December 2, 2011

City of Beaverton
C/o Cindy Tatham
Sustainability Division, Community and Economic Development Department
P.O. Box 4755
Beaverton, OR 97076

Re: Appraisal of Specified Equipment of interest to the City of Beaverton located at The Round, Beaverton Central, North of Henry Street, West of Watson Avenue, Beaverton, Oregon.

In accordance with your authorization, Purchase Order 90158 dated November 15, 2011; we have completed an inspection and prepared an appraisal of the referenced property. Our appraisal findings and conclusions are summarized in the enclosed documents. The report is issued as an electronic draft intended for your use.

Should you have any questions regarding the report or our attached invoice, please contact the undersigned.

We thank you for your confidence in our services and look forward to serving other valuation requirements of the City in the future.

On behalf of, Spearhead Valuation Group, LLC

and De Kanham

SUMMARY APPRAISAL REPORT OF SPECIFIED FIXTURES AND EQUIPMENT AT

THE ROUND IN

BEAVERTON, OREGON FOR

The City of Beaverton

Prepared by:

SPEARHEAD

VALUATION GROUP

Our File Number: BEAVERTON1

PREMISES OF VALUE:

Replacement Cost

Market Value in Continued Use

Appraisal Date: As of November 18, 2011

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PURPOSE, FUNCTION AND DATE OF THE APPRAISAL

The purpose of the service is to develop an estimate of the **Replacement Cost** and **Market Value-In Continued Use "as is and where is"** of the City's Central Plant Equipment to include the City owned infrastructure that is in various buildings that supports the heating, cooling and domestic hot water services for current and future buildings receiving services from the Central Plant.

We were advised that the appraisal of the subject items and assets was necessary in expectation of future financial decisions on the part of our client, the City of Beaverton, Oregon. The function of the appraisal will be in answer to valuation questions likely posed by anticipated actions regarding ownership of the property. The effective date of the appraisal is the date of our inspection, November 18, 2011.

INTENDED USERS OF THIS APPRAISAL

The appraisal report is only valid for the purpose defined herein. Accordingly, the intended authorized users will be limited to our Client of Record, the City of Beaverton. Any liability to unintended users is expressly denied. For further clarification of our services, please refer to the General Service Conditions and General Assumptions and Limiting Conditions. See Addenda Schedule "A" and "B", respectively, which form an integral part of this report.

IDENTIFICATION OF PROPERTY TO BE APPRAISED, Scope of Work

The specific facilities to be appraised are located in the area of the "Round" development and are part of the Beaverton Central Plant service area. A 2005 list of what the City owns has been provided. Since that time there have been some infrastructure additions that have been identified to us and are included in this appraisal.

DEFINITIONS AND PREMISES OF VALUE

The following definitions and premise, under which we are report, is appropriate to your needs.

Replacement Cost (new) is defined as: "the monetary amount required to reproduce property of like kind and quality at one time in accordance with current market prices for materials, labor, manufactured equipment, contractor's overhead, profit and fees, but without provisions for overtime, bonuses for labor, or premiums for materials."

Market Value is defined as: "the estimated monetary amount at which property might be expected to change hands (exchange) between a willing seller and a willing buyer when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts."

When <u>Market Value</u> is developed under the premise of <u>In Continued Use</u>, it is assumed that: "the buyer is intending that the assets that comprise the subject property will be retained in their present status for use in their present location or elsewhere for the current or similar operations." The premise of In Continued Use is generally appropriate under the following circumstances:

- The subject property fulfills an economic demand for the service it provides;
- The subject property has a remaining useful life expectancy;
- The continuation of the subject property's existing use is practical and economically viable;
- The assets which comprise the subject property are operable and have functional utility.

Market Value developed under the premise of In Continued Use represents value to the existing owner in use and does not represent the estimated monetary amount that may be realized from piecemeal disposition of the assets in the marketplace or from an alternative use of the assets.

APPRAISAL EXCLUSIONS/INCLUSIONS

As part of our appraisal investigation, we drew information from records related to the facility and conducted interviews with personnel identified by the City. In addition to our inspection, this appraisal investigation included the collection of property data, compilation of a listing of appraised items, a valuation analysis, and the preparation of our summary appraisal report.

Excluded from the scope of this appraisal service will be the following classifications of property:

- Real Estate Land and improvements, Buildings and Structures
- Leasehold Interests the subject equipment assets occupy space in buildings owned by others, we have not valued any rights of occupancy enjoyed by the City
- Domestic water and sewer systems not owned by the City in each building
- All inventories whether goods being distributed or supplies and parts used at the subject's location
- All other property not specified as to be included.

The following classifications of property are included in the scope of our appraisal report:

- All Machinery, Equipment and any Personal Property assets as identified on your supplied lists – Chillers, Cooling Towers, - Hot Water Boilers, Pumps, -Control Systems, Foundations, Millwork
- Power Feed Wiring limited to the operation of equipment
- Process Piping limited to the operation of equipment

VALUATION METHODOLOGY AND ITS APPLICATION

In accordance with universally recognized appraisal practices, our valuation of the specified property is based on one or more of the three approaches to value:

1. <u>Cost Approach</u> measures value by determining the current reproduction or replacement cost of an asset and deducting for the various elements of appraisal depreciation: physical deterioration and functional and economic obsolescence.

The Cost Approach is utilized to develop Market Value Continued Use for specialized systems and customized machinery and other equipment.

- 2. <u>Direct Comparison (Market) Approach</u> relies on an analysis of recent sales and offering prices of similar assets in the marketplace to develop an indication of the most probable selling price of the property under appraisal.
- Income Capitalization Approach determines value based on the present worth of the future benefits (income) of ownership of an asset or group of assets.

Our valuation analysis considered all three approaches to value. The Direct Comparison (Market) Approach was employed for any asset for which sufficient market information was available to enable us to develop an indication of value based on sales or price offerings of similar assets on the used market. The Cost Approach was utilized for the special purpose assets which do not typically trade on the used market, but have significant owner value at their present location and in continued operation.

The Income Capitalization Approach was not utilized because an investigation of the present and prospective earning capacity of the enterprise in which the specified property is used was beyond the scope of our valuation service. Rather, to develop our opinion of market value, we assumed that the prospective earnings generated by the business will provide a reasonable return on the concluded value of the appraised assets, as well as assets excluded from our valuation and adequate net working capital. An opinion of Market Value developed under this assumption is known as with "Assumed Earnings."

APPRAISAL REPORT CONTENTS

Our appraisal report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP). Our report is issued electronically and includes:

- This Letter Summary Report which identifies the property appraised, states the purpose, summarizes the nature of our service, and presents the conclusions reached.
- An Addendum consisting of:

Schedule "A" - General Service Conditions;

Schedule "B" - General Assumptions and Limiting Conditions;

Schedule "C" - Curriculum Vitae of Appraisers

All supporting notes developed for this appraisal project will be safely stored and retained for a period of five years. This will facilitate future appraisal updates and may provide additional property details should this become necessary.

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APPRAISERS' CERTIFICATION STATEMENT

Re: Appraisal of Specified Equipment of interest to City of Beaverton, Oregon

We (and each certifying appraiser) hereby certify that, to the best of our knowledge and belief, the statements of fact contained in this report are true and correct.

The reported analysis, opinions, and conclusions are limited only by the reported assumptions, limiting conditions, and legal instructions, and are the personal, unbiased, and professional analyses, opinions, and conclusions of the certifying appraiser(s). Our analysis, opinions and conclusions are in conformity with the Uniform Standards of Professional Appraisal Practice including the Competency Provision.

There is no present or prospective interest, nor any bias or personal interest with respect to the subject property, and no personal interest on our part with respect to the parties involved with this assignment. Our findings are not contingent upon developing or reporting predetermined results, and our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction of value that favor the cause of the Client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.

A personal inspection of the referenced subject property was conducted by Mr. Matthew D. Kaufman and Mr. Richard A. Kaufman ASA, on November 18, 2011 for the purpose of preparing an appraisal and that the property custodian, or his/her designated representative, was given the opportunity to accompany the appraiser(s) during the property inspection.

Certified by,

Inspectors and Appraisers of the Subject Property

Matthew D. Kaufman Richard A. Kaufman ASA

DATE: December 2, 2011

CONCLUSION AND AGGREGATE FINAL ESTIMATE OF VALUE

We have performed our appraisal as detailed herein and applied appropriate valuation methodologies to the subject property situated in and of interest to City of Beaverton. It is our opinion that as November 18, 2011, the estimate of

Replacement Cost (new) and Market Value in Continued Use (as is) and our final total estimate(s) of value of the subject assets at all the properties is reasonably stated as follows:

Premise of Value RCN MViCU

\$6,975,000 \$3,925,000

Replacement Cost (new) (RCN) and Market Value in Continued Use (as is) (MViCU)

Note: All Dollars are rounded US Funds

On behalf of,

Spearhead Valuation Group, LLC

Matthew D. Kaufman

Principal

FEES FOR THIS SERVICE AND ADDITIONAL SERVICE

Our invoiced fee for this project is \$4,800.00 (Forty Eight Hundred Dollars). This all inclusive price is inclusive of our hourly estimate for the requested service. The fee accepted by your purchase order and shown on the attached invoice are strictly for the appraisal services detailed herein. Any additional services you may subsequently require will be invoiced at the fees and disbursements then in effect. These additional services may include:

- Inclusion of additional property;
- Consideration of the subject property under additional premises of value;
- Participation in meetings or negotiations with you, your representatives or other third parties;
- Provision of expert court testimony.

SPEARHEAD VALUATION GROUP

ADDENDA

SCHEDULE "A" GENERAL SERVICE CONDITIONS

The service(s) provided by Spearhead Valuation Group, LLC. (hereinafter "Spearhead") are performed in accordance with professional appraisal standards. Our compensation is not contingent in any way upon the conclusion of value. We have assumed, without independent verification, the accuracy of all data that was provided to us. We have acted as an independent contractor. Spearhead reserves the right to alter, revise and/or rescind the values reported should any subsequent or additional information be found, or in the event the engagement parameters are modified to any material degree. Client acknowledges that this engagement will involve analysis, judgment and other performance from time to time in a context where the participation of the Client or others is necessary, where answers often are not certain or verifiable in advance and where facts and available information change with time. Accordingly, evaluation of Spearhead's performance of its obligations shall be based solely on its substantial conformance with any standards or specifications expressly set forth in this agreement and all applicable professional standards, any such nonconformity (and applicability) to be clearly and convincingly shown. If there are any changes in the relevant laws, regulations, industry market conditions or other circumstances, including in the Client's own business practices, Spearhead has no responsibility to advise Client of any such changes and Client acknowledges the need for it to re-evaluate Spearhead's preceding services and deliverables.

We will reserve the right to include clients company name in our reference list, however, we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings.

Spearhead shall be obligated only for work or deliverables specified in the arrangement letter referencing these terms, and only for changes in such scope that are set forth in writing and duly executed by the parties hereto. To the extent all specific details of the engagement are not so documented, the parties shall work diligently and in good faith to document them at the request of either party.

SCHEDULE "B" GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report from Spearhead Valuation Group LLC (hereinafter "Spearhead") is subject to the following general assumptions and limiting conditions:

- 1. This appraisal has been made in conformance with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation. This is a Summary Appraisal Report. As such, it might not include full discussions of 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. 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.
- 2. In conducting this service, Spearhead has assumed that it has received full cooperation and assistance from the Client(s) and its representatives including full access to the subject property and prompt receipt of the data and information requested. Spearhead will use this information believed reliable; however, no responsibility is taken for inaccuracy subsequently discovered in such information or data. No responsibility will be assumed for the legal description or for matters including legal or title considerations. Title to the property will be assumed to be good and marketable, and free and clear of any liens and encumbrances, unless otherwise stated.
- 3. The Client(s) have warranted that the information and data supplied to Spearhead is complete and accurate in every respect to the best of Client's knowledge; and that any reports, analysis, or other documents prepared by Spearhead will be used only in compliance with all applicable laws and regulations.
- 4. Full compliance with all applicable federal, state and local zoning, use, occupancy, environmental and similar laws and regulations is assumed, unless otherwise stated. Spearhead assumed that the subject property is in compliance with any legislative requirements. Furthermore any required licenses, certificates or rights required to operate are presumed to be current and in place.
- 5. Responsible ownership and competent property management of the subject property is assumed. No responsibility is taken for changes in market or other conditions and no obligation is assumed to revise this report to reflect events or conditions that occur subsequent to the appraisal date thereof. We reserve the right to alter, revise and/or rescind the values reported should any subsequent or additional information be found, or in the event the engagement parameters are modified to any degree.
- 6. No environmental audit or environmental impact study of the subject property was conducted as part of this appraisal. It is assumed that the use of the subject property complies fully with any and all environmental regulations and laws. It is further assumed that there are no hazardous materials on or in the vicinity of the subject property, unless Spearhead is provided with an environmental report indicating otherwise.
- 7. Spearhead always provides to the Client, in good faith, valuation conclusions that to the best of our knowledge are accurate as of the appraisal date; however, all subsequent decisions and actions taken by the Client or its representatives in connection with our reported conclusions shall be the Client's responsibility.

SCHEDULE "C" CURRICULUM VITAE OF APPRAISERS

Professional Profile - Richard Kaufman, FASA, FRICS

Richard Kaufman has performed and supervised valuations and consulting projects on a national and international basis for over 30 years. His area of expertise is primarily machinery and equipment/personal property. However, he has valued buildings and improvements for insurance purposes and while licensed as a real estate appraiser for other purposes. He has broad experience in performing valuations and consulting projects for a variety of uses including the following:

- Tax appeal
- Insurance
- Purchase price allocation
- Asset-based lending
- Eminent Domain

- Donations
- Liquidations
- Bankruptcy
- Various other purposes
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In addition to his valuation experience, Mr. Kaufman has experience testifying in bankruptcy court, arbitration cases, and in several states regarding personal property tax matters.

His valuation experience includes a wide range of industries including, but not limited to, telecommunications, broadcasting (television and radio), foundries, specialty metalworking and metal stamping, paper and cardboard products, lumber mills, graphics and printing, aviation, automotive (OEM and suppliers), trucking, railroads and car manufacturing, packaging products, plastic injection molding, rubber processing, electronic manufacturing, petrochemical and specialty chemicals, food processing and distribution, financial institutions, retail and wholesale distribution, general manufacturing, as well as universities, utilities, and port facilities of all types.

Mr. Kaufman's past professional employment includes Suncorp Valuations, Inc. where he was the Senior Vice President / Managing Director US Operations. Earlier in his career, Richard held senior management positions at Kroll Inc., Arthur Andersen, and American Appraisal Associates.

He is a Senior Member of the American Society of Appraisers ("ASA"), and is a member of the ASA's College of Fellows. He is a course instructor in machinery and equipment for the Society. Mr. Kaufman earned a BSc in Engineering from Oregon State University.

In addition to his membership in the ASA, Mr. Kaufman is also a Fellow of The Royal Institution of Chartered Surveyors ("RICS") headquartered in London.

Mr. Kaufman has authored various articles and has given presentations at national conferences on topics such as valuing special purpose properties, property taxation issues, and other valuation related subjects.

ABOUT RICS

The Royal Institution of Chartered Surveyors is a worldwide organization of property professionals and others interested in professional practice standards in land, property, and construction matters. International in membership, it is a self-supporting and independent organization. Established originally in the UK in 1868 by Royal charter, RICS is the oldest and only major organization regulating all property specialists either as individuals or as member firms.

Professional Profile - Matt Kaufman

Matt Kaufman has performed and supervised valuations and consulting projects on a national basis for over 5 years. His area of expertise is primarily machinery and equipment/personal property. However he has broad experience in performing valuations and consulting projects for a variety of purposes including the following:

Tax appeal Donations
Insurance Liquidations
Purchase price allocation Bankruptcy

Asset-based lending Various other purposes

Eminent Domain

In addition to his valuation experience, Mr. Kaufman has experience testifying in Oregon regarding personal property tax matters

His valuation experience includes a wide range of industries including, but not limited to: scrap metal, specialty metalworking, paper and cardboard products, Heavy machinery, Equipment and Auto Dealerships, railroads, manufacturing facilities, rubber processing, food processing and distribution retail and wholesale distribution, general manufacturing, and nightclubs

Mr. Kaufman's past professional experience includes employment at American Licorice Company where he was the Electronic Commerce Analyst. Mr. Kaufman was also a full time member of the Oregon Army National Guard from which he was honorably discharged.

He is a candidate as an Accredited Member of the American Society of Appraisers ("AM"), and followed shortly by the ASA in 2011. Mr. Kaufman earned a BA from Portland State University and is working toward his MBA

ABOUT THE ASA and USPAP

The American Society of Appraisers is a worldwide organization of appraisal professionals and others interested in the appraisal profession. International in membership, it is a self-supporting and independent organization with headquarters in the Washington DC area. The ASA is the oldest and only major appraisal organization representing all of the disciplines of appraisal specialties. It is one of the major appraisal societies that, in 1987, founded the Appraisal Foundation which was created to establish uniform criteria for professional appraisers of all types of assets and properties. The U. S. Congress has recognized the Foundation as the source for the development and promulgation of appraisal standards and qualifications. Relied upon by state licensing bodies, the Foundation has published and maintains the Uniform Standards of Professional Appraisal Practice ("USPAP").