

Halberg Pacific Appraisal Service

1507 East Beach Road
Port Angeles, WA 98363
(360) 928-3341

March 28, 2017

Port of Port Angeles
338 West First Street
Port Angeles, Washington 98362

RE: **Market Rent Analysis**
2220 West 18th Street

Ladies and Gentlemen:

This letter is an addendum to our appraisal dated December 15, 2016.

The conclusion of the December 15, 2016 report was:

The most reasonable estimates of market rental rates for the subject building are:

- **\$0.40 per square foot per month for the manufacturing areas, and**
- **\$0.80 per square foot per month for the office areas.**

As discussed on page 10 of the report,

“The difficulty of this appraisal assignment is the lack of similar local properties that have been rented in an open and competitive market. In our search for rental data on comparable light industrial and office buildings we relied most heavily on four recent transactions within the Port of Port Angeles North Airport Industrial Area.

Due to the paucity of local privately owned properties with similar characteristics our rental rate opinion has a large degree of uncertainty. The publicly owned properties relied on in this report may have had a different set of economic goals when the lease rates were established.

Therefore, a range of plus or minus 20% is reasonable. The December 15, 2016 opinion of market rental rates may best be described as the midpoint of a range of plus or minus 20%. As the subject property is marketed on a regional basis, more clarity should develop.

If you have any questions regarding this appraisal report, please contact us at (360) 928-3341.

Sincerely,



Greg V. Halberg

APPRAISAL

**2220 West 18th Street
Composites Recycling Center**

PREPARED FOR

Port of Port Angeles

PREPARED BY

**HALBERG PACIFIC APPRAISAL SERVICE
1507 East Beach Road
Port Angeles, WA 98363**

December 2016

Halberg Pacific Appraisal Service

1507 East Beach Road
Port Angeles, WA 98363
(360) 928-3341

December 15, 2016

Port of Port Angeles
338 West First Street
Port Angeles, Washington 98362

RE: **Market Rent Analysis**
2220 West 18th Street

Ladies and Gentlemen:

In fulfillment of our agreement we are pleased to transmit herewith our analysis of market rental rates, covering the leasehold interest in the property located at 2220 West 18th Street in the Airport Industrial Park in Port Angeles.

The existing improvements are currently occupied by Peninsula College and by The Composite Recycling Technology Center on a month to month lease. The purpose of this appraisal is to determine a market based lease rate for the building that is the subject of this appraisal.

The most reasonable estimates of market rental rates for the subject building are:

- **\$0.40 per square foot per month for the manufacturing/lab areas, and**
- **\$0.80 per square foot per month for the office areas.**

These rental rates do not include the leasehold excise tax.

If the entrepreneurial spirit that created the subject building leads to a financially successful outcome, as measured by its track record over the next two years, a significantly higher market rental rate could be justified, based on the quality of the building.

The date of value is December 15, 2016.

Our market rental opinions are qualified by certain definitions, limiting conditions, assumptions, and certifications, which are set forth on pages 2, 9, 14, and 15, of the appraisal report.

This report was prepared for and our professional fee billed to the Port of Port Angeles.

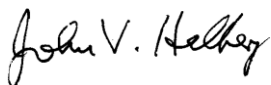
This appraisal is intended for use only by the client, the Port of Port Angeles. The intended use of this appraisal is to provide an independent estimate of the market rental rates for the subject property.

This report is not intended for any other use.

It may not be distributed to or relied upon by others without our written permission.

If you have any questions regarding this appraisal report, please contact us at (360) 928-3341.

Sincerely,



John V. Halberg, MAI



Greg V. Halberg

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IDENTIFICATION OF THE SUBJECT PROPERTY:

The property being appraised is located at 2220 West 18th Street in Port Angeles, Washington and consists of an industrial/laboratory/office and classroom building, occupied by the Composite Recycling Technology Center and Peninsula College.

PURPOSE OF THIS APPRAISAL:

The purpose of this appraisal is to provide a market rent analysis of the above-identified property.

INTENDED USE OF THIS APPRAISAL:

This appraisal is intended only for use by the client, the Port of Port Angeles, for making various decisions regarding the subject property.

EFFECTIVE DATE OF THIS APPRAISAL:

The effective date of this appraisal is December 15, 2016.

NATURE OF THIS APPRAISAL ASSIGNMENT:

This market rent analysis is being prepared for the exclusive use of the client, the Port of Port Angeles for their use in making various financial decisions regarding the subject property. Our primary responsibility in this appraisal assignment is to provide an independent estimate of the market rent for the real estate identified as the subject of this appraisal report.

SCOPE OF THIS APPRAISAL REPORT:

The main thrust of this appraisal assignment has been to analyze supply and demand factors for similar light industrial and office space within the market area, while recognizing the unique characteristics and location of the property being appraised.

We examined current rental rates and vacancy factors for similar light industrial and office space throughout Clallam County, with special emphasis on existing properties within the Port of Port Angeles North Airport Industrial Park. We also derived current rental rates from other locations in the greater Puget Sound area.

The property at 2220 West 18th Street is a unique construction designed to accommodate a particular use in an emerging industry of composite recycling. However, it is also located in an area with unique economic characteristics that are considerably different than the greater Puget Sound area.

We examined the relevance of the cost approach, and considered monthly rental rates derived from regional sales of office buildings, industrial/flex buildings, and large industrial buildings.

We also considered the recent purchase and conversion of the former Walmart building by Westport, and the conversion of the former Costco store in Carlsborg by the PUD.

In our reconciliation and final market rental rate estimate, we placed primary emphasis on data within the immediate neighborhood.

DELINEATION OF TITLE:

The subject building and improvements were built by the Port of Port Angeles and are currently leased to Peninsula College and to The Composite Recycling Technology Center on a month to month rental rate.

PROPERTY RIGHTS APPRAISED:

This appraisal is a market rent analysis to estimate market rental rates for the building being appraised.

DEFINITION OF MARKET RENT:

Market Rent is defined in the Dictionary of Real Estate Appraisal 4th edition, adopted by the Appraisal Foundation and the Appraisal Institute, as follows:

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of a leasehold from lessor to lessee under conditions whereby:

1. Lessee and lessor are typically motivated.
2. Both parties are well informed or well advised, and acting in what they consider their best interests.
3. A reasonable time is allowed for exposure in the open market.
4. The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract; and
5. The rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction.

DEFINITION OF CONTRACT RENT:

Contract rent is defined in the Dictionary of Real Estate Appraisal 4th edition, adopted by the Appraisal Foundation and the Appraisal Institute, as: The actual rental income specified in a lease.

LEASE PROVISIONS:

The subject building is leased to The Composite Recycling Technology Center and Peninsula College.

EXISTING MONTH-TO-MONTH LEASE AGREEMENT:

Lessor: Port of Port Angeles.

Lessee: The Composite Recycling Technology Center.

Premises: Approximately 18,500 square feet of manufacturing/lab and office space together with a one-half interest in 1,400 square feet of shared space located at 2220 West 18th Street in Port Angeles, Washington.

Equipment: Lessee is leasing certain Port-owned equipment, including without limitation: two built-in/walk-in freezer units; glycol pumps/piping; back-up generator; vacuum pumps/piping; and air compressor/piping.

Shared space: Reception area, restrooms, data and mechanical rooms.

Use of premises: Research and development of recycled carbon fiber composite materials and manufacture of products from the recycled materials.

Commencement date: August 1, 2016.

Term: Month to month.

Base rent (inclusive of shared space rent): \$8,985.60 per month; **\$0.486 per square foot.**

Equipment rent: \$1,000.00 per month, waived.

Common areas definition: Those areas in and around the premises owned by the Port that are provided and designated by the Port for the general non-exclusive use of the Port, lessee, and other tenants of the Port, including walkways, driveways, parking areas, service areas, and landscaped areas.

Common area maintenance expenses: Waived.

Abated rent: Base rent will be abated in the amounts indicated above for up to two years, and shall thereafter be amortized over the period of time remaining under the initial term of the lease.

Leasehold excise tax: \$1,153.75 per month (**\$0.062 per square foot**) for the premises and \$128.40 per month for the equipment.

EXISTING MONTH-TO-MONTH LEASE AGREEMENT:

Lessor: Port of Port Angeles.

Lessee: Peninsula College.

Premises: Approximately 5,100 square feet of laboratory and office space together with a one-half interest in 1,400 square feet of shared space (reception area, restrooms, data and mechanical rooms) located at 2220 West 18th Street in Port Angeles, Washington.

Equipment: Lessee is leasing certain Port-owned equipment, including without limitation: all equipment and air distribution implements related to a dust collection system.

Common areas: Reception area, restrooms, hallways, data, electrical and mechanical rooms.

Use of premises: Educational classrooms and related educational space for the purpose of offering educational opportunities for students to learn about modern and advanced manufacturing principles and concepts, and specific application of those principles and concepts to composites recycling and repurposing technologies in collaboration with CRTC.

Commencement date: July 11, 2016.

Term: Month to month.

Base rent: \$2,925.00 per month; **\$0.574 per square foot.**

Equipment rent: \$1,000.00 per month, waived.

Initial monthly common area maintenance expenses: \$600.00.

Abated rent: Base rent will be abated in the amounts indicated above for up to two years, and shall thereafter be amortized over the period of time remaining under the initial term of the lease.

Leasehold excise tax: Required, but amount not specified in lease agreement.

PERSONAL PROPERTY:

The valuation of the subject property involves the value of real property only and includes no personal property, trade fixtures, or intangible items.

The existing use as a composite recycling center and manufacturing facility requires trade fixtures specific to that particular industry. The appraisers are not experts in valuing such trade fixtures and recommend a specialist in that area for accurate valuation of those items. In general, if the items were included in the itemized costs to build the building provided to us by the Port of Port Angeles, we assumed that item was part of the real estate.

ASSESSED VALUE AND TAXES:

The land and improvements are owned by the Port of Port Angeles, and are not subject to taxation.

NEIGHBORHOOD DESCRIPTION:

The neighborhood is predominately an industrial zone consisting of those properties surrounding Fairchild International Airport.

North of the airport is approximately 150 acres owned by the Port of Port Angeles that is zoned and partially developed as a light industrial area. Prominent features of the North Airport industrial area are a newly created Composite Manufacturing Center which includes the 25,000 square foot subject property, Angeles Composite Technologies Inc. (ACTI), which currently occupies 100,000 square feet in four separate buildings, and the 93,500 square foot Westport furniture manufacturing facility and office space.

Westport has purchased the former Wal-Mart store at the east end of Port Angeles and is planning to begin operations there within the next year, which will leave 93,500 square feet vacant. The Port is planning to attract a manufacturing/assembly business to fill the available space.

The area south of the airport is zoned for heavy industry. Current uses south of the airport include Rite Bros Aviation, Federal Express, Angeles Communications, and a log debarking area for logs preparing for export to Asia.

SITE DESCRIPTION:

The subject is situated on Port owned land within the North Airport Industrial Park.

Access is via an asphalt paved drive from 18th Street.

Topography is level.

DESCRIPTION OF THE IMPROVEMENTS:

The subject is improved with a 25,000 square foot building. The building is a steel frame building with metal siding and roof on a concrete slab.

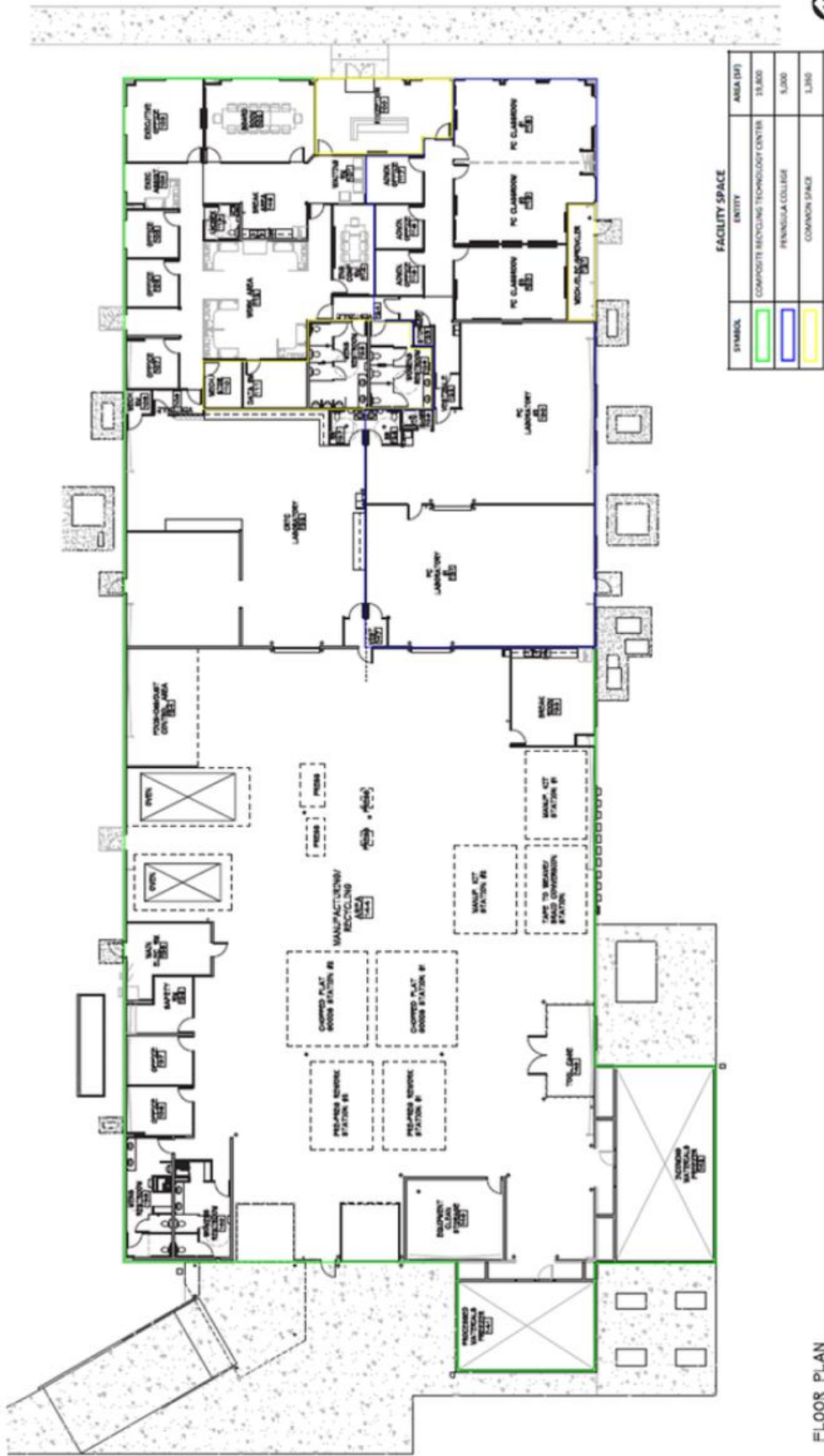
The building is functionally divided into two sections, classroom/office area, and a processing area.

The interior of the building has several partitions, separating the various components of the building.

According to information provided by the Port, the following table summarizes the different finishes to the building.

Breakdown of Space in 2220 West 18th Street Building		
Occupancy	Square Feet	Percentage of Total
CRTC Total Area	18,500	74%
CRTC Office Area	4,150	17%
CRTC Manufacturing /Lab Area	14,350	57%
PC Total Area	5,100	20%
PC Office Area	2,200	9%
PC Manufacturing/Lab Area	2,900	12%
Shared or Common Area	1,400	6%
Total Manufacturing /Lab Area	17,250	69%
Total Office Area	7,750	31%
Total Building Area	25,000	100%

The floor plan on the following page shows the layout of the subject improvements.



FLOOR PLAN

ZONING AND OTHER LAND USE REGULATIONS:

The subject is zoned light industrial by the City of Port Angeles.

The Light Industrial Zone is intended to create and preserve areas for industrial uses that are largely devoid of exterior nuisances in close proximity to airports and highways. Permitted uses are largely devoid of exterior nuisance factors, such as noise, glare, air and water pollution, and fire and safety hazards on adjacent non-industrial property, and to not have an exceptional demand on public facilities.

These types of industrial uses typically involve the manufacture of finished products from pre-fabricated materials, product wholesaling, and material storage. Buffering measures to reduce the impact of industrial uses on nearby residential uses may be required. While industrial and commercial uses that are largely devoid of any impacts detrimental to the environment are allowed, vehicle service stations with petroleum products and entertainment businesses with adult-only activities are also permitted uses, and a variety of maintenance and repair shops with hazardous material are also conditionally permitted uses.

This zone provide the basic urban land use pattern for light industrial uses with direct access to an arterial street, design standards for greater truck traffic, and buffers for nonindustrial uses.

Development standards are as follows: The minimum lot area for all uses is 7,000 square feet.

Maximum Width: None

Required setbacks are:

Front yard – Twenty-five (25) feet, except 35 feet abutting a residentially or commercially zoned property.

Side yard – Fifteen (15) feet, except 35 feet abutting a residentially or commercially zoned property

Rear yard – Twenty-five (25) feet, except 35 feet abutting a residentially or commercially zoned property.

Maximum Height. The maximum height is thirty-five (35) feet.

EXISTING USE:

The subject property is currently leased to Peninsula College and the Composite Recycling Technology Center, a 501c3 company whose mission is to lead and grow a composite recycling industry that fully diverts Washington State's carbon fiber scrap into value added products.

HIGHEST AND BEST USE:

In this section of the appraisal process the market is analyzed to determine the highest and best use of the subject property. The conclusions reached here will have a direct impact on the valuation analysis.

Highest and best use is defined as: That reasonable and probable use that supports the highest present value as of the effective date of the appraisal.

To estimate highest and best use, four elements are considered:

Possible use: What uses of the site are physically possible?

Permissible legal use: What uses of the site are permitted by zoning and deed restrictions?

Feasible use: Which possible and permissible uses will produce a net return to the owner of the site?

Highest and best use: Among the feasible uses, which use will produce the highest net return or the highest present worth?

Possible use: Possible uses are restricted primarily by size and shape.

Permissible use: There are no known deed restrictions. Zoning is enforced by the city of Port Angeles and permits industrial uses.

Feasible use: The subject's location, size, shape, topography, access, permissible uses as well as current land use in the neighborhood provide for potential light industrial uses in keeping with the subject's size.

Highest and best use: In our opinion, as of December 2016 the purpose built improvements are ideally suited for their purpose as an innovative composite recycling facility with an educational component. Other uses for light manufacturing, particularly with carbon fiber, are possible.

RENT COMPARABLES:

The difficulty of this appraisal assignment is the lack of similar local properties that have been rented in an open and competitive market. In our search for rental data on comparable light industrial and office buildings we relied most heavily on four recent transactions within the Port of Port Angeles North Airport Industrial Area.

We also considered an older, “free-market” light industrial building on Highway 101 near Airport Road.

COMPARABLE RENTAL PROPERTY 1: 2130 South O Street

In August 2007 a 10,000 square foot industrial building at 2130 South O Street was leased to Port Angeles City Light at a rental rate of \$4,100 per month, which is \$0.41 per square foot per month.

The south 15,000 square feet of this 25,000 square foot building is currently vacant and available for occupancy at a rental rate of \$0.40 to \$0.50 per square foot.

COMPARABLE RENT 2: ACTI

ACTI leases 75,000 square feet at 2138 West 18th Street in three separate 25,000 square foot buildings. These leases originated in June 2000 at a rental rate of \$0.30 per square foot per month.

In August 2011 ACTI expanded into a 25,000 square foot building at 2230 West 18th Street. Rental rates in this building are \$0.36 per square foot for 20,000 square feet of industrial space and \$0.71 per square foot for 5,000 square feet of office space.

COMPARABLE RENT 3: Westport Shipyard

In October 2002 Westport began leasing a 40,000 square foot building at 2140 West 18th Street at a rental rate of \$10,200 per month, which is \$0.255 per square foot per month.

In July 2004 Westport expanded into an adjacent 25,000 square foot building at 2140 West 18th Street at a rental rate of \$7,401 per month, which is \$0.296 per square foot per month.

COMPARABLE RENT 4: 1908 South O Street

In August 2007 a 6,028 square foot office building at 1908 South O Street was leased to GSA at a rental rate of \$4,822 per month, which is \$0.80 per square foot per month.

COMPARABLE RENT 5: 1921 West Highway 101

This property is located about 1,000 feet west of Airport Road and consists of approximately **7.06 acres** of industrial land, improved with a 31,100 square foot commercial/industrial building. The west 23,000 square feet was built in 1997; the east 8,100 square feet was built in 1999. This building is leased in smaller increments ranging between 800 and 4,000 square feet. Rental rates average \$0.507 per square foot. The landlord is responsible for real estate taxes, insurance, utilities, maintenance, and management resulting in a net income estimate of \$0.36 per square foot.

ANALYSIS OF LOCAL RENT COMPARABLES:

We analyzed five similar properties located within the local market area.

Rental	Description	Date of Lease	Square Feet	Price Per Square Foot	Quality
1.	2130 S O Street	August 2007	10,000	\$0.41	Similar
2.	ACTI (a)	June 2000	75,000	\$0.30	Inferior
	ACTI (b)	August 2011	20,000	\$0.36	Inferior
	ACTI (office)	August 2011	5,000	\$0.71	Similar
3.	Westport	October 2002	40,000	\$0.26	Inferior
	Westport	July 2004	25,000	\$0.30	Inferior
4.	GSA office	August 2007	6,028	\$0.80	Similar
5.	1921 W Highway 101	Current	31,100	\$0.36	Inferior

Overall, the available data indicate that light industrial space is in the \$0.30 to \$0.40 per square foot per month range, and that office space is in the \$0.70 to \$0.80 per square foot per month range. The subject property reflects significantly higher quality than the comparable properties, and therefore should be at the high end of the range.

COST APPROACH:

Our cost approach estimate is based on data provided by the Port of Port Angeles reflecting the actual costs of building the existing improvements. The cost approach is relevant to this assignment because it provides a way to infer a rental rate based on expected return on investment that a private investor would expect. In this case it also provides the most certain information regarding the subject.

The total cost of development as reported by the Port of Port Angeles was \$6,000,000, which indicates a finished cost of \$240 per square foot for the 25,000 square foot building.

We also used the Marshall Valuation Service calculator method for good quality class S laboratory facilities, from section 14, page 17 with a base cost of \$213.10. The local multiplier for adjusting the current costs from Section 14 for Clallam County is 1.14 for Class S buildings. Adjusted cost per square foot therefore is \$243.93. This indicates a value by the cost approach of \$6,073,350, which is very similar to the actual reported costs of the subject building.

Applying the 6.5% capitalization rate derived from our analysis of regional sales of office buildings, industrial/flex buildings, and large industrial buildings as shown on the following page, an average rental rate of \$1.30 per square foot per month is indicated.

Building	Square Feet	Cost	Cost/SF	Cap Rate	NOI	Rent/year	Rent/month
Subject	25,000	\$6,000,000	\$240.00	6.50%	\$390,000	\$15.60	\$1.30

This \$1.30 per square foot per month average could be achieved at a rental rate of \$2.00 per square foot per month for the 7,750 square feet of office area, and \$1.00 per square foot per month for the 17,250 square feet of manufacturing/lab areas.

CAPITALIZATION DERIVED APPROACH:

We used regional data from recent sales of similar light industrial and office sales with reported net incomes to derive a rental rate based on the known costs to build the subject and the capitalization rate based on income. The weakness of this approach is that structural market and economic conditions in the I-5 corridor are very dissimilar to the local market area. In short, demand for similar buildings in the local market has not been proven.

The regional sales suggest that buildings such as the subject have not been built on the Peninsula as an investment because the cost of building a similar building is much higher than any expected rental return on the investment.

We believe that this exercise is instructive to developing an overall opinion of market rent. The flow of capital is more fluid than the actual real estate, and therefore it is our opinion that the capitalization rate is valid on a regional scale. If nothing else, looking at value with this approach points out the necessity of public involvement through grants and subsidies to build and establish a building that can support a new industry such as recycling composites.

The tables below depict the average capitalization rates, and the annual and monthly rental rates derived from regional sales of office buildings, industrial/flex buildings, and large industrial buildings.

Market Rent derived from 28 Regional Office Sales:						
Average	Square Feet	Price/sf	Cap Rate	Year Built	Rent/sf/year	Rent/sf/month
	23,271	\$260	6.61%	1994	\$14.97	\$1.20

Market Rent derived from 19 Regional Industrial/Flex Sales:						
Average	Square Feet	Price/sf	Cap Rate	Year Built	Rent/sf/year	Rent/sf/month
	24,527	\$115	6.90%	1978	\$8.11	\$0.68

Market Rent derived from 30 Regional Large Industrial Sales:						
Average	Square Feet	Price/sf	Cap Rate	Year Built	Rent/sf/year	Rent/sf/month
	78,035	\$115	6.00%	1985	\$6.10	\$0.51

We conclude from this data that a market derived cap rate of 6.5% is applicable to the subject property, and that regional rental data indicates the possibility of future rent increases depending on local factors of supply and demand for similar properties.

RENTAL RATES DERIVED FROM LOCAL SALES:

Similar to the cost approach, this data provides a method of deriving a rental rate based on the actual cost. Using our regionally sourced capitalization rate, a derived rental rate can be determined based on the actual costs to produce a building that fits the needs of the occupants.

We focused primarily on two recent buildings that were purchased locally and extensively renovated.

Westport Shipyard recently purchased the former Walmart building located at the east end of Port Angeles. This is a good comparison because they purchased it to move out of existing Port owned property. The new building is a better fit for the manufacturing process, and Westport is an owner instead of leasing the property. Using a regional cap rate of 6.50% indicates a rental rate of \$0.26 per square foot per month, which is slightly less than what they were paying the Port at the composite campus.

We also used the conversion of the former Costco store in Carlsborg by the PUD. The total cost of the conversion including purchase and renovation was reported as \$10,650,000. This is slightly more than the per square foot cost of the subject building. Using the 6.5% regional cap rate, the indicated rent is \$1.36 per square foot per month.

Building	Square Feet	Cost	Cost/SF	Cap Rate	NOI	Rent/year	Rent/month
Westport	129,420	\$6,300,000	\$48.68	6.50%	\$409,500	\$3.16	\$0.26
PUD	42,562	\$10,650,000	\$250.22	6.50%	\$692,250	\$16.26	\$1.36

RECONCILIATION AND FINAL RENTAL RATE OPINION:

Overall, the available data, especially data within the immediate neighborhood, indicates that market rental rates for light industrial space are in the \$0.30 to \$0.40 per square foot per month range, and that market rental rates for office space is in the \$0.70 to \$0.80 per square foot per month range. The subject building is higher quality than these comparable properties and therefore should be at the high end of the range.

Supply and demand factors are the most relevant factor in estimating market rental rates for the subject.

Peninsula College, for example, has indicated that their rental payments will be derived from the number of students enrolled at and using the facilities in the subject building, and that, by comparison, they have had the option of free classroom space at the Lincoln Center in Port Angeles.

The most reasonable estimates of market rental rates for the subject building are:

- **\$0.40 per square foot per month for the manufacturing/lab areas, and**
- **\$0.80 per square foot per month for the office areas**

These rental rates do not include the leasehold excise tax.

If the entrepreneurial spirit that created the subject building leads to a financially successful outcome, as measured by its track record over the next two years, a significantly higher market rental rate could be justified, based on the quality of the building.

UNDERLYING ASSUMPTIONS AND CONTINGENT CONDITIONS:

The appraiser assumes:

- That any legal descriptions furnished are correct.
- That the title of the property is good.
- That there are no encumbrances or defects of title other than those mentioned in this report.
- That the property is free and clear of all liens.
- That the property will be managed efficiently and maintained properly.
- That any plans furnished are correct.
- That a use permit will be issued consistent with the highest and best use of the property.

This appraisal report is submitted subject to the following contingent conditions:

That no guarantee is made, nor liability assumed for inaccuracies or errors in estimates or opinions identified in this report as being furnished by others.

That no survey of the property has been made by your appraiser and no liability is assumed on matters of a legal character affecting the property, such as title defects, overlapping boundaries, etc.

Any sketches in this report are included to assist the reader in visualizing the property.

The distribution of the total valuation between land and buildings applies only under the existing program of utilization. The separate valuations between land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

Testimony or attendance in court is not required by reason of this appraisal, with reference to the property in question, unless arrangements have previously been made therefor.

This report, or any parts thereof, may not be reproduced in any form without permission of the appraiser.

RESTRICTION UPON DISCLOSURE AND USE:

1. Disclosure of the contents of this appraisal report is governed by the By-laws and regulations of the Appraisal Institute.
2. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned.

HAZARDOUS MATERIALS:

Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on or in the subject property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property.

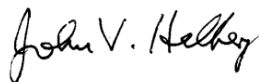
The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

CERTIFICATE OF APPRAISAL:

The undersigned does hereby certify that, except as otherwise noted in this appraisal report:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased, professional analyses, opinions and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
4. Our 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. Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, and in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
6. All the undersigned have made a personal inspection of the property that is the subject of this report.
7. No one provided significant professional assistance to the persons signing this report.
8. This report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
9. As of the date of this report, John V. Halberg, MAI, has completed the requirements of the continuing education program of the Appraisal Institute.
10. As of the date of this report, Greg V. Halberg has completed the education requirements of Washington State licensed General Appraisers.
11. As of the date of this report, Greg V. Halberg has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.

Dated: December 15, 2016



John V. Halberg, MAI



Greg V. Halberg

QUALIFICATIONS OF JOHN V. HALBERG, MAI

John V. Halberg is an independent real estate appraiser located in Clallam County, Washington. He has completed appraisal assignments for acquisition, arbitration, condemnation, feasibility, financing, and sale.

His professional territory has included more than seventy-five cities in California, Alaska, Washington, Arizona, Montana and Nevada. Appraisal practice is currently limited to Olympic Peninsula properties.

Clientele has included various individuals, attorneys, corporations, financial institutions, and government agencies.

He has evaluated real estate with a total worth in excess of \$200,000,000, including recreational land, residential land, industrial properties, waterfront land, motor hotels, shopping centers, office buildings, medical office buildings, retail store buildings, special purpose properties, gasoline service stations, apartments, condominiums, planned unit developments and miscellaneous properties.

His appraisal experience began in 1959 and has included several years as staff appraiser in Seattle and San Francisco for prominent real estate appraisal and mortgage banking companies.

He has qualified in the Superior Courts as an expert on real estate value.

Mr. Halberg has served on the faculty of the American Institute of Real Estate Appraisers, and as an instructor in real estate at Peninsula Community College in Port Angeles, Washington.

Educated at the University of Washington in Seattle, John V. Halberg majored in real estate and received a Bachelor of Arts degree in Business Administration. This basic real estate education has been supplemented by a number of real estate and appraisal courses and seminars sponsored by the University of California and by the Appraisal Institute.

Appraisal courses and seminars that have been completed recently include:

National USPAP Update Course	July 2015
Appraisal of Land Subject to Ground Leases	July 2015
Appraisal of Owner-Occupied Commercial Properties	July 2015
Seattle Real Estate Conference	October 2014
Water Rights	July 2013
Appraising the Appraisal: Appraisal Review - General	January 2012
Valuation of Conservation Easements	January 2008
Market Analysis and Highest and Best Use	March 2007
Business Practices and Ethics	April 2005
Report Writing and Valuation Analysis	March 2004
Uniform Standards for Federal Land Acquisitions	April 2002
Partial Interest Valuation, Divided and Undivided	October 2001
Advanced Income Capitalization	June 2001
Washington State Planning and Land Use Seminar	May 2000
Environmental Influences on Valuation	October 1998
Litigation Valuation Overview	March 1998
High Tech Appraisal Office	November 1997
Right of Way Valuation and LIDs	May 1995
Predevelopment Land	May 1994

QUALIFICATIONS OF GREG V. HALBERG

Greg V. Halberg is a Washington State Certified General Appraiser.

He earned a bachelor's degree from Western Washington University in 1992, and a Master's Degree Central Michigan University in 2001.

He joined Halberg Pacific Appraisal Service in August 2006.

Appraisal courses and seminars that have been completed include:

Uniform Standards of Professional Appraisal Practice	January 2016
Seattle Real Estate Conference	September 2015
Advanced Applications and Case Studies	October 2014
Seattle Real Estate Conference	September 2014
Cool Tools: Technology for the Appraisal Office	May 2014
Uniform Standards of Professional Appraisal Practice	January 2014
Seattle Real Estate Conference	September 2013
Water Rights	July 2013
Regression Analysis: Are you prepared?	September 2012
Appraising for the IRS	July 2012
Business Practices and Ethics	April 2010
Advanced Applications	April 2010
General Appraiser Report Writing and Case Studies	March 2009
General Appraiser Site Valuation and Cost Approach	March 2008
General Appraiser Sales Comparison Approach	February 2008
General Appraiser Income Approach Part II	November 2007
General Appraiser Income Approach Part I	November 2007
Uniform Appraisal Standards for Federal Land Acquisitions	May 2007
Real Estate Finance, Statistics, and Valuation Modeling	May 2007
General Market Analysis and Highest and Best Use	February 2007
Basic Appraisal Procedures	October 2006
Basic Appraisal Principles	October 2006
Uniform Standards of Professional Appraisal Practice	October 2006