

ITEM #: 47
DATE: 01/14/20

COUNCIL ACTION FORM

SUBJECT: REQUEST FROM SIGLER COMPANIES TO PURCHASE AIRPORT PROPERTY AND BUY OUT REMAINDER OF LEASE/DEVELOPER AGREEMENT FOR 3100 S. RIVERSIDE DRIVE

BACKGROUND:

On September 20, 2019, Chris Eggert, representing the Sigler Companies, wrote a letter to the Mayor and City Council requesting to buy out the remainder of their lease, purchase the land at 3100 S. Riverside Drive from the Airport, and amend the development agreement for the property that states that the buildings and all improvements on the property revert to City ownership at the conclusion of the lease on June 30, 2047. The letter is attached.

The Airport property being leased by Sigler is at 3100 S. Riverside Drive (see attached map) and was originally created as part of a Development Agreement with Vantage Enterprises, LLC, in May of 1997. The agreement had a 50-year lease term beginning on May 27, 1997, which was sublet to VisionAire to build single-engine jet aircraft. Since that time, the lease has changed ownership two times from Vantage Enterprises, LLC to Dayton Park, LLC, in September of 2004 who sublet the building to Clarion Technologies. Finally, it was sold to Mulmac, LLC in April of 2007. Mulmac, LLC, is leasing the space to Sigler Companies, Inc.

FAA REQUIREMENTS:

When an Airport is considering the sale of high-value property, defined as \$1,000,000 or higher, the FAA requires a minimum of two (2) appraisals by certified land appraisal companies and an independent third-party review of the two appraisals. The Airport owner must use the higher valuation of the two as a starting point for the negotiation of the sale. Generally, it is the Airport's responsibility to justify to FAA that the release of Airport property (a one-time cash sale) is more beneficial than the long-term revenue-generating potential of keeping it as part of the Airport. **Therefore, before the purchase can be approved, staff will need to provide the justification to the FAA for its approval.**

AIRPORT LAND APPRAISALS:

The City solicited quotes from multiple land appraisals firms in Iowa that meet FAA's standards. On November 30, 2018, the first appraisal was completed by Nelsen Appraisal Associates (NAA), Inc. of Urbandale, Iowa. On March 15, 2019, the second appraisal was completed by Commercial Appraisers of Iowa (CAI), Inc. of West Des Moines, Iowa. **It should be noted before the final purchase agreement can be approved, a third-party appraisal review must be performed.**

Below is a summary of the two appraisals:

Property Value (Land, Buildings, and Improvements)	Commercial Appraisals of Iowa	Nelsen Appraisal Associates
Value as of June 30, 2047	\$5,030,000	\$3,050,682
Present Value	\$1,420,000	\$1,315,000

Property Value (Land Only)		
Land (\$/SF)	\$1.80	\$1.60
Land (12.75 ac)	\$999,720	\$888,640
Rounded to (x\$1,000)	\$1,000,000	\$889,000

The table above shows that the CAI appraisal is the higher of the two evaluations and must be used as the basis for the price negotiation per FAA regulations. FAA will require that the property be sold for no less than highest present value of the two appraisals, which is currently estimated to be \$1,420,000.

CITY VALUATION OF THE SALE:

For the City to be made whole by a potential sale of the leased property at 3100 S. Riverside Drive there are three considerations; 1) the value of the lease and payments to the Airport operating fund, 2) the value of the land, and 3) the value of the improvements made on the land (two buildings and pavement) as part of development agreement.

Value of Lease:

The buy out of the lease in the appraisal (using CAI's numbers) assumes a private sector discount rate of 7.25%. However, the City, as a public agency, cannot reinvest the money at that rate. Finance staff indicated that potential interest rates could be invested at approximately 2.28%.

A more appropriate method would be to look at the present value of the lease payments using the 2.28% rate, which is shown in the table below:

	Year	Rent Per Acre	Number of Acres	Total Rent	PV Factor	PV of Cash Flow
FY	2020	\$4,463	12.75	*\$28,452	100.0%	\$28,452
FY	2021	\$4,597	12.75	\$58,612	97.8%	\$57,305
FY	2022	\$4,734	12.75	\$60,359	95.6%	\$57,698
FY	2023	\$4,877	12.75	\$62,182	93.5%	\$58,116
FY	2024	\$5,023	12.75	\$64,043	91.4%	\$58,521
FY	2025	\$5,173	12.75	\$65,956	89.3%	\$58,925
FY	2026	\$5,329	12.75	\$67,945	87.3%	\$59,349
FY	2027	\$5,489	12.75	\$69,985	85.4%	\$59,768
FY	2028	\$5,653	12.75	\$72,076	83.5%	\$60,182
FY	2029	\$5,823	12.75	\$74,243	81.6%	\$60,609
FY	2030	\$5,997	12.75	\$76,462	79.8%	\$61,029
FY	2031	\$6,177	12.75	\$78,757	78.0%	\$61,460
FY	2032	\$6,363	12.75	\$81,128	76.3%	\$61,899
FY	2033	\$6,554	12.75	\$83,564	74.6%	\$62,336

FY	2034	\$6,750	12.75	\$86,063	72.9%	\$62,769
FY	2035	\$6,953	12.75	\$88,651	71.3%	\$63,215
FY	2036	\$7,161	12.75	\$91,303	69.7%	\$63,655
FY	2037	\$7,376	12.75	\$94,044	68.2%	\$64,105
FY	2038	\$7,597	12.75	\$96,862	66.6%	\$64,554
FY	2039	\$7,825	12.75	\$99,769	65.2%	\$65,009
FY	2040	\$8,060	12.75	\$102,765	63.7%	\$65,468
FY	2041	\$8,302	12.75	\$105,851	62.3%	\$65,931
FY	2042	\$8,551	12.75	\$109,025	60.9%	\$66,394
FY	2043	\$8,808	12.75	\$112,302	59.5%	\$66,865
FY	2044	\$9,072	12.75	\$115,668	58.2%	\$67,334
FY	2045	\$9,344	12.75	\$119,136	56.9%	\$67,807
FY	2046	\$9,624	12.75	\$122,706	55.6%	\$68,282
FY	2047	\$9,913	12.75	\$126,391	54.4%	\$68,765
<i>*Partial Year</i>				\$2,414,300	PV Lease=	\$1,725,802

Value of Land:

Staff agrees with the CAI appraisal of the land at \$1 million dollars as shown below:

Property Value (Land Only)	CAI Appraisal
Land (\$/SF)	\$1.80
Land (12.75 ac)	\$999,720
Rounded to (x\$1,000)	\$1,000,000

Value of Buildings & Improvements:

As stated in the Background section of this report, the buildings (improvements) are set to revert to City (Airport) ownership at the end of the lease term on June 30, 2047. Agreements such as the one that was created with Vantage Enterprise, LLC (VisionAire) are common for Airports. This provision was included in the 1997 agreement because the FAA prohibits general private development on Airport property unless, at some point, it becomes a permanent part of the Airport itself or the Airport is compensated for the use of its property.

However, staff would consider it a liability for the Airport if the City would have to take back ownership of the manufacturing/warehouse building (101,447 SF). This structure was designed for manufacturing purposes and not for Airport hangar storage; therefore, it is unlikely the City could get a positive net operating revenue from that building without finding another manufacturing tenant to lease the property. **Therefore, the City would consider the warehouse building to have zero value, if not negative, due to the high-risk of potential maintenance and utility costs of a building that size.**

However, the 15,120 SF airplane hangar building (Sigler is currently using the building for storage) does have long-term value to the Airport. The CAI appraisals show that the current depreciated value of the hangar to be \$112,448, and the full replacement value (new) is \$675,000.

To summarize, the City will need to consider the sale of the property and lease buy out, while ensuring that the Airport can justify to the FAA that the sale is more beneficial than retaining the revenue-generating property in perpetuity. To do this, the estimated Fair

Market Value from the appraisals should be reconciled with the City's actual potential for long-term use and re-investment strategy. A summary of potential purchase price calculations is provided below:

	City of Ames (Option 1)	City of Ames (Option 2)
Lease Buy Out	\$1,725,802	\$1,725,802
Land Value	\$1,000,000	\$1,000,000
Buildings	\$112,448	\$675,000
	\$2,838,250	\$3,400,802

Under Option 1, using a conservative cash flow estimate, the City could reinvest the total estimated payment amount of \$2,838,250 and then pay the Airport operating budget an annual amount equal to the remaining lease payment schedule. At the end of the current lease term on June 30, 2047, it is estimated that there will be a significant amount of the original principle remaining. Staff believes Option 2 is not appropriate since it effectively requires Sigler to pay full new replacement value for a 20 year old hangar building.

ALTERNATIVES:

1. Agree that the City is willing to sell the land and buildings (**includes the deprecated value of a new 15,000 SF hangar**) to Mulmac, LLC, for \$2,838,250 and direct staff to work with City Attorney to:
 - a. Draft an amendment to the development agreement.
 - b. Draft an amendment to the land lease (setting an end date).
 - c. Draft an agreement to purchase the property.
 - d. Conduct the third party review of the two appraisals.
 - e. Work with the FAA to obtain approval of the sale.

2. Agree that the City is willing to sell the land and buildings (**includes the full value of a new 15,000 SF hangar**) to Mulmac, LLC, for \$3,400,802 and direct staff to work with City Attorney to:
 - a. Draft an amendment to the development agreement.
 - b. Draft an amendment to the land lease (setting an end date).
 - c. Draft an agreement to purchase the property.
 - d. Conduct the third party review of the two appraisals.
 - e. Work with the FAA to obtain approval of the sale.

3. Reject the request to buy Airport property, thereby directing staff to maintain the current lease and development agreement.

CITY MANAGER'S RECOMMENDED ACTION:

The leased property on the Airport at 3100 S. Riverside was created over 23 years ago under significantly different financial conditions than what the Airport (and the market) is facing today. The two buildings on the property were originally constructed for the

manufacturing a single engineer jet and were not designed to serve Airport users, which is the primary purpose of the Airport itself.

There appears to be several benefits from selling the property that will result in a “win/win” situation for the City and Sigler Companies.

Risk Avoidance

The current agreement designates that the City will have ownership of the buildings once the lease terminates. If vacant, the City would be at risk to find a new tenant who would be willing to pay the projected lease payment along with the property taxes. By selling the building to the Sigler Companies, the City would avoid a future economic risk.

Operational Revenue

The annual lease payments are currently transferred to the Airport operating budget to help reduce any property tax support for this facility. With the sale that is being proposed, the proceeds can be deposited in a reserve account and annual payments that are equivalent to the current lease schedule can be made to the Airport operating budget. In this way the revenue stream can be maintained.

Compatibility With Airport Operations

An advantage to owning the property and improvements is the fact that the City can assure that the use does not interfere with the operations of the Airport. This protection can still be achieved with the requirement that an Avigation Easement be placed on the property.

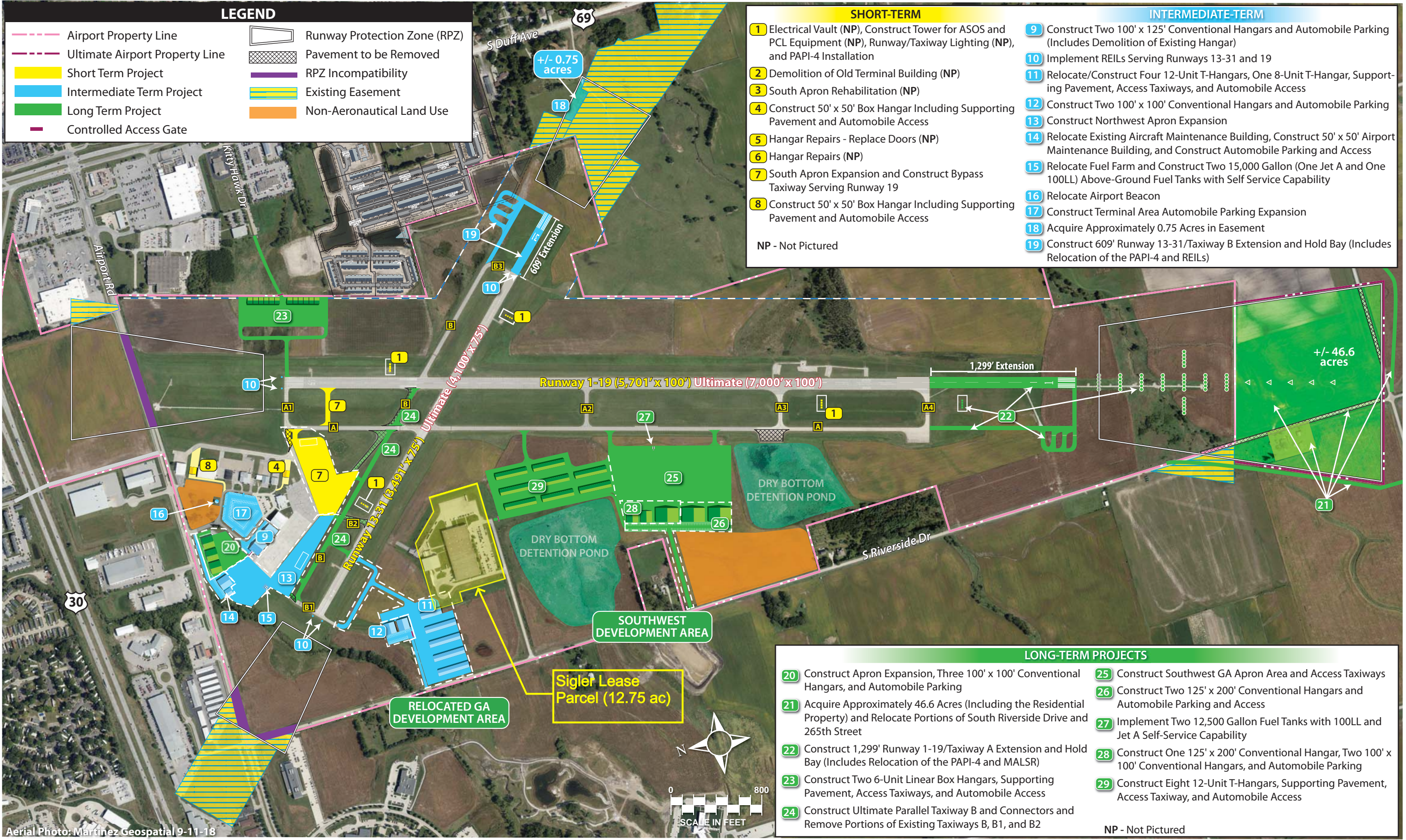
In addition, it is important to note that the Airport Master Plan has historically shown the lease parcel at 3100 S. Riverside Drive as being a “non-aeronautical use,” meaning it is not needed for the service or operation of aircraft. Therefore, it should not have any negative impacts to the Airport by selling the property.

Property Taxes

Currently, the City receives tax revenue from the tenant. If the City takes ownership of the property and cannot rent the facilities, no tax revenue would be received. In addition, purchasing the property may facilitate future expansion of Sigler’s operations at this site, resulting in an incremental increase in tax revenue.

Sigler has indicated to staff that they support the approach and dollar amount described in Alternative 1. At this time, staff cannot identify all the legal or regulatory steps that might ultimately be needed to complete this transaction. Therefore, the City Manager recommends that the City Council adopt Alternative No. 1, directing staff to move forward with an approved conceptual approach to the sale for \$2,838,250, and work with the City Attorney and the FAA to complete all necessary documents before bringing back this issue for final City Council approval.

Draft Airport Master Plan - Sigler Lease Parcel



LEGEND

- Airport Property Line
- Ultimate Airport Property Line
- Short Term Project
- Intermediate Term Project
- Long Term Project
- Controlled Access Gate
- Runway Protection Zone (RPZ)
- Pavement to be Removed
- RPZ Incompatibility
- Existing Easement
- Non-Aeronautical Land Use

SHORT-TERM

- 1 Electrical Vault (NP), Construct Tower for ASOS and PCL Equipment (NP), Runway/Taxiway Lighting (NP), and PAPI-4 Installation
 - 2 Demolition of Old Terminal Building (NP)
 - 3 South Apron Rehabilitation (NP)
 - 4 Construct 50' x 50' Box Hangar Including Supporting Pavement and Automobile Access
 - 5 Hangar Repairs - Replace Doors (NP)
 - 6 Hangar Repairs (NP)
 - 7 South Apron Expansion and Construct Bypass Taxiway Serving Runway 19
 - 8 Construct 50' x 50' Box Hangar Including Supporting Pavement and Automobile Access
- NP - Not Pictured

INTERMEDIATE-TERM

- 9 Construct Two 100' x 125' Conventional Hangars and Automobile Parking (Includes Demolition of Existing Hangar)
- 10 Implement REILs Serving Runways 13-31 and 19
- 11 Relocate/Construct Four 12-Unit T-Hangars, One 8-Unit T-Hangar, Supporting Pavement, Access Taxiways, and Automobile Access
- 12 Construct Two 100' x 100' Conventional Hangars and Automobile Parking
- 13 Construct Northwest Apron Expansion
- 14 Relocate Existing Aircraft Maintenance Building, Construct 50' x 50' Airport Maintenance Building, and Construct Automobile Parking and Access
- 15 Relocate Fuel Farm and Construct Two 15,000 Gallon (One Jet A and One 100LL) Above-Ground Fuel Tanks with Self Service Capability
- 16 Relocate Airport Beacon
- 17 Construct Terminal Area Automobile Parking Expansion
- 18 Acquire Approximately 0.75 Acres in Easement
- 19 Construct 609' Runway 13-31/Taxiway B Extension and Hold Bay (Includes Relocation of the PAPI-4 and REILs)

LONG-TERM PROJECTS

- 20 Construct Apron Expansion, Three 100' x 100' Conventional Hangars, and Automobile Parking
 - 21 Acquire Approximately 46.6 Acres (Including the Residential Property) and Relocate Portions of South Riverside Drive and 265th Street
 - 22 Construct 1,299' Runway 1-19/Taxiway A Extension and Hold Bay (Includes Relocation of the PAPI-4 and MALSR)
 - 23 Construct Two 6-Unit Linear Box Hangars, Supporting Pavement, Access Taxiways, and Automobile Access
 - 24 Construct Ultimate Parallel Taxiway B and Connectors and Remove Portions of Existing Taxiways B, B1, and B2
 - 25 Construct Southwest GA Apron Area and Access Taxiways
 - 26 Construct Two 125' x 200' Conventional Hangars and Automobile Parking and Access
 - 27 Implement Two 12,500 Gallon Fuel Tanks with 100LL and Jet A Self-Service Capability
 - 28 Construct One 125' x 200' Conventional Hangar, Two 100' x 100' Conventional Hangars, and Automobile Parking
 - 29 Construct Eight 12-Unit T-Hangars, Supporting Pavement, Access Taxiway, and Automobile Access
- NP - Not Pictured

Aerial Photo: Martinez Geospatial 9-11-18

Prepared for

**Damion Pregitzer, P.E. PTOE
Traffic Engineer
City of Ames
515 Clark Avenue
Ames, Iowa**

An Appraisal of Real Estate Described as follows

**Real Estate Located at
3100 South Riverside
Ames, Iowa**

Date of Value

March 15, 2019

Prepared by

**Karen C. Olson, MAI
Russ G. Manternach, MAI
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March 27, 2019

Damion Pregitzer, P.E. PTOE
Traffic Engineer
City of Ames
515 Clark Avenue
Ames, Iowa

Dear Mr. Pregitzer:

Re: Appraisal of Real Estate Located at 3100 South Riverside Drive, Ames, Iowa.

As you requested, we have on March 15, 2019, inspected and appraised the above-identified property. A legal description is included in the summary of salient data section of the accompanying report.

The purpose of the appraisal is to estimate the market value of the leased fee estate (City of Ames Interest) in the property as of our date of inspection. The appraisal is to be used for ownership analysis and to assist in determining a potential sale price. The intended users are the City of Ames and the Federal Aviation Administration (FAA). It is not to be relied upon by any third parties.

We are providing an Appraisal Report. The scope of work for this appraisal is described in the Summary of Salient Data Section. The appraisal has been completed in conformance to the most recent Federal regulations (FIRREA), as well as the guidelines of the Uniform Standards of Professional Appraisal Practice (USPAP), the Appraisal Institute's Code of Ethics, and in compliance with FAA Regulations.

Mr. Pregitzer
March 27, 2019
Page 2

Valuation Conclusions: Based on the data and judgments contained in the following appraisal report, we estimate the market value of the leased fee estate (City of Ames Interest) in the subject property, as of March 15, 2019 to be: **\$1,420,000.**

One Million Four Hundred Twenty Thousand Dollars.

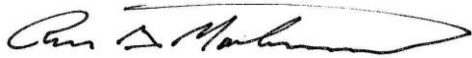
The estimate of market value upon completion of improvements is contingent upon the following extraordinary assumption. The item is defined as “extraordinary” per the definition contained in the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Institute. The definition of extraordinary assumption is included in this report.

Our estimate of market value of the leased fee estate assumes the lease terms will be as described in this report.

Our estimate of market value would require review and modification if it were not contingent upon the extraordinary assumption.

It has been a pleasure providing appraisal services to you. If you should have any questions regarding the derivation of market value, please feel free to contact us at your convenience.

Respectfully submitted,



Russ G. Manternach, MAI



Karen C. Olson, MAI

TABLE OF CONTENTS

TITLE PAGE
LETTER OF TRANSMITTAL

CONTENTS

SUMMARY OF SALIENT DATA..... 1
ASSUMPTIONS AND LIMITING CONDITIONS 6
ASSIGNMENT AND METHODOLOGY..... 9
AMES AREA AND CITY DATA 10
LOCATION MAP 13
AERIAL PHOTOS 14
PLAT MAP..... 16
FLOOD MAP 17
SUBJECT PHOTOGRAPHS 19
SITE DESCRIPTION 29
DESCRIPTION OF IMPROVEMENTS 31
HIGHEST AND BEST USE 34
LAND VALUATION..... 36
VALUATION - REVERSION..... 39
COST APPROACH - REVERSION..... 39
SALES COMPARISON APPROACH - REVERSION 44
INCOME APPROACH - REVERSION..... 49
RECONCILIATION REVERSION 56
**DISCOUNTED CASH FLOW – LEASED FEE ESTATE (CITY OF AMES
INTEREST)..... 57**
RECONCILIATION AND FINAL ESTIMATE 62
CERTIFICATIONS 63

ADDENDUM

COMPARABLE LAND SALES AND MAP
COMPARABLE IMPROVED SALES AND MAP
DEFINITIONS
APPRAISER STATE CERTIFICATIONS
QUALIFICATIONS OF THE APPRAISERS

SUMMARY OF SALIENT DATA

Property Identification

The subject property consists of a 12.75-acre site improved with a 101,447 square foot warehouse building, a 15,120 square foot hangar building and associated site improvements. A legal description for the property per the recorded assignment of the ground lease is as follows:

Tract "A", described as part of the Southeast Quarter (SE¼) of Section Fifteen (15), Township Eighty-three (83) North, Range Twenty-four (24) West of the 5th P.M. in the City of Ames, Story County, Iowa, more particularly described as follows: Commencing at the South Quarter corner of said Section 15; thence N00°04'25"E, 73.61 feet along the west line of the Southeast Quarter (SE¼) of said Section 15; thence N89°55'48"E, 770.62 feet to the point of beginning; thence N00°04'18"W, 417.93 feet; thence S89°57'03"W, 89.96 feet; thence N00°04'18"W, 255.12 feet, thence N89°55'41"E, 612.47 feet; thence S43°48'04"E, 326.38 feet; thence N89°54'57"E, 126.80 feet; thence S00°03'48"E, 437.29 feet; thence S89°55'48"W, 874.46 feet to the point of beginning, containing 12.75 acres.

The property address is 3100 South Riverside Drive, Ames, Iowa.

Ownership and Sales History

According to public records, the owners are the City of Ames and Mulmac, LLC. The City of Ames owns the underlying land.

According to an Assignment of Tenant's Interest in Ground Lease recorded in Book 2007, Page 4344 in the Story County Recorder's Office on April 4, 2007, the lessee of the land transferred from Dayton Park, LLC to Mulmac, LLC.

We are unaware of any transfers of ownership within the past three years. The property is not listed for sale.

Subject Land Lease

Mulmac, LLC leases the entire subject property via a land lease from the City of Ames. The land was originally leased to Vantage Enterprises, LLC via a lease dated May 27, 1997. A copy of the lease has been retained in our files. The lease commenced on July 1, 1997 between The City of Ames (lessor) and Vantage Enterprises, LLC (lessee). The lease was assigned to Mulmac, LLC on April 4, 2007.

The initial lease term was for 10 years with 8, 5-year options through June 30, 2047. There are approximately 28 years remaining on the lease, if all of the options are exercised. The

land lease will be discussed further in a separate section of this report. A copy of the lease has been retained in our files.

Occupancy

The subject warehouse is owner-occupied. The storage hanger building is leased to a tenant on a month to month basis.

Assessed Valuation and Taxes

According to the Ames City Assessor’s Office, the property is identified and assessed as follows:

Land	\$732,000
Building	\$2,518,000
Total	\$3,250,000

The assessment, after considering rollbacks, is applied against a millage rate of 31.40424 per \$1,000 of assessed value to determine the gross annual tax amount.

Iowa assessment law requires County and City Assessors to maintain market value assessments. Assessors are required to establish market value assessments as of January 1 for each odd numbered year (e.g., 1999, 2001). Each year the State of Iowa performs sale ratio studies to determine whether assessments are near market value. The State can issue equalization orders in odd numbered years in August if the ratio studies indicate average assessed values are more than 5% different than market value.

Commercial and industrial properties have a rollback of 90%. There is also a business property tax credit for commercial and industrial properties. The tax credit increases the rollback of the first approximately \$33,000 from 90% to the current residential rollback. Therefore, depending on the total assessed value, the business property tax credit varies.

Purpose and Use of the Appraisal

The purpose of the appraisal is to estimate the market value of the leased fee estate (City of Ames Interest) in the property as of our date of inspection. The appraisal is to be used for ownership analysis and to assist in determining a potential sale price. The intended users are the City of Ames and the Federal Aviation Administration (FAA). It is not to be relied upon by any third parties.

Scope of Work

To complete this appraisal assignment, the appraisers

- Developed an opinion of value for the leased fee estate (City of Ames Interest) in the property as of March 15, 2019;
- inspected the interior and exterior of the subject property;
- reviewed assessment records;
- reviewed the land lease for the subject property;

- gathered information on comparable land sales, comparable lease data, capitalization and yield rates;
- confirmed all comparable sales with at least one of the parties to the transaction. A portion of the sales were available to us from recent assignments involving similar property types;
- analyzed the data and applied the land sales comparison approach, a cost approach, sales approach, an income approach and a discounted cash flow.

Report Option

This report is a Summary Appraisal Report in accordance with Standards Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice* (USPAP). As such, it presents sufficient information to enable the client and other intended users, as identified, to understand it properly.

Ownership Interest Valued

Leased Fee Estate (City of Ames Interest), subject to easements and restrictions of record.

Definitions

Market Value is defined by the federal financial institutions regulatory agencies as follows:

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

- (1) buyer and seller are typically motivated;
- (2) both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) a reasonable time is allowed for exposure in the open market;
- (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements compatible thereto; and
- (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associates with the sale.”

(Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, subpart C-appraisals, 34.42 Definitions (f).)

According to *The Appraisal of Real Estate*, Twelfth Edition (Appraisal Institute, 2001), the term fee simple estate is defined as follows.

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

Leased Fee Estate: An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.

The definition of other selected terms is included in the addendum.

Date of Inspection, Data Collection and Valuation

The property was inspected on March 15, 2019 by Karen C. Olson. Russ G. Manternach did not inspect the subject property. The estimate of value is effective as of March 15, 2019.

Fixtures and Equipment

This appraisal assignment does not consider any fixtures and equipment. Only the real estate has been considered.

Valuation Conclusion – March 15, 2019

Leased Fee Estate (City of Ames Interest)	\$ 1,420,000.
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The estimate of market value upon completion of improvements is contingent upon the following extraordinary assumption. The item is defined as “extraordinary” per the definition contained in the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Institute. The definition of extraordinary assumption is included in this report.

Our estimate of market value of the leased fee estate assumes the lease terms will be as described in this report.

Our estimate of market value would require review and modification if it were not contingent upon the extraordinary assumption.

Exposure Period

Exposure is defined, as 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; it is a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal.

Based upon comparable sales and our judgment, we estimate an exposure time of 6 to 12 months.

Appraiser Competency

Karen C. Olson prepared the analysis and valuation conclusions for this appraisal. Russ G. Manternach provided consultation and review assistance. The appraisers are Certified General Real Property Appraisers by the State of Iowa and also hold the professional designation of MAI from the Appraisal Institute. Refer to the Qualifications of the Appraisers in the

Addendum for additional information. The appraisers have performed numerous appraisals on properties similar to the subject of this report.

ASSUMPTIONS AND LIMITING CONDITIONS

The estimate of market value upon completion of improvements is contingent upon the following extraordinary assumption. The item is defined as “extraordinary” per the definition contained in the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Institute. The definition of extraordinary assumption is included in this report.

Our estimate of market value of the leased fee estate assumes the lease terms will be as described in this report.

Our estimate of market value would require review and modification if it were not contingent upon the extraordinary assumption.

We are appraising the property assuming it does not suffer from soil or groundwater contamination. Our estimate of market value, and other findings presented in this report, is contingent upon this assumption.

The date of value to which the opinions expressed in this report apply is set forth in the letter of transmittal. We assume no responsibility for economic or physical factors occurring at some later date which may affect the opinions stated herein.

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 estimating the value of the property.

No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.

No opinion as to title is rendered. Data on ownership and the legal description were obtained from sources generally considered reliable. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements, and restrictions except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.

No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and areas were taken from sources considered reliable. No encroachment of real property improvements is assumed to exist, unless otherwise stated.

The maps, plats, and exhibits included are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered surveys or relied upon for any other purpose.

No opinion is expressed as to the value of subsurface oil, gas, or mineral rights. The property is not subject to surface entry for the exploration or removal of such materials except as is expressly stated.

Because no title report was made available to the appraiser, I assume no responsibility for such items of record not disclosed by our normal investigation.

No detailed soil studies covering the subject property were available for my use. Therefore, premises as to soil qualities employed in this report are not conclusive but have been considered consistent with information available. It is assumed that the site would support those improvements that represent the highest and best use.

Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute, the American Society of Appraisers, and the Uniform Standards of Professional Appraisal Practice.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or to the MAI or RM designation or the SREA, SRPA or SRA designations, the American Society of Appraisers or their members) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval of the undersigned. This consent and approval does not apply to Governmental Agencies who disclose appraisals and appraised values through their normal business functions.

We have inspected the subject property and found no obvious evidence of structural deficiencies except as stated in this report. However, no responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes can be assumed without provision of specific professional or governmental inspections.

Because no termite inspection report was available, we assume no termite damage or infestation unless so stated.

Because no asbestos inspection report was made available to the appraiser, we assume no responsibility for such materials or like items that would require specialized knowledge or investigation beyond that ordinarily employed by real estate appraisers.

Unless stated otherwise, we did not observe and are not aware of the existence of hazardous or toxic materials or wastes at subject property. The existence of such materials may have an affect on the estimate of value. The client should retain an expert in these fields, if desired.

Testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal unless such arrangements are made a reasonable time in advance.

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

It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.

No consideration has been given in this appraisal to personal property located on the premises, or to the cost of moving or relocating such personal property, except noted otherwise. Only the real property has been considered.

The appraiser is not an environmental inspector. The appraisal does not guarantee that the property is free of defects or environmental problems. The appraiser performs an inspection of visible and accessible areas only. Mold may be present in areas the appraiser cannot see. A professional environmental inspection is recommended.

ASSIGNMENT AND METHODOLOGY

Assignment

The purpose of the appraisal is to estimate the market value of the leased fee estate (City of Ames Interest) in the property as of our date of inspection.

Methodology and Process

To complete this appraisal, we inspected the property and researched the market for data. The estimate of market value has been derived after consideration of the cost, sales comparison and income capitalization approaches.

The appraisal procedure is an orderly process in which the data is collected and analyzed to estimate the market value of the subject property. The first step in the appraisal process is to define the appraisal problem, i.e., identification of the real estate, the effective date of the value estimate, the value rights being appraised, and the type of valuation sought.

Once this has been accomplished, the property is inspected and data from the market is collected and analyzed on factors that affect the market value of the property. These factors include analysis of the regional and city data, neighborhood data, site and improvement data, highest and best use analysis, and application of the three approaches to value, if applicable.

The three approaches to value include the cost, sales comparison, and income capitalization approach. Each one is described in more detail prior to its development.

After the approaches have been completed, the final step is the reconciliation. In the reconciliation process, we will consider the strengths and weaknesses of each approach and conclude a final estimate of value.

AMES AREA AND CITY DATA

General

Ames is located in Story County in the central portion of the State of Iowa. The city is best known as the home of Iowa State University (ISU). ISU is one of the three main components of the Iowa university system, which also includes the University of Northern Iowa at Cedar Falls and the University of Iowa at Iowa City. ISU has a student population of approximately 35,500 students. The university has been a stabilizing factor and has allowed growth in Ames during the past few decades.

Location

Ames is located in the northwest quadrant of the intersection of Interstate #35 and U.S. Highway #30. The City is approximately 35 miles north of Des Moines, 340 miles west of Chicago, 230 miles northeast of Kansas City, 210 miles south of Minneapolis, and 170 miles east of Omaha.

Population

The table below is a summary of the Ames and Story County populations:

Population	1980	1990	2000	2010
City of Ames	45,775	47,198	50,731	58,965
Story County	72,326	74,252	79,981	89,542
Iowa	2,913,808	2,776,831	2,926,324	3,046,355
Population Change	1980	1990	2000	2010
City of Ames		3.1%	7.5%	16.2%
Story County		2.7%	7.7%	12.0%
Iowa		-4.7%	5.4%	4.1%

Source: U.S. Census Bureau

Both the City of Ames and Story County have shown population increases over each of the last three decades, with the largest percentage increase over the past 10 years. There has been a general population shift in Iowa from rural areas to larger Metropolitan areas and to the main university cities of Ames and Iowa City.

Housing Starts

The following table is a summary of the housing starts over the past several years.

Housing Starts				
Year	1-Family	2-Family	Multi Family	Total Units
2005	241	0	561	802
2006	161	0	272	433
2007	127	0	133	260
2008	67	0	201	268
2009	61	0	0	61
2010	58	0	95	153
2011	58	0	19	77
2012	70	0	279	349
2013	126	0	286	412
2014	89	0	446	535
2015	89	0	359	448
2016	105	0	459	564
2017	125	0	625	750
5 year Average	107	0	435	542
10 year Average	85	0	277	362

Source: Ames Building Department & US Census Bureau

This data does not include any units constructed by Iowa State University.

Employment

There are several major employers within the City of Ames. These include Iowa State University with approximately 13,000 employees; Mary Greeley Medical Center with approximately 1,400 employees, the Iowa Department of Transportation with approximately 1,200 employees, McFarland Clinic at 850 employees, and the City of Ames has approximately 500 employees.

Iowa State University

Iowa State University is the main factor that attracts people to the Ames area both for long-term and transient residency. University student population over the past several years is summarized as follows:

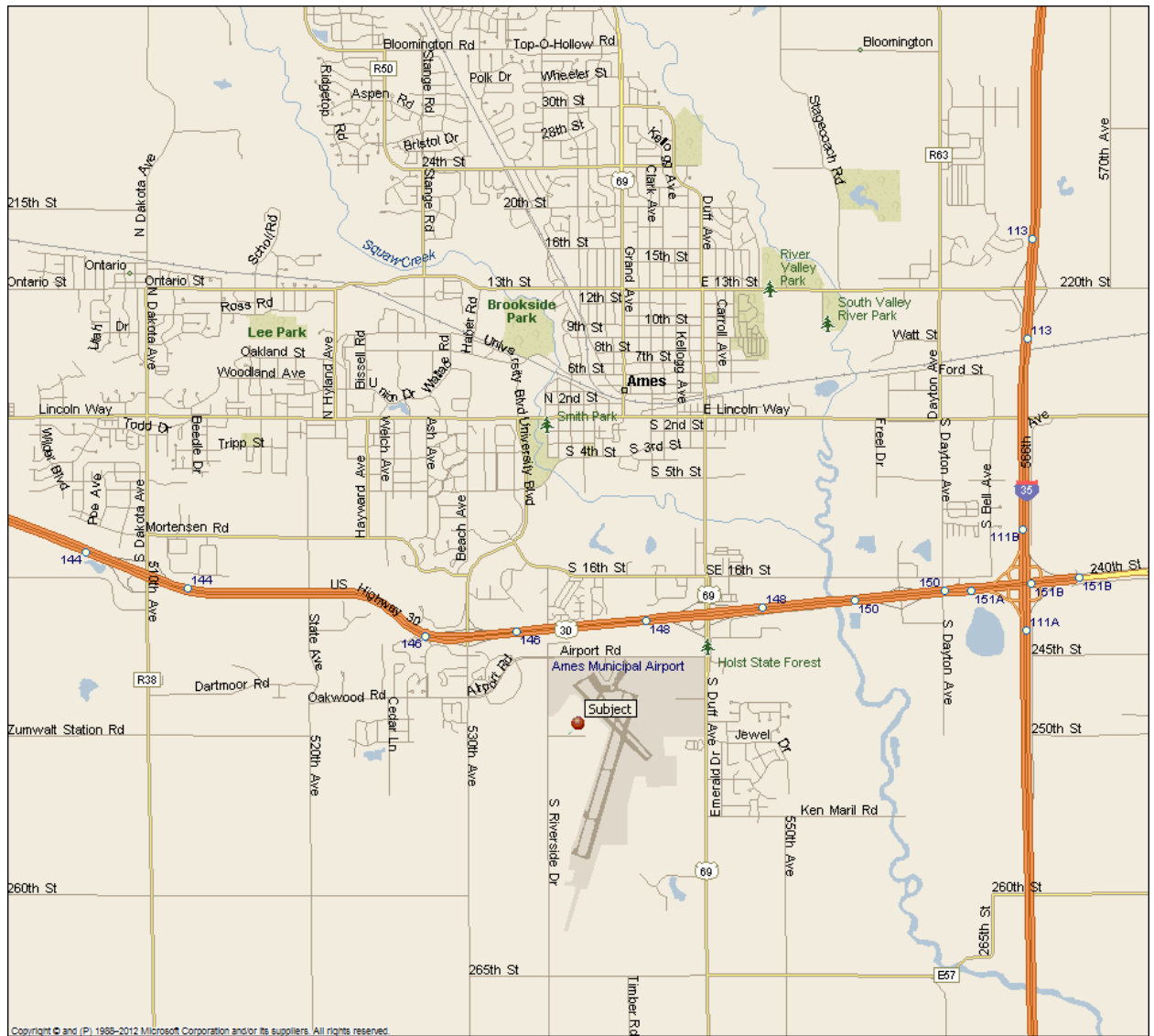
Enrollment Period	Total # of Students	% Change
Fall 2001	27,823	3.60%
Fall 2002	27,898	0.30%
Fall 2003	27,380	-1.90%
Fall 2004	26,380	-3.70%
Fall 2005	25,741	-2.40%
Fall 2006	25,462	-1.10%
Fall 2007	26,160	2.70%
Fall 2008	26,856	2.70%
Fall 2009	27,945	4.10%
Fall 2010	28,682	2.60%
Fall 2011	29,887	4.20%
Fall 2012	31,040	3.90%
Fall 2013	33,241	7.10%
Fall 2014	34,732	4.50%
Fall 2015	36,001	3.70%
Fall 2016	36,660	1.83%
Fall 2017	36,321	-0.01%
Fall 2018	35,443	-2.42%

Aside from the most recent two years, the University population has been steadily increasing during the past 10 years. There are no current programs or political plans, which would cause general changes to the student populations, and student enrollment should remain relatively stable into the long-term future.

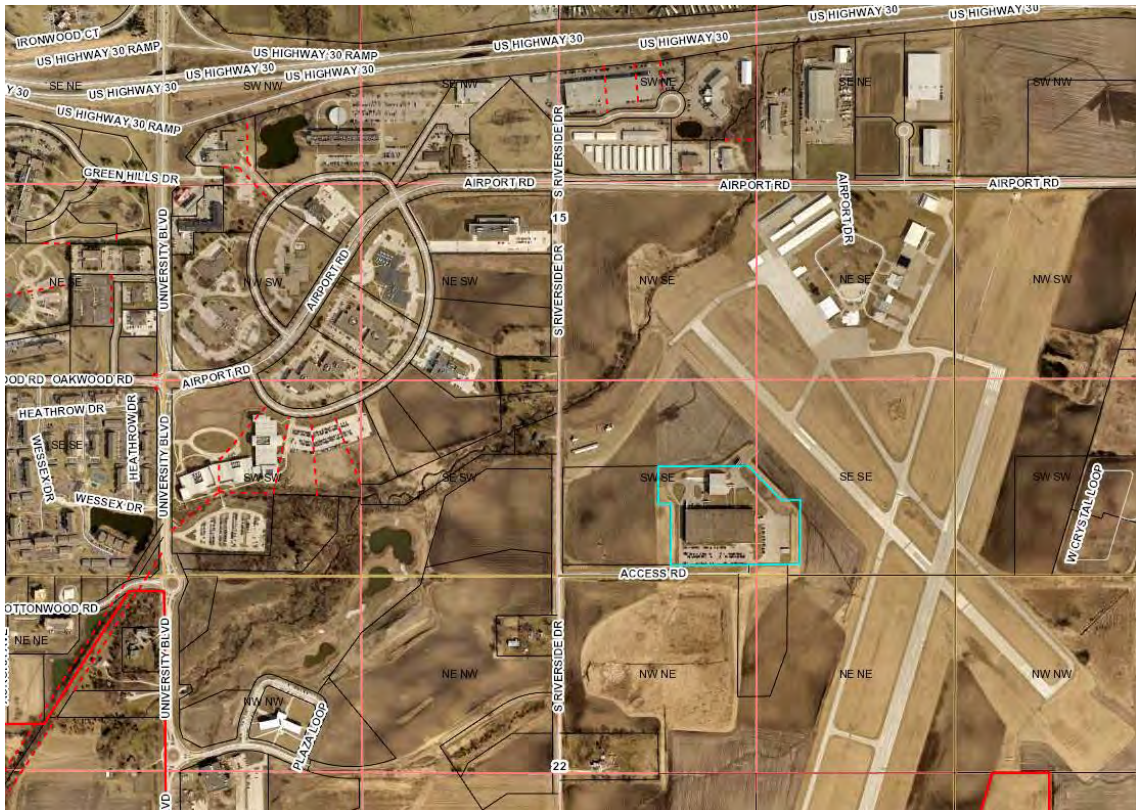
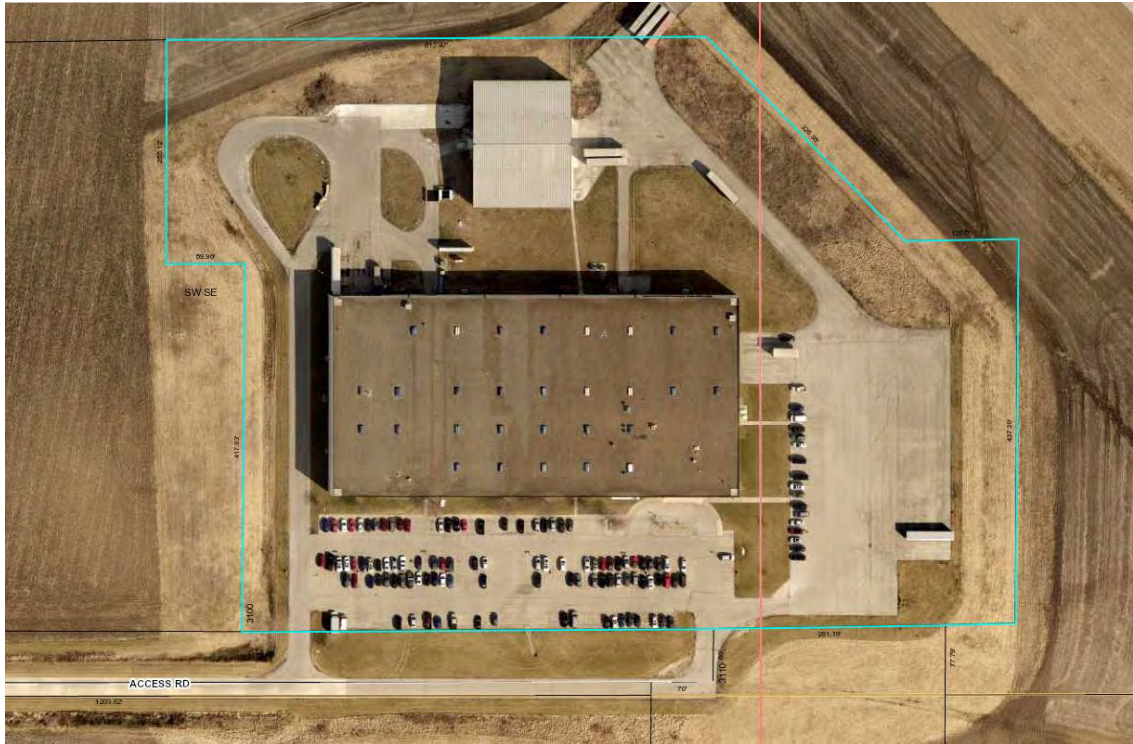
Conclusion

The Ames community has experienced growth in population and in other economic categories during the last two decades. This growth has outpaced most other similar sized Iowa communities. The growth is largely attributable to the stabilizing influences of Iowa State University. The City of Ames should continue to see moderate population growth and experience continued economic growth similar to many of the larger metropolitan areas in the state.

LOCATION MAP



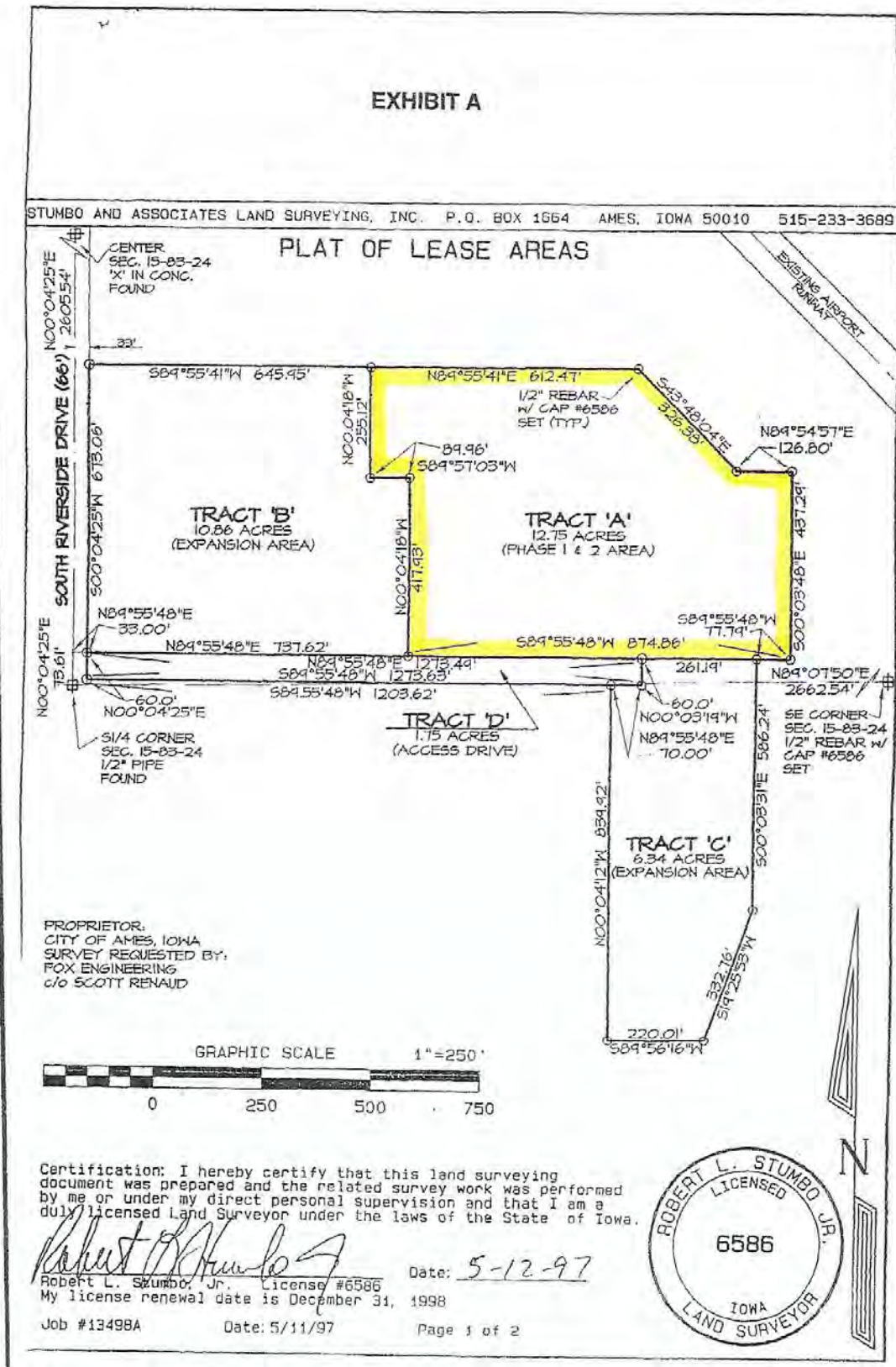
AERIAL PHOTOS



AERIAL PHOTOS – Google Maps












PLAT MAP



FLOOD MAP

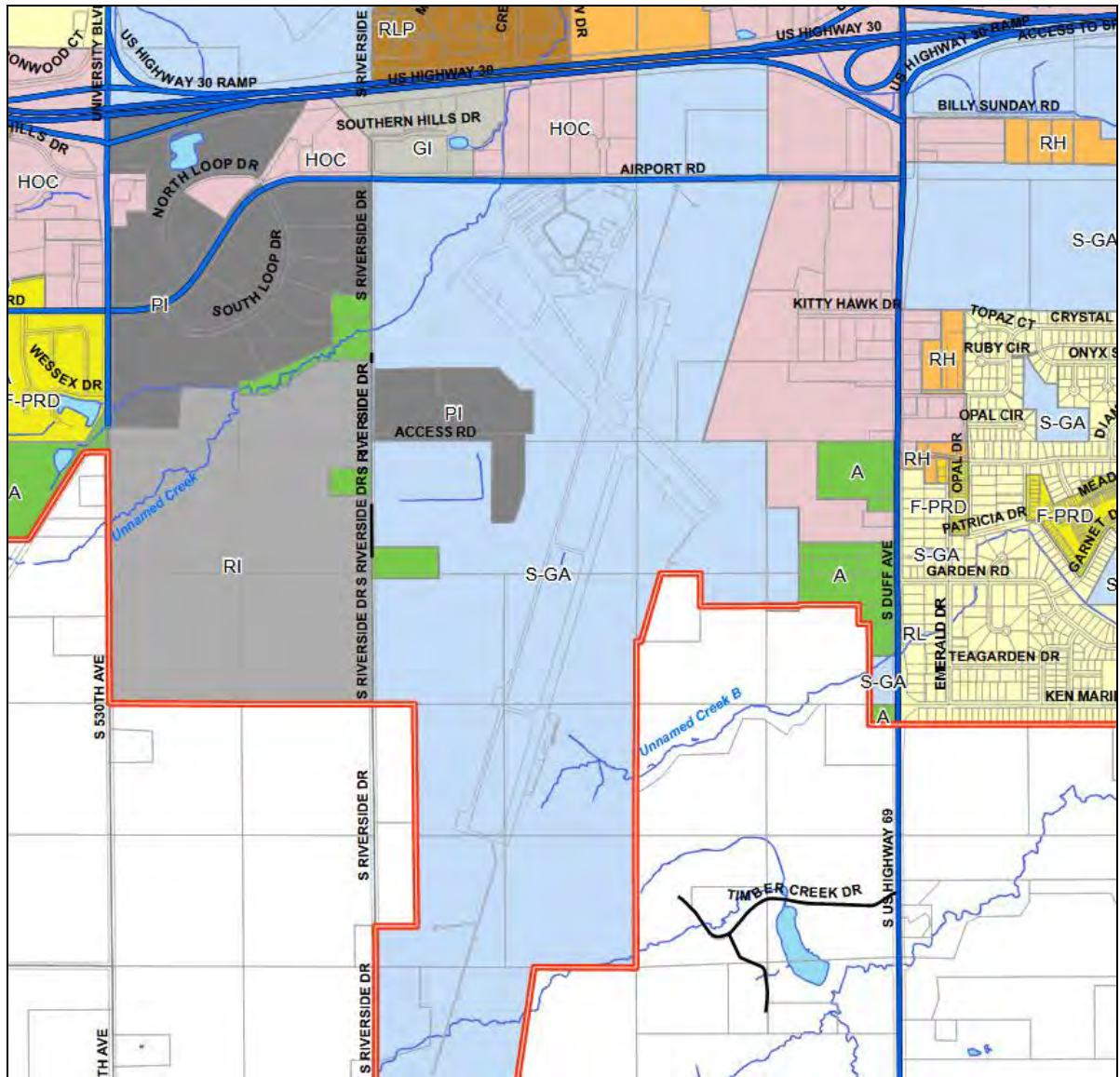


MAP DESCRIPTION

-  A-1 1 PCT ANNUAL CHANCE
-  AE-1 1 PCT ANNUAL CHANCE
-  AE- FLOODWAY
-  AO, RIVERINE
-  AH, RIVERINE
-  0.2 PCT ANNUAL CHANCE, RIVERINE
-  0.2 PCT ANNUAL CHANCE, PROTECTED BY LEVEE
-  X AREA OF SPECIAL CONSIDERATION, RIVERINE
-  X AREA OF SPECIAL CONSIDERATION, PROTECTED BY LEVEE

Story

ZONING MAP In Vicinity of Subject Property



SUBJECT PHOTOGRAPHS



Looking Northeast at Subject Property



Southeast Building Elevation - Warehouse

SUBJECT PHOTOGRAPHS



Northwest Building Elevation - Warehouse



Southeast Building Elevation – Storage Hangar

SUBJECT PHOTOGRAPHS



Typical Interior View



Typical Interior View

SUBJECT PHOTOGRAPHS

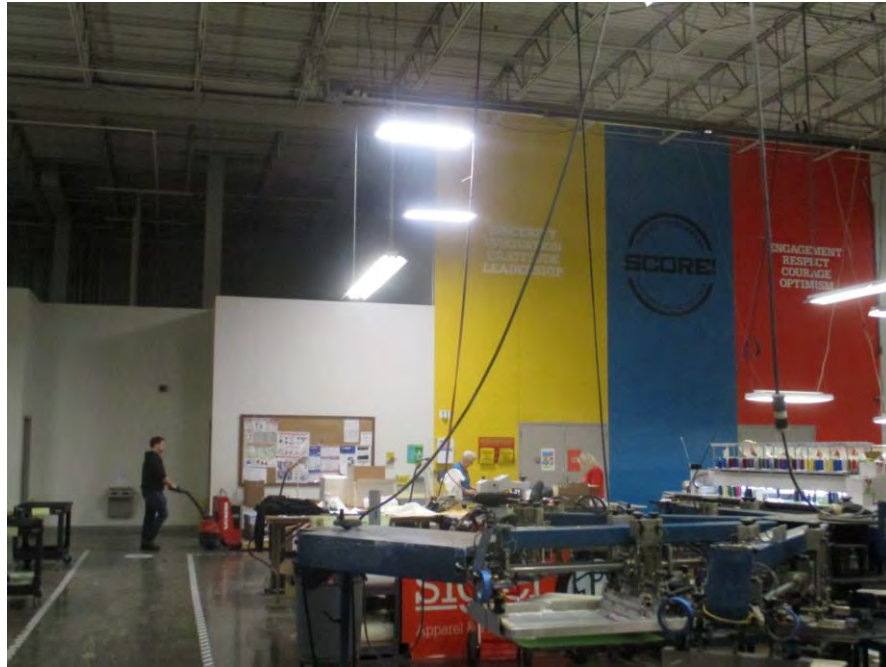


Typical Interior View



Typical Interior View

SUBJECT PHOTOGRAPHS



Typical Interior View



Typical Interior View

SUBJECT PHOTOGRAPHS



Typical Interior View



Typical Interior View

STREET SCENES

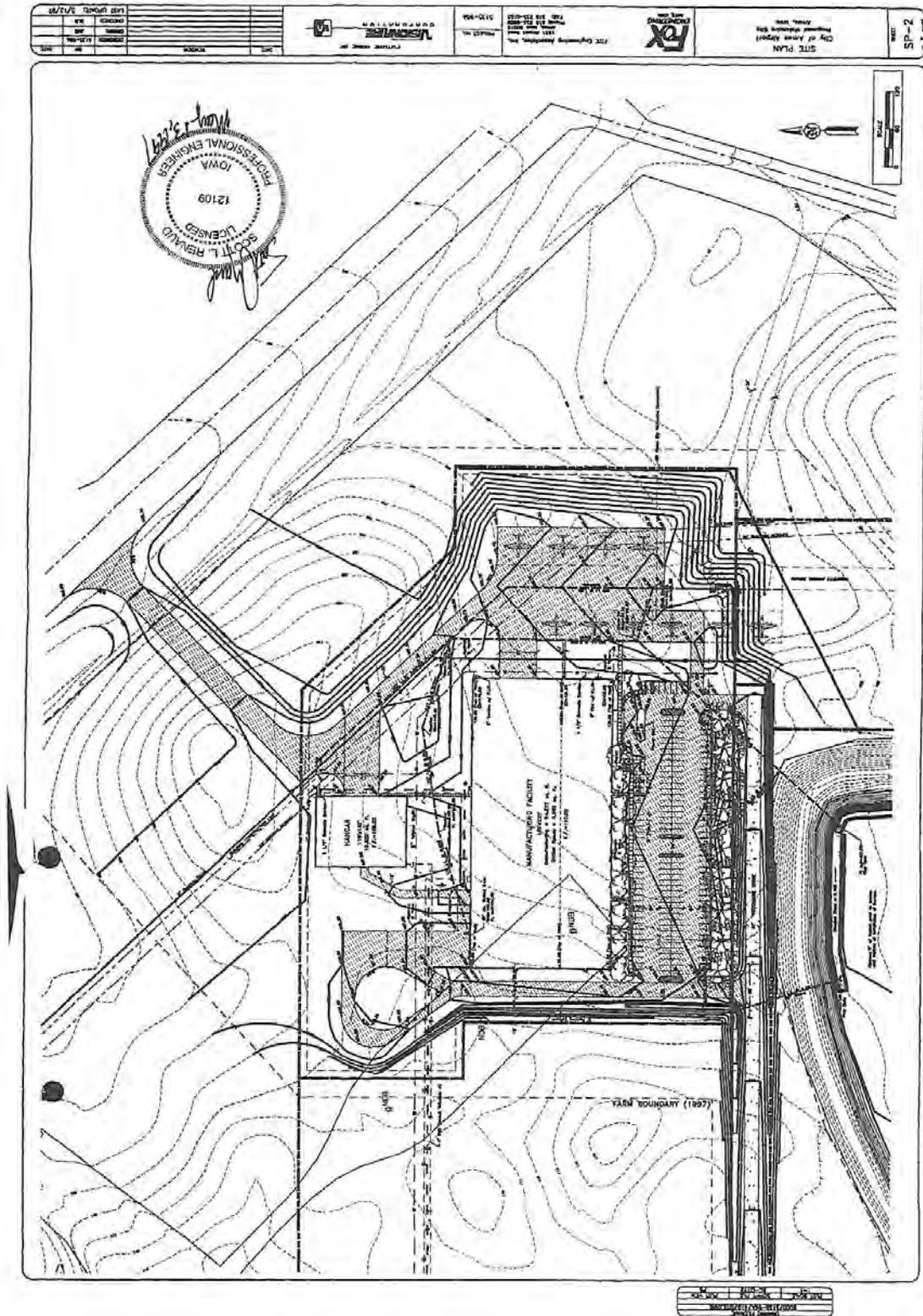


Looking South Along Riverside Drive

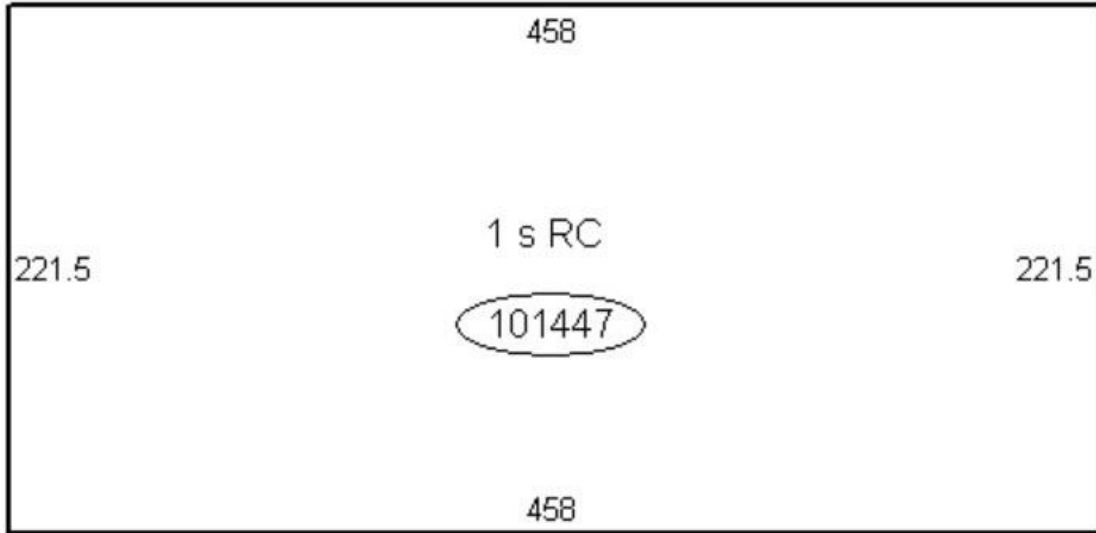


Looking East Along Access Road

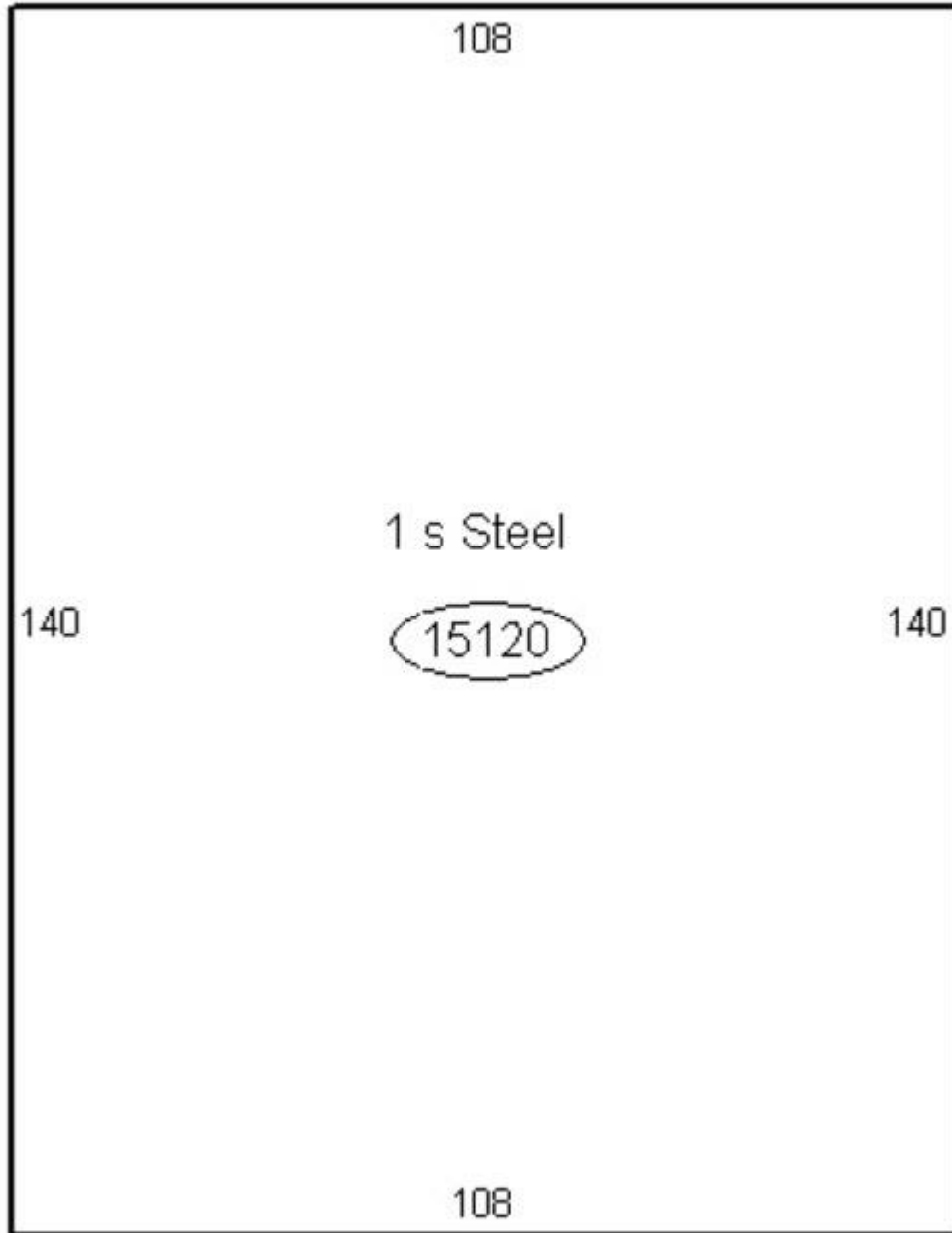
SITE PLAN



ASSESSOR'S BUILDING SKETCH – Warehouse Building



ASSESSOR'S BUILDING SKETCH - Hangar Building



SITE DESCRIPTION

General

The site is an irregular shaped tract of land located east of South Riverside Drive along an east/west access road in Ames, Iowa. The property is located adjacent to the Ames Municipal Airport.

Size

The land area is 12.75 acres. This is based upon public assessment records and a plat map.

Frontage/Streets

The site has approximately 610 front feet along an access road to South Riverside Drive. South Riverside Drive is a two-way, two-lane paved street aligned in a north/south direction. The street pavement ends just south of the subject site.

Boundaries

The site is bounded on the north, south, east and west by the Ames Municipal Airport and associated city-owned land. An addition to the Iowa State Research Park is planned to the west of the subject property across Riverside Drive.

Flood Hazard Area

According to the Flood Insurance Rate Map, the site is not located in a designated 100-year flood hazard area.

Topography

The site is relatively level and located near street grade.

Easements & Encroachments

We assume there is an ingress/egress easement located along the access drive which extends from Riverside Drive. The easement allows access to the subject parcel.

We are unaware of any other easements that would adversely affect the value of the site. During our inspection, we did not note any encroachments.

Utilities

All utilities and city services are available to the site.

Soils

We have performed no soil analysis. It is assumed the site would support those uses deemed to be the highest and best use of the land.

Zoning

The site is zoned PI, Planned Industrial Zone, by the City of Ames. The PI district is intended to "be applied to those areas where there is a need to provide a desirable industrial envi-

ronment. It is also intended to accommodate large-scale industrial uses; promote a clustered and integrated development in a park-like setting, and locate such developments near limited-access highways, air transportation or the Research Park.”

DESCRIPTION OF IMPROVEMENTS

General

The site is improved with a 107,037 square foot warehouse building, a 15,120 square foot storage hangar and associated site improvements. The building areas are summarized in the following table:

Gross Building Areas						
	Main Level	Finished	Gross	Percent	Whse	Year
	Area (SF)	Mezz (SF)	Building Area (SF)	%	Wall Height (Ft)	Built
Office	6,880	5,590	12,470	12%	-	1998
Breakroom/Restroom Finish	4,060	0	4,060	4%		
Warehouse	90,507	0	90,507	85%	28'	1998
Total Warehouse	101,447	5,590	107,037	100%		
Storage Hangar	15,120	0	15,120		29'	1999
Total Building Area	116,567		122,157		28'-29'	1998-1999

The front office area is two stories with an open atrium that includes stairs and an elevator. The breakroom, bathrooms and other finished areas are located in the southwest corner of the warehouse area. The finished areas shown in the table above are based on the appraiser's estimates. The total finished area is 16,530 square feet or approximately 15% of the gross warehouse building area.

We did not inspect the interior of the storage hangar building. According to the facilities manager, the building has exposed frame walls and ceiling and does not have any interior finishes. The building is heated.

DETAILED DESCRIPTION OF BUILDING - Warehouse

Foundation

The footings and foundation walls are poured and reinforced concrete. No settlement was noted during our inspection.

Floor Structure

The floor structure consists of poured and reinforced concrete over granular fill.

Framing and Exterior Walls

The building has a steel frame. The exterior walls are tilt-up concrete panels. The building clear height is approximately 28 feet. Typical interior column spacing is 50' x 60'.

Roof

The building has a flat roof that consists of a rubber membrane over rigid insulation and a metal roof deck.

Windows and Doors

The front entrance doors and windows are insulated double-pane storefront glass in metal frames.

The building has six overhead doors and a large overhead airplane hangar door.

Interior Finishes

The warehouse area consists of sealed concrete floors, painted perimeter walls, and exposed structure ceiling.

The building contains approximately 10,940 square feet of demised finished area used for offices, breakrooms, and restrooms. The building also contains approximately 5,600 square feet of office mezzanine area.

Plumbing

The building has six restrooms.

The building has a wet sprinkler system.

Mechanical Equipment

The office areas are heated and cooled with forced-air HVAC equipment. The warehouse area is heated by radiant heaters and cooled with air-handlers.

The building appears to have ample electrical service.

The front office area has a two-stop elevator.

Floor Plan and Utility

The floor plan and utility is functional and typical for industrial and warehouse use.

Quality, Age, Condition and Remaining Economic Life

The building is an average quality industrial building. It was constructed in 1998, which indicates a chronological age of 21 years. The building is in above average condition for its age and we estimate the effective age to be 15 years. The building has an economic life new, as published by the *Marshall Valuation Service*, of 45 years. This indicates a remaining economic life of 30 years.

No significant deferred maintenance was noted during our inspection.

Additional Buildings

The property also includes a 15,120 square foot storage hangar that according to assessment records was built in 1999. The building has a steel frame with metal walls and roof. The exterior wall height is 29 feet. The building has a large bi-fold airport hangar door and other overhead dock height doors. The building is heated but does not have any interior finish. The building is suitable for additional storage use.

Fixtures and Equipment

This appraisal assignment does not consider any fixtures and equipment. Only the real estate has been considered.

Site Improvements

The site is improved with approximately 220,000 square feet of concrete pavement for parking and drives.

HIGHEST AND BEST USE

This section seeks to determine the most profitable use of the subject land, as if it were vacant, as well as the improved property. According to *The Dictionary of Real Estate Appraisal*, Fifth Addition (Appraisal Institute, 2010), highest and best use is defined as follows:

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

HIGHEST AND BEST USE – VACANT SITE

Physically Possible

The site area is 12.75 acres. With its topography and access to a paved street, the site has many physically possible uses. Although we have conducted no soil tests, it is assumed the site would support those improvements that represent the highest and best use. It does not appear the physical aspects of the site would significantly prohibit the construction of any improvements, within the confines of its size.

Legally Permissible

The highest and best use of the site must also be legally permissible. Private deed restrictions and municipal restrictions of zoning are the most common considerations. To our knowledge, there are no private deed restrictions on this property that negatively affect value.

The site is zoned PI, Planned Industrial Zone, by the City of Ames. This zoning is intended for industrial uses.

Financially Feasible

Of those physically possible and legally permissible uses, we must determine which are financially feasible. Specifically, which uses are likely to produce an income or return equal to or greater than the amount needed to satisfy operating expenses, financial obligations and capital amortization. All uses that are expected to produce a positive return are regarded as financially feasible.

The subject property is located adjacent to the Ames Municipal Airport. The neighborhood is primarily improved with industrial and office properties. Most industrial uses are considered to be financially feasible.

Maximally Productive - Highest and Best Use

Of the financially feasible uses, the use that provides the highest price or value is the highest and best use. The highest and best use of the site, if vacant, is for industrial use.

HIGHEST AND BEST USE - AS IMPROVED

The highest and best use of an improved property is that reasonably probable and legally permissible use which is physically possible, appropriately supported, financially feasible, and results in the highest value of the improvements.

The site is improved with a 107,037 square foot warehouse building, a 15,120 storage hangar and associated site improvements. The buildings have a lengthy remaining life and contribute value to the site. The highest and best use is for continued industrial use.

LAND VALUATION, ASSUMING VACANT

The essence of the land valuation section is to discover what competitive properties have sold for recently in the local market, and after an appropriate adjustment process, to develop indications of what they would have sold for if they possessed all of the physical and economic characteristics of the subject site.

Although the subject property is improved, the land value must be estimated based upon its highest and best use as though vacant and available for development. According to *The Appraisal of Real Estate*, Twelfth Edition (Appraisal Institute, 2001), this is because “land is said to *have value*, while improvements *contribute to value*.”

We researched the market for sales that could provide good indications of value. Of the sales located, we have analyzed five comparable land sales. The most consistent indicator of value is the sale price per square foot and adjustments have been made on this basis. The sales are summarized in the following table. Detailed information concerning the sales is included in the addendum.

Comparable Land Sales

Sale	Location	Size Sq.Ft.	Sale Date	Price	Price/ Sq.Ft.	Grantor	Grantee
1	1600 Blue Sky Blvd, Huxley	284,882	05/20/17	\$ 375,000	\$ 1.32	Interstate Land	Two Companies
2	1520 Blue Sky Blvd, Huxley	217,800	12/11/15	\$ 250,000	\$ 1.15	Interstate Land	Diamond W Two
3	2825 Wakefield Cir, Ames	288,730	08/24/17	\$ 680,721	\$ 2.36	Woodruff Constr.	Badger Invest
4	707 Airport Rd, Ames	503,906	04/25/13	\$1,260,000	\$ 2.50	Markey Trust	Am Commercial
5	SE Corporate Woods Dr, Ankeny	896,984	11/08/18	\$1,450,000	\$ 1.62	D. Gallion	Ruan Transport
Subject		555,400					

The Land Sales Comparison Adjustment table follows. It is a presentation of the essential data for each sale and the adjustments we deemed necessary. An adjustment greater than 1.00 indicates that the comparable sale is inferior to the subject property in that regard. Conversely, an adjustment less than 1.00 demonstrates that the sale is superior to the subject.

LAND SALES COMPARISON ADJUSTMENT TABLE

Sale	Date	Area Sq.Ft.	Price /SF	Rights/ Cash/ Cond.	Mrkt Cond.	Adjstd Price/ Sq.Ft.	Loc.	Size/ Size	Togog/ Flood	Zone	Other	Net Adj.	Indic. Sq.Ft. Value
1	05/20/17	284,882	\$1.32	1.00	1.04	\$1.37	1.40	0.90	1.00	1.00	1.00	1.26	\$ 1.73
2	12/11/15	217,800	\$1.15	1.00	1.07	\$1.23	1.40	0.90	1.00	1.00	1.00	1.26	\$ 1.55
3	08/24/17	288,730	\$2.36	1.00	1.03	\$2.43	1.00	0.90	1.00	1.00	1.00	0.90	\$ 2.19
4	04/25/13	503,906	\$2.50	1.00	1.12	\$2.80	0.80	0.90	1.05	0.90	1.00	0.68	\$ 1.91
5	11/08/18	896,984	\$1.62	1.02	1.01	\$1.67	0.95	1.05	1.00	1.00	1.00	1.00	\$ 1.67
Subj.	03/15/19	555,400											

Justifications for Adjustments

Property Rights Conveyed - The adjustment most often required for property rights conveyed is for the existence of a leasehold position. This adjustment reflects the impact of leases on property value when contract rents differ from market rents. This category can also consider adjustments necessitated if the subject or comparable property is subject to easements that have negative impacts towards value beyond typical boundary related easements, unless separately adjusted in a following category.

Sale #5 was adjusted upward for being encumbered with an overhead powerline easement covering approximately 5% of the site.

Cash Equivalency - If a comparable sale occurred under conditions other than cash to the seller, then a cash equivalency adjustment may be necessary. No adjustments were necessary for cash equivalency.

Conditions of Sale - This adjustment considers buyer or seller motivation. Conditions of sale may include desperation exchanges, tax ramifications, reinvestment or condemnation money, assemblage, non-arm's length transactions, and other situations. No adjustments were necessary for this category.

Market Conditions – Adjustments are made in this category to reflect the increase or decrease in property values between the date of comparable sale and valuation of the subject property.

Demand for industrial land has been increasing over the past several years. We have applied an upward adjustment of 2% per year to the comparable sales.

Location – This category takes into consideration the location of the comparable sales in relation to the subject property. The major factors considered were access, and visibility from traffic arteries, frontage, the type and quality of development in the area, acceptance for development in that location by the market, and utilities available.

Sales #1 and #2 were adjusted upward for their inferior locations in relation to the subject property. Sales #4 and #5 was adjusted downward for their superior locations.

Size and Shape – Size adjustments were made to reflect the impact of economies of scale. As a larger tract of land is purchased, its sale price per square foot will typically decrease. An irregular shape generally decreases the utility of a site and lowers the sale price.

Sales #1, #2, and #3 were adjusted downward for their substantially smaller sizes and/or superior shape in relation to the subject site. Sale #4 has a shape that is suitable to subdivide into three separate lots with cul-de-sac frontage. This sale was adjusted downward for this factor.

Sale #5 was adjusted upward for its larger size in relation to the subject.

Topography/ Flood – Sales #4 was adjusted upward for its inferior topography in comparison to the subject property.

Zoning – Sale #4 has frontage along Highway 30 and is zoned for commercial uses. This sale was adjusted downward for its superior zoning in relation to the subject property.

The zoning of the subject property and the remaining comparable sales allow similar uses; no adjustments were needed for this category.

Other Sale Data

John Deere purchased a 5.01 acre parcel along the west side of Riverside Drive just south of the subject property on August 2, 2018 for \$338,500 or \$1.55 per square foot. The land was sold by the Iowa State University Research Park, which is a non-profit associated with Iowa State University. The seller is responsible for extending Collaboration Place along the north side of the property and paving Riverside Drive adjacent to the property. According to a representative for the seller, the relationship between the buyer and seller likely affected the sale price. Due to this factor, the sale was not included in the adjustment table. A data sheet for this sale is included in the addendum (Sale #6).

Reconciliation

After adjustments, the comparable sales indicate a value range for the subject site from \$1.55 to \$2.19 per square foot. We have given consideration to all of the sales and reconcile to a land value \$1.75 per square foot. The total indicated land value, as if vacant, as of March 15, 2019, is as follows:

$$555,400 \text{ Sq. Ft.} \times \$1.80 \text{ Per Sq. Ft.} = \$999,720$$

Rounded to **\$1,000,000.**

This is equivalent to approximately \$78,400 per acre.

VALUATION - REVERSION

In a later section of this report we will complete a discounted cash flow to estimate the market value of the leased fee estate. To assist in that analysis, we will estimate the market value of the property at the end of the lease term, which is referred to as the reversion value. In this section we will estimate the reversion value.

The subject property is leased to Mulmac, LLC via a ground lease. The original lease term expired in 2017 and the tenant has options to renew the lease agreement until 2047. Given the contributory value of the building and associated site improvements, a typical purchaser of the leased fee estate would assume the tenant would exercise all of the options. Therefore, at the end of the land lease in 2047, the building improvements will be approximately 49 years old.

In order to estimate the market value of the subject property at reversion, we have completed a cost approach, sales comparison approach and income approach for the land and improvements. We have completed the approaches disregarding inflation. After reconciling between the approaches we will apply an inflation factor for the reversion value in year 2047.

COST APPROACH - REVERSION

The cost approach to value is based on the principle of substitution. This principle affirms that no prudent buyer would pay more for a property than the cost to acquire a similar site and construct improvements of equivalent desirability and utility without undue delay. Of course, the factor of depreciation would be the difference in value between the new and old structures. The cost approach to value is estimated by the summation of the land value and the depreciated cost of the improvements.

The accuracy of the cost approach is dependent upon the information available to us in our estimates of land value, replacement cost of the improvements, and the amount of depreciation accrued to the improvements. It is generally most accurate when there is a good indication of land value from recent sales of similar land, and when the land is developed with an improvement that represents the highest and best use. When the improvements are subject to large amounts of accrued depreciation, either physical, functional or external, an accurate estimate of total accrued depreciation becomes increasingly difficult and the cost approach is weakened.

REPLACEMENT COST OF THE IMPROVEMENTS

Our cost approach will be based on data published by the *Marshall Valuation Service*. Within the building categories of the *Marshall Valuation Service*, the building is most similar to an average quality Class "C" light manufacturing structure. The Class "C" rating reflects a category within the *Marshall Valuation Service*, and not the typical "A", "B" or "C" ratings used to judge the quality or rent level of space.

The base cost will be adjusted to reflect current and local cost multipliers. In this section, we are estimating the value of the subject property at reversion, or Year 2047. For this approach, we will consider inflation in a later section of this report.

Incentive and Soft Costs

Entrepreneurial incentive reflects the return required to attract an entrepreneur to invest capital in a project, based on market expectations. It represents the degree of risk and expertise associated with the project development. Properties such as the subject are typically constructed by owner/operators for business development and profit. They are rarely constructed for real estate speculative profits. Therefore, we have not added any entrepreneurial incentive.

Soft costs include expenses for financing, bonding, legal issues, appraisal, and lease-up costs to create the first occupancy. The bonding considers the cost to the developer of obtaining a written guarantee that he or she will financially perform under their contractual obligations to the contractor. We have estimated the soft costs to be 2% of the replacement cost new of the improvements.

REPLACEMENT COST CALCULATIONS – Warehouse Building
Marshall Valuation Service

Occupancy	Light Industrial	
Building Class & Quality	Class C, Average	
Exterior Walls	Tilt-up Concrete	
Number of Stories & Avg. Height/Story	1 Story 28	
Main Level Gross Floor Area	101,447	
Total Building Perimeter	1,359	
Age and Condition (Avg. Age)	1998 Average	
Base Square Foot Cost		\$52.00
Square Foot Refinements		
Heating, Cooling, Ventilation		3.35
Sprinkler		2.10
Elevators		0.50
Other		0.00
Sub-total Square Foot Costs		57.95
Height and Size Adjustments		
Number of Stories Multiplier		1.00
Height per Story Multiplier		1.33
Floor Area Perimeter Multiplier		0.88
Combined Height and Story Multiplier		1.17
FINAL SQUARE FOOT CALCULATIONS		
Refined Square Foot Costs		67.80
Current Cost Multiplier		1.01
Local Multiplier		0.99
Final Square Foot Cost		67.79
Replacement Cost New of Improvements		
Main Level	101,447 Sq.Ft. @	\$67.79 Per Sq.Ft. is 6,877,092
Upper Level - Office	5,590 Sq.Ft. @	\$49.00 Per Sq.Ft. is 273,910
Total Repl. Cost New	107,037	\$66.81 7,151,002
Add: Entrepreneurial Incentive	0.0%	0
Add: Soft Costs	2.0%	143,020
Replacement Cost New		\$7,294,022

REPLACEMENT COST CALCULATIONS – Storage Hangar
Marshall Valuation Service

Occupancy	Storage Hangar	
Building Class & Quality	Class S	Average to Low Cost
Exterior Walls	Metal Panels	
Number of Stories & Avg. Height/Story	1 Story	29
Main Level Gross Floor Area	15,120	
Total Building Perimeter	496	
Age and Condition (Avg. Age)	1999	Average
Base Square Foot Cost		\$30.78
Square Foot Refinements		
Heating, Cooling, Ventilation		2.55
Sprinkler		0.00
Elevators		0.00
Other		0.00
	Sub-total Square Foot Costs	33.33
Height and Size Adjustments		
Number of Stories Multiplier		1.00
Height per Story Multiplier		1.35
Floor Area Perimeter Multiplier		0.97
Combined Height and Story Multiplier		1.31
FINAL SQUARE FOOT CALCULATIONS		
Refined Square Foot Costs		43.66
Current Cost Multiplier		1.01
Local Multiplier		0.99
Final Square Foot Cost		43.66
Replacement Cost New of Improvements		
Main Level	15,120 Sq.Ft. @	\$43.66 Per Sq.Ft. is 660,139
Add: Entrepreneurial Incentive	0.0%	0
Add: Soft Costs	2.0%	13,203
Replacement Cost New		\$673,342

Depreciation

The replacement cost of the buildings will be adjusted to reflect accrued depreciation. At reversion in Year 2047, the buildings will be 48 to 49 years old. The buildings will suffer from physical depreciation due to the passage of time. Physical depreciation has been estimated with the straight-line method. We have estimated an effective age of 30 to 35 years for the warehouse building. Therefore, based on an economic life new of 45 years, straight-line depreciation is estimated to be between 67% (30/45) and 78% (35/45) and reconcile to 72%.

We have estimated the effective age of the storage hangar to be 25 years versus an economic life new of 30 year. Therefore, the straight-line depreciation is estimated to be 83.3% (25/30).

The property does not appear to suffer from measurable functional and/or external obsolescence.

Site Improvements

The site improvements include pavement for drives and parking and other miscellaneous items.

Land Value

We have previously estimated the market value of the land, assuming vacant as of March 15, 2019, to be \$1,000,000.

The cost approach calculations are summarized in the following table:

COST SUMMARY						
Item	GBA			RCN	Depr	RCNLD
Warehouse Building	101,447	SF		\$7,294,022	72.0%	\$2,042,326
Storage Hangar	15,120	SF		\$673,342	83.3%	\$112,448
Total Replacement Cost New	116,567	SF		\$7,967,364	73.0%	\$2,154,774
Pavement	220,000	SF @	\$3.50/SF	\$770,000	70.0%	\$231,000
Miscellaneous						\$25,000
Land						\$1,000,000
Total						\$3,410,774
Rounded to						\$3,410,000

Reversion Valuation – Cost Approach

The total indicated value from this approach, as of June 30, 2047, prior to considering inflationary factors, is **\$3,410,000**.

SALES COMPARISON APPROACH – REVERSION

The sales comparison approach is the process in which a market value estimate is derived by analyzing the market for the sale of similar properties and comparing them to the subject property. A major premise of this approach is that the market value of a property is directly related to the price of comparable, competitive properties. The highest and best use of the subject property, as improved, is for industrial use.

We researched the market for property sales that would provide a good indication of value for the subject property. Of the sales located, three have been chosen for this analysis.

The comparable sales located represent a range of styles, size, age, and location. They are briefly summarized in the Sales Comparison Adjustment Table. Additional information on each is included in the Addendum.

An adjustment greater than 1.00 indicates that the comparable sale is inferior to the subject property in that regard. Conversely, an adjustment less than 1.00 demonstrates that the sale is superior to the subject. The table is followed by a discussion of the relevant adjustments.

SALES COMPARISON ADJUSTMENT TABLE - AT REVERSION

	Subject	Sale #1	Sale #2	Sale #3
	Data	Data	Data	Data
	Adj.	Adj.	Adj.	Adj.
Sale Price	N/A	\$1,490,000	\$2,260,000	\$16,200,000
Price/SF Building	N/A	\$23.31	\$40.00	\$39.71
Prop. Rights Conveyed	N/A	Fee Simple	Leased Fee	Fee Simple
Cash Equivalency	N/A	Typical	Typical	Typical
Conditions of Sale	N/A	Typical	Typical	Typical
Market Conditions	Mar-19	Mar-18	Apr-18	May-17
		1.02	1.02	1.04
Adjusted Sale Price	N/A	\$1,519,800	\$2,305,200	\$16,848,000
Adjusted Price / SF	N/A	\$23.77	\$40.80	\$41.30
Location	Ames	Superior	Superior	Superior
Gross Bldg. Floor Area	107,037	63,926	56,500	407,938
Age/ (average)	1998	1953	1977	2002
Condition	Average	Inferior	Superior	Superior
Quality /Design	Above Avg.	Inferior	Inferior	Similar
Percent Finish	15%	3%	17%	29%
Land SF	555,400	80,410	169,080	1,218,373
L/B Ratio	5.2	1.3	3.0	3.0
Whse Wall Height (avg)	28'	19-24	20	32
Storage Hangar(SF)	15,120	0	0	0
Hangar (%)	14%	0%	0%	0%
Other	None	None	None	None
Net Adjustment		1.40	0.93	0.70
Adjusted Price / SF		\$33.28	\$37.80	\$29.10

Justification for Adjustments - Reversion

Property Rights Conveyed – The adjustment most often required for property rights conveyed is for the existence of a leasehold position. This adjustment reflects the impact of leases on property value when contract rents differ from market rents.

The comparable sales were for the fee simple estates or had leases near market levels. No adjustments were needed or this category.

Cash Equivalency - If a comparable sale occurred under conditions other than cash to the seller, then a cash equivalency adjustment may be necessary. Each of the sales was sold for cash or with terms similar to market levels. Therefore, no adjustments were needed for this category.

Conditions of Sale - This adjustment considers buyer or seller motivation. Conditions of sale may include desperation exchanges, tax ramifications, reinvestment or condemnation money, assemblage, non-arm's length transactions, and other situations. No adjustments were necessary for this category.

Market Conditions - This adjustment is based upon the increase or decrease in property values that have occurred in the market between the date of comparable sale and valuation of the subject property. Market conditions may change due to inflation, deflation, changes in income tax laws, fluctuations in supply and demand, availability of funds, interest rate levels, changes in investors' perceptions, and other factors.

We have applied an upward market conditions adjustment of 2.0% per year to the comparable sales. In this section, we are estimating the market value of the subject property at reversion at Year 2047. We have disregarded inflation for this analysis, which will be considered in a later section of this report. Therefore, the sales have been adjusted to the date of value, March 15, 2019.

Location – The major factors considered in this category were the access and visibility from traffic arteries, type and quality of development in the immediate vicinity, acceptance for development in that location by the market, and utilities available.

All of the sales were adjusted downward for their superior locations in relation to the subject property.

Building Floor Area – This category considers the square footage of each comparable building in relation to the subject building. Typically, as the square footage increases the sale price per square foot decreases due to economies of scale. The subject and comparable buildings range from 56,500 to 407,938 square feet. Sale #2 was adjusted downward for its smaller size in relation to the subject. Sale #4 was adjusted upward for its larger size in relation to the subject property.

Age/Condition – This category takes into consideration the age and condition of the comparable sales in relation to the subject improvements. The subject property was constructed in 1997. For this analysis, we are estimating the subject property value at reversion in Year 2047. The building will be 49 years old at the date of reversion. This has been considered in our age/condition adjustments.

Sales #2 and #3 were adjusted downward for their superior age and/or condition in comparison to the subject property at reversion in Year 2047. Sale #1 was adjusted upward for its inferior age in comparison to the subject at reversion.

Quality/Design – This category considers overall construction quality, building features, and other factors. The subject property has above average construction quality with tilt up concrete walls, good mechanical and electrical. Sales #1 and #2 were adjusted upward for this factor.

Percent Finish– This category takes into consideration the percentage of finished area at the comparable sales in relation to the subject property. Typically, the higher the percentage of finished area, the higher the sale price per square foot. This category considers the office area including the finished mezzanine area.

Sale #1 was adjusted upward for its inferior percentage of finished area in relation to the subject property. Sale #3 was adjusted downward for its larger percentage of finished area.

Land to Building Ratio – Land to total floor area ratio adjustments were made to reflect the differences in land area present at each comparable sale in relation to the building area. In general, as this ratio increases, there is more land available for green space, parking, other amenities and future expansion. Adjustments were made accordingly.

Warehouse Wall Height – This category considers that higher exterior wall heights are more desirable due to more flexibility and storage space. The adjustments account for the added cost of the extra wall height and the higher cost of electrical and mechanical features. There is also an added cost for footings and foundations to support a heavier load. The warehouse wall height at the subject property is approximately 28 feet. Adjustments were made accordingly.

Storage Hangar Building – The subject property also has a 15,120 square foot storage hangar building that has no finish and 29 foot exterior wall height. All of the sales were adjusted upward for not having similar additional buildings.

Reconciliation of Values - Reversion

After adjustments, the comparable sales indicate values from approximately \$29.00 to \$38.00 per square foot of building area for the subject property. We have given consideration to all of the sales and reconcile to a value of \$32.00 per square foot. The total indicated value from this approach, as of June 30, 2047, prior to considering inflationary factors, is as follows:

Building Area	107,037	SF @	\$32.00	/SF	=	\$3,425,184
Rounded to:						\$3,430,000

INCOME APPROACH – REVERSION

Income-producing real estate has value to potential purchasers because of its capability to produce a future cash flow. This valuation approach reflects the intentions and behaviors of the investor/purchaser in the market. The value of an income-producing property is the present worth of its anticipated future benefits. One basic investment premise holds that the higher the earning power, the higher the value, provided the amount of risk remains constant. The subject is an income-producing property and, therefore, the income approach is applicable.

The estimate of value from this approach will result from a direct capitalization procedure. According to *The Appraisal of Real Estate*, Twelfth Edition (Appraisal Institute, 2001), direct capitalization is defined as a method used in the income capitalization approach to convert a single year's income expectancy into a value indication. This conversion is accomplished in one step, either by dividing the income estimate by an appropriate rate or by multiplying it by an appropriate income factor.

The first task is to estimate the potential gross income the property can achieve at 100% occupancy. The gross annual income is estimated by an analysis of the subject's current rentals, if applicable, as well as rentals at comparable properties. The next step is to estimate an allowance for vacancies and collection loss that will be deducted from the potential gross income to arrive at an effective gross income. The vacancy and collection loss is based on an analysis of vacancies at the subject property as well as those in competing properties.

The next step is to estimate the annual expenses and reserves for replacement to be deducted from the effective gross income in order to arrive at net income before debt service, depreciation and income taxes. The expenses will be estimated after analyzing historical and anticipated data for the subject property and similar properties.

The final step is to capitalize the net operating income into a value estimate using an overall capitalization rate. This overall rate provides for a return on the investment in the land and improvements and a return of the improvements in the form of recapture.

Potential Gross Income

First, we must estimate the potential gross income. In order to estimate the potential market rent for the property, we have analyzed the leases at the subject and competitive property leases.

Subject Lease Data

According to a representative for the property owner, the 15,120 square foot storage hangar building is leased to Cycle Force for \$3,500 per month on a month-to-month basis. This indicates a rent of \$2.78 per square foot. The landlord is responsible for all the expenses including the utilities, real estate taxes, insurance, repairs and maintenance expenses.

Using estimated expenses of \$1.25 per square foot, the adjusted contract rent on a triple-net basis would be \$1.53 per square foot.

Comparable Leases

The following table summarizes lease and listing data from the subject and comparable properties:

Comparable Property Leases						
Location	Area (SF)	Building Age	Lease Start	NNN Rent/SF	Percent Finish	Wall Height
14955 Truman Street, Ottumwa	352,860	1970-1998	2012	\$1.84	0%	14-21
1604 E. Anson, Marshalltown	46,128	1975-90	2012	\$2.26	2%	18-22
1401 E. Monroe St, Mt. Pleasant	102,100	1986-97	2007	\$2.73	6%	15-28
306 Thorson Ave, Waterloo	28,000	1978-85	2009	\$2.75	0%	16
Confidential, Dsm Metro	500,000	1950s R'2017	2017	\$2.95	0%	24-34
4377 112th St, Urbandale	80,000	1991	2012	\$3.17	10%	30
1701 Broad Street, Story City	405,000	1997-2001	2010	\$3.00-3.15	4%	21
4121 Dixon St, Des Moines	177,431	1977	Listing '19	\$3.25	0%	22
6000 Linn Aire Ave, Marion	131,952	1998	2010	\$3.38	5%	22
Confidential, Dsm Metro	150,000	2013	2013	\$3.50	1%	30
4141 Dixon, Des Moines	129,576	1977	2017	\$3.50	1%	23
6301 N. Gateway, Marion	90,000	2002	N/A	\$3.56	8%	20
Confidential, Dsm Metro	50,000	2013	2013	\$3.62	1%	28-33
4091 120th St, Urbandale	58,640	1999	2012	\$3.65	50%	20
500 Bell Ave, Ames	87,500-150,000	1999	Listing '19	\$3.75	0%	33
Confidential, Johnson County	250,000	2006	2009	\$3.75	3%	30
2825 E. Lincoln Way, Ames	576,476	1999-2002	Various	\$3.55-\$3.92	1%	36
3110 Prairie Valley, C. Rapids	66,000	2000	2013	\$3.95	2%	24
6000 Chavenelle, Dubuque	200,100	2009	2009	\$4.04	0%	28
Confidential, Dsm Metro	45,000	2009	2012	\$4.08	6%	30
19225 Kapp Dr, Peosta	144,093	1991-2009	2008	\$4.12	6%	20-32
1120 N. Finn, Algona	30,022	2000	2012	\$4.13	11%	24
775 Kacena Rd, Hiawatha	49,031	2000	2010	\$4.20	28%	25
2900 SW Brookside, Grimes	186,321	2013	2013	\$4.51	4%	30
5605 NW 100th, Johnston	33,460	2000	N/A	\$4.65	9%	36

The rents are on a triple net basis with the tenant responsible for most expenses, including insurance, real estate taxes, repairs/maintenance, management, and utilities.

Upon the land lease expiration in 2047, the buildings will be approximately 49 years old. The majority of the comparable leases would be adjusted downward for their superior age/condition in relation to the subject property. The leases would also be adjusted for building size and quality, location, percent finish, land-to-building ratio, and other factors. The subject rent is at the low end of the range, which is reasonable due to the building size, land to building ratio, and building age.

Market Rent Summary @ Reversion

At reversion, the building improvements will be approximately 49 years old. We estimate the market rent for the subject property to be \$2.75 per square foot for the warehouse building and \$1.25 per square foot for the storage hangar building.

The rents are on a triple net basis with the tenant responsible for most expenses, including insurance, real estate taxes, repairs/maintenance, management, and utilities.

Vacancy and Collection Loss

In order to estimate the vacancy and collection loss, we have talked with local real estate participants in the Ames market. They indicated that the vacancy for industrial and service commercial properties in the area is relatively low, near 5% to 10%. We have also viewed the comparable properties located in the Ames area and we concur with this estimate.

For this analysis, we are estimating the market value of the subject property at reversion in Year 2047. At reversion, the building improvements will be approximately 49 years old. There is uncertainty estimating the vacancy and collection loss rate 28 years into the future. We have estimated the stabilized vacancy and collection loss rate for the subject property to be 10.0% of potential gross income.

EXPENSES

The lessee will be responsible for all costs of building operation with the exception of leasing fees, structural repairs and the reserves for replacement. The expenses borne by the lessor are discussed in the following subsections. The lessor would also be responsible for taxes and insurance during times of vacancy. Therefore, the landlord will still be responsible for 10% of all relevant expenses.

Real Estate Taxes: The current assessment is \$3,250,000, which is higher than our estimate of market value at reversion. We assume the assessment would be lowered to a level near market value. We have estimated taxes using an estimated assessment of \$2,500,000 and a millage rate of 32.0 per \$1,000 of assessed value. The property owner will be responsible for 10% of the estimated expense to reflect stabilized occupancy.

Insurance: Insurance covers the cost of a fire and extended coverage policy. This expense at comparable properties has typically ranged from \$0.20 to \$0.30 per square foot of rentable building area. We have estimated this expense to be \$0.20 per square foot. The owner will incur an insurance expense during vacancy and, therefore, this expense has been estimated to be 10% of \$0.20 per square foot of building area to reflect normal occupancy.

Management: The management fees reflect the cost of a management company who would be responsible for the day-to-day management function. However, in certain instances these services will be provided by the property owner.

We have estimated market rent with the tenant being responsible for the management expenses. However, leases often have management cost caps and some management expenses cannot be passed through to the tenants. We have estimated a total management fee of 5% of effective gross income, but assuming the majority of the expense will be passed through to the tenants, we have used a 1% management fee in our reconstructed operating statement.

Leasing Commissions: The leasing commission expense reflects the cost to the lessor of a realtor or other professional to locate and secure tenants. In the local marketplace, that is generally 6% of the revenues to be received over the life of the lease. However, we acknowledge that part of the time the property owner will locate his or her own tenants. Therefore, assuming that 50% of the time the property owner locates his or her own tenants, an effective leasing commission rate of 3% of effective gross income should be adequate.

Utilities: The utility expense is the responsibility of the tenant.

Repairs and Maintenance: We are estimating market value with triple net leases whereby the tenant is responsible for most repair/maintenance expenses. The landlord will have to pay for some major maintenance items that are accounted for in the reserves for replacement expense. Therefore, we have not included an additional repair and maintenance expense in the reconstructed operating statement.

Reserves: The reserves for replacements is a sinking fund established to replace short-lived items. These components typically require replacement prior to the end of the economic life of the real estate. Items included are the pavement, HVAC equipment and roof cover.

For this analysis, we have also included a tenant improvement reserve for the office area. Upon expiration of leases, the building may be occupied without significant improvements. However, over a 20-year period the finished areas will typically need new flooring, ceiling tiles, and paint. Therefore, we have estimated a \$5.00 per square foot improvement to be incurred every 20 years. For this item, we will use a straight-line multiplier.

The reserve for replacements is estimated using a 3% safe rate. In theory, the property owner would set aside the sums shown annually which would then accrue interest at the rate of 3%. Then the funds will be available when the replacement of the component is required.

RESERVE FOR REPLACEMENTS CALCULATIONS

Item					Life (Years)	Mult.	Reserve	
Roof	116,567	SF @	\$2.00	/ SF is	\$233,134	20	0.037216	8,676
Office HVAC	16,530	SF @	\$1.50	/ SF is	\$24,795	20	0.037216	923
Whse HVAC	105,627	SF @	\$0.75	/ SF is	\$79,220	20	0.037216	2,948
Pavement	220,000	SF @	\$1.50	/ SF is	\$330,000	25	0.027428	9,051
Tenant Improv.	16,530	SF @	\$5.00	/ SF is	\$82,650	20	0.050000	4,133
Total Reserve								\$25,731

Given the previously discussed inputs, the stabilized operating statement follows:

RECONSTRUCTED OPERATING STATEMENT – REVERSION

Gross Potential Annual Income			
Warehouse	107,037	Sq. Ft. @	\$2.75 /SF is \$294,352
Hangar	15,120	Sq. Ft. @	\$1.25 /SF is \$18,900
Total	122,157		\$2.56 /SF Avg is \$313,252
Less: Vacancy & Collection Loss	10.0%		<u>31,325</u>
Effective Gross Income			281,927
Less: Operating Expenses			
Fixed Expenses			
Taxes			7,200
Insurance			<u>2,443</u>
Total Fixed Expenses			9,643
Variable Expenses			
Management			2,819
Leasing Fees			8,458
Utilities			Tenant
Repairs & Maintenance			Tenant
Reserves			<u>25,731</u>
Total Variable Expenses			<u>37,008</u>
Total Operating Expenses	16.5%		<u>46,651</u>
Net Operating Income	83.5%		<u>\$235,276</u>

Capitalization Rate

The net operating income before depreciation and debt service will be capitalized using an overall capitalization rate. The overall capitalization rate provides for a return on the investment in the land and improvements and a return of the improvements in the form of recapture. This rate will be estimated by analyzing rates from comparable sales, developing a mortgage/equity analysis and obtaining rates from published surveys.

Comparable Sales Analysis

The following table includes extracted rates from other comparable properties.

Address	Year Built	Sale Date	Sale Price	Cap Rate
1635 NE 53rd Ave, Dsm	1992	2/26/15	\$5,000,000	6.41%
6806 SE Bellagio Crt, Ank	2016	1/31/18	\$1,800,000	6.34%
810 SE Corporate Woods Dr, Ankeny	2015	6/20/17	\$14,700,000	6.38%
4131 120th St, Urb	1999	1/6/15	\$5,900,000	7.11%
2825 E Lincolnway, Ames	1999-02	7/31/14	\$26,250,000	7.29%
4060 Dixon St, Dsm	1977-89	4/30/18	\$2,260,000	7.47%
1301 Ohio St, Dsm	1992	1/13/17	\$907,200	7.47%

Mortgage Equity

An alternative method of estimating the overall capitalization rate is through the use of a mortgage equity analysis. This method takes into consideration that most income producing properties are purchased with a maximum mortgage. Today's real estate market is not a cash market, but rather properties are typically financed. A typical purchaser utilizes leverage to maximize projected gains and to minimize losses.

It appears the subject property could qualify for a mortgage with an interest rate around 5.5%, an amortization period of 25 years and a loan to value ratio of 75%. The mortgage constant for such a loan is 7.37%.

It is also necessary to estimate the equity dividend rate (cash on cash) that would be required by a typical purchaser as a return on the equity investment. Five-year treasury bonds are yielding around 2.5%. These government investments are considered to be nearly risk-free. However, they do not have the potential for appreciation like real estate. The yield rate for treasury bonds is considered to be a base. The equity dividend rate for the subject property would be higher due to additional risk.

Equity dividend rates for comparable investments in the Des Moines area have been around 7% to 10%. For this analysis, we are estimating the value at reversion in year 2047. There is uncertainty estimating a value far into the future and therefore we have chosen a rate near the upper end of the range. We have estimated the equity dividend rate to be 10.0%.

An indication of the overall capitalization rate from this method is calculated as follows:

75%	x	0.07369	Mortgage Constant	is	0.05527
25%	x	0.09500	Equity Dividend	is	0.02375
					0.07902
Rounded to:					7.90%

Investment Bulletin

Another source of capitalization rate information is the American Council of Life Insurance *Investment Bulletin*. We have reviewed the February 21, 2019 quarterly publication covering the fourth quarter of 2018. This publication reports mortgage interest rates and capitalization rates for national investment type properties from information supplied by 30 large insurance company lenders.

Property Type/ Loan Size	No. Loans	Avg. Contract Interest Rate	Average Cap. Rate
All Industrial	161	4.45%	5.93%
Industrial < \$2 Million	37	4.94%	7.40%
Industrial, \$2MM to \$5MM	52	4.77%	7.04%
Industrial, \$5MM to \$15MM	38	4.62%	6.11%

Capitalization Rate Summary

The separate sources indicated overall capitalization rates from 5.9% to 7.5%. We will estimate a capitalization rate near the high end of the range for the June 30, 2047 valuation due to the uncertainty related to the future. We estimate the terminal capitalization rate at reversion to be 7.5%.

Reversion Valuation – Income Approach

The total indicated value from this approach, as of June 30, 2047, prior to considering inflationary factors, is as follows:

$$\$235,276 \text{ Capitalized at } 7.5\% = \$3,137,013.$$

$$\text{Rounded to: } \$3,140,000.$$

RECONCILIATION REVERSION

Cost Approach	\$3,410,000
Sales Comparison Approach	\$3,430,000
Income Approach	\$3,140,000

Reconciliation – Reversion, Prior to Considering Inflation

The cost approach has been developed by estimating the replacement cost new of the improvements summed with the estimated land value. This approach is generally most reliable when there are good indications of land value and the improvements suffer from minimal accrued depreciation. At reversion, the subject improvements suffer from accrued depreciation, which weakens this approach. This approach will be given secondary consideration.

The sales comparison approach has been developed by analyzing sales of comparable industrial properties. Reliable sales have been located and analyzed. This approach provides a credible indicator of value and will be given consideration.

The income capitalization approach has been developed by estimating the annual net operating income and capitalizing it an overall capitalization rate. This approach is most reliable when there are good indications of market rent, expenses and an overall capitalization rate. Since properties similar to the property being appraised are generally purchased based on their income producing potential, this approach will also be given consideration.

Conclusion - Reversion

We have given consideration to the approaches and reconcile to a reversion value, as of June 30, 2047, but disregarding inflation of **\$3,300,000**.

Our previous estimate of reversion value would require an upward adjustment for inflation. It is expected that land values and construction costs will increase during the next 28.3 years. We have estimated an annual appreciation rate of 1.5%. The calculations are as follows:

Reversion Value – June 30, 2047	
Reversion Value (March 15, 2019))	\$ 3,300,000
Inflation	1.5% / Year
Number of Years	28.3
Inflation Factor	1.5240
Reversion Value (June 30, 2047)	\$5,029,200
Rounded to:	\$5,030,000

**DISCOUNTED CASH FLOW
LEASED FEE ESTATE (CITY OF AMES INTEREST)**

We will complete a discounted cash flow analysis to determine the market value of the leased fee estate held by the City of Ames.

The market value of the property is achieved by calculating the present value of the cash flows added to the present value of the reversion, or future sale price, of the property. The present value of these items is estimated by applying a discount rate to the series of cash flows.

Land Lease Agreement

The land was leased to Vantage Enterprises, LLC. The lease was assigned to Mulmac, LLC according to an Assignment of Tenant's Interest in Ground Lease recorded in Book 2007, Page 4344 in the Story County Recorder's Office on April 4, 2007.

The original lease agreement was dated May 27, 1997. The land lease is for a fifty (50) year term, which includes all of the option periods.

Rent Amount

The initial lease term was for 10 years at a rent of \$100 per acre per year for the first 5 years then increasing to \$2,700 per acre in the 6th year. The scheduled rent is set to increase 3% per year over the life of the lease. The lease agreement states "In the tenth year the Tenant-Developer may call for an appraisal of the per acre market value of the land leased by this lease....The Tenant-Developer may then elect to continue to pay rent at the aforesaid rate, or elect to pay an adjusted annual rent per acre that is equal to 10% of the per acre market value of the land leased by this lease determined by the said appraisal, that adjusted rate to increase in amount by 3% each year thereafter." The tenant has the right to call for appraisals in years 15, 20, 25, 30, 35 and 40. To our knowledge, no appraisals were completed to adjust the land lease rate. Our appraisal assumes the contract lease rates throughout the remaining lease duration is similar to what is shown in the contract lease.

We previously estimated the market value of the land, assuming vacant as of March 15, 2019 to be \$1,00,000 or approximately \$78,400 per acre. Based a land rent of 10% of the per acre value, this indicates a rent of \$7,840 per acre. The current land rent for the subject property beginning July 1, 2018 to June 30, 2019 is \$4,333 per acre. This is less than 10% of the per acre market value of the land. Therefore, we assume the rent for the remaining land lease term to be equal to the rent schedule provided in the lease.

Landlord Expenses

The landlord is not responsible for any property related expenses during the time of the lease. The landlord (City of Ames) will obtain the building improvements at the end of the lease term (June 30, 2047) if the land lease is not extended. The lease does not provide for an option to extend the lease beyond 2047 or provide for an option for the tenant to purchase the property.

Income

The land lease has approximately 28 years remaining. The tenant does not have the option to renew the lease after the 28 years. The current rent is \$4,333 per acre or \$55,246 per year. The lease rate is set to increase 3% per year. The 2019 to 2020 rent will be \$56,903 per year.

We will use the land rent as stated in the Exhibit C Rent Schedule of the land lease through June 30, 2047. At the end of the lease, we assume the land, building and associated site improvements could be leased at market rent.

Reversion Value

We previously completed estimated the market value of the subject property at reversion, as of June 30, 2047 to be \$5,030,000.

Since reversion happens at a point in time in the future, the reversion value must be discounted to present value. We have estimated a discount rate of 7.25% for the annual land lease payments as described later in this section. We have estimated a higher discount rate would be appropriate for the building component to consider additional risk. We estimate a discount rate of 8.5% is appropriate for the reversion value.

Therefore, the total reversion value adjusted by the present value factor is estimated below:

	Estimated Market Value as of 2047
Reversion Value	\$5,030,000
Present Value Factor @ 8.5%	0.10185
Reversion Value Adjusted for Time	\$512,306

Discount Rate

The net cash flow before depreciation and debt service will be discounted to arrive at the present value of the future cash flow benefits.

According to *The Dictionary of Real Estate Appraisal*, Fifth Edition (Appraisal Institute, 2010), the term discount rate is defined as follows:

Discount Rate – A yield rate used to convert future payments or receipts into present value; usually considered to be a synonym for yield rate. *See also* risk rate; safe rate; yield rate.

The selection of the appropriate discount rate is a key factor to determine the value of the leased fee estate. The discount rate can be estimated through several methods including the method of adjusting the capitalization rate for inflation, extractions from comparable sales, and building a rate using mortgage and equity parameters. Following is a discussion of each of these methods of discount rate development.

Comparable Sales – Discount Rates

There are no sales of comparable land lease rates in rural Iowa towns. We have observed discount rates to primarily range from 7% to 9% for improved commercial properties in the Des Moines metro. Typical land lease discount rates are lower than rates on improved properties due to reduced risk and depreciation factors. We have observed land cap rates and land discount rate over the years. The land capitalization rates have ranged from 5% to 7%. The land discount rates have ranged from 6% to 8%.

Capitalization Rate Adjustment

One method to estimate a discount rate is to sum the estimated inflation rate to the going-in capitalization rate. We previously estimated the terminal cap rate for the building improvements at reversion to be 7.5%.

The capitalization rate for the land would be less due to less risk associated with the income stream and the annual 3% rent increase. From the comparable sales and published surveys, we conclude an appropriate going-in capitalization rate for the land lease to be 6.0%.

Capitalization Rate Adjustment

To develop a discount rate, we must now adjust the capitalization rate for inflation (expected change). We estimate inflation to be approximately 1.0 to 2.0%% per year. Therefore, according to discount rate theory, we should add 100 to 200 basis points to our estimated capitalization rate to arrive at a discount rate of 7.0% to 8.0%.

However, it is inappropriate to add the full estimated inflation rate. The level income premise states that the yield rate (discount rate) would be the overall change in property value multiplied by the sinking fund factor added to the going-in capitalization rate. However, contract rent is increasing over the lease term. Therefore, the yield rate would be less than 7.0% to 8.0%, or approximately 6.5% to 7.5%.

Mortgage Equity Analysis

A discount rate can also be derived based on current mortgage and equity requirements. A mortgage would be available for up to 75% of the value at a rate of 5.5% with an amortization period of 25 years. The mortgage constant for such a loan is 7.37%. In developing a discount rate, the mortgage interest rate is used rather than the mortgage constant since the interest rate is the yield rate that would apply to the mortgage component.

The required equity yield that would be necessary to induce equity investment in the property must also be estimated. The equity yield rate is the internal rate of return to the equity position. It is logical the equity yield rate would be higher than the mortgage rate since the equity position is at greater risk. The yield rate is different than the equity dividend rate since the dividend rate is simply the annual cash return to equity. The required yield rate for this type of investment would likely be near 10% to 15%, and we have reconciled to 11% for the subject property.

The following table summarizes the discount rate development.

75%	x	0.07369	Mortgage Constant	is	0.05527
25%	x	0.11000	Equity Dividend	is	0.02750
					0.08277
Rounded to:					8.30%

This method would not accurately indicate a discount rate if the typical investor expects the same rate of return on the equity build-up as on the initial investment. The reason is that if the same rate were expected, this method would understate the yield rate. The equity position would increase as debt service is paid. Therefore, the loan to value ratio is changing due to amortization of the loan and appreciation in property value.

This method is reliable if the investor would accept a return on the equity build-up equal to the interest rate. A typical investor receiving an 11.0% return on the original investment would accept a 5.5% return on the equity build-up. Therefore, the mortgage equity analysis is a reliable indicator of a discount rate.

Discount Rate Summary

The several indicators indicate a range of discount rates between 6.5% and 8.3%. The subject property consists of guaranteed land rent payments with an annual increase of 3% per year and the landlord obtaining ownership of the building at the end of the land lease. Therefore, we estimate a discount rate closer to the lower end of the range and we estimate 7.25% to be appropriate for the subject property. This discount rate will be used to determine the present value of the cash flows over the 28-year holding period. The present value of the reversion has been previously calculated to be \$512,306.

Discounted Cash Flow Analysis

The following table contains the discounted cash flow calculations.

Discounted Cash Flow

Year	Contract Rent	Vac. & Misc. 0.0%	Reserve	Net Base Income	Disc. Factor 7.25%	Present Value
1	\$56,903	0	0	\$56,903	0.93240	53,057
2	\$58,612	0	0	\$58,612	0.86937	50,955
3	\$60,359	0	0	\$60,359	0.81060	48,927
4	\$62,182	0	0	\$62,182	0.75581	46,998
5	\$64,043	0	0	\$64,043	0.70471	45,132
6	\$65,956	0	0	\$65,956	0.65708	43,338
7	\$67,945	0	0	\$67,945	0.61266	41,627
8	\$69,985	0	0	\$69,985	0.57124	39,978
9	\$72,076	0	0	\$72,076	0.53263	38,390
10	\$74,243	0	0	\$74,243	0.49662	36,871
11	\$76,462	0	0	\$76,462	0.46305	35,406
12	\$78,757	0	0	\$78,757	0.43175	34,003
13	\$81,128	0	0	\$81,128	0.40256	32,659
14	\$83,564	0	0	\$83,564	0.37535	31,366
15	\$86,063	0	0	\$86,063	0.34998	30,120
16	\$88,651	0	0	\$88,651	0.32632	28,929
17	\$91,303	0	0	\$91,303	0.30426	27,780
18	\$94,044	0	0	\$94,044	0.28369	26,679
19	\$96,862	0	0	\$96,862	0.26452	25,622
20	\$99,769	0	0	\$99,769	0.24663	24,606
21	\$102,765	0	0	\$102,765	0.22996	23,632
22	\$105,851	0	0	\$105,851	0.21442	22,696
23	\$109,025	0	0	\$109,025	0.19992	21,796
24	\$112,302	0	0	\$112,302	0.18641	20,934
25	\$115,668	0	0	\$115,668	0.17381	20,104
26	\$119,136	0	0	\$119,136	0.16206	19,307
27	\$122,706	0	0	\$122,706	0.15110	18,541
28	\$126,391	0	0	\$126,391	0.14089	17,807
Total	\$2,442,747			\$2,442,747		907,260
	Present Value of Cash Flows					\$907,260
	Present Value of Reversion					512,306
	Total Present Value					\$1,419,566
	Rounded to					\$1,420,000

Valuation Conclusion – Leased Fee- City of Ames Interest

The market value of the leased fee estate in the subject property (City of Ames Interest), as of March 15, 2019, is **\$1,420,000**.

RECONCILIATION AND FINAL ESTIMATE

Discounted Cash Flow	\$1,420,000.
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Reconciliation

The income approach has been developed by completing a discounted cash flow analysis. The income approach is the most appropriate method to estimate the market value of the leased fee estate held by the City of Ames Interest. As part of the analysis, we estimated the market value the subject property at reversion by completing a cost approach and income approach.

The tenant has approximately 28 years remaining on the lease agreement. At the expiration of the lease, the land and improvements will revert back to the landlord. We have completed a discounted cash flow to estimate the net present value of the cash flows and of the reversion. This approach provides a good indication of market value.

Final Estimate of Value

We estimate the market value of the leased fee estate, (City of Ames Interest) in the subject property, as of March 15, 2019, to be **\$1,420,000.**

The estimate of market value upon completion of improvements is contingent upon the following extraordinary assumption. The item is defined as “extraordinary” per the definition contained in the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Institute. The definition of extraordinary assumption is included in this report.

Our estimate of market value of the leased fee estate assumes the lease terms will be as described in this report.

Our estimate of market value would require review and modification if it were not contingent upon the extraordinary assumption.

CERTIFICATION

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

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

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

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

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

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My compensation from 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.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

I did not inspect the subject property.

I have performed no services, as an appraiser or in any other capacity, regarding the subject property within the last three years.

Karen C. Olson prepared the analysis and valuation conclusions. Russ G. Manternach provided consultation and review assistance. No other person provided significant professional assistance to the persons signing this report.

As of the date of this report, Russ G. Manternach has completed the requirements of the continuing education program of the Appraisal Institute.



Russ G. Manternach, MAI
State Certificate # CG01775

CERTIFICATION

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

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

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

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

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My compensation from 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.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

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

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

I personally inspected the interior of the party barn property and the exterior of the single family homes. I also viewed the subject land parcels.

I have performed no services as an appraiser or in any other capacity on the subject property within the last three years.

Karen C. Olson prepared the analysis and valuation conclusions. Russ G. Manternach provided consultation and review assistance. No other person provided significant professional assistance to the persons signing this report.

As of the date of this report, Karen Olson has completed the requirements of the continuing education program of the Appraisal Institute.



Karen C. Olson, MAI
State Certificate # CG02871

COMPARABLE LAND SALES MAP



Land Sale No. 1



Property Identification

Record ID 4782
Property Type Industrial
Address 1600 Blue Sky Blvd, Huxley, Story County, Iowa 50124

Sale Data

Grantor Interstate Land Properties, LLC
Grantee Two Companies, LLC
Sale Date May 20, 2017
Deed Book/Page 2017-5192
Property Rights Fee Simple
Conditions of Sale Typical
Financing Cash
Verification Grantor

Sale Price \$375,000

Land Data

Topography Level
Utilities All
Gross Land Size 6.540 Acres or 284,882 SF

Indicators

Sale Price/Gross Acre \$57,339
Sale Price/Gross SF \$1.32

Land Sale No. 2



Property Identification

Record ID 4781
Property Type Industrial
Address 1520 Blue Sky Blvd, Huxley, Story County, Iowa 50124

Sale Data

Grantor Interstate Land Properties, LLC
Grantee Diamond W Two, LLC
Sale Date December 11, 2015
Deed Book/Page 2015-12262
Property Rights Fee Simple
Conditions of Sale Typical
Financing Cash
Verification Grantor
Sale Price \$250,000

Land Data

Topography Level
Utilities All
Gross Land Size 5.000 Acres or 217,800 SF

Indicators

Sale Price/Gross Acre \$50,000
Sale Price/Gross SF \$1.15

Remarks Grantee built implement dealer (Ditch Witch) on site.

Land Sale No. 3



Property Identification

Record ID 4701
Property Type Industrial
Address 2825 Wakefield Circle, Ames, Story County, Iowa

Sale Data

Grantor Woodruff Construction, LLC
Grantee Badger Investments, LC
Sale Date August 24, 2017
Deed Book/Page 2017-12305
Property Rights Fee Simple
Verification Grantee & Public Records
Sale Price \$680,721

Land Data

Zoning GI - General Industrial
Topography Level
Utilities All
Gross Land Size 6.628 Acres or 288,730 SF

Indicators

Sale Price/Gross Acre \$102,699
Sale Price/Gross SF \$2.36

Remarks Grantee plans to construct warehouse on the site for owner-occupancy.

Land Sale No. 4



Property Identification

Record ID 3721
Property Type Commercial
Address 707 Airport Road, Ames, Story County, Iowa

Sale Data

Grantor Kellie M. Markey Revocable Trust
Grantee AM Commercial Properties LLC
Sale Date April 25, 2013
Deed Book/Page 2013/5687
Property Rights Fee Simple
Verification Public Records

Sale Price \$1,260,000

Land Data

Zoning HOC

Land Size Information

Gross Land Size 11.568 Acres or 503,907 SF

Indicators

Sale Price/Gross Acre \$108,920
Sale Price/Gross SF \$2.50

Remarks

Listed prior to sale. Grantee owns adjacent building to the southeast. The north portion of the site was low, grantee spent approx. \$170k on fill and grading to make the lots 100% buildable.

Land Sale No. 5



Property Identification

Record ID 5227
Property Type Industrial
Address SE Corporate Woods Drive, Ankeny, Polk County, Iowa

Sale Data

Grantor Deborah L. Gallion
Grantee Ruan Transport Corporation
Sale Date November 08, 2018
Deed Book/Page 17142-407
Property Rights Fee Simple
Conditions of Sale Typical
Financing Cash
Verification Grantor & Public Records
Sale Price \$1,450,000

Land Data

Zoning PUD
Utilities All Near
Gross Land Size 20.592 Acres or 896,984 SF

Indicators

Sale Price/Gross Acre \$70,416
Sale Price/Gross SF \$1.62

Remarks Grantee plans to construct a \$9,000,000 operations and training center. A 100-foot wide overhead power line easement extends through the north portion of the site. Property was not listed prior to sale and grantee approached owner and negotiated a price.

Land Sale No. 6



Property Identification

Record ID 5331
Property Type Industrial
Address 3525 S Riverside Dr, Ames, Story County, Iowa

Sale Data

Grantor Iowa State University Research Park
Grantee Deere & Company
Sale Date August 02, 2018
Deed Book/Page 2018-07400
Property Rights Fee Simple
Verification Grantor and Public Records
Sale Price \$338,500

Land Size Information

Gross Land Size 5.008 Acres or 218,149 SF

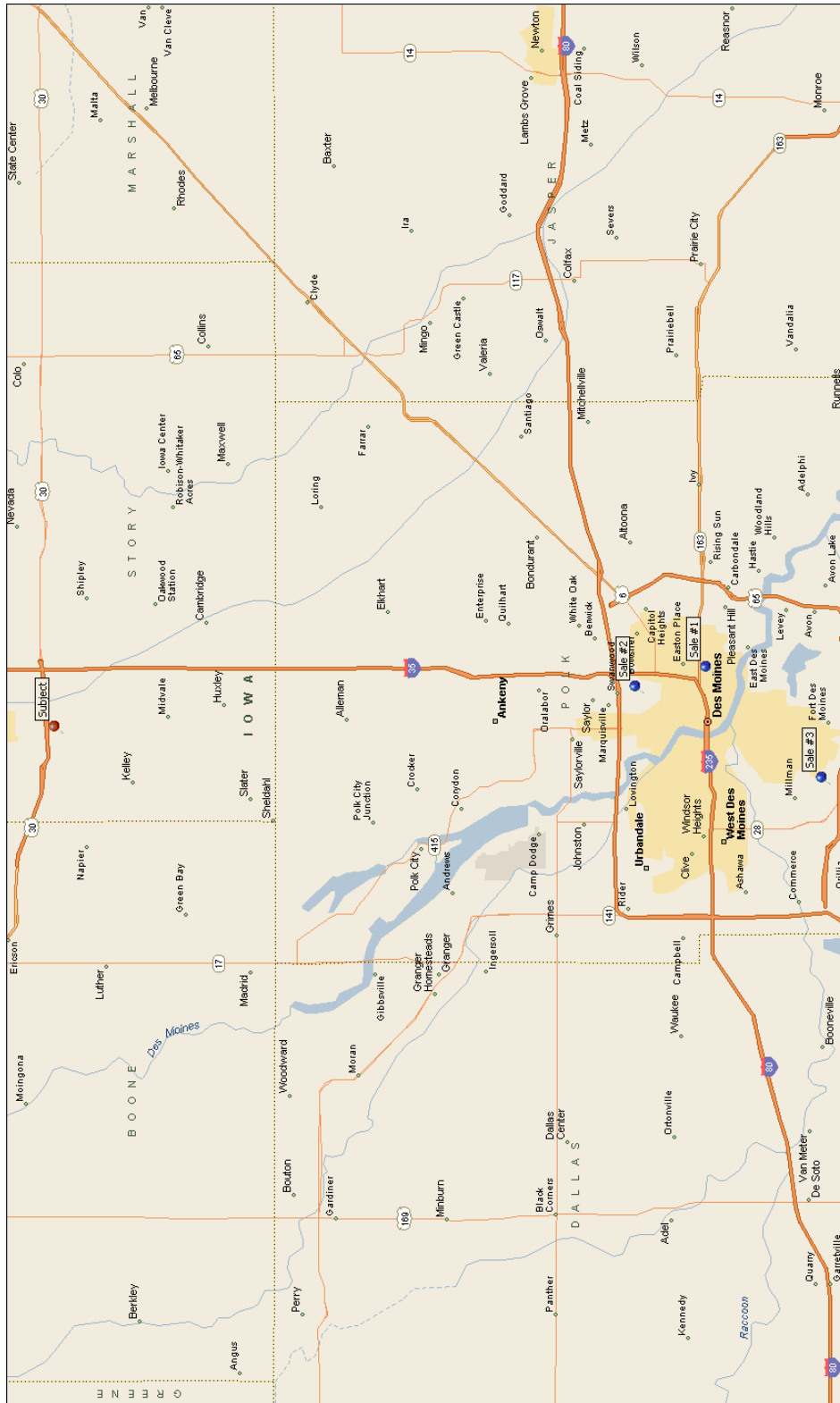
Indicators

Sale Price/Gross Acre \$67,592
Sale Price/Gross SF \$1.55

Remarks

Seller is a non-profit research park associated with ISU. The seller stated the sale price is likely below market due to the relationship between ISU and the buyer (John Deere). The sale would require an upward adjustment for conditions of sale. The buyer is building a research test facility on the site. The seller is responsible for paving Riverside Drive and extending Collaboration Place along the north side of the site. The seller stated the street funding will partially be provided by the City of Ames and other grants.

COMPARABLE IMPROVED SALES MAP



3737 Woodland Avenue • Suite 320 • West Des Moines, Iowa 50266
Phone 515/288-6800 • Fax 515/288-6810

Improved Sale No. 1



Property Identification

Record ID 2973
Property Type Industrial
Address 2245 Dean Avenue, Des Moines, Polk County, Iowa 50317

Sale Data

Grantor Richard K. Hansen
Grantee Franzenburg Commercial Real Estate, LLC
Sale Date March 01, 2018
Deed Book/Page 16833-397
Property Rights Leased Fee
Verification Broker - Arnold Engman & Public Records
Sale Price \$1,490,000
Land Size 1.846 Acres or 80,410 SF
SF 63,926
Year Built 1953 R '92
Potential Gross Income \$182,189
Vacancy \$14,575 8%
Effective Gross Income \$167,614
Expenses \$25,142 15%
Net Operating Income \$142,472
Sale Price/ SF \$23.31
Floor Area Ratio 0.80
Land to Building Ratio 1.26:1
Gross Income Multiplier 8.18
Eff. Gross Income Multiplier 8.89
Expenses/Sq. Ft. \$0.39
Overall or Cap Rate 9.56%
Net Operating Income/Sq. Ft. \$2.23

Remarks Grantee was tenant in the building prior to the sale. The broker stated the grantee occupied approximately 45,000 SF of the building at a rate of \$2.85/SF, NNN with a remaining lease term of approximately two years. The building has 11 docks, including two interior docks, and 2,056 SF (3%) of office finish. The roof was replaced in 2015. Warehouse area is heated. Wall height ranges between 19 and 24 feet, but interior clear height is 16'.

Improved Sale No. 2



Property Identification

Record ID 2974
Property Type Industrial
Address 4060 Dixon Street, Des Moines, Polk County, Iowa

Sale Data

Grantor PAH Family LP
Grantee Penta Partners, LLC
Sale Date April 30, 2018
Deed Book/Page 16903-454
Property Rights Leased Fee
Verification Grantee - Travis Sisson & Public Records
Sale Price \$2,260,000
Land Size 3.882 Acres or 169,080 SF
SF 56,500
Year Built 1977 & 1989 Avg 1978
Potential Gross Income \$216,000
Vacancy \$17,280 8%
Effective Gross Income \$198,720
Expenses \$29,808 15%
Net Operating Income \$168,912
Sale Price/ SF \$40.00
Gross Income Multiplier 10.46
Eff. Gross Income Multiplier 11.37
Expenses/Sq. Ft. \$0.53
Overall or Cap Rate 7.47%
Net Operating Income/Sq. Ft. \$2.99

Remarks Grantee stated the property was in average condition and no major repairs/renovations were necessary or planned. The building has 20' exterior walls and 9,596 SF (17%) of office finish. Grantee stated the building was fully leased to a single tenant at \$3.83/SF, NNN for four months and the tenant extended the lease for an additional four months after the sale. Warehouse area is heated.

Improved Sale No. 3



Property Identification

Record ID 2899
Property Type Industrial
Address 3600 Army Post Road, Des Moines, Polk County, Iowa 50321

Sale Data

Grantor Lexington TNI Des Moines, LP
Grantee IPE 1031 Rev235, LLC (Atlantic Bottling)
Sale Date May 22, 2017
Deed Book/Page 16487-19
Property Rights Fee Simple
Conditions of Sale Typical
Financing Cash
Verification Broker (Darin Ferguson) & Public Records
Sale Price \$16,200,000

Land Size 27.970 Acres or 1,218,373 SF
Zoning PUD
Utilities All

SF 407,938
Sprinklers Wet
Floor Height 32
Year Built 2002
Condition Average

Sale Price/ SF \$39.71

Remarks Atlantic bottling (Coke) the purchaser relocated from facility in Waukee. 80k sf of office & 39,172 sf of quasi-finish "production" space for a total of 119,172 sf (29%) finish/quasi-finish with full hvac. Office is located on two floors. Balance of building is high bay warehouse. Wall height ranges from 24' to 40' and average approximately 32'. As of 6/26/2018, there is 15,667 sf of 2nd floor office listed for leased for \$9.00/sf NNN and 128k sf of warehouse listed for lease for \$4.25/sf NNN, blended average is \$4.77/sf NNN w/ 11% office.

DEFINITIONS

The following definitions have been taken from *The Dictionary Of Real Estate Appraisal*, Fifth Edition, published by the Appraisal Institute, as printed in 2010.

Easement

Non-possessory (incorporeal) interest in landed property conveying use, but not ownership, of a portion of that property.

Eminent domain

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property.

Fee simple estate

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

Fixture

An article that was once personal property, but has since been installed or attached to the land or building in a rather permanent manner so that it is regarded in law as part of the real estate.

Grantee

A person to whom property is transferred by deed or to whom property rights are granted by a trust instrument or other document.

Grantor

A person who transfers property by deed or grants property rights through a trust instrument or other document.

Lease

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

Leased fee interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).

Leasehold improvements

Improvements or additions to leased property that have been made by the lessee.

Leasehold interest

The tenant's possessory interest created by the lease.

Lessee

One who has the right to occupy and use the property of another for a period of time according to a lease agreement.

Lessor

One who conveys the rights of occupancy and use to others under a lease agreement.

Life Estate

Rights of use, occupancy, and control, limited to the lifetime of the designated party, sometimes referred to as the *life tenant*.

Market Rent

The most probable rent a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

Market Value

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

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

Source: Office Of The Controller Of The Currency, effective date August 24, 1990, as amended April 9, 1992 and June 7, 1994.

Real Estate

An identified parcel or tract of land, including improvements, if any.

Real Property

The interests, benefits, and rights inherent in the ownership of real estate (USPAP, 2010-2011 ed.)

STATE CERTIFICATION



IOWA DIVISION OF BANKING

IOWA DEPARTMENT OF COMMERCE
DIVISION OF BANKING

THIS IS TO CERTIFY THAT THE BELOW NAMED
HAS BEEN GRANTED A CERTIFICATE AS A
GENERAL REAL PROPERTY APPRAISER

CERTIFICATE NO. CG01775 EXPIRES: 6/30/2019

MANTERNACH, RUSSELL G
COMMERCIAL APPRAISERS OF IA
3737 WOODLAND AVENUE
SUITE 320
WEST DES MOINES, IA 50266

QUALIFICATIONS OF THE APPRAISER

Russ G. Manternach, MAI **Real Estate Appraiser**



Education

Master of Business Administration
Creighton University, Omaha, Nebraska
December, 1992

Bachelor of Business Administration
Iowa State University, Ames, Iowa
December, 1989

Experience

Professional experience includes over 20 years as a commercial real estate appraiser. Russ co-founded Commercial Appraisers of Iowa, Inc. in 2001 after eight years with Iowa Appraisal and Research Corporation. Our company acquired the appraisal firm Carlson, Gunderson & Associates, Inc. during 2010.

The following is a partial list of property types appraised and experience:

Eminent Domain Projects	Industrial
Multiple Family Residential	Restaurants
Conventional and Medical Office	Mini-storage Facilities
Subdivisions/Vacant Land	Churches
Automobile Dealerships	Special Use Properties
Mobile Home Parks	Retail Properties
Motel/Hotels	Air Rights
Other Income Producing Properties	Expert Witness Testimony

Appraisal Coursework

Standards of Professional Practice, Part A	Business Practices and Ethics
Standards of Professional Practice, Part B	Current Government Policies Affecting Real Estate
Advanced Income Capitalization	Real Estate Appraising –Response to Financial Disaster
Highest and Best Use and Market Analysis	Case Study – Eminent Domain
Advanced Sales Comparison and Cost Approaches	Ethics and Appraisal Review
Report Writing and Valuation Analysis	Right of Way Best Practices
Advanced Applications	Eminent Domain and Condemnation

Professional Affiliations

Designated MAI - Appraisal Institute
Appraisal Institute - Iowa Chapter – Former Board of Director
International Right of Way Association

State Certification

Certified General Real Property Appraiser, State of Iowa. Certificate No. CG01775.

STATE CERTIFICATION



IOWA DIVISION OF BANKING

IOWA DEPARTMENT OF COMMERCE
DIVISION OF BANKING

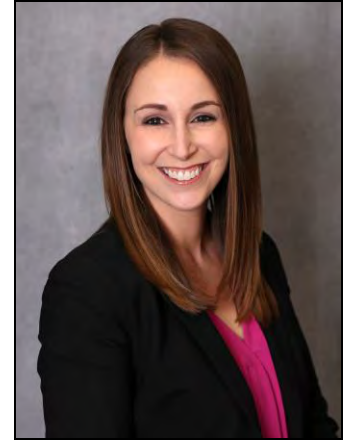
THIS IS TO CERTIFY THAT THE BELOW NAMED
HAS BEEN GRANTED A CERTIFICATE AS A
GENERAL REAL PROPERTY APPRAISER

CERTIFICATE NO. CG02871 EXPIRES: 6/30/2019

OLSON, KAREN C.
COMMERCIAL APPRAISERS OF IOWA, INC.
3737 WOODLAND AVENUE
SUITE 320
WEST DES MOINES, IA 50266

QUALIFICATIONS OF THE APPRAISER

Karen C. Olson, MAI
Real Estate Appraiser



Education

Bachelor of Business Administration
University of Iowa, May 2004
Finance

Experience

Professional experience includes over 10 years as a commercial real estate appraiser. Karen joined Commercial Appraisers of Iowa, Inc. in 2004 after graduating from the University of Iowa. Professional education includes completing the advanced coursework, experience hours and requirements of the MAI designation in 2017.

Appraisal Institute Coursework

Advanced Sales Comparison and Cost Approaches
Advanced Income Capitalization Approach
General Market Analysis and Highest & Best Use
Report Writing and Valuation Analysis
Advanced Applications
General Demonstration of Knowledge

USPAP
Analyzing Distressed Real Estate
Subdivision Valuation
ARGUS Applications
Business Practices and Ethics
Comprehensive Exam

Appraisal experience includes all types of commercial, industrial and investment properties including the following:

- Multi Family, Including HUD Rent Comparability Studies
- Conventional and Medical Offices
- Retail
- Land/ Subdivisions
- Industrial Properties
- Mini-Storage Facilities
- Eminent Domain Projects
- Special Use
- Investment Properties

Professional Affiliations

Designated MAI – Appraisal Institute
Appraisal Institute – Iowa Chapter Board of Directors

State Certification

Certified General Real Property Appraiser, State of Iowa. Certificate No. CG 02871



10580 Justin Drive
Urbandale, IA 50322

Nelsen Appraisal Associates, Inc.

(Bus) 515-276-0021
(Fax) 515-276-9303

A REAL PROPERTY APPRAISAL IN AN APPRAISAL REPORT OF

Land/Leased Fee Estate



LOCATED AT

3100 South Riverside Drive
Ames, Iowa 50010

CLIENT

City of Ames



10580 Justin Drive
Urbandale, IA 50322

Nelsen Appraisal Associates, Inc.

(Bus) 515-276-0021
(Fax) 515-276-9303

November 30, 2018

Mr. Damion Pregitzer, P.E. PTOE
Traffic Engineer
City of Ames
City Hall
515 Clark Avenue
Ames, Iowa 50010

Re: 3100 South Riverside Drive
Ames, Iowa 50010

Dear Mr. Pregitzer,

At your request, we have appraised a real property interest for the above real estate. Our objective was to form one or more opinions about the market value for a 100% ownership interest in the subject property's leased fee estate assuming no liens or encumbrances other than normal covenants and restrictions of record.

The subject property consists of an irregular, non-corner parcel constituting 12.750 acres. It is improved with a 20-year old, 101,447 square foot heavy manufacturing building, as well as a 19-year old, 15,120 square foot metal hangar. The subject is described in greater detail in the accompanying report.

This valuation contains analyses, opinions, and conclusions along with market data and reasoning appropriate for the scope of work detailed later herein. It was prepared solely for the intended use and intended user(s) explicitly identified in the attached report. Unauthorized users do so at their own risk. The appraisal is communicated in the attached appraisal report, and conforms to the version of the Uniform Standards of Professional Appraisal Practice (USPAP) in effect on this report's preparation date of November 30, 2018.

This letter is not an appraisal report hence it must not be removed from the attached 82-page report. If this letter is disjoined from the attached appraisal report, then the value opinions set forth in this letter are invalid because the analyses, opinions, and conclusions cannot be properly understood.

In general, valuation of the subject property involves no atypical issues. All value opinions are affected by all the information, extraordinary assumptions, hypotheses, general limiting conditions, facts, descriptions, and disclosures stated in the attached appraisal report. After careful consideration of all factors pertaining to and influencing value, the data and analysis thereof firmly supports the following final value opinion(s) for the subject property as of November 27, 2018:

\$1,315,000 Market Value "As Is" Leased Fee Estate

Thank you for your business. Let us know how we may further serve you.



Gene F. Nelsen, MAI, CCIM
Certified General Real Property Appraiser
Iowa License CG01034
License Expiration Date: 6/30/2019



Jennifer K. O'Tool
Associate General Real Property Appraiser
Iowa License AG03473
License Expiration Date: 6/30/2019

Table of Contents

Overview.....	1
Salient Information	1
Noteworthy Issues	1
Scope of Work.....	2
Scope of Work	2
<i>Introduction</i>	2
<i>Assignment Elements</i>	2
<i>Relevant Characteristics</i>	4
<i>Extent of Services Provided</i>	5
<i>Other Intended Use Considerations</i>	5
<i>Miscellaneous Matters</i>	5
<i>Appraisal Development</i>	6
<i>Concept Explanations</i>	8
Report Reliance & Use Restrictions	9
Scope of Work Exclusion - Insurable Value	9
Extraordinary Assumptions & Disclosures	10
Hypothetical Conditions	11
Personal Property & Intangibles	11
Definition of Market Value	12
Definition of Real Property Estates	13
Assemblage	13
Contingent and Limiting Conditions	14
Disclosures.....	21
Professional Standards	21
Competency	21
Area Data	22
Regional Map	22
Vicinity Map	23
Proximity Map	24
Proximity Features	25
Nearby Land Uses	26
<i>Aerial Photo – Nearby Land Uses</i>	26
Subject Property	31
Identification of the Property	31
Legal Description	31
Building Sketch	35
Building Sketch With Elevations (Excerpt from Lease)	36
Photographs of Subject	37
Photographs of Subject	39
Photographs of Subject	42
Photographs of Subject	44
Photographs of Subject	46
Sale History	47
Flood Hazard	47

Flood Map.....	48
Environmental Risks.....	49
Subject Site	50
Zoning.....	53
Sales Comparison Approach.....	58
<i>Introduction</i>	58
<i>Introduction</i>	59
<i>Lease Synopsis – Ground Lease</i>	59
<i>The rent schedule taken from the Ground Lease is as follows (as noted, the rent is on a per acre basis):</i>	60
<i>Discounted Cash Flow Analysis</i>	61
<i>Value Indication – Discounted Cash Flow</i>	63
<i>Capitalization</i>	64
Reconciliation	67
Exposure & Marketing Time	68
Certification	69
Copyright Protection.....	82
End of Report.....	82



Overview

Salient Information	
<i>Property Type</i>	Land – Leased Fee Estate
<i>Real Estate Appraised</i>	3100 South Riverside Drive Ames, Iowa 50010
<i>County</i>	Story
<i>Estate Valued</i>	100% of the Leased Fee Estate
<i>Client</i>	City of Ames
<i>Client File Number</i>	None
<i>Most Likely Buyer</i>	Owner-User
<i>Effective Value Date</i> <i>(point in time that the value applies)</i>	November 27, 2018
<i>Report Date</i> <i>(date the report is transmitted to client)</i>	November 30, 2018
<i>Value Indication(s)</i>	Cost Approach Not Applied Sales Comparison Not Applied Income Approach \$1,315,000
<i>Final Value Conclusion(s)</i>	\$1,315,000 “As Is” Leased Fee Estate

Noteworthy Issues

The subject property consists of an irregular, non-corner parcel constituting 12.750 acres. It is improved with a 20-year old, 101,447 square foot heavy manufacturing building, as well as a 19-year old, 15,120 square foot metal hangar for a combined 116,567 square feet. The subject is described in greater detail in the accompanying report.

This appraisal includes a market value of the income stream associated with the subject’s land, which is received by the ground lessor. Therefore, it is the leased fee interest that is considered. This is described in greater detail in the remainder of this report.

No atypical factors significantly affect value. The real estate appraised is generally typical for this type property in this locale.



Scope of Work

Scope of Work

Introduction

The Uniform Standards of Professional Appraisal Practice (USPAP) defines scope of work as “*the type and extent of research and analysis in an assignment*”. Scope of work includes, but is not limited to:

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

Assignment Elements

The purpose of this assignment (the problem to be solved) is to form one or more opinions about value. This purpose necessitates identification of seven assignment elements listed below.

1. Client Information

Client's Name **	Mr. Damion Pregitzer, P.E. PTOE
Client's Company Name	City of Ames
Client's Agent	Not Applicable
Agent's Company Name	Not Applicable
Appraiser(s) Engaged By	The Client
Client's Interest In Property Appraised	Owner

2. Other Intended Users

None

3. Intended Use Of Report (*To aid*)

Internal Decisions/Establish Sale Price

4. Value Opinion(s) Developed

Market value

Standard / Definition Of Value Used
To Form The Value Opinion(s)

Advisory Opinion 30 of USPAP, which is the
same definition as the one in FIRREA.

** *The client is always an intended user.*

Scope of Work

Assignment Elements

5. Key Dates

Effective Value Date <i>(point in time the value applies)</i>	November 27, 2018
Report Date <i>(date the report was transmitted to the client or the client's agent)</i>	November 30, 2018
Date Property Appraised Was Observed By One Or More Appraisers Signing This Report	Land & Building Observed November 27, 2018

6. Assignment Conditions

Extraordinary Assumptions	One Or More Apply, Detailed Later Herein
Hypothetical Conditions	None Used
Jurisdictional Exceptions	None Used
Expected Public or Private On-Site or Off-Site Improvements Affect Value	Not Expected
Assemblage of Estates or Component Parts Affects Value	Not Expected
Other	None Used

Scope of Work

Relevant Characteristics

The seventh assignment element is relevant characteristics about the property appraised. These characteristics are typically categorized as physical, legal, and economic.

Physical attributes of the property appraised are presented later in the Subject section of this report. Some characteristics are identified below. Atypical issues are listed in the Noteworthy Issues section and may be further detailed elsewhere herein.

Unless specifically stated otherwise, the estate appraised (listed below) assumes no adverse leases, liens or encumbrances other than normal covenants and restrictions of record.

7a. *Physical*

Existing Property Use	Manufacturing Facility
Property Use Reflected In One Or More Value Opinions	Continued Use As Is
Sources of Information About the Property Appraised Included	Interior & Exterior Observation

7b. *Legal*

Category Of Property Appraised	Real Property
Estate(s) Appraised	Leased Fee
Legal Issues Considered	No Atypical Legal Issues
Environmental Concerns	No Known Environmental Concerns

7c. *Economic*

Effect Of Lease(s) On Value	Effect of Ground Lease Considered
Cost Information	
Type of Reconstruction Cost Used	Reconstruction Cost Not Considered
Source of Reconstruction Cost Information	Not Applicable

Scope of Work

Extent of Services Provided

Number of Final Value Opinions Developed	One
Value Opinion(s) Reflect The Worth Of the Property Appraised	As-Is – Leased Fee Estate
Extent Of Report Preparation	An Appraisal Report
Other Reporting Requirements	Not Applicable
Extent Of Data Research	Extensive
Data Sources	Public Records At Government Office; Real Estate Sales Agents; Buyers and / or Sellers; Landlords and / or Tenants
Documents Considered	Ground Lease
Data Verification	Direct and Indirect Methods Adequate Interior & Exterior Observation
Extent Of Subject Observation By One Or More Appraisers Signing Report	Specifics of this viewing, if any, are detailed in the Extraordinary Assumptions & Disclosures section of this report.

Other Intended Use Considerations

Client's Prior Engagement Of Appraisal Services	Numerous
Loan To Value Ratio	Unknown
Atypical Issues	No Atypical Issues
Assignment Complexity	Typical Complexity
FIRREA Compliance	Fully Compliant
Insurable Value	Insurable Value Is Not An Intended Use

Miscellaneous Matters

Scope of Work Agreement	Agreement in Addenda
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Scope of Work

Appraisal Development

Appraisal development is the extent of research and analyses that produce one or more credible opinions of value for one or more specifically identified intended users and an explicitly stated intended use. In this context, credible is defined as "worthy of belief".

Depending upon the intended use, intended users, and agreements between the appraiser and the client, the appraisal development process may include several, but not necessarily all of the following tasks.

- observation of the property appraised
- research for appropriate market data
- data verification
- consideration of influential market area, physical, economic, and governmental factors
- determination of the subject's highest and best use(s), if appropriate
- development of one or more applicable approaches to value
- reconciliation of value indications
- preparation of this report

In most cases, the core valuation process begins with a highest and best use analysis. This is essential because it establishes a framework for the proper selection of comparable sales. Cited comparable sales should have the same highest and best use as the property appraised.

Scope of Work

Appraisal Development

If some property modification like new construction is contemplated, a feasibility analysis may be appropriate. In some cases, feasibility may simply be justified by inferred market evidence like low vacancy or rising rents.

According to USPAP, all approaches that are applicable to the interest being appraised and necessary to produce credible results must be developed. The type of highest and best use; extent of feasibility considered; and the relevance of each major approach are listed below.

Highest and Best Use	An Inferred Demand Analysis
Feasibility Analysis <i>(a more detailed study separate from highest & best use)</i>	Separate Feasibility Analysis Not Developed
Cost Approach	Not Applicable And Not Included In Report
Sales Comparison	Not Applicable And Not Included In Report
Income Approach	Applicable And Included In Report

Quoting "*The Appraisal of Real Estate*" Fourteenth Edition published by the Appraisal Institute, says

"Highest and best use analysis and feasibility analysis are interrelated, but feasibility analysis may involve data and considerations that are not directly related to highest and best use determinations. Such analyses may be more detailed than highest and best use analysis, have a different focus, or require additional research."

Applicable and necessary approaches were selected for development after consideration of available market data, intended use, and intended user(s). An approach considered not applicable was omitted because this methodology is not appropriate for the property interest being appraised, or sufficient data to properly develop the approach was not available. Any approach judged not applicable, yet included in this report, was developed solely at our client's request. Data used to develop an inapplicable but included approach has a low to nil degree of comparability to the subject. Hence, no emphasis was given an approach deemed not applicable but included. Furthermore, no liability or responsibility is assumed for an approach considered not applicable but included at the client's request.

Scope of Work

Concept Explanations

Intended use and all intended user(s) should be weighed heavily during the scope of work decision. A single intended user who frequently engages appraisal services is likely very knowledgeable about the appraisal process. For this type user, the appraisal development and reporting for less complex property types might be toward the lower end of the spectrum. By contrast, multiple intended users, especially those with opposing motivations, likely need extensive appraisal development and reporting. Litigation is a prime example when a thorough appraisal development and detailed reporting is warranted.

A loan to value ratio reflects risk. For commercial-grade loans, ratios over 75% are generally regarded as risky. If a contemplated loan is viewed as risky, then the extent of appraisal development and the level of report detail should be more comprehensive. Similarly, more complex properties generally warrant more thorough analyses and more extensive report details.

Prior engagement of appraisal services by a client implies a level of awareness about the appraisal process. A greater awareness may justify a less thorough level of report detail whereas the opposite is true for an individual who has never engaged an appraisal.

A Jurisdictional Exception is an assignment condition, which voids a portion of USPAP that is contrary to law or public policy. When a Jurisdictional Exception applies, only the contrary portion is void. The remainder of USPAP remains in full force and effect. Jurisdiction Exceptions always shrink USPAP, not expand it.

Data verification affects reliability. Direct data verification confirms information used in the report with one or more parties who have in-depth knowledge about physical characteristics for the property being appraised, or related financial details. Indirect verification employs information obtained from a secondary source like a data reporting service, a multiple listing service, or another appraiser. Direct verification is generally more time-consuming and costly, but also more reliable.

Information from all data sources was examined for accuracy, is believed reliable, and assumed reasonably accurate. However, no guaranties or warranties for the information are expressed or implied. No liability or responsibility is assumed by Nelsen Appraisal Associates, Inc. or the appraiser(s) for any inaccuracy from any seemingly credible information source.

Scope of Work

Concept Explanations

A statement about observation of the subject property by the appraiser(s) is listed above. If the subject was observed, this viewing was not as thorough as a professional property inspection. A professional inspector determines the precise physical condition, remaining useful life, and operability of major building components like the structural system, roof cover, electrical system, plumbing, and heating plant. Inspectors typically do not ascertain size of the building, or characteristics of the land. By contrast, an appraiser commonly ascertains both land and building size. Ordinarily, appraisers do not determine operability, or remaining useful life of building systems. An appraiser typically views real estate to determine only general attributes like physical condition of the building as a whole, site topography and access, building size, construction quality, floor plan, and functionality of the property as a whole. For this appraisal, no probes, investigations, or studies were made to discover unapparent, adverse physical features.

Highest and best use analyses can be categorized into two groups - inferred and fundamental. A fundamental analysis is quantified from broad demographic and economic data such as population, household size, and income. Supply is inventoried. Subject specific characteristics are considered. Then, the relationship between supply and demand is weighed to determine a specific highest and best use for the subject. An inferred analysis uses local trends and patterns to infer a general highest and best use for the subject. For an inferred analysis, market dynamics that might be considered include prices, market exposure times, rents, vacancy, and listings of similar real estate. Inferred analyses emphasize historical data while fundamental analyses are based on future projections. The kind of highest and best use analysis utilized in this assignment is listed above.

Report Reliance & Use Restrictions

No liability is assumed, expressed, or implied by Nelsen Appraisal Associates, Inc., or the appraiser(s) for unauthorized use of this report. Only those persons, parties, entities, companies, corporations, partnerships, associations, or groups that are explicitly identified as an intended user on page 2 may rely on, and use this report. There are no implied, suggested, inferred, consequential, or indirect intended users of this report. Unauthorized users should not use, or rely on any portion of this document. Unauthorized users do so at their own risk and peril.

Scope of Work Exclusion - Insurable Value

The cost approach may or may not have been developed herein. Unless explicitly stated otherwise, the cost approach was developed solely to support the subject's market value. Use of this appraisal, in whole or part, for another purpose is not an expected intended use. Nothing in this appraisal should be used, or relied upon to determine the amount or type of insurance coverage to be placed on the subject property. The signatory / signatories to this report assume no liability for, and do not guarantee that any insurable value inferred from this report will result in the subject property being adequately insured for any loss that may be sustained. Since labor costs, material costs, building codes, construction intervals, and governmental regulations are constantly changing, the cost approach may not be a reliable indication of replacement or reproduction cost for any date other than this report's effective value date.

Extraordinary Assumptions & Disclosures

An extraordinary assumption is defined by the Uniform Standards of Professional Appraisal Practice (USPAP) to be “an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinion or conclusions”. Extraordinary assumptions presume as fact otherwise uncertain information. In other words, this type assumption involves uncertainty about an underlying premise. An example is a survey that displays a lot size. If the lot size is later found to be much smaller, then the value conclusion may be negatively affected.

USPAP Standard Rule 1-2(f) requires the identification of all extraordinary assumptions that are necessary for credible assignment results. This appraisal employs the following extraordinary assumptions.

- Features of the subject site such as legal description, dimensions, size, etc. were obtained from Story County records. All information taken therefrom is assumed reasonably correct.
- Some details of the subject improvements like size and shape were obtained from public records. Other features such as exterior materials were obtained from personal observation and/or measurement. All are assumed reasonably correct.
- Observation of the subject property included the entire site, some of the roof (as visible from the ground and neighboring sites), most exterior walls (as visible from the ground), most common areas like halls or stairs, and most of the interior. Unseen spaces are assumed to have physical condition and construction quality similar to that in observed spaces. It is further assumed the subject has no hidden defects. The appraiser(s) did not attempt to study, dig, probe, investigate, detect, remove materials, or discover unfavorable physical features.
- Real estate tax information for the subject was obtained from Story County records.
- Assumptions and presumptions discussed in the Noteworthy Issues section of this report, if any, are incorporated by way of reference into these Extraordinary Assumptions & Disclosures.
- A recently issued title policy was not furnished to the appraiser(s). If a value-impairment is identified or suggested in a title policy, another professional report, or some other document, this appraisal does not address issues that are significantly atypical for a valuation of this type property unless specifically identified in the Scope of Work and/or Noteworthy Issues section of this report.

The above extraordinary assumptions as well as other assumptions anywhere herein are integral premises upon which the conclusions in this document are based. If any of these assumptions are later found to be materially untrue or inaccurate, then this report’s assignment results may or may not be affected.

Hypothetical Conditions

USPAP defines a hypothetical condition as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.”

Hypothetical conditions assume conditions that are contrary to known fact. An illustration is the current valuation of a proposed home. For the purpose of a rational analysis, it is assumed the home exists on the effective value date, but it is known the home is nonexistent. Another example is a new zoning classification, that a property does not have today, but the new zoning is assumed for the purpose of a logical current valuation. Uncertainty is not involved with a hypothetical condition. An essential premise underlying the valuation is known not to exist on the effective value date.

USPAP Standard Rule 1-2(g) requires the identification of all hypothetical conditions that are necessary for a credible value opinion. This appraisal employs no hypothetical conditions.

Personal Property & Intangibles

Personal property is movable and *not* permanently affixed to the real estate. Examples of personal property are freestanding ranges, refrigerators, tables, desks, chairs, beds, linen, silverware, hand tools, and small utensils. An intangible is a nonphysical asset like franchises, trademarks, patents, goodwill, and mineral rights. Personal and intangible property included in this appraisal's value opinion, if any, is considered typical for this type real estate, yet insignificant to the value opinion. Therefore, non-realty is not itemized or valued herein. Moreover, this report's final value conclusion(s) *excludes* unaffixed equipment, detached trade fixtures, and chattel unless specifically stated to the contrary.

Definition of Market Value

The definition of *market value* is used in all federally regulated transactions that exceed a minimum amount. This definition is mandated by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989. The exact same definition was published in the Federal Register several times by different federal agencies. Some printings are: *12 C.F.R. Part 34.42(g)*; *55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; and 59 Federal Register 29499, June 7, 1994.*)

Federal agencies publishing the **exact same definition** include the

- Office of the Comptroller of the Currency (OCC) as 12 CFR 34, subpart C
- Federal Reserve Board (FRB) as 12 CFR 225, Subpart G
- Federal Deposit Insurance Corporation (FDIC) as 12 CFR 323.2, Definition (g) in 55 Federal Register, 33,888 August 20, 1990, Effective September 19, 1990.
- Office of Thrift Supervision (OTS) as 12 CFR 564
- National Credit Union Administration (NCUA) as 12 CFR 722

The **exact same definition** was again published jointly by the OCC, OTS, FRS, and FDIC on page 61 of the "*Interagency Appraisal and Evaluation Guidelines*". These guidelines were published in the Federal Register on December 10, 2010 as Volume 55, page 77472. All the above citations defined market value as:

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

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

Virtually the same definition is also cited in Advisory Opinion 30 in the 2014-2015 version of the Uniform Standards of Professional Appraisal Practice (USPAP), lines 124 to 136.

Definition of Real Property Estates

One or more of the following underlined legal estates or interests are valued in this report. Definitions of these estates are quoted from *The Dictionary of Real Estate Appraisal*, Fifth Edition; published by the Appraisal Institute, copyright 2010.

- Fee Simple Estate *"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."*
- Leased Fee Estate *A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship."*
- Leasehold Estate *"The tenant's possessory interest created by a lease"*

Assemblage

USPAP Standard Rule 1-4(e) requires an analysis of the assemblage of various estates or component parts that affect value. In this case, no assemblage is expected so value is not affected.

Contingent and Limiting Conditions

1. By this notice, all persons, companies, or corporations using or relying on this report in any manner bind themselves to accept these Contingent and Limiting conditions, and all other contingent and limiting conditions contained elsewhere in this report. Do not use any portion of this report unless you fully accept all Contingent and Limiting conditions contained throughout this document.
2. The "Subject" or "Subject Property" refers to the real property that is the subject of this report. An Appraiser is defined as an individual person who is licensed to prepare real estate appraisal-related services in the State of Iowa and affixes his / her signature to this document.
3. Throughout this report, the singular term "Appraiser" also refers to the plural term "Appraisers". The terms "Appraiser" and "Appraisers" also refer collectively to "Nelsen Appraisal Associates, Inc.", its officers, employees, subcontractors, and affiliates. The masculine terms "he" or "his" also refer to the feminine term "she" or "her".
4. In these Contingent and Limiting Conditions, the "Parties" refers to all of the following collectively: (a) the Appraiser(s), (b) Nelsen Appraisal Associates, Inc., (c) the client, and (d) all intended users.
5. These Contingent and Limiting Conditions are an integral part of this report along with all certifications, definitions, descriptions, facts, statements, assumptions, disclosures, hypotheses, analyses, and opinions.
6. All contents of this report are prepared solely for the explicitly identified client and other explicitly identified intended users. The liability of the Appraiser is limited solely to the client. There is no accountability, obligation, or liability to any other third party. Other intended users may read but not rely on this report. The Appraiser's maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) is limited to the fee paid to Nelsen Appraisal Associates, Inc. for that portion of their services, or work product giving rise to liability. In no event shall the Appraisers be liable for consequential, special, incidental or punitive loss, damages or expense (including without limitation, lost profits, opportunity costs, etc.) even if advised of their possible existence. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all contingent and limiting conditions, assumptions, and disclosures. Use of this report by third parties shall be solely at the risk of the third party.
7. This document communicates the results of an appraisal assignment. This communication is not an inspection, engineering, construction, legal, or architectural report. It is not an examination or survey of any kind. Expertise in these areas is not implied. The Appraiser is not responsible for any costs incurred to discover, or correct any deficiency in the property.

Contingent and Limiting Conditions

8. As part of this appraisal, information was gathered and analyzed to form opinion(s) that pertain solely to one or more explicitly identified effective value dates. The effective value date is the only point in time that the value applies. Information about the subject property, neighborhood, comparables, or other topics discussed in this report was obtained from sensible sources. In accordance with the extent of research disclosed in the Scope of Work section, all information cited herein was examined for accuracy, is believed to be reliable, and is assumed reasonably accurate. However, no guaranties or warranties are made for this information. No liability or responsibility is assumed for any inaccuracy which is outside the control of the Appraiser, beyond the scope of work, or outside reasonable due diligence of the Appraiser.
9. Real estate values are affected by many changing factors. Therefore, any value opinion expressed herein is considered credible only on the effective value date. Every day that passes thereafter, the degree of credibility wanes as the subject changes physically, the economy changes, or market conditions change. The Appraiser reserves the right to amend these analyses and/or value opinion(s) contained within this appraisal report if erroneous, or more factual-information is subsequently discovered. No guarantee is made for the accuracy of estimates or opinions furnished by others, and relied upon in this report.
10. In the case of limited partnerships, syndication offerings, or stock offerings in the real estate, the client agrees that in case of lawsuit (brought by the lender, partner, or part owner in any form of ownership, tenant, or any other party), the client will hold Nelsen Appraisal Associates, Inc., its officers, contractors, employees and associate appraisers completely harmless. Acceptance of, and/or use of this report by the client, or any third party is prima facie evidence that the user understands and agrees to all these conditions.
11. For appraisals of multiunit residential, only a portion of all dwellings was observed. A typical ratio of observed dwellings roughly approximates 10% of the total number of units, and this ratio declines as the number of dwellings grows. It is assumed the functionality, physical condition, construction quality, and interior finish of unseen units are similar to the functionality, physical condition, construction quality, and interior finish of observed units. If unobserved dwellings significantly differ from those that were viewed in functionality, physical condition, quality, or finish, the Appraiser reserves the right to amend theses analysis and/or value opinion(s).
12. If the appraised property consists of a physical portion of a larger parcel is subject to the following limitations. The value opinion for the property appraised pertains only to that portion defined as the subject property. This value opinion should not be construed as applying with equal validity to other complementary portions of the same parcel. The value opinion for the physical portion appraised + the value of all other complementary physical portions may or may not equal the value of the whole parcel.

Contingent and Limiting Conditions

13. Unless specifically stated otherwise herein, the Appraiser is unaware of any engineering study made to determine the bearing capacity of the subject land, or nearby lands. Improvements in the vicinity, if any, appear to be structurally sound. It is assumed soil and subsoil conditions are stable and free from features that cause supernormal costs to arise. It is also assumed existing soil conditions of the subject land have proper load bearing qualities to support the existing improvements, or proposed improvements appropriate for the site. No investigations for potential seismic hazards were made. This appraisal assumes there are no conditions of the site, subsoil, or structures, whether latent, patent, or concealed that would render the subject property less valuable. Unless specifically stated otherwise in this document, no earthquake compliance report, engineering report, flood zone analysis, hazardous substance determination, or analysis of these unfavorable attributes was made, or ordered in conjunction with this appraisal report. The client is strongly urged to retain experts in these fields, if so desired.
14. If this report involves an appraisal that values an interest, which is less than the whole fee simple estate, then the following disclosure applies. The value for any fractional interest appraised + the value of all other complementary fractional interests may or may not equal the value of the entire fee simple estate.
15. If this appraisal values the subject as though construction, repairs, alterations, remodeling, renovation, or rehabilitation will be completed in the future, then it is assumed such work will be completed in a timely fashion, using non-defective materials, and proper workmanship. All previously completed work is assumed completed in substantial conformance with plans, specifications, descriptions, or attachments made or referred to herein. It is also assumed all planned, in-progress, or recently completed construction complies with the zoning ordinance, and all applicable building codes. A prospective value opinion has an effective value date that is beyond or in the future relative to this report's preparation date. If this appraisal includes a prospective valuation, it is understood and agreed the Appraiser is not responsible for an unfavorable value effect caused by unforeseeable events that occur before completion of the project.
16. This valuation may or may not include an observation of the appraised property by an Appraiser. The extent of any observation is disclosed in the Scope of Work section of this report. Any observation by an Appraiser is not a professional property inspection. Viewing of the subject was limited to components that were not concealed, clearly observable, and readily accessible without a ladder on the property observation date. As used herein, readily accessible means within the Appraiser's normal reach without the movement of any man made or natural object. Comments or descriptions about physical condition of the improvements are based solely on a superficial visual observation. These comments are intended to familiarize the reader with the property in a very general fashion.

Contingent and Limiting Conditions

17. Electric, heating, cooling, plumbing, water supply, sewer or septic, mechanical equipment, and other property systems were not tested. No determination was made regarding the operability, capacity, or remaining physical life of any component in, on, or under the real estate appraised. All building components are assumed adequate and in good working order unless stated otherwise. Private water wells and private septic systems are assumed sufficient to comply with federal, state, or local health safety standards. No liability is assumed for the soundness of structural members since structural elements were not tested or studied to determine their structural integrity. The roof cover for all structures is assumed water tight unless otherwise noted. This document is not an inspection, engineering or architectural report. If the client has any concern regarding structural, mechanical, or protective components of the improvements, or the adequacy or quality of sewer, water or other utilities, the client should hire an expert in the appropriate discipline before relying upon this report. No warranties or guarantees of any kind are expressed or implied regarding the current or future physical condition or operability of any property component.
18. The allocation of value between the subject's land and improvements, if any, represents our judgment only under the existing use of the property. A re-evaluation should be made if the improvements are removed, substantially altered, or the land is utilized for another purpose.
19. The Client and all intended users agree to all the following. (A) This appraisal does not serve as a warranty on the physical condition or operability of the property appraised. (B) All users of this report should take all necessary precautions before making any significant financial commitments to or for the subject. (C) Any estimate for repair or alternations is a non-warranted opinion of the Appraiser.
20. No liability is assumed for matters of legal nature that affect the value of the subject property. Unless a clear statement to the contrary is made in this report, value opinion(s) formed herein are predicated upon the following assumptions. (A) The real property is appraised as though, and assumed free from all value impairments including yet not limited to title defects, liens, encumbrances, title claims, boundary discrepancies, encroachments, adverse easements, environmental hazards, pest infestation, leases, and atypical physical deficiencies. (B) All real estate taxes and assessments, of any type, are assumed fully paid. (C) It is assumed ownership of the property appraised is lawful. (D) It is also assumed the subject property is operated under competent and prudent management. (E) The subject property was appraised as though, and assumed free of indebtedness. (F) The subject real estate is assumed fully compliant with all applicable federal, state, and local environmental regulations and laws. (G) The subject is assumed fully compliant with all applicable zoning ordinances, building codes, use regulations, and restrictions of all types. (H) All licenses, consents, permits, or other documentation required by any relevant legislative or governmental authority, private entity, or organization have been obtained, or can be easily be obtained or renewed for a nominal fee.

Contingent and Limiting Conditions

21. Any exhibits in the report are intended to assist the reader in visualizing the subject property and its surroundings. The drawings are not surveys unless specifically identified as such. No responsibility is assumed for cartographic accuracy. Drawings are not intended to be exact in size, scale, or detail.
22. Value opinions involve only real estate, and inconsequential personal property. Unless explicitly stated otherwise, value conclusions do not include personal property, unaffixed equipment, trade fixtures, business-good will, chattel, or franchise items of material worth.
23. Conversion of the subject's income into a market value opinion is based upon typical financing terms that were readily available from a disinterested, third party lender on this report's effective date. Atypical financing terms and conditions do not influence market value, but may affect investment value.
24. All information and comments concerning the location, market area, trends, construction quality, construction costs, value loss, physical condition, rents, or any other data for the subject represent estimates and opinions of the Appraiser. Expenses shown in the Income Approach, if used, are only estimates. They are based on past operating history, if available, and are stabilized as generally typical over a reasonable ownership period.
25. This appraisal was prepared by Nelsen Appraisal Associates, Inc. and consists of trade secrets and commercial or financial information, which is privileged, confidential, and exempt from disclosure under 5 U.S.C. 522 (b) (4).
26. The Appraiser is not required to give testimony or produce documents because of having prepared this report unless arrangements are agreed to in advance. If the Appraiser is subpoenaed pursuant to court order or required to produce documents by judicial command, the client agrees to compensate the Appraiser for his appearance time, preparation time, travel time, and document preparation time at the regular hourly rate then in effect plus expenses and attorney fees. In the event the real property appraised is, or becomes the subject of litigation, a condemnation, or other legal proceeding, it is assumed the Appraiser will be given reasonable advanced notice, and reasonable additional time for court preparation.
27. Effective January 26, 1992, the Americans with Disabilities Act (ADA) - a national law, affects all non-residential real estate or the portion of any property, which is non-residential. The Appraiser has not observed the subject property to determine whether the subject conforms to the requirements of the ADA. It is possible a compliance survey, together with a detailed analysis of ADA requirements, could reveal the subject is not fully compliant. If such a determination was made, the subject's value may or may not be adversely affected. Since the Appraiser has no direct evidence, or knowledge pertaining to the subject's compliance or lack of compliance, this appraisal does not consider possible noncompliance or its effect on the subject's value.

Contingent and Limiting Conditions

28. Nelsen Appraisal Associates, Inc. and the Appraiser have no expertise in the field of insect, termite, or pest infestation. We are not qualified to detect the presence of these or any other unfavorable infestation. The Appraiser has no knowledge of the existence of any infestation on, under, above, or within the subject real estate. No overt evidence of infestation is apparent to the untrained eye. However, we have not specifically inspected or tested the subject property to determine the presence of any infestation. No effort was made to dismantle or probe the structure. No effort was exerted to observe enclosed, encased, or otherwise concealed evidence of infestation. The presence of any infestation would likely diminish the property's value. All value opinions in this communication assume there is no infestation of any type affecting the subject real estate or the Appraiser is not responsible for any infestation or for any expertise required to discover any infestation. Our client is urged to retain an expert in this field, if desired.
29. All opinions are those of the signatory Appraiser based on the information in this report. No responsibility is assumed by the Appraiser for changes in market conditions, or for the inability of the client, or any other party to achieve their desired results based upon the appraised value. Some of the assumptions or projections made herein can vary depending upon evolving events. We realize some assumptions may never occur and unexpected events or circumstances may occur. Therefore, actual results achieved during the projection period may differ from those set forth in this report. Compensation for appraisal services is dependent solely on the delivery of this report, and no other event or occurrence
30. No warranties are made by the Appraiser concerning the property's conformance with any applicable government code or property covenant including but not limited to all laws, ordinances, regulations, agreements, declarations, easements, condominium regulations, restrictions, either recorded or unrecorded. The client is urged to engage the services of a licensed attorney to confirm any legal issue affecting the property appraised. No liability or responsibility is assumed by the Appraiser to determine the cost of replacing or curing any supposedly defective physical component.
31. In the event of an alleged claim due to some defective physical component, the client must notify Nelsen Appraisal Associates, Inc. and allow its representatives and experts to examine and test the alleged defective component before any repairs or modifications are made. If any type of repair or modification is made without the knowledge of the Appraisers, the Appraiser is released from all liability, real or alleged.
32. The client and all explicitly identified intended users agree to notify in writing Nelsen Appraisal Associates, Inc., within one year of this report's preparation date, of any claim relating to or arising from this report regardless of any statute of limitations. If Nelsen Appraisal Associates, Inc. does not receive this written notification within the year period defined in the paragraph, then the claimant releases the Appraiser from all claims arising from or related to this report.

Contingent and Limiting Conditions

33. The client and all explicitly identified intended users acknowledge that any claim relating to this report shall be settled in accordance with the commercial arbitration rules of the American Arbitration Association with the Parties each paying an equal share of all associated costs.
34. Any alleged claim must be filed in the Circuit Court for the County that encompasses most of or all of Urbandale, Iowa 50322 where the Appraiser's business office is located. If a court of law voids any portion of these Contingent and Limiting Conditions, then the remainder remains in full force and effect. The claimant(s) agree not to contest the venue set forth herein and to submit to, and not contest, the exercise of personal jurisdiction over them by the foregoing court. The claimant(s) waive all rights concerning the exercise of personal jurisdiction of them by the foregoing courts and all claims of or concerning forum non-conveniences in the foregoing forum.
35. Superseding all comments to the contrary regardless of date, this report may not be transferred or assigned without the prior written consent of Nelsen Appraisal Associates, Inc..
36. No part of this report shall be published or disseminated to the public by the use of advertising media, public relations media, news media, sales media, electronic devices, or other media without the prior written consent of Nelsen Appraisal Associates, Inc.. This restriction applies particularly as to analyses, opinions, and conclusions; the identity of the Appraiser; and any reference to the Appraisal Institute or its MAI, SRPA, or SRA designations. Furthermore, no part of this report may be reproduced or incorporated into any information retrieval system without written permission from Nelsen Appraisal Associates, Inc., the copyright holder.



Disclosures

Professional Standards

All leading professional appraisal organizations, the U.S. Congress, all state legislatures, and numerous legal jurisdictions recognize the Uniform Standards of Professional Appraisal Practice (USPAP), promulgated by the Appraisal Foundation. Revised biennially to keep it contemporary, these standards set forth ethical practices and proper procedures for a competent appraisal. This appraisal fully complies with all relevant portions of the USPAP version in effect on the date this report was prepared. It also complies with the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), a federal law.

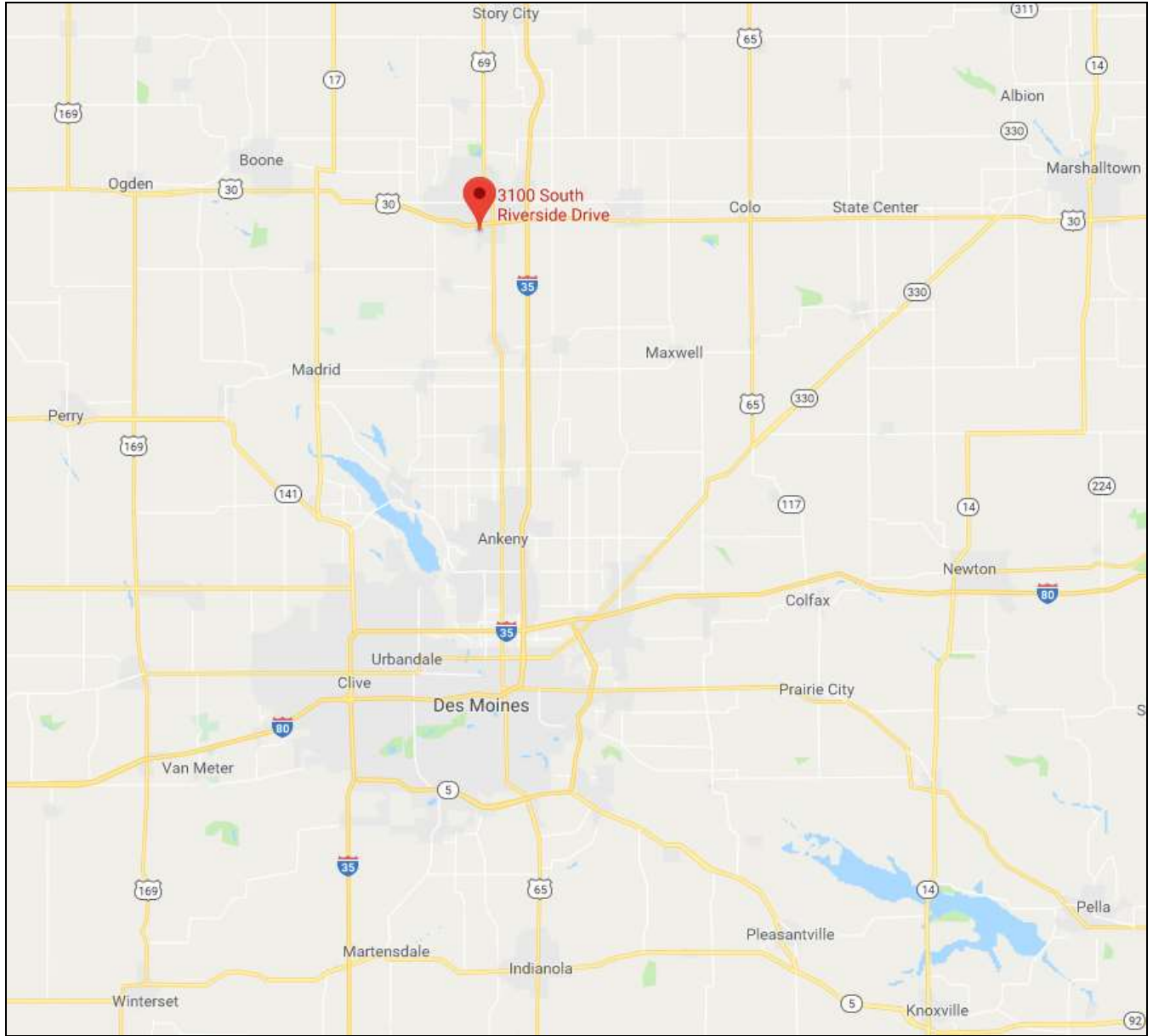
Competency

The persons signing this report are licensed to appraise real property in the state the subject is located. They affirm they have the experience, knowledge, and education to value this type property. They have previously appraised similar real estate.

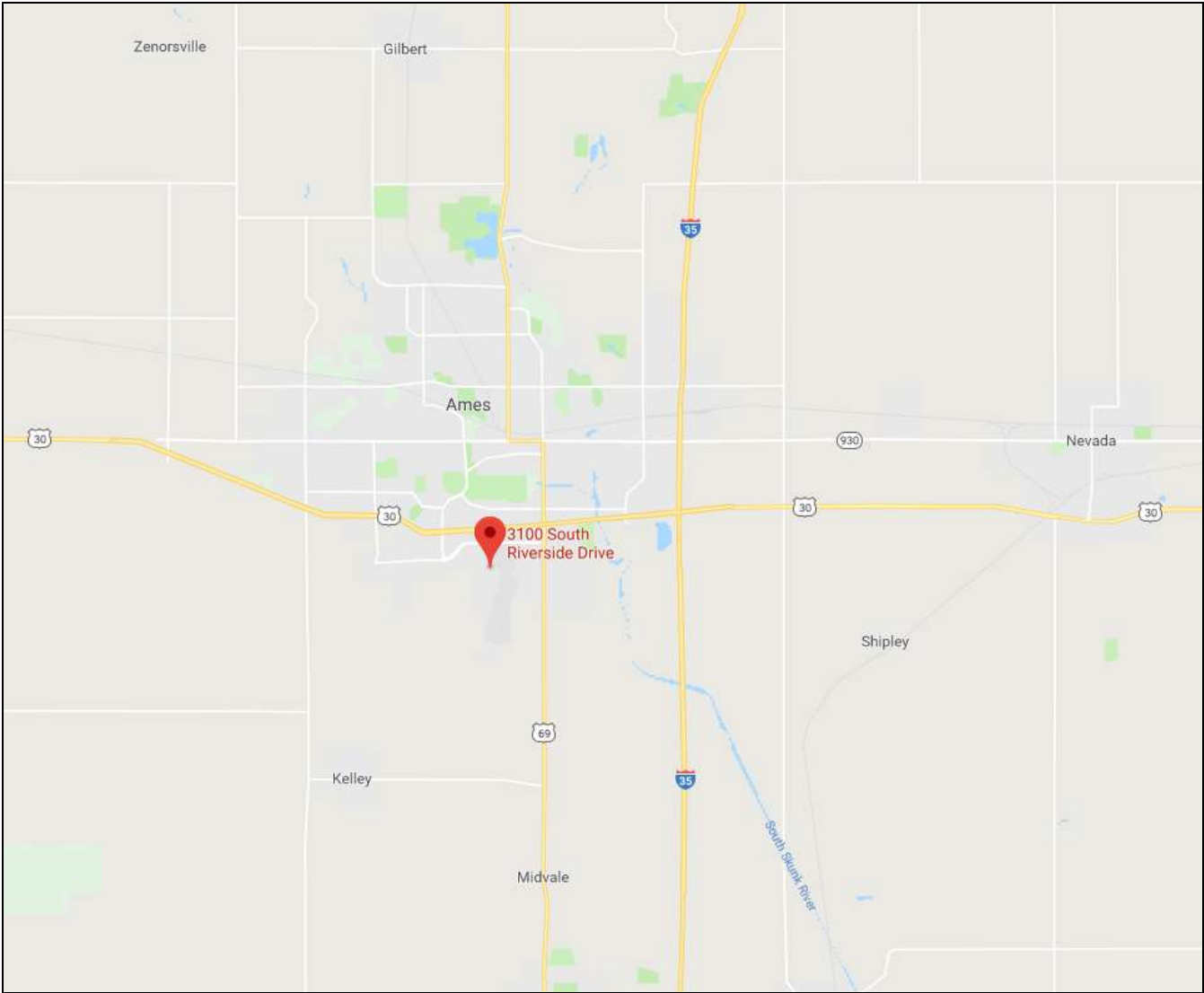


Area Data

Regional Map



Vicinity Map



Proximity Map



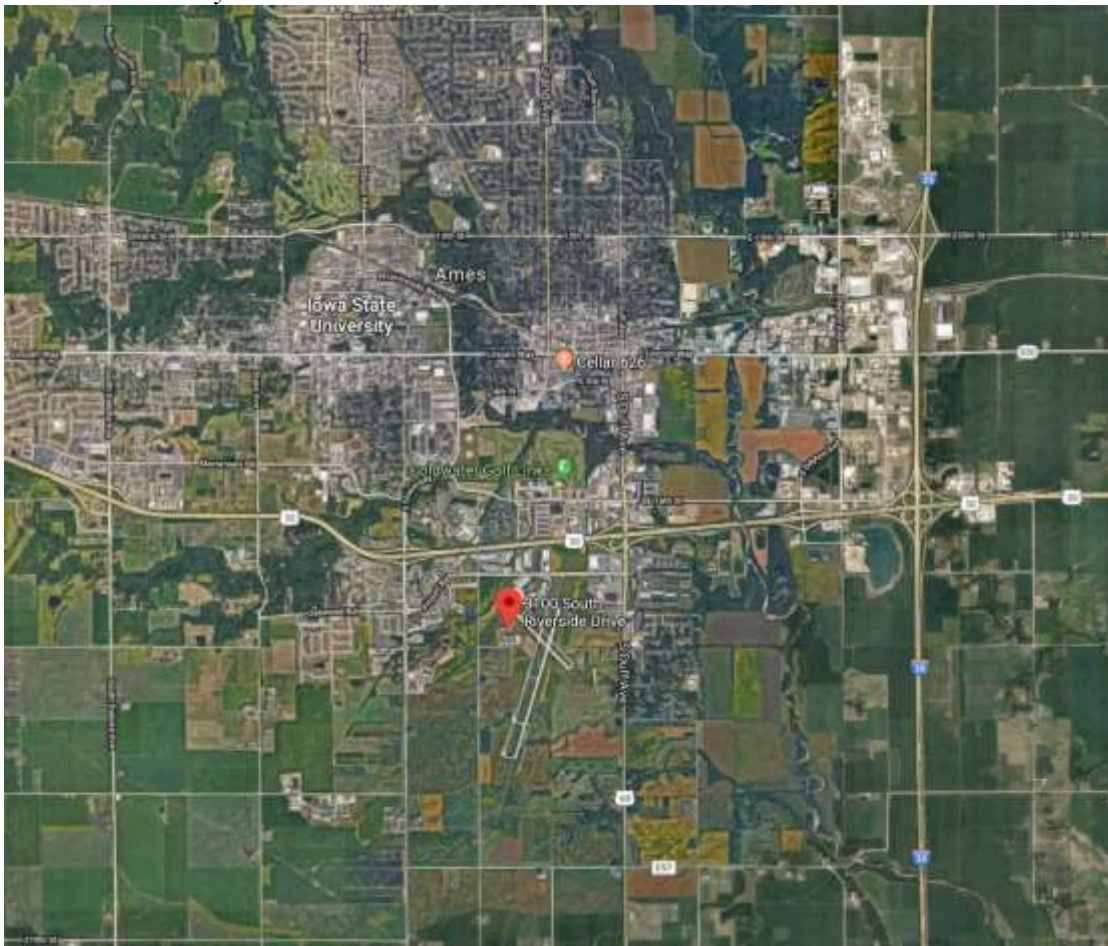
Proximity Features

Expected Changes in Economic Base	None
Protection From Adverse Conditions	Good
Demand for Real Estate Like Subject	Adequate
Potential Additional Supply Like Subject	Potential Exists
Building Age Range <i>{excluding extremes}</i>	15 to 50 Years
Oversupply of Property Like Subject	None
General Appearance of Properties	Average
Location	Suburban
Land Use Change	Not Likely
Police & Fire Protection	Average
Expressway Access	Under a mile
Employment Centers	Under a mile
Property Compatibility	Average
Appeal to Market	Average

Nearby Land Uses

Residential	30%
Retail	15%
Office	10%
Industrial	15%
Institutional	05%
Vacant Land	30%
-----	-----
Total	100%

Aerial Photo – Nearby Land Uses




Regional Data

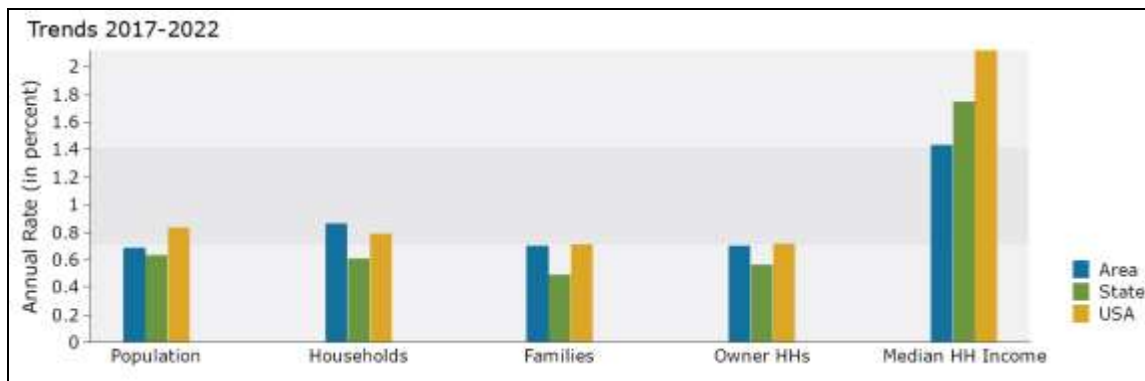
Ames is the largest city in Story County. The population is greatly impacted by Iowa State University, one of three public universities in the State. The county seat is located in Nevada.

Population

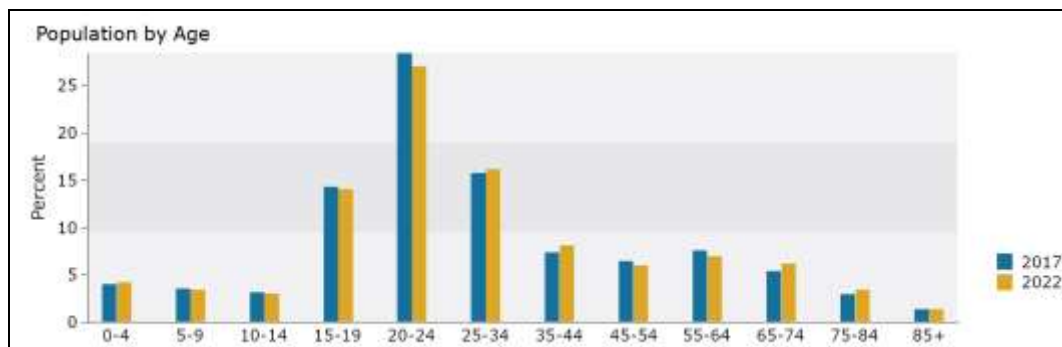
The Ames area had a recorded population of 58,973 people in 2010. The projected population in 2022 is 67,519 indicating projected growth of 14.49% or 1.21% per annum. Households and families also show positive growth during the same time period with 0.94% to 0.76% growth per year, respectively.

 Demographic and Income Profile			
Ames City, IA 2 Ames City, IA (1901855) Geography: Place			Prepared by Esri
Summary	Census 2010	2017	2022
Population	58,973	65,221	67,519
Households	22,762	24,271	25,327
Families	9,962	10,494	10,866

The following graph projects trends amongst the preceding categories over the next five years. While population growth is positive for Ames, its growth will lag National numbers, but will slightly outpace State numbers. Household growth in Ames will outpace both State and National numbers. The growth of families will outpace State number and essentially mirror National growth rates.



Iowa State University greatly impacts the population in the City of Ames. The following graph displays the population distribution by age. Over 25% of the population is between 20 and 24 years old. The age distribution is projected to maintain the same pattern over the next five years.



Regional Data

Employment

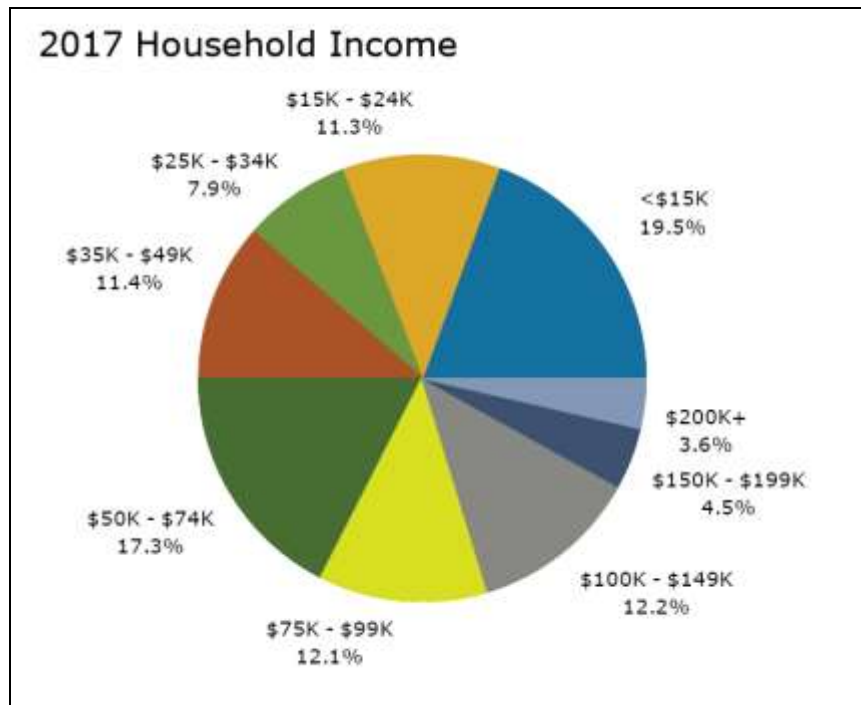
The Ames area has a diversified employment base supported by manufacturing facilities such as Barilla and research facilities associated with Iowa State University. The following tables display percentage of civilian population that is employed and the distribution of employment by industry.

2017 Civilian Population 16+ in Labor Force	
Civilian Employed	95.6%
Civilian Unemployed	4.5%

2017 Employed Population 16+ by Occupation	
Total	33,173
White Collar	68.0%
Management/Business/Financial	10.5%
Professional	37.0%
Sales	8.2%
Administrative Support	12.4%
Services	18.4%
Blue Collar	13.6%
Farming/Forestry/Fishing	1.7%
Construction/Extraction	2.1%
Installation/Maintenance/Repair	1.9%
Production	3.6%
Transportation/Material Moving	4.3%

Income Profile

The following graphs display the distribution of households based on income in 2017. Household income is fairly evenly distributed with the exception of households earning \$150,000+ per year. Concentrations between \$15,000 and \$100,000-\$150,000 per year range from 7.9% to 17.3%.



Regional Data

The following table displays the estimated and projected per capita income in Ames. Per capita income increased 7.08% from 2010 to 2017. Average household income is projected to increase by roughly 12.05% or roughly 2.41% per annum over the next five years.

Per Capita Income	
2000	\$24,271
2017	\$25,989
2022	\$29,137

Housing

The following table displays the median home value from 2000 to 2010 and the projected median home value in 2015. The median home value increased over 22% over the past ten years or roughly 2% per annum. The median home value is projected to maintain the same rate of increase over the next five years.

Median Home Value		
Year	Median Value	% Change
2010	\$161,494	
2017	\$192,623	19.28%
2022	\$216,298	12.29%

Median household income is also showing positive growth, but at a significantly slower rate compared to median home values.

Median Household Income		
Year	Median Income	% Change
2010	\$48,245	
2017	\$49,762	3.14%
2022	\$53,429	7.37%

The following table displays the number of housing units per year and the distribution of housing based on occupancy. Renter occupied housing made up over 50% of total housing units over the last ten years. Vacancy rates have remained relatively stable over the last 10 years and are projected to remain stable.

2010 Housing Units	23,880
Owner Occupied Housing Units	40.6%
Renter Occupied Housing Units	54.7%
Vacant Housing Units	4.7%
2017 Housing Units	25,419
Owner Occupied Housing Units	39.9%
Renter Occupied Housing Units	55.6%
Vacant Housing Units	4.5%
2022 Housing Units	26,544
Owner Occupied Housing Units	39.5%
Renter Occupied Housing Units	55.9%
Vacant Housing Units	4.6%

Regional Data

Summary

The Ames area has experienced stable rates of growth in population, families, and households. Median income and housing values have increased, but the pace of growth has been highest in housing values.

The Ames area is projected to outpace state rates of growth in population, households, and families, but will lag national levels of growth in population. The area will outpace national levels regarding the growth in number of households and will essentially keep pace with national levels for number of families. Moderate growth has been effectively absorbed by the market as indicated by projected stability in housing vacancy.

Appraisers also consulted the Iowa Finance Authority's profile for the City of Ames with reference to the single family residential and multiple-family residential markets. Showing continuing growth in demand and low vacancy rates in both of these commercial real estate markets.

Economic conditions are anticipated to remain stable in line with various measures of change such as median per capita and household income and population growth.



Subject Property

Identification of the Property

This real estate appraised is situated on the east side of South Riverside Drive in the southwest quadrant of Highway 30 and Highway 69 in the City of Ames, Story County, Iowa. Its common address is 3100 South Riverside Drive, Ames, Story County, Iowa 50010.

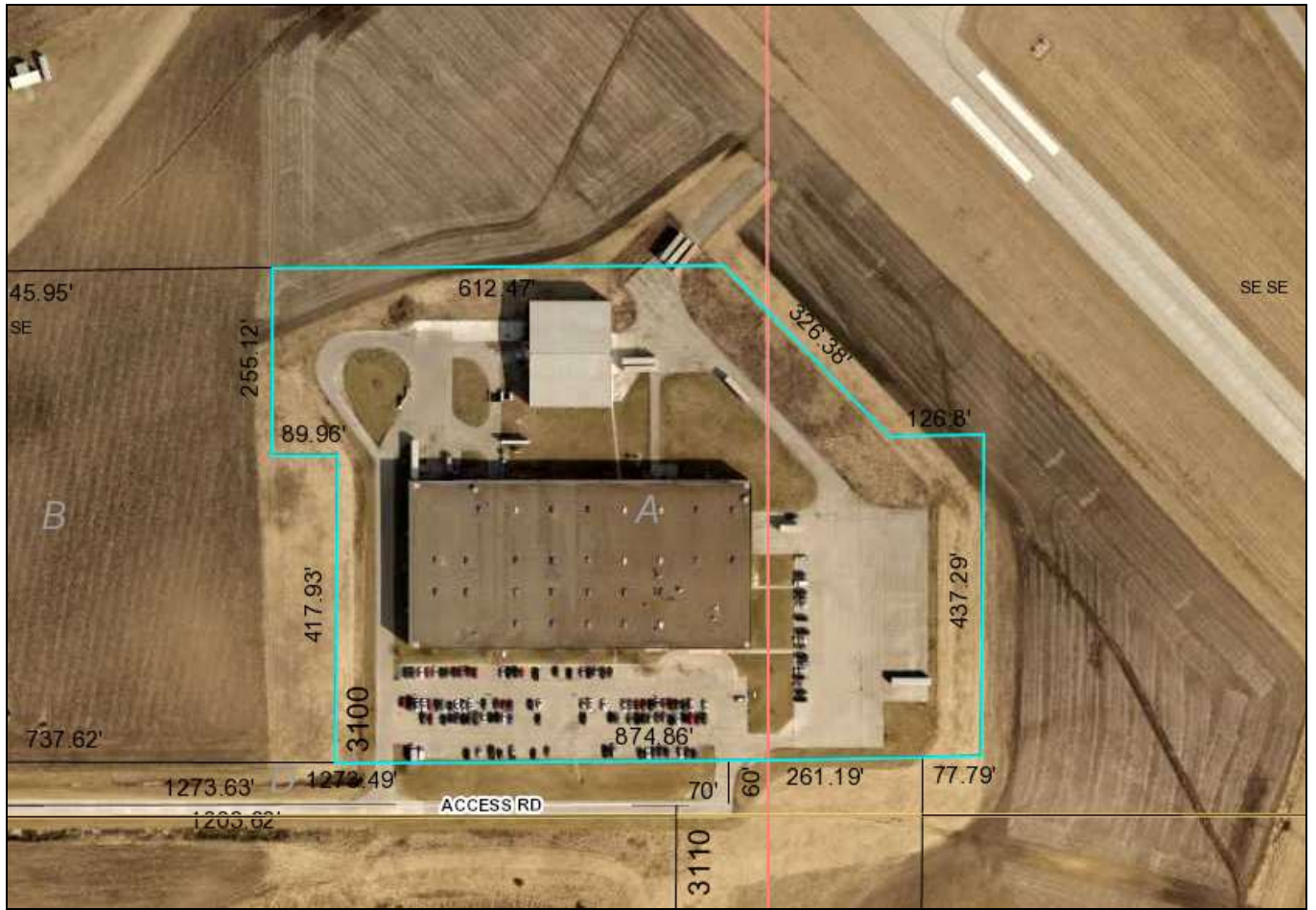
Legal Description

A professional surveyor and / or legal counsel should verify the following legal description before relying upon, or using it as part of any conveyance, or any other document. This legal description was obtained from public records and is assumed accurate.

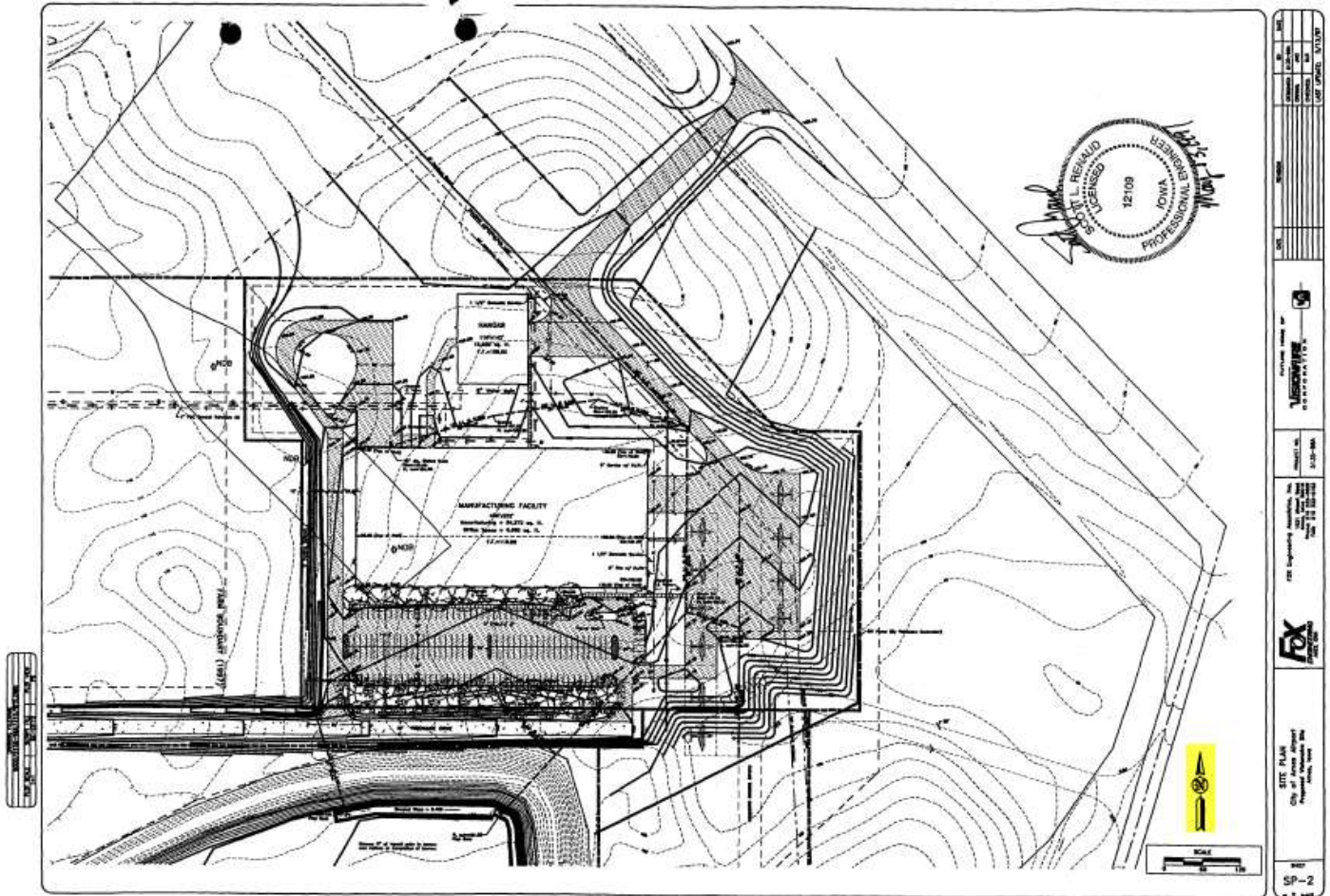
Description - Tract 'A' (Phase 1 & 2 Area).

Part of the Southeast Quarter of Section 15, Township 83 North, Range 24 West of the 5th P.M. in the City of Ames, Story County, Iowa, more particularly described as follows: Commencing at the South Quarter corner of said Section 15; thence N00°04'25"E, 73.61 feet along the west line of the Southeast Quarter of said Section 15; thence N89°55'48"E, 770.62 feet to the point of beginning; thence N00°04'18"W, 417.93 feet; thence S89°57'03"W, 89.96 feet; thence N00°04'18"W, 255.12 feet; thence N89°55'41"E, 612.47 feet; thence S43°48'04"E, 326.38 feet; thence N89°54'57"E, 126.80 feet; thence S00°03'48"E, 437.29 feet; thence S89°55'48"W, 874.86 feet to the point of beginning, containing 12.75 acres.

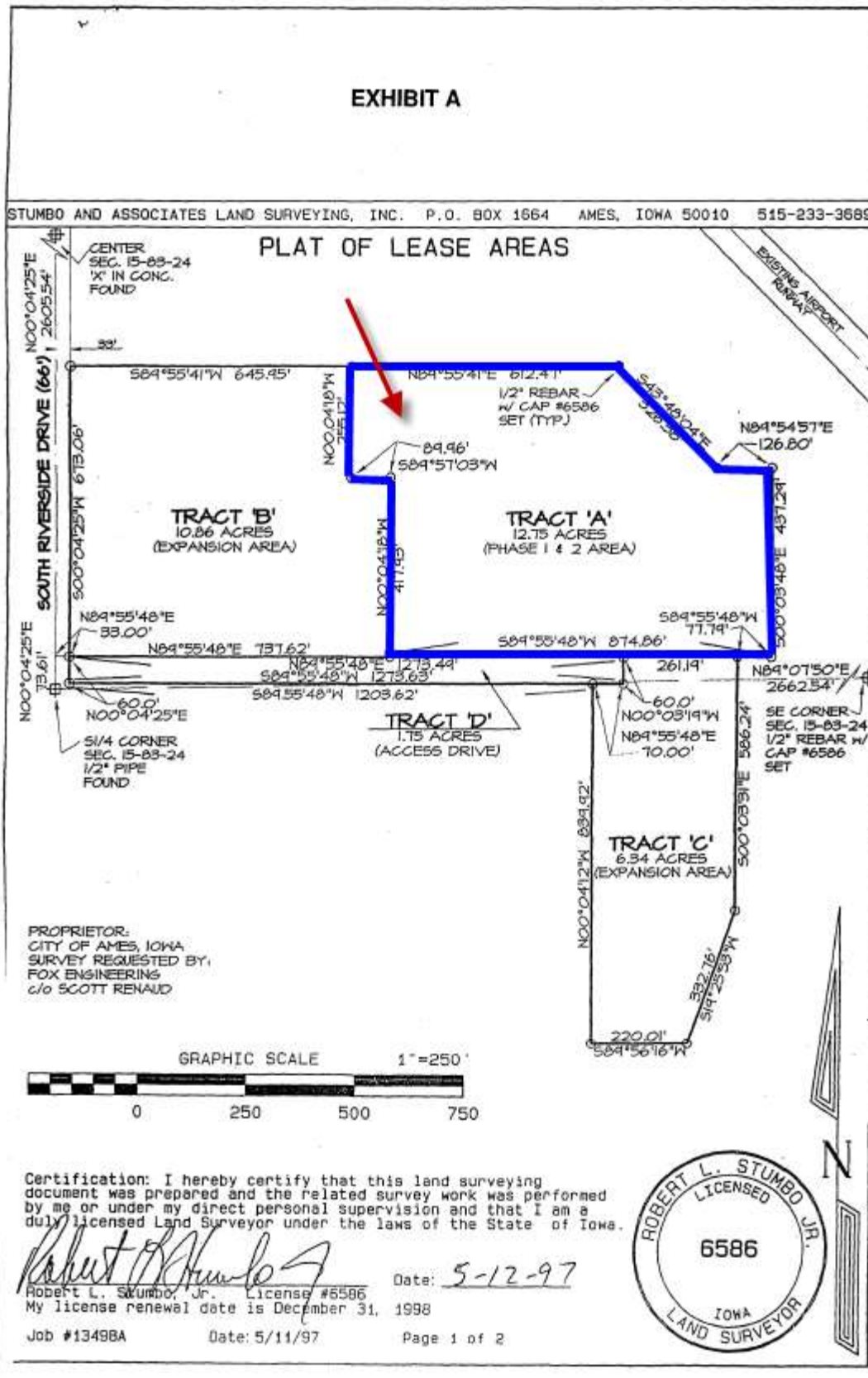
Ariel Plat Map with Dimensions



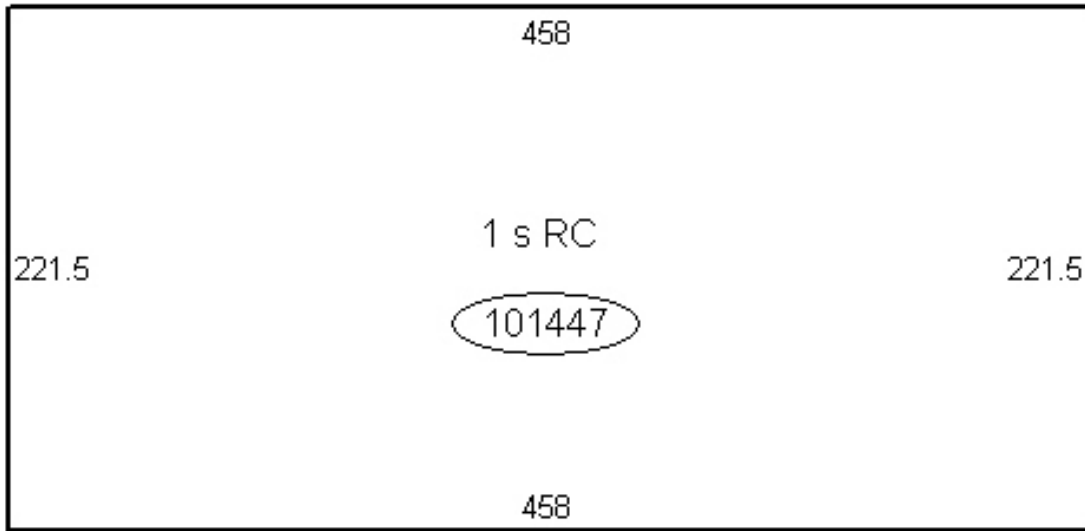
Site Plan (Excerpt From Lease)



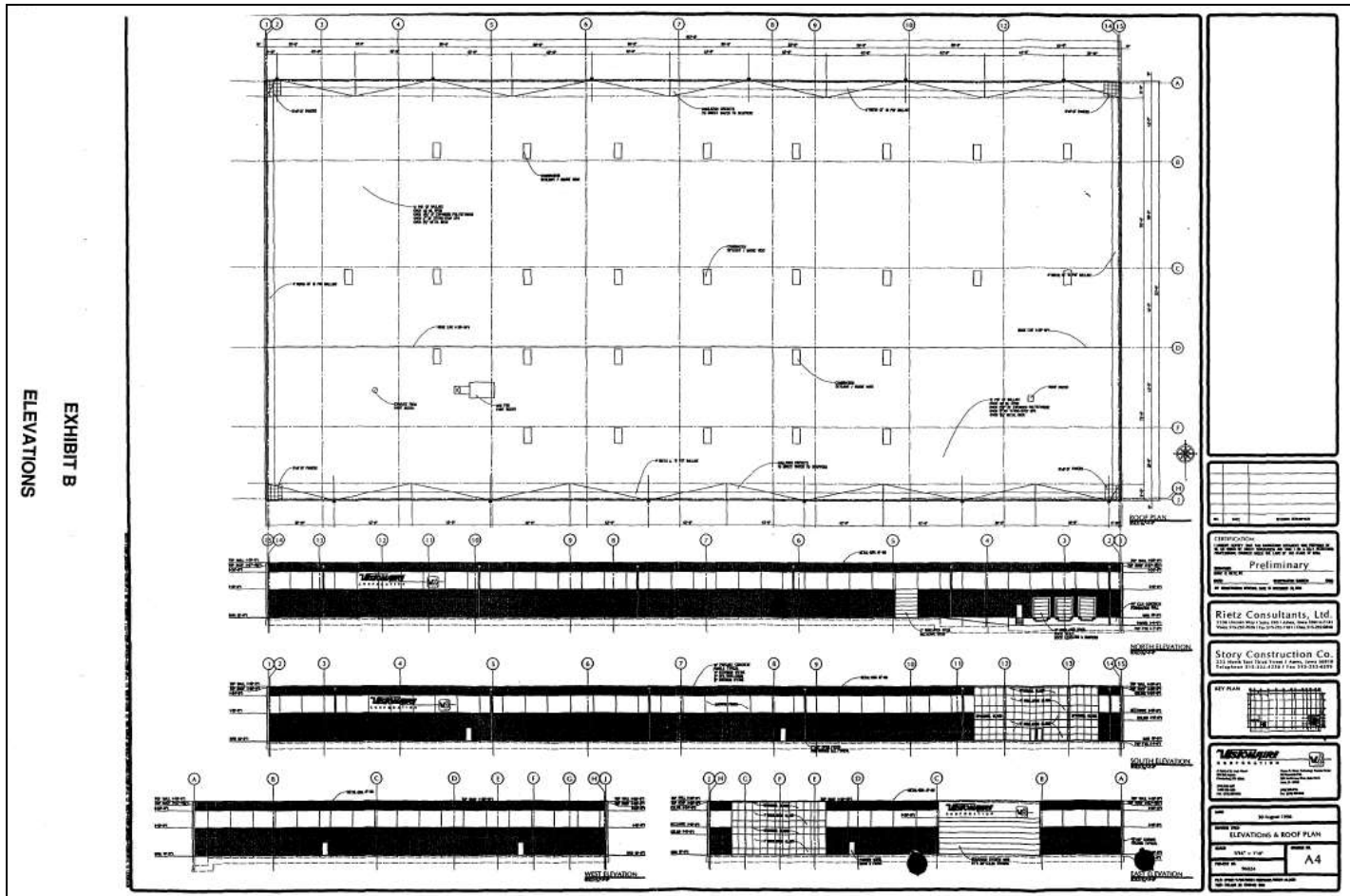
Plat of Leased Area With Potential Expansion Tracts (Excerpt From Lease) – Subject is outlined in blue and designated with a red arrow



Building Sketch



Building Sketch With Elevations (Excerpt from Lease)



Photographs of Subject
(photo page 1)



Southeast elevation



Northeast elevation

Photographs of Subject
(photo page 2)



Southwest elevation



Hangar building now
used as storage;
building is heated
with infrared heat
and includes
restrooms

Photographs of Subject
(photo page 1)



View of subject
looking east



View of front lobby
atrium area showing
elevator and stairway
access to second
floor office

Photographs of Subject
(photo page 2)



Additional view of
elevator and stairway
access to second floor
office



First floor office
finish

Photographs of Subject
(photo page 2)



Additional view of
first floor office
finish



Conference room on
first floor of office
area

Photographs of Subject
(photo page 1)



Typical restrooms
(men's and women's
restrooms are located
in first floor and
second floor office
areas)



View of elevator and
atrium area from
second floor office

Photographs of Subject
(photo page 2)



Mechanical room



Breakroom on
second floor of office
area

Photographs of Subject
(photo page 1)



Warehouse space



Additional view of
warehouse space

Photographs of Subject
(photo page 2)



Typical locker room
located in warehouse
space (men's and
women's)



Breakroom on first
floor of office space

Photographs of Subject
(photo page 1)



Additional view of
first floor breakroom



View of parking area
on south and east
sides of building

Sale History

On-line public records and / or a private data-reporting service were used to search for prior sales of the subject real estate. This research discovered no recorded conveyance of the subject during the three-years preceding this report's effective value date. Moreover, the subject was not yet offered "For Sale" in the local MLS or other major data-reporting services during this same period.

Currently, the ground lessor, City of Ames, is considering selling their leased fee interest in the land to the building owner. The potential purchase price was not disclosed to the appraisers. This report will provide an estimated sale price for the transaction.

Subject's Current Ownership	
<i>Leased Fee Owner</i>	<i>Information Source</i>
City of Ames	Story County Assessor

Flood Hazard

According to the appropriate Federal Emergency Management Agency (FEMA) flood map, which is identified below, the subject property is not located in a zone "A" special flood hazard.

Flood Maps published by FEMA are not precise. If anyone desires a precise determination of the subject's flood hazard classification, a professional engineer, licensed surveyor, or local governmental authority should make an exact determination.

Flood Map



3100 S RIVERSIDE DR AMES, IA 50010

LOCATION ACCURACY: Excellent

Flood Zone Determination Report

Flood Zone Determination: OUT

PANEL DATE

October 16, 2014

MAP NUMBER

191690257F



Environmental Risks

Disclosure

During the course of this appraisal, the appraiser(s) did **not** detect or attempt to discover any environmental hazard on, under, above, or within the subject real estate. No overt evidence of any environmental hazard is apparent to the untrained eye. It should be known the appraiser(s) did not view the subject property with the intent of detecting any environmental hazard. It is beyond the expertise of the appraiser(s) to detect or determine the chemical nature of any substance or gas. No effort was made to dismantle or probe any part of the property to discover enclosed, encased, or concealed hazards. No effort was exerted to ascertain the presence of any environmental hazard including but not limited to the following.

<i>Asbestos</i>	<i>Urea-formaldehyde insulation</i>
<i>Underground storage tanks</i>	<i>Soil contamination or deficiencies</i>
<i>Lead-based paint</i>	<i>Toxic mold</i>
<i>Radon</i>	<i>PCB</i>
<i>Chemical spills</i>	<i>Fire resistant treated plywood (FRTP)</i>

Flood hazards are detailed elsewhere in this report. Except as enumerated herein, the appraiser(s) were not given the results of any environmental testing on or near the property being appraised. Neither observation of the subject property, or research conducted as part of a typical real estate appraisal suggest the presence of any hazardous substance or detrimental environmental condition affecting the subject. Nearby sites were not investigated to determine whether they are contaminated. Public information and other Internet sources were not researched to determine the presence of hazardous substances or detrimental environmental conditions in the subject's vicinity.

Federal, State, and local laws concerning any hazardous substance or gas are sometimes contradictory. Therefore, any needed clean up should comply with the most stringent laws. The appraiser(s) are **not** informed or trained in environmental legalities. It is assumed no hazardous substance or gas adversely affects the subject real estate. If the subject is adversely influenced by a hazardous condition, then the subject's market value would be impaired.

Recommendation

The presence of any hazardous condition usually diminishes market value. The value opinion formed in this report assumes there is no environmental hazard affecting the subject real estate. No responsibility is assumed by the appraiser(s) or Nelsen Appraisal Associates, Inc. for any hazard, or for any expertise required to discover any environmentally hazardous condition. Our client is urged to retain an expert in this field, if desired.

Description of Existing Improvements											
<i>Restrooms</i>	6 (3 sets), Average quality white fixtures. Office restrooms include multiple stalls with tile flooring and wall-hung sinks with counters. Warehouse includes men's and women's locker rooms with multi stalls.										
<i>HVAC</i>	Central system for cooling in 100% of the building including humidity controls; office areas heated by gas-forced furnaces and warehouse heated with infrared ceiling-mounted heaters										
<i>Electrical System</i>	Main electrical system includes 4000 AMPS. Most illumination is provided by recessed and ceiling-mounted fluorescent fixtures.										
<i>Protections</i>	Smoke detectors Wet-type sprinkler system										
<i>On-Site Parking</i>	Ample concrete paved outdoor spaces										
<i>Ceiling Clearance</i>	About 25' - 26' feet in the warehouse.										
<i>Loading</i>	<table border="0"> <tr> <td>Loading docks</td> <td>5 (9' x 10')</td> </tr> <tr> <td>Drive-in doors</td> <td>None</td> </tr> <tr> <td>Hangar door</td> <td>1, scissor door</td> </tr> <tr> <td>Rail Spur</td> <td>No</td> </tr> </table>	Loading docks	5 (9' x 10')	Drive-in doors	None	Hangar door	1, scissor door	Rail Spur	No		
Loading docks	5 (9' x 10')										
Drive-in doors	None										
Hangar door	1, scissor door										
Rail Spur	No										
<i>Landscaping</i>	Typical for area										
<i>Needed Major Repair</i>	None										
<i>Recent Replacements</i>	None										
<i>Atypical Aspects</i>	None										
<i>Functionality</i>	Adequate for intended use. No functional obsolescence.										
<i>Overall Features</i>	<table border="0"> <tr> <td>Structural Soundness</td> <td>Adequate</td> </tr> <tr> <td>Building Systems</td> <td>Not checked, but believed operable</td> </tr> <tr> <td>Functional Efficiency</td> <td>Adequate</td> </tr> <tr> <td>Physical Condition</td> <td>About the norm relative to its competition</td> </tr> <tr> <td>Visual Appearance</td> <td>About the norm as compared to most nearby buildings</td> </tr> </table>	Structural Soundness	Adequate	Building Systems	Not checked, but believed operable	Functional Efficiency	Adequate	Physical Condition	About the norm relative to its competition	Visual Appearance	About the norm as compared to most nearby buildings
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Effective Age & Life Estimates As Of This Report's Effective Date	
<i>Actual Age</i>	20 years
<i>Effective Age</i>	15 years
<i>Remaining Economic Life</i>	35 years
<i>Total Economic Life</i>	50 years

Real Estate Taxes

The Iowa property tax is primarily a tax on "real property," which is mostly land, buildings, structures, and other improvements that are constructed on or in the land, attached to the land, or placed upon a foundation. Residential, commercial and industrial real estate is assessed at 100% of market value. State law requires that all real property be assessed every two years in odd-numbered years.

<i>County</i>	Story	
<i>Parcel ID #</i>	09-15-400-005	
<i>Tax Year</i>	2018/2019	
<i>2018 Assessed Value</i>	Land	\$ 732,000
	Building	\$ 2,518,000
	Total	\$3,250,000
<i>Total Tax Dollars</i>		\$89,248
<i>Mill Levy [2014/15]</i>		3.140424%

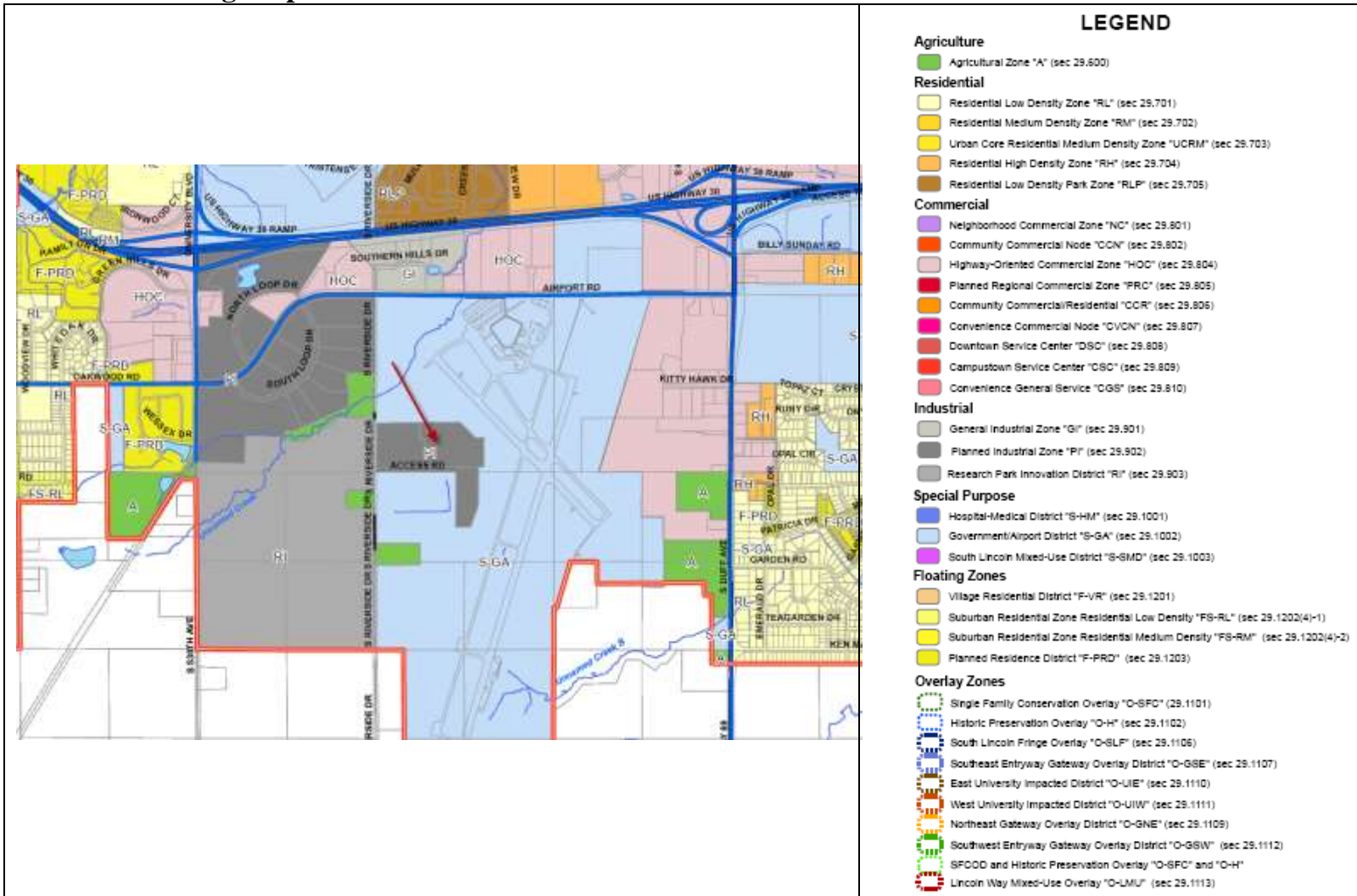
Taxes are calculated by the County Auditor for fiscal years, July 1 through June 30 using the previous year's assessment. Property taxes are payable to the County Treasurer in two installments. The first half is delinquent October 1; the second half payment is delinquent April 1. Taxes payable in September, 2018 and March, 2019 will be based on the 2017 assessed value. A structure constructed during 2018 will be first assessed on January 1, 2019.

Zoning

The subject property is zoned "PI" Planned Industrial District by the City of Ames – Story County, Iowa.

As now constituted and used, the subject complies with all aspects of the zoning ordinance. Therefore, the subject real estate is considered a legal, conforming usage.

Zoning Map





Analyses & Conclusions

Value Introduction

For real estate that is predominantly unimproved vacant land, there are six valuation methods. The most frequently used sales comparison approach is employed in this report.

Highest and Best Use

Introduction

A highest and best use identifies the most reasonably probable and appropriately supported use of the property appraised. Since market conditions change, a property's highest and best use may change as well. This analysis is an essential step in the determination of market value. Market dynamics determines a property's use and an appraisal values that use. Practically speaking, a highest and best use analysis forms a framework for the proper selection of comparables.

There are two types of highest and best use. The first is highest and best use of land as though vacant. If a building already exists, the second variety is highest and best use as though now improved. The latter considers whether the existing building should be retained as is, demolished, remodeled, renovated, repaired, enlarged, or converted to an alternate use. Both types require separate analyses. Current usage may or may not be different from the near future highest and best use.

There are four main tests in a highest and best use analysis, which are summarized below.

- Legal permissibility - governmental requirements and limitations like zoning are considered as well as other legal issues like deed restrictions, easements, and leases.
- Physical attributes like size, design, and physical condition are weighed
- Financial feasibility is ascertained via either an implied or calculated method
- Maximum productivity is determined

If more than one use survives the first three tests, the use that produces the highest, appropriately supported, positive value with the least risk is the highest and best use.

Highest and best use demand analyses can be categorized into two different levels of detail - Inferred and Fundamental. A fundamental analysis forecasts future demand from projections of broad demographic and economic data like population, income, and employment. Existing supply is inventoried. Then, the relationship of supply and demand is weighed to determine net demand. If net demand is positive, more of that property type is needed. Of course, the opposite is also true.

An inferred analysis is based on local trends and patterns from which inferences are made. This type analysis presumes that recent past trends will continue for the near future. Sale prices, number of competitive listings, marketing intervals, and / or price changes for other similar properties infer there is adequate demand for the subject at a price level congruous with the available data. An inferred analysis emphasizes historical data while a fundamental analysis is based on expected future occurrences.

There are two types of highest and best use - "as though now vacant" and "as though now improved". The former presumes the land is vacant and available for development. The latter considers whether the building should be retained as is, renovated, remodeled, repaired, enlarged, demolished, or converted to an alternate use.

Highest and Best Use

Buyer Types

The most likely buyer type is crucial to highest and best use. Different buyer types have different motivations and different perceptions of risk. The buyer type must be identified to better understand applicable approaches and the selection of cap rates and yield rates. Different buyer types are defined below.

Owner-User	Acquires real estate mostly for its use; vacancy & investment yield are not primary criteria. Property suitability is the major objective.
Passive Investor	Seeks an established income stream; usually does not change the property in any meaningful way; generally prefers long-term ownership
Developer	Acquires real estate to physically or legally change it in some significant fashion; accepts substantial risk so expects major reward; short-to-medium holding period
Speculative Investor	Buys real estate solely as an investment with most of the reward at termination; property use is not a primary consideration; medium-to-long-term holding period; usually buys during weak market conditions, so accepts huge risk. Mantra: Buy low, sell high.
Pure Speculator	Buys real estate solely as an investment with most of the reward at termination; property use is usually not a major consideration; buys during conditions of rapidly appreciating prices; short-to-medium ownership period.

Ideal Improvement

Identification of the "**ideal improvement**" is an essential element of highest and best use. If the property appraised is vacant land, the ideal describes what should be built. If the existing improvements (one or more buildings and site improvements) have the same or similar attributes as the ideal, then the existing improvements have no or minimal depreciation. Obviously, the opposite also applies. The described ideal improvement is as specific as market data will allow. This improvement is a new industrial building.

This appraisal's highest and best use was based, in part, on an inferred demand analysis. Following below are summary considerations used to form two highest and best use determinations for the property appraised.

- Zoning permits general industrial uses or related accessory uses. Nearby lands to the west are compatibly zoned. Nearby lands to the east are zoned for Government/Airport District uses. There are no known deed restrictions, leases, or other legal issues, which preclude or delay the highest and best use. There is no substantial potential for rezoning to a significantly different use.
- Physical attributes of the property appraised are well suited to serve the use identified below. Usage of the property in this fashion produces a positive reward with acceptable risk.

Highest and Best Use

Timing of Use

A crucial component of a highest and best use is timing. If the timing of a use is not now, when is it? When timing for a specific use cannot be identified, then that use is not the best. If the highest use is not within a decade, then the time-value of money usually precludes that use. When the timing of a use is within a few years, what is the interim use? Remaining dormant is a legitimate interim use.

Most Likely User

The most likely user is another key issue. Users of an age-restricted multiunit residential structure have needs and preferences that are much different from young married couples with small children. These preferences and needs affect value, so the most likely user should be identified to judge the extent that existing or proposed improvements fulfill those needs.

Highest & Best As Though Now Vacant Land

Physical Use	An industrial use
Timing of Physical Use	Immediately develop with the physical use
Interim Use	No Interim Use
Market Participants	
Most Likely Buyer	An owner-user
Most Likely User	The buyer

Highest & Best As Though Now Improved

Physical Use	Its current use
Timing of Physical Use	Immediate
Interim Use	No Interim Use
Market Participants	
Most Likely Buyer	An owner-user
Most Likely User	An owner-user

There is little doubt that the subject land “as though now vacant” has a market value that is less than the worth of the land and building together. This proves the improvements positively contribute to value. These improvements were designed to serve its current use; they are compatible with nearby uses. Therefore, the improvements should be retained and used “as is”.

In light of the foregoing highest and best use determinations, comparables were selected with the same or similar highest and best use. This data is very influential while forming a value opinion for the property appraised.

Leased Fee Estate Value “As Is”

Cost Approach

The cost approach is generally regarded as an applicable valuation method for a real property interest like that being appraised. For the subject, this procedure was judged not applicable.

Sales Comparison Approach

Introduction

In an appraisal, the real estate being appraised is referred to as the “subject” or “subject property”. Properties possessing characteristics that are physically and locationally similar to the subject are called “comparables” or “comparable sales”. In this approach, comparables are compared to the subject. Differences are noted. Dissimilarities between the subject and the comparables are categorized into elements of comparison.

Adjustments, to compensate for dissimilarities, are next applied the sale prices of the comparable sales. Then, a value opinion for the subject is reconciled from the range in adjusted sale prices established by the comparables. Unless stated otherwise, all cited transactions are "arm's length" conveyances. An “arm’s length” transaction is an agreement between unrelated parties with typical motivations in a competitive market.

For the subject, this approach was not performed since this is an appraisal of a series of cash flows and is not based on improved real estate. Therefore, we have not sought out comparables of improved properties for a sales comparison approach analysis. This approach was judged unnecessary to produce credible results.

Inome Approach

Introduction

The income approach is based on the premise that value is directly related to income. That is, the greater the income, the greater the value.

Capitalization is the process of converting income into a capital sum. Often this is accomplished with direct capitalization where a single year's net income is translated into a value indication via an overall cap rate. The cap rate is a reflection of risk - the greater the risk, the greater the rate. Implicit within the rate are all investor expectations about all investment aspects including income generation, value growth, taxation, and general market risk.

Lease Synopsis – Ground Lease

A ground lease currently burdens the subject. The ground lease expires in 2047 and currently has annual lease payments of approximately \$55,245.75. A summary of the terms of the ground lease is as follows:

Ground Lease						
Ground Lessor	Ground Lessee	Start Date	End Date of Initial 10-year term	Annual Rent	Options	Rent Increases
City of Ames	Mulmac, LLC	7/1/1997	6/30/2007	\$55,245.75 (\$4,333 per acre at 12.75 acres)	8, 5-year options occurring automatically** (therefore, actual end date is 6/30/2047)	Ground lessee <i>may</i> call for an appraisal of the <i>per acre</i> market value at the 10 th lease year and each 5 year period thereafter at their choice; otherwise, ground lessee pays lease rates pursuant to Exhibit C; however, in the 40 th year of the lease term, an appraisal of the per acre market value is <i>mandatory</i>

**Renewal options occur automatically with no notice required by ground lessee. Total lease term not to exceed 50 years including both the original 10-year term and all 8 renewal options.

The rent schedule taken from the Ground Lease is as follows (as noted, the rent is on a per acre basis):

EXHIBIT C - RENT SCHEDULE

(50 Years: July 1, 1997 through June 30, 2047)

LEASE YEAR	RENT PER LEASED ACRE
7/1/97 - 6/30/98	\$100
7/1/98 - 6/30/99	\$100
7/1/99 - 6/30/00	\$100
7/1/00 - 6/30/01	\$100
7/1/01 - 6/30/02	\$100
7/1/02 - 6/30/03	\$2,700
7/1/03 - 6/30/04	\$2,781
7/1/04 - 6/30/05	\$2,864
7/1/05 - 6/30/06	\$2,950
7/1/06 - 6/30/07	\$3,039
7/1/07 - 6/30/08	\$3,130
7/1/08 - 6/30/09	\$3,224
7/1/09 - 6/30/10	\$3,321
7/1/10 - 6/30/11	\$3,420
7/1/11 - 6/30/12	\$3,523
7/1/12 - 6/30/13	\$3,629
7/1/13 - 6/30/14	\$3,737
7/1/14 - 6/30/15	\$3,850
7/1/15 - 6/30/16	\$3,965
7/1/16 - 6/30/17	\$4,084
7/1/17 - 6/30/18	\$4,207
7/1/18 - 6/30/19	\$4,333
7/1/19 - 6/30/20	\$4,463
7/1/20 - 6/30/21	\$4,597
7/1/21 - 6/30/22	\$4,734
7/1/22 - 6/30/23	\$4,877
7/1/23 - 6/30/24	\$5,023

7/1/24 - 6/30/25	\$5,173
7/1/25 - 6/30/26	\$5,329
7/1/26 - 6/30/27	\$5,489
7/1/27 - 6/30/28	\$5,653
7/1/28 - 6/30/29	\$5,823
7/1/29 - 6/30/30	\$5,997
7/1/30 - 6/30/31	\$6,177
7/1/31 - 6/30/32	\$6,363
7/1/32 - 6/30/33	\$6,554
7/1/33 - 6/30/34	\$6,750
7/1/34 - 6/30/35	\$6,953
7/1/35 - 6/30/36	\$7,161
7/1/36 - 6/30/37	\$7,376
7/1/37 - 6/30/38	\$7,597
7/1/38 - 6/30/39	\$7,825
7/1/39 - 6/30/40	\$8,060
7/1/40 - 6/30/41	\$8,302
7/1/41 - 6/30/42	\$8,551
7/1/42 - 6/30/43	\$8,808
7/1/43 - 6/30/44	\$9,072
7/1/44 - 6/30/45	\$9,344
7/1/45 - 6/30/46	\$9,624
7/1/46 - 6/30/47	\$9,913

Income Approach

Discounted Cash Flow Analysis

For our analysis, we have completed a discounted cash flow due to the fact that the ground lease has a long-term lease with 29 years remaining. According to the lease, the initial lease term was 10 years and there are 8 automatic 5-year renewal options that do not require the tenant to give notice. Therefore, the entire lease term, including the initial 10-year term plus the 8, 5-year renewal options, is 50 years maximum, but 29 years are currently remaining on the lease.

The City of Ames, ground lessor, has indicated that they are looking to sell their leased fee interest in the land. A discounted cash flow will allow us to analyze the long-term ground lease and the impact that future rent increases have on overall value. As indicated above, we considered a period of 29 years.

For this analysis, it is also necessary to calculate the total value of the land and building at the end of 29 years to establish a reversion value. The building's value was estimated by considering industrial manufacturing building sales for buildings that were similarly aged as the subject will be at the end of the ground lease in 29 years, the subject's building will be 49 years old.

We searched for sales within the subject's submarket. However, we found limited results. Therefore, we then searched for sales of heavy industrial/manufacturing buildings throughout the State of Iowa. In order to provide a more suitable number of comparables, it was necessary for us to also include sales of light industrial and warehouse buildings. The following sales throughout the state of Iowa were considered:

Address	Sale Date	County and Book/Page	Property Type	Building Age and Approximate Effective Age	Building Size	Sale Price/SF
3001 McKinley Ave, Des Moines	05/15/2014	Polk 15191/669	Heavy Industrial (Concrete Block/Tile)	1973/2012 (30 years effective)	107,666	\$18.58
2100 Delaware Ave, Des Moines	03/30/2016	Polk 15944/756	Warehouse (Concrete Block/Tile)	1956/1996 (43 year effective)	88,188	\$18.14
2425 Hubbell Ave, Des Moines	03/29/2016	Polk 15944/694	Heavy Industrial (Concrete Block/Tile)	1954/1987 (35 years effective)	130,078	\$17.03
2245 Dean Ave, Des Moines	03/01/2018	Polk 16833/397**	Warehouse (Concrete Block/Tile)	1953/1992 (40 years effective)	63,926	\$23.31
500 57 th Street, Marion	02/13/2014	Linn 8906/041	Light Manufacturing (Metal)	1976/1989/2014 (30 years effective)	107,960	\$24.08
2188 Highway 86, Milford	08/01/2017	Dickinson 17-04152	Light Manufacturing (Metal)	1977/2002 (30 years effective)	103,056	\$19.41
300 E Locust Street, Carter Lake	10/08/2015	Pottawattamie 2015/13316	Warehouse (Steel)	1989 (25 years effective)	62,500	\$26.40

*Landlord to Tenant

Detailed information sheets regarding each of the comparables in the above table are located in the Addenda of this report. We put the most emphasis on those sales in larger metro areas like the subject with good access to interstate systems, especially those of similar size with a heavy industrial use.

The subject is of concrete tilt-up construction, is 100% heated and cooled throughout, and has a land to building ratio of 4.76:1. The subject's 101,447 square foot building is owner-occupied. The subject also includes a 15,120 square foot hangar building that currently serves as a storage facility for a third party tenant. The 15,120 square foot building is heated with infrared heating units and includes restrooms. The third party tenant pays \$2,600 per month on a gross basis for this space. Therefore, the 15,120 square foot building does contribute to the subject's value overall.

Based upon our observation of the subject as of this report's effective date, the subject appears to be well-maintained and in good condition despite the fact that it is currently 20 years old. For these reasons, we estimate that in 29 years at the end of the ground lease, the subject's effective age will be 40 years, which means the subject will not have reached the end of its total economic life.

We put the most weight on 2100 Delaware Avenue and 2245 Dean Avenue in Des Moines, and 300 E Locust Street, Carter Lake, Iowa based on their overall use, design/quality, and/or overall effective age. However, all of these sales are inferior to the subject based on their construction type of concrete block/tile or steel versus the subject's concrete tilt-up construction. Therefore, all sales would be adjusted upward for this factor. In addition, 2100 Delaware is inferior in terms of its clear height, land to building ratio, and the fact that its warehouse space is not cooled as well as heated. Furthermore, though 2245 Dean Avenue would be adjusted downward for its smaller size, it is also inferior in regards to its land to building ratio and its warehouse that is only heated and not cooled. Therefore, overall, 2100 Delaware Ave and 2245 Dean Ave would be adjusted upward.

While 300 E Locust Street would be adjusted downward for its smaller size and lower effective age, it would receive upward adjustments for its construction type as stated above. It would also receive an upward adjustment for the fact that it was a distressed sale. The upward adjustments would outweigh the downward adjustments so ultimately, the overall adjustments would be upward for this sale.

As noted on the sale comparables information sheet in the Addenda of this report for 300 E Locust Street, the property had deferred maintenance when it was sold. However, it would not be uncommon for an aged building to have some sort of deferred maintenance. Therefore, we did not adjust for this factor since it's possible that several of the sales on the table on the previous page may or may not have had the same situation at their time of sale.

Based on our analysis, the subject's land and building value at the end of the ground lease in 29 years is estimated at \$30.00 per square foot, which is \$3,497,010 (116,567 x \$30.00). However, the subject would likely have some deferred maintenance at such time. In addition, it would be necessary to consider a sales commission. These deductions would result in the following reversion value at the end of 29 years:

Estimated Land & Building Value in 29 years	\$3,497,010
Less: HVAC Costs (Repair or Replace some units)	(\$50,000)
Less: Roof Replacements Costs (\$2.00 per square foot)	(\$233,134)
Less: 5% Sales Commission	(\$163,194)
Equals: Reversion Value	\$3,050,682
Reversion Value/SF	\$26.17

The discounted cash flow below was calculated with a discount rate of 7% and a terminal cap rate of 8.00% to arrive at the contributory value of the building. The reversion value was established as discussed in the previous paragraphs.

The calculations are shown below (the first year includes only 7 months remaining until 6/30/2019):

Year	Cash Flow Per Acre	Annual Cash Flow	Present Value Factor	PV of Cash Flow
1	\$ 2,528	\$ 32,232	93.5%	\$ 30,123
2	\$ 4,463	\$ 56,903	87.3%	\$ 49,702
3	\$ 4,597	\$ 58,612	81.6%	\$ 47,845
4	\$ 4,734	\$ 60,359	76.3%	\$ 46,047
5	\$ 4,877	\$ 62,182	71.3%	\$ 44,335
6	\$ 5,023	\$ 64,043	66.6%	\$ 42,675
7	\$ 5,173	\$ 65,956	62.3%	\$ 41,074
8	\$ 5,329	\$ 67,945	58.2%	\$ 39,544
9	\$ 5,489	\$ 69,985	54.4%	\$ 38,067
10	\$ 5,653	\$ 72,076	50.8%	\$ 36,640
11	\$ 5,823	\$ 74,243	47.5%	\$ 35,272
12	\$ 5,997	\$ 76,462	44.4%	\$ 33,950
13	\$ 6,177	\$ 78,757	41.5%	\$ 32,681
14	\$ 6,363	\$ 81,128	38.8%	\$ 31,463
15	\$ 6,554	\$ 83,564	36.2%	\$ 30,287
16	\$ 6,750	\$ 86,063	33.9%	\$ 29,152
17	\$ 6,953	\$ 88,651	31.7%	\$ 28,065
18	\$ 7,161	\$ 91,303	29.6%	\$ 27,013
19	\$ 7,376	\$ 94,044	27.7%	\$ 26,004
20	\$ 7,597	\$ 96,862	25.8%	\$ 25,031
21	\$ 7,825	\$ 99,769	24.2%	\$ 24,095
22	\$ 8,060	\$ 102,765	22.6%	\$ 23,195
23	\$ 8,302	\$ 105,851	21.1%	\$ 22,329
24	\$ 8,551	\$ 109,025	19.7%	\$ 21,494
25	\$ 8,808	\$ 112,302	18.4%	\$ 20,692
26	\$ 9,072	\$ 115,668	17.2%	\$ 19,918
27	\$ 9,344	\$ 119,136	16.1%	\$ 19,173
28	\$ 9,624	\$ 122,706	15.0%	\$ 18,455
29	\$ 9,913	\$ 126,391	14.1%	\$ 430,206
Reversion	8.00%		\$3,050,682	
Final Value				\$ 1,314,526
			As Rounded	\$ 1,315,000

Value Indication – Discounted Cash Flow

In review, risk associated with physical attributes is normal due to proper maintenance of the building. Existing and future leases are written on an absolute net basis, which lessens risk. For the most part, supply and demand are balanced so market conditions now favor neither the property owner nor tenant. Expectations of near future rental and value growth are average. Overall, risk is deemed moderate.

All issues necessary to produce a value indication via this approach have been presented and explained.

$$\begin{array}{l}
 \text{Indicated Market Value – Discount Cash Flow} \\
 \text{“As Is”} \\
 \text{Via Income Approach, say}
 \end{array}
 = \$1,315,000$$

Capitalization

In the appraisal profession, capitalization is the process of converting income into value. One method extracts a capitalization rate (also called a cap rate) from sales of similar property via the following formula. An extracted rate is then divided into the subject's net operating income (NOI) resulting in a value indication for the real estate being appraised.

$$\text{Net Operating Income} / \text{Sale Price} = \text{Cap Rate}$$

Implicit within a cap rate are all investor expectations about risk, return, and change. This methodology is simple to use, easy to explain, and directly reflects market behavior. Its simplicity is also a weakness because implicit expectations may not be scrutinized.

Mortgage-Equity Technique

Real estate is customarily acquired with both debt and equity capital. The mortgage-equity technique recognizes this and constructs an overall capitalization rate (Ro). An overall cap rate can be calculated as a weighted average composed of the mortgage ratio (M), blended with the cost of the debt capital (Rm), plus the equity ratio (E) tempered by the return or rate necessary to attract equity capital (Re).

The equity cap rate (Re), shown below, is just a first year cash-on-cash return. Four other major ownership benefits - rental growth, equity growth due to loan repayment, income tax benefits, and value growth all escalate total return. When these other factors are explicitly recognized, total return to equity over the entire ownership period, called equity yield (Ye), is usually much higher than the initial or going-in overall cap rate (Ro).

Debt capital is now available for real estate like the subject at a fixed interest rate and level monthly payments for an initial multi-year period. Throughout the level payment period, the interest rate is expected to remain stable. Thereafter, the interest rate and payment are both expected to adjust annually. Individual buyers have different purchasing criteria, so a range of reasonable equity returns and an approximate mid-point are illustrated. Current loan terms and first year demands on equity are shown below.

Debt		Equity									
Mortgage Ratio (M)	65%	Equity Ratio (E)	35%								
Interest Rate	5.00%	Reasonable First Year Equity Return (Re) Range	6% to 8%								
Initial Fixed Rate Period (Yrs)	5 to 7										
Amortization Period (Yrs)	20	First Year Equity Return (Re), Say	6.00%								
Loan Constant (Rm)	7.92%										
Using the above information, the following mortgage-equity technique constructs an overall cap rate (Ro).											
(M)	x	(Rm)	=	(M) (Rm)	=>	65%	x	7.92%	=	5.15%	
(E)	x	(Re)	=	(E) (Re)	=>	35%	x	6.00%	=	2.10%	
Summation	=	Ro	=>					Ro	=	7.25%	
								Say	Ro	=	7.00%

One component of an overall rate, devised via the mortgage-equity technique, is the first year cash-on-cash equity return shown above. Real estate competes with other investments for equity capital. Hence, it is prudent to consider returns offered by alternate investments.

Alternative Rates of Return

Certificates of Deposit (CDs) are shorter term, safer, and more liquid than real estate. On the opposite hand, CDs do not enjoy income tax benefits like depreciation deductions and potential capital gains treatment. On an overall basis, appropriate yields for real estate, similar to the subject, significantly exceed the CD rates exhibited below.

Treasury yields are generally regarded as medium to long-term durations like real estate. They too are less risky and more liquid than real estate but enjoy no income tax benefits. A fitting yield for real estate like the subject significantly exceeds the CD rates displayed below.

Economic Indicators	
<i>Bankrate.com</i>	
Certificate of Deposit - 3 year APY	2.90%
Certificate of Deposit - 5 year APY	3.05%
Residential Mortgages - 15 year fixed	4.00%
Residential Mortgages - 30 year fixed	4.76%
<i>CNN.com</i>	
Treasury Yields - 3 months	N/A
Treasury Yields - 5 year	2.90%
Treasury Yields - 10 year	3.07%
Treasury Yields - 30 year	3.32%
Recent Dow Jones Industrial Average	25,339

Interest rates for residential mortgage mortgages are easily accessible so many real estate participants have an acute awareness of them. Yield for real estate are customarily several points above those shown.

Capitalization

Investor Surveys

Several notable organizations query active real estate participants to determine their investment criteria presuming an acquisition during the next quarter. Survey respondents are typically pension funds, major real estate advisory firms, insurance companies, large banks, and leading developers. It should be known survey responses are expectations, not historical figure. Moreover, these investors only acquire newer, large scale, institutional-grade real estate. Whether the subject possesses similar risk characteristics is a moot issue.

Several organizations publish the results of these surveys. The following table exhibits key figures for several property types as published by Real Estate Research Corporation. This particular survey is of market participants in the Midwest Region.

SITUS RERC REGIONAL INVESTMENT CRITERIA – 2Q 2018 | MIDWEST INVESTMENT CRITERIA

	Office		Industrial			Retail			Apt	Student Housing	Hotel
	CBD	SUB	WHSE	R&D	FLEX	RCNL MALL	POWER CENTER	NEIGH/ COMM			
FIRST-TIER INVESTMENT PROPERTIES¹											
Pre-Tax Yield Rate (IRR) (%)											
Range	8.0 - 11.0	7.0 - 11.5	7.0 - 11.0	7.0 - 11.0	6.0 - 11.5	7.0 - 12.0	8.0 - 12.0	7.5 - 12.0	6.0 - 10.5	7.0 - 10.0	7.5 - 10.8
Average	8.8	9.2	8.7	9.3	9.1	9.2	9.5	9.2	7.9	8.3	9.3
Going-In Cap Rate (%)											
Range	6.0 - 8.5	6.0 - 10.5	6.0 - 9.5	7.0 - 9.5	6.0 - 9.0	7.0 - 10.0	6.8 - 9.5	6.0 - 9.8	5.0 - 9.5	6.0 - 8.0	6.5 - 9.8
Average	7.3	7.6	7.2	7.9	7.6	8.2	8.0	7.4	6.5	6.9	8.0
Terminal Cap Rate (%)											
Range	6.0 - 9.0	7.0 - 11.0	6.0 - 10.0	6.0 - 10.0	6.0 - 10.5	6.5 - 11.0	7.0 - 10.5	7.0 - 10.5	5.0 - 9.0	7.0 - 9.0	7.5 - 10.3
Average	7.6	8.2	7.7	8.4	8.3	8.6	8.6	8.3	6.7	7.6	8.8
SECOND-TIER INVESTMENT PROPERTIES²											
Pre-Tax Yield Rate (IRR) (%)											
Range	8.9 - 12.0	7.0 - 10.5	8.5 - 10.8	9.5 - 12.0	7.0 - 10.8	9.0 - 13.0	9.0 - 12.0	8.5 - 11.0	6.5 - 9.5	8.0 - 10.0	8.4 - 11.3
Average	9.9	9.6	9.6	10.2	9.7	10.7	10.0	9.8	8.4	8.8	9.7
Going-In Cap Rate (%)											
Range	6.0 - 9.5	7.0 - 11.0	6.5 - 9.0	7.0 - 9.8	7.0 - 10.0	7.9 - 11.0	7.5 - 10.0	7.0 - 10.0	6.0 - 9.0	6.0 - 8.5	7.0 - 10.3
Average	8.1	8.5	7.9	8.3	8.4	9.4	8.7	8.2	7.2	7.1	8.5
Terminal Cap Rate (%)											
Range	7.0 - 10.0	7.5 - 10.0	7.0 - 10.0	7.0 - 10.3	7.0 - 9.5	8.5 - 11.0	8.5 - 11.0	8.1 - 9.5	5.5 - 9.0	7.3 - 9.0	8.1 - 10.8
Average	8.5	8.8	8.5	8.9	8.9	9.7	9.4	8.9	7.6	8.0	9.5
THIRD-TIER INVESTMENT PROPERTIES³											
Pre-tax Yield Rate (IRR) (%)											
Range	8.0 - 11.0	7.0 - 12.0	7.0 - 11.5	7.0 - 13.5	9.5 - 12.0	9.4 - 12.8	9.4 - 12.5	9.6 - 11.0	6.5 - 11.0	8.4 - 11.5	9.5 - 11.8
Average	10.2	10.1	10.0	10.6	10.6	11.0	11.1	10.4	9.3	9.6	10.9
Going-In Cap Rate (%)											
Range	6.0 - 11.0	7.0 - 12.0	7.0 - 10.5	7.0 - 11.5	7.0 - 11.0	8.1 - 12.0	8.4 - 10.5	8.1 - 11.0	4.8 - 10.5	6.9 - 8.5	8.5 - 11.0
Average	8.9	9.3	8.8	9.4	9.2	10.1	9.5	9.3	8.3	7.7	10.0
Terminal Cap Rate (%)											
Range	7.0 - 11.0	7.0 - 11.5	7.0 - 11.5	7.0 - 11.8	7.0 - 11.0	9.1 - 12.5	8.9 - 11.5	8.0 - 11.0	5.5 - 10.5	7.5 - 9.0	9.5 - 11.3
Average	9.2	9.5	9.1	9.6	9.5	10.7	10.1	9.7	8.5	8.3	10.7

¹First-tier investment properties are defined as new or newer quality construction in prime to good locations.
²Second-tier investment properties are defined as aging, former first-tier properties, in good to average locations.
³Third-tier investment properties are defined as older properties with functional inadequacies and/or in marginal locations.
 A list of Situs RERC-defined regions is located in the Situs RERC Scope and Methodology section in the back of this report.
 Source: Situs RERC, 2Q 2018.

Rates of return on alternate investments and historical sales are not the only factors affecting overall cap rates. Expectations of the future are equally important. These expectations include but are not limited to inflation, taxation, governmental policy, environmental concerns, and the general relationship between supply & demand. The overall cap rate displayed below for the subject recognizes several aspects.

Reconciliation

All salient aspects of the subject property have been presented and discussed. Zoning uses, requirements and limitations were considered. If part of the scope of work, the subject's Highest and Best Use was determined. Appropriate valuation techniques were processed. Applicable approaches produced the following results:

<i>Value Indications</i>	<i>“As Is”</i>
Cost Approach	Not Applied
Sales Comparison	Not Applied
Income Approach	\$1,315,000

The Income Approach is considered fully applicable for this type and size property in this vicinity. Therefore, our final market value opinion for the subject real estate is:

\$1,315,000 Market Value “As Is”

Exposure & Marketing Time

Terminology abounds in the real estate appraisal profession. Two related but different concepts that are often confused are Exposure Time and Marketing Time. USPAP specifically addresses the confusion.

Term	Definition	Explanation
Exposure Time (Statement 6)	<i>"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".</i>	Backward looking, ends on the effective value date. Based on factual, past events
Marketing Time (Advisory Opinion 7)	<i>"An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value during the period immediately after the effective date of the appraisal".</i>	Forward looking, starts on the effective value date. A forecast based on expectancies of future occurrences.

Marketing time and exposure time are both influenced by price. That is, a prudent buyer could be enticed to acquire the property in less time if the price were less. Hence, the time span cited below coincides with the value opinion(s) formed herein.

USPAP Standard rule 1-2(c)(iv) requires an opinion of exposure time, not marketing time, when the purpose of the appraisal is to estimate market value. In the recent past, the volume of competitive properties offered for sale, sale prices, and vacancy rates have fluctuated little. Sale concessions have not been prevalent. In light thereof, an estimated exposure time for the subject is 6 to 10 months assuming competitive pricing and prudent marketing efforts.

A marketing time estimate is a forecast of a future occurrence. History should be considered as a guide, but anticipation of future events & market circumstances should be the prime determinant. Overall market conditions are expected to remain essentially stable, so a marketing interval between 6 and 10 months is predicted for the subject.

Certification

The appraisers signing this report make the following certifications to the best of their knowledge and belief.

- The statements of fact contained in this report are true and correct.
- Reported analyses, opinions, and conclusions are limited only by the assumptions and limiting conditions contained within this report, and are the appraisers' personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The appraisers have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- The appraisers have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
- This engagement is not contingent upon developing or reporting predetermined results.
- Compensation paid to the appraisers 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 the appraisal.
- Reported analyses, opinions, and conclusions were developed, and this report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP)
- A statement regarding observation of the subject property by each appraiser is listed below. None of the appraisers is a professional property inspector. Furthermore, none of the appraisers has formal training in the use of tools or instruments as part of a professional property inspection. Observation by one or more of the appraisers was limited to just those physical features and attributes that are not hidden or obscure in any fashion by any object or weather condition. None of the appraisers used any tools or instruments, beyond those typically used by appraisers, to probe, study, investigate, detect, or discover any physical feature or attribute that was not clearly visible on the date the property was observed.

Appraisers	Observations
Gene F. Nelsen, MAI, CCIM Jennifer K. O'Tool	Interior & Exterior Interior & Exterior

- No one provided significant real property appraisal assistance to the appraiser(s) signing this certification.
- The appraisers have performed services, as an appraiser or in another capacity, regarding the property that is the subject of this report during the three-year period immediately preceding acceptance of this assignment.

Certification

- Use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Gene Nelsen has completed the continuing education program of the Appraisal Institute.
- As of the date of this report, Jennifer O'Tool has completed the Standards & Ethics education program of the Appraisal Institute for Associate Members.

Thank you for your business. Let us know how we may further serve you.




Gene F. Nelsen, MAI, CCIM
Certified General Real Property Appraiser
Iowa License CG01034
License Expiration Date: 6/30/2019



Jennifer K. O'Tool
Associate General Real Property Appraiser
Iowa License AG03473
License Expiration Date: 6/30/2019

Sales Comparables

3001 McKinley Ave Des Moines, IA 50321 Class B Manufacturing Building of 107,666 SF Sold on 5/15/2014 for \$2,000,000 - Research Complete											
buyer Manko Window Systems, Inc 800 Hayes Dr Manhattan, KS 66502 (785) 776-9643											
seller SGH, Inc c/o Betty Dudzik 742 N 109th Ct Omaha, NE 68154 (402) 493-9393											
vital data											
Escrow/Contract: 50 days Sale Date: 5/15/2014 Days on Market: - Exchange: No Conditions: - Land Area SF: 436,689 Acres: 10.03 \$/SF Land Gross: \$4.58 Year Built, Age: 1976 Age: 38 Parking Spaces: 90 Parking Ratio: - FAR 0.25 Lot Dimensions: - Frontage: - Tenancy: Single Comp ID: 3038047		Sale Price: \$2,000,000 Status: Full Value Building SF: 107,666 SF Price/SF: \$18.58 Pot Office: 6.3% Pro Forma Cap Rate: - Actual Cap Rate: - Down Pmnt: - Pct Down: - Doc No: 15191-669 Trans Tax: - Corner: No Zoning: M-3 No Tenants: 1 Percent Improved: 66.2% Submarket: South Map Page: - Parcel No: 120-04472430002 Property Type: Industrial									
income expense data		Listing Broker									
<table border="0"> <tr> <td style="text-align: right;">Expenses</td> <td style="text-align: right;">- Taxes</td> <td style="text-align: right;">\$56,994</td> </tr> <tr> <td></td> <td style="text-align: right;">- Operating Expenses</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">Total Expenses</td> <td style="text-align: right;"><u>\$56,994</u></td> </tr> </table>		Expenses	- Taxes	\$56,994		- Operating Expenses			Total Expenses	<u>\$56,994</u>	No Listing Broker on Deal
Expenses	- Taxes	\$56,994									
	- Operating Expenses										
	Total Expenses	<u>\$56,994</u>									
		Buyer Broker									
		No Buyer Broker on Deal									
financing		prior sale									
1st Kansas State Bk of Manhattan (Acquisition & Development) Bal/Pmt: \$5,594,854		Date/Doc No: 12/27/2011 Sale Price: \$1,166,500 CompID: 2242691									

**The building is of concrete block/tile construction, was not sprinklered, had a clear height of 16.5', and a land to building ratio of 4.056:1. It is zoned for heavy industrial use. This sale did not include an deferred maintenance and it was an owner/user sale.



Property Identification

Property Type Industrial – Warehouse
Address 2100 Delaware Avenue, Des Moines, Iowa 50317
Tax ID 110/00972-001-000

Sale Data

Grantor First Ind Financing Partnership LP
Grantee A E Farms Inc.
Sale Date March 30, 2016
Deed Book/Page 15944-756
Conditions of Sale Arm's Length
Verification Polk County Assessor

Sale Price \$1,600,000
Cash Equivalent \$1,600,000

Land Data

Land Size 4.542 Acres or 197,855 SF
Zoning M-1, Light Industrial

General Physical Data

Gross Area SF 88,188
Finished Area SF 19,158
Year Built 1956/1996
Exterior Walls Concrete Block/Tile

Indicators

Sale Price/Gross Area SF \$18.14
Land to Building Ratio 2.24:1

Remarks

This single-parcel transfer was conveyed via a Warranty Deed and is an arm's length transaction. Warehouse is heated, but not cooled. Clear height is 16' and the building has a wet sprinkler system.



Property Identification

Property Type Heavy Industrial
Address 2425 Hubbell Ave, Des Moines, Polk County, Iowa 50317
Tax ID 060/06307-001-001, 060/00166-000-000, 060/00167-000 000,
 060/00168-000-000, 060/06299-000-000, 060/06300-001-000,
 060/07801-000-000, 060/07802-000-000

Sale Data

Grantor Marel, Inc.
Grantee 2425 Hubbell Ave Inc.
Sale Date March 29, 2016
Deed Book/Page 15944-694
Conditions of Sale Arm's Length
Verification Polk County Assessor

Sale Price \$2,215,000
Cash Equivalent \$2,215,000

Land Data

Land Size 7.567 Acres or 329,640 SF
Zoning PUD, Planned Unit Development

General Physical Data

Gross Area SF 130,078
Finished Area SF 55,007
Year Built 1954/1987
Exterior Walls Concrete Block/Tile

Indicators

Sale Price/Gross Area SF \$17.03
Land to Building Ratio 2.53:1

Remarks

This single-parcel transfer was conveyed via a Warranty Deed and is an arm's length transaction. The building has a wet sprinkler system, 22' clear height, and is over 80% heated and cooled.



Property Identification

Property Type Industrial – Warehouse
Address 2245 Dean Avenue, Des Moines, Polk County, Iowa 50317
Tax ID 050/04433-001-000

Sale Data

Grantor Richard K Hansen
Grantee Franzenburg Commercial Real Estate LLC
Sale Date March 1, 2018
Deed Book/Page 16833/397
Conditions of Sale Arm’s Length
Verification Polk County Assessor

Sale Price \$1,490,000
Cash Equivalent \$1,490,000

Land Data

Land Size 1.846 Acres or 80,410 SF
Zoning M-1, Light Industrial District

General Physical Data

Gross Area SF 63,926
Finished Area SF 2,056
Year Built 1953/1992
Exterior Walls Concrete Block/Tile

Indicators

Sale Price/Gross Area SF \$23.31
Land to Building Ratio 1.26:1

Remarks

This single-parcel transfer was conveyed via a Warranty Deed and was a sale between landlord and tenant. The building has a dry sprinkler system, 23’ clear height, and the warehouse space is heated, but not cooled.

500 57th St

KwikWay Building
Marion, IA 52302

Class C Manufacturing Building of 107,960 SF Sold on
2/13/2014 for \$2,600,000 - Research Complete

buyer

Hupp Electric Motors
275 33rd Ave SW
Cedar Rapids, IA 52404
(319) 366-0761

seller

Kwik-Way Products Inc
2525 18th St SW
Cedar Rapids, IA 52404
(319) 377-9421



vital data

Escrow/Contract:	120 days	Sale Price:	\$2,600,000
Sale Date:	2/13/2014	Status:	Confirmed
Days on Market:	813 days	Building SF:	107,960 SF
Exchange:	No	Price/SF:	\$24.08
Conditions:	Deferred Maintenance	Pro Forma Cap Rate:	-
Land Area SF:	871,200	Actual Cap Rate:	-
Acres:	20	Down Pmnt:	\$520,000
\$/SF Land Gross:	\$2.98	Pct Down:	20.0%
Year Built, Age:	1976 Age: 38	Doc No:	008906000041
Parking Spaces:	105	Trans Tax:	-
Parking Ratio:	0.94/1000 SF	Corner:	No
FAR:	0.12	Zoning:	I-2,C-3
Lot Dimensions:	-	No Tenants:	1
Frontage:	-	Percent Improved:	-
Tenancy:	Multi	Submarket:	-
Comp ID:	2966140	Map Page:	-
		Parcel No:	15-04-2-76-001-0-0000
		Property Type:	Industrial

income expense data

Listing Broker

Coldwell Banker Hedges Realty
5414 Blairs Forest Way NE
Cedar Rapids, IA 52402
(319) 731-2000
Michael Esker


Buyer Broker

Skogman Commercial Group
411 1st Ave SE
Cedar Rapids, IA 52401
(319) 363-8286
Terry Knake


financing

1st Cedar Rapids Bank & Trust
Bal/Pmt: \$2,080,000

**Building has 21' clear height, is sprinklered, and has a land to building ratio of 8.07:1. The building was sold with deferred maintenance that included a bad roof in need of repairs. Sale type was an owner/user.

2188 Highway 86 Hwy 86 & 71 Milford, IA 51351 Class C Manufacturing Building of 103,056 SF Sold on 9/6/2017 for \$2,000,000 - Research Complete		
buyer Timothy Sather 176 Hwy 71 S Arnolds Park, IA 51331 (859) 987-6145		
seller Danbom Properties LLC 1806 Jeppeson Rd Milford, IA 51351 (712) 332-5352		
vital data		
Escrow/Contract: 45 days Sale Date: 9/6/2017 Days on Market: 2.266 days Exchange: No Conditions: - Land Area SF: 419,483 Acres: 9.63 \$/SF Land Gross: \$4.77 Year Built, Age: 1977 Age: 40 Parking Spaces: - Parking Ratio: - FAR 0.25 Lot Dimensions: - Frontage: - Tenancy: Multi Comp ID: 3997061	Sale Price: \$2,000,000 Status: Confirmed Building SF: 103,056 SF Price/SF: \$19.41 Pro Forma Cap Rate: - Actual Cap Rate: - Down Pmnt: - Pot Down: - Doc No: - Trans Tax: - Corner: No Zoning: - No Tenants: 3 Percent Improved: 81.4% Submarket: - Map Page: - Parcel No: 10-01-226-006 Property Type: Industrial	
income expense data		Listing Broker NAI United 400 Gold Cir Dakota Dunes, SD 57049 (712) 224-2727 Colonel Krage
		Buyer Broker Klaassen Realty 808 Main St Ocheyedan, IA 51354 (712) 754-3500 Seth Hellinga
financing		

**Building was built in 1977 of metal construction and renovated in 2002. Building is not sprinklered, has 21'-24' clear height, and a land to building ratio of 4.07:1. Buyer purchased building as an investment.

300 E Locust St Carter Lake, IA 51510 Class B Warehouse Building of 62,500 SF Sold on 10/8/2015 for \$1,650,000 - Research Complete		
buyer Southern Carlson c/o Dan Williams 7820 L St Omaha, NE 68127 (402) 951-5999		
seller Heartland Proteins LLC 300 E Locust St Carter Lake, IA 51510 (563) 940-6047		
vital data		
Escrow/Contract: - Sale Date: 10/8/2015 Days on Market: - Exchange: No Conditions: Distress Sale, Deferred ... Land Area SF: 217,800 Acres: 5 \$/SF Land Gross: \$7.58 Year Built, Age: 1989 Age: 26 Parking Spaces: 71 Parking Ratio: 1.14/1000 SF FAR: 0.29 Lot Dimensions: - Frontage: - Tenancy: Single Comp ID: 3450335	Sale Price: \$1,650,000 Status: Confirmed Building SF: 62,500 SF Price/SF: \$26.40 Pot Office: 9.9% Pro Forma Cap Rate: - Actual Cap Rate: - Down Pmnt: - Pot Down: - Doc No: - Trans Tax: - Corner: No Zoning: Commercial District Percent Improved: 72.9% Submarket: Northeast Omaha Ind Map Page: - Parcel No: 7544-20-251-001 Property Type: Industrial	
income expense data		Listing Broker Dial Properties 11506 Nicholas St Omaha, NE 68154 (402) 493-2800 Steve Gries Buyer Broker Sage Capital 818-830 S 75th St Omaha, NE 68114 (402) 952-4350 Collin Brown, Aaron Moser
financing		prior sale Date/Doc No: 6/10/2014 Sale Price: - CompID: 3058760

**This was a distressed sale. The building had deferred maintenance at the time of the sale. The building is of steel construction, included a wet sprinkler system, 14'-24' clear height, and 3,000 AMPs of power. The land to building ratio is 3.485:1. Seller owned it as an investment, but buyer was an owner/user.

Engagement Letter



10580 Justin Drive
Urbandale, IA 50322

Nelsen Appraisal Associates, Inc.

(Bus) 515-276-0021
(Fax) 515-276-9303

October 17, 2018

Damion Pregitzer, P.E. PTOE
Traffic Engineer
City of Ames
City Hall
515 Clark Avenue
Ames, IA 50010

Re: 3100 South Riverside
Ames, Iowa

Dear Mr. Pregitzer:

We propose to prepare an appraisal report for the above-described properties in Ames, Iowa. The appraisal will be used as part of negotiation process in order to facilitate the tenant purchase of the property from their current owner, the City of Ames.

It is our understanding that the Tenant (Building Owner) wishes to purchase the underlying Land. At this point, the bid is to provide an appraisal report of the Leased Fee Estate in the land as of the current date in a typical narrative format. The full cost of the appraisal report will not exceed \$3,900, including all meetings prior to delivery of the final report. If the report needs to be prepared in a specific FAA or other Federal report format, we will increase our appraisal fee by up to \$1,000 and we must be notified of this requirement prior to the start of the appraisal process.

Delivery of the report shall be no later than five (5) weeks from written notice to proceed.

Thank you for the opportunity to provide this service to you. If you have any further questions or wish to modify this agreement please contact me at your convenience. Otherwise, please indicate your approval by signing the enclosed agreement.

A handwritten signature in black ink, appearing to read 'Gene F. Nelsen', is written over a light blue horizontal line.

Gene F. Nelsen, MAI, CCIM
President
Certified General Real Property Appraiser
Iowa License CG01034
License Expiration Date: 6/30/2019

Authorization to Proceed

I, Damion Pregitzer, authorize Nelsen Appraisal Associates, Inc. to perform the appraisal assignment as described in this letter proposal. I understand that payment is expected at the time work completed on this property. Any changes to the scope of this assignment by me may result in charges greater than the terms herein described.



Damion Pregitzer, P.E. PTOE
Traffic Engineer
City of Ames

Qualifications

Gene F. Nelsen, MAI CCIM

President

Nelsen Appraisal Associates, Inc.

10580 Justin Drive

Urbandale, IA 50322

515-276-0021 Phone

515-276-9303 Fax

gene@nelsonappraisal.com



Since 1985 Gene has analyzed nearly all real estate types. He is a member of the Appraisal Institute and CCIM Institute and is qualified and experienced in commercial, industrial and residential real estate appraising. His experience includes valuation and consulting for these property types and purposes.

- Office, Industrial, Retail, and Multi-Family Properties.
- Senior Assisted/Independent Living and Nursing Facilities.
- Real estate consulting in valuation, rent analysis, land development and land use evaluation.
- Eminent Domain valuation.
- Appraisal review.
- Expert witness testimony.

Education

University of Northern Iowa

B.A., Science - Environmental Planning, Urban Planning Emphasis

Appraisal Institute

Designated MAI, 1991

MAI Continuing Education includes the successful completion of courses covering a wide range of appraisal skills and practices. Credit hours earned meet or exceed the Appraisal Institute's requirement of 100 credit hours during each five-year period.

CCIM Institute

Designated CCIM, 2003

Professional Affiliations

- MAI Designated Member of Appraisal Institute, 1991
- CCIM Designated Member of the CCIM Institute, 2003
- President, Appraisal Institute, Iowa Chapter, 1998
- Regional Representative Appraisal Institute, Iowa Chapter 1999-2001
- Public Relations Chair, Appraisal Institute, Iowa Chapter, 2001-present
- Chair, University of Northern Iowa Real Estate Education Program Advisory Council – 2004-2005. Currently serving on its Board of Directors.
- President, CCIM Institute, Iowa Chapter 2010-2011. Board Member since 2004
- Iowa Commercial Real Estate Expo, Committee Member since 1996 - Co-Chair 2010
- Iowa Commercial Real Estate Association, Board Member
- Iowa Real Estate Appraiser Examining Board – Board Member 2011-2014 – Chair 2014 - Present

State Certification

State of Iowa, Certified General Real Property Appraiser

State of Nebraska, Certified General Real Property Appraiser

Jennifer K. O'Tool
Associate General Real Property Appraiser
Nelsen Appraisal Associates, Inc.
10580 Justin Drive
Urbandale, IA 50322
515-276-0021 Phone
515-276-9303 Fax
jotool@nelsonappraisal.com



Jennifer began her studies to become a Certified General Real Estate Appraiser in 2015 and brings a 20-year background in institutional commercial real estate mortgage lending and community banking. Her professional experience, combined with continuing education, enables her to offer high-quality services under the supervision of Gene Nelsen, MAI CCIM in

- Industrial and Retail property appraisals with experience in leasehold estates and leased fee estates.
- Office appraisals
- Multi-family Residential real estate appraisals.

Education

Simpson College – Bachelor of Arts – Economics and Finance
Appraisal course work, including:
Appraisal Principals – 30 hours
Appraisal Procedures – 30 hours
National USPAP Course – 15 hours

Work Experience

Principal Real Estate Investors, Des Moines, IA

Prepared internal and reviewed external appraisals in conjunction with the procurement of over \$1 billion in mortgage loans in core property groups: industrial, retail, multi-family residential, and office

Professional Affiliations

Appraisal Institute – General Associate Member

State Certification

Associate Real Estate Appraiser status, working toward General certification.

Community Organizations

Junior Achievement of Central Iowa

Copyright Protection

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Urbandale, Iowa 50322
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The descriptions, analyses, and conclusions stated herein are intended for the exclusive use of our client, City of Ames, and other explicitly identified intended users, solely for the intended use stated in this document.

Nelsen Appraisal Associates, Inc. retains all rights, title, and interests in all trademarks, trade names, trade secrets, data, conclusions, opinions, valuations, and other information included in, arising out of, or in any way related to this appraisal.

No person or entity shall be entitled to break down, strip out, mine, or disseminate any component or portion of this report, including, but not limited to any valuations, opinions, data compilations, or conclusions.

This report and all its contents is a culmination of intellectual and professional experiences, education, personal investigations, and know-how, which shall at all times remain the property of Nelsen Appraisal Associates, Inc., its sole owner.

End of Report



10580 Justin Drive
Urbandale, IA 50322

Nelsen Appraisal Associates, Inc.

(Bus) 515-276-0021
(Fax) 515-276-9303

A REAL PROPERTY APPRAISAL IN AN APPRAISAL REPORT OF

Land



LOCATED AT

3100 South Riverside Drive
Ames, Iowa 50010

CLIENT

City of Ames



10580 Justin Drive
Urbandale, IA 50322

Nelsen Appraisal Associates, Inc.

(Bus) 515-276-0021
(Fax) 515-276-9303

March 14, 2019

Mr. Damion Pregitzer, P.E. PTOE
Traffic Engineer
City of Ames
City Hall
515 Clark Avenue
Ames, Iowa 50010

Re: 3100 South Riverside Drive
Ames, Iowa 50010

Dear Mr. Pregitzer,

At your request, we have appraised a real property interest for the above real estate. Our objective was to form one or more opinions about the market value for a 100% ownership interest in the subject property's fee simple estate assuming no liens or encumbrances other than normal covenants and restrictions of record.

The subject property consists of an irregular, non-corner parcel constituting 12.750 acres. The subject is described in greater detail in the accompanying report.

This valuation contains analyses, opinions, and conclusions along with market data and reasoning appropriate for the scope of work detailed later herein. It was prepared solely for the intended use and intended user(s) explicitly identified in the attached report. Unauthorized users do so at their own risk. The appraisal is communicated in the attached appraisal report, and conforms to the version of the Uniform Standards of Professional Appraisal Practice (USPAP) in effect on this report's preparation date of March 14, 2019.

This letter is not an appraisal report hence it must not be removed from the attached 63-page report. If this letter is disjoined from the attached appraisal report, then the value opinions set forth in this letter are invalid because the analyses, opinions, and conclusions cannot be properly understood.

In general, valuation of the subject property involves no atypical issues. All value opinions are affected by all the information, extraordinary assumptions, hypotheses, general limiting conditions, facts, descriptions, and disclosures stated in the attached appraisal report. After careful consideration of all factors pertaining to and influencing value, the data and analysis thereof firmly supports the following final value opinion(s) for the subject property as of March 7, 2019:

\$889,000 Market Value – Fee Simple Estate “As Vacant”

Thank you for your business. Let us know how we may further serve you.



Gene F. Nelsen, MAI, CCIM
Certified General Real Property Appraiser
Iowa License CG01034
License Expiration Date: 6/30/2019



Jennifer K. O'Tool
Associate General Real Property Appraiser
Iowa License AG03473
License Expiration Date: 6/30/2019

Table of Contents

Overview.....	1
Salient Information	1
Noteworthy Issues	1
Scope of Work.....	2
Scope of Work	2
<i>Introduction</i>	2
<i>Assignment Elements</i>	2
<i>Relevant Characteristics</i>	4
<i>Extent of Services Provided</i>	5
<i>Other Intended Use Considerations</i>	5
<i>Miscellaneous Matters</i>	5
<i>Appraisal Development</i>	6
<i>Concept Explanations</i>	8
Report Reliance & Use Restrictions	9
Scope of Work Exclusion - Insurable Value	9
Extraordinary Assumptions & Disclosures.....	10
Hypothetical Conditions	11
Personal Property & Intangibles	11
Definition of Market Value	12
Definition of Real Property Estates	13
Assemblage.....	13
Contingent and Limiting Conditions	14
Disclosures.....	21
Professional Standards.....	21
Competency	21
Area Data	22
Regional Map	22
Vicinity Map.....	23
Proximity Map.....	24
Proximity Features.....	25
Nearby Land Uses.....	26
<i>Aerial Photo – Nearby Land Uses</i>	26
Subject Property	31
Identification of the Property	31
Legal Description.....	31
Sale History	34
Flood Hazard	34
Flood Map.....	35
Environmental Risks.....	36
Subject Site	37
Zoning.....	39
Land Value	44
Exposure & Marketing Time	55
Certification	56

State Licenses	62
Copyright Protection.....	63
End of Report.....	63



Overview

Salient Information	
<i>Property Type</i>	Land – Fee Simple Estate
<i>Real Estate Appraised</i>	3100 South Riverside Drive Ames, Iowa 50010
<i>County</i>	Story
<i>Estate Valued</i>	100% of the Fee Simple Estate of the Land
<i>Client</i>	City of Ames
<i>Client File Number</i>	None
<i>Most Likely Buyer</i>	Owner-User
<i>Effective Value Date</i> <i>(point in time that the value applies)</i>	March 7, 2019
<i>Report Date</i> <i>(date the report is transmitted to client)</i>	March 14, 2019
<i>Final Value Conclusion(s)</i>	\$889,000 Market Value – Fee Simple Estate “As Vacant”

Noteworthy Issues

The subject property consists of an irregular, non-corner parcel constituting 12.750 acres. The subject is described in greater detail in the accompanying report.

The subject site is improved with a 20-year old, 101,447 square foot heavy manufacturing building, as well as a 19-year old, 15,120 square foot metal hangar building. In addition, the subject’s land is associated with an income stream received by the ground lessor via a ground lease. However, the Client has requested that the appraisers provide a fee simple market value of the land as vacant. Therefore, it is the fee simple interest of the land as vacant that is considered in this report.

No atypical factors significantly affect value. The real estate appraised is generally typical for this type property in this locale.



Scope of Work

Scope of Work

Introduction

The Uniform Standards of Professional Appraisal Practice (USPAP) defines scope of work as “*the type and extent of research and analysis in an assignment*”. Scope of work includes, but is not limited to:

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

Assignment Elements

The purpose of this assignment (the problem to be solved) is to form one or more opinions about value. This purpose necessitates identification of seven assignment elements listed below.

1. Client Information

Client's Name **	Mr. Damion Pregitzer, P.E. PTOE
Client's Company Name	City of Ames
Client's Agent	Not Applicable
Agent's Company Name	Not Applicable
Appraiser(s) Engaged By	The Client
Client's Interest In Property Appraised	Owner
2. Other Intended Users	None
3. Intended Use Of Report (<i>To aid</i>)	Internal Decisions
4. Value Opinion(s) Developed	Market value
Standard / Definition Of Value Used To Form The Value Opinion(s)	Advisory Opinion 30 of USPAP, which is the same definition as the one in FIRREA.

** *The client is always an intended user.*

Scope of Work

Assignment Elements

5. Key Dates

Effective Value Date <i>(point in time the value applies)</i>	March 7, 2019
Report Date <i>(date the report was transmitted to the client or the client's agent)</i>	March 14, 2019
Date Property Appraised Was Observed By One Or More Appraisers Signing This Report	Land & Building Observed March 7, 2019

6. Assignment Conditions

Extraordinary Assumptions	One Or More Apply, Detailed Later Herein
Hypothetical Conditions	None Used
Jurisdictional Exceptions	None Used
Expected Public or Private On-Site or Off-Site Improvements Affect Value	Not Expected
Assemblage of Estates or Component Parts Affects Value	Not Expected
Other	None Used

Scope of Work

Relevant Characteristics

The seventh assignment element is relevant characteristics about the property appraised. These characteristics are typically categorized as physical, legal, and economic.

Physical attributes of the property appraised are presented later in the Subject section of this report. Some characteristics are identified below. Atypical issues are listed in the Noteworthy Issues section and may be further detailed elsewhere herein.

Unless specifically stated otherwise, the estate appraised (listed below) assumes no adverse leases, liens or encumbrances other than normal covenants and restrictions of record.

7a. *Physical*

Existing Property Use	Manufacturing Facility
Property Use Reflected In One Or More Value Opinions	Land "As Vacant"
Sources of Information About the Property Appraised Included	Interior & Exterior Observation

7b. *Legal*

Category Of Property Appraised	Real Property
Estate(s) Appraised	Fee Simple
Legal Issues Considered	No Atypical Legal Issues
Environmental Concerns	No Known Environmental Concerns

7c. *Economic*

Effect Of Lease(s) On Value	Effect of Ground Lease Not Considered
Cost Information	
Type of Reconstruction Cost Used	Reconstruction Cost Not Considered
Source of Reconstruction Cost Information	Not Applicable

Scope of Work

Extent of Services Provided

Number of Final Value Opinions Developed	One
Value Opinion(s) Reflect The Worth Of the Property Appraised	Fee Simple Estate of Land As Vacant
Extent Of Report Preparation	An Appraisal Report
Other Reporting Requirements	Not Applicable
Extent Of Data Research	Extensive
Data Sources	Public Records At Government Office; Real Estate Sales Agents; Buyers and / or Sellers; Landlords and / or Tenants
Documents Considered	None
Data Verification	Direct and Indirect Methods Adequate Interior & Exterior Observation
Extent Of Subject Observation By One Or More Appraisers Signing Report	Specifics of this viewing, if any, are detailed in the Extraordinary Assumptions & Disclosures section of this report.

Other Intended Use Considerations

Client's Prior Engagement Of Appraisal Services	Numerous
Loan To Value Ratio	Unknown
Atypical Issues	No Atypical Issues
Assignment Complexity	Typical Complexity
FIRREA Compliance	Fully Compliant
Insurable Value	Insurable Value Is Not An Intended Use

Miscellaneous Matters

Scope of Work Agreement	Agreement in Addenda
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Scope of Work

Appraisal Development

Appraisal development is the extent of research and analyses that produce one or more credible opinions of value for one or more specifically identified intended users and an explicitly stated intended use. In this context, credible is defined as "worthy of belief".

Depending upon the intended use, intended users, and agreements between the appraiser and the client, the appraisal development process may include several, but not necessarily all of the following tasks.

- observation of the property appraised
- research for appropriate market data
- data verification
- consideration of influential market area, physical, economic, and governmental factors
- determination of the subject's highest and best use(s), if appropriate
- development of one or more applicable approaches to value
- reconciliation of value indications
- preparation of this report

In most cases, the core valuation process begins with a highest and best use analysis. This is essential because it establishes a framework for the proper selection of comparable sales. Cited comparable sales should have the same highest and best use as the property appraised.

Scope of Work

Appraisal Development

If some property modification like new construction is contemplated, a feasibility analysis may be appropriate. In some cases, feasibility may simply be justified by inferred market evidence like low vacancy or rising rents.

According to USPAP, all approaches that are applicable to the interest being appraised and necessary to produce credible results must be developed. The type of highest and best use; extent of feasibility considered; and the relevance of each major approach are listed below.

Highest and Best Use	An Inferred Demand Analysis
Feasibility Analysis <i>(a more detailed study separate from highest & best use)</i>	Separate Feasibility Analysis Not Developed
Cost Approach	Not Applicable And Not Included In Report
Sales Comparison	Applicable And Included In Report
Income Approach	Not Applicable And Not Included In Report

Quoting "*The Appraisal of Real Estate*" Fourteenth Edition published by the Appraisal Institute, says

"Highest and best use analysis and feasibility analysis are interrelated, but feasibility analysis may involve data and considerations that are not directly related to highest and best use determinations. Such analyses may be more detailed than highest and best use analysis, have a different focus, or require additional research."

Applicable and necessary approaches were selected for development after consideration of available market data, intended use, and intended user(s). An approach considered not applicable was omitted because this methodology is not appropriate for the property interest being appraised, or sufficient data to properly develop the approach was not available. Any approach judged not applicable, yet included in this report, was developed solely at our client's request. Data used to develop an inapplicable but included approach has a low to nil degree of comparability to the subject. Hence, no emphasis was given an approach deemed not applicable but included. Furthermore, no liability or responsibility is assumed for an approach considered not applicable but included at the client's request.

Scope of Work

Concept Explanations

Intended use and all intended user(s) should be weighed heavily during the scope of work decision. A single intended user who frequently engages appraisal services is likely very knowledgeable about the appraisal process. For this type user, the appraisal development and reporting for less complex property types might be toward the lower end of the spectrum. By contrast, multiple intended users, especially those with opposing motivations, likely need extensive appraisal development and reporting. Litigation is a prime example when a thorough appraisal development and detailed reporting is warranted.

A loan to value ratio reflects risk. For commercial-grade loans, ratios over 75% are generally regarded as risky. If a contemplated loan is viewed as risky, then the extent of appraisal development and the level of report detail should be more comprehensive. Similarly, more complex properties generally warrant more thorough analyses and more extensive report details.

Prior engagement of appraisal services by a client implies a level of awareness about the appraisal process. A greater awareness may justify a less thorough level of report detail whereas the opposite is true for an individual who has never engaged an appraisal.

A Jurisdictional Exception is an assignment condition, which voids a portion of USPAP that is contrary to law or public policy. When a Jurisdictional Exception applies, only the contrary portion is void. The remainder of USPAP remains in full force and effect. Jurisdiction Exceptions always shrink USPAP, not expand it.

Data verification affects reliability. Direct data verification confirms information used in the report with one or more parties who have in-depth knowledge about physical characteristics for the property being appraised, or related financial details. Indirect verification employs information obtained from a secondary source like a data reporting service, a multiple listing service, or another appraiser. Direct verification is generally more time-consuming and costly, but also more reliable.

Information from all data sources was examined for accuracy, is believed reliable, and assumed reasonably accurate. However, no guaranties or warranties for the information are expressed or implied. No liability or responsibility is assumed by Nelsen Appraisal Associates, Inc. or the appraiser(s) for any inaccuracy from any seemingly credible information source.

Scope of Work

Concept Explanations

A statement about observation of the subject property by the appraiser(s) is listed above. If the subject was observed, this viewing was not as thorough as a professional property inspection. A professional inspector determines the precise physical condition, remaining useful life, and operability of major building components like the structural system, roof cover, electrical system, plumbing, and heating plant. Inspectors typically do not ascertain size of the building, or characteristics of the land. By contrast, an appraiser commonly ascertains both land and building size. Ordinarily, appraisers do not determine operability, or remaining useful life of building systems. An appraiser typically views real estate to determine only general attributes like physical condition of the building as a whole, site topography and access, building size, construction quality, floor plan, and functionality of the property as a whole. For this appraisal, no probes, investigations, or studies were made to discover unapparent, adverse physical features.

Highest and best use analyses can be categorized into two groups - inferred and fundamental. A fundamental analysis is quantified from broad demographic and economic data such as population, household size, and income. Supply is inventoried. Subject specific characteristics are considered. Then, the relationship between supply and demand is weighed to determine a specific highest and best use for the subject. An inferred analysis uses local trends and patterns to infer a general highest and best use for the subject. For an inferred analysis, market dynamics that might be considered include prices, market exposure times, rents, vacancy, and listings of similar real estate. Inferred analyses emphasize historical data while fundamental analyses are based on future projections. The kind of highest and best use analysis utilized in this assignment is listed above.

Report Reliance & Use Restrictions

No liability is assumed, expressed, or implied by Nelsen Appraisal Associates, Inc., or the appraiser(s) for unauthorized use of this report. Only those persons, parties, entities, companies, corporations, partnerships, associations, or groups that are explicitly identified as an intended user on page 2 may rely on, and use this report. There are no implied, suggested, inferred, consequential, or indirect intended users of this report. Unauthorized users should not use, or rely on any portion of this document. Unauthorized users do so at their own risk and peril.

Scope of Work Exclusion - Insurable Value

The cost approach may or may not have been developed herein. Unless explicitly stated otherwise, the cost approach was developed solely to support the subject's market value. Use of this appraisal, in whole or part, for another purpose is not an expected intended use. Nothing in this appraisal should be used, or relied upon to determine the amount or type of insurance coverage to be placed on the subject property. The signatory / signatories to this report assume no liability for, and do not guarantee that any insurable value inferred from this report will result in the subject property being adequately insured for any loss that may be sustained. Since labor costs, material costs, building codes, construction intervals, and governmental regulations are constantly changing, the cost approach may not be a reliable indication of replacement or reproduction cost for any date other than this report's effective value date.

Extraordinary Assumptions & Disclosures

An extraordinary assumption is defined by the Uniform Standards of Professional Appraisal Practice (USPAP) to be “an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinion or conclusions”.

Extraordinary assumptions presume as fact otherwise uncertain information. In other words, this type assumption involves uncertainty about an underlying premise. An example is a survey that displays a lot size. If the lot size is later found to be much smaller, then the value conclusion may be negatively affected.

USPAP Standard Rule 1-2(f) requires the identification of all extraordinary assumptions that are necessary for credible assignment results. This appraisal employs the following extraordinary assumptions.

- Features of the subject site such as legal description, dimensions, size, etc. were obtained from publicly available sources. All information taken therefrom is assumed reasonably correct.
- Observation of the subject property was limited to a cursory viewing of the entire site.
- Real estate tax information for the subject was obtained from a reputable online source, so it is assumed reasonably correct. All information from any credible source is assumed reasonably correct. Moreover, this information is assumed the most recent that is expeditiously available to the public. Assumptions and presumptions discussed in the Noteworthy Issues section of this report, if any, are incorporated by way of reference into these Extraordinary Assumptions & Disclosures.
- A recently issued title policy was not furnished to the appraiser(s). If a value-impairment is identified or suggested in a title policy, another professional report, or some other document, this appraisal does not address issues that are significantly atypical for a valuation of this type property unless specifically identified in the Scope of Work and/or Noteworthy Issues section of this report.
- A public water system and public sewer main are connected to the subject structure, or available near the subject's lot lines. This appraisal assumes these systems possess sufficient capacity to serve the intended use of the subject improvements, if any. This appraisal also assumes the water is potable and non-contaminated. If these systems were inadequate to serve the subject's intended use, then the subject's value and marketability would be adversely affected.
- Assumptions and presumptions discussed in the Noteworthy Issues section of this report, if any, are incorporated by way of reference into these Extraordinary Assumptions & Disclosures.

The above extraordinary assumptions as well as other assumptions anywhere herein are integral premises upon which the conclusions in this document are based. If any of these assumptions are later found to be materially untrue or inaccurate, then this report’s assignment results may or may not be affected.

Hypothetical Conditions

USPAP defines a hypothetical condition as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.”

Hypothetical conditions assume conditions that are contrary to known fact. An illustration is the current valuation of a proposed home. For the purpose of a rational analysis, it is assumed the home exists on the effective value date, but it is known the home is nonexistent. Another example is a new zoning classification, that a property does not have today, but the new zoning is assumed for the purpose of a logical current valuation. Uncertainty is not involved with a hypothetical condition. An essential premise underlying the valuation is known not to exist on the effective value date.

USPAP Standard Rule 1-2(g) requires the identification of all hypothetical conditions that are necessary for a credible value opinion. This appraisal employs no hypothetical conditions.

Personal Property & Intangibles

Personal property is movable and *not* permanently affixed to the real estate. Examples of personal property are freestanding ranges, refrigerators, tables, desks, chairs, beds, linen, silverware, hand tools, and small utensils. An intangible is a nonphysical asset like franchises, trademarks, patents, goodwill, and mineral rights. Personal and intangible property included in this appraisal's value opinion, if any, is considered typical for this type real estate, yet insignificant to the value opinion. Therefore, non-realty is not itemized or valued herein. Moreover, this report's final value conclusion(s) *excludes* unaffixed equipment, detached trade fixtures, and chattel unless specifically stated to the contrary.

Definition of Market Value

The definition of *market value* is used in all federally regulated transactions that exceed a minimum amount. This definition is mandated by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989. The exact same definition was published in the Federal Register several times by different federal agencies. Some printings are: *12 C.F.R. Part 34.42(g)*; *55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; and 59 Federal Register 29499, June 7, 1994.*)

Federal agencies publishing the **exact same definition** include the

- Office of the Comptroller of the Currency (OCC) as 12 CFR 34, subpart C
- Federal Reserve Board (FRB) as 12 CFR 225, Subpart G
- Federal Deposit Insurance Corporation (FDIC) as 12 CFR 323.2, Definition (g) in 55 Federal Register, 33,888 August 20, 1990, Effective September 19, 1990.
- Office of Thrift Supervision (OTS) as 12 CFR 564
- National Credit Union Administration (NCUA) as 12 CFR 722

The **exact same definition** was again published jointly by the OCC, OTS, FRS, and FDIC on page 61 of the "*Interagency Appraisal and Evaluation Guidelines*". These guidelines were published in the Federal Register on December 10, 2010 as Volume 55, page 77472. All the above citations defined market value as:

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

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

Virtually the same definition is also cited in Advisory Opinion 30 in the 2014-2015 version of the Uniform Standards of Professional Appraisal Practice (USPAP), lines 124 to 136.

Definition of Real Property Estates

One or more of the following underlined legal estates or interests are valued in this report. Definitions of these estates are quoted from *The Dictionary of Real Estate Appraisal*, Fifth Edition; published by the Appraisal Institute, copyright 2010.

- Fee Simple Estate *"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."*
- Leased Fee Estate *A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship."*
- Leasehold Estate *"The tenant's possessory interest created by a lease"*

Assemblage

USPAP Standard Rule 1-4(e) requires an analysis of the assemblage of various estates or component parts that affect value. In this case, no assemblage is expected so value is not affected.

Contingent and Limiting Conditions

1. By this notice, all persons, companies, or corporations using or relying on this report in any manner bind themselves to accept these Contingent and Limiting conditions, and all other contingent and limiting conditions contained elsewhere in this report. Do not use any portion of this report unless you fully accept all Contingent and Limiting conditions contained throughout this document.
2. The "Subject" or "Subject Property" refers to the real property that is the subject of this report. An Appraiser is defined as an individual person who is licensed to prepare real estate appraisal-related services in the State of Iowa and affixes his / her signature to this document.
3. Throughout this report, the singular term "Appraiser" also refers to the plural term "Appraisers". The terms "Appraiser" and "Appraisers" also refer collectively to "Nelsen Appraisal Associates, Inc.", its officers, employees, subcontractors, and affiliates. The masculine terms "he" or "his" also refer to the feminine term "she" or "her".
4. In these Contingent and Limiting Conditions, the "Parties" refers to all of the following collectively: (a) the Appraiser(s), (b) Nelsen Appraisal Associates, Inc., (c) the client, and (d) all intended users.
5. These Contingent and Limiting Conditions are an integral part of this report along with all certifications, definitions, descriptions, facts, statements, assumptions, disclosures, hypotheses, analyses, and opinions.
6. All contents of this report are prepared solely for the explicitly identified client and other explicitly identified intended users. The liability of the Appraiser is limited solely to the client. There is no accountability, obligation, or liability to any other third party. Other intended users may read but not rely on this report. The Appraiser's maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) is limited to the fee paid to Nelsen Appraisal Associates, Inc. for that portion of their services, or work product giving rise to liability. In no event shall the Appraisers be liable for consequential, special, incidental or punitive loss, damages or expense (including without limitation, lost profits, opportunity costs, etc.) even if advised of their possible existence. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all contingent and limiting conditions, assumptions, and disclosures. Use of this report by third parties shall be solely at the risk of the third party.
7. This document communicates the results of an appraisal assignment. This communication is not an inspection, engineering, construction, legal, or architectural report. It is not an examination or survey of any kind. Expertise in these are As Vacant not implied. The Appraiser is not responsible for any costs incurred to discover, or correct any deficiency in the property.

Contingent and Limiting Conditions

8. As part of this appraisal, information was gathered and analyzed to form opinion(s) that pertain solely to one or more explicitly identified effective value dates. The effective value date is the only point in time that the value applies. Information about the subject property, neighborhood, comparables, or other topics discussed in this report was obtained from sensible sources. In accordance with the extent of research disclosed in the Scope of Work section, all information cited herein was examined for accuracy, is believed to be reliable, and is assumed reasonably accurate. However, no guaranties or warranties are made for this information. No liability or responsibility is assumed for any inaccuracy which is outside the control of the Appraiser, beyond the scope of work, or outside reasonable due diligence of the Appraiser.
9. Real estate values are affected by many changing factors. Therefore, any value opinion expressed herein is considered credible only on the effective value date. Every day that passes thereafter, the degree of credibility wanes as the subject changes physically, the economy changes, or market conditions change. The Appraiser reserves the right to amend these analyses and/or value opinion(s) contained within this appraisal report if erroneous, or more factual-information is subsequently discovered. No guarantee is made for the accuracy of estimates or opinions furnished by others, and relied upon in this report.
10. In the case of limited partnerships, syndication offerings, or stock offerings in the real estate, the client agrees that in case of lawsuit (brought by the lender, partner, or part owner in any form of ownership, tenant, or any other party), the client will hold Nelsen Appraisal Associates, Inc., its officers, contractors, employees and associate appraisers completely harmless. Acceptance of, and/or use of this report by the client, or any third party is prima facie evidence that the user understands and agrees to all these conditions.
11. For appraisals of multiunit residential, only a portion of all dwellings was observed. A typical ratio of observed dwellings roughly approximates 10% of the total number of units, and this ratio declines as the number of dwellings grows. It is assumed the functionality, physical condition, construction quality, and interior finish of unseen units are similar to the functionality, physical condition, construction quality, and interior finish of observed units. If unobserved dwellings significantly differ from those that were viewed in functionality, physical condition, quality, or finish, the Appraiser reserves the right to amend these analysis and/or value opinion(s).
12. If the appraised property consists of a physical portion of a larger parcel is subject to the following limitations. The value opinion for the property appraised pertains only to that portion defined as the subject property. This value opinion should not be construed as applying with equal validity to other complementary portions of the same parcel. The value opinion for the physical portion appraised + the value of all other complementary physical portions may or may not equal the value of the whole parcel.

Contingent and Limiting Conditions

13. Unless specifically stated otherwise herein, the Appraiser is unaware of any engineering study made to determine the bearing capacity of the subject land, or nearby lands. Improvements in the vicinity, if any, appear to be structurally sound. It is assumed soil and subsoil conditions are stable and free from features that cause supernormal costs to arise. It is also assumed existing soil conditions of the subject land have proper load bearing qualities to support the existing improvements, or proposed improvements appropriate for the site. No investigations for potential seismic hazards were made. This appraisal assumes there are no conditions of the site, subsoil, or structures, whether latent, patent, or concealed that would render the subject property less valuable. Unless specifically stated otherwise in this document, no earthquake compliance report, engineering report, flood zone analysis, hazardous substance determination, or analysis of these unfavorable attributes was made, or ordered in conjunction with this appraisal report. The client is strongly urged to retain experts in these fields, if so desired.
14. If this report involves an appraisal that values an interest, which is less than the whole fee simple estate, then the following disclosure applies. The value for any fractional interest appraised + the value of all other complementary fractional interests may or may not equal the value of the entire fee simple estate.
15. If this appraisal values the subject as though construction, repairs, alterations, remodeling, renovation, or rehabilitation will be completed in the future, then it is assumed such work will be completed in a timely fashion, using non-defective materials, and proper workmanship. All previously completed work is assumed completed in substantial conformance with plans, specifications, descriptions, or attachments made or referred to herein. It is also assumed all planned, in-progress, or recently completed construction complies with the zoning ordinance, and all applicable building codes. A prospective value opinion has an effective value date that is beyond or in the future relative to this report's preparation date. If this appraisal includes a prospective valuation, it is understood and agreed the Appraiser is not responsible for an unfavorable value effect caused by unforeseeable events that occur before completion of the project.
16. This valuation may or may not include an observation of the appraised property by an Appraiser. The extent of any observation is disclosed in the Scope of Work section of this report. Any observation by an Appraiser is not a professional property inspection. Viewing of the subject was limited to components that were not concealed, clearly observable, and readily accessible without a ladder on the property observation date. As used herein, readily accessible means within the Appraiser's normal reach without the movement of any man made or natural object. Comments or descriptions about physical condition of the improvements are based solely on a superficial visual observation. These comments are intended to familiarize the reader with the property in a very general fashion.

Contingent and Limiting Conditions

17. Electric, heating, cooling, plumbing, water supply, sewer or septic, mechanical equipment, and other property systems were not tested. No determination was made regarding the operability, capacity, or remaining physical life of any component in, on, or under the real estate appraised. All building components are assumed adequate and in good working order unless stated otherwise. Private water wells and private septic systems are assumed sufficient to comply with federal, state, or local health safety standards. No liability is assumed for the soundness of structural members since structural elements were not tested or studied to determine their structural integrity. The roof cover for all structures is assumed water tight unless otherwise noted. This document is not an inspection, engineering or architectural report. If the client has any concern regarding structural, mechanical, or protective components of the improvements, or the adequacy or quality of sewer, water or other utilities, the client should hire an expert in the appropriate discipline before relying upon this report. No warranties or guarantees of any kind are expressed or implied regarding the current or future physical condition or operability of any property component.
18. The allocation of value between the subject's land and improvements, if any, represents our judgment only under the existing use of the property. A re-evaluation should be made if the improvements are removed, substantially altered, or the land is utilized for another purpose.
19. The Client and all intended users agree to all the following. (A) This appraisal does not serve as a warranty on the physical condition or operability of the property appraised. (B) All users of this report should take all necessary precautions before making any significant financial commitments to or for the subject. (C) Any estimate for repair or alternations is a non-warranted opinion of the Appraiser.
20. No liability is assumed for matters of legal nature that affect the value of the subject property. Unless a clear statement to the contrary is made in this report, value opinion(s) formed herein are predicated upon the following assumptions. (A) The real property is appraised as though, and assumed free from all value impairments including yet not limited to title defects, liens, encumbrances, title claims, boundary discrepancies, encroachments, adverse easements, environmental hazards, pest infestation, leases, and atypical physical deficiencies. (B) All real estate taxes and assessments, of any type, are assumed fully paid. (C) It is assumed ownership of the property appraised is lawful. (D) It is also assumed the subject property is operated under competent and prudent management. (E) The subject property was appraised as though, and assumed free of indebtedness. (F) The subject real estate is assumed fully compliant with all applicable federal, state, and local environmental regulations and laws. (G) The subject is assumed fully compliant with all applicable zoning ordinances, building codes, use regulations, and restrictions of all types. (H) All licenses, consents, permits, or other documentation required by any relevant legislative or governmental authority, private entity, or organization have been obtained, or can be easily be obtained or renewed for a nominal fee.

Contingent and Limiting Conditions

21. Any exhibits in the report are intended to assist the reader in visualizing the subject property and its surroundings. The drawings are not surveys unless specifically identified as such. No responsibility is assumed for cartographic accuracy. Drawings are not intended to be exact in size, scale, or detail.
22. Value opinions involve only real estate, and inconsequential personal property. Unless explicitly stated otherwise, value conclusions do not include personal property, unaffixed equipment, trade fixtures, business-good will, chattel, or franchise items of material worth.
23. Conversion of the subject's income into a market value opinion is based upon typical financing terms that were readily available from a disinterested, third party lender on this report's effective date. Atypical financing terms and conditions do not influence market value, but may affect investment value.
24. All information and comments concerning the location, market area, trends, construction quality, construction costs, value loss, physical condition, rents, or any other data for the subject represent estimates and opinions of the Appraiser. Expenses shown in the Income Approach, if used, are only estimates. They are based on past operating history, if available, and are stabilized as generally typical over a reasonable ownership period.
25. This appraisal was prepared by Nelsen Appraisal Associates, Inc. and consists of trade secrets and commercial or financial information, which is privileged, confidential, and exempt from disclosure under 5 U.S.C. 522 (b) (4).
26. The Appraiser is not required to give testimony or produce documents because of having prepared this report unless arrangements are agreed to in advance. If the Appraiser is subpoenaed pursuant to court order or required to produce documents by judicial command, the client agrees to compensate the Appraiser for his appearance time, preparation time, travel time, and document preparation time at the regular hourly rate then in effect plus expenses and attorney fees. In the event the real property appraised is, or becomes the subject of litigation, a condemnation, or other legal proceeding, it is assumed the Appraiser will be given reasonable advanced notice, and reasonable additional time for court preparation.
27. Effective January 26, 1992, the Americans with Disabilities Act (ADA) - a national law, affects all non-residential real estate or the portion of any property, which is non-residential. The Appraiser has not observed the subject property to determine whether the subject conforms to the requirements of the ADA. It is possible a compliance survey, together with a detailed analysis of ADA requirements, could reveal the subject is not fully compliant. If such a determination was made, the subject's value may or may not be adversely affected. Since the Appraiser has no direct evidence, or knowledge pertaining to the subject's compliance or lack of compliance, this appraisal does not consider possible noncompliance or its effect on the subject's value.

Contingent and Limiting Conditions

28. Nelsen Appraisal Associates, Inc. and the Appraiser have no expertise in the field of insect, termite, or pest infestation. We are not qualified to detect the presence of these or any other unfavorable infestation. The Appraiser has no knowledge of the existence of any infestation on, under, above, or within the subject real estate. No overt evidence of infestation is apparent to the untrained eye. However, we have not specifically inspected or tested the subject property to determine the presence of any infestation. No effort was made to dismantle or probe the structure. No effort was exerted to observe enclosed, encased, or otherwise concealed evidence of infestation. The presence of any infestation would likely diminish the property's value. All value opinions in this communication assume there is no infestation of any type affecting the subject real estate or the Appraiser is not responsible for any infestation or for any expertise required to discover any infestation. Our client is urged to retain an expert in this field, if desired.
29. All opinions are those of the signatory Appraiser based on the information in this report. No responsibility is assumed by the Appraiser for changes in market conditions, or for the inability of the client, or any other party to achieve their desired results based upon the appraised value. Some of the assumptions or projections made herein can vary depending upon evolving events. We realize some assumptions may never occur and unexpected events or circumstances may occur. Therefore, actual results achieved during the projection period may differ from those set forth in this report. Compensation for appraisal services is dependent solely on the delivery of this report, and no other event or occurrence
30. No warranties are made by the Appraiser concerning the property's conformance with any applicable government code or property covenant including but not limited to all laws, ordinances, regulations, agreements, declarations, easements, condominium regulations, restrictions, either recorded or unrecorded. The client is urged to engage the services of a licensed attorney to confirm any legal issue affecting the property appraised. No liability or responsibility is assumed by the Appraiser to determine the cost of replacing or curing any supposedly defective physical component.
31. In the event of an alleged claim due to some defective physical component, the client must notify Nelsen Appraisal Associates, Inc. and allow its representatives and experts to examine and test the alleged defective component before any repairs or modifications are made. If any type of repair or modification is made without the knowledge of the Appraisers, the Appraiser is released from all liability, real or alleged.
32. The client and all explicitly identified intended users agree to notify in writing Nelsen Appraisal Associates, Inc., within one year of this report's preparation date, of any claim relating to or arising from this report regardless of any statute of limitations. If Nelsen Appraisal Associates, Inc. does not receive this written notification within the year period defined in the paragraph, then the claimant releases the Appraiser from all claims arising from or related to this report.

Contingent and Limiting Conditions

33. The client and all explicitly identified intended users acknowledge that any claim relating to this report shall be settled in accordance with the commercial arbitration rules of the American Arbitration Association with the Parties each paying an equal share of all associated costs.
34. Any alleged claim must be filed in the Circuit Court for the County that encompasses most of or all of Urbandale, Iowa 50322 where the Appraiser's business office is located. If a court of law voids any portion of these Contingent and Limiting Conditions, then the remainder remains in full force and effect. The claimant(s) agree not to contest the venue set forth herein and to submit to, and not contest, the exercise of personal jurisdiction over them by the foregoing court. The claimant(s) waive all rights concerning the exercise of personal jurisdiction of them by the foregoing courts and all claims of or concerning forum non-conveniences in the foregoing forum.
35. Superseding all comments to the contrary regardless of date, this report may not be transferred or assigned without the prior written consent of Nelsen Appraisal Associates, Inc..
36. No part of this report shall be published or disseminated to the public by the use of advertising media, public relations media, news media, sales media, electronic devices, or other media without the prior written consent of Nelsen Appraisal Associates, Inc.. This restriction applies particularly as to analyses, opinions, and conclusions; the identity of the Appraiser; and any reference to the Appraisal Institute or its MAI, SRPA, or SRA designations. Furthermore, no part of this report may be reproduced or incorporated into any information retrieval system without written permission from Nelsen Appraisal Associates, Inc., the copyright holder.



Disclosures

Professional Standards

All leading professional appraisal organizations, the U.S. Congress, all state legislatures, and numerous legal jurisdictions recognize the Uniform Standards of Professional Appraisal Practice (USPAP), promulgated by the Appraisal Foundation. Revised biennially to keep it contemporary, these standards set forth ethical practices and proper procedures for a competent appraisal. This appraisal fully complies with all relevant portions of the USPAP version in effect on the date this report was prepared. It also complies with the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), a federal law.

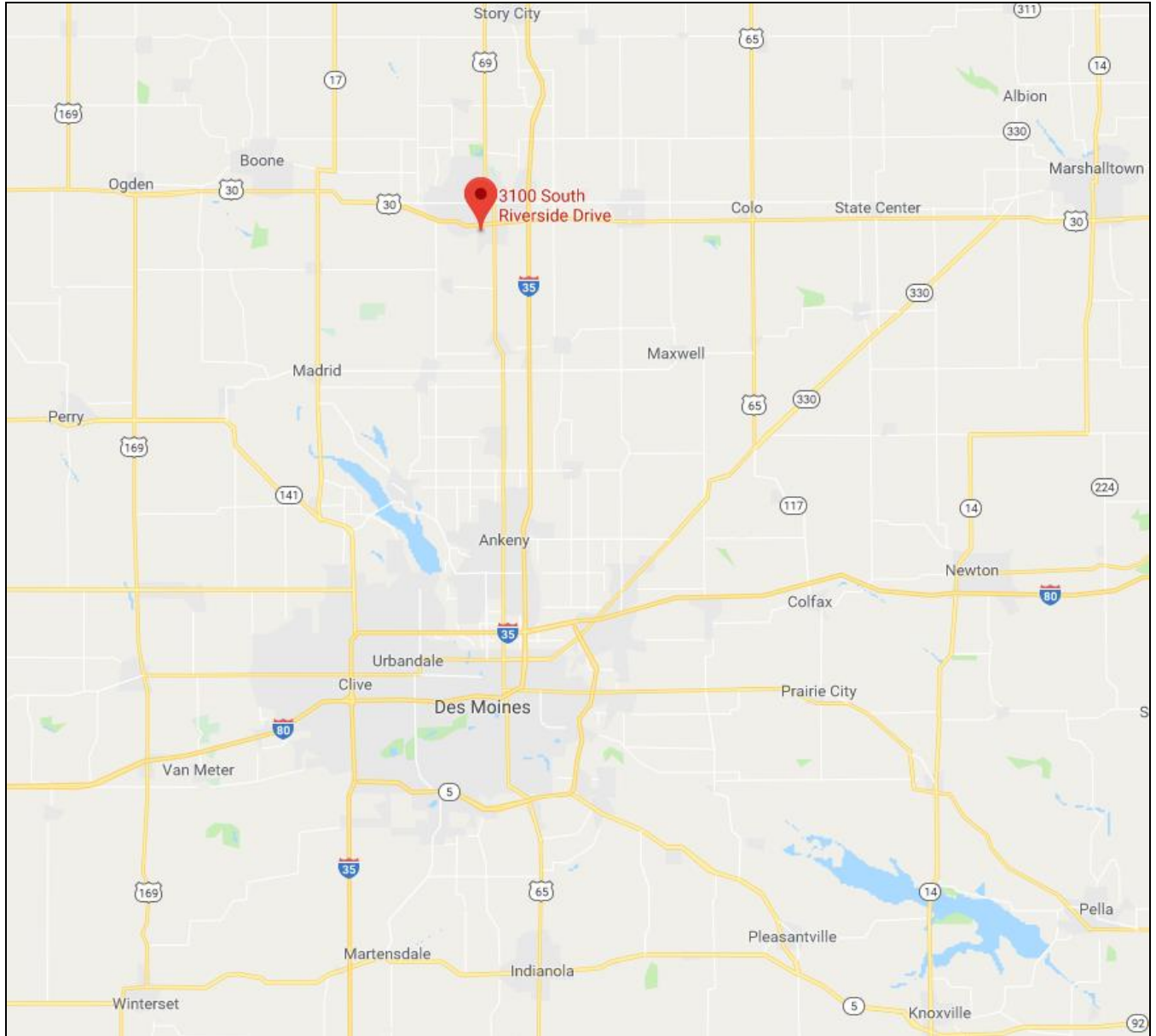
Competency

The persons signing this report are licensed to appraise real property in the state the subject is located. They affirm they have the experience, knowledge, and education to value this type property. They have previously appraised similar real estate.

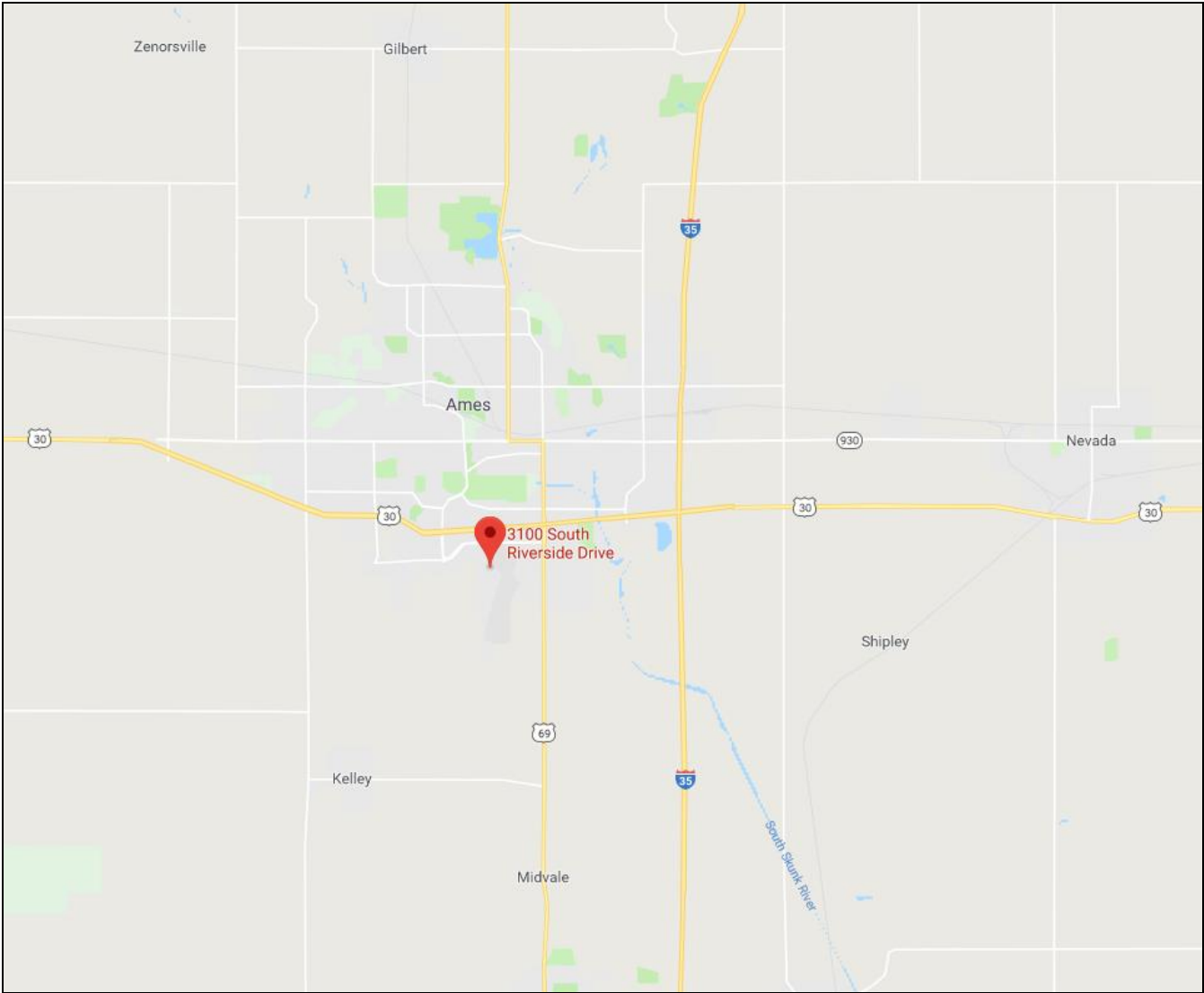


Area Data

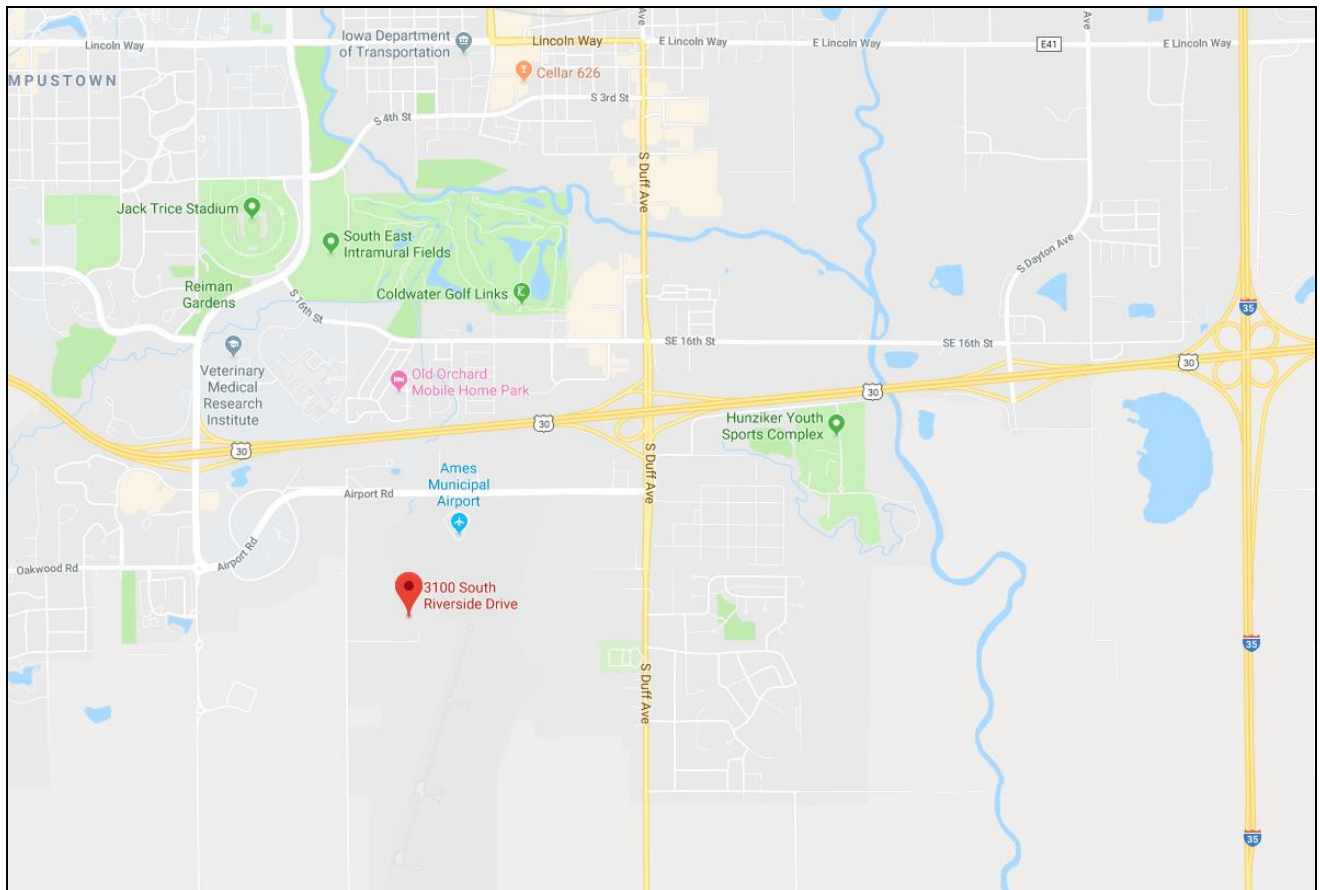
Regional Map



Vicinity Map



Proximity Map



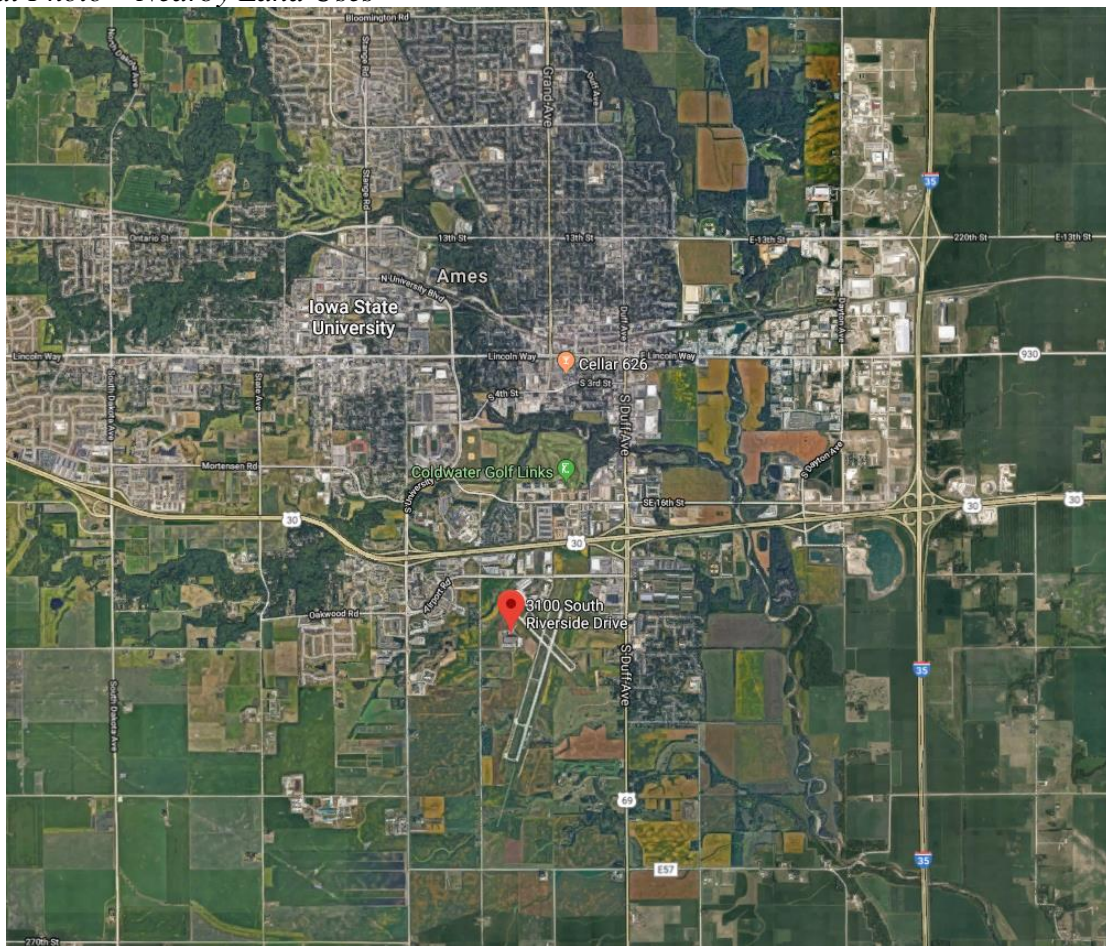
Proximity Features

Expected Changes in Economic Base	None
Protection From Adverse Conditions	Good
Demand for Real Estate Like Subject	Adequate
Potential Additional Supply Like Subject	Potential Exists
Building Age Range <i>{excluding extremes}</i>	15 to 50 Years
Oversupply of Property Like Subject	None
General Appearance of Properties	Average
Location	Suburban
Land Use Change	Not Likely
Police & Fire Protection	Average
Expressway Access	Under a mile
Employment Centers	Under a mile
Property Compatibility	Average
Appeal to Market	Average

Nearby Land Uses

Residential	30%
Retail	15%
Office	10%
Industrial	15%
Institutional	05%
Vacant Land	30%
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Total	100%

Aerial Photo – Nearby Land Uses




Regional Data

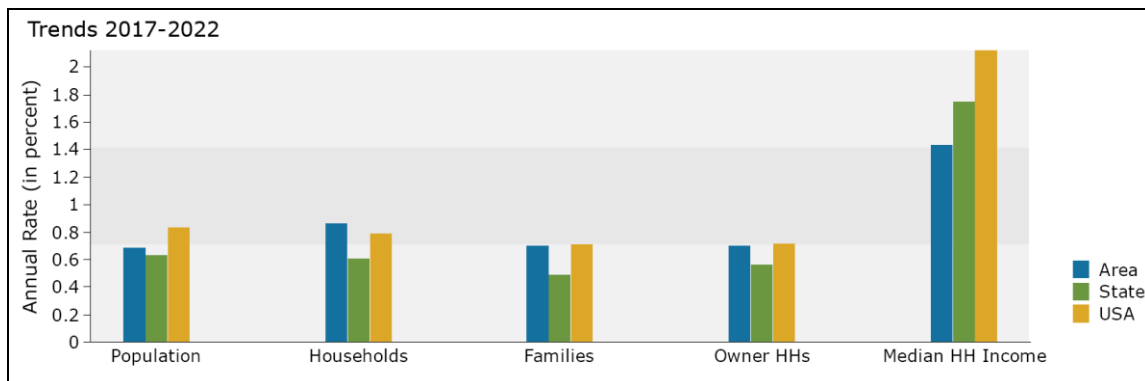
Ames is the largest city in Story County. The population is greatly impacted by Iowa State University, one of three public universities in the State. The county seat is located in Nevada.

Population

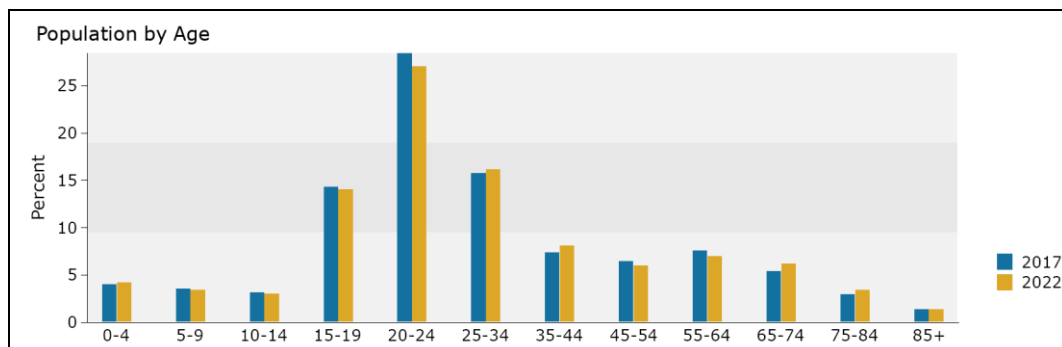
The Ames area had a recorded population of 58,973 people in 2010. The projected population in 2022 is 67,519 indicating projected growth of 14.49% or 1.21% per annum. Households and families also show positive growth during the same time period with 0.94% to 0.76% growth per year, respectively.

 Demographic and Income Profile			
Ames City, IA 2 Ames City, IA (1901855) Geography: Place			Prepared by Esri
Summary	Census 2010	2017	2022
Population	58,973	65,221	67,519
Households	22,762	24,271	25,327
Families	9,962	10,494	10,866

The following graph projects trends amongst the preceding categories over the next five years. While population growth is positive for Ames, its growth will lag National numbers, but will slightly outpace State numbers. Household growth in Ames will outpace both State and National numbers. The growth of families will outpace State number and essentially mirror National growth rates.



Iowa State University greatly impacts the population in the City of Ames. The following graph displays the population distribution by age. Over 25% of the population is between 20 and 24 years old. The age distribution is projected to maintain the same pattern over the next five years.



Regional Data

Employment

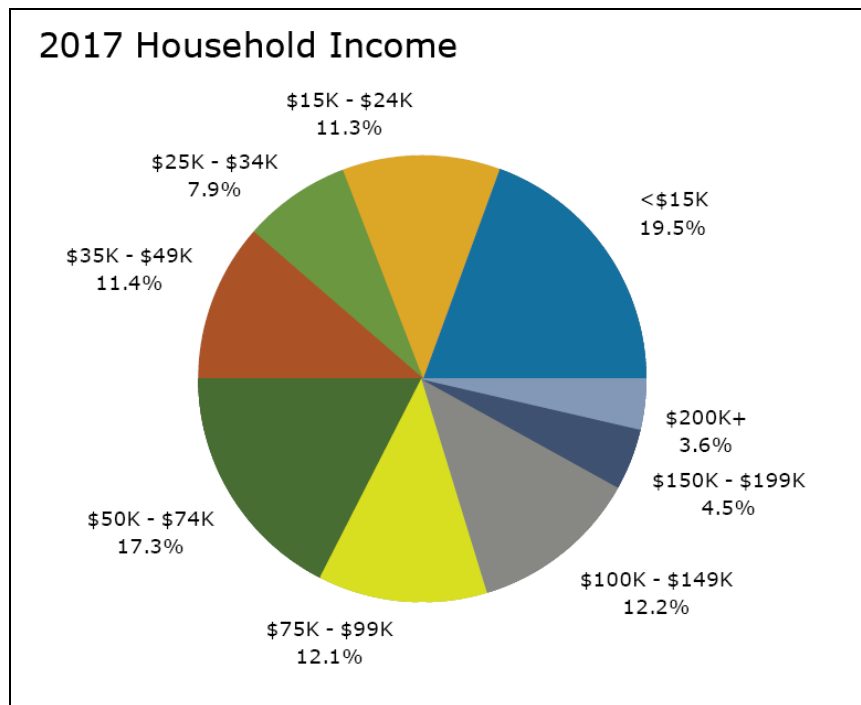
The Ames area has a diversified employment base supported by manufacturing facilities such as Barilla and research facilities associated with Iowa State University. The following tables display percentage of civilian population that is employed and the distribution of employment by industry.

2017 Civilian Population 16+ in Labor Force	
Civilian Employed	95.6%
Civilian Unemployed	4.5%

2017 Employed Population 16+ by Occupation	
Total	33,173
White Collar	68.0%
Management/Business/Financial	10.5%
Professional	37.0%
Sales	8.2%
Administrative Support	12.4%
Services	18.4%
Blue Collar	13.6%
Farming/Forestry/Fishing	1.7%
Construction/Extraction	2.1%
Installation/Maintenance/Repair	1.9%
Production	3.6%
Transportation/Material Moving	4.3%

Income Profile

The following graphs display the distribution of households based on income in 2017. Household income is fairly evenly distributed with the exception of households earning \$150,000+ per year. Concentrations between \$15,000 and \$100,000-\$150,000 per year range from 7.9% to 17.3%.



Regional Data

The following table displays the estimated and projected per capita income in Ames. Per capita income increased 7.08% from 2010 to 2017. Average household income is projected to increase by roughly 12.05% or roughly 2.41% per annum over the next five years.

Per Capita Income	
2000	\$24,271
2017	\$25,989
2022	\$29,137

Housing

The following table displays the median home value from 2000 to 2010 and the projected median home value in 2015. The median home value increased over 22% over the past ten years or roughly 2% per annum. The median home value is projected to maintain the same rate of increase over the next five years.

Median Home Value		
Year	Median Value	% Change
2010	\$161,494	
2017	\$192,623	19.28%
2022	\$216,298	12.29%

Median household income is also showing positive growth, but at a significantly slower rate compared to median home values.

Median Household Income		
Year	Median Income	% Change
2010	\$48,245	
2017	\$49,762	3.14%
2022	\$53,429	7.37%

The following table displays the number of housing units per year and the distribution of housing based on occupancy. Renter occupied housing made up over 50% of total housing units over the last ten years. Vacancy rates have remained relatively stable over the last 10 years and are projected to remain stable.

2010 Housing Units	23,880
Owner Occupied Housing Units	40.6%
Renter Occupied Housing Units	54.7%
Vacant Housing Units	4.7%
2017 Housing Units	25,419
Owner Occupied Housing Units	39.9%
Renter Occupied Housing Units	55.6%
Vacant Housing Units	4.5%
2022 Housing Units	26,544
Owner Occupied Housing Units	39.5%
Renter Occupied Housing Units	55.9%
Vacant Housing Units	4.6%

Regional Data

Summary

The Ames area has experienced stable rates of growth in population, families, and households. Median income and housing values have increased, but the pace of growth has been highest in housing values.

The Ames area is projected to outpace state rates of growth in population, households, and families, but will lag national levels of growth in population. The area will outpace national levels regarding the growth in number of households and will essentially keep pace with national levels for number of families. Moderate growth has been effectively absorbed by the market as indicated by projected stability in housing vacancy.

Appraisers also consulted the Iowa Finance Authority's profile for the City of Ames with reference to the single family residential and multiple-family residential markets. Showing continuing growth in demand and low vacancy rates in both of these commercial real estate markets.

Economic conditions are anticipated to remain stable in line with various measures of change such as median per capita and household income and population growth.



Subject Property

Identification of the Property

This real estate appraised is situated on the east side of South Riverside Drive in the southwest quadrant of Highway 30 and Highway 69 in the City of Ames, Story County, Iowa. Its common address is 3100 South Riverside Drive, Ames, Story County, Iowa 50010.

Legal Description

A professional surveyor and / or legal counsel should verify the following legal description before relying upon, or using it as part of any conveyance, or any other document. This legal description was obtained from public records and is assumed accurate.

Description - Tract 'A' (Phase 1 & 2 Area).

Part of the Southeast Quarter of Section 15, Township 83 North, Range 24 West of the 5th P.M. in the City of Ames, Story County, Iowa, more particularly described as follows: Commencing at the South Quarter corner of said Section 15; thence N00°04'25"E, 73.61 feet along the west line of the Southeast Quarter of said Section 15; thence N89°55'48"E, 770.62 feet to the point of beginning; thence N00°04'18"W, 417.93 feet; thence S89°57'03"W, 89.96 feet; thence N00°04'18"W, 255.12 feet; thence N89°55'41"E, 612.47 feet; thence S43°48'04"E, 326.38 feet; thence N89°54'57"E, 126.80 feet; thence S00°03'48"E, 437.29 feet; thence S89°55'48"W, 874.86 feet to the point of beginning, containing 12.75 acres.

Ariel Plat Map with Dimensions



**Photographs of Subject – Photos taken November 27, 2018
(photo page 1)**



View of parking area
on south and east
sides of building



Northeast elevation

Sale History

On-line public records and / or a private data-reporting service were used to search for prior sales of the subject real estate. This research discovered no recorded conveyance of the subject during the three-years preceding this report's effective value date. Moreover, the subject was not yet offered "For Sale" in the local MLS or other major data-reporting services during this same period.

Subject's Current Ownership	
<i>Leased Fee Owner</i>	<i>Information Source</i>
City of Ames	Story County Assessor

Flood Hazard

According to the appropriate Federal Emergency Management Agency (FEMA) flood map, which is identified below, the subject property is not located in a zone "A" special flood hazard.

Flood Maps published by FEMA are not precise. If anyone desires a precise determination of the subject's flood hazard classification, a professional engineer, licensed surveyor, or local governmental authority should make an exact determination.

Flood Map



Overview Map



Environmental Risks

Disclosure

During the course of this appraisal, the appraiser(s) did **not** detect or attempt to discover any environmental hazard on, under, above, or within the subject real estate. No overt evidence of any environmental hazard is apparent to the untrained eye. It should be known the appraiser(s) did not view the subject property with the intent of detecting any environmental hazard. It is beyond the expertise of the appraiser(s) to detect or determine the chemical nature of any substance or gas. No effort was made to dismantle or probe any part of the property to discover enclosed, encased, or concealed hazards. No effort was exerted to ascertain the presence of any environmental hazard including but not limited to the following.

<i>Asbestos</i>	<i>Urea-formaldehyde insulation</i>
<i>Underground storage tanks</i>	<i>Soil contamination or deficiencies</i>
<i>Lead-based paint</i>	<i>Toxic mold</i>
<i>Radon</i>	<i>PCB</i>
<i>Chemical spills</i>	<i>Fire resistant treated plywood (FRTP)</i>

Flood hazards are detailed elsewhere in this report. Except as enumerated herein, the appraiser(s) were not given the results of any environmental testing on or near the property being appraised. Neither observation of the subject property, or research conducted as part of a typical real estate appraisal suggest the presence of any hazardous substance or detrimental environmental condition affecting the subject. Nearby sites were not investigated to determine whether they are contaminated. Public information and other Internet sources were not researched to determine the presence of hazardous substances or detrimental environmental conditions in the subject's vicinity.

Federal, State, and local laws concerning any hazardous substance or gas are sometimes contradictory. Therefore, any needed clean up should comply with the most stringent laws. The appraiser(s) are **not** informed or trained in environmental legalities. It is assumed no hazardous substance or gas adversely affects the subject real estate. If the subject is adversely influenced by a hazardous condition, then the subject's market value would be impaired.

Recommendation

The presence of any hazardous condition usually diminishes market value. The value opinion formed in this report assumes there is no environmental hazard affecting the subject real estate. No responsibility is assumed by the appraiser(s) or Nelsen Appraisal Associates, Inc. for any hazard, or for any expertise required to discover any environmentally hazardous condition. Our client is urged to retain an expert in this field, if desired.

Subject Site			
<i>Address</i>	3100 South Riverside Drive Ames, Iowa 50010		
<i>Dimensions</i>	See Plat Map	<i>Size</i>	12.750 acres (555,400 SF)
<i>Easements</i>	Typical setbacks and utility easements	<i>Alley</i>	None
<i>Encroachments</i>	None known; none assumed	<i>Access</i>	One point via South Riverside Drive
<i>Shape</i>	Irregular	<i>Street Paving</i>	Asphalt paved
<i>Curbs & Gutters</i>	Concrete curbs, concrete gutters	<i>Sidewalks</i>	None
<i>Topography</i>	Generally level	<i>Gas & Electricity</i>	Public
<i>Water & Sewer</i>	Public sewer and water		
Overall Features	The land has typical physical features as compared to similar alternatives. Its overall locational attributes are average relative to competitive parcels.		

Real Estate Taxes

The Iowa property tax is primarily a tax on "real property," which is mostly land, buildings, structures, and other improvements that are constructed on or in the land, attached to the land, or placed upon a foundation. Residential, commercial and industrial real estate is assessed at 100% of market value. State law requires that all real property be assessed every two years in odd-numbered years.

<i>County</i>	Story	
<i>Parcel ID #</i>	09-15-400-005	
<i>Tax Year</i>	2018/2019	
<i>2018 Assessed Value</i>	Land	\$ 732,000
	Building	\$ 2,518,000
	Total	\$3,250,000
<i>Total Tax Dollars</i>		\$89,248
<i>Mill Levy [2014/15]</i>		3.140424%

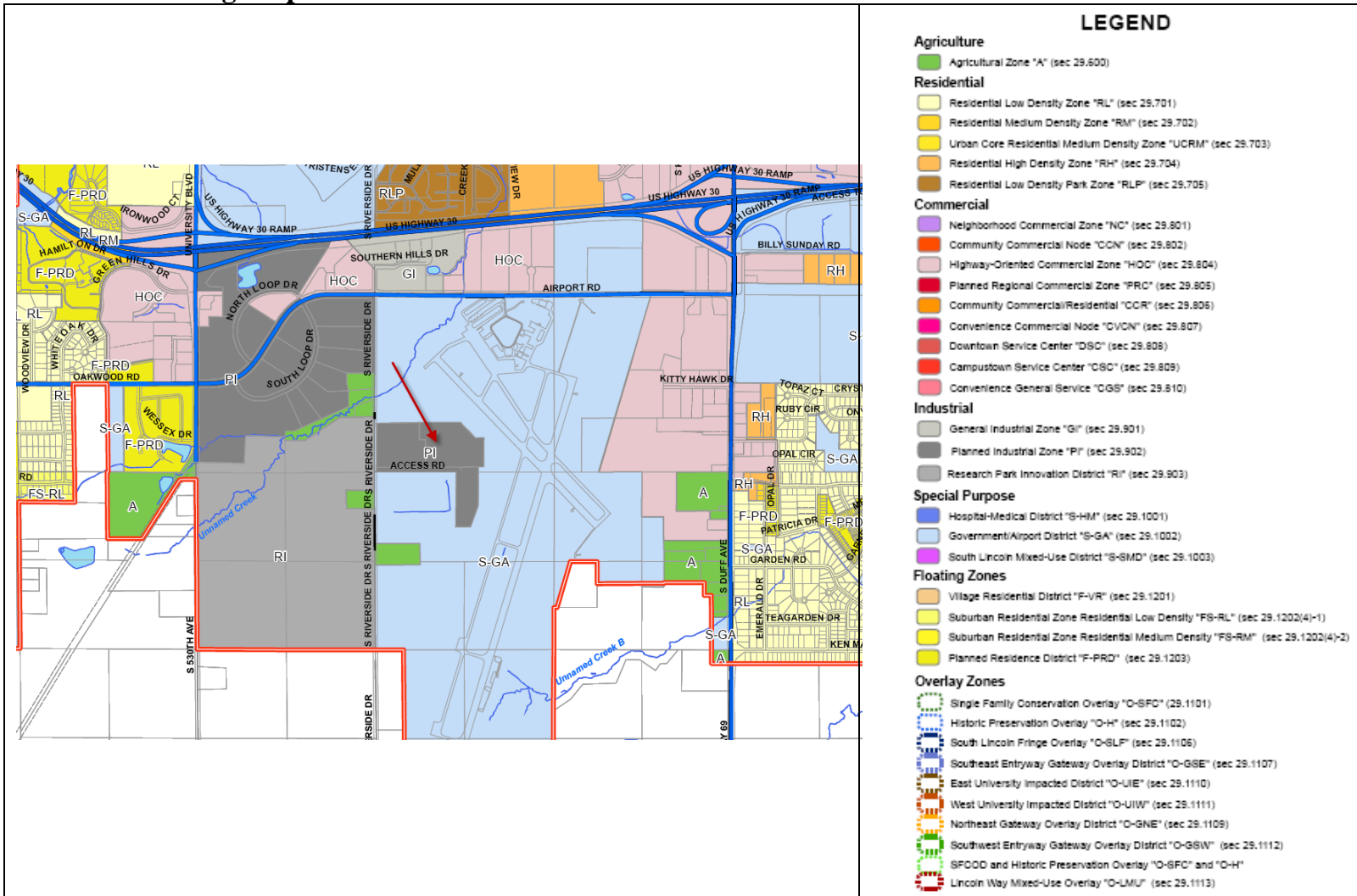
Taxes are calculated by the County Auditor for fiscal years, July 1 through June 30 using the previous year's assessment. Property taxes are payable to the County Treasurer in two installments. The first half is delinquent October 1; the second half payment is delinquent April 1. Taxes payable in September, 2018 and March, 2019 will be based on the 2017 assessed value. A structure constructed during 2018 will be first assessed on January 1, 2019.

Zoning

The subject property is zoned "PI" Planned Industrial District by the City of Ames – Story County, Iowa.

As now constituted and used, the subject complies with all aspects of the zoning ordinance. Therefore, the subject real estate is considered a legal, conforming usage.

Zoning Map





Analyses & Conclusions

Value Introduction

For real estate that is predominantly unimproved vacant land, there are six valuation methods. The most frequently used sales comparison approach is employed in this report.

Highest and Best Use

Introduction

A highest and best use identifies the most reasonably probable and appropriately supported use of the property appraised. Since market conditions change, a property's highest and best use may change as well. This analysis is an essential step in the determination of market value. Market dynamics determines a property's use and an appraisal values that use. Practically speaking, a highest and best use analysis forms a framework for the proper selection of comparables.

There are two types of highest and best use. The first is highest and best use of land as though vacant. If a building already exists, the second variety is highest and best use as though now improved. The latter considers whether the existing building should be retained As Vacant, demolished, remodeled, renovated, repaired, enlarged, or converted to an alternate use. Both types require separate analyses. Current usage may or may not be different from the near future highest and best use.

There are four main tests in a highest and best use analysis, which are summarized below.

- Legal permissibility - governmental requirements and limitations like zoning are considered as well as other legal issues like deed restrictions, easements, and leases.
- Physical attributes like size, design, and physical condition are weighed
- Financial feasibility is ascertained via either an implied or calculated method
- Maximum productivity is determined

If more than one use survives the first three tests, the use that produces the highest, appropriately supported, positive value with the least risk is the highest and best use.

Highest and best use demand analyses can be categorized into two different levels of detail - Inferred and Fundamental. A fundamental analysis forecasts future demand from projections of broad demographic and economic data like population, income, and employment. Existing supply is inventoried. Then, the relationship of supply and demand is weighed to determine net demand. If net demand is positive, more of that property type is needed. Of course, the opposite is also true.

An inferred analysis is based on local trends and patterns from which inferences are made. This type analysis presumes that recent past trends will continue for the near future. Sale prices, number of competitive listings, marketing intervals, and / or price changes for other similar properties infer there is adequate demand for the subject at a price level congruous with the available data. An inferred analysis emphasizes historical data while a fundamental analysis is based on expected future occurrences.

There are two types of highest and best use - "as though now vacant" and "as though now improved". The former presumes the land is vacant and available for development. The latter considers whether the building should be retained As Vacant, renovated, remodeled, repaired, enlarged, demolished, or converted to an alternate use.

Highest and Best Use

Buyer Types

The most likely buyer type is crucial to highest and best use. Different buyer types have different motivations and different perceptions of risk. The buyer type must be identified to better understand applicable approaches and the selection of cap rates and yield rates. Different buyer types are defined below.

Owner-User	Acquires real estate mostly for its use; vacancy & investment yield are not primary criteria. Property suitability is the major objective.
Passive Investor	Seeks an established income stream; usually does not change the property in any meaningful way; generally prefers long-term ownership
Developer	Acquires real estate to physically or legally change it in some significant fashion; accepts substantial risk so expects major reward; short-to-medium holding period
Speculative Investor	Buys real estate solely as an investment with most of the reward at termination; property use is not a primary consideration; medium-to-long-term holding period; usually buys during weak market conditions, so accepts huge risk. Mantra: Buy low, sell high.
Pure Speculator	Buys real estate solely as an investment with most of the reward at termination; property use is usually not a major consideration; buys during conditions of rapidly appreciating prices; short-to-medium ownership period.

Ideal Improvement

Identification of the "**ideal improvement**" is an essential element of highest and best use. If the property appraised is vacant land, the ideal describes what should be built. If the existing improvements (one or more buildings and site improvements) have the same or similar attributes as the ideal, then the existing improvements have no or minimal depreciation. Obviously, the opposite also applies. The described ideal improvement is as specific as market data will allow. This improvement is a new industrial building.

This appraisal's highest and best use was based, in part, on an inferred demand analysis. Following below are summary considerations used to form two highest and best use determinations for the property appraised.

- Zoning permits general industrial uses or related accessory uses. Nearby lands to the west are compatibly zoned. Nearby lands to the east are zoned for Government/Airport District uses. There are no known deed restrictions, leases, or other legal issues, which preclude or delay the highest and best use. There is no substantial potential for rezoning to a significantly different use.
- Physical attributes of the property appraised are well suited to serve the use identified below. Usage of the property in this fashion produces a positive reward with acceptable risk.

Highest and Best Use

Timing of Use

A crucial component of a highest and best use is timing. If the timing of a use is not now, when is it? When timing for a specific use cannot be identified, then that use is not the best. If the highest use is not within a decade, then the time-value of money usually precludes that use. When the timing of a use is within a few years, what is the interim use? Remaining dormant is a legitimate interim use.

Most Likely User

The most likely user is another key issue. Users of an age-restricted multiunit residential structure have needs and preferences that are much different from young married couples with small children. These preferences and needs affect value, so the most likely user should be identified to judge the extent that existing or proposed improvements fulfill those needs.

Highest & Best As Though Now Vacant Land

Physical Use	An industrial use
Timing of Physical Use	Immediately develop with the physical use
Interim Use	No Interim Use
Market Participants	
Most Likely Buyer	An owner-user
Most Likely User	The buyer

Highest & Best As Though Now Improved

Physical Use	Its current use
Timing of Physical Use	Immediate
Interim Use	No Interim Use
Market Participants	
Most Likely Buyer	An owner-user
Most Likely User	An owner-user

There is little doubt that the subject land “as though now vacant” has a market value that is less than the worth of the land and building together. This proves the improvements positively contribute to value. These improvements were designed to serve its current use; they are compatible with nearby uses. Therefore, the improvements should be retained and used "as is".

In light of the foregoing highest and best use determinations, comparables were selected with the same or similar highest and best use. This data is very influential while forming a value opinion for the property appraised.

Land Value – Fee Simple Estate “As Vacant”

Land Value

The best method of valuing vacant land is the sales comparison approach. Sales of similar sites are gathered and compared to the parcel being appraised. Differences affecting value are noted. Adjustments to compensate for dissimilarities are applied applicable transactions. Adjusted comparables produce an indication of value for the subject parcel.

Any factor can affect value. Those considered during this appraisal’s land valuation process included yet are not limited to prominence of location, date of sale, size, shape, availability of utilities, zoning, topography, and access. Numerous sales were reviewed; however, only those deemed most comparable were selected for detailed analysis. All conveyed on an “arm’s length” basis except if specifically noted otherwise. Land sales shown herein are presented on a dollar per square foot as a common denominator.

To estimate the value of the land “as is,” we analyzed current listings and recent sales of larger parcels of commercially zoned land. Information pertaining to each of the comparable sales is included on the following pages.

Information relating to land that is available for sale is included on the following page.

Ames Community Development Park

4th Addition

Lot #	Address	Frontage	Depth	SQ FT	Price
1	1115 S. Bell Ave.	227	246	56,125	SOLD
2	1015 S. Bell Ave.	228	244	55,779	\$99,097
3	915 S. Bell Ave.	228	242	55,337	\$98,313
4	815 S. Bell Ave.	210	240	50,577	\$89,856
5	715 S. Bell Ave.	210	238	50,203	SOLD
6	615 S. Bell Ave.	211	238	49,996	SOLD
7	2809 Wakefield Cir.	295	198	58,932	SOLD
8	2810 Wakefield Cir.	295	200	59,000	SOLD
9	2811 Hyatt Cir.	295	200	59,000	SOLD
10	2812 Hyatt Cir.	297	200	59,465	SOLD
11	2826 Hyatt Cir.	297	711	230,805	\$410,057
12	2827 Hyatt Cir.	295	728	231,884	\$411,975
13	2824 Wakefield Cir.	295	728	206,122	\$366,898
14	2825 Wakefield Cir.	295	723	229,768	SOLD

Prices are effective July 1, 2016 and are subject to change.

LISTED BY:
Hunziker & Associates, REALTORS
 (515) 233-4450
 info@Hunziker.com
 105 S. 16th St., Ames, IA 50010

HUNZIKER
& ASSOCIATES
 REALTORS®
www.HunzikerCommercial.com

Each listed sale above is part of the Ames Community Development park located on the west side of Interstate 35 between the 13th Street exit and the Highway 30 exit. All lots are zoned Commercial-Industrial. Each listing has an asking price of \$1.78 per square foot. The sites have excellent access to Interstate 35 and several of the sites have good visibility from Interstate 35. Therefore, all listings above are considered to be superior to the subject in terms of location and would be adjusted downward.

We searched the market for recent sales of industrial land. However, our search produced limited results. Therefore, we also called the City of Ames Assessor, Mr. Greg Lynch. Mr. Lynch did not have any information pertaining to industrial land sales other than those we had already discovered.

We are aware of an industrial development that is currently in progress south of the subject on the west side of South Riverside Drive. At the current time, South Riverside Drive is paved from Airport Road to the subject's entrance. However, paving stops at the subject's entrance and South Riverside Drive is gravel as you continue to head south.

The land to the south of the subject that is under development is owned by Deere & Company, but had originally been owned by Iowa State University Research Park. We inquired with Mr. Lynch regarding his knowledge of this development and whether or not it involved a recent purchase of the land. Mr. Lynch did not have details on Deere & Company's acquisition of the land and stated that he historically has had no success in obtaining information from them. Therefore, Mr. Lynch suggested that we contact Mr. Nathan Easter with Iowa State University Research Park. However, after several attempts, we were unable to reach Mr. Easter and did not receive responses to the message we left for him.

Information pertaining to each selected comparable sale is included on the following pages.

Land Sale No. 1



Property Identification

Property Type Vacant Land
Address 2809 & 2825 Wakefield Circle, AMES, Story County, Iowa
Tax ID 10-07-325-010, 10-07-325-020

Sale Data

Grantor Woodruff Construction LLC
Grantee Badger Investments LC
Sale Date December 6, 2017
Deed Book/Page 2017-12305
Sale Price \$680,721
Cash Equivalent \$680,721

Land Data

Zoning GI, General Industrial District
Utilities All Public
Shape Generally Rectangular

Land Size Information

Gross Land Size 6.6277 Acres or 288,703 SF

Indicators

Sale Price/Gross Acre \$102,708
Sale Price/Gross SF \$2.36

Remarks

This site sits on the west side of Interstate 35 with good visibility from and access to the interstate. The site was developed into a 25,272 square foot office/warehouse facility that was built in 2018.

Improved Sale No. 2



Property Identification

Property Type Vacant Land
Address 2810 Wakefield Circle, AMES, Story County, Iowa
TAX ID 10-07-325-045

Sale Data

Grantor REG Ames LLC
Grantee Story Construction Co
Sale Date October 19, 2016
Deed Book/Page 2016-10549

Sale Price \$139,500
Cash Equivalent \$139,500

Land Data

Zoning GI, General Industrial District
Utilities All Public
Shape Generally Rectangular

Land Size Information

Gross Land Size 1.89 Ares or 82,328 SF

Indicators

Sale Price/Gross Acre \$73,810
Sale Price/Gross SF \$1.69

Remarks

Site is located on the west side of Interstate 35 with good access to the interstate. The site was developed in 2017 with a 12,840 square foot general office building.

Land Sale No. 3



Property Identification

Property Type Vacant Land
Address 1216 S Bell Avenue, AMES, Story County, Iowa
Tax ID 10-07-375-040

Sale Data

Grantor Dayton Park LLC
Grantee Ames Community School District
Sale Date October 13, 2015
Deed Book/Page 2015-10151
Sale Price \$509,000
Cash Equivalent \$509,000

Land Data

Zoning GI, General Industrial District
Utilities All Public
Shape Slightly Irregular

Land Size Information

Gross Land Size 7.80 Acres or 339,768 SF

Indicators

Sale Price/Gross Acre \$65,256
Sale Price/Gross SF \$1.50

Remarks

This site sits on the west side of Interstate 35 with good visibility from and access to the interstate. The site was developed into a 41,551 square foot a metal office/warehouse building in 2016.

Improved Sale No. 4



Property Identification

Property Type Vacant Land
Address 417 S Bell Avenue, AMES, Story County, Iowa
TAX ID 10-07-160-020

Sale Data

Grantor Dillman Properties Inc.
Grantee Beth & Kelly Investments LLC
Sale Date May 26, 2016
Deed Book/Page 2016-05062

Sale Price \$124,271
Cash Equivalent \$124,271

Land Data

Zoning GI, General Industrial District
Utilities All Public
Shape Generally Rectangular

Land Size Information

Gross Land Size 1.8343 Ares or 79,902 SF

Indicators

Sale Price/Gross Acre \$69,384
Sale Price/Gross SF \$1.56

Remarks

Site is located on the west side of S Bell Avenue. The site benefits from good access to Interstate 35.

Land Value

Quantitative Adjustment Grid

Sale	Subject	1		2		3		4	
Address	3100 S Riverside Drive	2809 & 2825 Wakefield Circle		2810 Wakefield Circle		1216 S Bell Avenue		417 S Bell Ave	
City	Ames	Ames		Ames		Ames		Ames	
Sale Price (SP)	N/A	\$680,721		\$139,500		\$509,000		\$124,271	
Area (Sq Ft)	555,403	288,703		82,328		339,768		79,902	
SP/\$SF	N/A	\$2.36		\$1.69		\$1.50		\$1.56	
Grantor	N/A	Woodruff Construction LLC		REG Ames LLC		Dayton Park LLC		Dillman Properties Inc.	
Grantee	N/A	Badger Investments LC		Story Construction Co		Ames Community School District		Beth & Kelly Investments LLC	
		Attribute	Adj	Attribute	Adj	Attribute	Adj	Attribute	Adj
Property Rights Conveyed	Fee Simple	Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Cash Equivalency	Typical	Typical		Typical		Typical		Typical	
Conditions of Sale	Typical	Typical		Atypical	1.25	Atypical	1.25	Atypical	1.25
Market Conditions	3/14/2019	10/6/2017	1.03	10/19/2016	1.05	10/13/2015	1.07	5/26/2016	1.06
Adjusted Sale Price	N/A	\$701,143		\$183,094		\$680,788		\$164,659	
Adjusted Price / Sq. Ft.	N/A	\$2.43		\$2.22		\$2.00		\$2.06	
Other Considerations									
Location	Average	Superior	0.90	Superior	0.90	Superior	0.90	Superior	0.90
Size	555,403	288,703	0.90	82,328	0.80	339,768	0.90	79,902	0.80
Shape	Irregular	Generally Rectangular		Generally Rectangular		Generally Rectangular		Rectangular	
Utilities	All Public	Similar		Similar		Similar		Similar	
Topography	Mostly level	Similar		Similar		Similar		Similar	
Zoning	PI	GI		GI		GI		GI	
Total Adjustment (Rounded)			0.81		0.72		0.81		0.72
Ind. Value Subject Per Sq Ft			\$1.97		\$1.60		\$1.62		\$1.48

Analysis & Conclusions

The subject and all cited comparable sales share several characteristics. They are all located in Ames and have similar zoning. These commonalities justify inclusion of these transactions in this analysis. Often there are differences between the property appraised ("the subject") and a comparable sale. When the dissimilarity affects value, an adjustment to the sale price of the comparable is necessary.

Property Rights Agreements or laws create partial interests in real estate. A deed restriction or life estate usually reduces rights and value. If the subject is not affected by these limitations and a comparable is, then the comparable's sale price needs an upward property rights adjustment. In another situation, unfavorable leases eliminate a landlord's right to collect market rent, so the real estate sells for a below-market price. If the property appraised has no lease adversities and a comparable does have unfavorable leases, then the comparable requires upward adjustment. Unless stated otherwise, property rights are virtually the same for the subject and all cited conveyances. Hence, no adjustments are necessary for this element of comparison.

Financing Sub-market financing is a common technique used to finance the acquisition of real estate during periods of high interest rates. When non-market financing is used, the financing may be favorable to the buyer so the sale price is inflated. The escalated price can be envisioned as a composite of the worth of real estate plus the value of advantageous financing. Since value created by financing is not real property, the contribution of the advantageous financing must be deducted from total sale price to derive market value for just the realty. On the opposite hand, there are instances where the buyer assumes unfavorable financing, so the sale price is diminished. In the latter case, an upward adjustment must be applied to the sale price of the comparable thusly deriving the market value of the real estate. Unless a statement is made to the contrary, non-market financing was not used to acquire any comparable sale cited in this report. Therefore, no compensations are needed for financing.

Conditions of Sale An adjustment for conditions of sale is necessary when a criterion of market value is violated. It could compensate for unusual buyer or seller motivations. For instance, when a seller gives a buyer an atypical rebate, discount, credit, or something of value to induce a conveyance, the sale price is usually inflated. In this case, it is logical to deduct the worth of the giveback from the sale price. Residual sums represent the property's market value. In another scenario, a buyer may pay a premium to facilitate an assemblage. In this instance, the premium must be deducted from the sale price to derive market value for that conveyance. Unless stated otherwise, no adjustments are necessary for conditions of sale. Sales 2, 3, and 4 were adjusted upward for their conditions of sale. According to the appraiser's discussions with Mr. Greg Lynch of the City of Ames Assessor's office, at the time these Sales occurred the City of Ames had a TIF in place for this land in an effort to spur development versus risk the land being purchased by an investor and left dormant. The City's conditions included a restriction on the sale price of the land to make development more feasible. Therefore, these Sales were adjusted upward to account for this. Sale 1 was not adjusted for this reason since the TIF was no longer in place when Sale 1 occurred.

Expenditure Post Sale This is a situation when a buyer is compelled to invest additional money into a property immediately after acquisition for some atypical reason. Post-sale invested sums are appropriately added to a comparable's sale price thereby producing an adjusted sale price. Examples are demolition costs or building-code compliance costs. Unless a contrary statement is made, no adjustments are necessary for post-sale expenditures.

Market Conditions Adjustments for market conditions are commonly referred to as time adjustments, but this is misleading. Value does not change due to the passage of time; sometimes it remains stable. Often real estate values fluctuate due to changes in supply and demand, interest rates, employment, or inflation. This type adjustment compensates for change in market conditions between a sale's transaction date and a later point in time. All cited comparables conveyed between October 2015 and this report's effective value date. Values rose modestly between these two dates; therefore, upward adjustments were applied to all Sales.

Location Each property was rated to the subject for locational aspects such as value growth potential, access, and general desirability. Those transactions with superior locations were adjusted downward and vice versa. The subject is located south of Highway 30 and west of the Ames Municipal Airport near the Iowa State University Research Park. However, the subject does not have visibility from the highway. The subject is on a paved portion of the South Riverside Road, but South Riverside Drive is gravel heading south from the subject. All Sales are superior to the subject in that they have good access to and/or visibility from Interstate 35. Therefore, all Sales were adjusted downward.

Physical Attributes A myriad of physical characteristics can affect land value. Some examples are lot size, shape, site orientation, availability of utilities, and soil conditions. Those sales with superior physical qualities warrant downward adjustment and vice versa.

Property size is typically an influential variable. Often an inverse relationship exists between price and size. That is, the larger the parcel, the lower the price per acre selling price. All Sales were adjusted downward for their smaller size.

Value Indication

This adjusted data varies from \$1.48 to \$1.97 per square foot. After consideration of all factors pertaining to and influencing land values, the following is selected as the most fitting value indication for the subject parcel as though vacant. Accordingly,

Subject Parcel(s)	555,400	SF @	\$1.60	Per SF =	\$888,640
<i>Indicated Market Value – Fee Simple Estate</i>					
<i>“As Vacant”</i>					\$889,000
<i>Via Sales Comparison, Say</i>					

Exposure & Marketing Time

Terminology abounds in the real estate appraisal profession. Two related but different concepts that are often confused are Exposure Time and Marketing Time. USPAP specifically addresses the confusion.

Term	Definition	Explanation
Exposure Time (Statement 6)	<i>"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".</i>	Backward looking, ends on the effective value date. Based on factual, past events
Marketing Time (Advisory Opinion 7)	<i>"An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value during the period immediately after the effective date of the appraisal".</i>	Forward looking, starts on the effective value date. A forecast based on expectancies of future occurrences.

Marketing time and exposure time are both influenced by price. That is, a prudent buyer could be enticed to acquire the property in less time if the price were less. Hence, the time span cited below coincides with the value opinion(s) formed herein.

USPAP Standard rule 1-2(c)(iv) requires an opinion of exposure time, not marketing time, when the purpose of the appraisal is to estimate market value. In the recent past, the volume of competitive properties offered for sale, sale prices, and vacancy rates have fluctuated little. Sale concessions have not been prevalent. In light thereof, an estimated exposure time for the subject is 6 to 10 months assuming competitive pricing and prudent marketing efforts.

A marketing time estimate is a forecast of a future occurrence. History should be considered as a guide, but anticipation of future events & market circumstances should be the prime determinant. Overall market conditions are expected to remain essentially stable, so a marketing interval between 6 and 10 months is predicted for the subject.

Certification

The appraisers signing this report make the following certifications to the best of their knowledge and belief.

- The statements of fact contained in this report are true and correct.
- Reported analyses, opinions, and conclusions are limited only by the assumptions and limiting conditions contained within this report, and are the appraisers' personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The appraisers have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- The appraisers have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
- This engagement is not contingent upon developing or reporting predetermined results.
- Compensation paid to the appraisers 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 the appraisal.
- Reported analyses, opinions, and conclusions were developed, and this report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP)
- A statement regarding observation of the subject property by each appraiser is listed below. None of the appraisers is a professional property inspector. Furthermore, none of the appraisers has formal training in the use of tools or instruments as part of a professional property inspection. Observation by one or more of the appraisers was limited to just those physical features and attributes that are not hidden or obscure in any fashion by any object or weather condition. None of the appraisers used any tools or instruments, beyond those typically used by appraisers, to probe, study, investigate, detect, or discover any physical feature or attribute that was not clearly visible on the date the property was observed.

Appraisers	Observations
Gene F. Nelsen, MAI, CCIM	Exterior
Jennifer K. O'Tool	Exterior

- No one provided significant real property appraisal assistance to the appraiser(s) signing this certification.
- The appraisers have performed services, as an appraiser or in another capacity, regarding the property that is the subject of this report during the three-year period immediately preceding acceptance of this assignment. An appraisal of the subject's Land/Leased Fee Estate was completed on November 30, 2018.

Certification

- Use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Gene Nelsen has completed the continuing education program of the Appraisal Institute.
- As of the date of this report, Jennifer O'Tool has completed the Standards & Ethics education program of the Appraisal Institute for Associate Members.

Thank you for your business. Let us know how we may further serve you.



Gene F. Nelsen, MAI, CCIM
Certified General Real Property Appraiser
Iowa License CG01034
License Expiration Date: 6/30/2019



Jennifer K. O'Tool
Associate General Real Property Appraiser
Iowa License AG03473
License Expiration Date: 6/30/2019

Engagement Letter



10580 Justin Drive
Urbandale, IA 50322

Nelsen Appraisal Associates, Inc.

(Bus) 515-276-0021
(Fax) 515-276-9303

January 11, 2019

Damion Pregitzer, P.E. PTOE
Traffic Engineer
City of Ames
City Hall
515 Clark Avenue
Ames, IA 50010

Re: 3100 South Riverside
Ames, Iowa

Dear Mr. Pregitzer:

We propose to prepare an appraisal report for the above-described properties in Ames, Iowa. The appraisal will be used as a basis for the rent determination by the current owner, the City of Ames.

It is our understanding that the bid is to provide an appraisal report of the Fee Simple Interest in the land as of the current date in a typical narrative format. The full cost of the appraisal report will not exceed \$1,800, including all meetings prior to delivery of the final report.

Delivery of the report shall be no later than three (3) weeks from written notice to proceed.

Thank you for the opportunity to provide this service to you. If you have any further questions or wish to modify this agreement please contact me at your convenience. Otherwise, please indicate your approval by signing the enclosed agreement.

A handwritten signature in black ink, appearing to read 'Gene F. Nelsen'.

Gene F. Nelsen, MAI, CCIM
President
Certified General Real Property Appraiser
Iowa License CG01034
License Expiration Date: 6/30/2019

Authorization to Proceed

I, Damion Pregitzer, authorize Nelsen Appraisal Associates, Inc. to perform the appraisal assignment as described in this letter proposal. I understand that payment is expected at the time work completed on this property. Any changes to the scope of this assignment by me may result in charges greater than the terms herein described.



Damion Pregitzer, P.E. PTOE
Traffic Engineer
City of Ames

Qualifications

Gene F. Nelsen, MAI CCIM

President

Nelsen Appraisal Associates, Inc.

10580 Justin Drive

Urbandale, IA 50322

515-276-0021 Phone

515-276-9303 Fax

gene@nelsonappraisal.com



Since 1985 Gene has analyzed nearly all real estate types. He is a member of the Appraisal Institute and CCIM Institute and is qualified and experienced in commercial, industrial and residential real estate appraising. His experience includes valuation and consulting for these property types and purposes.

- Office, Industrial, Retail, and Multi-Family Properties.
- Senior Assisted/Independent Living and Nursing Facilities.
- Real estate consulting in valuation, rent analysis, land development and land use evaluation.
- Eminent Domain valuation.
- Appraisal review.
- Expert witness testimony.

Education

University of Northern Iowa

B.A., Science - Environmental Planning, Urban Planning Emphasis

Appraisal Institute

Designated MAI, 1991

MAI Continuing Education includes the successful completion of courses covering a wide range of appraisal skills and practices. Credit hours earned meet or exceed the Appraisal Institute's requirement of 100 credit hours during each five-year period.

CCIM Institute

Designated CCIM, 2003

Professional Affiliations

- MAI Designated Member of Appraisal Institute, 1991
- CCIM Designated Member of the CCIM Institute, 2003
- President, Appraisal Institute, Iowa Chapter, 1998
- Regional Representative Appraisal Institute, Iowa Chapter 1999-2001
- Public Relations Chair, Appraisal Institute, Iowa Chapter, 2001-present
- Chair, University of Northern Iowa Real Estate Education Program Advisory Council – 2004-2005. Currently serving on its Board of Directors.
- President, CCIM Institute, Iowa Chapter 2010-2011. Board Member since 2004
- Iowa Commercial Real Estate Expo, Committee Member since 1996 - Co-Chair 2010
- Iowa Commercial Real Estate Association, Board Member
- Iowa Real Estate Appraiser Examining Board – Board Member 2011-2014 – Chair 2014 - Present

State Certification

State of Iowa, Certified General Real Property Appraiser

State of Nebraska, Certified General Real Property Appraiser

Jennifer K. O'Tool
Associate General Real Property Appraiser
Nelsen Appraisal Associates, Inc.
10580 Justin Drive
Urbandale, IA 50322
515-276-0021 Phone
515-276-9303 Fax
jotool@nelsenappraisal.com



Jennifer began her studies to become a Certified General Real Estate Appraiser in 2015 and brings a 20-year background in institutional commercial real estate mortgage lending and community banking. Her professional experience, combined with continuing education, enables her to offer high-quality services under the supervision of Gene Nelsen, MAI CCIM in

- Industrial and Retail property appraisals with experience in leasehold estates and leased fee estates.
- Office appraisals
- Multi-family Residential real estate appraisals.

Education

Simpson College – Bachelor of Arts – Economics and Finance
Appraisal course work, including:
 Appraisal Principals – 30 hours
 Appraisal Procedures – 30 hours
 National USPAP Course – 15 hours

Work Experience

Principal Real Estate Investors, Des Moines, IA

Prepared internal and reviewed external appraisals in conjunction with the procurement of over \$1 billion in mortgage loans in core property groups: industrial, retail, multi-family residential, and office

Professional Affiliations

Appraisal Institute – General Associate Member

State Certification

Associate Real Estate Appraiser status, working toward General certification.

Community Organizations

Junior Achievement of Central Iowa

State Licenses



IOWA DIVISION OF BANKING

**IOWA DEPARTMENT OF COMMERCE
DIVISION OF BANKING**

THIS IS TO CERTIFY THAT THE BELOW NAMED
HAS BEEN GRANTED A CERTIFICATE AS A
GENERAL REAL PROPERTY APPRAISER

CERTIFICATE NO. CG01034 EXPIRES: 6/30/2019

NELSEN, GENE F
NELSEN APPRAISAL ASSOCIATES, INC.
10580 JUSTIN DRIVE
URBANDALE, IA 50322



IOWA DIVISION OF BANKING

**IOWA DEPARTMENT OF COMMERCE
DIVISION OF BANKING**

**THE PERSON NAMED BELOW, HAVING MET THE REQUIREMENTS
AND BEING IN GOOD STANDING IN OTHER RESPECTS, IS ISSUED**

**A REGISTRATION AS AN ASSOCIATE
GEN. REAL PROPERTY APPRAISER
O TOOL, JENNIFER
CERTIFICATE NO. AG03473**

EXPIRES 6/30/2019

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Urbandale, Iowa 50322
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This report and all its contents is a culmination of intellectual and professional experiences, education, personal investigations, and know-how, which shall at all times remain the property of Nelsen Appraisal Associates, Inc., its sole owner.

End of Report