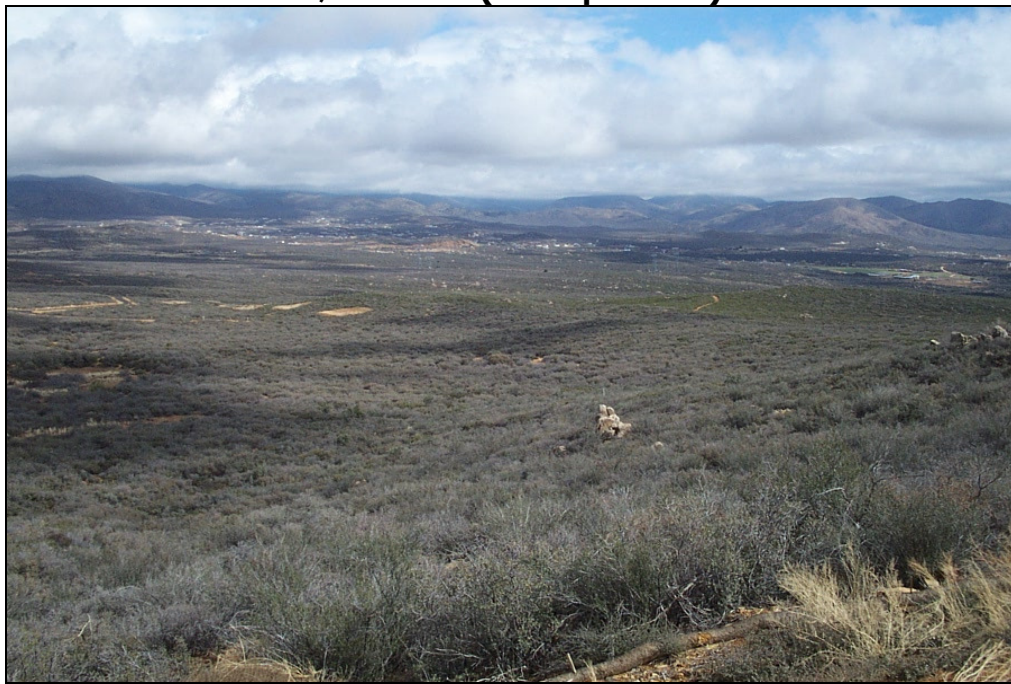


# SUMMARY APPRAISAL REPORT

*Fee Simple Estate*

**1,570,338 Gross Square Feet or 36.05 Acres of  
“As Is”, Vacant (Unimproved) Land**



**SE of the SEC of Grant Woods Parkway & Sheridan View Way  
Dewey-Humboldt, Yavapai County, Arizona 86327**

<p>PREPARED BY <b>Appraisal Solutions, Inc. (ASI)</b> Mr. Ambrose Rojas 2503 North 16<sup>th</sup> Street Phoenix, Arizona 85006</p>	<p>PREPARED FOR <b>Merchants Funding, LLC</b> 7400 East Crestline Circle, Suite 250 Greenwood Village, CO 80111 Attention: Ms. Betty Lechman, Vice President Commercial Department</p>
<p><b>DATE OF VALUATION</b> March 9, 2009</p>	<p><b>DATE OF REPORT</b> March 26, 2009</p>

March 26, 2009

To: Merchants Funding, LLC  
7400 East Crestline Circle, Suite 250  
Greenwood Village, CO 80111  
Attention: Ms. Betty Lechman, Vice President Commercial Department

Subject: Summary report of an "as is" vacant (unimproved) land parcel containing 1,570,338 total gross square feet or 36.05 Acres located SE of the SEC of Grant Woods Parkway & Sheridan View Way, Dewey-Humboldt, Yavapai County, Arizona 86327.  
**Re: Cantera Ranch, LLC**

Dear Ms. Lechman:

At your request, I have personally inspected the subject of this appraisal for the purpose of estimating its "as is", vacant (unimproved) land market value. My analyses, opinions, and conclusions were developed, and this appraisal has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP 2008). The value estimate is supported by market analysis and communicated through a summary report plus exhibits, which describes and identifies methods of approach/valuation. A summary appraisal report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b). As such, it presents only summary of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinion of market value. The appraiser has utilized the Sales Comparison Approach to value. The Cost Approach and the Income Approach to values were not applicable due to the subject being vacant (unimproved) land.

The subject property "as is" consists of a parcel of vacant (unimproved) land located SE of the SEC of Grant Woods Parkway & Sheridan View Way. The subject is identified as parcel number 402-13-026E consisting of 1,570,338 total gross square feet or 36.05 Acres. At the time of inspection the subject parcel was vacant (unimproved) land with sloping terrain, and no utilities on site. Underground electric is approximately 2,000+/- feet from the site, and well, propane, and septic systems are typical for the area. Ground cover at the property was primarily of mountain brush and the property is accessible from Grant Woods Parkway, with the north alignment along Sheridan View Way. Some of the roadways are asphalt paved or have a hard gravel pack, with underground electric already in place. However, for the subject property, no underground electric has been completed and most of the roads have only been cut. At present, accessibility to the subject property is considered to be average to fair with most of the roads leading to the subject parcel being paved and graded dirt roads, and having limited signage and markings.

The subject is zoned RCU2A, Rural Residential Single Family, and according to Mr. Dan Basinger of Yavapai County Development Services Department, the RCU2A zoning is rural residential single family zoning, with a minimum of 2 acres per single family dwelling.

An interview with Mr. Jake Jacobson of Indian Meadows Realty, indicated that Mr. Nick Bonnano was one of the original developers of the Estates at Cherry Ridge and the Estates at Cherry Ridge II, however, Mr. Bonnano has been foreclosed upon before the developments were completed.

- Page 2 -

Mr. Jacobson continued to say there have been investigations as to illegal lot splits and developments, however he was unsure if the investigations were complete or not.

According to Ms. Tony Pittman of the Department of Real Estate Investigative Branch, the Estates at Cherry Ridge II does not legally exist, and the Estates at Cherry Ridge only exists as an unfinished development. Ms. Pittman stated that the improvements in the area may not all be legal and the investigation is still ongoing and includes all parcels that are a part of Estates at Cherry Ridge development. The subject property is located adjacent to the Estates at Cherry Ridge subdivision.

The values concluded are based on our analysis of market data including sales of similar competitive vacant land sites zoned to accommodate similar land uses which were confirmed by several different land brokers consulted during this assignment. It should be noted the appraiser has previously appraised this property, file # L.02-07.0037.

This appraisal has been prepared in conformance with Title XI of the Financial Institution Reform, Recovery and Enforcement Act of 1989 (FIRREA) (12 U.S.C. 3331 et seq.); Uniform Standards of Professional Practice (USPAP) adopted by the Appraisal Foundation (12 CFR Part 34, Subpart C and the appraisal guidelines of Merchants Funding, LLC.

The opinions and conclusions of value stated in this appraisal assignment incorporates all ownership rights included in the fee simple estate and are subject to any and all extraordinary and hypothetical assumptions of value as stated herein. Based on the aforementioned analysis, it is my formal opinion that the "as is" market value as of March 9, 2009 was:

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**SEVEN HUNDRED TWENTY THOUSAND DOLLARS**  
**\$720,000.00**

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This market value estimate assumes an exposure period of 9-12 months or less based upon similar market sales data, as of the effective date of the appraisal and is subject to any and all extraordinary as stated herein.

Respectfully Submitted,



Ambrose Rojas, AZ No. 30637  
Enc: Summary Report



## EXECUTIVE SUMMARY AND CONCLUSIONS

<b>Location</b>	SE of the SEC of Grant Woods Parkway & Sheridan View Way Dewey-Humboldt, AZ 86327	
<b>Assessor's Parcel Number</b>	402-13-026E	
<b>Highest and Best Use</b>	As Vacant – Future Development	
<b>Property Rights Appraised</b>	Fee Simple	
<b>Land Area</b>	1,570,338 Total Gross Square Feet – 36.05 Acres	
<b>Improvements</b>		
Property Type	As Is – Vacant (unimproved) Land	
Topography	Below Street Grade, Sloping	
Zoning	RCU2A, Rural Residential Single Family Zone (2 acre minimum per SFR)	
Frontage	Southeast portion along Grant Woods Parkway (private unfinished roadway)	
On-Site Utilities	As Is – No On sites (Electric within 2,000+/- feet)	
Off-Site Utilities		
Water	None (Individual Well is Typical)	
Sewer	None (Individual Septic is Typical)	
Gas	None (Individual Propane is Typical)	
Electric	Arizona Public Service	
Intended Use	Hold for Development	
Development State	As Is – Vacant (unimproved) Land	
<b>Estimated Exposure Time</b>	Nine to Twelve Months	
<b>Valuation</b>	<b>Value</b>	<b>Per Acre of Land</b>
Sale Comparison Approach “As Is”	\$720,000	\$19,972

“As Is”	Fee Simple	March 9, 2009	\$720,000 or \$19,972/Acre
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# TABLE OF CONTENTS

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## **PART I-INTRODUCTION**

Client Checklist .....	6
Statement of Underlying Assumptions and Limiting Conditions.....	8
Subject Property Identification .....	11
Plat & Aerial Maps.....	15
Ownership History .....	16
The Appraisal Report (Descriptions, Definitions & Scope) .....	17

## **PART II- FACTUAL DATA**

Neighborhood Analysis .....	25
Site Data Analysis .....	29

## **PART III-HIGHEST AND BEST USE AND ANALYSIS**

Market Analysis .....	38
Highest and Best Use Analysis.....	40

## **PART IV-VALUATION, ANALYSIS AND CONCLUSIONS**

Valuation Process.....	43
Sales Comparison Approach to Value.....	44
Conclusion and Final Estimates of Value.....	63
Certification Letter .....	66

## **PART V-ADDENDA**

Subject Property Information.....	EX. A
Subject Zoning Ordinance Definition.....	EX. B
Appraiser Qualifications.....	EX. C
Engagement Letter .....	EX. D
Subject Financial Information.....	EX. E



## STATEMENT OF WORK CHECKLIST

### Reporting Type

- Summary
- Self-Contained Report
- Restricted Use

### Type of Value

- As Is
- As Complete
- As Proposed
- As Stabilized
- Liquidation

### Property Rights

- Fee Simple
- Leased Fee
- Leasehold

### Approach to Value

- Cost Approach
- Sales Approach
- Income Approach

### Other Items

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> Budget                | <input type="checkbox"/> Leases                | <input type="checkbox"/> Purchase Contract   |
| <input checked="" type="checkbox"/> Flood Map  | <input checked="" type="checkbox"/> Zoning Map | <input checked="" type="checkbox"/> Plat Map |
| <input checked="" type="checkbox"/> Aerial Map | <input checked="" type="checkbox"/> Taxes      | <input type="checkbox"/> Plans               |



# **PART I**

# **INTRODUCTION**



## **UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS**

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This appraisal report, including the letter of transmittal and certification of value, has been prepared and is subject to the following assumptions and limiting conditions.

1. The legal description stated is assumed to accurately describe the subject property. No responsibility is assumed for the legal description provided or for matters including legal or title considerations. It is suggested to the client that a complete metes and bounds legal description is obtained through a reputable title company.
2. The title to the property is assumed to be marketable, free and clear of all liens, including tax liens, improvement district assessments and mortgages.
3. Responsible ownership and competent property management are assumed for the property.
4. The information furnished by others and contained in this report is believed to be reliable. However, no warranty (express or implied) is given for its accuracy.
5. The building layout and other illustrative material in this report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging engineering studies that may be required for their discovery.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the utilization of the land is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. The use (function) of this report is to aid in or support decisions related to encumbering the subject property for the benefit of Merchants Funding, LLC. Possession of this report, or a copy thereof, does not carry with it the right of publication. The report may not be used for any purpose by any person other than proper representatives of the client, without the express written consent of the appraisers.
12. The appraisers, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property unless arrangements have been previously made.
13. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or the firm to which he is employed) shall be conveyed





to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraisers.

14. Compensation for appraisal services rendered is dependent only upon the delivery of this report and not contingent upon the values estimated.

15. This appraisal does not take into consideration the possibility of the existence of asbestos, PCB transformers, urea formaldehyde foam insulation, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (containing hazardous materials), or the cost of encapsulation or removal thereof. The appraisers are not qualified to detect or evaluate such substances. Should the client have a concern over the existence of such substances, they are urged to retain the services of a qualified independent engineer or contractor to determine the extent of the condition and the cost of any required or desired treatment or removal. The cost must be borne by the client or owner, of the property, however, this cost has not been considered in the valuation of the property.

16. Subsurface rights (minerals and oil) and their potential impact upon value were not considered in this appraisal.

17. The land and soil underlying the subject property (site) appears sufficiently firm and solid to support typical development in the area. Subsidence in the area is uncommon; however no warranty is expressed against this potential occurrence.

18. All furnishings and equipment (or other personal property), except those specifically indicated and/or typically considered as a part of real property (under common accepted definitions) have been disregarded in this valuation. Only the real estate, as permanently affixed to the subject site, has been valued herein

19. The comparable sales data relied upon in this appraisal are believed to be from reliable sources. However, it was necessary to rely on information furnished by others as to say data. Therefore, the value conclusions expressed herein are subject to the accuracy of this data.

20. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. While we do not know of specific non-conformance violations of this act, we do not consider ourselves to possess the qualifications necessary to render a fully supported opinion to the client with respect to these matters.

**IT IS POSSIBLE THAT A COMPLIANCE SURVEY OF THE PROPERTY (UPON COMPLETION), TOGETHER WITH A DETAILED ANALYSIS OF THE REQUIREMENTS OF THE ADA, COULD REVEAL THAT THE PROPERTY IS NOT IN COMPLIANCE WITH ONE OR MORE OF THE REQUIREMENTS OF THE ACT. IF SO THIS FACT COULD HAVE AN EFFECT UPON THE VALUE OF THE PROPERTY. SINCE I HAVE NO DIRECT EVIDENCE RELATING TO THIS ISSUE, WE DID NOT CONSIDER POSSIBLE NON-COMPLIANCE WITH THE REQUIREMENTS OF THE ADA IN ESTIMATING THE VALUE OF THE PROPERTY. IF AT A LATER DATE, IT IS DETERMINED THAT THE SUBJECT DOES NOT CONFORM, WE RESERVE THE RIGHT TO ADJUST THE VALUE ACCORDINGLY.**



## SUMMARY AND FACTS

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<b>CLIENT:</b>	Merchants Funding, LLC 7400 East Crestline Circle, Suite 250 Greenwood Village, CO 80111
<b>APPRAISER:</b>	Ambrose Rojas Appraisal Solutions, Inc. 2503 North 16 <sup>th</sup> Street Phoenix, Arizona 85006
<b>SUBJECT PROPERTY:</b>	SE of the SEC of Grant Woods Parkway & Sheridan View Way Dewey-Humboldt, Arizona 86327
<b>PROPERTY TYPE:</b>	As Is – Vacant (unimproved) Land
<b>APPRAISAL AND REPORT:</b>	Summary Report
<b>PROPERTY RIGHTS:</b>	Fee Simple
<b>LAND USE:</b>	RCU2A, Rural Residential Single Family Zone (2 acre minimum)
<b>FLOOD ZONE:</b>	Zone “X” as designated by the Federal Emergency Management Agency (FEMA), per Map No. 040093-2140F; dated 06/06/2001. Areas determined to be outside 500-year floodplain determined to be outside the 1% and 0.2% annual chance floodplains. No flood insurance is required.
<b>HIGHEST AND BEST USE:</b>	As Vacant – Future Development
<b>EFFECTIVE DATE OF VALUE:</b>	March 9, 2009
<b>ASSIGNMENT:</b>	The appraiser was assigned to provide an opinion of market value of the subject “as is” as vacant (unimproved) land as of March 9, 2009.
<b>COMPLETION DATE OF REPORT:</b>	March 26, 2009
<b>FINAL VALUE ESTIMATE:</b>	\$720,000 or \$19,972/Acre “As Is” Vacant (unimproved) Land



## **IDENTIFICATION OF THE PROPERTY**

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### **SUBJECT LOCATION**

The subject property is located outside the Town limits of Dewey, approximately 4 miles east of Highway 69, and approximately 1 mile south of the Highway 169.

**PROPERTY ADDRESS:** SE OF THE SEC OF GRANT WOODS PARKWAY &  
SHERIDAN VIEW WAY  
Dewey-Humboldt, Arizona 86327

**PROPERTY OWNER:** Cantera Ranch, LLC  
29609 N. 153rd Place  
Scottsdale, Arizona 85262

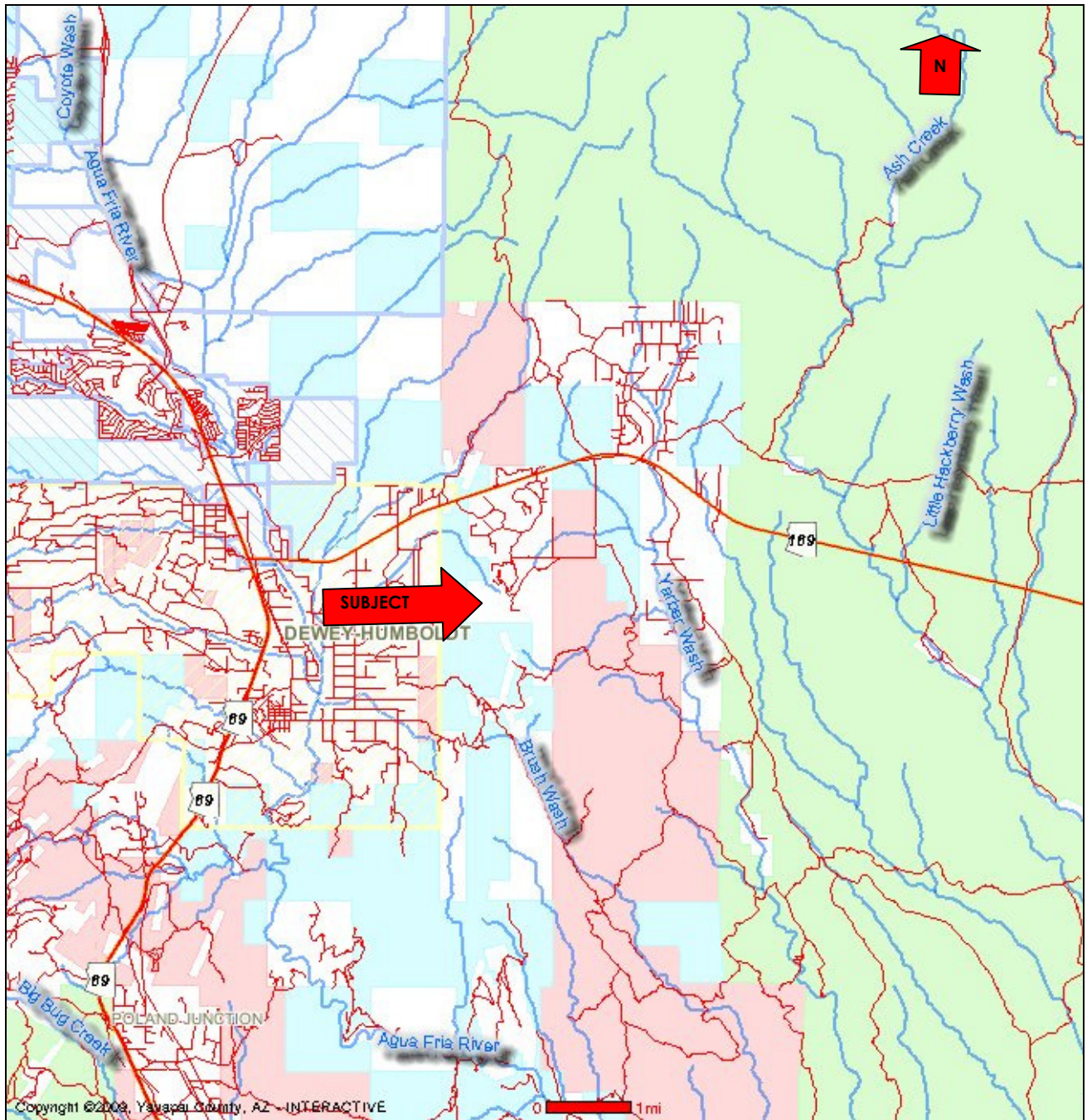
### **RELEVANT CHARACTERISTICS**

The subject property "as is" consists of a parcel of vacant (unimproved) land located SE of the SEC of Grant Woods Parkway & Sheridan View Way. The subject is identified as parcel number 402-13-026E consisting of 1,570,338 total gross square feet or 36.05 Acres. At the time of inspection the subject parcel was vacant (unimproved) land with sloping terrain, and no utilities on site. Underground electric is approximately 2,000+/- feet from the site, and well, propane, and septic systems are typical for the area. Ground cover at the property was primarily of mountain brush and the property is accessible from Grant Woods Parkway, with the north alignment along Sheridan View Way. Some of the roadways are asphalt paved or have a hard gravel pack, with underground electric already in place. However, for the subject property, no underground electric has been completed and most of the roads have only been cut. At present, accessibility to the subject property is considered to be average to fair with most of the roads leading to the subject parcel being paved and graded dirt roads, and having limited signage and markings.

The subject is zoned RCU2A, Rural Residential Single Family, and according to Mr. Dan Basinger of Yavapai County Development Services Department, the RCU2A zoning is rural residential single family zoning, with a minimum of 2 acres per single family dwelling.

An interview with Mr. Jake Jacobson of Indian Meadows Realty, indicated that Mr. Nick Bonnano was one of the original developers of the Estates at Cherry Ridge and the Estates at Cherry Ridge II, however, Mr. Bonnano has been foreclosed upon before the developments were completed. Mr. Jacobson continued to say there have been investigations as to illegal lot splits and developments, however, he was unsure if the investigations were complete or not. According to Ms. Tony Pittman of the Department of Real Estate Investigative Branch, the Estates at Cherry Ridge II does not legally exist, and the Estates at Cherry Ridge only exists as an unfinished development. Ms. Pittman stated that the improvements in the area may not all be legal and the investigation is still ongoing and includes all parcels that are a part of Estates at Cherry Ridge development. The subject property is located adjacent to the Estates at Cherry Ridge subdivision.

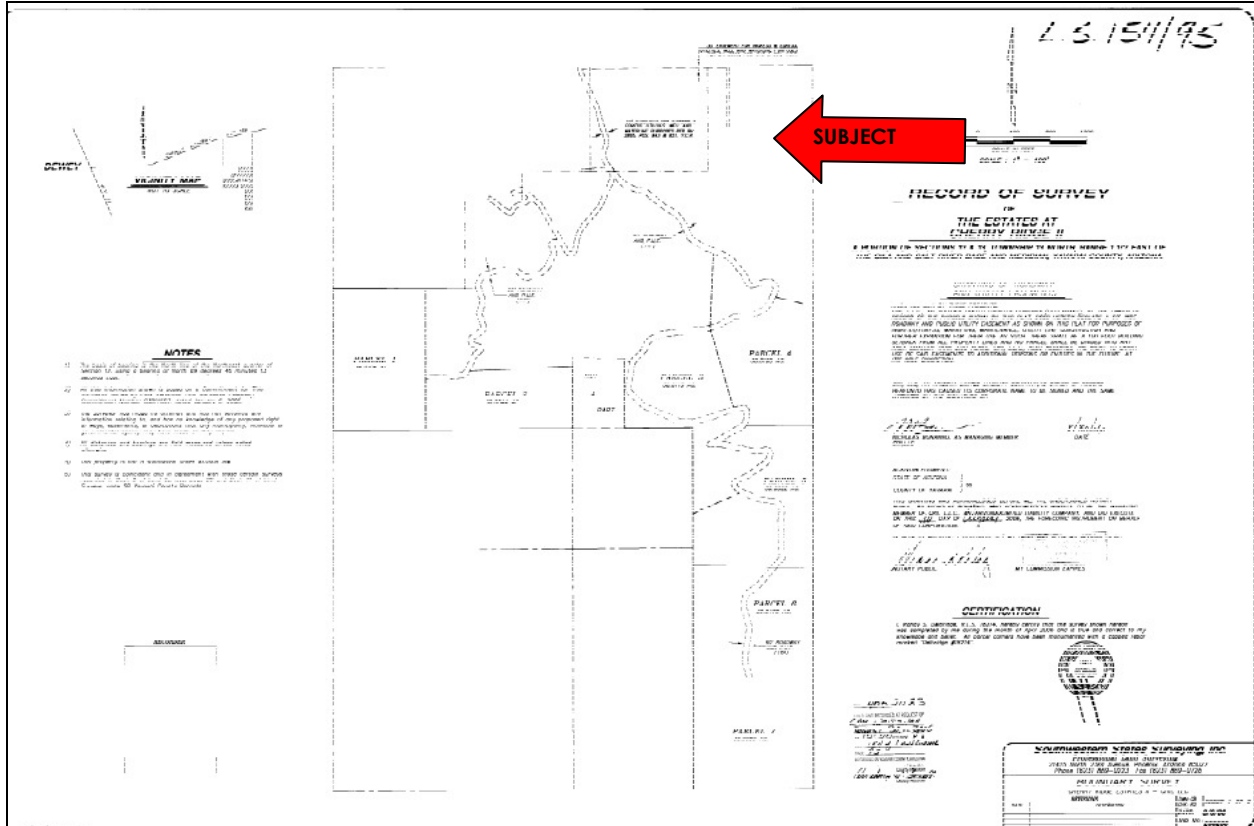
## SUBJECT LOCATION MAP







# RECORD OF SURVEY Estates at Cherry Ridge II (Name Only)



It should be noted the subject property is located adjacent to the south of the Estates at Cherry Ridge subdivision. The above is only a survey of the Estates at Cherry Ridge II and the subject is located adjacent to the northeast of this area. Note number 5 on the above document states "This property is not a subdivision under Arizona Law".



## EXTERNAL INFLUENCES

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Upon a review of the immediate surrounding land uses the appraisers observed the following:

North of Subject Property:	Vacant Land
East of Subject Property:	Vacant Land
South of Subject Property:	Vacant Land
West of Subject Property:	Vacant Land

The immediate area can be considered 5% - 10% built-out with vacant land areas available for future development. The subject is located outside the Town limits of Dewey, approximately 4 miles east of Highway 69, and approximately 1 mile south of Highway 169. The immediate area mostly consists of (unimproved), vacant land similar to the subject.

## LEGAL DESCRIPTION

This is the subject property's parcel legal description according to the Yavapai County Public Records Office.

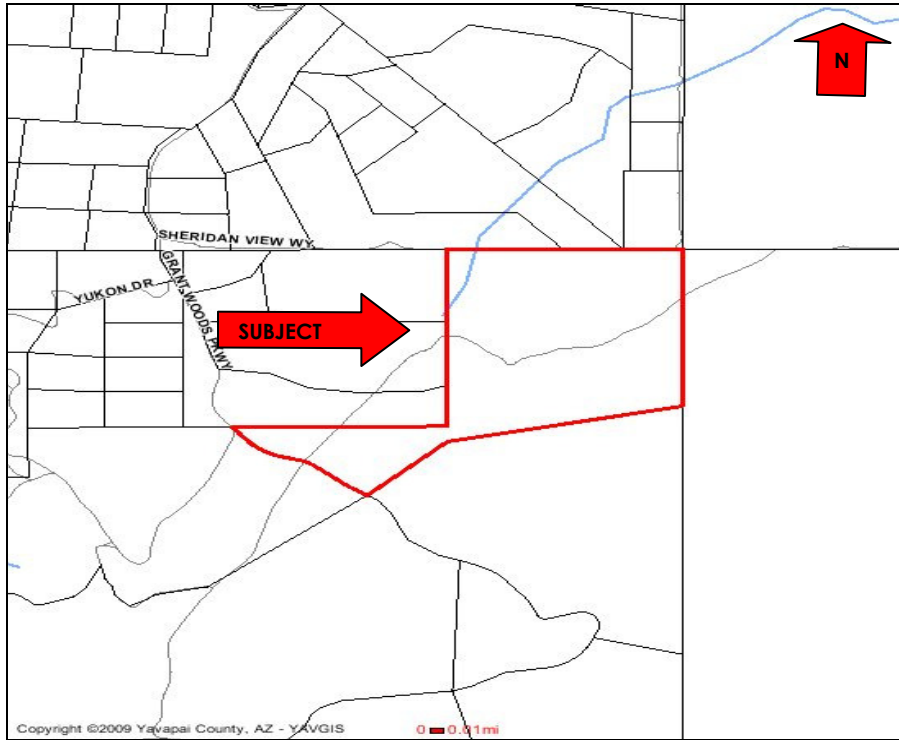
**PARCEL NUMBER: 402-13-026E**

**AN IRREG PCL WITH THE NE COR BEING THE NE COR 12-13-1.5E CONT  
36.05AC**

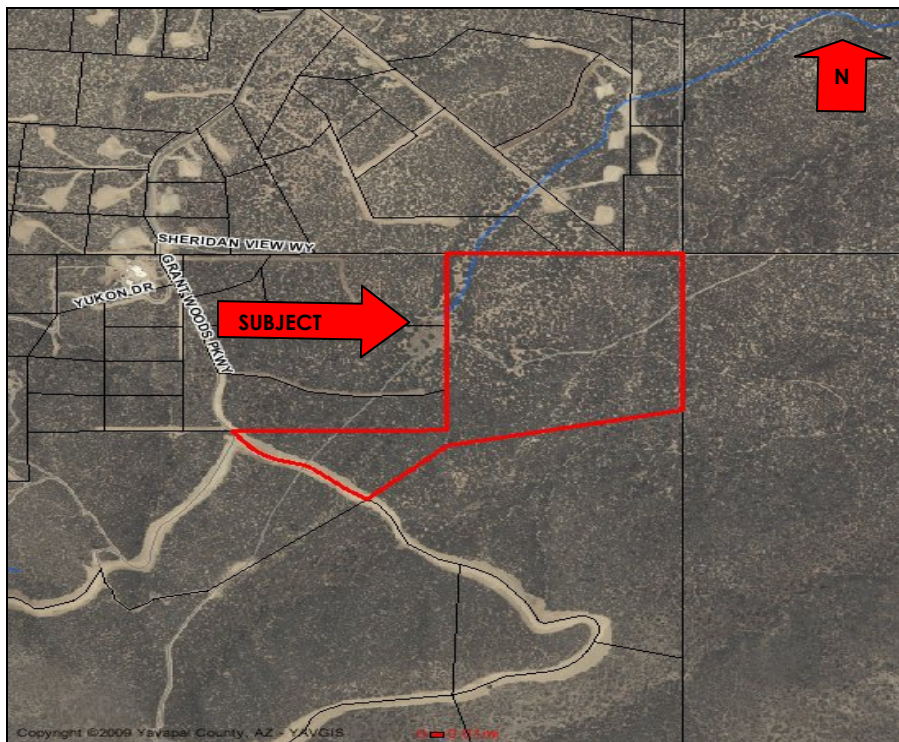
The surrounding parcels have been researched to determine whether or not similar ownership exists and whether or not any additional parcels should be included within the valuation and reporting process for the subject property. Research has concluded that no other parcels are under the same ownership; therefore, no other parcels are included in this appraisal report.

A copy of the parcel map is provided on the following page.

### PARCEL MAP



### AERIAL MAP





## **PROPERTY RIGHTS APPRAISED**

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At present, the subject property is a single parcel of vacant (unimproved) land zoned RCU2A, Rural Residential Single Family. No improvements have been added to the property since transferring to the current ownership February 16, 2007.

The purpose of this appraisal is to determine the market value of the subject property as of the valuation date and to assist the client in decisions related to encumbering the subject property for the benefit of Merchants. The property rights appraised will henceforth be the Fee Simple Estate. The definition of this estate, according to The Dictionary of Real Estate Appraisal, Fourth Edition, 2006, Appraisal Institute, is:

Fee Simple Estate: *"Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government."*

## **OWNERSHIP HISTORY**

Owner of record as provided by interviews with the owner and confirmed by the Yavapai County Recorder's Office:

Cantera Ranch, LLC
29609 N. 153rd Place
Scottsdale, Arizona 85262

## **PREVIOUS SALE:**

After researching the ownership history of the subject property using Yavapai County Public Records and iMapp, Inc, the appraiser was provided the following information:

The subject property was transferred on 2/16/2007, with a recorded sales price of \$2,200,000 or \$61,026 per acre. The recorded seller was CR II, LLC and the recorded buyer was Cantera Ranch, LLC and was executed under warranty deed number 4109532. It appears that the subject property was purchased at market value, at that period of time. No other prior sales were noted within the last 5 years.

## **LISTING FOR SALE**

According to the property owner, Mr. Wayne Anderson, the subject property is not currently under any contract nor is it listed for sale.





## THE APPRAISAL REPORT

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### PURPOSE, USE AND USER OF THE APPRAISAL

The intended use of this appraisal is to assist our client in market value for management decisions, as of the date of valuation or March 9, 2009. The intended user of this appraisal is Merchants Funding, LLC.

### SCOPE OF THE APPRAISAL

Significant changes were adopted in 2006 to the Uniform Standards of Professional Appraisal Practice, 'USPAP'. These Rules, Standards, and Statements (as promulgated by the Appraisal Standard Board of The Appraisal Foundation and adopted by the Arizona Board of Appraisal) were modified in 2008-2009 to include the "Scope of Work Rule" which defines the type and extent of research and analysis required for an appraisal assignment. With the elimination of the "Departure Rule", the differentiation between 'specific' and/or 'binding' requirements is no longer applicable; but rather become a function of the scope of work decision as determined between appraisers and client. Current USPAP states that:

*"...an appraiser must:  
...determine and perform the scope of work necessary to develop credible assignment results..."*

and that:

*"An appraiser must properly identify the problem...to determine the appropriate scope of work. The appraiser must...demonstrate that the scope of work is sufficient to produce credible assignment results."*

USPAP goes on to state that:

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

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



## **SCOPE OF WORK: AS DETERMINED AND PERFORMED**

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The appraisers performed an analysis of the subject property and one of the three typical approaches to value has been developed: The Sales Comparison Approach was utilized for the vacant (unimproved) land. It should be noted that similar vacant (unimproved) land sales in the surrounding Dewey-Humboldt market area were scarce and the appraisers made every effort to find similar vacant land sites. It was necessary to extend the search parameters to include all of Yavapai County and sales within 24 months of the effective date. Since the property is considered to be vacant (unimproved) land, the Developmental Cost Approach and the Income Approach were omitted.

The appraisers believe the Sales Comparison Approach is the predominant indicator of market value for this particular property type and the assignment results are considered to be credible in the context of current market conditions and participant motivations for this particular assignment.

The research process began with an examination of Yavapai County records, and an investigation of comparable vacant land sales data from monthly sales tracking publications such as *RealQuest*, *Loopnet*, and multiple listing service *PAAR*. The data was further analyzed and verified by discussions with brokers and sales agents that specialize in the development of vacant (unimproved) land.

The appraiser was assigned to provide an opinion of the market value of the subject "as is" as of March 9, 2009.

The appraiser has also taken the following steps in the discovery of the subject property in an effort to complete this appraisal assignment:

- The subject property was physically inspected on March 9, 2009. This physical inspection included cursory observation and notation of only those elements visible to the naked eye and gathering photographic representation of the subject property and surrounding areas.
- The appraisers consulted with [www.floodmaps.com](http://www.floodmaps.com) to determine the current flood plain location of the subject site and the necessity of flood insurance for the property.

Adequate data was reported in this summary report to lead the reader to the methodologies utilized to reach our final opinion of market value. Assumptions and limiting conditions plus the included certification set forth the boundaries in which this valuation opinion was derived. As part of the agreed upon scope of work, the appraisers then inspected the subject property and researched (unimproved), vacant land comparables; observed the neighborhood, considered market trends, interviewed Yavapai County officials and interviewed market participants (brokers, sales agents, property owners, and buyers/sellers).



A thorough investigation of public records and various real estate databases was required to gather the information necessary to produce this report. The appraisers obtained active listings and considered properties that are currently in escrow to capture the movement of the market and determine the current level of values.

The appraisers then utilized recognized valuation methodologies and techniques to arrive at a supportable market value opinion, which is determined to be credible within the context of this report. The appraiser has researched the immediate subject area for vacant (unimproved) land with similar functional utility as the subject property's highest and best use, under the residential rural zoning ordinances (RCU). The vacant (unimproved) land sale comparables utilized within this report were sold within the last twenty-four months and are considered to be comparable to the subject. All sales utilized within this analysis were vacant (unimproved) land properties which were sold and purchased with fee simple real property rights. These comparables are considered similar to the subject in terms of site size, zoning allowances and location characteristics. The appraisers also consulted with area sales agents and brokers to determine market conditions for similar vacant (unimproved) land within the Yavapai County market area. It was necessary for the appraisers to seek comparables outside any of the city limits within the Yavapai County submarkets. When searching for comparables it was made apparent through interviews with area professionals such as Mr. Michael Haenel, Grubb & Ellis, Mr. Ryan Duncan, Land Advisors Organization, and Mr. Joe Cryan, NAI Horizon that properties within city limits appear to sell for about 30% to 50% more than properties outside the city limits. It also became apparent that there was about a 5% to 10% higher sale value for properties that have paved road access compared to those that were just accessed by dirt roads. This was also supported by interviews with Mr. Shea Nieto, AMS Real Estate, LLC and Mr. Ben Heglie, Hogan & Associates who have recently sold or listed vacant land zoned RCU2A, or similar zoning.

The appraisers are of the opinion that the comparable sales utilized, capture the elements of comparison listed below. These comparables were adjusted accordingly for superior or inferior differences as they relate to the subject property.

• Similar Size	• Entitlements	• Zoning	• Location
• Frontage	• Visibility	• Orientation	• Traffic

### **Sales Comparison Approach**

In order to develop the Sales Comparison approach, the appraisers first began with interviews of local brokers and agents that are actively involved in the subject submarket in order to develop a market analysis and get an understanding of the current market conditions. Through these interviews, the appraiser was able to get an understanding of the current market and characteristics that are important and relevant when searching for active listings and closed sales.



The appraiser then began a search for active listings and closed sales keeping in mind the important characteristics being location, lot size and land use. The appraiser searched for closed sales all around Dewey-Humboldt and extended the search outward from the subject property to find viable sales comparables. The appraisers then employed the following search parameters.

### **“As Is” Parameters**

**Land Use:** (unimproved), Vacant Land

**Zoning:** RCU2A, Rural Residential Single Family

**Site Size:** Between 15 and 80 acres

**Close of Escrow Date:** between 03/01/2007 and 03/09/2009

**Location:** Yavapai County (Rural areas surrounding)

After searching with these characteristics in mind, the appraisers found 5 closed sales and 11 active listings that met most of these characteristics. The appraisers utilized three sales which closed escrow within the past twenty-four months prior to the effective date of the appraisal and utilized three of the active listings. It was determined to be important for the appraisers to stay outside the city limits within the Yavapai County market areas.

The appraisers made appropriate adjustments based on interviews with market participants, such as Mr. Shea Nieto, AMS Real Estate, LLC and Mr. Ben Heglie, Hogan & Associates. Brokers interviewed indicate a lack of buyers for land properties while still acknowledging the unsteadiness of the overall market. Therefore, the appraisers placed emphasis on active listings to ensure the updated information regarding the subject's market value. As discussed within the Sales Comparison Approach, the appraisers then interviewed agents and brokers and studied published market data in order to arrive at credible adjustments for differences between comparables and the subject property. The final step was to correlate and reconcile the results into a reasonable and defensible value conclusion, as defined herein.

### **Developmental Cost Approach & Income Approach**

The appraisers did not develop the Developmental Cost and Income Approaches for the subject due to the fact it currently is (unimproved), vacant land.



## **SPECIAL LIMITING CONDITIONS**

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According to USPAP 2008-2009, an **extraordinary assumption** is: “an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraisers opinions and conclusions.” Extraordinary assumptions presume as fact *otherwise uncertain information* about the integrity of data used in an analysis; or physical, legal, or economic characteristics of the subject property; or market conditions or trends regarding a subject property. The appraised value was subject to the following extraordinary assumptions.

- The subject parcel was studied and analyzed from plat maps obtained from public records, which list the subject parcel gross size at 1,570,338 gross square feet or 36.05 Acres.
- No staining was observed during the on-site inspection March 9, 2009; however, the appraisers are not qualified to determine whether an environmental hazard exists. If any environmental hazards are in question, a qualified environmental engineer should be contacted for a review of the areas in question.
- A copy of the title report was not provided to the appraiser. The subject property is access by a private roadway, which goes through the Estates at Cherry Ridge subdivision. The appraiser assumes the subject property has legal access, however, if there is any question, a copy of the title report should be reviewed.

According to USPAP 2008-2009, a **hypothetical condition** is: “a condition which is contrary to what exists but is supposed for the purpose of analysis.” Hypothetical conditions assume information contrary to known facts about the integrity of data used in an analysis; or physical, legal, or economic characteristics of the subject property; or market conditions or trends regarding a subject property. No hypothetical conditions were employed in conjunction with this assignment, pertaining to the “as is” valuation.



## **DEFINITION OF MARKET VALUE**

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The purpose of this appraisal is to provide an opinion of market value for the subject in its "as is" physical condition as of the date of valuation. "Market Value", for the purposes of this report, is considered to be the definition offered by the Federal Deposit Insurance Corporation (FDIC) Final Rules, 12 CFR Part 32.2(f), which state:

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 are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *Buyer and Seller are typically motivated;*
- *Both parties are well informed or well advised, and each acting in what they consider their own best interest;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

## **APPRAISAL ASSIGNMENT**

The "as is" premise takes into consideration the physical and legal limitations of the subject as of the date of valuation and assumptions, or qualifications. The appraiser was assigned to provide an opinion of the market value of the subject in its existing, "as is" physical and legal condition as of March 9, 2009.



## **APPRAISAL DEVELOPMENT & REPORTING PROCESS**

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### **PROPERTY DATA**

#### **PRIMARY SOURCES** (data obtained from first-party sources):

- ◆ Mr. Wayne Anderson, Cantera Ranch, LLC (Owner)
- ◆ Mr. Dan Basinger, Yavapai County Development Services Department
- ◆ Ms. Tony Pittman, Department of Real Estate Investigative Branch

### **MARKET DATA**

#### **PRIMARY SOURCES**

- ◆ Mr. Michael Kerr, Exit Realty Far West
- ◆ Mr. Brandon Cherry, Prudential Foothills
- ◆ Mr. Walter Statler, United Country Statler Brothers Realty
- ◆ Ms. Christin Kingsbury, Windemere Real Estate
- ◆ Mr. Dale Brollier, West USA Realty
- ◆ Mr. Dan Speights, West USA Realty
- ◆ Ms. Paula Hilton, RE/MAX Mountain Properties
- ◆ Ms. Sharon Bencze, Exit Realty Cool Mountain
- ◆ Mr. Eddie Redman, West USA Realty
- ◆ Mr. Bob Folger, Homesmart Fine Homes & Land
- ◆ Mr. Peter Medal, Allegiance Realty
- ◆ Ms. Sheila Wohlrabe, Red Arrow Real Estate
- ◆ Ms. Bernice Heck, Exit Realty Agency

#### **SECONDARY SOURCES:**

- ◆ *PAAR*
- ◆ *LoopNet*
- ◆ *RealQuest*
- ◆ *Floodmaps.com*



# **PART II**

# **FACTUAL DATA**



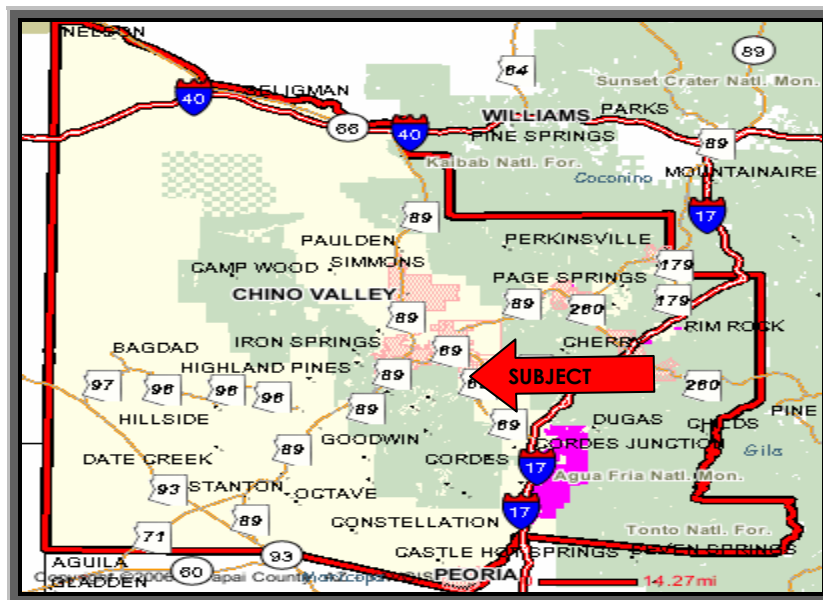
## REGIONAL AND NEIGHBORHOOD ANALYSIS

A single piece of property must be compatible with the overall make-up of the neighborhood and must appeal to the market participants without disregard for the overall plan of the community. This helps the user to determine the highest and best use as well as the economic life of the property based on neighborhood surroundings. Depending on the specific market the improvements serve and the specific purpose for the improvements, the optimum value criteria can be established.

The subject property is located adjacent to the Estates at Cherry Ridge development, which is approximately 3.6 miles east of Highway 69, and approximately 1 mile south of Highway 169 in Yavapai County. The subject's immediate neighborhood consists of vacant (unimproved) land area with some single family residences, and is considered to be in its infancy stage of development. Several investors showed interest in this region, considered attractive for single family residence developments. The subject site is mostly located on a sloping hillside with some flat areas, providing good views of the surrounding areas.

Access to other cities areas is considered to be good with Highway 69 located within five miles of the subject. Highway 69 provides access to Interstate 17 and Highway 89.

The subject site is located in an area primarily made up of vacant land, with some new residential single family and farm properties. All community linkages such as places of worship, grocery stores postal offices, eateries, medical facilities and public works were identifiable within a reasonable radius of the subject property during a thorough neighborhood inspection.





## Community and Neighborhood Data

Dewey-Humboldt is located in the high desert of Northern Arizona and is 85 miles north of Phoenix and 12 miles east of Prescott. At an elevation of 4556' town residents enjoy a mild four season climate which includes an occasional snowfall during the winter months. The Dewey-Humboldt area was incorporated effective December 20, 2004 after a successful drive for incorporation that began several years earlier. Voters passed the initiative creating the Town with 72 percent voting in favor. The initiative defined the actual Town limits and the name, Dewey-Humboldt.

Dewey and Humboldt represented two distinct communities during the last 100 + years with Dewey providing an agricultural and ranching economy while the Humboldt area had an economy based in mining.

As the Town of Prescott Valley continued to grow since its founding in the mid 1960's, the people within the Dewey and Humboldt areas became concerned that Prescott Valley's growth and annexation strategy might continue along Highway 69 and could ultimately jeopardize the very low density, rural flavor of the area. In response, many people became involved in 'spearheading' the drive for incorporation. During this process, it also became clear to some that incorporation would allow a new town to have more control over how tax dollars are spent within the town than would be the case if it remained unincorporated.

The Yavapai County Board of Supervisors appointed the Town's first Council and the first Council election was held on September 13, 2005. The new Council members will be seated in November as all seven successful candidates met the '50% + 1 vote' requirement for being elected in the Primary election.

The Council is committed to maintaining the rural flavor of the area (residential lot sizes are typically greater than 1/2 acre with most areas 1.6 acres or greater). The Town motto is -- "Arizona's Country Town."

## Population

Dewey-Humboldt has seen some growth. Since 1990 has almost doubled in population to 2000 and then decreased thru 2008, according to U.S. Census Bureau.

	1990	2000	2007	2008
Dewey-Humboldt	3,640	6,295	4,434	4,444
Yavapai County	107,714	167,517	223,934	227,348
Arizona	3,665,228	5,130,632	6,500,194	6,629,455

Sources: Arizona Department of Economic Security and the U.S. Census Bureau



## Dewey-Humboldt Labor Force Data

	1990	2000	2007	2008
Civilian Labor Force	1,318	2,579	3,329	Not
Unemployed	86	69	85	Yet
Unemployment Rate	6.5%	2.7%	2.6%	Reported

Source: Arizona Department of Economic Security

Estimated median household income in 2007: \$43,642

Estimated median household income in 2008: \$46,347

Dewey-Humboldt: \$46,347

Arizona:  \$49,889

Houses: 3,400 (2,866 occupied: 2,474 owner occupied, 392 renter occupied)

% of renters Dewey-Humboldt:  14%

Arizona:  32%

\*Housing density: 148 houses/condos per square mile

\*Median asking price for vacant houses and condos in 2007 in this state: \$277,415.

\*Median asking price for vacant houses and condos in 2008 in this state: \$215,191.

Estimated median house or condo value in 2007: \$247,870 (was \$120,700 in 2000)

Dewey-Humboldt: \$247,870

Arizona: \$237,700

Mean price in 2007:

Detached houses: \$317,033

Dewey-Humboldt: Here: \$317,033

Arizona: State: \$341,391

Townhouses or other attached units: \$1,240,662

Dewey-Humboldt: Here: \$1,240,662

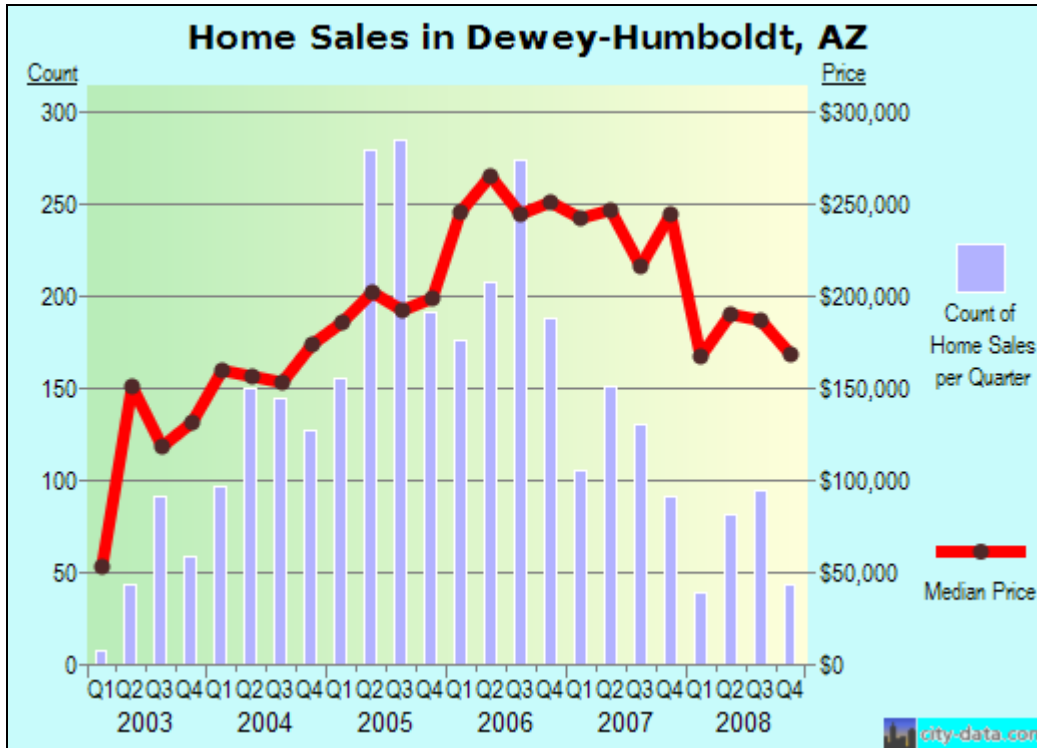
Arizona: State: \$235,099

The median overall housing prices for Dewey-Humboldt in 2008 was \$199,000.

Previous quarter's (4<sup>th</sup> Quarter 2008) home sale average by Zip Code.

(Detached House, Condo, and Townhouse)

Zip	Total Sold	Median Price	Average Price
86327	253	\$180,000	\$194,769



## CONCLUSION

The Dewey-Humboldt market area also suffers from the economic downswing with near future recovery remaining an economic uncertainty. This is due to the abundance of developable land and the optimistic outlook that comes with one of the fastest growing regions in the state of Arizona (Yavapai County). Even in this troubled economy businesses and individuals are still looking to these areas as a viable destination from which to expand, relocate or even start a new company. With a competitive wage scale for large employers, relatively affordable housing and an influx of new residents annually, the future for the overall Prescott and Dewey-Humboldt market areas can be considered favorable, or optimistic at the least.

While it is obvious that the current residential housing market has seen an upturn in bank owned properties, short sales, foreclosure properties and trustee sales, this is a simple correction to over speculation in previous years. This rise in more affordable housing will only allow starter home buyers and individuals with lesser incomes to enter the market for housing. As lenders loosen the purse strings, more and more individuals will be allowed to purchase residential properties as a primary residence. This, in addition to the continuous flow of new residents into the area, will most likely result in a quicker burn off of this current oversupply of inventory.



## SITE DATA ANALYSIS

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**ADDRESS** SE of the SEC of Grant Woods Parkway & Sheridan View Way  
Dewey-Humboldt, Arizona 86327

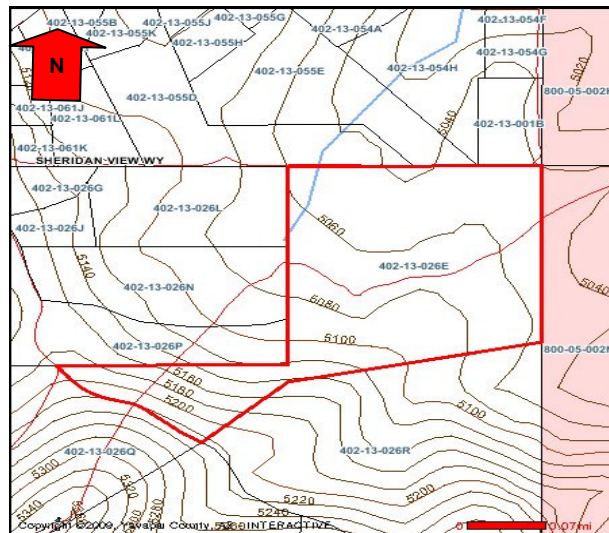
**ASSESSOR'S PARCEL NUMBER** 402-13-026E

**SITE AREA** "As Is" 1,570,338 Total Gross Square Feet / 36.05 Acres.  
The land area was obtained from Yavapai County Public Records.

**SHAPES & DIMENSIONS** Irregular

**TOPOGRAPHY** The subject site is un-even and sloped

### TOPOGRAPHY MAP

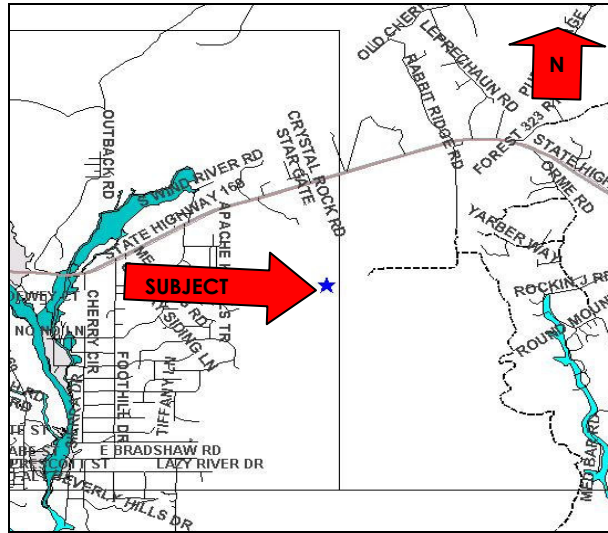


**DRAINAGE** The subject was not observed either during or immediately after any major storms. A survey by an engineer is recommended to determine the extent of any flooding conditions.

**FLOOD-ZONE** Zone "X" as designated by the Federal Emergency Management Agency (FEMA), per Map No. 040093-2140F; dated 06/06/2001. Areas determined to be outside 500-year floodplain determined to be outside the 1% and 0.2% annual chance floodplains. No flood insurance is required.



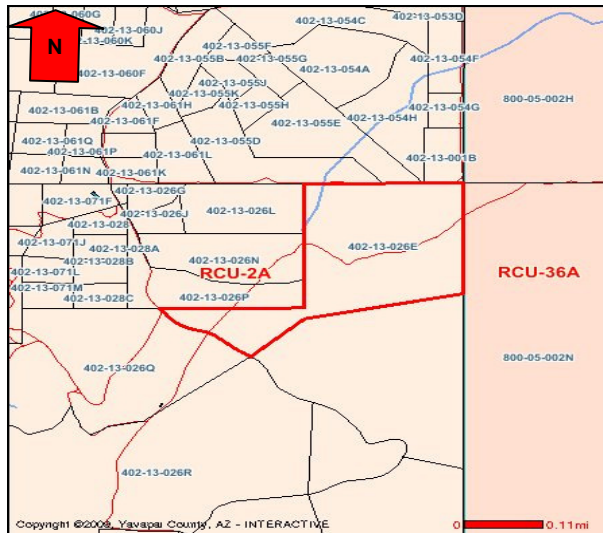
**FLOODMAP**



**ZONING**

The subject is zoned RCU2A, Rural Residential Single Family and was confirmed with Yavapai County Development Services Department. Please see the addendum to this report for more zoning information.

**ZONING MAP**



**SOIL**

This appraisal assumes no adverse soil conditions which would preclude development of the site.

**ENVIRONMENTAL CONTAMINATION**

We have not observed and are not qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the site.



The existence of hazardous materials or underground storage tanks may affect the value of the property. For this appraisal, the appraiser has specifically assumed that the property is not affected by any hazardous materials that may be present on or near the property.

**OFF-SITES**

“As Is” – None, Underground electric is approximately 2,000+/- feet from the site.

**FRONTAGE AND ACCESS**

The subject has dirt road access from the South west portion, which fronts Grant Woods Parkway (a private collector road).

**ON-SITES**

None

**UTILITIES**

No utilities are located on site:

<b>Water/Sewer</b>	None (Well & Septic)
<b>Electric</b>	None
<b>Telephone</b>	None
<b>Gas</b>	None (Propane)
<b>Trash</b>	None

**TRAFFIC FLOW**

Grant Woods Parkway is a private collector roadway located in the Estates at Cherry Ridge development.

**DEED RESTRICTIONS**

A copy of the title report was not provided to the appraiser, however reportedly, site built homes only was the only deed restriction reported; however, this is not a guarantee that no others exist.

**EASEMENTS AND ENCROACHMENTS**

Based on an inspection and review of the site plan, the property does not appear to be adversely affected by any easements or encroachments.

It is recommended that the client/reader obtain a current title policy outlining all easements and encroachments on the property, if any, prior to making a business decision.

**ADJACENT LAND USES**

North: Vacant Land & Single Family Developments  
South: (unimproved), Vacant Land  
East: (unimproved), Vacant Land  
West: (unimproved), Vacant Land





**EXTERNAL INFLUENCES**

Based on a review of the local market and neighborhood, no forms of external obsolescence appear to negatively affect the subject property.

**IMPROVEMENT DISTRICTS**

None, Per Yavapai County Treasurer Office

**SPECIAL ASSESSMENTS**

None, Per Yavapai County Treasurer Office

**TAX ANALYSIS**

According to the Yavapai County Treasurer, the 2008 taxes for the subject property is \$2,665.22. It should be noted, as of the effective date, the current tax due is delinquent. The full cash value of the subject property is assessed at \$376,000. This tax per acre appeared consistent with the taxes of other similar land parcels.

<b>Parcel</b>	<b>2008 Tax</b>	<b>Size (Acres)</b>	<b>\$/Acre</b>
402-13-004H	\$2,626	40.00	\$65.65
402-13-058C	\$1,545	15.94	\$96.93
402-13-035D	\$3,224	34.38	\$93.78
402-13-015A	\$3,149	78.35	\$40.19
<b>402-13-026E (Subject)</b>	<b>\$2,665</b>	<b>36.05</b>	<b>\$73.93</b>

**OVERALL CONCLUSION**

The subject site is located outside the Dewey-Humboldt town limits, however within their General Plan. Characteristics that make the site attractive are: zoning, minimum site size, private roads, panoramic views, and location near Highway 169.



## SUBJECT PHOTOGRAPHS

(March 9, 2009)



**View of Subject to the Southeast**



**View of Subject to the East**

## **SUBJECT PHOTOGRAPHS**

(March 9, 2009)



**View of Subject to the South**



**View of Subject to the Northeast**



## SUBJECT PHOTOGRAPHS

(March 9, 2009)



**South View of Grant Woods Parkway**



**North View of Grant Woods Parkway**

## SUBJECT PHOTOGRAPHS

(March 9, 2009)



**Typical Paved Road in the Area**



**Limited Signage in the Area**



# **PART III**

# **HIGHEST AND BEST USE**

# **AND MARKET ANALYSIS**





## **MARKET ANALYSIS**

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### **DEWEY-HUMBOLDT**

The subject property is located just outside the Town limits of Dewey. Dewey is located just 5 miles outside of Prescott Valley, and just 15 miles outside of Prescott. The subject is located within the subdivision known as The Estates at Cherry Ridge. This subdivision is located in the hills of Dewey-Humboldt and provides views to the surrounding areas. Dewey-Humboldt was developing at a rapid rate due to land values being cheaper than in the surrounding markets, and due to the expansion of growth outward from the Prescott Area.

The appraiser has noticed that listing prices and sales volume has dropped within the subject area since 2007, thru 2008 and into 2009. This was supported by Mr. Jake Jacobsen of Indian Meadows Real Estate, whom has noticed a decrease in sales activity. Ms. Joy Doherty of Realty Executives revealed that the subject market area is currently slow, with little (if any) activity noted on her active listings in the Cherry Ridge subdivision. Mr. Bob Folger of Homesmart Fine Homes & Land noted that land sales in the subject area have been stagnant for the last 12 months with very little movement, and has seen a decrease in selling prices that are reflective of a slower market.

### **OUTLOOK**

While the country's economic outlook for the foreseeable future is questionable, the brokers interviewed for this assignment were slightly more optimistic for 2009. As previously indicated the subject's area is predominantly second or vacation homes for families that live outside the Prescott area. While there are some foreclosures within Prescott and the surrounding area, Mr. Ronald Anderson of Russ Lyon – Sotheby's International Realty indicated that the Dewey-Humboldt area was not hit as hard as many of the larger metropolitan areas within Arizona. While there were no bank-owned properties currently available in the Dewey-Humboldt market, it does not appear to have the massive influence in the Prescott area either.

The overall Dewey-Humboldt area has a typical "season" from March to typically October. During the winter months the real estate market typically slows down a little from its peak in the summertime months. Ms. Sharon Bencze indicated that she feels if the financial institutions decide to start lending after the first of the year, that the spring "season" could see a real return to normalcy in 2009.

### **CONCLUSION**

The appraiser has completed extensive research of the subject's marketing area. Additionally, the appraiser has interviewed active market participants including, Mr. Jake Jacobsen of Indian Meadows Real Estate, Ms. Joy Doherty of Realty Executives, and Mr. Bob Folger of Homesmart Fine Homes & Land in order to get a pulse of the current market place in terms of vacant (unimproved) land sales.



They all agree that due to the decline in the residential development in the area, land sales have almost been non existent.

It should be noted, an interview with Mr. Jake Jacobson of Indian Meadows Realty, indicated that Mr. Nick Bonnano was the original developer of the "Estates at Cherry Ridge I" and the "Estates at Cherry Ridge II", however, Mr. Bonnano has been foreclosed upon before the developments were completed. Mr. Jacobson continued to say there have been investigations as to illegal lot splits and developments, however he was unsure if the investigations were complete or not. According to Ms. Tony Pittman of the Department of Real Estate Investigative Branch, the "Estates at Cherry Ridge II" does not legally exist, and the "Estates at Cherry Ridge" only exists as an unfinished development. Ms. Pittman stated that the improvements in the area may not all be legal and the investigation is still ongoing and includes all parcels that are a part of "Estates at Cherry Ridge" development. The subject property is located adjacent to the south of this development.

As noted, the appraiser has noticed that listing prices and sales volume has dropped within the subject area since 2007, thru 2008 and into 2009. This was supported by Mr. Jake Jacobsen of Indian Meadows Real Estate, whom has noticed a decrease in sales activity. Ms. Joy Doherty of Realty Executives revealed that the subject market area is currently slow, with little (if any) activity noted on her active listings in the Cherry Ridge subdivision. Mr. Bob Folger of Homesmart Fine Homes & Land noted that land sales in the subject area have been stagnant for the last 12 months with very little movement, and has seen a decrease in selling prices that are reflective of a slower market. Mr. Michael Kerr of Exit Realty Far West stated there is no land market right now, as he has not sold any land properties in over 12 months. Mr. Walter Statler of United Country Statler Brothers Realty stated there is almost 4,000 active land listings in Yavapai County and has very little interest in his land listings.



## HIGHEST AND BEST USE ANALYSIS SUMMARY

Highest and best use is defined as:

*“...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”.*  
(12<sup>th</sup> ed.)

Highest and best use of a site “as vacant” assumes that a parcel of land is vacant. The purpose of determining the use of the site as vacant is to identify its potential. Specifically, in order for a specific use to be considered the highest and best for the subject site, it must satisfy four main criteria: Legally Permissible, Physically Possible, Economic Feasibility (including Location and Competitive Core) and Maximum Productivity. These four criteria are essentially an investigation to determine what land use or option remains after meeting the requirements for each respective criteria. This investigation can be thought of as an elimination process, whereby alternative uses must pass the first two criteria of legal permissibility and physical possibility.

The residual uses that remain after the first two tests are then further investigated for the highest rate of return of investment capital on a long-term basis. Highest and best use can be determined in two ways: 1) as vacant land (without improvements) or 2) as the property is improved.

The result of a highest and best use analysis will provide two options for the subject site: 1) do nothing and leave the property vacant; and 2) develop the site into the most profitable use.

### Highest and Best Use “As Vacant”

1. Legally Permissible: As indicated within the Site Data Analysis section, the subject site is currently zoned RCU2A, Residential District Zoning, by the Yavapai County Planning & Zoning Department. This zoning restricts the subject land area to a two acre minimum per home site. Therefore, only those uses, which comply with the legal restrictions of the RCU2A Development or similar and are physically possible (i.e. appropriately sized) are considered further in the analysis. It should be noted that this RCU2A zoning does not allow more than 10% site coverage for all of the subject property improvements.

**Zoning/Density Regulations (in feet unless otherwise noted)**

Dist.	Min Lot Size in Sq. Ft. per dwelling	Min Lot Width and Depth	Min Yard Setbacks				Max Building Height Stories / feet		Max Lot Coverage Percent
			Min Building Spacing is 10 Feet all classes						
			Front	Rear	Interior	Exterior			
2A	87,120	225	50	50	25	30	2	30	10
175	175,000	300	50	50	30	50	2	30	10
5A	217,800	325	50	50	40	50	2	30	10
10A	435,600	500	50	50	50	50	2	30	5
36A	1,568,160	500	50	50	50	50	2	30	5





2. Physically Possible: The subject site is reported to be 36.05 acres (1,570,338 gross square feet) of usable land area. The site was observed to be irregular in shape. Based solely on the land size, shape and legal permissible land uses, the appraiser is of the opinion that the physically possible highest and best use of the subject site as vacant would be for the splitting of the 36.05 acre subject parcel in to five separate 7.21 acre parcels (or some other denomination), due to the fact that a developer can make this split without a public report from the Arizona Department of Real Estate. It should be noted that with the current RCU2A zoning, that the subject cannot be improved with a building coverage of more then 10%.

3. Economically Feasible: The location and zoning of the site allows for the economically feasible use of: single family residential developments. The land use that appears to be legally permissible and physically possible for the subject site would be for single family development.

Since this is a summary report, the appraiser has conducted a Market Analysis summary to determine the subject's demand over the long-term. Based upon the appraisers inquires with developers and land brokers working the area, it seems that investors are buying large parcels, and then immediately splitting the parcels five ways, since they can do so without a public report from the Arizona Department of Real Estate. After the first parcel split it seems developers are splitting the parcels even lower, down to the two acre minimum that the subject zoning requires for home construction, or selling off the smaller parcels for a profit.

To satisfy the specific question of economic feasibility, the appraiser has analyzed the cost-to-benefit ratio of splitting the subject parcel down in to smaller parcels for development. The result reveals a positive spread, which suggests that splitting the subject parcel is economically feasible at this time over the long term.

4. Maximally Productive: The maximally productive use of the subject land would be for splitting of the subject parcel in to five separate parcels for future development or sell off. The highest and best use of the site "as vacant – no entitlements" is for the splitting of the subject parcel in to, five separate parcels, and is considered to be feasible and consistent with all building codes and zoning ordinances as set by the Yavapai County Planning and Zoning Department.

# **PART IV**

# **VALUATION, ANALYSIS**

# **AND CONCLUSIONS**



## VALUATION PROCESS

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### OVERVIEW

According to the *Dictionary of Real Estate Appraisal*, the valuation process is:

*“A systematic procedure employed to provide the answer to a client's question about real property value.”*

*“The valuation process is both a model and a mirror of appraisal activity and, as such; it reflects many attitudes, beliefs, techniques, and methods that relate to questions of value” (4<sup>th</sup> ed.)”.*

Current appraisal theory offers three approaches to valuing improved properties; these are the Cost Approach, the Sales Approach, and the Income Approach.

The **Cost Approach** is a value indication derived by estimating the current cost to develop a substitute property with similar utility as the existing property. This approach is applicable when the subject property involves new or unique site improvements. The Cost Approach was not applicable since the subject is currently vacant land.

- The **Sales Comparison Approach** is the approach through which a value indication is obtained by comparing the property being appraised to similar properties that have been sold recently; applying appropriate units of comparison (such as property rights conveyed, financing terms, conditions and date of sale, and location and physical characteristics) and making adjustments based on the elements of comparison to the sales prices of the comparable properties utilized. In essence, the Sales Comparison is a market data approach since the data inputs are market derived.

- The **Income Capitalization Approach** is an indication of value for income-producing properties. This is derived by considering current and future net operating income and any future reversions to arrive at a current figure of worth through the process of capitalization. This approach relies upon market data for current market rents and expenses to anticipate the net operating income of the property. This approach is considered accurate when appraising typically tenant occupied properties. The data collected by the appraisers are believed to be strong, and weight was placed on the indicator of value derived using this method.

The final analytical step in the valuation process is the reconciliation, in which the appraisers analyze alternate value indications to arrive at a final value estimate. Due to the scope of the assignment, only the Sales Comparison Approach was developed. The Cost Approach and the Income Approach were not applicable since the subject is currently vacant, (unimproved) land.



## SALES COMPARISON APPROACH

### Methodology

By analyzing relevant market data, an indication of market value can be derived for the subject property through the comparison of similar parcels with “like” development capabilities properties that have recently been sold with similar functional utility and highest and best use as the subject property. The principle of *substitution* is the fundamental concept in the Sales Comparison Approach. Substitution suggests that:

*when several similar or commensurate commodities, goods, or services are available, the one with the lowest price attracts the greatest demand and widest distribution (12<sup>th</sup> ed.).*

This premise is interpreted to mean that a rational, prudent buyer will not pay more for one property than for another that is equally desirable.

The appraisers utilize this approach to valuation by implementing a systematic set of procedures from which market value can be estimated for the subject property.

1. Research the market for information on sales transactions, listings, and offers to purchase or sell involving properties that are similar to the subject property in terms of characteristics such as date of sale, size, physical characteristics condition, location, and zoning.
2. Verify the information by confirming that the data obtained are factually accurate and that the transactions reflect arm's-length, market considerations. Verification may also elicit additional information about the market.
3. Select applicable units of value measure for the subject property such as price per square foot or price per acre of gross land area.
4. Analyze comparable sale properties with the subject property using the elements of comparison and adjust the sale price of each comparable to the subject property or eliminate the sale property as a comparable.
5. Reconcile the various value indications produced from the analysis of comparable properties into a single value indication or a range of values. In an imprecise market subject to varying occupancies and economies, a range of values may be a better conclusion than a single value estimate.

Through comparative analysis, an appraiser can identify and focus on the similarities or differences between the subject and comparable properties.

*Elements of comparison are the characteristics of properties and transactions that cause the prices paid for real estate to vary (12<sup>th</sup> ed.).*



After analyzing and comparing all observable differences between the comparable properties and the subject, adjustments for these differences are made to the unit price of the comparable properties. The amount of these price adjustments is dependent upon the degree of differences indicated with the objective to make the comparable equal to the subject property, as of the date of valuation. There are ten basic elements of comparison that should be considered for adjustment:

1. Real property rights conveyed
2. Financing terms
3. Conditions of sale
4. Expenditures made immediately after purchase
5. Market conditions
6. Location
7. Physical characteristics (size, development stage)
8. Economic characteristics
9. Use (zoning)
10. Non-realty components of value

The research process began with an examination of Yavapai County records; and a thorough investigation of comparable sales data from monthly sales tracking publications such as *RealQuest*, and *Loopnet*. Additional sales data was garnered from the multiple listing service, *PAAR*, as well as the websites of local realty companies and brokers. All information obtained from these sources was verified through discussions with market participants such as brokers, sales agents and developers whom specialize in the Yavapai County market area.

The subject parcel was studied and analyzed from plat maps obtained from public records, which list the subject parcel at 1,570,338 gross square feet or approximately 36.05 Acres.

The appraisers then began searching for vacant (unimproved) land sales in the subject property's immediate area. Due to many of the surrounding properties being held for future development and the limited amount of similar recent sales data available, it became necessary to expand the search area to capture sufficient data.

The appraisers utilized sales comparables that have similar location nodes located within the subject area or similar areas within their respective markets, and the primary search criteria was based on zoning, location characteristics, physical characteristics, and size.

The units of measure employed by market participants vary for each land use: overall package price, and price per acre of gross land area. Discussions with participants of the sales confirmed that these units of comparison are the basis for negotiations and analysis.



Based upon discussions with experienced and educated real estate brokers, such as Ms. Sharon Bencze of Exit Realty Cool Mountain, Mr. Eddie Redman of West USA Realty, and Mr. Bob Folger of Homesmart Fine Homes & Land, the price per acre of gross land area of the property is most often utilized when analyzing similar vacant, (unimproved) land, within this market.

The strength of the Sales Comparison Approach is in its reflection of buyer and seller behavior and the actions of market participants. The price per acre of gross land area indicator reflects the conscious considerations of buyers and sellers. The weakness of this approach to valuation lies in the use of and dependence on historical data. This approach requires that the appraisers assume that the past is indicative of the present, and the appropriate data is available to estimate value.

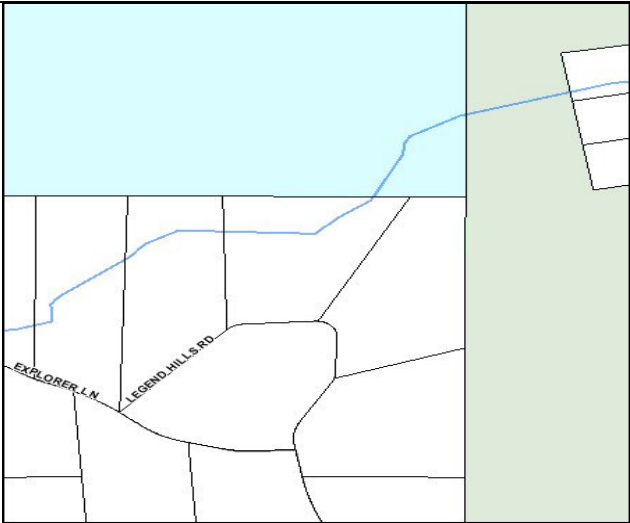
Accordingly, this method of valuation is most reliable in markets exhibiting some degree of stability, with an adequate number of sales data. The appraisers not only considered closed sales but also analyzed current listings and pending sales of similar type properties. Extensive interviews were conducted with local area brokers to aid the appraisers in determining the current market trends in the area.

After examining the current listing prices of similar properties in the immediate area, and the apparent over supply of available properties, it became readily apparent that the pricing indicated from the closed sales data set was not in-line with current available properties within the subject market area.



## SALE COMPARABLE #1

**Legend Hills Road**  
**Prescott Valley, Arizona 86314**  
**APN: 401-01-116**

	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #e0e0e0;"> <th colspan="2" style="text-align: center;">Location Characteristics</th> </tr> </thead> <tbody> <tr> <td style="width: 30%;"><b>Submarket</b></td> <td>Prescott Valley</td> </tr> <tr> <td><b>Exposure/Visibility</b></td> <td>Similar</td> </tr> <tr> <td><b>Frontage</b></td> <td>Paved Roadway</td> </tr> <tr> <td><b>Distance From Subject</b></td> <td>10.4 Miles</td> </tr> <tr> <td><b>Distance to Highway</b></td> <td>Less Than 5 Miles</td> </tr> <tr> <td><b>Surrounding Area</b></td> <td>Similar to Subject</td> </tr> <tr> <td><b>Off Sites</b></td> <td></td> </tr> <tr> <td style="padding-left: 20px;"><b>Electrical</b></td> <td>Present</td> </tr> <tr> <td style="padding-left: 20px;"><b>Water</b></td> <td>None</td> </tr> <tr> <td style="padding-left: 20px;"><b>Sewer</b></td> <td>None</td> </tr> <tr> <td style="padding-left: 20px;"><b>Telephone</b></td> <td>Present</td> </tr> <tr> <td style="padding-left: 20px;"><b>Paved Roadway</b></td> <td>Present</td> </tr> <tr style="background-color: #e0e0e0;"> <th colspan="2" style="text-align: center;">Physical Characteristics</th> </tr> <tr> <td><b>Parcel Size</b></td> <td>36.03 Acres 1,569,467 SF</td> </tr> <tr> <td><b>Zoning</b></td> <td>RCU2A</td> </tr> <tr> <td><b>On Sites</b></td> <td>None</td> </tr> <tr> <td><b>Services</b></td> <td>Less Than 10 Miles</td> </tr> <tr> <td><b>Development Stage</b></td> <td>Vacant Land</td> </tr> </tbody> </table>	Location Characteristics		<b>Submarket</b>	Prescott Valley	<b>Exposure/Visibility</b>	Similar	<b>Frontage</b>	Paved Roadway	<b>Distance From Subject</b>	10.4 Miles	<b>Distance to Highway</b>	Less Than 5 Miles	<b>Surrounding Area</b>	Similar to Subject	<b>Off Sites</b>		<b>Electrical</b>	Present	<b>Water</b>	None	<b>Sewer</b>	None	<b>Telephone</b>	Present	<b>Paved Roadway</b>	Present	Physical Characteristics		<b>Parcel Size</b>	36.03 Acres 1,569,467 SF	<b>Zoning</b>	RCU2A	<b>On Sites</b>	None	<b>Services</b>	Less Than 10 Miles	<b>Development Stage</b>	Vacant Land
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<b>Development Stage</b>	Vacant Land																																						
Transaction Data																																							
<b>Sales Price</b>	\$1,170,000																																						
<b>Price Per Acre</b>	\$32,473																																						
<b>Sale Date</b>	10/10/2007																																						
<b>Document No.</b>	4545-626																																						
<b>DOM</b>	177																																						
<b>Property Rights</b>	Fee Simple																																						
<b>Financial Terms</b>	Conventional																																						
<b>Buyer</b>	Nordi, LLC																																						
<b>Seller</b>	Transnation Title Insurance																																						
<b>Confirmation</b>	Michael Kerr, Exit Realty Far West																																						
Prior Sales (5-Year History)																																							
None Noted																																							

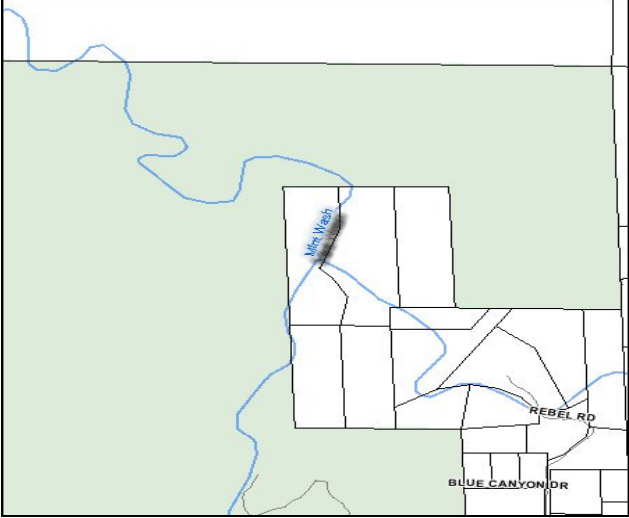
This property is located in the Prescott Valley submarket. It is similar to the subject in many aspects, however it has superior paved road access with adjacent underground electric. The parent parcel no longer exists, as it has been subdivided since its last sale transaction. Overall, this comparable is considered slightly superior to the subject.





## SALE COMPARABLE #2

**Blue Canyon Road**  
**Prescott, Arizona 86305**  
**APN: 100-11-001C**


	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #e0e0e0;">Location Characteristics</th> </tr> </thead> <tbody> <tr> <td><b>Submarket</b></td> <td>Prescott</td> </tr> <tr> <td><b>Exposure/Visibility</b></td> <td>Similar</td> </tr> <tr> <td><b>Frontage</b></td> <td>Dirt Roadway</td> </tr> <tr> <td><b>Distance From Subject</b></td> <td>19.3 Miles</td> </tr> <tr> <td><b>Distance to Highway</b></td> <td>Less Than 5 Miles</td> </tr> <tr> <td><b>Surrounding Area</b></td> <td>Similar to Subject</td> </tr> <tr> <td><b>Off Sites</b></td> <td>(Less than 1 Mile)</td> </tr> <tr> <td>    <b>Electrical</b></td> <td>Underground</td> </tr> <tr> <td>    <b>Water</b></td> <td>None</td> </tr> <tr> <td>    <b>Sewer</b></td> <td>None</td> </tr> <tr> <td>    <b>Telephone</b></td> <td>Underground</td> </tr> <tr> <td>    <b>Paved Roadway</b></td> <td>Dirt</td> </tr> </tbody> </table>	Location Characteristics		<b>Submarket</b>	Prescott	<b>Exposure/Visibility</b>	Similar	<b>Frontage</b>	Dirt Roadway	<b>Distance From Subject</b>	19.3 Miles	<b>Distance to Highway</b>	Less Than 5 Miles	<b>Surrounding Area</b>	Similar to Subject	<b>Off Sites</b>	(Less than 1 Mile)	<b>Electrical</b>	Underground	<b>Water</b>	None	<b>Sewer</b>	None	<b>Telephone</b>	Underground	<b>Paved Roadway</b>	Dirt								
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<b>Development Stage</b>	Vacant Land																																		
<b>Prior Sales (5-Year History)</b>																																			
<b>None Noted</b>																																			

This comparable is located in the Prescott submarket. The parent parcel no longer exists, as it has been subdivided since its last sale transaction. This comparable has similar location, exposure and visibility, and is accessed by a dirt roadway. Overall, this comparable is considered similar to the subject.



### SALE COMPARABLE #3

**Big Bug Mesa Road**  
**Prescott, Arizona 86303**  
**APN: 205-13-317C**

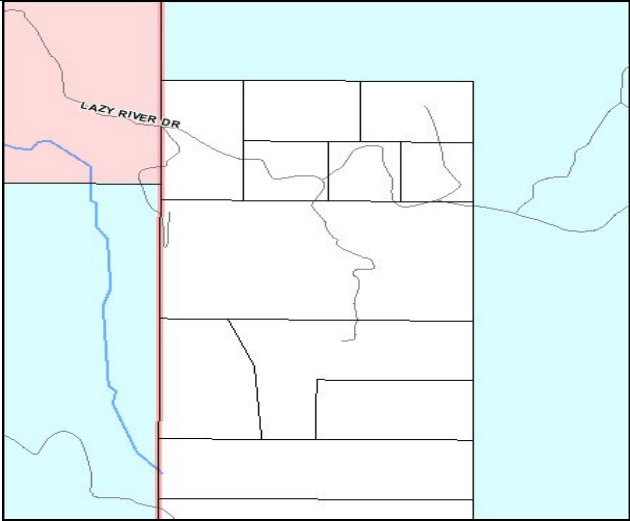
	<b>Location Characteristics</b>	
	<b>Submarket</b>	Prescott
<b>Exposure/Visibility</b>	Similar	
<b>Frontage</b>	Dirt Roadway	
<b>Distance From Subject</b>	16.2 Miles	
<b>Distance to Highway</b>	Less Than 5 Miles	
<b>Surrounding Area</b>	Similar to Subject	
<b>Off Sites</b>	(Less than 1 Mile)	
<b>Electrical</b>	Underground	
<b>Water</b>	None	
<b>Sewer</b>	None	
<b>Telephone</b>	Underground	
<b>Paved Roadway</b>	Dirt	
<b>Transaction Data</b>		<b>Physical Characteristics</b>
<b>Sales Price</b>	\$594,000	<b>Parcel Size</b>
<b>Price Per Acre</b>	\$26,902	22.08 Acres 961,804 SF
<b>Sale Date</b>	8/22/2007	<b>Zoning</b>
<b>Document No.</b>	4533-336	RCU2A
<b>DOM</b>	64	<b>On Sites</b>
<b>Property Rights</b>	Fee Simple	None
<b>Financial Terms</b>	Cash	<b>Services</b>
<b>Buyer</b>	Walker 22 LLC	Less Than 10 Miles
<b>Seller</b>	Gendereau Descendant Trust	<b>Development Stage</b>
<b>Confirmation</b>	Jonathan Herrin, Marshall Associates	Vacant Land
<b>Prior Sales (5-Year History)</b>		
None Noted		

This comparable is located in the Prescott submarket. The parent parcel no longer exists, as it has been subdivided since its last sale transaction. This comparable has similar location, exposure and visibility, and is accessed by a dirt roadway. Overall, this comparable is considered similar to the subject.



## LISTING COMPARABLE #4

**15161 E. Lazy River**  
**Dewey-Humboldt, Arizona 86329**  
**APN: 402-13-005L**

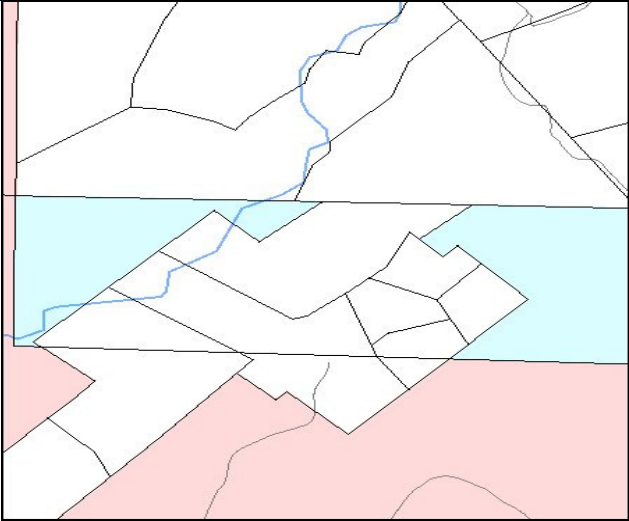
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<b>Telephone</b>	Underground																										
<b>Paved Roadway</b>	Dirt																										
<b>Transaction Data</b>																											
<b>Listing Price</b>	\$788,440																										
<b>Price Per Acre</b>	\$23,000																										
<b>Sale Date</b>	Active																										
<b>Document No.</b>	--																										
<b>DOM</b>	837																										
<b>Property Rights</b>	Fee Simple																										
<b>Financial Terms</b>	--																										
<b>Buyer</b>	--																										
<b>Seller</b>	Rangebarons LLC																										
<b>Confirmation</b>	Walter Statler, United Country Statler Brothers Realty																										
<b>Physical Characteristics</b>																											
<b>Parcel Size</b>	34.28 Acres 1,493,237 SF																										
<b>Zoning</b>	RCU2A																										
<b>On Sites</b>	None																										
<b>Services</b>	Less Than 10 Miles																										
<b>Development Stage</b>	Vacant Land																										
<b>Prior Sales (5-Year History)</b>																											
<b>Previous sale was on 10/14/2005 for \$447,500 or \$13,054/Acre</b>																											

This active comparable is located in the Dewey-Humboldt submarket. It has similar location, exposure and visibility, and is accessed by a dirt roadway. Overall, this comparable is considered similar to the subject, and was verified by the listing broker Mr. Walter Statler of United Country Statler Brothers Realty.



## LISTING COMPARABLE #5

**Prescott Dells Road**  
**Dewey-Humboldt, Arizona 86327**  
**APN: 402-01-008A**

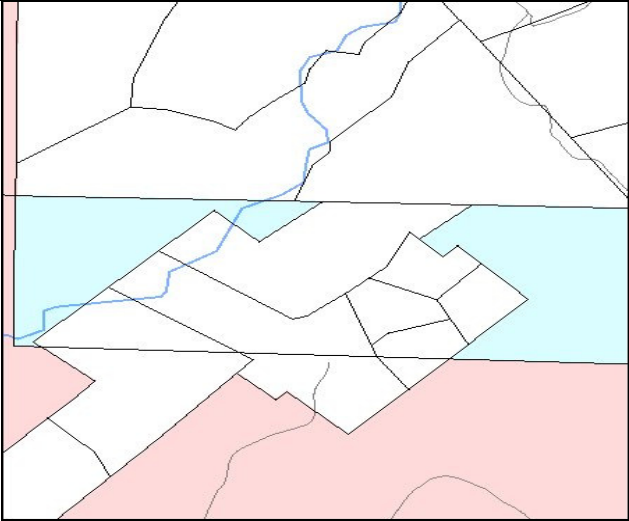
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc;">Location Characteristics</th> </tr> </thead> <tbody> <tr> <td><b>Submarket</b></td> <td>Dewey-Humboldt</td> </tr> <tr> <td><b>Exposure/Visibility</b></td> <td>Similar</td> </tr> <tr> <td><b>Frontage</b></td> <td>Dirt Roadway</td> </tr> <tr> <td><b>Distance From Subject</b></td> <td>7.2 Miles</td> </tr> <tr> <td><b>Distance to Highway</b></td> <td>Less Than 5 Miles</td> </tr> <tr> <td><b>Surrounding Area</b></td> <td>Similar to Subject</td> </tr> <tr> <td><b>Off Sites</b></td> <td>(Less than 1 Mile)</td> </tr> <tr> <td>    <b>Electrical</b></td> <td>Underground</td> </tr> <tr> <td>    <b>Water</b></td> <td>None</td> </tr> <tr> <td>    <b>Sewer</b></td> <td>None</td> </tr> <tr> <td>    <b>Telephone</b></td> <td>Underground</td> </tr> <tr> <td>    <b>Paved Roadway</b></td> <td>Dirt</td> </tr> </tbody> </table>	Location Characteristics		<b>Submarket</b>	Dewey-Humboldt	<b>Exposure/Visibility</b>	Similar	<b>Frontage</b>	Dirt Roadway	<b>Distance From Subject</b>	7.2 Miles	<b>Distance to Highway</b>	Less Than 5 Miles	<b>Surrounding Area</b>	Similar to Subject	<b>Off Sites</b>	(Less than 1 Mile)	<b>Electrical</b>	Underground	<b>Water</b>	None	<b>Sewer</b>	None	<b>Telephone</b>	Underground	<b>Paved Roadway</b>	Dirt								
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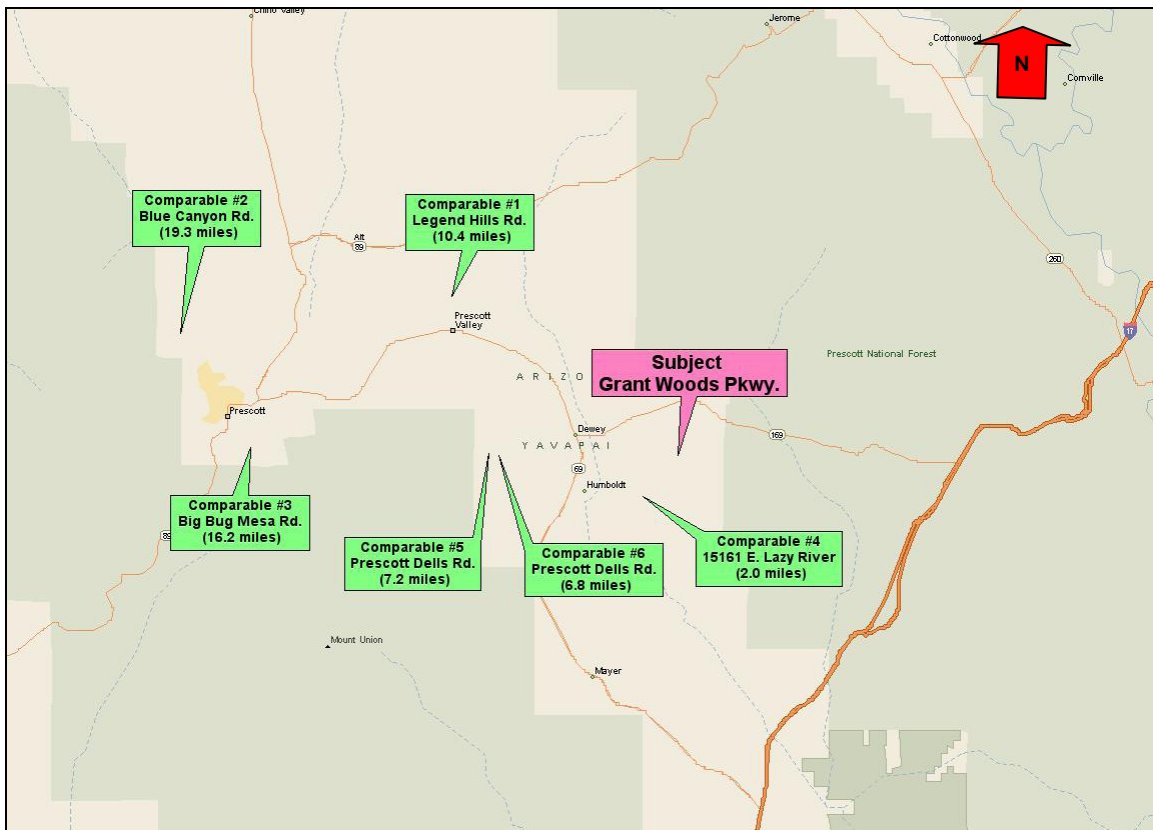
## LISTING COMPARABLE #6

**Prescott Dells Road**  
**Dewey-Humboldt, Arizona 86327**  
**APN: 402-01-008E**

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## COMPARABLE SALES MAP



Property	Distance	Parcel Size	Close Date	Sale Price \$/Acre	Zoning	Overall Location	Physical Attributes
Legend Hills Rd.	10.4 Miles	36.03 Ac.	10/10/2007	\$1,170,000 \$32,473	RCU2A	Similar	Vacant Land
Blue Canyon Rd.	19.3 Miles	63.82 Ac.	6/12/2007	\$1,800,000 \$28,204	RCU2A	Similar	Vacant Land
Big Bug Mesa Rd.	16.2 Miles	22.08 Ac.	8/22/2007	\$594,000 \$26,902	RCU2A	Similar	Vacant Land
15161 E. Lazy River	2.0 Miles	34.28 Ac.	Active	\$788,440 \$23,000	RCU2A	Similar	Vacant Land
Prescott Dells Rd.	7.2 Miles	20.03 Ac.	Active	\$480,720 \$24,000	R1-175	Similar	Vacant Land
Prescott Dells Rd.	6.8 Miles	21.70 Ac.	Active	\$477,400 \$22,000	R1-175	Similar	Vacant Land
<b>Subject</b>		<b>36.05 Ac.</b>	-	-	<b>RCU2A</b>	-	<b>Vacant Land</b>



## **Sales Analysis**

The sales comparison approach involves the comparison of the subject property with other similar properties that have been sold within the 24 months preceding the effective date of valuation as well as the analysis of currently available similar properties. The sales utilized were taken from similar Yavapai County market areas, and are considered to best represent the subject property given the small amount of sales transactions for similar properties. The appraisers found these sales to be comparable to the subject in terms of functional utility, zoning regulations, and other key attributes as they are similar properties and located in a similar market areas.

The subject property in its "as is" state is vacant (unimproved) land with a total of 36.05 Acres or 1,570,338 gross square feet. Of the properties analyzed, the three closed sales and three active listings were considered the most similar to the subject from the available data and were selected to estimate the value of the subject property in its "as is" physical condition and economic state. After an exhaustive search of the market for more similar sales, the comparable sales utilized were considered to be the best available and the most similar to the subject overall.

The appraisers are of the opinion that the accumulated sales data and active listings accurately reflects the market as of the effective date of this analysis, and its interrelated economic forces. As the data shows there appears to be some physical differences and slight location variances with the comparable properties selected. The utilized sales were chosen because they are considered to best represent market participant behavior for similar properties when compared to the subject.

There are two units of measure or comparison considered in this analysis: package price and price per acre. Either one of these measures of comparison is an acceptable method of analysis. However, due to the land use and size of the subject improvements and after discussions with various brokers, sales agents, and buyer/sellers it is apparent that utilizing the price per acre appears to be the best measure of comparison for this analysis.

Before any adjustments are made, the closed sales data set indicates a price range of \$26,902 to \$32,473 per acre of gross land area. This is the range that has been considered the basis for unit price adjustments. Next, the following criteria were analyzed for the comparable sales:

<ul style="list-style-type: none"><li>• Real property rights conveyed</li><li>• Financing terms</li><li>• Conditions of the sale transaction</li><li>• Expenditures immediately after the Purchase</li><li>• Market conditions at the time of sale</li><li>• Location attributes</li></ul>	<ul style="list-style-type: none"><li>• Physical characteristics</li><li>• Economic characteristics</li><li>• Use (zoning)</li><li>• Non-realty items included in the sale</li><li>• Location or Sub Market</li></ul>
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### **Real Property Rights Conveyed**

The value of a property is largely dependent upon the property rights conveyed in the sale transaction. The subject property is being appraised as a fee simple estate, which encompasses absolute ownership of a particular property. All of the transactions included in this report were sold “as is” vacant land and all were transacted inclusive of the complete bundle of ownership rights known as the fee simple estate. For this reason, no adjustments were deemed necessary for property rights conveyed.

### **Financing Terms**

Implicit in the definition of market value is the condition that payment is made in cash or its equivalent to the seller. All sales were transacted with conventional bank financing, seller financing at market terms, or all cash whereby giving the seller cash at closing. No unit price adjustments were made.

### **Conditions of Sale**

An adjustment for conditions of sale is made to reflect the motivations of buyers and sellers in sale transactions that are not considered to be arm's-length deals due to atypical seller motivation, duress, unusual tax considerations, and lack of market exposure, special buyer-seller relationship and unusual circumstances. All of the sales utilized were purchased with no unusual conditions. All were typical arm's-length transactions. No unit price adjustments were made.

### **Expenditures Made**

In some transactions a property may have some form of known deficiency that would require an immediate solution by the buyer. A knowledgeable buyer would then consider the cost or expenditures required to cure the known deficiency since this additional cost would increase the sales price of the property. Such costs when added to the indicated price would be considered the effective sales price of a property free of unusual deficiencies. Such expenditures may include the cost for demolition, zoning change petitions, environmental problems, and other major deficiencies considered to be atypical for a property. No unusual deficiencies were reported for the comparable properties requiring an immediate cure.

### **Market Conditions**

Typically an adjustment is necessary for measurable or observable changes in market conditions from the date of valuation and the sale dates indicated for each respective comparable property.

Changes in market conditions that could affect property value could include inflation or deflation, buyer behavior or perception has changed changes in tax law, building moratoriums, and fluctuations in supply and demand.



Reportedly, the participants for each sale indicated that the sale contract (sale price) remained the same since the first “meeting of the minds” and during the escrow period.

Therefore, an analysis of market conditions was based upon either the record date or escrow date, when the respondent indicated the sale price was negotiated between the buyer and seller.

An appropriate methodology in which to extract an adjustment for changing market conditions is to analyze two or more sales of the same or very similar properties over a given period of time to isolate any changes in price. No paired sales data was located, so the appraiser has based a market condition adjustment based on broker and buyer/seller opinions.

The Appraisal of Real Estate mentions the real estate cycle includes: expansion, decline, recession, and recovery. Local brokers and statistics report some appreciation from 2005 to 2007, however it has been declining since. Since no conclusive paired sales data was available, the appraiser has interviewed brokers and sales agents such as Mr. Michael Kerr of Exit Realty Far West and Mr. Brandon Cherry of Prudential Foothills, who state they have not closed a land transaction since 2007 and concur that the market is in decline; though there is some question as to how much.

Based on these interviews and market observations (see market analysis), the appraiser has applied a downward 30% adjustment to the closed sales, as Ms. Christin Kingsbury of Windemere Real Estate agrees the adjustment is considered conservative, but reasonable.

### **Location**

An adjustment for location is necessary when the location attributes of a comparable property are significantly different from that of the subject property, assuming these differences are market sensitive. Location adjustments are usually expressed as percentages that reflect the increase or decrease in value attributable to the property's location (neighborhood). Although a comparable property may be located within the same neighborhood or district as the subject, slight variations may exist within the neighborhood that could be sensitive to buyer behavior. Such location variations that could be market sensitive are listed as follows:

<ul style="list-style-type: none"><li>• Market</li><li>• Frontage</li><li>• Lot Orientation</li><li>• Exposure/Visibility</li></ul>	<ul style="list-style-type: none"><li>• Distance to Highway</li><li>• Distance to Services</li><li>• Surrounding Area</li></ul>
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There are differences in micro-location attributes as those variations indicated in the preceding paragraph. To discover if there are actual market sensitivities to the aforementioned location variations, brokers and buyers / sellers were consulted to determine the magnitude of sensitivity, if any.

The appraiser has researched the immediate subject area for vacant (unimproved) land with similar functional utility as the subject property, however, due to the size of the subject and the lack of sales activity, it was necessary to expand the search area. When searching for comparables it was made apparent through interviews with area professionals it was necessary to utilize sale comparables outside of city and town limits. The appraisers also consulted with area sales agents and brokers to determine which markets within the Yavapai County market area would be appropriate. Mr. Michael Kerr of Exit Realty Far West and Mr. Brandon Cherry of Prudential Foothills, and Ms. Christin Kingsbury of Windemere Real Estate are of the opinion that Prescott and Prescott Valley market area would be the most similar to the Dewey-Humboldt market area.

**Physical Characteristics**

Although the subject property and all comparables utilized in this report are considered vacant land (no vertical improvements), there can still be what are considered physical differences among some properties. An adjustment for physical differences is necessary when the physical attributes of a comparable property, if these differences are market sensitive. Physical adjustments are usually expressed as percentages that reflect the increase or decrease in value attributable to the property's physical characteristics.

Although a comparable property may be located within the same neighborhood or district as the subject, slight variations may exist with respect to physical characteristics which could be buyer sensitive. Such physical variations that could be market sensitive for this assignment were determined to be:

<ul style="list-style-type: none"> <li>• Parcel Size</li> <li>• Zoning</li> <li>• On-Sites</li> </ul>	<ul style="list-style-type: none"> <li>• Lot Orientation</li> <li>• Development Stage</li> </ul>
---	--

The subject and sales comparables are all similar in most physical characteristics except for on-sites. To discover if there are actual market sensitivities to the on-sites variations, brokers and buyers/sellers were consulted to determine the magnitude of sensitivity, if any. Displayed below is a comparative chart contrasting the physical attributes of the major components of the subject property as contrasted with those attributes of the comparable sales.



### **Use (zoning)**

As reported within the Site Data Analysis section, the land use allowance or zoning ordinance designated for the subject property according to Yavapai County Development Services Department is RCU2A, Rural Residential Single Family. All the comparable sales are zoned to allow for similar land uses; therefore, no adjustment for difference in use or zoning was indicated.

### **Conclusion**

Based on market data collected, investigated, and analyzed; the following adjustments were concluded and listed on the following itemized chart for each respective observed component.



### SALE'S COMPARABLE ADJUSTMENT CHART

SALE DATA	Subject	Sale 1 Legend Hills Road	Sale 2 Blue Canyon Road	Sale 3 Big Bug Mesa Road	Listing 4 15161 E. Lazy River	Listing 5 Prescott Dells Road	Listing 6 Prescott Dells Road
Sales Price.	--	\$1,170,000	\$1,800,000	\$594,000	\$788,440	\$480,720	\$477,400
Sales Price per Acre	--	\$32,473	\$28,204	\$26,902	\$23,000	\$24,000	\$22,000
DOM	--	177	662	64	837	1,198	810
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing terms	--	Conventional	Conventional	Cash	Active Listing	Active Listing	Active Listing
Close Date	--	10/10/2007 -30%	6/12/2007 -30%	8/22/2007 -30%	Active Listing	Active Listing	Active Listing
Adjusted Price Per Acre	--	\$22,731	\$19,743	\$18,831	\$23,000	\$24,000	\$22,000
Sub Market	Dewey-Humboldt	Prescott Valley	Prescott	Prescott	Dewey-Humboldt	Dewey-Humboldt	Dewey-Humboldt
Distance to Highway	Less Than 5 Miles	Less Than 5 Miles Similar	Less Than 5 Miles Similar	Less Than 5 Miles Similar	Less Than 5 Miles Similar	Less Than 5 Miles Similar	Less Than 5 Miles Similar
Exposure/Visibility	Average	Average Similar	Average Similar	Average Similar	Average Similar	Average Similar	Average Similar
<b>Distance From Subject</b>	--	10.4 Miles	19.3 Miles	16.2 Miles	2.0 Miles	7.2 Miles	6.8 Miles
Surrounding Area	Average	Average Similar	Average Similar	Average Similar	Average Similar	Average Similar	Average Similar
Distance to Services	Less Than 10 Miles	Less Than 10 Miles Similar	Less Than 10 Miles Similar	Less Than 10 Miles Similar	Less Than 10 Miles Similar	Less Than 10 Miles Similar	Less Than 10 Miles Similar
<b>Location and Overall Rating</b>	--	Similar 0%	Similar 0%	Similar 0%	Similar 0%	Similar 0%	Similar 0%
On-Sites	None	None	None	None	None	None	None
Off-Sites	Electric, Phone (Less Than 1 Mile)	Electric, Phone, Paved Road Superior -5%	Electric, Phone (Less Than 1 Mile)	Electric, Phone (Less Than 1 Mile)	Electric, Phone (Less Than 1 Mile)	Electric, Phone (Less Than 1 Mile)	Electric, Phone (Less Than 1 Mile)
Site Areas	36.05 A / 1,570,338 SF	36.03 A / 1,569,467 SF Similar	63.82 A / 2,779,999 SF Similar	22.00 A / 958,320 SF Similar	34.28 A / 1,493,237 SF Similar	20.03 A / 872,506 SF Similar	21.70 A / 945,252 SF Similar
Frontage	Dirt Road	Paved Road Superior See Off-Sites	Dirt Road Similar	Dirt Road Similar	Dirt Road Similar	Dirt Road Similar	Dirt Road Similar
<b>Physical and Overall Rating</b>	--	Superior -5%	Similar 0%	Similar 0%	Similar 0%	Similar 0%	Similar 0%
Zoning	RCU2A	RCU2A	RCU2A	RCU2A	RCU2A	R1-175	R1-175
Price Per Acre Before Adjustments	--	\$22,731	\$19,743	\$18,831	\$23,000	\$24,000	\$22,000
Location	--	0%	0%	0%	0%	0%	0%
Physical	--	-5%	0%	0%	0%	0%	0%
Overall Rating	--	Superior -5%	Similar 0%	Similar 0%	Similar 0%	Similar 0%	Similar 0%
Adjusted Value Indicator	--	\$21,594	\$19,743	\$18,831	\$23,000	\$24,000	\$22,000
<b>SALE DATA</b>	<b>Subject</b>	<b>Sale 1</b>	<b>Sale 2</b>	<b>Sale 3</b>	<b>Listing 4</b>	<b>Listing 5</b>	<b>Listing 6</b>



### **Sale Comparable 1**

This property sold on 10/10/2007 and is located in the Prescott Valley submarket. The appraiser has applied a downward 30% adjustment to the closed sales, as Ms. Christin Kingsbury of Windemere Real Estate agrees the adjustment is considered conservative, but reasonable. It is similar to the subject in many aspects, however it has superior paved road access with adjacent underground electric, thus it is given a downward 5% adjustment. Mr. Michael Kerr of Exit Realty Far West is unsure of an adjustment, as there has been no current land activity, however, a 5 % adjustment appears reasonable. Overall, this comparable is considered slightly superior to the subject.

### **Sale Comparable 2**

This comparable sold on 6/12/2007 and is located in the Prescott submarket. The appraiser has applied a downward 30% adjustment to the closed sales, as Ms. Christin Kingsbury of Windemere Real Estate agrees the adjustment is considered conservative, but reasonable. This comparable has similar location, exposure and visibility, and is accessed by a dirt roadway. Overall, this comparable is considered similar to the subject.

### **Sale Comparable 3**

This comparable sold on 8/22/2007 and is located in the Prescott submarket. The appraiser has applied a downward 30% adjustment to the closed sales, as Ms. Christin Kingsbury of Windemere Real Estate agrees the adjustment is considered conservative, but reasonable. This comparable has similar location, exposure and visibility, and is accessed by a dirt roadway. Overall, this comparable is considered similar to the subject.

### **Listing Comparable 4**

This active comparable is located in the Dewey-Humboldt submarket. It has similar location, exposure and visibility, and is accessed by a dirt roadway. Overall, this comparable is considered similar to the subject, and was verified by the listing broker Mr. Walter Statler of United Country Statler Brothers Realty. According to Mr. Statler, it has been listed for approximately 837 days with little to no activity.

### **Listing Comparable 5**

This active comparable is located in the Dewey-Humboldt submarket. It has similar location, exposure and visibility, and is accessed by a dirt roadway. Overall this property is considered similar to the subject, and was verified by the listing broker Ms. Christin Kingsbury of Windemere Real Estate. According to Ms. Kingsbury, it has been listed for approximately 1,198 days with little to no activity.



## **Listing Comparable 6**

This active comparable is located in the Dewey-Humboldt submarket. It has similar location, exposure and visibility, and is accessed by a dirt roadway. Overall this property is considered similar to the subject, and was verified by the listing broker Ms. Christin Kingsbury of Windemere Real Estate. According to Ms. Kingsbury, it has been listed for approximately 810 days with little to no activity.

## **Comparative Conclusion / Reconciliation**

Before the indicated adjustments have been applied, the closed sales data set exhibits a value range of \$26,902 to \$32,473 when viewed on a price per acre basis. After price adjustments have been made to the sales data for observed and supported differences, a price value range of \$18,831 to \$21,594 is indicated, with an active listing range of \$22,000 to \$24,000 per acre. As previously mentioned, market participants typically view these types of properties on a price per acre basis, and the appraiser agrees that there appears to be more stability in this method.

Adjustments were applied to the indicated prices of the comparable properties for differences observed when compared with the subject property, but only where supported. These differences were isolated based upon ten elements of comparison: 1) real property rights conveyed, 2) financing terms, 3) conditions of sale, 4) expenditures made immediately after the sale, 5) market conditions, 6) location, 7) physical characteristics, 8) economic characteristics, 9) use or zoning, and 10) non-realty components of value.

After adjusting for those elements that were market supported, the aforementioned value range was obtained, whereby a value indicator was reconciled for the subject property. The value indication was reconciled to the middle of the sales range and below the active listing range at \$20,000 per acre of gross land area based on the following considerations and weighting of the comparable sales.

Accordingly, in the reconciliation process, primary emphasis is placed on the indication of value derived from all three sales comparables, as they were the best available at the time of inspection, and most like the subject, with the least amount of adjustments. Further support was provided as the active listing agents, for comparables 4, 5, & 6, Mr. Walter Statler of United Country Statler Brothers Realty and Ms. Christin Kingsbury of Windemere Real Estate stated that they have been getting little to no activity.

The subject property "as is" is vacant (unimproved) land with average appeal in the market. Typically, sales prices are below the listing prices, however this is not the case in a declining market. There has been little to no sales activity as stated by Mr. Statler and Ms. Kingsbury, thus, as the sales become less and older, the asking prices also get lower until activity starts again. For this reason the appraisers believe the subject property's market value is in the middle of the range of the adjusted sales values, which is slightly below the range of the current actives.





In consideration of market conditions (as of the date of valuation), the initial value indicator concluded for the subject is:

$$\text{\$20,000/Acre} \times 36.05 \text{ Acres} = \text{\$721,000}$$

### **Sales Comparison Final Conclusion**

Based on the preceding analysis, it is believed that the value indication for the subject unit as determined by the Sales Comparison Approach appears credible in light of current offerings for sale as they are reported to be in no hurry to sell. Therefore the final value conclusion for this Sale Comparison analysis is believed to be:

**TOTAL (ROUNDED) \\$720,000 OR \\$19,972/ACRE "As Is"**



## **RECONCILIATION AND FINAL OPINION OF VALUE**

---

The Sales Comparison Approach provided the following market value indications for the subject:

<b>Valuation</b>	<b>Value</b>	<b>\$ Per Acre</b>
Sales Approach	\$720,000	\$19,972/Acre

In the final reconciliation, the reliability, accuracy, and validity of this approach is analyzed to determine the final value opinion.

### **Sale Comparison Approach**

In the development of the sales comparison approach the appraisers utilized three closed sales and three active listings in the "as is" condition of the subject property. The appraisers did analyze sales and active listings with the same criteria to help further understand the market trends for vacant (unimproved) land properties in the Yavapai County markets. All of the comparables closed escrow in 24 months prior the effective date of this appraisal. The appraisers made every effort to find comparables that closed escrow within the previous 12 months but had to expand parameters due to the very limited amount of land sale activity in the area. The appraisers interviewed market participants and were informed that staying outside the city limits was important and comparables within the city limits should not be utilized. The appraisers proved all adjustments either via broker interviews, paired sales analysis or data provided by local or national publications. The appraisers are confident that the data gathered best represents the current temperature of the market, the value derived from this approach, as reliable and credible. The appraisers weighed broker interviews, comparable sales and active listings appropriately to evaluate the market conditions.

Accordingly, in the reconciliation process, primary emphasis is placed on the indication of value derived from all sale comparables, as they were the best available at the time of inspection, and the most like the subject. Further support was provided as the active listing agents, for comparables 4, 5, & 6, Mr. Walter Statler of United Country Statler Brothers Realty and Ms. Christin Kingsbury of Windemere Real Estate stated that they have been getting little to no activity.

### **Cost Approach & Income Approach**

The appraisers did not develop the Cost Approach and the Income Approach for the subject because it currently is (unimproved), vacant land.



**Final Value Opinion:**

After adjusting for those elements that were market supported, the aforementioned value range was obtained, whereby a value indicator was reconciled for the subject property. The value indication was reconciled to slightly below the active listing range at \$20,000 per acre of gross land area based on the aforementioned considerations and weighting of the comparable sales.

The opinion of value stated in this appraisal assignment incorporates all ownership rights included in the Fee Simple Estate. Thus, based upon market investigation and analyses, subject to the underlying extraordinary assumptions, exclusions and hypothetical conditions described within the appraisal report, the final estimated market value of the subject property in its "as is" physical and economic condition, as of March 9, 2009:

**SEVEN HUNDRED TWENTY THOUSAND DOLLARS  
\$720,000.00**

**Exposure Time:**

Based upon conversations with various brokers throughout this appraisal assignment, the market for similar land uses is considered to be declining, at least partially driven by over supply of similar properties and lack of single family developments. Interviews with land brokers, such as Mr. Brandon Cherry of Prudential Foothills, Mr. Walter Statler of United Country Statler Brothers Realty and Ms. Christin Kingsbury of Windemere Real Estate, (as well as the actual marketing times of similar properties) indicate an estimated exposure period for the sale of the subject property to be nine to twelve months.

<b>Property</b>	<b>Sale Price \$/AC</b>	<b>Comparison</b>	<b>Sale Date DOM</b>
Legend Hills Road, Prescott Valley	<u>\$1,170,000</u> \$32,473 / AC	Superior	<u>10/10/2007</u> 177 Days
Blue Canyon Road, Prescott	<u>\$1,800,000</u> \$28,204 / AC	Similar	<u>6/12/2007</u> 662 Days
Big Bug Mesa Road Prescott	<u>\$594,000</u> \$26,902 / AC	Similar	<u>8/22/2007</u> 64 Days
15161 E. Lazy River Dewey-Humboldt	<u>\$788,440</u> \$23,000 / AC	Similar	<u>Listed</u> 837 Days
Prescott Dells Road Dewey-Humboldt	<u>\$480,720</u> \$24,000 / AC	Similar	<u>Listed</u> 1,198 Days
Prescott Dells Road Dewey-Humboldt	<u>\$477,400</u> \$22,000 / AC	Similar	<u>Listed</u> 810 Days



Based on analysis of the closed data set, and other closed sales of similar properties, it has been observed that similar properties have had average actual marketing times of 9 to 12 months.

**Marketing Time:**

Based on the actual observed marketing times of similar properties, as tempered with observed days on market for competitively-priced listings of similar products and broker estimates, and considering the declining market and market values of similar properties, it is estimated that the above-concluded market value estimate for the subject parcel is reasonable and considered obtainable within a marketing period of less than 12 months.



## CERTIFICATION

---

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest or bias in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The appraiser has developed this report in conformance with the USPAP Competency Rule and is knowledgeable, experienced, and familiar with the generally accepted valuation methods utilized in the appraisal of these particular property types.
- This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* (USPAP) and the Standards of Professional Practice of the Appraisal Institute, as well as the standards and reporting requirements adopted by the client, to the best of our ability.
- The use of this appraisal report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this appraisal report.



- As of the effective date of this appraisal, I have completed the requirements of the continuing education program of the Arizona Board of Appraisal and am currently completing the requirements of obtaining membership with the Appraisal Institute. The appraiser is in compliance with the Competency Provision of USPAP.

The opinions and conclusions of value stated in this appraisal assignment incorporates all ownership rights included in the fee simple estate and are subject to any and all extraordinary assumptions of value as stated herein. Based on the aforementioned analysis, it is my formal opinion that the "as is", market value as of March 9, 2009 was:

---

**SEVEN HUNDRED TWENTY THOUSAND DOLLARS**  
**\$720,000.00**

---

This market value estimate assumes an exposure period of 9-12 months or less based upon similar market sales data, as of the effective date of the appraisal and is subject to any and all extraordinary as stated herein.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Ambrose Rojas', with a long horizontal flourish extending to the right.

Ambrose Rojas, AZ No. 30637  
Enc: Summary Report





# **APPRAISAL ADDENDUM**

SE of the SEC of Grant Woods Parkway &  
Sheridan View Way  
Dewey-Humboldt, AZ 86327

## **AS OF:**

March 9, 2009  
(Effective Date of Valuation)

## **PREPARED BY:**

APPRAISAL SOLUTIONS INC  
2503 NORTH 16<sup>TH</sup> STREET  
PHOENIX, AZ 85006



# **APPENDIX A**

## **SUBJECT PROPERTY PROFILE**



**Vacant Land or N/A**

Property Last Updated: 9/2/2008 4:54:09 PM

County Last Updated: 11/21/2008 1:11:18 PM

Ownership Information	
Parcel No:	<b>402-13-026E</b>
Owner(s):	<b>CANTERA RANCH LLC</b>
Site Address:	<b>Vacant Land or N/A</b>
Mail Address:	<b>29609 N 153RD PL SCOTTSDALE, AZ 85262-6960</b>

Sales and Loan Information			
Recording Date:	<b>N/A</b>	Lender Name:	<b>N/A</b>
Sale Price:	<b>N/A</b>	Title Company:	<b>N/A</b>
Sale Code:	<b>UNKNOWN</b>	Loan Amt Other:	<b>N/A</b>
Document #:	<b>N/A</b>	Seller:	<b>N/A</b>
Document Type:	<b>UNKNOWN</b>	Prior Sales Price:	<b>N/A</b>
Deed Type:	<b>UNKNOWN</b>	Prior Sales Date:	<b>N/A</b>
Loan Amt 1 St:	<b>N/A</b>	Prior Doc #:	<b>N/A</b>
Loan type:	<b>UNKNOWN</b>	Prior Doc Type:	<b>UNKNOWN</b>

Assessment and Tax Information			
Assessed Value:	<b>\$60,160.00</b>	Assessed Value:	Improved <b>N/A</b>
Assessed Land Value:	<b>\$60,160.00</b>	Assessed Improved %:	<b>N/A</b>
Market Value:	<b>\$376,000.00</b>	Market Improved Value:	<b>N/A</b>
Market Land Value:	<b>\$376,000.00</b>	Market Improved %:	<b>N/A</b>
Tax Area:	<b>2240</b>	Tax Year:	<b>0</b>
Owner Exempt:	<b>N/A</b>	Tax Amount:	<b>N/A</b>

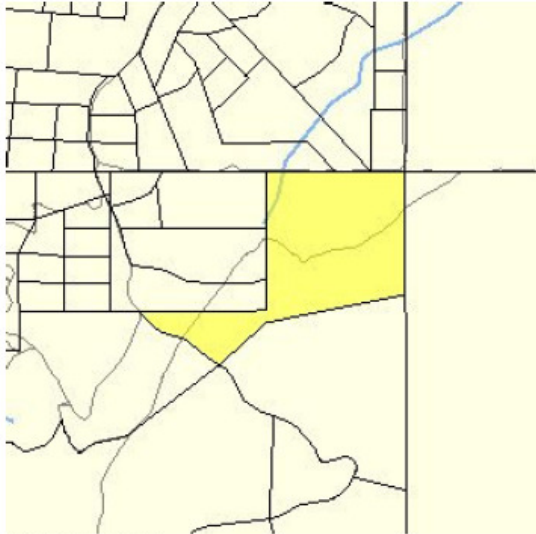
Property Description			
Use Code:	<b>RESIDENTIAL ACREAGE</b>		
Legal:	<b>AN IRREG PCL WITH THE NE COR BEING THE NE COR 12-13-1.5E CONT 36.05AC</b>		
County:	<b>YAVAPAI</b>	Municipality:	<b>N/A</b>
Tract:	<b>N/A</b>	Subdivision Name:	<b>N/A</b>
Lot Size:	<b>1,570,338</b>	House Style:	<b>UNKNOWN</b>
Acreage:	<b>36.05</b>	Yr Built / Effective Yr Built:	<b>N/A/N/A</b>
No Of Units:	<b>N/A</b>	No Of Stories:	<b>UNKNOWN</b>
Garage:	<b>UNKNOWN</b>	Pool:	<b>NO</b>

Deemed Reliable, But Not Guaranteed



**Yavapai County, AZ-Parcel summary**

Printed: 3/4/2009



**Parcel ID**  
402-13-026E

**Owner**  
CANTERA RANCH LLC

**Mailing Address**  
29609 N 153RD ST

**City**                      **State**    **Zip**  
SCOTTSDALE              AZ            85262

**Secondary owner**  
N/A

Recorded Date	Last Transfer Docket	Last Transfer Doc	Last Transfer Doc Page
2/16/2007	4482		72

Map Scale = 1:17189

**Physical Address**

.

**Incorporated Area**

N/A

DOR Acres	Calculated Acres	Subdivision	Subdivision Type
36.05	36.047		N/A

**School District**  
HUMBOLDT UNIFIED SD #22

**Fire District**  
N/A

**Improvements (0)**

Model Type	Total Floor Area	Effective\Construction Yr
------------	------------------	---------------------------

<b>2010 Full Cash Value</b>		<b>2009 Full Cash Value</b>
\$214,400		\$376,000

<b>2010 Limited Value</b>		<b>2009 Limited Value</b>
\$214,400		\$251,565

<b>2010 Assessment Ratio</b>		<b>2009 Assessment Ratio</b>
16		16

<b>2010 Legal Class</b>		<b>2009 Legal Class</b>
AG/Vacant Land/Non-Profit-Real Property & Improvements		AG/Vacant Land/Non-Profit-Real Property & Improvements

<b>2010 Net Assessed Full Cash Value</b>		<b>2009 Net Assessed Full Cash Value</b>
\$34,304		\$60,160

<b>2010 Net Assessed Full Cash Value</b>		<b>2009 Net Assessed Full Cash Value</b>
\$34,304		\$60,160

<b>Tax Area Code</b>		<b>2008 Taxes Billed</b>
2240		\$2,665

<b>Recent Sale Date</b>		<b>Sale Amount</b>
2/1/2007		\$2,200,000

<b>Deed Type</b>	<b>Sale Docket</b>	<b>Sale Page</b>
Warranty Deed	4482	72



# **APPENDIX B**

## **ZONING**



YAVAPAI COUNTY PLANNING AND ZONING ORDINANCE

**SECTION 413 RCU DISTRICT**

RCU DISTRICT (Residential; Single-Family; Rural) Permitted Uses:

This RCU District is intended to provide a zoning classification for all areas of the County not presently characterized by urban uses. Notwithstanding any other provision of this Ordinance, including any density designation, no lot or parcel zoned RCU shall have a density less than two (2) acres.

A. All Uses allowed in the R1L, RMM and R1 Districts.

Zoning/Density Regulations (in feet unless otherwise noted)

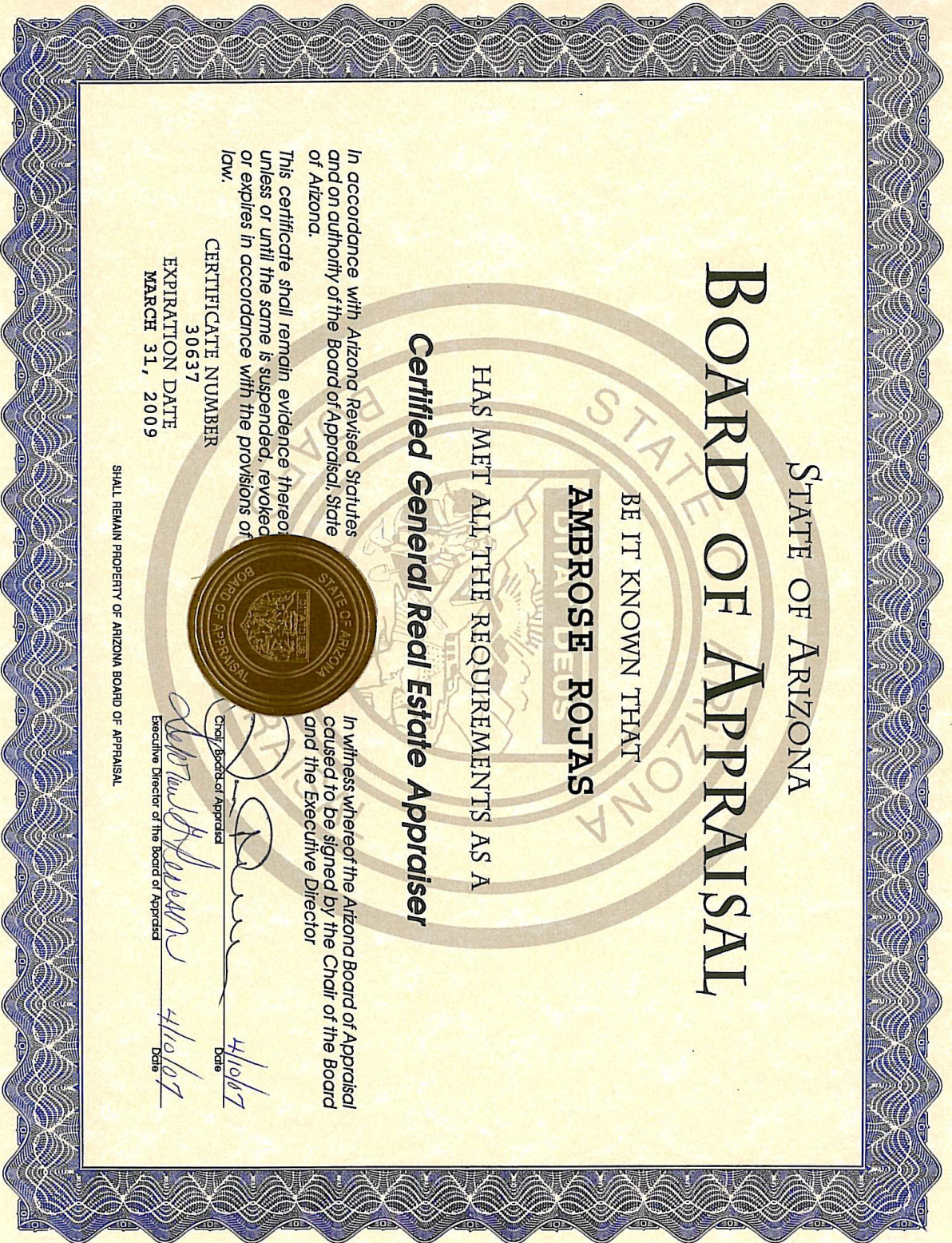
Dist.	Min Lot Size in Sq. Ft. per dwelling	Min Lot Width and Depth	Min Yard Setbacks				Max Building Height Stories / feet		Max Lot Coverage Percent
			Min Building Spacing is 10 Feet all classes						
			Front	Rear	Interior	Exterior			
2A	87,120	225	50	50	25	30	2	30	10
175	175,000	300	50	50	30	50	2	30	10
5A	217,800	325	50	50	40	50	2	30	10
10A	435,600	500	50	50	50	50	2	30	5
36A	1,568,160	500	50	50	50	50	2	30	5





# ***Appendix C***

## **APPRAISER QUALIFICATIONS**







**Independent. Objective. Unbiased.**

**CHIEF APPRAISER RESUME  
AMBROSE ROJAS**

**EXPERIENCE**

**President, *Appraisal Solutions, Inc***; Scottsdale, Arizona (1997 - present)  
Scope of the assignments primarily involved commercial real estate appraisal for such land uses as: retail, office, industrial, restaurants, apartments, mobile home parks, residential subdivisions, vacant land, and special-purpose property.

**EDUCATION**

**Bachelor of Science, *Arizona State University***, 1988, Business College, Real Estate.

**MAI Advanced Candidate (*Appraisal Institute*)**. Completion of all required course work for membership admission: Capitalization Theory/Techniques (Part A and B), Real Estate Appraisal Principles, Basic Valuation Procedures, Standards of Professional Practice (Part A, B and C), Report Writing, Commercial Valuation Case Studies, Highest and Best Use Analysis, Limited Appraisals Seminar, Partial Takings Seminar, Advanced Sales/Cost Approaches, General Applications, received credit for the Demonstration Report, Land Market Analysis, Arizona Water Law, Partial Interests, 1031 Exchanges, Standards Part C, Contract Writing, Business Valuation, Income Property Appraisal, Business Practices and Ethics, Advanced Income Capitalization, Land Valuation Assignments, Land Valuation Adjustment Procedures, Case Studies in Real Estate Evaluation, Apartment Appraisal, HP112 Financial Calculator, and Uniform Standards of Professional Appraisal Practice 2006.

**AFFILIATIONS**

**State Affiliate Member, *Appraisal Institute***, also a member of the Phoenix Chapter of the Appraisal Institute.

**Certified General Real Estate Appraiser, *State of Arizona***, Certification No. 30637.



# ***Appendix D***

## **ENGAGEMENT LETTER**



L 0050

**MMTC** MERCHANTS FUNDING, LLC

March 11, 2009

Ambros Rojas  
ASI Appraisers  
2503 North 16<sup>th</sup> Street  
Phoenix, Arizona 85006

RE: The Estates at Cherry Ridge II, Dewey, AZ Cantera Ranch Appraisal

Dear Ambros:

Merchants Funding, LLC ("Merchants") hereby engages you to prepare an appraisal on the above-captioned property. The reporting format to be used is a summary appraisal report.

This letter shall serve as your instructions for the appraisal services defined herein.

The appraisal is to be prepared and signed by: Ambros Rojas

Legal Description: See attached

The purpose of the appraisal is to estimate the "market value" of the subject property as of the effective date of the appraisal. The "market value" must reflect the "as is" market value of the subject property as of the effective date of the appraisal.

The property interest to be appraised is the fee simple estate.

The function or use of the appraisal shall be to aid in or support decisions related to encumbering the subject property for the benefit of Merchants.

The Summary Appraisal shall be e-mailed to [blechman@merchantsmtg.com](mailto:blechman@merchantsmtg.com) no later than March 25, 2009. The due date may be extended by Merchants in its sole and absolute discretion upon reasonable request from the appraiser.

The appraiser's fees and expenses for the appraisal shall not, unless otherwise agreed to by Merchants in writing, exceed \$ 1,450.00. No other fees or expenses shall be payable unless agreed to by Merchants in writing in advance of incurring those fees or expenses.



The appraisal report must consist of a minimum of a cover letter referring to this engagement letter including property description and date of letter, a signed copy of this letter indicating your acceptance of the instructions, and the appraisal report.

You are required to sign the final appraisal report as the principal appraiser and personally inspect the subject and each of the comparable properties. Please make every effort to have the effective date of the appraisal as close to the delivery date as possible. All persons assisting in the preparation and analysis of the appraisal should be identified in the report.

Your contact for information on Cantera Ranch will be Wayne Anderson and he can be reached at 602-494-8983.

The appraisal, at a minimum, shall:

1. Conform to generally accepted appraisal standards as evidenced by the Uniform Standards of Professional Appraisal Practice (USPAP), unless principles of safe and sound banking require compliance with stricter standards;
2. Be written and contain sufficient information and analysis to support the bank's decision to engage in the transaction;
3. Analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units;
4. Be based upon the definition of "market value" and
5. Be performed by State licensed or certified appraisers in accordance with the rules and regulations of the Comptroller of the Currency.
6. Certify that the appraisal assignment and compensation were not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of the stipulated result, the need to approve a specific mortgage amount, or the occurrence of a subsequent event in order to receive compensation for the appraisal assignment.
7. Certify that the appraiser has no bias with respect to the property or the parties involved in this appraisal assignment.





If you accept the above instructions, please sign and return this agreement to my attention within 24 hours.

Sincerely,

A handwritten signature in black ink that reads "Elizabeth J. Lechman".

Elizabeth J. Lechman  
Vice President

Acknowledged and accepted this 11 day of March, 2009:

ASI Appraisers

By: A handwritten signature in black ink, appearing to be "Andrew R.", written over a horizontal line.

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*Market value:* is defined as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and acting in what they consider their own best interests; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.



# ***Appendix E***

## ***SUBJECT FINANCIALS***



## DUPLICATE TAX BILL

\*\*OUR RECORDS INDICATE THAT THE DELINQUENT TAXES DUE ON THIS PROPERTY HAVE NOT BEEN PAID.\*\*

2008 PROPERTY TAX NOTICE							YAVAPAI COUNTY		ARIZONA		
BOOK	PARCEL # MAP	PARCEL	AREA CODE	PRIMARY TAX RATE PER \$100 ASSESSED VALUE	SECONDARY TAX RATE PER \$100 ASSESSED VALUE	IRRIGATION DISTRICT \$ PER ACRE	<b>2008 TAX SUMMARY</b>				
402-13-026E	2		02240	5.6813	1.2558		PRIMARY PROPERTY TAX	1,909.72			
<b>ASSESSMENT</b>							LESS STATE AID TO EDUCATION	.00			
LIMITED LAND, BLDGS, ETC.	210,086	16.0	33,614	0	5.6813	1,909.72	NET PRIMARY PROPERTY TAX	1,909.72			
LIMITED PERSONAL PROPERTY	0	.0	0	0	.0000	.00	SECONDARY PROPERTY TAX	755.50			
LIMITED TOTALS	210,086		33,614	0		1,909.72	SPECIAL DISTRICT TAX	.00			
FULL CASH LAND	376,000	16.0	60,160	0	1.2558	755.50	<b>TOTAL TAX DUE FOR 2008</b>	<b>2,665.22</b>			
FULL CASH BUILDINGS, ETC.	0	.0	0	0	.0000	.00					
FULL CASH PERSONAL PROPERTY	0	.0	0	0	.0000	.00					
FULL CASH TOTALS	376,000		60,160	0		755.50					
0101427							JURISDICTION	2007 TAXES	2008 TAXES		
AN IRREG PCL WITH THE NE COR BEING THE NE COR 12-13-1.5E CONT 36.054C							07022 HUMBOLDT UNIFIED S.D. #22	.00	1,509.29		
							08150 YAVAPAI COMMUNITY COLLEGE	.00	487.52		
							02000 YAVAPAI COUNTY	.00	459.95		
							15001 YAVAPAI FLOOD CONTROL DISTRICT	.00	103.66		
							14900 YAVAPAI CTY. LIBRARY DISTRICT	.00	61.36		
							11900 FIRE DIST. ASSIST. FUND	.00	43.44		
Ross D. Jacobs, Yavapai County Treasurer Yavapai County Treasurer's Office 1015 Fair Street Prescott, AZ 86305							<b>TOTALS</b>		.00      2,665.22		
<b>THIS IS A CALENDAR YEAR TAX NOTICE</b>											
CANTERA RANCH LLC 29609 N 153RD ST SCOTTSDALE      AZ 85262							<b>PAYMENT INSTRUCTIONS</b> To pay the 1st half installment and full year tax notices of \$100 or less, send the coupon below with your payment postmarked no later than <b>Nov. 3, 2008</b> . To pay the 2nd half installment, send the coupon below with your payment postmarked no later than <b>May 1, 2009</b> . To pay taxes for the full year if the entire amount billed per notice exceeds \$100, send the coupon below with your payment postmarked no later than <b>Dec. 31, 2008</b> and no interest will be charged for current year. <b>Make your check payable to and mail to:</b> Ross D. Jacobs, Yavapai County Treasurer Yavapai County Treasurer's Office 1015 Fair Street Prescott, AZ 86305				
THERE WILL BE A CHARGE FOR EACH RETURNED CHECK AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS.							PLEASE INCLUDE YOUR PARCEL NUMBER ON YOUR CHECK.				

### 2008 TAX PAYMENT COUPON

CANTERA RANCH LLC  
402-13-026E 2 0101427

**Delinquency Date First Half Payment**  
Penalty for late payment is 16% per year prorated monthly as of the 1st day of the month for payments postmarked after **5:00 P.M. November 3, 2008** (ARS 42-18052 and 42-18053).

**Delinquency Date Second Half Payment**  
Penalty for late payment is 16% per year prorated monthly as of the 1st day of the month for payments postmarked after **5:00 P.M. May 1, 2009** (ARS 42-18052 and ARS 42-18053.)

Any total property tax notice of \$100 or less must be paid in full **no later than November 3, 2008 at 5:00P.M.**

Remit one full year payment for billed amounts over \$100 by **Dec. 31, 2008** and no interest will be charged for current year.

DETACH AND RETURN WITH PAYMENT

**\*\*DELINQUENT TAX DUE\*\***

Payment in U.S. FUNDS ONLY  
Make check payable to:  
Ross D. Jacobs, Yavapai County Treasurer

<b>TO PAY 1ST HALF ONLY (DUE OCT 1, 2008)</b>	PAY ▶	1,332.61
<b>TO PAY 2ND HALF ONLY (DUE MAR 1, 2009)</b>	PAY ▶	1,332.61
<b>TO PAY FULL YEAR TAX (IF PAID BY DEC 31, 2008)</b>	PAY ▶	2,665.22

Ross D. Jacobs, Yavapai County Treasurer  
Yavapai County Treasurer's Office  
1015 Fair Street  
Prescott, AZ 86305

