the Uniform Standards of Professional Appraisal Practice is included in the Definitions section of the report.

The estimated exposure period has been based on the actual exposure periods of the improved sales employed in the Sales Comparison Approach and discussions with several real estate brokers and market participants active in the metropolitan Phoenix office market. The comparable sales employed and opinions from the market participants suggest an exposure period for the subject property of from 6 to 12 months. The median days on market for general commercial properties in the market area during the past 12 months has been 244 days. Therefore, an exposure period of eight months, or approximately 244 days, has been estimated for the subject under the hypothetical situation that it sold on the effective date of appraisal. Based upon the estimated exposure time, forecasted market conditions and if adequately marketed with a price consistent with the value conclusion and exclusive of the liquidation and auction value conclusions, a marketing time of 6 to 12 months is estimated to be required for the subject to sell at the appraised.

Reconciliation and Final Opinion of Value

The approaches to value indicate the following “as is” market values for the fee simple interest in the subject property.

Approach to Value	"As Is" Market Value
Cost Approach	$1,731,000
Income Approach	$1,448,000
Sales Comparison Approach	$1,648,000

The Cost Approach is utilized only as a check against the other approaches due to the age of the property and the subjectivity of physical depreciation estimates. (the Cost Approach is generally most accurate with new properties).

The Income Approach is provided only for informational purposes as the approach is based solely upon market data and pro forma estimates.

Weight is given solely to the Sales Comparison Approach. The supporting data for the approach is viewed as of sufficient quality and quantity to support the value estimate alone.

After considering all facts available and subject to the underlying assumptions and limiting conditions included, it was concluded that the fee simple interest in the subject property has an “as is” market value as of April 10, 2017 of:

One million six hundred and forty eight thousand dollars

$1,648,000

Value Indications of Seller Carryback Financing

Whereas the seller will consider carryback financing for a worthy buyer in a forthcoming sales marketing program, an analysis of the impact of carryback financing by the seller is included in the report.

A survey of sales of office properties with carryback financing and a comparison of sales sold on cash terms or with conventional financing was conducted using Arizona Regional Multiple Listing Service sales data:

Statistical Market Analysis

Status	# Listings	List Volume	Sold Volume		List Price	Sold Price	Sale/List Price	Ttl Apx SqFt Bldg	List Price Per Ttl Apx SqFt Bldg	Sold Price Per Ttl Apx SqFt Bldg	Agent Days On Market	Cumulative Days On Market
Closed	11	3,527,206	3,105,000	Low	160,000	155,000	0.59	332	65.58	52.80	27	1
				Avg	320,655	282,273	0.93	3,408	148.95	137.94	81	76
				High	999,777	700,000	1.06	13,258	512.05	466.87	206	199
Overall	**11**	**3,527,206**	**3,105,000**	**Low**	**160,000**	**155,000**	**0.59**	**332**	**65.58**	**52.80**	**27**	**1**
				Avg	**320,655**	**282,273**	**0.93**	**3,408**	**148.95**	**137.94**	**81**	**76**
				High	**999,777**	**700,000**	**1.06**	**13,258**	**512.05**	**466.87**	**206**	**199**

Selection Criteria for Comparable Properties

Specified listings from the following search: Property type Comm/Industry Sale; Status of 'Closed'; Close of Escrow Date relative 1 years back; or Building Type of Office; or Owner Wants of Owner May Carry.

Statistical Market Analysis

Status	# Listings	List Volume	Sold Volume		List Price	Sold Price	Sale/List Price	Ttl Apx SqFt Bldg	List Price Per Ttl Apx SqFt Bldg	Sold Price Per Ttl Apx SqFt Bldg	Agent Days On Market	Cumulative Days On Market
Closed	117	67,736,541	55,581,580	Low	39,000	1	0.00	169	1.53	0.00	1	0
				Avg	578,945	475,056	0.90	9,059	155.01	126.87	238	238
				High	3,950,000	3,570,000	3.62	291,102	1,917.16	1,479.29	2,781	2,779
Overall	**117**	**67,736,541**	**55,581,580**	**Low**	**39,000**	**1**	**0.00**	**169**	**1.53**	**0.00**	**1**	**0**
				Avg	**578,945**	**475,056**	**0.90**	**9,059**	**155.01**	**126.87**	**238**	**238**
				High	**3,950,000**	**3,570,000**	**3.62**	**291,102**	**1,917.16**	**1,479.29**	**2,781**	**2,779**

Selection Criteria for Comparable Properties

Specified listings from the following search: Property type Comm/Industry Sale; Status of 'Closed'; Close of Escrow Date relative 1 years back; or Building Type of Office; and not Owner Wants of Owner May Carry.

The mean sales price for office property sales with carryback financing was 8.7% higher ($137.94) than the mean sales price for office property sales sold with cash or conventional loan financing ($126.87). The difference is primarily attributed to the conditions by which buyers seek carryback financing from owners including: 1) Lack of sufficient ready money to pay by cash; 2) Inability to qualify for a loan from a conventional bank; 3) Troubled or bad credit history. In financing with a carryback loan, a property owner takes responsibility for risks that would not apply under a cash transaction or conventional financing. As a result, owners willing to finance through carryback loans often sell for prices higher than market rates.

When considered as a property potentially sold with carryback financing, the estimated value for the subject property is:

Market Value of $1,648,000 x 1.087 = $1,791,376

Rounded to $1,791,000

Appendix A

Qualifications

STATE OF ARIZONA

Department of Financial Institutions
Real Estate Appraisal Division

BE IT KNOWN THAT

MICHAEL L. WRIGHT

HAS MET ALL THE REQUIREMENTS AS A

Certified General Real Estate Appraiser

This certificate shall remain evidence thereof unless or until the same is suspended, revoked or expires in accordance with provisions of law.

CERTIFICATE NUMBER

31268

EXPIRATION DATE

September 30, 2018

In witness whereof the Real Estate Appraisal Division of the Department of Financial Institutions caused to be signed by the Division Manager on behalf of the Superintendent on the 7th day of September, 2016.

Debra Rudd

Debra Rudd

Michael Wright
Certified General Real Estate Appraiser
P. O. Box 7396
Surprise, AZ 85374
Phone (623) 810-4846
Fax (623) 321-5901

Occupation: Real Estate Appraiser

- Arizona General Certification #31268
- Colorado General Certification #40040495
- Ohio General Certification #423879 (Inactive)

Experience:

8/1/2004 to Present — Owner and Appraiser:
Michael Wright R/E Appraiser, Phoenix, AZ

- Perform commercial, residential, and review appraisals for clients in Central Arizona.
- Maintain and run sole proprietorship office.

1/1996 to 8/1/2004 — Owner and Appraiser:
Michael Wright R/E Appraiser, Dayton, OH

- Performed commercial, residential, and review appraisals for clients in 9 county area of Southwest Ohio.
- Maintained and ran a sole proprietorship office.

8/1991 to 11/1993 — Appraiser/Data Collector:
Sabre Systems and Services, Dayton, OH

- Perform ad valorum tax appraisals of residential and commercial properties for county auditor offices in Southwest Ohio.

8/1991 to 1/1997 — Officer:
U.S. Army and U.S. Army Reserve, Various locations

- Personnel Management Officer; Battalion Adjutant; Personnel Staff Officer S-1; Training Officer; Mobilization Officer

Education:

- Bachelor of Arts degree, University of Dayton, 1991
- Four hundred and twelve hours of appraisal education

Affiliations:

- Appraisal Institute, Associate Member
- Glendale Board of Realtors

Appendix B

Subject Photos

Subject front.

Subject rear.

South side of subject.

North side of subject.

Subject street, facing south.

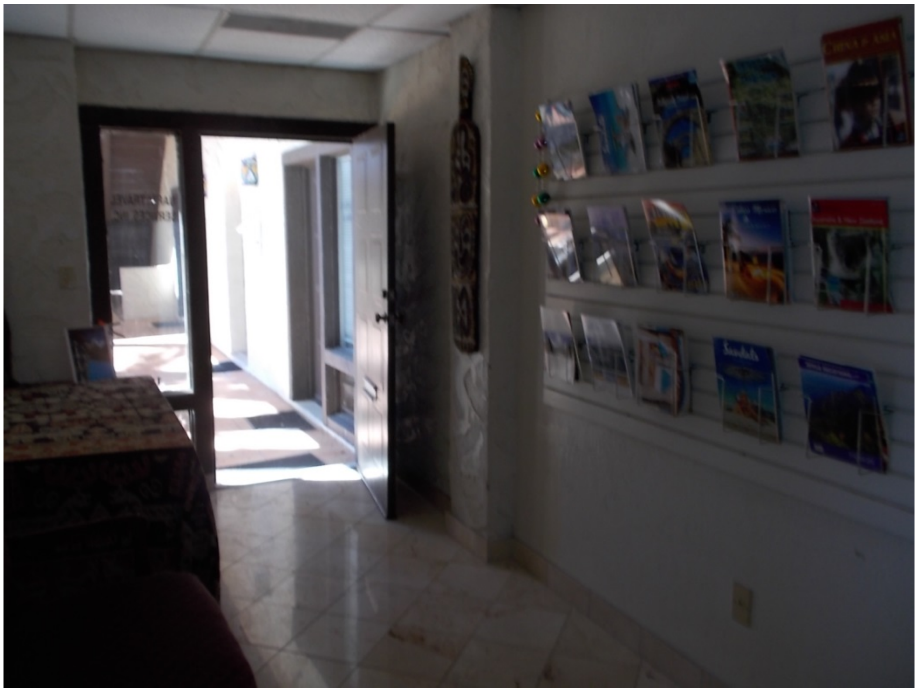
Subject street, facing west.

Subject interior.

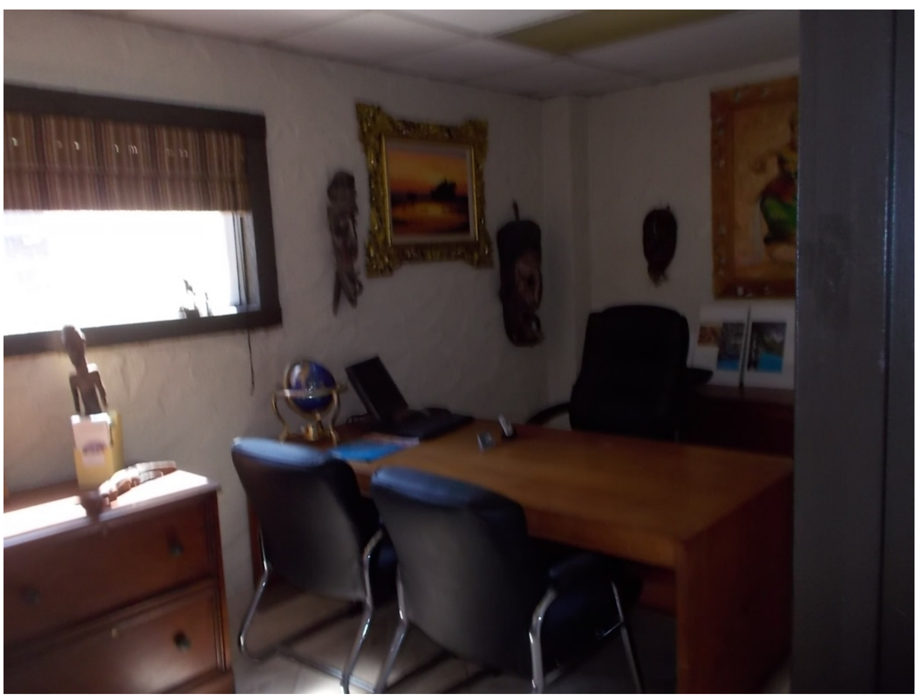
Subject interior.

Subject interior.

Subject interior.



Subject interior.



Subject interior.

Subject interior.

Subject interior.

Subject interior.

Subject interior.

Subject interior.

Subject interior.

Subject interior.

Subject interior.

Subject interior.

Subject interior.

Subject interior.

Subject interior.

Deferred maintenance – water tower unit.

Appendix C

Legal Description

20050620774
20000600106

F-25 (G.S.)

EXHIBIT "A"

PARCEL NO. 1: #155-06-018

That part of Lot Eight (8), Block Two (2), LONGVIEW PLACE, according to the plat of record in the office of the Maricopa County Recorder in Book 5 of Maps, page 4, Described as follows:

BEGINNING at the Northwest corner of said Lot 8; thence East (assumed bearing) along the North line of said Lot 225.91 feet; thence South 0 degrees 05 minutes 00 seconds West, parallel with the East line of said Lot 8 and 65.00 feet West therefrom, a distance of 50 feet to the South line of the North one-half of said Lot 8; thence West along said South line, 225.98 feet to the West line of said Lot 8; thence North 0 degrees 10 minutes East, along the West line of said Lot 8, to the point of beginning.

TOGETHER WITH:

PARCEL NO. 2: #155-06-018

That part of Lot Nine (9), Block Two (2), LONGVIEW PLACE, according to the plat of record in the office of the Maricopa County Recorder in Book 5 of Maps, page 4, described as follows:

BEGINNING at the Southwest corner of said Lot 9, thence East (assumed bearing) along the South line of said Lot 225.91 feet; thence North 0 degrees 05 minutes 00 seconds East, parallel with the Northerly prolongation of the East line of Lot 8, Block 2, LONGVIEW PLACE, a distance of 26.9 feee West 225.87 feet to the West line of said Lot 9; thence South 0 degrees 10 minutes 00 seconds West, along the West line to the point of beginning;

EXCEPT that part of Parcels 1 and 2 above if any, lying within the boundaries of a 66 foot road along the West side of said Lots 8 and 9, as shown in Book 3 of Road Maps, page 44.

TOGETHER WITH:

PARCEL NO. 3: #155-06-020

That part of Lot Nine (9), Block Two (2), LONGVIEW PLACE, according to the plat of record in the office of the Maricopa County Recorder in Book 5 of Maps, page 4, described as follows:

BEGINNING at a point which is 26.9 feet North of the Southwest corner of said Lot 9; thence East to a point which intersects a line running due North and South drawn from a point on the North line of the South one-half of Lot 8 of said Block 2, 65 feet West from the Northeast corner of said South one-half of Lot 8 to the Northeasterly boundary line of said Lot 9; thence North to the Northeasterly boundary line of said Lot 9; thence Northwesterly along said Northeasterly boundary line of said Lot 9 to a point which is due East of a point which is 91.9 feet North of the Southwest corner of said Lot 9; thence West to a point on the West boundary line of said Lot 9 which is 91.9 feet North of the Southwest corner of said Lot 9; thence South 65 feet more or less to the point of beginning;

EXCEPT the North 2 feet thereof.

CONTINUED........

20050620774
20000600106

EXHIBIT "A" continued...........

TOGETHER WITH:
#155-06-017A

PARCEL NO. 4: The East 65 feet of the South half of Lot 8, and that part of the North half of Lot 8, and that part of Lot 9, which lies Easterly of a due North and South line, drawn from a point on the North line of the South half of Lot 8, and 65 feet West from the Northeast corner of said South half of Lot 8 and to the North line of Lot 9, Block 2, LONGVIEW PLACE, according to Book 5 of Maps, page 4 records of Maricopa County, Arizona:
EXCEPT the South 50 feet thereof.