A LIMITED APPRAISAL OF

THE FAIR MARKET VALUE OF
THE FEE SIMPLE ESTATE IN A
2.5 GROSS ACRE VACANT LAND PARCEL
BEING ACQUIRED FOR THE DESERT GREENBELT PROJECT (REATA PASS WASH)

IDENTIFIED AS

ASSESSOR PARCEL NUMBER 217-14-026B

LOCATED

2,127± FEET SOUTH AND 330 FEET EAST OF
SOUTHEAST CORNER OF
BELL ROAD AND 96TH STREET (ALIGNMENT)
SCOTTSDALE, ARIZONA

OWNED BY

JOHN M. THORNBURN

PREPARED FOR

MR. MARK G. LANDSIEDEL
DESERT GREENBELT PROJECT MANAGER
CITY OF SCOTTSDALE
7447 E. INDIAN SCHOOL ROAD
SCOTTSDALE, ARIZONA 85252

DATE OF VALUATION

MARCH 5, 1996

PREPARED ON

NOVEMBER 14, 1997

PREPARED BY

GERALD N. ZADDACK, MAI, CRE
JOHNSON & ZADDACK, INC.
REAL ESTATE COUNSELORS AND APPRAISERS
2525 E. CAMELBACK ROAD, SUITE 770
PHOENIX, ARIZONA 85016

JOHNSON & ZADDACK, INC.
CAMELBACK ESPLANADE
2525 EAST CAMELBACK ROAD, SUITE 770
PHOENIX, ARIZONA 85016

PAUL G. JOHNSON, MAI, CRE*
GERALD N. ZADDACK, MAI, CRE*

(602) 381-6880
FAX (602) 381-6890
EMAIL mapfact@primenet.com

November 14, 1997

Mr. Mark G. Landsiedel
Desert Greenbelt Project Manager
CITY OF SCOTTSDALE
7447 E. Indian School Road
Scottsdale, Arizona 85252

Re: Limited Appraisal
DESERT GREENBELT PROJECT (Reata Pass Wash)
2.5± Acres (Fee Simple Estate)
Owner: Thornburn (Assessor Parcel Number: 217-14-026B)
Southeast of SEC Bell Road and 96th Street (Alignment)
Scottsdale, Arizona

Dear Mr. Landsiedel:

I have prepared the appraisal of the *limited* Fair Market Value of the Fee Simple Estate in the referenced 2.5± acre parcel as of March 5, 1996.

The value conclusion assumes a non-contingent, "as is", cash or cash equivalent transaction.

This is a *Self Contained Appraisal Report* of a *Limited Analysis* which is intended to comply with the reporting requirements set forth in the *Uniform Standards of Professional Appraisal Practice (USPAP)*. The value conclusion reported herein is *Limited* because I have not had the opportunity to interview the property owner or his agents as to marketing efforts or analyze any prior written offers to purchase the subject parcel; and, the value conclusion reported herein represents the unencumbered fee simple value, whereas on the date of value the subject property was encumbered by two Deed of Trusts totaling $129,000± (the balances on the date of value were unknown).

The attached report sets forth the identification of the property, pertinent area and site factors, and, the reasoning leading to my value conclusions. An *Executive Summary* immediately follows.

Thank you for this opportunity to have been of service. Should you have any questions, please call.

Sincerely,

Gerald N. Zaddack

Gerald N. Zaddack, MAI, CRE

GNZ/rdp
96-053\04trans.ltr

TABLE OF CONTENTS

EXHIBITS

ADDENDA

JOHNSON & ZADDACK, INC.
CAMELBACK ESPLANADE
2525 EAST CAMELBACK ROAD, SUITE 770
PHOENIX, ARIZONA 85016

PAUL G. JOHNSON, MAI, CRE*
GERALD N. ZADDACK, MAI, CRE*

(602) 381-6880
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EMAIL mapfact@primenet.com

November 24, 1997

Mr. Mark G. Landsiedel
Desert Greenbelt Project Manager
CITY OF SCOTTSDALE
7447 E. Indian School Road
Scottsdale, Arizona 85252

Re: ***DESERT GREENBELT PROJECT (Reata Pass Wash)***
Owner: Glover (Assessor Parcel Number: 217-14-008)
6.39± Acres (Fee Simple Estate)
Southeast Corner of Bell Road and 96th Street (Alignment)
Scottsdale, Arizona

Dear Mr. Landsiedel:

As you know on June 9, 1997 I transmitted a preliminary appraisal report of the referenced property. A copy of the Executive Summary from the report is attached. The value conclusions were *preliminary* and *limited* in part because final construction plans were not yet available, and, I had not had an opportunity to analyze the subject's sales history or to fully define the "before condition" site development constraints.

Since then, I have reviewed updated design drawings for the DESERT GREENBELT PROJECT and have discussed probable on- and off-site development costs for the subject property with a Civil Engineer, Mr. David George. A copy of Mr. George's report is also attached.

Briefly, Mr. George has concluded that before the DESERT GREENBELT PROJECT on-site development costs related to flood protection would have approximated $25,600. An additional $104,000 in off-site development costs would be incurred extending streets and utilities to the subject property. The only difference between my June 9, 1997 report and Mr. George's findings is that I estimated about two-thirds of the subject property as being within the active channel, where as Mr. George estimates it may be closer to one-half of the property is within the channel. Thus, Mr. George's estimates are consistent with the development assumptions in my June 9, 1997 appraisal. Accordingly, the $460,000 Fair Market Value conclusion reported on June 9, 1997 is still valid.

I have not, however, received any additional information regarding the subject's marketing or sales history and reserve the right to amend my value conclusion in the event this information is made available to me.

Sincerely,

Gerald N Zaddack

Gerald N. Zaddack, MAI, CRE

Enclosures: 1) Executive Summary
2) David George Letter

GNZ/rdp

96-052\trans.ltr

EXECUTIVE SUMMARY

Property Type:	Vacant Land
Assessor's Parcel Numbers:	217-14-008
Owner:	Robert K. Glover, Denise K. Glover, and J. Raeleen Dunn
Location:	Southeast corner of Bell Road and 96th Street (alignment), Scottsdale, Arizona
Purpose of Appraisal:	To estimate the *preliminary* Fair Market Value of the Fee Simple Estate in the 6.39± net acre subject parcel
Date of Value Estimate:	June 17, 1996
Improvements:	None
Larger Parcel:	The owners of the subject parcel do not apparently own any adjacent parcels, therefore, the larger parcel is also assumed to be 6.39± acres.
Parcel Size:	7.22± Gross Acres 6.39± Net Acres (net of Bell Road right-of-way)
Interest to be Appraised:	Fee Simple Estate
Zoning:	R1-35 (One single family dwelling unit per 35,000 square feet)
Present Use:	Vacant
Buyer Profile:	Speculator/Investor
Highest and Best Use:	Hold for long-term investment/appreciation
Appraisal Approach Used:	Direct Sales Comparison
Marketing Period:	One year or less
Valuation Conclusion:	$460,000

DAVID EVANS AND ASSOCIATES, INC.

2929 East Camelback Road
Suite 240
Phoenix, Arizona 85016
Tel: 602.956.9850
Fax: 602.956.9853

November 13, 1997

Gerald Zaddack
Johnson & Zaddack, MAL, CRE
2525 East Camelback Road
Suite 770
Phoenix, AZ 85016

RE: Reata Pass Wash
DEA Job NO GRHM0001

Dear Mr Zaddack,

I have completed my review of Parcel 8 (Glover) of Section 5, Township 3 North, Range 5 East. The parcel is completely located with in Zone AO as define in the FEMA FIRM 04013C1265 E, dated December 3, 1993. This FIRM panel specifies a flood depth of one foot and a velocity of four feet per second (FPS). This site also has an active channel traversing across it. The channel enters at the northeast corner and exits at a point about 150 feet west of the southeast corner of the site. The enclosed Exhibit A illustrates the Zone AO boundary and the active channel in relationship to the parcel.

For the construction of any structures on this parcel prior to completion of the Greenbelt project, the FEMA flood zone criteria will have to be met which includes constructing the building pad a minimum of one foot above the existing ground and providing erosion protection around the perimeter of the pad to protect it from flow velocities of up to four FPS. From the enclosed work sheet these costs are estimated at $25,600.

The $25,600 is based on the building pad being located in the westerly half of the site. If however the owner would want to place a building adjacent to the active channel, the development cost would be considerably more due to the higher velocity of the active channel. With potential velocities in the 10 to 15 FPS range, the cost per lineal foot of protection could be in the $30 to $50 range. About 400 feet of this protection would be required costing in the range of $12,000 to $20,000.

I have also completed an estimate of probable development cost for off-site improvements which would be required to develop Parcel 8. The $104,232.50 estimate assumes the site will be developed for commercial use and that electrical and telephone utilities will be brought to the parcel at the expense of the utility company. This estimate is based on the following criteria:

1) the Bell Road and 96th Street frontage for the parcel would be fully improvements to the center line of the roadways,

2) a 12 inch water line would be constructed from Bell Road south along the 96th Street alignment for the westerly frontage of the parcel, and
3) an 8 inch sewer line will be constructed from the existing 15 inch sewer line in the West World entry road, north along the 96th Street alignment to Bell Road.

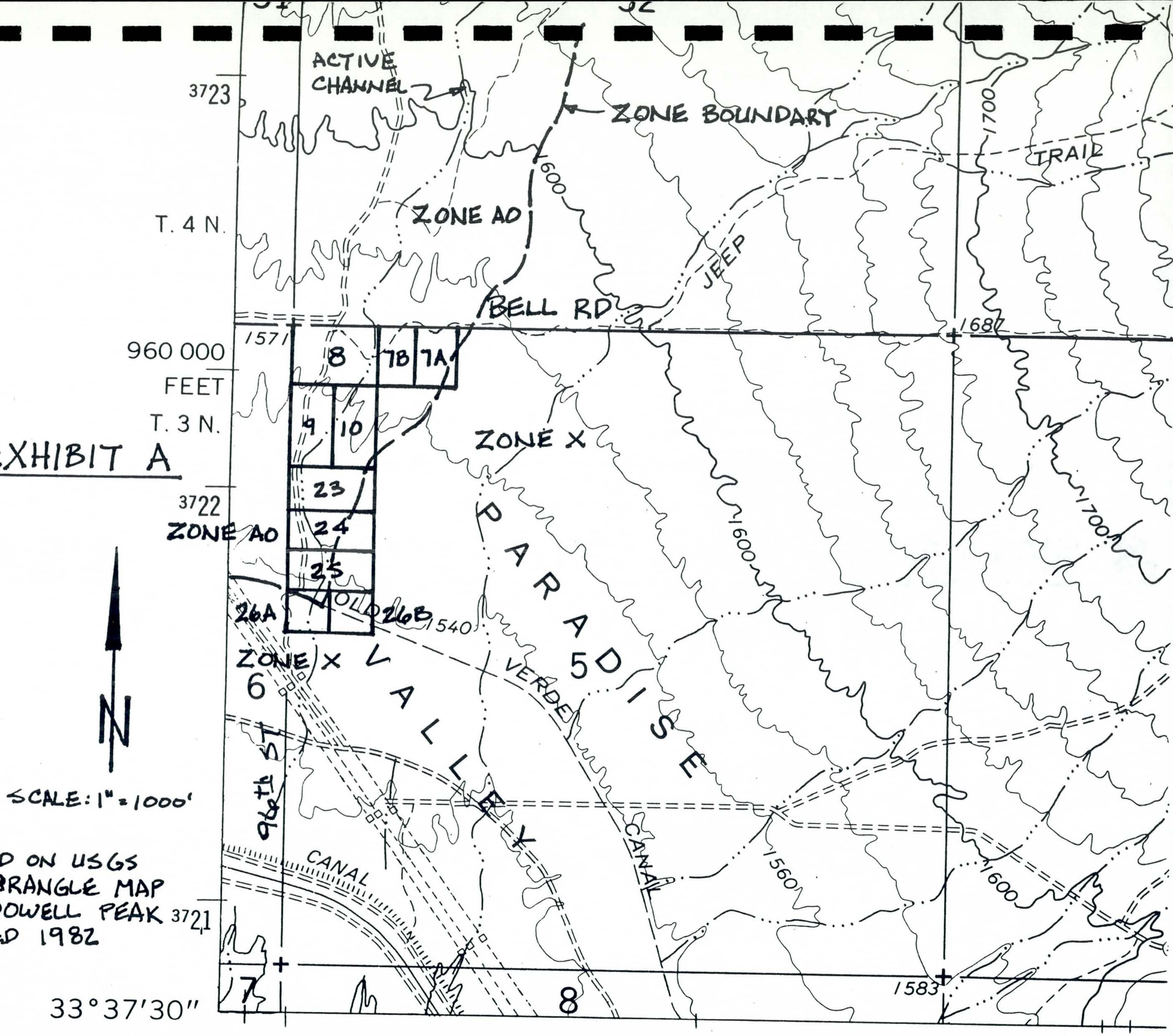
I have enclosed a copy of the work sheet for the building pad development prior to the completion of the Greenbelt project and my estimate for the off-site development cost. If you have any questions, please call me.

Sincerely,
David Evans and Associates, Inc

David W George

David W George, PE

EXHIBIT A



BASED ON USGS QUADRANGLE MAP M^c DOWELL PEAK DATED 1982

DAVID EVANS AND ASSOCIATES, INC.

ENGINEERS • PLANNERS • SURVEYORS

Project REATA PASS WASH Job No. GRHM0001 Date 11/12/97 Initials DWG
Description PARCEL 8

ESTIMATE OF BUILDING PAD AND EROSION PROTECTION COST FOR THE PRE-GREENBELT PROJECT CONDITION

ASSUMPTION: SITE WILL BE DEVELOPED FOR COMMERCIAL USE

PARCEL 8 DATA:

NET LOT AREA: 600' x 400' = 240,000 SF
DEVELOPABLE AREA (BLDG, PARKING & LANDSCAPE) = 240,000 x 0.90 = 216,000 SF
STORMWATER RETENTION BASIN: 12,000 SF SURFACE AREA
AREA AVAILABLE FOR BLDG & PARKING = 216,000 - 12,000 = 204,000 SF
PARKING AREA: 124,000 SF
BLDG AREA: 80,000 SF

PAD DEVELOPMENT COST:

PAD AREA: 80,000 SF
AVG DEPTH OF FILL: 1.5 FT
SHRINK FACTOR OF FILL: 20%
COST OF FILL IN PLACE: \$4.00 / CY

PAD COST = ((80,000 x 1.5)/27)/0.8) x 4.00 = \$22,200.00

EROSION PROTECTION COST:

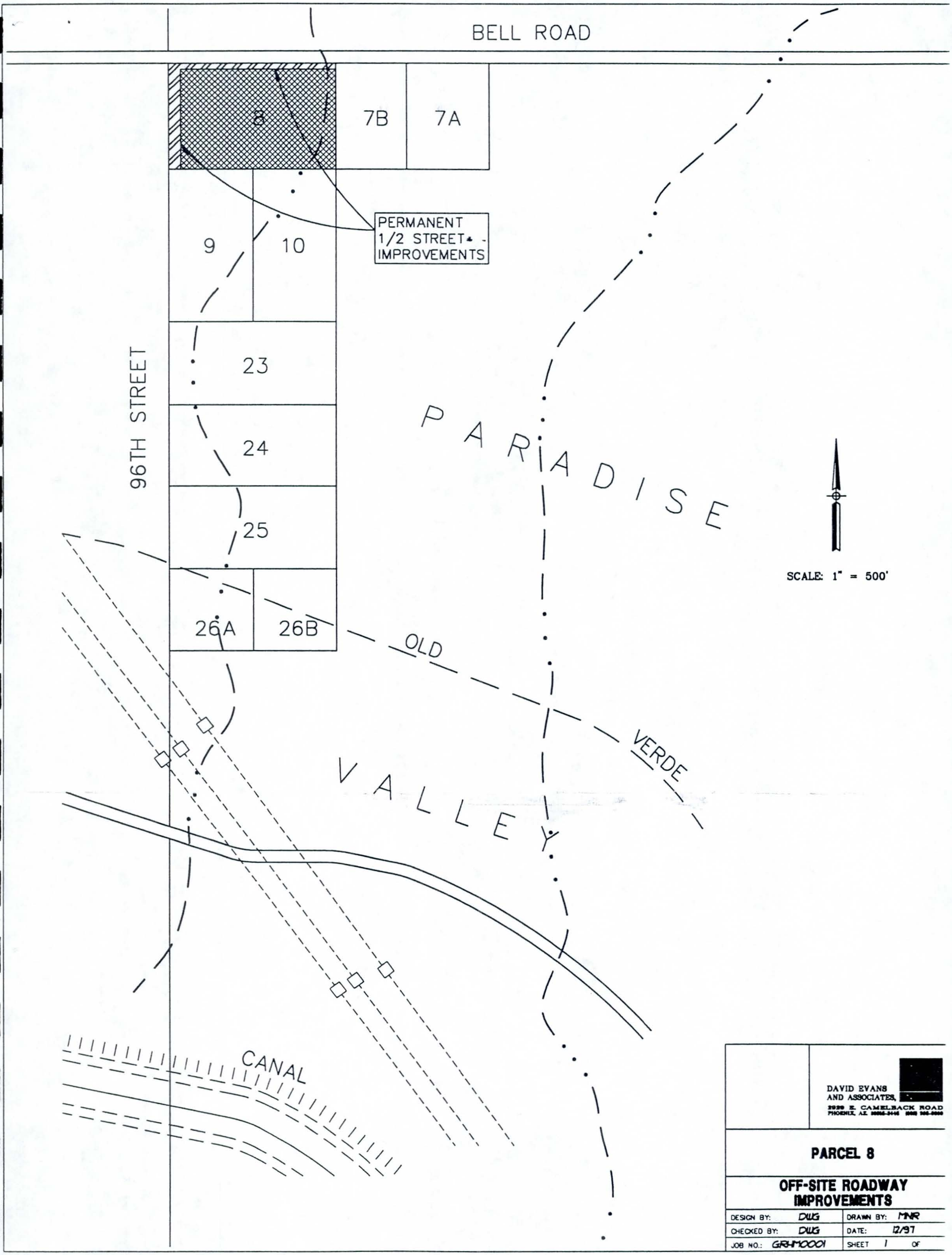
PAD PERIMETER: 1,130 LF
COST OF EROSION PROTECTION: \$3.00 / LF

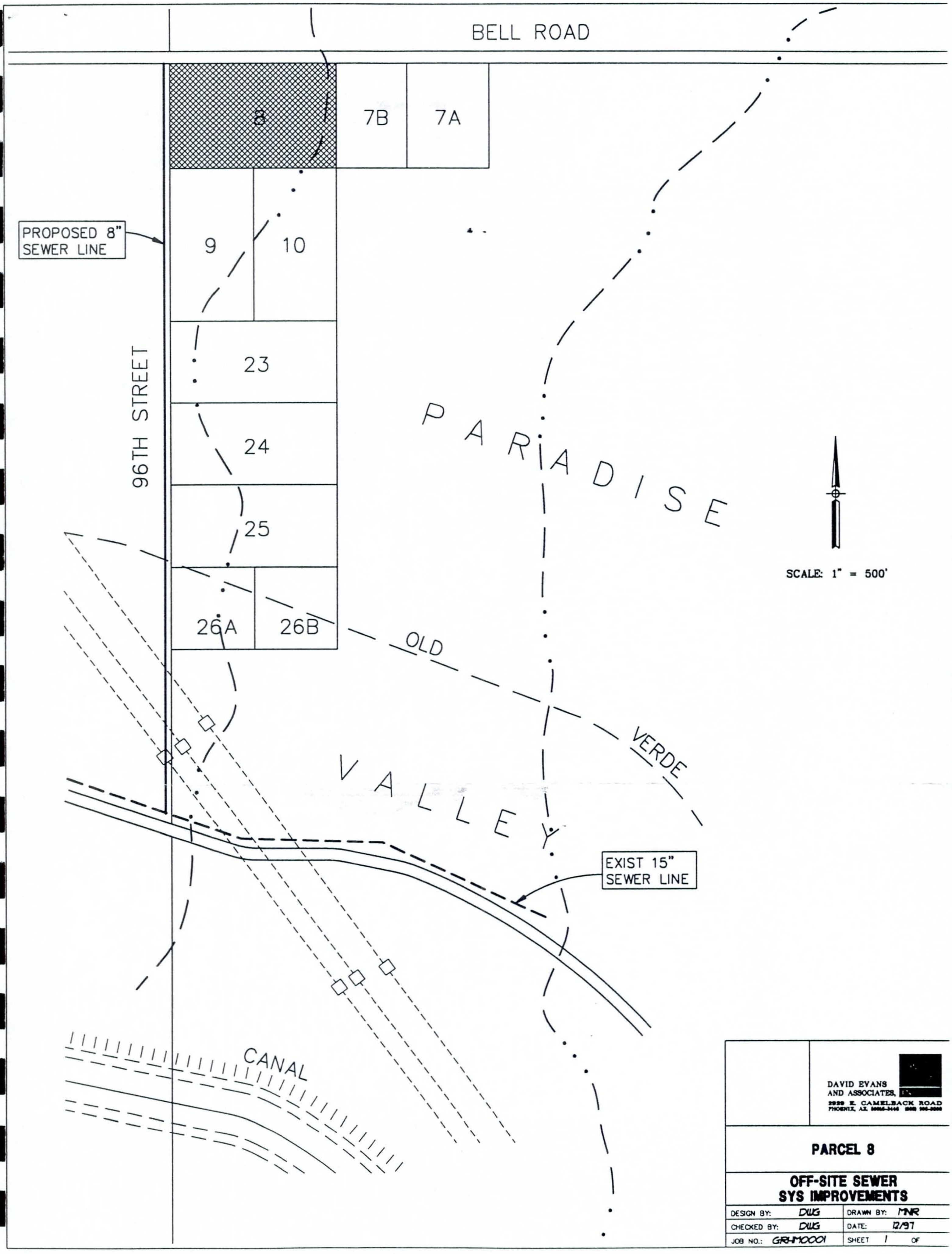
COST = 1130 x 3.00 = \$ 3,390.00

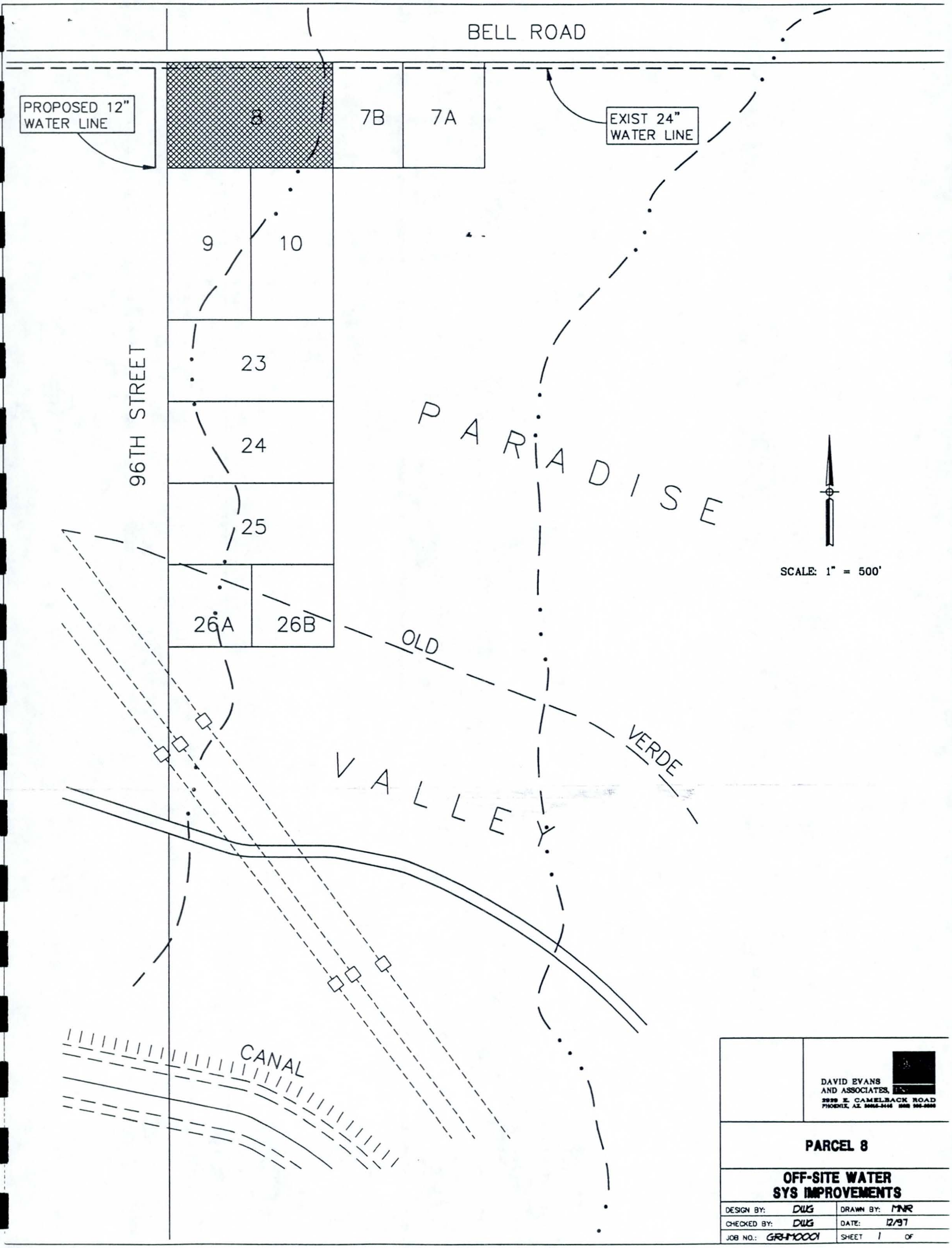
TOTAL COST = 22,200.00 + 3,390.00 = **\$25,590.00**

Lower Reata Pass Wash
Parcel 8
Estimated Development Cost
Off-site Improvements
November 7, 1997

Item No.	Item Description	Unit	Quantity	Unit Cost	Item Cost
1	Roadway Subgrade Preparation	SY	2,300	$1.50	$3,450.00
2	6" Concrete Vert Curb & Gutter	LF	850	$5.50	$4,675.00
3	Concrete Sidewalk	SF	4,250	$1.25	$5,312.50
4	Conc Apron and Valley Gutter	SF	280	$2.00	$560.00
5	Permanent AC Pavement Section	SY	1,900	$10.00	$19,000.00
6	Sanitary Sewer Manhole	EA	8	$1,100.00	$8,800.00
7	8" Dia Sewer Line, PVC	LF	3,000	$7.00	$21,000.00
8	12" Valve, Box & Cover	EA	1	$1,800.00	$1,800.00
9	Fire Hydrant Assembly Complete	EA	1	$1,350.00	$1,350.00
10	Corp Stop with Flushing Pipe	EA	1	$350.00	$350.00
11	12" Dia Water Line, PVC	LF	400	$15.00	$6,000.00
12	Landscaping within Right-of-way	SF	11,000	$0.80	$8,800.00
13	Pavement Marking	LF	850	$0.10	$85.00
14	Sign with Base	EA	1	$150.00	$150.00
15	Roadway Barricade	LF	20	$5.00	$100.00
16	Water Service	EA	1	$200.00	$200.00
17	Water Meter	EA	1	$500.00	$500.00
18	Sewer Service	EA	1	$100.00	$100.00
	Sub-total of Constructed Items				$82,232.50
19	City Review and Development Fees	LS	1	$10,000.00	$10,000.00
20	Construction Documents	LS	1	$8,000.00	$8,000.00
21	Construction Management	LS	1	$4,000.00	$4,000.00
	Total Cost				$104,232.50


BELL ROAD
96TH STREET
8
7B
7A
9
10
PERMANENT
1/2 STREET
IMPROVEMENTS
23
24
25
26A
26B
PARADISE
VALLEY
OLD VERDE
CANAL
SCALE: 1" = 500'
DAVID EVANS
AND ASSOCIATES,
E. CAMELBACK ROAD
PHOENIX, AZ
PARCEL 8
OFF-SITE ROADWAY
IMPROVEMENTS
DESIGN BY: DWG
DRAWN BY: MNR
CHECKED BY: DWG
DATE: 12/97
JOB NO.: GRHM0001
SHEET 1 OF


BELL ROAD
8
7B
7A
PROPOSED 8"
SEWER LINE
9
10
23
24
25
26A
26B
96TH STREET
PARADISE
VALLEY
OLD
VERDE
SCALE: 1" = 500'
EXIST 15"
SEWER LINE
CANAL
DAVID EVANS
AND ASSOCIATES,
CAMELBACK ROAD
PHOENIX, AZ
PARCEL 8
OFF-SITE SEWER
SYS IMPROVEMENTS
DESIGN BY: DWG
DRAWN BY: MNR
CHECKED BY: DWG
DATE: 12/97
JOB NO.: GRHM0001
SHEET 1 OF



DAVID EVANS AND ASSOCIATES,
E. CAMELBACK ROAD
PHOENIX, AZ

PARCEL 8

OFF-SITE WATER SYS IMPROVEMENTS

DESIGN BY:	DWG	DRAWN BY:	MNR
CHECKED BY:	DWG	DATE:	12/97
JOB NO.:	GRHM0001	SHEET	1 OF

GRAHAM & ASSOCIATES, LTD. ATTORNEYS

MICHAEL A. GRAHAM
CHARLES A. GROMBACHER
JANE NICOLETTI-JONES
STEVEN J. BROWN

3602 EAST CAMPBELL
PHOENIX, ARIZONA 85018
(602) 224-4100

TELEFAX
(602) 224-4111

December 3, 1997

Richard A. Dickie
Flood Control District
2801 W. Durango
Phoenix, AZ 85009

FLOOD CONTROL DISTRICT
RECEIVED
DEC 05 1997

CHENG	P & PM
DEF	REG
ADMIN	LMGT
FINANCE	FILE
C & M	
ENGR	

REMARKS

RE: Desert Greenbelt Project - Lower Reata Pass

THE FOLLOWING DOCUMENTS AND ITEMS ARE TRANSMITTED:

Copy	Original	Description
X	____	Glover - Appraisal Update (11/24/97) Thornburn - Appraisal (11/14/97) Brandeis - Appraisal 11/5/97)

THE ABOVE ITEMS ARE SUBMITTED:

- X For your records and information
- ___ At your request
- ___ For your review and approval
- ___ For your signature (MUST BE NOTARIZED yes____ no____)
- ___ Please return
- ___ Please call after review
- ___ Please call when signed and ready for pick up.

GRAHAM & ASSOCIATES, LTD.

By: Susan Luft
Susan Luft, CLA
Legal Assistant

JPP,
are we supposed to review + approve?
JT AR

EXECUTIVE SUMMARY

Project:	DESERT GREENBELT
Property Type:	Vacant Land
Assessor's Parcel Number:	217-14-026B
Owner:	John M. Thornburn
Location:	2,127± feet south and 330 feet east of Southeast corner of Bell Road and 96th Street (alignment), Scottsdale, Arizona
Purpose of Appraisal:	To estimate the Fair Market Value of the Fee Simple Estate in the 2.5± gross acre subject parcel.
Date of Value Estimate:	March 5, 1996
Improvements:	None
Larger Parcel:	The owners of the subject parcel do not own any adjacent parcels, therefore, the larger parcel is assumed to be 2.5± acres.
Parcel Size:	2.5± Gross Acres
Interest to be Appraised:	Fee Simple Estate
Zoning:	R1-35 (One single family dwelling unit per 35,000 square feet)
Present Use:	Vacant
Buyer Profile:	Speculator/Investor
Highest and Best Use:	Hold for long-term investment/appreciation
Appraisal Approach Used:	Direct Sales Comparison
Marketing Period:	One year or less
Valuation Conclusion:	$131,000 ($1.20/sf, cash)

INTRODUCTION

PROJECT IDENTIFICATION

The first step in preparing an appraisal for acquisition by a public agency is to identify the "project". In this assignment, the "project" is the DESERT GREENBELT (REATA PASS WASH) PROJECT, a 4.5± mile long channel that generally follows an alignment between 96th and 100th Streets from Pinnacle Peak Road on the north to the CAP canal on the south. At Bell Road, the channel will be an approximate line just east of the 96th street alignment. (See map on following page.)

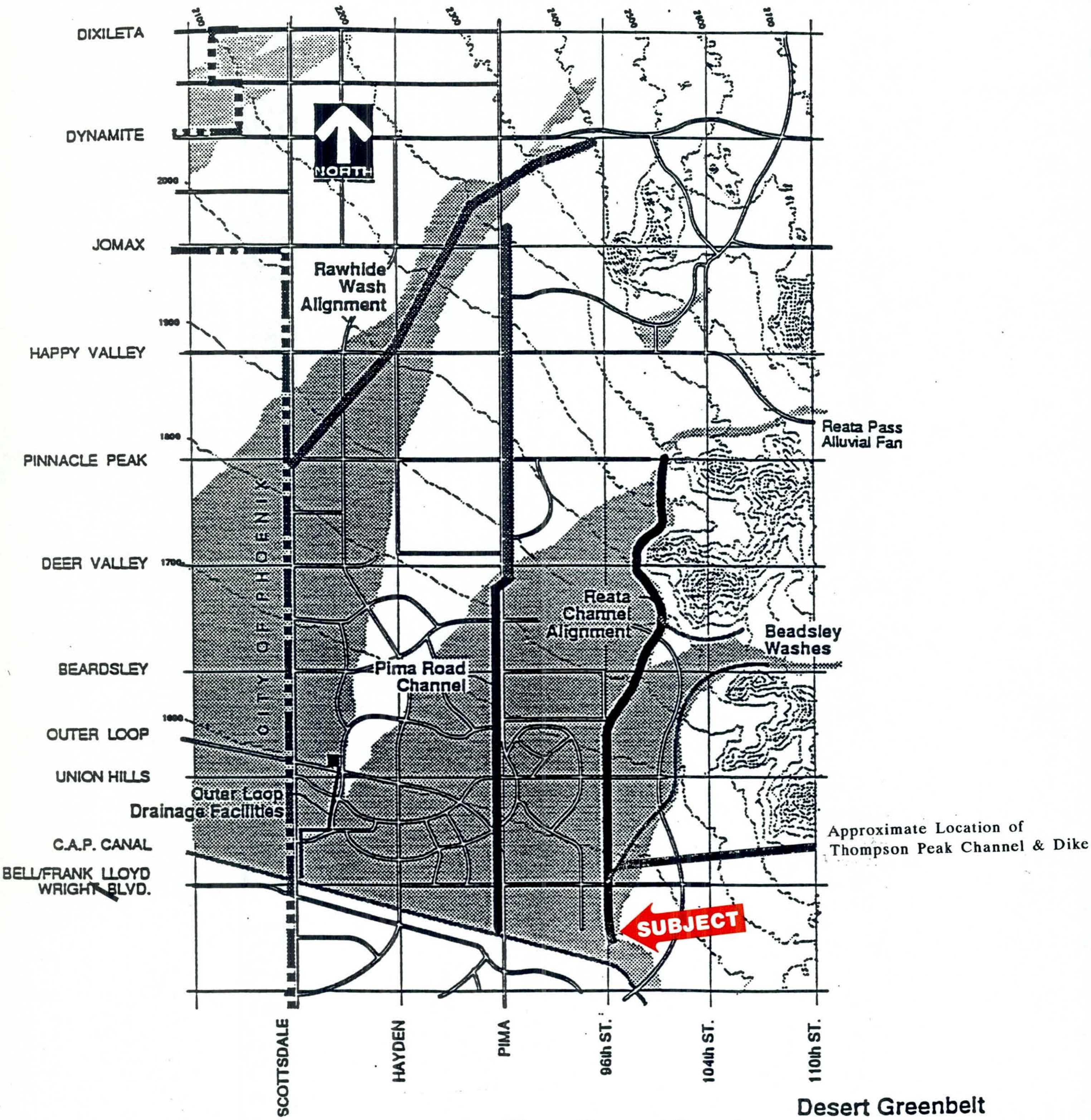
Final construction drawings have not been completed; however, preliminary design drawings indicate the width of the drainage easement just south of Bell Road will approximate 500 feet. South of Bell Road, east and west banks of the greenbelt will be protected by a soil cement levee that will be approximately ten feet high. The approximate slope of the levee will be 3:1. Upon completion, the peak water flow in the DESERT GREENBELT just south of Bell Road will approximate 15,265 cfs (cubic feet per second).

Additionally, I have been instructed by the City of Scottsdale to assume that the Thompson Peak Channel and dike is part of the DESERT GREENBELT PROJECT. This channel/dike begins at the base of the McDowell Mountains (.25± miles north of Bell Road) and extends several miles west to the confluence of the Reata and Beardsley Washes which is approximately the 96th Street alignment. The channel and dike were built in conjunction with Bell Road Improvement District No. 1, a construction project that also included construction of Bell Road from Pima Road east to McDowell Mountain Ranch.

This channel/dike effectively diverts run-off from the McDowell Mountains, north of McDowell Mountain Ranch and into the Beardsley Wash and eventually into the Reata Wash where it crosses beneath Bell Road, under a bridge at the 96th Street alignment. Based on my review of topography maps and aerial photographs, there appear to have been many active washes and arroyos crossing Bell Road prior to constructing the Thompson Peak Channel and dike.

As of the date of value, the Thompson Peak Channel and dike were completed; but construction of the DESERT GREENBELT had not begun. Based on my research, the project did not impact the marketability or sale price of the parcels used as sale comparables in this report.

DESERT GREENBELT PROJECT



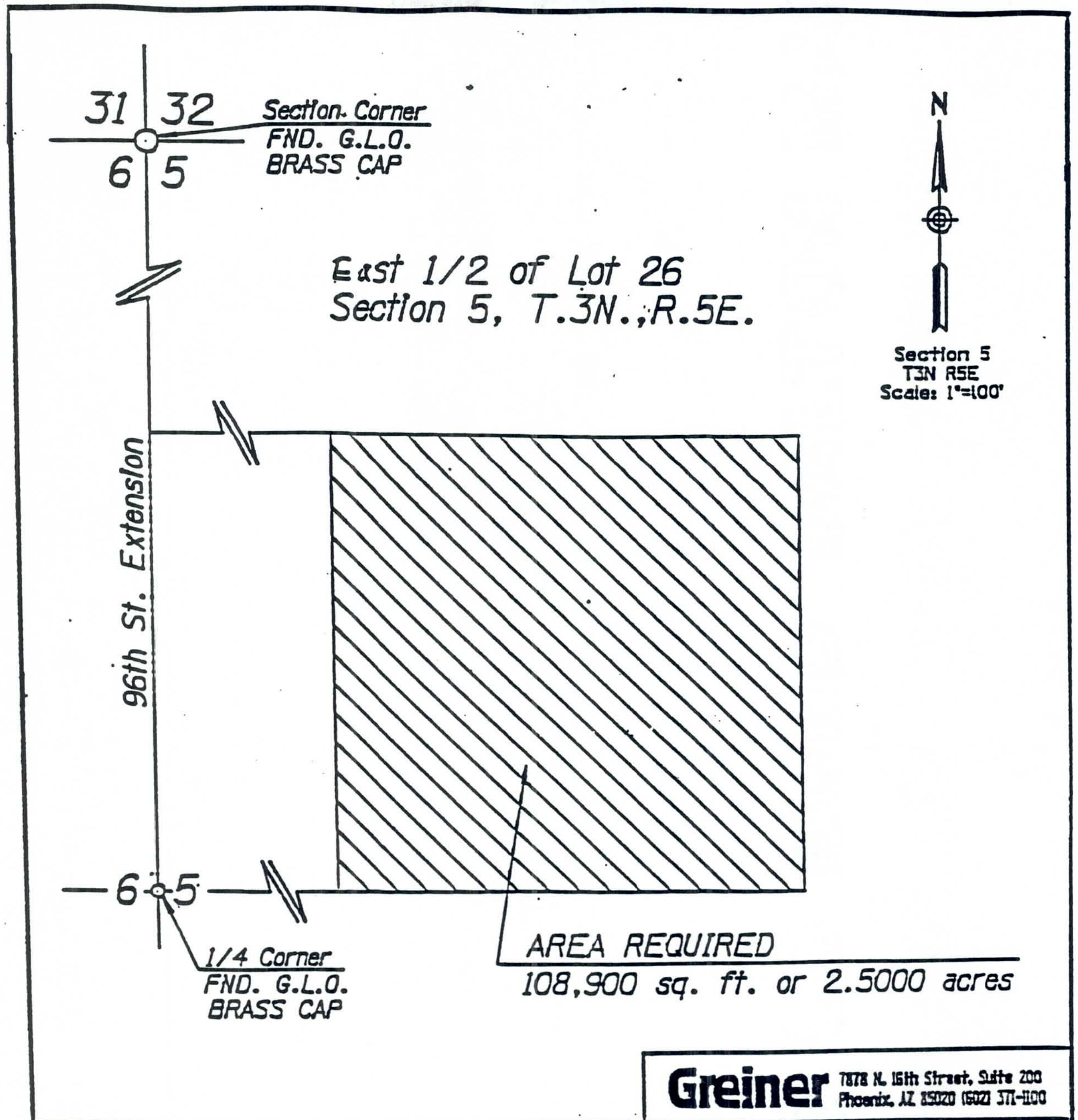
Desert Greenbelt
Phase One and Outer Loop Drainage Facilities

Note: The purpose of these figures is completely illustrative only. For more detailed information, consult the Upper Indian Bend Wash Regional Drainage & Flood Control Plan, July 1992.

Legend

Flood Zones
Phase One Project
Future Desert Greenbelt Project

PART ACQUIRED MAP



ACQUISITIONS

- REQUIRED ROW
- TEMP CONSTR ESMT
- DRAINAGE ESMT
- PUBLIC UTILITY ESMT
- TOTAL ACQUISITION

PROJECT: Desert Greenbelt
Reata Pass Wash
PROJECT NO: F2711
TAX PARCEL NO: 217-14-026B
OWNER: John M. Thornburn

14-26B.toa	Feb 96	Sht 2 of 2

PROJECT ENHANCEMENT/DEPRESSION

Any increase or decrease in the market value of the property prior to the date of valuation caused by DESERT GREENBELT (for which the property is being acquired) or by the likelihood that the property would be acquired for DESERT GREENBELT, has been disregarded in estimating the market value of the referenced property.

PROPERTY IDENTIFICATION - PART ACQUIRED

The City of Scottsdale/Flood Control District is acquiring the Fee Simple Interest (Estate) in a 2.5± gross acre parcel. A map of the parcel to be acquired is on the previous page. Photographs are attached as *Exhibit A.*

LEGAL DESCRIPTION

See *Exhibit B.*

ASSESSOR'S TAX PARCEL NUMBER

Book 217, Map 14, Parcel 026B

LARGER PARCEL

According to a review of public records, the subject property owner apparently does not own any other adjacent property; therefore, I have concluded that the larger parcel is 2.5± gross acres.

PURPOSE AND FUNCTION

To estimate the Fair Market Value of the Fee Simple Estate in a 2.5± gross acre parcel. It is my understanding that this appraisal will be used in connection with acquiring right-of-way for the DESERT GREEBELT PROJECT.

DATE OF VALUATION

March 5, 1996

OWNER CONTACT/DATES OF INSPECTION

On May 22, 1997, I wrote a letter requesting written confirmation of all listings, offers, or agreements to sell the subject property during the three years prior to the date of value; No written or verbal response was received. Accordingly, I have had no direct contact with the owner. Inspections of the subject property were made on July 3, 1996, May 29, 1997, and November 6, 1997.

DATES OF PREPARATION

This appraisal was prepared in November, 1997 based on information gathered in 1996 and 1997.

PROPERTY RIGHTS APPRAISED

Fee Simple Estate

DEFINITION OF FEE SIMPLE ESTATE

Fee Simple Estate is defined as:

> "absolute ownership unencumbered by any other interest or estate subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat".[1]

DEFINITION OF FAIR MARKET VALUE

The highest price estimated in terms of money which land would bring if exposed for sale in the open market with reasonable time allowed in which to find a purchaser, buying with knowledge of all uses and purposes for which it was adapted and for which it is capable of being used.[2]

There are numerous other definitions of market value. All enforceable definitions assume:

- Seller receives all cash, or its equivalent.
- No undue duress.
- Knowledgeable parties.
- Reasonable market exposure.
- Property sold in its "as is" condition.

HAZARDOUS SUBSTANCES (WASTES)

The undersigned is not qualified to identify or assess Hazardous Substances or conditions. All values, recommendations, and other professional opinions offered assume that hazardous substances do not exist. If such conditions are known or suspected, we reserve the right to provide a conditional opinion of value or consultation; or, upon appropriate contractual and fee modification agreements, coordinate with environmental experts to provide a qualified opinion of value; or, upon authorization to conduct necessary additional research, provide an opinion of value or consultation based on the environmental expertise of others that unconditionally expresses our opinion of value.

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[1] The Appraisal Institute, The Dictionary of Real Estate Appraisal, Third Edition (Chicago, Illinois: AI, 1993) p. 140.

[2] Mandl vs. City of Phoenix, 41 Ariz. 351, 18 P.2d (1933).

CHAIN OF TITLE/SUBJECT OWNERSHIP HISTORY

According to the February 3, 1995, Preliminary Title Report provided (see *Exhibit C* in the Addenda), on April 27, 1994 (recorded July 12, 1994 in document number 94-535775), title was transferred via Warranty Deed from Bessie Jurich to John M. Thornburn. The recorded purchase price was $151,000. Mr. Thornburn made a $31,000 down payment and Ms. Jurich carried the balance.

I recognize that my Fair Market Value conclusion herein of $131,000 is below Mr. Thornburn's 1994 purchase price of $151,000. It is essential to understand that Mr. Thornburn's purchase was "on terms" and the Arizona Revised Statutes governing value assumes a cash or cash equivalent value. Thus, the seller carry back terms appear to be the primary difference between Mr. Thornburn's terms purchase price and my conclusion of market value.

I am unaware of any other sales, listings, agreements, or written offers to purchase the subject property during the three years prior to the date of valuation.

ACKNOWLEDGEMENT

My partner, Paul G. Johnson, MAI, CRE, assisted in the collection and verification of sales data presented in the Land Valuation section. Also, David George, Civil Engineer, provided assistance in evaluating site development constraints/costs.

SCOPE

The value conclusion reported herein is *limited* because I have not had the opportunity to interview the property owner or his agents as to marketing efforts or analyze any prior written offers to purchase the subject parcel; and, the value conclusion reported herein represents the unencumbered fee simple value, where as on the date of value the subject property was encumbered by two Deed of Trusts totaling $129,000± (the balances on the date of value were unknown).

During the course of this appraisal assignment, I reviewed the following documents:

Project Related Documents

Document Name	Date
Final Report Upper Indian Bend Wash Regional Drainage and Flood Control Plan	July 1992
Desert Greenbelt Project Reata Wash/Beardsley Wash Preferred Alternative Report	May 1995
Desert Greenbelt Project Phase I Design - Memorandum - Draft - Detention Basin 38R2	June 1995
Desert Greenbelt Project Phase I Design - General Conditions and Special Provisions (80% Submittal)	June 1996
Acquisition Maps and Legal Descriptions for the Subject Parcel	November 1995
Title Reports and Related Documentation for the Subject Parcel	February 1995

Utility Documents

Document Name	Date
Bell Road Improvement District No. 2 (Sewer/Water System Concept and Assessments)	July 1995 and November 1995
McDowell Mountain Ranch Master Water Report	December 1993
McDowell Mountain Ranch Master Wastewater Report	December 1993
DC Ranch Community Wastewater Study	October 1995
DC Ranch Community Potable Water System Study	October 1995

Transportation Documents

Document Name	Date
Pima Outer Loop Freeway Fact Sheet	October 1995
Bell Road Improvement District No. 2 Conceptual Road Map	July 1995

General Scottsdale Data

Document Name	Date
Population and Housing - Trends	July 1991
Real Estate Demand Report	1992
Demographic Trends Analysis	April 1993
Scottsdale/Paradise Valley Tourism Study	July 1995
Economic Trends Analysis	October 1995
Retail Market Analysis	1995
Development Guide	1996
Scottsdale General Plan	1996
Flood Ways and Flood Plains Developments	
City of Scottsdale Alluvial Fan Development Policy	June 1994
FEMA Flood Insurance Rate Maps	December 1993
Quarter Section Aerial Photographs	Various

Zoning Documents

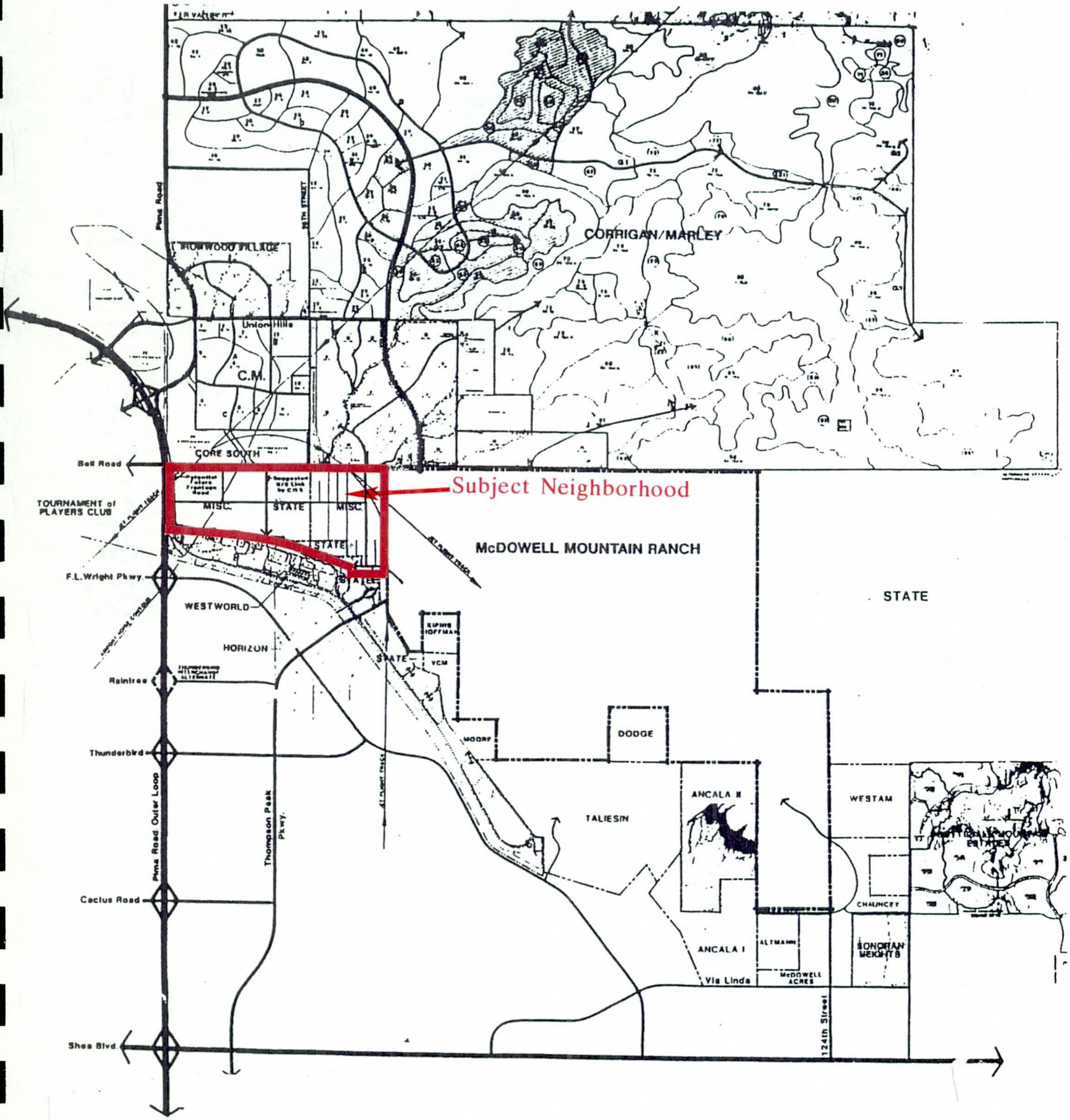
Document Name	Date
Zoning Maps for Subject Parcel and Surrounding Area	1996
DC Ranch Master Plan Program	June 1995
Scottsdale Zoning Ordinance	1996
Environmentally Sensitive Lands Ordinance, Citizens Guide	1996

In addition, I conducted the following interviews:

Name	Title	Description of Topics Discussed
Mark G. Landsiedel	Project Manager	Project coordination
Kroy S. Ekblaw	Development Coordination Director	Potential legal development alternatives for each subject parcel in before and after condition (if applicable)
Collis J. Lovely	Public Works Planner	Drainage and flood control
Doug Cullinane		Bell Road Improvement District No. 1 and No. 2
Hoyt Johnson III	Modeling Projects Coordinator	GIS-related files
Dennis J. Haley	Right-of-Way Agent	General background information

Finally, my partner, Paul Johnson and I, interviewed buyers, sellers and brokers involved in the sales, listings and offers to purchase land parcels in the subject neighborhood. The data gathered was correlated and analyzed to arrive at a conclusion of the value of the subject's fee simple interest (estate).

AREA MAP


Subject Neighborhood
CORRIGAN/MARLEY
McDOWELL MOUNTAIN RANCH
STATE
C.M.
CORE SOUTH
Union Hills
Bell Road
TOURNAMENT of PLAYERS CLUB
MISC.
STATE
F.L.Wright Pkwy.
WESTWORLD
HORIZON
Raintree
Thunderbird
Pima Road Outer Loop
Thompson Peak Pkwy.
Cactus Road
Shea Blvd.
DODGE
TALIESIN
ANCALA II
ANCALA I
WESTAM
CHAUNCEY
SONORAN HEIGHTS
ALTMANN
McDOWELL ACRES
Via Linda
124th Street
Pima Road
56TH STREET

AREA DATA

As shown on the opposite Area Map, the immediate neighborhood is bordered on the south by Westworld, a municipally-owned/privately-operated, equestrian-entertainment facility comprising over 640 acres and paralleling the CAP Canal. For many years, there have been rumors that West World may someday also be the future home of Rawhide, a popular tourist attraction currently located on Scottsdale Road just south of Pinnacle Peak Road.

The neighborhood is bordered on its immediate west by the proposed corridor right-of-way for the Pima Freeway. The current plan is that the Pima Freeway will be completed to Bell Road by 2001. According to Bob Brown, Transportation Planner with Scottsdale, an "interim" freeway will be completed to Scottsdale Road by 1998 and to I-17 by 1999.

The area next west of Pima Road includes the City of Scottsdale's TPC "Desert" Golf Course; office and multi-family zoned land along the south side of Bell Road; and, a 260-acre mixed-use development known as PERIMETER CENTER at the northwest quadrant of Pima and Bell Roads. As of March, 1996, parcels ranging in size from 5-12 acres had been sold to:

- TNT Bestway Transportation, a subsidiary of TNT Freightways;
- Pace Setter, Inc., a division of St. Jude Medical, Inc. of St. Paul, Minnesota. Pace Setter will house around 250 employees in a 60,000 square foot manufacturing, research, and development building. Expansion plans contemplate as much as 400,000 square feet;
- Karl Ransberger of Munich, Germany acquired 17± acres and plans a mixed used development to include hotel, office, retail, and condominiums; and,
- Princess Links, a 228-unit luxury apartment, condominium, or time share development.

Further west between Hayden and Scottsdale Roads is the five-star Princess Resort, PGA Stadium Golf Course and several luxury apartment projects.

The land use/area north of Bell Road is represented by state-owned land and the southern portion of a state master-plan known as CORE NORTH. CORE NORTH contemplates significant commercial development including a future regional retail mall in the vicinity of Beardsley and Hayden Roads.

The land uses to the east of the subject neighborhood are exclusively represented by MCDOWELL MOUNTAIN RANCH, a 3,200-acre planned residential community originally developed by Newhall Land and Farming Company who acquired control of the land in the early 1990's from the Herberger Family, and, in 1996 sold the undeveloped acreage to Sunbelt Holdings (John Graham). Due to the development of MCDOWELL MOUNTAIN RANCH, Bell Road has been improved (with the exception of curbs, gutters, and sidewalks) from Pima Road to the beginning of MCDOWELL MOUNTAIN RANCH at the 100th Street Alignment. It is my understanding that the Bell Road construction and corresponding water line extension was financed through the Bell Road Improvement District No. 1.

The nearest sewer line is a 15" line that extends east from Pima Road into Westworld. However, Mr. Doug Cullinane, City of Scottsdale, reported that this sewer line is nearing capacity and an additional sewer line will be needed in order to allow full build out of the immediate area.

While not specifically defined, the immediate neighborhood is partially impacted by noise cones including jet flight tracks from the Scottsdale Airport located southwest of the neighborhood.

The subject and surrounding terrain is natural desert flora with desert washes over relatively flat terrain which generally slopes from north to south. Much of the area is currently in a FEMA designated Flood Zone AO mandating flood insurance and development in accordance with Scottsdale's flood hazard regulations.

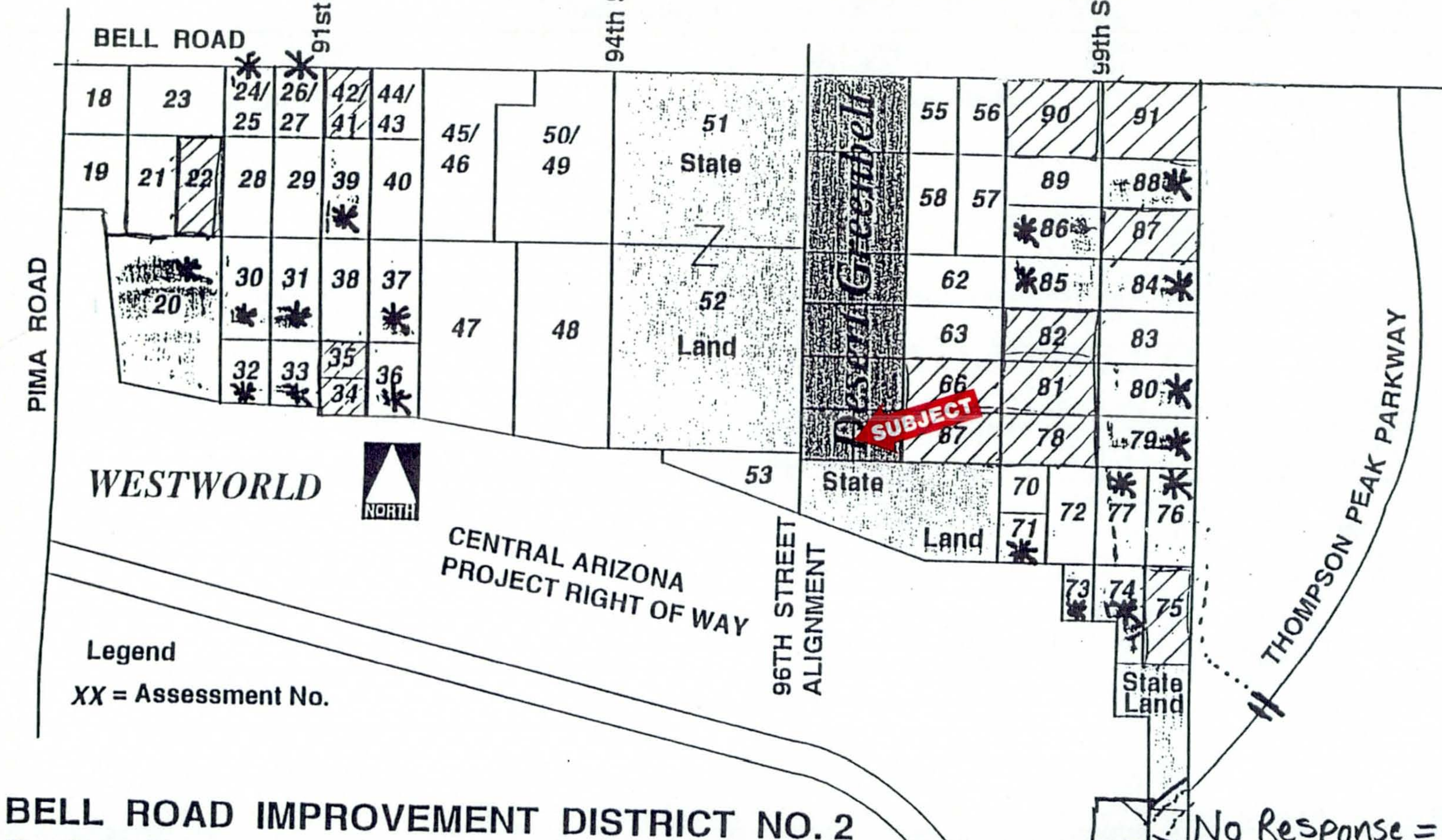
Bell Road Improvement District No. 2

In 1995, several land owners in the subject neighborhood (reportedly led by George Bell, Ed Kirk, and Billy Gentry) were attempting to organize a second improvement district to construct roads, sewer, water, and drainage. The following maps depict the parcels included in the proposed Bell Road Improvement District No. 2 and their status as of early 1996 and the proposed alignments for roads, sewer and water. There are approximately 56 parcels of which 21, or 37 percent, had indicated approval as of January 1996; as compared with 13, or 23 percent, which did not support it; and, 22, or 39 percent, which did not respond.

The subject parcel was not included in the improvement district because of its location within the DESERT GREENBELT; however, absent the DESERT GREENBELT PROJECT, it is reasonable to assume that the subject parcel would have been included in the Bell Road Improvement District No. 2 discussions. Mr. Doug Cullinane, City of Scottsdale, reported that, as of the date of valuation, the property owners east of the DESERT GREENBELT and the City had mutually agreed to suspend planning on the Bell Road Improvement District No. 2.

Bell Road Improvement District No. 2
Assessment No.s

1|8|96



No Response = 39%

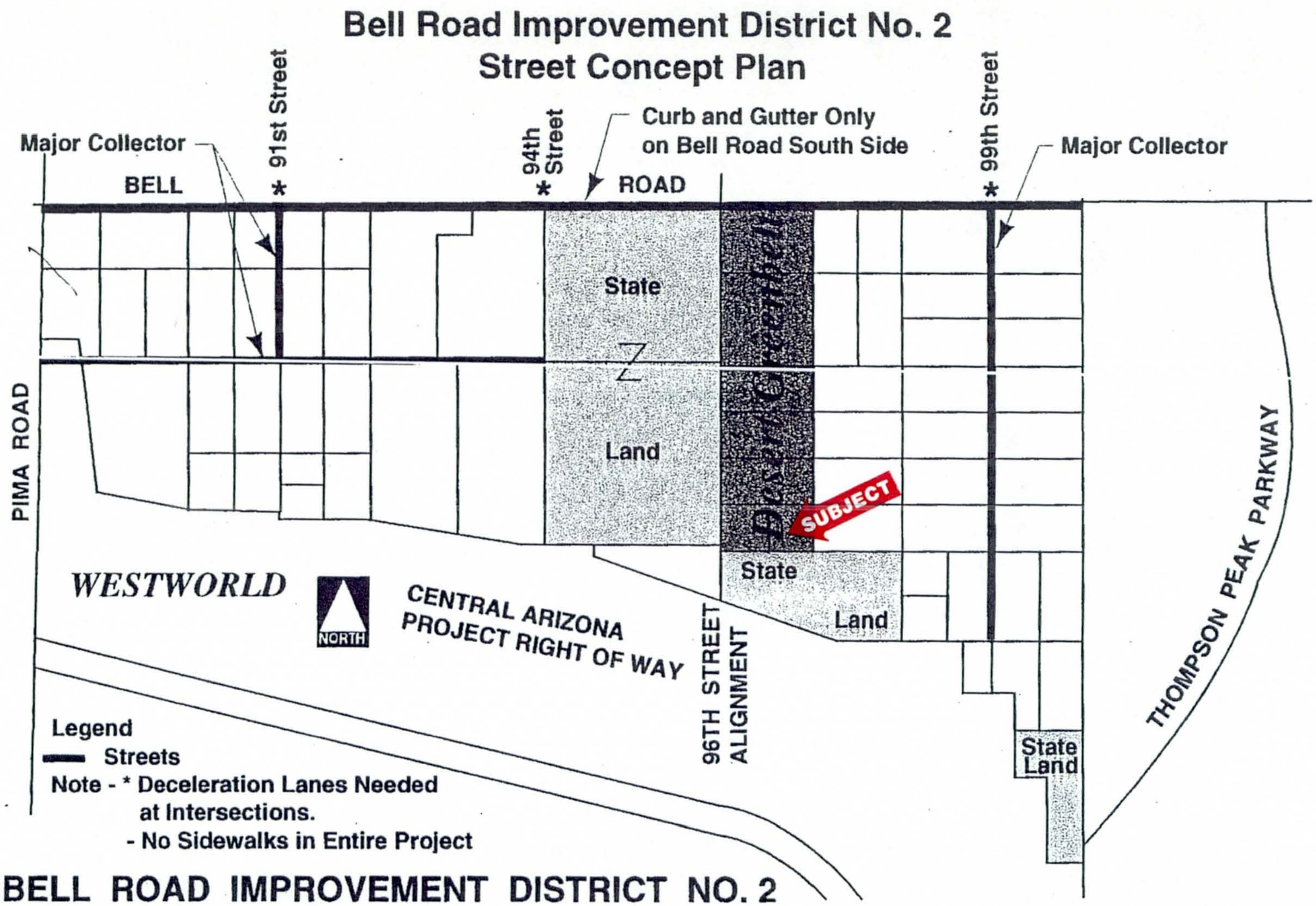
No - 13 = 23%

Yes - 21 = 37%

BELL ROAD IMPROVEMENT DISTRICT NO. 2
Project No.

TRANSPORTATION PLANNING
7447 E. INDIAN SCHOOL ROAD, SUITE 205
NOVEMBER, 1995

ASSESSMENT NOS.

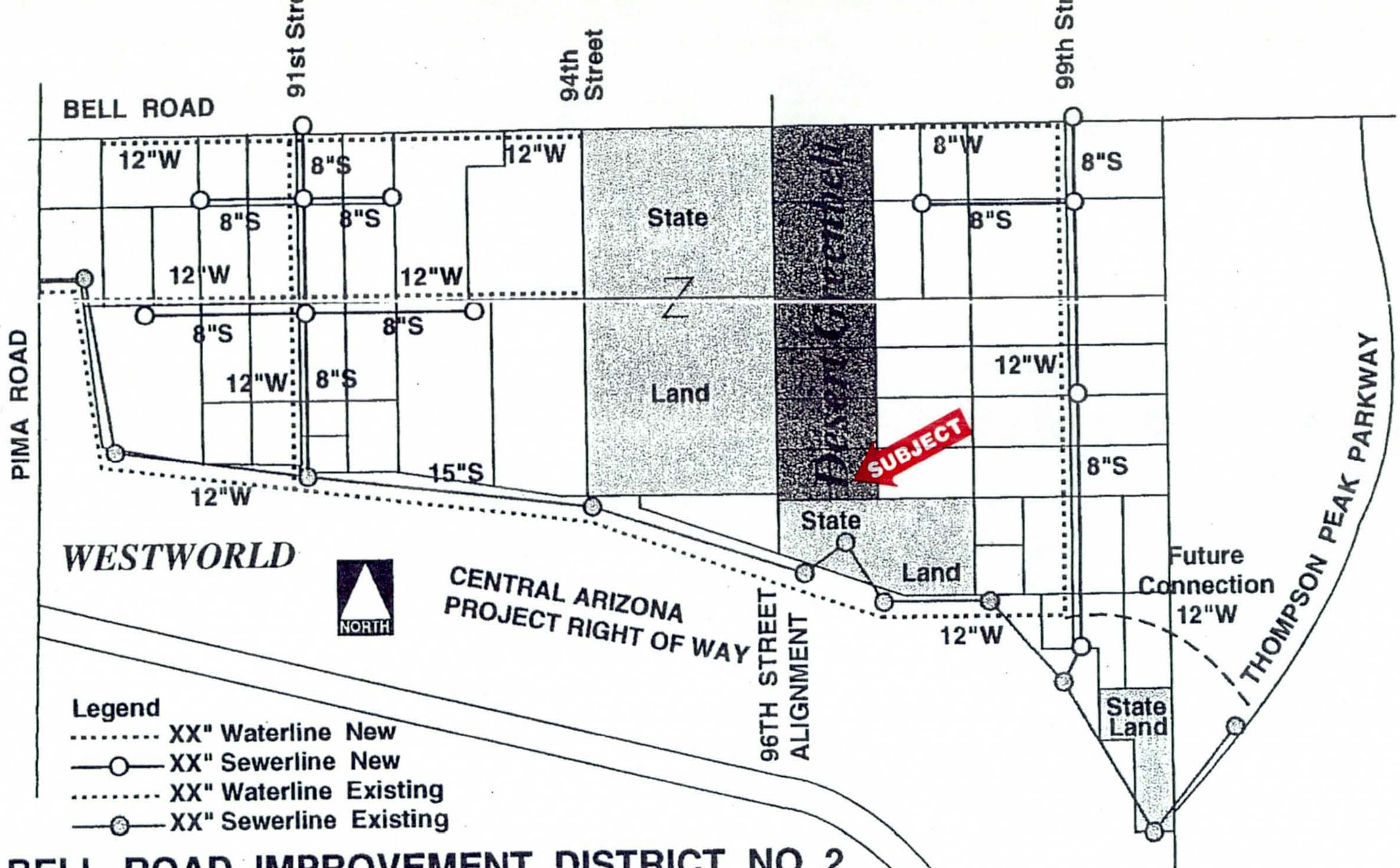


BELL ROAD IMPROVEMENT DISTRICT NO. 2
Project No.

TRANSPORTATION PLANNING
7447 E. INDIAN SCHOOL ROAD, SUITE 205
NOVEMBER, 1995

ROADS

Bell Road Improvement District No. 2
Water and Sewer Concept Plan



BELL ROAD IMPROVEMENT DISTRICT NO. 2
Project No.

TRANSPORTATION PLANNING
7447 E. INDIAN SCHOOL ROAD, SUITE 205
NOVEMBER, 1995

SEWER/WATER

State Land

As shown on the preceding maps, the State of Arizona owns approximately 92 acres in the eastern portion of the subject neighborhood between West World and Bell Road. According to Greg Keller (542-2646) with the State Land Department, this parcel was rezoned in January 1996 to allow multi-family residential, hotel, resort, convenience, commercial, event parking (under power lines), and a dude ranch. According to Mr. Keller, the land plan was the State Land Department's idea. West World is the planning permittee. The development plan was completed in 1996. As of June 1997, Mr. Keller reported the State Land Department has not reached a decision on whether to sell or lease the land. He reported it will be several years before a decision is made.

City of Scottsdale 1994 Land Use Plan

According to the City's most recent (1994) Land Use Plan, the west half of the neighborhood is ear-marked for "minor employment". According to Kroy Ekblaw at the Scottsdale Planning Department, minor employment includes the I-1, I-G and C-4 zoning categories.

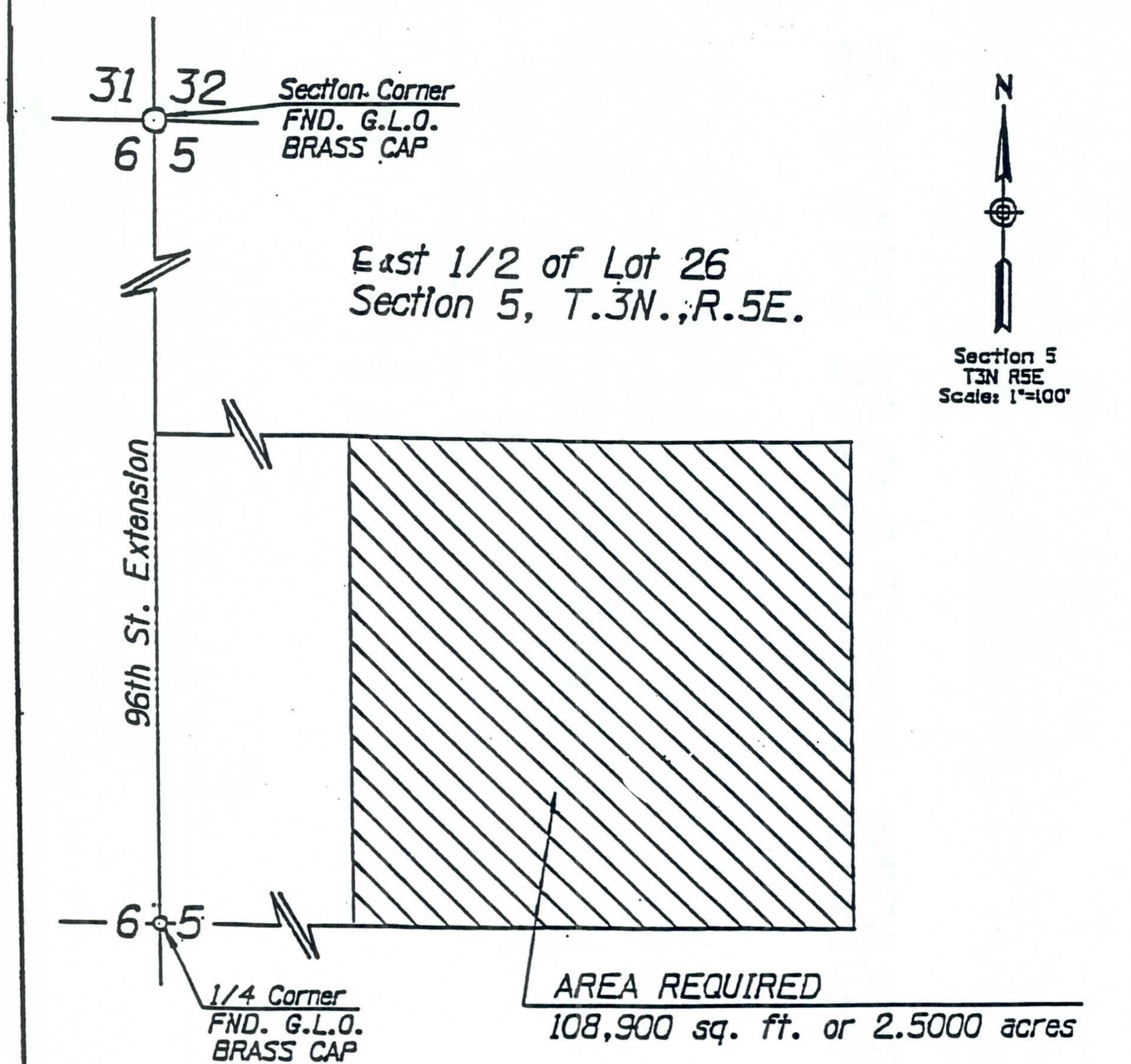
The easterly portion is designated as cultural/institutional. Most of the area is now part of the MCDOWELL MOUNTAIN RANCH master-plan. The larger general plan is overlaid with a regional use district which contemplates a commercial core along the Pima Freeway "elbow" as it turns west towards Scottsdale Road and encompasses CORE NORTH and regional retail uses.

In 1984, the same planning area was designated as the SCOTTSDALE FOOTHILLS Plan. That plan also designated the westerly half of the subject neighborhood as "minor employment". The eastern-most portion was designated equestrian and resort. The master-plan for the 96-acre state-owned land conforms with this land use.

Summary

In summary, the subject neighborhood is in transition from raw desert to residential, employment, and recreational/cultural uses. As of the date of value, activity has been mostly limited to Westworld, McDowell Mountain Ranch and the area south of the C.A.P. The first improvement district in the neighborhood (Bell Road Improvement District No. 1) has funded construction of Bell Road as well as extension of water lines from Pima Road to McDowell Mountain Ranch. However, land ownership in the immediate vicinity of the subject parcel is extremely fragmented and planning for a second improvement district has been suspended. Given the land ownership pattern, historic acquisition costs and supply of better serviced land in McDowell Mountain and DC Ranch master planned developments, it will likely be several years before parcels near the subject are developed.

PART ACQUIRED MAP



Greiner 7878 N. 16th Street, Suite 200 Phoenix, AZ 85020 (602) 371-1100

ACQUISITIONS

- REQUIRED ROW
- TEMP CONSTR ESMT
- DRAINAGE ESMT
- PUBLIC UTILITY ESMT
- TOTAL ACQUISITION

PROJECT: Desert Greenbelt
Reata Pass Wash
PROJECT NO: F2711
TAX PARCEL NO: 217-14-026B
OWNER: John M. Thornburn

14-26B.toa	Feb 96	Sht 2 of 2

SITE DATA - PART ACQUIRED

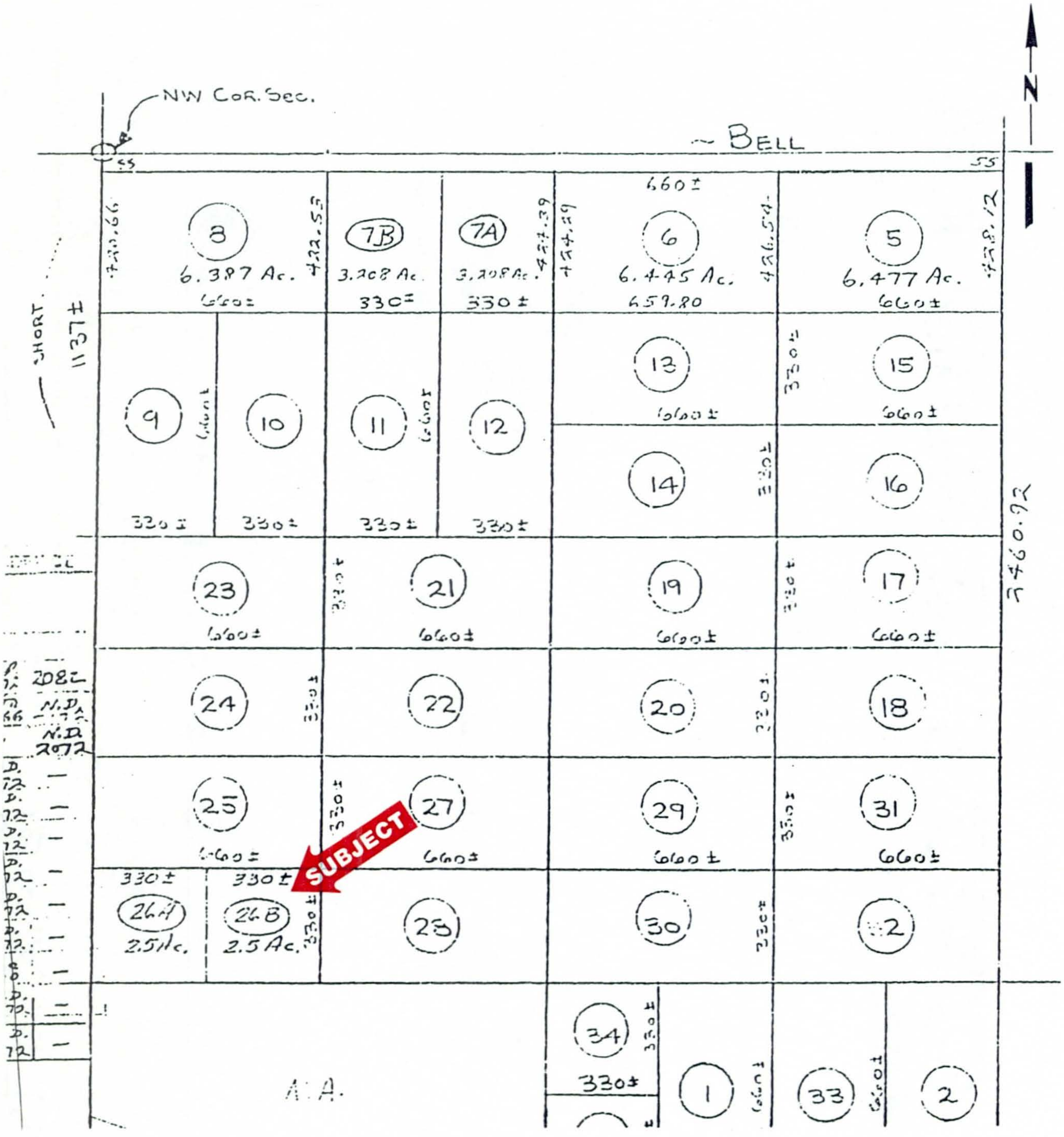
Location:	2,127 feet south and 330 feet north of the Southeast corner of Bell Road and 96th Street (alignment), Scottsdale, Arizona.
Assessor's Parcel No.:	217-14-026B (See map on page 19.)
Site Area:	2.5± gross acres
Shape:	Square
Frontage:	None along an existing street; 330± feet along the quarter section line.
Topography:	Undulating with the Old Verde Canal extending northwest to southeast through the southern half of the property.
Flood Hazard:	According to Flood Insurance Rate Map No. 04013C1265E revised December 3, 1993, the entire property is within Zone X, outside an AO flood hazard area. (See map on page 20.)
Streets:	None
Access:	No improved access
Utilities:	
Electricity:	Arizona Public Service serves neighborhood; the closest service is 2,127± feet north of subject along Bell Road.
Gas:	Not Available
Water:	City of Scottsdale - beneath Bell Road
Sewer:	Within the Scottsdale city limits; however, the closest existing sewer line is south of the subject about one quarter mile.
Improvements:	None

Adjacent Uses:

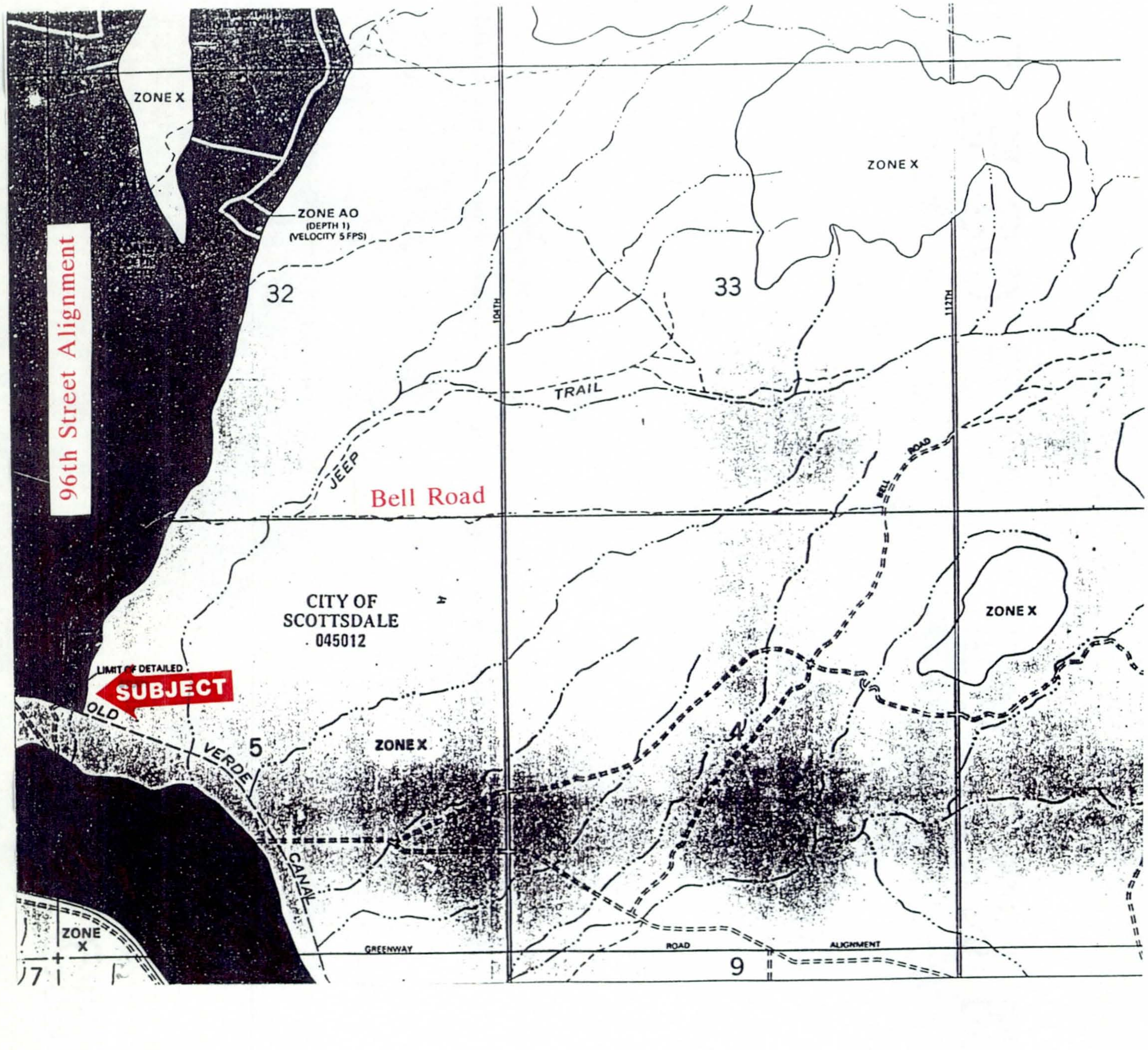
North/East & West:	Several vacant, 2.5-5± gross acre parcels zoned R1-35 ESL permitting single-family residences on minimum 35,000 square foot lots, and requiring compliance with the Environmentally Sensitive Lands Ordinance.
South:	35+ acre vacant land parcel owned by the Arizona State Land Department. A conceptual land use plan designates the parcel as a Dude Ranch.

Signs:	None
Zoning:	R1-35, a residential classification permitting single-family residences on minimum 35,000 square foot lots. (See map on page 21.)
Restrictions/Easements:	Right of way not exceeding 33 feet in width, for roadway and public utility purposes, to be located across said land or as near as possible to the exterior boundaries.
Assessments/Taxes:	The subject 1995/96 property full cash value and tax amount were $125,000 and $2,295.40, respectively.
Tax Liens:	None
Site Developability:	Although the FEMA maps depict the subject as being outside of the 100 year flood zone, the Old Verde Canal extending through the southern half of the property will be a major constraint to developing the subject parcel. The parcel will likely require extensive grading and balancing including possibly needing imported fill dirt to level the site prior to development. Development of the subject property will also require extension of utilities and paved access. Mr. David George, Civil Engineer, has analyzed the likely offsite development costs for the subject property and concluded that offsite development costs for the subject parcel would approximate $146,000. A copy of his analysis is included in the addenda as *Exhibit D.*

ASSESSOR'S MAP - PART ACQUIRED

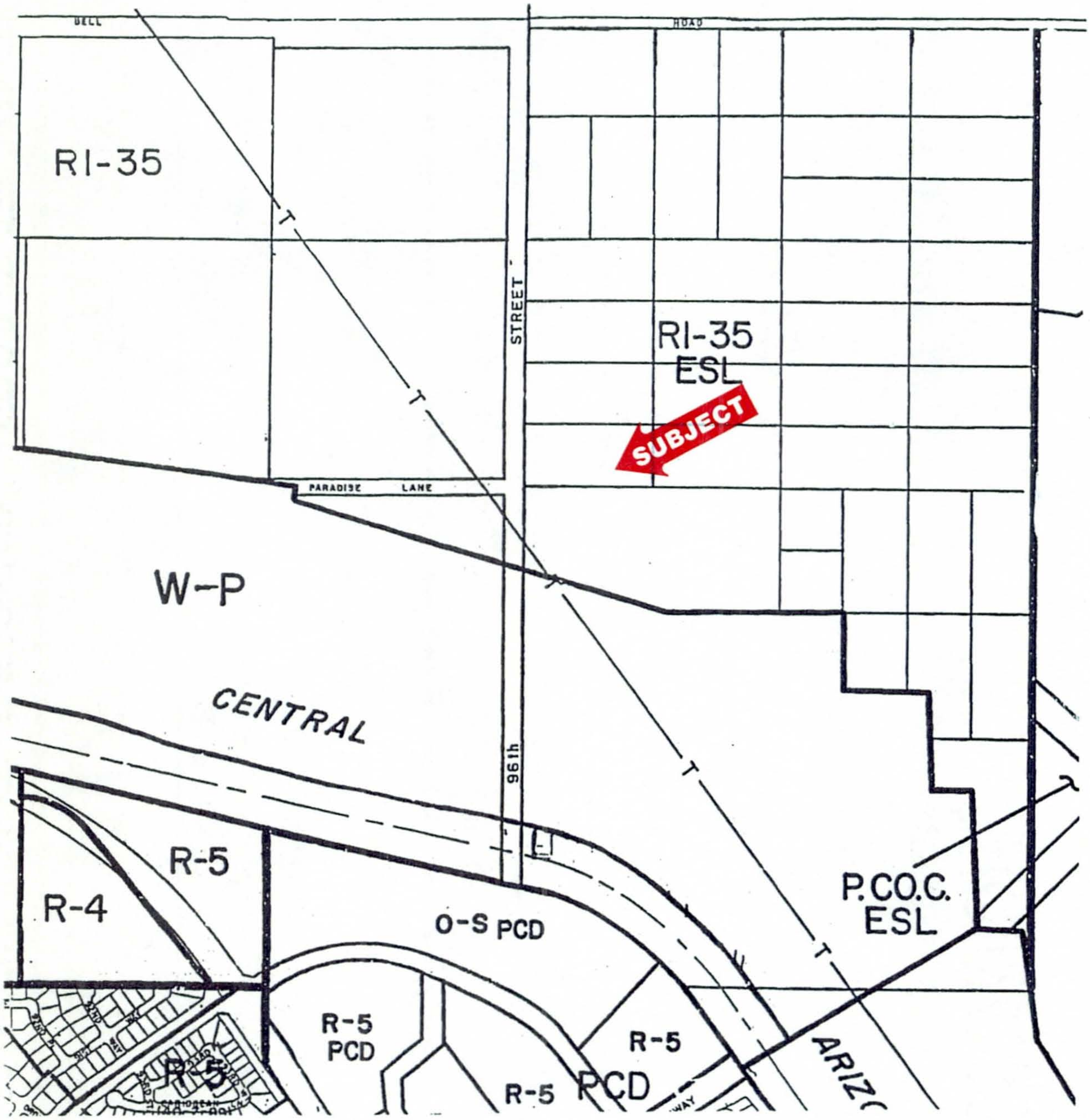


FLOOD MAP



ZONE X
ZONE AO
(DEPTH 1)
(VELOCITY 5 FPS)
32
33
ZONE X
96th Street Alignment
TRAIL
JEEP
Bell Road
CITY OF
SCOTTSDALE
045012
ZONE X
LIMIT OF DETAILED
SUBJECT
OLD
VERDE
CANAL
5
4
ZONE X
ZONE
X
GREENWAY
ROAD
ALIGNMENT
9

ZONING MAP



BELL
ROAD
RI-35
STREET
RI-35
ESL
SUBJECT
PARADISE LANE
W-P
CENTRAL
96th
R-5
R-4
O-S PCD
P.CO.C.
ESL
R-5
PCD
R-5
R-5
R-5 PCD
ARIZ

HIGHEST AND BEST USE

While there are numerous definitions, in the final analysis highest and best use is that use which attracts the highest price without undue limitations on marketability. The term "highest and best use" can be misleading because it implies that a vacant property should be "used." In reality the highest and best use of most vacant land is to hold vacant until development is economically feasible. Important considerations in highest and best use analysis include neighborhood attributes and trends, legally permitted uses, and the site's physical characteristics. The interplay of these factors culminates in a possible, probable, and legal use which represents the highest price.

The subject neighborhood is part of a larger submarket undergoing dramatic development pressure and transition; primarily to commercial and regional uses.

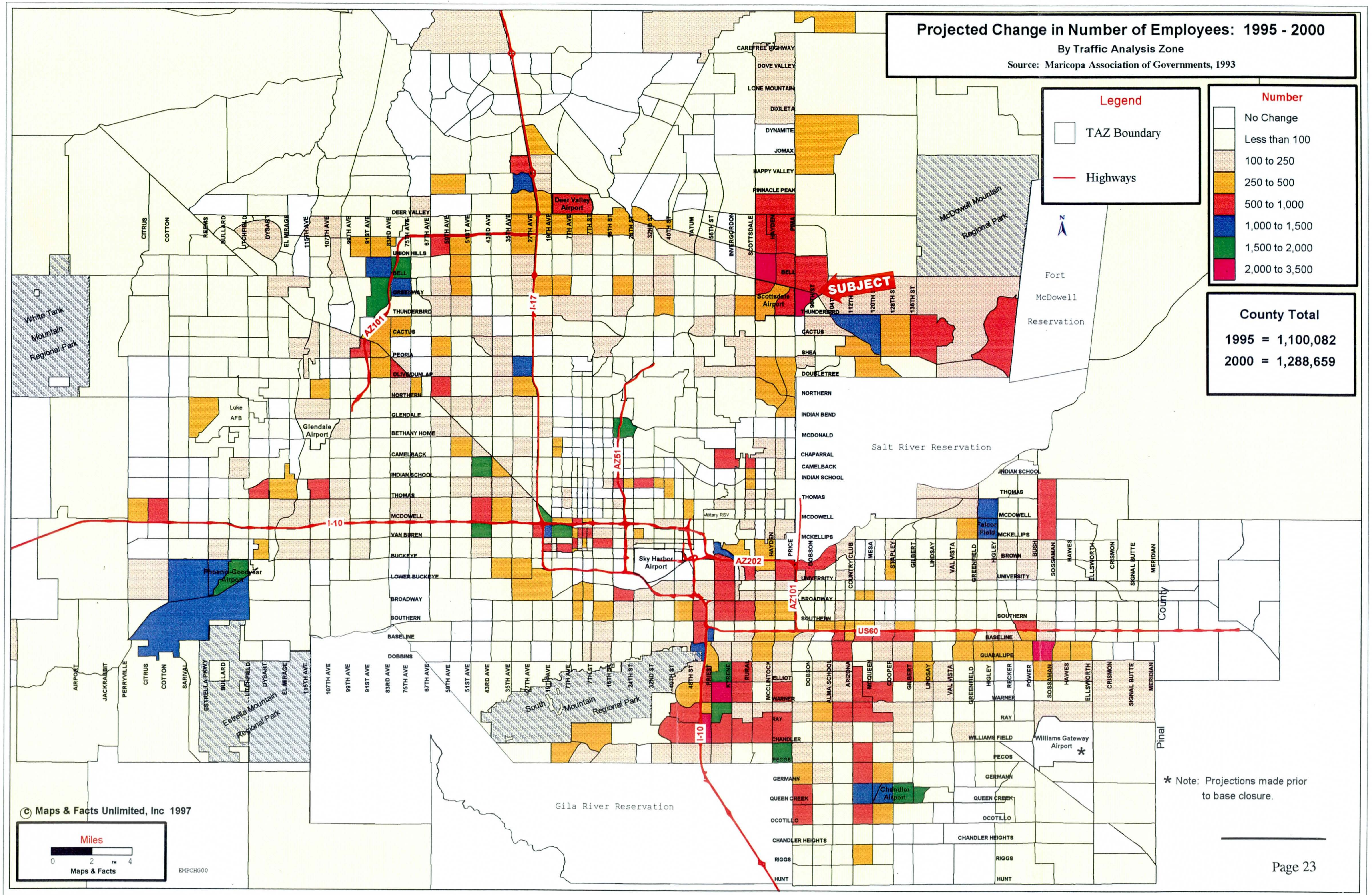
If the larger area were divided into irregular quadrants with Pima Road being the Y-axis and the CAP Canal being the X-axis, for the ten years or more preceding the date of value, the southwest quadrant which includes the Scottsdale Airpark has seen slow but steady industrial and office development. The southeast quadrant, also known as HORIZON, was purchased at auction from the State Land Department by Evans Withycombe in the early 1980's and is now under intensive development with medium to high-density residential, and neighborhood commercial at the major intersections.

The northwest quadrant, represented by the Princess Hotel, two golf courses, and PERIMETER CENTER, is less developed than the southern quadrants, but obviously more developed than the subject quadrant.

The subject's northeast quadrant is virtually undeveloped. An obvious question is, why? One answer is that the subject neighborhood comprises 50 to 60 different owners and parcels, thus frustrating any master plan or assemblage. Regardless, over time, market demand and development pressure will encourage assemblage and development effort(s).

While zoned R1-35, it is unlikely that low-density, single-family, will ever evolve. Far more probable is its development along the lines of the uses anticipated by the 1984 and 1994 General Plans, i.e. minor employment, commercial, industrial, research and development, and, high-density residential.

The following map "Projected Change in Number of Employees 1995-2000" prepared by our related corporation, Maps & Facts Unlimited, Inc., shows that the subject is part of a larger neighborhood expected to experience above-average employment growth over the next four years. There are few other submarkets in the Metro Phoenix area which share the subject's submarket employment projections.


Projected Change in Number of Employees: 1995 - 2000
By Traffic Analysis Zone
Source: Maricopa Association of Governments, 1993
Legend
TAZ Boundary
Highways
Number
No Change
Less than 100
100 to 250
250 to 500
500 to 1,000
1,000 to 1,500
1,500 to 2,000
2,000 to 3,500
County Total
1995 = 1,100,082
2000 = 1,288,659
SUBJECT
McDowell Mountain Regional Park
Fort McDowell Reservation
Salt River Reservation
Gila River Reservation
White Tank Mountain Regional Park
Estrella Mountain Regional Park
South Mountain Regional Park
Luke AFB
Glendale Airport
Deer Valley Airport
Scottsdale Airport
Sky Harbor Airport
Phoenix-Goodyear Airport
Falcon Field
Chandler Airport
Williams Gateway Airport
I-17
I-10
AZ101
AZ51
AZ202
US60
Pinal
County
* Note: Projections made prior to base closure.
© Maps & Facts Unlimited, Inc 1997
Miles
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Maps & Facts
EMPCHG00

Long term, the subject neighborhood will likely develop primarily with employment-based uses. However, as of the date of value, the supply of employment/high-density residential land in the immediate submarket meets or exceeds demand. A review of Multiple Listing Service (MLS) records revealed several parcels that had been listed for sale for six months to over two years. The subject neighborhood's fractionalized ownership pattern frustrates assemblage, land planning, infrastructure, and therefore development. It is probable that the entire subject neighborhood will never be developed as a single master-plan, as have some of the other quadrants. More likely, the subject neighborhood will develop slowly with small assemblages, initially comprised of those parcels fronting Bell Road.

There are also serious physical constraints to developing neighborhood parcels in general and the subject parcel in particular. Prior to construction of the Thompson Peak Channel and dike, the area was subject to run-off and flooding, as evidenced by the uneven terrain and numerous washes and arroyos. Furthermore, other than Westworld there are no improved streets nor any municipal sewer or water service south of Bell Road between Pima Road and McDowell Mountain Ranch.

Developing the subject property would require extending streets and electric and water service nearly one-half mile south from Bell Road. Likewise, municipal sewer service must be extended north from Westworld. Although this existing sewer line is nearing capacity, the owner of a parcel as small as the subject would not likely be required to pay the cost of building new oversized sewer lines. Also, the Old Verde Canal extending through the south half of the parcel may require extensive site grading, balancing and possibly imported fill dirt to level the parcel.

Mr. David George, Civil Engineer, has estimated $146,000 in off-site development costs in order to improve the subject on the date of value. These costs equate to $1.34 per square foot of land area. As will be discussed in the Land Valuation section, vacant land parcels superior to the subject, closer the existing roads and utilities, were available for less than $2.50 per square foot. Thus, near term development of the subject parcel was not economically justified on the date of value.

In summary, the subject neighborhood will likely be the last neighborhood in the submarket to develop, and development will probably be less conforming than typical of the submarket, and, of North Scottsdale.

The highest and best use of the subject is to hold vacant for long-term investment/appreciation.

BUYER PROFILE

Given the subject's locational, physical, and economic characteristics, the potential buyer would be a land investor or speculator, speculating that demand for employment, commercial, and high-density residential uses will increase over time, and, that the immediate neighborhood will ultimately transition in accordance with the City's long-term land use plan. This profile is shared by the buyers and offerors to purchase the properties detailed within the Land Valuation section.

LAND VALUATION

The market comparison approach often involves the analysis and comparison of recent sales involving similar properties situated over an entire submarket or, in some cases, in other submarkets with adjustments for locational differences, if any. The key comparison criteria are highest and best use, economic magnitude, i.e. total dollars involved, and buyer profile. The subject neighborhood is unique. There is no other similar neighborhood in the entire Metropolitan Phoenix area. Therefore, I have focused exclusively on current and past purchases in the immediate neighborhood, including broker interviews, owner interviews, and benchmark transactions in the larger submarket near the subject neighborhood.

I have researched as far back as 1985 to track purchase histories in the immediate subject neighborhood; 1985-1986 was an historic peak in land values. By December 1988, the Phoenix real estate market "crashed" as evidenced by the Barron's article "Phoenix Descending" (see *Exhibit E* attached). During 1989 and 1990, the market was virtually non-existent. By 1991, some activity started to occur. The purchases, listings, and offers relied upon are summarized in the following chart, plotted on the following map, and detailed in *Exhibit F* attached.

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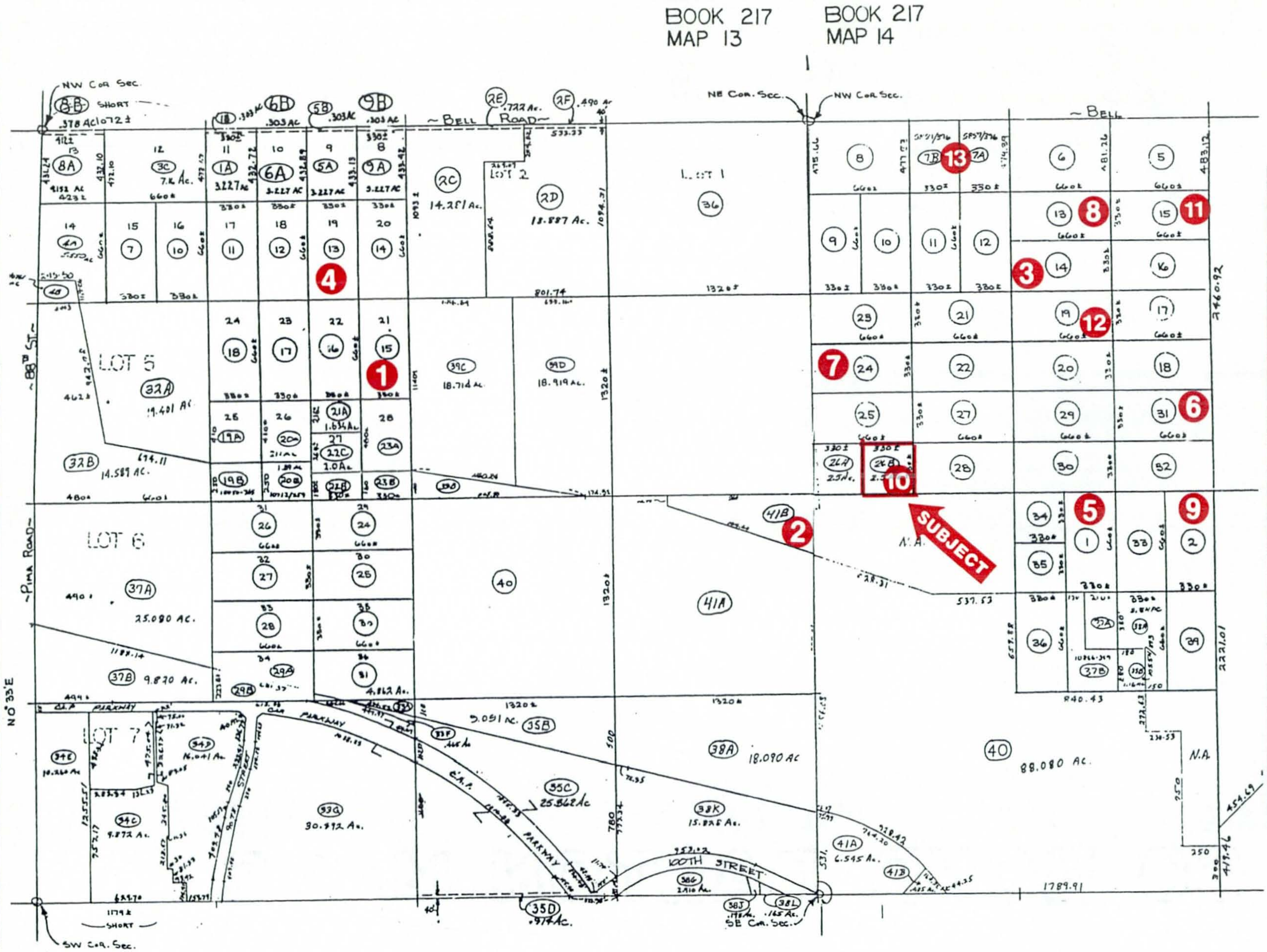
LAND DATA MAP



LAND DATA SUMMARY						
No.	**Status/Date**	**Parcel No.**	**Size**	**Price**	**Price/SF**	**Terms**
1	07/85	217-13-015	5.00	$350,000	$1.61	Yes
11*	07/85	217-14-015	5.00	$200,000	$.92	Yes
4*	12/85	217-13-013	5.00	$500,000	$2.30	Yes
2	09/86	217-13-041B	5.47	$330,336	$1.39	Yes
5*	09/86	217-14-001	5.00	$315,428	$1.45	Yes
3	09/86	217-14-014	5.00	$325,806	$1.50	Yes
4	12/86	217-13-013	5.00	$805,860	$3.70	Yes
5	04/87	217-14-001	5.00	$315,000	$1.45	Yes
11*	06/87	217-14-015	5.00	$133,333	$.61	Yes
11*	11/87	217-14-015	5.00	$405,000	$1.86	Yes
12*	11/87	217-14-019	5.00	$399,200	$1.83	Yes
6	01/89	217-14-031	5.00	$315,250	$1.45	Yes
7	05/90	217-14-024	5.00	$263,500	$1.21	Yes
8	05/91	217-14-013	5.00	$218,820	$1.00	Yes
11*	12/91	217-14-015	5.00	$205,000	$.94	Yes
11*	12/91	217-14-015	5.00	$275,000	$1.26	Yes
9	10/93	217-14-002	5.00	$270,000	$1.24	Yes
10	Subject - 04/94	217-14-026B	2.50	$151,000	$1.39	Yes
11	05/95	217-14-0015	5.00	$272,950	$1.25	Yes
12	09/96	217-14-019	5.00	$250,000	$1.15	Yes
13	Listing	217-14-007A, 007B	6.42	$710,000	$2.54	Yes
14	Date of Value 03/05/96	Subject	2.50			No - All Cash

* Indicates prior sales of a parcel

DATA DISCUSSION

With few exceptions, purchase prices per square foot, mostly on terms, have not varied dramatically from mid-1985 to date (3/5/96). In those instances in which a parcel has changed hands more than once, I tried to reflect the most recent sale in the sales summaries attached hereto; however, when and where discoverable, I have also charted prior sales, thus, the repetition in sale numbers. Considering the cyclical nature of the Metro Phoenix land market experienced since the mid-1980's, those purchases prior to 1992 are included primarily for historic perspective.

As shown, the subject is one of only a handful of 2.5-acre parcels in the immediate vicinity, and was the only 2.5 acre parcel that sold during the time period analyzed. Five acre parcels in the subject's immediate neighborhood sold from $.61 per square foot to $3.70 per square foot during this time period. Eliminating the extreme lows and highs, the range narrows to, say, $1.00 to $1.50 per square foot, on terms. There were other purchases during this time period within and above this price range. However, these purchases were on terms and, in many instances, were never totally consummated (see Purchase No. 11).

The only transactions that closed within three years prior to the date of value, all on terms, were Nos. 9, 10 (the subject), 11, and 12, ranging from $1.15 to $1.39 per square foot, with the higher unit price representing the subject 2.5-acre parcel versus 5-acre parcels, and, with no significant price differential between parcels purchased in October 1993 versus August 1996, suggesting that there has been no recent change in values. Although No. 12 did not close until six months after the date of value, the sale is representative of prices on the date of value.

CONCLUSION OF VALUE

Based on the preceding data, the highest per square foot value attributable to the subject, on a terms basis, is $1.40 per square foot. However, market value as defined must reflect a cash or cash equivalent transaction. Thus, the data, and specifically Nos. 9, 10, 11 and 12, must be adjusted downward to reflect cash or cash equivalent transactions.

While terms vary, the typical speculative land sale is 20-30 percent cash down with the balance payable over ten years, fully amortized at ten percent interest payable quarterly. Ten percent is too low to reflect the risks inherent in the secondary mortgage market for properties such as the subject. In order to sell this "rate" in the secondary market, it must be discounted to produce a yield greater than 10 percent. The probable market yield approximates 15 to 20 percent. The indicated cash equivalent value of the subject, assuming $1.40 per square foot purchase on the preceding terms is as follows:

Terms Purchase at	$1.40/SF
25% Cash Down =	.35/SF
Deferred Balance =	$1.05/SF

Quarterly Debt Service at 10% interest for 10 years = \$.042/SF/QTR

Present Worth of Debt Service Stream at 15% = \$.86/SF
Present Worth of Debt Service Stream at 20% = \$.72/SF

Thus, the cash equivalent value range of the subject property can be summarized as:

	Discounted at 15%	Discounted at 20%
Cash Down	\$.35/SF	\$.35/SF
Present Worth of Seller Carryback	+\$.86/SF	+\$.72/SF
Cash Equivalent Value/SF	\$1.21/SF	\$1.07/SF

At \$1.20 per square foot the indicated discount from terms to cash equivalency would approximate 17% (\$1.20 vs. \$1.40). Applying the \$1.20 cash equivalent per square foot value to the subject's 2.5± acres indicates the following value conclusion:

2.5 Acres x 43,560 SF/Acre x \$1.20/SF =\$130,680; rounded to \$131,000

I recognize that this conclusion is less than the \$151,000 purchase price of the subject in April, 1994; however, Mr. Thornburn only made a 20%± down payment and the seller carried the balance. Market value assumes a cash or cash equivalent purchase price. Accordingly, Mr. Thornburn's acquisition price also needs to be adjusted downward to calculate a cash equivalent price. I was not provided with the terms of the seller carryback; therefore, a precise adjustment cannot be made. However, if the terms were typical and the same 17% discount were applied to the subject April 4, 1994 purchase the indicated cash equivalent price is \$125,330 or \$1.15 per square foot.

Accordingly, the highest all cash fair market value for the subject, as of March 5, 1996 was \$131,000.

DISCUSSION AND CONCLUSION OF VALUE

The purpose of this appraisal is to estimate the Fair Market Value of the Fee Simple Estate in a 2.5± gross acre parcel located south and east of the southeast corner of Bell Road and 96th Street (alignment) in Scottsdale, Arizona, as of March 5, 1996. Briefly,

- Fair market value as defined dictates a cash or cash equivalent transaction;
- The subject is located in a sparsely developed area in northeast Scottsdale;
- Water and electrical services are available about one-half mile north of the subject lot line, and, the subject is within the City of Scottsdale municipal sewer service area although there is no physical sewer line at the subject property line;
- The nearest municipal sewer line is about one-quarter mile south of the subject;
- The entire parcel appears to be within flood zone X, outside the limits of an AO flood hazard zone;
- The subject parcel is zoned R1-35 ESL, a residential classification permitting one dwelling unit 35,000 square feet and subject to development in compliance with the Environmentally Sensitive Lands Ordinance;
- Highest and best use is for investment/appreciation; and
- The best data available indicates a maximum cash fee value of $1.20 per square foot.

Accordingly, I am of the opinion that as of March 5, 1996, the Fair Market Value of the parcel generally, legally, and specifically defined herein was:

ONE HUNDRED THIRTY ONE THOUSAND DOLLARS

($131,000)

The value conclusion reported herein is *Limited* because I have not had the opportunity to interview the property owner or his agents as to marketing efforts or analyze any prior written offers to purchase the subject parcel; and, the value conclusion reported herein represents the unencumbered fee simple value, whereas on the date of value the subject property was encumbered by two Deed of Trusts totaling $129,000± (the balances on the date of value were unknown).

CERTIFICATION

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

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

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

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

4. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

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

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

7. I have made a personal inspection of the property that is the subject of this report.

8. No one, other than Paul G. Johnson, MAI, CRE provided significant professional assistance to the person signing this report.

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

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

11. As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.

Gerald N Zaddack

Gerald N. Zaddack
Certified General Real Estate Appraiser
Certificate No. 30279

ASSUMPTIONS AND LIMITING CONDITIONS

1. The value conclusion reported herein is *Limited* because I have not had the opportunity to interview the property owner or his agents as to marketing efforts or analyze any prior written offers to purchase the subject parcel; and, the value conclusion reported herein represents the unencumbered fee simple value, whereas on the date of value the subject property was encumbered by two Deed of Trusts totaling $129,000± (the balances on the date of value were unknown).

2. This is a Self Contained Appraisal Report of a Complete Appraisal which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice* for a Self Contained Appraisal Report. As such, it describes the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file.

3. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report. No other person or entity has a right to rely upon the appraisal, the contents thereof, or any information, data, or conclusions contained herein without the express written consent of Johnson & Zaddack, Inc. The appraiser and firm assume no obligations, liability, or accountability to any third-party. If this report is placed in the hands of anyone but the client(s), the client shall make such party aware of all the assumptions and limiting conditions of this assignment.

4. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.

5. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.

6. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

7. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.

8. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

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

10. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.

11. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.

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

13. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

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

15. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

16. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the American with Disabilities Act. The presence of architectural communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

17. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.

18. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

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

20. 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 the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.

96-053\certific.gnz

EXHIBIT A

Looking northwest from near southeast corner of subject property.

Looking southeast from near northwest corner of subject property.

EXHIBIT B

THORNBURN
217-14-026B

The East half of Lot Twenty-six (26), Section Five (5), Township Three (3) North, Range Five (5) East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

EXCEPT all coal, oil, gas and other mineral deposits as reserved unto the United States as set forth in Patent issued on said land; and

EXCEPTING AND RESERVING unto the United States, pursuant to the provisions of the Act of August 1, 1946, (60 Stat. 755), all uranium, thorium or any other material which is or may be determined to be peculiarly essential to the production of fissionable materials whether or not of commercial value.

EXHIBIT C

UNITED TITLE Agency of Arizona, Inc.

Preliminary Title Report

Order No. 9517002125

DOWNTOWN
Linda Forrest

☐ ALTA Residential Owner's Coverage Policy	Amount $
☐ LTAA Standard Coverage Policy	Amount $
☐ ALTA Lender's Policy	Amount $
☒ Other STANDARD OWNERS	Amount $

United Title Agency of Arizona, an Arizona Corporation, (herein called the Company), as Agent for the company designated hereinafter, has caused to be examined the title to the real property described in Schedule A herein, and upon compliance with all the requirements set forth herein to the satisfaction of the Company, providing no matters adversely affecting the title arise or become known prior to such issuance, and upon payment of all charges and disbursements, the Company recommends that FIRST AMERICAN TITLE INSURANCE COMPANY issues its policy in the form indicated above, insuring the title to said property as indicated in Schedule A herein, subject to the usual printed Conditions, Stipulations and Scheduled exceptions contained in said policy, and also subject to the specific encumbrances, reservations and exceptions set forth in Schedule B herein. This report will be void at the option of the Company if the policy or policies applied for have not been issued within one year from the date hereof.

SCHEDULE A

Mortgagee Policy Applicant:

Owner Policy Applicant:

CITY OF SCOTTSDALE, a Municipal corporation

1. Title to the estate or interest covered by this report upon issuance of any policy or policies of title insurance will be vested in:

   CITY OF SCOTTSDALE, a Municipal corporation

2. The estate or interest in the land described or referred to in this report is:

   Fee Simple

SCHEDULE A

LEGAL DESCRIPTION for file: 9517002125

The land referred to in this report is situated in the County of Maricopa, State of Arizona, and is described as follows:

The East half of Lot Twenty-Six (26), Section Five (5), Township Three (3) North, Range Five (5) East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

EXCEPT all coal, oil, gas and other mineral deposits as reserved unto the United States as set forth in Patent issued on said land; and

EXCEPTING AND RESERVING unto the United States, pursuant to the provisions of the Act of August 1, 1946, (60 Stat. 755), all uranium, thorium or any other material which is or may be determined to be peculiarly essential to the production of fissionable materials whether or not of commercial value.

SCHEDULE B

ORDER NO.: 9517002125

1. Taxes for the year 1995, a lien but not yet payable.

2. Liabilities and obligations existing or which may arise against the said land by reason of its inclusion within EAST VALLEY INSTITUTE OF TECHNOLOGY DISTRICT.

3. The right to enter upon said land and prospect for and remove all coal, oil, gas and other minerals, as reserved in the Patent to said land, recorded August 22, 1980 in Docket 14635, page 143.

4. The right to enter upon the land and prospect for, mine and remove all uranium, thorium or any other material which is or may be determined to be peculiarly essential to the production of fissionable materials, as reserved unto the United States, pursuant to the provisions of the Act of August 1, 1946, (60 Stat. 755) as set forth in Patent issued on said land recorded August 22, 1980 in Docket 14635, page 143.

5. Right of way not exceeding 33 feet in width, for roadway and public utilities purposes, to be located across said land or as near as practicable to the exterior boundaries, as set forth in Patent issued on said land recorded August 22, 1980 in Docket 14635, page 143.

United Title Agency of Arizona, Inc.

Search made to February 3RD, 19 95 at 7:45 A.M. By GEORGE MCDERMOTT/LE

EXAMINER

(This is not a Title Insurance Policy)

REQUIREMENTS

ORDER NO.: 9517002125

1. PAYMENT of Taxes for the full year of 1994, plus interest.

2. FURNISH legal description of property to be insured herein. The right is reserved to make additional exceptions and/or requirements upon being furnished same.

3. RECORD Release and Reconveyance of Deed of Trust executed by BESSIE JURICH, an unmarried woman, as Trustor, to HOWARD E. CLOUSE, an unmarried man, as Beneficiary, and UNITED TITLE AGENCY OF ARIZONA, INC., an Arizona corporation, as Trustee, dated July 8, 1994, recorded July 12, 1994 in Document No. 94-535774. AMOUNT: $8,935.27.

4. RECORD Release and Reconveyance of Deed of Trust executed by JOHN M. THORNBURN, husband of Lynn H. Thornburn, as his sole and separate property, as Trustor, to BESSIE JURICH, an unmarried woman, as Beneficiary, and UNITED TITLE AGENCY OF ARIZONA, INC., an Arizona corporation, as Trustee, dated July 11, 1994 recorded July 12, 1994 in Document No. 94-535777, thereafter assigned to GEORGIA A. SCHORR, an unmarried woman, as to an undivided 52.500% interest, by assignment recorded July 12, 1994 in Document No. 94-535778. AMOUNT: $120,000.00.

5. RECORD Deed from JOHN M. THORNBURN, husband of Lynn H. Thornburn, dealing with his sole and separate property to CITY OF SCOTTSDALE, a Municipal corporation.

NOTE: Taxes are assessed in the total amount of $ 2,229.80 for the year 1994, under Assessor's Parcel No. 217-14-026B.

NOTE: In connection with Arizona Revised Statutes 11-480, as of January 1, 1991, the County Recorder may not accept documents for recording that do not comply with the following:

(a) Print must be ten-point type or larger.

(b) Margins of at least one-half inch along the left and right sides, one-half inch across the bottom and at least two inches on top for recording and return address information.

(c) Each instrument shall be no larger that 8 1/2 inches in width and 14 inches in length.

Continuation of Requirements
Order Number: 9517002125

FIVE YEAR CHAIN: 1. Disclaimer Deed executed by LYNN H. THORNBURN to JOHN M. THORNBURN, dated July 8, 1994, recorded July 12, 1994 in Document No. 94-535776. 2. Warranty Deed executed by BESSIE JURICH, an unmarried woman, to JOHN M. THORNBURN, husband of Lynn H. Thornburn, as his sole and separate property, dated April 27, 1994, recorded July 12, 1994 in Document No. 94-535775. 3. Quit Claim Deed executed by NICHOLAS JURICH, an unmarried man, to BESSIE JURICH, an unmarried woman, dated October 13, 1989, recorded October 19, 1989 in Document No. 89-483445.

(See copies for remaining chain)

EXHIBIT D

DAVID EVANS AND ASSOCIATES, INC.

2929 East Camelback Road
Suite 240
Phoenix, Arizona 85016
Tel: 602.956.9850
Fax: 602.956.9853

November 13, 1997

Gerald Zaddack
Johnson & Zaddack, MAL, CRE
2525 East Camelback Road
Suite 770
Phoenix, AZ 85016

RE: Reata Pass Wash
DEA Job NO GRHM0001

Dear Mr Zaddack,

I have completed my review of Parcel 26B (Thornburn) of Section 5, Township 3 North, Range 5 East. The parcel **is not** located with in Zone AO as define in the FEMA FIRM 04013C1265 E, dated December 3, 1993. This means that when Parcel 26B is developed, it will not need to comply with the FIRM Zone AO design requirements, however this site will have local drainage issues to address when it is developed. One local issue is the Old Verde Canal which crosses the site. The canal directs off-site flows to Parcel 26B and the grading of the parcel will need to address these flows. I have enclosed an exhibit which illustrates the locations of the Zone AO to Parcel 26B and the Old Verde Canal.

I have also completed an estimate of probable development cost for off-site improvements which would be required to develop Parcel 26B. The estimate assumes the site will be developed for commercial use and that electrical and telephone utilities will be brought to the parcel at the expense of the utility company. This estimate is based on the following criteria:

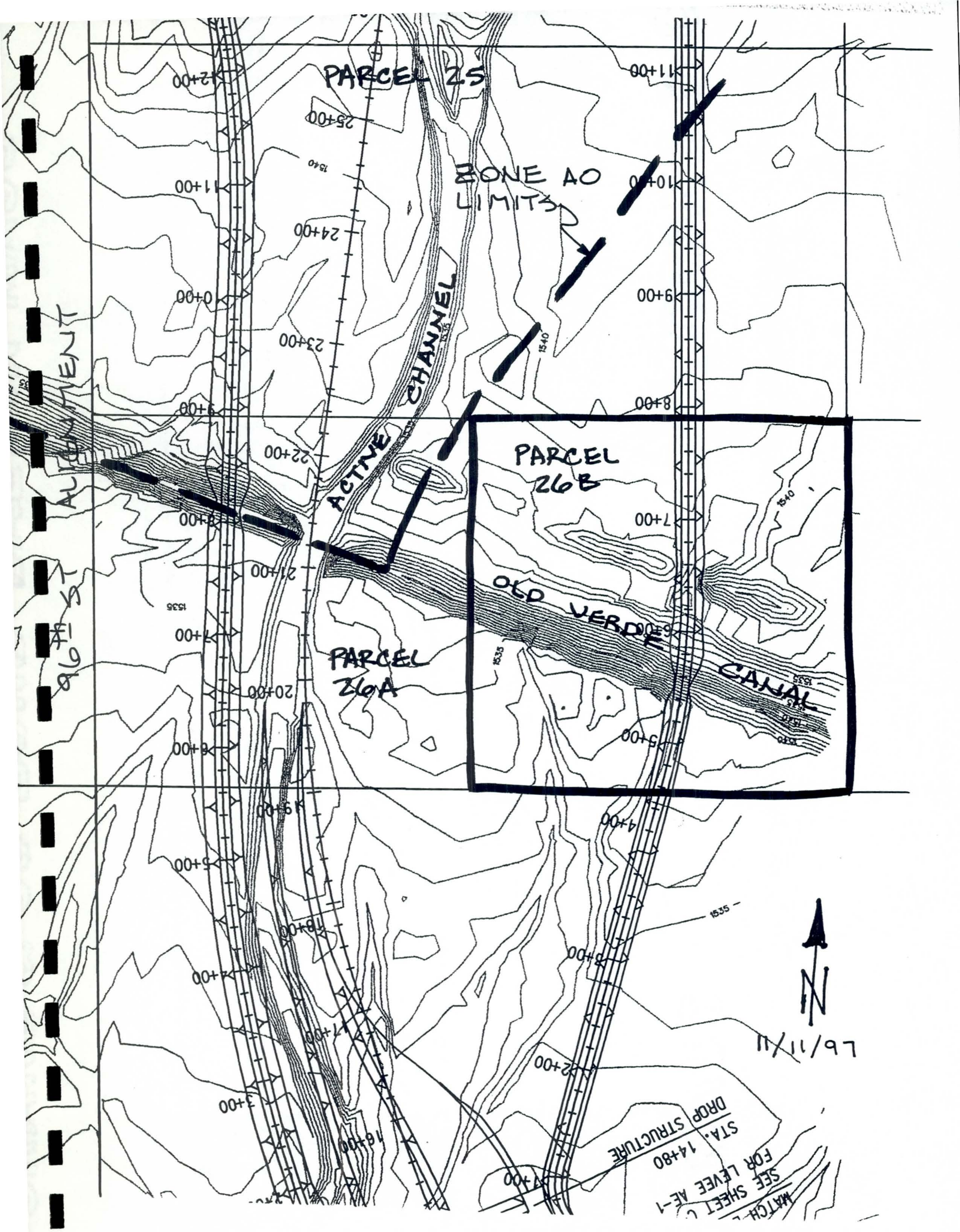
1) a temporary roadway consisting of a 20 ft wide AC pavement section would be constructed from Bell Road south along the 96th Street alignment and east 330 ft to the southwest corner of the parcel,
2) full roadway improvements would be constructed along the southerly portion of the parcel,
3) a 12 inch water line would be constructed from Bell Road south along the 96th Street alignment and east from 96th Street to the southeasterly corner of the parcel, and
4) an 8 inch sewer line will be constructed from the existing 15 inch sewer line in the West World entry road north, along the 96th Street alignment and east from 96th Street to the southeasterly corner of the parcel.

I have enclosed a copy of my $146,124.50 estimate for the off-site development cost. If you have any questions, please call me.

Sincerely,
David Evans and Associates, Inc

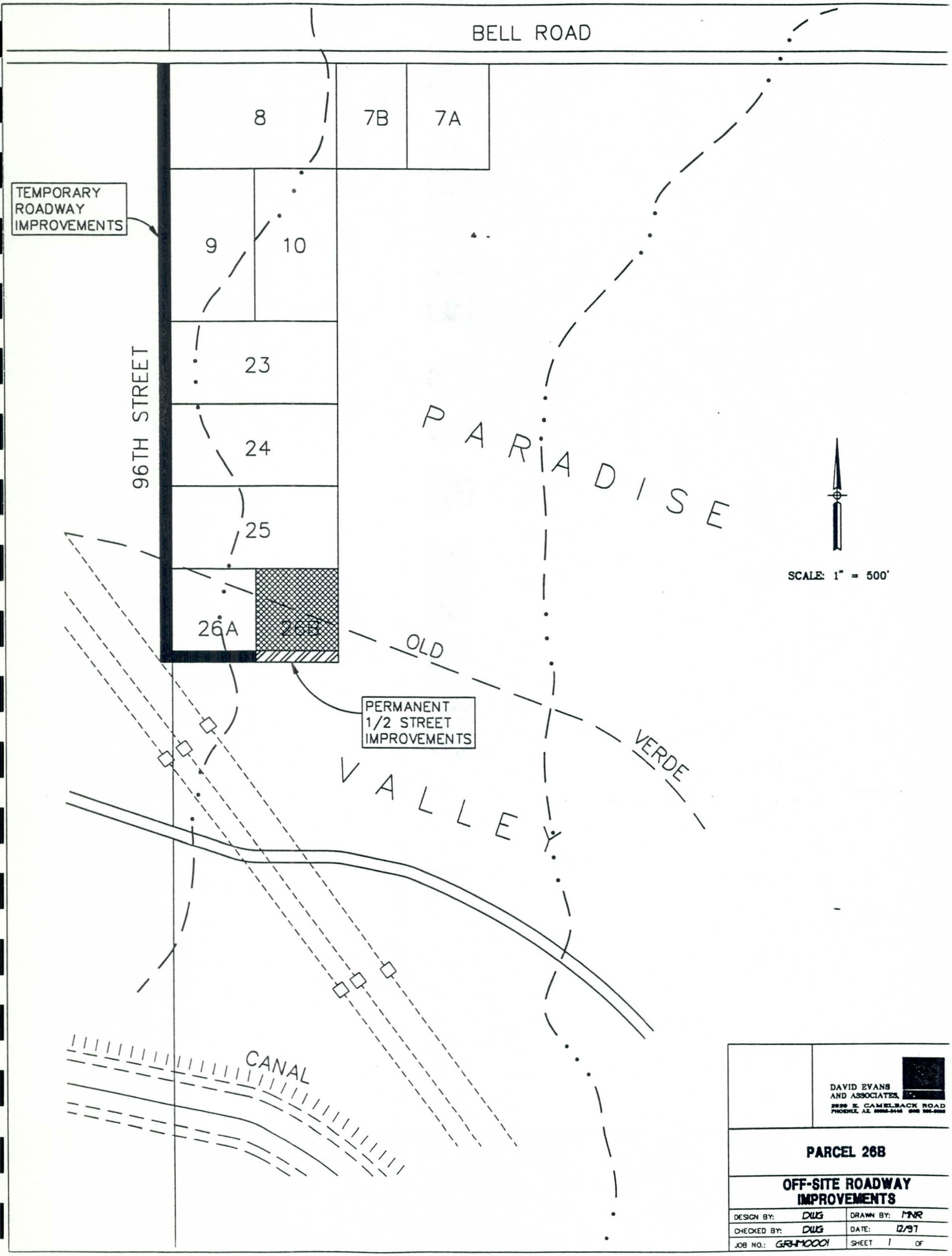
David W George

David W George, PE


PARCEL 25
ZONE AO LIMITS
ACTIVE CHANNEL
PARCEL 26B
OLD VERDE CANAL
PARCEL 26A
96th ST ALIGNMENT
1540
1535
N
11/11/97

Lower Reata Pass Wash
Parcel 26B
Estimated Development Cost
Off-site Improvements
November 7, 1997

Item No.	Item Description	Unit	Quantity	Unit Cost	Item Cost
1	Roadway Subgrade Preparation	SY	9,570	$1.50	$14,355.00
2	20' Temp Roadway AC Pavement Section	SY	660	$7.00	$4,620.00
3	6" Concrete Vert Curb & Gutter	LF	330	$5.50	$1,815.00
4	Concrete Sidewalk	SF	1,650	$1.25	$2,062.50
5	40' Permanent AC Pavement Section	SY	1,467	$10.00	$14,670.00
6	Sanitary Sewer Manhole	EA	3	$1,100.00	$3,300.00
7	8" Dia Sewer Line, PVC	LF	1,360	$7.00	$9,520.00
8	12" Valve, Box & Cover	EA	6	$1,800.00	$10,800.00
9	Fire Hydrant Assembly Complete	EA	4	$1,350.00	$5,400.00
10	Corp Stop with Flushing Pipe	EA	1	$350.00	$350.00
11	12" Dia Water Line, PVC	LF	3,300	$15.00	$49,500.00
12	Landscaping within Right-of-way	SF	5,940	$0.80	$4,752.00
13	Pavement Marking	LF	3,300	$0.10	$330.00
14	Sign with Base	EA	3	$150.00	$450.00
15	Roadway Barricade	LF	80	$5.00	$400.00
16	Water Service	EA	1	$200.00	$200.00
17	Water Meter	EA	1	$500.00	$500.00
18	Sewer Service	EA	1	$100.00	$100.00
	Sub-total of Constructed Items				$123,124.50
19	City Review and Development Fees	LS	1	$5,000.00	$5,000.00
20	Construction Documents	LS	1	$12,000.00	$12,000.00
21	Construction Management	LS	1	$6,000.00	$6,000.00
	Total Cost				$146,124.50

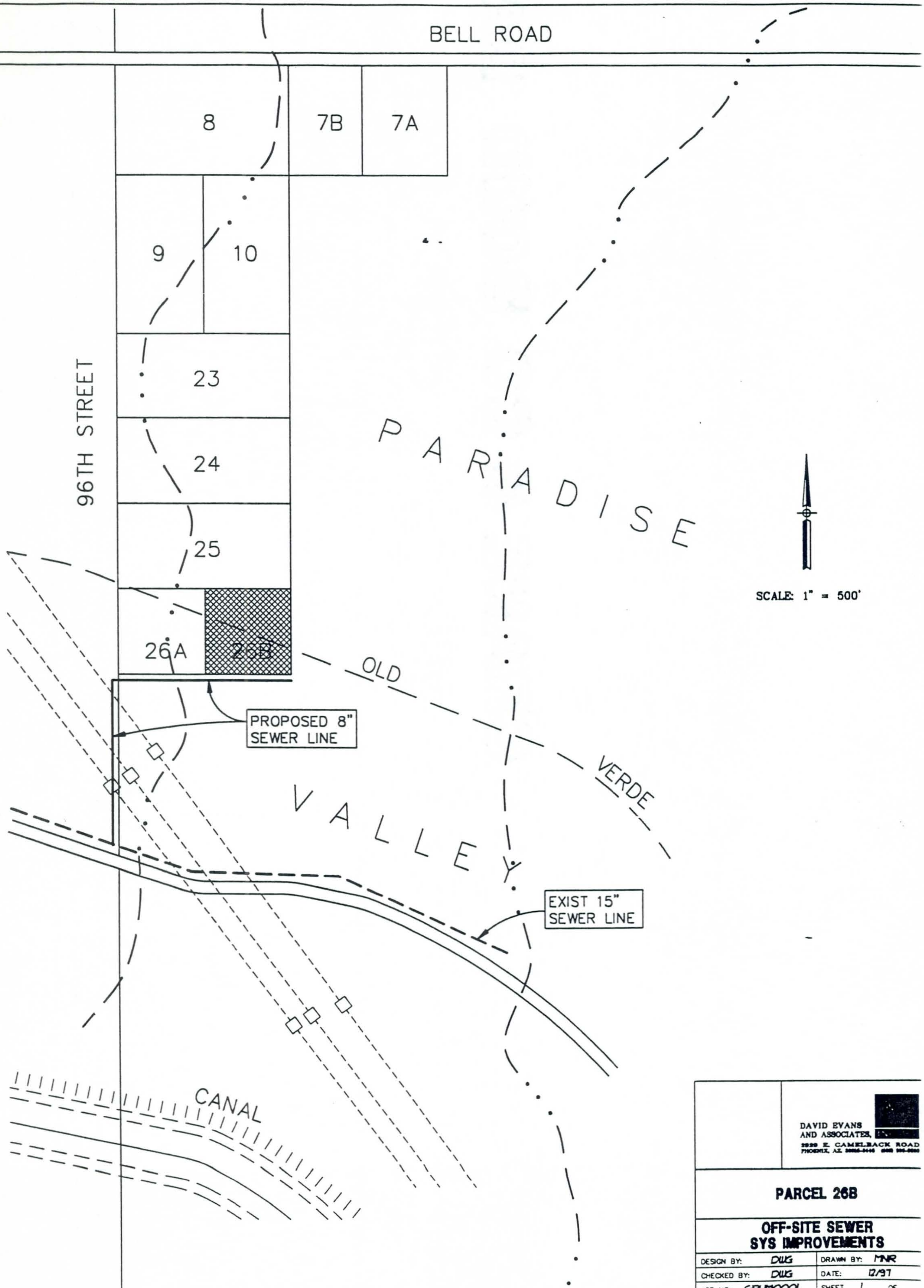


DAVID EVANS AND ASSOCIATES,
E. CAMELBACK ROAD
PHOENIX, AZ

PARCEL 26B

OFF-SITE ROADWAY IMPROVEMENTS

DESIGN BY: DWG	DRAWN BY: MNR
CHECKED BY: DWG	DATE: 12/97
JOB NO.: GRHMOOO1	SHEET 1 OF

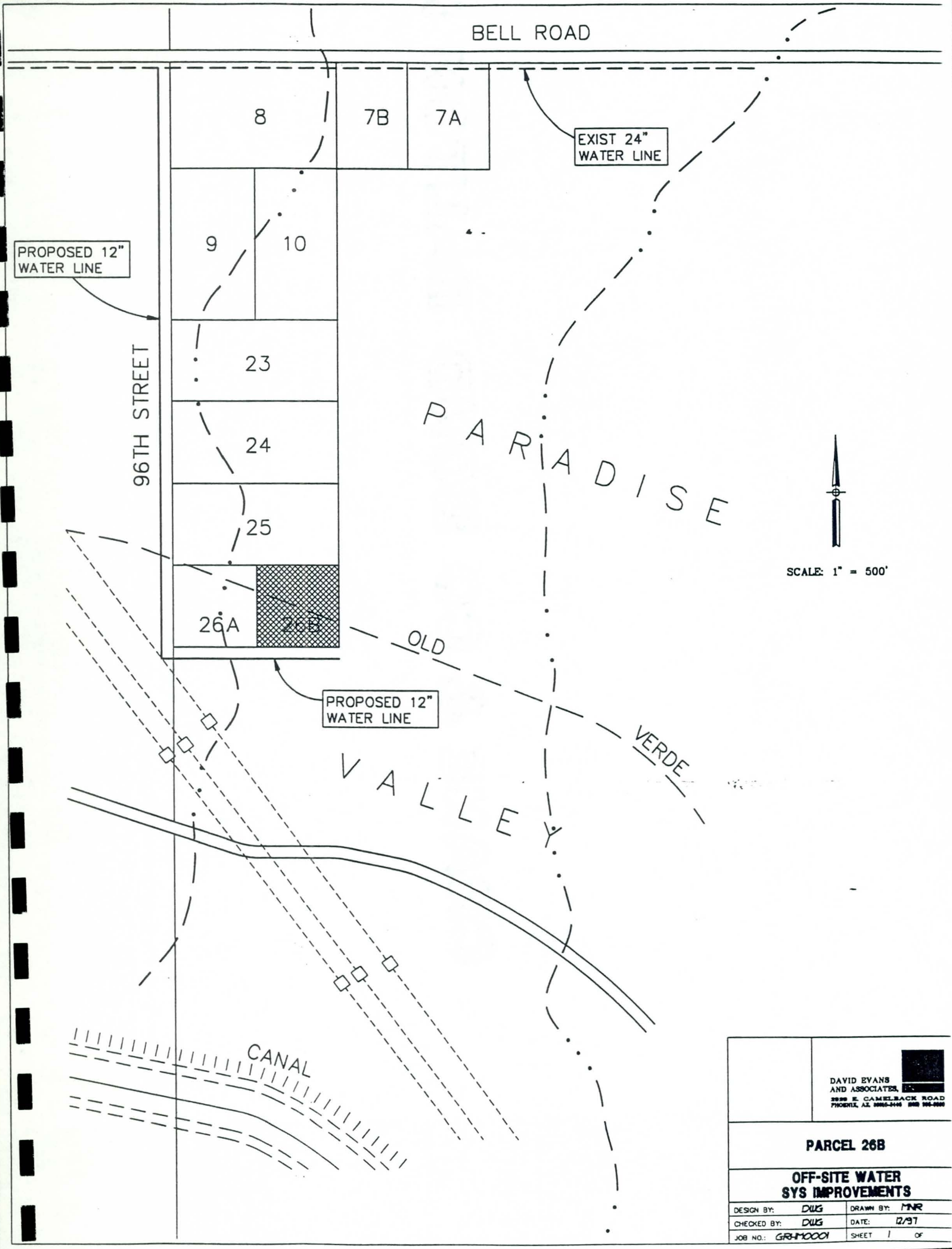


DAVID EVANS
AND ASSOCIATES,
E. CAMELBACK ROAD
PHOENIX, AZ

PARCEL 26B

OFF-SITE SEWER
SYS IMPROVEMENTS

DESIGN BY:	DWG	DRAWN BY:	MNR
CHECKED BY:	DWG	DATE:	12/97
JOB NO.:	GRHM0001	SHEET	1 OF

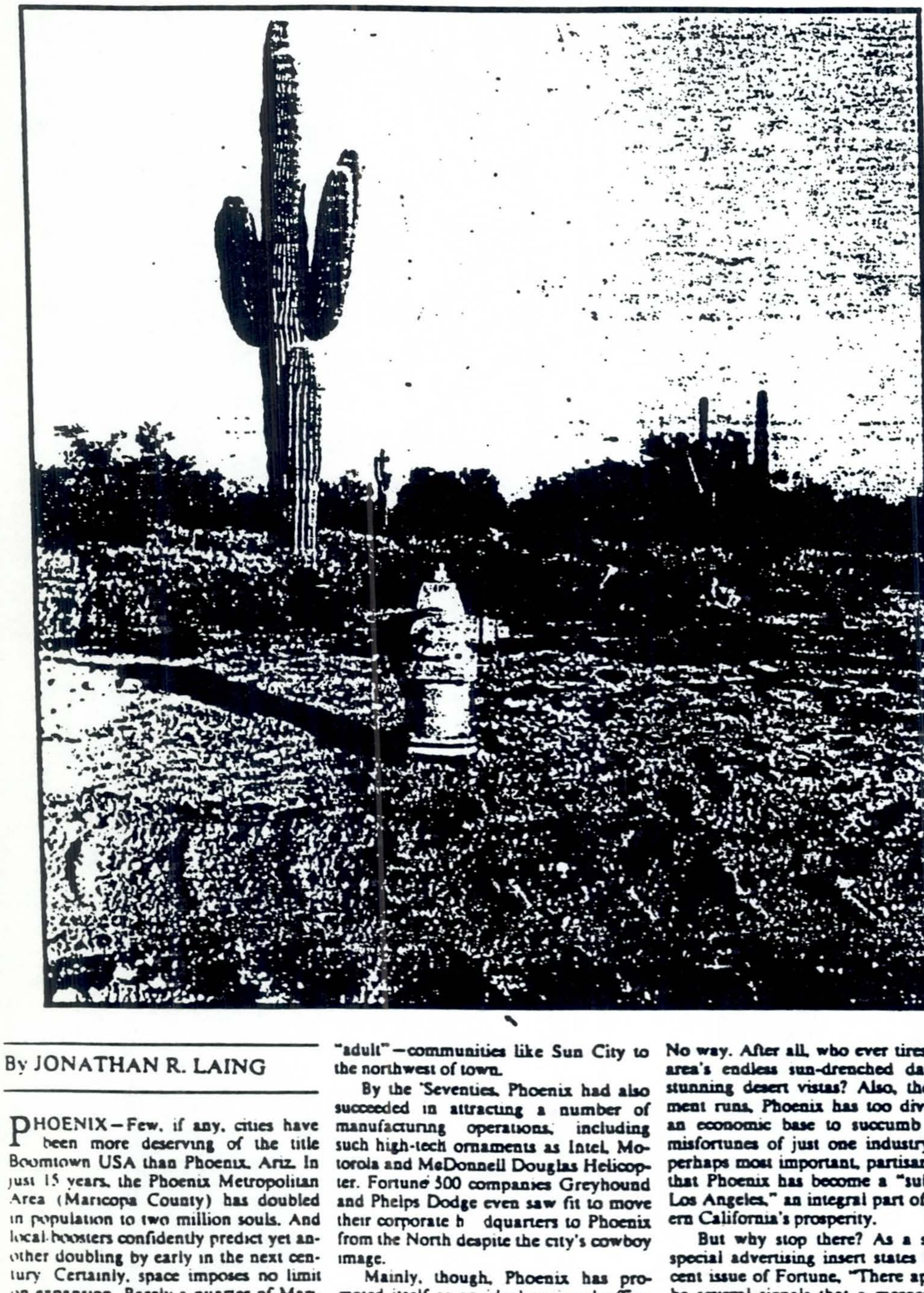


BELL ROAD
EXIST 24" WATER LINE
8
7B
7A
9
10
PROPOSED 12" WATER LINE
96TH STREET
23
24
25
26A
26B
PARADISE
VALLEY
OLD VERDE
PROPOSED 12" WATER LINE
SCALE: 1" = 500'
CANAL
DAVID EVANS AND ASSOCIATES,
CAMELBACK ROAD
PHOENIX, AZ
PARCEL 26B
OFF-SITE WATER SYS IMPROVEMENTS
DESIGN BY: DWG
DRAWN BY: MNR
CHECKED BY: DWG
DATE: 12/97
JOB NO.: GRHM0001
SHEET 1 OF

EXHIBIT E

Phoenix Descending

Is Boomtown U.S.A. Going Bust?



By JONATHAN R. LAING

PHOENIX—Few, if any, cities have been more deserving of the title Boomtown USA than Phoenix, Ariz. In just 15 years, the Phoenix Metropolitan Area (Maricopa County) has doubled in population to two million souls. And local boosters confidently predict yet another doubling by early in the next century. Certainly, space imposes no limit on expansion. Barely a quarter of Maricopa County's one hundred-mile-long Valley of the Sun has yielded to the blade of development.

Initially, Phoenix's spectacular growth was powered by tourism and the city's burgeoning population of retirees. Today, opulent "final destination" resorts stud Scottsdale, the Camelback Corridor and more remote outliers of the Phoenix area. And, of course, nothing is more "final" in destination than retirement—or in Phoenix jargon, "adult"—communities like Sun City to the northwest of town.

By the 'Seventies, Phoenix had also succeeded in attracting a number of manufacturing operations, including such high-tech ornaments as Intel, Motorola and McDonnell Douglas Helicopter. Fortune 500 companies Greyhound and Phelps Dodge even saw fit to move their corporate h dquarters to Phoenix from the North despite the city's cowboy image.

Mainly, though, Phoenix has promoted itself as an ideal regional office, distribution and manufacturing center. The cost of living is cheap (the average house price of $84,000 is less than half that of Los Angeles) and labor mostly non-union. Likewise, the huge Southern California market lies less than a full-day's truck ride away.

As a result, Phoenix looked on with a measure of smugness in the mid-'Eighties when its Oil Patch neighbors, Houston, Dallas and Denver, hit the wall. It could never happen in Phoenix. No way. After all, who ever tires of the area's endless sun-drenched days and stunning desert vistas? Also, the argument runs, Phoenix has too diversified an economic base to succumb to the misfortunes of just one industry. And, perhaps most important, partisans insist that Phoenix has become a "suburb of Los Angeles," an integral part of Southern California's prosperity.

But why stop there? As a six-page special advertising insert states in a recent issue of Fortune, "There appear to be several signals that a merger of the Phoenix [economy] with the West Coast economy—and, consequently, with the booming economy of the entire Pacific Rim—is inevitable." Taiwan and Singapore beware. Here comes Maricopa County.

Phoenix's future may indeed be as dazzling as many local developers and real-estate brokers would have one believe. But, lately, an ominous cloud has settled over the Valley of the Sun, casting a shadow over nearly every type of real estate and, by extension, the area's economy as a whole. Indeed, unmistakable signs of a deep and protracted real-estate bust are rapidly accumulating.

The problem first surfaced a few years ago in the office building, apartment and retail mall sectors where tax-shelter-driven investment unleashed a torrent of new construction activity. Office vacancy rates, for example, soared past 20% in the Phoenix area by 1986 and have remained at that level ever since, despite the 1986 Tax Reform Act, which took away nearly all the tax benefits from such categories of real estate. The absorption rate of new space simply never materialized at expected levels.

The contagion has only spread in recent months: According to Arizona State University's authoritative Real Estate Center, apartment vacancies surged to a record 17% in the second quarter. Not even the seasonal arrival of winter visitors from the North, the so-called snowbirds, has alleviated the situation much.

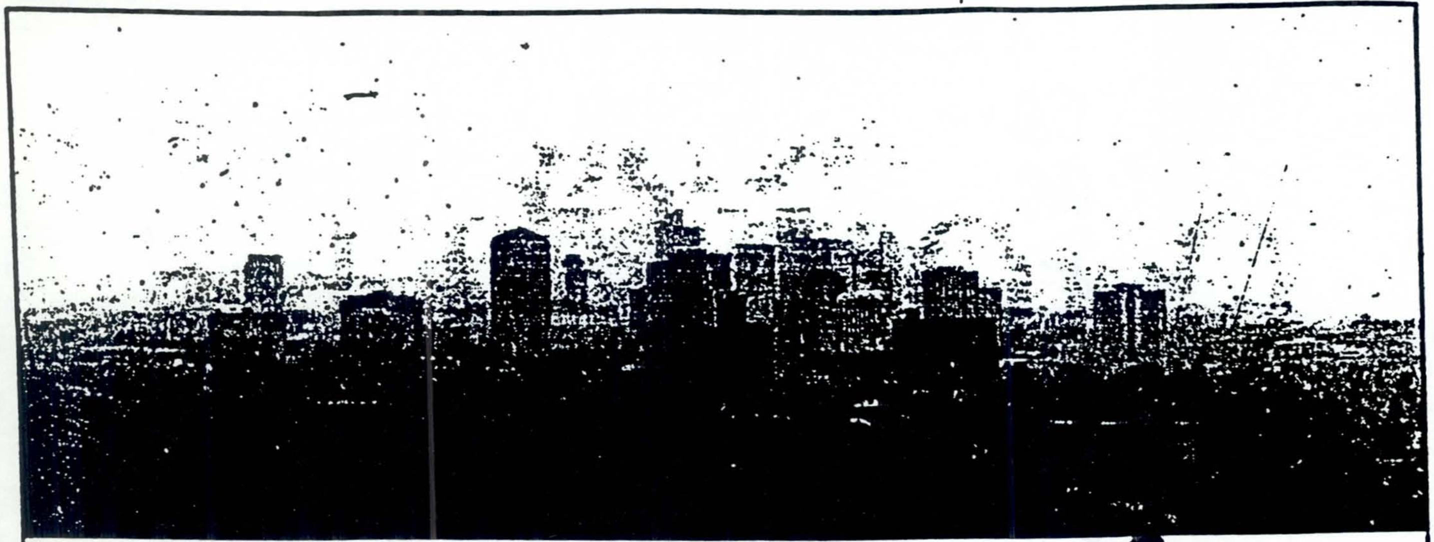
Home foreclosures in Maricopa County, as tracked by Foreclosure Update Newsletter in Phoenix, rose some 32% in the third quarter, vs. the total a year earlier. They currently account for a staggering 42% of all residential closings in the Phoenix area. Even more telling, foreclosures are occurring with the same frequency in affluent places like Scottsdale as in blighted neighborhoods of Central Phoenix, according to Foreclosure Update publisher Ralph Shattuck. In like vein, ASU's Real Estate Center estimates that a record 4% of Maricopa County's single-family homes are vacant because of foreclosure or the inability of the owner to sell or rent them. Not surprisingly, total housing starts (apartment units plus single-family homes) have nose-dived to less than half their 60,000 annual level of just three years ago.

The ripple effects of the growing bust radiate well beyond the brick and mortar or, one should say, glass, steel and mock adobe, already in place. The frothy markets of the mid-'Eighties induced syndicators, financial institutions, insurance companies, pension funds and private investors to pour billions into raw land, fired by the vision of huge mixed-use, master-planned communities. They harkened to the old saw around Phoenix, "You can never get hurt in dirt."

Evidence gleaned during a leisurely car trip around Maricopa County argues otherwise, though. One is greeted periodically by large billboards miles beyond the periphery of existing development, heralding the location of yet another future planned community. Sometimes, such as at Tatum Ranch in north Phoenix, one finds the "amenity package" of artificial lakes, a golf course and infrastructure of streets already in place. But there are no houses.

More often, though, the developments consist of nothing but virgin desert, presided over by giant cactuses or row upon row of empty recreational vehicle pads. Ghost towns, 'Eighties-style.

Nobody can actually tell what raw land prices are doing these days, especially in remote areas of Maricopa



County. New buyers have largely disappeared. The only thing that is surely rising, of course, are the cost bases of the landholders, while they anxiously await the arrival of homebuilders, or "vertical developers," as they are known in Phoenix. The inexorable law of compounding interest and other operating costs assure that.

Raw land expenses aren't always trivial, either. A landowners group grandly called the Sun Valley Owners Association is on the hook for a recently completed, $85 million freeway and eight-lane interchange that runs through their 48,000-acre tract behind Phoenix's White Tank Mountains. The SVOA envisions a 300,000-person, master-planned community sprouting one day from this forbidding moonscape. The organization even took out a full-page ad in the special Fortune section bannering that "America's fastest growing city can grow only in one direction—ours."

Perhaps so. But when? For Sun Valley lies miles from civilization and probably won't be developed for decades unless the Chiracahua Apaches happen to hit oil and simultaneously develop a passion for golf and $200,000 tract homes. In the meantime, the 30-mile highway is a road to nowhere, and some members of SVOA already appear to be choking on the debt. Several are delinquent on their latest payments to the highway bondholders, and one owner syndicate recently filed for Chapter 11.

Publicly-traded companies are feeling the impact of Phoenix's deepening real-estate debacle. Case in point: Arizona Public Service, the state's largest electric utility. Several years ago, it went on a diversification spree after finding itself with ample generating capacity and swimming in free cash flow. Among other things, the utility paid more than twice book value, or $426 million, in late 1986 to acquire Arizona's biggest thrift, MeraBank, and invested some $450 million in mostly undeveloped Phoenix-area land. The timing was exquisite. The company caught the very peak of the Phoenix real-estate market.

The enormity of it all hit home this October when the utility's new holding company, Pinnacle West Capital Corp., shocked investors by announcing the likelihood of a cut in its 70-cent quarterly dividend early next year because of inadequate operating earnings. Two weeks later, Pinnacle reported a 37% drop in third-quarter earnings. The main culprits were a $46 million after-tax write-down of real estate held by Pinnacle's development arm, SunCor, and a fall in loan originations and a rise in loan delinquencies at MeraBank. The stock fell like a stone from around $23 before the October dividend disclosure to $15 a share late last month. Earlier this year, the shares had reached nearly $30. Clearly, dirt can hurt.

And, of course, when blood starts to run in a real-estate market, local thrifts are usually the major donors. Problems in the Phoenix savings and loan industry are mounting daily. Two Scottsdale-based institutions, Security Savings & Loan Association and Universal Savings & Loan Association, have been operating under federal supervision for some months. Universal, for example, was declared insolvent this May after state banking regulators determined that an epic 30% of its loans were non-performing (meaning they were more than 90-days past due in interest or principal payments).

But $6.2 billion Western Savings & Loan of Phoenix, Arizona's second largest thrift, deserves special mention. The thrift is an old acquaintance of *Barron's*. In July 1986, a story in this magazine cast a skeptical eye at the then high-flying Western in describing its Evel Knievel lending and investing practices and Alice In Wonderland accounting.

Its fall from grace since then has been anything but pretty. Loan delinquencies and foreclosures (more than 2,000 currently in Maricopa County alone) have jumped so sharply that, in this year's first nine months, the association was able to eke out just $5.5 million, or 30 cents a share, in profits, by selling off a major portion of its branches and a money-making water company. Its shareholders' equity would vanish were the thrift ever to value its securities investments at market rather than cost.

And the red ink is expected to really flow in the fourth quarter, as a result of a recently-completed Federal Home Loan Bank examination of Western's $581 million worth of raw land and other direct real estate investments. At the same time, three members of Western's founding Driggs family, which owns more than 20% of the stock, suddenly resigned their executive positions two

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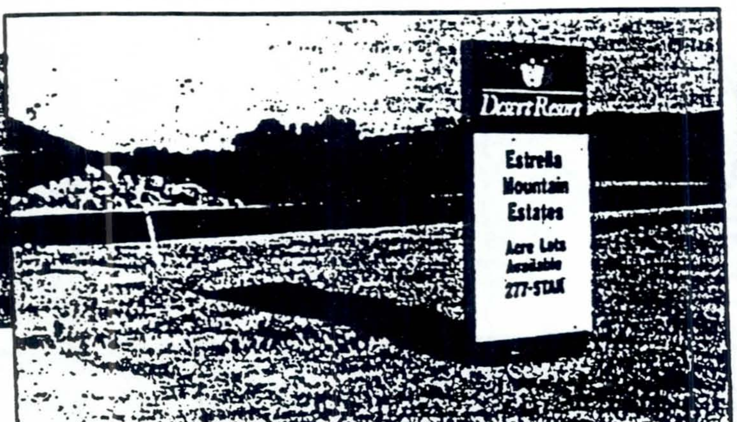

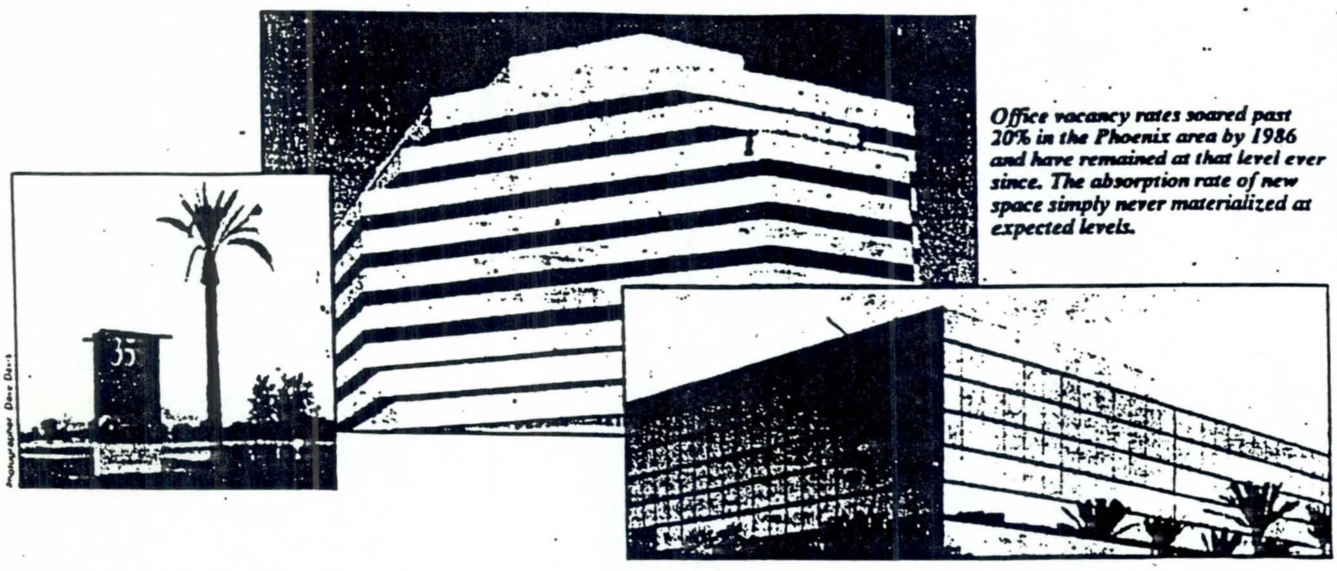

Office vacancy rates soared past 20% in the Phoenix area by 1986 and have remained at that level ever since. The absorption rate of new space simply never materialized at expected levels.

Photographer: Dave Davis

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thrifts have almost the same profile as the Texas institutions a few years ago," Rickmeier asserts.

The seeds of Phoenix's current problems lie in a dramatic and yet subtle shift in migration patterns. In the 1984-87 stretch, net in-migration to Maricopa County averaged about 60,000 a year, peaking at 68,000 in 1986. Many of the new arrivals were refugees from the then-depressed Midwest Farm and Rust Belts who selected Phoenix in preference to overcrowded California and the Oil Patch. The migrants were surprisingly affluent. Some were middle managers forced into early retirement by corporate restructurings and downsizings. This population surge, in turn, fueled a construction and employment boom.

But the population surge died almost as quickly as it had materialized. This year, net in-migration has plummeted to under 20,000. The Rust Belt is humming again, and apparently a number of Midwesterners prefer real manufacturing jobs in the North to managing 7-Elevens in the Sun Belt.

And retirees and snowbirds don't appear to be taking up the slack. Increasingly, they seem to be opting for more elevated and less-congested climes like Prescott and Lake Havasu City in Arizona and retirement communities in New Mexico. After all, what's the difference between a retired person living under virtual house arrest during Chicago's icy winters or Phoenix's torrid and increasingly humid summers?

At the same time, the Phoenix economy is languishing despite strong economic growth in most other areas of the U.S. For one thing, overbuilding has cost Phoenix some 20,000 construction jobs in the past two years. Fewer governmental employees, retail clerks, hospital employees and the like are required to serve new arrivals. Samaritan Health Service, Circle K Corp., and a number of financial institutions have all made employment cutbacks. So has the publisher of the Arizona Republic and Phoenix Gazette. Advertising revenues are down, in part, because of fewer real-estate ads.

More ominous, Phoenix's high-tech sector seems to be shrinking, too. Motorola recently announced plans to pare 600-800 workers. Intel has consolidated its Phoenix operations. Most disturbing, though, was IBM's decision last summer to phase out all manufacturing operations in Phoenix's neighbor to the south, Tucson, resulting in the transfer of 2,800 positions. Much of the production was moved to San Diego, in a decided blow to Phoenix's suburb-of-Southern-California aspiration.

For all its pretension to major city status, Phoenix remains a locale arrested in development between brash adolescence and adulthood. The city can be both charming and exasperating. But the one constant that binds virtually everyone in the area is an unshakeable faith in the future expansion of Phoenix. Yet that growth is, by no means, assured.

Transportation, for example, has become an increasing headache as Maricopa County has mushroomed. Only now is Phoenix starting to meet the issue by building some 250 miles of parkways and highway loops. Interstate 10 from Los Angeles only recently was extended to downtown Phoenix. The city will never be a transportation hub like, say, Atlanta or Indianapolis because of its remoteness from other major population centers.

Downtown, even with all its hotel and office construction in recent years, projects a somewhat seedy ambiance. At night, it's all but deserted. Skeptics claim that not even the planned addition of a third "convention-class" hotel, Mercado shopping mall and theater district will matter much. Meanwhile, the stately old Westward Ho Hotel sits seemingly alone in its memories of all the swing bands and servicemen who crowded it during World War II. It's now a senior citizen facility.

Despite all the talk of its growing manufacturing muscle, the Phoenix economy remains largely service-oriented, dependent on the health of its resort, retirement and retail industries. As a result, Phoenix has to reinvent itself constantly through marketing to keep outsiders pouring in to Maricopa County. The task is daunting. For there's nothing that distinguishes its seemingly ubiquitous shopping malls, boutiques and resort golf courses from those in other Sun Belt areas. And increasing big-city problems like air pollution, traffic congestion and humidity from all the new golf courses and artificial lakes don't help in the effort to attract new blood.

In the end, Phoenix is proving to be as much a one-industry town as Houston or Denver, though the locals are only now waking up to that fact. The industry isn't oil, of course. It's growth. For if one totes up all the construction workers, real-estate brokers and syndicators, insurance salesmen, architects, appraisers, bankers and thrift operatives and government employees directly involved in new construction, the number comes to nearly 20% of the work force. Likewise, growth, more than any other element, creates the illusion of prosperity in Maricopa County. In actuality, per-capita income in the Phoenix area has rarely matched and usually trails the national average for metropolitan areas.

For the $11.1 billion Valley National Corp., holding company for the once-venerable Valley National Bank, the Phoenix real-estate bust has been a little shop of horrors. Its real-estate woes have resulted in huge charge-offs against earnings for possible loan losses over the past two years. Currently, delinquent real-estate loans account for $217 million of the $395 million total of non-performing loans.

Elliot Rosen, Valley National's vice president for investor relations, was decidedly upbeat during a recent telephone interview. Not only have Valley's non-performing real-estate loans "plateaued," in his estimation, but the institution's $150 million domestic loan-loss reserve is more than adequate to handle any current or anticipated problems. He explained that Valley had gone through an agonizing and cathartic reappraisal of its real-estate loans, adjusting their values to the current market. "One must remember that the potential loss on a property or parcel of land is a lot less than, say, the inventory of some company we may have lent to which later went bankrupt," he contended.

A lot of Texas banks and thrifts might argue that point. "But Phoenix isn't the economic abyss that Texas became," he added smoothly, anticipating our cavil.

However, Valley National's real-estate problems may be far from over. The bank rolled into the real-estate lending game late in the cycle, after prices—and therefore loan values—had been bid up to inflated levels. And Ozzie and Harriet home loans and permanent mortgages on commercial properties represent only about half the bank's $2.1 billion real-estate portfolio. The rest, some $1.1 billion worth, consists of far riskier construction and development loans on office buildings, residential subdivisions, retail malls, apartments and the like. Over half of these loans are backed by vacant land or, in one case, just a hole where construction on a large office building has been halted.

"Those dirt loans are a bunch of time bombs that are going to keep detonating unless Phoenix makes a miraculous recovery soon," claims a source with close knowledge of Valley's loan operations. "On many of them, Valley made loans at 100% of inflated appraised values and threw in a couple of years of interest carry and expenses on top. With frequently minimal improvements to the land, recoveries are likely to be lousy."

Valley already has suffered some nasty explosions. Last month, the bank initiated foreclosure proceedings on 75 acres in Tempe that had been zoned for a 300,000-square-foot retail center, seven-story hotel and several mid-rise office buildings. The property originally was appraised at around $15 million, and Valley lent the developer, Dorothea Watkins, $22.2 million. According to local press reports, the loan included coverage for two years of interest payments and other expenses. The project never got under way, though, and loan payments ceased soon after the interest carry period ran out. The loan was classified as a non-performer in the second quarter.

Currently, Valley has classified only $100 million of its $550 million land and development loans as non-performers. More hits could put a nasty dent in its $607 million net worth.

For the widows and orphans who may have invested in Pinnacle West Capital because of the presumed earnings and dividend stability of its electric utility unit, Arizona Public Service, one can only hope that the Phoenix real-estate market improves. As mentioned above, the poor performance of its thrift, MeraBank, and hefty charge-offs by its SunCor Development arm will force Pinnacle to slash its quarterly dividend early next year.

John Ogden, SunCor president and CEO, insists that the $71 million pre-tax charge that

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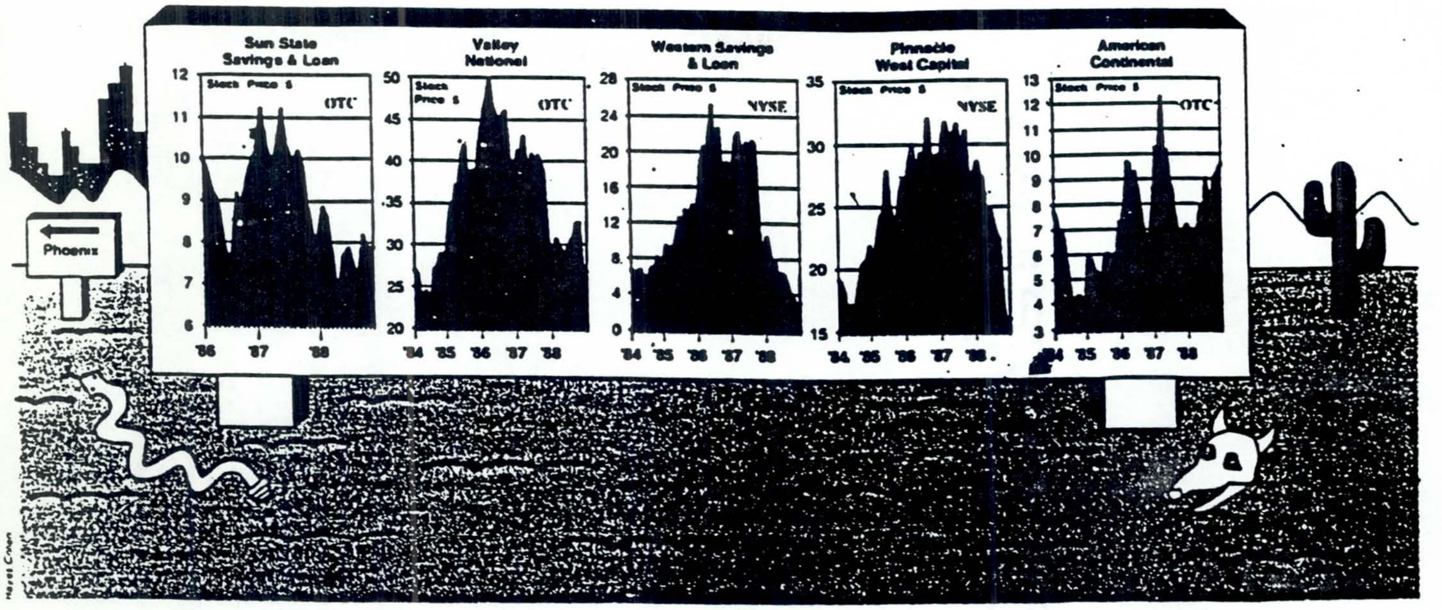

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Pinnacle took on SunCor's $450 million Phoenix real-estate portfolio probably will be adequate. The aforementioned ghost town at Tatum Ranch in north Phoenix will soon be bursting with activity, says Ogden. Streets and sewers are now going in. Two homebuilders plan to put up models before the end of the first quarter. Yet the project is hardly, in the parlance of Phoenix developers, "blowing and going." Rather than buying the land outright, the builders have taken out "rolling options" on their parcels. "That's what happens in a weak market," Ogden explains. The third quarter reserve charge chopped the assumed value of Tatum some 40% below SunCor's original price and lengthened the project's expected completion period from three years to eight.

SunCor also has given up its dream of a regional mall on 500 acres in Tempe, for which it paid top dollar in 1986. Another developer, Westcor, beat it to the punch. A write-down of about a third was reserved against the project. The land's best use now is as an "auto mall" and a less ambitious shopping center.

The only property to escape the auditor's knife was SunCor's giant $220 million, 12,000-acre acquisition in Phoenix's West Valley that includes the Wigwam Resort and miles of cotton fields and vacant land. SunCor envisions a master-planned community of 100,000 sprouting there one day, along with malls, industrial facilities and offices. And even some skeptics think that the property's cost basis is low enough and its location near enough to I-10 and the periphery of current development to succeed. Success depends on whether Phoenix continues to expand at its historic pace, though. That's a big if.

MeraBank's future earnings contribution also is suspect. The thrift generally is considered well-run. But it, like virtually all its competitors, has a lot of troubled real-estate loans.

In any case, the synergy envisioned by Arizona Public Service just two years ago—SunCor developing huge mixed-plan communities that would boost electric usage and create mortgage and loan demand for MeraBank—will remain a dream deferred.

Phoenix is the Naked City when it comes to unusual and fascinating tales on the thrift industry front. For these institutions are sitting in the very eye of the developing real-estate hurricane. But, perhaps, none of the stories quite matches that of Sun State Savings & Loan.

The Scottsdale-based thrift was a prime beneficiary of the Phoenix real-estate boom of the mid-'Eighties, growing lustily to over $1 billion in assets just eight years after its founding. Though aggressive lenders, Sun's managers always watched costs closely, controlled liabilities well and avoided the pitfall of pell-mell branch expansion. But unfortunately, the institution got caught up in real-estate mania.

This year, the red ink is starting to gush as a consequence of mounting provisions for possible loan losses and problems in the thrift's portfolio of real-estate joint ventures. In the third quarter alone, Sun foreclosed on $47.7 million worth of properties. That's a hefty total for an institution with shareholder equity of just $43.5 million.

More problems may lie ahead. As of Sept. 30, land acquisition and development loans comprised roughly a third of Sun's $771 million loan portfolio. This riskier loan segment stands at an awesome 550% of net worth, not comforting in a tumbling real-estate market.

Compounding its woes, the thrift's stock is under attack. Last month, the short position in Sun was one of the largest percentage gainers on Nasdaq.

Yet with all of this, a would-be white knight suddenly appeared two months ago, in the person of 33-year-old David Maniatis. The local syndicator, who along with friends and relatives owns some 24% of Sun State stock, announced an $11-a-share takeover bid. The contingency-laden offer was then summarily dismissed by Sun's board because of its vagueness. The suitor didn't help his case much when he said that margin calls on his group's current position were beginning to pinch them some. The stock was then trading around $7, a couple of bucks below their cost basis.

Charles H. Keating Jr.

But the latest twist in the Maniatis Group's hijinks is, perhaps, the most amusing. Earlier this month, the group trotted out a "highly confident" letter from the Chicago brokerage house Blunt Ellis & Loewi.

We quote: "Based on current market conditions, our understanding of Sun State's financial condition and operations from reviewing publicly available documents, and certain assumptions and representations the [Maniatis] Group has made regarding the value and disposition of certain of Sun State's real-estate assets (which assumptions and representations we have not independently reviewed or formed an opinion on as to their reasonableness), we are highly confident that such a transaction can be structured."

It was truly such boldness that conquered the West and put Man on the moon.

No story about Phoenix would be complete without some mention of American Continental Corp., a controversial financial-services company based here. Since its 1984 acquisition of Lincoln Savings & Loan Association of Irvine, Calif., it has gunned the thrift to the very fold of the financial envelope by using Lincoln's insured deposits for everything from land speculation and real-estate development to junk bonds, LBO financings and futures speculation. Lincoln has provided some 90% of American's assets and revenues.

The central figure in the company is a lanky 65-year-old named Charles H. Keating Jr. His battles with federal-regulators have been the stuff of legend. Earlier this year, he used his considerable political stroke to get supervision of Lincoln switched from the Federal Home Loan Bank's San Francisco Region to Washington, D.C. According to published reports, the regional auditors, following a stormy two-year audit, had tried to force write-downs of Lincoln's assets that would have pushed the thrift's capital below required regulatory levels.

Of late, American Continental's regulatory problems have been the least of its worries. The company has been losing money—some $36 million in the nine months ended Sept. 30. Big Eight auditing firm Arthur Young & Co. quit in a disagreement over a capital gain American Continental tried to claim to boost third quarter results. The company's balance sheet seems to get more jerry-built by the quarter, even by New Age financial standards. Just $95.2 million of net worth holds up a crushing $6.9 billion in high-risk assets. The stock has been under mounting attack by short sellers despite the company's jihad against the bears.

But more than anything else, it's American Continental's massive real-estate exposure in the sliding Phoenix market that, perhaps, is cause for concern. For one thing, over half of Lincoln's approximately $1 billion in land acquisition, development and construction loans are in the Phoenix area. Even under the best of circumstances, these loans are prone to inherent problems like faulty appraisals, construction delays, negative cash flows, leasing problems and difficulties in obtaining permanent mortgage financing. All this and more is

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- **Phoenix Technologies (PTEC-OTC)**
  by Montgomery Securities (Nov. 9)

It holds a central position as a key system software supplier for the dynamic personal-computer market, particularly in the rapidly growing market for high-performance microprocessor-based machines such as the Intel 80386. The company also continues to solidify its position in the emerging marketplace for workstation-compatibility software and advanced peripheral technology.

- **Pulitzer Publishing (PLTZ-OTC)**
  by A.G. Edwards (Nov. 7)

Buy. In spite of the flat comparisons reported in the 1988 third quarter, EPS for full-year 1988 are expected to be up 21.1%, vs. 10% for the industry. Pulitzer's good earnings performance is expected to primarily reflect: (1) lower interest expense due to the company's debt-reduction program, (2) lower amortization expenses, and (3) a lower corporate tax rate (42.2%, vs. 46.5% a year earlier).

- **Santa Fe Southern Pacific Corp. (SFX-NYSE)**
  by Dillon Read (Nov. 30)

Buy. We have lowered our 1988 earnings estimate from 52 cents a share to 47 cents, primarily because of low oil prices. Our 1989 estimate has been raised to 72 cents a share from 47 cents to reflect improving prospects at the railroad. It should benefit from increased export grain traffic as a result of the recent extension of the long-term grain agreement between the U.S. and the Soviet Union and an upward revision in our expectations regarding real-estate sales.

- **Summit Bancorp. (SUBN-OTC)**
  by Ryan Beck &.Co. (Nov. 17)

It is the sixth-largest independent bank holding company in a market that has witnessed significant consolidation, intrastate and interstate. Should Chemical Banking Corp. consummate its acquisition of Horizon Bancorp, Summit will become the fifth largest independent banking corporation in New Jersey. Future acquisition activity by out-of-state institutions seeking a major presence in the desirable New Jersey market is anticipated.

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occurring in the Valley of the Sun.

And then there's American Continental's $900 million in indirect real-estate investments, much of which is raw land acquired for development and speculation. Most of this exposure is also in—you guessed it—the Phoenix area.

The most massive project is a 20,000-acre tract in the Sonora Desert southwest of Phoenix, called Estrella. The company's master plan contemplates a community of 200,000 residents, several golf courses, a 400-room resort, schools, shopping malls, a hospital and job-producing commercial and industrial facilities a tasteful five miles or so away. American Continental owns up to having laid out some $70 million for building roads, bridges, grades, large artificial lakes and a community center. The company actually has spent twice that total, some observers estimate.

Nevertheless, builders don't seem to be beating a path to Estrella. Sales of large parcels have plummeted in the last year. Individual lots are barely moving. There are almost no signs of construction beyond a few American Continental crews laying cable. In short, Estrella is a Potemkin Village, where development consists of just signposts rather than false fronts.

The jewel of American Continental's Phoenix investments would have to be its new, 55%-owned Phoenician Resort at the foot of Camelback Mountain. Keating spared no expense on the 605-room facility and 130-acre grounds. The decor, a combination of Indian motifs and Louis Quinze, can, perhaps, best be described as Arizona Post-Baroque. The company advertises the cost of the Phoenician in its brochure at $300 million, though the real figure is closer to $240 million, according to Robert Kielty, the company's senior vice president and general counsel. Keating even named the night club, Charlie Charlie's, after himself, and the continental restaurant, Mary Elaine's, after his wife.

So far, occupancy has been above expectations, and advance bookings for 1989 have been strong, says Kielty. The other luxury resorts in the area like the Arizona Biltmore may be hurting because of the recent surge in new deluxe hotel capacity, but not the Phoenician, insists Kielty.

And indeed, things may be going swimmingly at the Phoenician. But there's at least one circumstance that Kielty somehow forgot to mention. Some $20 million in mechanics' liens have been filed against the resort by a gaggle of contractors who helped build it, but haven't been paid. The total is mounting daily.

Obviously, tough times require tough measures. ■

EXHIBIT F

NO. 1, A LAND PURCHASE

Location:	West side of 92nd Street Alignment, 1,093 feet south of Bell Road
Tax Parcel Number:	217-13-015
Seller:	Lewis
Buyer:	Gentry
Sale Date:	07/02/85
Recording Date:	07/85
Instrument No.:	85-0311672
Land Size:	5 Gross Acres
Zoning:	R1-35
Sale Price:	$350,000
Terms:	Deed of Trust for $310,000
Price/SF:	$1.61
Confirmed By:	PGJ & GNZ
Confirmed With:	Public Records
Confirmation Date:	03/96 & 05/97
Buyer Profile:	Investor

COMMENTS:

Included in Improvement District.

APN	Dckt. No.	Dckt. Page	Sale Date	Deed/ Trust	Grantor	Grantee	Price	Price/SF
217-14-015	85030	7344	07/85	D	Hooper	Bordonaro, Richard	$200,000	$.92
217-14-015	87041	8562	06/87	D	Rosselle EtAl	Bordonaro, Richard	$133,333	$.61
217-14-015	87068	9852	11/87	D	Bordonaro	Elson, James	$405,000	$1.86
217-14-015	92017	5236	12/91	D	Bordonaro	Siler, Kenneth	$205,000	$.94
217-14-015	92017	5237	12/91	D	Siler	Landmark Prop	$275,000	$1.26
217-14-015	95031	1757	05/95	D	Hooper	Bell 99	$272,950	$1.25

As seen, the price seems to have gone up and down. Hooper acquired this parcel, possibly as a homestead, 30+ years ago. Hooper sold it in July 1985 for $200,000, on terms. Subsequent sales were subject to the Hooper lien and, according to Rene Kollinger, Mrs. Hooper's broker, Mrs. Hooper had to sue in order to regain title. She then re-sold the parcel in May 1995 for $272,950; on short terms.

NO. 2, A LAND PURCHASE

Location:	West side of 96th Street, 2,457 feet south of Bell Road
Tax Parcel Number:	217-13-041B
Seller:	North Scottsdale Equestrian Park Investors L.P.
Buyer:	North Scottsdale Horsemans Park L.P.
Sale Date:	09/08/86
Recording Date:	09/15/86
Instrument No.:	86-496515
Land Size:	5.47 Gross Acres
Zoning:	R1-35
Sale Price:	$330,336
Terms:	$132,564.20; Seller Deed of Trust
Price/SF:	$1.39
Confirmed By:	PGJ & GNZ
Confirmed With:	Public Records
Confirmation Date:	03/96 & 05/97
Buyer Profile:	Investor

COMMENTS:

In Bell Road Improvement District.

NO. 3, A LAND PURCHASE

Location:	West side of 99th Street, 811 feet south of Bell Road
Tax Parcel Number:	217-14-014
Seller:	North Scottsdale Equestrian Park Investors L.P.
Buyer:	North Scottsdale Horsemans Park L.P.
Sale Date:	09/08/86
Recording Date:	09/15/86
Instrument No.:	86-496511
Land Size:	5 Gross Acres
Zoning:	R1-35
Sale Price:	$325,806
Terms:	See Comments
Price/SF:	$1.50
Confirmed By:	PGJ & GNZ
Confirmed With:	Public Records
Confirmation Date:	03/96 & 05/97
Buyer Profile:	Investor

COMMENTS:

In Bell Road Improvement District. Public records indicate: 1) a Deed of Trust for $71,064.96 on 08/13/96; 2) a 02/85 transaction, Thornburn to North Scottsdale for $200,000; and, 3) a 02/84 transaction, McMillan to Thornburn for $87,000.

NO. 4, A LAND PURCHASE

Location:	East side of 91st Street, 432 feet south of Bell Road
Tax Parcel Number:	217-13-013
Seller:	Bell
Buyer:	R.W.M.G.
Sale Date:	12/29/86
Recording Date:	01/09/87
Instrument No.:	87-013166 (courtesy recording)
Land Size:	5 Gross Acres
Zoning:	R1-35
Sale Price:	$805,860
Terms:	$564,120 Deed of Trust (seller)
Price/SF:	$3.70
Confirmed By:	PGJ & GNZ
Confirmed With:	Public Records
Confirmation Date:	03/96 & 05/97
Buyer Profile:	Investor

COMMENTS:

In Bell Road Improvement District. Public records indicate that on 12/11/85, parcel was purchased by Bell for $500,000 ($2.30/SF) subject to a $250,000 Deed of Trust.

NO. 5, A LAND PURCHASE

Location:	West side of 99th Street, 2,471 feet south of Bell Road
Tax Parcel Number:	217-14-001
Seller:	Bell
Buyer:	North Scottsdale Horsemans Park L.P. IV
Sale Date:	04/01/87
Recording Date:	02/26/88
Instrument No.:	88-089698
Land Size:	5 Gross Acres
Zoning:	R1-35
Sale Price:	$315,000
Terms:	Deed of Trust (related 3rd party?), $128,633.34
Price/SF:	$1.45
Confirmed By:	PGJ & GNZ
Confirmed With:	Public Records
Confirmation Date:	03/96 & 05/97
Buyer Profile:	Investor

COMMENTS:

In Bell Road Improvement District. Public records indicate prior purchase by seller in 09/86 for $315,428.

NO. 6, A LAND PURCHASE

Location:	East side of 99th Street Alignment, 1,800 feet south of Bell Road
Tax Parcel Number:	217-14-031
Seller:	Kennedy
Buyer:	Scottsdale-Bell-100 Partnership (Thornburn)
Sale Date:	01/89
Recording Date:	06/07/89
Instrument No.:	89-260657
Land Size:	5 Gross Acres
Zoning:	R1-35
Sale Price:	$315,250
Terms:	$22,250, cash down, new loan from seller
Price/SF:	$1.45
Confirmed By:	PGJ & GNZ
Confirmed With:	Public Records
Confirmation Date:	02/96 & 05/97
Buyer Profile:	Speculator

COMMENTS:

Parcel 80 in Bell Road Improvement District No. 2. Tax Parcel 15, 990 feet north, sold on terms in May 1995 for $1.25/SF. Tax Parcels 17 and 19, 330 feet north, are listed for $1.42/SF (expired?) and $1.26/SF, respectively.

NO. 7, A LAND PURCHASE

Location:	East side of 96th Street Alignment, 1,467 feet south of Bell Road
Tax Parcel Number:	217-14-024
Seller:	Carlo Mormino
Buyer:	Alpha Partnership of Scottsdale
Sale Date:	05/17/90
Recording Date:	05/30/90
Instrument No.:	90-241363
Land Size:	5 Gross Acres
Zoning:	R1-35
Sale Price:	$263,500
Terms:	$100,000 cash; $163,500 Seller Deed of Trust
Price/SF:	$1.21
Confirmed By:	PGJ & GNZ
Confirmed With:	Public Records
Confirmation Date:	02/96 & 05/97

COMMENTS:

This sale predated "Desert Greenbelt" by five years. Parcel will be acquired by City of Scottsdale Desert Green.

NO. 8, A LAND PURCHASE

Location:	West side of 99th Street Alignment, 481.26 feet south of Bell Road
Tax Parcel Number:	217-14-013
Seller:	B&R Enterprises
Buyer:	Sovereign Investments, Inc.
Sale Date:	05/08/91
Recording Date:	05/17/91
Instrument No.:	91-223325
Land Size:	5 Gross Acres
Zoning:	R1-35
Sale Price:	$218,820
Terms:	$58,820, cash down, seller provided Deed of Trust for $160,000
Price/SF:	$1.00
Confirmed By:	PGJ & GNZ
Confirmed With:	Public Records
Confirmation Date:	02/96 & 05/97
Buyer Profile:	Speculator

COMMENTS:

Also known as Parcel 89 in Bell Road Improvement District No. 2. Tax Parcel 15 adjacent east sold in May 1995, on terms, for $1.25/SF. Tax Parcels 17 and 19, 330 feet south, are listed, or have expired listings, at $1.26/SF to $1.42/SF.

NO. 9, A LAND PURCHASE

Location:	West side of 100th Street Alignment, 2,460.92 feet south of Bell Road
Tax Parcel Number:	217-14-002
Seller:	Del Valle
Buyer:	Thornburn
Sale Date:	10/20/93
Recording Date:	11/10/93
Instrument No.:	93-780712
Land Size:	5 Gross Acres
Zoning:	R1-35
Sale Price:	$270,000
Terms:	$20,000 cash; $230,000 non-recourse note ($20,000 deferred?)
Price/SF:	$1.24
Confirmed By:	PGJ & GNZ
Confirmed With:	COMPS, MLS, Todd Melcher (943-3003)
Confirmation Date:	02/96 & 05/97
Buyer Profile:	Speculator

COMMENTS:

Parcel No. 76 in proposed Bell Road Improvement District No. 2. Adjacent to western-most boundary of McDowell Mountain Ranch.

Was listed for sale on 4/28/93 at $375,000 (presumably on terms: 10 years, 8%, 15% down). On market 196 days.

No record of prior sales since 1980.

NO. 10, A LAND PURCHASE

Location:	West side of 97th Street Alignment, 2,457 feet south of Bell Road
Tax Parcel Number:	217-14-026B
Seller:	Jurich
Buyer:	Thornburn
Sale Date:	04/27/94
Recording Date:	07/12/94
Instrument No.:	94-535775
Land Size:	2.5 Gross Acres
Zoning:	R1-35, HD
Sale Price:	$151,000
Terms:	$31,000 cash; seller carried $120,000
Price/SF:	$1.39
Confirmed By:	PGJ & GNZ
Confirmed With:	COMPS and public records
Confirmation Date:	02/96 & 05/97
Buyer Profile:	Speculator

COMMENTS:

Parcel is in path of the proposed Desert Greenbelt (Beardsley Wash) corridor and adjacent north of a state-owned parcel which may be included in a proposed expansion of Rawhide to include a hotel and dude ranch.

I don't know whether these proposed projects were known as of the date of sale. The sale predated the Desert Greenbelt Resolution by one year. It is not located in the proposed Bell Road Improvement District No. 2, presumably because of its proposed acquisition for the Desert Greenbelt.

According to public records, Jurich purchased this parcel in 10/83 for $40,000.

NO. 11, A LAND PURCHASE

Location:	East side of 99th Street Alignment, 481 feet south of Bell Road
Tax Parcel Number:	217-14-015
Seller:	Hooper
Buyer:	Bell 99 Partnership (Thornburn)
Sale Date:	05/08/95
Recording Date:	05/31/95
Instrument No.:	95-311757
Land Size:	5 Gross Acres
Zoning:	R1-35
Sale Price:	$272,950
Terms:	$43,050 cash (16%), seller financed (3 years)
Price/SF:	$1.25
Confirmed By:	PGJ
Confirmed With:	Todd Melcher (943-3003), and Rene Kollmyer w/Realty Executives (948-9450)
Confirmation Date:	02/13/96
Buyer Profile:	Speculator

COMMENTS:

Parcel 88 in proposed Bell Road Improvement District No. 2. Adjacent to the western-most border of McDowell Mountain Ranch and a planned 36.92 gross acre commercial parcel zoned P.C.C. According to Carol Baily, a sales representative with McDowell Mountain Ranch, the adjacent site will soon be developed with a major grocery and related retail.

According to public records, this parcel has sold as follows since 1985:

NO. 12, A LAND PURCHASE

Location:	1,320' East of the 96th Street alignment, 1,087'± South of Bell Road
Tax Parcel Number:	217-14-019
Seller:	Richard B. Kidwell
Buyer:	Sovereign Inv., Inc. (Stephen Weiss)
Sale Date:	06/20/96
Recording Date:	08/26/96
Instrument No.:	96-602033
Land Size:	5.0 Gross Acres
Zoning:	R1-35 ESL, Scottsdale
Sale Price:	$250,000
Terms:	$100,000 (40%) Cash; Seller Carried $150,000
Price/SF:	$1.15
Confirmed By:	GNZ
Confirmed With:	COMPS and Public Records
Confirmation Date:	06/97
Buyer Profile:	Speculator

COMMENTS:

Parcel is rectangular in shape with a general downward slope from northeast to southwest. There is no sewer or water service at the lot line.

According to MLS records, the property had been listed for sale since 09/15/95; the asking price was $275,000 or $1.26 per square foot.

NO. 13, A LAND LISTING

Location:	660 feet on the south side of Bell Road between 97th and 98th Street Alignments
Tax Parcel Number:	217-14-007A and 007B
Owner of Record:	Davis, Richard
Listing Date:	On market 346 days as of 02/09/96
Land Size:	6.416 Acres Net of Bell Road right-of-way
Zoning:	R1-35
Asking Price:	$710,000
Terms:	20% cash, balance over 10 years @ 10% interest
Price/SF:	$2.54
Confirmed By:	PGJ
Confirmed With:	MLS and Bill Schuckert, Broker, Edge Real Estate Services (922-0460)
Confirmation Date:	02/12/96

COMMENTS:

660 feet of Bell Road frontage. Parcels 55 and 56 in Bell Road Improvement District No. 2. Bell Road is improved less curbs, sidewalks, and sewer.

Public records indicate parcel was purchased by current owner in 1975.

Broker reported two offers have been received. One offer was at $2.00/SF on terms subject to rezoning. Another offer was at $2.10/SF cash, subject to rezoning (office/industrial), but the offerors could not agree among themselves. Thus, both fell through.

Broker reported owner will not support Improvement District because it is premature, may frustrate future assemblage, and is too costly vis a vis the value of the parcel.