AXIA

REAL ESTATE APPRAISERS

APPRAISAL REPORT

OF

144.98 ACRE PORTION OF THE 209.25 ACRE COTTONWOOD AIRPORT PROPERTY

LOCATED ALONG

WEST MINGUS AVENUE,
COTTONWOOD, ARIZONA 86326

PREPARED BY

JAMES S. BRADLEY, MAI, CCIM
CERTIFED GENERAL REAL ESTATE APPRAISER NO. 30432

PROPERTY OWNER:
CITY OF COTTONWOOD

PREPARED FOR

CITY OF COTTONWOOD ARIZONA
C/O MORGAN SCOTT

DATE OF REPORT: AUGUST 22, 2014

EFFECTIVE DATE OF THE APPRAISAL: JULY 10, 2014

JOB NO. 18221-141

AXIA File No. 18221-141
August 22, 2014

City of Cottonwood Arizona
c/o Morgan Scott
Development Services Manager
1490 West Mingus Avenue
Cottonwood, Arizona 86326

RE: Appraisal of the 144.98 acre portion of the 209.25 acre Cottonwood Airport property, located along West Mingus Avenue, Cottonwood, Yavapai County, Arizona 86326.

Dear Mr. Scott:

In accordance with your request, I have inspected and appraised the above-identified property, which is the subject of the attached Appraisal Report. The ***purpose*** of this appraisal is to develop an opinion of the market value of the subject property. At the request of the client, the interest to be appraised is ***fee simple.*** The ***intended use*** of this report is to assist the City of Cottonwood (COC) in the determination of the appropriate market lease rate for the land underlying the Cottonwood Airport. It is a hypothetical condition of this assignment that the subject property is in an unimproved condition as of the date of value. The subject is currently improved with the Cottonwood Airport and numerous other horizontal and vertical improvements that have been developed by various entities over the past 31 years. The appraisal is to reflect the subject property as "raw" land, similar in condition when it was originally leased from the City of Cottonwood in 1983. The basic assumptions of the assignment is that the subject property has access available via Mingus Avenue (at the time a two-lane, minimally improved road), the site was in a generally graded condition (having previously been used for aviation purposes) and had electric and telephone service available. The site is also assumed not to have publically available water and sewer services as of the date of value. This hypothetical condition is in line with the instructions that I was given by the client in laying the foundation with the request from the FAA (Federal Aviation Administration). The ***effective date of the appraisal*** is July 10, 2014, the most recent date of my inspection. The ***date of report*** is August 22, 2014.

This report has been prepared for Mr. Morgan Scott, Development Services Director, City of Cottonwood. This report is not intended to be used, transferred, or relied upon by any person other than the client and specifically identified intended users. The ***intended users*** of this appraisal include the client, City of Cottonwood and the FAA (Federal Aviation Administration). AXIA Real Estate Appraisers and the signatory of this report assume no responsibility to any party, other than the client and other intended users, who uses or relies on any information in this report.

This report has been prepared in conformance the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Standards Board of the Appraisal Foundation, Arizona Revised Statutes and the *Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA)*. All information pertinent to the analyses and conclusions is presented in a summary format. Excluded valuation approaches, if any, are explained and supported.

This report is considered to contain sufficient detail that the client and intended users of the report should understand it, and that they should deem the data, analysis and conclusions contained herein to be credible. Any additional information is contained within our file and is available to the client.

The ***Scope of Work*** for this report includes completing an appraisal inspection of the subject, analyzing Yavapai County and the Cottonwood/Clarkdale area for trends that impact real estate values, and searching the local and similar rural markets for comparable data. For this analysis I have completed one of the three approaches to market value: the Sales Comparison Approach. The market value conclusion resulting from the implementation of this methodology is considered sufficient to provide credible assignment results. Additional details regarding the scope of work can be found within the scope of work section of this report.

Based upon the data and discussions contained within the following report, it is my opinion that the market rent of the property being analyzed, as of July 10, 2014 is as follows:

OPINION OF THE ANNUAL MARKET RENT
OF THE PART VALUED..$69,590

I hereby certify that James S. Bradley, MAI, CCIM, inspected the subject property; that the fee was not contingent upon the value opinion contained herein; and that I have no interest, present or prospective, in the property appraised. James S. Bradley researched comparable sales and wrote the report. Furthermore, I certify that, to the best of my knowledge and belief, all statements, and opinions contained in this letter are correct, subject to the assumptions, conditions, special limiting conditions, and certification that are made as part of this letter.

Respectfully submitted,
JAMES S. BRADLEY, MAI, CCIM
President - AXIA Real Estate Appraisers
Certified General Real Estate Appraiser,
Arizona Certificate: 30432

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PURPOSE,
INTENDED USE, AND INTENDED USERS

The ***purpose*** of this appraisal is to develop an opinion of the market lease of the subject property, a portion of the Cottonwood Airport property. The ***intended use*** of this report is to assist the City of Cottonwood (COC) in the determination of the appropriate lease rate for the land underlying the Cottonwood Airport. It is a hypothetical condition of this assignment that the subject property is in an unimproved condition as of the date of value. The subject is currently improved with the Cottonwood Airport and numerous other horizontal and vertical improvements that have been developed by various entities over the past 31 years. The appraisal is to reflect the subject property as "raw" land, similar in condition when it was originally leased from the City of Cottonwood in 1983. The basic assumptions of the assignment is that the subject property has access available via Mingus Avenue (at the time a two-lane, minimally improved road), the site was in a generally graded condition (having previously been used for aviation purposes) and had electric and telephone service available. The site is also assumed <u>not</u> to have publically available water and sewer services as of the date of value. This hypothetical condition is in line with the instructions that I was given by the client in laying the foundation with the request from the FAA (Federal Aviation Administration) for this analysis.

The ***intended users*** of this appraisal include the client; City of Cottonwood and the FAA (Federal Aviation Administration). AXIA Real Estate Appraisers and the signatory of this report assume no responsibility to any party, other than the client and other intended users, who use or rely on any information in this report.

EFFECTIVE DATE OF THE APPRAISAL

The ***effective date of the appraisal*** is July 10, 2014, the most recent date of my inspection. The date of report is August 22, 2014.

DEFINITION OF MARKET VALUE

Market Value defined in the 2000 Uniform Appraisal Standards for Federal Land Acquisition is:

> *Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal.*

DEFINITION OF MARKET RENT

Market rent is hereby defined as:

> *The rent that the tenant would pay to obtain the leasehold interest in a property. Similar to market value, it is based upon the amount in cash for which in all probability the property would lease for on the effective date of the appraisal, based upon typical market lease terms, after a reasonable exposure time on the open market, from a willing and reasonably knowledgeable landlord to a willing and reasonably knowledgeable tenant, with neither acting under any compulsion to lease, given due consideration of all available economic uses of the property at the time of the appraisal.*

OWNERSHIP HISTORY

The larger 209.25 acre subject property is under the ownership of the City of Cottonwood. On May 5, 1983 the 144.98 acres that comprise the subject property were leased to Cottonwood Airpark, Inc. A copy of the lease is contained within the addendum of this report. Refer to this document for details concerning the lease that encumbers the subject. The initial term of the lease (Page 5) is 25 or 50 years, varying depending upon the designated use of the property. There are lease options that would extend the lease out to 100 years. The established lease rate for the property is set at $125 per acre per year, level through the remainder of the lease term and lease extensions. This would equate to an annual lease rate of $18,122.50 (144.98 acres X $125/Acre). Since 1983 the tenant has improved many parts of the subject property with horizontal improvements (roads, utilities, etc.) and vertical improvements which reflect primarily industrial uses. At the specific request of the client, this report analyzes the fee simple interest in the property although it is currently leased. The subject property is governmentally owned and is currently not listed for sale in the market.

DATE OF INSPECTION

The subject property was most recently inspected on July 10, 2014 at about 9 AM. On this date, Mr. Bradley documented and photographed the physical characteristics of the subject property and surrounding neighborhood.

INTEREST TO BE APPRAISED

The subject property reflects the underlying land only and does not take into consideration the encumbering lease or the improvements (both horizontal and vertical) on the property. At the specific request of the client, the interest appraised is that interest arising from fee simple ownership. Fee simple ownership can be 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"[1].

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[1] The Dictionary of Real Estate Appraisal, 4th Edition, published by the Appraisal Institute

EXPOSURE PERIOD

According to the Statement on Appraisal Standards No. 6 (SMT-6), from the Uniform Standards of Appraisal Practice and the Appraisal Standards Board, exposure time may be defined as follows:

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

The exposure period for the marketing of the subject depends on many factors including current market conditions and the factors of supply and demand. Pricing and competent professional marketing are two very important factors. When every effort is made to market the property in earnest, the exposure period for this type of property could be twelve months or less. Thus, the opinion of market value assumes that the subject property has been exposed to the market or offered for sale for 24 months or less if priced at no more or less than 10 percent of the appraised value.

SCOPE OF THE APPRAISAL

The firm of AXIA Real Estate Appraisers has been asked by Mr. Morgan Scott, Development Services Manager of the City of Cottonwood, to develop an opinion of the market rent for the 144.98 acre portion of the 209.25 acre Cottonwood Airport property.

In order to evaluate the subject, relevant data has been gathered and analyzed. Data gathered for appraisals are of two types: general and property specific. General data include information on social, economic, governmental, and environmental trends and conditions affecting the subject property. Each of these items has an impact on property value and the study of these forces enables the appraiser to identify the underlying causes of change in property values and what future market expectations might be. The geographic extent of our search for general market information included the areas surrounding the subject property. Property specific information includes data about the subject site, tax information and zoning classifications.

Property specific information was obtained from the Yavapai County Assessor's Office as well as inspections and discussions with parties familiar with the subject site and the surrounding neighborhood. Additionally, I performed an appraisal inspection[2] of the property as well as reviewed aerial photographs. The general and specific data form the basis for the conclusions with respect to the highest and best use of the subject.

Comparable information was obtained from sources including the Yavapai County Assessor's Office, CoStar, Loopnet, the Multiple Listing Service (MLS), and interviews with knowledgeable real estate brokers and other market participants such as Tom Sirkin, John D. Miller broker, Mike Warrant broker, Rick Rosenzweig and Jennifer Graham. The information contained in this report is considered to provide a well-supported conclusion as to the subject's market value as of the date of value.

Sources of general market information included government publications, census data, local newspapers, and other public and private organizations. Real estate oriented market information was abstracted from knowledgeable real estate agents, brokers, developers, and public officials in the area.

[2] ***An appraisal inspection does not constitute a building inspection.*** *An appraiser is neither trained nor capable of conducting a thorough inspection of structural and mechanical aspects of a property. An appraiser will visually inspect accessible areas of the improvements for any obvious defects and will note finishes and building layout. We did not inspect the building structure, roof, or mechanical systems and have assumed that these are in working condition. The appraisers make no guarantees about the structural integrity of the property and assume no adverse conditions are present. If the client requires a more detailed inspection, a consultation by a qualified building inspector is recommended.*

The subject component of this analysis is assumed to reflect raw, vacant land. Therefore, the Cost and Income Approach to value were not applicable as these approaches are primarily utilized for improved properties. The Sales Comparison Approach was considered to represent the most applicable valuation approach.

Sales Comparison Approach – The process of deriving a value indication for the subject property by comparing similar properties that have recently sold with the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties, based on relevant, market-derived elements of comparison. The principal of substitution is fundamental to this approach.

The Sales Comparison Approach utilizes sales of similar properties to indicate a probable value for the subject property. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sales. The unit of comparison chosen for the subject is then used to determine a total value. Economic units of comparison are not generally adjusted, but rather analyzed as to relevant differences with the final opinion derived based on the general comparisons. The reliability of this approach is dependent upon (a) the availability of comparable sales data; (b) the verification of the sales data; (c) the degree of comparability; and (d) the absence of atypical conditions affecting the sales price.

For this appraisal assignment, an adequate quality and quantity of sales were available to provide reasonable support for the value for the subject land. This scope of work is sufficient to develop credible assignment results. Once the land value has been determined, I will then convert that opinion into an opinion of the subject's market rent (land only in raw condition).

VALUATION METHODOLOGY

When preparing an appraisal such as this it is imperative that the appraiser establish the appropriate methodology and to determine the larger property first. For this analysis the “Whole” property is considered to be comprised of the 209.25 acre site that is currently improved with the Cottonwood Airport. The Whole typically consists of a property or properties that have a unity of ownership, contiguity, and unity of use. In some instances, the part being appraised has utility in and of itself and is considered to be the Whole. In other instances, the part being appraised is determined to be part of a larger Whole. My analysis has determined that the subject 144.98 acres is part of the Whole without any separate utility.

> “Understanding the concept of the larger parcel is vital in appraisal because the appraiser cannot determine the highest and best use of a property until a conclusion as to the larger parcel is reached. The larger parcel may be all of one parcel, part of a parcel, or several parcels, depending to varying degrees on unity of ownership, unity of use and contiguity."[3]

In this analysis the Whole must be appraised, with the highest and best use and the resulting indication of market value assuming no influence from the project that has brought about the necessity for the Acquisition. The value of the area of the part being valued is then calculated as a pro rata portion of the Whole on a value per unit basis such as price per acre.

Unity of Ownership: The larger subject property containing 209.25 acres is owned by the City of Cottonwood. This parcel, which includes the subject site, represents a clear unity of ownership.

Contiguity: As shown on the accompanying exhibits the larger property is contiguous.

Unity of Use: The larger subject property includes the Cottonwood Airport and numerous industrial uses. As noted, this valuation is premised upon the subject reflecting “raw” land, similar to its condition as of the initial land lease in May 1983. Since the subject is assumed to be vacant and in a “raw” condition, it is considered to have a unity of use (whole property).

Given that the 209.25 acre larger site has a unity of title with the subject, is contiguous and has the same use (investment), the whole is considered to be the total Cottonwood Airport property.

Research indicates that similarly located properties are being acquired for investment, with relatively near term development a possibility. Overall, investment or near term residential development is considered to reflect the most likely use.

As this parcel is considered to have a unity of use, and has been established to have a unity of ownership and contiguity, it is reasonable to conclude that the larger parcel as described above represents the larger parcel, or Whole, from which the part being valued will be identified. The larger parcel, or Whole, is the subject of the following analysis.

[3] *Real Estate Valuation in Litigation, 2nd ed., 1995, page 76*

AREA OVERVIEW

The purpose of this section of the report is to identify and analyze the social, economic, governmental, and environmental forces that can influence property values in the vicinity of the subject. The primary area of influence is the ***neighborhood***, defined as a group of complimentary land uses; a residential neighborhood may contain residential uses along with ancillary commercial uses that provide services for the residents. A ***district***, on the other hand, has one predominate land use such as apartments, commercial, industrial, or agricultural.

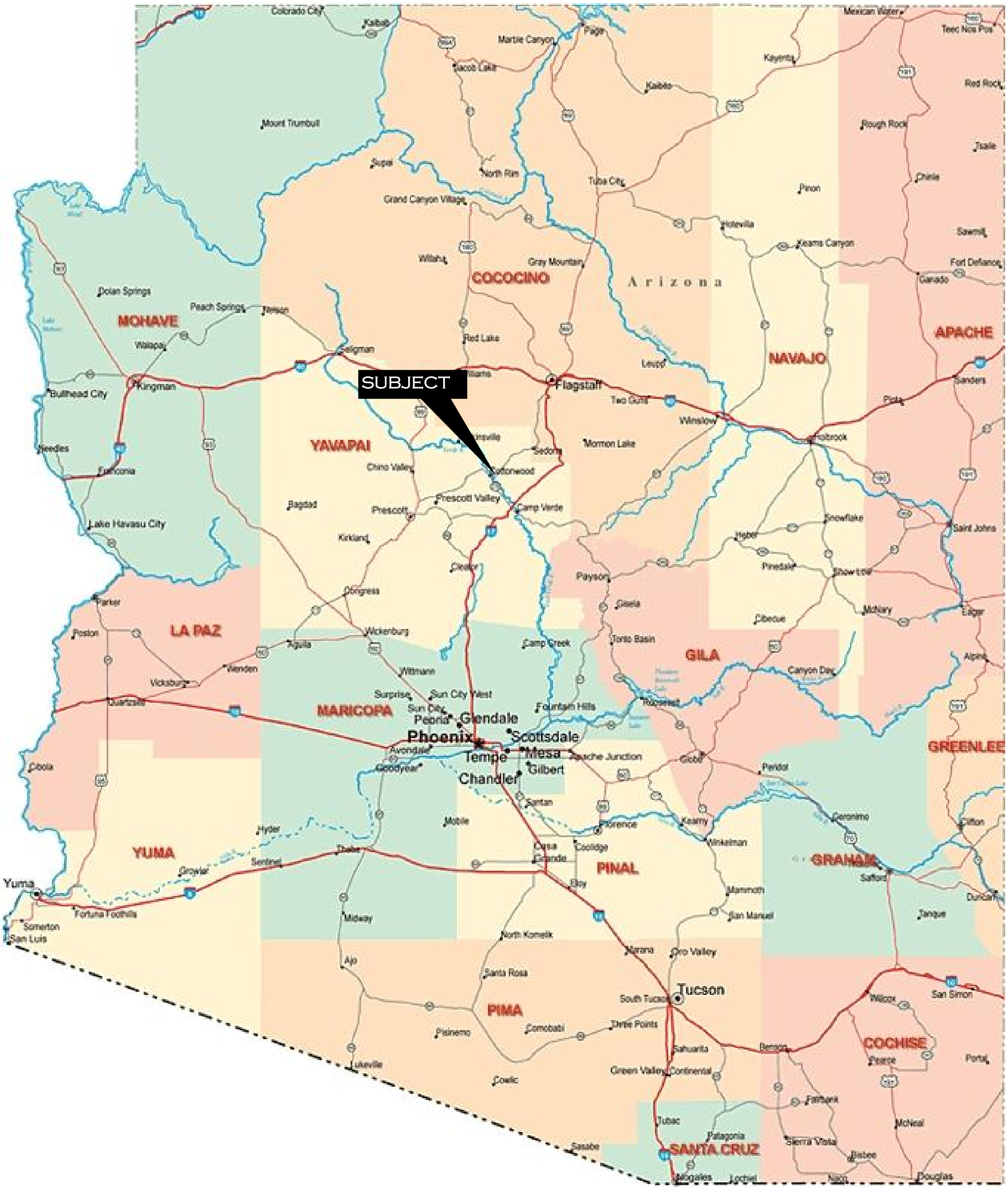
ARIZONA

Arizona is in the southwestern area of the United States within the Sunbelt Region and ranks sixth in the nation in terms of size with 113,417 square miles. The state can be divided into three geographical areas, each with its own distinct topography and climate. The northeastern portion of the state is a high plateau, which tends to be cool and dry. Most of this area is within the boundaries of the Navajo Nation, the largest Native American reservation in the United States. The mountainous region, extending diagonally across the state from northwest to southeast, offers cool summertime temperatures and winter sports opportunities, attracting visitors to this area year round. The remaining half of the state, south and west of the mountainous region, consists of desert valleys divided by low desert mountain ranges and is home to most of the state's population; about 80 percent of the state population resides in the Tucson and Phoenix metropolitan areas.

Between 1980 and 1990, Arizona was the third fastest growing state, with a population increase of almost 35 percent. According to the 2000 census, approximately 5,130,000 people resided in the State, up from 3,665,000 in 1990, reflecting an increase of about 40 percent, or a 4.0 percent annual rate. Estimates by the US Census indicate continued population growth with a 2010 population of over 6.6 million, which indicates an annual growth of 3.8 percent.

The state also ranked third in job growth for the same period with a gain of 47 percent, twice the national average. Employment is fairly diversified with professional and business services accounting for 14 percent of total non-farm employment, followed by government with 13 percent, retail with 12 percent, health care with 10 percent, construction with 8 percent, and manufacturing with 6 percent. During 2008, job growth in the State was greatly reduced, with a rise in unemployment throughout much of 2008 and 2009 that persisted through early 2010 before beginning a downward trend that continues as of the effective date of this report. According to the U.S. Bureau of Labor Statistics, most recent state unemployment is at 8.2% as of September of 2012, down from its high of 10.8% in March of 2010 and from 9.4% in the same month of 2011. However, the most recent rate does indicate a significant increase from 3.5% in April through July of 2007, which represented a twenty year low in the state's unemployment rate.

There are early indications throughout the State of Arizona that both the residential and commercial real estate markets have generally bottomed out. Both sectors of the market are now showing slight tendencies of improvement. Our observations are that there is a good probability that the recessionary cycle we have been experiencing in the state over the past half-decade is at the beginning stage of a rebound.


SUBJECT
Arizona
MOHAVE
COCOCINO
NAVAJO
APACHE
YAVAPAI
LA PAZ
MARICOPA
GILA
GREENLEE
YUMA
PINAL
GRAHAM
PIMA
COCHISE
SANTA CRUZ
Colorado City
Kaibab
Marble Canyon
Page
Mexican Water
Teec Nos Pos
Jacob Lake
Kayenta
Kaibito
Red Rock
Mount Trumbull
Rough Rock
Tsaile
Supai
North Rim
Tuba City
Chinle
Grand Canyon Village
Pinon
Hotevilla
Sawmill
Keams Canyon
Williams
Gray Mountain
Fort Defiance
Ganado
Dolan Springs
Peach Springs
Nelson
Walapai
Red Lake
Seligman
Leupp
Kingman
Bullhead City
Flagstaff
Two Guns
Sanders
Winslow
Pinta
Holbrook
Needles
Cottonwood
Sedona
Mormon Lake
Chino Valley
Topock
Prescott Valley
Camp Verde
Bagdad
Prescott
Snowflake
Saint Johns
Lake Havasu City
Kirkland
Heber
Cleator
Pinedale
Show Low
Payson
Congress
Parker
Gisela
McNary
Eagar
Poston
Wickenburg
Cibecue
Tonto Basin
Aguila
Camp Creek
Wenden
Wittmann
Alpine
Vicksburg
Canyon Day
Surprise
Sun City West
Quartzsite
Sun City
Fountain Hills
Roosevelt
Peoria
Glendale
Phoenix
Scottsdale
Avondale
Tempe
Mesa
Apache Junction
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Geronimo
Clifton
Hyder
Coolidge
Winkelman
Casa Grande
Sentinel
Theba
Growler
Safford
Yuma
Eloy
Mammoth
Duncan
Fortuna Foothills
Somerton
San Luis
Midway
San Manuel
Tanque
North Komelik
Marana
Oro Valley
Ajo
Santa Rosa
Tucson
South Tucson
Willcox
San Simon
Pisinemo
Comobabi
Three Points
Sahuarita
Benson
Portal
Pearce
Lukeville
Green Valley
Continental
Cowlic
Fairbank
Tubac
McNeal
Patagonia
Sierra Vista
Sasabe
Bisbee
Nogales
Lochiel
Naco
Douglas

YAVAPAI COUNTY OVERVIEW

The subject is located within Yavapai County, in the community of Cottonwood. The County Seat for Yavapai County is Prescott, located about 45 miles southwest of Cottonwood along State Highway 89A. The following discussions will primarily focus on Yavapai County as a whole, due to the rural nature of the area.

The County was originally 65,000 square miles and was called the “Mother of Counties” because Apache, Coconino, Gila, Maricopa and Navajo Counties were later formed from it. The territorial government was also born in Yavapai County, the capital being originally located in the City of Prescott.

As with much of the southwest, the history of the area predates the formation of the Arizona Territory and of the County. Pre-historic Indian artifacts can be found in ancient Indian Pueblos and mounds throughout the area. The greatest concentration of artifacts was found in the Verde Valley where the Sinagua Indians arrived around 500 A.D. and created dwellings at Tuzigoot and Montezuma's Castle.

Spanish explorers also traveled through Yavapai County. Antonio de Espejo visited the Chino Valley area in 1581, Juan de Onate explored the area in 1604 and Friar Francis Garces visited in 1776. The California "49ers" crossed the northern part of the County in 1849 on their way to the California gold rush and after the Civil War there was a marked influx of Southerners into the territory.

With an area of 8,125 square miles, Yavapai County is larger than Connecticut, Delaware, Rhode Island and New Jersey and approximately the same size as Massachusetts. The terrain of the County varies from an elevation of 1,900 feet at its desert low to just under 8,000 feet at its mountain peaks. The diverse terrain includes grasslands, picturesque rock formations, high desert streams and mountain valleys. The major vegetation types in the area are grasslands, pinion-juniper forest, chaparral, desert grassland and desert scrub. The climate varies from Sonora Desert in the lower elevations to mid-Canada at the higher elevations. The diurnal temperature variation throughout the year is about 35 degrees.

Yavapai County lies in the center of a 100-mile strip of Ponderosa pine forest that crosses the state from the northwest comer to the eastern boundary. The Prescott National Forest, as well as portions of the Coconino and Tonto National Forests, is within the Yavapai County boundaries.

The county is bisected by Interstate 17, which extends from Phoenix and Interstate 10, north, to Flagstaff and Interstate 40. Several state highways, including State Routes 89, 69, 87, and 260, provide access between communities in the county.

About 38 percent of the land in the county, including the Prescott, Tonto, and Coconino National Forests is owned by the US Forest Service. Less than 0.5 percent is held in trust as Indian reservations. There are three Indian reservations located in the County - the Yavapai-Prescott Indian Reservation, the Clarkdale and the Camp Verde Indian Reservations. The State of Arizona and individuals or corporations each own about 25 percent, and 12 percent is owned by the Bureau of Land Management.

There are medical centers in Prescott and Cottonwood along with a Veteran's Hospital in Prescott.

The population has been expanding rapidly since 1990 with an increase of over 120,000. Following is a summary of population increases for incorporated communities in the county:

Population Increases

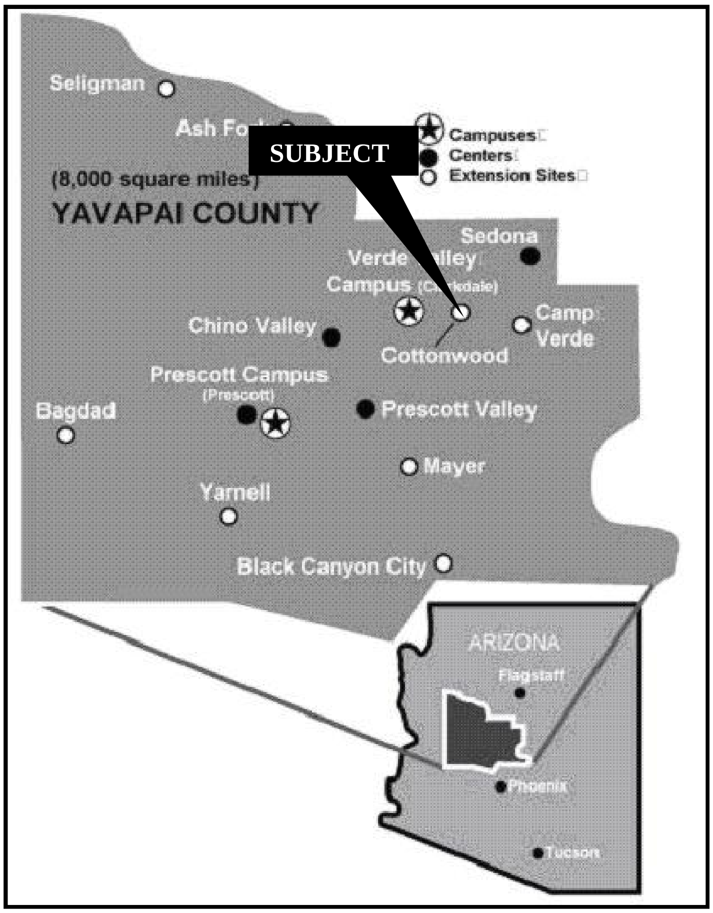
Community	1990	2000	Ann Chg	2010	Ann Chg
Arizona	3,665,339	5,130,632	4.0%	6,392,017	2.7%
Yavapai County	107,714	167,517	5.6%	211,033	2.9%
Prescott	26,592	33,938	2.8%	39,843	1.9%
Prescott Valley	8,904	23,535	16.4%	38,882	7.2%
Chino Valley	4,837	7,835	6.2%	10,817	4.2%
Camp Verde	6,243	9,451	5.1%	10,873	1.7%
Cottonwood	5,918	9,179	5.5%	11,265	2.5%
Sedona	7,720	10,192	3.2%	10,031	-0.2%
Clarkdale	2,144	3,422	6.0%	4,097	2.2%
Jerome	403	329	-1.8%	444	3.9%

Yavapai County had experienced a boom period with a rapid increase in population growth between 1990 and 2007. The housing boom between 2004 and 2006 brought many new residents and investors to the area and Yavapai County was one of the fastest growing counties in Arizona. However, as the economy began to decline, the large influx of investing and speculative development gave way to a surplus of housing and commercial property in the area. Previous investments with near-term development horizons were no longer viable to pursue and land sales in the area have declined significantly over the past several years. According to discussions with brokers in the area, Prescott has seen the greatest decline in sales and development, whereas the outlying towns have not suffered as much. This is largely attributable to its faster rate of growth during the housing boom, resulting in an even greater surplus of properties when the market shifted. The median price for detached residential housing in 2011 was $243,729 for Yavapai County.

Over the past year, unemployment in Yavapai County has ranged from 9.7% in September of 2011 to 7.9% in April of 2012. Most recent data – November 2012 – indicates the county's current unemployment rate is 7.9%. This is generally in line with the state average of 7.8%. The unemployment data suggests an improvement in the economy is slow but ongoing as the unemployment rate has dropped significantly from its high of 12.1% in January of 2010.

The largest employment category in the county is Government with 12,800 jobs. This is followed by Trade, Transportation, and Utilities with 12,600 jobs, Education & Health Services (10,100), Leisure & Hospitality (8,400), and Mining and Construction (8,300). Manufacturing accounts for about 3,100 jobs, or three percent of employment.

In summary, the Yavapai County area has seen significant increases in population growth over the past 20 years and, although currently in a period of correction, it should continue to have a strong rate of growth well into the future as retirees and others relocate to the area. As populations continue to increase within the individual communities, the industrial and commercial sectors of the marketplace will also see increased development, as demand warrants. Overall, the Yavapai County area is considered to have a long-term positive impact upon the subject.

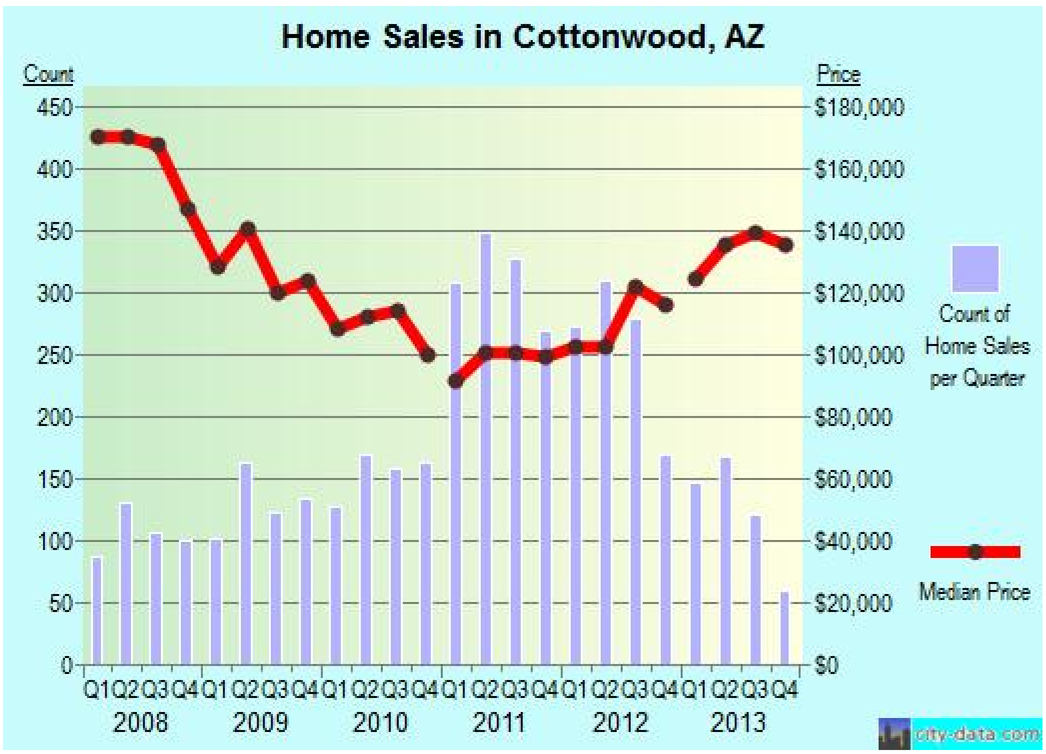


CITY OF COTTONWOOD

Cottonwood is located in the Verde Valley about 40 miles southwest of Flagstaff and 16 miles southwest of Sedona. It is situated at an elevation of 3,300 feet. Cottonwood is bordered on the South, East and West by high mountains, and on the North by mesas and buttes. The city attracts residents due to its blend of rural atmosphere and urban amenities. Cottonwood had an estimated population of about 11,279 residents in 2012, nearly double the 5,918 people that lived in the area in 1990. The median household income for Cottonwood was $32,642 in 2011, which is lower than the state of Arizona of $46,709, and showing an increase from $27,444 in 2000.

The first permanent settlers in Cottonwood arrived in the area in 1875. The Verde River, which flows through the valley and the area's fertile soil drew more settlers to the area. In the early 1900s, copper mining boomed on Mingus Mountain, above the Verde Valley, drawing miners from many different countries and cultures, establishing a mining camp later named Jerome, Arizona, which is located only 8 miles southwest of Cottonwood. The mines eventually diminished leaving Jerome almost deserted, to be later repopulated. Outside Jerome, the Verde Valley grew and thrived.

As shown on the following table, residential sales in Cottonwood from 2008 through 2010 were at moderate levels with approximately 100 to 150 home sales per quarter. This period however shows a significant decrease in median price from $175,000 to $100,000. In 2011 and the first three quarters of 2012, residential sales rebounded with 250-350 sales per quarter, and the median price stabilized ranging from about $100,000 to $120,000. From the 4th quarter of 2012 to the 4th quarter of 2013, the number of sales dropped significantly to about 125 sales per quarter, although the median price increased slightly. This is indicative of a stabilization of the residential market in the subject area.



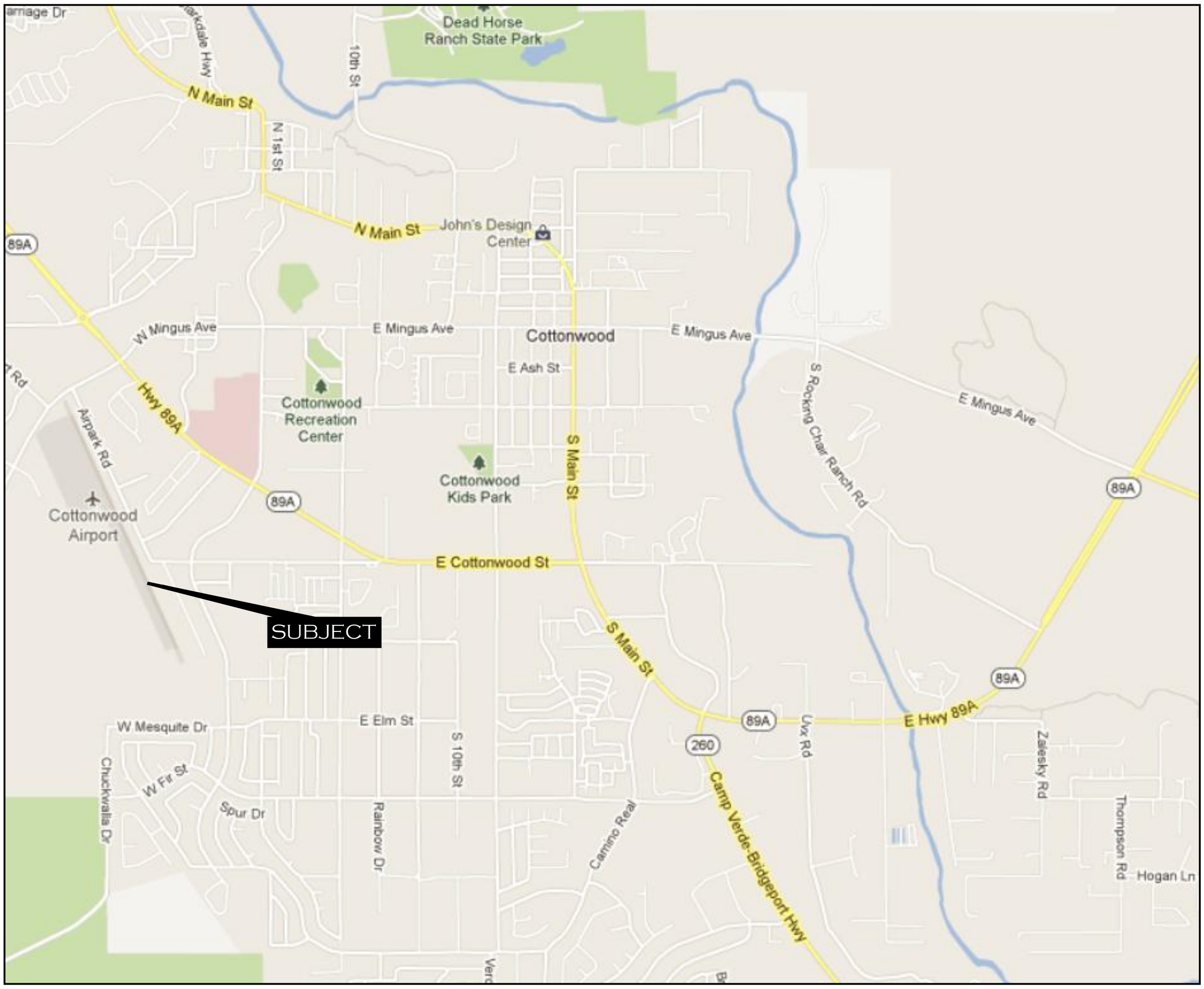
Cottonwood is one of several municipalities in Yavapai County. The distinctive scenery and natural beauty of the Verde Valley attracts millions of visitors each year. Tourism is one of the leading industries in the Cottonwood area, with visitors coming to see ruins of Native American dwellings at Tuzigoot National Monument and Montezuma Castle National Monument, as well as the famous red rocks of Sedona, the artists' colony in historic Jerome, and various local fairs and festivals. Nearby national forests, state parks, national monuments and wilderness areas also attract hundreds of thousands of tourists each year. Many visit Cottonwood because of its proximity to these attractions.

The local wine industry has grown over the past several years and represents a significant source of tourism for the area. The Verde Valley Wine Trail connects four wineries and six tasting rooms surrounding the communities of Cottonwood, Jerome, Clarkdale, Camp Verde and Sedona. Over the past two years, four tasting rooms have been established along the portion of Main Street that constitutes Old Town Cottonwood, a stretch of less than half-mile. This has transformed this area into a growing tourist destination, with new fine-dining restaurants, bars and a boutique hotel having also been constructed as a result of this resurgence of the historic Old Town area.

Cottonwood is the retail and services center for the Verde Valley and includes a wide variety of retail establishments, professional services and manufacturing concerns. These shops range from quaint stores located in the Old Town area to large, modern shopping centers.

Verde Valley Medical Center is considered to be one of the finest diagnostic and treatment centers in Northern Arizona. In 1999, the center witnessed the completion of a $25 million expansion; the 99-bed hospital now counts more than 600 professional and support staff, as well as 67 physicians representing 17 medical specialties. Other major employers include Griffith Enterprises, CenturyLink, and Wal-Mart, while the neighboring city of Clarkdale is home to Phoenix Cement Company, Mold-in Graphics, and CIT, amongst others.

Overall, the subject's location in the Cottonwood and Yavapai County area is considered to have a long-term positive impact upon the subject property. Although it is currently in a period of slow to stable growth due to the overall economic conditions, the long-term outlook for the area remains positive.



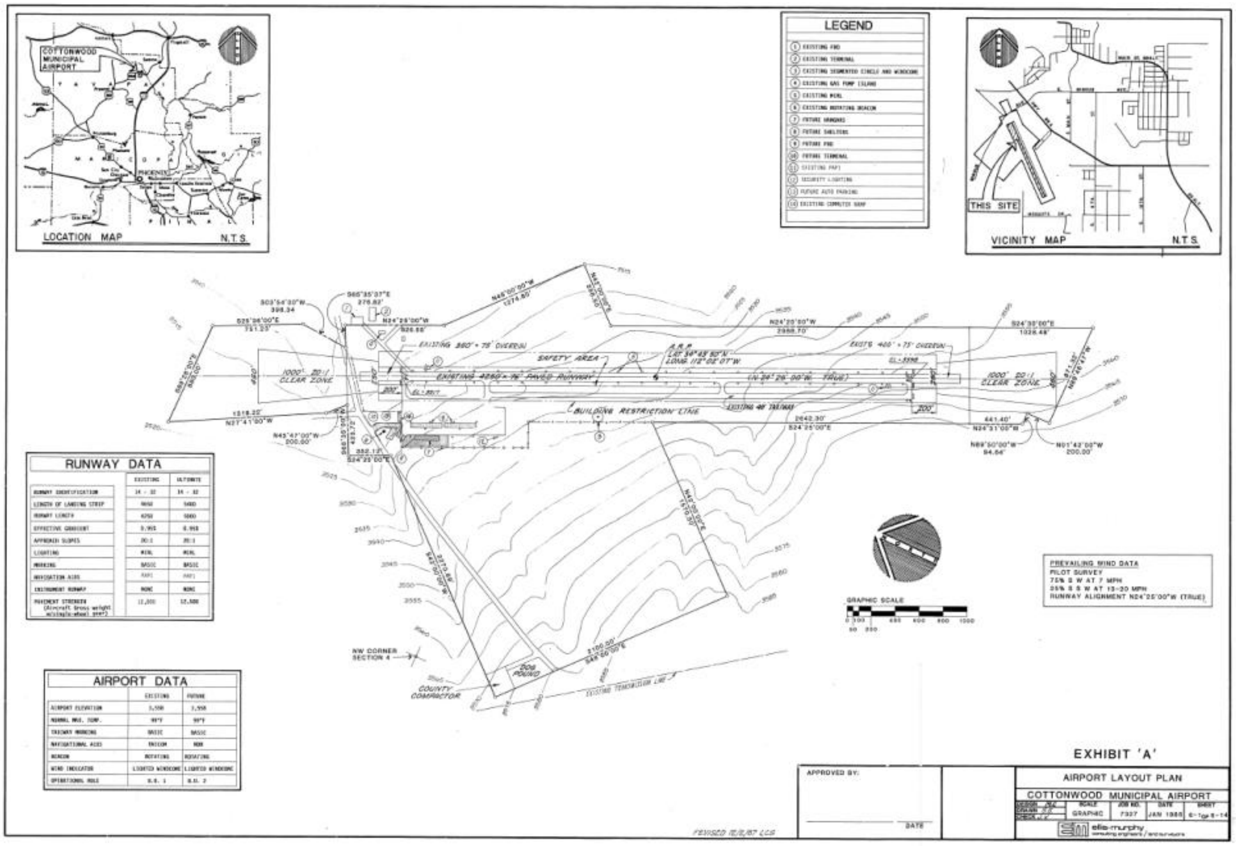
Dead Horse Ranch State Park
N Main St
10th St
N 1st St
John's Design Center
89A
W Mingus Ave
E Mingus Ave
Cottonwood
E Ash St
Cottonwood Recreation Center
Hwy 89A
Airpark Rd
Cottonwood Airport
Cottonwood Kids Park
S Main St
E Cottonwood St
SUBJECT
S Rocking Chair Ranch Rd
E Mingus Ave
E Hwy 89A
260
W Mesquite Dr
E Elm St
S 10th St
W Fir St
Chuckwalla Dr
Spur Dr
Rainbow Dr
Camino Real
Camp Verde-Bridgeport Hwy
Zalesky Rd
Thompson Rd
Hogan Ln

SITE DESCRIPTION

The following information was obtained from physical inspections of the parcel, available public records, information provided by the client and the property owner's representative, and from interviews with representatives from applicable utility suppliers and municipal departments. All of the information derived from the above noted sources is believed to be correct and reliable. Where available, supporting documentation and exhibits are included.

Location: The larger subject property is located along West Mingus Avenue, about ¼ mile west of Main Street (Highway 89A), City of Cottonwood, Yavapai County, Arizona. The larger subject (Cottonwood Airport) has a physical address of 1001 West Mingus Avenue, Cottonwood, Arizona 86326.

Legal Description: Following is a survey of the larger subject property.



Site Size: According to information provided by the client the larger subject property contains 209.25 gross acres. The larger site area of 209.25 is considered reliable and has been used in this analysis.

Site Shape: The larger site is irregular in shape. This reflects the layout of the main airport and runway. The shape is not considered to impact its utility or marketability.

Seismic Zone: The subject is situated in Seismic Zone 2B, reflecting a low to moderate risk of seismic activity that could realistically impact the subject improvements.

Condition/Topography: The site is presently improved with the Cottonwood Airport and other horizontal and vertical improvements. As noted, the subject property is being appraised as if vacant and in a "raw" condition. The larger property slopes downward from the west to east. The central section of the property (runway area) is level having been graded for use of the runway in the 1940s. The eastern portion of the site is below grade with the runway, while the western portion is above grade. Drainage appears to be adequate.

Utilities: This analysis is premised upon the subject being in essentially the same condition when it was leased in May 1983. My discussions with the client indicated that at that date the subject property was not served by municipal utilities (water or sewer). The only utilities that were available to the property were electricity and phone.

Frontage, Arterials And Access:

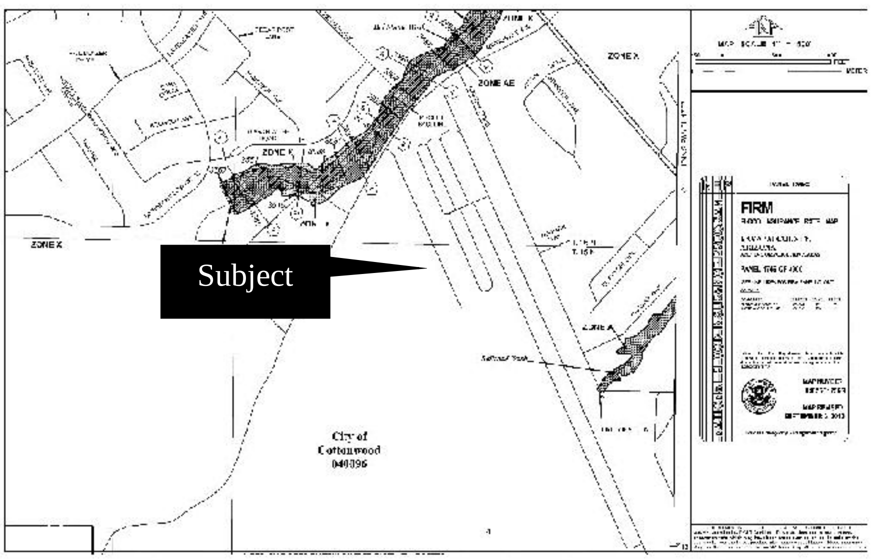
The site has frontage along West Mingus Road. In 1983 this roadway was reported to be a minimally improved roadway that was maintained by the City of Cottonwood. West Mingus Road reflects a two-lane, asphalt paved roadway that connects the subject property to Highway 89A about ¼ mile to the east. The larger subject has frontage and access along both sides of West Mingus Road.

Traffic Counts:

None available.

Flood Condition:

According to the most recent flood insurance rate map (FIRM), the site is located within Zone X, an area determined to be outside the 0.2% annual chance flood (500-year flood plain). The subject is depicted on the FEMA FIRM 04005C1760, dated September 3, 2010.



Soils/Subsoils:

A soil survey was not provided. During the inspection, no conditions indicative of a potential soil or subsoil problem was apparent. This appraisal assumes soil conditions suitable for development. Should any questions arise as to the suitability of the soil, a soils sample analysis can be obtained by a qualified company. The property owner did not indicate any soils problems during his interview.

Environmental:

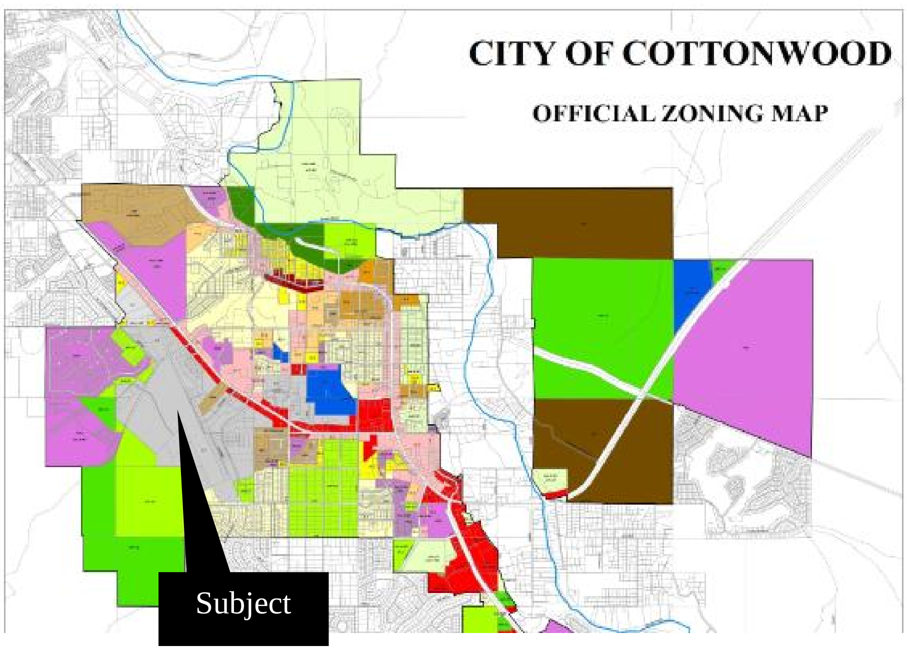
An environmental assessment of the property was not provided for this assignment. During my physical inspection of the property, no apparent items of environmental concern were noted. If this remains an area of concern for the client, a Phase I Environmental Survey by a qualified environmental specialist is recommended. This report assumes that no environmental concerns are present that would prevent the site from being put to its highest and best use.

Easements: I was not provided a title report for the subject property. Based on the physical inspection of the site, no readily observable easements that would limit the site from being developed to its highest and best use, as if vacant, were revealed.

Surrounding Land Uses: Surrounding uses are a primarily industrial and commercial uses to the northeast, residential uses to the southeast, residential uses to the northwest, vacant land to the west and residential uses to the south.

Municipal Services: The property is located within the incorporated boundaries of the City of Cottonwood. Police and fire protection are provided by the City of Cottonwood.

Zoning: The subject site is zoned I-2 (Industrial) by the Cottonwood County Zoning Code. This zone is intended to designate areas of the city for industrial uses.



Tax Data:

The subject property is identified by the Yavapai County Assessor under the following tax code numbers. Since the subject is owned by the City of Cottonwood, a governmental agency, it pays no real estate taxes.

APN
406-08-002E
406-08-002F
406-08-002N
406-08-002P
406-08-002Q
406-08-016
406-08-029
406-08-030
406-08-031
406-08-032
406-08-033
406-08-034
406-08-035
406-08-036
406-08-037
406-08-038
406-08-039
406-08-040
406-08-041
406-08-042
406-08-055
406-08-056
406-08-057
406-08-058
406-08-059
406-08-060
406-08-061
406-08-062
406-08-063
406-08-064
406-08-065
406-08-066
406-08-067
406-08-108

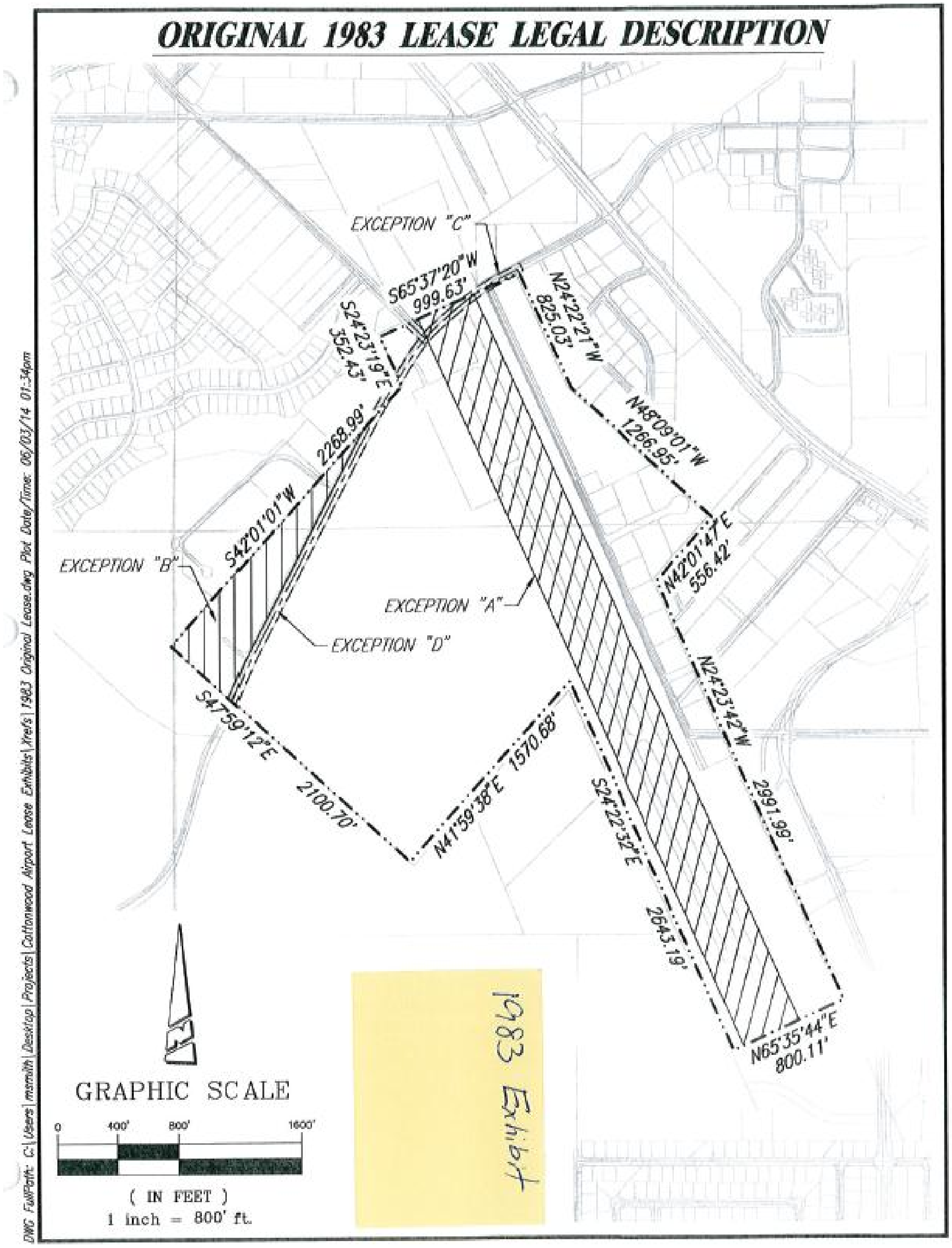
Description of Improvements:

This analysis assumes that the larger subject is not improved. This is contrary to the actual condition of the subject which is improved with the Cottonwood Airport and various other horizontal and vertical improvements. This analysis does not take into consideration of the improvements but analyzes the subject in its "raw" condition, essentially the same as when it was leased in May 1983.

Larger Site Summary:

The larger subject parcel contains 209.25 gross acres of land. The property does not appear to be adversely impacted by any apparent physical factor. The subject is zoned to allow for industrial uses. My analysis would indicate that the larger subject is legally and physically able to be developed with industrially oriented uses when there is sufficient demand.

Subject Property: As noted, the subject reflects a portion of the larger 209.25 gross acre airport property. The following exhibit reflects the subject property. Only those factors that impact the subject differently than the larger property will be discussed as follows.



The subject property reflects the area that is not identified as an Exception on the prior exhibit. There are four exceptions for the main runway (A), the area west of Mingus Road (B), a very small portion of the north end of the property (C) and Mingus Road (D).

Site Size: The subject property contains 144.98 gross acres. This area is assumed to be correct and reliable for use in this report.

Shape: The subject site is segmented in two. The subject reflects a large parcel of land sited to the west of the runway and east of Mingus Road. I also include a long strip of land located along the east side of the runway. The subject is essentially separated by the airport runway. The subject's shape, especially the eastern portion, is considered to impact upon its development potential. The western portion of the subject is more normally shaped, with no impact considered on its ultimate highest and best use.

Subject Site Summary: The subject is comprised of the majority of the larger property. The subject is segmented into two parcels by the airport runway. The western portion is reasonably shaped and is sufficient in size to allow for most types of development in conformance with the existing I-2 industrial zoning. The eastern portion is long and narrow. This portion of the subject is considered to be adversely impacted by its shape. Combined, these two parcels reflects all of the available land for private development around the Cottonwood Airport. See following exhibit for general lay out of subject.

SUBJECT PHOTOGRAPHS

Top photo: View of entry sign to airport

Bottom photo: View looking southeast across larger property from Mingus Avenue

SUBJECT PHOTOGRAPHS

Top photo: View looking northeast across the subject (west portion).
Bottom photo: View looking northwest across runway.

SUBJECT PHOTOGRAPHS

Top photo: View of improvements on west portion of the subject.

Bottom photo: West portion of the subject looking south from Mingus Avenue.

HIGHEST AND BEST USE

Highest and Best Use is the basic premise of value and, as such, reflects an appraiser's opinion based upon an analysis of prevailing market occurrences. The subject is comprised of both the site and improvements. As the use of land can be limited by the presence of improvements, highest and best use is typically analyzed individually, for the land as though vacant and the property as improved.

According to *The Appraisal of Real Estate*; Fourteenth Edition, published by the Appraisal Institute, highest and best use is defined as:

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

The purpose of estimating the highest and best use of the subject site, as though vacant, is to identify the uses that cause the site to have value. The use of the subject site found to be legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest present land value is considered to be the highest and best use of the site, as if vacant. The purpose of estimating the highest and best use of the property, as improved, is to identify the use of the property that is expected to produce the highest overall return per dollar invested.

Highest and Best Use and Market Analysis, and Highest and Best Use and Feasibility Analysis are interrelated. Market and Feasibility Analyses are tools utilized in determining the highest and best use of a specific property.

In estimating the highest and best use of land, as if vacant, or a property as improved, there are essentially four stages of analysis:

1) Legally permissible uses - the uses of the subject that are permitted by zoning, existing leases, and/or deed restrictions;

2) Physically possible uses - the uses of the subject that are physically possible;

3) Financially feasible uses - the uses of the subject that are possible and permissible and that will produce a net return to the owner of the land; and

4) Maximally productive use - the use of the subject site among the feasible uses that produces the highest net return to the subject. This use is essentially the Highest and Best Use of the subject.

The stages of Highest and Best Use analysis have been applied to the larger subject. Following is a discussion of the estimated Highest and Best Use of the site, as though vacant.

Larger Parcel:

Legally Permissible: The subject site is zoned I-2 (Industrial) by the City of Cottonwood Zoning Code. This zone is intended to designate areas of the City for industrial uses and reflects the larger area in Cottonwood that is designated for this type of use.

Physically Possible: The larger subject property is located along both side of West Mingus Avenue, about ¼ mile west of Main Street (Highway 89A). Mingus Avenue is a two lane, asphalt paved roadway. The site is irregular in shape and is impacted by its slope. According to data provided by the client, the larger the site is comprised of 209.25 gross acres.

Utilities that are assumed to be available to the subject are electric and phone. This report assumes that public utilities (water and sewer) are not available to the site. I was not provided a title report for the subject property. Based on the physical inspection of the larger site, no readily observable easements that would limit the site from being developed to its highest and best use were revealed. According to the most recent flood insurance rate map (FIRM), the site is located within Zone X, an area determined to be outside the 0.2% annual chance flood (500-year flood plain).

Overall, physically the larger subject property is considered to be developable with no factors that would preclude its development.

Financially Feasible/Maximally Productive: Overall, the legally permissible and physically possible uses are considered to be limited to industrial development or investment.

Research indicates that there is slow market for vacant parcels available for industrial uses, and demand for these properties has remained relatively stable. It is noted however that given the size of the larger property at 209.25 gross acres there is not considered to be demand for the subject to be developed, as if raw. The market would only support possibly portions of the larger property being in demand for development. My analysis would indicate that with the subject property being analyzed in its raw and undeveloped condition in the current market, its highest and best use is considered to be for investment.

Subject Parcel:

Legally Permissible: See above, industrial.

Physically Possible: The subject contains a total of 144.98 gross acres of land area. The subject is physically divided into two parcels by the airport runway. The west portion is not considered to have any factor that would adversely impact upon its development. The east portion is considered to be impacted by its irregular shape.

Financially Feasible/Maximally Productive: Since the subject is being analyzed in a “raw” condition, with no public utilities in place (water and sewer), the subject could not be developed. As such, its highest and best use is also considered to be for investment.

VALUATION

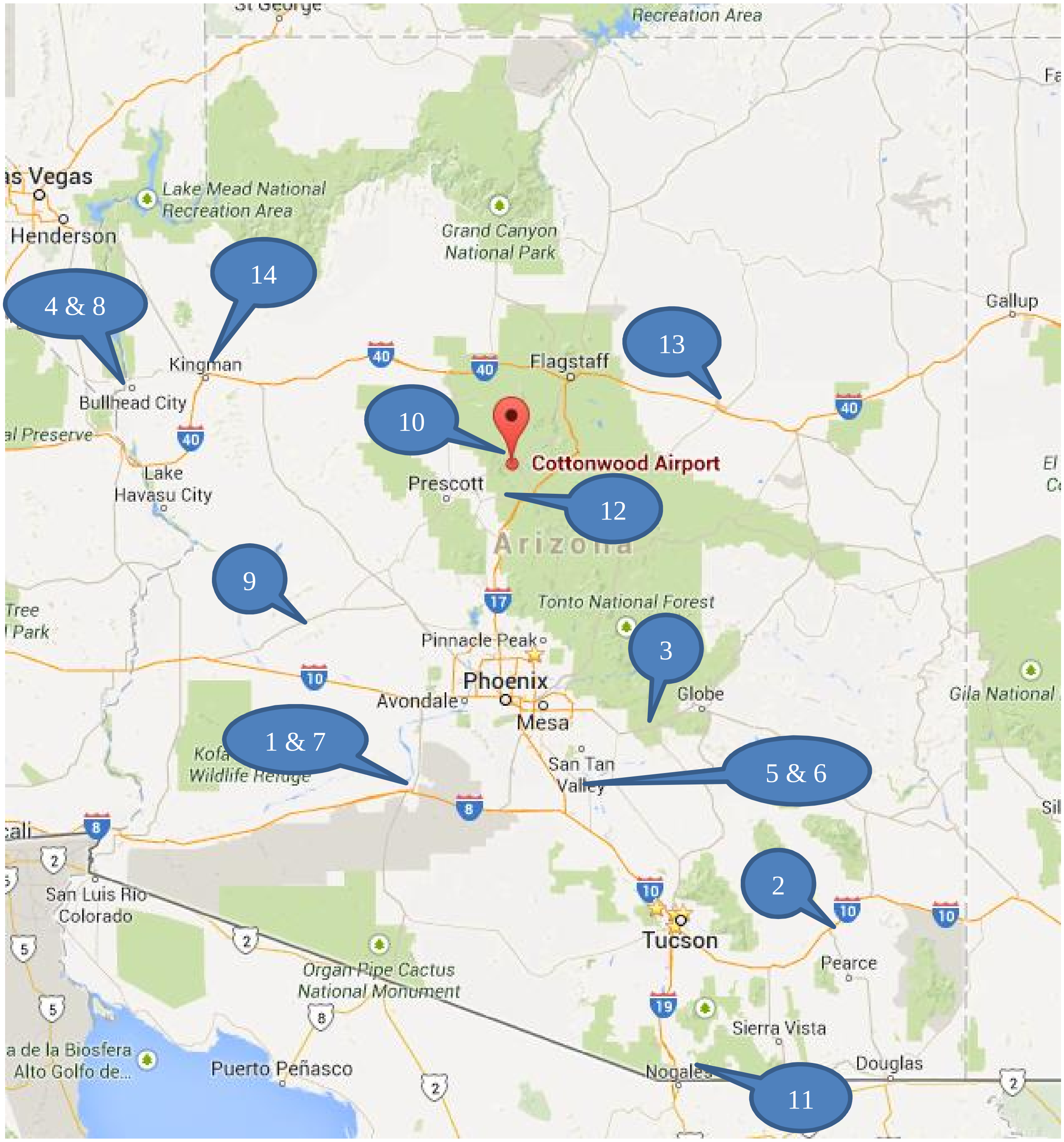
The Sales Comparison Approach to value considers recent sales and listings of similar vacant comparable properties. This approach has been utilized to develop an opinion of the market value of the larger parcel, or Whole, from which the part being valued will be obtained. The technique is an application of the economic principle of substitution that affirms that when a property can be replaced, its value tends to be set by the cost of acquisition of an equally desirable substitute property that can be acquired without undue or costly delay.

As noted in the Scope of the Appraisal section of this report, a great deal of research of land sales that may be considered similar as compared to the subject has been conducted in the course of this assignment. The land market has been very slow over the past few years, so my research had to expand out of the Cottonwood/Clarkdale area to other rural areas around the state. Of the sales discovered, the sales data contained herein are considered to reflect the best available information with which to derive a reliable opinion of value for the subject land (as if vacant and unimproved).

The following tabulation, map, and data sheets summarize the transactions analyzed.

Comparable Land Sales

Comp No.	Sales Date	Location	City	Sales Price	Gross Land Size (acre)	Price Per Gross Acre	Zoning
1	Mar-11	NE Old Hwy 80 & Watermelon Rd	Gila Bend, AZ	$ 2,006,180	241.7	$8,300	PC
2	Jun-11	8020 W Davenport Ranch Rd - Cochise 3600	Willcox, AZ	$ 2,005,525	802.2	$2,500	RU-4
3	Mar-12	SE US 60 & Dromedary Peak Rd	Superior, AZ	$ 2,400,000	640.0	$3,750	GR
4	Jul-12	Pass Canyon & Coyote Pass Rd	Bullhead City, AZ	$ 235,000	141.5	$1,661	RU-43
5	Sep-12	NW Sunshine Rd at Randolph Rd - Verona	Coolidge, AZ	$ 1,365,000	340.8	$4,006	PAD, AG, I-1
6	Nov-12	NW Bartlett Rd & 5th St	Coolidge, AZ	$ 749,691	150.5	$4,982	PAD
7	Nov-13	NW Watermelon Rd & Gila Blvd	Gila Bend, AZ	$ 4,020,000	671.5	$5,987	RU-43
8	Feb-14	E Laredo Dr. & Canyon Rd - Rio Brisas	Bullhead City, AZ	$ 670,000	173.3	$3,867	RIL-PAD
9	Apr-14	E2 Sec 24, T7M, R9W	Aguila, AZ	$ 1,585,000	317.0	$5,000	R1-43
Subject	Jul-14	1001 W Mingus Ave	Cottonwood, AZ		209.25		I-2



A difference in one of the numerous factors that can influence pricing may deem comparable sales superior, inferior, or similar to the subject site. The abstraction of specific adjustments using "matched paired" sales was considered, yet the comparables typically do not provide enough data to accurately complete this type of analysis. Instead, the comparables have been subjectively adjusted for those factors that are considered relevant in the current market. The adjustments are reflected as percentages that provide the reader insight into the weight given each of the adjustments. The price per acre will be the base unit of comparison in this analysis. This is simply the sales price for the total property divided by the total acreage of the site.

COMPARABLE LAND SALE ONE

LOCATION:	East side of Highway 80 at Waterman Road, Gila Bend, Maricopa County, Arizona
TAX CODE NUMBERS:	402-03-001B, 002B & 003D
SALE DATE:	March 18, 2011
RECORDS:	0234634
OWNERSHIP HISTORY:	No prior sales within the previous three years.
SELLER:	Sonoran Trails, L.L.C.
BUYER:	Arizona Public Service Company
SALES PRICE:	$2,006,180
SALES PRICE PER ACRE:	$8,300/Acre
SITE SIZE/CONFIGURATION:	241.71 acres
SHAPE:	Irregular
TERMS:	Cash to seller.
MARKETING TIME:	NA
TOPOGRAPHY:	Generally level
FRONTAGE:	Highway 80
ACCESS & VISIBILITY:	Average/Average
FLOOD PLAIN:	Outside of flood plain
ZONING:	PC, Maricopa County
HIGHEST AND BEST USE:	Investment /Solar
VIEWS:	Average
UTILITIES:	At the site. Property along major power lines, allowing for easy development of solar array since distribution system was in place.

COMPARABLE LAND SALE ONE

COMMENTS:	Property was purchased for the development of a large solar array. Property is considered to be superior to the subject in terms specific site characteristics that would support a solar array development.
CONFIRMED WITH:	Jack Davis, Purchaser representative, closing documents
CONFIRMED BY:	James S. Bradley

COMPARABLE LAND SALE TWO

LOCATION:	North and south side so Interstate 10 at Highway 191, Willcox, Cochise County, AZ
TAX CODE NUMBER:	209-86-002A
SALE DATE:	June 7, 2011
RECORDS:	12547
OWNERSHIP HISTORY:	No prior sales within the previous three years.
SELLER:	Jack & Bernice Davenport
BUYER:	3600, LLLP
SALES PRICE:	$2,005,525
SALES PRICE PER ACRE:	$2,500/Acre
SITE SIZE/CONFIGURATION:	802.21 acres/Irregular
TERMS:	Cash to seller
MARKETING TIME:	Not available.
TOPOGRAPHY:	Generally level and at grade with frontage highways.
FRONTAGE:	Interstate 10 and Highway 191
ACCESS & VISIBILITY:	Good/Good
FLOOD PLAIN:	Outside of flood plain
ZONING:	RU-4 (rural, Cochise County)
HIGHEST AND BEST USE:	Long term investment
VIEWS:	Average
UTILITIES:	Not available to the site

COMPARABLE LAND SALE TWO

COMMENTS:	Property is situated west of Willcox Arizona at the intersection of Interstate 10 and Highway 191. Property reflects a rural parcel of raw land that was acquired for investment purposes. This property is considered to be inferior to the subject in terms of location, site size and development time table.
CONFIRMED WITH:	Michael Ben-Horlin, purchaser, Comps & Public Records
CONFIRMED BY:	Ryan Green
DATE:	May 2014

COMPARABLE LAND SALE THREE

LOCATION:	Southeast of Highway 60 and Dromedary Peak Road, Superior, Pinal County, Arizona
TAX CODE NUMBER:	406-04-034G
SALE DATE:	November 21, 2012
RECORDS:	022435
OWNERSHIP HISTORY:	No prior sales within the previous three years.
SELLER:	Ecco Holdings, LLC
BUYER:	Integrity Land & Cattle, LLC.
SALES PRICE:	$2,400,000
SALES PRICE PER ACRE:	$3,750/Acre
SITE SIZE/CONFIGURATION:	640 acres/Rectangular
TERMS:	Cash to seller
TOPOGRAPHY:	Rolling Terrain
FRONTAGE:	None
ACCESS & VISIBILITY:	Poor/Not visible
FLOOD PLAIN:	Outside of flood plain
ZONING:	GR (General Rural) Pinal County
HIGHEST AND BEST USE:	Investment for future potential use as part of a mining operation.
VIEWS:	Average
UTILITIES:	None

COMPARABLE LAND SALE THREE

COMMENTS: Property was purchased for investment for future potential to be developed as part of a mining operation. Property is considered to be inferior to the subject in terms of location, availability of utilities, etc.

CONFIRMED WITH: Kirk McCarville, broker
CONFIRMED BY: James S. Bradley
DATE: July 2012

COMPARABLE LAND SALE FOUR

LOCATION:	Pass Canyon Road and Coyote Pass Drive, Bullhead City, Mohave County, AZ
TAX CODE NUMBERS:	213-14-056
SALE DATE:	July 17, 2012
RECORDS:	037201
OWNERSHIP HISTORY:	No prior sales within the previous three years.
SELLER:	Charford, Inc. (Lender)
BUYER:	Arena, LLC
SALES PRICE:	$235,000
SALES PRICE PER ACRE:	$1,661/Acre
SITE SIZE/CONFIGURATION:	141.48/Irregular
TERMS:	REO, Cash to seller
TOPOGRAPHY:	Generally level
FRONTAGE:	Pass Canyon Road
ACCESS & VISIBILITY:	Average/Average
FLOOD PLAIN:	None
ZONING:	Rural, Mohave County
HIGHEST AND BEST USE:	Long term investment
VIEWS:	Average
UTILITIES:	Available about ½ west of the subject.

COMPARABLE LAND SALE FOUR

COMMENTS:	Property was purchased for investment purposes. This transaction reflects an REO sale. Long term investment is considered to reflect its highest and best use, until such time as there is demand for its development. This property is considered to be inferior to the subject due to its location outside of the development area of Bullhead City, no utilities proximate to the subject and other factors.
CONFIRMED WITH:	Ann Petit, Seller Representative, Comps & Public Records
CONFIRMED BY:	James S. Bradley
DATE:	11/2014

COMPARABLE LAND SALE FIVE

LOCATION:	NW of Sunshine Boulevard and Randolph Road, Coolidge, Pinal County, AZ
TAX CODE NUMBERS:	401-24-007E, 401-24-007F, 401-24-007H, 401-24-007J, 401-22-005D & 401-22-005C
SALE DATE:	September 27, 2012
RECORDS:	083482
OWNERSHIP HISTORY:	No prior sales within the previous three years.
SELLER:	Johnson Bank
BUYER:	Walton Arizona, LLC
SALES PRICE:	$1,365,000
SALES PRICE PER ACRE:	$4,006/Acre
SITE SIZE/CONFIGURATION:	340.75 acres/Irregular
TERMS:	REO, Cash to seller
TOPOGRAPHY:	Generally level
FRONTAGE:	Sunrise Boulevard
ACCESS & VISIBILITY:	Average/Average
FLOOD PLAIN:	Outside of flood plain
ZONING:	Various, property is Zoned PAD, AG & A-1, Pinal County
HIGHEST AND BEST USE:	Investment
VIEWS:	Average
UTILITIES:	Are not available to the site

COMPARABLE LAND SALE FIVE

COMMENTS: Property was purchased for investment. Sale was from motivated seller (bank). Highest and best use is for investment until such time as the property is in demand for development.

CONFIRMED WITH: Ryan Semro, broker
CONFIRMED BY: James S. Bradley
DATE: July 2013

COMPARABLE LAND SALE SIX

LOCATION:	NW of Bartlett Road and 5th Street, Coolidge, Pinal County, AZ
TAX CODE NUMBERS:	209-31-001A & 209-31-010
SALE DATE:	November 5, 2012
RECORDS:	095668
OWNERSHIP HISTORY:	No prior sales within the previous three years.
SELLER:	SAC II
BUYER:	CrossRoads 140, LLC
SALES PRICE:	$749,691
SALES PRICE PER ACRE:	$4,982/Acre
SITE SIZE/CONFIGURATION:	150.48 acres/Irregular
TERMS:	Cash to seller
TOPOGRAPHY:	Generally level
FRONTAGE:	5th Street
ACCESS & VISIBILITY:	Average/Average
FLOOD PLAIN:	Outside of flood plain
ZONING:	PAD, Pinal County
HIGHEST AND BEST USE:	Investment
VIEWS:	Average
UTILITIES:	Are not available to the site

COMPARABLE LAND SALE SIX

COMMENTS:	Property was purchased for investment. Highest and best use is for investment until such time as the property is in demand for development.
CONFIRMED WITH:	Michele Pino, broker
CONFIRMED BY:	James S. Bradley
DATE:	July 2013

COMPARABLE LAND SALE SEVEN

LOCATION:	NW of Watermelon Road and Gila Bend Road, Gila Bend, Maricopa County, AZ
TAX CODE NUMBERS:	403-14-016C and 403-14-015D
SALE DATE:	November 14, 2013
RECORDS:	0986557
OWNERSHIP HISTORY:	No prior sales within the previous three years.
SELLER:	R J Trust
BUYER:	JLE-04 Parker, LLC
SALES PRICE:	$4,020,000
SALES PRICE PER ACRE:	$5,987/Acre
SITE SIZE/CONFIGURATION:	671.46 acres/Irregular
TERMS:	Cash to seller
TOPOGRAPHY:	Generally level
FRONTAGE:	Watermelon Road
ACCESS & VISIBILITY:	Average/Average
FLOOD PLAIN:	Outside of flood plain
ZONING:	RU-43, Maricopa County
HIGHEST AND BEST USE:	Investment, purchaser plans on using for agricultural purposes in interim.
VIEWS:	Average
UTILITIES:	Rural utilities are available to the site (electric and water well).

COMPARABLE LAND SALE SEVEN

COMMENTS:	Property was purchased for investment. Purchaser will use for agricultural purposes. Property is located in a rural portion of Maricopa County.
CONFIRMED WITH:	Brian Stillman, agent, Comps & Public Records
CONFIRMED BY:	James S. Bradley
DATE:	July 2014

COMPARABLE LAND SALE EIGHT

LOCATION:	East of Laredo Drive and Canyon Road, Bullhead City, Mohave County, AZ
TAX CODE NUMBERS:	213-13-109 & 213-80-109
SALE DATE:	February 2, 2014
RECORDS:	022757
OWNERSHIP HISTORY:	No prior sales within the previous three years.
SELLER:	Stearns Bank
BUYER:	Brookfield Residential
SALES PRICE:	$670,000
SALES PRICE PER ACRE:	$3,867/Acre
SITE SIZE/CONFIGURATION:	173.27 acres/Irregular
TERMS:	REO, Cash to seller
TOPOGRAPHY:	Generally level
FRONTAGE:	Laredo Drive
ACCESS & VISIBILITY:	Average/Average
FLOOD PLAIN:	Outside of flood plain
ZONING:	RIL-PAD, Mohave County
HIGHEST AND BEST USE:	Investment, future residential development
VIEWS:	Good
UTILITIES:	Are available proximate to the west of the site.

COMPARABLE LAND SALE EIGHT

COMMENTS:	Property is located adjacent to the east of existing residential development in Bullhead City, Arizona. This property was purchased as an investment for future residential development. Sale was from motivated seller (bank).
CONFIRMED WITH:	Ryan Semro, broker
CONFIRMED BY:	James S. Bradley
DATE:	July 2013

COMPARABLE LAND SALE NINE

LOCATION:	South side of Highway 60 at its intersection with Highway 71, west of Wickenburg, Maricopa County, AZ
TAX CODE NUMBERS:	506-05-024 & 506-05-025
SALE DATE:	April 29, 2014
RECORDS:	0280639
OWNERSHIP HISTORY:	No prior sales within the previous three years.
SELLER:	Castles N' Coasters (Akshun & Akshun, Inc.)
BUYER:	Mara Capital, LLC
SALES PRICE:	$1,585,000
SALES PRICE PER ACRE:	$5,000/Acre
SITE SIZE/CONFIGURATION:	317 acres/Rectangular
TERMS:	Cash to seller
TOPOGRAPHY:	Generally level
FRONTAGE:	Highway 60
ACCESS & VISIBILITY:	Average/Average
FLOOD PLAIN:	Outside of flood plain
ZONING:	R1-43, Maricopa County
HIGHEST AND BEST USE:	Investment
VIEWS:	Average
UTILITIES:	Electric only.

COMPARABLE LAND SALE NINE

COMMENTS:	Property is located west of Wickenberg Arizona. This property appears to have been purchased as an investment. Details of transaction were not able to be confirmed except from public records.
CONFIRMED WITH:	County Records and Comps
CONFIRMED BY:	James S. Bradley
DATE:	July 2014

Discussion of Adjustments

The sales noted vary considerably in comparison to the subject given the subject's unique location proximate to development in Cottonwood. As noted, the land sales market in rural communities in Arizona has been very slow over the past 7 – 8 years, reflecting the changes in the real estate market and the ongoing recession. Each comparable utilized is located in a rural portion of the state and reflects a larger parcel of land, comparable in size to the larger subject site. Further, these sales are all in "raw" condition similar to the condition assumed for the subject. These sales are considered to provide the best data by which to support the value of the larger subject property.

In order to develop an opinion of the market value of the subject, the comparable sales have been analyzed on a price per acre basis. Adjustments to the comparables' price per acre unit of comparison have been considered for differences in property rights, terms of sale (cash equivalency), market conditions (time), location (general and specific), size, zoning/use, utility availability, and shape/site utility. Here follows a discussion of each of the adjustments.

Property Rights

All the sales analyzed involved a transfer of the fee simple estate; therefore, no adjustment is warranted for property rights.

Terms of Sale

Adjustments for terms of sale have been considered in this analysis. The analysis assumes a cash equivalent purchase. Cash equivalent sales imply those transactions, which are financed by third-party lenders such as savings and loan associations, insurance companies, or commercial banks. Transactions, which are financed by sellers, may provide advantages not available from third-party lenders. Typically, seller carry back financing includes a lower down payment than what would be available via third-party financing. However, in some cases, sellers consider a carry back either the same as or preferable to cash, depending upon the tax status of the sale or desire to defer sale proceeds.

All of the comparables sold for cash warranting no adjustment for this factor.

Sale Conditions

The comparable sales were analyzed to determine if the transaction differed from the definition of a true market sale. Three of the comparables used in this analysis reflected REO sales. Comparables Four, Five and Eight were from financial institutions. These sales are considered to reflect a motivated seller, who needed to rid the asset from its books. These three sales are adjusted upward for seller motivations.

Market Conditions (Time)

Market conditions may have changed between the time of the sale of the comparable property and the date of the appraisal. Under such circumstances, the price of the comparable property would require an adjustment to reflect current prices. Changes in pricing may result from various effects such as inflation, deflation, changing demand, and changing supply.

The comparables range in date of sale from March 2011 through April 2014. The effective date of appraisal is July 10, 2014. My analysis of the marketplace and interviews with knowledgeable real estate brokers indicated that vacant land such as the subject were appreciating at rapid rates in the early 2000's and evidently reached their peak in mid-2006 to early 2007 and began to fall into 2011 but are generally stable in the current market. Overall, all of the comparables reflect relatively recent transactions, warranting no adjustments for this factor.

Comparable Number:	1	2	3	4	5	6	7	8	9
Sales Price	$2,006,180	$2,005,525	$2,400,000	$235,000	$1,365,000	$749,691	$4,020,000	$670,000	$1,585,000
Site Size (Acres):	241.7	802.2	640.0	141.5	340.8	150.5	671.5	173.3	317.0
Sales Price Per Acre	$8,300	$2,500	$3,750	$1,661	$4,006	$4,982	$5,987	$3,867	$5,000
Property Rights	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Fee	Fee	Fee	Fee	Fee	Fee	Fee	Fee	Fee
Adjusted Price/Acre	$8,300	$2,500	$3,750	$1,661	$4,006	$4,982	$5,987	$3,867	$5,000
Terms of Sale	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjusted Price/Acre	$8,300	$2,500	$3,750	$1,661	$4,006	$4,982	$5,987	$3,867	$5,000
Sale Conditions	0.00%	0.00%	0.00%	0.00%	20.00%	20.00%	0.00%	20.00%	0.00%
	Market	Market	Market	Market	REO	REO	Market	REO	Market
Adjusted Price/Acre	$8,300	$2,500	$3,750	$1,661	$4,807	$5,978	$5,987	$4,640	$5,000
Time of Sale	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjusted Price/Acre	$8,300	$2,500	$3,750	$1,661	$4,807	$5,978	$5,987	$4,640	$5,000

The prior tabulation details the adjustments relating to the sales transactions that were considered appropriate. The remaining adjustments are for physical differences between the subject and the comparables.

Location

The subject property is located within the western portion of Cottonwood. The property is assumed to have access via West Mingus Road. This location is proximate to the exiting development in the community.

With respect to general location, each of the comparables is sited within a rural portion of the state. Generally, these locations are all considered to be generally off setting to that of the subject.

With respect to specific location the comparable sales vary considerably in comparison to the subject. Each property will be analyzed as to how it compares in specific location to the subject. It should be noted that the adjustment for location is subjective based upon my analysis of each property's potential in comparison to that of the subject (assumed to be in a raw condition as of the date of the value). The location adjustment is primarily based upon the perceived time frame that each could be in demand. Thus, a property sited further away from development would typically be inferior to one that is adjacent to existing development (like the subject). But, my analysis indicates that three of the sales had specific location attributes that positively impacted the sales. These will be discussed. As such, the location adjustment for each will vary greatly.

Comparable One is located just northeast of the community of Gila Bend, Maricopa County. This property had main road frontage and was site along power distribution lines. This property is rural in nature, but given its unique characteristics in terms of access to the power distribution grid, was purchased for development of a solar array. This specific location is considered to be off setting to that of the subject, with no adjustment applied.

Comparable Two is sited at the intersection of Interstate 10 and Highway 191 in Cochise County, Arizona. This property is west of Wilcox in a sparsely developed area. This property has very good access and frontage, but in an area of not real demand. This sale is considered to warrant upward adjustment in comparison to the subject given it is in a very rural portion of the state.

Comparable Three is located in a rural area that is southwest of the Town of Superior. This parcel is accessed by a dirt road and is in a rural portion of the area. The purchaser bought the site for future inclusion with a proposed mining operation in the area. Thus, although this location is not supported for any other uses, its sale occurred because of the mining possibilities. In comparison, the specific location of this property is considered to be inferior to that of the subject, with an upward adjustment applied.

Comparable Four is located east of Bullhead City, Mohave County. This location is in the rural portion of the area, in the desert area to the east of the community. This property is accessed a dirt road and has limited development potential for an extended period of time. This location is considered to be vastly inferior to that of the subject, with an upward adjustment applied.

Comparables Five and Six are both located in the Coolidge area of Pinal County. This area is agricultural in nature, with many farms in the area. These two properties have similar specific locations. My analysis would indicate that the rural nature of these properties makes their location inferior to that of the subject, with an upward adjustment applied.

Comparable Seven is located in the Gila Bend area, near Comparable One. This specific location is in an agricultural area. This location is considered to be offsetting to that of the subject.

Comparable Eight is located adjacent to existing residential development along the eastern edge of Bullhead City, Mohave County. This property’s specific location is considered to be most similar to that of the subject. It is physically above the community and adjacent to development. Thus, this sale is considered not to warrant adjustment for specific location.

Comparable Eight is sited within the Maricopa County, west of Wickenburg along Highway 60. This location is within a rural portion of the state. The specific location of this property does have good access, but in an area of limited development. The location of this property is considered to be inferior to that of the subject, with an upward adjustment applied.

Site Size

In this analysis, adjustments for size have been considered for the comparable properties. The comparables range in size from approximately 141.5 acres to 802.2 acres. The larger subject contains 209.25 acres, which is within the size range demonstrated by the comparables. In analyzing the comparables for size differences, it is important to understand that generally, smaller properties will sell for more on a per unit basis than larger ones, due to there being a broader market with a greater number of prospective purchasers looking for small sites. Conversely, larger properties tend to sell at a lower price per unit than smaller ones due to the greater risk inherent in owning and/or developing a larger parcel and a smaller market with fewer prospective purchasers.

Comparables Two, Three, Five Seven and Nine are each larger than the larger subject site, with each warranting varying degrees of upward adjustment. Comparable One is general similar in size, with no adjustment applied. Comparables Four, Six and Eight are each smaller than the subject. These three comparables are adjusted upward on a price per acre basis in comparison the subject.

Zoning

Zoning regulations can limit the use or the development potential of a property, thereby affecting market value. As discussed previously, the subject is zoned I-2 (industrial) per the City of Cottonwood land use ordinance. All of the comparables are zoned for rural uses, but have a similar highest and best use for investment. Thus, although each might have a slightly different zoning than the subject, the market does not appear to lend must value to this factor; thus, no adjustment has been applied for zoning in this analysis.

Use

The subject (assumed in a raw condition) would be in demand within a reasonable time period with industrial uses. Comparable One was in demand for the specific use of developing a solar array. This allowed the site to be developed in a relatively short time period. This use is considered to be superior to that of the subject, reflecting the specific motivations of the purchaser. Comparable Three was similar in that the purchaser was motivated to acquire this property for use in the development of a nearby proposed mining operation. Both of these sales are adjusted downward for differences in use and the potential timing of those uses.

Utility Availability

This adjustment considers differences between the subject and the comparables for utility availability. This analysis assumes that the subject is in a raw condition, without public services available (water and sewer), reflecting its condition in 1983. None of the comparables used in this analysis had public utilities available; thus, no adjustment is therefore applied in this analysis.

Shape/Site Utility

Adjustments for shape/site utility take into consideration the shape, flood condition, and overall developability of the comparable sales as compared to the subject. The shape of the site is irregular. The topography of the site is sloping, reflecting the terrain of the area. Although the terrain of each of the comparable varies, given the larger sizes of each site, irregular shape and topography are typical. My analysis did not support an adjustment for these factors in this analysis.

Summary and Final Value Conclusion

The factors noted above can influence market price. Adjustments to the comparable sales utilized in this analysis for the various differences result in an indication of the market value range for the subject. The following adjustment grid provides a summary of the physical adjustments considered warranted for each of the comparables.

Physical Adjustments:	1	2	3	4	5	6	7	8	9
Adjusted Price/Acre	$8,300	$2,500	$3,750	$1,661	$4,807	$5,978	$5,987	$4,640	$5,000
General Location	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Similar	Superior	Superior	Superior	Superior	Superior	Superior	Superior	Superior
Specific Location	0.00%	50.00%	50.00%	100.00%	25.00%	25.00%	25.00%	0.00%	25.00%
	Superior	Inferior	Inferior	Inferior	Inferior	Similar	Inferior	Inferior	Inferior
Size	0.00%	25.00%	15.00%	-10.00%	10.00%	-10.00%	25.00%	-10.00%	10.00%
	Similar	Larger	Larger	Smaller	Larger	Smaller	Larger	Smaller	Larger
Zoning	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Use	-25.00%	0.00%	-25.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Superior	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Utility Availability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Similar	Similar	Similar	Similar	Similar	Superior	Superior	Superior	Superior
Shape/Site Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Superior	Superior	Superior	Similar	Superior	Superior	Superior	Superior	Superior
Net Additional Adjustments	-25.00%	75.00%	65.00%	90.00%	35.00%	15.00%	50.00%	-10.00%	35.00%
Adjusted Price Per Acre	$6,225	$4,375	$6,188	$3,156	$6,490	$6,875	$8,980	$4,176	$6,750

Conclusion

The preceding transactions were analyzed in order to develop an opinion of the market value of the larger subject site. All of the comparables have a similar highest and best use as that of the subject site. The prior tabulation reflects the physical adjustments that are considered appropriate for each of the comparable properties in comparison to the subject. While the comparables vary greatly in comparison to the subject, they are considered to provide the best indication of value for the subject as of the date of valuation. Although support for specific quantifiable adjustments could not be abstracted from the market for each of the adjustments, the adjustments shown reflect subjective observations of the current market and are considered reasonable.

Overall, the comparables provide a good indication of value ranging from $3,156 to $8,980 per gross acre land area. I believe that the subject's value should fall within this range in adjusted price on a per acre basis.

Listing For Sale

The following table shows current listings for sale of other properties in rural Arizona. These are included to provide the reader with additional insight in the rural land market.

Comparable Listings

Comp No.	Location	City	Sales Price	Gross Land Size (acre)	Gross Price/acre	Zoning
10	W Mingus Ave	Cottonwood, AZ	$ 4,600,000	1,504	$3,059	RCU-2A
11	Hwy 82 - Nogales Airport	Nogales, AZ	$ 710,000	355	$2,000	AG
12	S Orme Rd & Hwy 169	Dewey, AZ	$ 2,630,000	263	$10,000	R1L-175
13	N Road & Sunset Rd	Winslow, AZ	$ 785,000	157	$5,000	AG/R1-7
14	1 Lomas Flojas St - E Siesta & Hwy 40	Kingman, AZ	$ 1,084,600	217	$5,000	LI
Subject	1001 W Mingus Ave	Cottonwood, AZ		209.25		I-2

Comparable Ten reflects the current listing for sale of mining claims located to the west of Cottonwood. These mining claims comprise a total of 1,504 acres of land area. The asking price of the property at $3,059 per acre is considered to set a lower indication of value for the subject given its larger size and more rural location

Comparable Eleven is the current listing sale of a 355 acre parcel of land located adjacent to the Nogales International Airport. This property has rolling terrain and could be provided access to the airport with agreements with the proper authorities. The pricing of this property at $2,000 per acre is considered to set a lower indication of value for the subject.

Comparable Twelve reflects the asking price for a reasonably well positioned parcel of land located in the Dewey area. This 263 acre site is listed for sale for $10,000/acre. This level of price is considered to be current above market. This property is considered to be a reasonable substitute property for the subject.

Comparable Thirteen is adjacent to I-40 in the community of Winslow. The 157 acre property is zoned for mixed uses and has utilities available. This property is listed for sale at $5,000 per acre. My analysis would indicate that this property is reasonably similar to the subject in terms of its location adjacent to a rural community in Northern Arizona

Lastly, there is a 217 acre parcel of land located in the Kingman Arizona area that is currently listed for sale. The property is located along Interstate 40 within the west portion of the community. This property is also listed for sale for $5,000 per gross land area.

The listed for sale properties are considered to support that the subject's value should be in the $2,000 to $10,000 range.

Summary

My analysis is considered to provide sufficient insight into the sales of various larger land parcels from through the State of Arizona to provide a strong indication of value for the larger subject site. The general tendency of the sales data would indicate a strong support for the subject's value at about $6,000 per acre. This level of pricing is also supported by the listed data analyzed also. Overall, after all my research and the analysis contained herein, it is my opinion that the subject market value (as if raw) would be $6,000 per acre. Based upon the subject contained 209.25 acres, the larger site has a developed opinion of market value at $1,255,500

OPINION OF THE MARKET VALUE
OF THE WHOLE...$1,255,000

SUB PARCEL ANALYSIS

At the request of the client, I will now consider the value of the subject property not including the runway. I have first developed an opinion of the market value of the larger parcel, or Whole, from which the Part reflects a portion. This allows for the development of an opinion of the value of the Part being valued as part of the Whole.

In the case of a fee acquisition, this is done by simply multiplying the area of the Part being appraised by the value per unit of the Whole as indicated earlier in this report. As established in the preceding analysis of the Whole, the indicated fee simple value of the Whole is equal to $6,000 per acre, or $1,255,000.

DESCRIPTION OF THE ACQUISITION

<u>The Part</u> <u>Being Valued</u>**:** The part to be valued is comprised of a total of 144.98 gross acres in two parcels. The shape of the Part valued is irregular. It should also be noted that there are building improvements (existing or proposed) that are part of the property.

VALUATION OF THE SUBJECT AS PART OF THE LARGER PROPERTY

As noted above, the value of the part subject to this report is calculated by simply multiplying the area of the part being valued by the value per unit of the Whole as developed earlier in this report. As established in the preceding analysis of the Whole, the indicated fee simple value of the Whole is equal to $6,000 per gross acre or $869,880. Based on this conclusion, the value of the Part being valued is calculated as follows:

Market Value of the Whole Per Acre:		$ 6,000
Size of parcel being valued:		144.98
Value of the fee simple interest in property being valued:		$ 869,880

OPINION OF THE MARKET VALUE
OF THE PART VALUED...$869,880

MARKET RENT CALCULATIONS

To convert the estimated market value of the subject into an annual rental rate estimate, an overall rate or conversion factor needs to be developed. Research into overall rates or conversions factors for properties in the Cottonwood area did not reveal any relevant data. Discussions with a number of real estate brokers who operate in the Phoenix and Tucson areas indicated that rates of return for improved properties in 2014 are typically in the 7% to 9% range. The brokers interviewed indicated that overall rates on improved properties had stabilized over the last year due to interest rates remaining low, and the lack of alternative investments.

Further research has been performed by Maggie Love of Love Appraisals in Cortez Colorado. Ms. Love was contracted by the US Forest Service to develop support for the relationship between sales prices and rental rates for government land. Her research indicated that although the rates would vary depending upon the type and location of a property that the average conversion factor was 8%.

Based upon our discussions with a number of brokers, the research done by Ms. Love and market-abstracted rates of improved properties, it is my opinion that the appropriate overall rate to apply in this analysis is 8%. This factor has been applied in this analysis to provide an indication of annual rental rate for the subject property. This methodology is considered to provide good support for the subject’s market rent over currently.

Based upon the subject having a value of $869,880 and a conversion factor of 8%, the indicated market rent for the subject property (assuming it was in raw condition) would be $69,590.40 annually. This equates to an annual market lease rate of about $480 per acre per year. My analysis of various leases in the market would indicate that the average annual appreciation/growth factor for the market rent would be 2% per year.

OPINION OF THE ANNUAL MARKET RENT
OF THE PART VALUED..$69,590

APPRAISER CERTIFICATION

I HEREBY WARRANT AND CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF,

The statements of fact contained in this appraisal report, which are used as the basis of our analyses, opinions, and conclusions, are true and correct. I have no responsibility for legal matters, questions of survey, opinion of title, soil or subsoil conditions, engineering, or other technical matters. Any sketches prepared by me and contained in this report are included solely to aid the user of the report in visualizing the property and its location, and are not necessarily to scale.

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.

I have no present or contemplated future interest in the real estate that is the subject of this appraisal report and, further, we have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment. The engagement in this assignment was not contingent upon developing or reporting predetermined results. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

The 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.

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

I certify that James S. Bradley, MAI, CCIM inspected the subject property James S. Bradley, MAI, CCIM has completed the requirements under the continuing education program of the Appraisal Institute. He has the appropriate knowledge and experience required to complete the assignment competently.

No one provided significant professional assistance to the signer of this report unless noted. Further, no one other than the undersigned formed the analyses, conclusions, and opinions concerning real estate that are set forth in this appraisal report, unless such participation by another party is indicated by the co-signing of this report by such other party.

APPRAISERS' CERTIFICATION (CONTINUED):

Each finding, prediction, assumption, or conclusion contained in this report is our personal opinion and is not an assurance that an event will or will not occur. I assume that there are no conditions that are not apparent relating to the real estate, subsoil conditions, or structures located on the real estate, which would affect our analyses, opinions, or conclusions with respect to the real estate.

The data gathered in this appraisal process (except data furnished by the client) and the appraisal report itself remain my property. With respect to data provided by the client, we shall not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to us. I am, however, authorized by the client to disclose all or any portion of this appraisal report and the related appraisal data to appropriate representatives of the Appraisal Institute, if such disclosure is required, to enable us to comply with the bylaws and regulations of said Institute now or hereafter in effect.

This appraisal report shall not be quoted or referred to in any report or financial statement of the client or in any documents filed with any governmental agency without my prior written consent. Neither all nor any part of the contents of this report (especially the conclusions as to value, the identity of the appraisers, references to the Appraisal Institute, or references to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or other public means of communication without my prior written consent and approval.

Based upon the data and discussions contained within the attached report, it is my opinion that the market value of the subject property is as follows:

OPINION OF THE ANNUAL MARKET RENT
OF THE PART VALUED...$69,590

JAMES S. BRADLEY, MAI, CCIM
President - AXIA Real Estate Appraisers
Certified General Real Estate Appraiser,
Arizona Certificate: 30432

COMPANY QUALIFICATIONS

AXIA Real Estate Appraisers is in the business of helping clients make informed decisions regarding a variety of real estate related issues. In the course of our activities, we utilize numerous sources of data to enable us to make the most informed judgments possible to best serve our clients. Our industry standards demand that professional appraisal organizations not only *utilize* the data appropriately, but that such data is acquired through appropriate means. The following list, although not all-inclusive, contains the names of numerous data services to which we subscribe and support.

Arizona Business Gazette (weekly business magazine of Phoenix area data)

Arizona Journal of Real Estate & Business

Bright Future Consultants (Tucson area subdivision data)

The Business Journal (weekly publication for market data)

Commercial Leasing Update (Phoenix & Tucson market data)

CoStar Group, Inc. – Maricopa, Pinal & Pima Counties (all market types – sales and market analytics)

Host Report (Smith Travel Research, lodging data)

Inside Tucson Business (weekly Tucson business newspaper)

Korpacz Real Estate Investor Study (national investor survey)

Landiscor - Phoenix & Tucson (maps, various residential & commercial market data)

LoopNet, Inc. (commercial real estate listing and sales data)

Market Source (monthly investor publication from The Appraisal Institute re: cost information)

Marshall & Swift Valuation Service

Metropolitan Tucson Land Use Study (since 1986 to current)

Multiple Listing Services (MLS) of Pima County, Santa Cruz County, Yuma County, La Paz & Mohave Counties, Coconino County, Yavapai County, Navajo & Apache Counties, Cochise County, Maricopa County, Gila/Graham/Greenlee Counties & Pinal County.

Newspapers: The Arizona Daily Star (Tucson), Arizona Republic (Phoenix), Nogales International (Nogales).

Pima County Recorder's Office

RealData, Inc. – Maricopa & Pima Counties Multi-Family Housing Data (since 1986 to current)

Real Estate Valuation Magazine (quarterly publication for real estate appraisers)

Real Quest – On line access to public records in all counties in the State of Arizona and most counties throughout the United States (First American Real Estate Services)

Space Finders - Arizona Mobile Home Park Directory

Stanley Wood - Tucson residential & new home construction data (since 1986 to current)

Valuation Insights & Perspectives (monthly magazine from The Appraisal Institute)

Wide World of Maps - Maricopa, Pima & Coconino/Yavapai Counties, Pinal County and Rim Country

QUALIFICATIONS OF JAMES S. BRADLEY, MAI, CCIM

State of Arizona Certified General Real Estate Appraiser, Certificate #30432
State of Colorado Certified General Real Estate Appraiser, Certificate #1321969

PROFESSIONAL EXPERIENCE

1988 - Present	AXIA Real Estate Appraisers, as Principal Appraiser/Consultant, President since 1996 (previously known as KB Real Estate Appraisers).
1985 - 1988	Greenberg Chin and Associates, Inc., Real Estate Consultants and Appraisers, as Associate Consultant/Appraiser under Neil O. Kleinman, MAI
1983 - 1984	Real Estate Broker in Grand Junction, Colorado, working in commercial sales and property management
1981 - 1983	Real Estate Broker in Cortez, Colorado, in residential and rural sales

PROFESSIONAL AFFILIATIONS AND MEMBERSHIPS

- Member, #9888 of the Appraisal Institute (MAI). The Institute conducts a voluntary program of continuing education for its designated members. MAI's who meet the minimum standards of this program are awarded periodic educational certification. Mr. Bradley received his designation in 1993 and is certified under this program through 2015.
- Member # 15817 of the CCIM Institute. Mr. Bradley received his CCIM designation in April 2009
- Member of Chapter 73 International Right of Way Association
- Licensed Real Estate Broker, State of Arizona
- Big Brothers/Big Sisters of Tucson, Board of Directors (Former Member)
- Boys & Girls Clubs of Tucson, Board of Directors

FORMAL EDUCATION

Bachelor of Science in Business Administration, University of Arizona, with major in Marketing/Advertising, 1984

Certificate of Achievement in Real Estate, University of Colorado, 1981

PROFESSIONAL EDUCATION

All required classes to obtain MAI Designation and in conformance with the Appraisal Institute's requirements for continuing education. Additionally, all classes and exams necessary to obtain the CCIM Designation. Recognized by the Appraisal Institute as a Litigation Expert.

SEMINARS/CLASSES

2012
2012-2013 7 Hour National USPAP Update Course
- Litigation Appraising, Specialized Topics & Applications (AI)
  Fundamentals of Separating Real Property, Personal Property & Intangible Business Assets (AI)
- The Appraiser as an Expert Witness: Preparation & Testimony (AI)

2011
- *IRS Valuation Summit (AI)*
- *Education Conference, Atlanta, GA Various Topics (IRWA)*
- *Principals of Real Estate Law (IRWA)*

2010
- *Update Course – National Uniform Standards of Professional Appraisal Practices*
- *Energy Star and the Appraisal Process*
- *Federal Agency Update 2010*
- *IRWA Class 700 – Introduction to Property Management*
- *IRWA Class 900 – Principals of Real Estate Engineering*

2009
- *Introduction to Valuation for Financial Reporting*
- *Energy Star and the Appraiser*

2008
- *Condemnation Appraising: Advanced Topics & Applications SE 720*
- õ *Condemnation Appraising: Basic Topics and Applications SE 710*
- *Broker Management Clinic #C4806*
- *Uniform Standards of Professional Appraisal Practice, 2008 Update*
- *Business Practice and Ethics*
- *Code of Ethics 2008 – Procuring Causes In Trial #C7952*

2006
- *Broker Management Clinic #C4806*
- *Agency Law #CD5128*
- *Arizona Contract Law #CD5348*
- *Uniform Appraisal Standards for Federal Land Acquisitions*

ADDENDA

1) Engagement Letter
2) Right of Way Plans
3) Subject Lease
4) Assumptions and Limitations
5) Appraiser Certificates

ENGAGEMENT LETTER

Alison Sheets

From: Morgan Scott <mscott@cottonwoodaz.gov>
Sent: Thursday, July 10, 2014 8:29 AM
To: Alison Sheets; Jim Bradley
Subject: RE: Jackson

Jim and Alison,

Please proceed with the appraisal of the airport ground lease and feel free to call me for any questions.

Thanks

Morgan Scott
City of Cottonwood, AZ
Development Services Manager
mscott@cottonwoodaz.gov
(928) 634-8033 X 12
1490 W Mingus Ave
Cottonwood, AZ 86326

From: Alison Sheets [mailto:ASheets@axiaappraisers.com]
Sent: Thursday, July 10, 2014 8:24 AM
To: Morgan Scott; Jim Bradley
Subject: RE: Jackson

Good Morning Morgan,

I'm not sure we sent you one. Jim told me about it over the phone, so he may have just given it to you verbally.

He told me the fee would be $5,000 and delivery 4 weeks from engagement.

Please let me know if there is anything else I can help you with!

Have a great day,

Alison Sheets
Production Manager
AXIA Real Estate Appraisers
(520) 545-0000
(520) 545-0001 - Fax

From: Morgan Scott [mailto:mscott@cottonwoodaz.gov]
Sent: Thursday, July 10, 2014 8:12 AM
To: Jim Bradley
Cc: Alison Sheets
Subject: RE: Jackson

Hi Jim and Allison,

I feel pretty lost, but I apologize I can't find the proposal you sent for the appraisal of the airport ground lease. Would you mind sending it again?

Thanks

Morgan Scott
City of Cottonwood, AZ
Development Services Manager
mscott@cottonwoodaz.gov
(928) 634-8033 X 12
1490 W Mingus Ave
Cottonwood, AZ 86326

1983 LEASE DOCUMENT

1983 Ground Lease

GROUND LEASE

Between

THE TOWN OF COTTONWOOD
an Arizona municipality

and

COTTONWOOD AIRPARK, INC.

May 5, 1983

INDEX

ane [illegible]

LEASE

Background

A. The Town of Cottonwood ("Landlord") is an Arizona municipality which seeks to serve the public interest by providing opportunities for industrial development, and by promoting economic development and the creation of new employment opportunities.

B. Landlord owns the "Property" described on Exhibit 1 and wishes to use the Property in the service of the public interest.

C. Cottonwood Airpark, Inc. ("Tenant") is an Arizona Corporation which wishes to plan, develop and construct facilities on the Property, and to sublease lots to others to encourage new businesses to build new facilities on the Property.

D. Landlord and Tenant jointly will serve the public interest by providing the residents of Cottonwood with access to improved job opportunities on the Property.

E. Landlord will execute this long term ground lease (the "Lease") with Tenant, who will arrange to finance, construct and operate the Improvements (defined below).

Section 1. PARTIES

This Lease is by and between THE TOWN OF COTTONWOOD, an Arizona municipality ("Landlord") and COTTONWOOD AIRPARK, INC. ("Tenant"). It is effective from the date listed on the signature page. Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of these terms, covenants and conditions. Conditioned on this performance, Landlord leases to Tenant, and Tenant leases from Landlord the Property for the Lease Term.

Section 2. PREMISES AND SURVEY

A) The "Premises" or the "Property" is the land described on the attached Exhibit "1" marked as Tracts One through Eight plus any described appurtenances, but not including Improvements now or later located on the Premises. Landlord will supply an exact legal description to Tenant along with the Survey described below. The Onsite Improvements to be [illegible] are [illegible] Premises, and title to the Onsite Improvements will remain in the Tenant for the Term of the Lease. Title to all Offsite Improvements will pass to the Landlord upon completion of the required dedication process. (See Section 4, below, for definitions of Improvements.)

B) Landlord grants to Tenant the right of entry to the runway areas shown as Exception A on Exhibit 1 for maintenance purposes, as may be required under Section 19, below.

C) Tenant shall have no responsibility or obligation for maintenance, repair of Exception A, except as may be separately provided by Section 19 below.

D) This Lease does not include the following Exceptions shown on Exhibit 1 (which Landlord shall not lease to any entity or person, except with Tenant's written consent):

Exception A - The taxiway, runways and clear zones
Exception B - Mingus Avenue - Airport Road
Exception C - The Yavapai County Compactor Site
Exception D - The Town of Cottonwood "Town Yards"
Exception E - Tract Four

E) Landlord grants to Tenant the exclusive right to control and limit access to Exception A and will execute such further documents as may be necessary in the opinion of Tenant's legal counsel to perfect, clarify, document or give public notice of this grant. The Landlord and other governmental agencies may, however, enter Exception A through presently existing or future dedicated roadways and easements.

F) Landlord warrants that this Lease conveys to Tenant full, unencumbered use of the Premises, free of the rights of any person to possess, use or enjoy it. Landlord, at its expense, will provide to Tenant an ALTA form policy of Title insurance to further insure these rights.

G) Within thirty days after execution of this Agreement, Landlord, at its expense, shall cause an on-the-ground Survey of the Property and a Preliminary Title Report to be delivered to Tenant as completed by a licensed engineer or Surveyor reasonably satisfactory to Tenant. The Survey shall include permanently monumenting the corners of the Property and shall be in form and substance acceptable to the First American Title Company of Arizona as a basis for deleting, at Landlord's expense, from the Leasehold extended coverage title policy to be provided by Landlord under this Agreement, the printed exception pertaining to discrepancies in the area and boundaries and matters which a correct Survey would show. The Survey shall show the location of all fences, easements, rights-of-way, improvements and encroachments and the areas marked as Exceptions A-E on Exhibit 1. Tenant shall have twenty days after receipt of the Survey and Preliminary Title Report to object to any of the conditions or [illegible] shown which materially affect the [illegible] development potential of the Property. If Tenant fails to so object, then it shall be conclusively presumed that the Tenant has approved the Survey and Preliminary Title Report. If Tenant disapproves of the Preliminary Title Report or the Survey, Landlord shall be given thirty days to cure the matters objected to by Tenant. If Landlord is unable to cure these matters and conditions, then this Lease may be terminated by Tenant by delivering notice to the Landlord. The Survey shall conform to standards necessary for issuance of the ALTA Extended Coverage Title policy.

H) Tenant may redefine, eliminate, combine or otherwise alter the configuration and designation of Tracts One through Eight.

Section 3. TERM

A) The "Term" of this Lease for Airport-Related Areas is twenty-five years, and for all of the remainder of the Property is fifty years. The Term begins on the "Term Commencement Date", which is evidenced by Exhibit 2 to the Lease.

(1) An "Airport-Related Area" is the area as designated on Exhibit 1 which is used in connection with the operation of the Cottonwood Airport's flight or flight support activities.

(2) Tenant reserves the right to change the location of those areas designated as Airport-Related upon obtaining necessary approval required by the Federal Aviation Administration, the Arizona Department of Transportation, and the Town of Cottonwood.

(3) In no event shall Landlord attempt to change the designated use of all or any part of the Property except with Tenants prior written consent which may be withheld or granted in Tenant's sole discretion.

B) References to the "Term" of this Lease include any extensions or options exercised by Tenant.

C) The Term of this Lease may be extended for Airport-Related Areas for three successive periods of twenty-five years each and the Term for all other areas for two successive periods of twenty five years each. If Tenant elects to extend the Term, he must deliver written notice to the "Town Treasurer" of the Town of Cottonwood at any time prior to the expiration of Term. Tenant must not be in default under the provisions of Exhibit 5 at the time of extension. To the extent permitted by state law these extensions shall not be subject to the requirement of a second public bidding process.

Section 4. RENT AND OTHER PAYMENTS

A) Rent. The word "Rent" refers collectively to "Improved Ground Rent", "Unimproved Ground Rent", "Additional Rent", "Taxes", "Late Charges", and all other amounts which Tenant owes to Landlord under this Lease. The Rent Commencement Date is that day upon which Tenant deposits the Rent or documentation for Rent Credits for the first year with the Town Treasurer and executes and delivers Exhibit 2 to the Town Treasurer. If the Rent Commencement Date has not commenced by 5:00 P.M., October 15, 1983, then this Lease shall Terminate upon written notice from either Tenant or Landlord to the other.

B) Unimproved Ground Rent. Tenant agrees to pay as Rent the following sums in United States legal currency commencing on the Rent Commencement Date:

1. The first Unimproved Ground Rent is due in advance on the Rent Commencement Date. The amount of the first payment and all other Rent is to be prorated on the basis of a thirty day month if the Rent Commencement Date or subsequent cancellation of the Lease occurs other than on the first day of a calendar month. The "Unimproved Ground Rent" for the years 1983, and 1984 is Fifty Dollars per acre per year. Unimproved Ground Rent for the years 1984 and after shall be due and payable annually on the first day of January.

2. For the following periods Tenant shall pay to Landlord as Unimproved Ground Rent in advance, annually, the following amounts:

1985-1990	\$ 75/unimproved acre/year
1991-1996	\$ 100/unimproved acre/year
1997-2008	\$ 125/unimproved acre/year

The Rent for all Unimproved Ground Rent shall remain One Hundred Twenty Five Dollars per acre thereafter and for all renewals and extensions.

3. Prior to the commencement of construction of an Onsite Improvement of the Property, the Tenant will record a "Plat Map" in the offices of the Yavapai County Recorder and will submit a written designation of the area to be included in the construction (the "Improvement Lot"). The date on which Tenant receives "Sub-Rent" from a Sub-Tenant is the "Improved Ground Rent Commencement Date". On the first day of the calendar month following the Improved [illegible] [illegible] the Improvement [illegible] square foot of the area within the Improvement Lot which is subleased to a Subtenant; this shall be payable to Landlord on or before the fifteenth day of the month which follows the month in which Tenant actually receives full cash payment of Sub-Rent from a Sub-Tenant. When Tenant begins paying Improved Ground Rent for an Improvement Lot, then no further Unimproved Ground Rent

pursuant to Section 4 (B) (1) or (2) is due for that Improvement Lot. If the Improved Ground Rent Commencement Date occurs other than on the first day of the year, then the amount shall be prorated on the basis of a three hundred sixty five day year for the number of days remaining in that calendar year and paid in advance. If the Sub-Rent per square foot received by Tenant from a Sub-Tenant increases after January 1, 1986, then the Improved Ground Rent due to Landlord shall also be increased by the same percentage calculated on a per square foot basis.

4. Upon presentation to the Town Treasurer of a paid invoice and appropriate lien waiver, the Tenant shall receive a "Rent Credit" against all amounts due as Unimproved Ground Rent under this Lease for all amounts which it spends or causes to be spent for "To the Site Improvements". Interest charges and carrying costs are not allowable as a Rent Credit.

5. The total Rent due to Landlord under this Section 4(B) is the sum of the Unimproved Ground Rent plus the Improved Ground Rent minus any Rent Credits. No Rent is due for any portion of the Property which is dedicated or otherwise transferred to the Landlord, such as areas designated as streets or public right-of-ways.

C) <u>Taxes and Assessments</u>.

1. As Additional Rent Tenant shall pay to Landlord at the same time as Tenant pays its installment of Rent any and all excise, sales, privilege and other applicable taxes ("Taxes").

2. Tenant must pay all real and personal property taxes, general and special assessments and other charges of every description levied on or assessed against the Premises, located on or in the Premises and Improvements ("Taxes") to the full extent of installments due during the Term of this Lease, whether chargeable against Landlord or Tenant. Tenant shall pay these payments directly to the charging authority at least fifteen days prior to delinquency. If, however, the law expressly permits the payment of the Taxes in installments (whether or not interest accrues on the unpaid balance), Tenant may, at Tenant's election, utilize the permitted installment method.

3. Payment of Taxes shall commence with the Term Commencement Date of the Lease and shall be prorated for the [illegible]

[illegible] any Taxes for which Tenant is responsible under this Lease. If Tenant seeks to Contest a Tax, the Tenant shall nonetheless pay the Tax prior to delinquency. Landlord shall not be required to join in a Contest brought by Tenant unless it is statutorily required that the Contest be brought by or in the name of the Landlord. In that case, Landlord will join the Contest or permit it to be brought in Landlord's name, so long as Landlord is not required to bear any cost. Tenant, upon final determination of the Contest, shall immediately pay any decision or judgment rendered, together with all costs, charges, interest, penalties and attorney's fees incurred by Landlord or imposed in connection with the Contest.

4. If the law is changed during the Term of this Lease to allow a Contest of Taxes without the necessity of paying the Tax before delinquency, then Tenant may Contest the Tax. Tenant, however, shall furnish to Landlord a cash deposit or irrevocable letter of credit in form and substance approved by Landlord, which approval will not unreasonably be withheld, in an amount equal to One Hundred Twenty Five percent of the disputed Tax plus Landlord's reasonable estimate of accruing penalties, interest and legal fees. Tenant shall, upon final determination of the Contest, immediately pay or discharge the decision or judgment rendered, together with all costs, charges, interest, penalties and attorney's fees incurred by Landlord, if any, or imposed or assessed in connection with the Contest. Landlord shall return the cash deposit or letter of the credit to Tenant upon receipt of evidence in all respects satisfactory to Landlord of the payment or discharge of the Taxes and all associated expenses. If Tenant fails or refuses to pay or discharge these amounts, then Landlord, at its option, may pay the Tax and associated expenses. To the extent that the cash deposit and/or proceeds of the letter of credit are not adequate to cover this payment, then Tenant shall pay the deficiency or any amounts advanced by Landlord on Tenant's behalf as Rent plus interest as specified in Section Ten, below, to Landlord upon demand.

5. If at any time during the Term of this Lease the law concerning the methods of property taxation prevailing at the Term Commencement Date is changed so that a Tax or excise on Rent (or any other Tax, however described), is levied, imposed or assessed against Landlord as a direct substitution in whole or in part for any Taxes, and the purpose of the new tax is more closely akin to that of an ad valorem or use tax than to an income or franchise tax on Landlord's income, then Tenant shall pay the substitute tax or excise on Rents before delinquency. Tenant shall not be required to pay Landlord's state or federal income taxes or any of Landlord's state or federal estate, succession, inheritance or transfer taxes.

6. Landlord shall not impose any new or additional tax on the Property or its Improvements during the [illegible]

Section 5. USE

A) Tenant may use the Property for any lawful purpose subject to all requirements of the Town of Cottonwood Zoning Ordinance.

B) Tenant may enter into agreements restricting use or granting easements over the Premises provided that they are necessary or useful for the development of the Property. Landlord will not alter the present zoning classification of the Property during the Term unless requested to do so by Tenant.

C) Tenant may, upon proper application and approval of a conditional use permit, place a mobile home on the Property for use as a temporary office but it shall be removed within twenty four months after the Rent Commencement Date.

Section 6. CONSTRUCTION

A) Tenant will attempt to complete the "Master Plan" to be submitted to Landlord prior to the first day of January, 1984. From time to time during the Term Tenant may, but is not obligated, to construct or otherwise make additional changes on all or any part of the Property not shown on the Master Plan ("Additions"), to demolish, remove, replace, alter, relocate, reconstruct or add to any existing Onsite or Offsite Improvements in whole or in part, and to modify or change the contour or grade, or both, of the Premises. All salvage belongs to Tenant.

(1) An "Onsite Improvement" is a building, T-hanger, storage facility, hanger, and all other construction above or below ground occurring within the boundaries of a designated Improvement Lot.

(2) "Offsite Improvement" is any construction which occurs in a public right of way or in an area shown as an Exception to the Lease as allowed by Town ordinances and/or variances.

(3) "To the Site Improvement" is a utility such as electric, gas, water, public sewer and telephone which are located outside of the boundaries of the Airport Property shown on Exhibit 1. The phrase also refers to the process of bringing utilities from outside the boundaries of the Airport shown on Exhibit 1 to the location designated on Exhibit 1 as the "To the Site Utility Entrance Point".

(4) Where required by the context, the term "Improvement" includes Onsite, Offsite and To the Site Improvements.

1. Certificates of insurance evidencing coverage for comprehensive, broad form "Builder's Risk" insurance policy;

2. Evidence that Tenant has paid all

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premiums for the coverage described in this Section. Tenant shall maintain this insurance in force at all times while any work is in progress on the Premises.

C) Tenant may grant to public entities or public service corporations, for the purpose of serving the Premises, rights-of-way or easements on, over or under the Premises for poles or conduits or both, and for other utilities and municipal or special district services on terms or for periods as may be required in writing by those entities.

D) All Improvements shall be performed in a good and workmanlike manner, and shall comply with all applicable governmental permits, laws, ordinances and regulations and building codes.

E) Tenant shall pay the total cost and expense of all Improvements and Permanent Improvements as that phrase is defined in the Mechanics' Lien Law in effect when the work begins. Tenant shall not permit to be enforced against the Premises any mechanic's, materialman's, contractor's or subcontractor's lien arising from any work however it may arise. Tenant may, in good faith and at Tenant's own expense, Contest the validity of any asserted lien, claim or demand, provided Tenant has furnished the Bond required under the applicable statute which provides for a Bond to free the Premises from the effect of a lien claim.

1. Tenant shall defend and indemnify Landlord against all liability and loss of any type arising out of Work performed on the Premises by Tenant, together with reasonable attorney's fees and all costs and expenses incurred by Landlord in negotiating, settling, defending or otherwise protecting against claims.

2. If Tenant does not record the Bond or otherwise protect the Premises and a judgment is rendered against the Premises for the foreclosure of a mechanic's, materialman's, contractor's or subcontractor's lien claim, and if Tenant fails to stay the execution of the judgment by lawful means or to pay the judgment immediately, then Landlord shall have the right, but not the duty, to pay or otherwise discharge, stay or prevent the execution of the judgment or lien. Tenant shall reimburse Landlord on demand for all sums paid by Landlord under this Section together with all Landlord's actual attorney's fees and costs, plus interest on those sums, fees and costs at the rate of two percent above Valley National Bank's announced prime rate of interest [illegible] on the date of the payment [illegible] be in effect, from the date of payment until the date of reimbursement. Any amounts due from Tenant under this Section are Rent.

F) Tenant may enter into the Premises before commencement of the Term of this Lease to make soil tests, bore holes, structural engineering tests, surveys, and other engineering and architectural tests that Tenant considers necessary. All such tests made by or on behalf of Tenant shall be at Tenant's sole expense. Landlord is entitled to receive a copy of these reports upon request. Landlord will provide to Tenant copies of all such information in its possession.

Section 7. MAINTENANCE, REPAIRS, ALTERATIONS, RECONSTRUCTION

A) Except as provided below, Tenant shall, throughout the Term, at Tenant's sole cost and expense, maintain the Premises and all Onsite Improvements in clean and safe condition of maintenance and repair, ordinary wear and tear excepted. This maintenance shall be in accordance with all applicable laws, rules, ordinances, orders, regulations of any regulatory body having jurisdiction, of any insurance underwriting board or inspection bureau claiming jurisdiction, and of any insurance company insuring all or any part of the Premises or Improvements or both. The Tenant shall have no responsibility for the cleaning, maintenance and repair of any portion of the Property which has been dedicated back to the Town.

B) Nothing in this provision defining the duty of maintenance shall be construed as limiting any right given elsewhere in this Lease to alter, modify, demolish, remove or replace any Improvement.

C) Tenant has the right to "Contest" by appropriate judicial or administrative proceedings, without cost or expense to Landlord, the validity or application of any law, ordinance, order, rule, regulation or requirement ("Law") which requires Tenant to repair, maintain, alter or replace the Improvements in whole or in part. Tenant shall not be in Default for failing to do this work until a reasonable time following final determination of Tenant's Contest.

Section 8. OWNERSHIP OF IMPROVEMENTS

A) All Improvements constructed on the Premises by Tenant as permitted by this Lease shall be owned by Tenant until expiration of the Term or sooner termination of this Lease, unless earlier dedicated to Landlord. At any time Tenant may remove or relocate any temporary or relocatable structure, (a temporary or relocatable structure is a structure which requires a special use permit in order to be placed on the premises or is [illegible] whether installed by Tenant or by a Sub-Tenant, except that free and unencumbered Title to any Onsite Improvement for which Tenant receives Sub-Rent from a Sub-Tenant during the last twenty-four months prior to the expiration of the Term shall be passed to the Landlord upon expiration of the Term.

B) All Onsite Improvements and Offsite Improvements on the Premises at the final expiration of the Term shall, without compensation to Tenant, become Landlord's property free and clear of all claims to or against them by Tenant or any third person.

Section 9. SUBORDINATION OF LANDLORD'S INTEREST

A) Landlord shall, within twenty days after receipt of written request from Tenant, execute and deliver:

1. A mortgage, deed of trust or other security instrument ("Mortgage") and all other documents reasonably requested by Lender sufficient to subordinate, to the lien of a first encumbrance represented by the Mortgage, Landlord's fee title (which shall be considered to include fee title in the Premises including all rights and appurtenances). The leasehold hereby created, together with all Rents and other benefits due to Landlord under this Lease shall be subordinate to the Mortgage, but Tenant shall hold Landlord harmless from any such loss pursuant to the provisions of this Section 9.

2. Landlord shall execute and deliver construction loan agreements and other instruments reasonably required by Lender to enable Tenant to obtain "Construction Financing" and "Take-out Financing", but in no event shall Landlord be required to sign the promissory note or otherwise have direct or indirect liability for repayment of any sums.

3. "Construction Financing" means a short-term or interim loan. "Take-out Financing" means one or more permanent or long-term loan, the proceeds of which are to repay and discharge the Construction Financing or other loan. Nothing in this provision shall be construed to require Tenant to divide the financing into Construction Financing and Take-out Financing instead of a single loan.

B) This section shall be subject to the following conditions:

1. The "Lender" shall be a bank, life insurance company, building and loan association or savings and loan association, trust fund, pension or profit-sharing trust or other responsible person or entity.

2. Landlord shall execute all documents reasonably and customarily required by the Lender or by the title [illegible] Section. Landlord shall not be required to sign or execute the note to be secured by the Mortgage on the fee title but shall execute the Mortgage. The Mortgage shall contain language to the effect that the Landlord executes it solely to encumber Landlord's fee title and without assuming any direct liability for the payment of the note it secures or any other provision of the note or Mortgage.

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3. Tenant's failure to make timely payments of interest and principal under the note and Mortgage is an event of Default under this Lease. A notice of Default under the note and Mortgage must be sent to Landlord and Tenant. Landlord shall have the right to cure any Default if Tenant fails to do so. Neither Landlord's right to cure any Default nor any exercise of such a right shall constitute an assumption of liability under the note or Mortgage.

4. Tenant shall furnish Landlord with copies of any Commitment Letter, Loan Application, Mortgage, Promissory Note and all other instruments required by the fee mortgage lender. Performance by Landlord of Tenant's obligation shall be accepted by the Holder. Landlord shall have the right to assume the position of the Tenant under the Mortgage, and to perform Tenant's obligations on Landlord's behalf, or on behalf of Tenant. Landlord may terminate this Lease as provided in this Lease if Tenant defaults on the Mortgage.

Section 10. INDEMNIFICATION FOR SUBORDINATION LOSSES.

Tenant agrees to defend, indemnify and hold Landlord completely free and harmless from any claim, liability or obligation arising from subordination of Landlord's fee interest, and to indemnify Landlord for any payments made to cure Tenant's Default under the mortgage and for any loss or damage, including reasonable attorney's fees, suffered by Landlord by reason of subordination. Indemnification shall include interest at the rate of two percent above the Valley National Bank's announced prime interest rate from the date of Landlord's payment, loss or damage.

Section 11. NO ENCUMBRANCES ON LANDLORD'S TITLE

At the final expiration of the Term and renewals or extensions, the Premises shall be free and clear of all Mortgages and liens.

Section 12. ASSIGNMENT

Tenant may assign this Lease in its entirety upon approval by the Landlord, which approval shall not be unreasonably withheld. Any permitted assignment shall be subject to and governed by the Terms of this Lease, including Exhibit 5.

Tenant may sublet all or any part of the Premises, Improvements or both and may assign, encumber, extend or renew any Sublease.

Section 14. INDEMNITY, EXCULPATION AND INSURANCE

A) Landlord shall not be liable to Tenant or any Sub-Tenant for any damage to them or their property from any cause, except for the negligence of Landlord or its agents. Tenant will indemnify and hold harmless Landlord against and from all claims arising from Tenant's use of the Premises for the conduct of its business or from any activity, work or other thing done, permitted or suffered by Tenant on or about the Premises. Tenant shall further indemnify and hold harmless Landlord against all claims arising from any breach or default in the performance of any of Tenant's obligations under this Lease or arising from any act of negligence of Tenant or any officer, agent, employee, or guest of Tenant. This indemnity includes all costs and attorney's fees incurred from any related claim, action or proceeding.

B) At Tenant's sole cost and expense and for the mutual benefit of the Parties, Tenant shall maintain comprehensive broad form general public liability insurance against claims and liability for personal injury, death or property damage arising from the use, occupancy, disuse and any other insurable condition of the Premises, Improvements or adjoining areas or ways ("Liability Insurance") throughout the Term of the Lease. The Liability Insurance must provide coverage of at least Three Million Dollars for personal injury or death to any one person, Five Million Dollars for any one accident or occurrence, and Five Hundred Thousand Dollars for property damage. Landlord and Tenant shall be named as co-insureds, and the policy shall contain cross-liability endorsements. No provisions of this Lease shall be interpreted to require Tenant to insure or indemnify the Landlord for incidents involving the airport operation unless that obligation is separately assumed under the provisions of Section 19, below.

C) All insurance expressly required by this Lease shall be carried only with responsible insurance companies licensed to do business in Arizona.

D) Upon request, Tenant shall furnish Landlord with:

1. Copies of all insurance policies.

2. Certificates evidencing the insurance.

3. Binders representing all insurance required by

E) If Tenant is not in default under this Lease at the expiration of the Term, Landlord shall reimburse Tenant prorata for all prepaid premiums on insurance required to be maintained by Tenant. If possible Tenant will assign all of its right, title and interest in this insurance to Landlord.

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F) Landlord will list Tenant as a named insured on all policies of liability, fire, casualty, and other insurance which are applicable to the Property or to the Airport operation.

G) The parties agree to review the limits of coverage on all insurance policies upon the written request of either party. Any dispute involving the provision of insurance shall be settled by arbitration if the parties cannot mutually agree.

Section 15. CONDEMNATION

A) Definitions. For purposes of this Section the following definitions shall apply:

1. "Condemnation" or "Taking" means (a) the exercise of any governmental power, whether by legal proceedings or otherwise by a condemnor, and (b) a voluntary sale or transfer by Landlord to any condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

2. "Date of Taking" means the date the condemnor has the right to possession of the property being condemned.

3. "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial condemnation, less attorney's fees and legal costs incurred in obtaining the award.

4. "Condemnor" means any public or quasi-public authority or private corporation or individual, having the power of eminent domain.

B) General Provisions. If during the Term there is any Taking of all or part of the Premises or any interest in this Lease by condemnation by any entity other than the Town of Cottonwood, then the rights and obligations of the parties shall be determined pursuant to this Section. If the provisions of this Lease conflict with any Mortgage, the terms of the Mortgage shall prevail. Landlord covenants and agrees not to exercise its powers of condemnation on all or any part of the Property.

C) Partial Taking. If the Premises are totally taken by condemnation, this Lease shall end as of the date of the Taking. If any portion of the Premises is taken by condemnation, this Lease shall remain in effect, except Tenant may elect to cancel this Lease if the Taking is substantial, that is, if the [illegible] Taking within a reasonable time after receipt or service of summons and complaint. If Tenant elects to cancel this Lease, Tenant must exercise its right to cancel pursuant to this paragraph by giving written "Notice" to Landlord within forty-five days after receipt of Notice of the Taking. If Tenant elects to cancel this Lease, Tenant shall also notify Landlord of

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the date of cancellation, which date shall not be earlier than ninety days following receipt of written Notice, except with Landlord's consent. This Lease shall end, however, on the date of Taking, even if the date of Taking falls on a date before the cancellation as designated by Tenant. If Tenant does not file a timely notice of cancellation then this Lease continues in full force and effect.

If any portion of the Premises is taken by Condemnation, and this Lease remains in full force and effect, then the Rent shall be reduced on the date of Taking by an amount that is in the same ratio to rent as the value measured in replacement cost per square foot of the area of the portion of the Premises taken bears to the total value of the Premises immediately before the date of the Taking.

D) Award. If there is a total, substantial or partial Taking, the rights of the parties to the award shall be as the interest of the parties then appear, taking into consideration the rights of any Mortgagee, the economics of operating any remaining portion of the Premises and Improvements, the cost of Restoration and the balance of the Term remaining, among other relevant considerations. If Landlord and Tenant do not agree within thirty days after the amount of the award is finally determined, then the undecided questions shall be decided by arbitration as provided in this Lease.

E) Taking in the Final Year. Any condemnation of all or part of the Premises during the final year of the Term shall, in the case of a complete Taking, cancel the Lease, notwithstanding any other provisions of this Section. A partial Taking during the final year of the Term shall merely abate the amount of Rent paid pursuant to the provisions above of this Section with no obligation on the part of either Party to restore the Premises.

F) Limited Takings. On the Taking, other than temporary Taking, of less than a fee title interest in the Premises or Improvements or both, the question of whether the Taking is total, substantial or partial, and the effects on Term, Rent and apportionment of award shall be determined by arbitration if not defined in this Lease or agreed upon by the Parties.

G) Condemnation. Landlord will not use its powers of condemnation on these Premises, except with Tenant's written consent.

Each of the following events may be declared by Landlord to be a Default by Tenant and a breach of this Lease:

A) Abandonment or surrender of the Premises or of the Leasehold estate, or failure or refusal to pay when due any installment of Rent or any other sum required by this Lease to be paid by Tenant, or to perform as required or conditioned by any other covenant or condition of this Lease;

B) An assignment by Tenant for the benefit of creditors, or the filing of a voluntary petition by Tenant under any law for the purpose of adjudicating Tenant a bankrupt, or for extending the time for payment, adjustment or satisfaction of Tenant's liabilities, or for reorganization, dissolution or arrangement on account of or to prevent bankruptcy or insolvency or any involuntary petition filed against Tenant which is not quashed or vacated within sixty days;

C) Default or delinquency in the payment of any sums secured by a Mortgage permitted by this Lease to be placed by Tenant against Landlord's title or against the Leasehold, which remains uncured for thirty-two days.

Section 17. NOTICE OF DEFAULT BY TENANT

As a precondition to pursuing any remedy for an alleged Default by Tenant and prior to the time Tenant shall be deemed in Default or in breach of this Lease, Landlord shall, before pursuing any remedy, give written Notice of Default to Tenant and to all Mortgagees whose names and addresses were previously given in writing to Landlord. Each notice of Default shall specify in detail the alleged event of Default, shall allow Tenant fifteen working days to cure monetary Defaults, and forty-five working days to cure non-monetary Defaults provided that this forty-five working day period shall be extended by a reasonable period of time as may be necessary or required provided Tenant is proceeding diligently and in good faith to cure any Default which cannot reasonably be cured within forty-five working days.

Section 18. LANDLORD'S REMEDIES

If any Default by Tenant continues uncured, following notice of Default and expiration of the grace period as required under the applicable provision of this Lease, then Landlord has the following remedies in addition to all other rights and remedies provided by law or equity to which Landlord may resort cumulatively or in the alternative:

A) On the expiration of any grace period provided to Tenant during which the underlying default has remained uncured, all Tenant's rights in the Premises and in all Improvements shall terminate if Landlord delivers to Tenant a written Notice of [illegible] [illegible] the Premises and all Improvements [illegible] by delivering a Notice of Termination, Landlord shall have the continuing right to collect Ground Rent, Rent and all other sums due under this Lease.

B) Landlord may, at its election, continue this Lease in full force and effect, and the Lease will continue in effect.

JS

During the period Tenant is in Default, Landlord may re-enter the Premises and, without Terminating this Lease, at any time and from time to time, relet the Premises and Improvements or any part or parts of them for the account and in the name of Tenant or otherwise.

C) No waiver of any Default shall constitute a waiver of any other breach or Default, whether of the same or any other covenant or condition. No waiver, benefit, privilege or service voluntarily given or performed by either party shall give the other any contractual right by custom, estoppel or otherwise to receive the same at any other time.

Section 19. AIRPORT OPERATOR AGREEMENT

On the date of execution of this Lease the Landlord has in effect the "Old Agreement" attached as Exhibit 3 with Blue Sky Aviation, Incorporated for the provision of certain "Airport Services" designated in the old agreement. Consistent with the terms of the Old Agreement and upon receipt of a written demand from Tenant, the Landlord will cancel the Old Agreement. Landlord and Tenant will then execute a "New Agreement" obligating Tenant to provide the Airport Services within ninety days after receipt of Tenant's written demand. The New Agreement shall be generally consistent with the Old Agreement except that its term shall be the same as the Term of this Lease for Airport-Related Areas and its provisions, definitions, and conditions shall be in a form approved by Tenant.

Section 20. NOTICES

Any notice, demand or request, consent, approval or communication ("Notice") to be given to the other party shall be in writing and either served personally or sent prepaid, return receipt requested, first-class mail. A mailing shall be addressed to the other party at the address listed below. Either party may change its address by notifying the other of a change of address in writing pursuant to this Section. Notice shall be deemed complete upon delivery of such writing or, in the case of mailing, three days after the date of depositing the writing in the United States mail. The addresses of Landlord and Tenant are:

LANDLORD: The Town Manager
THE TOWN OF COTTONWOOD
807 North Main Street

TENANT: COTTONWOOD AIRPARK, INC.
c/o Mr. Jack Seitz
P.O.Box 18
Cornville, Arizona 86325

With copies to: COTTONWOOD AIRPARK, INC.
c/o Mr. William Fulkerson
2803 North Seventh Avenue
Phoenix, Arizona 85007

1-
5 6
PHX AZ 85015

and to: " Mr. Robert Erven Brown, Esq.
Suite 150
727 East Bethany Home Road
Phoenix, Arizona 85014

SUITE 150
6900 E INDIANS
SCOTTSDALE AZ
8 251

Section 21. RECORDATION OF MEMORANDUM OF LEASE

This Lease shall not be recorded. The parties have executed a memorandum of Lease attached as Exhibit 4, which may be recorded in the office of the Yavapai County Recorder by either party.

Section 22. EXPIRATION, TERMINATION AND HOLDING OVER

At the expiration or earlier Termination of the Term of this Lease, Tenant shall surrender to Landlord the possession of the Premises. Surrender or removal of Improvements, fixtures, and trade fixtures shall be as directed in the provisions of this Lease on the ownership of Improvements at Termination. Tenant shall leave the surrendered Premises and any other property in good and broom clean condition, except as provided to the contrary in provisions of this Lease on Maintenance and repair of the Improvements.

Section 23. ARBITRATION

Any controversy arising out of this Lease or its breach shall be settled by arbitration if, prior to the commencement of any legal proceedings dealing with a controversy arising out of this Lease or its breach, any party to this Lease sends a written "Demand" for Arbitration to the other Party in compliance with the Notice Section of this Lease. Within fifteen days after the Demand, the Parties shall attempt to designate a mutually acceptable individual ("Arbitrator") to arbitrate the controversy. If the Parties fail to designate an Arbitrator, then the controversy shall be arbitrated under the commercial rules of the American Arbitration Association. Any judgment on the award rendered, whether by the arbitrator chosen by the parties or the Arbitrator used pursuant to the rules of the American Arbitration Association, may be entered in any court [illegible]

[illegible] arbitration to the prevailing party.

Section 24. NO PARTNERSHIP

Nothing in this Lease shall be construed to render the Landlord or Tenant a partner, joint venturer or associate or in any way, or for any purpose, in any relationship with the other party, except that of Landlord and Tenant. This Lease does not authorize either to act as agent for the other.

Section 25. MISCELLANEOUS PROVISIONS

A) Counterparts. This Lease may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

B) Time is of the Essence. In the performance of all of the covenants and conditions of this Lease, time is of the essence.

C) Brokers. The Parties warrant that they have had no dealings with any real estate broker or agents in connection with the negotiation of this Lease. They know of no real estate broker or agent or finder who is entitled to a commission and/or fee in connection with this Lease. A Party whose actions result in a claim will indemnify and hold the other harmless from the payment of any claims for commissions or fees.

D) Estoppel Certificates. At any time and from time-to-time, upon not less than ten days written "Request" from the other party, each party shall execute, acknowledge and deliver to the requesting party a written statement certifying that:

1. This Lease is unmodified and in full force and effect, (or if modified, then stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect), and the date to which the rental or other charges have been paid in advance, if any;

2. That there are not, to the knowledge of the party, any uncured Defaults on the part of the requesting party or specifying which Defaults, if any, are claimed;

3. That the party is, to the best of its knowledge, in full compliance with all applicable statutes, ordinances, rules, regulations, zoning variances and conditional use permits applicable to the Premises; and

4. Providing any other information reasonably requested. Any statement delivered pursuant to this paragraph [illegible]

E) Applicable Law. In interpreting the covenants and conditions of this Agreement, the laws of the State of Arizona shall apply.

F) Prior Agreements and Modifications. No provision of this Lease may be amended or supplemented except by a subsequent contract in writing signed by the Parties or their respective successors in interest. This Agreement replaces all other oral and written agreements between Landlord and Tenant made prior to the date of this Agreement. It contains the entire agreement of the Parties.

G) <u>Captions, Table of Contents, Heading and Marginal Headings</u>. The captions, table of contents and marginal headings used throughout this Lease are for the convenience of the Parties and for reference only. They are neither a part of this Lease nor to be considered in its construction or interpretation.

H) <u>Attorney's Fees</u>. The prevailing party is entitled to recover from the losing party all costs, expenses, and actual attorney's fees in any legal action or arbitration arising from this Lease, including attorneys fees and costs on appeal. If a Party to this Lease ("Party A") is joined in a legal proceeding with one not a party to this Lease, on account of the action or inaction of a party to the lease ("Party B"), then Party B shall pay all legal expenses, costs, and other expenses incurred by Party A as a result of the action, including attorney's fees and costs on appeal.

I) <u>Invalidity of Provision</u>. The unenforceability, invalidity or illegality of any provision of this Lease shall not render any other provision unenforceable, invalid or illegal.

J) <u>Nonmerger of Fee and Leasehold Estates</u>. If both Landlord's and Tenant's estates in the Premises or the improvements or both become vested in the same owner, this Lease shall, nevertheless, not be destroyed by application of the doctrine of merger, except at the express election of the owner and the consent of the Mortgagee or Mortgagees under all Mortgages then existing under authority of the provisions of this Lease relating to the purchase or construction of Improvements.

K) <u>Force Majeure</u>. Either party shall be excused from performing any obligations or undertakings provided in this Lease if, and for as long as the performance of the act or obligation is prevented, delayed, retarded or hindered by an act of God, fire, earthquake, flood, explosion, act of the elements, war, invasion, insurrection, riot, mob violence, strike, lockout, condemnation or any other cause, whether similar or dissimilar to the foregoing, which is not within the reasonable control of the party seeking the protection of this provision.

[illegible]
covenants, terms and conditions, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term of this Lease without hindrance or interruption by Landlord or by any other person or persons lawfully or equitably claiming by, though, or under Landlord.

JS alt

M) Terms. Any reference in this document to a "Mortgage" or "Leasehold Mortgage" shall include a reference to any deed of trust, assignment of rents and income, security agreement, or other security document used in properties of this type, where the context so requires.

N) Successors. Subject to the provisions of this Lease on assignment and subletting, the covenants and conditions of this Lease shall bind and inure to the benefit of the heirs, successors, executors, administrators, assigns and personal representatives of the parties.

O) Exhibits. All Exhibits are incorporated by reference as an integral part of this Lease.

P) No Waste. Tenant shall not permit any waste, damage, disfigurement, damage or injury to the premises or the Improvements, its fixtures, and appurtenances.

Q) Entry. Landlord or its authorized representatives may enter the Premises or Improvements at all reasonable times for inspection.

R) Airport. Landlord shall not diminish the airport facilities or services except with Tenant's written consent, which shall not be unreasonably withheld. Landlord will cooperate with Tenant, and provide advance written notice to Tenant, of any enlargement of airport facilities or services. Landlord's plans for enlargement of Airport facilities and services shall not require Tenant to diminish the size of the Property, except with Tenant's prior written consent and upon payment of fair compensation to Tenant.

S) Cooperation of Landlord. Landlord will cooperate with and assist Tenant to obtain all utilities necessary to develop and use the Property, to attract Subtenants to the Property, and, at the written request of Tenant, may establish an Industrial Development Authority or other bonding agency as allowed by Arizona law to assist in the construction and development of the Improvements.

T) Airport Improvement. Landlord will use its best efforts to assist in obtaining funding to Tenants, Sub-Tenants and others as allowed by law for airport improvement. The Landlord agrees to cooperate to the extent of its reasonable [illegible] by the [illegible]

[illegible] airport facilities, including, but not limited to, those types of programs described in Chapter Eleven of the Cottonwood Airport Master Plan for the Town of Cottonwood, Arizona, prepared by TRICO INTERNATIONAL, INC. in 1974 so long as these activities do not cause a financial hardship on the Landlord. Airport-Related Areas may be included in the master planning of the Airport by the Landlord to coordinate funding grants, etc. but only to the extent that these activities do not frustrate Tenant's development plans.

U) A "Sub-Tenant" is any person or entity which leases, subleases, rents or otherwise hires for value the use of the Property from Tenant by paying "Subrent".

V) Landlord and Tenant will execute such other and further documents as are requested to provide a Leasehold Mortgage or other security interest in this Lease by any entity lending money for the construction or refinancing of Improvements on the Property.

W) The term "Landlord" shall refer to the Town of Cottonwood and any successor or assign. This Lease shall not be assigned by Landlord unless Tenant first consents to assignment in writing.

The Parties executed this Lease on the 23rd day of May, 1983.

LANDLORD:	TENANT:
THE TOWN OF COTTONWOOD, an Arizona municipality	COTTONWOOD AIRPARK, INC.
BY Donald E. [illegible]	BY [illegible]
Its Mayor	Its P

EXHIBIT 1

(Attach Legal Description
and Plot Plan)

TATE OF ARIZONA, County of Yavapai—ss

I do hereby certify that the within instrument was filed and recorded at the request of FIRST AMERICAN TITLE

MAY 3 '84 -3 33 PM o'clock . . . book 1627 Official Records Page 66

ecords of Yavapai County, Arizona. WITNESS my hand and official seal the day and year first above written.

PATSY C. JENNEY, County Recorder

INDEXED MICROFILMED By Karen Wilson Deputy

WHEN RECORDED MAIL TO:
Town of Cottonwood
827 North Main Street
Cottonwood, AZ 86326
ATTN: Steve Thompson

Courtesy Recording
FIRST AMERICAN TITLE
NO TITLE LIABILITY

EXHIBIT 2

MEMORANDUM OF LEASE

The Term Commencement Date, defined in Section 3 of the Ground Lease between The Town of Cottonwood, an Arizona municipality, Landlord, and Cottonwood Airpark, Inc., Tenant, is agreed to by the parties to be December 31, 1983.

LANDLORD:

THE TOWN OF COTTONWOOD

BY Donald E. Hahn

Its Mayor

TENANT:

COTTONWOOD AIRPARK, INC.

BY [illegible]

Its [illegible]

The Rent Commencement Date as defined in Section 4 of the Lease is agreed by the Parties to be December 31, 1983.

LANDLORD:

THE TOWN OF COTTONWOOD

Donald E. Hahn

TENANT:

COTTONWOOD AIRPARK, INC.

[illegible]

EXHIBIT 3

(Attach Airport Service Contract Per Section 19)

A G R E E M E N T

THIS AGREEMENT, effective this 9th day of March, 1982, by and between the TOWN OF COTTONWOOD, a Municipal Corporation in the State of Arizona, hereinafter called "TOWN"; and BLUE SKY AVIATION, INCORPORATED, and Arizona Corporation, hereinafter called "OPERATOR".

W I T N E S S E T H

THAT the TOWN is the owner of a Public Airport, located within its boundaries and designated as the COTTONWOOD MUNICIPAL AIRPORT, and it is the desire of the TOWN to appoint an operator for said Airport, to protect, control, operate, and maintain the same;

THAT the OPERATOR is qualified and desires to operate said Airport.

NOW, THEREFORE, in consideration of the Agreement contained herein, and the consideration expressed herein, the TOWN does hereby hire the OPERATOR as the operator said COTTONWOOD MUNICIPAL AIRPORT, and that the duties of the said OPERATOR are as follows:

(a) To inspect airport facilities daily, and to take immediate steps to correct any condition that would affect the safety of aircraft or persons using said airport;

(b) To operate and daily inspect the airport lighting system;

(c) To provide all minor maintenance for said airport facilities, and to replace and repair, at its expense, any minor defective portion of the lighting system;

(d) To pay all utility costs consistent with the present use of said airport;

(e) To assist pilots in the parking of aircraft during reasonable hours;

(f) To obtain and pay for, within ten (10) days from the date hereof, and through the term of this Agreement, liability, including hangar keepers' and product liability insurance protecting the TOWN with such companies and in such amounts as the TOWN may require. A certificate of such insurance and a copy of the policies of such insurance shall at all times be maintained with the TOWN;

[illegible]

or that shall hereinafter apply to said airport;

(h) To maintain airport records and establish adequate accounting systems, which shall be available for inspection by the TOWN at reasonable times;

(i) To assist the TOWN in keeping the airport clean and free of weeds and debris. The TOWN shall maintain the paved portions of the airstrip and parking areas. The OPERATOR shall maintain the tie-down equipment. No improvements to the airport shall be constructed without written approval of the TOWN;

(j) The OPERATOR shall maintain, at its expense, gasoline equipment now located at the airport;

(k) The OPERATOR may maintain living quarters on the airport property on space furnished by the TOWN. The OPERATOR shall pay all utility costs furnished to said quarters;

(l) The OPERATOR shall require all renters of tie-downs to sign a tie-down agreement and forward a copy of all such agreements to the TOWN.

IN RETURN for the above services, OPERATOR shall be entitled to all revenues received from gasoline and petroleum products sales and revenues from tie-downs.

ALL prices charged for gasoline, oil, petroleum products and tie-downs shall at all times be approved by the Council of the TOWN, however, consent to prices charged shall not be unreasonably witheld and if prices charged are the same as comparable airports, they shall be approved. OPERATOR shall keep accurate accounts of all tie-down fees and gasoline sales charged and collected, and shall be responsible for the collection thereof, and shall on a quarterly basis, submit a financial report on all collections to the TOWN.

This OPERATIONS AGREEMENT shall be in effect for a period of three (3) years from the date hereof; however, either party may cancel this agreement by giving the other party sixty (60) days written notice. Notice of cancellation shall be deemed sufficient if it is addressed to the parties, as hereinafter setforth, and is forwarded by certified mail:

ALL notices shall be mailed to the TOWN as follows:

Town Manager
Town of Cottonwood
827 N. Main Street

ALL notices shall be mailed to the OPERATOR as follows:

Blue Sky Aviation, Incorporated
Route 1 Box 74
Cottonwood, Arizona 86326

UNLESS either party is notified in writing by the other party of a change of address.

THIS AGREEMENT may not be assigned by the OPERATOR without the written consent of the TOWN.

DATED THIS 9th DAY OF MARCH , 1982.

TOWN OF COTTONWOOD, A Municipal Corporation

BY: Donald E. [illegible]
MAYOR

ATTEST:

Steven L. Thompson
Town Manager/Clerk

APPROVED AS TO FORM:

[illegible]
Town Attorney

BLUE SKY AVIATION, INCORPORATED

BY: Jay A. Keyser Secretary/Treasurer -

Attachment A to EXHIBIT 4

THE MEMORANDUM OF LEASE

(Attach Legal Description)

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EXHIBIT 5

DEVELOPMENT PLAN AND TIMETABLE

A. Within sixty days following the approval of this document by the Landlord's Town Council subject to any required State or other governmental approvals the Tenant will initiate:

1. a market feasibility study for the proposed development of the Property;

2. a topographical survey of the Property;

3. preliminary engineering and design with the utility companies for major utility extensions as To the Site Improvements;

4. a test marketing program to attract Subtenants and users for the Property; and

5. soil testing on selected areas of the Property.

B. On or before October 1, 1984 Tenant will advise Landlord in writing of its proposed development timetable to begin installation of the To the Site Improvements.

C. Within a reasonable time after completion of the foregoing and upon a determination that an adequate market for industrial sites exists as evidenced by the fulfillment of preleasing requirements reasonably required to offset the risks of the major capital expenditures contemplated for Improvements, the Tenant will cause to be initiated:

1. Construction of all streets, curbs and other Offsite Improvements needed to complete the development of the cumulative total of gross acres of that five-year time period as designated in Provision D.

2. construction of the major To the Site Improvements.

D. Tenant's failure to

[illegible]

2. begin payments to Landlord at the Improved Ground Rent rate may, at Landlord's option, result in a "Forfeiture" by Tenant of its rights hereunder to all remaining unimproved acres according to the following schedule up to December 31, 1993:

a. On or before midnight on December 31, 1988, Tenant shall fulfill the requirements of this Section for any fifteen gross acres of the Property;

b. On or before midnight on December 31, 1993 Tenant shall fulfill the requirements of this Section for a cumulative total of twenty-five gross acres of the Property.

3. materially improve the property by December 31, 1993 by installing all Offsite Improvements in accordance with the timetable listed above may, at the Landlord's option, result in the Forfeiture by Tenant of its right herein to all remaining unimproved acres contained in this Lease.

a. At least ninety days prior to a Forfeiture the Landlord shall provide the Tenant with written notice of its intent to declare a Forfeiture unless the Tenant completes the Improvements required by this Lease and specified in the written Notice on or before the completion date specified in the written Notice. The Landlord's decision to declare a Forfeiture shall be based on the amount of material improvements completed in accordance with the progress timetable.

b. If Landlord does not allow Tenant to proceed with the development of additional acres as set forth in the timetable, the Tenant must commence payment of improved Ground Rent for the acres, which are set forth as developed as per the timetable, which are materially improved or not. Such acres will continue to be leased in accordance with the Term of this Lease. If Landlord does not allow Tenant to proceed, the remaining undeveloped acres are removed from the leasehold and the Landlord is responsible to reimburse the Tenant for all cost incurred by Tenant (to extend all To the Site Utilities) to the original leasehold minus the prorated share of cost for the acres retained by the Tenant and minus any Rent credit received. Landlord's option to not allow additional acres to be developed [illegible] remaining acres and leasehold shall be available to Landlord for each five-year period after December 31, 1993.

c. On or before midnight on December 31st of each fifth year following December 31, 1993

Tenant shall fulfill the requirements of this Section for a cumulative total increased by ten acres for each five year period thereafter until the entire Property is developed.

d. This schedule may be amended or modified with the joint written consent of the parties.

E. On a specified date to be established by the Town of Cottonwood and with thirty days written Notice of same, and additionally upon written requirement of either party, the Parties shall meet to review the development progress of the property.

JOE JONES & ASSOCIATES, INC.

Land Surveying * Civil Engineering

REGISTERED LAND SURVEYOR
CERTIFICATE 4491
JOSEPH D. JONES
Date Signed 6/27/83
ARIZONA, U.S.A.

Job # 83-56
HHH:es
June 24, 1983

Town of Cottonwood
827 North Main
Cottonwood, AZ 86326

Re: LEGAL DESCRIPTION OF AIRPORT LEASE PARCEL

A portion of Section 4 and Lot 1 of Section 5, T15N, R3E, and a portion of the South one-half of Section 33, T16N, R3E, G&SRB&M, Yavapai County, Arizona, more particularly described as follows:

Commencing at the NW corner of said Section 4; thence S01°55'01"W (Meas.) (S01°56'W, Rec.), a distance of 742.16 feet (Meas.) (742.0 feet, Rec.), to the TRUE POINT OF BEGINNING; thence S47°59'12"E (Meas.) (S48°00'E, Rec.), a distance of 2100.70 feet (Meas.) (2100.0 feet, Rec.); thence N41°59'38"E (Meas.) (N42°00'E, Rec.), a distance of 1570.68 feet (Meas.) (1570.50 feet, Rec.), to a point which lies S69°14'37"E (Meas.) (S69°15'E, Rec.), a distance of 2766.39 feet (Meas.) (2765.81 feet, Rec.) from the NW corner of said Section 4; thence S24°22'32"E (Meas.) (S24°25'E, Rec.), a distance of 2643.19 feet (Meas.) (2642.30 feet, Rec.); thence N65°35'44"E (Meas.) ([illegible], Rec.), a distance of 800.11 feet (Meas.) (800.00 feet, [illegible] of 2991.99 feet (Meas.) (2988.7 feet, Rec.); thence N42°01'47"E, a distance of 556.42 feet; thence N48°09'01"W (Meas.) (N48°00"W, Rec.), a distance of 1266.95 feet to a point which lies N70°23'27"E (Meas.)

P.O. Box 959
Pagosa Springs, Colorado 81147 • (303) 264-4559

REGISTERED LAND SURVEYOR
CERTIFICATE 4491
JOSEPH D. JONES
ARIZONA, U.S.A.

(N70°11'E, Rec.), a distance of 2759.40 feet (Meas.) (2758.98 feet, Rec.) from the NW corner of said Section 4; thence N24°22'21"W (Meas. (N24°25'W, Rec.), a distance of 825.03 feet (Meas.) (826.65 feet, Rec.); thence S65°37'20"W (Meas.) (S65°35'W, Rec.), a distance of 999.63 feet (Meas.) (1000.0 feet, Rec.); thence S24°23'19"E (Meas.) (S24°25'E, Rec.), a distance of 352.43 feet (Meas.) (352.12 feet, Rec.); thence S42°01'01"W (Meas.) (S42°00'W, Rec.), a distance of 2268.99 feet (Meas.) (2270.89feet, Rec.) to the TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM THE FOLLOWING PARCELS:

A. Landing Strip Area:

A strip of land 400.00 feet wide, lying in Section 4, T15N, R3E, and in the South one-half of Section 33, T16N, R3E, G&SRB&M, Yavapai County, Arizona, more particularly described as follows:

Commencing at the NW corner of said Section 4; thence S01°55'01"W, a distance of 742.16 feet; thence N42°01'01"E, a distance of 2268.99 feet; thence N24°23'19"W, a distance of 352.43 feet; thence N65°37'20"E, a distance of 275.45 feet to the TRUE POINT OF BEGINNING; thence N65°37'20"E, a distance of 400.00 feet; thence S24°23'07"E, a distance of 5199.23 feet; thence S65°35'44"W, a distance of 400.00 feet; thence N24°23'07"W, a distance of 5199.51 feet to [illegible]

B. Parcel NW of Mingus Avenue - Extended:

A portion of Section 4, T15N, R3E, and a portion of Section 33, T16N, R3E, G&SRB&M, Yavapai County, Arizona, more particularly described as follows:

Job # 83-56
AIRPORT LEASE PARCEL
LEGAL DESCRIPTION
PAGE 3

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
4491
JOSEPH D.
JONES

Commencing at the NW corner of said Section 4; thence S01°55'01"W, a distance of 742.16 feet to the TRUE POINT OF BEGINNING; thence N42°01'01"E, a distance of 1881.84 feet to a point on the Northwesterly right-of-way line of Mingus Avenue: thence S27°31'23"W, along said right-of-way line, a distance of 1663.62 feet; thence S23°37'27"W, along said right-of-way line, a distance of 285.74 feet; thence N47°59'12"W, a distance of 506.52 feet to the TRUE POINT OF BEGINNING.

C. <u>Easement for a Portion of Mingus Avenue as Recorded in Book 395, Pages 361-363, Records of Yavapai County, Arizona:</u>

A strip of land 60.00 feet in width, in the South one-half of Section 33, T16N, R3E, G&SRB&M, Yavapai County, Arizona, lying 30.00 feet left of and 30.00 feet right of the following described centerline:

Commencing at the SW corner of said Section 33; thence S01°55'01"W, a distance of 742.16 feet; thence N42°01'01"E, a distance of 2268.99 feet; thence N24°23'19"W, a distance of 352.43 feet; thence N65°37'20"E, a distance of 999.63 feet to a point which is the most Northerly corner of the Cottonwood Airport; thence N24°22'21"W (Meas.) (N25°10'W, Rec.), a distance of 24.06 feet (Meas.) (24.2 feet, Rec.) to the TRUE POINT OF BEGINNING of said centerline; thence S63°08'16"W (Meas.) (S62°23'W, Rec.), a distance of 100.97 feet (Meas. & Rec.); thence Southwesterly, along a [illegible] a radius of 1432.40 feet, through a central angle of 14°54'00", a distance of 372.50 feet; thence S48°14'16"W (Meas.(S47°29'W, Rec.), a distance of 282.89 feet (Meas. & Rec.); thence N45°33'44"W (Meas.) (N46°19'W, Rec.), a distance of 138.27 feet (Meas.) (137.34 feet, Rec.) to the North boundary of the Cottonwood Airport and the end of said centerline.

Job # 83-56
AIRPORT LEASE PARCEL
LEGAL DESCRIPTION
PAGE 4

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
4491
JOSEPH D.
JONES
Date Signed 6/27/83
ARIZONA, U.S.A.

D. Mingus Avenue Extension:

A strip of land 60.00 feet in width, in the South half of Section 33, T16N, R3E, and the North half of Section 4, T15N, R3E, G&SRB&M, Yavapai County, Arizona, lying 30.00 feet left of and 30.00 feet right of the following described centerline:

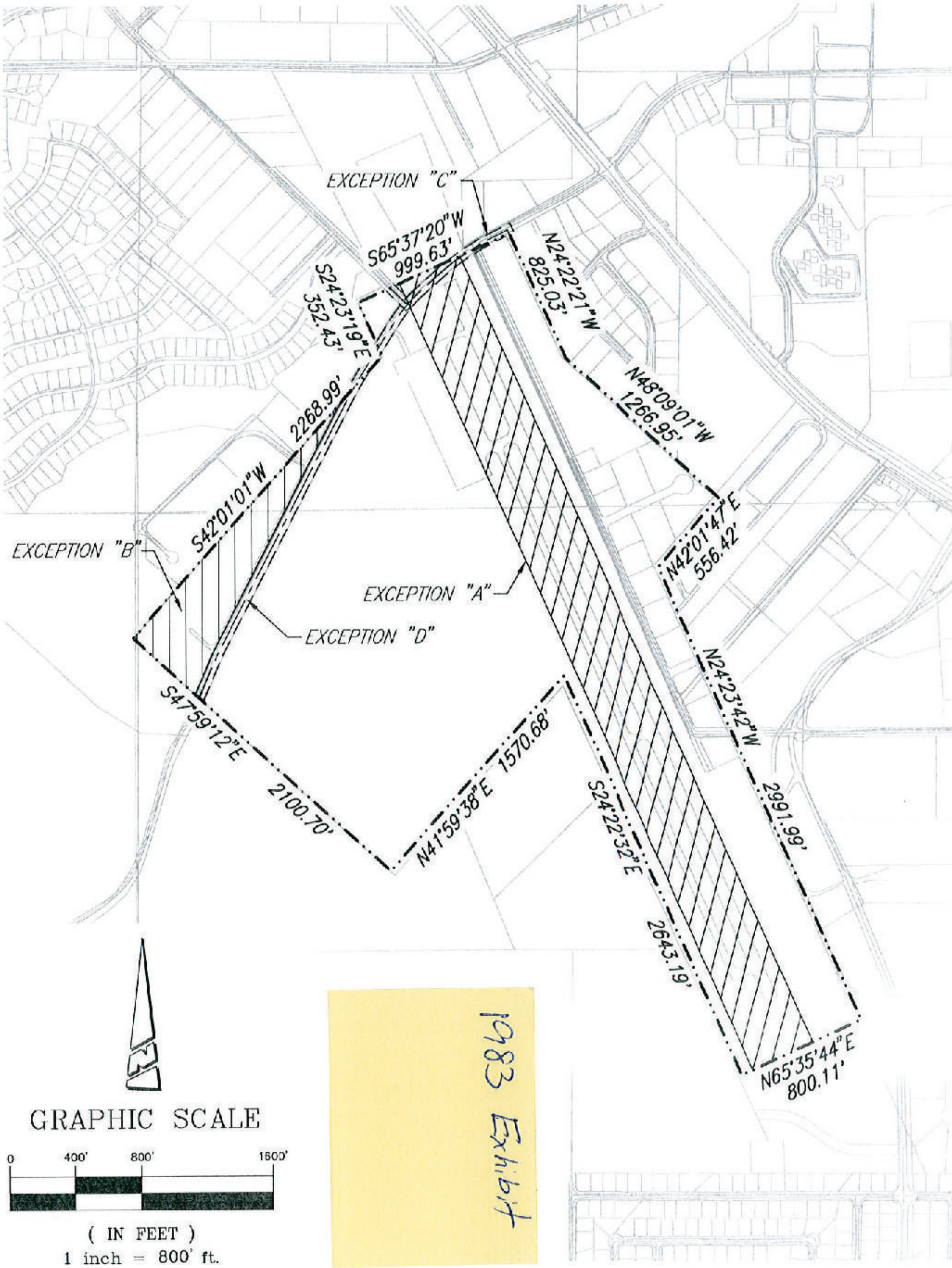
Commencing at the SW corner of said Section 33; thence S01°55'01"W, a distance of 742.16 feet; thence N42°01'01"E, a distance of 2268.99 feet; thence N24°23'19"W, a distance of 352.43 feet; thence N65°37'20"E, a distance of 999.63 feet; thence N24°22'21"W, a distance of 24.06 feet to the TRUE POINT OF BEGINNING of said centerline; thence S63°08'16"W, a distance of 100.97 feet; thence Southwesterly, along a curve to the left, having a radius of 1432.40 feet, through a central angle of 14°54'00", a distance of 372.50 feet; thence S48°14'16"W, a distance of 170.66 feet; thence Southwesterly, along a curve to the left, having a radius of 881.47 feet, through a central angle of 15°46'03", a distance of 242.58 feet; thence S32°28'13"W, a distance of 399.32 feet; thence Southwesterly, along a curve to the left, having a radius of 1273.24 feet, through a central angle of 04°56'50", a distance of 109.94 feet; thence S27°31'23"W, a distance of 1743.73 feet; thence S23°37'27"W, a distance of 294.69 feet to the Southwesterly boundary of the Cottonwood Airport Property and the end of said centerline.

[illegible]

more or less

Rev: 10-27-83
Rev: 11-21-84

ORIGINAL 1983 LEASE LEGAL DESCRIPTION



DWG FullPath: C:\Users\msmith\Desktop\Projects\Cottonwood Airport Lease Exhibits\Xrefs\1983 Original Lease.dwg Plot Date/Time: 06/03/14 01:34pm

1st Amendment 1983

FIRST AMENDMENT

TO

COTTONWOOD AIRPARK, INC. GROUNDLEASE

Background

A. Cottonwood Airpark, Inc. ("Tenant"), and The Town of Cottonwood ("Landlord") executed a long term "Groundlease" dated May 23, 19 83 granting Tenant the right to use and develop the "Property" described in the Groundlease.

B. According to the Groundlease the condition of title to the Property is subject to approval by the Tenant. The First American Title Company Preliminary Title Report dated July 22, 1983 reflected certain conditions which the Tenant has objected. In addition, an encroachment onto the Property by the El Rio Del Oro Mobile Home Park requires corrective action.

C. In order to provide adequate time for the Landlord to correct these items to Tenant's satisfaction the parties both agreed to extend the Rent Commencement Date from October 15, 1983 to December 31, 1983.

Agreement and Amendment

Therefore, for valuable consideration received, the parties agree that:

1. The Background section of this Agreement is incorporated by reference as a part of this Amendment.

2. The terms of the Groundlease are ratified, approved and are still in force and effect. There are no amendments, modifications, supplements or other agreements or understandings except for this First Amendment.

3. The Rent Commencement Date is extended from October 15, 1983 to December 31, 1983 pursuant to the action of the Mayor and Common Council of The Town of Cottonwood on September 27, 1983 as reflected in the attached Exhibit A.

Executed this 30 day of November, 1983 to be effective from October 15, 1983.

LANDLORD:

THE TOWN OF COTTONWOOD

By Donald E. Hahn

Its MAYOR

TENANT:

COTTONWOOD AIRPARK, INC.

By William E Molloy

Its Secretary/Treas.

EXHIBIT A

MINUTES OF THE SPECIAL MEETING OF THE COMMON COUNCIL OF THE TOWN OF COTTONWOOD, ARIZONA, HELD SEPTEMBER 27, 1983, AT 7:30 P.M. AT THE COTTONWOOD TOWN HALL

The meeting was called to order by Mayor Donald E. Hahn at 7:30 p.m. Roll Call was taken as follows:

Councilmembers Present:

Mayor Donald E. Hahn
Vice-Mayor Leroy Lewis
Councilmember Ron Moen
Councilmember Kathy Perez
Councilmember Richard Wills

Councilmembers Absent:

Councilmember Joe Jones
Councilmember Bill Snyder

Staff Members Present:

Steve Thompson, Town Manager/Clerk
Kevin Dunlap, Assistant Town Manager
Charles Keltner, Chief of Police
Jim Mullenix, Fire Chief
Christopher Nefstead, Town Attorney
Carol Garcia, Secretary

ITEMS OF BUSINESS

FLOOD PLAIN MANAGEMENT ORDINANCE

Mayor Hahn stated that the Town of Cottonwood is in violation of state law as the Town has not yet adopted a flood plain ordinance and the matter was again before the Council for consideration. The Mayor further stated that according to state law and the opinion of the Town Attorney, the Town could be held liable if flooding does occur and there is no flood plain ordinance in effect. The Town Attorney pointed out that the Council could also be held liable on an individual basis if an ordinance is not adopted.

Councilmember Perez stated that one of the reasons the ordinance had not been passed was due to the fact that many people felt the maps determining the flood plain areas were not accurate. She further stated that Mr. Leslie A. Bond with the Arizona Department of Water Resources had written a letter stating that the Town of Cottonwood was at the top of the list for a re-study to possibly have the maps changed.

Councilmember Perez stated the Town needs to adopt the flood plain ordinance in order that Cottonwood be in compliance with the law and also to control development in those areas for the protection of all those concerned.

Councilmember Moen stated he felt the Town could control this type of growth without adopting a flood plain ordinance and that perhaps they should take a closer look at the state law. He also stated that he had not thoroughly reviewed the proposed flood plain ordinance.

Vice-Mayor Lewis moved to adopt the Flood Plain Ordinance. Councilmember Perez requested that the motion be amended under Section 6.1-7 to indicate filing for a map change on variances. Councilmember Perez seconded the motion as amended.

Councilmember Moen questioned voting on the Ordinance without it being numbered on the Agenda. It was designated number 130 and the Town Attorney stated it was his opinion that it was in order for the vote.

Councilmember Perez then moved that Ordinance Number 130 be read by title only. Motion was seconded by Vice-Mayor Lewis and carried with Councilmember Moen voting No. The Town Manager read the first reading of Ordinance Number 130 by title only:

ORDINANCE NUMBER 130

AN ORDINANCE OF THE TOWN OF COTTONWOOD, ARIZONA, ADOPTING FLOOD DAMAGE PREVENTION REGULATIONS FOR AREAS DELINEATED AS FLOOD HAZARD ZONES.

Councilmember Perez moved to adopt Ordinance Number 130, first reading. Motion was seconded by Vice-Mayor Lewis and a Roll Call Vote was taken as follows:

YES	NO	
X		Councilmember Perez
X		Vice-Mayor Lewis
	X	Councilmember Moen
X		Councilmember Wills
X		Mayor Hahn

Motion passed.

Councilmember Perez moved to have the second reading of Ordinance Number 130 by title only. Motion was seconded by Vice-Mayor Lewis. The Town Manager read the second reading of Ordinance Number 130 by title only:

ORDINANCE NUMBER 130

AN ORDINANCE OF THE TOWN OF COTTONWOOD, ARIZONA, ADOPTING FLOOD DAMAGE PREVENTION REGULATIONS FOR AREAS DELINEATED AS FLOOD HAZARD ZONES.

At this time Mayor Hahn moved to make the following two changes in the body of the ordinance as follows: (1) Section 3.7 1.B, second sentence, "Property destroyed or damaged beyond reasonable repair by fire or non-flood related disaster may be re-constructed to flood plain ordinance standards." Next sentence, "No property which is damaged or destroyed beyond reasonable repair by flooding may be reconstructed unless in compliance with flood plain ordinance and not in the floodway." (2) Section 6-1-7, add a sentence to reflect that when a variance is granted, a map change will be filed. Motion was seconded by Councilmember Perez and carried with Councilmember Moen voting No.

Councilmember Perez moved to adopt Ordinance Number 130, second reading. Motion was seconded by Vice-Mayor Lewis and a Roll Call Vote was taken as follows:

YES	NO	
X		Councilmember Perez
X		Vice-Mayor Lewis
	X	Councilmember Moen
X		Councilmember Wills
X		Mayor Hahn

Motion passed. The third and final reading was scheduled for the Regular Meeting in October.

CONSTRUCTION GRANTS - PRIORITY RATING - SEWER TREATMENT FACILITY

... from the Town Engineer indicating

the need for a wastewater collection system for the Town. Mayor Hahn also stressed the need for a drainage study for the Town. Kevin Dunlap stated he had sent a letter to the State Bureau of Water Quality in the Spring of 1983, requesting that the Town of Cottonwood be given a higher priority status in the state for eligible funding from the Environmental Protection Agency. Mr. Dunlap stated he had the support of NACOG and had been urged to write a letter of protest regarding the Town's priority ranking.

Mayor Hahn moved to have staff write a letter of protest to the state and ask for re-ranking status. Motion was seconded by Councilmember Perez and carried unanimously.

Mayor Hahn stated he would also like to move at this time to write a letter to Mr. Leslie A. Bond of the State Department of Water Resources in Phoenix thanking him for his efforts on behalf of the Town of Cottonwood regarding flood plain management. Motion was seconded by Councilmember Perez and carried unanimously.

At this point, Councilmember Perez thanked the staff for their continuing efforts regarding this matter.

RESOLUTION NUMBER 829 - INTERGOVERNMENTAL AGREEMENT - DEPARTMENT OF PUBLIC SAFETY

The Town Manager read Resolution Number 829 by title only:

RESOLUTION NUMBER 829

A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF COTTONWOOD, ARIZONA, ENTERING INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE ARIZONA DEPARTMENT OF PUBLIC SAFETY.

Mayor Hahn stated this Agreement was for the joint use of advanced breath-alcohol testing instruments with the Police Department and the Department of Public Safety. Councilmember Moen moved to enter into this Agreement. Motion was seconded by Councilmember Perez and carried unanimously.

GROUND LEASE - COTTONWOOD AIRPARK, INC.

Mayor Hahn stated there was a memorandum in the packets from the Town Manager regarding the Ground Lease with Cottonwood Airpark, Inc., requesting that the Rent Commencement Date be extended to 5:00 p.m., December 31, 1983, in order that several exceptions be resolved to secure a clear title for the leased property.

After discussion, Mayor Hahn moved that Kevin Dunlap proceed with necessary paperwork and reach tentative agreement with Mr. Gus Vargas, owner of El Rio Del Oro Mobile Home Park, regarding encroachment onto the airport property. Motion was seconded by Councilmember Perez and carried unanimously. Mayor Hahn then moved to extend the rent commencement date to 5:00 p.m., December 31, 1983. Motion was seconded by Councilmember Moen and carried unanimously.

TOWN MANAGER'S PERFORMANCE EVALUATION

The Mayor stated that regarding the decision to quarterly evaluate the Town Manager's performance, Council had agreed at the last meeting to individually complete the evaluation forms and submit to the Town Manager by Thursday, September 22. The Town [illegible] he had not received same from Councilmembers Jones, Moen and Snyder.

Councilmember Perez moved that in view of the fact that Councilmember Jones had requested the evaluation in the first place and was not present, the evaluation be postponed until the next regular meeting when all councilmembers were present and also to schedule the following evaluation three months from the date of the first evaluation. Motion was seconded by Vice-Mayor Lewis and carried unanimously.

EXECUTIVE SESSION - A.R.S. 38.431.02 - LEGAL MATTERS

Councilmember Perez moved to adjourn into Executive Session in accordance with A.R.S. 38.431.02. Motion was seconded by Councilmember Moen and carried unanimously. Meeting adjourned into Executive Session at 8:45 p.m. Councilmember Perez moved to reconvene the Special Meeting at 9:10 p.m. Motion was seconded by Vice-Mayor Lewis and carried unanimously.

HOFFMAN BUICK, GMC., INC.

Mayor Hahn stated this item had been discussed in the Executive Session and no action would be taken at this time.

MARAUDER DRIVE

Mayor Hahn requested the Planning and Zoning Administrator and Town Attorney to contact Mr. J. A. Baker's attorney in regard to the required paving of Marauder Drive. Motion was seconded by Councilmember Perez and carried unanimously.

ENDORSEMENT OF PROPOSED RESOLUTIONS - LEAGUE OF ARIZONA CITIES & TOWNS

Mayor Hahn read several proposed amendments to the League's Municipal Policy Statement which would be discussed at the League's annual conference. Mayor Hahn stated several of these amendments would benefit the Town of Cottonwood, particularly an amendment proposed by the City of Flagstaff regarding the State Retirement System. Mayor Hahn moved to endorse said amendments. Motion was seconded by Councilmember Perez and carried unanimously.

ADJOURNMENT

There being no further business before the Council, Councilmember Perez moved to adjourn. Motion was seconded by Vice-Mayor Lewis and carried unanimously. Meeting adjourned at 9:18 p.m.

Donald E. Hahn

Donald E. Hahn, Mayor

ATTEST:

Steven L Thompson

Steven L. Thompson, Town Manager/Clerk

ASSUMPTIONS AND LIMITATIONS

STANDARD ASSUMPTIONS AND LIMITATIONS OF THIS APPRAISAL

This appraisal is for no purpose other than property valuation, and the appraisers are neither qualified nor attempting to go beyond that narrow scope. The reader should be aware that there are also inherent limitations to the accuracy of the information and analysis contained in this appraisal. Before making any decision based on the information and analysis contained in this report, it is critically important to read this entire section to understand these limitations.

This appraisal is not a survey.

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

No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. Any maps, plats or drawings reproduced and included in this report are intended only for the purpose of showing spatial relationships. The reliability of the information contained on any such map or drawing is assumed by the appraiser and cannot be guaranteed to be correct. A surveyor should be consulted if there is any concern regarding boundaries, setbacks, encroachments or other survey matters.

This appraisal is not a legal opinion.

No responsibility is assumed for matters of a legal nature that affect title to the property nor is an opinion of title rendered. The title is assumed to be good and marketable. The value opinion is given without regard to any questions of title, boundaries, encumbrances or encroachments. We are not usually provided an abstract of the property being appraised and, in any event, we neither made a detailed examination of it nor do we give any legal opinion concerning it.

It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report. A comprehensive examination of laws and regulations affecting the subject property was not performed for this appraisal.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined and considered in the appraisal report. Information and analysis shown in this report concerning these items is based only on a rudimentary investigation. Any significant question should be addressed to local zoning or land use officials and/or an attorney.

It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value opinion contained in this report is based. Appropriate government officials and/or an attorney should be consulted if an interested party has any questions or concerns on these items since we have not made a comprehensive examination of laws and regulations affecting the subject property.

This appraisal is not an engineering or property inspection report.

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

For properties in which the conditions of foundations, roofs, exterior walls, interior walls, floors, heating systems, plumbing, insulation, electrical service and all mechanical and construction items are described, these descriptions are based on a casual inspection only and no detailed inspection was made. For instance, we are not experts on heating systems and no attempt was made to inspect the interior of a given property's furnace. Structures are not checked for building code violations, and it is assumed that all buildings meet applicable building codes unless so stated in the report.

Some items, such as conditions behind walls, above ceilings, behind locked doors or under the ground, are not exposed to casual view and, therefore, are typically not inspected. The existence of insulation, if any is mentioned, was found by conversation with others and/or circumstantial evidence. Since it is not normally exposed to view, the accuracy of any statements about insulation cannot be guaranteed.

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

Unless stated otherwise in the report, wells and septic systems, if any, are assumed to be in good working condition and of sufficient size and capacity for the stated highest and best use of the property.

We are not environmental experts, and we do not have the expertise necessary to determine the existence of environmental hazards such as the presence of urea-formaldehyde foam insulation, toxic waste, asbestos or hazardous building materials, or any other environmental hazards on the subject or surrounding properties. If we know of any problems of this nature that we believe would create a significant problem, they are disclosed in this report. However, nondisclosure should not be taken as an indication that such a problem does not exist. An expert in the field should be consulted if any interested party has questions on environmental factors.

No chemical or scientific tests were performed by the appraiser on the subject property, and it is assumed that the air, water, ground and general environment associated with the property present no physical or health hazard of any kind unless otherwise noted in the report. It is further assumed that the subject site does not contain any type of dump site and that there are no underground tanks (or any underground source) leaking toxic or hazardous chemicals into the groundwater or the environment unless otherwise noted in the report.

The age of any improvements to the subject property mentioned in this report should be considered a rough estimate. We are not sufficiently skilled in the construction trades to be able to reliably estimate the age of improvements by observation. We therefore rely on circumstantial evidence that may come into our possession (such as dates on architectural plans) or conversations with those who might be somewhat familiar with the history of the property such as property owners, on-site personnel or others. Parties interested in knowing the exact age of improvements on the land should contact us to ascertain the source of our data and then make a decision as to whether they wish to pursue additional investigation.

Because no detailed construction, engineering, environmental or legal inspection was made and because such knowledge goes beyond the scope of this appraisal, any observed condition or other comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of a given property's foundation, roof, exterior walls, interior walls, floors, heating system, air conditioning system, plumbing, electrical service, insulation or any other detailed construction matters. If any interested party is concerned about the existence, condition or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.

This appraisal is made under conditions of uncertainty with limited data.

As can be seen from limitations presented above, the appraisal is based on an analysis of many sources of data. Every attempt has been made to confirm the data as reliable and factual, however, there are a number of limitations with respect to data including: a lack of certain areas of expertise beyond real estate appraisal methodology and techniques; the inability of the appraiser to view certain portions of the property; and the inherent limitations of relying upon information provided by others such as: income and expense data; comparable sales data; and engineering analyses.

This appraisal is an opinion of value based on an analysis of information known to us at the time the appraisal was made. All values and conclusions shown in the appraisal report are premised upon our analysis as of the date of the appraisal. These values may not be valid in other time periods or as conditions change. We take no responsibility for events, conditions or circumstances affecting the property's market value that take place subsequent to either the date of value contained in this report or the date of our field inspection, whichever occurs first.

Opinions and estimates expressed herein represent our best judgment but should not be construed as advice or recommendation to act. Before relying on any statement made in this appraisal report, interested parties should contact us for the exact extent of our data collection on any point that they believe to be important to their decision making. This will enable such interested parties to determine whether they believe the extent of our data gathering process was adequate for their needs.

Appraisal report limitations

Appraisal reports are technical documents addressed to the specific technical needs of clients. Casual readers should understand that this report does not contain all of the information we have concerning the subject property or the real estate market. While no factors we believe to be significant but unknown to the client have been knowingly withheld, it is always possible that we have information of significance that may be important to others but which, with our limited acquaintance with the property and in light of the limitations of our expertise (as outlined in this document), does not seem to be important to us.

Appraisal reports are technical documents, with their reporting formats guided by both the Uniform Standards of Appraisal Practice and specific technical requirements of a given client. Casual readers are cautioned about their limitations and are warned against possible misinterpretation of the information contained in these reports.

The liability of AXIA Real Estate Appraisers, its employees and/or agents is limited only to the Client and specifically identified intended users. Further, there is no accountability, obligation or liability to any third party. The appraiser(s) should be contacted with any questions before this report is relied on for decision making.

This appraisal was prepared at the request of and for the exclusive use of the client to whom the appraisal is addressed. No third party shall have any right to use or rely upon this appraisal for any purpose, unless specifically identified as an additional intended user of the report.

There are no requirements, by reason of this appraisal, to give testimony or appear in court or any pretrial conference or appearance required by subpoena with reference to the property in question, unless sufficient notice is given to allow adequate preparation and additional fees are paid by the client at our regular rates for such appearances and the preparation necessitated thereby.

This report is made for the information and/or guidance of the client and possession of this report, or a copy thereof, does not carry with it a right of publication. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the appraiser. Nor shall the appraiser, firm or professional organization of which the appraiser is a member be identified without the written consent of the appraiser.

It is suggested that those who possess this appraisal report should not give copies to others. Certainly, legal advice should be obtained on potential liability issues before this is done. Anyone who gives out an incomplete or altered copy of the appraisal report (including all attachments) does so at their own risk and assumes complete liability for any harm caused by giving out an incomplete or altered copy. Neither the appraiser nor this company assumes any liability for harm caused by reliance upon an incomplete or altered copy of the appraisal report given out by others. Anyone with a question on whether their copy of an appraisal report is incomplete or altered should contact our office.

Values and conclusions for various components of the subject property as contained within this report are valid only when making a summation; they are not to be used independently for any purpose and must be considered invalid if so used. The allocation of the total value in this report between land and improvements (if applicable) applies only under the reported highest and best use of the property. The separate valuations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

In the case of limited partnerships, syndication offerings or stock offerings in real estate, the Client agrees that in case of a lawsuit (brought by lender, partner or part owner in any form of ownership, tenant or any other party), the Client and all parties will completely hold harmless this firm, its employees and/or agents.

Americans with Disabilities Act (ADA)

The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in valuing the property.

Arizona-specific considerations

Special consideration must be given to properties located in Arizona with respect to seismicity/subsidence. Seismic activity in Arizona is rare but does occasionally occur. A more common geotechnical manifestation has been the development of subsidence cones caused by pumping of groundwater. A geologist should be consulted if there is any concern regarding these matters.

Due to the historic nature of the American Southwest, properties within Arizona may be impacted by the presence of archaeological features, such as Native American remains or artifacts (specifically the ancient Hohokam and Anasazi settlements). The presence of such features may require mitigation on the part of the property owner or developer and could involve significant costs or time delays. It is an assumption of this report that no such archeological issues impact the subject property, unless otherwise noted in the appraisal report. Should a competent archeologist specifically identify significant archeology and quantify the cost of data recovery, we reserve the right to alter the valuation opinion contained in this report.

EXTRAORDINARY ASSUMPTIONS & HYPOTHETICAL CONDITIONS

It is a hypothetical condition of this assignment that the subject property is in an unimproved condition as of the date of value. The subject is currently improved with the Cottonwood Airport and numerous other horizontal and vertical improvements that have been developed by various entities over the past 31 years. The appraisal is to reflect the subject property as “raw” land, similar in condition when it was originally leased from the City of Cottonwood in 1983. The basic assumptions of the assignment is that the subject property has access available via Mingus Road (at the time a two-lane, minimally improved road), the site was in a generally graded condition (having previously been used for aviation purposes) and had electric and telephone service available. The site is also assumed not to have publically available water and sewer services as of the date of value. This hypothetical condition is in line with the instructions that I was given by the client in laying the foundation with the request from the FAA (Federal Aviation Administration).

APPRAISER CERTIFICATE

STATE OF ARIZONA

BOARD OF APPRAISAL

BE IT KNOWN THAT

JAMES S. BRADLEY

HAS MET ALL THE REQUIREMENTS AS A

Certified General Real Estate Appraiser

In accordance with Arizona Revised Statutes and on authority of the Board of Appraisal, State of Arizona.

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

CERTIFICATE NUMBER

30432

EXPIRATION DATE

October 31, 2014

STATE OF ARIZONA
DITAT DEUS
BOARD OF APPRAISAL

In witness whereof the Arizona Board of Appraisal caused to be signed by the Chair of the Board and the Interim Executive Director

Chair, Board of Appraisal — 9/25/12 Date Issued

Interim Executive Director of the Board of Appraisal — 9/25/12 Date Issued

SHALL REMAIN PROPERTY OF ARIZONA BOARD OF APPRAISAL