A COMPLETE SELF-CONTAINED APPRAISAL REPORT ON AN

EXISTING TRAINING BUILDING

LOCATED AT
14729 South Minuteman Drive
Draper, Utah

DATE OF VALUATION
September 24, 2013

REPORT # UT02-13-0597-000-C

PREPARED FOR
Mr. Alan Bachman
Office of the Attorney General
State Agency Counsel Division
c/o DFCM Room 4110
State Office Building
Salt Lake City, UT 84114

PREPARED BY
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and
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January 23, 2014

Mr. Alan Bachman
Office of the Attorney General
State Agency Counsel Division
c/o DFCM Room 4110
State Office Building
Salt Lake City, UT 84114

RE: Training building (Existing)
14729 South Minuteman Drive
Draper, Utah

Dear Mr. Bachman:

At your request, we have prepared the following narrative appraisal report on the above referenced property. The purpose of the appraisal report is to determine the "as is" fee simple estate market value of the subject property. The valuation date is September 24, 2013. We have delayed final delivery of the report, pending completion of a full site analysis by MGT. The report will be used for determining the market value of this property for selling considerations.

Also at your request, the report has been prepared in a complete self-contained format as defined by USPAP Standards Rule 2-2(a). This type of written report presents a detailed discussion of the data and analyses that are employed in the appraisal process to develop an opinion of value.

The appraisal report has been prepared in a manner to conform to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards of the Appraisal Foundation.

The subject consists of a 29,711 square foot training building located on an allocated estimate of 10.7 acres improved site. A more detailed description of the subject is found in the following report.

In the valuation process, the sales comparison and income approaches to value have been expanded and lead to good correlation of value. The cost approach was not developed due to the fact that the subject building was originally constructed over 25 years ago.

After careful consideration of the information and analysis contained within this report, we are of the opinion the subject property has the following estimated value conclusion(s):

Value Conclusion(s)			
Appraisal Scenario(s)	Date of Value	Interest Applied	Value
"As Is" Market Value	September 24, 2013	Fee Simple	$2,350,000

The following appraisal report provides supporting data, assumptions, and justifications for our final value conclusions. The appraisal is made subject to the general assumptions and limiting conditions stated at the end of the report.

Please call if there are any questions.

Respectfully submitted,

VALBRIDGE | FREE AND ASSOCIATES, INC.

Gary R. Free, MAI, SRA
Senior Managing Director

Utah State - Certified General Appraiser
License # 5451769-CG00 (Exp. 6/30/15)

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Managing Director

Utah State - Certified General Appraiser
License # 5468268-CG00 (Exp. 11/30/14)

SCC/jm

Subject

EXECUTIVE SUMMARY

General Information:

Subject -	Training building
Location -	14729 South Minuteman Drive, Draper, Utah (Salt Lake County)
Tax ID Number(s) -	Portion of 33-01-300-006
Owner(s) of Record -	State of Utah Department of Administrative Services - Division of Facilities Construction and Management
Highest and Best Use:	
Land as If Vacant -	Commercial use
Land as Improved -	Continuation of office use
Zoning -	M-1; Light Manufacturing District - Draper City Jurisdiction
Purpose of Appraisal -	Estimate market value
Property Rights -	Fee simple estate
Estimated Exposure and Marketing Time -	Twelve months

Site Description:

Size -	466,092 square feet or 10.7 acres
Number of Parcels -	Portion of one
Shape -	Irregular
Topography -	Slopes downward to the west
Corner or Interior -	Interior
Street Frontage -	On the east side of Minuteman Drive
Access -	Ingress and egress are adequate via Minuteman Drive, which is publicly dedicated and maintained.
Off-Site Improvements -	2-lane asphalt paved street; curb, gutter, and sidewalk.
On-Site Improvements -	Asphalt paved parking, minimal landscaping, sidewalks, and fencing.
Parking -	191 parking stalls, which appear to provide adequate parking.
Utilities -	All utilities are located at the site, and are considered adequate for development.
Flood Designation -	Floodscape Map # 49035C0600G, dated August 2, 2012, - Area of low flood risk.

Summary - Continued

Building Improvement Description:

Basic Construction -	Concrete block (average quality class "C")		
Year Built -	1985		
Effective Age -	15 years		
Quality -	Average		
Condition -	Average		
Size -	29,711 gross square feet		Office %
	Main Building =	25,257 SF	66%
	Maintenance bldg. =	2,434 SF	14%
	Classroom =	1,010 SF	100%
	Classroom =	1,010 SF	100%
	Overall Warehouse 36%		
	Overall Office 64%		
	Not included in the square footage is a storage/Ammo building of 646 square feet		
Shape -	Irregular (but reflects a functional configuration)		
Number of Stories -	One		
Building-to-Land Ratio -	7 percent		

Appraisal Dates:

Valuation Date -	September 24, 2013
Report Date -	January 23, 2014

Valuation Conclusions:

Sales Comparison Approach -	$ 2,380,000
Income Capitalization Approach -	$ 2,230,000
Concluded Final "As Is" Value	$ 2,350,000

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GENERAL INFORMATION

Identification of the Assignment

Client - The client, who engaged our services on September 17, 2013, is Mr. Alan Bachman of Office of the Utah Attorney General State Agency Counsel Division.

Intended User(s) of the Appraisal - The intended user of this appraisal report is the Office of the Utah Attorney General State Agency Counsel Division. There are no other intended users.

Intended Use of the Appraisal - The intended use of this appraisal is to provide the client with an opinion of value for selling considerations.

Purpose of the Appraisal - The purpose of the appraisal is to estimate the "as is" market value of the subject property.

Date of the Appraisal - The effective date of the appraisal is September 24, 2013, which is also when the inspection of the subject property was conducted by the appraisers. We have delayed final delivery of the report, pending completion of a full site analysis by MGT. The date of the report or completion date is January 23, 2014.

Property Rights Appraised – The subject has fee simple estate property rights.

Extraordinary Assumptions and/or Hypothetical Conditions

None

Furniture, Fixtures, and Equipment (FF&E)

For the purpose of this report, there is no value attributable to FF&E.

Estimated Exposure & Marketing Time

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of twelve months and twelve months, respectively, is considered reasonable and appropriate for the subject property.

Identification of the Property

Statement of Ownership - According to the county recorder's office, the title to the subject property is currently vested in the name of State of Utah Department of Administrative Services - Division of Facilities Construction and Management.

General Description of the Subject - The property consists of a training facility (office/warehouse type building improvements) situated on a portion of one land parcel.

Occupant of the Subject - The property is currently 100% owner occupied.

Address of the Subject - The subject address is 14729 South Minuteman Drive, Draper, Utah.

Legal Description of the Subject - The legal description was taken from the county recorder's office and is as follows:

Portion of Parcel # 33-01-300-006
BEG S 89^58'46" E ALG SEC LINE 1038.34 FT FR NW COR SEC 1, T4S, R1W, SLM; S 89^58'46" E 307.925 FT; S 0^58'09" W 2610.66 FT; S 89^46'52" E 3802.39 FT; S 0^13'03" W 37.60 FT; S 0^13'03" W 2469.575 FT; SW'LY ALG CURVE TO R (CHD S 19^33'18" W 1200.30 FT); S 37^54'46" W 438.58 FT; S 89^35'19" E 788.73 FT; S 0^21'24" W 664.93 FT; S 54^36'21" W 787.85 FT; S 0^38'36" W 1066.50 FT; SW'LY ALG 1469.65 FT RADIUS CURVE TO R 357.46 FT; S 50^47'55" W 541.79 FT; N 0^36'36" E 1468.40 FT; N 89^31'32" W 2666.41 FT; N 0^34'36" E 552.95 FT; N 89^53'19" W 50 FT; N 0^34'36" E 822.53 FT; N 89^35'19" W 772.53 FT; S 0^34'36" W 50 FT; N 89^35'19" W 508.58 FT; S 89^42'03" W 1400.31 FT; N 0^55'34" E 1319.88 FT; S 89^31'31" E 79.61 FT; N 0^34'54" E 1440.32 FT M OR L TO N LINE OF BANGERTER HWY; NE'LY ALG 2116.14 FT RADIUS CURVE TO L 355.42 FT M OR L; N 28^45'39" E ALG W'LY LINE OF RR 4270.24 FT TO BEG. LESS & EXCEPT BEG N 0^21'24" E ALG SEC LINE 1329.87 FT & N 89^35'19" W 33.31 FT FR E 1/4 COR SEC 12, T4S, R1W, SLM; S 0^21'24" W 33 FT; N 89^35'19" W 195.37 FT; NE'LY ALG CURVE TO L 39.50 FT; S 89^35'19" E 173.63 FT TO BEG. LESS & EXCEPT BEG S 89^58'34" E ALG SEC LINE 1152.39 FT FR NW COR SEC 1, T4S, R1W, SLM; S 89^58'34" E 193.88 FT TO NE COR OF W 1/2 OF NW 1/4 SD SEC 1; S 0^56'17" W 552.98 FT; N 89^49'27" W 105.99 FT; S 0^10'33" W 72 FT; S 89^49'27" E 105.03 FT; S 0^56'17" W 1331.21 FT TO N LINE OF BANGERTY HWY; S 45^00'12" W 1749.64 FT; S 54^10'13" W 569.71 FT; S 63^31'12" W 310.33 FT; S 77^46'48" W 228.51 FT TO E LINE OF RR; N 28^45'51" E 4236.05 FT TO BEG. LESS & EXCEPT BEG S 89^58'03" E ALG SEC LINE 1346.17 FT & S 0^56'22" W 625 FT FR NW COR SD SEC 1; N 89^49'22" W 105.03 FT; N 0^10'38" E 72 FT; S 89^49'22" E 105.99 FT; S 0^56'22" W 72.01 FT TO BEG. LESS & EXCEPT STATE HWYS, CANALS & RAILROADS. 624.97 AC M OR L. 7778-1370 THRU 1387 7937-2048 8486-0087 8529-6742 8563-4290

The subject property land size is allocated to the subject building and is estimated for purposes of this appraisal. If the size is to be found different, the value of the subject could change.

History of the Property

According to county records, and discussions with the current property managers, the following is a summary of the subject property's recent history:

Current Owner of Record -	State of Utah Department of Administrative Services - Division of Facilities Construction and Management
Length of Ownership -	Over 10 years
Listings (3 yrs.) -	None
Offers (3 yrs.) -	None
Leases -	None
Recent Sales / Contracts (3 yrs.) -	None

This building has four classrooms, a gym, multiple offices, shooting range, storage shed and ammo shed, maintenance building, and radio tower. This facility was used for training officers for the purpose of the prison.

To the best of our knowledge, with the exception of the foregoing, the property has not sold, been offered for sale, been placed under contract for sale, or received a purchase offer within the last three years.

Scope of Work

The scope of work for this assignment is summarized below:

Inspection - We inspected the subject site and the interior and exterior of the subject building improvements. We inspected the subject site and the interior and exterior of the subject building improvements. We measured the exterior building improvements and used architectural plans provided by the facilities manager and associates.

Data Researched - We have performed an extensive investigation in the local marketplace and market conditions for valuation of the subject property. We have analyzed comparable data of other transactions that have occurred in the subject's market. Our valuation research included, but is not limited to, talking with city and county officials, real estate brokers, appraisers, and local property owners. Any sales data or rental information used in this report has been verified with a responsible party. Utah is a non-disclosure state; therefore, information used in this report is as reliable as practical.

Valuation Approaches - In the valuation process, three approaches are usually considered when developing an opinion of value: (1) cost approach; (2) sales comparison approach; and (3) income capitalization approach. In this assignment, the sales comparison and income capitalization approaches have been developed; however, the cost approach is not considered applicable to arrive at a credible opinion of value. The subject building was originally constructed over 25 years ago; as such, the figures associated with current construction costs potentially reflect quite different technologies, standards, and types of materials. Moreover, depreciation estimates would be quite subjective. Consequently, any estimate of value associated with the cost approach is substantially weakened, largely meaningless, and potentially misleading.

Report Format - This report is a complete self-contained appraisal report in accordance with Standards Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice*. All applicable approaches to value have been expanded and evaluated. The report presents detailed discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraiser's opinion of value.

Conforming Requirements - The appraisal report has been prepared in a manner to conform to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards of the Appraisal Foundation.

DEFINITIONS

The following selected definitions were obtained from the following sources:

- The *Dictionary* of Real Estate Appraisal, Fourth Edition, Appraisal Institute, Chicago Illinois, 2002.
- The *Appraisal of Real Estate*, Thirteenth Edition, Appraisal Institute, Chicago Illinois, 2008 (13^{th} Edition).
- *Federal Register*, Volume 55, Number 163, (August 22, 1990)
- Glossary of the *Uniform Standards of Professional Appraisal Practice*, 2008.
- Appraisal Policies and Practices of Insured Institutions and Service Corporations, Federal Home Loan Bank Board, "*Final Rule*, December 21, 1987.

Accrued Depreciation

The difference between an improvement's reproduction or replacement cost and its market value as of the date of the appraisal.

"As Is" Premise

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

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Highest and Best Use

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

Leased Fee Interest

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

Market Value

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 each 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;
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.

Operating expenses

Operating expenses are the periodic expenditures necessary to maintain the real property and continue the production of the effective gross income.

Substitution

The appraisal principle that states when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution.

Exposure time

The estimated length of time 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 appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal.

Marketing time

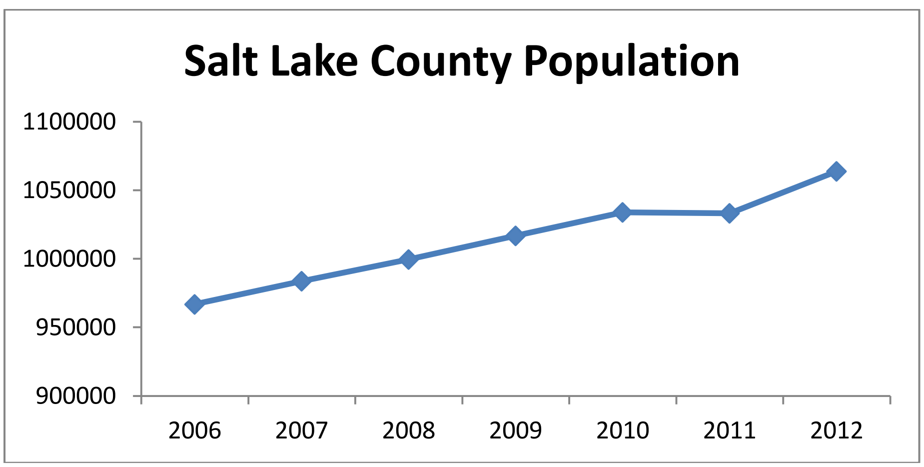
An opinion of the amount of time it might take to sell a real property interest at the concluded market value level during the period immediately after the effective date of an appraisal.

AREA DATA

Location - The subject property is located in northern Utah within the boundaries of Salt Lake County. The metropolitan area of Salt Lake County is the largest population, transportation, and business center in the state of Utah. Salt Lake is the financial center for the Intermountain Region, which encompasses all of Utah, southern Idaho, southwestern Wyoming, and eastern Nevada. Salt Lake County is part of a four-county area that is commonly known as the Wasatch Front.

Size and Topography - Salt Lake County physically encompasses an area which extends 33 miles along Interstate 15 from Bountiful City on the north to Draper City on the south. The elevation varies from 4,200 to 5,200 feet above sea level with Salt Lake City having an official elevation of 4,330.35 feet.

Population - Salt Lake County encompasses the Salt Lake metropolitan area and had a 2010 population of 1,063,842 which was about 37 percent of the state's population estimate of 2,855,287[1]. As of 2012, four of the five largest cities in the state (Salt Lake, Sandy, West Valley, and West Jordan) were located in Salt Lake County[2]. Growth trends are shown on the following graph[3]:



[1] Us Census Bureau 2012
[2] U.S Census Bureau, as cited in the 2012 Economic Report to the Governor
[3] Department of Workforce Services

Economic Considerations - The economic base is fairly diversified and unemployment levels are low with no single employer predominant in the local work force, with the exception of the University of Utah. This is beneficial, since a major employer cannot adversely affect the local economy and local real estate values by terminating a large number of workers. The per capita income level of the state is lower than the national average, but is experiencing significant increases, which are bringing it more in line with the rest of the country. The area real estate markets, with respect to commercial and industrial properties, are on the rise since recovery from the economic downturn. The residential market has experienced growth since the sub-prime credit crisis.

Economic Base – In January 2013, unemployment in Salt Lake County was at 5.2 percent, which was lower than the statewide average of 4.9 percent and lower than the national average of 7.6 percent. The Salt Lake County labor force consisted of 562,102 persons in March 2013.[4] Top employers in the county are summarized in the following chart[5]:

Top Employers	Industry	Employment Range
University of Utah	Higher Education	20000-24999
IHC	Healthcare	15000-19999
State of Utah	State Government	10000-14999
Granite School District	Public Education	7000-9999
Jordan School District	Public Education	5000-6999
United States Government	Federal Government	5000-6999
Wal-Mart	Supercenter	4000-4999
Zions Bank	Banking	3000-3999
SL Community College	Higher Education	2000-2999
Convergys	Tele Call Centers	2000-2999
Kennecott Utah Copper	Metal Mfg	1000-1999
Snowbird	Ski Resort	1000-1999

Education - According to the Utah State Education Office, Salt Lake County currently has 29 elementary schools, 5 junior high schools, 3 high schools, 1 alternative school, and four special education schools. Utah has a student per teacher ratio of 22.2 compared with the national average of 17.3 students per teacher. This is the highest in the nation and is attributed to the high birth rate and young age of the Utah population. The statistics indicate that more money is needed for public education in the state. The high student per teacher ratio is likely to continue in the future and is a negative factor that somewhat reduces the appeal of the general area for the re-location of companies and individuals.

[4] Department Workforce Services
[5] Department of Workforce Services

Environmental Considerations - The environmental considerations are favorable to the region and real estate market. The climate is moderate. Transportation facilities are adequate, although the level of air pollution in the county has been a concern in recent years. There is sufficient recreation and cultural activities in the area to support continued growth and expansion in the future.

Summary - All factors necessary for a long-term strong economy are in place including an abundance of natural resources, high education level and productivity of the population, a good diversification of employment, and a high quality of life.


DeLorme
DeLorme Street Atlas USA® 2009
AREA MAP
SUBJECT
West Jordan
Midvale
Sandy
South Jordan
Riverton
Draper
Herriman
Alpine
Lehi
American Fork
Pleasant Grove
Lindon
Orem
HOLLADAY BLVD
VAN WINKLE EXPY
S WASATCH BLVD
LITTLE COTTONWOOD CYN
NEW BINGHAM HWY
BANGERTER HWY
S REDWOOD RD
REDWOOD RD
N ALPINE HWY
CANYON RD
W MAIN ST
CEDAR FORT RD
Jordan River
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www.delorme.com
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NEIGHBORHOOD DATA

A neighborhood, according to *The Appraisal of Real Estate*, 12th edition, published by the Appraisal Institute, is defined as "a group of complementary land uses."

Neighborhood Boundaries - The subject has the following boundaries:

North Boundary:	Southfork Drive
South Boundary:	25 West
East Boundary:	Bangerter Parkway
West Boundary:	Heritage Crest Way

Description of Neighborhood and Property Uses - The area within the neighborhood boundaries consists largely of mature residential and commercial development with the commercial development along the major traffic arteries. The immediate neighborhood of the subject is influenced primarily by a variety of commercial and industrial development. The general neighborhood is estimated to be over 50 percent built up.

Access, Transportation and Traffic Arteries - The subject is located along Minuteman Drive just west of the I-15/14600 South interchange. To the south of the subject is a gravel pit; to the west are I-15 and the prison. To the west of the subject are offices and residential; to the north is the DMV and liquor store along with other office and industrial properties. This location provides good exposure and access to major transportation routes. I-15 is the major north/south traffic artery through the state of Utah and the Wasatch Front area.

Community Facilities and Service - General community facilities such as schools, parks, places of worship, medical facilities, and recreation centers are dispersed in relatively close proximity to the described neighborhood area. Local services are considered to be adequate for businesses and residences. Services provided to the area include street maintenance, garbage pick-up, police and fire protection.


DELORME
DeLorme Street Atlas USA® 2009
NEIGHBORHOOD MAP
SUBJECT
E 13775 SOUTH
HIGHLAND DR
PONY EXPRESS RD
DAIRY LN
BANGERTER HWY
ROCKY KNOLL LN
TREVEN PL
MANILLA DR
MANILLA CIR
DRAPER WOODS CIR
DRAPER VIEW CV
PEAK VIEW CIR
FITZGERALD CT
HERITAGECREST WAY
HONDA DR
DREAMFIELD DR
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Neighborhood Life Stage - According to *The Appraisal of Real Estate*, neighborhoods evolve through four stages which are as follows:

1. Growth – a period during which the neighborhood gains public favor and acceptance.
2. Stability – a period of equilibrium without marked gains or losses.
3. Decline – a period of diminishing demand.
4. Revitalization – a period of renewal, modernization, and increasing demand.[8]

The neighborhood is considered to be reaching the stability stage of its life cycle with little change in use having occurred over the past five years or projected for the next several years. Some land is still available for commercial development along 5400 South Street at 3600 West.

Summary and Conclusion - In summary, the general neighborhood is a developing commercial corridor located in Draper. The subject is situated near I-15, which is a major traffic artery in Salt Lake County. Property uses in the immediate area of the subject property are predominantly commercial. Overall, it is expected that land and property values will remain fairly constant due to these influences on the neighborhood.

[8] Ibid., 166.

LAND AND SITE DESCRIPTION

The subject site is described as follows:

Size -	466,092 square feet or 10.7 acres
Number of Parcels -	Portion of one
Shape -	Irregular
Topography -	Slopes downward to the west
Corner or Interior -	Interior
Street Frontage -	On the east side of Minuteman Drive
Access -	Ingress and egress are adequate via Minuteman Drive, which is publicly dedicated and maintained.
Off-Site Improvements -	2-lane asphalt paved street; curb, gutter, and sidewalk.
On-Site Improvements -	Asphalt paved parking, minimal landscaping, sidewalks, and fencing.
Parking -	191 parking stalls, which appear to provide adequate parking.
Utilities -	All utilities are located at the site, and are considered adequate for development.
Flood Designation -	Floodscape Map # 49035C0600G, dated August 2, 2012, - Area of low flood risk.
Soils -	Soil conditions appear to be adequate to support development.
Easements, Hazards, & Adverse Conditions -	There does not appear to be any unusual easements, hazards, or nuisances that would have a negative influence on the value of the subject property.

PLAT MAP

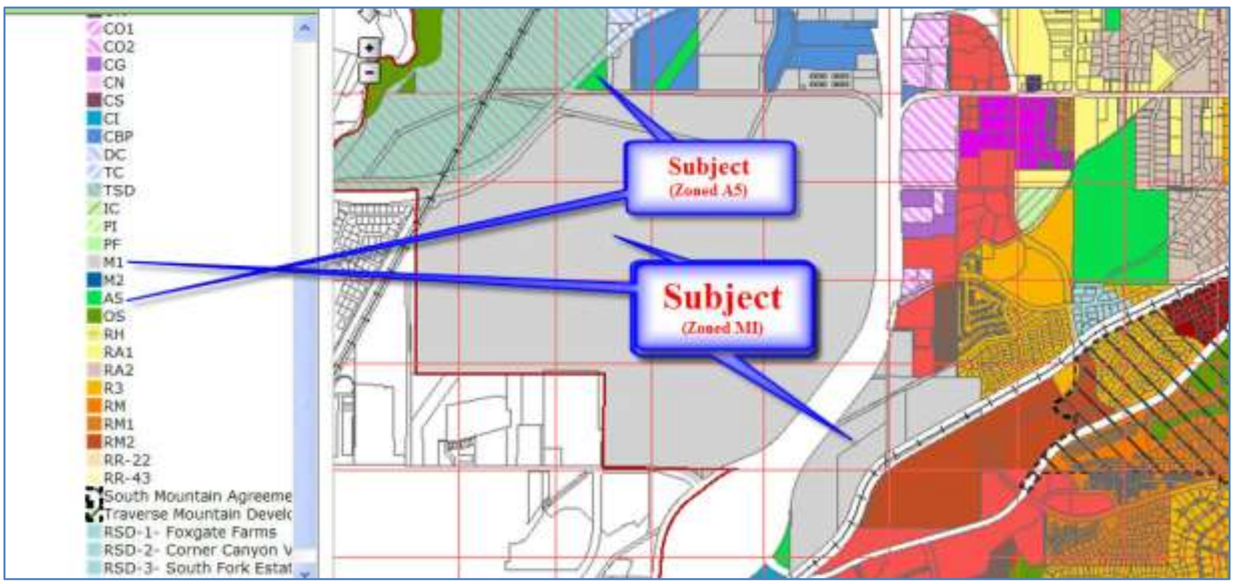

ale City
Draper City
33 - 12
34 - 07
Allocated
Portion to
Subject Bldg

AERIAL PHOTO

ZONING

The subject property is located within the boundaries of Draper City and is under that jurisdiction for zoning and enforcement. The following zoning information applies to the subject property:

Zoning Designation -	M-1 – light manufacturing
Uses Allowed -	Variety of light industrial & commercial
Minimum Lot Size for Development -	N/A
Legal Conforming Use -	Appears to be legally conforming
Zoning Ordinance -	Found in addendum of this report



IMPROVEMENT DESCRIPTION

The subject's building improvements are described as follows:

Use Classification -	Training building
Basic Construction -	Main Bldg. - Concrete block (average quality class "C") Maintenance bldg. – Wood framed (average quality class "D") Classrooms – metal framed (low cost class "S")
Year Built -	1985
Effective Age -	15 years
Quality -	Average
Condition -	Average
Size -	29,711 gross square feet

		Office %
Main Building =	25,257 SF	66%
Maintenance bldg. =	2,434 SF	14%
Classroom =	1,010 SF	100%
Classroom =	1,010 SF	100%

Overall Warehouse 36%

Overall Office 64%

Not included in the square footage is a storage/Ammo building of 646 square feet

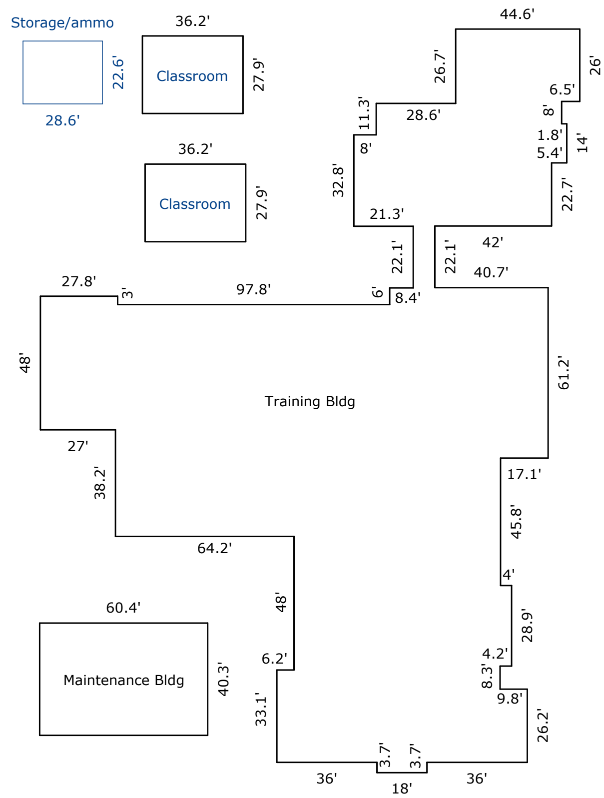
Shape -	Irregular (but reflects a functional configuration)
Number of Stories -	One
Building-to-Land Ratio -	7 percent
Exterior Walls & Height -	Main bldg. has a concrete block exterior. Exterior walls are about 12 to 18 ft. in height. Maint. bldg. - is stucco and classrooms are metal.
Roof -	Main bldg. - unknown. Storage, Maint. Bldg., & Classrooms – Metal Roof
Interior Walls and Ceilings -	Interior partitions consist primarily of concrete block walls with some painted gypsum board. Ceilings are also painted gypsum board and suspended acoustical tile.

Floor Coverings -	Wood in gym area; vinyl in restroom; tile in restroom area; concrete in storage area; carpet in office area, common areas, and classrooms.
Doors -	Customer entrance doors are glass in the front of the building; the back doors are solid core metal; interior doors are hollow wood.
Truck Access -	None.
Windows -	Double pane glass in aluminum or vinyl frames.
Electrical & Lighting -	Typical wiring and power. Lighting primarily consists of fluorescent tubing and bulbs.
Restrooms/Plumbing -	Three men's and women's restroom in the main building and one shared restroom in the maintenance bldg. Typical ceramic porcelain fixtures.
Heating & Air Conditioning -	Central heating and air throughout the main building and classrooms. Maintenance bldg. is heated by overhead space heaters.
Fire Protection -	There is no ceiling sprinkling system.
Other Improvements -	There is a shooting range and large radio antenna for the State of Utah.
Functional Utility -	Functionally adequate and suited for light industrial use. There is no evidence of major functional deficiency or superadequacy.
Original Life Expectancy and Remaining Economic Life -	The original estimated life (as new) is 40 years. The remaining economic life is estimated at 25 years.
Incurable Physical Deterioration -	38% (15 ÷ 40 yrs)
Curable Physical Deterioration (Deferred Maintenance) -	None.
Furniture, Fixtures, & Equipment -	None associated with the subject.

ADA Compliance (Handicap Accessibility)

The subject has handicap parking and restroom facilities, and appears to be built in accordance with the Americans with Disabilities Act of 1990 Overview of Title III.

Building Sketch



Sketch by Apex Sketch v5 Standard™

Comments:

AREA CALCULATIONS SUMMARY

Code	Description	Net Size	Net Totals
GBA1	Training Bldg	25257.30	
	Classroom	1009.98	
	Classroom	1009.98	
	Maintenance Bldg	2434.12	29711.38
OTH	Storage/ammo	646.36	646.36
	Net BUILDING Area	(rounded)	29711

BUILDING AREA BREAKDOWN

Breakdown	Subtotals
Training Bldg	
0.5 x 0.0 x 36.0	0.00
26.2 x 90.0	2358.00
3.7 x 18.0	66.60
54.0 x 0.0	0.00
1.4 x 74.0	103.60
6.9 x 80.2	553.38
138.4 x 28.1	3889.04
17.7 x 74.2	1313.34
28.9 x 78.2	2259.98
182.5 x 45.0	8212.50
10.1 x 155.5	1570.55
0.5 x 28.1 x 0.0	0.00
3.0 x 27.8	83.40
8.0 x 32.7	4846.91
Classroom	
36.2 x 27.9	1009.98
36.2 x 27.9	1009.98
Maintenance Bldg	
60.4 x 40.3	2434.12
17 Items (rounded)	29711

TAX ASSESSMENT ANALYSIS

The subject property is owned by the state; therefore it is exempt from taxes.

HIGHEST AND BEST USE

Real estate is typically valued in terms of its highest and best use. The definition provided by *The Appraisal of Real Estate*, is as follows:

> Highest and best use is the reasonably probable and legal use of vacant land or an improved property that is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value.

In estimation of the highest and best use, the appraiser must consider these four basic stages of analysis for proposed uses:

1. <u>Legally permissible uses.</u> Are there zoning or deed restrictions that would prohibit proposed uses?

2. <u>Physically possible uses.</u> From the permissible uses, which are physically possible when considering all aspects of the site size, shape, and topography or any other physical aspects?

3. <u>Financially feasible uses.</u> Which of the above legally permissible and possible uses will produce a net return to the owner of the site?

4. <u>Maximally productive or highest and best use.</u> After analyzing the above considerations, which of the proposed uses will produce or generate the highest rate of net return over a projected period of time?

In determining the highest and best use of a property, the site is considered with two classifications. The first type is the highest and best use as though vacant. The second is the highest and best use as improved. Each type requires a separate discussion and analysis.

Highest and Best Use as if Vacant

This analysis assumes that the subject parcel of land is vacant or that it can be made vacant through the demolition of the improvements.

Legally Permissible - Considering the M-1, Industrial District zoning of the subject site, the legally permissible uses are office, industrial and some retail, or other similar uses. Heavy industrial uses and residential uses and some commercial uses are not allowed under this zoning. The zoning restricts the uses to primarily light industrial or some commercial uses. These uses conform to the neighborhood.

Physically Possible - The site is irregular in shape with frontage on Minuteman Drive. The site is large with a total area of 466,092 square feet. The majority of commercial and industrial building-to-land ratios fall within the range of about 20 to 40 percent - indicating a typical building size of 93,218 to 186,437 square feet. A variety of residential, commercial, or industrial uses could be developed on the site. All utilities are available at the site to facilitate development. The site has good access and frontage, and has sloped topography that allows for development. Overall, the site is well suited for commercial development.

Financially Feasible - The subject is located near a major traffic artery and is situated close to the prison of Draper City where all of the buildings are a mixture of industrial and commercial in nature with few residential buildings. Real estate value is enhanced when there is good conformity of uses. Commercial uses such as office or retail require high exposure locations or those that are centrally located to other businesses in the community. As explained previously, the uses in the immediate neighborhood are a mixture of commercial and industrial uses. An office use would be compatible with the existing uses and is financially supported.

Maximally Productive - Given the long term master plan for the immediate area, which is commercial development, it is concluded that the maximally productive use of the subject site is for development of commercial uses. These uses are legally permissible, physically possible, and financially feasible.

Highest and Best Use as Improved

The highest and best use of the site as improved considers the existing improvements and whether or not they provide a maximally productive use of the site. This particular analysis focuses on whether or not to leave the existing or proposed improvements "as is," to modify them, or to raze them for other development or use. The primary consideration is which alternative will produce the highest value and return to the owner.

Legally Permissible - The subject as improved is restricted by legal and zoning considerations to primarily light industrial and commercial uses such as the present use. Taking into account physically possible and legal considerations, the building must remain the same.

Physically Possible - The subject consists of a training facility (office/warehouse type building) with 29,711 square feet. The site is considered maximally developed and, taking into account that most office/warehouse properties have a building-to-land ratio of from 20 to 40 percent and the subject has 7 percent, it would be feasible to add on to the existing building. It is not legally possible to change the subject use to residential use. In conclusion, the existing building could be left alone. We will now examine the possibilities further under financial considerations.

Financially Feasible - The subject is not located on a major traffic artery and does have some high exposure. Office/warehouse is the one of the legally permissible, physically possible, and financially feasible uses of the subject.

The existing building has been in continuous operation for the past 25 years, which supports the financial feasibility of the current use on the site. Furthermore, the existing building improvements offer substantial contribution above the site value; therefore, the financially feasible use is to continue the current use of the improvements without addition or new construction.

Maximally Productive - All of the discussion under the previous section indicates there is only one alternative that is financially feasible for the subject property - to continue the building with its existing size and use. There is no other use that is financially feasible and that is also physically possible and legally permissible. The current use is considered maximally productive.

All of the discussions in the previous sections indicate that the existing improvements are the maximally productive use of the site as improved.

VALUATION PROCESS

The appraisal process for valuation of real estate involves a systematic analysis of facts based on supply and demand, and other various economic principles. To organize these pertinent factors, appraisal theory has developed three basic approaches to the appraisal process. They are applied on the basis of the highest and best use of the property. These three basic approaches are summarized as follows:

Cost Approach - This approach to value is based on the justification an informed investor or purchaser would pay no more for the subject property than it would cost him to produce a substitute offering the same utility. The cost approach involves determining the depreciated value of the improvements plus land value and profit. This approach is most useful when valuing properties that are newer in age, and when reproduction and replacement cost data is readily available; or when the property consists of unique or specialized improvements.

Sales Comparison Approach - This approach is a process of comparing similar properties to the subject, to estimate the market value. The comparable sales are chosen from those recently sold or currently listed properties that would generally compete for the same purchasers in the market. Comparison to the subject may be made of the whole comparable property or of some element (such as the ratio of gross income to price or the sales price per square foot, per unit, per room), or another unit of comparison. Points of difference must be identified and considered, and then adjustments are applied to the comparables to reflect value differences for comparison to the subject property. From the adjusted values, the most probable selling price of the subject is estimated. This approach is applicable to most all property types where there are several similar, recent, and reliable transactions.

Income Capitalization Approach – This approach is the process of measuring and converting future benefits of ownership into present value estimation. These future benefits are generally measured by the net income produced by a property over a given period of time, plus the proceeds of a resale of the property. Market rents are estimated. Deductions are then made for vacancy/collection loss and operating expenses. The resulting net operating income is then divided by an overall capitalization rate to derive an opinion of value.

In the valuation process, the sales comparison and income approaches to value have been expanded and lead to good correlation of value. <u>The cost approach was not developed</u> due to the fact that the subject building was originally constructed over 25 years ago.

After the conclusions have been reached by the various approaches to value, the results are reviewed and reconciled, and a final value estimate is determined.

SALES COMPARISON APPROACH

The sales comparison approach is a method of estimating market value by comparing the subject to similar properties that have sold, or that are currently listed for sale. The most accurate comparisons of properties are those that are similar in physical characteristics, location, financing terms or conditions of the sale, market conditions and income characteristics. Adjustments are made to account for the dissimilarities.

The sales comparison approach is primarily based on the appraisal principle of substitution. Substitution is defined in *The Dictionary of Real Estate Appraisal* as follows: "The appraisal principle that states when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution." Other appraisal principles which apply to this approach include supply and demand, balance, and externalities.

In applying this approach, we have performed the following steps.

a. Research the market to obtain information on sales transactions similar to the subject.
b. Verify the information by confirming that the data obtained are factually accurate.
c. Select relevant units of comparison (price per acre, income multiplier, etc.)
d. Compare sale properties with the subject property and make appropriate adjustments.
e. Reconcile value indications into a single value indication or range of values.

The price per square foot analysis will be developed for the subject property valuation.

An extensive search was made of the local market area and neighboring markets for sale comparables that were arm's length transactions, similar to the subject in highest and best use, and similar in conditions of sale, time of sale, economic factors, and physical characteristics. The comparables, an adjustment grid, and an explanation of adjustments can be found on the following pages.

Comparable Sale #1

9127 South 225 West
Sandy, Utah
Salt Lake County

Valuation Indicators

Price per SF:	$61.02
EGI Multiplier:	N/A
Capitalization Rate:	N/A

Site Data

Tax ID:	27-01-401-012
Zoning:	RC
Size (SF):	60,112
Size (Acres):	1.38
Bldg-to-Land Ratio:	42%

Economic Data - N/A

Building Data

Property Type:	Office/warehouse
Year Constructed:	1982
Effective Age:	15 years
Condition:	Average
Size (SF):	25,400
Construction Type:	Masonry
Building Quality:	Class "C"
Office Percentage:	8%
Clear Height:	20 ft

Sales Data

Sale Date:	March 20, 2013
Sales Price:	$1,550,000
Financing Terms:	Cash Equivalent
Cash Equivalent Price:	$1,550,000
Grantor or Seller:	Takit, LLC
Grantee or Buyer:	Hansen Property Investments
Property Rights Conveyed:	Fee simple
Conditions of Sale:	Arm's length
Exposure Time:	812 Days
Verified by:	Randy Henderson
Verified with:	MLS#1005878, county records, and Taylor Keys, agent (801-706-1187

Comments

This was originally a carpet showroom and warehouse. This property was listed for $1,750,000 and sold at a11.4 percent discount.

Comparable Sale #2		**Valuation Indicators**	
218 West 12650 South		Price per SF:	$75.15
Draper, Utah		EGI Multiplier:	N/A
Salt Lake County		Capitalization Rate:	N/A

Site Data		**Economic Data - N/A**
Tax ID:	27-36-202-005 & 7	
Zoning:	CBP	
Size (SF):	86,272	
Size (Acres):	1.98	
Bldg-to-Land Ratio:	22%	

Building Data		**Sales Data**	
Property Type:	Office/warehouse	Sale Date:	September 20, 2013
Year Constructed:	1995	Sales Price:	$1,424,500
Effective Age:	10 years	Financing Terms:	Cash Equivalent
Condition:	Average	Cash Equivalent Price:	$1,424,500
Size (SF):	18,956	Grantor or Seller:	BCCNV, LLC
Construction Type:	Masonry	Grantee or Buyer:	NBW Investments
Building Quality:	Class "C"	Property Rights Conveyed:	Fee simple
Office Percentage:	18%	Conditions of Sale:	Arm's length
Clear Height:	12 ft	Exposure Time:	N/A
		Verified by:	Commerce CRG Reports
		Verified with:	Wick Udy, agent and county records

Comments

This property consists of two buildings. It was on the market for one month and under contract for 3 months. The buyer purchased to expand business and the seller was retiring and wanted to sell his assets.

Comparable Sale #3

106 East 13200 South
Draper, Utah
Salt Lake County

Valuation Indicators

Price per SF:	$68.44
EGI Multiplier:	N/A
Capitalization Rate:	N/A

Site Data

Tax ID:	28-31-301-038
Zoning:	Industrial
Size (SF):	40,946
Size (Acres):	0.94
Bldg-to-Land Ratio:	25%

Economic Data N/A

Lease Type (Expenses):	NNN

Building Data

Property Type:	Office/warehouse
Year Constructed:	1995
Effective Age:	15 years
Condition:	Average
Size (RSF):	10,082
Market Appeal:	Class "S" Metal
Quality:	Average
Office Percentage:	26%
Clear Height:	16 feet

Sales Data

Sale Date:	March 21, 2012
Sales Price:	$690,000
Financing Terms:	Cash Equivalent
Cash Equivalent Price:	$690,000
Grantor or Seller:	Bret Cloward
Grantee or Buyer:	Pizaz LLC
Property Rights Conveyed:	Fee simple title
Conditions of Sale:	Arm's length
Exposure Time:	N/A
Verification:	With Stewart Knight, agent, Knight Realty by Douglas Fairbanks

Comments

This is the recent sale of an Class "S" metal office/warehouse building that is located in Draper.

Comparable Sale #4		**Valuation Indicators**	
12637 South 265 West		Price per SF:	$73.15
Draper, Utah		EGI Multiplier:	N/A
Salt Lake County		Capitalization Rate:	N/A

Site Data		**Economic Data**	
Tax ID:	27-36-202-006	Lease Type (Expenses):	N/A
Zoning:	Light Industrial		
Size (SF):	71,003		
Size (Acres):	1.63		
Bldg-to-Land Ratio:	46%		

Building Data		**Sales Data**	
Property Type:	Office/Warehouse	Sale Date:	March 29, 2012
Year Constructed:	1995	Sales Price:	$2,385,000
Effective Age:	15 years	Financing Terms:	Cash Equivalent
Condition:	Average	Cash Equivalent Price:	$2,385,000
Size (SF):	32,604	Grantor or Seller:	Greenwood Family Investments, LLC
Construction Type:	Class "C" Block	Grantee or Buyer:	Pugmire & Stevens Partnership
Quality:	Average	Property Rights Conveyed:	Leased Fee Estate
Office Percentage:	28%	Conditions of Sale:	Arm’s length
Clearance Height	16 feet	Exposure Time:	N/A
		Verification:	With Spencer Knight, agent, Knight Realty

Comments

This is the saleof an office/warehouse building that is located on 265 West in Draper.

Comparable Listing #5

LISTING
9371 South Hawley Park
West Jordan, Utah
Salt Lake County

Valuation Indicators

Price per SF:	$78.99
EGI Multiplier:	N/A
Capitalization Rate:	N/A

Site Data

Tax ID:	26-01-351-008
Zoning:	M-1
Size (SF):	43,560
Size (Acres):	1.00
Bldg-to-Land Ratio:	25%

Economic Data - N/A

Building Data

Property Type:	Office/warehouse
Year Constructed:	1999
Effective Age:	10 years
Condition:	Average
Size (SF):	10,761
Construction Type:	Masonry
Building Quality:	Class "C"
Office Percentage:	28%
Clear Height:	16 ft

Sales Data

Listing Date:	May 13, 2013
Listing Price:	$850,000
Financing Terms:	Cash Equivalent
Cash Equivalent Price:	$850,000
Grantor or Seller:	Swenco Properties, LLC
Grantee or Buyer:	N/A
Property Rights Conveyed:	Fee simple
Conditions of Sale:	Arm’s length
Exposure Time:	141 Days
Verified by:	Randy Henderson
Verified with:	MLS# 1160851, county records, and agent Laurie Gale, (801-205-1600)

Comments

This property has room to expand and build more buildings. It is partly owner occupied and tenant occupied.

Summary of Building Sales									
#	Location	Sale Date	Size (SF)	Building Quality/ Office%	Effective Age/ Condition	Bldg/ Land Ratio	Purchase Price	Cap Rate	Price/ SF
1	9127 South 225 West Sandy	3/13	25,400	Class "C" 8%	15 yrs Average	42%	$1,550,000	N/A	$61.02
2	218 West 12650 South Draper	9/12	18,956	Class "C" 18%	10 yrs Average	22%	$1,424,500	N/A	$75.15
3	106 East 13200 South Draper	3/12	10,082	Class "S" 26%	15 yrs Average	25%	$690,000	N/A	$68.44
4	12637 South 265 West Draper	3/12	32,604	Class "C" 28%	15 yrs Average	46%	$2,385,000	N/A	$73.15
5	9371 South Hawley Park West Jordan	Listing 5/13	10,761	Class "C" 28%	10 yrs Average	25%	$850,000	N/A	$78.99
Subj.	14717 South Minuteman Dr Draper	N/A	29,711	Class "C" 64%	15 yrs Average	7%	N/A	N/A	N/A


DeLorme Street Atlas USA® 2009
COMPARABLE BUILDING SALES
COMP #1
COMP #2
COMP #3
COMP #4
COMP #5
SUBJECT
West Jordan
Midvale
South Jordan
Riverton
Draper
MYERS LN
W 12600 S
W 10550 S
BANGERTER HWY
S REDWOOD RD
OLD BINGHAM HWY
NEW BINGHAM HWY
FORT UNION BLVD
W 7800 S
E 9400 S
E 10600 S
E 11400 S
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www.delorme.com
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Data Zoom 11-3

Building Sales Adjustment Grid

Summary of Comparables	9127 S 225 W Sandy	218 W 12650 S Draper	106 E 13200 S Draper	12637 S 265 W Draper	9371 S Hawley Pk W. Jordan	14717 S Minuteman Draper
	1	2	3	4	5	Subject
Date of Sale	3/13	9/12	3/12	3/12	Listing	---
Effective Age	15 yrs	10 yrs	15 yrs	15 yrs	10 yrs	15 yrs
Building Quality	Class "C"	Class "C"	Class "S"	Class "C"	Class "C"	Class "C'
Condition	Average	Average	Average	Average	Average	Average
Building/Land Ratio	42%	22%	25%	46%	25%	7%
Office Percentage	8%	18%	26%	28%	28%	64%
Sales Price	$1,550,000	$1,424,500	$690,000	$2,385,000	$850,000	--
Size (SF)	25,400	18,956	10,082	32,604	10,761	29,711
Price/SF	$61.02	$75.15	$68.44	$73.15	$78.99	
Adjustments						
Property Rights	0%	0%	0%	0%	0%	
Adjusted Price/SF	$61.02	$75.15	$68.44	$73.15	$78.99	
Conditions/Terms	0%	0%	0%	0%	-10%	
Adjusted Price/SF	$61.02	$75.15	$68.44	$73.15	$71.09	
Market (Time) Adj.	0%	0%	0%	0%	0%	
Adjusted Price/SF	$61.02	$75.15	$68.44	$73.15	$71.09	
Location	0%	0%	0%	0%	10%	
Size	0%	-5%	-10%	0%	-10%	
Effective Age	0%	-5%	0%	0%	-5%	
Building Quality	0%	0%	10%	0%	0%	
Condition	0%	0%	0%	0%	0%	
Building/Land Ratio	20%	10%	10%	20%	10%	
Office Percentage	20%	15%	15%	10%	10%	
Other	-10%	-10%	-10%	-10%	-10%	
Adj. Price/SF	$79.33	$78.91	$78.70	$87.78	$74.64	
Net Adjustment	30%	5%	15%	20%	5%	
Gross Adjustment	50%	45%	55%	40%	55%	
Minimum	$74.64					
Maximum	$87.78					
Mean Value	$79.87					

Conclusion of Value

Property Rights – The subject is appraised based on fee simple title property rights not subject to a lease. All comparables either sold based on fee simple title, or were leased fee transfer sales with leases that appeared to be at market lease rates. Therefore, no adjustments are made for property rights transferred.

Conditions/Terms – Conditions of sale refers to influences surrounding the sale process which affects the sales price of a property. These could include a motivated buyer, distressed seller, or related entities. Comparable five is a listing only, and has been on the market five months. Inasmuch as it is frequently the case that actual sales transactions involve prices below listing price, it is prudent and reasonable to make an adjustment for conditions of sale. Comparative sale analysis indicates a 10 percent downward adjustment. No other adjustments are necessary for conditions of sale.

Market (Time) – All of the sales are relatively recent and have occurred since March 2012. When analyzing the sale comparables, there is no market evidence that there has been any identifiable change in market value due to changing market conditions over time. Hence, no time adjustments were rendered.

Location – Issues relative to location include surrounding influences, proximity to services, corner influence, frontage, and access.

The subject and comparables one, two, three, and four are all located in good proximity to the freeway, in or near Draper City, and these comparables have similar surrounding developments as the subject property. As such, these comparables possess similar influences to the subject, with no adjustments indicated for location. Comparable five is located a good distance from the freeway and is considered inferior to the subject's location. Comparable five was adjusted upward 10 percent.

Size – Smaller buildings tend to sell for a higher price per square foot than larger buildings. This is due to the fact that these smaller structures are more expensive to construct due to the lack of quantity discounts versus larger projected. The subject property building has 27,691 square feet of gross building area and the comparables range in size from 10,082 square feet to 32,604 square feet. Based on the foregoing discussion and comparative sales analysis, these comparables were adjusted as follows.

Size Adjustments		
Comparable	Size (sf)	Adjustment
1	25,400	0%
2	18,956	-5%
3	10,082	-10%
4	32,604	0%
5	10,761	-10%
Subject	27,691	N/A

Effective Age – With all other factors being similar, newer buildings sell for a higher price per square foot than older buildings that are approaching the end of their economic life.

The subject building is 15 years old. Comparable two and five have an effective age of 10 years, and are adjusted downward 5 percent. All remaining comparables have a similar age at the time of sale, with no other adjustments needed.

Building Quality – The Marshall Valuation Service indicates approximately a 10 to 15 percent difference in cost between masonry/concrete and pre-engineered steel (metal) construction. Although cost does not necessarily equal value, it still serves as some guide to adjustment. In addition to lower cost, metal buildings deteriorate more rapidly and thus lose their luster, with the market reacting appropriately. The subject property consists of both concrete (stucco) and metal exterior construction, with the majority of the building consisting of concrete/masonry construction. Comparable three is considered inferior in quality to the subject, as it consists entirely of a metal type of construction. Therefore, it was adjusted upward 10 percent.

Condition – The subject building and site improvements are in average condition. All Comparables are also in average condition for their respective ages with no adjustment for condition indicated.

Building/Land Ratio – The subject has a large lot with a smaller building it and has low building to land ratio. All comparables have inferior building to land ratios and were adjusted upward from 10 to 20 percent.

Office Percentage – The subject is 64 percent office space and 36 percent warehouse space. Generally, the cost of office is more expense than the cost of warehouse since the warehouse is open space and does not require a dropped ceiling and multiple walls. All the comparables ranged from 8 to 28 percent office space and are considered inferior. Therefore, they were adjusted upward from 10 to 20 percent.

Other – Because the subject has multiple different types of build-out and is not a typical office/warehouse it requires some conversion to become more typical to the market. There comparables are typical office/warehouse buildings and do not require any conversion costs and therefore are considered to be superior. Therefore, all the comparables were adjusted downward 10 percent.

The comparables indicate an adjusted sale price range of from $74.64 to $87.78 per square foot with an average of $79.87 per square foot. As no single comparable is considered the best indicator of value for the subject property, the most weight is placed with the central tendency of the range as indicated by the average.

We have determined that an appropriate rounded price per unit for the subject property, and resulting calculation of value, as indicated by the sales comparison approach, is as follows:

$80.00	per sf x	29,711	sf =	$2,376,880

After careful consideration of the information presented in this section of the report, we are of the opinion the “as is” market value estimate of the subject property, as determined by the sales comparison approach and with fee simple title property rights, as of September 24, 2013, is:

$2,380,000

"TWO MILLION THREE HUNDRED EIGHTY THOUSAND DOLLARS"

INCOME CAPITALIZATION APPROACH

The income capitalization approach considers the anticipated benefits in terms of money which are to be derived from the ownership of the property. This approach comprises the methods used to estimate a property's capacity to produce future earnings, and to convert or capitalize those benefits into an indication of value.

The following five steps are used in developing the income capitalization approach:

1. Estimate potential gross income (PGI). Potential gross income is the total potential income attributable to the property under full occupancy. Income for investment properties consist primarily of rent. There are two primary types of rent – contract rent and market rent. Contract rent is basically the actual rental income from the property under the terms of a lease. Market rent is the rental income that a property would be able to command in the open market as of the date of the appraisal.

2. Estimate vacancy and collection loss. This is a deduction made to take into account space that is not leased during the economic life of the subject or rents that cannot be collected. This loss factor is deducted from PGI to establish *effective gross income*.

3. Forecast stabilized operating expenses. An estimate of operating expenses requires that the forecast reflect the prevailing expense structure that is found in market lease agreements. Expense structures could include full service, modified gross, or triple net.

4. Determine net operating income. Deduction of the operating expenses from effective gross income results in the net operating income (pre-tax income before debt service or depreciation). The results from steps 1-4 are shown in a pro-forma statement.

5. Capitalize the net operating income. The resulting net operating income is converted to a stabilized market value using a capitalization rate. Then, when applicable, adjustments are made to establish the "as is" value of the leased fee estate.

Potential Gross Income

To determine the potential gross income for the subject property, a survey of similar type buildings and leases is performed. An analysis of the data found is made to estimate the market rent per square foot per year for the subject. The comparables and an adjustment grid can be found in the following pages.

Comparable Lease #1

9789 South 600 West
Sandy, utah
Salt Lake County

Value Indicators

Current Rent Rate per SF:	$6.60
Current Annual Rent:	$112,616
Original Rent Rate per SF:	$6.60
Original Annual Rent:	$112,616

Site Data

Tax ID:	27-12-152-005
Zoning:	I-D
Size (SF):	134,600
Size (Acres):	3.09
Bldg-to-Land Ratio:	29%

Building Data

Property Type:	Office/warehouse
Year Constructed:	2007
Effective Age:	5 years
Condition:	Good
Leased Size (SF):	17,063
Building Size (SF):	39,531
Construction Type:	Masonry
Building Quality:	Class "C"
Office Percentage:	71%
Clear Height:	14 ft

Lease Data

Lease Start Date:	April 25, 2013
Rent Rate effective as of:	April 25, 2013
Term of Lease:	7 years
Type of Lease (expenses):	Triple net
Expenses Paid by Landlord:	Exterior maintenance & management
Expenses Paid by Tenant:	Taxes, insurance, utilities
Escalations & Concessions:	2% annual increase
Conditions of Lease:	Arm's length transaction
Landlord:	Pheasant Hollow Business
Tenant:	Globalsim
Verified by:	Commerce CRG Reports
Verified with:	Jeff Richards, agent, and county records

Comments

This is a new lease and the tenant pays $0.14 per square foot per month in CAMs or $1.68 per square foot per year.

Comparable Lease #2

441 West 12300 South, Bldg B
Draper, Utah
Salt Lake County

Value Indicators

Current Rent Rate per SF:	$6.48
Current Annual Rent:	$111,793
Original Rent Rate per SF:	$6.48
Original Annual Rent:	$111,793

Site Data

Tax ID:	27-25-377-021
Zoning:	CBP
Size (SF):	285,318
Size (Acres):	6.55
Bldg-to-Land Ratio:	35%

Lease Data

Lease Start Date:	April 9, 2013
Rent Rate effective as of:	April 9, 2013
Term of Lease:	3 years
Type of Lease (expenses):	Triple net
Expenses Paid by Landlord:	Exterior maintenance & management
Expenses Paid by Tenant:	Taxes, insurance, utilities
Escalations & Concessions:	2.5% annual increase
Conditions of Lease:	Arm's length transaction
Landlord:	12.00 South, LLC
Tenant:	Pella Windows & Doors
Verified by:	Commerce CRG Reports
Verified with:	Jeff Richards, agent, and county records

Building Data

Property Type:	Office/warehouse
Year Constructed:	1999
Effective Age:	10 years
Condition:	Average
Leased Size (SF):	17,252
Building Size (SF):	99,608
Construction Type:	Masonry
Building Quality:	Class "C"
Office Percentage:	20%
Clear Height:	12 ft

Comments

This is a renewal lease and the tenant pays $0.17 per square foot per month in CAM charges or $2.04 per square foot per year.

Comparable Lease #3

250 West 12300 South
Draper, Utah
Salt Lake County

Value Indicators

Current Rent Rate per SF:	$7.79
Current Annual Rent:	$110,970
Original Rent Rate per SF:	$7.56
Original Annual Rent:	$107,738

Site Data

Tax ID:	27-25-401-015
Zoning:	CPB
Size (SF):	282,704
Size (Acres):	6.49
Bldg-to-Land Ratio:	29%

Building Data

Property Type:	Office/warehouse
Year Constructed:	2006
Effective Age:	5 years
Condition:	Good
Leased Size (SF):	14,251
Building Size (SF):	81,817
Construction Type:	Masonry
Building Quality:	Class "C"
Office Percentage:	28%
Clear Height:	14 ft

Lease Data

Lease Start Date:	April 2, 2012
Rent Rate effective as of:	April 2, 2013
Term of Lease:	6 years
Type of Lease (expenses):	Triple net
Expenses Paid by Landlord:	Exterior maintenance & management
Expenses Paid by Tenant:	Taxes, insurance, utilities
Escalations & Concessions:	3% annual increase
Conditions of Lease:	Arm's length transaction
Landlord:	Price Lone Peak Company
Tenant:	Casepak, Inc
Verified by:	Commerce CRG Reports
Verified with:	Steve Condie, agent and county records

Comments

This lease has a CAM expense of $0.16 per square foot per month or $1.92 per square foot per year. This was a renewal of an existing lease.

Comparable Lease #4

4517 West 1730 South
Salt Lake City, Utah
Salt Lake County

Value Indicators

Current Rent Rate per SF:	$5.28
Current Annual Rent:	$211,327
Original Rent Rate per SF:	$5.16
Original Annual Rent:	$206,524

Site Data

Tax ID:	15-18-302-003
Zoning:	M-1, Light Industrial
Size (SF):	226,512
Size (Acres):	5.20
Bldg-to-Land Ratio:	37%

Building Data

Property Type:	Office/Warehouse
Year Constructed:	1986
Effective Age:	20 years
Quality/Condition:	Average
Rentable Size (SF):	40,024
Usable Size (SF):	82,704
Construction Type:	Concrete Tilt-Up
Clearance Height:	26 feet
Office Percentage:	22%

Lease Data

Lease Start Date:	March 16, 2012
Rent Rate Effective as of:	March 16, 2013
Term of Lease:	5 years
Type of Lease (expenses):	Triple net
Expenses Paid by Landlord:	Exterior maintenance & management
Expenses Paid by Tenant:	Taxes, insurance, utilities
Escalations & Concessions:	$0.01 annually
Conditions of Lease:	Arm's length transaction
Landlord:	Windmill I LLC
Tenant:	Workflow One, LLC
Verification:	With Kelsi Akiyama, agent, NAI West

Comments

This is the lease of 40,024 square feet in an 82,704 square foot building that is located on 1730 South in Salt Lake City.

Comparable Lease #5

675 West 14600 South
Bluffdale, Utah
Salt Lake County

Value Indicators

Current Rent Rate per SF:	$5.93
Current Annual Rent:	$349,495
Original Rent Rate per SF:	$5.76
Original Annual Rent:	$339,316

Site Data

Tax ID:	33-12-301-002
Zoning:	MU-1
Size (SF):	282,269
Size (Acres):	6.48
Bldg-to-Land Ratio:	21%

Building Data

Property Type:	Office/warehouse
Year Constructed:	2004
Effective Age:	5 years
Condition:	Average
Leased Size (SF):	58,909
Building Size (SF):	58,909
Construction Type:	Tilt up
Building Quality:	Class "C"
Office Percentage:	17%
Clear Height:	21 feet

Lease Data

Lease Start Date:	November 1, 2011
Rent Rate effective as of:	November 1, 2012
Term of Lease:	2 years
Type of Lease (expenses):	Triple net
Expenses Paid by Landlord:	Exterior maintenance & management
Expenses Paid by Tenant:	Taxes, insurance, utilities
Escalations & Concessions:	3% annual increase
Conditions of Lease:	Arm's length transaction
Landlord:	BTB Enterprises
Tenant:	Goal Zero
Verified by:	Commerce CRG files
Verified with:	Michael Jeppesen, IPG commercial and county records

Comments

This is a lease of the entire building.

Comparable Lease #6

6952 South High Tech Drive
Midvale
Salt Lake County

Value Indicators

Current Rent Rate per SF:	$7.79
Current Annual Rent:	$131,363
Original Rent Rate per SF:	$7.56
Original Annual Rent:	$127,537

Site Data

Tax ID:	21-24-453-019
Zoning:	M-1
Size (SF):	118,483
Size (Acres):	2.72
Bldg-to-Land Ratio:	33%

Building Data

Property Type:	Office/Warehouse
Year Constructed:	1984
Effective Age:	20 years
Quality/Condition	Average
Leased Size (SF):	16,870
Building Size (SF):	39,318
Construction Type:	Class "C"
Clearance Height:	18'
Office Percentage:	64%

Lease Data

Lease Start Date:	October 3, 2011
Rent Rate effective as of:	October 3, 2012
Term of Lease:	5 years
Type of Lease (expenses):	Triple net
Expenses Paid by Landlord:	Exterior maintenance & management
Expenses Paid by Tenant:	Taxes, insurance, utilities
Escalations & Concessions:	3% annual escalations
Conditions of Lease:	Arm's length transaction
Landlord:	KB Midvale II
Tenant:	Apria Healthcare
Verification:	Jeff Heaton, NAI West Commercial

Comments

This building is east of I-15 in an industrial area accessed from 7200 South.

Summary of Lease Comparables

#	Tenant/ Location	Lease Date	Term	Size (SF)	Building Quality/ Office%	Effective Age/ Condition	Bldg/ Land Ratio	Yearly Rent	Expense Basis	Yearly Rate/ SF
1	9789 South 500 East Sandy	4/13	7 yrs	17,063	Class "C" 71%	5 yrs Good	29%	$112,616	NNN	$6.60
2	441 West 12300 South Draper	4/13	3 yrs	17,252	Class "C" 20%	10 yrs Average	35%	$111,793	NNN	$6.48
3	250 West 12300 South Draper	4/12	6 yrs	14,251	Class "C" 28%	5 yrs Good	29%	$110,970	NNN	$7.79
4	4517 West 1730 South Salt Lake City	3/12	5 yrs	40,024	Class "C" 22%	20 yrs Average	37%	$211,327	NNN	$5.28
5	675 West 14600 South Bluffdale	11/11	2 yrs	58,909	Class "C" 17%	5 yrs Average	21%	$349,495	NNN	$5.93
6	6952 South High Tech Drive Midvale	10/11	5 yrs	16,870	Class "C" 64%	20 yrs Average	33%	$131,363	NNN	$7.79
Subj.	14717 South Minuteman Dr. Draper	N/A	N/A	29,711	Class "C" 64%	15 yrs Average	7%	N/A	N/A	N/A


DeLORME
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LEASE COMPARABLE MAP
COMP #4
COMP #6
COMP #1
COMP #2
COMP #3
SUBJECT
COMP #5
West Jordan
Midvale
Sandy
South Jordan
Riverton
Herriman
Draper
BIG COTTONWOOD CYN RD
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Lease Adjustment Grid

Summary of Comparables	9789 S 500 E Sandy	441 W 12300 S Draper	12300 S Lone Peak Draper	4517 W 1730 S SLC	675 W 14600 S Bluffdale	6952 S High Tech Midvale	14717 S Minuteman Draper
	1	2	3	4	5	6	Subject
Date of Lease	4/13	4/13	4/12	3/12	11/11	10/11	---
Expense Terms	NNN	NNN	NNN	NNN	NNN	NNN	
Building Type	Class "C"	Class "C"	Class "C"	Class "C"	Class "C"	Class "C"	Class "C"
Effective Age	5 yrs	10 yrs	5 yrs	20 yrs	5 yrs	20 yrs	15 yrs
Condition	Good	Average	Good	Average	Average	Average	Average
Building/Land Ratio	29%	35%	29%	37%	21%	33%	7%
Office Percentage	71%	20%	28%	22%	17%	64%	64%
Yearly Lease Amt	$112,616	$111,793	$110,970	$211,327	$349,495	$131,363	--
Size (SF)	17,063	17,252	14,251	40,024	58,909	16,870	29,711
Rate/SF/Year	$6.60	$6.48	$7.79	$5.28	$5.93	$7.79	
Adjustments							
Expense Structure	0%	0%	0%	0%	0%	0%	
Adjusted Rate/SF	$6.60	$6.48	$7.79	$5.28	$5.93	$7.79	
Conditions of Lease	0%	0%	0%	0%	0%	0%	
Adjusted Rate/SF	$6.60	$6.48	$7.79	$5.28	$5.93	$7.79	
Market (Time) Adj.	0%	0%	0%	0%	0%	0%	
Adjusted Rate/SF	$6.60	$6.48	$7.79	$5.28	$5.93	$7.79	
Location	5%	0%	0%	0%	0%	0%	
Size	-5%	-5%	-10%	10%	15%	-5%	
Effective Age	-10%	-5%	-10%	5%	-10%	5%	
Building Quality	0%	0%	0%	0%	0%	0%	
Condition	-5%	0%	-5%	0%	0%	0%	
Building/Land Ratio	10%	15%	10%	15%	10%	15%	
Office Percentage	0%	15%	15%	15%	20%	0%	
Other	-10%	-10%	-10%	-10%	-10%	-10%	
Adjusted Rates	$5.61	$7.13	$7.01	$7.13	$7.41	$8.18	
Net Adjustment	-15%	10%	-10%	35%	25%	5%	
Gross Adjustment	45%	50%	60%	55%	65%	35%	
Minimum	$5.61						
Maximum	$8.18						
Mean Value	$7.08						

Conclusion of Market Rate and Potential Gross Income

Expense Structure - One lease arrangement may vary from another in terms of expense structure. To the extent that the landlord pays more expenses than is typical, the lease is favorable to the tenant, and warrants a corresponding downward adjustment. On the other hand, those leases which specify the tenant will cover more expenses than normal are favorable to the landlord, and require an upward adjustment.

After examining the lease arrangements for the comparables, it was determined that the typical expense structure in the market is triple net. This structure assigns the cost of management, reserves for replacement to the landlord, and leaves all other expenses to the tenant. All comparables exhibit this type of expense structure, with no adjustments required.

Conditions/Terms – Condition of lease adjustments are necessary when lease agreements are reached under atypical motivation, and therefore, do not reflect an arms-length transaction. All of the leases were arm's length transactions, based on analysis and the verification process; there were no unusual concessions that would have any effect on the lease rate. Each lease was verified by the lessor, lessee, or a representative of these parties. No adjustments were required for conditions of lease.

Market (Time) – All of the leases are relatively recent and have occurred since October 2011. When analyzing the lease comparables, there is no market evidence that there has been any identifiable change in market value due to changing market conditions over time. Hence, no time adjustments were rendered.

Location – Issues relative to location include surrounding influences, proximity to services, corner influence, frontage, and access.

The subject and comparables one, two, three, and four are all located in good proximity to the freeway, in or near Draper City, and these comparables have similar surrounding developments as the subject property. As such, these comparables possess similar influences to the subject, with no adjustments indicated for location. Comparable one is located a good distance from the freeway and is considered inferior to the subject's location. Comparable five was adjusted upward 5 percent.

Size – Smaller buildings tend to sell for a higher price per square foot than larger buildings. This is due to the fact that these smaller structures are more expensive to construct due to the lack of quantity discounts versus larger projected. The subject property building has 27,691 square feet of gross building area and the comparables range in size from 14,251 square feet to 58,909 square feet. Based on the foregoing discussion and comparative sales analysis, these comparables were adjusted as follows.

Size Adjustments		
Comparable	Size (sf)	Adjustment
1	17,063	-5%
2	17,252	-5%
3	14,251	-10%
4	40,024	10%
5	58,909	15%
6	16,870	-5%
Subject	27,691	N/A

Effective Age – With all other factors being similar, newer buildings sell for a higher price per square foot than older buildings that are approaching the end of their economic life.

The subject building is 15 years old. Comparable one, two, and three have an effective age of 5 years, and are adjusted downward 10 percent. Comparables two is 10 years old and was adjusted downward 5 percent. Comparables four and five are 20 years old and were adjusted upward 5 percent.

Building Quality – All comparables are considered to be similar to the subject in this regard, with no adjustment indicated.

Condition – The subject building and site improvements are in average condition. Comparables two, four, five, and six are also in average condition for their respective ages with no adjustment for condition indicated. Comparables one and three are in superior condition and were adjusted downward 5 percent.

Building/Land Ratio – The subject has a large lot with a smaller building it and has low building to land ratio. All comparables have inferior building to land ratios and were adjusted upward from 10 to 15 percent.

Office Percentage – The subject is 64 percent office space and 36 percent warehouse space. Generally, the cost of office is more expense than the cost of warehouse since the warehouse is open space and does not require a dropped ceiling and multiple walls. All the comparables ranged from 17 to 71 percent office space. Comparables two, three, four, and five have inferior office build-out and were adjusted upward from 15 to 20 percent.

Other – Because the subject has multiple different types of build-out and is not a typical office/warehouse it requires some conversion to become more typical to the market. There comparables are typical office/warehouse buildings and do not require any conversion costs and therefore are considered to be superior. Therefore, all the comparables were adjusted downward 10 percent.

The annual adjusted leases range from $5.61 to $8.18 per square foot, with an average of $7.08 per square foot. The most typical arrangement is a triple net lease where the landlord is generally only responsible for general lease management and replacement for short-lived items such as the roof and HVAC system.

As no single comparable is considered the best indicator of value for the subject property, the most weight is placed with the central tendency of the range as indicated by the average.

After careful consideration of the presented market data and other information available to the appraisers, we have determined that an appropriate rounded annual market lease rate for the subject property, and resulting potential gross income, can be calculated as follows:

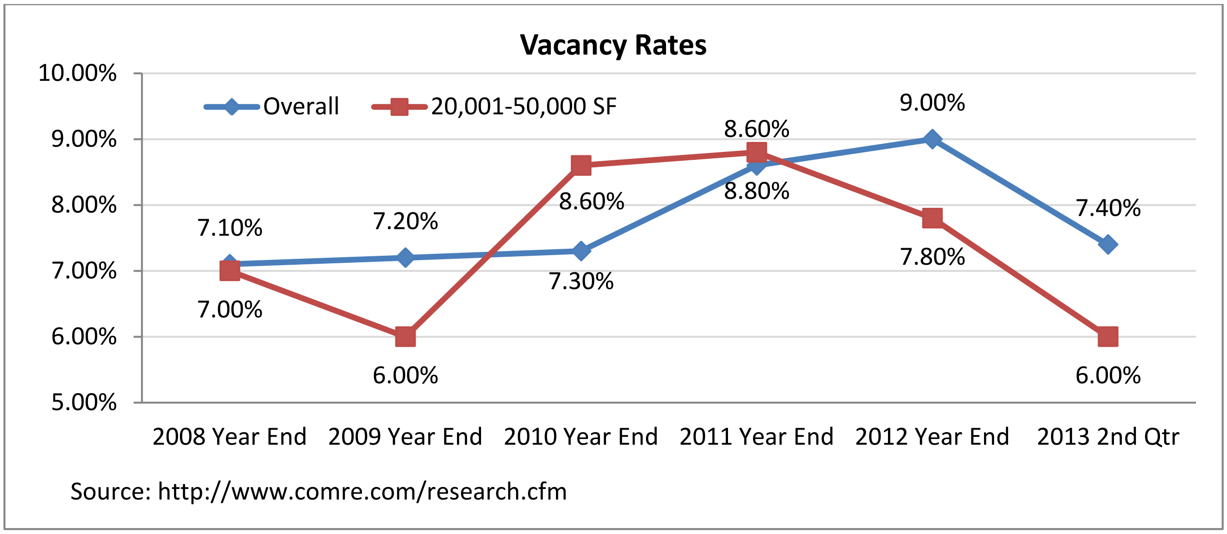
$7.10	per sf x	29,711	sf =	$210,948

Vacancy and Collection Loss

Vacancy and collection loss is an allowance for anticipated reductions in gross potential revenue attributable to vacancies, tenant turnover, and nonpayment of rent. The allowance is usually estimated as a percentage of the potential gross income, and takes into account individual property characteristics, quality of tenants, and anticipated supply and demand forces.

It is noted that the subject is currently 0 percent vacant. The property has been fully occupied for the past five years.

According to discussion with real estate agents involved in the commercial market, it appears the local vacancy rate for *office/warehouse* space is currently quite low. In addition, the *Commerce Real Estate Solutions 2nd Quarter 2013 Market Review* for office/warehouse space vacancy in Salt Lake County was 7.4 percent overall. Furthermore, based on the rent survey we conducted of space comparable to the subject property, it appears that vacancy is low at the present time. Typically, newer buildings in good areas have the lowest vacancy rates.



For the purpose of estimating a vacancy and collection loss allowance, consideration is given to the subject's actual operating history, current market conditions, and typical allocations made by investors. Considering these factors, it is our opinion that 8 percent is an appropriate long term estimate for vacancy and collection loss.

Operating Expenses

Operating expenses are defined in *The Appraisal of Real Estate* as follows: "Operating expenses are the periodic expenditures necessary to maintain the real property and continue the production of the effective gross income."

As noted, the rental rate concluded was based on triple net lease terms. Under these terms, the landlord is responsible for management and allowance for replacement. To determine an estimated amount of expenses associated with the subject, research from various sources has been done. The expenses are discussed and summarized as follows.

Management - The management expense category is a fee to take into account servicing the subject property. It includes accounting, advertising, legal fees, administrative, etc. Management fees for office warehouse buildings have been quoted at three to six percent of effective gross income by management companies. Because the building would most likely be occupied by one tenant, a management fee near the lower end of the range, or three percent, is concluded.

Allowance for Replacement - Prudent management would set aside reserves to replace building components which have a shorter than typical physical life. This includes cost to replace asphalt, HVAC, plumbing, roof, and other elements of the structure which expire before the building has reached the end of its economic life. The items comprising reserves for replacement are based upon market research and professional judgment. Most property managers report that between two and five percent of effective gross income is adequate to cover allowance for replacement. A reserve factor of two percent is concluded. Although this reserve allowance may not necessarily be adequate to cover all structural maintenance and repairs, it is consistent with typical investor parameters.

Net Operating Income

This is the resulting income after an allowance for vacancy and collection loss has been withheld, and after all operating expenses have been deducted.

Capitalization of Net Operating Income

Capitalization is the process of converting future benefits of ownership into a present value estimate. The future benefits consist of the income received during the holding period and the proceeds of resale of the property at the end of the holding period. In other words, the owner receives a "return on" and a "return of" capital.

There are various ways and methods of capitalizing income. The two main capitalization methods are direct capitalization and yield capitalization (DCF analysis). The direct capitalization method is used by almost all investors and purchasers of income-producing real estate.

Considering the physical and economic characteristics of the subject property, along with the market evidence available, direct capitalization is concluded to be the most appropriate method of valuation.

Direct Capitalization

Direct capitalization is used to convert a stabilized net operating income estimate into an indication of value in one direct step by the formula:

Value = Net Operating Income ÷ Capitalization Rate

Overall capitalization rates can be estimated using various methods. The two most common methods are (1) derivation from comparable sales; and (2) band of investment (mortgage and equity components). For this analysis, both methods will be employed.

Derivation of Capitalization Rate from Comparable Sales - This is the preferred method when sufficient data on sales of similar, competitive properties is available.

No comparable sales in the sales comparison approach provided enough information from which a capitalization rate could be extracted. Six supplemental sales of similar properties are also summarized in the following table:

Capitalization Rate Summary								
Sale #	Location	Sale Date	Eff. Age/ Size (SF)	Potential Gross Inc/ Vacancy	Effective Income	Expenses	NOI/ Purchase Price	NOI
S-1	4521 West 1980 South Salt Lake City	6/12	15 yrs 103,103	N/A	N/A	N/A	$390,971 $4,949,000	7.90%
S-2	550 East 700 South Provo	4/12	20 yrs 162,000	$544,320 6% $32,659	$511,661	NNN 5% $25,583	$468,078 $6,200,000	7.84%
S-3	3687 West California Avenue Salt Lake City	3/12	5 yrs 146,164	N/A	N/A	N/A	$616,590 $7,956,000	7.75%
S-4	9 West 3300 South Salt Lake City	10/11	1974 4224	N/A	N/A	N/A	$65,653 $825,000	7.96%
S-5	9235 South 700 East Sandy	6/11	1977 4321	N/A	N/A	N/A	$67,200 $690,000	9.74%
S-6	5253 West 2100 South West Valley City	4/11	20 yrs 194,510	N/A	N/A	N/A	$665,575 $8,425,000	7.90%
Average								8.18%

The comparables indicate a range of 7.75 percent to 9.74 percent, with an average overall rate of 8.18 percent. All sales are considered average indicators in determining an appropriate rate, and are given equal weight in establishing a capitalization rate. The data is considered adequate in quality and amount. The market extracted sales information supports a rounded 8.20 percent capitalization rate.

Band of Investment Method - Since there is good mortgage and equity information available, a rate can be developed using information that takes into account the mortgage and equity requirements in the local market. This method of direct capitalization takes into account the fact that properties are purchased with debt and equity capital. The overall capitalization rate must satisfy both the mortgage position and the equity position. There is sufficient market data to develop a capitalization rate for the subject property.

To develop this method we have: (1) obtained typical mortgage loan terms from interviews with various commercial lenders, and (2) analyzed the typical equity return or equity capitalization rate for properties similar to the subject. This rate is computed by taking the cash flow an investor receives <u>after annual debt service</u> and dividing the cash flow return by the equity capital portion of the real estate investment.

The computation of overall rate is based on the following formula:

$$\mathbf{Ro = M \times Rm + (1-M) \times Re}$$

The following explanation is given to define the components used in the formula:

Ro =	Overall Rate
M =	Loan Ratio
Rm =	Mortgage Constant or annual mortgage payment divided by the mortgage amount.
Re =	Equity Capitalization Rate

Information provided to us by commercial loan officers from various banks, indicates that local mortgage bankers would make a loan on the subject at about 6.50 percent for 15 to 20 years at a fixed rate with a 5 year balloon, or renegotiation of the rate at that time. The typical loan-to-value ratio is 65 to 70 percent.

The next consideration is the equity return or equity capitalization rate. This rate is computed by taking the cash flow an investor receives after annual debt service and dividing the cash flow return by the equity capital portion of the real estate investment. We were unable to extract an equity capitalization rate from any of the sale comparables. However, other sales of similar type properties indicate a range of 5.0 to 8.0 percent. Based on this, we have concluded a rate of 7.0 percent.

The following is a summary of the market conditions and assumptions for development of the band of investment method:

Band of Investment Calculation

Inputs:		
Loan Ratio	70%	
Equity Ratio	30%	
Mortgage Rate	6.50%	
Term (yrs)	20	(5-yr call)
Equity Cap Rate	7.00%	

Calculation

Type of Funds	Ratio of Total Funds	Mortgage Constant/ Equity Cap Rate	Weighted Average
Mortage	70%	8.95%	6.26%
Equity	30%	7.00%	2.10%
Overall Rate by Band of Investment Method			**8.36%**

The concluded capitalization rate by the mortgage-equity method is 8.36 percent or 8.35 percent after rounding to an appropriate indicator. This rate supports those concluded by the comparable sales.

Conclusion of Capitalization Rate - The direct extraction from the comparable sales suggests a rate of about 8.20 percent for the subject. The band of investment indicated a rate of 8.35 percent. Both methods are derived from current market information. We have given most weight to the overall rate derived from the sale comparables since it was extracted from actual sales and is more indicative of a typical overall rate for these types of properties. The concluded capitalization rate for the subject property is 8.25 percent.

Conclusion of Value

The previously concluded information is summarized on the following pro forma operating statement:

Pro-Forma Operating Statement				
Potential Gross Income				
Rentable Area	29,711	$7.10	$210,948	
Other	0	$0.00	$0	
Total Potential Gross Income			$210,948	
Vacancy/Collection Loss		8%	($16,876)	
Effective Gross Income				$194,072
Operating Expenses				
Management		3%	($5,822)	
Replacement Allowance		2%	(3,881)	
Total Expenses & Allowance	% of EGI	5%		($9,704)
Net Operating Income				$184,369
Capitalization Rate				**8.25%**
Base Value for Economic Unit				$2,234,771
Curable Physical Deterioration				0
Excess Land Value				0
Total Value Indicated by Income Approach				**$2,234,771**
Rounded				**$2,230,000**

After careful consideration of the information presented in this section of the report, we are of the opinion that the “as is” fee simple title market value of the subject property, by the income capitalization approach, as of September 24, 2013, is:

$2,230,000

"TWO MILLION TWO HUNDRED THIRTY THOUSAND DOLLARS"

RECONCILIATION AND FINAL VALUE ESTIMATE

Reconciliation is the final step in the valuation process of the appraisal report and value conclusions are analyzed to reach a final value estimate. A brief description of the site, building improvements, and other factors concerning the subject property were discussed. The subject property was analyzed concerning the highest and best use. The three traditional approaches to value are: 1) the cost, 2) the sales comparison, and 3) the income capitalization approaches to value.

In the valuation process, full and complete sales comparison and income capitalization Approaches have been developed and lead to a reasonable correlation of value.

<u>The cost approach was not developed</u> since it is not considered applicable for arriving at a credible opinion of value. The subject building was originally constructed over 25 years ago; as such, the figures associated with current construction costs potentially reflect quite different technologies, standards, and types of materials. Moreover, depreciation estimates would be quite subjective. Consequently, any estimate of value associated with the cost approach is substantially weakened, largely meaningless, and potentially misleading.

The two approaches have indicated the following value estimates:

Sales Comparison Approach	$2,380,000
Income Capitalization Approach	$2,230,000

Each of the approaches is considered in relationship to the quantity and reliability of the data used, and to the applicability of the approach.

Sales Comparison Approach

The sales comparison approach would be given consideration by an owner/user or a potential investor. Comparables both inferior and superior to the subject were helpful in bracketing value for the subject property. It was determined from the data that the appropriate unit of comparison for valuation was the sales price per square foot method. Adjustments were made in an adjustment grid to provide comparison to the subject. The comparables were analyzed and adjusted based on differences with the subject property.

Income Capitalization Approach

The income capitalization approach to value is an important section of the report because it reflects well the motivation of investors in the marketplace. This approach is also very market oriented because the gross income, current rates of return, and market and financial indicators are evaluated in making the conclusions as to the value indication.

In expanding the income approach, the potential gross income was determined by a survey of similar buildings found in the subject's marketplace. There was good and adequate lease information within the subject neighborhood which is reliable for indicating a market lease rate for the subject property. The information reported is considered to be accurate and supported by local market data.

The projected vacancy and expenses for the subject were developed by and from analysis of vacancy and expense information on similar type buildings. A pro forma statement was developed and the net operating income was projected. Having determined the net operating income, a capitalization rate was derived from market data from which a value by the direct capitalization method was concluded. Two methods were used for determining an overall rate. First, the direct market extraction method compared overall capitalization rates among office/warehouse buildings which have recently sold, and for which income information was available. Second, the band of investment method was utilized, using current mortgage and equity rates. An overall market extracted capitalization rate of 8.25 percent was concluded.

Final Value Estimate

In the final analysis of the two approaches to value, it is noted that the range in value is from $2,230,000 to $2,380,000. Most weight is given to the sales comparison approach method since it is based on very reliable market supported information, and since the subject is considered to be primarily a single-tenant building that is generally owner occupied.

After careful consideration of the information contained within this report, we are of the opinion that the "as is" market value of the subject property with fee simple title property rights, as of September 24, 2013, is:

$2,350,000

"TWO MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS"

CERTIFICATION

We, STAN C. CRAFT and GARY R. FREE, certify that, to the best of our knowledge and belief:

The statements of fact contained in this report are true and correct.

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

The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, unbiased professional analyses, opinions, and conclusions.

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

Our compensation is not contingent on an action or event resulting from the analysis, opinions, or conclusions in, or the use of, this report.

The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of the loan.

Our analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Practice of the Appraisal Foundation and the Supplemental Standards 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.

I, Stan C. Craft, have made a personal inspection of the property that is the subject of this report. Gary R. Free did not inspect the subject property.

The Appraisal Institute and other appraisal organizations, of which this appraiser is a member, conduct a voluntary program of continuing education for its designated members. MAI's and SRA's who meet minimum standards of this program are awarded periodic educational certification. As of the date of this report, we, GARY R. FREE and STAN C. CRAFT, have completed the requirements of the continuing education program of the Appraisal Institute.

The undersigned hereby acknowledges that he has the appropriate education and experience to complete the assignment in a competent manner. The reader is referred to the appraiser's Statement of Qualification. Randy Henderson provided significant professional assistance to the persons signing this report (his involvement included property inspection, collection of data, analysis, and report writing).

January 23, 2014	January 23, 2014
DATE	DATE
GARY R. FREE, MAI, SRA SENIOR MANAGING DIRECTOR	STAN C. CRAFT, MAI MANAGING DIRECTOR
Utah State - Certified General Appraiser License # 5451769-CG00 (Exp. 6/30/15)	Utah State - Certified General Appraiser License # 5468268-CG00 (Exp. 11/30/14)

GENERAL ASSUMPTIONS

This appraisal report has been made with the following general assumptions:

1. The legal description used in this report is assumed to be correct.

2. No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.

3. No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and marketable, unless otherwise stated.

4. Information furnished by others is assumed to be true, correct and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. All mortgages, liens, encumbrances, leases and servitudes have been disregarded unless so specified within the report. The property is appraised as though under responsible ownership and competent management.

6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors.

7. Full compliance with all applicable federal, state and local environmental regulations and laws is assumed unless noncompliance is stated, defined and considered in the appraisal report.

8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless some nonconformance has been stated, defined and considered in the appraisal report.

9. It is assumed that all required licenses, certificates of occupancy, contents, 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.

10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

GENERAL LIMITING CONDITIONS

The appraisal report has been made with the following general limiting conditions:

1. The appraiser will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made.

2. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.

3. The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.

4. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.

   Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, sales media or any other public means of communication without the prior written consent and approval of the appraiser.

5. Acceptance of and/or use of this appraisal report constitutes acceptance of the stated general assumptions and limiting conditions.

SPECIAL LIMITING CONDITIONS

1. The liability of Free and Associates, Inc. is limited to the client only. Furthermore, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than 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 offerings or stock offerings in real estate, 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, client will hold appraiser completely harmless in any such action.

2. In this appraisal assignment, the existence of potentially hazardous material on or near the subject site and/or used in the construction or maintenance of any of the buildings, such as the presence of urea-formaldehyde foam insulation, and/or the existence of toxic waste, which may or may not be present on the property, was not observed by us, nor do we have any knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The existence of urea-formaldehyde foam insulation or other potentially hazardous waste material may have an effect on the value of the property. We urge the client to retain an expert in this field if desired.