

**Appraisal of Real Property**

**26.57 Acres Vacant Land**

Vacant Land

Southeast side of State Route 66, Northwest of the Burlington Northern Santa Fe Railroad

Unincorporated, Mohave County, Arizona 86401

Client Reference: TO-21-023 Project: M697501X; ADOT Parcel L-K-038C

**Prepared For:**

ADOT Right of Way Operations

**Effective Date of the Appraisal:**

November 16, 2020

**Report Format:**

Appraisal Report – Comprehensive Format

**IRR - Phoenix**

File Number: 132-20-301





**26.57 Acres Vacant Land**

Southeast side of State Route 66, Northwest of the Burlington Northern Santa Fe Railroad  
Unincorporated, Arizona



November 30, 2020

Mr. Timothy F. O'Connell, Jr.  
Appraisal Section Supervisor  
ADOT Right of Way Operations  
ADOT Mail Room, 1655 W. Jackson Street  
Phoenix, AZ 85007

SUBJECT:           Market Value Appraisal  
                      26.57 Acres Vacant Land  
                      Southeast side of State Route 66, Northwest of the Burlington Northern  
Santa Fe Railroad  
                      Unincorporated, Mohave County, Arizona 86401  
                      Client Reference: TO-21-023 Project: M697501X; ADOT Parcel L-K-038C  
                      IRR - Phoenix File No. 132-20-301

Dear Mr. O'Connell:

Integra Realty Resources – Phoenix is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property. The client for the assignment is ADOT Right of Way Operations, and the intended use is for property disposition purposes.

The subject is a parcel of vacant land containing an area of 26.57 acres or 1,157,322 square feet. The property is zoned C-2, General Commercial, which permits professional office and retail commercial.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, applicable state appraisal regulations, and the appraisal guidelines of ADOT Right of Way Operations.

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report –

Comprehensive Format. This format contains the greatest depth and detail of IRR's available report types.

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

<b>Value Conclusions</b>			
Parcel	Interest Appraised	Date of Value	Value Conclusion
Market Value	Fee Simple	November 16, 2020	\$930,000

#### **Extraordinary Assumptions and Hypothetical Conditions**

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. None

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

As of the date of value, the economy (globally, nationally, and locally) was in a state of rapid transition with a widespread expectation of the imminent onset of a significant recession. The outbreak of COVID-19 (coronavirus disease of 2019) in China was declared a global pandemic by the World Health Organization (WHO) on March 11, 2020. Some market deterioration had occurred shortly before this date, but the declaration by the WHO soon led to municipal and statewide orders to "shelter in place," causing widespread closures of businesses and a massive disruption to general commerce. The status of economic conditions is changing rapidly, creating great uncertainty in the markets. Our analysis of these and related issues is presented in the attached report. The value expressed herein represents our opinion based on the best available data reflective as of the date of value. While values are always subject to change over time, we caution the reader that in the current economic climate, market volatility creates the potential for a more significant change in value over a relatively short period of time.

Mr. Timothy F. O'Connell, Jr.  
ADOT Right of Way Operations  
November 30, 2020  
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If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

**INTEGRA REALTY RESOURCES - PHOENIX**

A handwritten signature in black ink, appearing to read "Roger L. Dunlap", with a stylized flourish at the end.

Roger L. Dunlap, MAI  
Certified General Appraiser  
Arizona Certificate # 31062  
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## Executive Summary

Property Name	26.57 Acres Vacant Land		
Address	Southeast side of State Route 66, Northwest of the Unincorporated, Mohave County, Arizona 86401		
Property Type	Land - Commercial		
Owner of Record	ADOT		
Tax ID	Portion of 324-11-062		
Land Area	26.57 acres; 1,157,322 SF		
Zoning Designation	C-2, General Commercial		
Highest and Best Use	Industrial use		
Exposure Time; Marketing Period	9-12 months; 9-12 months		
Effective Date of the Appraisal	November 16, 2020		
Date of the Report	November 30, 2020		
Property Interest Appraised	Fee Simple		
Sales Comparison Approach			
Number of Sales	5		
Range of Sale Dates	May 18 to Nov 20		
Range of Prices per SF (Unadjusted)	\$1.06 - \$2.48		
Market Value Conclusion	\$930,000	(\$0.80/SF)	

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than ADOT Right of Way Operations may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

### Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. None

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

## Strengths, Weaknesses, Opportunities, Threats (SWOT Analysis)

### Strengths

- Good Route 66 frontage

### Weaknesses

- Slow population growth
- Low median incomes and median housing values in sub-market
- Lack of sewer service

- Residents of the Lake Havasu City MSA have a lower level of educational attainment than those of Arizona. An estimated 13% of Lake Havasu City MSA residents are college graduates with four-year degrees, versus 29% of Arizona residents
- Ample available sites in the market area

**Opportunities**

- Potential economic recovery when pandemic is brought under control
- Airport expansion and synergy

**Threats**

- The impact of COVID-19 on economic conditions is considered throughout this appraisal. The Market Analysis section looks at the best available empirical data while the valuation sections turn to parallels with prior recessions along with real time data sources that provide guidance on input metrics applied within the various approaches.



## Quality Assurance

Delivering superior value is a top priority at IRR and we place a premium on feedback from our valued clients. By learning more about your experience with IRR, we will be better able to serve your needs – to enhance our products, service offerings, and client communications.

Attached is a short survey applicable to this appraisal report and the service that you received. Please take a few minutes to share your experience of IRR with us. Your feedback will be reviewed by our Quality Control team. If you desire a follow-up telephone call, please provide your contact information and a member of our Quality Control team will contact you.

Access the online survey here: [quality.irr.com](http://quality.irr.com).

Thank you in advance for assisting us with this important endeavor. Please feel free to contact your Local Office using the contact information provided within the letter of transmittal or our Quality Control team at [quality@irr.com](mailto:quality@irr.com), with any questions or suggestions you may have.

## General Information

### Identification of Subject

The subject is a parcel of vacant land containing an area of 26.57 acres or 1,157,322 square feet. The property is zoned C-2, General Commercial, which permits professional office and retail commercial.. The subject will be subdivided from the parent parcel which contains approximately 100 acres of land area. The subject is part of a conveyance of excess railroad right of way between Route 66 and the railroad tracks. A legal description of the parent parcel is in the addenda. The ADOT Right of Way Delineation Unit will produce legal descriptions of the areas to be disposed of at a later time.

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#### Property Identification

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Property Name	26.57 Acres Vacant Land
Address	Southeast side of State Route 66, Northwest of the Burlington Northern Santa Fe Unincorporated, Arizona 86401
Tax ID	Portion of 324-11-062
Owner of Record	ADOT

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### Sale History

The most recent conveyance of the subject is summarized as follows:

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Sale Date	October 1, 1933
Seller	Sante Fe Pacific Railroad Company
Buyer	ADOT
Sale Price	N/A
Recording Instrument Number	48-551
Expenditures Since Purchase	N/A

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To the best of our knowledge, no sale or transfer of ownership has taken place within a three-year period prior to the effective appraisal date.

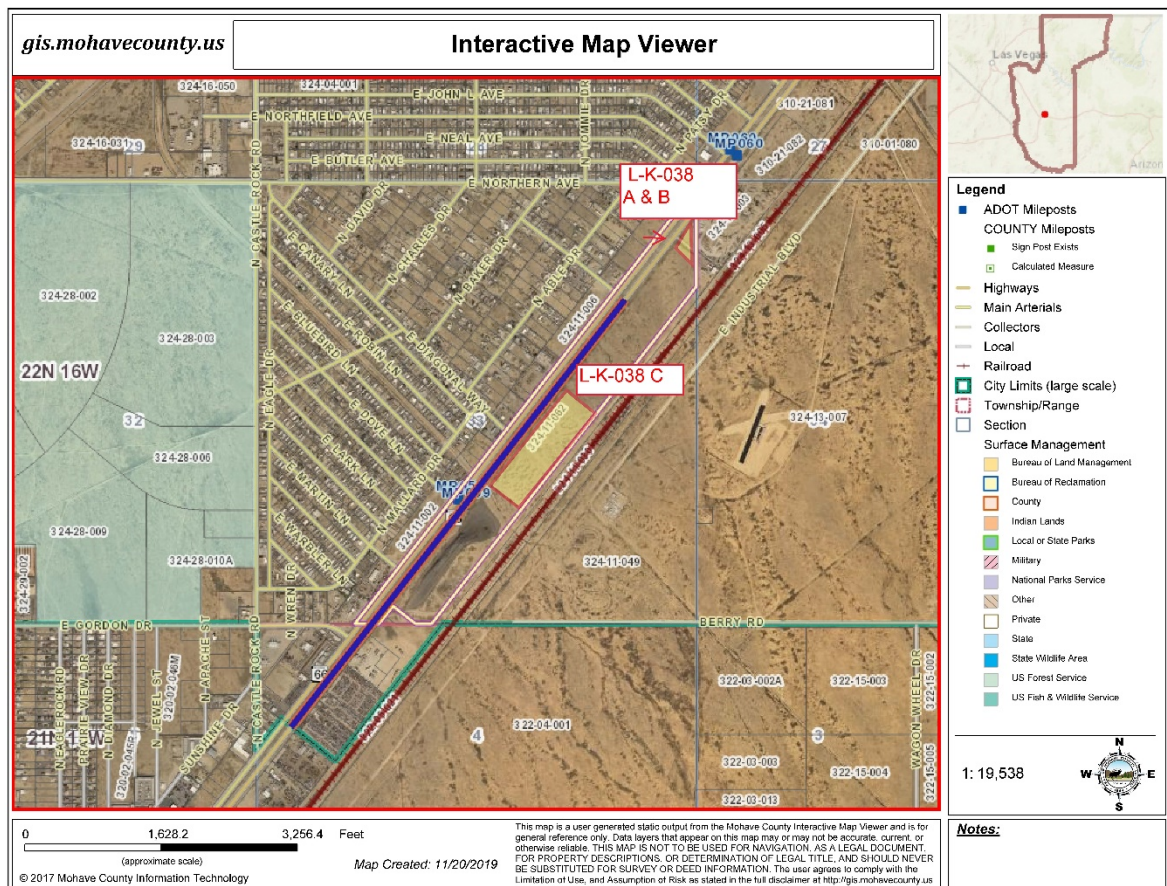
### Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date.

### Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property as of the effective date of the appraisal, November 16, 2020. The date of the report is November 30, 2020. The appraisal is valid only as of the stated effective date or dates.

The client intends to sell off some of its excess right of way. There are three parcels being considered for sale. This appraisal values parcel 038C.



## Definition of Market Value

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:

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

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

### **Definition of As Is Market Value**

As is market value is defined as, “The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.”

*(Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015); also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77471)*

### **Definition of Property Rights Appraised**

Fee simple estate is defined as, “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

*Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*

### **Intended Use and User**

The intended use of the appraisal is for property disposition purposes. The client and intended user is the Arizona Department of Transportation. The appraisal is not intended for any other use or user. No party or parties other than ADOT Right of Way Operations may use or rely on the information, opinions, and conclusions contained in this report.

### **Applicable Requirements**

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal guidelines of ADOT Right of Way Operations.

### **Report Format**

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Comprehensive Format. This format contains the greatest depth and detail of IRR’s available report types.

## Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have performed no services, as appraisers or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.

## Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

## Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

We use only the sales comparison approach in developing an opinion of value for the subject. This approach is applicable to the subject because there is an active market for similar properties, and sufficient sales data is available for analysis.

The cost approach is not applicable because there are no improvements that contribute value to the property, and the income approach is not applicable because the subject is not likely to generate rental income in its current state.

## Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

## Inspection

Roger L. Dunlap, MAI, conducted an on-site inspection of the property on November 16, 2020.

## Economic Analysis

The reader is reminded that the demographics presented on this and the following pages were gathered during the period that preceded the COVID-19 pandemic and imminent recession. The data provides useful information for purposes of considering the population and economy of the local area under stabilized market conditions. However, job losses, unemployment (overall and in different sectors), impaired commerce, and reduced income levels will result in demographic statistics after February 2020 that do not follow the stabilized trend that would have been expected based only on a review of data through 2019 and the first few weeks of 2020.

### Lake Havasu City MSA Area Analysis

The subject is located in the Lake Havasu City-Kingman, AZ Metropolitan Statistical Area, hereinafter called the Lake Havasu City MSA, as defined by the U.S. Office of Management and Budget. The Lake Havasu City MSA is 13,311 square miles in size and ranks 215 in population out of the nation's 384 metropolitan statistical areas.

### Population

The Lake Havasu City MSA has an estimated 2020 population of 211,752, which represents an average annual 0.6% increase over the 2010 census of 200,186. The Lake Havasu City MSA added an average of 1,157 residents per year over the 2010-2020 period, but its annual growth rate lagged the State of Arizona rate of 1.4%.

Looking forward, the Lake Havasu City MSA's population is projected to increase at a 0.8% annual rate from 2020-2025, equivalent to the addition of an average of 1,757 residents per year. The Lake Havasu City MSA's growth rate is expected to lag that of Arizona, which is projected to be 1.2%.

Population Trends					
	Population			Compound Ann. % Chng	
	2010 Census	2020 Estimate	2025 Projection	2010 - 2020	2020 - 2025
Lake Havasu City-Kingman MSA	200,186	211,752	220,537	0.6%	0.8%
Arizona	6,392,017	7,331,521	7,790,163	1.4%	1.2%
USA	308,745,538	330,342,293	341,132,738	0.7%	0.6%

Source: EnviroNics Analytics

### Employment

Total employment in the Lake Havasu City MSA was estimated at 53,300 jobs at year-end 2019. Between year-end 2009 and 2019, employment rose by 7,300 jobs, equivalent to a 15.9% increase over the entire period. There were gains in employment in eight out of the past ten years, as the national economy expanded following the downturn of 2007-2009. Although the Lake Havasu City MSA's employment rose over the last decade, it underperformed Arizona, which experienced an increase in employment of 24.9% or 603,600 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Lake Havasu City MSA unemployment rate has been consistently higher than that of Arizona, with an average unemployment rate of 9.0% in comparison to a 7.1% rate for Arizona. A higher unemployment rate is a negative indicator.

Recent data shows that the Lake Havasu City MSA unemployment rate is 8.1% in comparison to a 6.8% rate for Arizona, a negative sign for the Lake Havasu City MSA economy but one that must be tempered by the fact that the Lake Havasu City MSA has outperformed Arizona in the rate of job growth over the past two years.

<b>Employment Trends</b>						
Year	Total Employment (Year End)				Unemployment Rate (Ann. Avg.)	
	Lake Havasu City MSA	% Change	Arizona	% Change	Lake Havasu City MSA	Arizona
2009	46,000		2,422,000		11.4%	9.9%
2010	45,500	-1.1%	2,430,000	0.3%	13.0%	10.4%
2011	44,400	-2.4%	2,467,700	1.6%	12.3%	9.5%
2012	44,900	1.1%	2,531,100	2.6%	11.0%	8.4%
2013	46,000	2.4%	2,592,200	2.4%	10.4%	7.8%
2014	47,000	2.2%	2,649,600	2.2%	8.7%	6.8%
2015	47,300	0.6%	2,718,000	2.6%	7.9%	6.1%
2016	48,800	3.2%	2,782,600	2.4%	6.6%	5.4%
2017	50,200	2.9%	2,857,100	2.7%	5.9%	4.9%
2018	51,900	3.4%	2,943,800	3.0%	5.8%	4.7%
2019	53,300	2.7%	3,025,600	2.8%	5.8%	4.7%
Overall Change 2009-2019	7,300	15.9%	603,600	24.9%		
Avg Unemp. Rate 2009-2019					9.0%	7.1%
Unemployment Rate - September 2020					8.1%	6.8%

Source: U.S. Bureau of Labor Statistics and Moody's Analytics. Employment figures are from the Current Employment Survey (CES). Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

Major employers in the Lake Havasu City MSA are shown in the following table.



**Major Employers - Lake Havasu City-Kingman MSA**

	Name	Number of Employees
1	Kingman Regional Medical Center	1,630
2	Mohave County	1,325
3	Kingman Unified School District	985
4	Mohave Community College	700
5	American Woodmark	500
6	Walmart	470
7	UniSource Energy Services	360
8	City of Kingman	332
9	State of Arizona	278
10	Petro Stopping Centers	145

Source:

**Gross Domestic Product**

The Lake Havasu City MSA ranks 328 in Gross Domestic Product (GDP) out of the nation's 384 metropolitan statistical areas.

Economic growth, as measured by annual changes in GDP, has been considerably lower in the Lake Havasu City MSA than Arizona overall during the past eight years. The Lake Havasu City MSA has grown at a 1.5% average annual rate while Arizona has grown at a 2.4% rate.

The Lake Havasu City MSA has a per capita GDP of \$24,185, which is 44% less than Arizona's GDP of \$43,464. This means that Lake Havasu City MSA industries and employers are adding relatively less value to the economy than their counterparts in Arizona.

**Gross Domestic Product**

Year	((\$,000s) Lake Havasu City MSA	% Change	((\$,000s) Arizona	% Change
2011	4,554,414		263,211,100	
2012	4,503,558	-1.1%	268,288,800	1.9%
2013	4,581,620	1.7%	270,148,900	0.7%
2014	4,687,175	2.3%	273,677,100	1.3%
2015	4,700,479	0.3%	280,229,500	2.4%
2016	4,841,032	3.0%	289,230,400	3.2%
2017	4,900,560	1.2%	299,405,700	3.5%
2018	5,068,013	3.4%	311,705,600	4.1%
Compound % Chg (2011-2018)		1.5%		2.4%
GDP Per Capita 2018	\$24,185		\$43,464	

Source: U.S. Bureau of Economic Analysis and Moody's Analytics; data released December 2019. The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted "real" GDP stated in 2012 dollars.



## Income, Education and Age

The Lake Havasu City MSA has a considerably lower level of household income than Arizona. Median household income for the Lake Havasu City MSA is \$47,644, which is 23.3% less than the corresponding figure for Arizona.

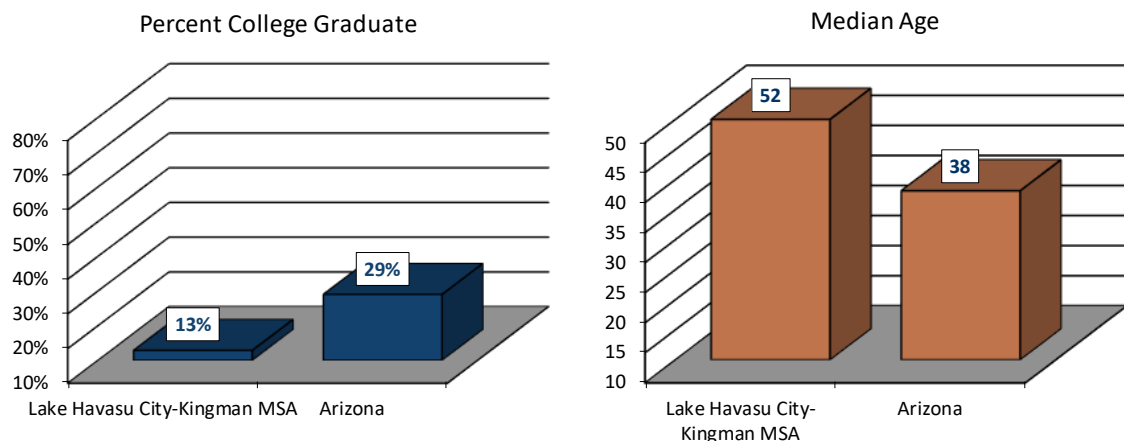
### Median Household Income - 2020

	Median
Lake Havasu City-Kingman MSA	\$47,644
Arizona	\$62,093
Comparison of Lake Havasu City-Kingman MSA to Arizona	- 23.3%

Source: Environics Analytics

Residents of the Lake Havasu City MSA have a lower level of educational attainment than those of Arizona. An estimated 13% of Lake Havasu City MSA residents are college graduates with four-year degrees, versus 29% of Arizona residents. People in the Lake Havasu City MSA are older than their Arizona counterparts. The median age for the Lake Havasu City MSA is 52 years, while the median age for Arizona is 38 years.

### Education & Age - 2020



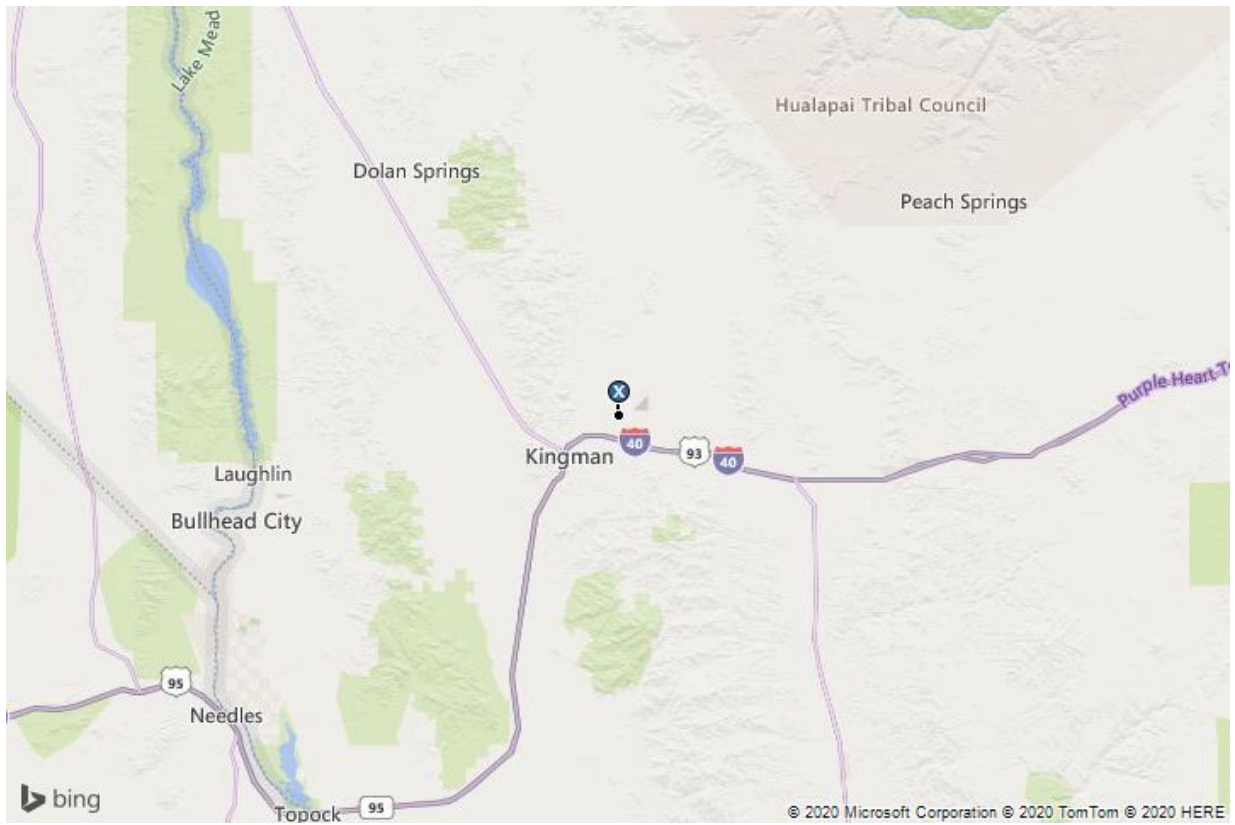
Source: Environics Analytics

## Conclusion

The Lake Havasu City MSA economy will be affected by a growing population base and lower income and education levels. The Lake Havasu City MSA experienced growth in the number of jobs over the past decade, and it is reasonable to assume that employment growth will occur in the future. We anticipate that the Lake Havasu City MSA economy will improve and employment will grow, strengthening the demand for real estate.

As previously referenced, COVID-19 has pushed the economy at all levels into a recession which has yet to be statistically proven or definitively quantified. Therefore, the statistical summary of the region provided above must be considered in light of the fact that economic indicators available in the near future will show a substantial contraction of economic activity beginning in the first quarter of 2020. This issue is discussed more fully after the Market Analysis section of this report.

## Area Map



## Surrounding Area Analysis

### Location

The subject is located in the Kingman area of Mohave County. Kingman is located along the Historic Route 66, which led through eight states from Chicago to Los Angeles. Much of the route has since been bypassed by the Interstate Freeway System, leaving small towns in its wake to attempt to capitalize on nostalgia and tourism.

According to Wikipedia, U.S. Route 66 (also known as the Will Rogers Highway after the humorist, and colloquially known as the "Main Street of America" or the "Mother Road") was a highway in the U.S. Highway System. One of the original U.S. highways, Route 66, US Highway 66, was established on November 11, 1926. However, road signs did not go up until the following year. The famous highway originally ran from Chicago, Illinois, through Missouri, Kansas, Oklahoma, Texas, New Mexico, Arizona, and California, before ending at Los Angeles, encompassing a total of 2,448 miles.

Route 66 underwent many improvements and realignments over its lifetime, changing its path and overall length. Many of the realignments gave travelers faster or safer routes, or detoured around city congestion. One realignment moved the western endpoint farther west from downtown Los Angeles to Santa Monica.

Route 66 was a major path of the migrants who went west, especially during the Dust Bowl of the 1930s, and supported the economies of the communities through which the road passed. People doing business along the route became prosperous due to the growing popularity of the highway, and those same people later fought to keep the highway alive even with the growing threat of being bypassed by the new Interstate Highway System.

US 66 was officially removed from the United States Highway System on June 27, 1985 after it was decided the route was no longer relevant and had been replaced by the Interstate Highway System. Portions of the road that passed through Illinois, Missouri, New Mexico, and Arizona have been designated a National Scenic Byway of the name "Historic Route 66." It has begun to return to maps in this form. Some portions of the road in southern California have been redesignated "State Route 66," and others bear "Historic Route 66" signs and relevant historic information.

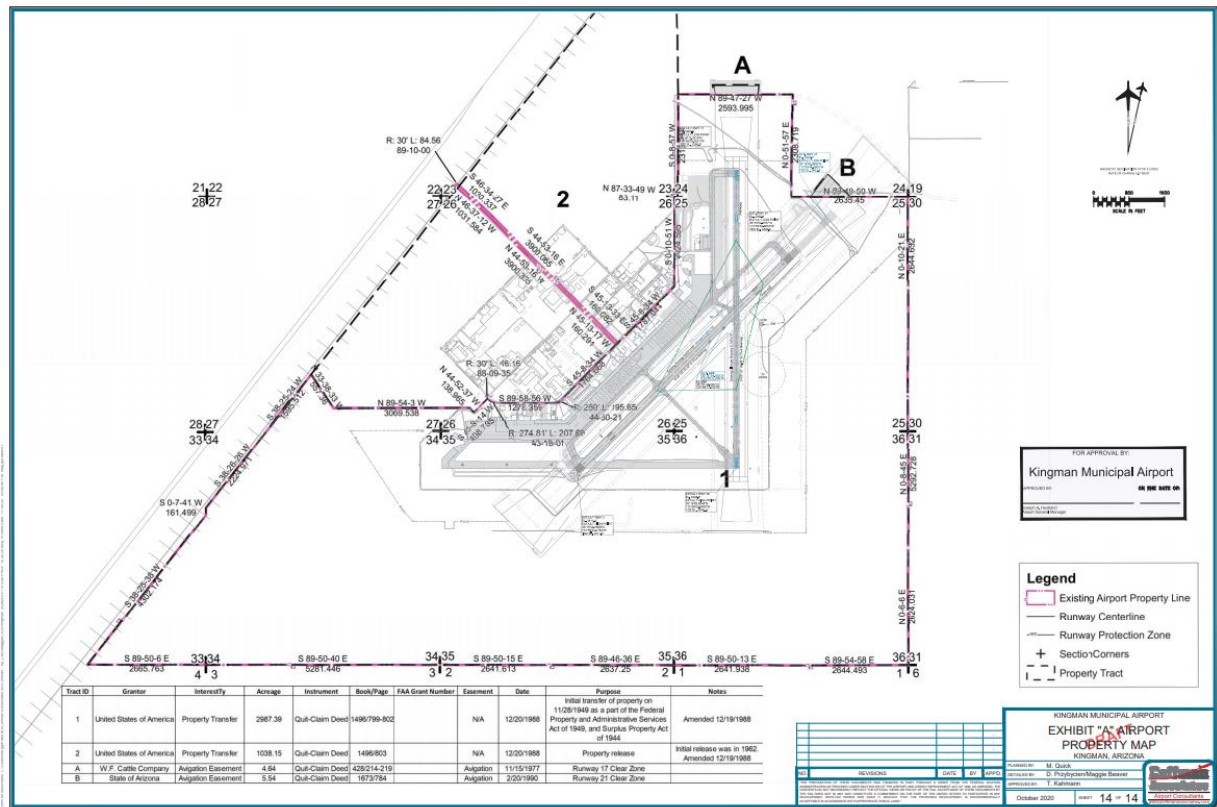
Kingman is located in the northwestern corner of Arizona in Mohave County. Kingman was established by Lewis Kingman in the 1880's. Mr. Kingman located the route of the Santa Fe Railway.

### Access and Linkages

Primary highway access to the area is via I-40. There is no public transportation available to the area. Overall, the primary mode of transportation in the area is the automobile.

### Demand Generators

Major employers include industrial and aviation users in the Kingman Airport, located just to the northeast of the subject.



## Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

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**Surrounding Area Demographics**


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2020 Estimates	1-Mile Radius	3-Mile Radius	5-Mile Radius	Lake Havasu City-		
				Kingman MSA	Arizona	USA
Population 2010	3,459	22,701	42,125	200,186	6,392,017	308,745,538
Population 2020	3,321	23,674	44,187	211,752	7,331,521	330,342,293
Population 2025	3,357	24,639	45,962	220,537	7,790,163	341,132,738
Compound % Change 2010-2020	-0.4%	0.4%	0.5%	0.6%	1.4%	0.7%
Compound % Change 2020-2025	0.2%	0.8%	0.8%	0.8%	1.2%	0.6%
Households 2010	1,351	9,148	16,984	82,539	2,380,990	116,716,292
Households 2020	1,302	9,540	17,809	87,802	2,732,873	125,476,002
Households 2025	1,318	9,930	18,553	91,937	2,910,715	129,798,868
Compound % Change 2010-2020	-0.4%	0.4%	0.5%	0.6%	1.4%	0.7%
Compound % Change 2020-2025	0.2%	0.8%	0.8%	0.9%	1.3%	0.7%
Median Household Income 2020	\$31,442	\$42,192	\$47,238	\$47,644	\$62,093	\$65,228
Average Household Size	2.6	2.5	2.5	2.4	2.6	2.6
College Graduate %	6%	12%	14%	13%	29%	32%
Median Age	44	46	46	52	38	39
Owner Occupied %	65%	68%	68%	70%	66%	65%
Renter Occupied %	35%	32%	32%	30%	34%	35%
Median Owner Occupied Housing Value	\$74,775	\$118,464	\$140,155	\$183,093	\$255,670	\$240,158
Median Year Structure Built	1985	1993	1992	1994	1992	1979
Average Travel Time to Work in Minutes	20	19	20	22	28	29

Source: Environics Analytics

As shown above, the current population within a 3-mile radius of the subject is 23,674, and the average household size is 2.5. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to the Lake Havasu City MSA overall, the population within a 3-mile radius is projected to grow at a similar rate.

Median household income is \$42,192, which is lower than the household income for the Lake Havasu City MSA. Residents within a 3-mile radius have a similar level of educational attainment to those of the Lake Havasu City MSA, while median owner occupied home values are considerably lower.

### Land Use

The area is suburban in character and approximately 50% developed.

Predominant land uses are residential, industrial and commercial. Development is mostly stagnant in the sub-market. The nearest development to the subject is approximately 5.5 square miles of modular housing.

### Outlook and Conclusions

The area is in the stable stage of its life cycle. We anticipate that property values will remain stable in the near future.



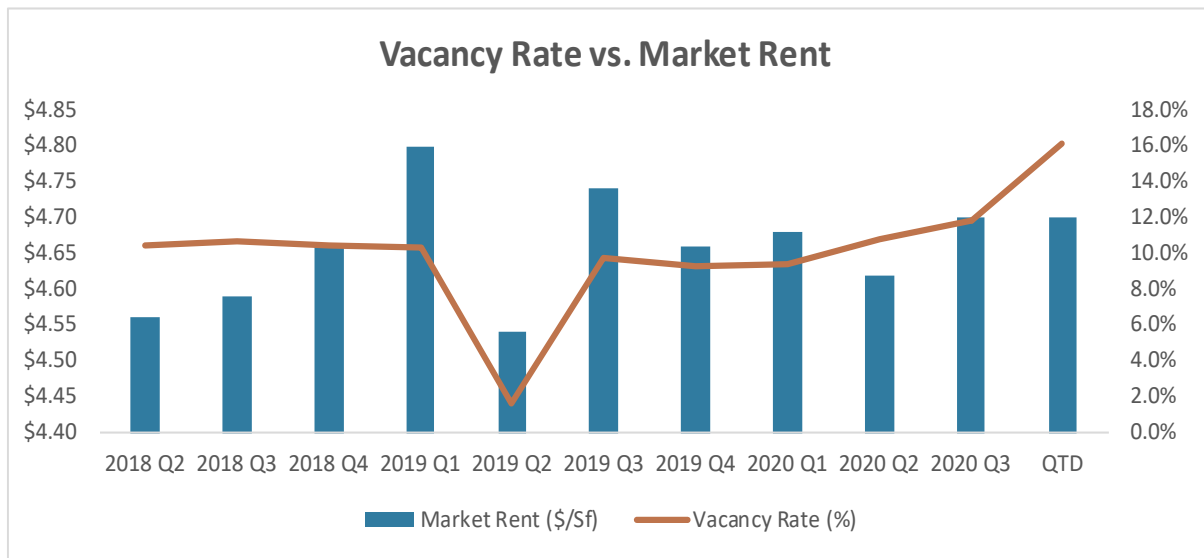
## Surrounding Area Map



## Industrial Market Analysis

As referenced previously, the data presented in the following section is based on historical reporting and pre-COVID-19. At the conclusion of this section, market factors impacting current economic trends will be analyzed as to what extent they may impact property valuation assumptions.

- The current vacancy rate in the submarket area is 16.1%; the vacancy rate has increased by 1,450 bps from 2019 Q2.
- The current average market rent reports at \$4.70/SF in the submarket, as rents have increased by 3.5% from 2019 Q2.



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The current building inventory is 283 buildings and the inventory size is 7,574,436 SF.
- There have been no deliveries in the submarket area between 2019 Q2 and 2020 QTD.
- Between 2019 Q2 and 2020 QTD, absorption figures in the metro area reached a peak of 660,250 SF in 2019 Q2.
- There has been no new construction in the submarket between 2019 Q2 and 2020 QTD.

## Leasing and Absorption Trends

The following table summarize leasing activity for all industrial properties in the submarket area.

Industrial Leasing Activity Trends							
	QTD	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Leasing Activity SF Total	2,400	9,000	3,000	6,600	2,350	17,000	-
Leasing Activity Deals Total	1	1	1	1	1	3	-
Avg. Deal (SF)	2,400	9,000	3,000	6,600	2,350	5,667	-

Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.



The following table summarize absorption activity for all industrial properties in the submarket area.

<b>Industrial Market Absorption Trends</b>							
Absorption	QTD	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Gross Absorption SF Total	2,400	31,616	17,273	15,083	48,700	22,000	665,950
Net Absorption SF Total	-325,924	-72,274	-107,860	-8,559	34,211	-615,194	660,250
Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.							

### Industrial Market Outlook and Conclusions

Based on the key metro and submarket area trends, construction outlook, and the performance of competing properties **prior to March 2020**, IRR expected the mix of property fundamentals and economic conditions in the Kingman metro area to have a neutral impact on the subject property's performance in the near-term.

With that said, the outlook and any conclusions must consider current and likely future market conditions due to COVID-19. The following section addresses how the market, and economic values, are being impacted by this emerging pandemic. The conclusion provides a framework for how the valuation addresses this emerging issue.

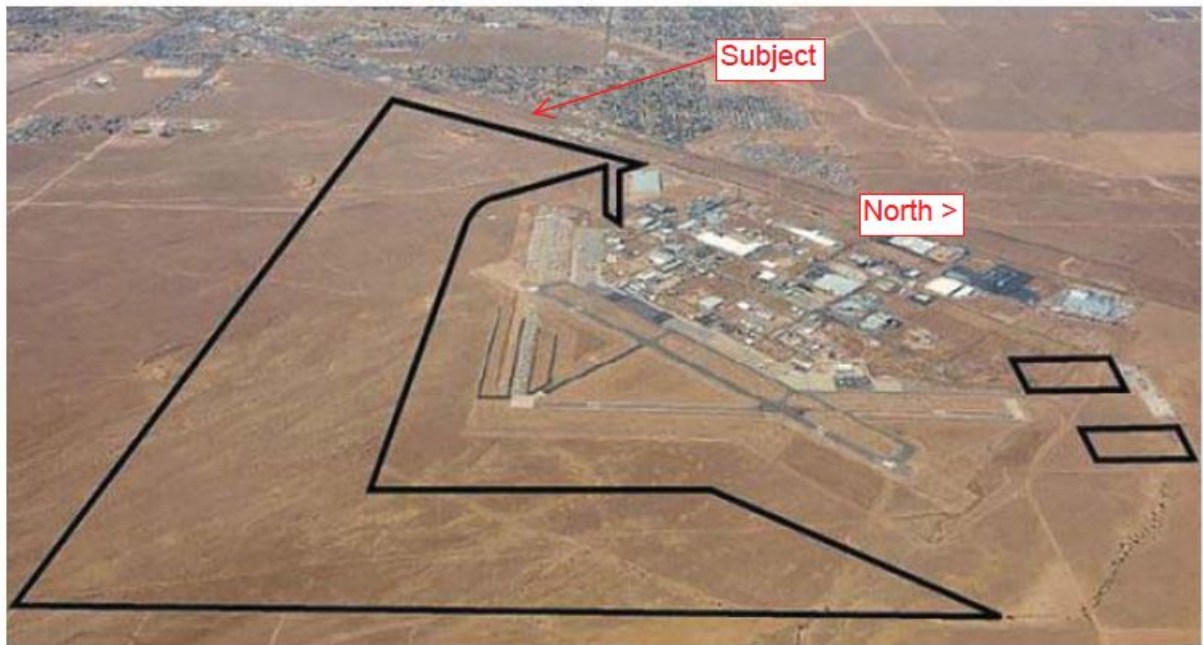
The vacancy rate has been increasing since Q 2019. The vacancy rate is expected to decrease in the near future.

The average effective rental rate has been decreasing since Q3 2019. Rents are expected to stabilize in the near future. Industrial rents in the preceding table are reported on a triple net basis.

There will soon be more property in competition with the developed portion of the airport and land along Route 66. The City of Kingman, received voter approval to sell the 1,813 acres in Phase 2 at the Kingman Airport and Industrial Park in the November 3, 2020 general election.

Council voted in July to designate the 1,813 acres as surplus, as required in order to eventually sell properties within the acreage. The land itself, while owned by the city, remains in the hands of the Federal Aviation Administration. The process of having the land released to the city is ongoing and expected to move forward in April or May 2021.

The process is likely to advance in spring 2021, the expected time by which the airport's master plan will be completed. That plan needs to be completed prior to the FAA releasing the land in Phase 2.



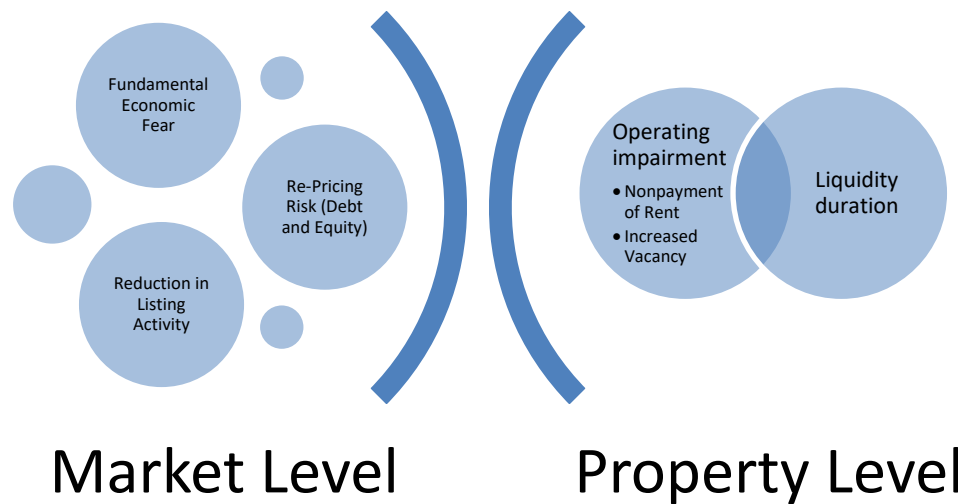
This photo shows the surplus land approved by voters for sale at the Kingman Airport and Industrial Park. (Photo courtesy of the City of Kingman)

### Conclusions

Overall, demand for industrial space is considered to be weak at the current time as indicated by the negative absorption trend over the past year combined with rising vacancy rates and declining effective rental rates. With the release of over 1,800 acres surrounding the airport, there will be even less demand for the subject sites.

### COVID-19 Impact on Current Valuations

Transaction indicators are the best measure of any impact on values due to COVID-19. Given the unique nature and recency of this event, minimal activity is evident from which to draw benchmark comparisons based on transactional data. In the absence of transaction data, market and property specific empirical data can be gleaned to assist in estimating current value. In this initial phase of the pandemic, early emerging trends include:



However, the broader market will experience a myriad of issues based on survey respondents including:

Uncertainty	Lender Concerns	Publicly Traded Securities	Return Requirements
<ul style="list-style-type: none"> <li>• Restricted access to capital</li> <li>• Unemployment concerns (increasing to 15% in Q2)</li> <li>• GDP decline (~30% in Q2)</li> <li>• Duration of crisis</li> </ul>	<ul style="list-style-type: none"> <li>• DSCR are impacted based on changes in rental revenue and collections</li> <li>• Loan covenants could trigger due to changes in near-term value</li> <li>• Borrowers are concerned about their tenants' ability to pay rent</li> <li>• Borrowers are concerned about their ability to keep their loans current</li> <li>• Lenders are also concerned about the need for loan modifications or work outs</li> </ul>	<ul style="list-style-type: none"> <li>• Stock indexes were down approximately 25% to 30% but have since rebounded</li> <li>• REIT pricing was down approximately 25% but have since rebounded</li> <li>• Crude oil was down approximately 40% but has since partially rebounded</li> </ul>	<ul style="list-style-type: none"> <li>• Interest rates may stay in the 4% - 4.5% range, despite the Federal Reserve's reduction efforts. Banks tightly manage their capital reserves and ratios, and therefore are requiring higher spreads for current risk profile</li> <li>• Durability of Cash Flow forces (new) equity investors to reprice risk. Standby (available, uncommitted) equity now has to be patient until a clearer "path forward" emerges</li> <li>• Impact on cap rates would be upward</li> </ul>

Each of the above observations provides empirical evidence that the market has shifted downward and real estate values will likewise be impacted, but to what degree is not certain.

Few experts or economists at this point are willing to state a threshold duration at which point everything will return to normal quickly, versus a duration of limited economic activity that spirals into worldwide recession.

There are some positive signs for the future. In the first week of November 2020, Pfizer announced promising results of its vaccine trials.

- The vaccine candidate was found to be more than 90% effective in preventing COVID-19 in participants without evidence of prior SARS-CoV-2 infection in the first interim efficacy analysis
- The analysis evaluated 94 confirmed cases of COVID-19 in trial participants
- The study enrolled 43,538 participants, with 42% having diverse backgrounds, and no serious safety concerns have been observed; Safety and additional efficacy data continue to be collected
- Submission for Emergency Use Authorization (EUA) to the U.S. Food and Drug Administration (FDA) is planned for soon after the required safety milestone is achieved, which is currently expected to occur in the third week of November
- Clinical trial to continue through to final analysis at 164 confirmed cases in order to collect further data and characterize the vaccine candidate's performance against other study endpoints

### Marketing and Exposure Time

At the present time, there is consensus of declining market demand in CRE transactions, due to market conditions ensuing from COVID-19. It is natural to assume that exposure time on properties either for sale or lease, will likely be extended. Comparing pre-COVID-19 exposure periods (perhaps

the best) to the banking crisis of 2008/2009 (perhaps the worst) can glean some differences that could extrapolate to exposure time going forward, i.e. from peak to trough.

Sector	Months on Market March 2008-09	Months on Market March 2018-19	Change in Months	% Change Peak to Trough
Office	29.6	14.8	14.8	100%
Retail	15	11.4	3.6	32%
Industrial	19.6	6.7	12.9	192%
Average	21.4	11.0	10.4	95%

Source: Costar – data presented in Months

Days on the market increased substantially in the last economic crisis of 2008-2009, with an average of 21 months on market for major property classes. The trailing 12 months preceding the COVID-19 crisis, average days on the market were 11 months.

Based on this historical perspective, marketing time could potentially double from current levels. This would have to be tempered recognizing that the depth and duration of this current economic crisis is tied to a health crisis and may have a conclusion more closely tied to its resolution.

### Conclusion

This heightened uncertainty forms the basis of defined risk. Considering the property type, Covid-19 does not negatively affect the subject property beyond the general negative impacts suffered globally.

## Property Analysis

### Land Description and Analysis

#### Location

The property is located on the southeast side of Route 66 at the intersection with Diagonal Way, a short distance southwest of Kingman Airport.

#### Land Area

The following table summarizes the subject's land area.

Land Area Summary		
Tax ID	SF	Acres
Portion of 324-11-062	1,157,322	26.57
Source: Engineering Report		

#### Shape and Dimensions

The site is rectangular in shape, with dimensions of approximately 447 feet in width and 2,640 feet in depth. Site utility based on shape and dimensions is average.

#### Topography

The site is generally level and at street grade. The topography does not result in any particular development limitations.

#### Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that there are not any unusual drainage issues that would affect the development of the subject.

#### Flood Hazard Status

The following table provides flood hazard information.

Flood Hazard Status	
Community Panel Number	04015C4576H
Date	February 18, 2015
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No

### Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

### Ground Stability

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support a variety of uses, including those permitted by zoning.

### Streets, Access and Frontage

Details pertaining to street access and frontage are provided in the following table.

Streets, Access and Frontage	
Street	SR 66
Frontage Feet	2,640
Paving	Yes
Curbs	No
Sidewalks	No
Lanes	2 way, 2 lanes each way
Direction of Traffic	SW/NE
Condition	Average
Traffic Levels	Moderate
Signals/Traffic Control	None
Access/Curb Cuts	Yes
Visibility	Average

### Utilities

The availability of utilities to the subject is summarized in the following table.

Utilities		
Service	Provider	Adequacy
Water	City of Kingman	Adequate
Sewer	Septic required	N/A
Electricity	Unisource Energy Services	Adequate
Natural Gas	Unisource Energy Services	Adequate
Local Phone	Cox/CenturyLink	Adequate

## Zoning

The subject is zoned C-2, General Commercial, by Mohave County. The C-2 zone is intended to provide for those professional office uses and retail commercial uses that serve the community as a whole. These commercial uses would be of a larger scale and a wider scope than uses in the Neighborhood Commercial zone. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

<b>Zoning Summary</b>	
Zoning Jurisdiction	Mohave County
Zoning Designation	C-2
Description	General Commercial
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	Professional office and retail commercial
Category	Zoning Requirement
Minimum Lot Area	6,000 SF
Minimum Setbacks (Feet)	Front - 10'; Side - 0'; Rear - 0'-15'
Maximum Building Height	60
Parking Requirement	Varies with proposed use, see Section 36.G

According to the local planning department, there are no pending or prospective zoning changes. However, based on the fact that there is no residential development on the east side of Route 66, few commercial uses on the west and very poor demographics in the neighborhood, the subject seems better suited for industrial uses. The subject is located outside of the City limits of Kingman, but within its planning area. The City's land use plan designated the subject for light industrial uses. The Mohave County Plan also shows industrial uses projected for the subject. In my opinion, a rezoning for industrial uses is reasonably probable.

## Other Land Use Regulations

We are not aware of any other land use regulations that would affect the property.

## Easements, Encroachments and Restrictions

Based upon a review of the deed and title report, there do not appear to be any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions.

## Conclusion of Site Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. Uses permitted by zoning include professional office and retail commercial. I believe the subject is better suited for future industrial uses. We are not aware of any other particular restrictions on development.





1. Looking southeast from Route 66 and Diagonal Way



2. Looking northeast from Route 66 and Diagonal Way



3. Looking southwest from Diagonal Way and Route 66



4. Looking southeast from Route 66 and Diagonal Way



5. Looking southwest from Route 66 and Driveway



6.. Looking NE from Route 66 and Driveway



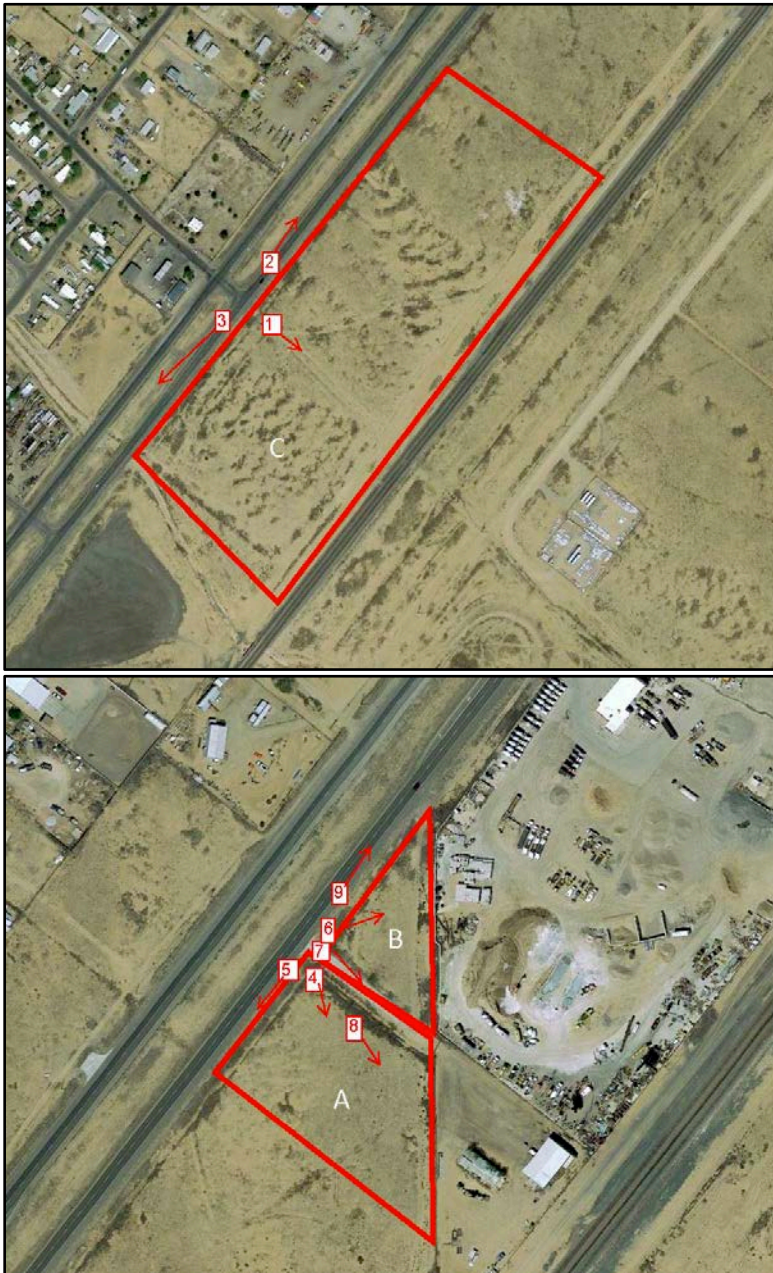
7. Looking southeast from Route 66 and driveway



8. Looking southeast from Route 66 and driveway



9. Looking northeast along Route 66 from driveway

**Photograph locations key**

## Real Estate Taxes

Real estate tax assessments in Arizona are a function of the County Assessor's office and are estimated by jurisdiction on a county-by-county basis. The property under appraisal is located in Maricopa County. Real estate taxes in this state and this jurisdiction represent ad valorem taxes, meaning a tax applied in proportion to value. The real estate taxes for an individual property may be determined by dividing the assessed value for a property by \$100, then multiplying the estimate by the composite rate. The composite rate is based on a consistent state tax rate throughout this state, in addition to one or more local taxing district rates.

The State of Arizona employs a dual structure for real estate taxation. Arizona Revised Statutes require that all property have full cash values and limited values established annually. The limited values cannot exceed the full cash values. The full cash and limited values are then adjusted by ratios to determine the assessed value.

The dual tax structure applies a primary tax rate to the limited assessed value and a secondary tax rate to the full cash value. Primary, or limited, values are used for primary property taxes and cannot exceed the full cash value. Limited value is based upon the previous year's limited value increased by either 10%, or 25% of the difference between the full cash value of the current year and the limited value of the prior year, whichever is greater. The primary rate includes school districts, college funds, Maricopa County and the state of Arizona.

Secondary values are synonymous with the full cash value, or market value, of the property. There is no limit on the amount of growth since it is based on the current market value. This value is used for secondary property taxes. Secondary taxes are used to compute the obligation of voter approved bonds, budget overrides and special taxing districts such as fire, flood control and other limited purpose districts.

Proposition 117, the Arizona Property Tax Assessed Valuation Amendment, was approved by Arizona voters on November 6, 2012. As a result, beginning in tax year 2015 the calculation of the Limited Property Value (LPV) changed and there is a single valuation used for taxation purposes, which is the LPV. The measure limited the annual growth in the limited property value of locally assessed properties to 5%, excluding properties, which have significant changes from the previous year such as new construction or parcel splits.

It should be noted that the sale of the property will not trigger a new assessment. In addition, it should also be noted that the "full cash value", while based on the assessor's estimate of market value, is rarely equal to market value. This is due primarily to the assessor's predominate reliance on the cost approach to value, particularly for new construction. This results in almost no correlation to market value.

Real estate taxes and assessments for the current tax year are shown in the following table.



**Taxes and Assessments - 2020**

Tax ID	Assessed Value			Taxes and Assessments			
	Land	Improvements	Total	Ad Valorem Tax Rate	Taxes	Direct Assessments	Total
Portion of 324-11-062	\$1,231,510		\$1,231,510	0.000000%	\$0	\$0	\$0

The subject property is owned by the State of Arizona and is not subject to real estate taxes.

## Highest and Best Use

### Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as vacant, and as improved. By definition, the highest and best use must be:

- Physically possible.
- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

### Highest and Best Use As Vacant

#### Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site result in functional utility suitable for a variety of uses. The lack of sewer service in the area is a constraint.

#### Legally Permissible

The site is zoned C-2, General Commercial. Permitted uses include professional office and retail commercial. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. In my opinion, the subject site is not suitable for commercial development, nor offices as discussed following. Given prevailing land use patterns in the area, only industrial use is given further consideration in determining the highest and best use of the site as vacant.

#### Financially Feasible

Given the lack of utilities to the site office use is not feasible. There are adequate convenience uses available to the surrounding residential neighborhood. Given the demographics of the area, there is no demand for additional commercial uses in the immediate area, especially on the east side of Route 66.

Based on our analysis of the market, there is currently limited demand for industrial use in the subject's area. For a user to select the subject site, one would have to pass over superior sites on the west side of Route 66 or in the Kingman airport. It appears that a newly developed industrial use on the site would not have a value commensurate with its cost; thus industrial use is not considered to be financially feasible at the current time. However, we expect rents and improved property values to increase to a level at which industrial use would be financially feasible in the future.

#### Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than holding the property for future development of an industrial use. Accordingly,

it is our opinion that holding the property for future industrial use, based on the normal market density level permitted by zoning, is the maximally productive use of the property.

**Conclusion**

Holding the property for future development of an industrial use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as vacant.

**Most Probable Buyer**

Taking into account the functional utility of the site and lack of demand in the area, the probable buyer is a speculator.

# Valuation

## Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

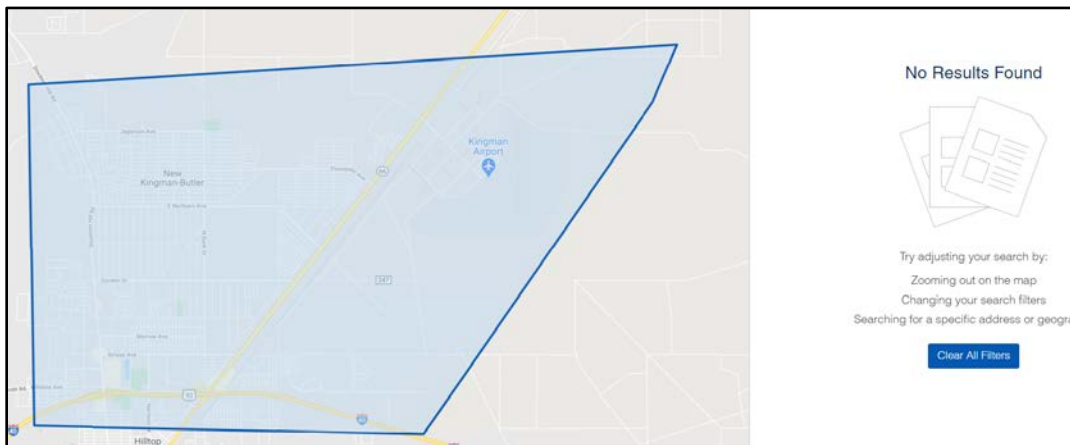
Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized



## Sales Comparison Approach

To develop an opinion of the subject's land value, as vacant and available to be developed to its highest and best use, we utilize the sales comparison approach. This approach develops an indication of value by researching, verifying, and analyzing sales of similar properties. Our sales research focused on transactions within the following parameters:

- Location: Northwest Kingman
- Size: Larger than three acres
- Use: Future industrial or commercial
- Transaction Date: Last three years



There is very little activity in the sub-market. We were forced to employ listings to create a large enough data set. We also employed alternate resources such as MLS, Loopnet, LandAmerica and other sites to discover the best sales for the analysis.

For this analysis, we use price per square foot as the appropriate unit of comparison because market participants typically compare sale prices and property values on this basis. The sales most relevant to analyzing the subject's land value are summarized in the following table:

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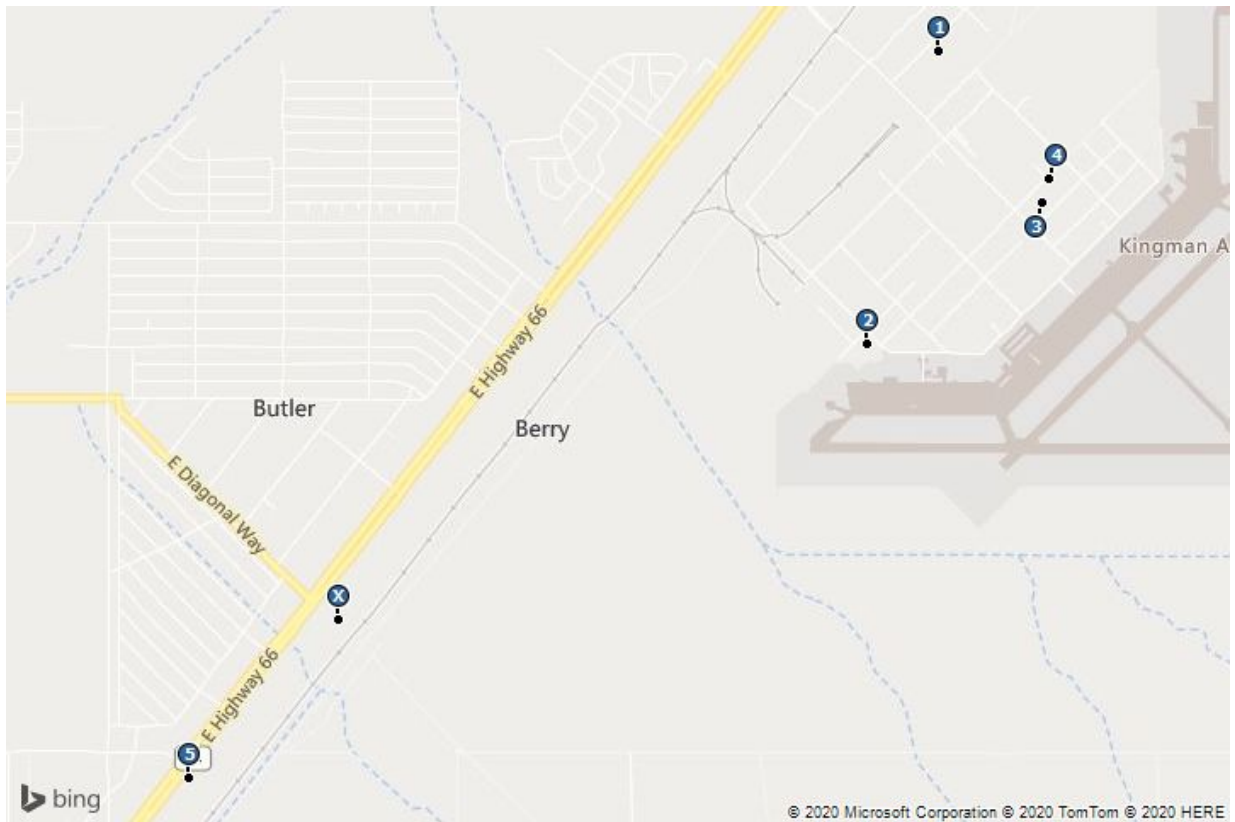
**Summary of Comparable Land Sales - 038C**


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No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	\$/SF Land
1	7045 Commerce Dr Kingman Mohave County AZ	May-18 Closed	\$163,000	120,226 2.76	Airport District	\$1.36
<i>Comments: The property is improved with a small metal building with 2,448 SF, built in 1996.</i>						
2	SEC Windrose Ln & Santa Fe Dr Kingman Mohave County AZ	Aug-18 Listing	\$379,000	152,896 3.51	Airport District	\$2.48
3	4705 E Mohave Airport Dr Kingman Mohave County AZ	Sep-18 Closed	\$527,000	214,315 4.92	Airport District	\$2.46
4	4795 N Olympic way Kingman Mohave County AZ	Nov-20 Listing	\$299,900	283,140 6.50		\$1.06
5	3980 N Route 66 3980 N. Andy Devine Ave. Kingman Mohave County AZ	Nov-20 Listing	\$996,000	522,720 12.00		\$1.91
<i>Comments: The listed property has good Route 66 frontage. The broker said there have been no inquiries at the listed price.</i>						
<b>Subject</b>				1,028,498	General	
26.57 Acres Vacant Land				23.61	Commercial	
Unincorporated, AZ						

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## Comparable Land Sales Map





Sale 1  
7045 Commerce Dr



Sale 2  
SEC Windrose Ln & Santa Fe Dr



Sale 3  
4705 E Mohave Airport Dr



Sale 4  
4795 N Olympic Way



Sale 5  
3980 N Route 66

26.57 Acres Vacant Land

## Adjustment Factors

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

Adjustment Factors	
Effective Sale Price	Accounts for atypical economics of a transaction, such as demolition cost, expenditures by the buyer at time of purchase, or other similar factors. Usually applied directly to sale price on a lump sum basis.
Real Property Rights	Fee simple, leased fee, leasehold, partial interest, etc.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale, related parties transaction. Comparables 2, 3 and 5 are listing prices and will likely be negotiated downward in the process. A downward adjustment is applied to land Sales 2, 3 and 5.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate. No market conditions adjustment is apparent from a review of market data.
Location	Market or submarket area influences on sale price; surrounding land use influences. Land Sales 1 and 5 have a superior location, nearer to other commercial users, on streets with higher traffic counts, with superior surrounding development and require a substantial downward adjustment.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts. Sales 1 and 5 are adjusted downward for this criterion.
Size	Inverse relationship that often exists between parcel size and unit value.
Shape and Topography	Primary physical factors that affect the utility of a site for its highest and best use.
Zoning	Government regulations that affect the types and intensities of uses allowable on a site.
Entitlements	The specific level of governmental approvals attained pertaining to development of a site.

## Analysis and Adjustment of Sales

Our analysis of the comparable sales is described in the following paragraphs.

**Land Sale 1** is a 2.76 acre, or 120,226 square foot, parcel located at 7045 Commerce Dr., Kingman, Mohave County, AZ. The property sold in May 2018 for \$213,000. Adjusting for a small building located on the site, the effective sale price is \$163,000, or \$1.36 per square foot.

A downward adjustment of 25% is indicated for size.

**Land Sale 2** is a 3.51 acre, or 152,896 square foot, parcel located at SEC Windrose Ln & Santa Fe Dr, Kingman, Mohave County, AZ. The property was listed for sale in August 2018 for \$379,000, or \$2.48 per square foot.

An upward adjustment of 10% is indicated for shape and topography. Downward adjustments are indicated for conditions of sale (10%) and size (25%). Overall, a substantial downward adjustment is indicated.

**Land Sale 3** is a 4.92 acre, or 214,315 square foot, parcel located at 4705 E. Mohave Airport Dr., Kingman, Mohave County, AZ. The property sold in September 2018 for \$527,000, or \$2.46 per square foot.

A downward adjustment of 25% is indicated for size.

**Land Sale 4** is a 6.50 acre, or 283,140 square foot, parcel located at 4795 N. Olympic Way, Kingman, Mohave County, AZ. The property is listed as of November 2020 for \$299,900, or \$1.06 per square foot.

An upward adjustment of 10% is indicated for shape and topography. Downward adjustments are indicated for conditions of sale (10%) and size (20%). Overall, a downward adjustment is indicated.

**Land Sale 5** is a 12.00 acre, or 522,720 square foot, parcel located at 3980 N. Andy Devine Ave., Kingman, Mohave County, AZ. The property is listed for sale as of November 2020 for \$996,000, or \$1.91 per square foot.

An upward adjustment of 10% is indicated for shape and topography. Downward adjustments are indicated for conditions of sale (10%), location (10%), and size (10%). Overall, a downward adjustment is indicated.

The following table summarizes the adjustments we make to the comparable sales.

**Land Sales Adjustment Grid - 038C**

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name	26.57 Acres Vacant Land	7045 Commerce Dr	SEC Windrose Ln & Santa Fe Dr	4705 E Mohave Airport Dr	4795 N Olympic way	3980 N Route 66
Address	Southeast side of State Route 66, Northwest of the Burlington Northern Santa Fe Railroad	7045 Commerce Dr.	SEC Windrose Ln & Santa Fe Dr	4705 E. Mohave Airport Dr.	4795 N. Olympic Way	3980 N. Andy Devine Ave.
City	Unincorporated	Kingman	Kingman	Kingman	Kingman	Kingman
Sale Date		May-18	Aug-18	Sep-18	Nov-20	Nov-20
Sale Status		Closed	Listing	Closed	Listing	Listing
Sale Price		\$213,000	\$379,000	\$527,000	\$299,900	\$996,000
Other Adjustment			\$0	\$0	\$0	\$0
Price Adjustment		-\$50,000	—	—	—	—
Description of Adjustment						
Effective Sale Price		\$163,000	\$379,000	\$527,000	\$299,900	\$996,000
Square Feet	1,028,498	120,226	152,896	214,315	283,140	522,720
Acres	23.61	2.76	3.51	4.92	6.50	12.00
<b>Price per Square Foot</b>		<b>\$1.36</b>	<b>\$2.48</b>	<b>\$2.46</b>	<b>\$1.06</b>	<b>\$1.91</b>
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		—	—	—	—	—
Financing Terms		Cash to seller	—	Cash to seller	—	—
% Adjustment		—	—	—	—	—
Conditions of Sale		—	Listing	—	Listing	Listing
% Adjustment		—	-10%	—	-10%	-10%
Market Conditions	11/16/2020	May-18	Aug-18	Sep-18	Nov-20	Nov-20
Annual % Adjustment		—	—	—	—	—
<b>Cumulative Adjusted Price</b>		<b>\$1.36</b>	<b>\$2.23</b>	<b>\$2.46</b>	<b>\$0.95</b>	<b>\$1.71</b>
Location		—	—	—	—	-10%
Access/Exposure		—	—	—	—	—
Size		-25%	-25%	-25%	-20%	-10%
Shape and Topography		—	10%	—	10%	10%
Zoning		—	—	—	—	—
Net \$ Adjustment		-\$0.34	-\$0.33	-\$0.61	-\$0.10	-\$0.17
Net % Adjustment		-25%	-15%	-25%	-10%	-10%
<b>Final Adjusted Price</b>		<b>\$1.02</b>	<b>\$1.90</b>	<b>\$1.84</b>	<b>\$0.86</b>	<b>\$1.54</b>
Overall Adjustment		-25%	-24%	-25%	-19%	-19%
<b>Range of Adjusted Prices</b>		<b>\$0.86 - \$1.90</b>				
<b>Average</b>		<b>\$1.43</b>				
<b>Indicated Value</b>		<b>\$0.90</b>				



**Land Value Conclusion**

Prior to adjustments, the sales reflect a range of \$1.06 - \$2.48 per square foot. After adjustment, the range is narrowed to \$0.86 - \$2.09 per square foot, with an average of \$1.53 per square foot. To arrive at an indication of value, we place primary emphasis on sales 4 and 5.

Based on the preceding analysis, we reach a land value conclusion as follows:

<b>Land Value Conclusion</b>	
Indicated Value per Square Foot	\$0.90
Subject Square Feet	<u>1,028,498</u>
Indicated Value	\$925,648
Rounded	<u>\$930,000</u>

## Reconciliation and Conclusion of Value

As discussed previously, we use only the sales comparison approach in developing an opinion of value for the subject. The cost and income approaches are not applicable, and are not used.

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our value opinion follows:

### Value Conclusions

Parcel	Interest Appraised	Date of Value	Value Conclusion
Market Value	Fee Simple	November 16, 2020	\$930,000

### Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. None

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

As of the date of value, the economy (globally, nationally, and locally) was in a state of rapid transition with a widespread expectation of the imminent onset of a significant recession. The outbreak of COVID-19 (coronavirus disease of 2019) in China was declared a global pandemic by the World Health Organization (WHO) on March 11, 2020. Some market deterioration had occurred shortly before this date, but the declaration by the WHO soon led to municipal and statewide orders to "shelter in place," causing widespread closures of businesses and a massive disruption to general commerce. The status of economic conditions is changing rapidly, creating great uncertainty in the markets. The value expressed herein represents our opinion based on the best available data reflective as of the date of value. While values are always subject to change over time, we caution the reader that in the current economic climate, market volatility creates the potential for a more significant change in value over a relatively short period of time.

## Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local market, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 9-12 months.

**Marketing Time**

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 9-12 months.

## Certification

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have performed no services, as appraisers or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Roger L. Dunlap, MAI, made a personal inspection of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Roger L. Dunlap, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.

A handwritten signature in black ink, appearing to read "Roger L. Dunlap". The signature is stylized with a large, looped initial "R" and a long, sweeping horizontal line extending to the right.

Roger L. Dunlap, MAI  
Certified General Appraiser  
Arizona Certificate # 31062

## Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
  8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
  9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
  10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
  11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
  12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
  13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
  14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
  15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
  16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
  17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic



conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of you, your subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. IRR - Phoenix, Integra Realty Resources, Inc., and their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. However, we are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. We are not a building or environmental inspector. The Integra Parties do not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
24. **IRR - Phoenix is an independently owned and operated company. The parties hereto agree that Integra shall not be liable for any claim arising out of or relating to any appraisal report or any information or opinions contained therein as such appraisal report is the sole and exclusive responsibility of IRR - Phoenix. In addition, it is expressly agreed that in any action**

- which may be brought against the Integra Parties arising out of, relating to, or in any way pertaining to the engagement letter, the appraisal reports or any related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further expressly agreed that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the assignment (unless the appraisal was fraudulent or prepared with intentional misconduct). It is expressly agreed that the fees charged herein are in reliance upon the foregoing limitations of liability.**
25. IRR - Phoenix is an independently owned and operated company, which has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
28. The appraisal is also subject to the following:

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**Extraordinary Assumptions and Hypothetical Conditions**

---

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. None

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

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## **Addendum A**

### **Appraiser Qualifications**

# Roger L. Dunlap, MAI

## Experience

Mr. Dunlap has been engaged in valuation assignments for purposes of estate valuation, mortgage financing, buyer/seller transactions, title disputes, land exchanges, right of way abandonments and condemnation matters, among others. He has worked in most municipalities of the Phoenix metro area as well as rural areas including properties located on three Indian reservations, and in thirteen of fifteen Arizona counties; as well as Boise, Caldwell, Nampa, Emmett, Twin Falls, Burley and other cities in Idaho. He has appraised sites for transmission facilities, easements for a water pipeline corridor, partial takings for the Phoenix and Mesa light rail projects, takings for freeway expansions, street widenings, sewer lines and sidewalk easements. He has been engaged to conduct Standard 3 reviews for bank clients and government agencies.

Property types he has appraised include land parcels, proposed and existing commercial and industrial projects on Indian reservations, all types of retail/commercial property, offices, medical facilities, multifamily residential property, and industrial projects ranging from small owner/user manufacturing properties to hi-tech industrial corporate headquarters. Geographic competencies include both Arizona and New Mexico.

February 2017 to December 2019, Appraiser, BURKE HANSEN, LLC

June 1998 to February 2017, President & CEO, ROGER L. DUNLAP & ASSOCIATES, LTD

October 1985 to May 1998, Real Estate Analyst/Paralegal, Dushoff & McCall

## Licenses

Arizona, Certified General Appraiser, 31062, Expires May 2021

New Mexico, Certified General Appraiser, 03625-G, Expires April 2022

## Education

B.A. in English, Arizona State University, Tempe, 1998

A.A.S. in Paralegal studies, Phoenix College, Phoenix, 1983

Successfully completed the required courses of The Appraisal Institute and is current in the mandatory continuing education program.

## Integra Realty Resources Phoenix

2999 North 44th Street  
Suite 512  
Phoenix, AZ 85018

T 602-648-4313

irr.com

**Department of Financial Institutions**  
**State of Arizona**

CGA - 31062

This document is evidence that: **ROGER L. DUNLAP** has complied with the provisions of  
Arizona Revised Statutes, relating to the establishment and operation of a:

**Certified General Real Estate Appraiser**

and that the Superintendent of Financial Institutions of the State of Arizona has granted this license to transact the business of a:


**Certified General Real Estate Appraiser**

**ROGER L. DUNLAP**

This license is subject to the laws of Arizona and will remain in full force and effect until surrendered, revoked or suspended as provided by law.

Signed in the Superintendent's office at 100 North 15th Avenue, Suite 261, in  
the City of Phoenix, State of Arizona, this 20th of May, 2019.

Expiration Date : **May 31, 2021**

  
Keith A. Schraad  
Interim Superintendent

## About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

*Local Expertise...Nationally!*

# irr.com





## **Addendum B**

### **Definitions**

## Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

### **As Is Market Value**

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

### **Disposition Value**

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

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. 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.

This definition can also be modified to provide for valuation with specified financing terms.

### **Effective Date**

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

### **Entitlement**

In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

### **Entrepreneurial Incentive**

The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's*

*profit*) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. The amount of entrepreneurial incentive required for a project represents the economic reward sufficient to motivate an entrepreneur to accept the risk of the project and to invest the time and money necessary in seeing the project through to completion.

### **Entrepreneurial Profit**

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.
2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

### **Exposure Time**

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

### **Fee Simple Estate**

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

### **Floor Area Ratio (FAR)**

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

### **Highest and Best Use**

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)

3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

**Investment Value**

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

**Lease**

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

**Leased Fee Interest**

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

**Leasehold Interest**

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

**Liquidation Value**

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

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. 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.

This definition can also be modified to provide for valuation with specified financing terms.

**Marketing Time**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

**Market Value**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in 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.

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

**Prospective Opinion of Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

## **Addendum C**

### **Property Information**

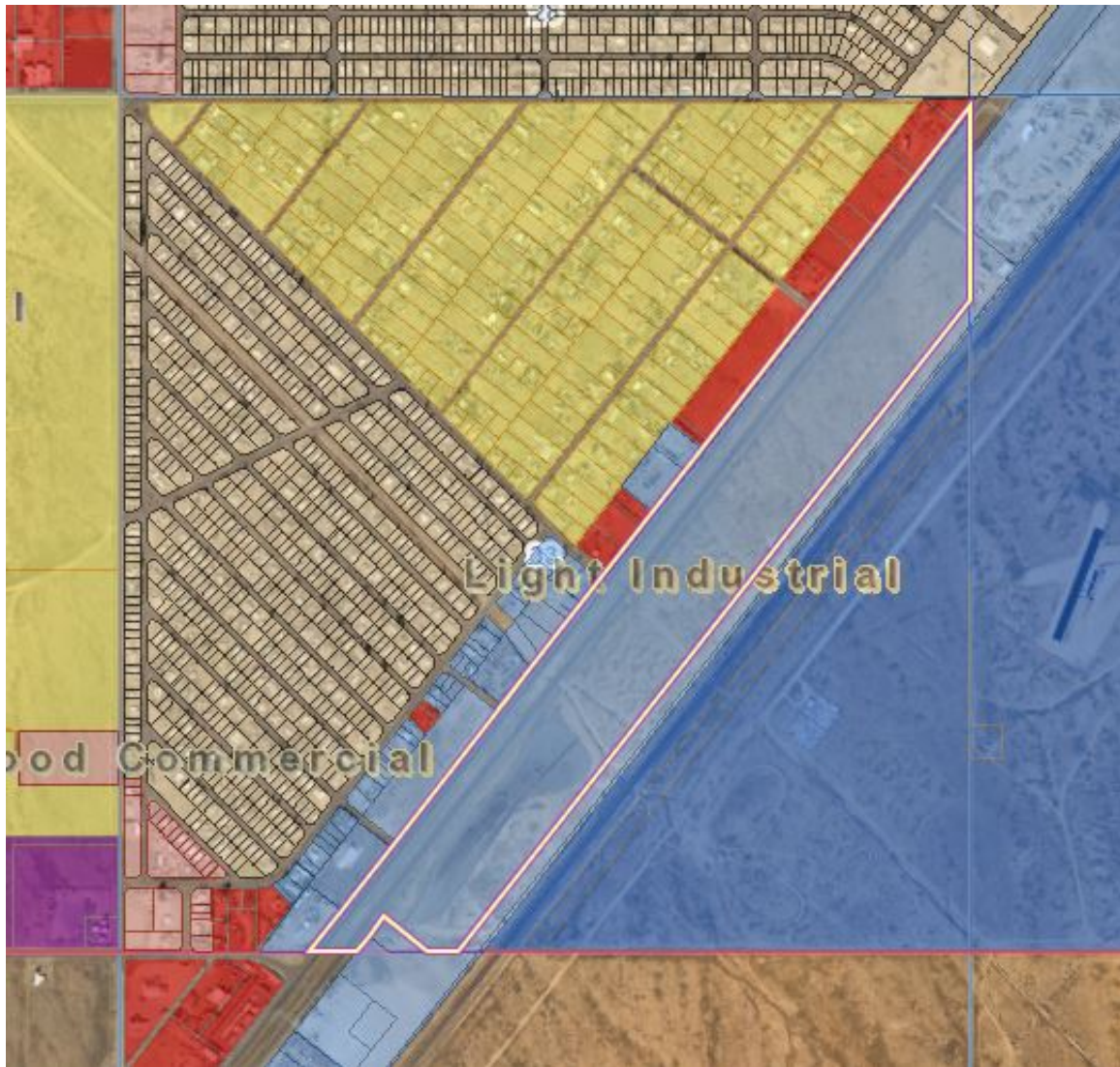
**SCHEDULE A-1  
LEGAL DESCRIPTION**

That portion of the East half and the Southwest quarter of Section 33, Township 22 North, Range 16 West, of the Gila and Salt River Base and Meridian, Mohave Country Arizona, as depicted on Exhibit "A" attached, Sheet 9, of ADOT Drawing D-8-T-205, the Right of Way Plans of STATE HIGHWAY, Kingman - Ash Fork, Section, Project F008-2-709 01R.

**NOTE: The legal description of the area to be disposed will be produced by the ADOT Right of Way Delineation Unit.**

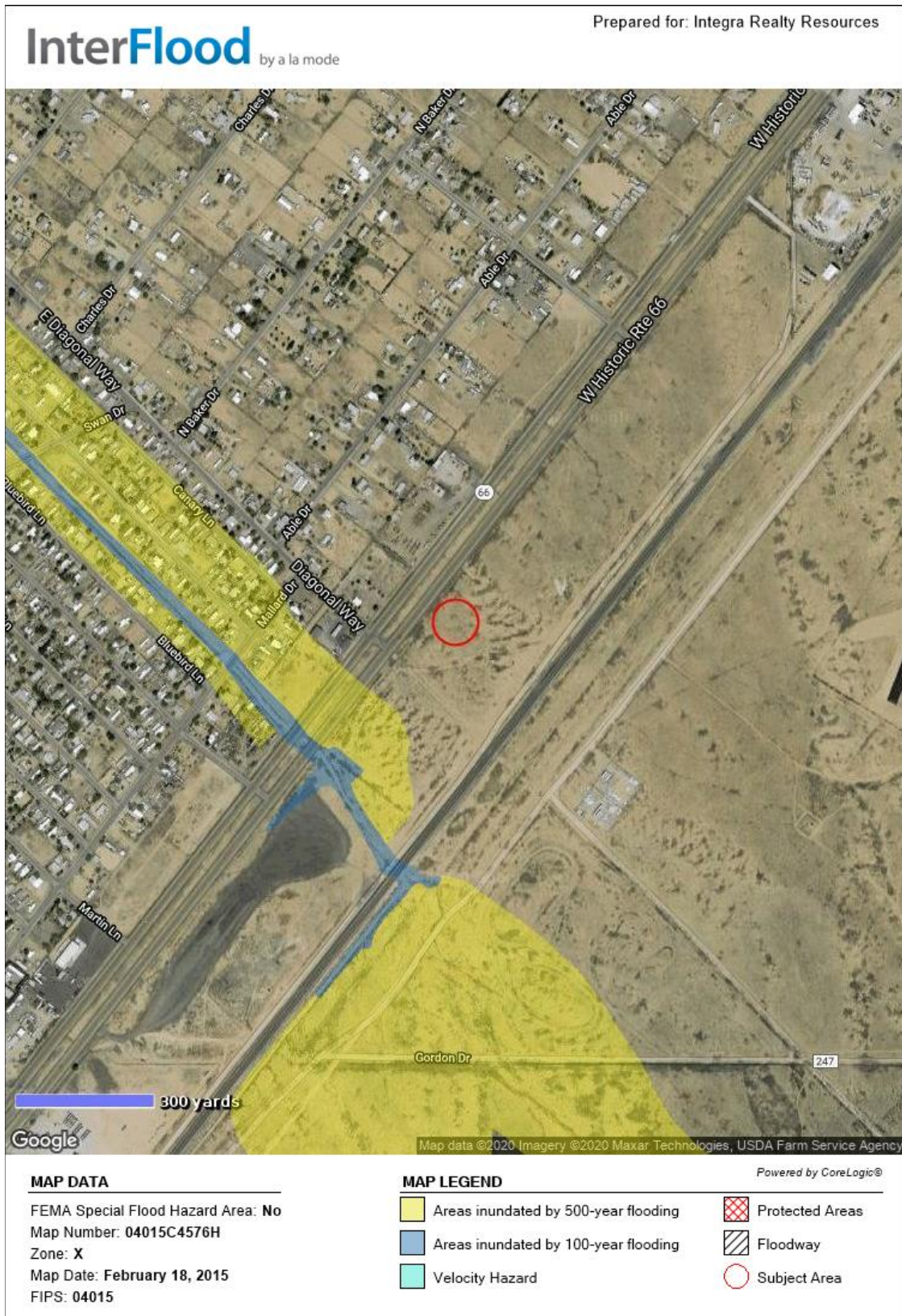
**END OF SCHEDULE A-1**











## **Addendum D**

### **Comparable Data**

## Location & Property Identification

Property Name: 7045 Commerce Dr  
 Sub-Property Type: Commercial, Industrial  
 Address: 7045 Commerce Dr.  
 City/State/Zip: Kingman, AZ 86401  
 County: Mohave

Market Orientation: Airport District

IRR Event ID: 2209600



## Sale Information

Sale Price: \$213,000  
 Effective Sale Price: \$213,000  
 Sale Date: 05/18/2018  
 Sale Status: Closed  
 \$/Acre(Gross): \$77,174  
 \$/Land SF(Gross): \$1.77  
 Grantor/Seller: Amatangel & Hernandez  
 Grantee/Buyer: J Kross Co, Inc.  
 Assets Sold: Real estate only  
 Property Rights: Fee Simple  
 % of Interest Conveyed: 100.00  
 Financing: Cash to seller  
 Terms of Sale: Typical  
 Document Type: Deed  
 Recording No.: 2018-025371  
 Verified By: Andy A. Gonzalez  
 Verification Date: 02/28/2019  
 Confirmation Source: Public Records  
 Verification Type: Confirmed-Other

Legal/Tax/Parcel ID: 310-19-168 & 169  
 Acres(Gross): 2.76  
 Land-SF(Gross): 120,226  
 Zoning Code: AD  
 Zoning Desc.: Airport District  
 Source of Land Info.: Public Records

## Comments

The property is improved with a small metal building with 2,448 SF, built in 1996.

## Sale Analysis

Other Adj.: \$50,000  
 Adjust. Comments: 2,448 SF building built in 1996.

## Improvement and Site Data



## Location & Property Identification

Property Name: SEC Windrose Ln & Santa Fe Dr

Sub-Property Type: Commercial, Industrial

Address: SEC Windrose Ln & Santa Fe Dr

City/State/Zip: Kingman, AZ 86401

County: Mohave

Market Orientation: Airport District

IRR Event ID: 2209606



## Sale Information

Listing Price: \$379,000

Effective Listing Price: \$379,000

Listing Date: 08/01/2018

Sale Status: Listing

\$/Acre(Gross): \$107,977

\$/Land SF(Gross): \$2.48

Property Rights: Fee Simple

% of Interest Conveyed: 100.00

Verified By: Andy A. Gonzalez

Verification Date: 02/28/2019

Confirmation Source: Public Records

Verification Type: Confirmed-Other

## Improvement and Site Data

Legal/Tax/Parcel ID: 310-19-181

Acres(Gross): 3.51

Land-SF(Gross): 152,896

Zoning Code: AD

Zoning Desc.: Airport District

Source of Land Info.: Public Records

## Location & Property Identification

Property Name: 4705 E Mohave Airport Dr  
 Sub-Property Type: Commercial, Industrial  
 Address: 4705 E. Mohave Airport Dr.  
 City/State/Zip: Kingman, AZ 86401  
 County: Mohave  
  
 Market Orientation: Airport District  
  
 IRR Event ID: 2209603



## Sale Information

Sale Price: \$527,000  
 Effective Sale Price: \$527,000  
 Sale Date: 09/07/2018  
 Sale Status: Closed  
 \$/Acre(Gross): \$107,114  
 \$/Land SF(Gross): \$2.46  
 Grantor/Seller: Walkfed, LLC  
 Grantee/Buyer: Zingers, LLLP  
 Property Rights: Fee Simple  
 % of Interest Conveyed: 100.00  
 Financing: Cash to seller  
 Terms of Sale: Typica  
 Document Type: Deed  
 Recording No.: 2018044555  
 Verified By: Andy A. Gonzalez  
 Verification Date: 02/28/2019  
 Confirmation Source: Public Records  
 Verification Type: Confirmed-Other

## Improvement and Site Data

Legal/Tax/Parcel ID: 310-19-078  
 Acres(Gross): 4.92  
 Land-SF(Gross): 214,315  
 Zoning Code: AD  
 Zoning Desc.: Airport District  
 Source of Land Info.: Public Records

Property Name:	4795 N Olympic Way
Sub-Property Type:	Commercial, Industrial
Address:	4795 N. Olympic Way
City/State/Zip:	Kingman, AZ 86401
County:	Mohave
Market Orientation:	Small Town - Non Metro
Property Location:	SWC Flightline Drive and Olympic Way
IRR Event ID:	2529588



## Broker

Listing Price:	\$299,900
Effective Listing Price:	\$299,900
Listing Date:	11/16/2020
Sale Status:	Listing
\$/Acre(Gross):	\$46,138
\$/Land SF(Gross):	\$1.06
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Exposure Time:	5 (months)
Verified By:	Roger L. Dunlap, MAI
Verification Date:	11/16/2020
Verification Type:	Secondary Verification

Occupancy at Time of Sale: 0.00%

Legal/Tax/Parcel ID:	310-19-231
Acres(Gross):	6.50
Land-SF(Gross):	283,140
Frontage Type:	2 way, 1 lane each way
Zoning Code:	M-AD
Flood Plain:	No
Utilities:	Electricity, Water Public, Gas, Telephone



## Location & Property Identification

Property Name: 3980 N Route 66  
 Sub-Property Type: Commercial, Industrial  
 Address: 3980 N. Andy Devine Ave.  
 City/State/Zip: Kingman, AZ 86401  
 County: Mohave

Market Orientation: Small Town - Non Metro  
 Property Location: East side Route 66 south of Gordon Drive  
 IRR Event ID: 2530213



## Sale Information

Listing Price: \$996,000  
 Effective Listing Price: \$996,000  
 Listing Date: 11/24/2020  
 Sale Status: Listing  
 \$/Acre(Gross): \$83,000  
 \$/Land SF(Gross): \$1.91  
 Assemblage: No  
 Portfolio Sale: No  
 Assets Sold: Real estate only  
 Property Rights: Fee Simple  
 % of Interest Conveyed: 100.00  
 Document Type: Warranty Deed  
 Verified By: Roger L. Dunlap, MAI  
 Verification Date: 11/24/2020  
 Confirmation Source: Darryl Patterson  
 Verification Type: Confirmed-Seller Broker

Frontage Desc.: Southeast side Route 66  
 Frontage Type: 2 way, 2 lanes each way  
 Traffic Control at Entry: Stop sign  
 Traffic Flow: Moderate  
 AccessibilityRating: Average  
 Visibility Rating: Average  
 Source of Land Info.: Public Records

## Comments

The listed property has good Route 66 frontage. The broker said there have been no inquiries at the listed price.

## Occupancy

Occupancy at Time of Sale: 0.00%

## Improvement and Site Data

Legal/Tax/Parcel ID: 322-05-009A  
 Acres(Gross): 12.00  
 Land-SF(Gross): 522,720  
 Frontage Feet: 450

## **Addendum E**

### **Engagement Letter**



Infrastructure Delivery and Operations

*An Arizona Management System Agency*

Douglas A. Ducey, Governor  
John S. Halikowski, Director  
Dallas Hammit, State Engineer  
Steve Boschen, Division Director

205 S. 17<sup>th</sup> Ave. Room: 331  
Mail Drop: 612E  
Phoenix, AZ 85007

October 12, 2020

Roger L. Dunlap  
Integra Realty Resources - Phoenix  
5225 N. Central Avenue, Suite 235  
Phoenix, AZ 85012

RE: Appraisal Assignment: TO-21-023  
PROJECT: M697501X  
HIGHWAY: KINGMAN-ASHFORK HIGHWAY  
SECTIONS: Kingman Airport Section  
PARCEL: L-K-038 A, B, C

Dear Mr. Dunlap:

You are hereby requested to provide your fee quote to prepare an appraisal for the referenced parcel. Your appraisal report will need to reflect the market value using the current date of valuation, and be prepared in accordance with terms of this task; the ADOT Right of Way Procedures Manual Project Management Section Chapters Three and Four; The Federal Highway Administration (FHWA) Uniform Act, 49 CFR Part 24; the current edition of the Uniform Standards of Professional Appraisal Practice (USPAP) guidelines at the time of your valuation; and the enclosed scope of work and provided information.

The purpose of the appraisal report is to estimate the market value of the fee simple estate of the ADOT property. The intended use of the appraisal report is to utilize the value estimate to assist in decisions regarding the disposition of the property.

ADOT Procurement Group will issue a Purchase Order that will be your notice to proceed with the appraisal assignment. Please identify the PO# in your invoice for payment. You may contact Timothy O'Connell ([TOconnell@AZDOT.GOV](mailto:TOconnell@AZDOT.GOV)) and Annette Valverde ([avalverde@azdot.gov](mailto:avalverde@azdot.gov)) to arrange for the property inspection.

Please direct any questions regarding this appraisal assignment to Timothy O'Connell, (602-712-7160, [TOconnell@AZDOT.GOV](mailto:TOconnell@AZDOT.GOV)), ADOT R/W Review Appraiser. All changes must be in writing to prevent any miscommunications.

Additional information regarding the parcel is as follows:

Type of Report: Appraisal – ADOT Excess Land  
Scope Notes: Market value for disposition of ADOT excess property  
Vacant 26.57-acre parcel on the southeast side of State Route 66, northwest of the Burlington Northern Santa Fe railroad tracks in Kingman, Mohave County, AZ

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ARIZONA DEPARTMENT OF TRANSPORTATION  
1801 W. Jefferson St., Suite 120, MD 102M | Phoenix, AZ 85007 | [azdot.gov](http://azdot.gov)



The appraisal report must include the ADOT Certificate of Appraiser immediately following the Auditing Breakdown section of the report. The addendum to the report is to include a current copy of the appraiser's State of Arizona Certified General Real Estate Appraiser license and a copy of the signed procurement purchase order.

Appraisal Contractor agrees that within any particular project wherein Contractor has provided appraisal or consulting services to ADOT, no other appraisal services may be provided to other clients/property owners in this project, without the written approval of ADOT. Any hypothetical assumptions, extraordinary limiting condition or jurisdictional exceptions of the appraisal must be pre-approved by the Review Appraiser prior to submittal of the appraisal report and identified in the appraisal report.

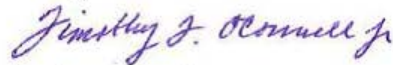
A complete initial appraisal report in an electronic PDF file format is to be submitted by e-mail to the review appraiser by the appraisal due date. All subsequent appraisal report iterations are also to be emailed to the review appraiser. Once ADOT approves the acceptability for the initial report submittal, the Appraiser will deliver an electronic PDF file and two (2) bound color copies of the final report. The submitted final hard copies of the appraisal report are to include, a CD with a PDF copy of the appraisal report with the following naming convention:

ADOT Parcel # Owner Name (ADOT) – (Appraisal Firm Name) – Date of Value - Date of Appraisal Report, eg, Parcel # -ADOT - (Appraisal Firm) DOV xx-xx-2020 DOR xx-xx-2020.

The appraisal report package is to be addressed to ADOT Right of Way Operations - Appraisal, ADOT Mail Room, 1655 W. Jackson Street, Phoenix, AZ 85007. Packages must be marked Time Sensitive or Urgent. If a delivery service is utilized, a confirmation notice is to be e-mailed to the review appraiser.

Please complete the last page of this bid request with your quote and email to [RightofWayContracts@azdot.gov](mailto:RightofWayContracts@azdot.gov) no later than 5:00 p.m. on Wednesday October 14, 2020.

Sincerely,



Timothy F. O'Connell, Jr.  
Appraisal Section Supervisor  
R/W Project Management Section

Enclosures

cc: Esther Valencia, R/W Contracts Section

Integra Realty Resources - Phoenix  
Roger L. Dunlap

October 12, 2020

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**RESPONSE DUE ON OR BEFORE WEDNESDAY OCTOBER 14, 2020**

RE:                      Appraisal Assignment:                      TO-21-023  
PROJECT:                      M697501X  
HIGHWAY:                      KINGMAN-ASHFORK HIGHWAY  
SECTIONS:                      Kingman Airport Section  
PARCEL:                      L-K-038 A, B, C

PARCEL #	\$ Fee	Due Date
L-K-038 A	\$1,417	
L-K-038 B	\$1,417	
L-K-038 C	\$1,418	
<b>TOTAL</b>	<b>\$4,250</b>	<b>11/23/2020</b>

Quote prepared by:

Roger L. Dunlap  
MAI

Digitally signed by Roger L. Dunlap, MAI  
DN: cn=Roger L. Dunlap, MAI, o=Roger L.  
Dunlap & Associates Ltd., ou=ITap,  
email=Roger@RLD LTD.com, c=US  
Date: 2020.10.14 14:24:44 -0700

Roger L. Dunlap, Certification # 31062

10-14-2020

Date

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ARIZONA DEPARTMENT OF TRANSPORTATION  
1801 W. Jefferson St., Suite 120, MD 102M | Phoenix, AZ 85007 | azdot.gov





Infrastructure Delivery and Operations

*An Arizona Management System Agency*

Douglas A. Ducey, Governor  
John S. Halikowski, Director  
Dallas Hammit, State Engineer  
Steve Boschen, Division Director

**Additional Purchase Order Terms and Conditions for this Task**

**1. INVOICING REQUIREMENTS**

Separate invoices are required for each delivery of service and shall include at a minimum:

- Department Location's Name and Address
- Vendor Name, Remit to Address and Contact Information
- Purchase Order Number
- Invoice Number and Date
- Description Service
- Quantity
- Unit of Measure
- Total Invoice Amount Due

Invoices not sent to the proper address, or not containing the necessary and required information may delay payment. A supplier whose payments are delayed due to improper invoicing shall make no claim against the Department or the State for late or finance charges.

The Department will make every effort to process payment within thirty (30) calendar days after acceptance of services. Delivery of the service to the Department does not constitute acceptance.

The date the Department accepts delivery of services shall be the valid date for starting the thirty (30) calendar day payment period.

Payment due dates, including discount periods, will be computed from the date of acceptance or date of correct invoice (whichever is later) to the date the Department's warrant is mailed.

**2. REVIEW OF CONTRACTOR'S WORK**

The Department reserves the right to make such reviews and pass upon the acceptability of the Contractor's work. Partial acceptance shall not relieve the Contractor's obligation to correct, without charge, any errors in the work performed under this contract.

**3. ACCURACY OF WORK**

The supplier shall be responsible for the accuracy of the work and shall promptly make all the necessary revisions or corrections resulting from errors and omissions on the part of the supplier without additional compensation. Acceptance of the work by the Department shall not relieve the supplier of the responsibility for subsequent correction of any such errors and clarification of ambiguities.

**4. INDEMNIFICATION**

To the fullest extent permitted by law, Contractor shall defend, indemnify, and hold harmless the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees (hereinafter referred to as "Indemnitee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Contractor or any of its owners, officers, directors, agents, employees or subcontractors. This indemnity includes any claim or amount arising out of, or recovered under,

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the Workers' Compensation Law or arising out of the failure of such Contractor to conform to any federal, state, or local law, statute, ordinance, rule, regulation, or court decree. It is the specific intention of the parties that the Indemnatee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnatee, be indemnified by Contractor from and against any and all claims. It is agreed that Contractor will be responsible for primary loss investigation, defense, and judgment costs where this indemnification is applicable. In consideration of the award of this contract, the Contractor agrees to waive all rights of subrogation against the State of Arizona, its officers, officials, agents, and employees for losses arising from the work performed by the Contractor for the State of Arizona.

This indemnity shall not apply if the contractor or sub-contractor(s) is/are an agency, board, commission or university of the State of Arizona.

## 5. INSURANCE

The Contractor shall furnish Certificate(s) of Insurance inclusive of the following requirements to the Department. Certificate(s) shall be received within five (5) calendar days of notification of contract award by the Procurement Officer.

Contractor and subcontractors shall procure and maintain, until all of their obligations have been discharged, including any warranty periods under this Contract, insurance against claims for injury to persons or damage to property arising from, or in connection with, the performance of the work hereunder by the Contractor, its agents, representatives, employees or subcontractors.

The Insurance Requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that arise out of the performance of the work under this Contract by the Contractor, its agents, representatives, employees or subcontractors, and the Contractor is free to purchase additional insurance.

### A. Minimum Scope and Limits of Insurance

Contractor shall provide coverage with limits of liability not less than those stated below.

1. Commercial General Liability (CGL) – Occurrence Form  
Policy shall include bodily injury, property damage, and broad form contractual liability coverage.
  - General Aggregate \$2,000,000
  - Products – Completed Operations Aggregate \$1,000,000
  - Personal and Advertising Injury \$1,000,000
  - Damage to Rented Premises \$50,000
  - Each Occurrence \$1,000,000
  - a. The policy shall be endorsed, as required by this written agreement, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor.
  - b. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers,

officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

2. **Business Automobile Liability**  
 Bodily Injury and Property Damage for any owned, hired, and/or non-owned automobiles used in the performance of this Contract.
  - Combined Single Limit (CSL) \$1,000,000
    - a. Policy shall be endorsed, as required by this written agreement, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by, or on behalf of, the Contractor involving automobiles owned, hired and/or non-owned by the Contractor.
    - b. Policy shall contain a waiver of subrogation endorsement as required by this written agreement in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.
3. **Workers' Compensation and Employers' Liability**
  - Workers' Compensation Statutory
  - Employers' Liability
    - o Each Accident \$1,000,000
    - o Disease – Each Employee \$1,000,000
    - o Disease – Policy Limit \$1,000,000
  - a. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.
  - b. This requirement shall not apply to each Contractor or subcontractor that is exempt under A.R.S. § 23-901, and when such Contractor or subcontractor executes the appropriate waiver form (Sole Proprietor or Independent Contractor).
4. **Professional Liability (Errors and Omissions Liability)**
  - Each Claim \$2,000,000
  - Annual Aggregate \$2,000,000
  - a. In the event that the Professional Liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract and, either continuous coverage will be maintained, or an extended discovery period will be exercised, for a period of two (2) years beginning at the time work under this Contract is completed.
  - b. The policy shall cover professional misconduct or negligent acts for those positions defined in the Scope of Work of this contract.



B. Additional Insurance Requirements

The policies shall include, or be endorsed to include, as required by this written agreement, the following provisions:

1. The Contractor's policies, as applicable, shall stipulate that the insurance afforded the Contractor shall be primary and that any insurance carried by the Department, its agents, officials, employees or the State of Arizona shall be excess and not contributory insurance, as provided by A.R.S. § 41-621 (E).
2. Insurance provided by the Contractor shall not limit the Contractor's liability assumed under the indemnification provisions of this Contract.

C. Notice of Cancellation

Applicable to all insurance policies required within the Insurance Requirements of this Contract, Contractor's insurance shall not be permitted to expire, be suspended, be canceled, or be materially changed for any reason without thirty (30) days prior written notice to the State of Arizona. Within two (2) business days of receipt, Contractor must provide notice to the State of Arizona if they receive notice of a policy that has been or will be suspended, canceled, materially changed for any reason, has expired, or will be expiring. Such notice shall be sent directly to the Department and shall be mailed, emailed, hand delivered or sent by facsimile transmission to (State Representative's Name, Address & Fax Number).

D. Acceptability of Insurers

Contractor's insurance shall be placed with companies licensed in the State of Arizona or hold approved non-admitted status on the Arizona Department of Insurance List of Qualified Unauthorized Insurers. Insurers shall have an "A.M. Best" rating of not less than A- VII. The State of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. Verification of Coverage

Contractor shall furnish the State of Arizona with certificates of insurance (valid ACORD form or equivalent approved by the State of Arizona) evidencing that Contractor has the insurance as required by this Contract. An authorized representative of the insurer shall sign the certificates.

1. All such certificates of insurance and policy endorsements must be received by the State before work commences. The State's receipt of any certificates of insurance or policy endorsements that do not comply with this written agreement shall not waive or otherwise affect the requirements of this agreement.
2. Each insurance policy required by this Contract must be in effect at, or prior to, commencement of work under this Contract. Failure to maintain the insurance policies as required by this Contract, or to provide evidence of renewal, is a material breach of contract.
3. All certificates required by this Contract shall be sent directly to the Department. The State of Arizona project/contract number and project description shall be noted on the certificate of insurance. The State of Arizona reserves the right to require complete copies of all insurance policies required by this Contract at any time.

F. Subcontractors

Contractor's certificate(s) shall include all subcontractors as insureds under its policies or Contractor shall be responsible for ensuring and/or verifying that all subcontractors have valid and collectable insurance as evidenced by the certificates of insurance and

endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum Insurance Requirements identified above. The Department reserves the right to require, at any time throughout the life of this contract, proof from the Contractor that its subcontractors have the required coverage.

G. Approval and Modifications

The Contracting Agency, in consultation with State Risk, reserves the right to review or make modifications to the insurance limits, required coverages, or endorsements throughout the life of this contract, as deemed necessary. Such action will not require a formal Contract amendment but may be made by administrative action.

H. Exceptions

In the event the Contractor or subcontractor(s) is/are a public entity, then the Insurance Requirements shall not apply. Such public entity shall provide a certificate of self-insurance. If the Contractor or subcontractor(s) is/are a State of Arizona agency, board, commission, or university, none of the above shall apply.

6. TRAVEL

Travel expenses authorized in advance and incurred at off-site assignments will be reimbursed at cost, in accordance with the State of Arizona Travel Policy and the ADOT Travel Authorization Policy and Procedure hereby incorporated herein. State travel policy includes the travel reimbursement schedules. Actual receipt for travel must be submitted for reimbursement of allowable direct costs (lodging, automobile, meals, etc.). The travel policies may be accessed via the internet at the State of Arizona, General Accounting Office's website (<http://www.gao.az.gov/travel/>) and State of Arizona, Department of Transportation's website (<http://www.azdot.gov/business/Procurement>).

7. LICENSES, PERMITS, CERTIFICATIONS

Suppliers, at their expense, shall maintain in current status without any violations, complaints, or suspensions during the term of this contract all Federal, State and Local licenses, permits and certifications required for the operation of a business conducted by the supplier.