AN APPRAISAL REPORT OF THE BIG PARK SCHOOL CAMPUS LOCATED AT 25 WEST SADDLE HORN ROAD, SEDONA, YAVAPAI COUNTY, ARIZONA 86351

PREPARED FOR

SEDONA-OAK CREEK JOINT UNIFIED SCHOOL DISTRICT
995 UPPER RED ROCK LOOP ROAD
SEDONA, ARIZONA 86336

ATTENTION

MS. STACY SARAVO
FINANCE/HUMAN RESOURCE DIRECTOR

A.T. I. FILE NO.: CGG89115O

DATE OF REPORT

MAY 5, 2025

EFFECTIVE DATE OF VALUE

APRIL 3, 2025

DATE OF INSPECTION

APRIL 3, 2025

PREPARED BY

MICHAEL TURNER, MAI
CERTIFIED GENERAL REAL ESTATE APPRAISER CERTIFICATE NO. 30420

May 5, 2025

A.T.I. File No.: CGG89115O

TO: Sedona-Oak Creek Joint Unified School District
995 Upper Red Rock Loop
Sedona, Arizona 86336

ATTN: Ms. Stacy Saravo
Finance/Human Resource Director

RE: An Appraisal Report of the Big Park School Campus located at 25 W. Saddle Horn Road in Sedona, Yavapai County, Arizona 86351.

Dear Ms. Saravo:

As you requested, I have appraised the "As Is" Market Value of the aforementioned property. The value estimate is supported by market analysis which is communicated through an Appraisal Report format plus exhibits, which describes and identifies methods of approach and valuation.

The purpose of the appraisal is to estimate the "As Is" Market Value as of the effective date of value or April 3, 2025.

The subject is located in the Village of Oak Creek, an unincorporated community. The property is the Big Park School Campus totaling 69,712 square feet and situated on 20.8 acres. The buildings were constructed in 1990 and 2008 and are in average condition with noted items of deferred maintenance.

The intended users of this report are Sedona-Oak Creek Joint Unified School District and their affiliates. The intended use of the appraisal report is for disposition decisions to be made by the client. This report is not intended for any other use or any other users.

The subject is currently encumbered with several short term leases. Due to the short term nature, the Fee Simple Estate will be considered in this report.

This report was prepared under the Appraisal Report option of Standards Rule 2-2(a) of the most recent edition of the Uniform Standards of Professional Appraisal Practice ("USPAP"). As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal.

This type of report has a moderate level of detail. It summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinion, and conclusions.

This appraisal assignment was drafted to adhere to the standards and practices of the Appraisal Institute, plus the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) by the Appraisal Foundation.

Based on the information found in this investigation, the appraiser is of the opinion that the "As Is" Market Value of the subject property, as of April 3, 2025, is:

NINE MILLION FIVE HUNDRED THOUSAND DOLLARS
($9,500,000.00)

Respectfully submitted,

Michael Turner, MAI
Certified General Real Estate Appraiser No. 30420
480.285.3874
mturner@atiaz.com

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ADDENDA

FACTS AND CONCLUSIONS

TYPE OF PROPERTY:	Big Park School Campus
LOCATION:	The subject is located at 25 W. Saddle Horn Road in Sedona, Yavapai County, Arizona 86351. The subject is located in the Village of Oak Creek, an unincorporated community.
REPORT PURPOSE:	The purpose of this appraisal is to estimate the "As Is" Market Value of the subject as of the effective date of value.
ASSESSOR PARCEL NUMBER(S):	405-27-006C
SITE AREA:	According to Yavapai County records, the subject site totals 20.80 acres or 906,048 square feet.
ZONING:	R1L-18, Residential, Yavapai County
IMPROVEMENTS:	
Property Type:	Educational facility
Size:	69,712
Year Built:	1990 & 2008
Condition:	Average
Property Rights:	Fee Simple Estate
Occupancy:	100%
PARKING:	Adequate for educational purposes
HIGHEST & BEST USE:	As Vacant: Residential development As Improved: Current educational use
INSPECTION DATE:	April 3, 2025
EFFECTIVE DATE OF VALUE:	April 3, 2025
VALUE CONCLUSIONS:	
Sales Comparison Approach	$9,810,000
Income Approach	$9,170,000
"As Is" Market Value	**$9,500,000**

SCOPE OF WORK

The practice of appraisal can be considered to be less of a science dictated by strict rules and more of an art, in which rules guide the appraisers toward a trustworthy, responsible and credible valuation. The Uniform Standards of Professional Appraisal Practice (USPAP) provides guidelines for this process to be undertaken through the Scope of Work Rule, to which all appraisal professionals must adhere.

The USPAP 2024 **SCOPE OF WORK RULE** states:

For each appraisal and appraisal review assignment, an appraiser must:

- *identify the problem to be solved;*
- *determine and perform the scope of work necessary to develop credible assignment results; and*
- *disclose the scope of work in the report.*

*An appraiser must properly identify the problem to be solved in order to determine the appropriate scope of work. The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results. (*The Appraisal Foundation, USPAP 2024 edition, Page 15)

Comment: Scope of work includes, but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is inspected;
- the type and extent of data researched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal and appraisal review assignment.

Credible assignment results require support by relevant evidence and logic. The credibility of assignment results is always measured in the context of the intended use.

For this individual assignment, the appraiser shall address the three aspects of the Scope of Work Rule; Problem Identification, Scope of Work Acceptability and Disclosure Obligations.

PROBLEM IDENTIFICATION (PURPOSE):

*An appraiser must gather and analyze information about those assignment elements that are necessary to properly identify the appraisal or appraisal review problem to be solved. (*The Appraisal Foundation, USPAP 2024 edition, Page 15*)*

Comment: The assignment elements necessary for problem in dentification are addressed in the applicable Standards Rules (i.e., SR 1-2, SR 3-2, SR 5-2, SR 7-2, and SR 9-2). In an appraisal assignment, for example, identification of the problem to be solved requires the appraiser to identify the following assignment elements:

- client and any other intended users;
- intended use of the appraiser's opinions and conclusions
- type and definition of value;
- effective date of the appraiser's opinion and conclusions;
- subject of the assignment and its relevant characteristics; and
- assignment conditions

This information provides the appraiser with the basis for determining the type and extent of research and analyses to include in the development of an appraisal. Similar information is necessary for problem identification in appraisal review assignments.

Communication with the client is required to establish most of the information necessary for problem identification. However, the identification of relevant characteristics is a judgment made by the appraiser that requires competency in that type of assignment.

Assignment conditions include assumptions, extraordinary assumptions, hypothetical conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the scope of work. Laws include constitutions, legislative and court-made law, administrative rules, and ordinances. Regulations include rules or orders, having legal force, issued by an administrative agency.

The purpose of the appraisal is to estimate the "As Is" Market Value of the subject property as of the effective date.

INTENDED USE/USERS:

The intended users of this report are Sedona-Oak Creek Joint Unified School District and their affiliates. The intended use of the appraisal report is for disposition decisions to be made by the client. This report is not intended for any other use or any other users.

The value reported is based upon cash or its equivalent. This appraisal assignment was drafted to adhere to the Code of Professional Ethics, Bylaws, Regulations and Standards of Professional Appraisal Practice of the Appraisal Institute, plus the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards Board of the Appraisal Foundation.

EFFECTIVE DATE OF VALUE:

April 3, 2025

DATE OF INSPECTION:

April 3, 2025

INTEREST VALUED:

The subject is currently encumbered by several short term leases. Due to the short term nature, the Fee Simple Estate is considered in this report. The Fee Simple Estate is defined as follows:

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. Appraisal Institute, The Dictionary of Real Estate Appraisal, 7th ed. (Chicago: Appraisal Institute, 2022).

In the estimate of value, typically four interdependent factors must be considered as follows:

- Utility - the ability of a product to satisfy a human want, need or desire.
- Scarcity - the present or anticipated supply of an item relative to the demand for it.
- Desire - a purchaser's wish for an item to satisfy human needs (e.g., shelter, clothing, food, companionship) or individual wants beyond the essentials to support life.
- Effective Purchasing Power - the ability of an individual or group to participate in a market, i.e., to acquire goods and services with cash or its equivalent.

MARKET VALUE DEFINITION:

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently 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:

(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. (Title 12, Code of Federal Regulations, Part 34, Subpart C – Appraisals)

VALUE "AS IS" DEFINITION:

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. Appraisal Institute, The Dictionary of Real Estate Appraisal, 7th ed. (Chicago: Appraisal Institute, 2022).

EXTRAORDINARY ASSUMPTION:

An assignment-specific assumption, as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. (The Appraisal Foundation, USPAP 2024 edition, Page 4*)*

Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property, or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis.

- It is noted that the use of an Extraordinary Assumption might have affected the assignment results.

A title report was not provided. However, based upon a review of the available property information, there do not appear to be any easements, encroachments, or restrictions other than those that are typical for the property type. Thus, it is an extraordinary assumption of my valuation that there are no adverse impacts from easements, encroachments, or restrictions on the subject property and further assumes that the subject has a clear and marketable title.

The appraiser noted several areas in the building that have had substantial evidence of roof leaks. The appraiser has estimated a cost of repair and make the extraordinary assumption that this estimate will cure the issue. The appraiser reserves the right to alter conclusions in this report, it an actual bid from a licensed contractor for repairs is provided.

HYPOTHETICAL CONDITION:

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. (The Appraisal Foundation, USPAP 2024 edition, Page 4*)*

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.

- It is noted that the use of a Hypothetical Condition might have affected the assignment results.

No Hypothetical Conditions were used in this report.

SCOPE OF WORK ACCEPTABILITY:

The scope of work must include the research and analyses that are necessary to develop credible assignment results. (The Appraisal Foundation, USPAP 2024 edition, Page 16*)*

Comment: The scope of work is acceptable when it meets or exceeds:

- the expectations of parties who are regularly intended users for similar assignments; and
- what an appraiser's peers' actions would be in performing the same or similar assignment.

Determining the scope of work is an ongoing process in an assignment. Information or conditions discovered during the course of an assignment might cause the appraiser to reconsider the scope of work.

An appraiser must be prepared to support the decision to exclude any investigation, information, method, or technique that would appear relevant to the client, another intended user, or the appraiser's peers.

An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use. (The Appraisal Foundation, USPAP 2024 edition, Page 16)

Comment: If relevant information is not available because of assignment conditions that limit research opportunities (such as conditions that place limitations on inspection or information gathering), an appraiser must withdraw from the assignment unless the appraiser can:

- modify the assignment conditions to expand the scope of work to include gathering the information; or
- use an extraordinary assumption about such information, if credible assignment results can still be developed

An appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased. (The Appraisal Foundation, USPAP 2024 edition, Page 16*)*

The client has requested that the appraiser estimates the "As Is" Market Value of the subject property. In order to credibly perform this task, the appraiser has followed these general guidelines:

- determination of problem and applicable Hypothetical Conditions or Extraordinary Assumptions
- research on the subject property, including but not limited to: ownership history, applicable liens and easements, physical characteristics (i.e. size, topography), relevant subject data (i.e. leases and financial statements for income producing properties)
- selection of, research on and collection of market data for the subject neighborhood
- site inspection
- analysis and synthesis of Highest and Best Use of the subject property

- selection of valuation methodology, subsequent research as is applicable, including market participant and market expert research (i.e. Sales Comparison Approach, Cost Approach, Income Approach, sales or rent comparable properties)
- analysis and conclusion of valuation methodology(ies)
- reconciliation of valuation methodology results
- conclusion of probable estimated market value

DISCLOSURE OBLIGATIONS:

The report must contain sufficient information to allow the client and other intended users to understand the scope of work performed. The information disclosed must be appropriate for the intended use of the assignment results. (The Appraisal Foundation, USPAP 2024 edition, Page 16*)*

Comment: Proper disclosure is required because clients and other intended users rely on the assignment results. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

The appraiser has broad flexibility and significant responsibility in the level of detail and manner of disclosing the scope of work in the appraisal report or appraisal review report. The appraiser may, but is not required to, consolidate the disclosure in a specific section or sections of the report, or use a particular label, heading or subheading. An appraiser may choose to disclose the scope of work as necessary throughout the report.

AREA ANALYSIS DATA SOURCES:

As part of this appraisal assignment, the appraiser made a number of independent investigations and analyses. Data retained in office files, which are updated regularly, was relied on. Affidavits of Property Value were checked to verify information. Maps, aerials and zoning obtained from Yavapai County, Village of Oak Creek and the City of Sedona were checked and also information provided by the client.

All market data was sourced from one or more of the following sources as indicated on the individual sales: Arizona State Department of Economic Security, the U.S. Census Bureau, Yavapai County Assessor's Office (https://www.yavapai.az.gov/), Affidavit of Property Value, Real Quest (www.realquest.com), CoStar (www.costar.com), FLEXMLS Data Systems (www.flexmls.com), owners or their representatives, and/or Real Estate Brokers and/or Agents.

NEIGHBORHOOD AND ANALYSIS:

The neighborhood was observed and the contents of this report express the opinions of what was found and observed.

SITE DESCRIPTION AND ANALYSIS:

The site description and analysis was based on the physical inspection, information obtained from the client, and from information obtained from Yavapai County.

IMPROVEMENT DESCRIPTION AND ANALYSIS:

The subject was personally inspected by Michael Turner, MAI. The improvement description and analysis was based on the physical inspection, information obtained from the client, and from information obtained from Yavapai County.

DATA SOURCES:

Site Data	
Size	Yavapai County
Improved Data	
Building Area	Client and Yavapai County
No. of Buildings	Inspection
Parking Spaces	Inspection
Year Built	Yavapai County
Economic Data	
Deferred Maintenance	Yes – see improvement description
Building Costs	Marshall Valuation Service
Income Data	Estimated
Expense Data	Estimated
Other	
Flood Zone	FEMA
Zoning	City of Flagstaff

LEGAL DESCRIPTION (in brief):

Based upon information provided by the Yavapai County Assessor's Office, the subject property is legally defined as follows:

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OWNERSHIP:

The owner of record as provided by Coconino County is:

Owner Name: Sedona-Oak Creek Joint School District
Mailing Address: 995 Upper Red Rock Loop, Sedona, AZ 86336

HISTORY:

The subject property has been owned by the current ownership greater than the previous three years. The appraiser is unaware of any other transactions over the previous three years and the property has not been reported as being listed for sale previously.

SCOPE OF VALUATION METHODOLOGY:

The valuation process is an orderly program in which data used to estimate value of the subject property is acquired, classified, analyzed, and presented. The first step in the process is to define the appraisal problem, i.e., identify the real estate, the effective date of the value estimate, the property rights being appraised, and the type of value sought. Once this has been accomplished, the appraiser collects and analyzes the factors that affect the fair market value of the subject property. These factors are addressed in the area and neighborhood analysis, the site and improvement analysis, and the highest and best use analysis. They are then applied to the subject property in the discussion of the three approaches to value.

The Cost, Sales Comparison and Income Approaches are widely accepted methods of estimating value of an income producing property. Each approach is described briefly here and discussed in detail in the analysis of each.

To apply the Cost Approach, the depreciated replacement cost of the improvements is added to the value of the land as though vacant, derived through sales comparison, to arrive at a value estimate for the subject property. This approach is most reliable when the improvements are new or nearly new and represent the highest and best use of the site. Due to the age of the subject improvements and difficulty in estimating depreciation, as well as the fact that investors are currently placing little weight on this approach for improvements similar to the subject, the Cost Approach to Value is eliminated.

The Sales Comparison Approach is an approach through which an appraiser derives a value indication by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison and making adjustments, based on the elements of comparison, to the sale prices of the comparable sales. The Sales Comparison Approach will be utilized in valuation of the subject property.

The Income Approach can be analyzed by one of two methods: 1) Direct Capitalization or 2) Discounted Cash Flow.

Due to the fact that the subject is a single tenant property, the appraiser will utilize the Direct Capitalization Method within the Income Approach.

The Direct Capitalization method involves estimating the gross rental income that a property will produce in a year, then subtracting losses due to vacancy and collections and subtracting normal operating expenses for the year to arrive at the annual net operating income to the property. The net operating income is capitalized into a value by applying a rate similar to those found in sales of similar properties in the competing marketplace.

Capitalization is a simple process whereby NOI is divided by an expected rate of return to the investment to indicate the amount an investor would likely be willing to spend to receive that return. This method is generally utilized when a property is stabilized or close to stabilization.

Following the approaches to value, the indications of value are correlated into a single value estimate within the reconciliation section.

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 effect date of an appraisal. (USPAP AO-7)

Based on market evidence, if the subject is placed on the market for sale at the appraised market value, with an intensive marketing program, the property should be sold and closed within nine to 18 months. If a property is priced considerably above market it will stay on the market for a considerably longer period of time than if it is priced at market levels. This can be shown within the market by examining the comparable sales' time on the market given their respective sale prices.

EXPOSURE TIME:

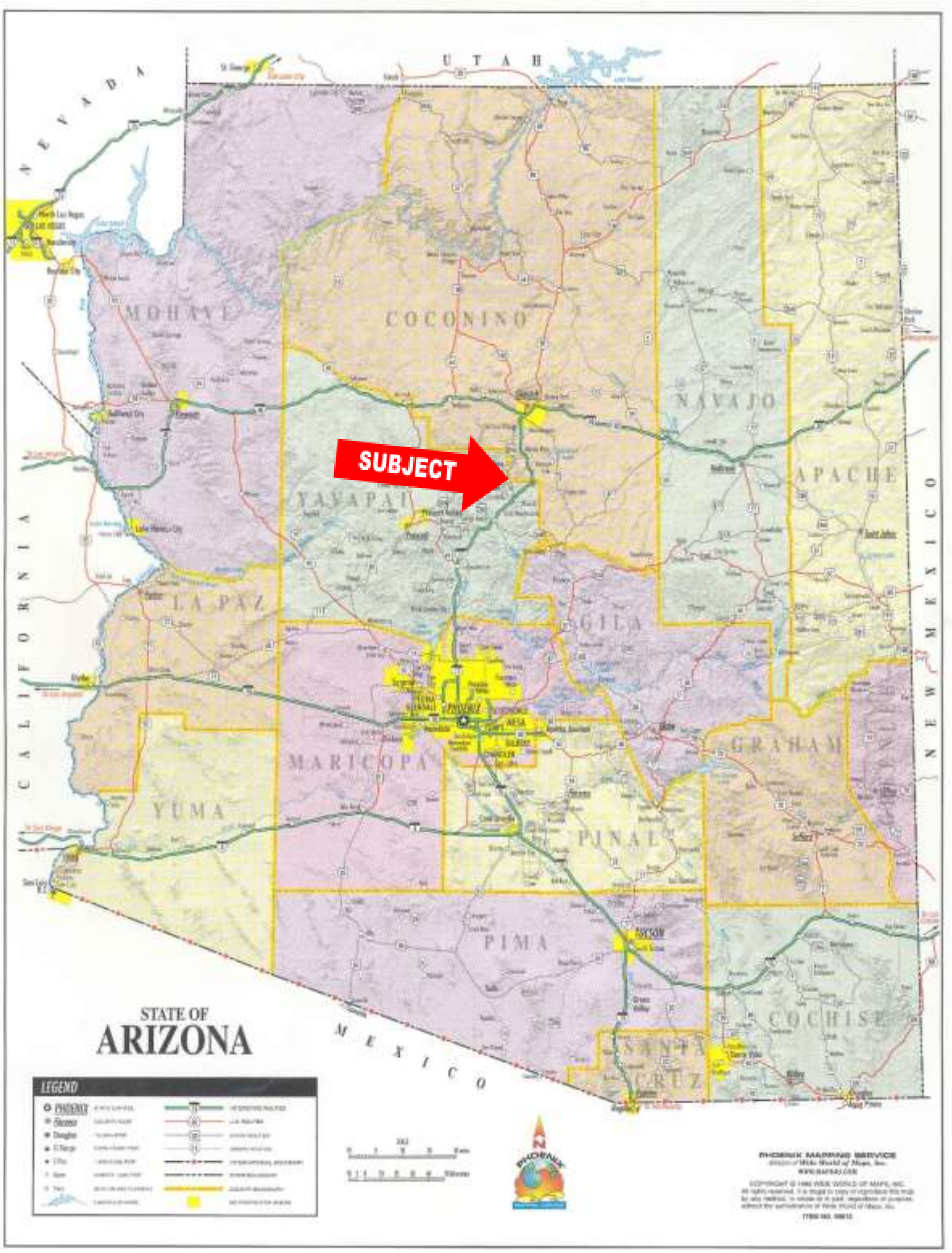
An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. (The Appraisal Foundation, USPAP 2024 edition, Page 4)

The appraiser researched the subject's market area for similar type properties that were exposed with an intense marketing program and considered to be marketed within a reasonable exposure time. Based on market evidence, properties similar to that of the subject, and within the subject's neighborhood sold and closed within nine to 18 months.

HAZARDOUS WASTES:

An environmental study has not been provided to the appraiser. If toxic waste and/or contaminants are detected on the subject property, the value estimate appearing in this report is null and void. If a re-appraisal is required, it will be made at an additional charge and upon receipt of any additional information requested (i.e., what the toxic waste and/or contaminate is and the cost of removal) by the appraiser. No other nuisances or hazards were recognized during the on-site inspection of the subject property.

STATE MAP


SUBJECT
STATE OF
ARIZONA
U T A H
N E V A D A
C A L I F O R N I A
N E W M E X I C O
M E X I C O
MOHAVE
COCONINO
NAVAJO
APACHE
YAVAPAI
LA PAZ
GILA
MARICOPA
GRAHAM
YUMA
PINAL
PIMA
COCHISE
SANTA CRUZ
LEGEND

REGIONAL AND CITY DATA

LOCATION:

The State of Arizona is located within the southwestern region of the United States. The July 2023 population estimate puts the population of Arizona at 7,525,113.

Yavapai County is located within West-Central Arizona. The City of Prescott represents Yavapai County's major metropolitan area, surrounded by the smaller communities of Prescott Valley, Chino Valley, Dewey, Humboldt, Mayer, Yarnell, Peeples Valley and also includes the subject's area of the Sedona and the Village of Oak Creek.

The City of Sedona is located in both Yavapai and Coconino Counties with the subject property located approximately eight miles south of Downtown Sedona.

Around 3 million tourists visit Sedona Annually. Sedona is an Arizona desert town near Flagstaff that's surrounded by red-rock buttes, steep canyon walls and pine forests. It's noted for its mild climate and vibrant arts community. Uptown Sedona is dense with New Age shops, spas and art galleries. On the town's outskirts, numerous trailheads access Red Rock State Park, which offers bird-watching, hiking and picnicking spots.

Yavapai County AZ Data & Demographics (As of July 1, 2021)

POPULATION	
Total Population	251,413 (100%)
Population in Households	247,273 (98.4%)
Population in Families	189,298 (75.3%)
Population in Group Quarters[1]	4,140 (1.6%)
Population Density	31
Diversity Index[2]	43

HOUSING	
Total HU (Housing Units)	130,472 (100%)
Owner Occupied HU	81,541 (62.5%)
Renter Occupied HU	27,491 (21.1%)
Vacant Housing Units	21,440 (16.4%)
Median Home Value	$321,845
Average Home Value	$376,796
Housing Affordability Index[3]	95

INCOME	
Median Household Income	$51,749
Average Household Income	$71,867
% of Income for Mortgage[4]	26%
Per Capita Income	$31,199
Wealth Index[5]	86

HOUSEHOLDS	
Total Households	109,032
Average Household Size	2.27
Family Households	68,288
Average Family Size	3

GROWTH RATE / YEAR	2010-2021	2021-2026
Population	1.57%	1.55%
Households	1.63%	1.61%
Families	1.52%	1.55%
Median Household Income		1.5%
Per Capita Income		2.74%
Owner Occupied HU		2.03%

Two significant contributing factors to Yavapai County's recent and projected economic expansion have been identified including: 1) Favorable business environment; and 2) excellent quality of life. Below is a brief discussion of the key elements behind these two contributing growth factors.

Favorable Economic Environment

Yavapai County has experienced steady economic expansion over the past two decades, resulting in strong gains in population, employment, and per capita income. Over the coming decades, Yavapai County is projected to enjoy continued economic prosperity.

Positive Business Climate

Right to work laws, moderate tax rates, industrial revenue bond financing, government cooperation, and active local economic corporations provide for a favorable climate in Yavapai County. The Prescott Area Economic Corporation (PAEDC) was founded for the purpose of recruiting new businesses into Prescott. The efforts of this organization have resulted in the relocation of several manufacturers to the area.

Diverse Employment Base

Yavapai County has a diverse, well balanced employment base with each major sector exhibiting strong growth since 1970. The county employment base is dominated by the sectors of trade, government, and services.

Attractive Location for Expansion

Yavapai County offers a multitude of competitive advantages for companies looking to expand or relocate. Some of these advantages for industry include; availability of labor, moderate cost of living, right to work laws, competitive land prices, vocational training, and the presence of two and four year colleges.

Metropolitan Phoenix Synergy

As a rule of thumb, as a large metropolitan area grows, smaller outlying communities benefit from an economic rippling effect. This holds true as Yavapai County is experiencing increased economic gains originating from the metropolitan Phoenix area. Growing economic sectors in Yavapai County include housing, tourism, and retail sales.

Skilled Labor Force

Yavapai County has attracted a young and affluent work force. The work force is also educated, complemented by numerous manpower training programs and higher education institutions.

Retirement Market

Yavapai County has benefited greatly in recent years from the influx of retirees who are attracted by the mild climate, small town atmosphere, high quality of life, low taxes, and proximity to the metropolitan Phoenix area. In fact, Yavapai County's population, 55 years and older equals 34.3 percent of the total population compared to the state average of 20.7 percent.

Transportation

Yavapai County features a strong U.S. Interstate and State highway network in addition to an airport located in Prescott. Interstate 17 between Phoenix and Flagstaff runs through the eastern portion of Yavapai County while Interstate 40, an east/west link to California, bisects the county's northern portion. Four main U.S. and State highways also service Yavapai County.

Quality of Life

Primary contributors to Yavapai County's high quality of life continually identified include; 1) favorable climate; 2) strong touring center; 3) cultural influences; 4) excellent recreational amenities; 5) abundant parks program; 6) strong activity calendar; 7) higher educational opportunities; and 8) physical beauty of the land.

Favorable Climate

Due to a wide range in topography, Yavapai County's climate is extremely diverse. Prescott is located in the mountainous region of Central Arizona at an average elevation of 5,400 feet. This high elevation and an average year-round humidity of 45 percent translates into an average maximum daily temperature of 75.4 degrees and an average minimum daily temperature of 41.1 degrees. Mean annual precipitation throughout the area is just over 18 inches, with total snow, sleet, and hail equaling 23.7 inches annually. These limited extremes in temperature and moderate precipitation create a favorable climate for which to reside.

Recreational Amenities and Parks Program

Located immediately east of Prescott is the 1.25 million acre Prescott National Forest accommodating fishing, backpacking, bird watching, picnicking, and horseback riding. There are also 20 national forest recreation area within close proximity to Prescott at altitudes from 5,600 to 7,600 feet.

The City of Prescott Recreation Department sponsors scores of programs for teenagers to senior citizens including softball, baseball, basketball, volleyball, golf, flag football, dancing, bird watching, rock climbing, boating, biking, skiing, tennis, and summer arts and crafts. The department is also involved in numerous special events and programs yearly including the Prescott Triathlon, Fourth of July fireworks, youth track meets, Friends in Concert, and Yellow Brick Road.

The Recreation Department manages ten developed parks and the Goldwater, Watson, Hassayampa, and Sullivan Lake Parks. Overnight camping is authorized at Watson Lake. Goldwater Lake, a daytime picnic and hiking park, and Hassayampa Lake, for hiking and sunning, are popular city-run facilities. Sixteen tennis courts and two 18-hole golf courses draw enthusiasts to the city courts, to Antelope Hills and Prescott Country Club. Antelope Hills, located near Love Field, is a city-owned 6,827 yard golf course and has a full-time golf professional. The Prescott Country Club, located fourteen miles east of Prescott on Highway 69, is a private 6,763 yard golf course open to the public with a PGA professional on hand.

Strong Activity Calendar

Annual events in Prescott include the Prescott Frontier Days Rodeo and celebration held over the Fourth of July, the Bluegrass Festival in mid-July, and the Snake Dance Ceremonial held in early August, George Phippen Art Show held on Memorial Day weekend, at the County Fair held in September, and the Christmas Parade and Courthouse Lighting held in December.

Higher Educational Opportunities

Yavapai County is home to three major institutions of continuing education, all of which are located within the City of Prescott. Yavapai College is a public two-year institution offering both university transfer education and occupations education (5,788 student enrollment). Prescott College is a four-year liberal arts college with an enrollment of 248 students.

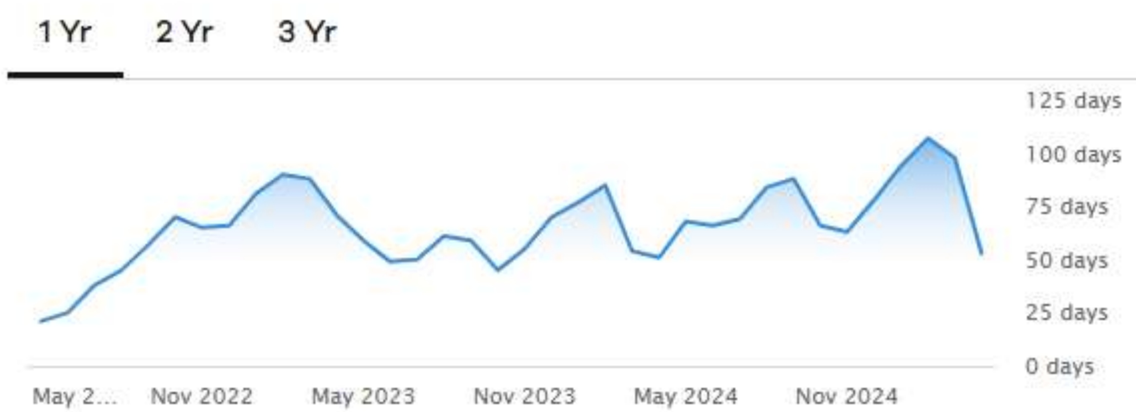
Embry-Riddle Aeronautical College is a four-year university offering bachelor degrees in the field of aviation (1,800 student enrollment). Additionally, there are several vocational schools, including the Arizona Business College, Arizona Academy of Medical and Dental Assistants, the Southwestern Institute of Trichology, and the Yavapai Beauty College.

Sedona Area Housing

In March 2025, the median listing home price in Sedona, Arizona was $1,200,000, trending up 11.5% year-over-year. The median listing home price per square foot was $509. The median home sold price was $1,000,000.

Median listing home price vs. median home sold price

Median days on market: 53 Days



On average, homes in Sedona, AZ sell after 53 days on the market. The trend for median days on market in Sedona, AZ has gone up since last month and slightly up since last year.

<u>Sedona Economy</u>

The economy of Sedona, AZ employs 434,000 people. The largest industries in Sedona, AZ are Retail Trade (669 people), Administrative & Support & Waste Management Services (511 people), and Health Care & Social Assistance (485 people), and the highest paying industries are Public Administration ($129,583), Manufacturing ($118,681), and Professional, Scientific, & Technical Services ($102,969).

Economy	
In civilian labor force, total, percent of population age 16 years+, 2019-2023	52.6%
In civilian labor force, female, percent of population age 16 years+, 2019-2023	**50.2%**
Total accommodation and food services sales, 2022 ($1,000) (c)	261,540
Total health care and social assistance receipts/revenue, 2022 ($1,000) (c)	D
Total transportation and warehousing receipts/revenue, 2022 ($1,000) (c)	36,174
Total retail sales, 2022 ($1,000) (c)	315,588
Total retail sales per capita, 2022 (c)	$32,216

Population Growth and Distribution for Sedona

Population	
Population estimates, July 1, 2024, (V2024)	NA
Population estimates, July 1, 2023, (V2023)	9,819
Population estimates base, April 1, 2020, (V2024)	NA
Population estimates base, April 1, 2020, (V2023)	9,684
Population, percent change - April 1, 2020 (estimates base) to July 1, 2024, (V2024)	NA
Population, percent change - April 1, 2020 (estimates base) to July 1, 2023, (V2023)	1.4%
Population, Census, April 1, 2020	9,684
Population, Census, April 1, 2010	10,031

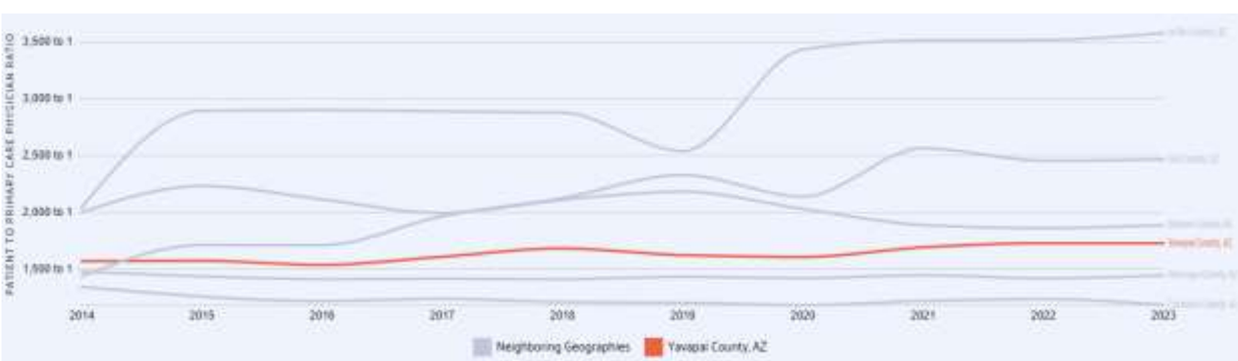
Local Area Healthcare

Approximately 81.3% of the population of Sedona, AZ has health coverage, with 20.7% on employee plans, 9.84% on Medicaid, 29.5% on Medicare, 20.7% on non-group plans, and 0.573% on military or VA plans.

Primary care physicians in Yavapai County, AZ see 1728 patients per year on average, which represents a 0.0578% decrease from the previous year (1729 patients). Compare this to dentists who see 1505 patients per year, and mental health providers who see 477 patients per year.

Primary care physicians in Yavapai County, AZ see an average of 1,728 patients per year. This represents a 0.0578% decrease from the previous year (1,729 patients).

The following chart shows how the number of patients seen by primary care physicians has been changing over time in Yavapai County, AZ in comparison to its neighboring geographies.

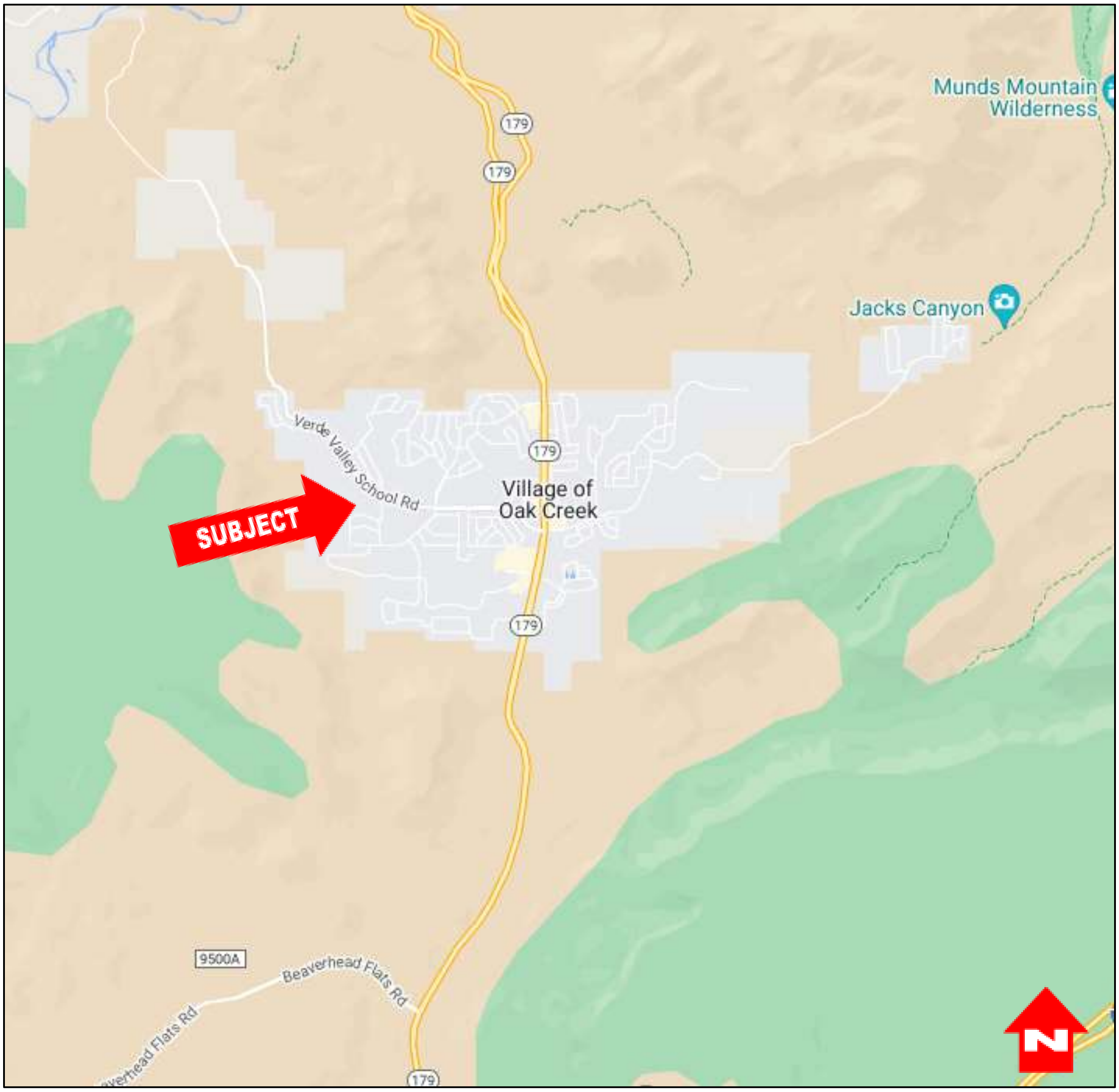


Summary and Conclusion

This area's location is north of the metropolitan Phoenix area and is defined as an area of affordable housing, cultural and recreational amenities, and economic diversity as it experiences growth and is expected to enjoy increasing job opportunities.

The cost of living and quality of life within the surrounding areas is considered good when compared to other cities within the state and the nation. Transportation linkages in and around Sedona and the Village of Oak Creek are continually improving to meet the needs of residents moving into the area.

NEIGHBORHOOD MAP



AERIAL MAP

Munds Mountain Wilderness
179
179
Jacks Canyon
Verde Valley School Rd
179
Village of Oak Creek
SUBJECT
179
9500A
Beaverhead Flats Rd
Flats Rd
N
17

NEIGHBORHOOD DATA ANALYSIS

This section involves an analysis of the environmental, economic, social and governmental forces within the subject neighborhood.

An area of influence is commonly called a "neighborhood", is defined as a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises. (*The Dictionary of Real Estate Appraisal*, 7th edition 2022).

The neighborhood analysis is the objective analysis of observable and/or quantifiable data indicating discernible patterns of urban growth, structure, and change that may detract from or enhance property values; focuses on four sets of considerations that influence value: social, economic, governmental, and environmental factors. (*The Dictionary of Real Estate Appraisal*, 7th edition 2022).

Neighborhood boundaries identify the physical limits of a neighborhood, which may be delineated by natural, man-made, or geopolitical features. (*The Dictionary of Real Estate Appraisal*, 7th edition 2022).

The subject neighborhood is described as that area beyond which a change in land use would not affect the subject property site, is an area bounded by the unincorporated community, Village of Oak Creek.

Refer to the Neighborhood Map on the preceding page illustrating the subject in relation to the boundaries of the neighborhood.

LAND USE:

Overall, the subject is located in an area that consists mainly of residential uses along the secondary streets and commercial uses along the major roadways.

<u>Single Family Residential</u>

The appraiser researched the subject's zip code of 86351 to determine single family residential supply and demand factors. According to Arizona Multiple Listing Service the current single family median sales price is $767,500. The median list price is $995,000.

Following are the summary statistics for single family residential sales activity within the subject's zip code.

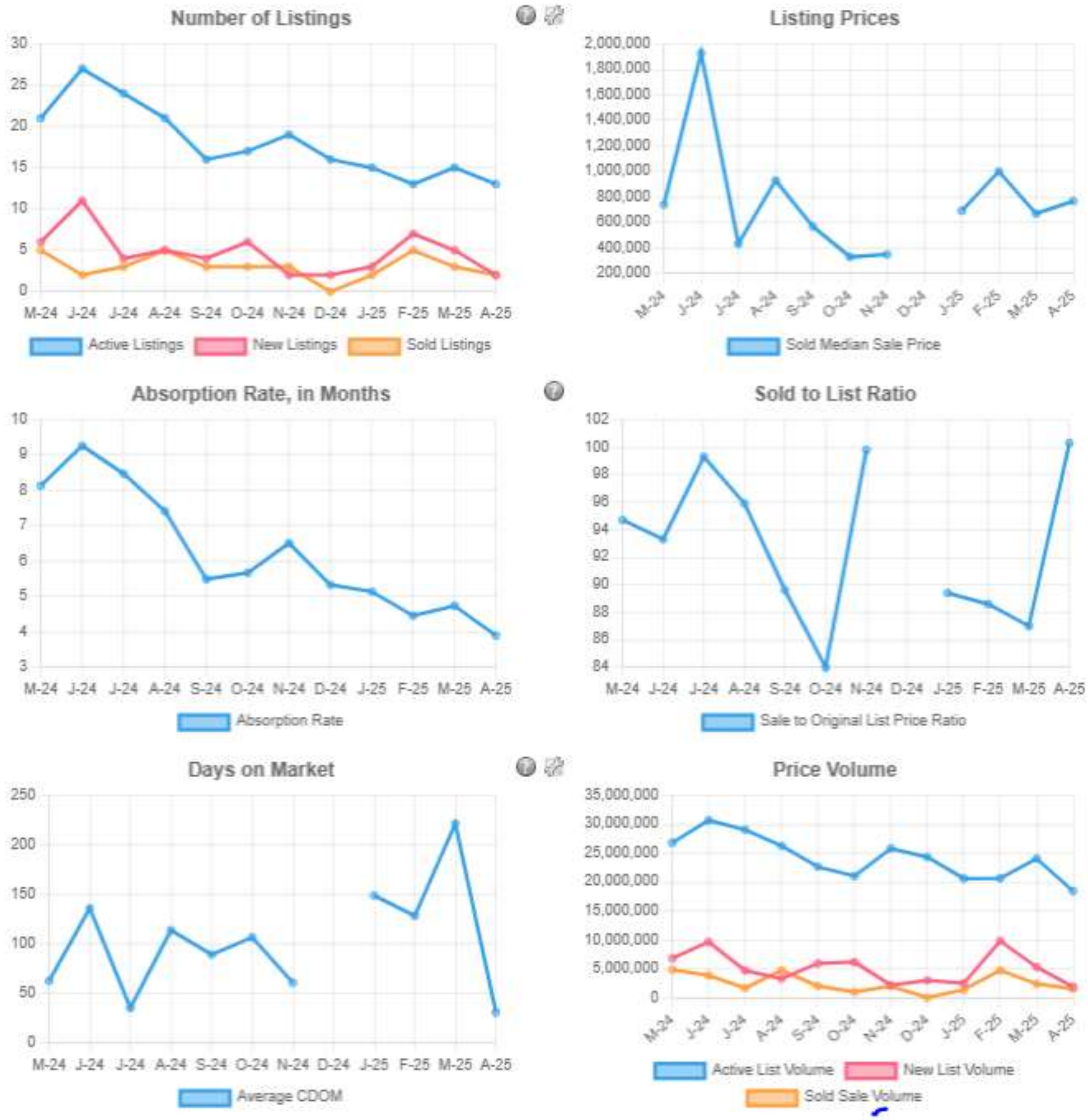
Summary Statistics

	Apr-25	Apr-24	% Chg	2025 YTD	2024 YTD	% Chg
Absorption Rate	3.9	8.44	-53.79	4.56	6.42	-28.97
Average List Price	$1,418,746	$1,323,088	7.23	$1,272,394	$1,183,121	7.55
Median List Price	$995,000	$999,000	-0.40	$985,000	$838,500	17.47
Average Sale Price	$767,500	$1,491,333	-48.54	$839,583	$1,176,636	-28.65
Median Sale Price	$767,500	$840,000	-8.63	$732,500	$865,000	-15.32
Average CDOM	31	36	-13.89	125	38	228.95
Median CDOM	31	38	-18.42	106	35	202.86

Following are multiple charts relating to single family residential activity in the subject's zip code including:

- Number of listings
- Listing Prices
- Absorption Rate, in Months
- Sold to List Ratio
- Days on Market
- Price Volume

86351 Residential



REGIONAL GROWTH:

The immediate area surrounding Sedona includes the Village of Oak Creek (Big Park), which is two miles south of SR 89A on Upper and Lower Red Rock Loop Road along or near Oak Creek (Red Rock/Dry Creek Community Planning Area Yavapai County). The Dry Creek area is located one to two miles west on SR 89A and northwest on Dry Creek Road (Red Rock/Dry Creek Community Planning Area –Yavapai County). Oak Creek Canyon is located northwest of Sedona along Oak Creek and SR 89A (Oak Creek Canyon Plan- Coconino County).

According to the United States Census Bureau, the Village of Oak Creek had a population of 6,348 residents in 2020. The Village of Oak Creek (VOC) is the most significant influence on the city of Sedona with a 2023 population of 9,896 residents.

The VOC is significant in several ways. Residents commute and shop within the city and comprise ten percent of the total traffic on SR 89A and thirty-seven percent of the total traffic on SR 179 within the city. In addition, the VOC serves as the "gateway" to the Sedona area from Interstate 17 to the south and has experienced some very significant growth in lodging as a result. This area is under the jurisdiction of Yavapai County and unlike the City of Sedona, has no design review over commercial projects.

Another major regional influence on the city of Sedona is the greater Cottonwood with a July of 2022 population of 12,943 and Clarkdale with a 2021 population of 4,635. Due to the high cost of housing, many of the people who work in Sedona live in the Cottonwood/Clarkdale area and commute daily into the city. In fact, eleven percent of the total traffic on SR 89A within the city is comprised of Cottonwood/Clarkdale area residents.

DEMOGRAPHICS:

Population

	1 mile	3 miles	5 miles
2020 Population	3,845	6,191	8,264
2024 Population	4,557	7,732	10,278
2029 Population Projection	5,139	8,775	11,541
Annual Growth 2020-2024	4.6%	6.2%	6.1%
Annual Growth 2024-2029	2.6%	2.7%	2.5%

Households

	1 mile	3 miles	5 miles
2020 Households	2,067	3,272	4,330
2024 Households	2,445	4,074	5,341
2029 Household Projection	2,768	4,642	6,016
Annual Growth 2020-2024	0.6%	1.2%	1.0%
Annual Growth 2024-2029	2.6%	2.8%	2.5%

Income

	1 mile	3 miles	5 miles
Avg Household Income	$88,922	$98,141	$100,517
Median Household Income	$65,377	$68,653	$70,717

Housing	1 mile	3 miles	5 miles
Median Home Value	$605,289	$598,281	$638,518
Median Year Built	1991	1993	1993

Source: CoStar

DIRECTION AND DISTANCE TO EMPLOYMENT CENTERS:

Employment centers and other community support services, such as medical facilities, churches, schools and parks are available within the neighborhood or in the surrounding communities.

COMMUNITY SERVICES AND FACILITIES:

Within the community and the surrounding communities there are adequate grade schools, middle schools and high schools, colleges/universities and trade schools that can provide public school education for the neighborhood. Additionally, there are adequate medical facilities nearby.

UTILITIES:

The subject neighborhood is located within the Village Oak Creek. Water is provided by the Big Park Water Company and sewer is provided by either Big Park Waste Water or private septic systems; Electricity is provided by Arizona Public Service (APS); Natural gas is provided by Unisource Gas (where available); Telephone service is provided by CenturyLink. These services are adequate and are available at reasonable rates. The cost of obtaining these services is similar to competing neighborhoods in the Phoenix metropolitan area.

GOVERNMENTAL FORCES:

The governmental forces maintaining accord in the neighborhood and influencing development in the area have been Yavapai County zoning regulations. Police and fire protection is provided by Yavapai County.

TRANSPORTATION:

The existing street system in the city of Sedona is characterized by a combination of state highways and local roadways. State Highway 89A (SR 89A) provides access to Cottonwood and Flagstaff and provides four travel lanes and a center, left-turn lane through much of Sedona. State Route 179 (SR 179) is a two-lane highway linking Sedona to Interstate 17 (I-17), the primary route between Sedona and Phoenix. The remaining street system is constructed of two-lane local roadways, most without curb and gutter or pedestrian facilities. As the City’s only true arterial roadways, SR 89A and SR 179 accommodate all local and visitor traffic (estimated at 3.5 million per year).

The Arizona Department of Transportation (ADOT) worked with the community to design and construct improvements to the nine-mile stretch of SR 179 between the Village of Oak Creek and the junction of SR 89A (also known as the "Y" intersection.) This road carries millions of tourists each year through one of the most pristine and unique areas of the world. The road is also the only route connecting the business and residential communities of the greater Sedona area. While there have been improvements to SR 179, continuing traffic build up will continue to exacerbate the capacity and safety issues of the road over the next 20 years.

The central goal of the project was to develop a transportation corridor that addresses safety, mobility and preservation of scenic, aesthetics, historic, environmental and other community values and reach consensus on the planning, design and construction of SR 179.

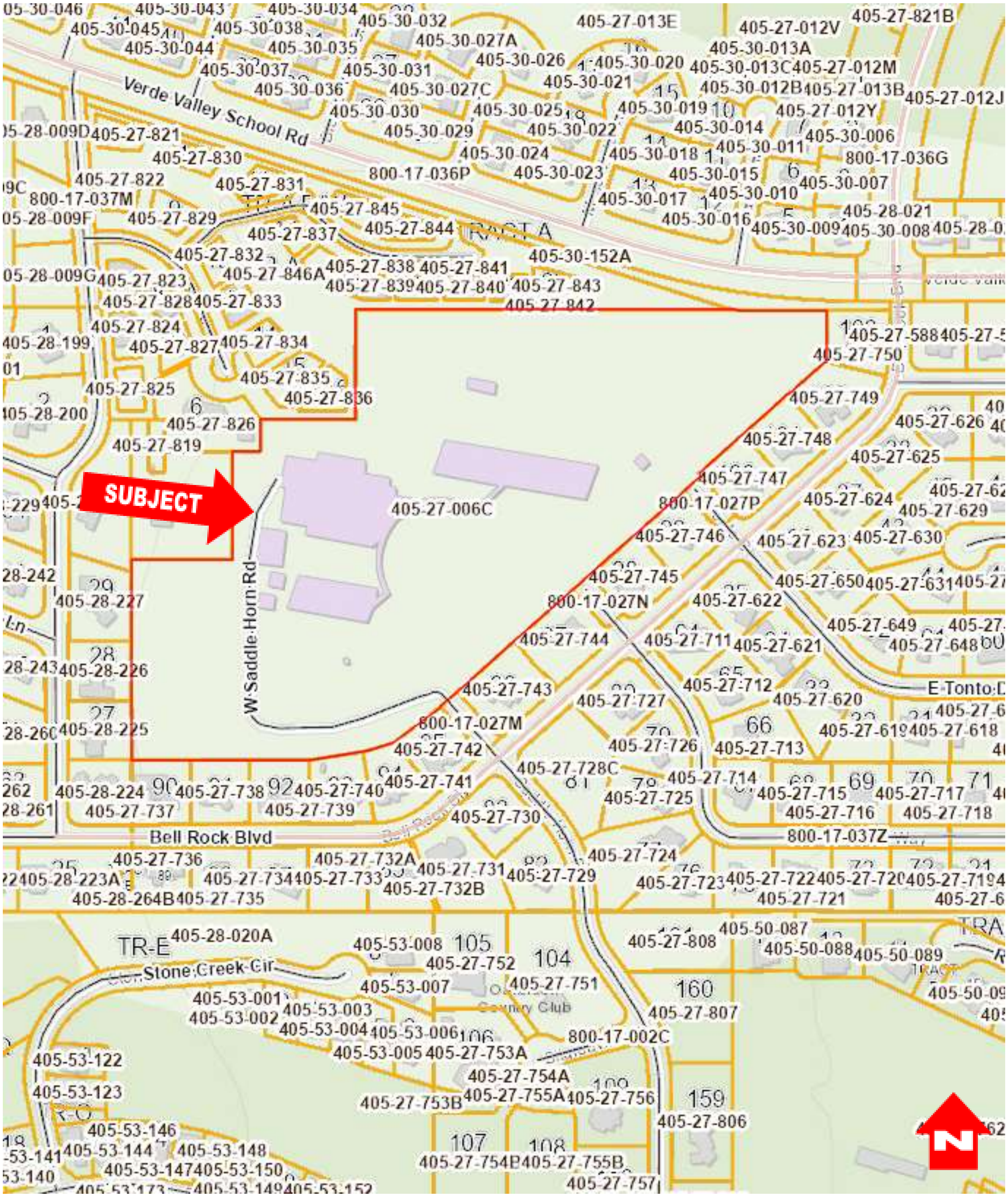
There are no traffic signals or stop signs in roundabouts. Shown above is a map of various roundabouts located within Sedona and Village of Oak Creek areas. These projects were completed in late 2009.

CONCLUSION:

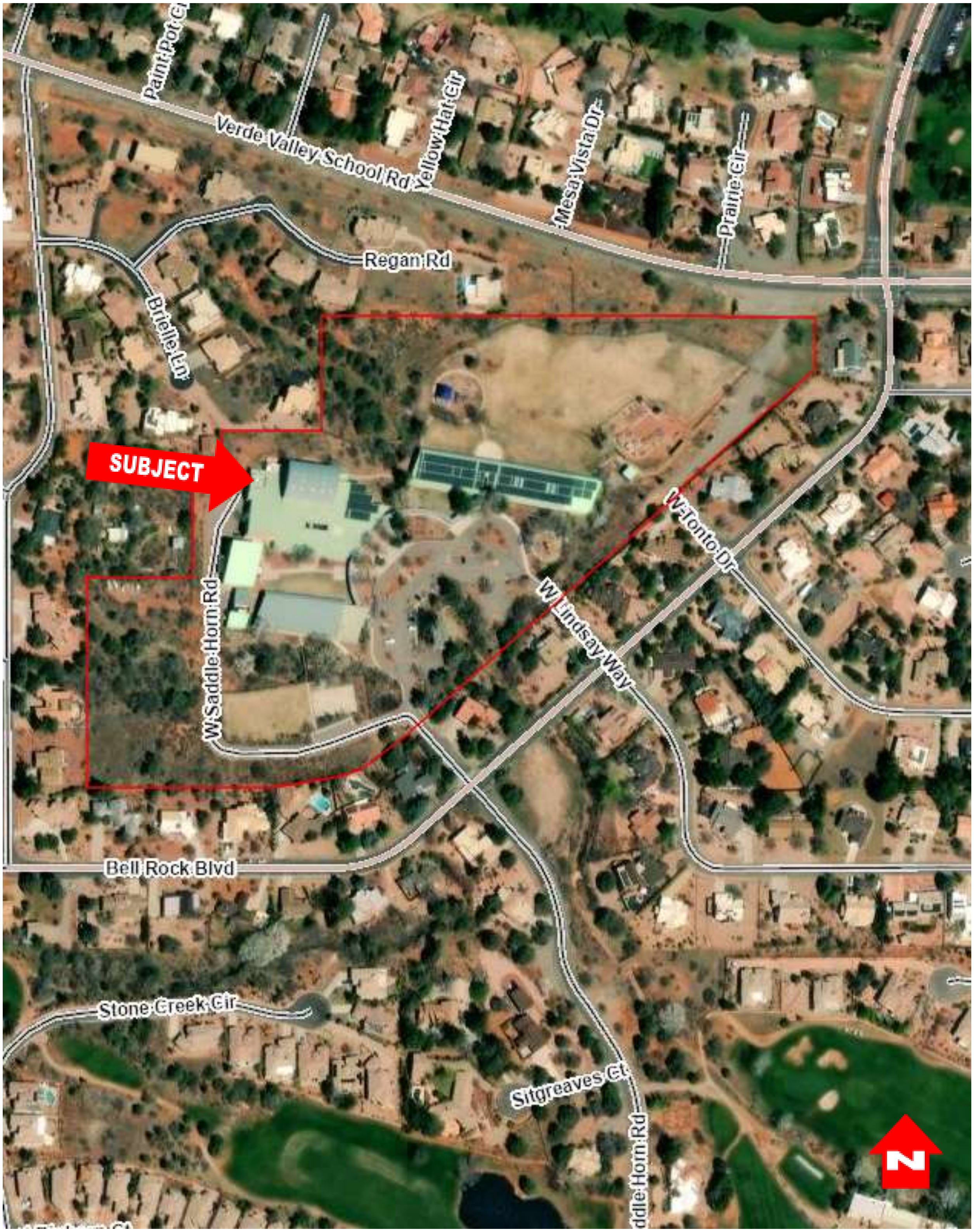
The State of Arizona and regional governmental agencies have a forward looking, progressive attitude toward more mutual and joint efforts at economic development in the Sedona and Village of Oak Creek areas. The City of Sedona and surrounding areas are becoming more environmentally oriented as the State of Arizona and the Federal Government continues to pass new environmental legislation. Environmental laws, however, are not generally looked upon as barriers to development since the public is becoming more aware of the need for such laws.

The cost of living and quality of life within the Sedona and Village of Oak Creek is considered in-line with resort communities within the nation. Transportation linkages within Metropolitan Phoenix and other locations within Arizona are continually improving to meet the needs of the influx of residents moving into the area.

PLAT MAP


SUBJECT
405-27-006C
Verde Valley School Rd
W Saddle Horn Rd
Bell Rock Blvd
Stone Creek Cir
E Tonto
TR-E
800-17-027N
800-17-027P
800-17-027M
800-17-036P
800-17-036G
800-17-037M
800-17-037Z
800-17-002C
405-30-152A
405-27-013E
405-27-012V
405-27-821B
405-27-750
405-27-749
405-27-748
405-27-747
405-27-746
405-27-745
405-27-744
405-27-743
405-27-742
405-27-741
405-27-826
405-27-819
405-27-836
405-27-835
405-27-834
405-27-825
405-27-824
405-27-827
405-28-227
405-28-226
405-28-225
405-28-224
405-27-737
405-27-738
405-27-739
405-27-740
405-27-730
405-27-736
405-27-735
405-27-734
405-27-733
405-27-732A
405-27-732B
405-27-731
405-27-729
405-28-020A
405-53-008
405-27-752
405-27-751
405-53-007
405-27-808
405-27-807
405-27-806
405-27-753A
405-27-754A
405-27-755A
405-27-756
405-27-753B
405-27-754B
405-27-755B
405-27-757

AERIAL VIEW


Paint Pot Cir
Verde Valley School Rd
Yellow Hat Cir
Mesa Vista Dr
Prairie Cir
Regan Rd
Brielle Ln
SUBJECT
W Tonto Dr
W Saddle Horn Rd
W Lindsay Way
Bell Rock Blvd
Stone Creek Cir
Sitgreaves Ct
N

SITE DATA ANALYSIS

LOCATION:

The subject property is located at 25 W. Saddle Horn Road in Sedona, Arizona 86351.

ASSESSOR PARCEL NUMBER(S):

405-27-006C

SITE DIMENSIONS AND SHAPE:

The subject site is irregular in shape and considered to be functionally adequate for development. As per the Yavapai County Assessor's map, the site is 20.80 acres or 906,048 square feet. Access is made from Saddle Horn Road north of Bell Rock Boulevard. The site also has frontage and access to Verde Valley School Road to the north.

SURROUNDING USES:

North:	Verde Valley School Road and residential development
South:	Bell Rock Boulevard and residential development
East:	Residential development
West:	Residential development

NUISANCES OR HAZARDS:

An environmental study has not been provided to the appraiser. The appraiser is without the expertise to identify and/or detect such substances, upon physical inspection of the site, there are no known hazards that would affect the development of the property. Because of the liability generated if toxic wastes and/or contaminants are found on the site, it is strongly recommended that a specialist in the detection of toxic waste be retained to check for possible contamination.

If a toxic waste and/or contaminant is detected, the value estimate appearing in this report is null and void. If a re-appraisal is required, it will be made at an additional charge and upon receipt of any additional information requested (i.e., what the toxic waste and/or contaminant is and the cost of removal) by the appraiser.

TRANSPORTATION IMPROVEMENTS:

The subject property has visibility and access from Saddle Horn Road and Verde Valley School Road Roadway improvements adjacent to the subject site are as follows:

Street:	Saddle Horn Road
Road Surface:	Paved
Lanes:	Two lanes
Curbs/Gutters:	Yes
Sidewalks:	Yes

Street Lights:	Yes
Speed Limit:	25 mph
Traffic Count (vpd):	Not measured

Street:	Verde Valley School Road
Road Surface:	Paved
Lanes:	Two lanes
Curbs/Gutters:	Yes
Sidewalks:	Yes
Street Lights:	Yes
Speed Limit:	35 mph
Traffic Count (vpd):	Not measured

TOPOGRAPHY, DRAINAGE AND SOIL CONDITIONS:

Elevations are level and at grade with adjoining property to the south, east and west. It is noted that Verde Valley School Road is above grade from the subject property. A soils study has not been provided. The load bearing capacity of the top soil and sub-soils is unknown, but is assumed to be sufficient to support existing improvements.

FLOOD ZONE:

The location is within an area denoted as being in an "X" Flood Hazard Area, as found on Federal Emergency Management Agency Flood Insurance Rate Map number 04005C1455G based on the September 3, 2010 flood data. The "X" designation indicates:

> *Areas of 500-year flood; areas of 100-year flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas projected by levees from 100-year flood.*

UTILITIES:

All utilities including electrical, water and telephone services are available to the site.

Sewer	-	Big Park
Water	-	Big Park
Electric	-	Arizona Public Service (APS)
Gas	-	UniSource
Telephone	-	CenturyLink

EASEMENTS:

A title report was not provided. However, based upon a review of the available property information, there do not appear to be any easements, encroachments, or restrictions other than those that are typical for the property type. This valuation assumes (see extraordinary assumptions) no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has a clear and marketable title.

ZONING:

The purpose of zoning is to provide for orderly growth and harmonious development. Zoning is intended to provide a common ground of understanding and a sound and equitable working relationship between public and private interests to the end that both independent and mutual objectives can be achieved.

The subject site is zoned R1L-18, Residential District, according to the Yavapai County Planning and Zoning Department. This district allows the following uses:

R1L DISTRICT (Residential; Single Family Limited to site built structures only) Permitted Uses:

Where no Zoning/Density District has been combined, then all provisions of Density District 10 shall prevail. (See Section 516 (Density Districts), most common ones shown in attached chart.)

A. Dwelling unit (site built) for one (1) family on any one (1) lot.

B. Religious institutions (in permanent site built buildings) upon Conditional Use Permit approval.

C. Educational institutions (privately funded) as defined in Section 301 (Definitions) (in site-built buildings), upon Conditional Use Permit approval.

D. Community parks, playgrounds or centers when part of a community plan.

E. Public utility facilities (but not business offices nor repair or storage facilities) when necessary for serving the surrounding territory on one (1) acre or less following Administrative Review with Comment Period.

F. When in conjunction with an approved development plan, golf courses with accessory uses such as pro shops, shelters, restrooms, etc. (but not commercial driving ranges or miniature putting courses). Subject to the performance standards set out in Section 534 (Golf Course Standards).

The subject improvements adhere to this zoning code and could be reconstructed if the site were vacant. It is unlikely that a zoning change would be approved by Yavapai County as the current zoning is typical of its surroundings.

The appraiser(s) is/are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required. The zoning ordinance is located within the addenda of this report.

TAX AND ASSESSMENT DATA:

The subject property is identified as assessor's parcel number 405-27-006C. The subject property is located in Yavapai County and valued by the county assessor for taxing purposes.

Following is the available information concerning Full Cash Value (FCV), Limited Property Value (LPV) and Property Taxes for the subject property.

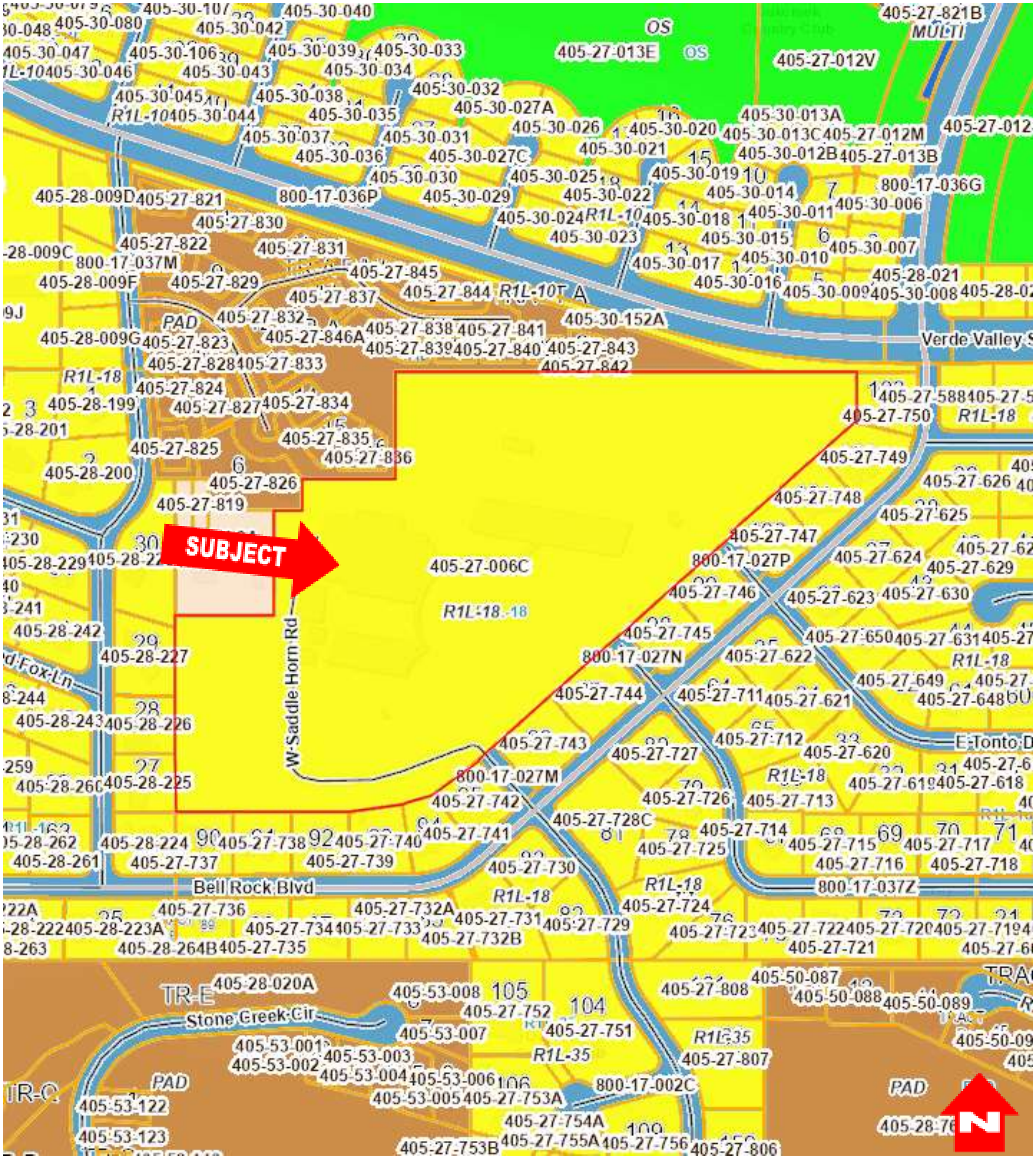
2025 FCV	$19,356,405
2025 LPV	$10,038,067
Taxes	Exempt

According to the Yavapai County Treasurer's Office, the subject property is exempt from property taxes. The appraiser is unaware of any known special assessments which would affect the value of the property.

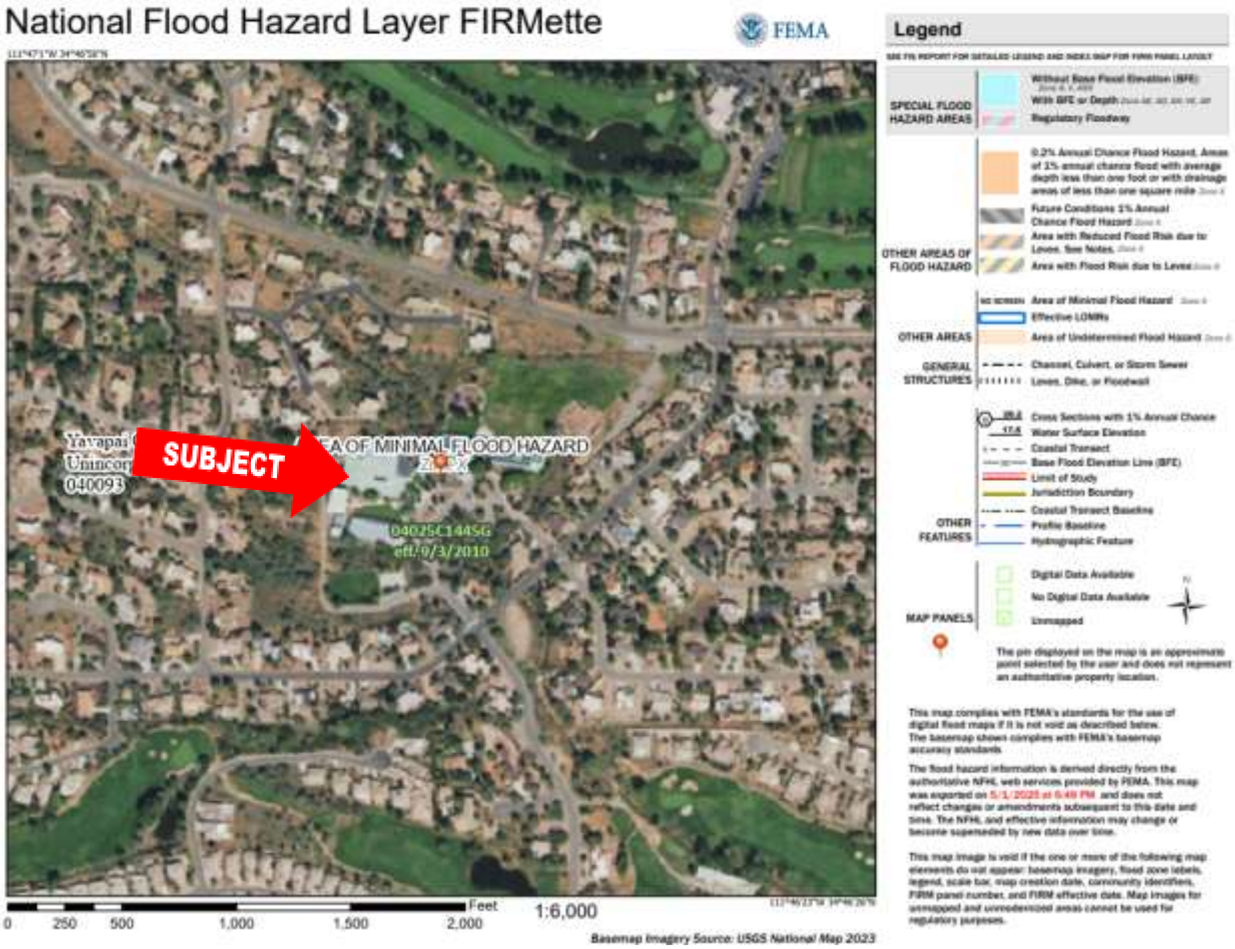
CONCLUSION:

In conclusion, the physical and functional characteristics of the site are considered to have adequate visibility and access. The site is located in an area predominantly made up of commercial development along the major arterials and residential development along the secondary streets with adequate access to the goods and services of Village of Oak Creek. The site is at grade with the adjoining properties with no evidence of drainage problems or soil contamination. All city utilities/services and electricity are available to the site.

ZONING MAP


SUBJECT
405-27-006C
R1L-18
W Saddle Horn Rd
Bell Rock Blvd
Stone Creek Cir
E Tonto Dr
Verde Valley S
OS
MULTI
PAD
TR-E
R1L-35
R1L-10
N

FLOOD ZONE MAP



SUBJECT PHOTOGRAPHS

Entrance into the school

School signage

Subject exterior

Subject exterior

Subject exterior

Subject building entrance

Subject exterior

Outdoor court

Subject exterior

Subject exterior

Subject exterior

Subject exterior

Subject exterior

Subject exterior

Subject exterior

Subject exterior

Subject exterior

Subject exterior

Subject playground

Subject field

Subject exterior

Subject exterior

Subject playground

Subject exterior

East on Verde Valley School Road

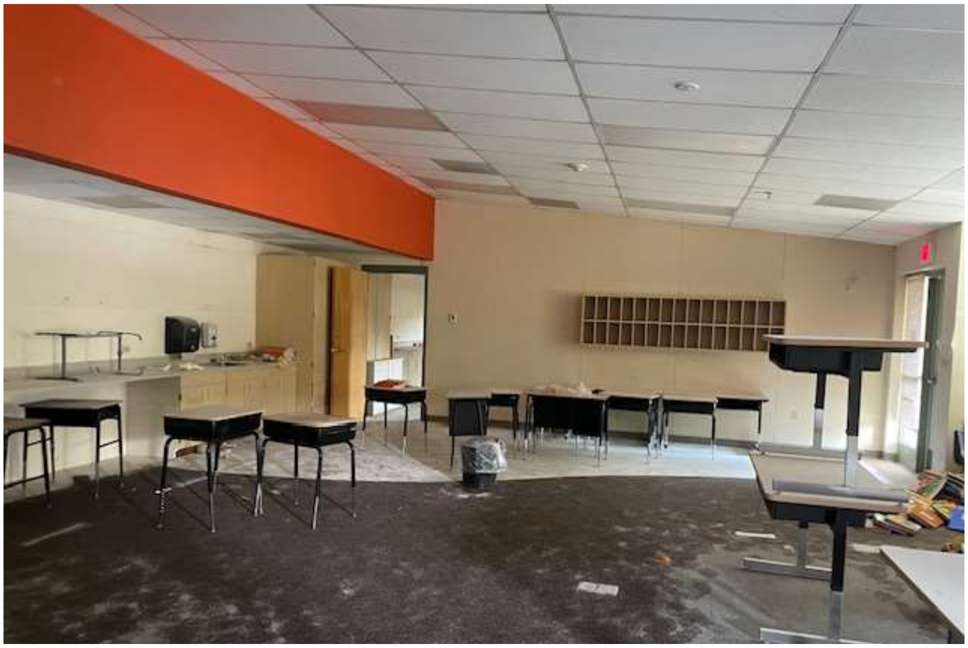
West on Verde Valley School Road

South toward the campus from Verde Valley School Road

South into the campus from Verde Valley School Road

Subject interior

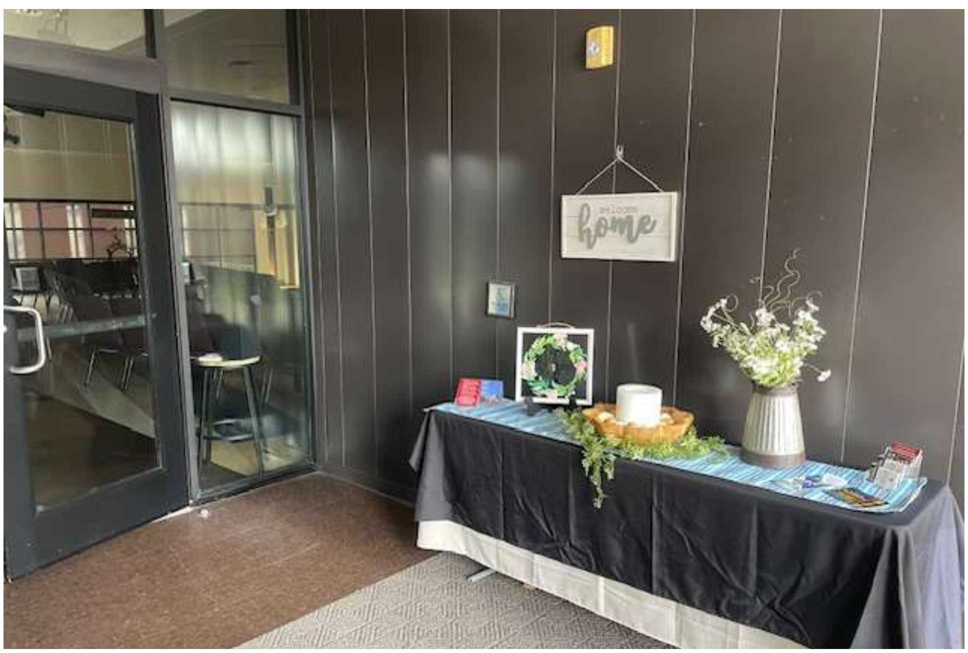
Subject interior



Subject interior

Subject mechanical room

Subject interior



Subject interior

Subject interior

Subject interior

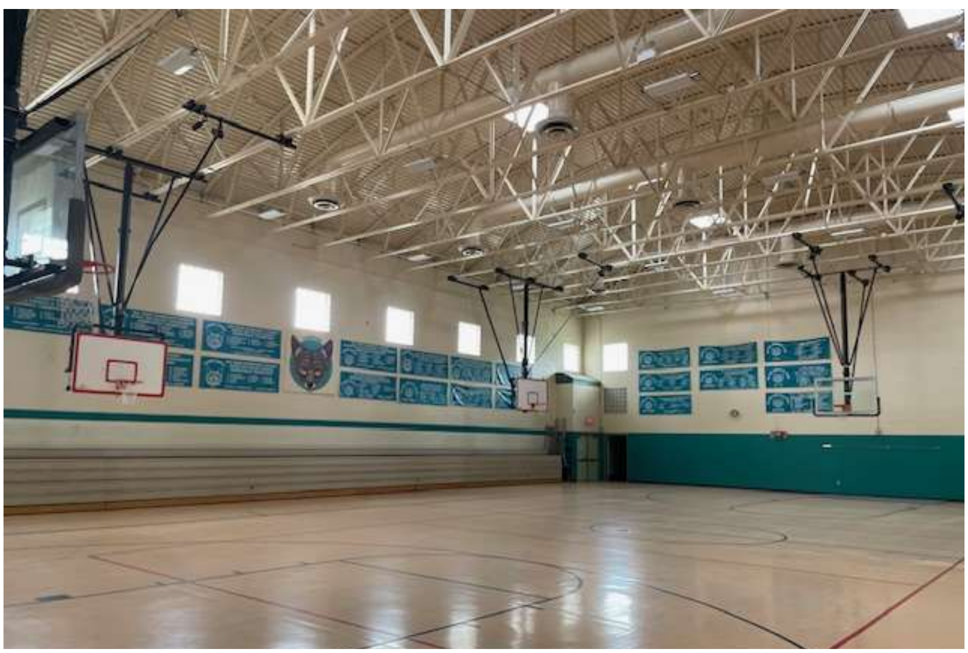
Subject interior

Subject interior

Subject interior

Subject interior

Subject interior



Subject interior

Subject interior

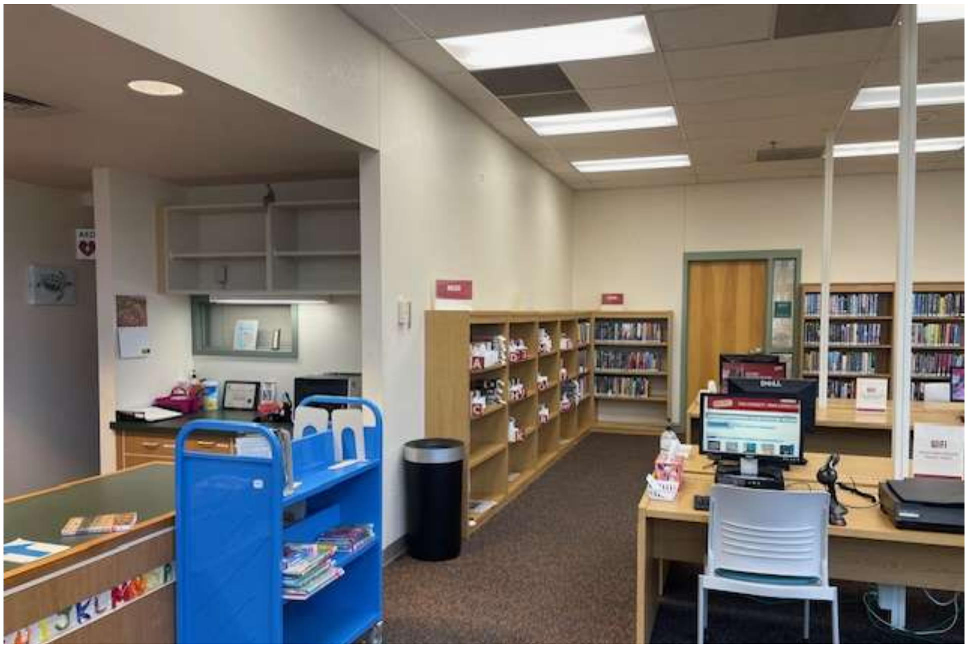
Subject interior

Subject interior

Subject interior – note leaking roof

Subject interior

Subject interior



Subject interior

Subject interior

Subject interior

Subject interior

Subject interior

Subject interior

Subject interior

Subject interior

Subject interior

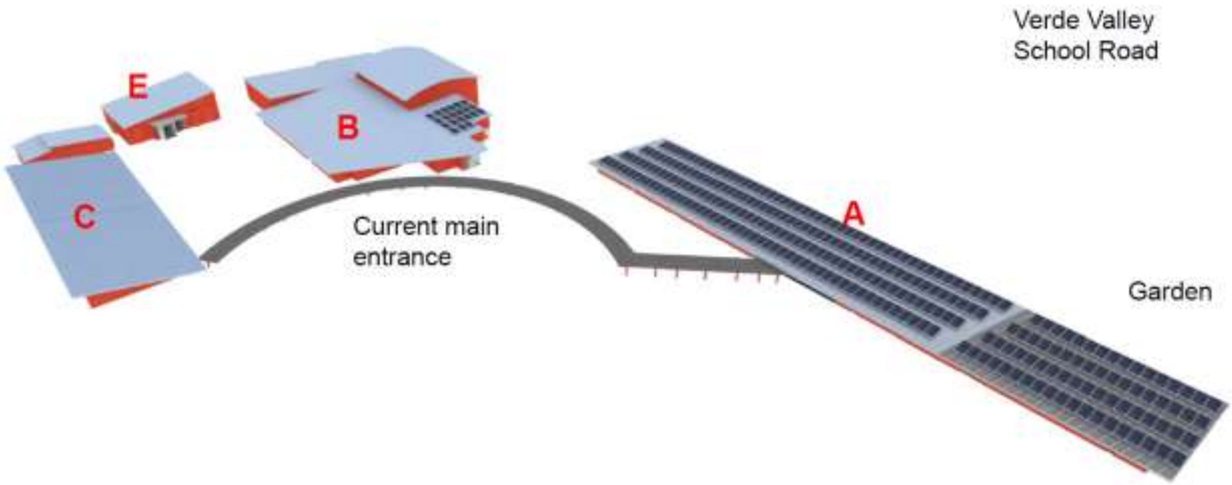
Subject interior

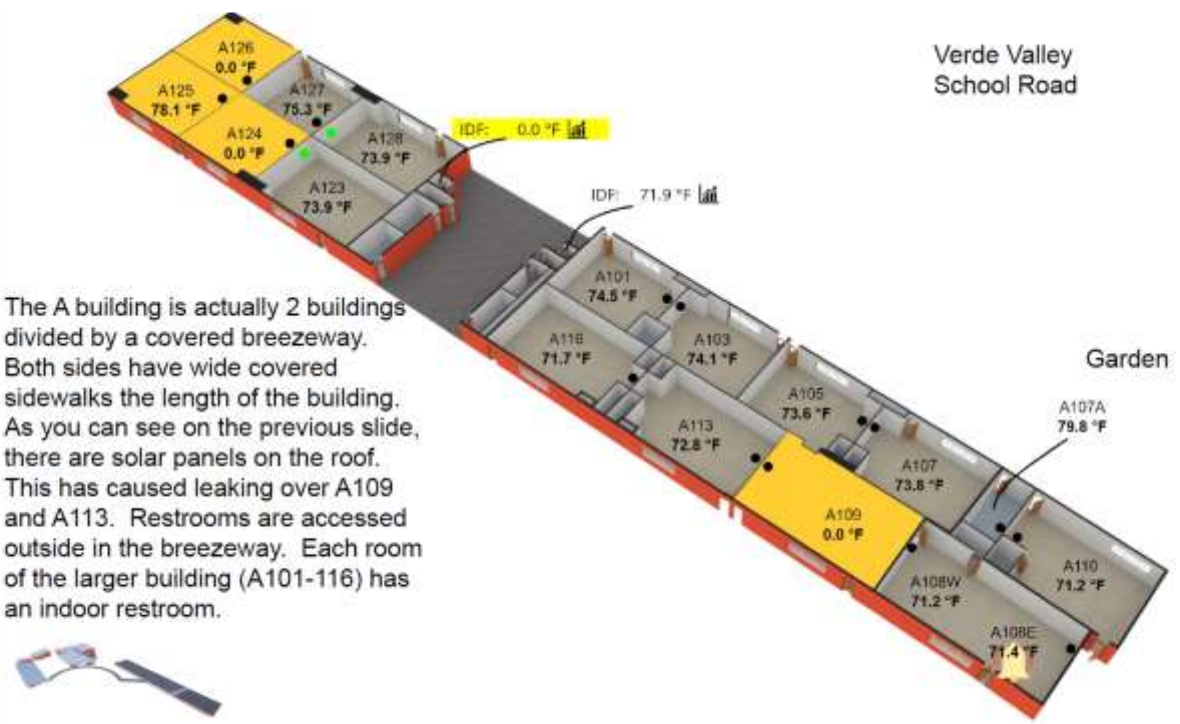
Subject interior

Subject interior

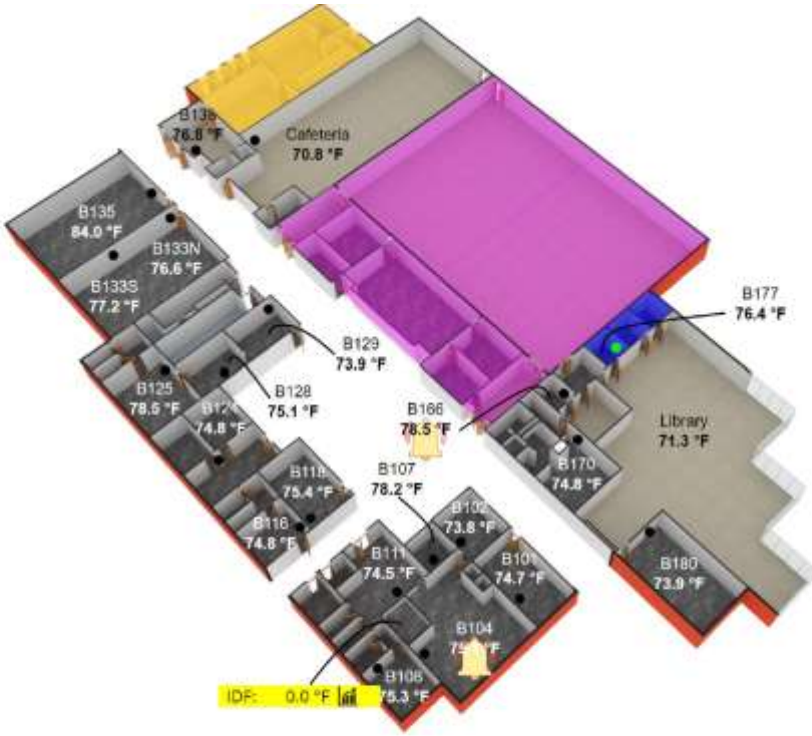
Subject interior – note ceiling damage

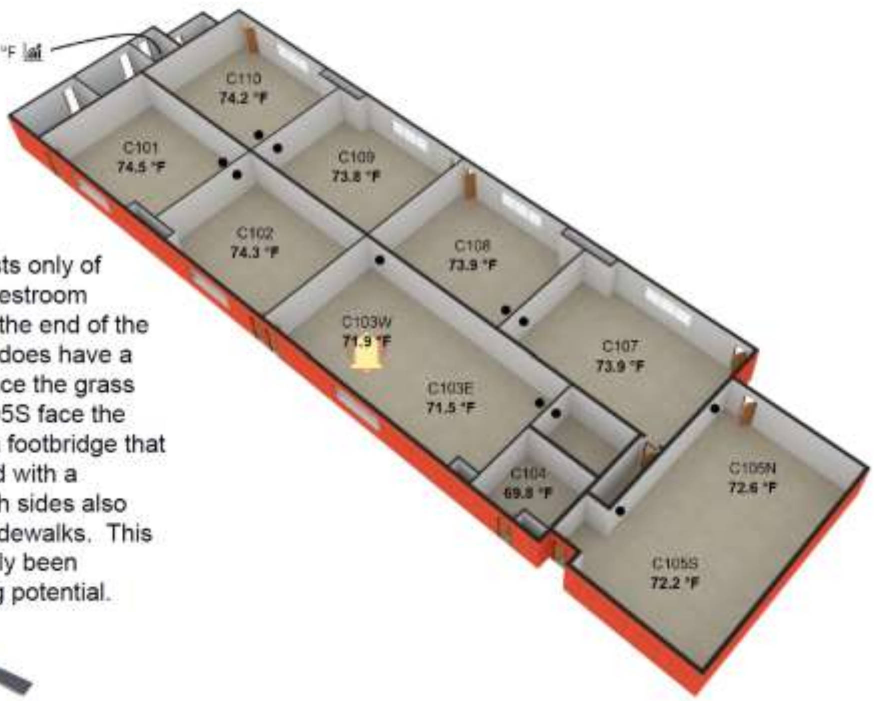
FLOOR PLANS


Verde Valley
School Road
E
B
C
Current main
entrance
A
Garden


A126
0.0 °F
A125
78.1 °F
A127
75.3 °F
A124
0.0 °F
A128
73.9 °F
IDF: 0.0 °F
A123
73.9 °F
IDF: 71.9 °F
Verde Valley
School Road
A101
74.5 °F
A116
71.7 °F
A103
74.1 °F
Garden
A105
73.6 °F
A113
72.8 °F
A107A
79.8 °F
A107
73.8 °F
A109
0.0 °F
A110
71.2 °F
A108W
71.2 °F
A108E
71.4 °F
The A building is actually 2 buildings divided by a covered breezeway. Both sides have wide covered sidewalks the length of the building. As you can see on the previous slide, there are solar panels on the roof. This has caused leaking over A109 and A113. Restrooms are accessed outside in the breezeway. Each room of the larger building (A101-116) has an indoor restroom.

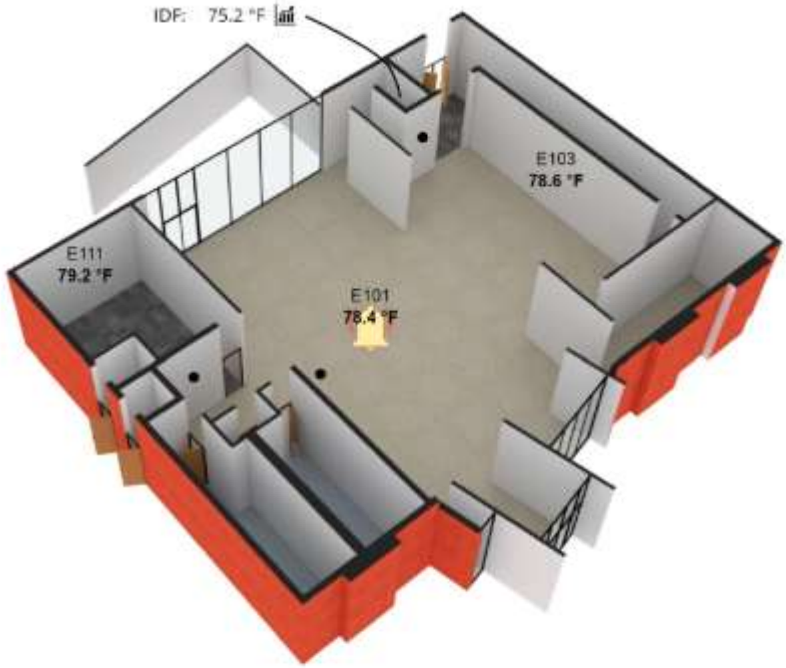
The B building is the central building. B104 was the front office, which is now serving as the main office for ASDB. They lease most of the left half, B104-B135, exempting a few rooms. The library, of course, is now the beautiful public library. The pink block is the gymnasium. These buildings are also connected with covered breezeway. There are large sliding panels at each end that secure the buildings.





The C building consists only of classrooms with the restroom accessed outside on the end of the building. Each room does have a sink. C105N-C110 face the grass courtyard. C101–C105S face the back where there is a footbridge that leads to a fenced field with a basketball court. Both sides also have wide covered sidewalks. This building has previously been discussed for housing potential.

The E building is the multipurpose room. It is a small auditorium (no fixed seating, flat floor) with a stage. It has large multi-stall restrooms inside. It is currently leased on Sundays by Journey Church. The front entrance is across the courtyard from the parking lot, but there is access in the back from the service road.



IMPROVEMENT DESCRIPTION

Property Type:	School campus
Size:	69,712 square feet per Yavapai County. There are five classroom buildings that total 60,446 square feet; one multi-purpose building that is 5,046 square feet; an office building that is 2,716 square feet; and a maintenance/mechanical building that is 1,504 square feet.
Year Built:	Seven of the eight buildings were constructed in 1990 with one building being constructed in 2008 (multi-purpose).
Foundation:	Reinforced concrete footings. Concrete Floor. Sub-grade is compacted ABC fill
Exterior Walls:	Block construction
Ceiling Height:	8 feet to 24 feet high
Windows:	Glass in anodized aluminum frames
Roof Structure:	Typical built-up flat roof with a spray foam membrane
Floors:	Concrete
Floor Covering:	Combination of carpet and tile
Partitions:	White Gypsum board
Ceilings:	A combination of drop acoustic and painted drywall.
Insulation:	Standard fiberglass batt, as required
Exterior Doors:	A combination of hollow metal doors and glass entry doors
Plumbing:	The plumbing appears to be adequate.
Heating & Cooling:	The subject is air conditioned with centralized cooling tower. Heat is via a centralized boiler system.
Electrical:	The building has an adequate amount of electrical supply. Buildings A and B have solar panels.
Lighting:	Combination of fluorescent and incandescent lighting
Fire Sprinklers:	Yes

Condition: Average with noted items of deferred maintenance (roof leaking)

Functional Utility: Good

Economic Life: The subject improvements were completed in 1990 and 2008. The actual age of the subject improvements is 17-35 years, while the effective age is estimated to be 25 years. The economic life for improvements such as the subject is approximately 50 years; therefore, the remaining economic life for the subject improvements is 25 years.

Parking: Adequate for its educational use

Landscaping: There are a variety of ground covers, shrubs, and mature trees through out the campus.

Gymnasium: There is a gymnasium with wood court flooring. This area serves as the lunchroom as well.

Kitchen: Full kitchen with walk-ins, stoves, ranges, dishwashing systems and other related equipment.

Multi-purpose Room: There is a multi-purpose room.

Classrooms: There is a total of 29 classrooms.

Restrooms: There are adequate restroom facilities.

Playgrounds/Fields: There are playground areas located near the buildings. These playgrounds include a ramada, basketball courts and play areas. There is a multi-purpose grass field and baseball field on the property.

Deferred Maintenance: As shown in the photographs, several of the buildings (approximately 34,000 square feet of space) have evidence of roof leaking with ceiling damage. Based on information taken from the appraiser's files as well as conversations with licensed roofing contractors, the estimated roof repairs to the subject property are estimated at $300,000. As stated previously, the appraiser has made the extraordinary assumption that these costs are reasonable. If an actual bid from a license contractor is provided, the appraiser reserves the right to alter the conclusions of this report.

Fencing: The majority of the site is enclosed with chain link fencing.

Comments: In summary, the design and appeal of the subject, the good quality building materials and construction, the decorative amenities offered and the project layout is commensurate with other existing properties located within the area.

HIGHEST AND BEST USE

Highest and best use is a market driven concept that focuses on market forces as each relates to the subject site identifying the most profitable and competitive use to which the property can be put.

Following is the definition of highest and best use as used in this report:

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 is 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) (The Dictionary of Real Estate Appraisal, 7th edition 2022).

Highest and Best Use as a Vacant Site

The purpose of determining the use of the site as vacant is to identify its potential. The goal of the analysis is to ascertain the optimum use of the land as vacant, and what variety or type of improvement, if any, is warranted given present market conditions.

In growth areas and neighborhoods in transition or where a change in the near term is expected, an interim use could be utilized. An interim use may be the existing use, a proposed development, an assemblage or to hold as a speculative investment.

Highest and best use implies contribution of that specific use (ideal improvements) to the community environment or to community development goals in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e., the use determined from analysis represents an opinion, not fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

The highest and best use conclusion may be identical to the one permitted by either zoning ordinances or private restrictions. In some instances, land has a more valuable use than that permitted by law. When there is a strong possibility that a change in the legal use would be permitted, then it could properly be considered as a factor affecting value. Conversely, zoning could legally permit a use more intense than the site could reasonably be expected to perform. In such cases, if zoning will not permit a less intense use, then it is necessary to determine whether or not the zoning could be changed and the effect of this factor upon the ultimate utilization of the property.

Although synergetic use and compatibility are general considerations for developers, city and county planners and the basis of more intense land use studies, they do not usually indicate the Highest and Best Use of a property.

The Highest and Best Use is considered after analyzing market conditions relating to the positive and negative attributes of the subject site, significant limitations to the future use and current relationship to other uses in the immediate neighborhood. Specifically, the use must be reasonable within the following areas:

- ***Legally Permissible:*** A property use that is either currently allowed or most probably allowable under zoning codes, building codes, environmental regulations, and other applicable laws and regulations that govern land use.

- ***Physically Possible:*** For a land use to be considered physically possible, the parcel of land must be able to accommodate the construction of any building that would be a candidate for the ideal improvement.

- ***Financially Feasible:*** The value of the land use must exceed its cost (economic feasibility is a condition that exists when prospective earning power is sufficient to pay a requisite rate of return on the completion cost (including indirect costs). In other words, the estimated value at completion equals or exceeds the estimated cost. In reference to a service or property where revenue is not a fundamental consideration, economic feasibility is based on a broad comparison of cost and benefits.)

- ***Maximally Productive:*** To achieve maximum productivity, a specific land use must yield the highest value of all the physically possible, legally permissible, and financially feasible possible uses.

Each of these areas will be discussed in more detail in the following section of my analysis of Highest and Best Use.

To test highest and best use for the land as vacant, the appraiser analyzes all logical, feasible alternatives with legal permissibility and physical possibilities considered first.

LEGALLY PERMISSIBLE:

Legal permissibility is indicated by land use regulations and current zoning code of the controlling governmental agency.

The purpose of zoning is to provide for orderly growth and harmonious development. Zoning is intended to provide a common ground of understanding and a sound and equitable working relationship between public and private interests to the end that both independent and mutual objectives can be achieved.

The subject site is zoned R1L-18, Residential District, according to the Yavapai County Planning and Zoning Department. This district allows the following uses:

R1L DISTRICT (Residential; Single Family Limited to site built structures only) Permitted Uses:

Where no Zoning/Density District has been combined, then all provisions of Density District 10 shall prevail. (See Section 516 (Density Districts), most common ones shown in attached chart.)

A. Dwelling unit (site built) for one (1) family on any one (1) lot.

B. Religious institutions (in permanent site built buildings) upon Conditional Use Permit approval.

C. Educational institutions (privately funded) as defined in Section 301 (Definitions) (in site-built buildings), upon Conditional Use Permit approval.

D. Community parks, playgrounds or centers when part of a community plan.

E. Public utility facilities (but not business offices nor repair or storage facilities) when necessary for serving the surrounding territory on one (1) acre or less following Administrative Review with Comment Period.

F. When in conjunction with an approved development plan, golf courses with accessory uses such as pro shops, shelters, restrooms, etc. (but not commercial driving ranges or miniature putting courses). Subject to the performance standards set out in Section 534 (Golf Course Standards).

The appraiser(s) is/are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required. The zoning ordinance is located within the addenda.

In conclusion, the subject site has a legally permissible use for residential development.

PHYSICALLY POSSIBLE:

Physical possibility is shown by indicating the capabilities and adaptability of the site for the proposed improvement (project) together with the availability of utilities and community services, modifications that may be required and limitations caused by physical characteristics of the site.

The subject site is irregular in shape and considered to be functionally adequate for development. As per the Yavapai County Assessor's map, the site is 20.80 acres or 906,048 square feet. The site has frontage and access from Saddle Horn Road on the south and Verde Valley School Road to the north.

The appraiser relied on Yavapai County Assessor information for the appraisal and on the physical inspection of the subject property.

There are no indicated development limitations observed from my inspection with exception to development limitations imposed by the planning department and zoning code of Yavapai County with respect to lot/building ratios and property line set-backs.

In conclusion, residential development is both legally permissible and physically possible on the subject site.

FINANCIAL FEASIBILITY:

At this point of the Highest and Best Use analysis, the appraiser can conclude that the subject, from legal, physical and appropriate considerations, development is both physical and possible on the site. This conclusion statement considers the type of uses that are deemed to be the most reasonable and prudent uses for the subject, as of the effective date of valuation. Now at this point, one must divert the analysis with regards to the economic feasibility that may affect the subject site.

As reported, the subject is zoned for residential development.

Single Family Residential

The appraiser researched the subject's zip code of 86351 to determine single family residential supply and demand factors. According to Arizona Multiple Listing Service the current single family median sales price is $767,500. The median list price is $995,000.

Following are the summary statistics for single family residential sales activity within the subject's zip code.

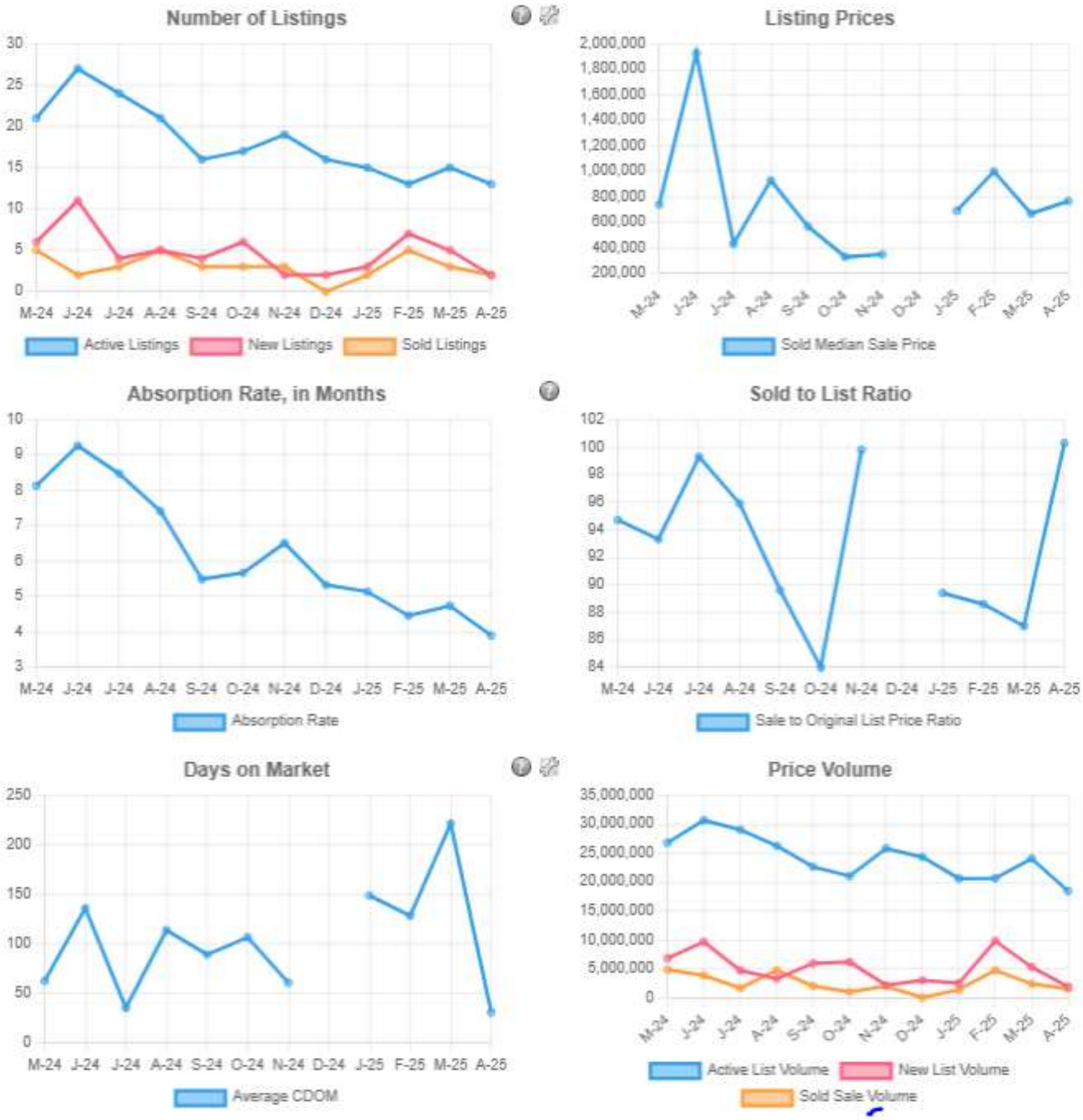
Summary Statistics

	Apr-25	Apr-24	% Chg	2025 YTD	2024 YTD	% Chg
Absorption Rate	3.9	8.44	-53.79	4.56	6.42	-28.97
Average List Price	$1,418,746	$1,323,088	7.23	$1,272,394	$1,183,121	7.55
Median List Price	$995,000	$999,000	-0.40	$985,000	$838,500	17.47
Average Sale Price	$767,500	$1,491,333	-48.54	$839,583	$1,176,636	-28.65
Median Sale Price	$767,500	$840,000	-8.63	$732,500	$865,000	-15.32
Average CDOM	31	36	-13.89	125	38	228.95
Median CDOM	31	38	-18.42	106	35	202.86

Following are multiple charts relating to single family residential activity in the subject's zip code including:

- Number of listings
- Listing Prices
- Absorption Rate, in Months
- Sold to List Ratio
- Days on Market
- Price Volume

86351 Residential



Based on this information, the appraiser concludes that a residential use would be financially feasible at this time.

MAXIMALLY PRODUCTIVE:

From the preceding analysis, it is evident the residential use that is legally permissible and physically possible is currently financially feasible and therefore is considered to be maximally productive at this time.

CONCLUSION:

Based on an evaluation of the four criteria in determining a property's Highest and Best Use, it has been concluded that the Highest and Best Use of the subject would be for residential development.

HIGHEST AND BEST USE AS IMPROVED:

There are two reasons for analyzing the property as improved. The two reasons are (1) to identify the uses of the property that can be expected to produce the highest overall return for each dollar of invested capital, and (2) to estimate the highest and best use to help identify comparable properties.

The first reason is to consider whether or not the existing use will continue to provide maximum benefits and/or can the rate of return be increased by converting to a different use. Like a vacant site, the highest and best use of a site as improved must meet the four criteria, i.e.; is the use (1) Physically Possible, (2) Legally Permissible, (3) Financially Feasible, and (4) Maximally Productive.

As discussed in the Improvement Description section of this report, the subject is presently improved as an educational facility. Physically Possible concerns the size and design of the property improvements located on the site. The existing improvements are considered to be adequate in size and design. The existing use is legally permissible according to the zoning code and land use ordinances of Yavapai County.

The existing improvements are designed for school use. As discussed under the site as vacant, public school use is considered a legally permissible use of the site. Demolition of the current improvements and reconstruction as a different use would not add value to the property and therefore the current improvements are considered economically feasible and maximally productive. Based on the preceding it is believed that the highest and best use of the subject would be as improved, an educational facility.

VALUATION PROCESS

The principles and concepts of real estate appraisal are basic to the valuation process. The principles of real estate are based on anticipation, change, supply and demand, competition, substitution, opportunity cost, balance, contribution, conformity and externalities.

The valuation process is:

A systematic set of procedures an appraiser follows to provide answers to a client's questions about real property value. (The Dictionary of Real Estate Appraisal, 7th edition 2022)

The first step in the procedure is to define the appraisal problem: i.e., identify the real estate, the effective date of the value estimate, the property rights being appraised, and definition of value sought. The next step is an overview of the character and scope of the assignment. Once accomplished, factors that affect market value are collected and analyzed. These factors are addressed in the regional, city and neighborhood analysis, the site and improvement analysis, the highest and best use analysis, and in the application of the three approaches to value (the Cost, Sales Comparison, and Income Capitalization approaches) which follows.

COST APPROACH - *A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive; deducting depreciations from the total cost; and adding the estimated land value. The contributory value of any site improvements that have not already been considered in the total cost can be added on a depreciated-cost basis. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised.* (The Dictionary of Real Estate Appraisal, 7th edition 2022)

One of the approaches to value commonly applied in Market Value estimates and many other valuation situations. A comparative approach to the value of property or another asset that considers, as a substitute for the purchase of a given property, the possibility of constructing another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. The Valuer's estimate is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. The Cost Approach establishes the value of a real property by estimating the cost of acquiring land and building a new property with equal utility or adapting an old property to the same use with no undue cost due to delay. An estimate of entrepreneurial incentive or developer's profit/loss is commonly added to land and construction costs. For older properties, the cost approach develops an estimate of depreciation including items of physical deterioration and functional obsolescence.

SALES COMPARISON APPROACH - *The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate unites of comparison, and making adjustments to the sale prices (or unite prices, as appropriated) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as through vacant when an adequate supply of comparable sales is available.* (The Dictionary of Real Estate Appraisal, 7th edition 2022)

A Comparative analysis is the process by which a value indication is derived in the sales comparison approach. Comparative analysis may employ quantitative or qualitative techniques, either separately or in combination. (The Dictionary of Real Estate Appraisal, 7th edition 2022)

INCOME CAPITALIZATION APPROACH – *Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.* (The Dictionary of Real Estate Appraisal, 7th edition 2022)

A comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (whereby an overall capitalization rate or all risks yield is applied to a single year's income), yield or discount rates (reflecting measures of return on investment) applied to a series of incomes over a projected period, or both. The Income Approach reflects the principles of substitution and anticipation.

Typically, three approaches to value are considered, the Cost Approach, the Sales Comparison Approach and the Income Capitalization Approach. Due to the fact that investors place little weight on the Cost Approach to Value, that approach will be eliminated. The Sales Comparison Approach to Value is presented, followed by the Income Approach to Value. The two values will then be reconciled into a final Market Value of the subject.

SALES COMPARISON APPROACH

In the Sales Comparison Approach, market value is estimated by comparing the subject property to similar properties that have sold recently or for which offers to purchase have been made. A major premise of the Sales Comparison Approach is that the market value of a property is directly related to the prices of comparable, competitive properties.

There are five basic steps in the Sales Comparison Approach:

1. Research the market to locate sales of properties similar to the subject.
2. Confirm and verify the sales price, terms of sale, physical characteristics, income characteristics and that the sale represents an arm’s length transaction.
3. Identify relevant elements of comparison and analyze each sale for each property.
4. Compare the subject property to the comparable sales and adjust each for relevant differences to establish comparability.
5. Reconcile the various indications of value into a market value estimate for the subject property.

Public records of Coconino County, Arizona have been searched for recent sales of comparable properties in the market. Additionally, real estate brokers believed to be knowledgeable in the market have been consulted regarding their knowledge of market transactions. Sales have been confirmed with the seller, buyer, real estate broker or other persons knowledgeable about each transaction and verified by Affidavit of Property Value, which is a sworn statement as to the validity of the transaction.

The subject property can be classified as a school building in Village of Oak Creek. The subject property can additionally be described as follows:

- Located at 25 W. Saddle Horn Road, Sedona, Yavapai County, Arizona.

- The subject site is irregular in shape and contains 20.80 acres or 906,048 square feet.

- The subject has multiple buildings and totals 69,712 square feet. The property was constructed in 1990 and 2008 and is in average condition.

- The land to building ratio is 13.00:1.

These characteristics that describe the subject property as of the date of valuation were also the criteria the appraiser utilized to search for similar properties. As a result of this market-wide search, the appraiser discovered similar properties that were sold and are considered indicators of value. Due to the lack of sales in the Northern Arizona area, the appraiser expanded the search to other areas of Arizona. The sales data selected is considered to be the best data available.

SALE NO. 1

LOCATION	1903 E. Roeser Road, Phoenix
GRANTOR	RM Pioneer Tech AZ, LLC
GRANTEE	SSS Education, Inc.
RECORDING DATE	6/12/2024
DAYS ON MARKET	N/Av
PARCEL NO.	122-47-001F
DOCUMENT NO.	2024-0313725
SALE PRICE	$15,000,000
SALE PRICE/SF	$215.99
TERMS	Cash Equivalent
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm’s Length
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar
SALES HISTORY	Purchased by the seller in May 2021 for $12,850,000.

SITE DATA	
Land Size/SF	306,757
Arterial Frontage	Major
Location/Access	Interior/Average
Surroundings	Good
Topography	Level
Utilities	Yes
Off-sites	Yes
Zoning	R1-6
Present Use	Educational
Highest and Best Use	As Improved
IMPROVEMENT DATA	
Building Area/SF	69,447 (two stories)
Year Built	2001
Condition	Average
Land/Building Ratio	15.51:1
Amenities	Playground (and sports field on adjacent parcel)
COMMENTS	The buyer is operating a tuition-free public charter school on the premises (Pioneer Technology & Arts Academy). The adjacent land parcel/sports field totaling 770,687 square feet sold in 2021 (same buyer/seller).

SALE NO. 2

LOCATION	2149 W. Dunlap Avenue, Phoenix
GRANTOR	Educational Properties, LLC
GRANTEE	2149 W. Dunlap LLC
RECORDING DATE	4/5/2024
DAYS ON MARKET	479
PARCEL NO.	158-05-029A
DOCUMENT NO.	2024-0178659
SALE PRICE	$20,200,000
SALE PRICE/SF	$164.70
TERMS	Cash
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm’s Length
CONFIRMED BY	Kyle Campbell, Colliers (602) 222-5062
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar
SALES HISTORY	None in the last three years

SITE DATA	
Land Size/SF	640,088
Arterial Frontage	Major/Minor (2)
Location/Access	Corner/Good
Surroundings	Good
Topography	Level
Utilities	Yes
Off-sites	Yes
Zoning	IND-PK
Present Use	Educational
Highest and Best Use	As Improved
IMPROVEMENT DATA	
Building Area/SF	122,646 (two stories)
Year Built	1975
Condition	Average
Land/Building Ratio	10.44:1
Amenities	Ample parking (7.4/1,000 parking ratio) and student lounge
COMMENTS	The property was vacant at the time of sale. The two-story building was previously used as a secondary college school with 45 classrooms. It is located adjacent to the light rail.

SALE NO. 3

LOCATION	9030 E. Florentine Road, Prescott Valley
GRANTOR	Prescott Valley Florentine Road, LLC/ UMB Bank, N.A.
GRANTEE	Prescott Valley Charter School
RECORDING DATE	2/29/2024
DAYS ON MARKET	321
PARCEL NO.	402-14-688Y
DOCUMENT NO.	2024-008238
SALE PRICE	$4,300,000
SALE PRICE/SF	$146.20
TERMS	Cash Equivalent
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length
CONFIRMED BY	ROI Properties (602) 319-1326
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar
SALES HISTORY	Trustee's Deed in May 2023 (non-arm's length transaction)

SITE DATA	
Land Size/SF	185,130
Arterial Frontage	Minor
Location/Access	Interior/Average
Surroundings	Average
Topography	Level
Utilities	Yes
Off-sites	Yes
Zoning	C-3
Present Use	Educational
Highest and Best Use	As Improved
IMPROVEMENT DATA	
Building Area/SF	29,411
Year Built	2011
Condition	Average
Land/Building Ratio	6.29:1
Amenities	Open field and gymnasium
COMMENTS	This property was purchased by an owner/user. The former charter school facility was vacant at the time of sale. The lender UMB Bank sold the property to Prescott Valley Charter School. The asking price was $4,250,000.

SALE NO. 4

LOCATION	730 W. Calle Arroyo Sur, Sahuarita
GRANTOR	Instructional Technology, Inc.
GRANTEE	Pacific Southwest District of the Wesleyan Church
RECORDING DATE	1/4/2024
DAYS ON MARKET	314
PARCEL NO.	303-33-8660
DOCUMENT NO.	2024-0040312
SALE PRICE	$2,350,000
SALE PRICE/SF	$122.95
TERMS	Cash Equivalent
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm’s Length
CONFIRMED BY	Patrick Welchert, Alpha Commercial Real Estate Services
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar
SALES HISTORY	None in the last three years

SITE DATA	
Land Size/SF	29,175
Arterial Frontage	Off Major/Minor
Location/Access	Corner/Average
Surroundings	Average
Topography	Level
Utilities	Yes
Off-sites	Yes
Zoning	B-2
Present Use	Educational
Highest and Best Use	As Improved
IMPROVEMENT DATA	
Building Area/SF	19,114 (two stories)
Year Built	2012
Condition	Average
Land/Building Ratio	3.05:1
Amenities	Playground
COMMENTS	This property was purchased by an owner/user. The former charter school building was vacant at the time of sale. It is located in a retail center and has a secure playground area. The asking price was $3,100,000 and the asking lease rate was $15 per square foot per year (NNN).

SALE NO. 5

LOCATION	2165 N. Power Road, Mesa
GRANTOR	Rubicon K-9, LLC
GRANTEE	Southwest Autism Research & Resource Center
RECORDING DATE	12/29/2023
DAYS ON MARKET	N/Av
PARCEL NO.	219-25-008L
DOCUMENT NO.	2023-0661607
SALE PRICE	$2,504,470
SALE PRICE/SF	$166.97
TERMS	Cash Equivalent
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length
CONFIRMED BY	Colliers (602) 222-5190
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar
SALES HISTORY	Purchased by the seller in March 2022 for $3,700,000.

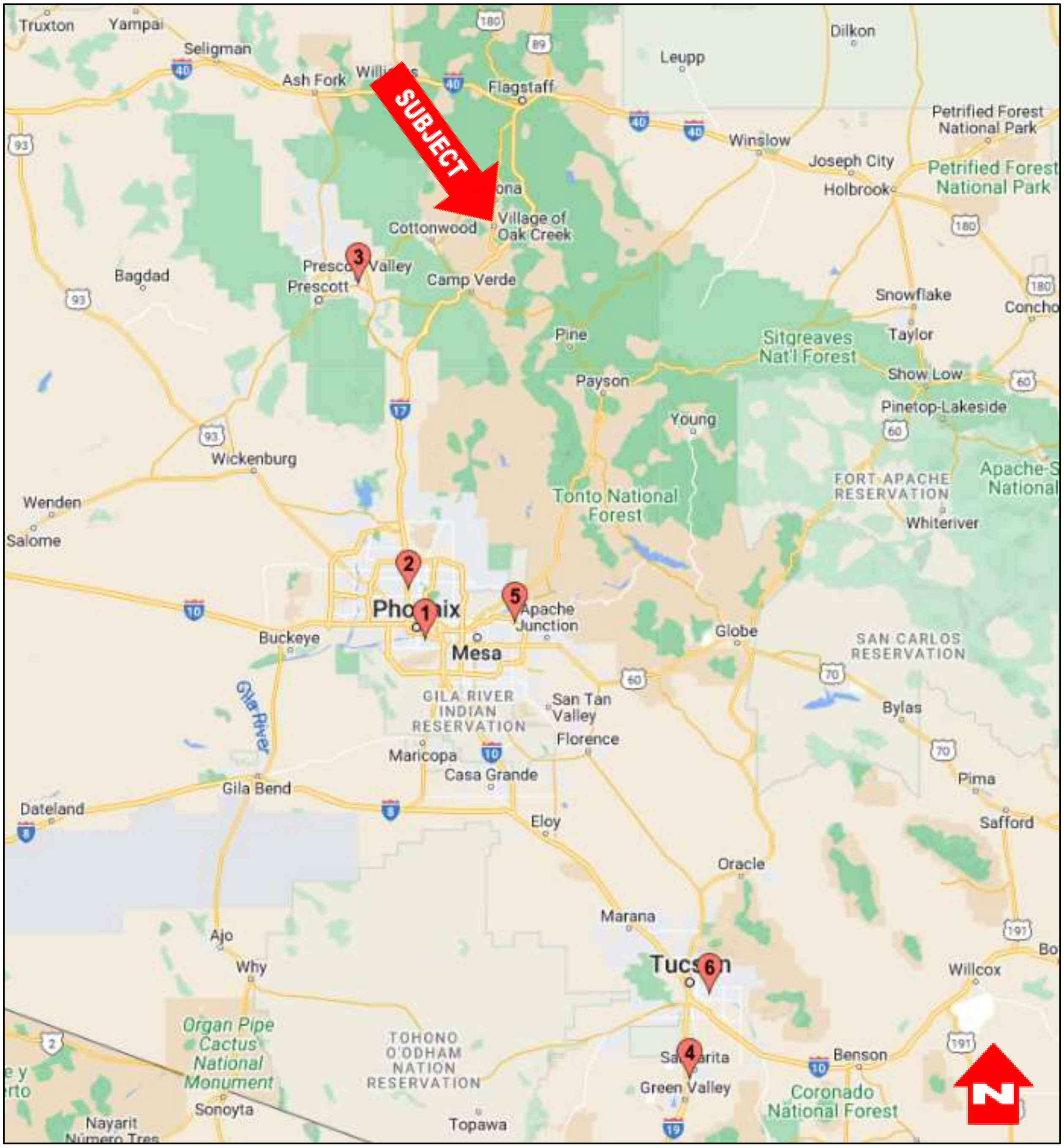
SITE DATA	
Land Size/SF	130,164
Arterial Frontage	Off Major
Location/Access	Interior/Average
Surroundings	Good
Topography	Level
Utilities	Yes
Off-sites	Yes
Zoning	RS-35
Present Use	Educational
Highest and Best Use	As Improved
IMPROVEMENT DATA	
Building Area/SF	15,000
Year Built	2005
Condition	Average
Land/Building Ratio	8.68:1
Amenities	Gym and fields
COMMENTS	This property was purchased by an owner/user. The property was vacant at the time of sale.

SALE NO. 6

LOCATION	1300 S. Belvedere Avenue, Tucson
GRANTOR	Changemaker High School
GRANTEE	Arizona Autism Charter Schools, Inc.
RECORDING DATE	8/30/2023
DAYS ON MARKET	N/Av
PARCEL NO.	130-14-4500
DOCUMENT NO.	2023-2420358
SALE PRICE	$3,000,000
SALE PRICE/SF	$141.03
TERMS	Cash Equivalent
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm’s Length
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar
SALES HISTORY	None in the last three years

SITE DATA	
Land Size/SF	430,808
Arterial Frontage	Minor
Location/Access	Interior/Average
Surroundings	Average
Topography	Level
Utilities	Yes
Off-sites	Yes
Zoning	C-1/C-2
Present Use	Educational
Highest and Best Use	As Improved
IMPROVEMENT DATA	
Building Area/SF	21,272
Year Built	2012
Condition	Average
Land/Building Ratio	20.25:1
Amenities	Surplus land area
COMMENTS	This property was purchased by an owner/user. This property has surplus land for future expansion.

IMPROVED SALES MAP



SUMMARY OF IMPROVED SALES

Sale Data	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4	SALE 5	SALE 6
Sales Price		$15,000,000	$20,200,000	$4,300,000	$2,350,000	$2,504,470	$3,000,000
Price/SF		$215.99	$164.70	$146.20	$122.95	$166.97	$141.03
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing	Cash Equivalent	Cash Equivalent	Cash	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent
Sale Conditions	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
Market Conditions	Current	6/24	4/24	2/24	1/24	12/23	8/23
Land/SF	906,048	306,757	640,088	185,130	29,175	130,164	430,808
Arterial Frontage	Minor/ Minor	Major	Major/ Minor (2)	Minor	Off Major/ Minor	Off Major	Minor
Location/ Access	Interior/ Average	Interior/ Average	Corner/ Good	Interior/ Average	Corner/ Average	Interior/ Average	Interior/ Average
Surroundings	Average	Good	Good	Average	Average	Good	Average
Topography	Level	Level	Level	Level	Level	Level	Level
Utilities	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Off-Sites	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Building Size	69,712	69,447 (2-story)	122,646 (2-story)	29,441	19,114 (2-story)	15,000	21,272
Year Built	1990/2008	2001	1975	2011	2012	2005	2012
Condition	Average	Average	Average	Average	Average	Average	Average
Land/Building Ratio	13.00:1	15.51:1	10.44:1	6.29:1	3.05:1	8.68:1	20.25:1
Zoning	R1L-18	R1-6	IND-PK	C-3	B-2	RS-35	C-1/C-2

SALES DATA:

A search was made to obtain comparable market data. Because no two properties are ever exactly the same, adjustments are considered to reflect the differences so that a valid estimate of value can be made. The unit of measure considered in this report is price per square foot of building area. This unit of measure is commonly used in the market and is accepted as a method of assisting in the determination value.

The appraiser is of the opinion that the accumulated sales data accurately reflects the present market and its interrelated economic forces. Unfortunately, there is disparity within the data in relation to the most likely common denominator (price per square foot). This disparity can be attributed to:

(1) Varying locations of the respective sale properties.
(2) Inconsistencies relative to the overall plot size of the sale properties in relation to the subject.
(3) Physical characteristics and fill requirements.
(4) Real Estate reflects an imperfect market.

The comparative sales analysis focuses on the legal, physical, location and economic characteristics of similar properties as compared to the subject property. Other considerations are real property rights conveyed, financing terms, conditions of sale, date of sale, physical and income characteristics, all of which can account for variations in price.

Adjustments to a property may be made either in terms of a percentage or dollars per square foot. There is no "proper" method of adjustment to strictly adhere to since adjustments depend on how the relationship between the two properties is perceived by the market. A market value estimate is not determined by a set of precise calculations. Appraisal has an art aspect in that appraisers use their judgment to analyze and interpret quantitative data.

PROPERTY RIGHTS CONVEYED:

The investigation revealed the Fee Simple Estate was the property rights conveyed in all of the comparable sales.

FINANCING:

All of the comparable sales sold for cash or the equivalence of cash and no adjustments are warranted.

CONDITIONS OF SALE:

All six sales were reported to be arm's length market transactions and no adjustments are warranted.

MARKET CONDITIONS:

All of the comparable sales were transacted from August 2023 to June 2024 and are considered to be representative of market conditions.

LOCATION:

Location adjustments typically reflect an increase or decrease in value attributable to accessibility, competitive environment, arterial exposure, freeway influence, and surrounding development. These location attributes may determine the degree of demand a property could have which in turn define occupancy levels and rental rate structures.

The subject has a good location within Village of Oak Creek area. The property has access and visibility from Saddle Horn Road and Verde Valley School Road.

Sales one, two and five have major roadway frontage and will be adjusted downward.

All six sales are considered to have similar access and visibility.

Sales one, two and five are located in areas of superior surroundings and will be adjusted downward.

Adjustments for the comparable sales based on their location characteristics including frontage, access and surroundings follows.

Location Factors	**SUBJECT**	**SALE 1**	**SALE 2**	**SALE 3**	**SALE 4**	**SALE 5**	**SALE 6**
Arterial Frontage	Minor/Minor	Superior	Superior	Similar	Similar	Superior	Similar
Adjustment		-5%	-5%	0%	0%	-5%	0%
Access	Interior/ Average	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment		0%	0%	0%	0%	0%	0%
Surroundings	Average	Superior	Superior	Similar	Similar	Superior	Similar
Adjustment		-5%	-5%	0%	0%	-5%	0%
Quantitative Adjustment		**-10%**	**-10%**	**0%**	**0%**	**-10%**	**0%**

PHYSICAL CHARACTERISTICS:

Physical characteristics include building size, age/condition, land/building ratio and amenities.

Sale two is adjusted upward for its larger building size. Sales three, four, five and six are adjusted downward for their smaller building sizes.

Sale two is adjusted upward for its inferior age. Sales three, four, five and six are adjusted downward for their superior age.

Sales three, four and five are adjusted upward for their inferior land to building ratios. Sale six is adjusted downward for its superior land to building ratio.

Sales two, four and six have inferior amenities including lack of gyms and fields and will be adjusted upward.

Physical Characteristics	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4	SALE 5	SALE 6
Size	69,712	Similar	Larger	Smaller	Smaller	Smaller	Smaller
Adjustment		0%	+5%	-5%	-5%	-5%	-5%
Age/Condition	1990/2008/ Average	Similar	Inferior	Superior	Superior	Superior	Superior
Adjustment		0%	+5%	-5%	-5%	-5%	-5%
Land/Building Ratio	13.00:1	Similar	Similar	Inferior	Inferior	Inferior	Superior
Adjustment		0%	0%	+5%	+10%	+5%	-5%
Amenities	Average	Similar	Inferior	Similar	Inferior	Similar	Inferior
Adjustment		0%	+10%	0%	+10%	0%	+10%
Quantitative Adjustment		**0%**	**+20%**	**-5%**	**+10%**	**-5%**	**-5%**

ZONING:

Zoning is similar for all comparable properties when compared with the subject. No directional adjustments are made for zoning.

In conclusion, the values indicated in the summary of improved properties show a range in price per square foot from $122.95 per square foot to $215.99 per square foot before adjustments. It is believed the indicated value range is reflective of the utility, wants, and needs of buyers in the marketplace.

IMPROVED SALES ADJUSTMENT CHART:

Elements of Comparison	SALE 1	SALE 2	SALE 3	SALE 4	SALE 5	SALE 6
Price/SF	**$215.99**	**$164.70**	**$146.20**	**$122.95**	**$166.97**	**$141.03**
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing	Cash Equivalent	Cash	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent
Condition of Sale	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
Market Conditions	6/24	4/24	2/24	1/24	12/23	8/23
Adjusted Price	**$215.99**	**$164.70**	**$146.20**	**$122.95**	**$166.97**	**$141.03**
Location Factors	-10%	-10%	0%	0%	-10%	0%
Physical Characteristics	0%	+20%	-5%	+10%	-5%	-5%
Zoning	0%	0%	0%	0%	0%	0%
Overall Adjustment	-10%	+10%	-5%	+10%	-15%	-5%
Final Indicated Value	**$194.39**	**$181.17**	**$138.89**	**$135.25**	**$141.92**	**$133.98**

CONCLUSION OF VALUE:

After adjustments were made, the sales have a range of $133.98 to $194.39 per square foot with an indicated average of $154.27 per square foot. The indicated unit sales prices of the comparable sales reflect market conditions for school facilities within the Arizona area.

The appraiser has placed most weight on sale three which is most similar in quality and location and received the least amount of net adjustments. The appraiser place secondary weight on sales one and two which are the most recent sales. After due consideration is given to the subject location, land size, building size, older age, condition and amenities, the appraiser will conclude to near the lower end of the adjusted range or $145.00 per square foot. This would indicate the following value conclusion.

69,712 square feet @ $145.00 per square foot = $10,108,240

From this conclusion, the appraiser will deduct the deferred maintenance costs of $300,000 to indicate an "As Is" Market Value as follows:

$10,108,240 less $300,000 = $9,808,240

Rounded to: $9,810,000

INCOME APPROACH

The Income Approach can be analyzed by one of two methods: 1) Direct Capitalization or 2) Discounted Cash Flow.

The Direct Capitalization method is - *A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market date. Only one year's income is used. Yield and value changes are implied, but not explicitly identified.* (The Dictionary of Real Estate Appraisal, 7th edition 2022)

The Discounted Cash Flow (DCF) Analysis is - *The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.* (The Dictionary of Real Estate Appraisal, 7th edition 2022)

As reported, the subject property is school facility. Based on the fact that the property is at a stabilized occupancy, the appraiser will utilize the Direct Capitalization method in order to value the subject within the Income Approach.

In the subject's case, the income stream would be in the form of net operating income produced through the collection of rents, deducting the appropriate vacancy and credit loss, adding other income if any, then deducting appropriate expenses. The first step in the process is to estimate potential gross income. The process begins with the examination of the existing effective lease rates of similar properties located within the sub-market. Rental rates and terms from comparable properties were collected to support the estimate of market rent for the subject property.

In order to determine a market rent for the subject property, the appraiser has researched the following rental properties. Due to the lack of available rentals in the Sedona area, the appraiser expanded the search to the entire southwest area.

RENTAL NO. 1

ADDRESS	1600 E. Oakley Boulevard, Las Vegas
BUILDING TYPE	Educational
BUILDING SIZE (SF)	48,000
YEAR BUILT	1958; renovated in 2009
LEASING ACTIVITY	
Suite Size (SF)	48,000
Lease Date	December 2022
Lease Rate	$13.75
LEASE TYPE	NNN
VACANCY	0%
TENANT	Innovations Charter School
CONDITION	Average

RENTAL NO. 2

ADDRESS	8860 E. Chaparral Road, Scottsdale
BUILDING TYPE	Educational
BUILDING SIZE (SF)	69,882
YEAR BUILT	2001
LEASING ACTIVITY	
Suite Size (SF)	54,249
Lease Date	October 2023
Lease Rate	$18.00
LEASE TYPE	NNN (converted from full service)
VACANCY	0%
TENANT	Imagine Learning
CONDITION	Average

RENTAL NO. 3

ADDRESS	15451 N. 28th Avenue, Phoenix
BUILDING TYPE	Educational
BUILDING SIZE (SF)	66,743
YEAR BUILT	1996
LEASING ACTIVITY	
Suite Size (SF)	66,743
Lease Date	October 2023
Lease Rate	$13.00-$15.00
LEASE TYPE	NNN
VACANCY	0%
TENANT	Northern Arizona University
CONDITION	Average

RENTAL NO. 4

ADDRESS	300 S. Craycroft Road, Tucson
BUILDING TYPE	Educational
BUILDING SIZE (SF)	42,000
YEAR BUILT	2006
LEASING ACTIVITY	
Suite Size (SF)	31,087
Lease Date	January 2022
Lease Rate	$15.50
LEASE TYPE	NNN (converted from modified gross)
VACANCY	0%
TENANT	Brookline College
CONDITION	Average

RENTAL NO. 5

ADDRESS	42101 North 41st Drive, Building C, Phoenix
BUILDING TYPE	Educational
BUILDING SIZE (SF)	22,400
YEAR BUILT	2003
LEASING ACTIVITY	
Suite Size (SF)	14,872
Lease Date	Feb-21
Lease Rate	$10.82
LEASE TYPE	NNN
VACANCY	0%
TENANT	Ridgeline Academy
CONDITION	Average

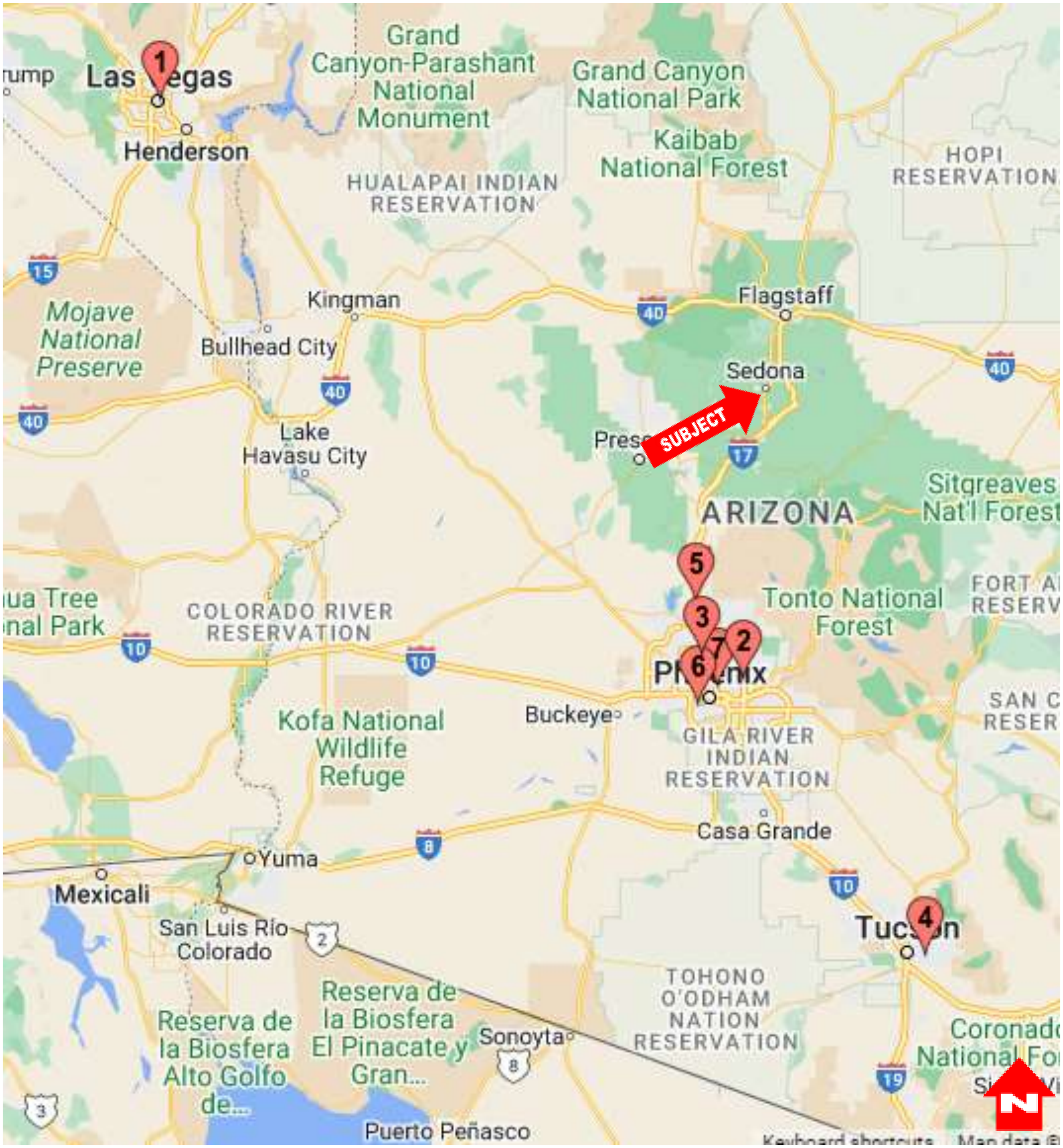
RENTAL NO. 6

ADDRESS	5806-5864 South 35th Avenue, Phoenix
BUILDING TYPE	Educational
BUILDING SIZE (SF)	22,214
YEAR BUILT	2008
LEASING ACTIVITY	
Suite Size (SF)	22,214
Lease Date	Sep-20
Lease Rate	$13.00
LEASE TYPE	NNN
VACANCY	0%
TENANT	Lexington Life Academy
CONDITION	Average

RENTAL NO. 7

ADDRESS	2645 North 24th Street, Phoenix
BUILDING TYPE	Educational
BUILDING SIZE (SF)	15,360
YEAR BUILT	1983
LEASING ACTIVITY	
Suite Size (SF)	15,360
Lease Date	Oct-20
Lease Rate	$13.00
LEASE TYPE	NNN
VACANCY	0%
TENANT	School
CONDITION	Average

RENTAL MAP


Las Vegas
Henderson
Grand Canyon-Parashant National Monument
Grand Canyon National Park
Kaibab National Forest
HUALAPAI INDIAN RESERVATION
HOPI RESERVATION
Mojave National Preserve
Kingman
Flagstaff
Bullhead City
Sedona
Lake Havasu City
SUBJECT
ARIZONA
Sitgreaves Nat'l Forest
COLORADO RIVER RESERVATION
Tonto National Forest
Buckeye
Kofa National Wildlife Refuge
GILA RIVER INDIAN RESERVATION
Casa Grande
Yuma
Mexicali
San Luis Río Colorado
TOHONO O'ODHAM NATION RESERVATION
Reserva de la Biosfera El Pinacate y Gran...
Reserva de la Biosfera Alto Golfo de...
Sonoyta
Puerto Peñasco
1
2
3
4
5
6
7

Rental Summary

Rent	Address	Size	Rental Rate	Rent Type
1	1600 E. Oakley Boulevard, Las Vegas	48,000	$13.75	NNN
2	8860 E. Chaparral Road, Scottsdale	54,249	$18.00	NNN
3	15451 N. 28th Avenue, Phoenix	66,743	$13.00-$15.00	NNN
4	300 S. Craycroft Road, Tucson	31,087	$15.50	NNN
1	42101 North 41st Drive, Building C, Phoenix	14,872	$10.82	NNN
3	5806-5864 South 35th Avenue, Phoenix	22,214	$13.00	NNN
4	2645 North 24th Street, Phoenix	15,360	$13.00	NNN

RENT CONCLUSIONS:

The comparable rental properties surveyed indicated a rental rate range of $10.82 to $18.00 per square foot annually on a triple net lease basis. Based on the data presented, after due consideration is given to the subject location, land size, building size, older age, condition and amenities, the appraiser concludes to a market rent near the lower end of this range or $12.00 per square foot. Thus, the potential gross rental income is calculated as follows:

69,712 square feet @ $12.00 per square foot = $836,544

OTHER INCOME:

None

VACANCY/CREDIT LOSS:

In order to determine a stabilized vacancy rate for the subject, the appraiser researched the immediate area for vacancy rates of similar properties.

The subject property will be occupied by a single user. Based on this information, the appraiser will utilize a nominal vacancy and collection loss factor of 5.0%.

EXPENSES:

The expenses relevant to the property based on the estimated market lease rate are based on NNN lease terms where the landlord would be responsible for off-site management and reserves.

<u>Off-Site Management:</u>

Management fees for properties like the subject typically cover off-site management expenses for managing the investment and are the paid for by the property owner. The appraiser interviewed local property management companies to get an indication of what property management firms would charge for the management and accounting of a property like the subject.

Property management/brokerage firms such as CB Commercial will manage property like the subject for 2% to 5% of gross collected revenues depending on the financial and physical condition of the property. The property manager is responsible for collecting the rent, lease management, municipality interfacing, and paying the operating expenses in a timely manner.

Considering the size, current condition, and single tenant nature of the subject property, the appraiser will utilize a management fee of 3% of the effective gross rental income.

<u>Reserves for Replacements:</u>

A replacement allowance provides for the periodic replacement of building components that wear out more rapidly than the building itself and must be replaced periodically during the building's economic life. These components may include roof covering, heating/cooling compressors, driveways, parking areas and exterior paint.

The annual allowance for each item is usually the anticipated cost of replacement prorated over the anticipated remaining economic life of that item provided it does not exceed the remaining economic life of the structure. Proration may be based on a simple average or provided for by the use of a sinking fund.

Items which can be expected to have a life equal to or exceeding the remaining economic life of the structure do not require an allowance for replacement.

The scope of items to be covered by the replacement allowance is a matter of appraisal judgment based on market evidence, but the extent of a replacement allowance is judged in relation to the annual repair and maintenance expense to avoid duplication.

A reserve for replacement account is normally not an expense recognized by most building operators in the local market. Usually, capital expenditures are expended as they occur. This can severely distort cash flow in the years of abnormally light or heavy capital expenditures.

For example, if an owner has to replace a roof at a cost of $1.10 per square foot for a 20,000 square foot building. The capital expense for that year would have a $22,000 deduction for repairs, which cannot be passed through to the tenants.

Generally, prudent investors and property management companies estimate between $0.15 and $0.25 per square foot. The appraiser will conclude at a reasonable amount for Reserves and Replacements at $0.20 per square foot or $13,582 annually.

A stabilized operating statement is shown below.

STABILIZED OPERATING STATEMENT		
Potential Gross Rental Revenue	$836,544	
Less Vacancy Loss - 5%	$ 41,827	
Effective Gross Rental Income		$794,717
Expenses		
Management - 3%		$ 23,842
Reserves for Replacements - $0.20/SF		$ 13,582
Total		$ 37,424
Net Operating Income		**$757,293**

NET OPERATING INCOME:

The Net Operating Income (NOI) is the anticipated net income remaining after all operating expenses are deducted from the Effective Gross Potential Rental Income, but before mortgage debt service and book depreciation are deducted. The estimated NOI is utilized in Direct Capitalization Approach to estimate a value for the subject property based on its projected ability to produce revenue.

In the conversion of Net Operating Income, before debt service, there are several methods of obtaining an over-all-rate (OAR) to be utilized in the capitalization process. The capitalization process involves a discounting process with the rate reflecting the purchaser's requirements in respect to yield and market rate interest on the debt while the property is being held.

DIRECT CAPITALIZATION METHOD:

The Direct Capitalization Method is the conversion of the Net Operating Income (NOI) into an indication of "Present Value" by dividing the NOI by the market derived Over-All-Rate (OAR). The OAR demonstrates the direct relationship of the NOI to the selling price of the comparable properties, which have been sold in the open market. The market derived OAR reflects the interest or dividend that the property will produce and the anticipated capital appreciation or depreciation over the investment holding period.

In essence, the OAR obtained from the market is a fraction of the total investment that must be collected each year, on an average to service the debt (principal and interest payments) yield and required benefits (cash flow and/or equity build-up) and compensate the depreciation or appreciation.

In essence, the OAR obtained from the market is a fraction of the total investment that must be collected each year, on an average to service the debt (principal and interest payments) yield and required benefits (cash flow and/or equity build-up) and compensate the depreciation or appreciation.
A good indicator for capitalization rates is sales of similar properties. Following is a summary of the sales within the marketplace and their estimated indicated overall rate.

Address	Sale Date	OAR
7770 E. Wrightstown Road, Tucson, AZ	1/25	7.90%
1299 N. 7th Street, Sierra Vista, AZ	11/24	8.00%
1600 E. Oakey Boulevard, Las Vegas, NV	6/24	9.58%
1832 N. Litchfield Road, Goodyear, AZ	4/24	6.75%
5806-5864 S. 35th Avenue, Phoenix, AZ	1/24	7.50%
800 Kalamath Street, Denver, CO	1/24	6.80%
3411 Los Rios Boulevard, Plano, TX	9/23	6.72%
3170 D ½ Road, Grand Junction, CO	6/23	7.34%
18585 E. Smoky Hill Road, Centennial, CO	12/22	5.50%

In addition to these actual sales, the appraiser also researched active listings on school properties for capitalization rates. These active listings are summarized as follows:

Address	Sale Date	OAR
801 Yosemite Steet, Denver, CO	Active	7.66%
3801 Broadway Road, SE, Albuquerque, NM	Active	5.24%
321 E. Weber Avenue, Stockton, CA	Active	9.00%
2001-2007 N. Long Beach Boulevard, Compton, CA	Active	6.30%

The differences in overall capitalization rates may be attributed to variations in occupancy, age and condition of the property, economic upside, sales motivation, cash flow potential, and other factors which make each sale and/or property unique. It is believed that economic life of the comparable properties is similar to that of the subject.

Data published by Realty Rates for the 1st quarter 2025 indicates the following ranges for comparable real estate product.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2025*							
SPECIAL PURPOSE - SCHOOLS & DAYCARE CENTERS							
Item	**Input**						**OAR**
Minimum							
Spread Over 10-Year Treasury	1.44%	**DCR Technique**		1.15	0.064360	0.80	**5.92**
Debt Coverage Ratio	1.15	**Band of Investment Technique**					
Interest Rate	5.80%	Mortgage		80%	0.064360	0.051488	
Amortization	40	Equity		20%	0.099000	0.019800	
Mortgage Constant	0.064360	OAR					**7.13**
Loan-to-Value Ratio	80%	**Surveyed Rates**					**6.70**
Equity Dividend Rate	9.90%						
Maximum							
Spread Over 10-Year Treasury	7.96%	**DCR Technique**		1.90	0.145506	0.60	**16.59**
Debt Coverage Ratio	1.90	**Band of Investment Technique**					
Interest Rate	12.32%	Mortgage		60%	0.145506	0.087304	
Amortization	15	Equity		40%	0.196250	0.078500	
Mortgage Constant	0.145506	OAR					**16.58**
Loan-to-Value Ratio	60%	**Surveyed Rates**					**15.75**
Equity Dividend Rate	19.63%						
Average							
Spread Over 10-Year Treasury	4.70%	**DCR Technique**		1.53	0.098740	0.70	**10.54**
Debt Coverage Ratio	1.53	**Band of Investment Technique**					
Interest Rate	9.06%	Mortgage		70%	0.098740	0.069118	
Amortization	28	Equity		30%	0.142763	0.042829	
Mortgage Constant	0.098740	OAR					**11.19**
Loan-to-Value Ratio	70%	**Surveyed Rates**					**11.21**
Equity Dividend Rate	14.28%						

*4th Quarter 2024 Data

The two sources indicated the following OAR ranges.

Actual sales & Listings 5.24% to 9.58%
Realty Rates 5.92% to 16.59%

Based on the subject location, size, age/condition and amenities, the appraiser concludes to an OAR of 8.00% for the subject property.

Applying the overall rate of 0.0800 to the estimated NOI of $757,293 leads to an indicated Prospective Value upon stabilization via the Direct Capitalization Method as shown below.

$$\frac{\text{NOI} \quad \$757{,}293}{\text{OAR} \quad 0.0800} = \$9{,}466{,}163$$

From this conclusion, the appraiser will deduct the estimated deferred maintenance costs of $300,000 to indicate an "As Is" Market Value of:

$9,466,163 less $300,000 = $9,166,163

Rounded to: $9,170,000

RECONCILIATION

The Final Reconciliation is the process of coordinating and integrating related facts to form a unified conclusion. Final Reconciliation is defined as: *A phase of a valuation assignment in which two or more value indications are processed into a value opinion which may be a range of value, a single point estimate, or a reference to a bench-mark value.* (The Dictionary of Real Estate Appraisal, 7th edition 2022)

The orderly connection of interdependent elements is a prerequisite of proper reconciliation. This requires a re-examination of specific data, procedures, and techniques within the framework of approaches used to derive preliminary estimates. The approach utilized to conclude to a value estimate considered appraisal techniques which encompassed: (1) reviewed to make sure that the data is authentic and reflects pertinent market activity and (2) the analytical techniques used and the logic followed are valid, realistic, and consistent. In addition, all mathematical calculations have been checked by someone other than the appraiser in an attempt to eliminate errors.

Two approaches to value have been employed in the analysis. The data together with the line of reasoning followed for each approach is clearly set forth.

Sales Comparison Approach	$9,810,000
Income Approach	$9,170,000

The reconciliation considers and evaluates alternate value indication to arrive at a final value estimate. Each value indication is weighted according to relative significance, applicability, and defensibility and relies most heavily on the approach that is most appropriate to the purpose of the appraisal.

In an appraisal report, the final value estimate may be stated as a single figure or as a range of values. Or an appraiser may choose to show the range and then cite the final value as a single figure within the range. Traditionally, a **point estimate** is typically regarded as the most probable number, not the only possible number, and is often required for revenue and compensation purposes. A **point estimate** concept is utilized in this reconciliation. (The Dictionary of Real Estate, 7th ed., Online)

The Cost Approach to Value is not typically considered a reliable indication of value for this type of property due to the nature and time frame of construction of the subject improvements. More relevancy is placed on the Cost Approach when the cost of the new or proposed improvements are known and have taken place within a relatively stable period of market conditions whereas in older improved properties and drastically changing market conditions, the estimate of accrued depreciation becomes increasingly subjective. The Cost Approach was not utilized in the creation of this report.

The Sales Comparison Approach was based upon sales of similar buildings considered comparable to the subject. These sales, after adjustments for the various elements of comparison, were analyzed from which an indication of value was derived. Sales were selected that were considered the most representative properties that could be located in the market. This approach is considered a good indication of value and a reflection of the motivations of market participants and was utilized.

The Income Approach to Value is believed to be another good indication of value for this type of income producing property. All of the data used in the Income Approach to Value was derived from market trends and is believed to reflect market thinking. The Income Approach to Value included the estimate of economic rents taken from the market in which the subject is located as compared to contract rent. Deductions were then made for vacancy and expenses. The resulting net operating income (NOI) was capitalized by an appropriate method into an indication of value.

The appraiser places equal emphasis on the two approaches to value.

Based on the information found in this investigation, the appraiser is of the opinion that the "As Is" Market Value of the subject property, as of April 3, 2025, is:

NINE MILLION FIVE HUNDRED THOUSAND DOLLARS
($9,500,000.00)

CERTIFICATION

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting pre-determined results. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

I have performed services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

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 Standards of Professional Appraisal Practice of the Appraisal Institute. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this report, Michael Turner, MAI has completed the continuing education program for Designed Members of the Appraisal Institute.

Michael Turner has made a personal inspection of the property that is the subject of this report. It should be noted that no other person provided significant real property appraisal assistance to the person signing this certification.

Michael Turner possesses the knowledge and experience to thoroughly complete this appraisal assignment. Please refer to the Qualifications of the Appraiser included in the following pages for additional information regarding professional education and pertinent experience of the aforementioned appraiser.

Under federal mandate, state licensing and/or certification of appraisers are required on or before August 15, 1991. Permission is hereby granted by the client for the appraisers to furnish the appropriate governmental authority or their authorized designated representative(s) any and all materials requested for oversight review.

My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*, the Code of Professional Ethics, Bylaws, Regulations and Standards of Professional Appraisal Practice of the Appraisal Institute.

Respectfully submitted,

Michael Turner, MAI
Certified General Real Estate Appraiser No. 30420

QUALIFICATIONS OF MICHAEL TURNER, MAI
Certified General Real Estate Appraiser, No. 30420

FORMAL EDUCATION:

Graduated, University of Arizona, May 1985, Bachelor of Arts, from the College of Liberal Arts, General Studies Major

PROFESSIONAL EDUCATION:

AIREA Course 1A-1 Basic Valuation Procedures, Phoenix, Arizona, 1990.
AIREA Course Standards of Professional Practice, Phoenix, Arizona, 1990.
AIREA Course 1A-2 Basic Valuation Procedures, San Diego, California, 1990.
AIREA Course 1BA Capitalization Theory and Techniques, Part A, Phoenix, Arizona, 1990
AIREA Course 1BB Capitalization Theory and Techniques, Part B, Phoenix, Arizona, 1991
AIREA Course 2-2 Report Writing & Valuation Analysis, Phoenix, Arizona, 1992
AI Course Appraisal Training, Phoenix, Arizona 1994
AI Course The Internet and Appraising, Phoenix, Arizona 1997
AI Course Small Hotel/Motel Valuation, Phoenix, Arizona 1997
AI Course 1410 Standards of Professional Practice Part A, Fullerton, California 1997
AI Course 1430 Standards of Professional Practice Part C, Palm Springs, California 1998
AI Course 510 Advanced Income Capitalization, Seattle, Washington 2000
AI Course 720 Condemnation Appraising, Advanced Topic & Applications, Phoenix, AZ 2000
AZ School/AZ Board of Appraisal, General Contractors: Masonry & Wood Framing, Phoenix, AZ 2002
AZ School/AZ Board of Appraisal, Bankruptcy 101, Phoenix, Arizona 2002
AZ School/AZ Board of Appraisal, Uniform Standards of Professional Appraisal Practice, Phoenix, AZ 2002
AZ School/AZ Board of Appraisal, FHA Appraisal Requirements, Phoenix, Arizona 2002
AZ School/AZ Board of Appraisal, Land Planning & Zoning, Phoenix, Arizona 2002
AI Course 1410N National USPAP Course, San Diego, California 2003
AI Course 11420N Business Practices and Ethics, San Diego, California 2003
Arizona Water Law, August 2004
Foreclosures & Forfeitures, September 2004
Hewlett Packard 12 C Keystrokes & Concepts, February 2005
Appraisal Valuation & Current Economic Trends, February 2005
National USPAP Course, Appraisal Institute, July 2006
National USPAP Update, Foundation of Real Estate Appraisers, July 2006
Bankruptcy 101, Arizona School of Real Estate & Business, August 2006
Land Development 101, Arizona School of Real Estate & Business, August 2006
Supervising Appraisers in Arizona, June 2008
2008-9 National USPAP, August 2008
Technology for Today's Appraisers, August 2008
The Cost Approach, August 2008
Private Appraisal Assignments, August 2008
On Line Business Practices and Ethics 2009 Version, October 2009
Made in America; Appraising Factory Built Housing, December 2009
Income Capitalization, December 2009
Even Odder – More Oddball Appraisals, December 2009
2010-11 National USPAP, September 2010
2010-11 National USPAP, August 2012
Appraising and Analyzing Industrial and Flex Buildings for Mortgage Underwriting, September 2012
Appraising and Analyzing Retail Shopping Centers for Mortgage Underwriting, September 2012
2-4 Family Finesse, September 2012
Fundamentals of Separating Real Property, Personal Property and Intangible Business Assets February 2013
2014-15 National USPAP, August 2014
Appraising Self-Storage Facilities, September 2014
On Line Business Practices and Ethics 2014 Version, September 2014
Supervising Appraisers, December 2014

Small Hotel/Motel Valuation, December 2014
Condemnation Summit XVII, April 2016
2016-17 National USPAP, August 2016
The Dirty Dozen, September 2016
A Review of Disciplinary Cases, April 2017
Appraisal of Assisted Living Facilities, April 2017
2018-19 National USPAP, August 2018
Basic Hotel Appraising – Limited Service Hotels, August 2018
Advance Hotel Appraising – Full Service Hotels, August 2018
Appraisal of Owner-Occupied Commercial Properties, August 2018
Business Practices and Ethics, March 2020
Divorce and Estate Appraisals; Elements of Non-Lender Work, March 2020
Land and Site Valuation, March 2020
The Cost Approach, March 2020
Appraisal of Fast Food Restaurants, March 2020
2020-21 National USPAP, September 2020

PROFESSIONAL AFFILIATIONS:

Appraisal Institute of Real Estate Appraisers, M.A.I. "The Appraisal Institute conducts a voluntary program of continuing education for its designated members. MAIs and SRAs who meet the minimum standards of this program are awarded periodic educational certification. I am certified under this program."

EXPERIENCE:

Independent fee appraiser, McCormick Appraising, October 1985 - January 1990.
Independent fee appraiser, Western States Appraisal, August 1988 - January 1990.
Independent fee appraiser, Appraisal Technology, Inc., January 1990 - present.

SCOPE OF WORK:

Assignments have included valuation of:

Residential:	Single and Multiple Family.
Commercial:	Shopping centers; Retail; Office; Hotel/Motel; and Restaurant.
Industrial:	Warehouse; Manufacturing; Distribution; and Automotive.
Vacant:	All types.

ARIZONA FINANCIAL ENTERPRISE CREDENTIAL CERTIFICATE

No: CGA-30420

GEORGE T.M. TURNER

CREDENTIAL TYPE	ISSUE DATE	EFFECTIVE DATE	EXPIRATION DATE
Certified General Appraiser	September 4, 1991	October 1, 2024	September 30, 2026

This certificate was printed on September 29, 2024 and will remain in effect until a change request has been approved by the Department or the credential is surrendered, suspended, revoked or expired.

Arizona Department of Insurance and Financial Institutions
difi.az.gov
100 N 15th Ave, Suite 261
Phoenix, AZ 85007-2630

ADDENDA

EXHIBIT 1

Purchase Order

Purchase Order

SEDONA-OAK CREEK UNIFIED
995 UPPER RED ROCK LOOP RD.
SEDONA AZ 86336

No. 250345

This PO is void after June 30, 2025
P.O.# must be on all documents
MSDS sheets must accompany all products

EMAIL IS PREFERRED METHOD OF INVOICING!
EMAIL TO: PRIGGE@SEDONAK12.ORG

If invoice is mailed please send
2 copies of the invoice to address above
Thank you

P.O. Date: 03/06/2025 Questions ? TERRI PRIGGE (928) 204-6832 Ext: Account:

P.O. Issued To :

APPRAISAL TECHNOLOGY, LLC
220 SOUTH RIVER DRIVE
TEMPE, AZ 85288

Ship To:

SOCUSD - BUSINESS OPERATIONS
Attn: SARAVO
995 UPPER RED ROCK LOOP RD
SEDONA AZ 86336
(928) 204-6832

Contact: Location: District Office

Phone: Fax: Project: NONE Req# 363

Reference: Date Required: 03/14/2025 Award Number:

Line	Qty	Unit	Part#	Description	Unit Price	Extended
1	1	EA		APPRAISAL SERVICES FOR THE BIG PARK COMMUNT SCHOOL LOCATED AT 25 W. SADDLEHORN ROAD, SEDONA AZ 86351. PER	5,000.00	5,000.00

EXHIBIT 2

Zoning Ordinance

SECTION 410 R1L DISTRICT

R1L DISTRICT (Residential; Single Family Limited to site built structures only) Permitted Uses:

Where no Zoning/Density District has been combined, then all provisions of Density District 10 shall prevail. (See Section 516 (Density Districts), most common ones shown in attached chart.)

A. Dwelling unit (site built) for one (1) family on any one (1) lot.

B. Religious institutions (in permanent site built buildings) upon Conditional Use Permit approval.

C. Educational institutions (privately funded) as defined in Section 301 (Definitions) (in site-built buildings), upon Conditional Use Permit approval.

D. Community parks, playgrounds or centers when part of a community plan.

E. Public utility facilities (but not business offices nor repair or storage facilities) when necessary for serving the surrounding territory on one (1) acre or less following Administrative Review with Comment Period.

F. When in conjunction with an approved development plan, golf courses with accessory uses such as pro shops, shelters, restrooms, etc. (but not commercial driving ranges or miniature putting courses). Subject to the performance standards set out in Section 534 (Golf Course Standards).

G. Accessory uses and structures (concurrent with and located on the same lot with the principal uses and structures and including the following):

  1. Farm animals on lots of no less than seventy thousand (70,000) square feet for the convenience and pleasure of the lot occupants, not to exceed the number allowed as per the Allowed Animal Chart (Section 501 E.) except swine shall not exceed five (5) total per parcel. Stables, barns, or structures for sheltering or feeding animals must observe the same setbacks or yards as the dwelling unit.

     a. Non-commercial keeping of chickens on lots less than seventy thousand (70,000) square feet. Subject to the following development criteria:

        (1) Number of chickens limited to eight (8) per lot.

        (2) Location of containment areas must be at least fifteen (15) feet from all property lines.

        (3) Roosters are prohibited.

        (4) All structures shall be kept in a neat and slightly manner and shall be controlled from refuse, manure, and other nuisances at all times. Storage of feed, equipment and other material related to such animals shall be entirely within an enclosed building.

  2. Swimming pools in other than the front yard primary use setback area.

  3. Quarters for servants and/or non-paying guests attached to the dwelling (facilities for preparation of food are prohibited).

  4. Temporary construction offices and construction sheds and yards incidental to a recorded subdivision development or other on-site construction project for a period not exceeding twenty-four (24) months from date of plat recordation or date of issuance of construction project permit with no permits (other than electrical permits) required to install same (prohibited closer to lot boundary than is allowed for a principal building in the District).

5. Open land carnival and recreation facilities accessory to educational institutions (confined to same lot).

6. Temporary on-site sales (real estate) facility only as defined in Section 301 (Definitions) in compliance with the regulations and performance standards outlined under Section 570 (Real Estate Offices - Temporary).

7. Household pets.

8. Fences and free-standing walls.

9. Parking facilities to meet no less than the minimum requirements as provided under Section 602 (Parking and Off-Street Loading).

10. Solar installations and wind turbines for on-site use only (including NET METERING as adopted by the Arizona Corporation Commission) except that wind turbines and ground mount solar panels must meet district building height limitations above natural grade and principal setback requirements.

11. Entry feature structure to be allowed to encroach in the setbacks on parcels two (2) acres or larger, subject to the following development criteria:

    a. The entry feature shall be over a driveway.

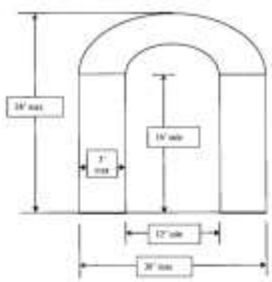
    b. There shall be no more than one (1) entry feature per parcel.

    c. The entry feature shall have a maximum height of twenty-four feet (24') and a maximum width of no more than thirty feet (30').

    d. The entry feature shall have a minimum opening of twelve feet (12') in width and sixteen feet (16') in height.

    e. Entry feature shall be set back one foot (1') for every one foot (1') in height.

    f. All lighting on any entry feature shall be subject to Section 603 (Light Pollution Control).



H. Occupancy of temporary housing, including travel trailers, recreational vehicles, park models and single-wide manufactured homes during the construction of a permanent dwelling is allowed during the twenty-four (24) month period after the issuance of a building permit (and the building permit remains valid). A permit must be obtained prior to occupancy of the temporary housing and the temporary housing must meet primary yard setbacks, unless otherwise approved at the discretion of the Development Services Director provided applicant demonstrates evidence of special circumstances or conditions applicable to the property of application, that justify deviation from the requirements so that strict application thereof would work an unnecessary hardship and that the granting of the request is necessary for preservation and enjoyment of substantial property rights. One (1) extension of time for use of a recreational vehicle, travel trailer, park model or single-wide manufactured home as temporary housing may be granted at the discretion of the Development Services Director for a period not to exceed twelve (12) months. Further extensions will require a Use Permit.

I. Bed & Breakfast Homestays as defined under Section 301 (Definitions), subject to performance standards set out in Section 507 (Bed and Breakfasts) for Homestays with Administrative Review with Comment Period.

J. One (1) guest home as defined under Section 301 (Definitions), subject to the performance standards set out in Section 537 (Guest Home): with a minimum parcel size of seventy thousand (70,000) square feet.

K. Home Occupations as defined under Section 301 (Definitions), subject to approval by the Development Services Director; home occupation shall comply with the regulations and standards set out in Section 543 (Home Occupation).

L. Secondary Medical Dwelling Variance for medical hardships as defined under Section 301 (Definitions), subject to performance criteria found in Section 525 (Dwelling – Secondary Medical) and dwelling unit to conform to applicable zoning district performance criteria.

M. Private family cemeteries for the internment of human remains, with an Administrative Review with Comment Period subject to the following criteria:

1. Notification area for the Administrative Review with Comment Period is one thousand (1,000) feet from the property boundary.
2. Property owner to delineate cemetery boundary with a minimum three foot (3') fence.
3. The application shall include a paper copy of a scale map, titled "Results of Survey" or similar, with the parcel area and dimensions showing existing parcel lines and all proposed easements. The map/survey shall be sized 18" x 24" (one 8.5" x 11" copy must also be submitted) or of a format acceptable to the County Recorder's Office. The legal descriptions and the map/survey shall be prepared by an Arizona Registered Land Surveyor.
4. Cemetery to be recorded as a perpetual easement attached to a main parcel including ingress/egress access, within thirty (30) days of approval.
5. Cemetery is prohibited from becoming a separate tax parcel and must maintain minimum zoning district requirements.
6. If a private family cemetery is a primary use, no accessory uses are allowed.
7. A private family cemetery must meet primary setbacks.

N. Community Gardens as defined under Section 301 (Definitions), subject to performance criteria set out in Section 512 (Community Garden).

O. Wireless Communication Facility

1. Minimum Parcel size to be 2 acres (87,120 SQUARE FEET)

2. Maximum height to be 60 feet.

3. Towers must be set back from any lot line a distance equal to at least one hundred percent (100%) of the height of the tower unless proof of collapse is provided by a registered engineer, then primary setbacks shall apply.

4. Full stealth design required as approved by the Development Services Director. Stealth design to match the characteristics and colors of the surrounding community. Tower shall utilize the least intrusive design to fill a significant gap in service coverage.

5. All ground equipment shall be concealed behind an 8' CMU walled enclosure or similar design as approved by the Development Services Director.

6. Any modifications to the tower or equipment shall in in compliance with FCC and FAA Regulations.

P. The personal cultivation of Marijuana is allowed subject to the provisions set forth in Section 607.

Zoning/Density Regulations (in feet unless otherwise noted)

Dist.	Min Lot Size in Sq. Ft. per dwelling	Min Lot Width and Depth	Min Yard Setbacks Min Building Spacing is 3 Feet all classes				Max Building Height Stories / feet		Max Lot Coverage Percent
			Front	Rear	Interior	Exterior			
7.5	7,500	75	20	25	7	10	2	30	50
10	10,000	80	20	25	7	10	2	30	40
12	12,000	90	20	25	7	10	2	30	40
18	18,000	100	30	30	10	15	2	30	25
25	25,000	130	30	30	10	15	2	30	20
35	35,000	145	40	40	20	20	2	30	15
70	70,000	200	50	50	25	30	2	30	15
2A	87,120	225	50	50	25	30	2	30	10
175	175,000	300	50	50	30	50	2	30	10
5A	217,800	325	50	50	40	50	2	30	10
	435,600	500	50	50	50	50	2	30	5
36A	1,568,160	500	50	50	50	50	2	30	5

EXHIBIT 3

Deed Restriction

EXHIBIT 4

Contingent and Limiting Conditions

CONTINGENT AND LIMITING CONDITIONS

1. LIMITS OF LIABILITY: The liability of Appraisal Technology, LLC, and/or Independent Contractor(s) is limited to the client only and to the fee actually received by them. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser is in no way to be responsible for any costs incurred to discover or correct **any** deficiencies of **any** type present in the property; physically, financially, and/or legally. In the case of limited partnerships or syndication offering or stock offerings in real estate, the client agrees that in case of lawsuit (brought by lender, partner or part-owner in any form of ownership, tenant, or any other party), any and all awards, settlements of any type in such suit, regardless of outcome, the client will hold the appraiser completely harmless in any such action.

2. COPIES, PUBLICATION, DISTRIBUTION, USE OF REPORT: Possession of this report or any copy thereof does not carry with it the right of publication. It is a privileged communication. It may not be used for other than its intended use; the physical report(s) remain the property of the appraiser for the use of the client, the fee being for the analytical services only.

All valuations in the report are applicable only under the stated program of Highest and Best Use and are not necessarily applicable under other programs of use. The valuation of a component part of the property is applicable only as a part of the whole property. The distribution of the total valuation in this report between land and improvements applies only under the existing or proposed program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

The Bylaws and Regulations of the Appraisal Institute requires each Member and Candidate to control the use and distribution of each appraisal report signed by such Member or Candidate; except as here-in-after provided, the client may distribute copies of this appraisal report in its entirety to such third parties as he may select; however, selected portions of this appraisal report shall not be given to third parties without the prior written consent of the signatories of the report. Neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations, news, sales or other media for public communication without the prior written consent of the appraiser(s), particularly as to valuation conclusions, the identity of the appraiser(s), the firm, or any reference to the Appraisal Institute, the M.A.I., or SRA designations. (See last item in following list for client agreement/consent).

3. CONFIDENTIALITY AND TRADE SECRETS: This appraisal is to be used only in its entirety and no part is to be used without the whole report. All conclusions and opinions concerning the analysis as set forth in the report were prepared by the Appraiser(s) whose signature(s) appear on the appraisal report, unless indicated as "Review Appraiser". No change of any item in the report shall be made by anyone other than the appraiser. The appraiser and firm shall have no responsibility if any such unauthorized change is made. The appraiser may not divulge the material (evaluation) contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or his designee as specified in writing except as may be required by the Appraisal Institute as they may request in confidence for ethics enforcement, or by a court of law or body with the power of subpoena.

This appraisal was prepared by the appraisers signing this report and/or related independent contractor(s) and consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempted from disclosure under 5 U.S.C. 552 (b) (4). Notify the appraiser(s) signing this report, Appraisal Technology, LLC of any request to reproduce this appraisal in whole or in part.

4. INDEPENDENT CONTRACTORS: Be advised that the people associated with Appraisal Technology, LLC are independent contractors.

5. INFORMATION AND DATA: The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit or other source thought reliable; all are considered appropriate for inclusion to the best of our factual judgment and knowledge. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the client consider independent verification as a prerequisite to any transaction involving sale, lease, or other significant commitment of funds or property.

6. TESTIMONY, CONSULTATION, COMPLETION OF INVOICE FOR APPRAISAL SERVICES: When the invoice for appraisal, consultation or analytical service is fulfilled, the total fee is payable upon completion. The appraiser(s) or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal (unless arrangements have previously been made). Any post appraisal consultation with the client or third parties will be at an additional fee. If testimony or deposition is required because of any subpoena, the client shall be responsible for any additional time, fees, and charges regardless of issuing party.

7. STATEMENT OF POLICY: The following statement represents official policy of Appraisal Institute with respect to neighborhood analysis and the appraisal of residential real estate:

a. It is improper to base a conclusion or opinion of value upon the premise that the racial, ethnic or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

b. Racial, religious and ethnic factors are deemed unreliable predictors of value trends or price variance.

c. It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped or biased presumptions relating to race, color, religion, sex or national origin or upon unsupported presumptions relating to the effective age or remaining life of the property or the life expectancy of the neighborhood in which it is located.

8. MANAGEMENT OF THE PROPERTY: The appraisers have no control over management; however, the appraisers consider the management of this investment of prime importance. Reasonable and prudent (not exceptional) management practices and expertise is assumed (anticipated) in the appraisal.

Should the present/prospective owner be unable and/or unwilling to take those actions required by reasonable and prudent management practices (see appraiser's observations at time of inspection following the purpose of appraisal) to meet financial goals and/or reasonable expectations, we recommend a careful reconsideration of the investment risk.

9. APPRAISAL IS NOT A LEGAL OPINION: No responsibility is assumed for matters of legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and marketable. The value estimated is given without regard to any questions of title, boundaries, encumbrances, or encroachments.

It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report. It is assumed that all applicable zoning and use of regulations and restrictions have been complied with, unless a non-conformity has been stated, defined, and considered in the appraisal report.

It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

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

It is assumed that adequate municipal services including disposal are available and will continue to be.

Virtually all land in Arizona is affected by pending or potential litigation by Indian Tribes claiming superior water rights for their reservations. The amounts claimed and the effects on other water users are largely undetermined; but the claims could result in some curtailment of water usage or ground water pumping on private land. The State's New Ground Water 99Management Act may also restrict future ground water pumping in various parts of Arizona. Given this uncertainty, neither the appraiser(s) nor any of his representatives can make warranties concerning rights to or adequacy of the water supply with respect to the property being appraised, although, the sale of premises include such water rights as are appurtenant thereto.

10. FEDERAL AND STATE REGULATIONS: Further, the value reported is based upon cash, or its equivalent, and was drafted to adhere to the standards and practices of the Appraisal Institute, plus the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) by the Appraisal Foundation and in accordance with appraisal standard required by Title XI of Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) and the Office of the Comptroller of the Currency (OCC).

Under federal mandate, state licensing and/or certification of appraiser is required on or before August 1, 1991. Permission is hereby granted by the client for the appraiser to furnish the appropriate governmental authority or their authorized designated representative(s) any and all materials requested for oversight review.

11. CHANGES, MODIFICATIONS, FEE: The appraiser(s) reserves the right to alter statements, analysis, conclusion or value estimate contained in the appraisal if a fact(s) pertinent to the appraisal process unknown prior to the completion of the appraisal is/are discovered.

The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report or the physical report itself.

Compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

The writing of this report to meet the requirements of the Competitive Equality Banking Act of 1987 ("CEBA") and in adherence with the standards and practices of the Appraisal Institute, plus the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) by the Appraisal Foundation involves an interpretation of the phase "totally self-contained".

Because no report regardless of length or the extent of documentation is "totally self-contained", the appraiser has tried to furnish sufficient documentation, analysis and detail to meet a "reasonableness criteria". Should the client reviewing this report require additional information, analysis, documentation, etc., it will be supplied in an expeditious manner at no charge to the client, following receipt of a written critique (within 2 months of the date of this letter), in the form of a new report.

12. APPRAISAL IS NOT A SURVEY: It is assumed that the utilization of the land and improvements is within the boundaries of the property lines of the property described and that there is no encroachment or trespass unless noted with the report.

The legal description is assumed to be correct as used in this report as furnished by the client, his designee, or when not supplied, as derived by the appraiser. The appraiser(s) assume no responsibility for such a survey, or for encroachments or overlapping that might be revealed thereby.

The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Photos, if any, are included for the same purpose. Site plans are not surveys unless shown from a separate surveyor.

13. APPRAISAL IS NOT AN ENGINEERING REPORT: This appraisal should not be considered a report on the physical items that are a part of this property. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraisers are not construction, engineering, or legal experts, and any opinion given on these matters in this report should be considered preliminary in nature.

The observed condition of the foundation, roof, exterior walls, interior walls, floors, heating and/or cooling system, plumbing, insulation, electrical service, and all mechanical and construction is based on a casual inspection only and no detailed inspection was made. For instance, we are not experts on heating and/or cooling systems and no attempt was made to inspect the interior of the heating and/or cooling equipment. The structures were not checked for building code violations and it is assumed that all buildings meet the building codes unless so stated in the report.

Items such as conditions behind walls, above ceiling, behind locked doors, or under the ground are not exposed to casual view and, therefore, were not inspected. The existence of insulation (if any is mentioned) was found by conversation with others and/or circumstantial evidence.

Since it is not exposed to view, the accuracy of any statements about insulation cannot be guaranteed.

It is assumed that there are no hidden or unapparent conditions of the property, sub-soil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or the engineering which may be required to discover such factors. Since no engineering or percolation tests were made, no liability is assumed for soil conditions. Sub-surface rights (mineral and/or energy related) were not considered in making this appraisal.

Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any observed condition comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating system, air-conditioning system, plumbing, electrical service, insulation, or any other detailed construction matters. If any interested party is concerned about the existence, condition, or adequacy of any particular item, we strongly suggest that a construction expert be hired for a detailed investigation. Although a walk-through inspection has been performed, an appraiser is not an expert in the field of building inspection and/or engineering. An expert in the field of engineering/seismic hazards detection should be consulted if an analysis of seismic safety and seismic structural integrity is desired.

The appraisers are not seismologists. The appraisal should not be relied upon as to whether a seismic problem exists, or does not actually exist on the property. The appraisers assume no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

14. PROPOSED IMPROVEMENT, CONDITIONED VALUE: Improvements proposed, if any, on or off-site, as well as any repairs required are considered, for purposes of this appraisal, to be completed in a good and workmanlike manner according to information submitted and/or considered by the appraiser(s). In cases of proposed construction, the appraisal is subject to change upon inspection of the property after construction is completed. This estimate of value is as of the date shown, as proposed, as if completed and operating at levels shown and projected unless otherwise set forth.

15. INSULATION AND TOXIC MATERIALS: The existence of potentially hazardous materials used in the construction or maintenance of the structure, such as urea formaldehyde foam insulation, and/or the existence of toxic waste on or in the ground, which may or may not be present has not been considered (unless otherwise set forth). The appraiser(s) is not qualified to detect such substances. The client should retain an expert in this field. If such is present, the value of the property may be adversely affected; therefore, if a toxic waste and/or contaminant is detected, the value indicated in this report is Null and Void. A re-appraisal at an additional cost may be necessary to estimate the effects of hazardous materials.

16. AUXILIARY AND RELATED STUDIES: No environmental or impact studies, special market study or analysis, highest and best use analysis study or feasibility study has been requested or made unless otherwise specified in an invoice for services or in the report.

17. APPRAISAL IS MADE UNDER CONDITIONS OF UNCERTAINTY: Information (including projections of income and expenses) provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, sellers, property owners, bookkeepers, accountants, attorneys, and others is assumed to be true, correct, and reliable. No responsibility for the accuracy of such information is assumed by the appraiser.

The comparable sales data relied upon in the appraisal is believed to be from reliable sources. Though all the comparable sales were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.

Engineering analyses of the subject property were neither provided or used nor made as a part of this appraisal contract. Any representation as to the suitability of the property for uses suggested in this analysis is therefore based only on a rudimentary investigation by the appraiser and the value conclusions are subject to said limitations.

All values shown in the appraisal report are projections based on our analysis as of the date of the appraisal. These values may not be valid in other time periods or as conditions change. Since the projected mathematical models are based on estimates and assumptions which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved.

This appraisal is an estimate of value based on an analysis of information known to us at the time the appraisal was made. The appraisers do not assume any responsibility for incorrect analysis because of incorrect or incomplete information. If new information of significance comes to light and/or becomes known, the value given in this report is subject to change without notice.

18. AMERICANS WITH DISABILITIES ACT: The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraiser(s) have not made an analysis of this property to determine whether or not it is in conformity with the ADA requirements. It is possible that a compliance survey of the property, together with a detailed analysis of the ADA requirements could reveal that the property is not in compliance for one or all requirements. If so, this fact could have a negative effect upon the value of the property. The appraiser(s) have no direct evidence relating to this issue and did not consider possible non-compliance with the requirement of the ADA in estimating the value of the property.

19. INSURABLE VALUE: At the Client's request (if applicable), the appraiser(s) have provided an insurable value estimate. The estimate is based on figures derived from a national cost estimating service and is 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 for replacing any structure. The appraiser(s) make no warranties regarding the accuracy of this estimate. Insurable Value is directly related to the portion of the real estate that is covered under the asset's insurance policy. The appraiser(s) have based this opinion on the building's replacement cost new (RCN) which has no direct correlation with its actual market value. The appraiser(s) developed an opinion of RCN using the Calculator Cost Method developed by Marshall & Swift. The RCN is the total construction cost of a new building with the same specifications and utility as the building being appraised, but built using modern technology, materials, standards and design. For insurance purposes, RCN includes all direct costs necessary to construct the building improvements. Items that are not considered include land value, individual site improvements or accrued depreciation. To develop an opinion of insurable value, exclusions for below-grade improvements, some site work/improvements, foundations and architectural fees must be deducted from RCN.

20. ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT BY CLIENT OR ANY THIRD PARTY CONSTITUTES ACCEPTANCE OF THE FOREGOING CONDITIONS. APPRAISER(S) LIABILITY EXTENDS ONLY TO STATED CLIENT, NOT SUBSEQUENT PARTIES OR USERS AND IS LIMITED TO THE AMOUNT OF THE FEE RECEIVED BY THE APPRAISER(S).